

JAIIB



Accounting & Financial Management for Bankers

Module A

Written down value method



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Methods of Depreciation

Straight-line
Method

Results in a constant charge over the useful life if the residual value of the asset does not change

Diminishing
Balance Method

Results in a decreasing charge over the useful life

Units of Production
Method

Results in a charge based on the expected use or output





USAGE,
WEAR & TEAR,
TECHNOLOGICAL
OBSOLESCENCE



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DIMINISHING VALUE METHOD

$$\text{Depreciation Value} = \text{Percentage Rate} \times \text{Book Value of Asset}$$

- AKA Written Down Value (WDV) method.
- Fixed percentage of residual balance or book value (known as Depreciation rate) is deducted every year from book value of asset.
- Relevant when asset is expected to give better performance in initial years, thus higher depreciation is charged in initial years.



DIMINISHING VALUE METHOD



Company A buys a piece of equipment for ₹2,00,000. The equipment has to be depreciated at rate of 10% per year. Calculate the depreciation in the first three years of the asset using the WDV method.

Thank You

For More Info Contact us:



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