Example:

The company acquired a delivery truck on January 1, 2017, at a cost of $500,000. It has a salvage value of $50,000 and a useful life of 5 years, with an estimated working hours of 30,000.

**Calculate the depreciation using the three method of depreciation:**

1- Straight line method طريقة القسط الثابت

Cost – Salvage value / useful life

500,000 – 50,000 / 5 = 90,000 depreciation per year.

|  |  |  |  |
| --- | --- | --- | --- |
| Years | Annual depreciation | Accumulated depreciation | Book value  (500,000 – Acc dep) |
| 2017 | 90,000 | 90,000 | 410,000 |
| 2018 | 90,000 | 180,000 | 320,000 |
| 2019 | 90,000 | 270,000 | 230000 |
| 2020 | 90,000 | 360,000 | 140,000 |
| 2021 | 90,000 | 450,000 | 50,000 |

**2017, 2018 ………2021 Journal entry for all years.**

**Depreciation exp 90,000**

**Acc. Dep 90,000.**

**2- Activity unit طريقة عدد وحدات الانتاج**

The company acquired a machine on January 1, 2017, at a cost of $13,000. It has a salvage value of $1,000 and a useful life of 5 years, with an estimated working unit of 100,000.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Years | Unit of activity | Activity rate | Annual dep. | Acc. Dep | B.V  Cost – Acc. Dep |
| 2017 | 15,000 | 0.12 | 1800 | 1800 | 11200 |
| 2018 | 30,000 | 0.12 | 3600 | 5400 | 7600 |
| 2019 | 20,000 | 0.12 | 2400 | 7800 | 5200 |
| 2020 | 25,000 | 0.12 | 3000 | 10800 | 2200 |
| 2021 | 10,000 | 0.12 | 1200 | 12,000 | 1000 |

(Cost – S.V) \* hours in this year / Estimated total hour

(13000- 1000) \* 15,000 / 100,000 = 1800 or;

12,000 / 100,000 = 0.12 نسبة معدل الاهتلاك للوحدة الواحدة

**3- Declining Balance Method طريقة القسط المتناقص**

The company acquired a delivery truck on January 1, 2017, at a cost of $500,000. It has a salvage value of $50,000 and a useful life of 5 years, with an estimated working hours of 30,000.

Dep base 450,000

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Years | B.V 1/1 | Declining rate | Annual Dep. exp | Acc. Dep | Book Value 31/12  (500,000- Acc.Dep) |
| 2017 | 500,000 | 40% | 200,000 | 200,000 | 300,000 |
| 2018 | 300,000 | 40% | 120,000 | 320,000 | 180,000 |
| 2019 | 180,000 | 40% | 72,000 | 392,000 | 108,000 |
| 2020 | 108,000 | 40% | 43,200 | 435,200 | 46,800 |
| 2021 | 64,000 | 40% | 14,800 \* | 450,000 | 50,000 |

\* 435,200 -450,000 = 14800