

# Accounting Final Review

## Practice Problem—

### Disposal of Equipment by Sale, Trade-in, or as Scrap

A roller coaster that cost \$18,000 had an estimated useful life of 5 years and an estimated salvage value of \$3,000. Straight-line depreciation with half-year convention was used. Give the entry (in general journal form) required by each of the following alternative assumptions:

- The roller coaster was sold for \$13,000 cash after 2 years' use
- The roller coaster was traded in after 4 years on another roller coaster with a fair market value of \$24,000. Trade-in allowance was \$8,500. (Record any implied gain or loss)  $24000 - 8500 = 15500$
- The roller coaster was scrapped after 7 year's use. Since scrap dealers were unwilling to pay anything for the roller coaster, it was given to a scrap dealer for his services.

(A) Cash 13000  
Acc depre 4500  
Loss on disp of P.A. 500  
Roller Coaster 18000

Straight line Depn		A.D. Bal
①	1500	1500
②	3000	4500
③	3000	7500
④	3000	10500
⑤	3000	13500
⑥	4500	15000

(B) New R.C. 24000  
Acc depre 10500  
Old RC 18000  
Cash 15500  
gain on Dep of P.A. 1000

(C) Acc depre 15000  
Loss on P.A. 3000  
R.C. 18000

## COGS REVIEW

Harvey Corporation's beginning inventory of a particular product and its purchases during the year were as follows:

Jan. 1 Beg. Inventory	100 Units	@	\$22.20=	\$2,220
Apr. 12 Purchase	50 Units	@	\$20.00=	\$1,000
Aug. 11 Purchase	40 Units	@	\$24.00=	\$ 960
Nov. 22 Purchase	30 Units	@	\$26.50=	\$ 795
Total Goods Available for Sale		220 Units		\$4,975

1. If the ending inventory consists of 100 units, the COGS based on FIFO is:

Sold 120

$$\begin{aligned} 100 \text{ at } 22.20 &= 2220 \\ 20 \text{ at } 20 &= \underline{400} \\ &2620 \end{aligned}$$

2. If the ending inventory consists of 100 units, the COGS based on LIFO is:

$$\begin{aligned} 30 \text{ at } 26.50 &= 795 \\ 40 \text{ at } 24 &= 960 \\ 30 \text{ at } 20 &= 1000 \\ &2755 \end{aligned}$$

3. If the ending inventory consists of 100 units, the COGS based on the average cost method is:

$$\begin{aligned} \frac{4975}{220} &= 22.61 \times 120 = 2713.63 \\ &2713.20 \end{aligned}$$