**In Class Assignments Long-Term Assets Wild 22e**

Exercise 10-1

Cost of plant assets **C1**

Rizio Co. purchases a machine for $12,500, terms 2/10, n/60, FOB shipping point. The seller prepaid the $360 freight charges, adding the amount to the invoice and bringing its total to $12,860. The machine requires special steel mounting and power connections costing $895. Another $475 is paid to assemble the machine and get it into operation. In moving the machine to its steel mounting, $180 in damages occurred. Materials costing $40 are used in adjusting the machine to produce a satisfactory product. The adjustments are normal for this machine and are not the result of the damages. Compute the cost recorded for this machine. (Rizio pays for this machine within the cash discount period.)

Exercise 10-2

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 10-3

Lump-sum purchase of plant assets **C1**

Rodriguez Company pays $375,280 for real estate plus $20,100 in closing costs. The real estate consists of land appraised at $157,040; land improvements appraised at $58,890; and a building appraised at $176,670. Allocate the total cost among the three purchased assets and prepare the journal entry to record the purchase.

QS 10-3

Straight-line depreciation P1

On January 2, 2015, the Matthews Band acquires sound equipment for concert performances at a cost of $65,800. The band estimates it will use this equipment for four years, during which time it anticipates performing about 200 concerts. It estimates that after four years it can sell the equipment for $2,000. During year 2015, the band performs 45 concerts. Compute the year 2015 depreciation using the straight-line method.

Exercise 10-7

Straight-line depreciation **P1**

In early January 2015, NewTech purchases computer equipment for $154,000 to use in operating activities for the next four years. It estimates the equipment's salvage value at $25,000. Prepare a table showing depreciation and book value for each of the four years assuming straight-line depreciation.

QS 10-4

Units-of-production depreciation P1

On January 2, 2015, the Matthews Band acquires sound equipment for concert performances at a cost of $65,800. The band estimates it will use this equipment for four years, during which time it anticipates performing about 200 concerts. It estimates that after four years it can sell the equipment for $2,000. During year 2015, the band performs 45 concerts. Compute the year 2015 depreciation using the units-of-production method.

Exercise 10-5

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.

QS 10-6

Double-declining-balance method **P1**

A fleet of refrigerated delivery trucks is acquired on January 5, 2015, at a cost of $830,000 with an estimated useful life of eight years and an estimated salvage value of $75,000. Compute the depreciation expense for the first three years using the double-declining-balance method.

Exercise 10-6

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.

QS 10-5

Computing revised depreciation **C2**

On January 2, 2015, the Matthews Band acquires sound equipment for concert performances at a cost of $65,800. The band estimates it will use this equipment for four years. It estimates that after four years it can sell the equipment for $2,000. Matthews Band uses straight-line depreciation but realizes at the start of the second year that due to concert bookings beyond expectations, this equipment will last only a total of three years. The salvage value remains unchanged. Compute the revised depreciation for both the second and third years.

QS 10-9

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 assuming Garcia sells the equipment for (1) $47,000 cash, (2) $36,000 cash, and (3) $31,000 cash.

Exercise 10-16

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.

Problem 10-6A

Disposal of plant assets **C1** **P1** **P2**

Onslow Co. purchases a used machine for $178,000 cash on January 2 and readies it for use the next day at an $2,840 cost. On January 3, it is installed on a required operating platform costing $1,160, and it is further readied for operations. The company predicts the machine will be used for six years and have a $14,000 salvage value. Depreciation is to be charged on a straight-line basis. On December 31, at the end of its fifth year in operations, it is disposed of.

Required

1. Prepare journal entries to record the machine's purchase and the costs to ready and install it. Cash is paid for all costs incurred.
2. Prepare journal entries to record depreciation of the machine at December 31 of (*a*) its first year in operations and (*b*) the year of its disposal.
3. Prepare journal entries to record the machine's disposal under each of the following separate assumptions: (*a*) it is sold for $15,000 cash; (*b*) it is sold for $50,000 cash; and (*c*) it is destroyed in a fire and the insurance company pays $30,000 cash to settle the loss claim.