

# Bookkeeping Tips

## How to Calculate and Record Group Depreciation

Group depreciation is generally used when the acquired assets are similar, such as 10 computers. Say that your firm purchased 10 computers and each one cost \$2,500, has a residual value of \$250 and an estimated life of 5 years (i.e., the computers will be depreciated over 5 years). Depreciation for the group of 10 computers is calculated as follows:

Cost	\$25,000
Residual Value	<u>2,500</u>
Amt. to be depreciated	\$22,500

$\$22,500$  (amount to be depreciated)  $\div$  5 (years) =  $\$4,500$  annual depreciation

To calculate the depreciation rate, divide annual depreciation expense by total cost:

$\$4,500$  annual depreciation  $\div$  25,000 total cost = 18% annual depreciation rate

The adjusting entry for depreciation at year end would be:

Depreciation Expense (25,000 x 18%)	4,500
Accumulated Depreciation	4,500

No gain or loss is recorded when an *individual* asset in the group is retired. Instead, the account Group Computers is credited for the original cost, and Accumulated Depreciation is debited for the same amount less any salvage value. The same depreciation rate is used as long as the estimated life and residual value remain the same.

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