**ENGR301**

**Engineering Management Principles and Economics**

**Tutorial 10 – Depreciation**

1. The Acme Chemical Company bought $45,000 of research equipment, which it believes will have a zero salvage value at the end of its 5-year life. Compute the depreciation schedule for the equipment by each of the following methods:
   1. Straight-line
   2. Sum-of-year’s-digits
   3. Double-declining-balance
   4. CCA as a Class 8 asset (rate = 20%)
2. A company that manufactures food and beverages in the vending industry has purchased some handling equipment that cost $75,000 and will be depreciated as a Class 43 asset (rate =30%). Show in a table the yearly depreciation amount and book value of the asset over 10 years of depreciation life.

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| Year | Book Value at beginning of year | Depreciation Amount | Book Value at the end of year |
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1. Paquita wants to estimate the scrap value (salvage value) of a smokehouse 20 years after purchase. She feels the depreciation is best represented using the declining balance method, but she doesn’t know what depreciation rate to use. She observes that the purchase price of the smokehouse was $245,000 three years ago, and an estimate of its current salvage value is $180,000. What is a good estimate of the value of the smokehouse after 20 years?