**Recording costs of assets**

Kegler Bowling buys scorekeeping equipment with an invoice cost of $185,000. The electrical work required for the installation costs $19,425. Additional costs are $3,885 for delivery and $13,330 for sales tax. During the installation, the equipment was damaged and the cost of repair was $1,795.

Indicate whether each cost should be recorded as the cost of the equipment or expensed as incurred.

**Recording costs of assets**

Cala Manufacturing purchases land for $287,000 as part of its plans to build a new plant. The company pays $28,200 to tear down an old building on the lot and $41,687 to fill and level the lot. It also pays construction costs $1,750,100 for the new building and $110,472 for lighting and paving a parking area.

Prepare a single journal entry to record these costs incurred by Cala, all of which are paid in cash.

**Lump-sum purchase of plant assets**

Rodriguez Company pays $405,405 for real estate with land, land improvements, and a building.

Land is appraised at $234,000; land improvements are appraised at $104,000; and the building is appraised at $182,000.

**1.** Allocate the total cost among the three assets.
**2.** Prepare the journal entry to record the purchase.

**Depreciation**

On January 1, the Matthews Band pays $67,800 for sound equipment. The band estimates it will use this equipment for five years and perform 200 concerts. It estimates that after five years it can sell the equipment for $2,000. During the first year, the band performs 55 concerts.

Compute the first-year depreciation using the **straight-line method**.

Compute the first-year depreciation using the **units-of-production method.**

**Double-declining-balance method**

A building is acquired on January 1 at a cost of $960,000 with an estimated useful life of ten years and salvage value of $86,400.

Compute depreciation expense for the first three years using the double-declining-balance method.

**Computing revised depreciation**

On January 1, the Matthews Band pays $66,600 for sound equipment. The band estimates it will use this equipment for five years and after five 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 this equipment will last only **a total of three years**. The salvage value is not changed.

Compute the revised depreciation for both the second and third years.

**Disposal of assets**

Garcia Co. owns equipment that cost $78,400, with accumulated depreciation of $41,600.

Record the sale of the equipment under the following three separate cases assuming Garcia sells the equipment for (1) $48,200 cash, (2) $36,800 cash, and (3) $31,700 cash.