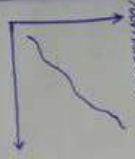


Concept & Accounting of Depreciation

Meaning
Depreciation refers to fall in value of tangible fixed assets.

Land - tangible assets (reproduction of land population is limited)



Fall in value

Tangible assets (capex, talents, goodwill)

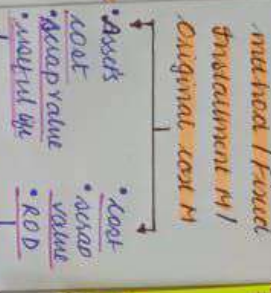
Intangible assets (amortisation)

Reasons

- Wear and Tear
- With passage of time
- Obsolescence
- Accident

TOPICS

Straight line method / Fixed installment M / Original cost M



(always on cost)

WDV / RBM / DBM

Written down value
R - Reducing Bal. Meth
D - Diminishing Bal Meth

ROD on BV

$$\frac{5000}{1500} \times 10\%$$

$$= 4500 \times 10\%$$

$$= 450$$

4050

KTR

Depn same every yr
SLM

WDV → Depn ↓ yr after yr.

$$\text{Depn (SLM)} = \frac{\text{Depn (WDV)}}{T \text{ yrs}}$$

$$\text{BV (SLM)} = \text{BV (WDV)}$$

Depn (SLM) > Depn (WDV)
Further year →
BV (WDV) > BV (SLM)

OC → Original cost (Initial capitalization)

SV → Scrap value (Estimated amount that will be realized from sale of asset end of its useful life)

UL → Useful life (Duration of asset will be used)

ROD → Rate of Depreciation

TO Bal. CIA	By Depn CIA
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Production method

$$\frac{\text{OC} - \text{SV}}{T \text{ units}} \times \text{No. of units produced}$$

change in method: life, rate, SV, Realization of cost

same year change from same year given yr.

Machine hour method (interim period)

$$\frac{\text{OC} - \text{SV}}{T \text{ hrs.}} \times \text{hrs of the yr}$$

Operation method (interim period)

extract → material

$$\frac{\text{OC} - \text{SV}}{T \text{ qty}} \times \text{Qty extracted that year}$$

from sale → Normal BV - Impaired AIC

TO Acc - opening	By Prov
By Bank	By Prov
By Cash	By Bank
By Cash	By Cash