

Ex. 10-21

a. Property, Plant, and Equipment (in millions):

		Current <u>Year</u>		Preceding Year	
Land and buildings	\$	626	\$	361	
Machinery, equipment, and internal-use software.		595		470	
Office furniture and equipment		94		81	
Other fixed assets related to leases		760		<u>569</u>	
	\$2	,075	\$1	,481	
Less accumulated depreciation		794		<u>664</u>	
Book value	\$ 1	,281	\$	817	

A comparison of the book values of the current and preceding years indicates that they increased. A comparison of the total cost and accumulated depreciation reveals that Apple purchased \$594 million (\$2,075 - \$1,481) of additional fixed assets, which was offset by the additional depreciation expense of \$130 million (\$794 - \$664) taken during the current year.

b. The book value of fixed assets should normally increase during the year. Although additional depreciation expense will reduce the book value, most companies invest in new assets in an amount that is at least equal to the depreciation expense. However, during periods of economic downturn, companies purchase fewer fixed assets, and the book value of their fixed assets may decline.

Ex. 10-22

- 1. Fixed assets should be reported at cost and not replacement cost.
- 2. Land does not depreciate.
- 3. Patents and goodwill are intangible assets that should be listed in a separate section following the Fixed Assets section. Patents should be reported at their net book values (cost less amortization to date). Goodwill should not be amortized, but should be only written down upon impairment.