In 2003, Vender Manufacturing Inc. purchased three capital assets. Information concerning the assets is summarized below:

Asset	Acquired	Cost	Estimated Salvage Value	Useful Life In Years	Amortization Method
Bender	Feb. 1/03	$7,000	$ 1,000	10	Straight-line
Boxer	Mar. 1/03	60,000	10,000	5	Units-of-activity
Forklift	Apr. 1/03	84,000	32,000	10	30% Declining balance

For the units-of-activity method, lifetime machine hours are expected to be 5,000. Actual hours of use in 2003 were 1,369.

Instructions

(a) Calculate the depreciation expense for each machine in 2003.

(b) On January 1, 2004, the company had to dispose of the bender; they also sold the forklift for $76,000. Journalize both disposal entries.

Action Plan

- Amortizable cost is original cost estimated salvage or residual value.
- Under the straight-line method, the amortization rate is applied to amortizable cost.
- Under the declining-balance method, the amortization rate is applied to the net book value at the beginning of the year.
- Under the units-of-activity method, amortization per unit is determined, then this rate is multiplied by the units of activity during the period.
- To record the dispositions, determine the net book value of the assets at the time of the disposal and calculate the gain or loss by comparing the proceeds on disposition, if any, to the book value. The journal entry removes the book values, cost and accumulated amortization from the books, and records the gain or loss.