Ex. 10–21

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

	Current Year	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	569
	$2,075	$1,481
Less accumulated depreciation	794	664
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.