

# ACCOUNTING

## in the headlines

### Will Domino's capitalize or expense the costs associated with its new pizza delivery vehicle, the DXP™?

Domino's ([DPZ](#)) recently made the news when it launched its pizza delivery vehicle, the Domino's DXP™ (Delivery Expert). This delivery car has seating for just one person; the rest of the car is equipped for pizza delivery. It is equipped with a warming oven and can hold up to 80 pizzas. It has several storage areas for napkins, dipping sauces, 2-liter bottles of soda, and other supplies. If it is dark at delivery time, the car has a spotlight that can project the Domino's logo onto the ground to light the way for the driver. The DXP™ is a modified Chevy Spark and gets about 39 miles per gallon. At the October 2015 launch, there were 97 DXP™ in Domino's nationwide fleet, with more to come.

Fun URL: See if there is a DXP™ near you by going to <http://www.dominosdxp.com/#locations/enter-zip>

### Questions

1. When Domino's purchases a standard Chevy Spark automobile for modification, what costs associated with that purchase will be capitalized?
2. What costs might be incurred to customize the Chevy Spark into the DXP™ pizza delivery vehicle? Will these costs be capitalized or expensed?
3. Assume that Domino's had been using Chevy Spark electric cars to deliver pizzas (not customized.) Would Domino's capitalize or expense the costs of customizing the existing Chevy Spark electric cars? Explain.
4. Once Domino's begins using the DXP™ pizza delivery vehicle to deliver customer orders, what costs are likely to be associated with its use? Will those costs be capitalized or expensed?
5. Assume that after five years of use, the pizza delivery vehicle engine needs to be replaced. The replacement engine will extend the life of the pizza delivery vehicle by another five years. Will the cost of the replacement engine be capitalized or expensed? Explain.