

Tutorial 9 (Week 11) – Investing Activities: PPE

On 1 July 2026, Hunt3X paid \$202,000 in cash to purchase a small event space together with some existing equipment in a lump-sum transaction. The fair market values and other additional information of the event space and equipment are as follows:

	Fair Market Value	Estimated Useful Life	Estimated Residual Value
Event Space	\$150,000	15 years	None
Equipment A	\$60,000	5 years	5,000
Equipment B	\$40,000	4 years	2,000

Hunt3X elected to use the straight-line depreciation method for the event space, the double-declining balance method for Equipment A, and the units-of-production method for Equipment B.

Equipment B has an estimated total productive output of 8,000 units. Actual production output for the year 2026 was 850 units, and for the year 2027 was 2,270 units.

Required for Tutorial 9:

Using your spreadsheet:

- (1) Calculate how much should Hunt3X record as the acquisition cost of each of the equipment.

- (2) Calculate the depreciation expense for the year 2026 and 2027, and the carrying amount at the end of each year for each of the following:
 - (i) Event Space
 - (ii) Equipment A
 - (iii) Equipment B

- (3) If Hunt3X had used straight-line depreciation for all its assets, how would this affect its financial statements in 2026 and 2027?

- (4) Assuming that on 1 Jan 2027, Hunt3X changed its depreciation method for Equipment A to the straight-line depreciation method and revises its salvage value to \$3,000. What is the revised depreciation expense for Equipment A for the year 2027?

- (5) Equipment B produced 1,045 units during the first two quarters of 2028. Assuming that on 30 June 2028, Hunt3X sold Equipment B for \$20,000, what is the journal entry that Hunt3X would record to dispose the asset?
- (6) If Hunt3X's CEO suggests that the accounting manager adopt a more aggressive depreciation policy to improve key ratios such as Current Ratio, ROA and Debt Ratio, how might the accounting manager achieve this? How should the accounting manager respond to such a request from both a professional and ethical standpoint?

~ End of Tutorial 9 ~