

## **{BUS 120: Chapter 8 Vocabulary}**

### **Basket Purchase** *p. 359*

- When a company pays a single price for several assets as a group.

### **Capitalized** *p. 358*

- The process of debiting an asset account for the cost of an asset.

### **Fixed Assets** *p. 356*

- Physical assets.
- These can be seen, touched, or held.
- Examples include; land, buildings, vehicles, desks, and equipment.

### **Intangible Assets** *p. 356*

- Assets that cannot be seen, touched, or held.
- Examples include: patents, trademarks, and goodwill.

### **Land Improvements** *p. 357*

- Depreciable improvements to land, such as fencing, sprinkler systems, paving, signs, and lighting.

### **Lump-sum Purchase** *p. 359*

- See: Basket Purchase

### **Natural Resources** *p. 356*

- Assets that come from the earth and can be used up.
- Examples include: timber, oil, minerals, and coal.

### **Plant Assets** *p. 356*

- See: Fixed Assets

**Tangible Assets** *p. 356*

- See: Fixed Assets

**Accelerated Depreciation Method** *p. 364*

- A depreciation method that writes off more of an asset's cost near the start of its useful life and less at the end.
- Examples of when to use: Technology that is quickly replaced, such as computers, phones, and similar.

**Depreciable Cost** *p. 361*

- The cost of a Fixed Asset minus its estimated residual value.
- The amount of the Fixed Asset that is to be depreciated.

**Double-Declining Balance (DDB) Method** *p. 364*

- See: Accelerated Depreciation Method

**Fully Depreciated** *p. 363*

- An asset that has reached the end of its estimated useful life; no more depreciation is recorded for the asset.

**Residual Value** *p. 361*

- Expected cash value of an asset at the end of its useful life; also called Salvage Value.

**Salvage Value** *p. 361*

- See: Residual Value

**Straight-Line (SL) Depreciation Method** *p. 362*

- Depreciation method, in which, an equal amount of depreciation expense is assigned to each year of asset use.

**Units of Production Depreciation Method** *p. 363*

- Depreciation method by which a fixed amount of depreciation is assigned to each unit of output produced by an asset.

**Useful Life** *p. 361*

- The expected life of an asset during which it is anticipated to generate revenues; may be expressed in years or units of output.

**Betterments** *p.369*

- Expenditures that increase the capacity or productivity of an asset.
- Betterments are depreciated.

**Capital Expenditures** *p. 369*

- Expenditures that increase the capacity or productivity of an asset or extend its useful life; capital expenditures are debited to an asset account.

**Extraordinary Repair** *p. 369*

- Repair work that extends the useful life of an asset.
- Not expensed when they are incurred because they extend the value beyond the current period.
- Debit the cost of the repair to the account of the repaired asset.
- This will eventually be depreciated.

**Ordinary Repairs** *p. 369*

- Repair work necessary to maintain an asset in normal operating condition.
- These repairs are not depreciated and are treated as a normal expense.

**Revenue Expenditures** *p. 369*

- Expenditures debited to an expense account.
- See: Ordinary Repairs.