

Glencoe Accounting

Chapter 23: Plant Assets and Depreciation

I-Summary

Plant assets like equipment and buildings provide long-term economic benefits to a business. Of course, the costs of these assets must be allocated over the life of each asset through depreciation. In this chapter, you learned how to calculate and record depreciation expense and how depreciation is reported on a company's financial statements.

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I-Quiz

1. *Accumulated Depreciation* is considered to be which kind of account?
 - A. an asset account
 - B. a liability account
 - C. a contra asset account
2. The cost of a plant asset includes which of the following?
 - A. purchase price of asset
 - B. delivery charges
 - C. both of these
3. How is the book value of an asset calculated?
 - A. Cost of the asset minus accumulated depreciation
 - B. Cost of the asset minus depreciation expense
 - C. Cost of the asset minus disposal value
4. The adjusting entry for depreciation includes which of the following?
 - A. a debit to Depreciation Expense
 - B. a credit to Depreciation Expense
 - C. a debit to Accumulated Depreciation
5. To compute the annual depreciation expense under the *straight-line method*, which of the following is needed?
 - A. the amount to be depreciated
 - B. the estimated useful life of the asset
 - C. both of these

Answer Key

1. C
2. C
3. A
4. A
5. C