

Study Tip

To be depreciable, your property must have a determinable useful life. This means that it must be something that wears out, decays, gets used up, becomes obsolete, or loses its value from natural causes. You cannot depreciate the cost of land because land does not wear out, become obsolete, or get used up.

Double Declining-Balance Depreciation

Whereas straight-line depreciation uses the same amount of depreciation each year, double declining-balance depreciation uses the same rate of depreciation each year.

Double Declining-Balance Depreciation

To find the rate for **double declining-balance depreciation**, divide 2 by the years of useful life.

$$\text{Annual rate of depreciation} = \frac{2}{\text{years of useful life}}$$

To find the depreciation, multiply this rate by the current value.

EXAMPLE 3 Making a Depreciation Schedule

Make a double declining-balance depreciation schedule for the office equipment in Example 1.

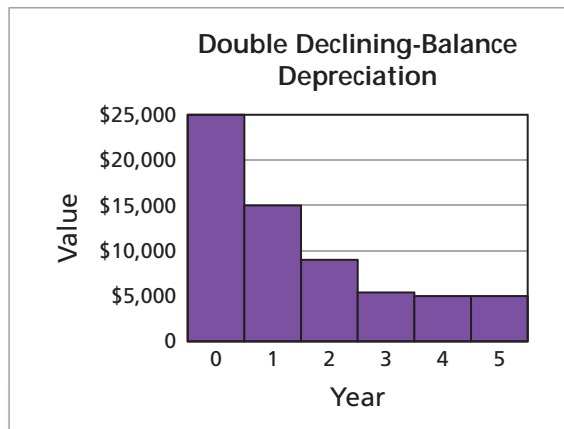
SOLUTION

$$\text{Annual rate of depreciation} = \frac{2}{5} = 40\%$$

	A	B	C	D
		Value before		Value after
1	Year	Depreciation	Depreciation	Depreciation
2	1	\$25,000	\$10,000	\$15,000
3	2	\$15,000	\$6,000	\$9,000
4	3	\$9,000	\$3,600	\$5,400
5	4	\$5,400	\$400	\$5,000
6	5	\$5,000	\$0	\$5,000

$$0.4(25,000)$$

This value must be adjusted so that the value after depreciation does not go below the salvage value.



✓ Checkpoint

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Make a double declining-balance depreciation schedule for the office equipment in Example 1 using a useful life of 7 years and a salvage value of \$4000.