ABC Company purchased a machine for $84,000. The machine is expected to last for five years and then be sold for $4,000. It has been rated to produce 640,000 units over its life and the actual units produced were as follows:

Year of Production	Number of Units Produced
1	100,000
2	120,000
3	130,000
4	150,000
5	160,000

Required:

Prepare a calculation to show the annual amortization based on the following independent assumptions:

a) Straight Line Method
b) Units of Production Method
c) Double Declining Balance Method

NOTE: Do not round the per unit amortization.
Round the amortization expense to the nearest dollar

Working Paper

Straight Line:

Cost	
Estimated Salvage Value	
Maximum Accumulated Amortization	
Life in Years	
Annual Amortization	

Units of Production:

Cost	
Estimated Salvage Value	
Maximum Accumulated Amortization	
Maximum Units	
Amortization per Unit	

Double Declining:

100 Percent	
Life in Years	
Single Declining Rate	
Times Two	
Double Declining Rate	

Year	Beginning Net Book Value	Rate	Amortization	Ending Net Book Value
1				
2				
3				
4				
5				

Accumulated Amortization Amounts:

Year	**Straight Line**	**Units of Production**	**Double Declining**
1			
2			
3			
4			
5			
Total			

Answer

Straight Line:

Cost	84,000
Estimated Salvage Value	4,000
Maximum Accumulated Amortization	80,000
Life in Years	5
Annual Amortization	16,000

Units of Production:

Cost	84,000
Estimated Salvage Value	4.000
Maximum Accumulated Amortization	80,000
Maximum Units	640,000
Amortization per Unit	$0.125

Double Declining

100 Percent	100%
Life in Years	5
Single Declining Rate	20%
Times Two	2
Double Declining Rate	40%

Year	Beginning Net Book Value	Rate	Amortization	Ending Net Book Value
1	84,000	40%	33,600	50,400
2	50,400	40%	20,160	30,240
3	30,240	40%	12,096	18,144
4	18,144	40%	7,258	10,886
5	10,886	40%	4,354	6,532

Accumulated Amortization Amounts:

Year	**Straight Line**	**Units of Production**	**Double Declining**
1	16,000	12,500	33,600
2	16,000	15,000	20,160
3	16,000	16,250	12,096
4	16,000	18,750	7,258
5	16,000	* 17,500	4,354
Total	80,000	80,000	77,468

* Can not be 160,000 times $0.125 ($20,000) as this would go beyond the Maximum Accumulated Amortization.