

Chapter 10
Solutions to Long Term Assets Handout

Problem One

Straight Line Method

Year	Depreciation Expense	Accumulated Depreciation	Carrying Value
1	1,225	1,225	3,775
2	1,225	2,450	2,550
3	1,225	3,675	1,325
4	1,225	4,900	100

Double Declining Balance Method

	CV	DDB Rate	Depreciation Expense	Accumulated Depreciation
1	5000	0.5	2,500	2,500
2	2500	0.5	1,250	3,750
3	1250	0.5	625	4,375
4	625 Plug		525	4900
	100			

Sum of Years' Digits

	Depreciable Cost (Cost - SV)	Fraction	Depreciation Expense	Accumulated Depreciation
1	4900	4/10	1,960	1,960
2	4900	3/10	1,470	3,430
3	4900	2/10	980	4,410
4	4900	1/10	490	4,900

Problem Two

Straight Line Method

Year	Depreciation Expense	Accumulated Depreciation	Carrying Value
1	3,600	3,600	16,400
2	3,600	7,200	12,800
3	3,600	10,800	9,200
4	3,600	14,400	5,600
5	3,600	18,000	2,000

Double Declining Balance Method

	CV	DDB Rate	Depreciation Expense	Accumulated Depreciation
1	20000	0.4	8,000	8,000
2	12000	0.4	4,800	12,800
3	7,200	0.4	2,880	15,680
4	4,320	0.4	525	16,205
5	3,795 Plug 2000		1,795	18,000

Sum of Years' Digits

	Depreciable Cost (Cost - SV)	Fraction	Depreciation Expense	Accumulated Depreciation
1	18000	5/15	6,000	6,000
2	18000	4/15	4,800	10,800
3	18000	3/15	3,600	14,400
4	18000	2/15	2,400	16,800
5	18000	1/15	1,200	18,000

Problem Three

a.	Cash	5,100	
	Accumulated Depreciation	3,000	
	Gain on Sale		4,100
	Equipment		4,000
b.	Cash	3,400	
	Accumulated Depreciation	4,000	
	Loss on Sale	2,600	
	Automobile		10,000
c.	Cash	7,100	
	Accumulated Depreciation	500	
	Gain on Sale		1,600
	Equipment		6,000

Problem Four

- Depreciation expense
- Amortization expense
- Depletion expense