



FIXED ASSETS

**STRAIGHT LINE AND
DOUBLE DECLINING BALANCE DEPRECIATION**



STRAIGHT LINE DEPRECIATION

- You buy equipment for \$500,000 on 1/1/Year 1. You expect to use it for 5 years at which time it will have a \$100,000 salvage value.

1/1/Y1	Equipment	500,000	
	Cash		500,000

- Original Cost 500,000
- Salvage Value -100,000
- Depreciable amt. $400,000 / 5 = 80,000$

12/31/Y1	Depreciation Expense	80,000	
	Accumulated Depreciation		80,000



Straight Line Depreciation Schedule			
Original Cost		500,000	
Salvage Value		100,000	
End of:	Depreciation Expense	A/D	Book Value
Yr 1	80,000	80,000	420,000
Yr 2	80,000	160,000	340,000
Yr 3	80,000	240,000	260,000
Yr 4	80,000	320,000	180,000
Yr 5	80,000	400,000	100,000



DOUBLE DECLINING BALANCE DEPRECIATION

- You buy equipment for \$500,000 on 1/1/Year 1. You expect to use it for 5 years at which time it will have a \$100,000 salvage value.



1/1/Y1	Equipment	500,000	
	Cash		500,000

	Year 1	Year 2	Year 3	Year 4
Book Value	500,000	300,000	180,000	108,000
Twice S/L Rate	$2/5 = 40\%$	40%	40%	
Dep. Expense	200,000	120,000	72,000	8,000

12/31/Y1	Depreciation Expense	200,000	
	Accumulated Depreciation		200,000

DDB Depreciation Schedule			
Original Cost	500,000		
Salvage Value	100,000		
End of:	Depreciation Expense	A/D	Book Value
Yr 1	200,000	200,000	300,000
Yr 2	120,000	320,000	180,000
Yr 3	72,000	392,000	108,000
Yr 4	8,000	400,000	100,000
Yr 5	-	-	-



**ALL THERE
IS TO IT!**

