

Accounting: brainiac company essay sample



**ASSIGN
BUSTER**

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 $(\$30,000 - \$2,000) / 8 \text{ years} = \$3,500$ per year
Straight-line depreciation for 2010 \$3,500

Straight-line depreciation for 2011 \$3,500

Units-of-Activity depreciation rate $(\$30,000 - \$2,000) / 100,000 \text{ miles} = \$.$

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 $(1 / 8) \times 2 =$

25%
Double declining balance depreciation for 2010 \$7,500 $(\$30,000 \times$

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 Expense 1780

FICA Payable 135. 73

Fed. Income Tax Withholding Payable 301. 63

Salaries Payable 1342. 64

c. Salaries Payable 1342. 64

Cash 1342. 64