Exercise 8-2

Recording costs of assets **C1**

Cala Manufacturing purchases a large lot on which an old building is located as part of its plans to build a new plant. The negotiated purchase price is $280,000 for the lot plus $110,000 for the old building. The company pays $33,500 to tear down the old building and $47,000 to fill and level the lot. It also pays a total of $1,540,000 in construction costs—this amount consists of $1,452,200 for the new building and $87,800 for lighting and paving a parking area next to the building. Prepare a single journal entry to record these costs incurred by Cala, all of which are paid in cash.

Exercise 8-4

Straight-line depreciation **P1**

Ramirez Company installs a computerized manufacturing machine in its factory at the beginning of the year at a cost of $43,500. The machine's useful life is estimated at 10 years, or 385,000 units of product, with a $5,000 salvage value. During its second year, the machine produces 32,500 units of product. Determine the machine's second-year depreciation under the straight-line method.

Exercise 8-5

Units-of-production depreciation **P1**

Ramirez Company installs a computerized manufacturing machine in its factory at the beginning of the year at a cost of $43,500. The machine's useful life is estimated at 10 years, or 385,000 units of product, with a $5,000 salvage value. During its second year, the machine produces 32,500 units of product. Determine the machine's second-year depreciation using the units-of-production method.

Exercise 8-6

Double-declining-balance depreciation **P1**

Ramirez Company installs a computerized manufacturing machine in its factory at the beginning of the year at a cost of $43,500. The machine's useful life is estimated at 10 years, or 385,000 units of product, with a $5,000 salvage value. During its second year, the machine produces 32,500 units of product. Determine the machine's second-year depreciation using the double-declining-balance method.

Exercise 8-16

Disposal of assets **P2**

Diaz Company owns a milling machine that cost $250,000 and has accumulated depreciation of $182,000. Prepare the entry to record the disposal of the milling machine on January 3 under each of the following independent situations.

1. **The machine needed extensive repairs, and it was not worth repairing. Diaz disposed of the** machine, receiving nothing in return.
2. Diaz sold the machine for $35,000 cash.
3. Diaz sold the machine for $68,000 cash.
4. Diaz sold the machine for $80,000 cash.

QS 8-9

Disposal of assets **P2**

Garcia Co. owns equipment that cost $76,800, with accumulated depreciation of $40,800. Garcia sells the equipment for cash. Record the sale of the equipment under the following three separate cases assuming Garcia sells the equipment for (1) $47,000 cash, (2) $36,000 cash, and (3) $31,000 cash.

QS 8-12

Intangible assets and amortization **P4**

On January 4 of this year, Diaz Boutique incurs a $105,000 cost to modernize its store. Improvements include new floors, ceilings, wiring, and wall coverings. These improvements are estimated to yield benefits for 10 years. Diaz leases its store and has eight years remaining on the lease. Prepare the entry to record (1) the cost of modernization and (2) amortization at the end of this current year.