

Problem 10-3B

Asset cost allocation;
straight-line depreciation

C1 P1

In January 2015, ProTech Co. pays \$1,550,000 for a tract of land with two buildings. It plans to demolish Building A and build a new shop in its place. Building B will be a company office; it is appraised at \$482,800, with a useful life of 15 years and a \$99,500 salvage value. A lighted parking lot near Building B has improvements (Land Improvements B) valued at \$142,000 that are expected to last another five years with no salvage value. Without the buildings and improvements, the tract of land is valued at \$795,200. The company also incurs the following additional costs.

Cost to demolish Building A	\$ 122,000
Cost of additional land grading	174,500
Cost to construct new building (Building C), having a useful life of 20 years and a \$258,000 salvage value	1,458,000
Cost of new land improvements (Land Improvements C) near Building C, having a 10-year useful life and no salvage value	103,500

Required

1. Prepare a table with the following column headings: Land, Building B, Building C, Land Improvements B, and Land Improvements C. Allocate the costs incurred by ProTech to the appropriate columns and total each column (round percents to the nearest 1%).
 2. Prepare a single journal entry to record all incurred costs assuming they are paid in cash on January 1, 2015.
 3. Using the straight-line method, prepare the December 31 adjusting entries to record depreciation for the 12 months of 2015 when these assets were in use.
- Check** (1) Land costs, \$1,164,500; Building B costs, \$527,000
(3) Depr.—Land Improv. B and C, \$31,000 and \$10,350