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Here under are the details of what we have studied till now.

**1) METHODS OF COMPUTING DEPRECIATION**

**STRAIGHT LINE DEPRECIATION**

Firstly we calculated the depreciation of asset’s useful life, our first method was generally known as **STRAIGHT LINE DEPRECIATION METHOD** in which we calculated the asset’s useful life which tends to depreciates in a straight line when plotted graphically. Means it would give us a straight line graph when we had computed its depreciation.

With the straight line depreciation method, the value of an asset is reduced uniformly over each period until it reaches its salvage value.

Straight line depreciation is the most commonly used and straightforward depreciation method for allocating the cost of a capital asset. It is calculated by simply dividing the cost of an asset, less its salvage value, by the useful life of the asset.

**ACCELERATED METHOD OF DEPRECIATION**

Since we had already been studying straight line depreciation methods, we then moved forward to calculate the **Accelerated Depreciation.**

Accelerated depreciation is a depreciation method in which an asset loses book value at a faster (accelerated) rate than it would using traditional depreciation methods such as the straight-line method. Therefore, under accelerated depreciation, an asset faces greater deductions in its value in the earlier years than in the later years. Accelerated depreciation is often used as a tax-reduction strategy.

**SIMILARITY/DIFFERENCES**

At the beginning of the life, the accelerated method obviously costs more but towards the later stages of the useful life, the expenses become much less. The straight line method on the other hand does not alter the performance of the business. It can be seen as a revenue smoothing method.

At last we discussed the formula to compute the depreciation.

**DEPRECIATION FOR FRACTIONAL PERIODS**

We then moved further to the methods of computing fractional period depreciation. It stated that Assets may be acquired at other than the beginning of an accounting period. Some companies simply assume that these assets are acquired at the beginning or end of the period. Other companies will calculate depreciation for partial periods.

And hence one widely used method to compute depreciation for part of a year is to round the calculation to the nearest whole month. And even more widely used approach was introduced which was termed as HALF-YEAR CONVENTION.

The half year convention method required to record **six month’s** depreciation on all assets acquired during all the year.

**THE DECLINING BALANCE METHOD**

Then we moved on to a method which was by far the most widely used accelerated depreciation method. It was called the **FIXED** **PERCENTAGE OF DECLINING BALANCE DEPRECIATION.**

Under the declining method, an accelerated depreciation rule is computed as a specified percentage of straight line depreciation rate.

The formula was given as,

**Depreciation Expense = Remaining Book Value x Accelerated Depreciation Value**  
The depreciation topics ended with certain practices of numerical questions and illustrations and then we moved on to our further topics.

**2) ADJUSTING ENTRIES**

We then started our new topic of adjusting entries

**NEED**

The need for adjusting entries was then discussed and it was clarified to us that we had the most basics needs to adjust entries in our accounting subject to sustain a perfect record for all the outflows/inflows of basic accounting entities. Adjusting Entries were needed at the end of each period.

Just like some transactions affect the revenue or expenses of more than one period. The remedy was to adjust entries at the end of the time span.

**CATEGORIES**

Adjusting entries were fallen into four basic general categories, they were:

**To apportion recorded costs   
 To apportion unearned revenue   
 To record un-recorded expenses   
 To record unrecorded revenue**

**3) INSURANCE POLICIES**

We further discussed about the insurance policies

**4) DEPRECIATION OF BUILDINGS**

We then depreciated the monthly expenses of the buildings.

**5) BALANCE SHEETS**

In the last there were balance sheets, a problem with solutions was provided in which we had to balance out the Assets with Liabilities and Owner’s equity. The main formula was used in this problem,

**Assets=Owner’s Equity + liabilities**

Through this we carried out the statement of financial position of the owner.