Declining Balance Method:

Book value = (Cost − Accumulated Depreciation)

Rate of Depreciation = $\dfrac{1}{\text{Useful life}} \times 2$

Machine - B

Purchase - Jan 1, 2010

Cost = $ 1,60,000

Salvage Value = 10,000

Useful life = 4 year

Depreciable Cost = (Cost − Salvage Value)

= 160000 − 10000

= 150000

*

Unit of Activity Method.

Based on Ratio

Q

Machine-B

Usage:

2011 — 45,000

2012 — 20,000

2013 — 25,000

2014 — 35,000

Depreciation cost per unit = $\dfrac{150,000}{125,000}$

$\qquad\qquad\qquad = 1.2$ per unit

Depreciation Expense.

			Dep. Exp.	A.D	BV
2011	=	45000 × 1.2 =	54,000	54,000	106,000
2012	=	20000 × 1.2 =	24,000	78,000	82,000
2013	=	25,000 × 1.2 =	30,000	108,000	52,000
2014	=	35,000 × 1.2 =	42,000	150,000	10,000

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