

Accounting 100 Quiz Solutions

1. Depreciation is a process of (b) cost allocation.

2. (d)

Cost- \$400,000 Useful Life- 5 years

Salvage Value- \$10,000

$$\$400,000 - \$10,000 = \$390,000 / 5 = \$78,000$$

Year	Computation				=	Annual Depreciation Expense	End of Year	
	Depreciable cost	X	Depreciation rate				Accumulated Depreciation	Book Value
2010	\$390,000		20%		\$78,000	\$78,000	*\$322,000	
2011	\$390,000		20%		\$78,000	\$156,000	\$244,000	
*\$400,000 - \$78,000								

3. (d)

Depreciable cost / Total Units-of-Activity = Depreciable cost per unit (Units-of-Activity during the year) = Depreciation Expense

$$\$11,000 - \$1,000 = \$10,000 / \text{Total Units of activity} \times \text{Units-of-Activity for 2010 and 2011.}$$

4.

(a)

Cost \$260,000 Salvage-Value \$20,000

Useful Life- 5 years

$$\$260,000 - \$20,000 = \$240,000$$

$$\$240,000 / 5 = \$48,000$$

Year	Computation				=	Annual Depreciation Expense	End of Year	
	Depreciable cost	X	Depreciation rate				Accumulated Depreciation	Book Value
2010	\$240,000		20%		\$48,000	\$48,000	*\$212,000	
2011	\$240,000		20%		\$48,000	\$96,000	\$164,000	
2012	\$240,000		20%		\$48,000	\$144,000	\$116,000	
2013	\$240,000		20%		\$48,000	\$192,000	\$68,000	
2014	\$240,000		20%		\$48,000	\$240,000	\$20,000	
* \$260,000 - \$48,000								

(b)

$$\$260,000 \times 2(.20) = \$104,000$$

Year	Computation				=	End of Year		
	Book Value Beginning of Year	X	Depreciation rate			Annual Depreciation Expense	Accumulated Depreciation	Book Value
2010	\$260,000		40%		\$104,000	\$104,000	*\$156,000	
2011	\$156,000		40%		\$62,400	\$166,400	\$93,600	
2012	\$93,600		40%		\$37,440	\$203,840	\$56,160	
2013	\$56,160		40%		\$22,464	\$226,304	\$33,696	
2014	\$33,696		40%		**\$13,696	\$240,000	\$20,000	
* \$260,000-\$104,000								
** Computation of \$13,478.40 (\$33,696 X 40%) is adjusted to \$13,696 in for book value to equal salvage value.								

5.

Cost \$108,000 Bus to be driven is 100,000 miles

Useful life- 4 years Salvage Value \$8,000

$$\$108,000 - \$8,000 = \$100,000$$

$$\$100,000 / 100,000 = \$1 \times 30,000 = \$30,000$$

Year	Computation				=	End of Year		
	Units of Activity	X	Depreciation cost/unit			Annual Depreciation Expense	Accumulated Depreciation	Book Value
2010	30,000		\$1		\$ 30,000	\$30,000	*\$78,000	
2011	32,000		\$1		\$ 32,000	\$62,000	\$46,000	
2012	21,000		\$1		\$ 21,000	\$83,000	\$25,000	
2013	17,000		\$1		\$ 17,000	\$100,000	\$8,000	
*\$108,000 - \$30,000								

6. The graph of the double declining balance method is (c) downward sloping because the amount of depreciation is higher in the earlier years and then it lowers.

Weygandt, Jerry, Paul Kimmel, Donald Kieso, and Cram101 Reviews. *Outlines and Highlights for Accounting Principles by Jerry J Weygandt, Isbn. Wiley, 2009. Print.*

2. This is a table of the computation of depreciation expense using the straight-line method. This is done for years 2010 and 2011. It is the Depreciable cost X Depreciation rate = Annual Depreciation Expense. The depreciable cost is \$390,000 for both years. The depreciation is 20% for both years. The annual depreciation expense is \$78,000 for both years. Accumulated depreciation is \$78,000 for 2010, and \$156,000 for 2011. The book value for 2010 is ($\$400,000 - \$78,000 = \$322,000$) and for 2011 it is \$244,000.

4. (a) This is a table of the Depreciable cost X Depreciation rate = Annual Depreciation Expense, Accumulated Depreciation, and Book Value. It is from 2010-2014. The depreciable cost remains constant at \$240,000. The depreciation rate is constant at 20%. The annual depreciation expense remains constant at \$48,000. The accumulated depreciation increases by \$48,000 each year. In 2010 accumulated depreciation is \$48,000, in 2011 it is \$96,000, in 2012 it is \$144,000, in 2013 it is \$192,000, and in 2014 it is \$240,000. The book value is ($\$260,000 - \$48,000 = \$212,000$) in 2010, in 2011 it is \$164,000, in 2012 it is \$116,000, in 2013 it is \$68,000, in 2014 it is \$20,000.

(b) This table shows computation of depreciation expense using the double declining balance method. It is book value at the beginning of the year X depreciation rate = Annual Depreciation Expense. It also shows the accumulated depreciation and the book value. These are from years 2010-2014. The book value is \$260,000 in 2010, \$156,000 in 2011, \$93,600 in 2012, \$56,160 in 2013, and \$33,696 in 2014. The depreciation rate is constant at 40% for all years. The annual depreciation expense for 2010-2014 are \$104,000, \$62,400, \$37,440, \$22,464, and \$13,696 (it is adjusted in order for book value to equal salvage value) respectively. The accumulated depreciation for years 2010-2014 are \$104,000, \$166,400, \$203,840, \$226,304, and \$240,000 respectively. The book value for years 2010-2014 are \$156,000 ($\$260,000 - \$104,000$), \$93,600, \$56,160, \$33,696, and \$20,000 respectively.

5. This graph shows the computation of annual depreciation expense using the units of activity method. It is units of activity X depreciation cost per unit = annual depreciation expense. These are calculated from years 2010-2013. The units of activity for years 2010-2013 are 30,000, 32,000, 21,000, and 17,000 respectively. The depreciation cost per unit is \$1 for all years. The annual depreciation expense for years 2010-2013 are \$30,000, \$32,000, \$21,000, and \$17,000 respectively. The accumulated depreciation for years 2010-2013 are \$30,000, \$62,000, \$83,000, and \$100,000 respectively. The book value for years 2010-2013 are \$78,000 ($\$108,000 - \$30,000$), \$46,000, \$25,000, and \$8,000 respectively.