

Key Point of Stright Line Method

1.Initial Asset Cost and Additional Costs:

The total initial cost of the asset is \$500,000.

2.Annual Depreciation:

Depreciation is \$45,000 per year.

3.Depreciation Rate:

The depreciation rate is 9% of the initial asset cost per year.

4.Scrap Value:

At the end of its life span, the asset has a residual (scrap) value of \$50,000.

5.Total Depreciation:

Over 10 years, the asset depreciates by a total of \$450,000.

6.Book Value Trend:

The book value decreases linearly, reaching the scrap value of \$50,000 after 10 years.

Key Points of Depreciation Balance Method

1. Initial Asset Cost and Additional Costs:

Total initial cost of the asset is \$500,000.

2. Annual Depreciation:

Depreciation rate is 10.94%.

3. Scrap Value:

The scrap value at the end of its life span is \$156,905.

4. Depreciation Trend:

Depreciation amount decreases each year since it's a percentage of the remaining book value.

5. Book Value Trend:

The book value decreases over time and reaches close to the scrap value at the end of the 10-year period.