

Practice Set NATURAL RESOURCES AND INTANGIBLES

I. NATURAL RESOURCES

Instructions: Calculate the depletion per ton and make the Journal Entries given the transaction description.

Assume a mine containing 9,000,000 tons costs \$15,000,000. Development costs were \$3,000,000.

A. What would be the depletion per ton?

$$\begin{aligned} \text{Depletion/Unit} &= \frac{\text{Total Cost}}{\text{Total Units}} \\ &= \frac{\$15,000,000 + \$3,000,000}{9,000,000 \text{ Tons}} = \frac{\$18,000,000}{9,000,000 \text{ Tons}} = \$2/\text{Ton} \end{aligned}$$

B. Make the Journal Entry necessary to record depletion for a 1,000,000 ton withdrawal.

	DR.	CR.
Depletion Expense, Mineral Deposits	2,000,000	
Accumulated Depletion, Mineral Deposits		2,000,000

II. INTANGIBLES

Make the Journal Entry necessary to record the Cash purchase of a \$5,000,000 patent. Also, make the first year's amortization entry assuming the patent is expected to provide financial benefits for 5 years.

Patents	5,000,000	
Cash		5,000,000
Amortization of Patents Expense	1,000,000	
Patents		1,000,000