

ACCY493-Fall 2003
10/22/2003
Prof. Doogar

QUIZ #3

NAME: _____

Section: D1 D2 MSA

Question

An American firm owns 100% of a German firm that had the following transactions occur relative to their equipment account:

| | |
|-----------------|--|
| January 1, 20X1 | Purchased equipment for 50,000 marks |
| July 1, 20X1 | Purchased equipment for 30,000 marks |
| January 1, 20X2 | Purchased equipment for 75,000 marks |
| July 1, 20X2 | Sold equipment purchased on January 1, 20X1 for 48,000 marks |

The following exchange rates could be relevant:

| Date | \$/Mark |
|-------------------|---------|
| January 1, 20X1 | \$0.50 |
| January 1, 20X2 | \$0.53 |
| July 1, 20X1 | \$0.52 |
| July 1, 20X2 | \$0.50 |
| December 31, 20X1 | \$0.53 |
| December 31, 20X2 | \$0.49 |
| Average 20X1 | \$0.515 |
| Average 20X2 | \$0.51 |

Required:

Assuming that the U.S. dollar is the functional currency and that the German firm uses straight-line depreciation over a 5-year period with a 10% salvage value, determine the following for remeasurement purposes:

- The value of the equipment account on December 31, 20X2.
- The value of the depreciation expense for 20X2.
- The amount of the gain or loss resulting from the July 1, 20X2, sale.

Scratch Paper