

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	2006
2007	5	2	\$ 10,111	
2007	4	10	\$ 40,444	2007
2008	4	2	\$ 8,089	
2008	3	10	\$ 30,333	2008
2009	3	2	\$ 6,067	
2009	2	10	\$ 20,222	2009
2010	2	2	\$ 4,044	
2010	1	10	\$ 10,111	2010
2011	1	2	\$ 2,022	2011
Total		60	\$ 182,000	