WEYGANDT ACCOUNTING PRINCIPLES 9E CHAPTER 10 PLANT ASSETS, NATURAL RESOURCES, AND INTANGIBLE ASSETS

Number	SO	BT	Difficulty	Time (min.)
BE1	1	AP	Simple	2–4
BE2	1	AP	Simple	1–2
BE3	3	AP	Simple	2–4
BE4	3	E	Moderate	4–6
BE5	3	AP	Simple	4–6
BE6	3	AP	Simple	2–4
BE7	4	AN	Moderate	4–6
BE8	5	AP	Simple	2–4
BE9	6	AP	Simple	4–6
BE10	6	AP	Simple	4–6
BE11	7	AP	Fimple CO	4–6
BE12	8	AP	Sosimple	2–4
BE13	9	Nor	Simple	4–6
BE14	O yero	AP	Simple	2–4
BE15	ev ₁₀	de AD	Simple	4–6
BLITO	10	AP	Simple	4–6
DI1	1	С	Simple	4–6
DI2	2	AP	Simple	2–4
DI3	6	AP	Simple	6–8
DI4	7, 8	К	Simple	2–4
EX1	1	С	Simple	6–8
EX2	1	AP	Simple	4–6
EX3	1	AP	Simple	4–6
EX4	2	С	Simple	4–6
EX5	3	AP	Simple	6–8
EX6	3	AP	Simple	8–10
EX7	3	AP	Simple	10–12
EX8	4	AN	Moderate	8–10

Questions Chapter 10 (Continued)

- **12.** Natural resources consist of underground deposits of oil, gas, and minerals, and standing timber. These long-lived productive assets have two distinguishing characteristics: they are physically extracted in operations, and they are replaceable only by an act of nature.
- **13.** Depletion is the allocation of the cost of natural resources to expense in a rational and systematic manner over the resource's useful life. It is computed by multiplying the depletion cost per unit by the number of units extracted and sold.
- 14. The terms depreciation, depletion, and amortization are all concerned with allocating the cost of an asset to expense over the periods benefited. Depreciation refers to allocating the cost of a plant asset to expense, depletion to recognizing the cost of a natural resource as expense, and amortization to allocating the cost of an intangible asset to expense.
- **15.** The intern is not correct. The cost of an intangible asset should be amortized over that asset's useful life (the period of time when operations are benefited by use of the asset). In addition, some intangibles have indefinite lives and therefore are not amortized at all.
- 16. The favorable attributes which could result in goodwill include exceptional management, desirable location, good customer relations, skilled employees, high-quality products, and harmonious relations with labor unions.
- 17. Goodwill is the value of many favorable attributes that are intervired in the business enterprise. Goodwill can be identified only with the business as a worle and, unlike other assets, cannot be sold separately. Goodwill can only be sold if the entire business is sold. And, if goodwill appears on the balance sheet, it means the company has purchased another company for more than the fair market value of its nerves est
- **18.** Goodwill scroolded only where the stransaction that involves the purchase of an entire tubess. Goodwill is the access of cost over the fair market value of the net assets (assets less liabilities) acquired. The recognition of goodwill without an exchange transaction would lead to subjective valuations which would reduce the reliability of financial statements.
- **19.** Research and development costs present several accounting problems. It is sometimes difficult to assign the costs to specific projects, and there are uncertainties in identifying the extent and timing of future benefits. As a result, the FASB requires that research and development costs be recorded as an expense when incurred.
- 20. McDonald's asset turnover ratio is computed as follows:

 $\frac{\text{Net sales}}{\text{Average total assets}} = \frac{\$20.5 \text{ billion}}{\$28.9 \text{ billion}} = .71 \text{ times}$

21. Since Resco uses the straight-line depreciation method, its depreciation expense will be lower in the early years of an asset's useful life as compared to using an accelerated method. Yapan's depreciation expense in the early years of an asset's useful life will be higher as compared to the straight-line method. Resco's net income will be higher than Yapan's in the first few years of the asset's useful life. And, the reverse will be true late in an asset's useful life.

EXERCISE 10-7

(a)	(1)	2010: (\$30,000 - \$2,000)/8 = <u>\$3,500</u>
		2011: (\$30,000 - \$2,000)/8 = <u>\$3,500</u>

	(2)	(\$30,00 2010: ⁻ 2011: ⁻	00 – \$2,000) 15,000 X \$0. 12,000 X \$0.	/100,000 = 28 = <u>\$4,20(</u> 28 = <u>\$3,36(</u>	\$0.28 per mil <u>)</u>]	e		
	(3)	2010: \$ 2011: (\$30,000 X 25 (\$30,000 – \$	i% = <u>\$7,500</u> 7,500) X 25	<u>)</u> % = <u>\$5,625</u>			
(b)	(1)	Depree Ace	ciation Expe cumulated De	ense epreciation-	—Delivery Tru	ck	3,500	3,500
	(2)	Delive Less:	ry Truck Accumulate	ed Deprecia	ation	;o.uk	•	\$30,000 <u>3,500</u> <u>\$26,500</u>
EXE	RCIS	SE 10-8		Not	esaic.	_		
(a)	Type Bool Lecs Depr	e of Ass k race Salva reciable	Set CON N/1/10 age Vage O e cost		\$686,000 <u>\$686,000</u> <u>37,000</u> <u>\$649,000</u>	Warehou \$75,0 3,0 \$71,4	JSE 000 600 400	
	Rem	aining	useful life ir	years	44		15	
	Revi	sed an	nual deprec	ation	<u>\$ 14,750</u>	<u>\$ 4, </u>	<u>760</u>	
(b)	Dec.	31 C	Depreciation Accumu Buildi	Expense– lated Depr ng	–Building reciation—	14	,750	14,750

*EXERCISE 10-15

(a)	Trucks (new)		53,000	
	Accumulated Depreciation—Trucks (old)		22,000	
	Loss on Disposal		6,000	
	Trucks (old)			64,000
	Cash			17,000
		\$04000		
	Cost of old trucks	\$64,000		
	Less: Accumulated depreciation	22,000		
	Book value	42,000		
	Fair market value of old trucks	36,000		
	Loss on disposal	<u>\$ 6,000</u>		
	Fair market value of old trucks	\$36.000		
	Cash paid	17.000		
	Cost of new trucks	\$53,000		
<i>(</i> 1)	•• •• / ``		1 K and	
(D)	Machine (new)	- CO -	2,000	
(D)	Accumulated Depreciation—Machine (of	e.co.	4,000	
(D)	Accumulated Depreciation—Machine (of Gain on Disposal	e. <u>co</u> .	4,000	1,000
(D)	Accumulated Depreciation—Machine (of Gain on Disposal	6 - C 0-	4,000	1,000 12,000
(D)	Accumulated Depreciation—Machine (of Gain on Disposal	e.co.	4,000	1,000 12,000 3,000
(D)	Accumulated Depreciation—Machine (of Gain on Disposal	6.00.	4,000	1,000 12,000 3,000
(D)	Accumulated Depreciation—Machine (of Gain on Disposal	\$12,000	4,000	1,000 12,000 3,000
(D)	Accumulated Depreciation—Machine (off Gain on Disposal	\$12,000 <u>4,000</u>	4,000	1,000 12,000 3,000
(D)	Accumulated Depreciation—Machine (of Gain on Disposal	\$12,000 <u>4,000</u> 8,000	4,000	1,000 12,000 3,000
(D)	Accumulated Depreciation—Machine (off Gain on Disposal	\$12,000 <u>4,000</u> 8,000	4,000	1,000 12,000 3,000
(D)	Accumulated Depreciation—Machine (off Gain on Disposal	\$12,000 <u>4,000</u> 8,000 <u>9,000</u>	4,000	1,000 12,000 3,000
(D)	Accumulated Depreciation—Machine (off Gain on Disposal	\$12,000 <u>4,000</u> 8,000 <u>9,000</u> <u>\$1,000</u>	4,000	1,000 12,000 3,000
(D)	Accumulated Depreciation—Machine (official Gain on Disposal	\$12,000 <u>4,000</u> 8,000 <u>9,000</u> <u>\$1,000</u>	4,000	1,000 12,000 3,000
(D)	Accumulated Depreciation—Machine (official on Disposal	\$12,000 <u>4,000</u> 8,000 <u>9,000</u> <u>\$1,000</u> \$9,000	4,000	1,000 12,000 3,000
(D)	Accumulated Depreciation—Machine (official on Disposal	\$12,000 <u>4,000</u> 8,000 <u>9,000</u> <u>\$1,000</u> \$9,000 <u>3,000</u>	4,000	1,000 12,000 3,000

PROBLEM 10-3A

(a)	(1)	Purchase price Sales tax Shipping costs Insurance during shipping Installation and testing Total cost of machine	\$ \$	38,000 1,700 150 80 70 40,000
		Machine		40,000
	(2)	Recorded cost Less: Salvage value Depreciable cost Years of useful life Annual depreciation	\$ \$ \$	40,000 5,000 35,000 5 7,000
(bP	хe	Depreciation Expension One 7,000 Accumulated Depreciation One 7,000 Recorded Darie 27	1	7,000
	~ /	Less: Salvage value Depreciable cost Years of useful life Annual depreciation	\$1 ÷ \$	10,000 50,000 4 37,500

(2)	Book Value at Beginning of Year	DDB Rate	Annual Depreciation	Accumulated Depreciation
	\$160,000	50%*	\$80,000	\$ 80,000
	80,000	50%	40,000	120,000
	40,000	50%	20,000	140,000
	20,000	50%	10,000	150,000

*100% ÷ 4-year useful life = 25% X 2 = 50%.

PROBLEM 10-6A

(a)	Accumulated Depreciation—Office Furniture Loss on Disposal Office Furniture	50,000 25,000	75,000
(b)	Cash Accumulated Depreciation—Office Furniture Loss on Disposal Office Furniture	21,000 50,000 4,000	75,000
(c)	Cash Accumulated Depreciation—Office Furniture Gain on Disposal Office Furniture Office Furniture Notesates Notesates Sales Office Sales Office Sales Notesates Sales Office Sales Sales Office Sales Sales Office Sales Sa	31,000	6,000 75,000

PROBLEM 10-7A

(a)	Jan. 2	Patents Cash	45,000	45,000
	Jan.– June	Research and Development Expense Cash	140,000	140,000
	Sept. 1	Advertising Expense Cash	50,000	50,000
	Oct. 1	Franchise Cash	100,000	100,000
(b)	Dec. 31	Amortization Expense—Patents Patents [(\$70,000 X 1/10) + (\$45,000 X 1/5)	12,000 C	UK 12,000
	31	Amortization Expense Franchise F Franchise [[\$48,000 X 1/70] (\$100,000 X 1/50 X 3/12)]	5,300	5,300

(c) Intangible Assets

Patents (\$115,000 cost – \$19,000 amortization) (1)	\$ 96,000
Franchise (\$148,000 cost – \$24,500 amortization) (2)	123,500
Total intangible assets	<u>\$219,500</u>

- (1) Cost (\$70,000 + \$45,000); amortization (\$7,000 + \$12,000).
- (2) Cost (\$48,000 + \$100,000); amortization (\$19,200 + \$5,300).

PROBLEM 10-5B (Continued)

Land				
Bal.	2,000,000	June 1	340,000	
Apr. 1	1,200,000			
Bal.	2,860,000			

Buildings				
Bal.	20,000,000			
Bal.	20,000,000			

Accumulated Depre	eciation—Buil	dings	
	Bal.	8,000,000	
	Dec. 31 adj.	400,000	
	Bal.	8,400,000	
			Lo CO.UN
Equip	oment	Jotesa	

	Equip	oment	
Bal.	30,000,000	May 1	420,000
July 1	1,100,000	Det. 91	BO DO
Bal.	30,380,000	90.0	44
	pre	Pay	

Accumulated Depreciation—Equipment

May 1	182,000	Bal.	4,000,000			
Dec. 31	300,000	May 1	14,000			
		Dec. 31	30,000			
		Dec. 31 adj.	2,983,000			
		Bal.	6,545,000			

COMPREHENSIVE PROBLEM (Continued)

10.	Amortization Expense—Patents Patent	900	900
11.	Salaries Expense Salaries Payable	2,200	2,200
12.	Unearned Rent (\$6,000 ÷ 3) Rent Revenue	2,000	2,000
13.	Interest Expense (\$11,000 + \$35,000) X .09 Interest Payable	4,140	4,140

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