

Depreciation schedule



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Depreciation Methods Introduction There are several ways of computing the depreciation of assets acquired by the company. Two of the depreciation computations include the straight line method and the double -declining method. The following computations will show how these two methods are mathematically done. The depreciation procedures are based on United States Generally Accepted Accounting Principles (Tie, 2005).

Body

The above excel computation shows that depreciation expense for year 1 is \$300. Under the straight line method, the annual depreciation is fixed at \$300 per year. The accumulated depreciation is arrived at by adding the current year's depreciation and the all the prior years' depreciation. The book value is arrived at by the formula: cost less accumulated depreciation. The accumulated depreciation figures are \$300 for year 1, \$600 for year 2, \$900 for year 3 and \$1, 200 for year 4. The book value figures are : \$ 900 for year 1, \$600 for year 2, \$ 300 for year 3, and \$0 for year 4(Smith, 2004).

The above excel computation shows that depreciation expense for year 1 is \$4, 800. Under the double declining balance method, the straight line depreciation rate is first computed by dividing 1 by the 5 year life of the asset. The result is 20%. This is then doubled to get 40%. Next, the first year depreciation is arrived at by multiplying the cost of \$12, 000 by 40% to arrive at the first year's depreciation of \$4, 800. Then the second year's depreciation is arrived at by multiplying 40% by the prior year's book value of \$7, 200 to arrive at \$2, 880. This is the second year's depreciation. On the third year, the book value of \$4, 320 is deducted the scrap or salvage value of \$3, 000 to arrive at the third year's depreciation. The third year's

depreciation is \$1, 320. The book value figures are : \$7, 200 for the first year, \$4, 320 for the second year, and finally \$3, 000 on the third year (Hall & Aldridge, 2007).

CONCLUSION:

The above computations show that the straight line method of computation generates a fixed amount of depreciation for the assets during its useful life. On the other hand, the double-declining method generates a decreasing amount of depreciation during the life of the asset.

References

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