Exercise 6 of Chapter 3

Double-declining Balance = Cost x DDB rate x Using time

= 20,000 x 2/5 x 6/12

= $4,000

Dec 31, 2018 Dr. Depreciation Expense – Car 4,000

Cr. Accumulated Depreciation-Car 4,000

Double-declining Balance = BV at the beg of 2nd year x DDB rate

= 16,000 x 2/5

= 6,400

Dec 31, 2019 Dr. Depreciation Expense-Car 6,400

Cr. Accumulated Depreciation-Car 6,400

|  |  |  |  |
| --- | --- | --- | --- |
|  | Depreciation Exp | Accumulated Depreciation | Book Value (Cost – Accumulated Depre) |
| 2018 | 4,000 | 4,000 | 16,000 |

Problem 3-5 (6)

(Double-Declining Balance)

Depreciation expense for January, 2019 = 90,000 x DDB rate

= 90,000 x 2( 1 )

6x12

= 90,000 x 2/72

= 2,500

Jan 31, 2019: Dr. Depreciation Expense- Delivery Truck 2,500

Cr. Accumulated Depreciation – Delivery Truck 2,500

Problem 3-5 (7)

(Units-of Activity)

Depreciation Expense for January, 2019 = 101,000 – 10,000 x 4,500 miles

100,000 miles

= 0.91per mile x 4,500 miles

= $4,095

Jan 31, 2019: Dr. Depreciation Expense- Truck 4,095

Cr. Accumulated Depreciation – Truck 4,095

Problem 3-5 (8)

(Straight-line)

Depreciation Expense for January, 2019 = 60,000 – 0

8 years x 12

= $625

Dec 31, 2019: Dr. Depreciation Expense- Delivery Equipment 625

Cr. Accumulated Depreciation – Delivery Equipment 625

Jan 31, 2020: Dr. Depreciation Expense- Delivery Equipment 625

Cr. Accumulated Depreciation – Delivery Equipment 625

**Problem 3-3**

1. Straight-line for 2019 = Cost – Salvage value x Time used.

Useful life in years

= 96,000 – 12,000 x 3/12

5 years

= 16,800 x ¼

= $4,200

1. Units-of-activity for 2019 = Cost – Salvage value x Activity used.

Useful life in units

= 96,000 – 12,000 x 1,700 hrs.

10,000 hrs.

= $8.4 per hr. x 1,700 hrs.

= $14,280

1. Declining-balance using double the straight-line rate for 2019

= Cost x DDB rate x Time

= 96,000 x 2/5 x 3/12

= $9,600

Declining-balance using double the straight-line rate for 2020

= (96,000 – 9,600) x 2/5

= $34,560

Problem 3-6 (Part A)

1(a) (Straight-line method)

Depreciation Expense for 2019 = $72,000 – 12,000 x 3/12

20 years

= 3,000 x ¼

= $750

b. Units of activity method for 2020.

Depreciation Expense for 2020 = $72,000 – 12,000 x 24,000 miles

200,000 miles

= $0.3 per mile x 24,000 miles

= $7,200

c. Double declining balance method for 2020

Depreciation expense for 2019 = Cost x DDB rate x Time used in the 1st year

= 72,000 x 2/20 x 3/12

= $1,800

Depreciation expense for 2020 = BV at the beginning of 2nd, year x DDB rate

= (72,000 – 1,800) x 2/20

= $7,020

2) Dr. Depreciation Expense – Truck $750

Cr. Accumulated Depreciation – Truck 750

Problem 3-7 (part A)

**a) Annama uses the straight-line method of depreciation.**

Depreciation expense for 2019 = 150,000 – 10,000

7 years

= $20,000

Dec 31, 2019 Dr. Depreciation Expense – printer 20,000

Cr. Accumulated Depreciation – Printer 20,000

**b) Annama uses the double-declining balance method.**

Depreciation expense for 2019 = 150,000 x 2/7

= $42,857.14

**c) Annama uses the units-of-activity method**

Depreciation expense for 2019 = 150,000 – 10,000 x 3,500 units

21,000 units

= $23,333.33