Depreciation Example 2a

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

Purchase date **March 1, 2006**

Straight line depreciation

Year	No. of Months	Depreciation	
2006	10	$ 30,333	=($220,000 - $38,000) x 1/5 x 10/12
2007	12	$ 36,400	=($220,000 - $38,000) x 1/5 x 12/12
2008	12	$ 36,400	=($220,000 - $38,000) x 1/5 x 12/12
2009	12	$ 36,400	=($220,000 - $38,000) x 1/5 x 12/12
2010	12	$ 36,400	=($220,000 - $38,000) x 1/5 x 12/12
2011	2	$ 6,067	=($220,000 - $38,000) x 1/5 x 2/12
Total	60	$ 182,000	

Double declining balance depreciation

Depreciation rate 40% =1/5 x 200%

Year	Book value at the beginning of year	Depreciation rate	No. of Months	Depreciation expense	Accumulated depreciation	Book value at year-end
2006	$ 220,000	40%	10	$ 73,333	$ 73,333	$ 146,667
2007	$ 146,667	40%	12	$ 58,667	$ 132,000	$ 88,000
2008	$ 88,000	40%	12	$ 35,200	$ 167,200	$ 52,800
2009	$ 52,800	40%	12	$ 14,800	$ 182,000	$ 38,000
2010	$ 52,800	40%	12	$ -	$ 182,000	$ 38,000
2011	$ 38,000	40%	2	$ -	$ 182,000	$ 38,000
Total			60	$ 182,000		

Depreciation stops when accumulated depreciation reaches depreciation base.
Depreciation base = cost - salvage value = $220,000 - $38,000 = $182,000

150% declining balance depreciation

Depreciation rate 30% =1/5 x 150%

Year	Book value at the beginning of year	Depreciation rate	No. of Months	Depreciation expense	Accumulated depreciation	Book value at year-end
2006	$ 220,000	30%	10	$ 55,000	$ 55,000	$ 165,000
2007	$ 165,000	30%	12	$ 49,500	$ 104,500	$ 115,500
2008	$ 115,500	30%	12	$ 34,650	$ 139,150	$ 80,850
2009	$ 80,850	30%	12	$ 24,255	$ 163,405	$ 56,595
2010	$ 56,595	30%	12	$ 16,979	$ 180,384	$ 39,617
2011	$ 39,617	30%	2	$ 1,617	$ 182,000	$ 38,000
Total			60	$ 182,000		

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 15 =1+2+3+4+5

Year	Years' digits	No. of Months		Depreciation Expense	Year
2006	5	10	$ 50,556	$ 50,556	2006
2007	5	2	$ 10,111		
2007	4	10	$ 40,444	$ 60,667	2007
2008	4	2	$ 8,089		
2008	3	10	$ 30,333	$ 48,533	2008
2009	3	2	$ 6,067		
2009	2	10	$ 20,222	$ 36,400	2009
2010	2	2	$ 4,044		
2010	1	10	$ 10,111	$ 24,267	2010
2011	1	2	$ 2,022	$ 2,022	2011
Total		60		$ 182,000	

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