

4.4 Exercises



Hair Salon The owner of a hair salon buys new equipment. In Exercises 1 and 2, make a straight-line depreciation schedule for the equipment. (See Examples 1 and 2.)

1.



Cost: \$1100
 Salvage value: \$400
 Useful life: 7 years

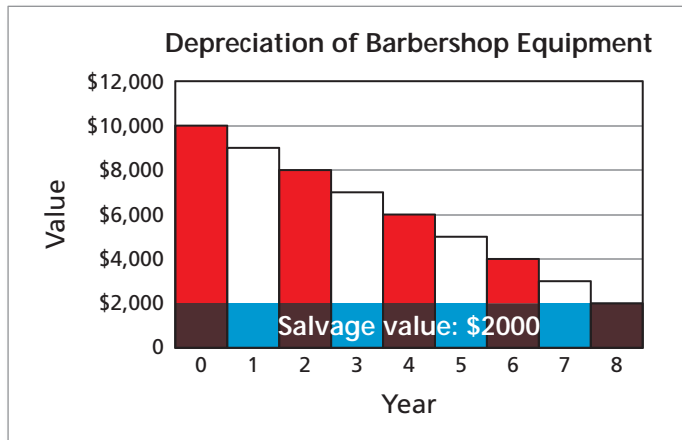
2.



Cost: \$14,500
 Salvage value: \$2500
 Useful life: 10 years



Barbershop The owner of a barbershop buys new equipment. A graph of the straight-line depreciation schedule for the equipment is shown. In Exercises 3–6, use the graph. (See Examples 1 and 2.)



In medieval times, barbers were also surgeons. The red and white stripes on a barber pole represent bloody bandages.

- What is the value of the equipment after 5 years?
- What is the value of the equipment after 7 years?
- When a business sells equipment at a price greater than its value, the U.S. Internal Revenue Service collects taxes on the difference. This is called *depreciation recapture*. Find the taxable amount for each year in which depreciation recapture could occur for a selling price of \$6000.
- When a business sells equipment at a price less than its value, the difference is tax deductible. Find the tax deductible amount for each year in which a selling price of \$4000 would cause a loss.