


Accounting II - Simplified for You



Straight-Line Depreciation

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Straight-Line Depreciation

- Straight line depreciation provides a constant rate (same amount) of depreciation.

Straight-Line Depreciation	=	<table><tr><td>Cost - Residual Value</td></tr><tr><td>Useful Life in Years</td></tr></table>	Cost - Residual Value	Useful Life in Years
Cost - Residual Value				
Useful Life in Years				

Straight-Line Depreciation

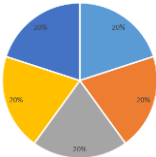
Example: Asset Cost = \$55,000  
Residual Value = 5,000  
Useful Life in Years = 5

Straight-Line Depreciation	=	<table><tr><td>\$55,000 - \$5,000</td></tr><tr><td>5 years</td></tr></table>	\$55,000 - \$5,000	5 years
\$55,000 - \$5,000				
5 years				
Depreciation per year	=	\$ 10,000		

Straight-Line Depreciation

Straight-Line Depreciation Rate  
= 1/ # of useful life in years

S/L Rate = 1/5 = .20 = 20%



Recording Depreciation

Journal Entry

Date	Account Description	Debit	Credit
12/31/XX	Depreciation Expense	10,000	
	Accumulated Depreciation, Equipment		10,000

Balance Sheet

Equipment	\$ 55,000
Less: Accumulated Depreciation	10,000
Book Value	\$ 45,000

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Accounting II - Simplified for You

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