

Lesson 5 Depreciation

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Lesson 5 Vehicle Depreciation

Most vehicles lose some of their value every year. This is called depreciation.

A new car often depreciates by 20-30% in the first year and by approximately 15-20% each year after that.

Vehicle depreciation affects the vehicle's resale value.

Example 1

A new vehicle worth \$28 500 depreciates by 30% in the first year and 20% in the second year.

- a.) Determine the depreciation value after the first year.

$$\$28\,500 \times 0.30$$

$$\$8\,550$$

← amount of value lost
(depreciation value)

$$30 \div 100 \\ 0.30$$

- b.) Determine the resale value of the vehicle after the first year.

$$28\,500 - 8\,550$$

$$\$19\,950$$

- c.) Determine the resale value of the vehicle after the second year.

$$\$19\,950 \times 0.20 = \$3\,990$$

loses 20%

$$19\,950 - 3\,990$$

$$\$15\,960$$

← The vehicle is worth \$15 960
after 2 years

Example 2

A new truck valued at \$45 700 depreciates by 20% in the first year and 15% each year after that. Determine the resale value of the truck after 3 years.

1st year 20%

$$45700 \times 0.20 = \$9140$$

$$45700 - 9140 = \$36560$$

2nd year 15%

$$\$36560 \times 0.15 = \$5484$$

$$36560 - 5484 = \$31076$$

3rd year 15%

$$\$31076 \times 0.15 = \$4661.40$$

$$31076 - 4661.40 = \boxed{\$26414.60}$$

Example 3

A used van worth \$11 200 depreciates by 15% each year. Determine the total amount of depreciation after two years.

1st year

$$11200 \times 0.15 = \$1680$$

$$11200 - 1680 = \$9520$$

2nd year

$$\$9520 \times 0.15 = \$1428$$

depreciation amount

$$\text{Total depreciation} = \$1680 + \$1428$$

$$= \$3108$$