Depreciation Basics

Cost

The cost of a plant asset consists of all necessary and reasonable expenditures to acquire it and to prepare it for its intended use.

Salvage Value

This is the amount the owner expects to receive from disposing of the asset at the end of its benefit period. If the asset is expected to be traded in on a new asset, its salvage value is the expected trade-in value.

Useful Life

Useful life, also called service life, might not be as long as the asset's total productive life.

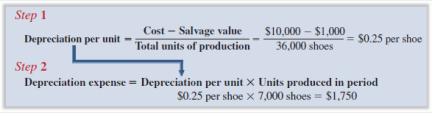
Obsolescence

refers to the condition of a plant asset that is no longer useful in producing goods or services with a competitive advantage because of new inventions and improvements.

Straight-line Method

Useful Life in Periods =	Cost- Salvage Value
Journal Entry	*Debit* Depreciation Expense *Credit* Acc. Dep. Machine

Units of Production Method



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