

# DEPRECIATION 2

## WORKSHEET 7

### DEPRECIATION – DIMINISHING BALANCE METHOD

**Reducing balance method / Carrying value method/  
Book value method / Declining method**

#### **DIMINISHING BALANCE 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)

### CALCULATION OF DEPRECIATION – DIMINISHING BALANCE METHOD

#### EXAMPLE 3

#### INFORMATION

The following balances appear in the books of Zizi Traders on 1 March 2010:

- Equipment - R20 000
- Accumulated depreciation on equipment - R2 000.

#### REQUIRED

Calculate depreciation on 28 February 2011 at 10% p.a. at the diminishing balance method.

#### ANSWER

Cost	20 000	<b>Depreciation</b>					
Acc depreciation	( 2 000)	<u>18 000</u>	x	<u>10</u>	x	<u>12</u>	= 1 800
Book value	<u>18 000</u>	1		100		12	

## WORKSHEET 8

### ACTIVITY 3

#### ACTIVITY 3.1

##### INFORMATION

The following balances appear in the books of Zizi Traders on 1 March 2000:

- Equipment - R20 000
- Accumulated depreciation on equipment - R3 800.

Bought new equipment for R48 000 on 1 November 2000.

##### REQUIRED

Calculate depreciation on 28 February 2001 at 10% p.a. at the diminishing balance method.

##### ANSWER

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#### ACTIVITY 3.2

##### REQUIRED

Calculate depreciation on 28 February 2001 at 10% at the diminishing balance method.

##### INFORMATION

The following balances appear in the books of Zizi Traders on 28 February 2001:

- Vehicles - R122 000
- Accumulated depreciation on vehicles – R27 500.

The Vehicle account appears in the ledger as follows:

##### Vehicles

2000									
Mar	1	Balance	b/d	50 000					
Aug	31	Bank		72 000					

##### ANSWER

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### ACTIVITY 3.3

#### INFORMATION

The following balances appear in the books of Zizi Traders on 30 June 2003:

- Equipment - R18 000
- Accumulated depreciation on equipment R5 600

The Equipment account appears in the ledger as follows:

#### EQUIPMENT

2002									
Jul	1	Balance	b/d	12 000					
2003									
Mar	1	Bank		6 000					

#### REQUIRED

Calculate depreciation for the year ended 30 June 2003 on equipment at 10% p.a. at the diminishing balance method.

#### ANSWER

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## WORKSHEET 9

### ACCUMULATED DEPRECIATION

#### EXAMPLE 4

#### INFORMATION

Bought equipment on 1 March 2010, R 20 000

#### REQUESTED

Calculate depreciation on 28 February 2011 at 10% p.a. on the diminishing balance method.

Complete the table.

Cost price	Date	Depreciation	Accumulated depreciation	Book value
20 000	28 February 2011	<b>2 000</b>	<b>2 000</b>	<b>20 000 – 2 000 = 18 000</b>
	28 February 2012	<b>1 800</b>	<b>2 000 + 1 800 = 3 800</b>	<b>18 000 – 1 800 = 16 200</b>
	28 February 2013	<b>1 620</b>	<b>3 800 + 1 620 = 5 420</b>	<b>16 200 – 1 620 = 14 580</b>

#### ANSWER

**Depreciation on 28 February 2011**

$$\frac{20\,000}{1} \times \frac{10}{100} \times \frac{12}{12} = 2\,000$$

**Depreciation on 28 February 2012**

$$\frac{18\,000}{1} \times \frac{10}{100} \times \frac{12}{12} = 1\,800$$

**Depreciation on 28 February 2013**

$$\frac{16\,200}{1} \times \frac{10}{100} \times \frac{12}{12} = 1\,620$$

**Cost - accumulated depreciation = book value**

**R20 000 - R5 420 = R14 580**

## WORKSHEET 10

### ACTIVITY 4

#### ACTIVITY 4

#### INFORMATION

Bought a vehicle on 1 March 2011 for R360 000.

#### REQUESTED

Calculate depreciation on 28 February 2012 at 20% p.a. at the diminishing balance method.

**Complete the table.**

Cost price	Date	Depreciation	Accumulated depreciation	Book value
360 000	28 February '12			
	28 February '13			
	28 February '14			

#### ANSWER

**Depreciation on 28 February 2012**

**Depreciation on 28 February 2013**

**Depreciation on 28 February 2014**