**E 11-21** in 2011, internal auditors discovered that PKE Displays Inc. has debited an expense account for $350,000cost of a machine purchased on January 1, 2008. The machine’s life was expected to be five years with no residual value. Straight line depreciation is used by PKE.

**Required**

1. Prepare the appropriate correcting entry assuming the error was discovered in 2011 before the adjusting and closing entries. (Ignore income taxes)
2. Assume the error was discovered in 2013 after the 2012 financial statements are issued. Prepare the appropriate correcting entry.

**E11--24**

General Optic Corporation operates a manufacturing plant in Arizona. Due to significant decline in demand for the product manufactured in Arizona site, an impairment test is deemed appropriate. Management has acquired the following information for the assets at the plant:

Cost $32,500,000

Accumulated depreciation 14,200,000

General’s estimate of the total cash flows to be

Generated by selling the products manufactured

At its Arizona plant, not discounted to present value 15,000,000

The fair value of the Arizona plant is estimated to be $11,000,000

**Required**

1. Determine the amount of impairment loss, if any
2. If a loss is indicated, where would it appear in General Optic’s multiple-step income statement?

**E 11-32**

Howarth Manufacturing Company purchased a lathe on June 30, 2007, at a cost of $80,000. The residual value of the lathe was estimated to be $5,000 at the end of a five year life. The lathe was sold on March 31, 2011, for $17,000. Howarth uses straight-line depreciation method for all of its plant and equipment. Partial year depreciation is calculated based on the number of months the asset is in service.

**Required**

Prepare the journal entry to record the sale