

# [Younger bus lines](https://assignbuster.com/younger-bus-lines/)

HW#10 Start 15 Nov 2008 at 08: 00 PM Due 27 Nov 2008 at 01: 00 AM Access after Due Yes. Mark Late Graded: Yes E10-2
Trudy Company incurred the following costs.
1.
Sales tax on factory machinery purchased
$5, 000
2.
Painting of and lettering on truck immediately upon purchase
700
3.
Installation and testing of factory machinery
2, 000
4.
Real estate broker's commission on land purchased
3, 500
5.
Insurance premium paid for first year's insurance on new truck
880
6.
Cost of landscaping on property purchased
7, 200
7.
Cost of paving parking lot for new building constructed
17, 900
8.
Cost of clearing, draining, and filling land
13, 300
9.
Architect's fees on self-constructed building
10, 000
Instructions
Indicate to which account Trudy would debit each of the costs.
1.
Machinery Account
2.
Truck Account
3.
Machinery Account
4.
Land Account
5.
Truck Account
6.
Property Account
7.
Building Account
8.
Land Account
9.
Building Account
E10-5
Younger Bus Lines uses the units-of-activity method in depreciating its buses. One bus was purchased on January 1, 2008, at a cost of $168, 000. Over its 4-year useful life, the bus is expected to be driven 100, 000 miles. Salvage value is expected to be $8, 000.
Compute the depreciation cost per unit. (Round answer to 2 decimal places.)
$1. 60 per mile [(168000 - 8000)/100000]
Prepare a depreciation schedule assuming actual mileage was: 2008, 26, 000; 2009, 32, 000; 2010, 25, 000; and 2011, 17, 000.
Computation
End of Year
Year
Units of
Activity
Depreciation
Cost/Uint
=
Annual
Depreciation
Expense
Accumulated
Depreciation
Book
Value
2008
26000
$ 1. 60
$ 41, 600
$
$
2009
32000
$ 1. 60
$ 51, 200
2010
25000
$ 1. 60
$ 40, 000
2011
17000
$ 1. 60
$ 27, 200
E10-6
Kelm Company purchased a new machine on October 1, 2008, at a cost of $120, 000. The company estimated that the machine will have a salvage value of $12, 000. The machine is expected to be used for 10, 000 working hours during its 5-year life.
Instructions
Compute the depreciation expense under the following methods for the year indicated.
Straight-line for 2008.
$ 21, 600 [(120, 000 - 12, 000)/5]
Units-of-activity for 2008, assuming machine usage was 1, 700 hours. (Round unit price per hour to 2 decimal places.)
$ 18, 360 [{(120, 000 - 12, 000)/10, 000} x 1, 700]
Declining-balance using double the straight-line rate for 2008 and 2009.
2008
$ 48, 000 [120, 000 x 20% x 2]
2009
$ 28, 800 [(120, 000-48000) x 20% x 2]
E10-7
Brainiac Company purchased a delivery truck for $30, 000 on January 1, 2008. The truck has an expected salvage value of $2, 000, and is expected to be driven 100, 000 miles over its estimated useful life of 8 years. Actual miles driven were 15, 000 in 2008 and 12, 000 in 2009.
Compute depreciation expense for 2008 and 2009 using (1) the straight-line method, (2) the units-of-activity method, and (3) the double-declining balance method.
Assume that Brainiac uses the straight-line method. (1) Prepare the journal entry to record 2008 depreciation. (2) Show how the truck would be reported in the December 31, 2008, balance sheet.
Description/Account
Debit
Credit
Depreciation Expense - Vehicles
$ 3500
Accumulated Depreciation - Vehicles
$ 3500
Cost of Vehicle - Truck
30000
Less: Accumulated Depreciation
3500
$26500
E10-9
Presented below are selected transactions at Ingles Company for 2008.
Jan. 1
Retired a piece of machinery that was purchased on January 1, 1998. The machine cost $62, 000 on that date. It had a useful life of 10 years with no salvage value.
June 30
Sold a computer that was purchased on January 1, 2005. The computer cost $40, 000. It had a useful life of 5 years with no salvage value. The computer was sold for $14, 000.
Dec. 31
Discarded a delivery truck that was purchased on January 1, 2004. The truck cost $39, 000. It was depreciated based on a 6-year useful life with a $3, 000 salvage value.
Instructions
Journalize all entries required on the above dates, including entries to update depreciation, where applicable, on assets disposed of. Ingles Company uses straight-line depreciation. (Assume depreciation is up to date as of December 31, 2007.) (List multiple debit/credit entries in descending order of amount.)
Date
Description
Debit
Credit
Jan. 1
Accumulated Depreciation - Machinery
62, 000
Machinery Account
62, 000
June 30
Depreciation Expense - Computer
4, 000
Accumulated Depreciation - Computer
4, 000
June 30
Accumulated Depreciation - Computer
28, 000
Cash
14, 000
Computer Account
40, 000
Gain on Disposal of Computer
2, 000
Dec. 31
Depreciation Expense - Delivery Truck
6, 000
Accumulated Depreciation - Delivery Truck
6, 000
Dec. 31
Accumulated Depreciation - Delivery Truck
30, 000
Loss on disposal of Truck
9000
Delivery Truck
39, 000
E10-10
Beka Company owns equipment that cost $50, 000 when purchased on January 1, 2005. It has been depreciated using the straight-line method based on estimated salvage value of $5, 000 and an estimated useful life of 5 years.
Instructions
Prepare Beka Company's journal entries to record the sale of the equipment in these four independent situations.
Sold for $28, 000 on January 1, 2008. (List multiple debit/credit entries in descending order of amount.)
Description
Debit
Credit
Accumulated Depreciation
27, 000
Cash
28, 000
Equipment Account
50, 000
Gain on Sale of Equipment
5, 000
Sold for $28, 000 on May 1, 2008. (List multiple debit/credit entries in descending order of amount.)
Description
Debit
Credit
Depreciation Expense - Equipment
3, 000
Accumulated Depreciation - Equipment
3, 000
Accumulated Depreciation - Equipment
30, 000
Cash
28, 000
Equipment Account
50, 000
Gain on Sale of Equipment
8, 000
Sold for $11, 000 on January 1, 2008. (List multiple debit/credit entries in descending order of amount.)
Description
Debit
Credit
Accumulated Depreciation
27, 000
Loss on Sale of Equipment
12, 000
Cash
11, 000
Equipment Account
50, 000
Sold for $11, 000 on October 1, 2008. (List multiple debit/credit entries in descending order of amount.)
Description
Debit
Credit
Depreciation Expense - Equipment
6, 750
Accumulated Depreciation - Equipment
6, 750
Accumulated Depreciation - Equipment
33, 750
Cash
11, 000
Loss on Sale of Equipment
5, 250
Equipment Account
50, 000
P10-2A
In recent years, Juresic Transportation purchased three used buses. Because of frequent turnover in the accounting department, a different accountant selected the depreciation method for each bus, and various methods were selected.
Bus
Acquired
Cost
Salvage
Value
Useful Life
in Years
Depreciation Method
1
1/1/06
$96, 000
$6, 000
5
Straight-line
2
1/1/06
120, 000
10, 000
4
Declining-balance
3
1/1/07
80, 000
8, 000
5
Units-of-activity
For the declining-balance method, the company uses the double-declining rate. For the units-of activity method, total miles are expected to be 120, 000. Actual miles of use in the first 3 years were: 2007, 24, 000; 2008, 34, 000; and 2009, 30, 000.
Compute the amount of accumulated depreciation on each bus at December 31, 2008.
Bus 1
$54, 000
Bus 2
$105, 000
Bus 3
$34, 800
If bus no. 2 was purchased on April 1 instead of January 1, what is the depreciation expense for this bus in (1) 2006 and (2) 2007
2006
$45, 000
2007
$37, 500
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