

Depreciation is the allocation of the cost of a fixed asset over its estimated useful life.

Straight Line Formula

$$\frac{\text{Cost - Salvage Value}}{\text{Estimated Useful Life}}$$

$$\frac{30,000 - 2,000}{4 \text{ years}}$$

7000 per year

Journal Entry

| | | |
|---------------------------------------|-------------|-------------|
| Depreciation Expense | 7000 | |
| Accumulated Depreciation | | 7000 |
| To record depreciation expense | | |

Year 2

Depreciation Expense

7000

Accumulated Depreciation

7000

To record depreciation expense

This is a fixed asset with a CR
balance. Contra Account

| | |
|-------------------|-----------------|
| Truck | |
| 30,000 | |
| <hr/> | |
| Accum Depr | |
| | 7,000 BB |
| | 7,000 |
| | <hr/> |
| | 14000 |

| | |
|-------------------------|----------------------|
| Depreciation Exp | |
| 7,000 | 7,000 Closing |
| 0 | |
| 7,000 | |
| <hr/> | |

Fixed Assets

| | |
|---|----------------|
| Truck | 30,000 |
| Less: Accumulated Depreciation | (7,000) |
| Net Fixed Assets | 23,000 |