

# Wood Manufacturing & Finishing Depreciation

Phase 6

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# Depreciation

- When you purchase a machine or vehicle it loses its value over time this is called depreciation.
- The amount it loses can be at a rate of % per annum.
- Depreciation can be calculated at the end of each year.
  
- Example
- A machine costing €20,000 depreciates at a rate of 20% per annum. Calculate its value at the end of 2 years.
  
- €20,000 – 20% (4,000) = 16,000 Year 1
- €16,000 – 20% (3,200) = 12,800 Year 2

# Depreciation

- Q. 1 A machine costing €24,000 depreciates at a rate of 20% per annum. Calculate its value at the end of 5 years.

Machine Value	24000
Less 20%	<u>4800</u>
	19,200 yr 1
Less 20%	<u>3840</u>
	15360 yr 2
Less 20%	<u>3072</u>
	12,288 yr 3
Less 20%	<u>2,457.6</u>
	9,830.40 yr 4
Less 20%	<u>1966.08</u>
	7,864.32 yr5

€7,864.32 Machine Value

# Depreciation

- Q. 2 A machine costing €38,000 depreciates at a rate of 20% per annum and 10% in the following years. Calculate its value at the end of 5 years.

Machine Value	38,000
Less 20%	<u>7,600</u>
	30,400 yr 1
Less 20%	<u>6,080</u>
	24,320 yr 2
Less 20%	<u>4,864</u>
	19,456 yr 3
Less 10%	<u>1,945.60</u>
	17,510.40 yr 4
Less 10%	<u>1,751.04</u>
	15,759.36 yr5

€ 15,759.36 Machine Value

# Depreciation

- Q. 3 A machine worth €27,500 depreciates at of 20% per annum. Calculate its value at the end of 4 years.
- €27,500 – 20% (5,500) = 22,000 Year 1
- €22,000 – 20% (4,400) = 17,600 Year 2
- €17,600 – 20% (3,520) = 14,080 Year 3
- €14,080 – 20% (2,816) = 11,264 Year 4

€ 11,264 Machine Value