

ADM 2342A
2014 FALL SEMESTER

Depreciation, Impairment & Disposition

Question No. 1

Required:

Complete the following table for the year ended December 31, 2013. The company's policy is to depreciate all assets for one-half a year in the year of acquisition and one-half a year in the year of disposal. Show all supporting computations.

<u>Case</u>	<u>Date Purchased</u>	<u>Cost</u>	<u>Residual</u>	<u>Life</u>	<u>Method</u>	<u>Acc Dep to 2012</u>	<u>2013 Depreciation</u>
Mach A	Dec 2/11	142,500	16,000	10	(a)	39,900	(b)
Mach B	Aug 15/10	(c)	21,000	5	SL	29,000	(d)
Mach C	Jul 21/09	75,400	23,500	8	DDB	(e)	(f)

Question No. 2

Paul Bunyan Enterprises (PBE) Ltd. is a small private lumberjack company that operates in Northern British Columbia. In 2012, PBE Ltd. purchased 9,000 hectares of timberland at a cost of \$1,400 per hectare. At the time of purchase, the land without the timber was valued at \$420 per hectare. In 2013, PBE constructed access roads at a cost of \$84,000 and separately capitalized them. The access roads have a useful life of the shorter of 30 years or the estimated time required in order to log all of the timber and are depreciated using the straight-line method. Each year, PBE spent \$7,000 to maintain the access roads and a further \$3,000 on spraying costs to help prevent insect disease.

In 2013, PBE logged and sold 700,000 cubic metres of the estimated 3,500,000 cubic metres of timber. In the spring of 2014, PBE planted new seedlings to replace the cut trees at a cost of \$200,000. In 2014, PBE logged and sold 900,000 cubic metres of timber.

Required:

- (a) Calculate the depletion charge for 2013 and prepare the necessary journal entries to record the amount of timber logged and sold.
- (b) Prepare any necessary journal entries for 2014.