

Illustrative computation of the depreciation expense with revised estimated useful life**A. Data**Assumptions:

PPE classification:	Machinery and Equipment
PPE account:	Communication Equipment (Code 229)
Acquisition date:	January 1, 1999
Acquisition cost:	P150,000
Residual Value:	P15,000 (10% of P150,000)
Useful Life:	15 years or 180 months
Revised Useful Life per COA	
Circular No. 2003-007:	10 years or 120 months

B. Computation

1. Carrying Amount

Acquisition Cost on January 1, 1999	P 150,000
Less: Accumulated Depreciation as of January 1, 2004	<u>44,250</u>
Carrying Amount	<u><u>P 105,750</u></u>

2. Remaining Useful Life in months

Revised Useful Life (10 yrs. or 120 mos.)	120
Age of the asset (5 yrs. - 1 mo.*)	<u>59</u>
Remaining Useful Life	<u><u>61</u></u>

*Depreciation shall start on the second month after the purchase/ completion of the PPE (NGAS Manual, Vol. I, Sec. 4, par. O).

3. Monthly Depreciation Expense

$$\begin{aligned} \text{Depreciation Expense} &= \frac{\text{Carrying Amount} - \text{Residual Value}}{\text{Remaining Useful Life}} \\ &= \frac{\text{P}105,750 - \text{P}15,000}{61 \text{ months}} \\ &= \underline{\underline{\text{P}1,487.70}} \end{aligned}$$

C. Journal Entry

<u>Account Title</u>	<u>Account Code</u>	<u>Dr.</u>	<u>Cr.</u>
Depreciation-Communication Equipment	929	1,487.70	
Accumulated Depreciation-Communication Equipment	329		1,487.70

To record the monthly depreciation expense for the Communication Equipment