

Lesson 7: Depreciation and Financial Decision Making

Year 10 Mathematics Unit 1 — Block A | Worksheet

Name _____

Date _____

Class _____

Multiple Choice

Q1. A machine costing \$20,000 has a scrap value of \$4,000 after 8 years. What is the annual straight-line depreciation?

- A) \$2,500 B) \$2,000 C) \$2,400 D) \$1,600

Q2. A car purchased for \$35,000 depreciates by 20% p.a. using reducing balance. What is its value after 1 year?

- A) \$28,000 B) \$27,000 C) \$30,000 D) \$15,000

Q3. Which depreciation method gives a higher book value after 3 years for an asset costing \$10,000 with 25% p.a. depreciation?

- A) Straight-line B) Reducing balance C) They are equal D) Cannot determine

Q4. An asset with a book value of \$8,000 is depreciated straight-line over 5 years to a scrap value of \$1,000. What is the book value after 2 years?

- A) \$6,200 B) \$5,600 C) \$6,400 D) \$4,800

Q5. A business must choose between Machine A (\$12,000, 5-year life, \$2,000 scrap) and Machine B (\$10,000, 4-year life, \$1,000 scrap). Which has lower annual straight-line depreciation?

- A) Machine A by \$500 B) Machine B by \$250 C) Machine A by \$250 D) They are equal

Short Answer

Q6. A computer system costs \$4,800 and is depreciated straight-line to zero over 6 years. Calculate the annual depreciation and the book value after 4 years. (2 marks)

Q7. A vehicle purchased for \$32,000 depreciates at 18% p.a. using reducing balance. Calculate its value after 3 years, to the nearest dollar. (3 marks)

Q8. Compare straight-line and reducing balance depreciation for an asset costing \$15,000 with a 5-year life and no scrap value. Which method is better for a business wanting to maximise early tax deductions? Explain. (3 marks)

Key Formulas

- Write any formulas you need here.