

## **EXERCISE E10-1**

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- (b)**
- 1. Land**
  - 2. Equipment**
  - 3. Equipment**
  - 4. Land Improvements**
  - 5. Equipment**
  - 6. Equipment**
  - 7. Prepaid Insurance**
  - 8. License Expense**

## **EXERCISE E10-2**

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- 1. Equipment**
- 2. Equipment**
- 3. Equipment**
- 4. Land**
- 5. Prepaid Insurance**
- 6. Land Improvements**
- 7. Land Improvements**
- 8. Land**
- 9. Building**

**EXERCISE E10-3**  
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	<u>Land</u>	<u>Bldg</u>	<u>Land Impvmts</u>
<b>Purchase price</b>	<b>80,000</b>		
<b>Razing old building</b>	<b>8,600</b>		
<b>Sale of scrap materials</b>	<b>(1,700)</b>		
<b>Attorney's fees</b>	<b>1,100</b>		
<b>Broker's commission</b>	<b>5,000</b>		
<b>Architect's fee</b>		<b>7,800</b>	
<b>Driveways, parking lot</b>	<u>          </u>	<u>          </u>	<b>14,000</b>
<b>Totals</b>	<b><u>93,000</u></b>	<b><u>7,800</u></b>	<b><u>14,000</u></b>

# EXERCISE E10-5

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$$\frac{\text{(cost - salvage)}}{\text{life (activity)}} = \text{cost per unit (rate)}$$

$$\frac{\text{(\$168,000 - \$8,000)}}{100,000 \text{ miles}} = \$1.60 \text{ per mile}$$

<u>Year</u>	<u>Units of Activity</u>	<u>Rate</u>	<u>Depreciation Expense</u>	<u>Accumulated Depreciation</u>	<u>Book Value</u>
<b>2008</b>	<b>26,000</b>	<b>\$1.60</b>	<b>\$41,600</b>	<b>\$ 41,600</b>	<b>\$126,400</b>
<b>2009</b>	<b>32,000</b>	<b>\$1.60</b>	<b>\$51,200</b>	<b>\$ 92,800</b>	<b>\$ 75,200</b>
<b>2010</b>	<b>25,000</b>	<b>\$1.60</b>	<b>\$40,000</b>	<b>\$132,800</b>	<b>\$ 35,200</b>
<b>2011</b>	<b>17,000</b>	<b>\$1.60</b>	<b>\$27,200</b>	<b>\$160,000</b>	<b>\$ 8,000</b>

# EXERCISE E10-6

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## (1) Straight-Line

$$\frac{(\text{cost} - \text{salvage})}{\text{life (yrs)}} = \text{depr per year}$$

$$\frac{(\$120,000 - \$12,000)}{5 \text{ yrs}} = \$21,600 \text{ per yr}$$

OR

$$\frac{1}{\text{life}} = \text{SL Rate}$$

$$(\text{cost} - \text{salvage}) \times \text{SL Rate} = \text{depr per year}$$

$$\frac{1}{5} = 20\%$$

$$(\$120,000 - \$12,000) \times 20\% = \$21,600$$

$$\text{First Year: } \$21,600 \times 3/12 = \$5,400$$

$$\text{Second Year: } \$21,600$$

## EXERCISE E10-6

### (2) Units of Activity

$$\frac{(\text{cost} - \text{salvage})}{\text{life (activity)}} = \text{cost per unit (rate)}$$

$$\frac{(\$120,000 - \$12,000)}{10,000 \text{ hours}} = \$10.80 \text{ per hour}$$

$$1,700 \text{ hours} \times \$10.80 = \$18,360$$

### (3) Double Declining Balance

**Cost**

) Acc Depr

$$= \text{Book Value} \times (2 \times \text{SL Rate}) = \text{depr for yr}$$

\$120,000

) -0-

$$= \$120,000 \times (2 \times 20\%) = \$48,000$$
$$\times \frac{3}{12}$$
$$= \$12,000$$

) 12,000

$$= \$108,000 \times (2 \times 20\%) = \$43,200$$

## EXERCISE E10-9 – page 492

<u>Date</u>	<u>Account Titles</u>	<u>Ref</u>	<u>Debit</u>	<u>Credit</u>
1/1	Accumulated Depr.		62,000	
	Equipment			62,000
6/30	Depreciation Expense		4,000	
	Accumulated Depr.			4,000
	(40,000 x 1/5 x 6/12)			
30	Cash		14,000	
	Accumulated Depr.		28,000	
	Equipment			40,000
	Gain on Disposal			2,000
12/31	Depreciation Expense		6,000	
	Accumulated Depr.			6,000
31	Accumulated Depr.		30,000	
	Loss on Disposal		9,000	
	Equipment			39,000

## EXERCISE E10-10 – page 492

<u>Date</u>	<u>Account Titles</u>	<u>Ref</u>	<u>Debit</u>	<u>Credit</u>
<b>(a)</b>	<b>Cash</b>		<b>28,000</b>	
	<b>Acc Depr – Equipment</b>		<b>27,000</b>	
	<b>Equipment</b>			<b>50,000</b>
	<b>Gain on Disposal</b>			<b>5,000</b>
<b>(b)</b>	<b>Depreciation Expense</b>		<b>3,000</b>	
	<b>Acc Depr – Equip</b>			<b>3,000</b>
	<b>Cash</b>		<b>28,000</b>	
	<b>Acc Depr – Equipment</b>		<b>30,000</b>	
	<b>Equipment</b>			<b>50,000</b>
	<b>Gain on Disposal</b>			<b>8,000</b>
<b>(c)</b>	<b>Cash</b>		<b>11,000</b>	
	<b>Acc Depr – Equipment</b>		<b>27,000</b>	
	<b>Loss on Disposal</b>		<b>12,000</b>	
	<b>Equipment</b>			<b>50,000</b>
<b>(d)</b>	<b>Depreciation Expense</b>		<b>6,750</b>	
	<b>Acc Depr – Equipment</b>			<b>6,750</b>
	<b>Cash</b>		<b>11,000</b>	
	<b>Acc Depr – Equipment</b>		<b>33,750</b>	
	<b>Loss on Disposal</b>		<b>5,250</b>	
	<b>Equipment</b>			<b>50,000</b>

**EXERCISE \*E10-15**  
**page 493 (part 1)**

<b>Cost of old trucks</b>	<b>\$64,000</b>
<b>Less: Acc Depr</b>	<u><b>22,000</b></u>
<b>Book Value</b>	<b>\$42,000</b>
<b>FMV of old trucks</b>	<u><b>36,000</b></u>
<b>Loss on Disposal</b>	<u><b>\$ 6,000</b></u>

**Gave:**

<b>FMV of Old Trucks</b>	<b>\$36,000</b>
<b>Cash</b>	<u><b>17,000</b></u>
<b>Cost of New Trucks</b>	<u><b>\$53,000</b></u>

<u>Date</u>	<u>Account Titles</u>	<u>Ref</u>	<u>Debit</u>	<u>Credit</u>
1.	<b>Trucks (new)</b>		<b>53,000</b>	
	<b>Accumulated Depr (old)</b>		<b>22,000</b>	
	<b>Loss on Disposal</b>		<b>6,000</b>	
	<b>Trucks (old)</b>			<b>64,000</b>
	<b>Cash</b>			<b>17,000</b>

## EXERCISE \*E10-15 (part 2.)

Cost of old machine	\$12,000
Less: Acc Depr	<u>4,000</u>
Book Value	\$ 8,000
FMV of old machine	<u>9,000</u>
Gain on Disposal	<u>\$ 1,000</u>

**Gave:**

FMV of Old Machine	\$ 9,000
Cash	<u>3,000</u>
Cost of New Machine	<u>\$12,000</u>

<u>Date</u>	<u>Account Titles</u>	<u>Ref</u>	<u>Debit</u>	<u>Credit</u>
2.	Equipment (new)		12,000	
	Accumulated Depr (old)		4,000	
	Gain on Disposal			1,000
	Equipment (old)			12,000
	Cash			3,000

## BRIEF EXERCISE BE10-1

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Cash Paid for Land	\$70,000
Accrued Taxes	3,000
Attorneys' Fees	2,500
Real Estate Commission	2,000
Clearing and Grading	<u>3,500</u>
Total Cost of Land	<u>\$81,000</u>

## BRIEF EXERCISE BE10-2

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Cash Price of Truck	\$30,000
Sales Tax	1,500
Painting and Lettering	<u>400</u>
Total Cost of Truck	<u>\$31,900</u>

### Expenses:

Accident insurance	\$2,000
Vehicle License	\$ 100

# BRIEF EXERCISE BE10-3

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## Straight-Line

$$\frac{(\text{cost} - \text{salvage})}{\text{life (yrs)}} = \text{depr per year}$$

$$\frac{(\$42,000 - \$6,000)}{4 \text{ yrs}} = \$9,000 \text{ per yr}$$

**OR**

$$\frac{1}{\text{life}} = \text{SL Rate}$$

$$(\text{cost} - \text{salvage}) \times \text{SL Rate} = \text{depr per year}$$

$$\frac{1}{4} = 25\%$$

$$(\$42,000 - \$6,000) \times 25\% = \$9,000$$

<b>First Year:</b>	<b>\$ 9,000</b>
<b>Second Year:</b>	<b>\$ 9,000</b>

**BRIEF EXERCISE BE10-5**  
**page 488**

**Double Declining Balance**

**Cost**

) **Acc Depr**

= **Book Value x (2 x SL Rate) = depr for yr**

**\$42,000**

) **-0-**

= **\$42,000 x (2 x 25%) = \$21,000**

) **21,000**

= **\$21,000 x (2 x 25%) = \$ 10,500**

**BRIEF EXERCISE BE10-6**  
**page 488**

**(cost - salvage) = cost per unit (rate)**  
**life (activity)**

**(\$33,500 - \$500) = \$.22 per mile**  
**150,000 miles**

**Y1: 30,000 miles x \$.22 = \$6,600**

**Y2: 20,000 miles x \$.22 = \$4,400**

**BRIEF EXERCISE BE10-9**  
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<u>Date</u>	<u>Account Titles</u>	<u>Ref</u>	<u>Debit</u>	<u>Credit</u>
(a)	Accumulated Depr		41,000	
	Equipment			41,000
(b)	Accumulated Depr		39,000	
	Loss on Disposal		2,000	
	Equipment			41,000

**BRIEF EXERCISE BE10-10**  
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<u>Date</u>	<u>Account Titles</u>	<u>Ref</u>	<u>Debit</u>	<u>Credit</u>
(a)	Depreciation Expense		5,250	
	Accumulated Depr			5,250
(b)	Cash		20,000	
	Accumulated Depr		47,250	
	Loss on Disposal		4,750	
	Equipment			72,000

**BRIEF EXERCISE \*BE10-15**  
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<u>Date</u>	<u>Account Titles</u>	<u>Ref</u>	<u>Debit</u>	<u>Credit</u>
	<b>Equipment</b>		<b>24,000</b>	
	<b>Accumulated Depr</b>		<b>30,000</b>	
	<b>Loss on Disposal</b>		<b>12,000</b>	
	<b>Equipment</b>			<b>61,000</b>
	<b>Cash</b>			<b>5,000</b>

**BRIEF EXERCISE BE10-16**  
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<u>Date</u>	<u>Account Titles</u>	<u>Ref</u>	<u>Debit</u>	<u>Credit</u>
	<b>Equipment</b>		<b>43,000</b>	
	<b>Accumulated Depr</b>		<b>30,000</b>	
	<b>Gain on Disposal</b>			<b>7,000</b>
	<b>Delivery Equipment</b>			<b>61,000</b>
	<b>Cash</b>			<b>5,000</b>