

Chapter 3 Outline

Acquisition Costs of Property and Equipment
Land with Building to Be Demolished
Land and Building for a Lump Sum
Equipment Requiring Special Installation
Land Improvements
Building Repairs and Improvements
China, Glassware, Silver, Uniforms, and Linen
Operating Leases and Capital Leases
Depreciation of Property and Equipment
Straight-Line Method
Declining Balance Method
Sum-of-the-Years-Digits Method
Comparison of Time-Factor Methods
Depreciation for Partial Periods
Productive-Output Method
Depreciation of China, Glassware, and Silver
Amortization of Leaseholds and Leasehold Improvements
Leaseholds
Leasehold Improvements
Sale or Disposal of Property and Equipment
Trade-In of Property and Equipment
Exchange of Like-Kind Assets
Exchange of Dissimilar Assets
Tax Accounting for Exchange of Assets
Depreciation and Income Taxes
Modified Accelerated Cost Recovery System
Appendix: Modified Accelerated Cost Recovery System (MACRS)

Competencies

1. Explain the items typically classified as property and equipment. (p. 73)
2. Describe the determination of acquisition costs recorded for various types of property and equipment. (pp. 74–77)
3. Summarize the difference between accounting for building repairs and accounting for building improvements. (p. 76)
4. Describe the difference between operating leases and capital leases, and explain the four criteria for distinguishing capital leases from operating leases. (pp. 77–78)
5. Explain the purpose of depreciation, the affected accounts, the different types of values of assets, and how the preparation of tax returns affects depreciation. (pp. 78–80, 94–95)
6. Explain the difference between time-factor and use-factor methods of depreciation. (p. 80)
7. Describe the straight-line, declining balance, and sum-of-the-years-digits methods of depreciation. (pp. 80–84)
8. Identify accelerated depreciation methods. (pp. 84–85)
9. Explain the options for computing depreciation for partial time periods. (p. 86)
10. Describe the productive-output method of depreciation. (pp. 86–87)
11. Explain what special considerations apply to the depreciation of china, glassware, and silver. (pp. 87–88)
12. Explain amortization and the amortization of leaseholds and leasehold improvements. (pp. 88–89)
13. Explain the accounting considerations involved in the sale, disposal, or trade-in of property and equipment. (pp. 89–94)