

# Principles of Accounting\_\_Quiz 4

(Chapter 8 and 9, close book)

## Question 1 (10 points)

### Required:

1. What was the depreciation expense amount per month?

$$(\$10,600 - \$400) \div 48 = \$212.50 \text{ per month}$$

2. Assume depreciation is up to date as of December 31, 2022. Prepare the required journal entries on the date of disposal, July 1, 2023. (Hint: please fill out the form first)

Accumulated Depreciation, 12/31/2022	$\$212.50 \times 36 \text{ months} = \$7,650$
Depreciation expense for half a year 2023	$\$212.50 \times 6 \text{ months} = \$1,275$
Net book value, 7/1/2023	$\$10,600 - \$7,650 - \$1,275 = \$1,675$
Gain or loss on disposal	<u><math>\\$1,900 - \\$1,675 = \\$225 \text{ Gain}</math></u>

### Adjusting entry about depreciation expense for half a year 2023

Depreciation expense ( $\$212.5 \times 6$ )	1,275	
Accumulated depreciation		1,275

### Journal entry about disposal on 7/1/2023

Cash	1,900	
Accumulated depreciation ( $\$212.5 \times 42$ )	8,925	
Trucks		10,600
Gain on disposal		225

**Question 2 (10 points)****Required:**

1. Calculate depreciation expense to the nearest whole dollar for the first 2 years of the machine under

a. Straight-line depreciation method.

<u>Year</u>	<u>Depreciation Expense</u>	<u>Accumulated Depreciation</u>	<u>Book Value</u>
			\$250,000
1	$(\$250,000 - \$25,000) / 5 = \$45,000$	\$45,000	\$205,000
2	$(\$250,000 - \$25,000) / 5 = \$45,000$	\$90,000	\$160,000

b. Double declining-balance method.

<u>Year</u>	<u>Depreciation Expense</u>	<u>Accumulated Depreciation</u>	<u>Book Value</u>
			\$250,000
1	$\$250,000 \times 2/5 = \$100,000$	\$100,000	\$150,000
2	$\$150,000 \times 2/5 = \$60,000$	\$160,000	\$90,000

2. If the machine was used to produce and sell 120,000 units in 2023, what would be the depreciation expense using the units-of-production method?

**Answer:**

$$(\$250,000 - \$25,000) \div 500,000 = \$0.45/\text{unit}$$

$$\$0.45 \times 120,000 = \$54,000$$

### Question 3 (10 points)

**Required:**

Prepare journal entries for each of the following dates:

1. November 1, 2022.
2. December 31, 2022.
3. October 31, 2023.

**Answer:**

1.

Cash	500,000	
Note payable		500,000

2.

Interest expense	5,000	
Interest payable		5,000

$$*5,000 = 500,000 \times 6\% \times 2/12$$

3.

Note payable	500,000	
Interest payable	5,000	
Interest expense	25,000	
Cash		530,000

$$*25,000 = 500,000 \times 6\% \times 10/12$$