

### Depreciation Example 2

Cost	\$ 220,000
Salvage value	\$ 38,000
Useful life	5

Purchase date January 1, 2006

### Straight line depreciation

Year	Depreciation	
2006	\$ 36,400	=( $\$220,000 - \$38,000$ ) x 1/5
2007	\$ 36,400	=( $\$220,000 - \$38,000$ ) x 1/5
2008	\$ 36,400	=( $\$220,000 - \$38,000$ ) x 1/5
2009	\$ 36,400	=( $\$220,000 - \$38,000$ ) x 1/5
2010	\$ 36,400	=( $\$220,000 - \$38,000$ ) x 1/5
Total	\$ 182,000	

### Double declining 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	\$ 220,000	40%	\$ 88,000		\$ 88,000	\$ 132,000
2007	\$ 132,000	40%	\$ 52,800		\$ 140,800	\$ 79,200
2008	\$ 79,200	40%	\$ 31,680		\$ 172,480	\$ 47,520
2009	\$ 47,520	40%	\$ 9,520 (*1)		\$ 182,000	\$ 38,000
2010	\$ 38,000	40%	\$ -		\$ 182,000	\$ 38,000
Total			\$ 182,000			

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

Depreciation base = cost - salvage value =  $\$220,000 - \$38,000 = \$182,000$

### 150% declining 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	\$ 220,000	30%	\$ 66,000		\$ 66,000	\$ 154,000
2007	\$ 154,000	30%	\$ 46,200		\$ 112,200	\$ 107,800
2008	\$ 107,800	30%	\$ 32,340		\$ 144,540	\$ 75,460
2009	\$ 75,460	30%	\$ 22,638		\$ 167,178	\$ 52,822
2010	\$ 52,822	30%	\$ 14,822 (*2)		\$ 182,000	\$ 38,000
Total			\$ 182,000			

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

Depreciation base = cost - salvage value =  $\$220,000 - \$38,000 = \$182,000$

### Sum-of-the-years'-digits depreciation

Sum of the years' digits	Years' digits	Depreciation	
15			= 1+2+3+4+5
Year			
2006	5	\$ 60,667	=( $\$220,000 - \$38,000$ ) x 5/15
2007	4	\$ 48,533	=( $\$220,000 - \$38,000$ ) x 4/15
2008	3	\$ 36,400	=( $\$220,000 - \$38,000$ ) x 3/15
2009	2	\$ 24,267	=( $\$220,000 - \$38,000$ ) x 2/15
2010	1	\$ 12,133	=( $\$220,000 - \$38,000$ ) x 1/15
Total	15	\$ 182,000	