Accounting II - Simplified for You

Double-Declining Balance

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- Provides for an accelerated rate of depreciation.
- Depreciation expense is calculated at a declining rate for each period

Double-Declining Balance

Example: Unique Designs purchased a machine that costs $55,000 with a residual value of $5,000 and the equipment dealer estimates that the machine can produce 100,000 units.

Asset Cost = $55,000

Residual Value = 5,000

Useful Life in Years = 5 years

Double-Declining Balance Steps

1) Calculate the straight line rate

Straight-Line Rate = 1/5 = .20 = 20%

2) Then, calculate for the Double-Declining Rate

DD Rate = 20% x 2 = 40%

3) Calculate Depreciation by multiplying

Beginning Book Value x DD Rate

Double-Declining Balance

5 year Depreciation table

Year	Cost	Accumulated Depreciation at Beginning of the Year	Book Value at Beginning of the Year	Double-Declining Balance Rate	Depreciation for Year	Book Value at end of Year
1	55,000	-	55,000	40%	22,000	33,000
2	55,000	22,000	33,000	40%	13,200	19,800
3	55,000	35,200	19,800	40%	7,920	11,880
4	55,000	43,120	11,880	40%	4,752	7,128
5	55,000	47,872	7,128		2,128	5,000

Double-Declining Balance

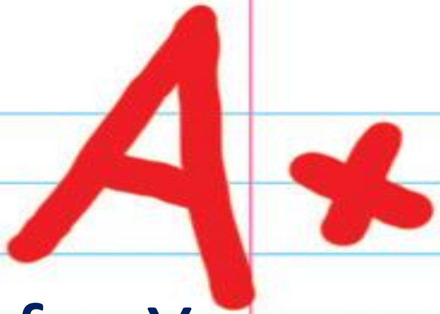
Journal Entry

Journal

Date	Account Description	Debit	Credit
12/31/XX	Depreciation Expense	22,000	
	Accumulated Depreciation, Equipment		22,000

Balance Sheet

Equipment	$ 55,000
Less: Accumulated Depreciation	22,000
Book Value	$ 33,000



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