

Unit 3 Review Problems

We purchase equipment on January 1, for \$75,000 that we plan to use for 7 years and can get \$5,000 for it at the end of its useful life. We expect the equipment to produce 250,000 units over its lifetime.

- a. Calculate Annual Depreciation under the Straight-line method.
- b. Calculate Depreciation under the Unit-of-Production method if the equipment produced 42,000 units during the year.
- c. Calculate the first year's depreciation under the Double-Declining Balance Method. Keep the rates as a fraction and do not round the rates. Round your final answers to the nearest whole dollar.
- d. For the first year, we used the Double-Declining Balance Method for depreciation (see part c) but beginning with the second year, we have decided to use straight-line depreciation with 5 years remaining on the equipment and a salvage value of \$4,000. Calculate the revised depreciation for year 2.