Culby Company acquired a used machine for $159,000 on January 3. It was repaired the next day at a cost of $6,100 and installed on a new platform that cost $4,900. The company predicted that the machine would be used for five years and would then have a $26,000 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 and second year of the machine's use. On May 31 of its third 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 May 31 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	159,000	
	Cash	A		159,000
	Acquired used machine			
Jan 4	Machinery	A	6,100	
	Cash	A		6,100
	Repair used machine			
Jan 4	Machinery	A	4,900	
	Cash	A		4,900
	Install new platform			
Dec 31/1	Amortization – Machinery	EX	28,800	
	Acc Amort. – Machinery	A		28,800
	[(159,000 + 6,100 + 4,900) – 26,000] / 5 years			
May 31/3	Amortization – Machinery	EX	12,000	
	Acc Amort. – Machinery	A		12,000
	28,800 / 12 x 5 months			
May 31/3	Cash	A	100,400	
	Acc Amort. – Machinery	A	69,600	
	Machinery	A		170,000
	Disposal at Book Value			