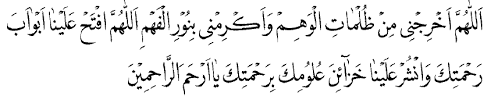
**Exam Prep Notes©**

ACC 113



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**[](https://www.google.com.kw/url?sa=i&rct=j&q=&esrc=s&source=images&cd=&cad=rja&uact=8&ved=2ahUKEwjL3feekPvZAhULzaQKHSVvCF0QjRx6BAgAEAU&url=https://www.zazzle.co.uk/i+love+accountant+stickers&psig=AOvVaw3uLyYSehOV6SxqOuW9E_vv&ust=1521642807089322)Note: The revision consists of 3 main parts which are as follow:**

* **Part A: MCQs (10)**
* **Part B: Problem Solving (4)**
* **Part C: Old Exam ( 3 Qs)**

Good Luck accountants!

* **Part A: MCQs**

1. Inadequacy refers to:

**A. The insufficient capacity of a company's plant assets to meet the company's growing production demands.**

B. An asset that is worn out.

C. An asset that is no longer useful in producing goods and services.

D. The condition where the salvage value is too small to replace the asset.

E. The condition where the asset's salvage value is less than its cost.

1. Obsolescence:

A. Occurs when an asset is at the end of its useful life.

**B. Refers to a plant asset that is no longer useful in producing goods and services.**

C. Refers to the insufficient capacity of a company's plant assets to meet the company's productive demands.

D. Occurs when an asset's salvage value is less than its replacement cost.

E. Does not affect plant assets.

1. A machine originally had an estimated useful life of 5 years, but after 3 complete years, it was decided that the original estimate of useful life should have been 10 years. At that point the remaining cost to be depreciated should be allocated over the remaining:

A. 2 years.

B. 5 years.

**C. 7 years.**

D. 8 years.

E. 10 years.

1. When originally purchased, a vehicle had an estimated useful life of 8 years. The vehicle cost $23,000 and its estimated salvage value is $1,500. After 4 years of straight-line depreciation, the asset's total estimated useful life was revised from 8 years to 6 years and there was no change in the estimated salvage value. The depreciation expense in year 5 equals:

**A. $ 5,375.00.**

B. $ 2,687.50.

C. $ 5,543.75.

D. $10,750.00.

E. $ 2,856.25

1. Thomas Enterprises purchased a depreciable asset on October 1, 2008 at a cost of $100,000. The asset is expected to have a salvage value of $15,000 at the end of its five-year useful life. If the asset is depreciated on the double-declining-balance method, the asset's book value on December 31, 2010 will be:

A. $27,540

B. $21,600

**C. $32,400**

D. $18,360

E. $90,000

1. Land improvements are:

A. Assets that increase the usefulness of land, and like land, are not depreciated.

**B. Assets that increase the usefulness of land, but that have a limited useful life and are subject to depreciation.**

C. Included in the cost of the land account.

D. Expensed in the period incurred.

E. Also called basket purchases

1. Revenue expenditures:

**A. Are additional costs of plant assets that do not materially increase the asset's life or its productive capabilities.**

B. Are known as balance sheet expenditures.

C. Extend the asset's useful life.

D. Substantially benefit future periods.

E. Are debited to asset accounts.

1. An asset's book value is $18,000 on June 30, 2008. The asset is being depreciated at an annual rate of $3,000 on the straight-line method. Assuming the asset is sold on December 31, 2009 for $15,000, the company should record:

A. A loss on sale of $1,500.

**B. A gain on sale of $1,500.**

C. Neither a gain nor a loss is recognized on this type of transaction.

D. A gain on sale of $3,000.

E. A loss on sale of $3,000

1. A company purchased a tract of land for its natural resources at a cost of $1,500,000. It expects to mine 2,000,000 tons of ore from this land. The salvage value of the land is expected to be $250,000. The depletion expense per ton of ore is:

A. $0.75.

**B. $0.625.**

C. $0.875.

D. $6.00.

E. $8.00.

1. Intangible assets include:

A. Patents

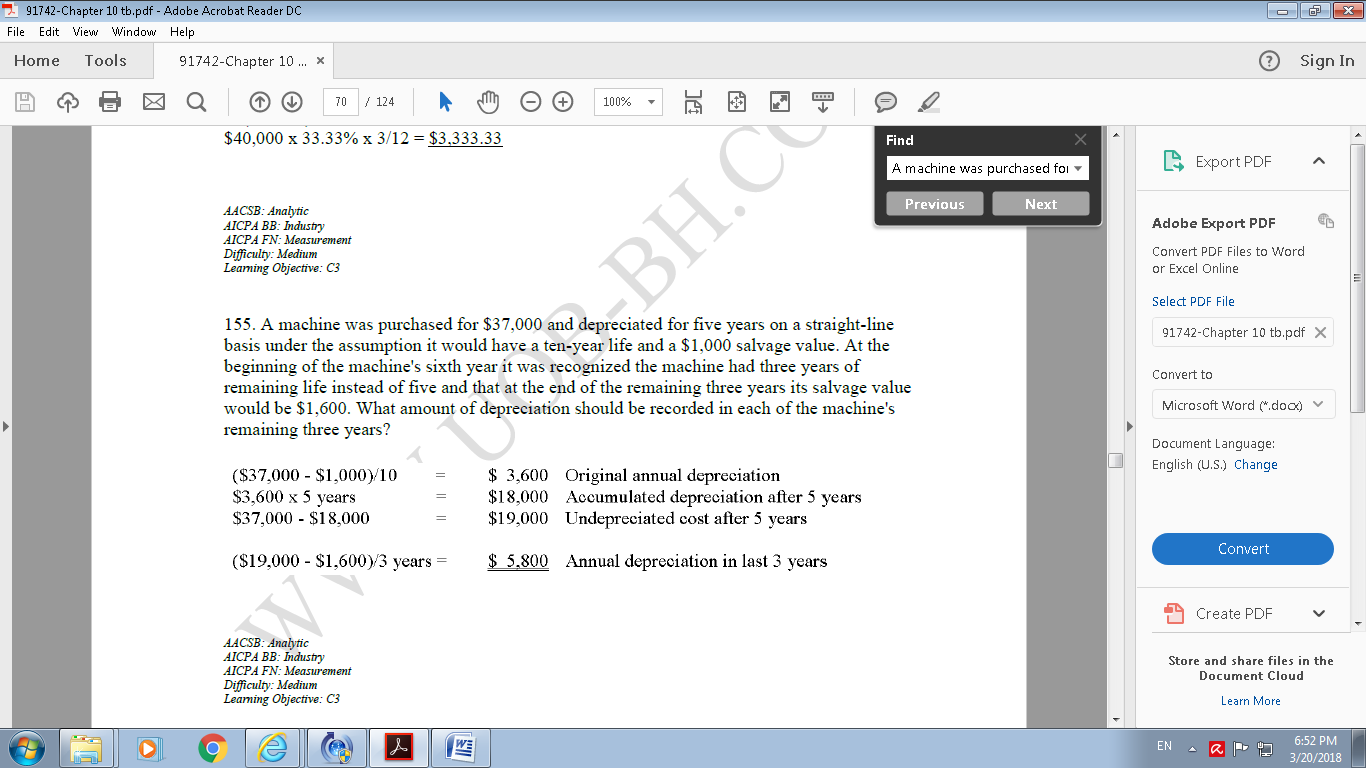
B. Copyrights.

C. Trademarks.

D. Goodwill.

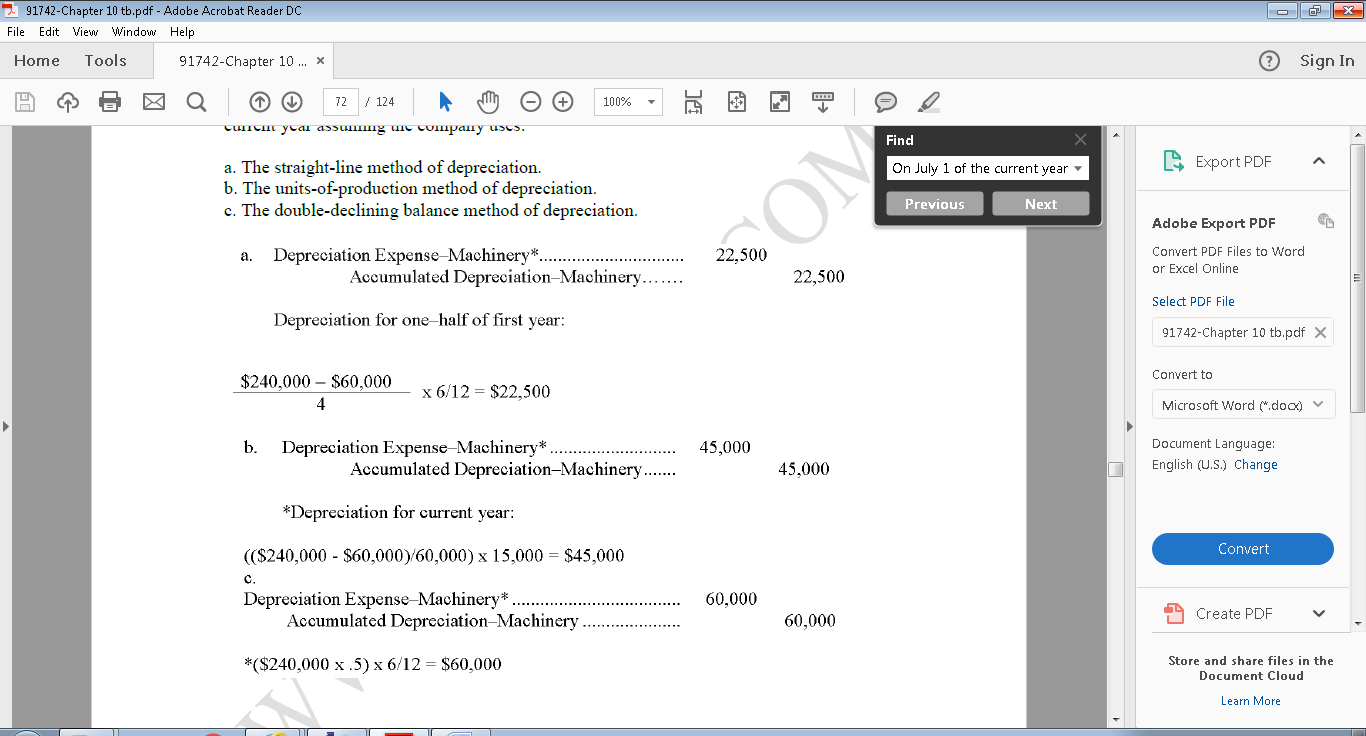
**E. All of these**

* **Part B: Problem Solving**
* **Problem 1:** A machine was purchased for $37,000 and depreciated for five years on a straight-line basis under the assumption it would have a ten-year life and a $1,000 salvage value. At the beginning of the machine's sixth year it was recognized the machine had three years of remaining life instead of five and that at the end of the remaining three years its salvage value would be $1,600. What amount of depreciation should be recorded in each of the machine's remaining three years?
* **Answer of Problem1:**

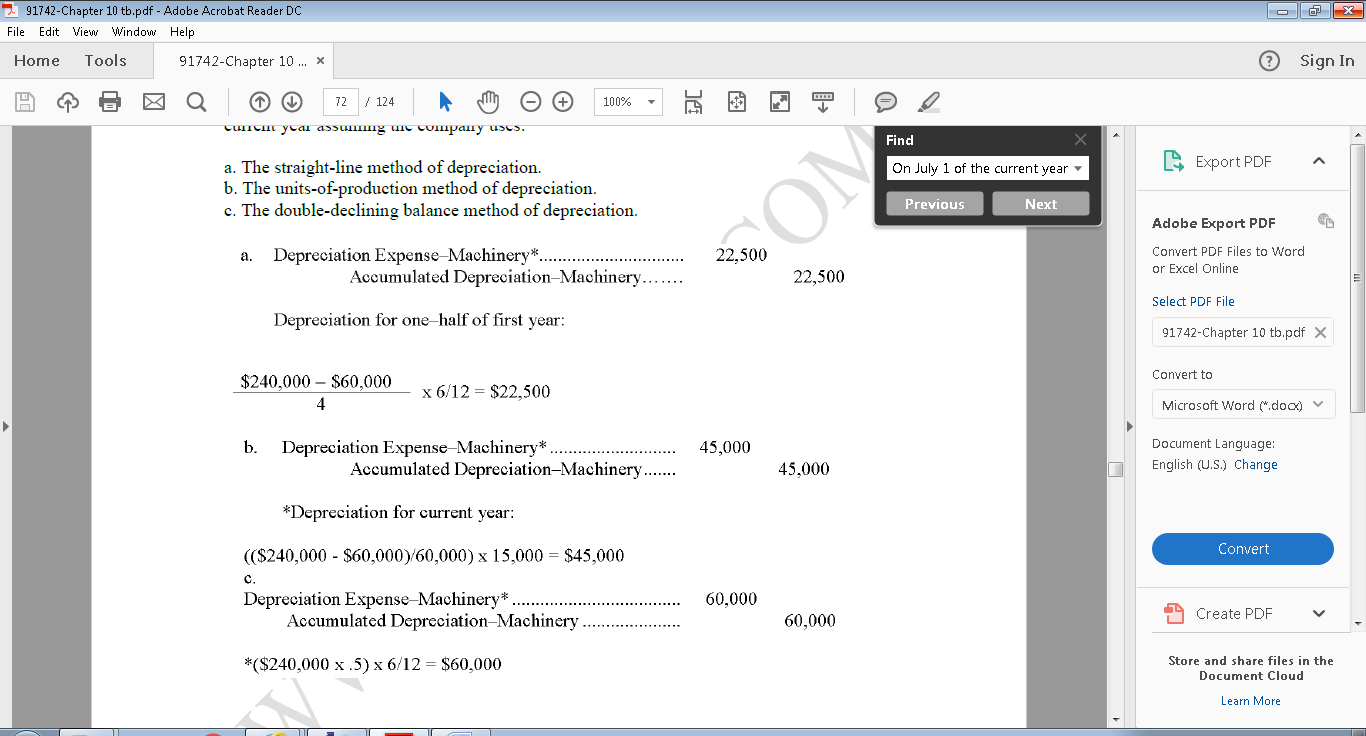


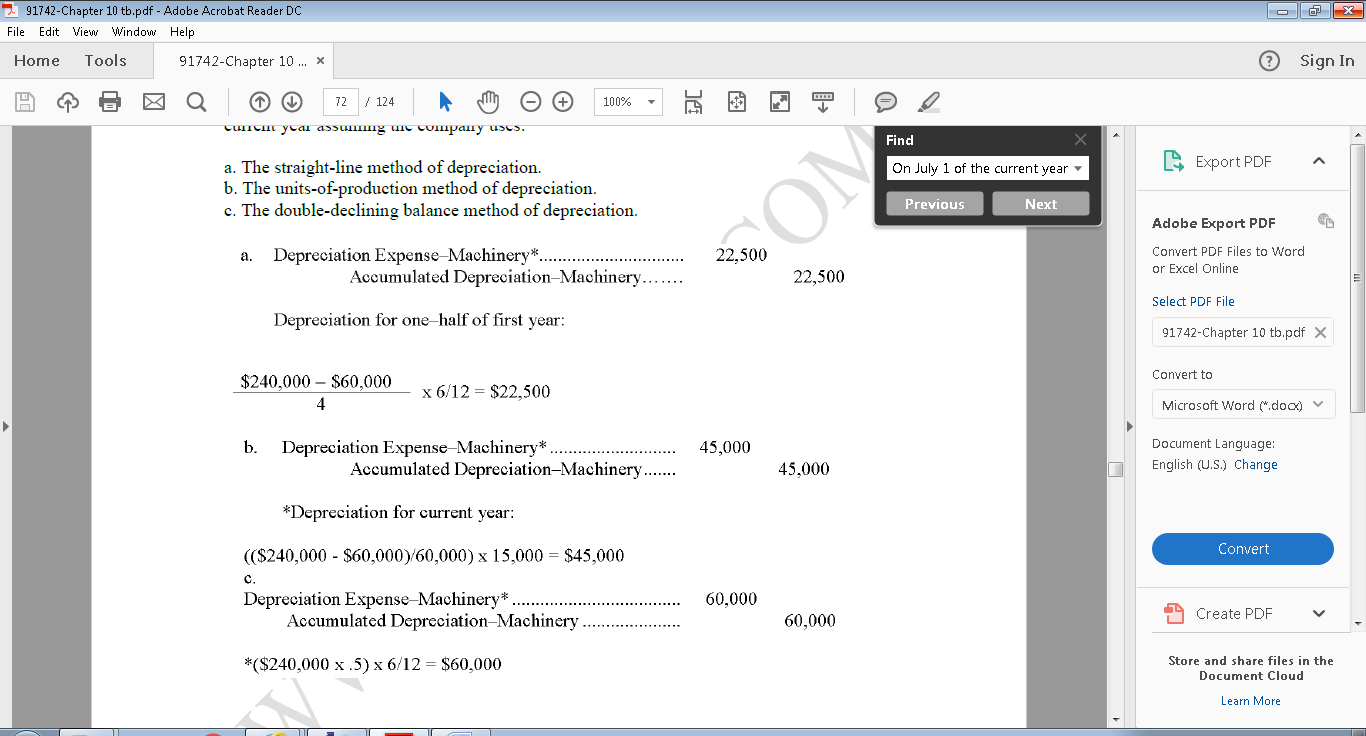
* **Problem 2:** On July 1 of the current year, a company purchased and placed in service a machine with a cost of $240,000. The company estimated the machine's useful life to be four years or 60,000 units of output with an estimated salvage value of $60,000. During the current year, 15,000 units were produced. Prepare the necessary December 31 adjusting journal entry to record depreciation for the current year assuming the company uses:
* **Answer of Problem 2:**

a. The straight-line method of depreciation.

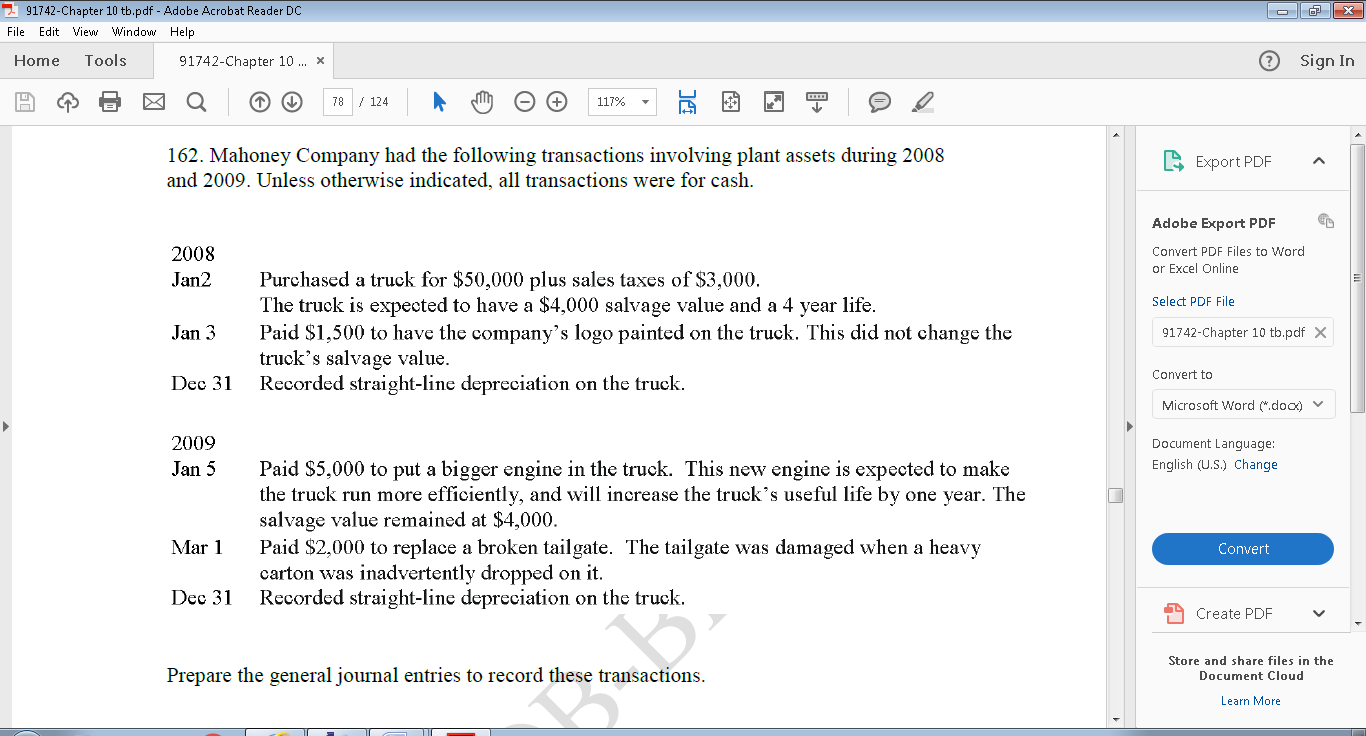


b. The units-of-production method of depreciation.

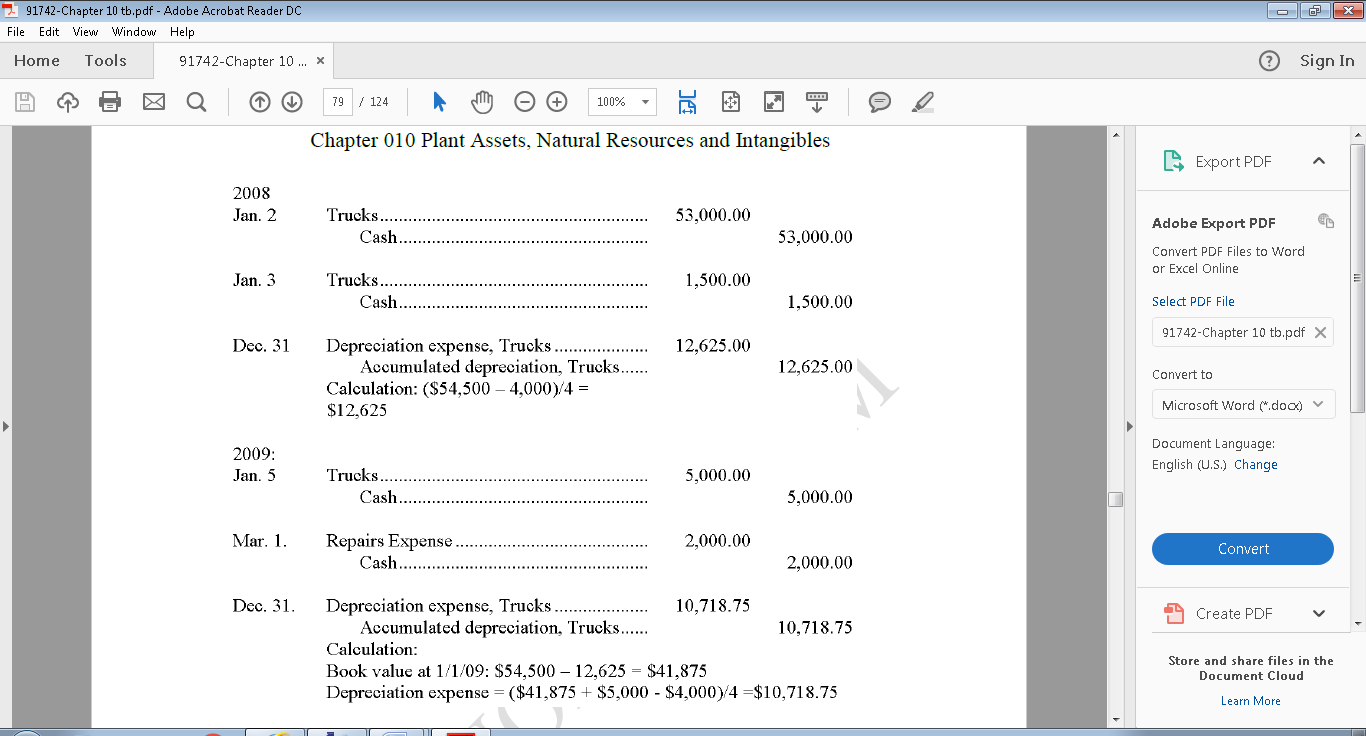


c. The double-declining balance method of depreciation

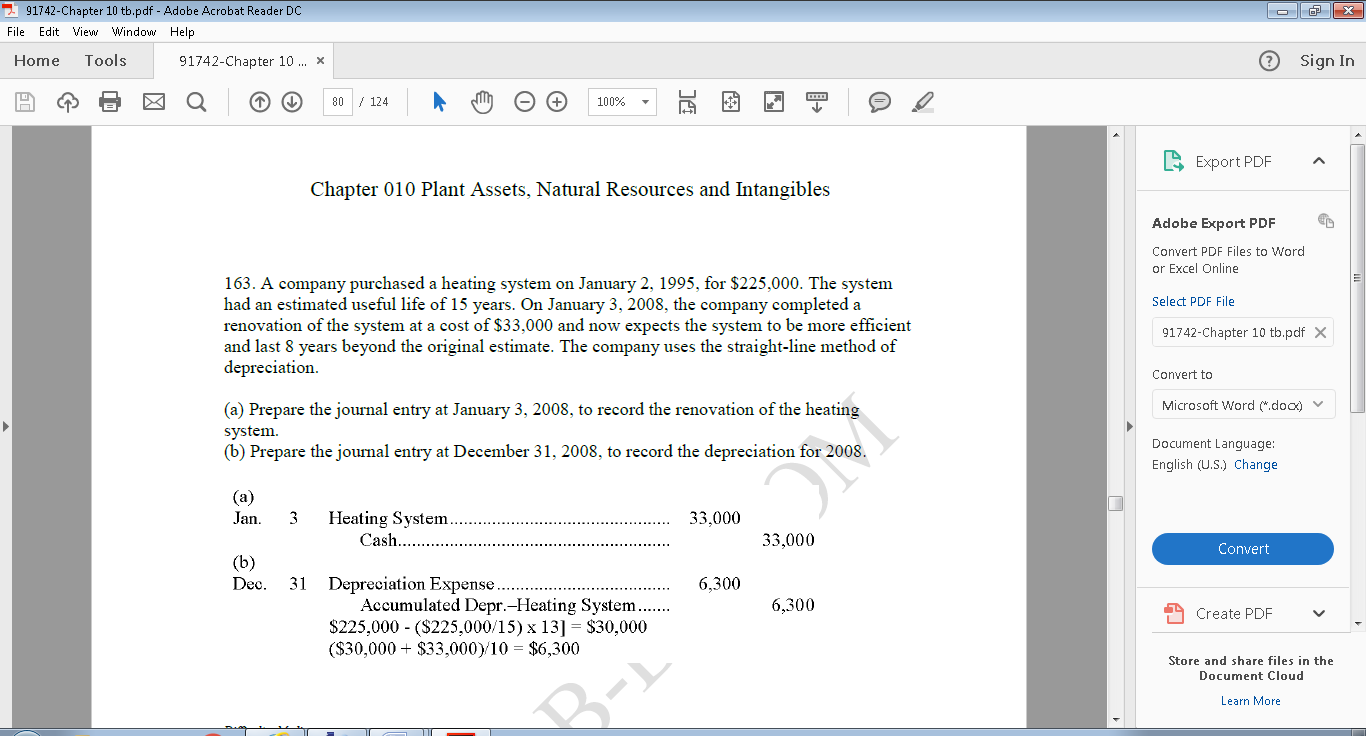
* **Problem 3:** Mahoney Company had the following transactions involving plant assets during 2008 and 2009. Unless otherwise indicated, all transactions were for cash.

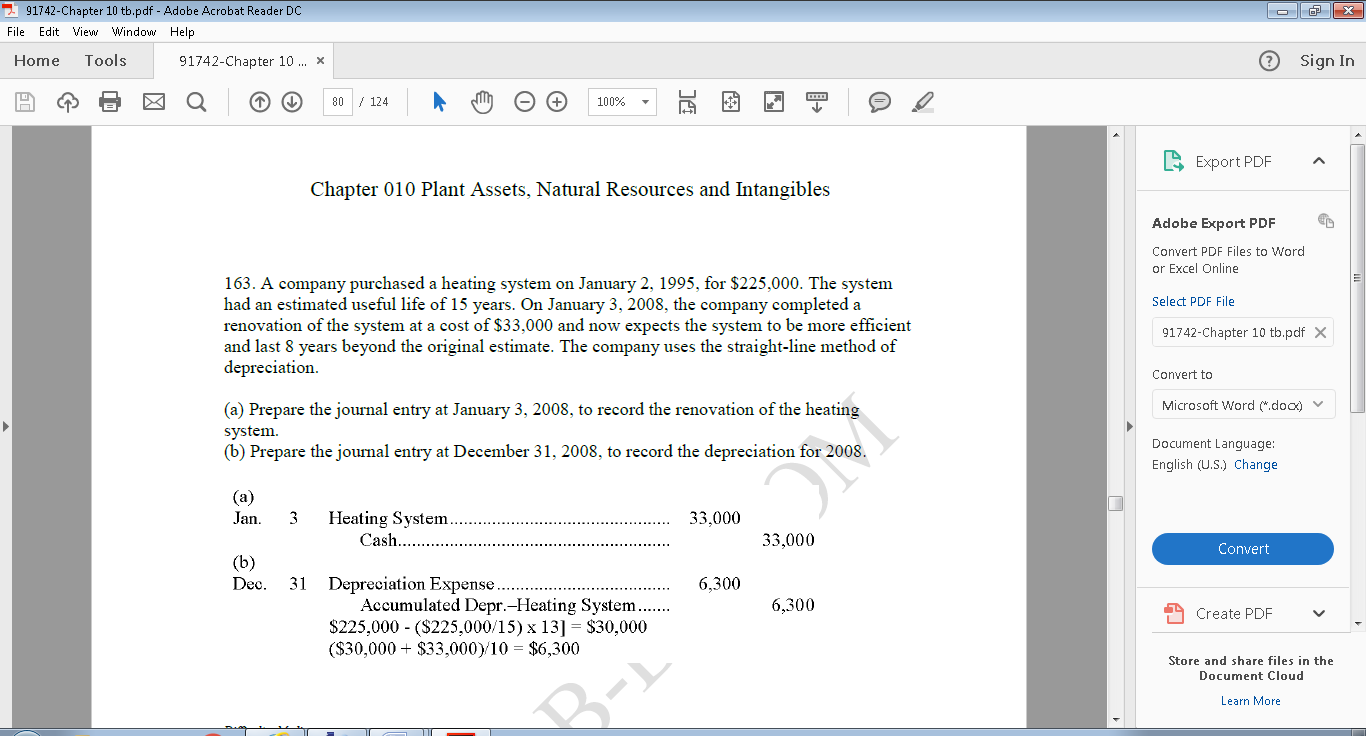


(a) Prepare the general journal entries to record these transactions.



* **Problem 4:** A company purchased a heating system on January 2, 1995, for $225,000. The system had an estimated useful life of 15 years. On January 3, 2008, the company completed a renovation of the system at a cost of $33,000 and now expects the system to be more efficient and last 8 years beyond the original estimate. The company uses the straight-line method of depreciation.
* **Answer of Problem 4:**
* (a) Prepare the journal entry at January 3, 2008, to record the renovation of the heating system.

****

(b) Prepare the journal entry at December 31, 2008, to record the depreciation for 2008.

* **Part C: Old Exam**

***Test 1 (ACC 113)***

* Question 1

1- Depreciation:

a- Measures the decline in market value of an asset

b- Is the process of allocating to expense the cost of a Plant Asset

c- Is an outflow of cash from the use of a plant asset

d- None of the above

2-Plant assets are:

a- Current assets

b- Held for sale

c- Intangible assets used in the operation of a business that have a useful life of more than one accounting period

d- Tangible assets used in the operation of a business that have a useful life of more than one accounting period

3- Extraordinary repairs:

a-are revenue expenditures

b- are credited to accumulated depreciation

c- Extend an assets useful life beyond its original estimate

d- are additional cost of plant assets that do not materially increase the assets life

4-intangible assets include:

A-Patents

b- Trademarks

c- Goodwill

d- all of the above

5- a company discarded (scraped or retiring ) plant asset originally purchased for $8000 accumulated depreciation was $7200 the company should recognize a (an):

a-$800 gain

c-$8000 loss

b-$800 loss

d-$7200 loss

6-a company purchased land to construct a building. What is the acquisition cost for the below:

Purchase price $175,000

Real estate commissions 15,000

Legal fees 800

Expenses of clearing the land 2,000

Expenses to remove old building 1,000

a-$193,800

b-$192,800

c-$190,000

d-$190,800

* Question2:

**A)** On January 1, 2011, a company purchased a machine at a total cost of $36,000 straight-line depreciation was calculated based on the assumption of a 5 year life and no salvage value. The machine was disposed of on July 1, 2014 the fiscal year end s on December 31 .

**Required:**

1-prepare the general journal entry to update depreciation to july1, 2014

Answer

|  |  |  |  |
| --- | --- | --- | --- |
| credit | debit | Account title | Date |
|  |  |  | July1,2014 |
|  |  |  |  |
|  |  |  |  |

2-prepare the general journal entry to record the sale of the machine for $11000 cash.

|  |  |  |  |
| --- | --- | --- | --- |
| credit | debit | Account title | Date |
|  |  |  | July1,2014 |
|  |  |  |  |
|  |  |  |  |

* Question3:

**A)** On January 1, 2013 a company purchased a patent for $2,850,000 the useful life is expected to last 30 years

**Required:**

Prepare the journal entry to record the amortization expense for the first year at December 31, 2013

|  |  |  |  |
| --- | --- | --- | --- |
| credit | debit | Account title | Date |
|  |  |  | Dec31,2013 |
|  |  |  |  |
|  |  |  |  |

**B)** A Company purchased mining properties containing 7,350,000 tons of are for $3,675,000 in year 1 it mined and sold 857,000 tons of ore and in year 2, it mined and sold 943,000 tons of are

**Required:**

1-calculate depletion expense per ton.

2- Calculate the depletion expense for year 1

3- Prepare a journal entry to record depletion expense at the end of year 1

|  |  |  |  |
| --- | --- | --- | --- |
| credit | debit | Account title | Date |
|  |  |  | End of year 1 |
|  |  |  |  |
|  |  |  |  |

**C)** On July 1,2014 a company purchased a machine with a cost of $480,000 the company estimated the machines useful life to be4 years or 60,000 units of output with an estimated salvage value of $120,000 during the year 15,000 units were produced the fiscal year end on December 31

**Required**

Calculate the depreciation expense for the year ended December 31, 2014 assuming.

1-The straight-line method is used

2- The double-declining-balance method is used

3-The units-of-production method is used

Answer 1 (the straight-line method):

Answer 2 (the double-declining-balance method):

Answer 3 (the units-of-production method):

**D)** On January 1, 2010 a company purchased a cooling system for $450,000 the system had an estimated useful life of 5 year and no salvage value .on January 1, 2013 the company completed an improvement of the system and paid cash $60,000 and now expects the system to be more efficient and last 3 year beyond the original estimate .the company uses the straight-line method of depreciation

**Required**

1-prepae the journal entry at January 1, 2013 to record the improvement of the cooling system.

Answer

|  |  |  |  |
| --- | --- | --- | --- |
| credit | debit | Account title | Date |
|  |  |  | Jan 1,2013 |
|  |  |  |  |
|  |  |  |  |

2- Prepare the journal entry at December 31, 2013 to record the depreciation expense

Answer

|  |  |  |  |
| --- | --- | --- | --- |
| credit | debit | Account title | Date |
|  |  |  | Dec31,2013 |
|  |  |  |  |
|  |  |  |  |