

In-class Worksheet: Week 8
Sina Shipping

1. Sina Shipping is a logistics company trying its best to operate in a walled city besieged by regular attacks from Titans. In 2021, Sina Shipping had the following information about Property, Plant & Equipment, Gross:

- Beginning balance of \$7,916,000
- Purchases of \$2,595,000
- Ending balance of \$8,438,000

(a) What was the acquisition cost associated with PP&E disposals in 2021?

(b) At the end of 2021, Sina Shipping had an ending balance of \$5,102,000 in Accumulated Depreciation. What was PP&E, Net at the end of 2021?

2. On November 1, 2021, Sina Shipping purchased a delivery airship from Survey Corps Supplies for \$2,175,000 on account. The company plans to use straight-line depreciation; the airship has an estimated useful life of 12 years and an estimated salvage value of \$175,000.

(a) Record the journal entry for the purchase of the airship on November 1, 2021.

(b) On December 31, 2021, record the adjusting entry to recognize depreciation expense for the airship.

(c) On April 18, 2022, Sina Shipping spent \$156,000 on routine maintenance to the airship. Record the journal entry for this maintenance.

(d) On May 1, 2023, a couple of the company's key customers are decimated by a Titan attack and file for bankruptcy. Because the airship had been used to deliver orders for these bankrupt customers, the airship's estimated future cash flows fall to \$1,100,300. At the time, the airship's carrying value was \$1,953,769.84 and its fair market value was \$1,300,000. Record the journal entry to recognize impairment to the airship.

3. On October 1, 2023, Sina Shipping sold package-sorting equipment for \$530,000 in cash to Wall Rose Inc. The equipment had been originally bought for \$900,000 and by the time of sale, had accumulated depreciation of \$481,000. Record the journal entry for the equipment sale.