Changes in Depreciation

ABC Company purchased a piece of machinery 2 two years ago. At the end of the 2nd year, an extraordinary repair was made that extended the life of the asset. Here are the details:

			Yr 1	Yr 2		A/D		Cost	$ 95,000
Original Cost:	$	95,000	$20,000	$20,000		$40,000		A/D	$40,000
Original Estimated Life (years):		4						Book Value	$ 55,000
Original Salvage Value:	$	15,000						+ Repair	$ 22,000
								New Book Value	$ 77,000
Repair Cost	$	22,000							
New Est Remaining Life (years):		6		Book Value	-	New Salvage	/	Remaining Life	
New Salvage Value:	$	23,000		$ 77,000		$ 23,000		6	
				$ 54,000					
				6		$ 9,000			