**The City School
North Nazimabad Boys Campus**

**Accounts Work Sheet**

**Class: 10-T**

**Teacher: Fazal Ur Rahman**

**Topic: Depreciation**

**Week: October 17-21, 2016**

Depreciation

**Main Points to remember**

Depreciation is an expense (non cash expense) of the business and has to be charged against any period in which depreciation occurs.

The main causes of deprivation are: Physical deterioration, economic factors, the time factor and depletion.

When noncurrent assets are depreciated only on time basis the term Amortization is used instead of depreciation

Depreciation calculation which remains at an equal amount each year

In the balance sheet the total depreciation to date is deducted from the cost of asset

When a non current asset is sold it is removed from the ledger records by transfer to a disposal of non current asset account.

Land is usually not depreciated

Inventory (stock) is current asset and it is not depreciated.

**Question.**

Sparky Ltd. set up business on 1 May 2008 with the following assets

 Property (land and building) $ 150000

 Computer equipment $ 40000

 Inventory $70000

Sparky Ltd., decided on the following policy for depreciation,

1. Land costing $ 80000 was not to be depreciated.

2. Buildings are to be depreciated at 2% per annum on cost using the straight line method.

3. Computer is to be depreciated at 25% per annum using the diminishing balance method.

 Calculate the depreciation on buildings and computer equipment for the year ended 30 April 2009.