

# ***Work4Me Accounting Simulations***

***3<sup>rd</sup> Web-Based Edition***

## ***Problem Fourteen***

### ***Plant Acquisition And Disposal***

## INTRODUCTION

The **Deco-Block Company** buys decorative pre-cast cement blocks for retaining walls and structures direct from a supplier located 120 miles north of its main sales yard in Loomis, California. Deco-Block sells exclusively to building contractors. Deco-Block takes delivery of the blocks at the factory of its supplier and, when possible, ships directly to the job sites of its customers. However, it is often necessary to distribute its shipment of blocks into smaller lots for delivery to customers.

Deco-Block currently rents the building from which it conducts its sales business and truck and equipment maintenance, and the adjacent lot used for employee parking. The rented facilities also handle truck parking and security, and provide space for shipment redistribution, and some inventory. The business however, is quickly outgrowing the capacity of these rented facilities.

**Follow the Instructions below to start the program:**

<b>1.</b>	<b>Log on to Work4Me and from the Problems Menu Bar select Problem 14: Plant Acquisition and Disposal.</b>
<b>2.</b>	<b>Click on Journals/Ledgers/Statements in the Menu Bar, select Chart of Accounts and Print the Chart of Accounts for Deco-Block Company.</b>
<b>3.</b>	<b>Click on Journals/Ledgers/Statements in the Menu Bar, select General Ledger and Print the Trial Balance.</b>
<b>4.</b>	<b>Click on Data Entry and record the Transactions for February on the following pages.</b>

# RECORD THE TRANSACTIONS FOR FEBRUARY

## TRANSACTIONS

Student Analysis

### February 1: "Basket purchase" of assets

On February 1, Deco-Block Company purchased two buildings and a vacant lot which are adjacent to the office building rented by Deco-Block. The buyer did not set a price on the buildings or the land, but was anxious to sell at a bargain price of **\$180,000**. Property tax records show the assessed value of the Office Building at **\$72,000**; the Warehouse at **\$120,000**; and the Land at **\$48,000**. Deco-Block issued a check for **\$180,000**.

**Check: 10199. Invoice: BDKTP.**

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### February 4: Purchase of assets with cash

After moving into its new location, Deco-Block purchased new shop equipment for **\$12,000 cash** from ABC Suppliers.

**Check: 10200. Invoice: A3456.**

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### February 6: Purchase of assets with a note payable

Deco-Block purchased additional shop equipment from Emory Equipment at a cost of **\$14,000**, paying cash of **\$5,000** and issuing a **short-term** note payable for the balance.

**Check: 10201. Invoice: EE506.**

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### February 8: Purchase of assets with cash

Deco-Block purchased used office equipment from Office Outfitters for **\$7,000 cash**.

**Check: 10202. Invoice OF031.**

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## Transactions continued...

## Student Analysis

### February 9: Sale of assets at book value

Deco-Block sold one of its trucks for **\$8,000 cash**. The truck originally cost **\$45,000** and has been depreciated **\$37,000**.

Assume that depreciation has been recorded to **January 31**.

### Invoice: ASALE.

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### February 9: Purchasing an intangible asset

Deco-Block acquired a patent for **\$13,000** for a device that will add a safety feature to its hoist that is used to unload block from its trucks.

### Check: 10203 Invoice: P8901.

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### February 16: Updating depreciation prior to disposal

Deco-Block is going to sell three pieces of its outdated office equipment. The office equipment to be sold is depreciated at **\$1,200** per year. The last depreciation for this equipment was made at the end of the prior year on December 31. Record the journal entry to bring the depreciation up to date.

### Invoice: DERPE.

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### February 16: Sale of assets at a gain

Three pieces of the outdated office equipment, which originally cost **\$8,000** and now, (as a result of the previous entry) have an accumulated depreciation balance of **\$5,000**, are sold for **\$3,500 cash**.

### Invoice: ASALE.

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### February 19: Sale of assets at a loss

One of the factory hoists, which originally cost **\$12,000** and has accumulated depreciation of **\$11,000**, is sold for **\$500 cash**. The hoist was fully depreciated before the sale.

### Invoice: ASALE.

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## Transactions continued...

### Student Analysis

#### February 23: Operating expenses

The cab of one of the delivery trucks was accidentally damaged making a delivery. The insurance policy has a deductible clause and Deco Block issued a **\$1,200** check to Beckman Auto Body Repair Shop for the repairs to the delivery truck.

**Check: 10204. Invoice: AB451.**

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#### February 24: Exchange of assets

Used shop equipment, with a book value of **\$4,000**, is traded in on new shop equipment priced at **\$14,000**. No gain or loss will be recognized on this exchange. The old shop equipment cost **\$8,000**, and has depreciated **\$4,000** to date. A trade-in allowance of **\$6,000** is given on the old shop equipment and a check for **\$8,000** is issued to the Brazil Equipment Company.

**Check: 10205. Invoice: B2456.**

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#### February 26: Betterment

Installing a new safety device to the hoist required a major overhaul of the pulley and drive system of the hoist. While this new system provides additional safety, it will not extend the useful life of the hoist or the truck. The cost of the safety device and the overhaul is **\$8,000** and was paid with a check. This entry is **NOT** debited to the Accumulated Depreciation-Trucks or Accumulated Depreciation, Factory Hoist account.

**Check: 10206. Invoice: BETTR.**

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#### February 27: Purchase of assets

Deco-Block issued a check for a new truck costing **\$32,000**.

**Check: 10207. Invoice: TD345.**

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#### February 28: Operating expenses

Deco-Block issued check for the truck license fee of **\$1,100**.

**Check: 10208. Invoice: TL180.**

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## Transactions continued...

### Student Analysis

#### February 28: Extra-ordinary repairs

A major overhaul of one of the truck engines will extend the useful life of the truck an additional 4 years. The cost of the overhaul was \$3,800, and was paid with a check.

**Check: 10209. Invoice: 44455.**

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### This completes the Transactions.

Now that you have completed entering the transactions, it is time to check the accuracy of your work.

- 1) Move the pointer to **Check Figures** and click.
- 2) Move the pointer down to **Problem Check Figures** and click.
- 3) **Print** the Check Figures for Problem 14 – Plant Acquisition and Disposal.

Should you have any Incorrect Balances, follow the instructions in the **Error Correction Procedures** from **Module 1 – Demonstration Problem**.

If all of your balances are correct, move the pointer to **Administration/Files: Reset and Backup/Backup Data Files**, then continue with Instructions 1 to 7 below.

1. **Print the Trial Balance.**
2. **Print** the following General Ledger Accounts:
  - 101** Cash
  - 131** Office Equipment
  - 135** Shop Equipment
  - 137** Factory Hoists
  - 140** Accumulated Depreciation – Trucks
  - 141** Office Building
  - 145** Warehouse
3. **Exit** the program.
4. Using the required documents, **complete the Work4Me Problem 14: Plant Acquisitions and Disposal** evaluation at the end of this Module.
5. Log On to your program and move the pointer to **Evaluations**, select **Exam 14: Plant Acquisition and Disposal** and click.
6. Complete the Evaluation, using your completed Evaluation as a guide.
7. Follow the instructions at the top of the text box to **Save, Score, and Print** the Evaluation.

**WORK4ME - PROBLEM 14**  
**PLANT ACQUISITION**  
**AND DISPOSAL**

NAME \_\_\_\_\_  
CLASS DAY AND TIME \_\_\_\_\_ DATE \_\_\_\_\_

1. What amount of the asset purchase of February 1 was debited to the Office Building account? \_\_\_\_\_  
**A. \$36,000**  
**B. \$54,000**  
**C. \$72,000**  
**D. \$90,000**  
**E. None of the above.**
2. What is the amount of the gain on sale/disposal of assets? \$ \_\_\_\_\_
3. What is the amount of the loss on sale/disposal of assets? \$ \_\_\_\_\_
4. When there was an exchange of assets, was a gain or loss recorded? \_\_\_\_\_  
Answer **Y** for Yes or **N** for No.
5. How will the \$8,000 cost of the new safety device installed on the hoist on February 26<sup>th</sup> be depreciated? \_\_\_\_\_  
**A. It will not be depreciated.**  
**B. It will be depreciated over the useful life of the safety device.**  
**C. It will be not be depreciated, but will be amortized over the remaining life of the hoist.**  
**D. It is common for betterments to be depreciated over a three-year period.**  
**E. None of the Above**
6. On March 1, the business plans to purchase a new computer and printer system for the office at a cost of \$10,000. The equipment will have an estimated useful life of 4 years, a salvage value of \$2,000, and will be depreciated on the a straight-line basis. What will be the amount of depreciation expense recorded on March 31, the end of the first quarter? \_\_\_\_\_  
**A. \$166.67**  
**B. \$208.33**  
**C. \$333.33**  
**D. \$416.67**  
**E. None of the above.**

## WORK4ME - PROBLEM 14

7. If the new office equipment purchased in question 6, is depreciated instead using the double-declining balance method, what will be the depreciation for the month of March? \_\_\_\_\_  
A. \$133.33  
B. \$333.33  
C. \$666.67  
D. \$4,000.00  
E. None of the Above
8. What has been the net decrease in the Cash account for these February transactions? \$ \_\_\_\_\_
9. How many debits to the Cash account were for the sale of plant assets? \_\_\_\_\_  
A. One  
B. Two  
C. Three  
D. Four
10. What is the current book value of the Trucks? \$ \_\_\_\_\_
11. What term is used to describe the expensing of the cost of a copyright over its useful life to the business? \_\_\_\_\_  
A. Depreciation  
B. Amortization  
C. Depletion  
D. None of the above.
12. Permanent assets, installed at a mine site or timber site, that are not removable to another location, will depreciate on the same basis as the mineral deposit or timber stand is: \_\_\_\_\_  
A. Amortized  
B. Depleted  
C. Compiled  
D. Depreciated
13. What is the account number of the Plant and Equipment asset that will never be depreciated, amortized, or depleted? \_\_\_\_\_



## WORK4ME - PROBLEM 14

14. At the end of the quarter, March 31, the cost of the Patent will be adjusted for: \_\_\_\_\_
- A. Depletion
  - B. Amortization
  - C. Depreciation
  - D. None of the above
15. The office building purchased on February 1, has an estimated 40-year life and no salvage or scrap value. What will be the amount of depreciation recorded at the end of the quarter, March 31? \_\_\_\_\_
- A. \$112.50
  - B. \$225.00
  - C. \$337.50
  - D. \$1,350.00
  - E. None of the above.