

Name: _____ Date: _____

Pretest (Double Declining Depreciation)

1. You have started your own carpet company and bought the truck of your dreams — bright red, with the greatest company name in the world on the side. The truck costs \$40,000 and has an estimated salvage value of \$5,000. You will only use it five years. Determine the value of the truck at the end of year three.

2. You purchase a trailer to haul the carpet. The purchase price is \$20,000. The trailer should last 10 years and have a salvage value of \$500. What is the book value after 9 years?

3. Your company purchased a piece of equipment to expedite shipping your products. The purchase price was \$5,000, and the useful life was estimated at 5 years. When you replace this piece of equipment, you should be able to resell it for \$1,500. At the end of 4 years, you decide to purchase a replacement that reflects your changing customer base. What is the book value at the end of year 4?