Canyon Company acquired a used machine for $52,700 on January 3. It was repaired the next day at a cost of $3,200 and installed on a new platform that cost $1,100. The company predicted that the machine would be used for four years and would then have a $6,000 salvage value. Amortization was to be charged on a straight-line basis. A full year's amortization was charged on December 31, the end of the first year of the machine's use. On May 1 of its fourth year in service, it was retired from service.

Required:

1. Prepare General Journal entries to record the acquisition of the machine, the cost of repairing it, and the installation. Assume that cash was paid.

2. Prepare entries to record amortization on the machine on December 31 of its first year and on April 30 in the year of disposal. Also record the disposal of the machine assuming it was sold for its book value.

DATE	ACCOUNT	TYPE	DEBIT	CREDIT

Answer:

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DATE	ACCOUNT	TYPE	DEBIT	CREDIT
Jan 3	Machinery	A	52,700	
	Cash	A		52,700
	Acquired used machine			
Jan 4	Machinery	A	3,200	
	Cash	A		3,200
	Repaired used machine			
Jan 4	Machinery	A	1,100	
	Cash	A		1,100
	Installed new platform			
Dec 31/1	Amortization – Machinery	EX	12,750	
	Acc Amort. – Machinery	A		12,750
	[(52,700 + 3,200 + 1,100) – 6000] / 4 years			
Apr 30/4	Amortization – Machinery	EX	4,250	
	Acc Amort. – Machinery	A		4,250
	12,750 / 12 x 4 months			
Apr 30/4	Cash	A	14,500	
	Acc Amort. – Machinery	A	42,500	
	Machinery	A		57,000
	Disposal at Book Value			