1. A company purchased office equipment for $40,000 and estimated a salvage value of $8,000 at the end of its 4-year useful life. The constant percentage to be applied against book value each year if the double-declining-balance method is used is

a. 20%.

b. 25%.

c. 50%.

d. 5%.

2. A company purchased factory equipment for $350,000. It is estimated that the equipment will have a $35,000 salvage value at the end of its estimated 5-year useful life. If the company uses the double-declining-balance method of depreciation, the amount of annual depreciation recorded for the second year after purchase would be

a. $140,000.

b. $84,000.

c. $126,000.

d. $60,480.

3. A factory machine was purchased for $125,000 on January 1, 2013. It was estimated that it would have a $25,000 salvage value at the end of its 5-year useful life. It was also estimated that the machine would be run 40,000 hours in the 5 years. The company ran the machine for 4,000 actual hours in 2013. If the company uses the units-of-activity method of depreciation, the amount of depreciation expense for 2013 would be

a. $12,500.

b. $20,000.

c. $25,000.

d. $10,000.

4. On October 1, 2014, Holt Company places a new asset into service. The cost of the asset is $80,000 with an estimated 5-year life and $20,000 salvage value at the end of its useful life. What is the depreciation expense for 2014 if Holt Company uses the straight-line method of depreciation?

a. $12,000

b. $3,000

c. $4,000

d. $8,000

5. A company purchased factory equipment on April 1, 2013 for $80,000. It is estimated that the equipment will have an $10,000 salvage value at the end of its 10-year useful life. Using the straight-line method of depreciation, the amount to be recorded as depreciation expense at December 31, 2013 is

a. $8,000.

b. $7,000.

c. $5,250.

d. $6,000.

Ans: C

6. On October 1, 2013, Holt Company places a new asset into service. The cost of the asset is $80,000 with an estimated 5-year life and $20,000 salvage value at the end of its useful life. What is the book value of the plant asset on the December 31, 2013, balance sheet assuming that Holt Company uses the double-declining-balance method of depreciation?

a. $52,000

b. $60,000

c. $72,000

d. $76,000

Ans: C,

7. Which depreciation method is most frequently used in businesses today?

a. Straight-line

b. Declining-balance

c. Units-of-activity

d. Double-declining-balance

Ans: A

8. A company sells a plant asset which originally cost $240,000 for $80,000 on December 31, 2013. The Accumulated Depreciation account had a balance of $96,000 after the current year's depreciation of $24,000 had been recorded. The company should recognize a

a. $160,000 loss on disposal.

b. $64,000 gain on disposal.

c. $64,000 loss on disposal.

d. $40,000 loss on disposal.

Ans: C,

9. Equipment that cost $210,000 and on which $100,000 of accumulated depreciation has

been recorded was disposed of for $90,000 cash. The entry to record this event would

include a

a. gain of $20,000.

b. loss of $20,000.

c. credit to the Equipment account for $110,000.

d. credit to Accumulated Depreciation for $100,000.

Ans: B,