

Solution:

Item	Effect on	
	Income Statement	Balance Sheet Assets = Liability + SE
Oiling & greasing	+\$200	-\$200
	(operating expense)	(cash decreased)
	-\$200	-\$200
	(pre-tax income)	(stockholders' equity)
Replacing belts & hoses	+\$450	-\$450
	(operating expense)	(cash decreased)
	-\$450	-\$450
	(pre-tax income)	(stockholders' equity)
Major overhaul during final year	+\$27,000	+\$27,000
	(investment activity – capital expenditure)	(increase in value of the equipment)
	-\$27,000	-\$27,000
	(pre-tax income)	(decrease in cash)

DEPRECIATION SCHEDULE FOR THE HARVESTING EQUIPMENT (in \$)

Particulars	Depreciation Under	
	Normal Schedule	Revised Schedule
Initial cost	90,000	90,000
Depreciation Schedule:		
Year 1	16,000	16,000
Year 2	16,000	16,000
Year 3	16,000	16,000
Year 4	16,000	16,000
Year 5	16,000	14,667
Year 6		14,667
Year 7		14,667