

This question consists of 8 items. Select the **best** answer for each item. Use a No. 2 pencil to blacken the appropriate ovals on the Objective Answer Sheet to indicate your answers. **Answer all items.** Your grade will be based on the total number of correct answers.

During 1992, Sloan, Inc. began a project to construct new corporate headquarters. Sloan purchased land with an existing building for \$750,000. The land was valued at \$700,000 and the building at \$50,000. Sloan planned to demolish the building and construct a new office building on the site. Items 1-8 represent various expenditures by Sloan for this project.

Required:

For each expenditure in Items 1-8, select from the list below the appropriate accounting treatment and blacken the corresponding oval on the Objective Answer Sheet.

- L. Classify as land and do not depreciate.
- B. Classify as building and depreciate.
- E. Expense

Item

99. Architect's fees of \$100,000.

Answer Sheet

Item	Land	Building	Expense
99	L	<input checked="" type="radio"/>	E

Items to be Answered:

1. Purchase of land for \$700,000.
2. Interest of \$147,000 on construction financing incurred after completion of construction.
3. Interest of \$186,000 on construction financing paid during construction.
4. Purchase of building for \$50,000.
5. \$18,500 payment of delinquent real estate taxes assumed by Sloan on purchase.
6. \$12,000 liability insurance premium during the construction period.
7. \$65,000 cost of razing existing building.
8. Moving costs of \$136,000.