

HOMEWORK PROBLEM 4-1**ANSWERS**

The Walter Co. purchased patent rights at a cost of \$8,500 at the beginning of 20x1. It was assumed that the patent would be useful during its full legal life. At the beginning of 20x3, the company paid \$16,830 in successfully prosecuting an attempted infringement of these patent rights. At the beginning of 20x6, \$30,000 was paid to acquire a patent that would have made its own patent worthless; the patent acquired has a remaining life of 17 years but will not be used.

Required:

1. Give the entries to record the expenditures relative to patents at the beginning of 20x1, 20x3, and 20x6.
2. Give the entries to record patent amortization for the years 20x1, 20x3, and 20x6.

20x1 Patents - A	8,500	
Cash		8,500

Amortization Expense - Patents <u>or</u>	425	
Patent Expense		
Patents - A		425

8,500/20 years = \$425 per year

20x2 Amortization Expense - Patents <u>or</u>	425	
Patent Expense		
Patents - A		425

20x3 Patents	16,830	
Cash		16,830

Amortization Expense - Patents	1,360	
<u>or</u>		
Patent Expense		
Patents		1,360

20x1 Purchase	8,500
Amortization	-425
20x2 Amortization	-425
	7,650
20x3 Defense Costs	16,830
	24,480

24,480/18 = \$1,360 per year

HOMEWORK PROBLEM 4-1

ANSWERS

- 2 -

20x4	Amortization Expense - Patents	1,360	
	<u>or</u>		
	Patent Expense		
	Patents - A		1,360
20x5	Amortization Expense - Patents	1,360	
	<u>or</u>		
	Patent Expense		
	Patents - A		1,360
20x6	Patents - A	30,000	
	Cash		30,000
	Amortization Expense - Patents	3,360	
	<u>or</u>		
	Patent Expense		
	Patents - A		3,360

20x1	Purchase	8,500
	Amortization	-425
20x2	Amortization	-425
		7,650
20x3	Defense Costs	+16,830
		24,480
20x3	Amortization	-1,360
20x4	Amortization	-1,360
20x5	Amortization	-1,360
		20,400
20x6	Patent B - Defense of Patent A	+30,000
		50,400
20x6	Amortization	-3,360

50,400/15 = \$3,360 per year