SKH Bishop Baker Secondary School

Mr. Lau Wing Kwan
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Accounting ?

Matching

Case 1

Strawberry

Orange

Apple

Drawing

Case 2

Example

Cost of equipment = $10,000
Date of acquisition = 1 January 2018
Estimated useful life = 4 years
Estimated scrap value = $4,096

Depreciation rate

$$\text{Straight-line method} = \frac{1}{\text{Estimated useful life}} \times 100\%$$

$$\text{Reducing-balance method} = \left[1 - \sqrt[n]{\frac{S}{C}}\right] \times 100\%$$

Depreciation rate

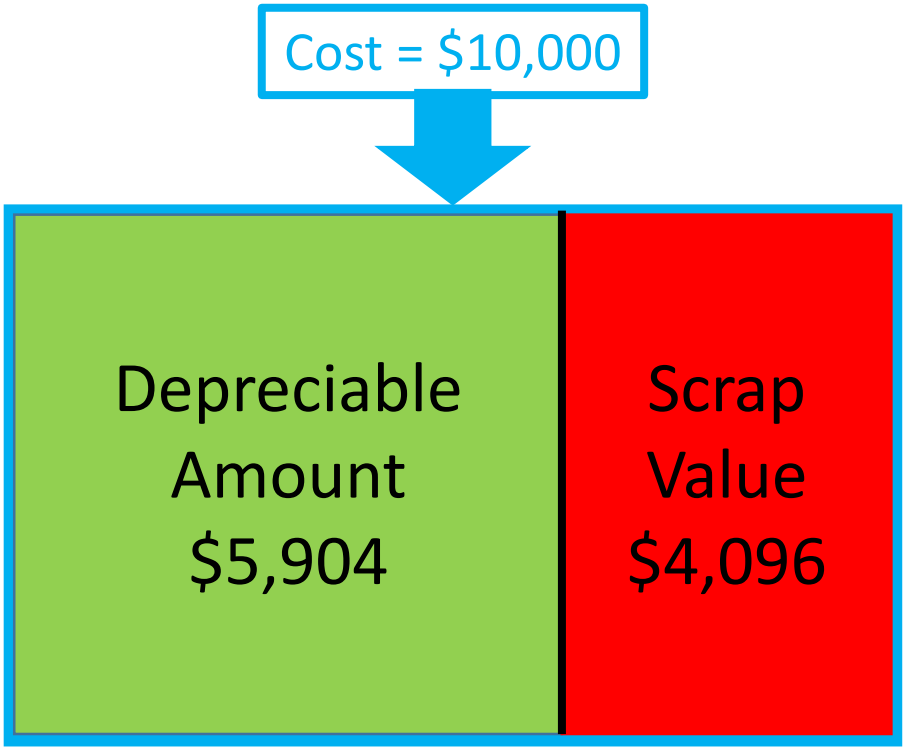
$$\text{Straight-line method} = \frac{1}{4} \times 100\% = 25\%$$

$$\text{Reducing-balance method} = \left[1 - \sqrt[4]{\frac{4{,}096}{10{,}000}}\right] \times 100\% = 20\%$$

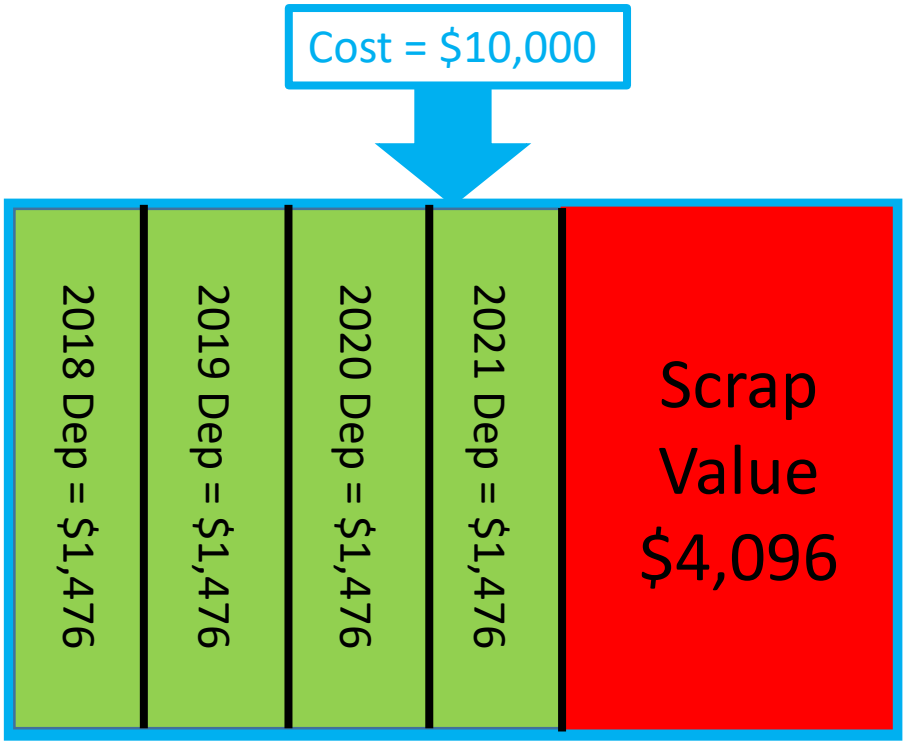
Systematic Allocation of Depreciable Amount : Straight-line Method

Cost $10,000

Systematic Allocation of Depreciable Amount : Straight-line Method



Systematic Allocation of Depreciable Amount : Straight-line Method



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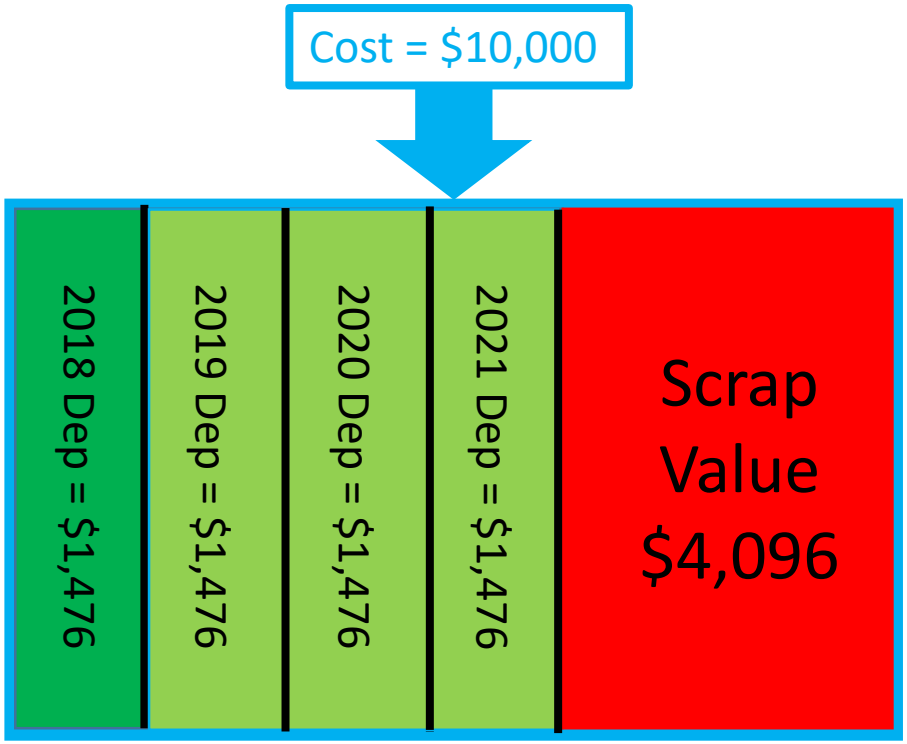

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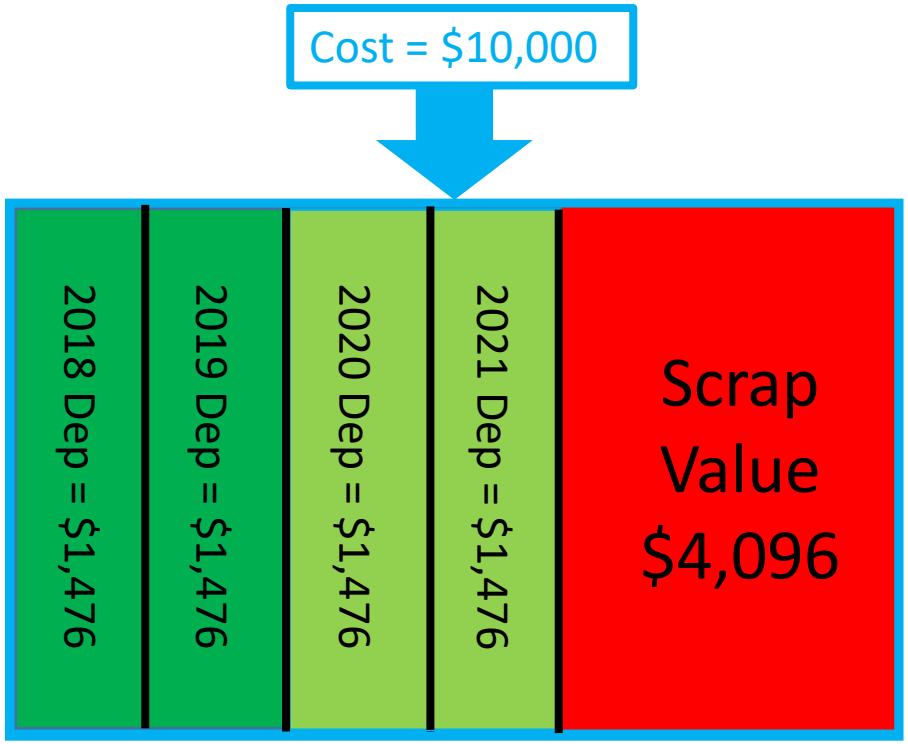

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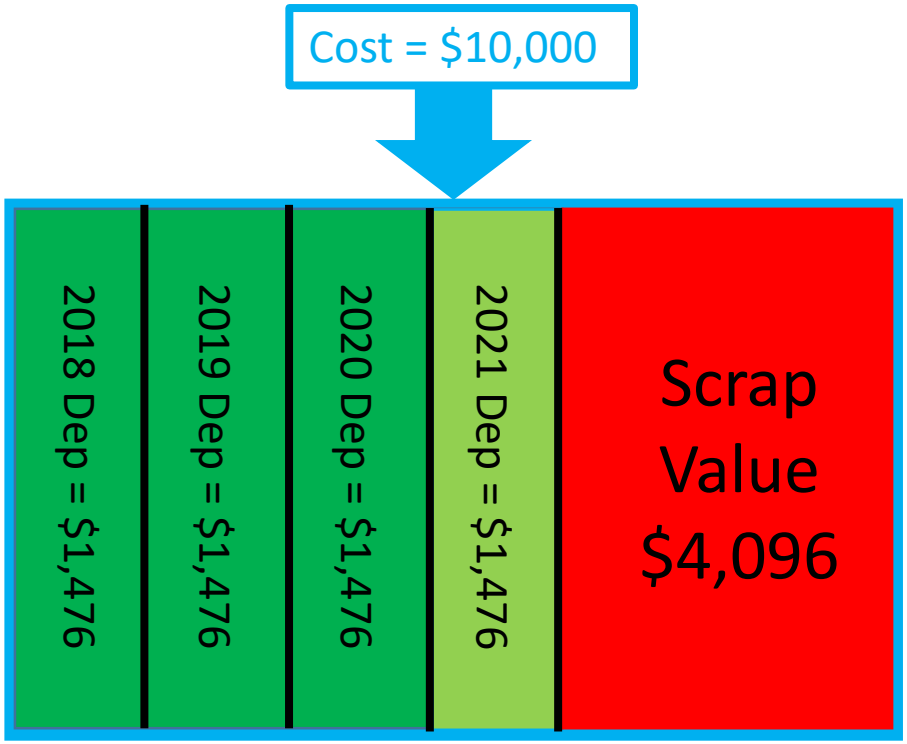

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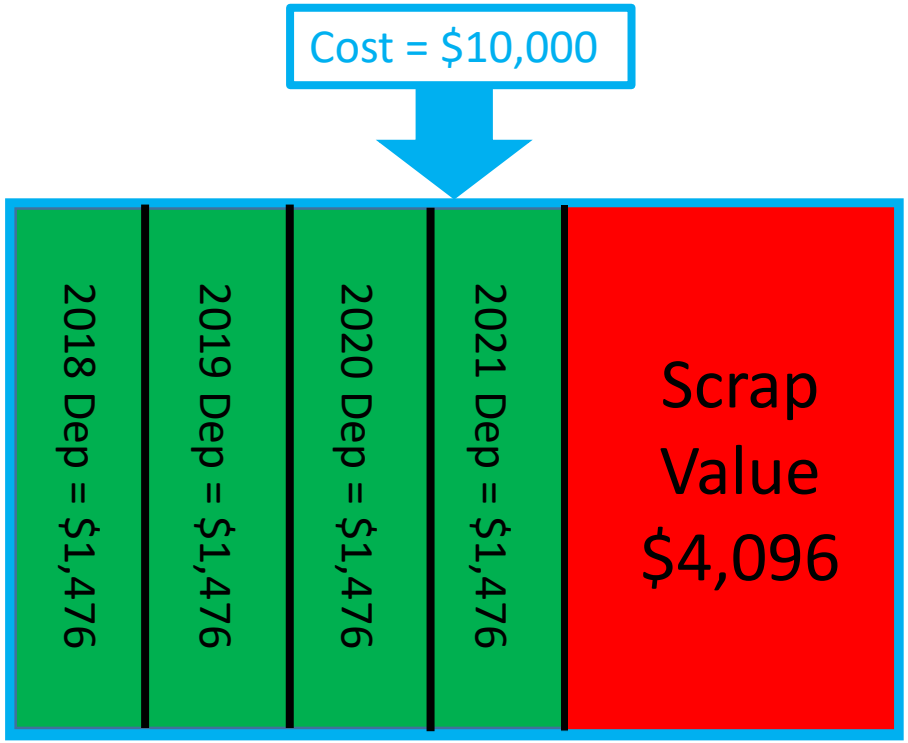
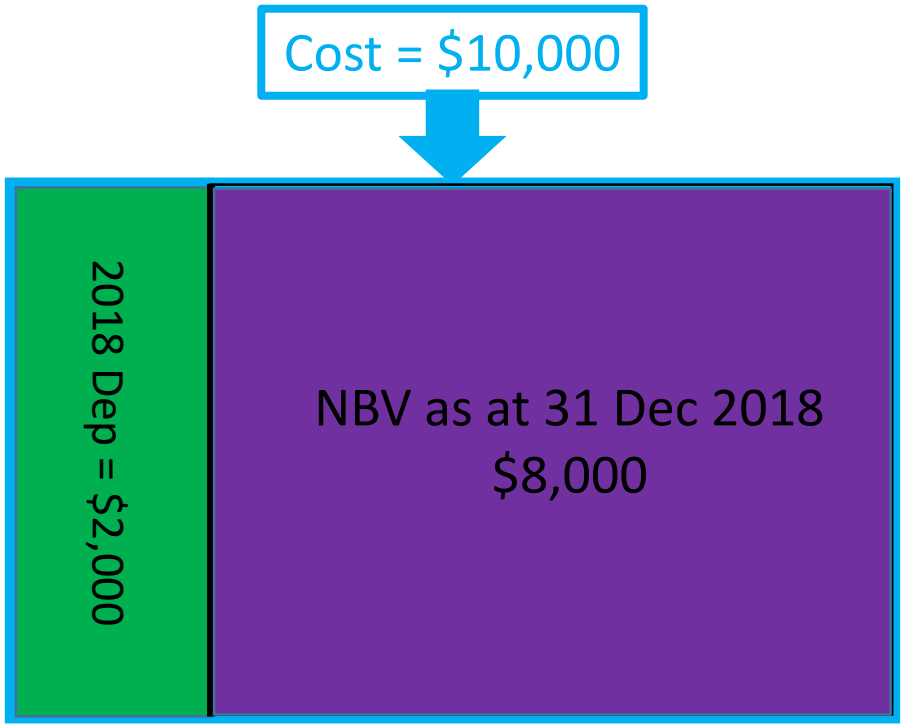


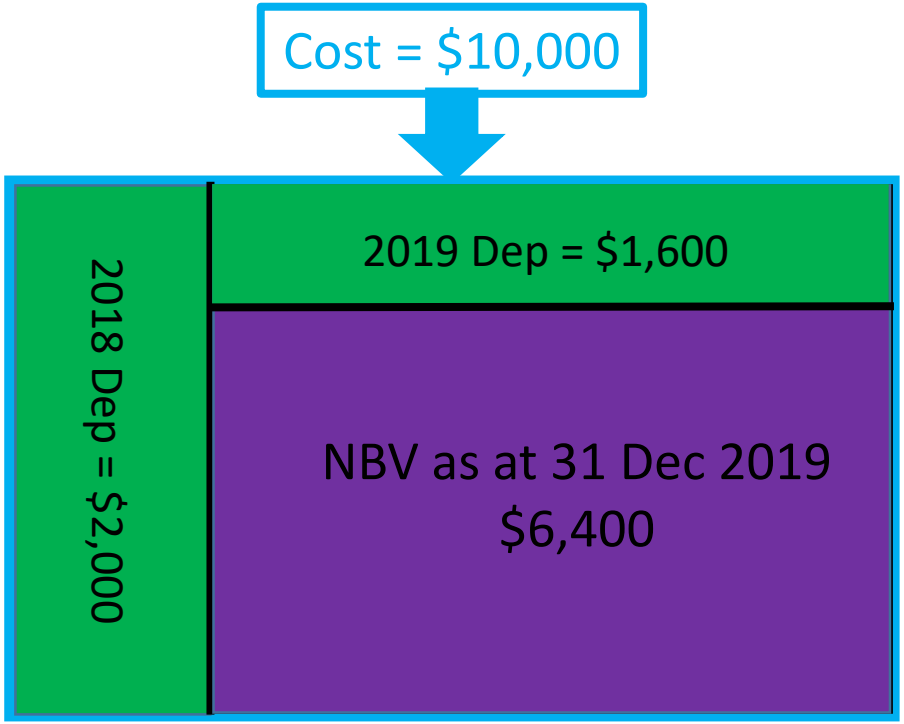
Systematic Allocation of Depreciable Amount : Reducing-balance Method

Cost $10,000

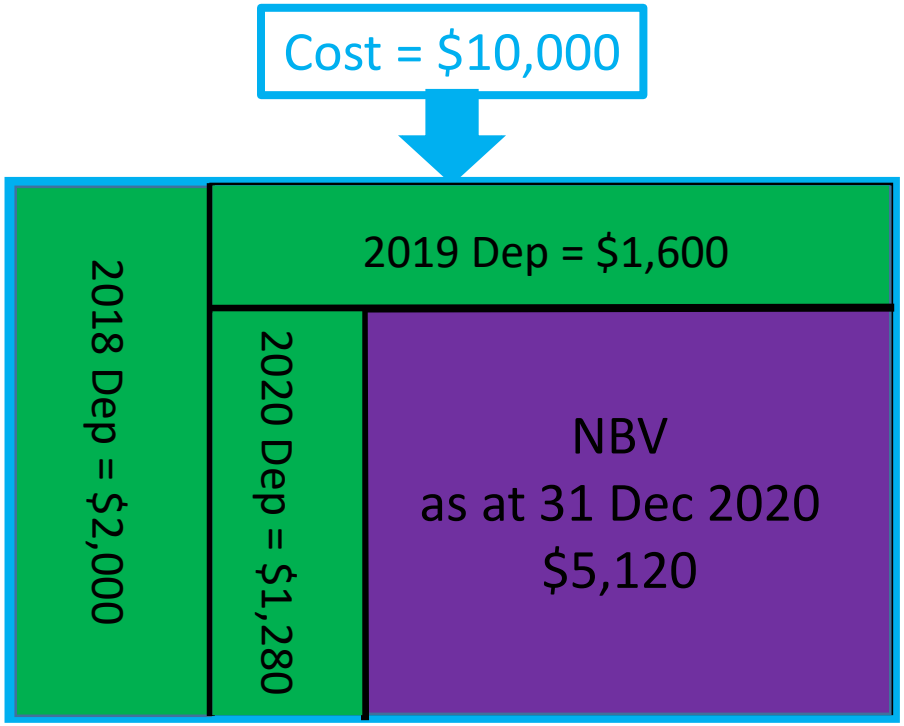
Systematic Allocation of Depreciable Amount : Reducing-balance Method



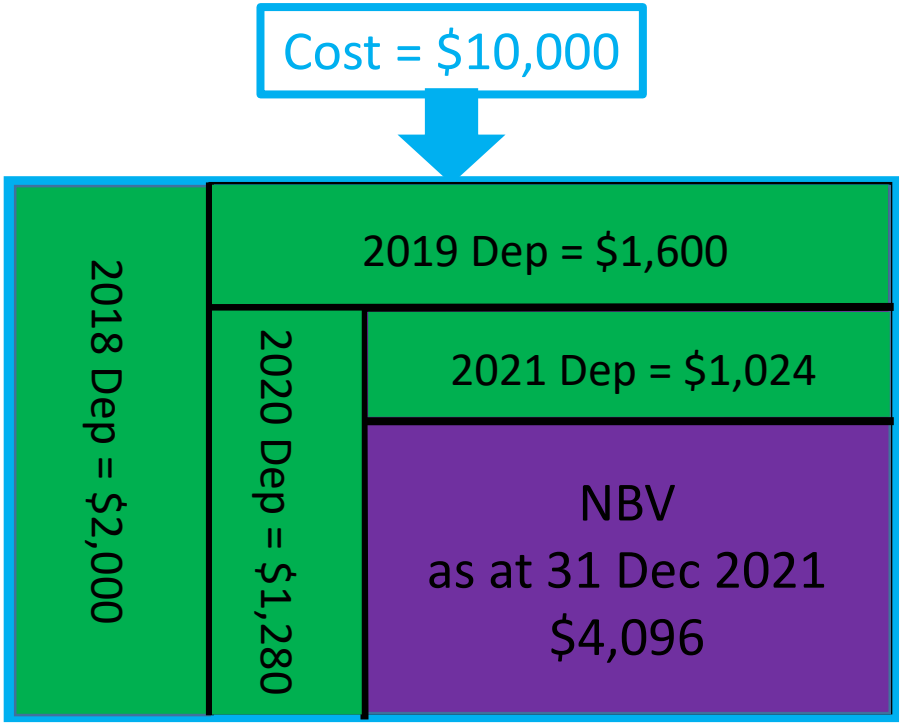
Systematic Allocation of Depreciable Amount : Reducing-balance Method



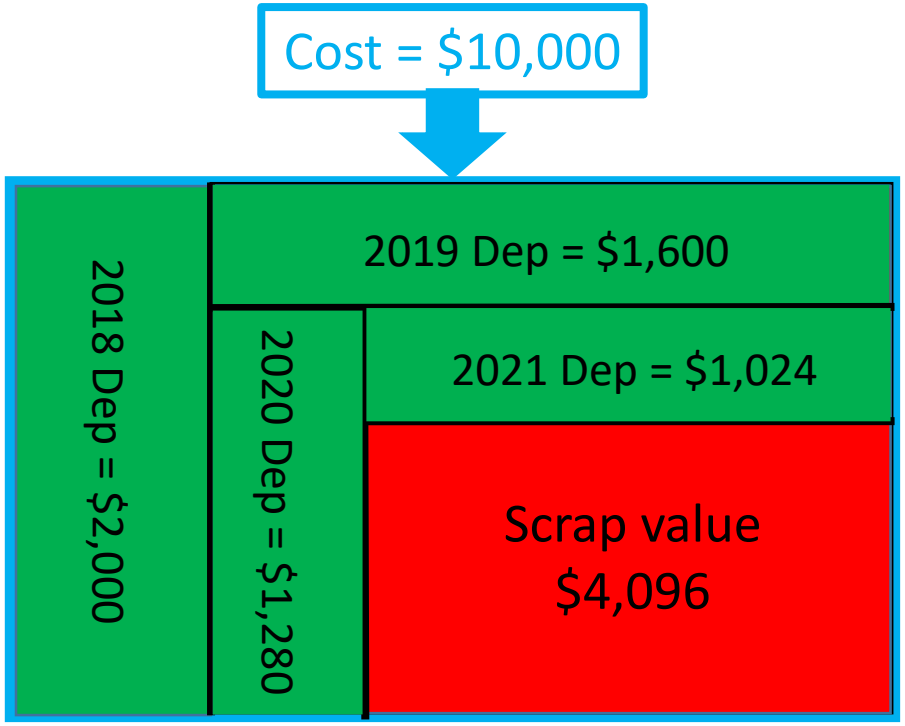
Systematic Allocation of Depreciable Amount : Reducing-balance Method



Systematic Allocation of Depreciable Amount : Reducing-balance Method



Systematic Allocation of Depreciable Amount : Reducing-balance Method



Strawberry

Orange

Apple

Straight-line method

or

Reducing-balance method

Findings

Case 3

Subjective?

or

Objective?

Case 4

Example

Cost of building = $500,000

Date of acquisition = 1 September 1984

Estimated useful life = 50 years

Depreciation rate = 10%

Calculate the annual depreciation of building for the year ended 31 August 2045

Calculate the net book value of building as at 31 August 2045

Case 5

Equipment

2018		$	2018		$
01 Jan	Balance b/d	400,000	30 Sep	Disposal of equipment	100,000
30 Sep	Cash at bank	120,000	31 Dec	Balance c/d	500,000
30 Sep	Disposal of equipment	80,000			
		600,000			600,000

Accumulated Depreciation of Equipment

2018		$	2018		$
30 Sep	Disposal of equipment	100,000	01 Jan	Balance b/d	143,000
31 Dec	Balance c/d	60,000	31 Dec	Depreciation of equipment	17,000
		160,000			160,000

Case 6

Income statement for the year ended 31 December 2017		
		$
Sales		0
Less: Cost of goods sold		
Opening inventory	0	
Add: Purchases	10	
	10	
Less: Closing inventory	10	0
Gross profit		0

Income statement for the year ended 31 December 2018		
		$
Sales		8
Less: Cost of goods sold		
Opening inventory	10	
Add: Purchases	0	
	10	
Less: Closing inventory	0	10
Gross loss		(2)

Case 7

Income statement for the year ended 31 December 2017		
		$
Sales		0
Less: Cost of goods sold		
Opening inventory	0	
Add: Purchases	30	
	30	
Less: Closing inventory	10	20
Gross loss		(20)

Income statement for the year ended 31 December 2018		
		$
Sales		10
Less: Cost of goods sold		
Opening inventory	10	
Add: Purchases	0	
	10	
Less: Closing inventory	0	10
Gross profit		0

Accounting

Business Language

Thank you