

### Homework 7

Due by 12PM CT (noon) on Tuesday, October 15<sup>th</sup>

Answers to this homework assignment must be submitted online through eLearning

1. Taiyuan Construction Corp. has the following information about Accumulated Depreciation for 2020:

- Beginning Accumulated Depreciation of \$80,000
- Accumulated Depreciation associated with 2022 Property, Plant & Equipment disposals of \$12,000
- Ending Accumulated Depreciation of \$110,000

Fill in the below T-account for Accumulated Depreciation for 2020. How much did Taiyuan Construction Corp recognize in Depreciation Expense in 2020? Assume there were no impairments.

Accumulated Depreciation (XA)


2. Taiyuan Construction Corp. has the following information about Property, Plant, & Equipment, Gross for 2022:

- Beginning PP&E, Gross of \$185,000
- PP&E purchases of \$65,000
- Ending PP&E, Gross of \$217,000

Fill in the below T-account for PP&E, Gross for 2022. As you'll see, Taiyuan Construction Corp must have disposed of some PP&E during 2022. What was the acquisition cost of the sold PP&E?

Property, Plant & Equipment, Gross (A)


3. Jamal Green owns Green Thumb Plant Nursery, a business that sells plants and gardening supplies. On January 1, 2015, Green Thumb Plant Nursery acquired a delivery truck for \$30,000 on account. The truck had a useful life of 6 years and a salvage value of \$6,000. The company plans to use the straight-line depreciation method

(a) Record the journal entry for the purchase on January 1, 2015.

(b) On December 31, 2015, record the adjusting entry to recognize depreciation expense for the truck.

(c) On December 31, 2016, how much accumulated depreciation would be attributed to the delivery truck? What would be the carrying value of the delivery truck? (Note the change in year)

4. Dragon City Incorporated acquired a warehouse on January 1 of Year 1 for \$375,000. The warehouse had an estimated useful life of 10 years and a salvage value of \$37,500. The company would depreciate the warehouse using the straight-line method.

(a) How much annual depreciation expense would the company recognize for the warehouse?

(b) On August 31 of Year 8, Dragon City Inc. sold the warehouse for \$75,000 in cash. On August 31 of Year 8, how much was accumulated depreciation for the warehouse?

(c) How much gain or loss on sale did the company recognize for selling the warehouse?

(d) Record the journal entry to recognize selling the warehouse

5. In 2013, Spurs Software acquired computers for the use of its office employees. By the end of 2018, the carrying value of the computers was \$8,500. However, the estimated future cash flows for the computers was \$7,500 and the fair value of the computers was \$7,000. Record the journal entry to recognize the impairment of the computers at the end of 2018.

6. In 2018, Spurs Software acquired a competitor, Capybara Technology for \$3,000,000 in cash. The fair value of Capybara Technology's assets was \$2,600,000 and the fair value of Capybara Technology's liabilities was \$1,000,000. How much would Spurs Software recognize in goodwill for this acquisition?

7. Which of the following costs would be capitalized rather than expensed immediately?

- (a) Paying \$20,000 for routine maintenance of equipment
- (b) Buying a trademark for \$9,000
- (c) Paying \$31,000 to overhaul a manufacturing machine, extending its useful life
- (d) Spending \$162,000 on research and development of a new drug