

Practices

1. Abdul Rahman Brothers purchased a machinery on 1st January 2011 for IQD 10000. Salvage value IQD 2000, Useful life 8 years. They decided to depreciate the machinery by straight Line Method. Show the machinery account for the first 3 years.
2. Ahmed Brothers purchased machinery on 1st January 2013 for IQD 50000. They decided to depreciate the machinery by 5% following Declining-balance method, show the machinery account from the above particulars for the first four years.
3. Machine was purchased for IQD 2000000 cash. IQD 800000 was paid as freight and shipment charges of and IQD 1700000 was also paid as charges of installation. The estimated total the total units of production for machine is 100000 unit, and salvage is IQD 1000000.

Required:-

- (a) Compute the machine cost.
 - (b) Compute depreciation expenses of the machine in case in Product for 15000 unit during the first year of its life, and 20000 unit during the second year.
 - (c) Pass the acquisition and depreciation entries in the Journal.
4. Deluxe Company purchases equipment on January 1, Year 1, at a cost of \$469,000. The asset is expected to have a service life of 12 years and a salvage value of 40,000.

Instructions:

- (a) Compute the amount of depreciation for each of Years 1 through 3 using the straight-line depreciation method.
- (b) Compute the amount of depreciation for each of Years 1 through 3 using the sum-of-the-years'-digits method.

(c) Compute the amount of depreciation for each of Years 1 through 3 using the double-declining-balance method.

5. Baghdad Company purchased a new plant asset on April 1, 2017, at a cost of \$711,000. It was estimated to have a service life of 20 years and a salvage value of \$60,000. Baghdad's accounting period is the calendar year.

Instructions:

(a) Compute the depreciation for this asset for 2017 and 2018 using the sum-of-the-years'-digits method.

(b) Compute the depreciation for this asset for 2017 and 2018 using the double-declining-balance method

6. ABC Company purchased equipment for \$212,000 on October 1, 2017. It is estimated that the equipment will have a useful life of 8 years and a salvage value of \$12,000. Estimated production is 40,000 units and estimated working hours are 20,000. During 2017, ABC uses the equipment for 525 hours and the equipment produces 1,000 units.

Instructions:

Compute depreciation expense under each of the following methods. ABC is on a calendar-year basis ending December 31.

(a) Straight-line method for 2017.

(b) Activity method (units of output) for 2017.

7. The Sprague Company purchased a machine on January 1, 2018, at a net cost of \$130,000. At the end of its four-year useful life, the company estimates that the machine will be worth \$30,000. Sprague also estimates that the machine will run for 25,000 hours during its four-year life. The company's fiscal year ends on Dec. 31.

Required: Compute depreciation for 2018 through 2021 using each of the following methods:

1. Straight line 2. Sum-of-the-years'-digits 3. Double-declining balance