

# Depreciation at delta air lines business plan sample

[Engineering](#), [Aviation](#)



While much has been hypothesized regarding depreciation, it is essential to note that in the context of the airline business, it refers to the costs incurred by an airline while trying to align air flight costs with the probable profits. An essential factor that is worth noting with regards to depreciation of an airline is the fact that an aircraft is an essential asset, which costs more than other assets within the airline. For this purpose, an aircraft occurs as an item that is utilized as one item across different financial years. Precisely, the entire cost of an aircraft is not calculated immediately. Alternatively, aircrafts are recorded as assets within the balance sheet, and its costs recognized as an expense for the years they remain in ample working condition. When the aircrafts cease to be useful, they are disposed off and the amount received considered the residual value of such aircrafts (Pratt, 2011).

As it is the case across different airlines, calculating the expected economic life and the accruing depreciation value of commercial airlines at Delta does not take place in isolation, but calls for the consideration of various factors. More importantly, the company's corporate strategy should be given immense consideration based on the fact that it through participation in corporate activities that Delta Airlines gets recognized by its potential customers (Bruns, 2010). On a similar note, technological innovations should be considered, particularly in the contemporary society where technological innovations have become a common norm across various settings. As such, Delta Airlines should merge its services to comprise of different technological innovations in order to suit the needs of the technologically savvy customers.

In calculating the depreciation at Delta Air Lines, we will utilize the straight

line basis, which will give us the estimated residual value of the Airline's aircrafts over a given period of time. Precisely, we will record the properties (aircrafts) at a specific cost and amortize by use of the straight-line principle. With use of the data given in exhibit one; we can calculate the residual value of the Delta Airline's assets over a given period.

## **Delta Airline**

Item prior 1985, 1992, 1997, 2006 to 30 years later

Method: Straight line

Residual Value 10% 10% 5%

Useful Life 10 years 15 years 20 years

Depreciation Expense in \$100 of the total aircraft cost (per year) =  $\$100 \times 10\% = \$10$

In the firsts 10 years =  $\$100 - \$10 = \$90$

=  $90/10$  years = \$9 per year in the first 10 years

In the preceding 15 years =  $\$100 - \$10 = \$90$

=  $\$90/15$  years = \$6 per year in the preceding 15 years

In the last 20 years =  $\$100 - \$10 = \$90$

=  $\$90/20$  years = \$4.75 per year in the last 20 years

Upon calculating the depreciating value of its aircrafts as its primary assets, Delta Airline's can reach different decisions, particularly on whether it is necessary to dispose off its assets. As such, the purpose of estimating the depreciation value of Delta Airline's is to help in reporting and decision making. On the other hand, decisions on whether to dispose off assets are dependent on other factors such as the industry norms and when the assets become obsolete (Pratt, 2011).

## **References**

Bruns, W. (2010, November 23). Depreciation at Delta Air Lines: The “ Fresh Star.” Harvard Business Publishing, 4013: page 1 to 6.

Pratt, J. (2011). Financial accounting in an economic context. Hoboken, NJ: Wiley.