

## Iowa Speedway: Determining Depreciable Life (B)

*The Iowa Speedway: Determining Depreciable Life (A)* mini-case is designed help you think through the process of determining an asset's depreciable life for financial statement purposes (GAAP). It is more important that you provide a thorough and rational explanation for your answer rather than getting the "right" answer.

### **Additional Facts about the Speedway**

In the process of estimating the depreciable life of the Iowa Speedway, some important facts to consider:

- Opened September 15, 2006 and cost approximately \$70 million to build
- First driver-designed speedway
- The State of Iowa gave the speedway sales tax exemption for 10 years or up to \$12.5 million
- Grand stand seats 25,000 people and 28 luxury suites each accommodating 30 spectators
- Facility has 50 garages
- Racetrack sits on 226 acres of land
- While it is not commonly industry practice to extend long-term contracts to the racetrack, NASCAR typically sets the schedule two years in advance to help promote advance ticket sales and facilitate the planning for the race teams
- The racetrack earns revenues off of admissions, event-related operations (e.g. rentals, sponsorship fees, souvenir sales, concessions, etc.), and broadcasting (e.g. fees for television and radio broadcasts)
- The surface of the track is asphalt and is resurfaced at least every 7 years
- The grandstands are built with steel superstructure covered with concrete. The construction was considered state-of-the-art at its completion in 2006
- The complete 2010 Race Schedule is in **Figure 1**

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