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