

Straight Line Depreciation:

- Asset (company car) purchase price: \$25,000
- 5 year/100,000 mile service life
- Depreciation rate: 1/5 (20%)
- Residual value: \$5,000



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Solution:
Video Demonstration
Problem

| | Depreciable Value | Depreciation Rate | Depreciation Expense | Accumulated Depreciation | Book Value |
|--------|-------------------|-------------------|----------------------|--------------------------|------------|
| Year 1 | 20,000 | 20% | \$4,000 | \$4,000 | \$21,000 |
| Year 2 | 20,000 | 20% | \$4,000 | \$8,000 | \$17,000 |
| Year 3 | 20,000 | 20% | \$4,000 | \$12,000 | \$13,000 |
| Year 4 | 20,000 | 20% | \$4,000 | \$16,000 | \$9,000 |
| Year 5 | 20,000 | 20% | \$4,000 | \$20,000 | \$5,000 |

Journal Entries:

Year 1:

Depreciation Expense 4,000
 Accumulated Depreciation 4,000

Year 2:

Depreciation Expense 4,000
 Accumulated Depreciation 4,000

Year 3:

Depreciation Expense 4,000
 Accumulated Depreciation 4,000

Year 4:

Depreciation Expense 4,000
 Accumulated Depreciation 4,000

Year 5:

Depreciation Expense 4,000
 Accumulated Depreciation 4,000

Depreciation Expense:

- Year 1: \$4,000
- Year 2: \$4,000
- Year 3: \$4,000
- Year 4: \$4,000
- Year 5: \$4,000

| Accumulated Depreciation | |
|--------------------------|--------|
| | 4,000 |
| | 4,000 |
| | 4,000 |
| | 4,000 |
| | 4,000 |
| | 20,000 |

Solution:
Video Demonstration Problem

Straight Line Depreciation:

- Asset (Merchandise Display) purchase price: \$5,000
- 5 year service life
- Depreciation rate: 1/5 (20%)
- Residual value: \$1,000



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Solution:
Practice Problem 1

| | Depreciable Value | Depreciation Rate | Depreciation Expense | Accumulated Depreciation | Book Value |
|--------|-------------------|-------------------|----------------------|--------------------------|------------|
| Year 1 | 4,000 | 20% | \$800 | \$800 | \$4,200 |
| Year 2 | 4,000 | 20% | \$800 | \$1,600 | \$3,400 |
| Year 3 | 4,000 | 20% | \$800 | \$2,400 | \$2,600 |
| Year 4 | 4,000 | 20% | \$800 | \$3,200 | \$1,800 |
| Year 5 | 4,000 | 20% | \$800 | \$4,000 | \$1,000 |

Journal Entries:

Year 1:

Depreciation Expense 800
 Accumulated Depreciation 800

Year 2:

Depreciation Expense 800
 Accumulated Depreciation 800

Year 3:

Depreciation Expense 800
 Accumulated Depreciation 800

Year 4:

Depreciation Expense 800
 Accumulated Depreciation 800

Year 5:

Depreciation Expense 800
 Accumulated Depreciation 800

Depreciation Expense:

- Year 1: \$800
- Year 2: \$800
- Year 3: \$800
- Year 4: \$800
- Year 5: \$800

| Accumulated Depreciation | |
|--------------------------|-------|
| | 800 |
| | 800 |
| | 800 |
| | 800 |
| | 800 |
| | 4,000 |

Solution:
Practice Problem 1

Straight Line Depreciation:

- Asset (Point of Sale Computer System) purchase price: \$15,000
- 4 year service life (estimated)
- Depreciation rate: 1/4 (25%)
- Residual value: \$1,000



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Solution:
Practice Problem 2

| | Depreciable Value | Depreciation Rate | Depreciation Expense | Accumulated Depreciation | Book Value |
|--------|-------------------|-------------------|----------------------|--------------------------|------------|
| Year 1 | 14,000 | 25% | \$3,500 | \$3,500 | 11,500 |
| Year 2 | 14,000 | 25% | \$3,500 | \$7,000 | \$8,000 |
| Year 3 | 14,000 | 25% | \$3,500 | \$10,500 | \$4,500 |
| Year 4 | 14,000 | 25% | \$3,500 | \$14,000 | \$1,000 |

Journal Entries:

Year 1:

Depreciation Expense 3,500
 Accumulated Depreciation 3,500

Year 2:

Depreciation Expense 3,500
 Accumulated Depreciation 3,500

Year 3:

Depreciation Expense 3,500
 Accumulated Depreciation 3,500

Year 4:

Depreciation Expense 3,500
 Accumulated Depreciation 3,500

Depreciation Expense:

- Year 1: \$3,500
- Year 2: \$3,500
- Year 3: \$3,500
- Year 4: \$3,500

| Accumulated Depreciation | |
|--------------------------|--------|
| | 3,500 |
| | 3,500 |
| | 3,500 |
| | 3,500 |
| | <hr/> |
| | 14,000 |

Solution:
Practice Problem 2