Declining Balance Depreciation (DB)

Formula:

DB(cost, salvage, life, period, [month])

Parameters:

cost: The initial cost of the asset in INR.

salvage: The value of the asset at the end of its useful life in INR.

life: The useful life of the asset in years.

period: The specific period for which to calculate the depreciation. This could be 1 for the first year, 2 for the second, etc.

month: (Optional) Specifies the number of months in the first year if less than a full year; defaults to 12 for a full year.

Example:

An asset originally costs INR 1,00,000, with an expected salvage value of INR 10,000 after 5 years of use. We want to calculate the depreciation for the first year using a 200% declining balance method.

Calculation:

cost: INR 1,00,000

salvage: INR 10,000

life: 5 years

period: 1 (for the first year)

month: 12 (assuming a full year)

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=DB(100000, 10000, 5, 1, 12)

Teaching:

Comparison with Straight-Line Depreciation (SLN):

Explain how DB method results in higher depreciation in earlier years compared to the SLN method, which spreads depreciation evenly over the asset's life.

Discuss the financial implications of different depreciation methods on tax liabilities and financial reporting in INR.

Real-world Application:

Use this example to show how businesses might choose depreciation methods based on how quickly they want to write off an asset's value, affecting cash flow and profit reporting.

Interactive Learning:

Encourage students to alter parameters like life or salvage to see how depreciation changes. Discuss the strategic decisions behind choosing these figures in real business scenarios.