E9-1 The following expenditures relating to plant assets were made by Spaulding Company

during the first 2 months of 2011.

1. Paid $5,000 of accrued taxes at time plant site was acquired.

2. Paid $200 insurance to cover possible accident loss on new factory machinery while the machinery

was in transit.

3. Paid $850 sales taxes on new delivery truck.

4. Paid $17,500 for parking lots and driveways on new plant site.

5. Paid $250 to have company name and advertising slogan painted on new delivery truck.

6. Paid $8,000 for installation of new factory machinery.

7. Paid $900 for one-year accident insurance policy on new delivery truck.

8. Paid $75 motor vehicle license fee on the new truck.

Instructions

(a) Explain the application of the cost principle in determining the acquisition cost of

plant assets.

(b) List the numbers of the foregoing transactions, and opposite each indicate the account title

to which each expenditure should be debited.

E9-7 Brainiac Company purchased a delivery truck for $30,000 on January 1, 2011.The truck

has an expected salvage value of $2,000, and is expected to be driven 100,000 miles over its estimated

useful life of 8 years.Actual miles driven were 15,000 in 2011 and 12,000 in 2012.

Instructions

(a) Compute depreciation expense for 2011 and 2012 using (1) the straight-line method, (2) the

units-of-activity method, and (3) the double-declining balance method.

(b) Assume that Brainiac uses the straight-line method.

(1) Prepare the journal entry to record 2011 depreciation.

(2) Show how the truck would be reported in the December 31, 2011, balance sheet.

E9-12 The following are selected 2011 transactions of Franco Corporation.

Jan. 1 Purchased a small company and recorded goodwill of $150,000. Its useful life is indefinite.

May 1 Purchased for $90,000 a patent with an estimated useful life of 5 years and a legal life

of 20 years.

Instructions

Prepare necessary adjusting entries at December 31 to record amortization required by the

events above.

P9-7B The intangible assets section of Time Company at December 31, 2011, is presented below.

Patent ($100,000 cost less $10,000 amortization) $ 90,000

Copyright ($60,000 cost less $24,000 amortization) 36,000

Total $126,000

The patent was acquired in January 2011 and has a useful life of 10 years.The copyright was acquired

in January 2008 and also has a useful life of 10 years.The following cash transactions may

have affected intangible assets during 2012.

Jan. 2 Paid $45,000 legal costs to successfully defend the patent against infringement by

another company.

Jan.–June Developed a new product, incurring $230,000 in research and development costs.A

patent was granted for the product on July 1. Its useful life is equal to its legal life.

Sept. 1 Paid $125,000 to an Xgames star to appear in commercials advertising the

company’s products.The commercials will air in September and October.

Oct. 1 Acquired a copyright for $200,000.The copyright has a useful life of 50 years.

Instructions

(a) Prepare journal entries to record the transactions above.

(b) Prepare journal entries to record the 2012 amortization expense for intangible assets.

(c) Prepare the intangible assets section of the balance sheet at December 31, 2012.

(d) Prepare the note to the financials on Time’s intangibles as of December 31, 2012.