

Study Guide 19

Name	Perfect Score	Your Score
Identifying Accounting Terms	14 Pts.	
Analyzing Plant Asset and Intangible Asset Transactions	20 Pts.	
Analyzing Plant Assets, Depreciation, Intangible Assets, and Amortization	14 Pts.	
Total	48 Pts.	

Part One—Identifying Accounting Terms

Directions: Select the one term in Column I that best fits each definition in Column II. Print the letter identifying your choice in the Answers column.

Column I	Column II	Answers
A. amortization	1. The ratio of the money earned on an investment relative to the amount of the investment. (p. 584)	1. _____
B. accelerated depreciation	2. Land and anything attached to the land. (p. 587)	2. _____
C. assessed value	3. All property not classified as real property. (p. 587)	3. _____
D. declining-balance method of depreciation	4. The value of an asset determined by tax authorities for the purpose of calculating taxes. (p. 587)	4. _____
E. double declining-balance method of depreciation	5. An accounting form on which a business records information about each plant asset. (p. 594)	5. _____
F. gain	6. An increase in equity resulting from activity other than selling goods or services. (p. 600)	6. _____
G. gain on plant assets	7. An increase in equity that results when a plant asset is sold for more than book value. (p. 600)	7. _____
H. intangible asset	8. A decrease in equity resulting from activity other than selling goods or services. (p. 601)	8. _____
I. loss	9. The decrease in equity that results when a plant asset is sold for less than book value. (p. 601)	9. _____
J. loss on plant assets	10. Any method of depreciation that records greater depreciation expense in the early years and less depreciation expense in the later years. (p. 603)	10. _____
K. personal property	11. A type of accelerated depreciation that multiplies the book value of an asset by a constant depreciation rate in some multiple of the straight-line rate. (p. 603)	11. _____
L. plant asset record	12. A declining-balance rate that is two times the straight-line rate. (p. 603)	12. _____
M. real property	13. An asset that does not have physical substance. (p. 607)	13. _____
N. return on investment	14. The spreading of the cost of an intangible asset over its useful life. (p. 608)	14. _____

Part Two—Analyzing Plant Asset and Intangible Asset Transactions

Directions: Analyze each of the following transactions into debit and credit parts. Print letters (A through L) in the proper Answers columns identifying the accounts to be debited and credited.

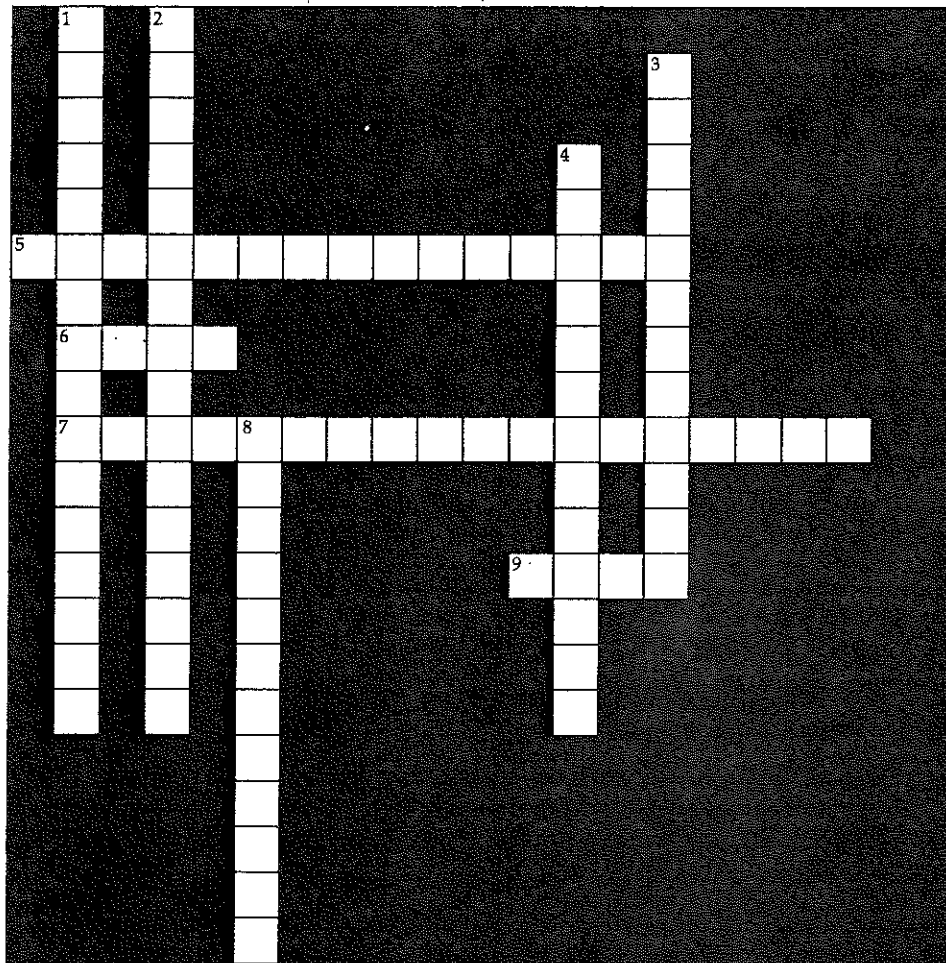
Account Titles	Transactions	Answers	
		Debit	Credit
A. Accumulated Depreciation— Office Equipment	1–2. Paid cash for new display case. (p. 585)	1. _____	2. _____
B. Accumulated Depreciation— Store Equipment	3–4. Paid cash for a computer for the office and a cash register for the store. (p. 586)	3. _____	4. _____
C. Amortization Expense	5–6. Paid cash for property taxes. (p. 587)	5. _____	6. _____
D. Cash	7–8. Recorded annual store equipment depreciation. (p. 596)	7. _____	8. _____
E. Depreciation Expense— Office Equipment	9–10. Received cash from sale of display case for book value. (p. 598)	9. _____	10. _____
F. Depreciation Expense— Store Equipment	11–12. Recorded a partial year's depreciation on a cash register to be sold. (p. 599)	11. _____	12. _____
G. Gain on Plant Assets	13–14. Received cash from sale of cash register for more than book value. (p. 600)	13. _____	14. _____
H. Office Equipment	15–16. Received cash from sale of a computer for less than book value. (p. 601)	15. _____	16. _____
I. Loss on Plant Assets	17–18. Paid cash for a patent. (p. 607)	17. _____	18. _____
J. Patent	19–20. Recorded annual amortization on patent. (p. 608)	19. _____	20. _____
K. Property Tax Expense			
L. Store Equipment			

Part Three—Analyzing Plant Assets, Depreciation, Intangible Assets, and Amortization

Directions: For each of the following items, select the choice that best completes the statement. Print the letter identifying your choice in the Answers column.

Answers

- | | |
|---|-----------|
| 1. Recording a plant asset at its original cost is an application of the concept (A) Going Concern (B) Matching Expenses with Revenue (C) Objective Evidence (D) Historical Cost. (p. 585) | 1. _____ |
| 2. A company buys a copy machine and a display case for \$50,000.00. The value of the copy machine is \$15,000.00. The value of the display case is \$45,000.00. The amount recorded in Office Equipment for the copy machine is (A) \$12,500.00 (B) \$15,000.00 (C) \$25,000.00 (D) \$37,500.00. (p. 586) | 2. _____ |
| 3. Expensing the cost of an asset over the asset's useful life is an application of the concept (A) Going Concern (B) Historical Cost (C) Matching Expenses with Revenue (D) Objective Evidence. (p. 589) | 3. _____ |
| 4. The annual depreciation for a plant asset with an original cost of \$2,000.00, estimated salvage value of \$200.00, and estimated useful life of ten years, using the straight-line method, is (A) \$200.00 (B) \$2,000.00 (C) \$1,800.00 (D) \$180.00. (p. 589) | 4. _____ |
| 5. The smallest unit of time used to calculate depreciation is (A) one month (B) half a year (C) one year (D) none of these. (p. 591) | 5. _____ |
| 6. At any time, the accumulated depreciation for a plant asset owned by the company reflects (A) depreciation expense for the current year (B) total depreciation expense since the asset was purchased (C) next year's estimated depreciation expense (D) total estimated depreciation for the life of the asset. (p. 592) | 6. _____ |
| 7. When a plant asset is sold with no gain or loss recorded, (A) cash received equals the book value of the asset (B) cash received is less than the book value of the asset (C) cash received is more than the book value of the asset (D) none of these. (p. 598) | 7. _____ |
| 8. When a plant asset is sold and a gain is recorded, (A) cash received equals the book value of the asset (B) cash received is less than the book value of the asset (C) cash received is more than the book value of the asset (D) none of these. (p. 600) | 8. _____ |
| 9. When a plant asset is sold and a loss is recorded, (A) cash received equals the book value of the asset (B) cash received is less than the book value of the asset (C) cash received is more than the book value of the asset (D) none of these. (p. 601) | 9. _____ |
| 10. Charging more depreciation expense in the early years is an application of the concept of (A) Adequate Disclosure (B) Historical Cost (C) Matching Expenses with Revenue (D) Realization of Revenue. (p. 603) | 10. _____ |
| 11. The declining-balance method of depreciation is calculated by (A) charging an equal amount of depreciation each year (B) subtracting the annual depreciation expense from the book value (C) multiplying the book value by a constant depreciation rate at the end of each fiscal year (D) none of the above. (p. 603) | 11. _____ |
| 12. The double declining-balance method of depreciation (A) records a greater depreciation expense in the early years of an asset's useful life (B) records a lesser depreciation expense in the early years of an asset's useful life (C) slows down the recording of depreciation in the early years of an asset's useful life (D) accelerates the recording of depreciation in the later years of an asset's useful life. (p. 603) | 12. _____ |
| 13. All of the following are examples of intangible assets except (A) copyrights (B) patents (C) petty cash (D) trademarks. (p. 607) | 13. _____ |
| 14. A patent having a legal life of 15 years and an expected useful life of 10 years will be amortized over (A) 5 years (B) 10 years (C) 12½ years (D) 15 years. (p. 608) | 14. _____ |



Across

- 5. An asset that does not have physical substance.
- 6. A decrease in equity resulting from activity other than selling goods or services.
- 7. The ratio of the money earned on an investment relative to the amount of the investment.
- 9. An increase in equity resulting from activity other than selling goods or services.

Down

- 1. All property not classified as real property.
- 2. An accounting form on which a business records information about each plant asset.
- 3. The spreading of the cost of an intangible asset over its useful life.
- 4. The value of an asset determined by tax authorities for the purpose of calculating taxes.
- 8. Land and anything attached to the land.