

Depreciation Example 1a

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

Purchase date **March 1, 2006**

Straight line depreciation

Year	No. of Months	Depreciation	
2006	10	\$ 15,000	=($\$110,000 - \$20,000$) \times $1/5 \times 10/12$
2007	12	\$ 18,000	=($\$110,000 - \$20,000$) \times $1/5 \times 12/12$
2008	12	\$ 18,000	=($\$110,000 - \$20,000$) \times $1/5 \times 12/12$
2009	12	\$ 18,000	=($\$110,000 - \$20,000$) \times $1/5 \times 12/12$
2010	12	\$ 18,000	=($\$110,000 - \$20,000$) \times $1/5 \times 12/12$
2011	2	\$ 3,000	=($\$110,000 - \$20,000$) \times $1/5 \times 2/12$
Total	60	\$ 90,000	

Double declining balance depreciation

Depreciation rate 40% = $1/5 \times 200\%$

Year	Book value at the beginning of year	Depreciation rate	No. of Months	Depreciation expense	Accumulated depreciation	Book value at year-end
2006	\$ 110,000	40%	10	\$ 36,667	\$ 36,667	\$ 73,333
2007	\$ 73,333	40%	12	\$ 29,333	\$ 66,000	\$ 44,000
2008	\$ 44,000	40%	12	\$ 17,600	\$ 83,600	\$ 26,400
2009	\$ 26,400	40%	12	\$ 6,400	\$ 90,000	\$ 20,000
2010	\$ 26,400	40%	12	\$ -	\$ 90,000	\$ 20,000
2011	\$ 20,000	40%	2	\$ -	\$ 90,000	\$ 20,000
Total			60	\$ 90,000		

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% = $1/5 \times 150\%$

Year	Book value at the beginning of year	Depreciation rate	No. of Months	Depreciation expense	Accumulated depreciation	Book value at year-end
2006	\$ 110,000	30%	10	\$ 27,500	\$ 27,500	\$ 82,500
2007	\$ 82,500	30%	12	\$ 24,750	\$ 52,250	\$ 57,750
2008	\$ 57,750	30%	12	\$ 17,325	\$ 69,575	\$ 40,425
2009	\$ 40,425	30%	12	\$ 12,128	\$ 81,703	\$ 28,298
2010	\$ 28,298	30%	12	\$ 8,298	\$ 90,000	\$ 20,000
2011	\$ 20,000	30%	2	\$ -	\$ 90,000	\$ 20,000
Total			60	\$ 90,000		

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	No. of Months	Depreciation Expense	Year
2006	5	10	\$ 25,000	2006
2007	5	2	\$ 5,000	
2007	4	10	\$ 20,000	2007
2008	4	2	\$ 4,000	
2008	3	10	\$ 15,000	2008
2009	3	2	\$ 3,000	
2009	2	10	\$ 10,000	2009
2010	2	2	\$ 2,000	
2010	1	10	\$ 5,000	2010
2011	1	2	\$ 1,000	2011
Total		60	\$ 90,000	