1. Which of the following would all be classified as long-term operational assets?

A. Machinery, inventory, copyright

B. Delivery van, coal mine, accounts receivable

C. Patent, grain elevator, natural gas deposit

D. All of the above are long-term operational assets

2. The expense account used to recognize the use of intangible assets is

A. Depreciation

B. Amortization

C. Depletion

D. Intangible assets are never expensed

3. Broome Company purchased a machine on January 1, 2015 for $15,000. The machine had an estimated 5-year useful life and an estimated $3,000 salvage value. If Broome uses straight-line depreciation, what will be the balances in depreciation expense and accumulated depreciation at the end of 2016?

A. $3,000/$3,000

B. $3,000/$6,000

C. $2,400/$2,400

D. $2,400/$4,800

4. Canton Company purchased a delivery truck that had a list price of $25,000. Canton was given a $2,000 discount off of the list price, but paid $1,500 extra to have a protective lining installed in the bed of the truck. Sales tax on the truck amounted to $750. Canton also paid $1,200 to insure the truck for the first year. What will Canton record in the truck account?

A. $25,250

B. $24,500

C. $26,450

D. $27,250

5. Diaz Company purchased a patent from RSB Research for $200,000 on January 1, 2015. The patent had a 10-year legal life. At the time of the purchase, Diaz estimated that the patent would generate revenue over an 8 year period. What will Diaz report as expense related to the patent in 2016?

A. $20,000

B. $25,000

C. $40,000

D. $50,000

6. Diaz Company purchased a patent from RSB Research for $200,000 on January 1, 2015. The patent had a 10-year legal life. At the time of the purchase, Diaz estimated that the patent would generate revenue over an 8 year period. What will Diaz report in its patent account on December 31, 2016?

A. $150,000

B. $160,000

C. $180,000

D. $200,000

7. Which of the following statements is true?

A. Most companies use the double-declining balance method to depreciate long-term operational assets.

B. Depreciation expense will be higher in the last year of an asset’s life if a company uses double-declining balance depreciation than if it uses the straight-line method.

C. The book value of an asset will be lower at the end of the first year of an asset’s life if a company uses straight-line depreciation than if it uses the double-declining balance method.

D. The total amount of depreciation expense related to an asset will be the same at the end of an asset’s useful life whether it uses double-declining balance, units-of-production, or straight-line depreciation.

8. Federal Company purchased land and a building for $430,000. An appraisal was obtained that indicated that the land was worth $125,000 and the building was worth $375,000. What amount of the purchase price should Federal Company allocate to the land and the building?

A. Land $125,000; building $375,000

B. Land $125,000; building $305,000

C. Land $110,000; building $375,000

D. Land $107,500; building $322,500

9. On January 1, 2015, Grayson Company purchased a machine for $32,000. The machine was estimated to have a 5-year useful life and estimated output of 100,000 units. Salvage value was estimated at $2,000. The machine produced 25,000 units in 2015 and 22,000 units in 2016. If Grayson uses the units-of-production method to calculate depreciation expense, which of the following is a true statement?

A. Depreciation expense for 2015 is $7,500.

B. Depreciation expense for 2015 is $8,000.

C. Depreciation expense for 2016 is $7,040.

D. Both B and C are true.

10. On January 1, 2015, Parrott Company purchased a machine for $30,000. The machine was estimated to have a 5-year useful life and a $5,000 salvage value. If Parrott uses the double-declining-balance method to calculate depreciation expense, which of the following is a false statement?

A. Parrott will report no depreciation expense in year 5.

B. Depreciation expense will be $2,592 in year 4.

C. Total depreciation expense over the asset’s life would be the same if Parrott had chosen straight-line depreciation.

D. Salvage value has no impact on depreciation in double-declining-balance depreciation.

11. The general journal entry to record depletion expense on a copper mine would include:

A. A debit to copper mine and a credit to depletion expense.

B. A debit to copper mine and a credit to accumulated depletion.

C. A debit to depletion expense and a credit to accumulated depletion.

D. A debit to depletion expense and a credit to copper mine.

12. The general journal entry to record depreciation expense on a delivery truck would include:

A. A debit to delivery truck and a credit to depreciation expense.

B. A debit to delivery truck and a credit to accumulated depreciation.

C. A debit to depreciation expense and a credit to accumulated depreciation.

D. A debit to depreciation expense and a credit to delivery truck.

13. When a company purchases a “basket” of assets with cash for less than their individual appraised values,

A. Total assets are unaffected.

B. Total equity increases.

C. A gain on the purchase would be recorded.

D. Both B and C.

14. Fallon Company sold a building for $200,000 cash. The building had originally been purchased for $220,000 and had a book value of $160,000. Which of the following statements is true?

A. Fallon recorded a $20,000 loss on the sale.

B. Fallon credited the building account for $160,000.

C. Fallon recorded $200,000 of revenue.

D. None of the above.

15. Blair Company purchased Frost Company for $300,000. Frost Company’s balance sheet showed assets of $250,000, liabilities of $50,000, and equity of $200,000. Frost Company’s assets were appraised for $270,000. Based on this information,

A. Blair recorded a loss on the purchase of $50,000.

B. Blair recorded a loss on the purchase of $30,000.

C. Blair recorded Goodwill of $30,000.

D. Blair recorded Goodwill of $80,000.

16. When a company sells an asset for more than its book value,

A. Operating income will increase.

B. Net income will increase.

C. Total assets will be unaffected.

D. Both A and B.

17. Which of the following is an intangible asset with an indefinite life?

A. Patent

B. Trademark

C. Diamond mine

D. Copyright

18. Barker Company recorded $50,000 of Goodwill related to its purchase of another company in 2014. At the end of 2015, Barker determines that the Goodwill is now worth $40,000. At the end of 2015,

A. Barker will not record anything due to the historic cost concept.

B. Barker will record $10,000 in goodwill expense.

C. Barker will record a $10,000 impairment loss.

D. Barker will record $10,000 in amortization expense.

19. Solartec paid $200,000 to purchase a solar energy system. The system was expected to have an 8 year useful life and a $40,000 salvage value. At the beginning of the fifth year of operation, Solartec changed the estimated useful life from 8 years to 14 years. Assuming the Company uses the straight-line method, the amount of depreciation expense on the Year 5 income statement would be

A. $20,000.

B. $16,000.

C. $12,000.

D. $8,000.

20. On January 1, 2015, Apex Corporation paid $20,000 to perform maintenance on a manufacturing machine. This expenditure will

A. Increase the machine’s book value by $20,000.

B. Have no effect on total assets.

C. Decrease net income by $20,000.

D. Both A and B.