

# [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   
Copyright 2000-2008 by John Wiley & Sons, Inc. or related companies. All rights reserved.