

Questions & Answers Test Paper
On
Financial Mathematics/Advanced Business Calculations
“ TOPIC- DEPRECIATION ”



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FINANCIAL MATHEMATICS QUESTIONS ON DEPRECIATION	
1	A firm bought a machine for \$20,000 which is expected to be used for 5 years and then sold for \$2,000. What is the annual amount of depreciation if the straight line method is used?
2	A machine costing \$10,000 has an expected life of 4 year and estimated residual value of \$500. Calculate the depreciation charge per year
3	A machine cost \$25,650 depreciates to a scrap value of \$500 in 10 years. Calculate: (a) the annual rate of depreciation if the reducing balance method of depreciation is to be used (b) the book value at the end of the sixth year
4	A firm estimates that office equipment depreciates in value by 40% in its first year of use, by 25% of its value at the beginning of that year during its second year of use, and thereafter each year 10% of its value at the beginning of that year Calculate: (a) the value after eight years' of equipment costing \$550 new (b) the value when new of equipment valued at \$100 after five years' of use.
5	The total cost of a fleet of lorries is \$180,00 and the residual value after five years is \$20,00. Using the diminishing balance method find the rate of annual depreciation.
6	Five word processors are brought for an office, the total cost of the equipment being \$12,000. The residual value of the machine after five years is estimated to be \$3,000. Find the annual percentage depreciation to be charged if (a) the fixed installment method is used (b) the diminishing balance method is used (answer to 2 decimal places

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FINANCIAL MATHEMATICS ANSWERS ON DEPRECIATION	
1.	\$3,600
2.	\$2,375
3.	(a) 32.55% (b) \$2,415.34
4.	(a) \$131.53 (b) \$304.83
5.	35.56%
6.	(a) 15% (b) 24.21%

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