

ACTIVITY 3.1

| | | | | | | | | |
|------------------|-----------------|---------------------|-----|-----------|---|-----------|---|--------------|
| Cost | 20 000 | Depreciation | | | | | | |
| Acc depreciation | <u>(3 800)</u> | <u>16 200</u> | x | <u>10</u> | x | <u>12</u> | = | 1 620 |
| Book value | <u>16 200</u> | 1 | 100 | 12 | | | | |
| | | <u>48 000</u> | x | <u>10</u> | x | <u>4</u> | = | <u>1 600</u> |
| | | 1 | 100 | 12 | | | | |
| | | Total | | | | | | <u>3 220</u> |

ACTIVITY 3.2

| | | | | | | | | |
|------------------|-----------------|---------------------|-----|-----------|---|-----------|---|--------------|
| Cost | 50 000 | Depreciation | | | | | | |
| Acc depreciation | <u>(27 500)</u> | <u>22 500</u> | x | <u>10</u> | x | <u>12</u> | = | 2 250 |
| Book value | <u>22 500</u> | 1 | 100 | 12 | | | | |
| | | <u>72 000</u> | x | <u>10</u> | x | <u>6</u> | = | <u>3 600</u> |
| | | 1 | 100 | 12 | | | | |
| | | Total | | | | | | <u>5 850</u> |

ACTIVITY 3.3

| | | | | | | | | |
|------------------|----------------|---------------------|-----|-----------|---|-----------|---|------------|
| Cost | 12 000 | Depreciation | | | | | | |
| Acc depreciation | <u>(5 600)</u> | <u>64 000</u> | x | <u>10</u> | x | <u>12</u> | = | 640 |
| Book value | <u>6 400</u> | 1 | 100 | 12 | | | | |
| | | <u>6 000</u> | x | <u>10</u> | x | <u>4</u> | = | <u>200</u> |
| | | 1 | 100 | 12 | | | | |
| | | Total | | | | | | <u>840</u> |

ACTIVITY 4

| Cost price | Date | Depreciation | Accumulated depreciation | Book value |
|------------|-----------------|---------------|---------------------------------------|---------------------------------------|
| 360 000 | 28 February '12 | 72 000 | 72 000 | 360 000 – 72 000 = 288 000 |
| | 28 February '13 | 57 600 | 72 000 + 57 600 = 129 600 | 288 000 – 57 600 = 230 400 |
| | 28 February '14 | 46 080 | 129 600 + 46 080 = 175 680 | 230 400 – 46 080 = 184 320 |

Depreciation on 28 February 2012

$$\frac{360\,000}{1} \times \frac{20}{100} \times \frac{12}{12} = 72\,000$$

Depreciation on 28 February 2013

$$\frac{288\,000}{1} \times \frac{20}{100} \times \frac{12}{12} = 57\,600$$

Depreciation on 28 February 2014

$$\frac{230\,400}{1} \times \frac{20}{100} \times \frac{12}{12} = 46\,080$$

CALCULATION OF DEPRECIATION

Diminishing balance method/

Reducing balance method/

Carrying value method/

Book value method/

Declining method

Writing off of depreciation on the carrying value (book value) at a fixed percentage
(e.g. 15% p.a.)

Book value

Original cost price less the depreciation that has accumulated over the period in which the asset has been in the business.

(Cost price minus accumulated depreciation)