CT16-2

In each of the following situations, determine if the appropriate action was taken. If not, describe the financial statement impact of the error.

1. Recorded the $50,000 purchase of land acquired for investment purposes as a debit to the Land account.
2. A $450 tune-up to the delivery truck was capitalized to the Truck account.
3. Land to be used as the site for a new warehouse was purchased for $250,000 plus a broker’s commission of $12,500. The Land account was debited for $250,000, and the $12,500 broker’s commission was recorded as commission expense.
4. The $650 cost to install a new water heater was charged to plumbing repairs expense.
5. A patent was purchased for $475,000 and recorded in the Equipment account.
6. Depletion relating to the extraction of 200,000 barrels of oil was not recorded because the oil is still sitting in inventory and has not been sold.