

## Practices

Q1: Choose the correct answer:

1. Erin Danielle Company purchased equipment and incurred the following costs.

Cash price	\$24,000
Sales taxes	1,200
Insurance during transit	200
Installation and testing	400
Total costs	\$25,800

What amount should be recorded as the cost of the equipment?

. \$24,000	. \$25,200	c. \$25,400	d. \$25,800
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2. Depreciation is a process of:

A. valuation.	B. cost allocation.	C. cash accumulation	D. appraisal
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3. Bennie Razor Company has decided to sell one of its old manufacturing machines on June 30, 2012. The machine was purchased for \$80,000 on January 1, 2008, and was depreciated on a straight-line basis for 10 years assuming no salvage

Value. If the machine was sold for \$26,000, what was the amount of the gain or loss recorded at the time of the sale?

A. \$18,000.	B. \$54,000	C. \$22,000.	D. \$46,000
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Q2: Baghdad Co. purchased machinery on January. 1, 2020, for \$650000. The machinery is estimated to have a residual value of \$70000 after a useful life of 5 years. During that time, it is expected that the machine will produce (145000)

1 year	20000 produced
2 year	47000 produced
3 year	37000 produced
4 year	29000 produced
5 year	12000 produced

**Instructions:**

- (a) **Compute 2020,2021 depreciation expense using double-declining-balance depreciation**
- (b) **Assume sold for \$ 115000 on 1 September 2022, using Units – of – production method; prepare the journal entry to record and closing.**

Q3: Basra Co. traded a used truck (cost \$50000, accumulated depreciation \$36500 & depreciation of the exchange year \$1500) for an equipment worth \$15000. Basra also paid \$1700 in the transaction. **Prepare the journal entry to record the exchange and closing. (The exchange has commercial substance.)**

Q4: Baghdad Co. purchased machinery on July 1, 2018, for \$720000. The machinery is estimated to have a residual value of \$70000 after a useful life of 10 years.

(a) Compute 2018, 2019 depreciation expense using the sum-of-the-years'-digits method

(b) Compute 2018, 2019 & 2020 depreciation expense using the straight-line method

(c) Assume using the straight-line method, sold for \$ 280000 on 1 January 2021; prepare the journal entry to record and closing.

Q5: Swinton Company purchased a new machine on October 1, 2012, 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.**

**(a) Straight-line for 2012.**

**(b) Units-of-activity for 2012, assuming machine usage was 1,700 hours.**

**(c) Declining-balance using double the straight-line rate for 2012 and 2013.**

Q6: : Lockard SE purchased machinery on January 1, 2022, for €80,000. The machinery is estimated to have a residual value of €8,000 after a useful life of 8 years.

**(a) Compute 2022,2023 depreciation expense using the straight-line method.**

**(b) Compute 2022,2023 depreciation expense using the straight-line method, assuming the machinery was purchased on September 1, 2022.**

**(c) Compute 2022, 2023 depreciation expense using the sum-of-the-years'-digits method.**

**(d) Compute 2022, 2023 depreciation expense using the sum-of-the-years'-digits method, assuming the machinery was purchased on April 1, 2022.**

**(e) Compute 2022, 2023 depreciation expense using the double declining-balance method.**

**(f) Compute 2022, 2023 depreciation expense using the double-declining-balance method, assuming the machinery was purchased on October 1, 2022.**

Q7: Use the information for Lockard SE given in Q1 prepare the journal entry to record depreciation & closing