

CityBank recently held an auction to dispose of various assets it had obtained through foreclosures and other loan settlements. Representatives of Advantage Metals attended the auction to bid on an abandoned manufacturing plant that CityBank included in the sale. The auction brochure listed the manufacturing plant as including all land, buildings, and equipment. The brochure indicated that an independent appraisal had been conducted and that land was separately valued at \$1,000,000, the building at \$2,000,000, and the equipment at \$4,000,000. This information is believed to be reasonably accurate and fair.

Advantage Metals wanted the site for a recycling business it planned to start at the location. All of the equipment would be used in this new operation. The minimum bid price was set at \$4,900,000. As it turned out, the auction was poorly attended. Advantage was the only bidder on this property and was fortunate to acquire the property at the opening bid minimum.

Determine the correct cost allocation to the land, buildings, and equipment, and prepare a journal entry to reflect this acquisition.