

SELF STUDY PROBLEMS 5-1 AND 5-2

Problem 5-1

The Roberts Company, whose fiscal year is the calendar year, purchased a trademark at a cost of \$320,000 at the beginning of 20x2. It was assumed that the trademark would be useful for 5 more years. Show the proper entries, associated with the trademark, that should be recorded in 20x2, 20x3 and 20x4.

Problem 5-2

The Soriano Company, whose fiscal year is the calendar year, purchased patent rights at a cost of \$750,000 at the beginning of 20x1. It was assumed that the patent rights would be useful for 8 years. At the beginning of 20x3, the company paid \$75,000 in successfully prosecuting an attempted infringement of the patent rights. Show the proper entries, associated with the patent, that should be recorded in 20x1, 20x2 and 20x3.

SELF STUDY PROBLEMS 5-1 AND 5-2
ANSWERS

Problem 5-1

01/01/x2	Trademarks	320,000	
	Cash		320,000
12/31/x2	Amortization Expense - Trademarks	64,000	
	Trademarks		64,000
	Amortization: $1/5 \times \$320,000 = \$64,000$		
12/31/x3	Amortization Expense - Trademarks	64,000	
	Trademarks		64,000
12/31/x4	Amortization Expense - Trademarks	64,000	
	Trademarks		64,000

Problem 5-2

01/01/x1	Patents	750,000	
	Cash		750,000
12/31/x1	Amortization Expense - Patents	93,750	
	Patents		93,750
	Amortization: $1/8 \times \$750,000 = \$93,750$		
12/31/x2	Amortization Expense - Patents	93,750	
	Patents		93,750
01/01/x3	Patents	75,000	
	Cash		75,000
12/31/x3	Amortization Expense - Patents	106,250	
	Patents		106,250
	Original Cost		\$750,000
	Amortization - 20x1	93,750	
	Amortization - 20x2	93,750	
	Book Value, 01/01/x3		\$562,500
	Additional Cost		75,000
	Adjusted book value, 01/01/x3		\$637,500
	Amortization - 20x3		
	$1/6 \times \$637,500$		\$106,250