

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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