

Depreciation Example 1

Cost	\$ 110,000
Salvage value	\$ 20,000
Useful life	5

Purchase date January 1, 2006

Straight line depreciation

Year	Depreciation	
2006	\$ 18,000	=($\$110,000 - \$20,000$) x 1/5
2007	\$ 18,000	=($\$110,000 - \$20,000$) x 1/5
2008	\$ 18,000	=($\$110,000 - \$20,000$) x 1/5
2009	\$ 18,000	=($\$110,000 - \$20,000$) x 1/5
2010	\$ 18,000	=($\$110,000 - \$20,000$) x 1/5
Total	\$ 90,000	

Double declining balance depreciation

Depreciation rate 40% = 1/5 x 200%

Year	Book value at the beginning of year	Depreciation rate	Depreciation expense		Accumulated depreciation	Book value at year-end
2006	\$ 110,000	40%	\$ 44,000		\$ 44,000	\$ 66,000
2007	\$ 66,000	40%	\$ 26,400		\$ 70,400	\$ 39,600
2008	\$ 39,600	40%	\$ 15,840		\$ 86,240	\$ 23,760
2009	\$ 23,760	40%	\$ 3,760	(*1)	\$ 90,000	\$ 20,000
2010	\$ 20,000	40%	\$ -		\$ 90,000	\$ 20,000
Total			\$ 90,000			

(*1) Depreciation stops when accumulated depreciation reaches depreciation base.

Depreciation base = cost - salvage value = $\$110,000 - \$20,000 = \$90,000$

150% declining balance depreciation

Depreciation rate 30% = 1/5 x 150%

Year	Book value at the beginning of year	Depreciation rate	Depreciation expense		Accumulated depreciation	Book value at year-end
2006	\$ 110,000	30%	\$ 33,000		\$ 33,000	\$ 77,000
2007	\$ 77,000	30%	\$ 23,100		\$ 56,100	\$ 53,900
2008	\$ 53,900	30%	\$ 16,170		\$ 72,270	\$ 37,730
2009	\$ 37,730	30%	\$ 11,319		\$ 83,589	\$ 26,411
2010	\$ 26,411	30%	\$ 6,411	(*2)	\$ 90,000	\$ 20,000
Total			\$ 90,000			

(*2) Depreciation stops when accumulated depreciation reaches depreciation base.

Depreciation base = cost - salvage value = $\$110,000 - \$20,000 = \$90,000$

Sum-of-the-years'-digits depreciation

Sum of the years' digits	15	= 1+2+3+4+5	
Year	Years' digits	Depreciation	
2006	5	\$ 30,000	=($\$110,000 - \$20,000$) x 5/15
2007	4	\$ 24,000	=($\$110,000 - \$20,000$) x 4/15
2008	3	\$ 18,000	=($\$110,000 - \$20,000$) x 3/15
2009	2	\$ 12,000	=($\$110,000 - \$20,000$) x 2/15
2010	1	\$ 6,000	=($\$110,000 - \$20,000$) x 1/15
Total	15	\$ 90,000	