HW8_Solution

E8-1 Preparing a Classified Balance Sheet

The following is a list of account titles and amounts (dollars in millions) from a recent annual report of Hasbro, Inc., a leading manufacturer of games, toys, and interactive entertainment software for children and families:

Buildings and improvements	$195	Machinery, equipment, and software	$493
Prepaid expenses and other current assets	310	Accumulated depreciation	534
Allowance for doubtful accounts	17	Inventories	446
Other noncurrent assets	585	Tools, dies, and molds	71
Accumulated amortization (other intangibles)	769	Other intangibles	1,415
Cash and cash equivalents	4,580	Land and improvements	3
Goodwill	495	Accounts receivable	1,428
		Lease right-of-use assets	154

Required:
Prepare the asset section of the balance sheet for Hasbro, Inc., classifying the assets into Current Assets; Property, Plant, and Equipment (net); and Other Assets.

Hasbro, Inc.
Excerpts from Balance Sheet
(in millions)

ASSETS	
Current Assets:	
Cash and cash equivalents	$_______
Accounts receivable (net of allowance for doubtful accounts, $17)	_______
Inventories	_______
Prepaid expenses and other current assets	_______
Total current assets	_______
Property, Plant, and Equipment:	
Machinery, equipment, and software	_______
Buildings and improvements	_______
Tools, dies, and molds	_______
Land and improvements	_______
	_______
Property, plant, and equipment (at cost)	_______

Less: Accumulated depreciation	________
Property, plant, and equipment (net)	________
Other Assets:	
Lease right-of-use assets	________
Goodwill	________
Other intangibles (net of accumulated amortization, $769)	________
Other noncurrent assets	________
Total other assets	________
Total Assets	$ ________

E8-6 Recording Depreciation and Repairs (Straight-Line Depreciation)
Manrow Growers, Inc., owns equipment for sowing and harvesting its organic fruit, vegetables, and tree nuts that are sold to local restaurants and grocery stores. At the beginning of this year, an asset account for the company showed the following balances: During the current year, the following expenditures were incurred for the equipment:

Equipment	$350,000
Accumulated depreciation through the end of last year	165,000

During the current year, the following expenditures were incurred for the equipment:

Major overhaul of the equipment on January 1 of the current year that improved efficiency	$42,000
Routine maintenance and repairs on the equipment	5,000

The equipment is being depreciated on a straight-line basis over an estimated life of eight years with a $20,000 estimated residual value. The annual accounting period ends on December 31.

Required:
1. Give the adjusting entry that was made at the end of last year for depreciation on the equipment.
2. Starting at the beginning of the current year, what is the remaining estimated life?
3. Give the journal entries to record the two expenditures during the current year

E8-10 Computing Depreciation under Alternative Methods

Strong Metals Inc. purchased a new stamping machine at the beginning of the year at a cost of $950,000. The estimated residual value was $50,000. Assume that the estimated useful life was five years and the estimated productive life of the machine was 300,000 units. Actual annual production was as follows:

Year	Units
1	70,000
2	67,000
3	50,000
4	73,000
5	40,000

Required:

1. Complete a separate depreciation schedule for each of the alternative methods. A sample schedule is shown below. Round your answers to the nearest dollar.
   a. Straight-line.
   b. Units-of-production (use two decimal places for the per unit output factor).
   c. Double-declining-balance.
2. Assuming that the machine was used directly in the production of one of the products that the company manufactures and sells, what factors might management consider in selecting a preferable depreciation method in conformity with the expense recognition (matching) principle?

Req. 1

a. **Straight-line:**				
		Depreciation Expense	**Accumulated Depreciation**	**Net**
Year	**Computation**			**Book Value**
1				
2				
3				
4				
5				
b. **Units-of-production**				
		Depreciation Expense	**Accumulated Depreciation**	**Net**
Year	**Computation**			**Book Value**
1				
2				
3				
4				
5				
c. **Double-declining-balance:**				
		Depreciation Expense	**Accumulated Depreciation**	**Net**
	Computation			**Book Value**
Year				
1				
2				
3				
4				

Req. 2

E8-17 Recording the Disposal of an Asset at Three Different Sale Prices

Marriott International is a worldwide operator, franchisor, and licensor of hotels, residential, and timeshare properties totaling nearly $1.8 billion in net property and equipment. Assume that Marriott replaced furniture that had been used in the business for five years. The records of the company reflected the following regarding the sale of the existing furniture:

Furniture (cost)	$8,000,000
Accumulated depreciation	7,700,000

Required:

1. Give the journal entry for the disposal of the furniture, assuming that it was sold for

a. $300,000 cash

b. $900,000 cash

c. $100,000 cash

2. Based on the three preceding situations, explain the effects of the disposal of an asset.