

# [Accounting: brainiac company essay sample](https://assignbuster.com/accounting-brainiac-company-essay-sample/)

E9-7 Brainiac Company purchased a delivery truck for $30, 000 on January 1, 2011. 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 2011 and 12, 000 in 2012. Instructions

(a) Compute depreciation expense for 2011 and 2012 using (1) the straight-line method, (2) the units-of-activity method, and (3) the double-declining balance method. (b) Assume that Brainiac uses the straight-line method.

(1) Prepare the journal entry to record 2011 depreciation.
(2) Show how the truck would be reported in the December 31, 2011, balance sheet. Straight-line depreciation rate ($30, 000 – $2, 000) / 8 years = $3, 500 per year Straight-line depreciation for 2010 $3, 500

Straight-line depreciation for 2011 $3, 500
Units-of-Activity depreciation rate ($30, 000 – $2, 000) / 100, 000 miles = $. 28 per mile Units-of-Activity depreciation for 2010 $4, 200 (15, 000 miles x $. 28 per mile) Units-of-Activity depreciation for 2011 $3, 360 (12, 000 miles x $. 28 per mile) Double declining balance depreciation rate (1 / 8) x 2 = 25% Double declining balance depreciation for 2010 $7, 500 ($30, 000 \* 25%) Double declining balance depreciation for 2011 $5, 625 [($30, 000 – $7, 500) x 25%] (1)

Debit Depreciation Expense $3, 500
Credit Accumulated Depreciation – Delivery Truck $3, 500
(2)
Brainiac Company
Partial Balance Sheet
December 31, 2010
Assets
Property, Plant and Equipment
Delivery Truck $30, 000
Less Accumulated Depreciation $3, 500
Book Value $26, 500

E10-5 Don Walls’s gross earnings for the week were $1, 780, his federal income tax withholding was $301. 63, and his FICA total was $135. 73.
Instructions
(a) What was Walls’s net pay for the week?
(b) Journalize the entry for the recording of his pay in the general journal. (Note: Use Salaries Payable; not Cash.)
(c) Record the issuing of the check for Walls’s pay in the general journal. a. Gross – taxes = Net pay
1780 – 301. 63 -135. 73 = $1342. 64
b. Salaries Expense1780
FICA Payable135. 73
Fed. Income Tax Withholding Payable301. 63
Salaries Payable1342. 64
c. Salaries Payable1342. 64
Cash1342. 64