Depreciation

# Straight Line Method

Calculate the amount of depreciation charged each year for each of the following assets:

1. A machine that cost £50 has been estimated to last for 5 years. It is expected the machine will have no residual value.
2. A photocopier that cost £3,999 to buy. It has been estimated that it could be sold for £1,999 and it has a life expectancy of 4 years.
3. A delivery van costs £10,000 new. A firm buys it, intends to keep it for 8 years, and believes it will fetch £2,000 when they come to sell it again.
4. A factory costs £500,000 to buy. The business thinks they will have practical use of it for 5 years, before they’ll have to sell it and move into larger premises. They estimate a residual value of £750,000.
5. A business buys a lorry for £40,000. They use £10,000 cash and a £30,000 loan. They intend keeping it for 8 years before selling it for £5,000.
6. The business that bought the delivery van in question 3 smash it into a tree and write it off. This happens after having it for only 2 years.
7. Explain the impact on the Net Profits of the firm that had the delivery van referred to in questions 6, following the accident.
8. As a result of this, what advice would you give to accountants when dealing with depreciation?