

Reflection Summary Assignment

Name

ACC 291 / Principles of Accounting II

Date

Instructor Name

**Identify the entries associated with acquisition, disposal, and sales of plant assets.**

Recording of the acquisition of plant assets is important so the company can track their asset and asset depreciation. The textbook explains the cost principle, "...requires that companies record plant assets at cost." When the employee handling the accounting records the entry they debit is applied to the asset and a credit to the corresponding account allocated.

Recording of the disposal of plant assets the company records the original plant assets at the original costs, less the calculated depreciation once the value is determined as a gain or a loss.

An entry to the cash account and asset account are debited and credited.

To record the sale of plant assets the accountant similarly records the transaction to the disposal of plant assets where the sale amount is compared to the book value of the asset(s) and a gain or loss determined and recorded to the respective accounts.

**Distinguish between tangible and intangible assets.**

During the objectives for week 1 and 2, I felt that I understood what tangible and intangible assets were. I also grasped the understanding for accounts payable, notes payable and accrued expenses. Tangible assets are assets that have a physical form such as land, machinery or a building. Intangible assets are assets that do not have a physical form such as copyrights or patents. Both types of assets have value even though one is in a physical form and the other is not. Some things that can cause the assets to depreciate or grow in value would be market value, trade and the economy.

A transfer of a liability from accounts payable to notes payable is done when a company needs to make an extension of the normal credit period for paying amounts owed.

**Differentiate between accounts payable, notes payable, and accrued expenses.**

Accounts payable is the usual procedure that companies use to pay bills. With this procedure, companies match the vendor invoices with the company's purchase orders before issuing payment to the vendors. An Accrued expense is usually a current liability and an accounting expense that is usually periodic.

I feel that I now have a better understanding of the above named terms and accounting procedures to be able to recognize them in my work environment.

**Calculate depreciation and amortization expense using various methods.**

*Straight line depreciation* – cost of asset divided by the life expectancy

*Declining balance depreciation* – depreciable basis of an asset multiplied by a factor based on the life of the asset.

*Sum of the years digits* – take the sum of the digits / numbers starting with the life and ending at one.

**Distinguish between revenue and capital expenditures, and the entries associated with each.**

Capital expenditures are amounts spent to acquire or improve long term assets. Long term assets are and not limited to equipment or buildings. These assets (capital expenditures) will be recorded and journalized under Property, Plant or Equipment account entries. The depreciation expense is charged over the life of the asset.