

Four Year Depreciation Schedule

for use with

MINNESOTA FARM ACCOUNT BOOK

Third Edition

This book provides a record for four consecutive years. You will need to recopy this list of assets only once in four years. This will save time and reduce errors. It will also make it easier to maintain a consistent depreciation policy.

Place this Depreciation Schedule in the envelope in the back of your new Minnesota Farm Account Book at the beginning of each year.

This Depreciation Schedule is arranged so that you can classify your entries. A classified record makes it easier to find an item, easier to study your record, and easier to make out your income tax statement. You will find space for your:

Auto and truckon pages 2, 3
Mechanical power and
Crop machineryon pages 4-11
Livestock equipmenton pages 12-15
Landon pages 14-15
Buildings, Fencing, Tilingon pages 16-19

What to put in the Depreciation Schedule

The cost of machinery, equipment, buildings, and other durable items should not be charged as expense in the year of purchase. Their cost should be charged over a period of years by means of depreciation.

Farm Cost Basis for Sale or Gift

For income tax purposes and other uses divide the original cost of farm between that allocated to the dwelling, bare land and depreciable property. The income tax cost basis of the total farm may be determined by adding the original cost of undepreciable land and dwelling and their improvements to the remaining value of the depreciable real estate on pages 18 or 19.

INSTRUCTIONS

How to calculate Depreciation

Depreciation is that part of the cost of an asset that is to be charged as an expense to a given year's operation. The simplest and most common method of figuring is the straight-line method. After salvage value has been deducted from the cost the remaining value is divided by the estimated life. For example, a plow costs \$400. A farmer estimates it will last 10 years. The salvage value is estimated to be \$50. The depreciation is $\$350 \div 10 = \35 . He will charge \$35 as expense each

year for 10 years. (See page 4, line 1.) To save work calculate annual depreciation to the nearest dollar.

If salvage of items bought since 1962 is 10% or less of cost basis it may be disregarded in figuring annual rate of depreciation. In this case write "10% or less" in the column headed salvage and do not subtract salvage value from cost in arriving at value remaining for depreciation. (See page 4, line 2.) **DO NOT** depreciate items below their salvage value.

How to make the entries

Original record. Enter the purchase of depreciable property on page 42 of the Minnesota Farm Account Book. Make an accurate and complete description of the transaction. Then make the entries in the Depreciation Schedule according to the following suggestions:

A purchase. When you purchase a depreciable item give an adequate description and record the "Year Bought," "Cost," "Salvage Value," "Added First Year Depreciation" if taken, "Remaining for Depreciation," "7% investment credit calculated," "Estimated Life in Years," and "Annual Depreciation." The entries will be similar to that shown on page 4, line 2. Then determine the proportion of the year you have had the item—7/12 if the item was bought about June 1. To calculate annual depreciation during year of purchase multiply proportion of year, such as 7/12 of \$70 and enter under "Depreciation Charged this Year" in the column headed for the year in which the item is purchased. Subtract this depreciation charged from the amount "Remaining for Depreciation" add "Salvage Value" and enter this sum in the next column, "Cost Remaining Beginning of the Year."

A sale. Calculate the depreciation for the part of the year you held this item if item is sold for less than its remaining value. If sold for more than the remaining value, no depreciation is allowed in year of sale. Make a note that the item was sold (see page 4, line 5). Then, on page 43 of the Minnesota Farm Account Book describe the transaction and record the value received.

A trade. On page 43 of the Minnesota Farm Account Book, describe the transaction and record the difference paid on the trade. Then in the Depreciation Schedule, calculate the depreciation up to the date on which the item was traded (none in illustration on page 4, line 1). Subtract this from "Cost Remaining at Beginning of Year" to get cost remaining at the time of the trade. Add to this the difference paid on the trade (\$700).

This gives the adjusted cost of the new item ($\$50 + \$700 = \$750$). Enter this new item on a blank line, entering the adjusted cost (\$750) under "Cost" (see page 4, line 2). Determine if you wish to take added first year depreciation on the difference paid, estimate salvage value and make a full description in the Depreciation Schedule as is done in the illustration; this will be valuable for future reference.

A major repair or remodeling. When you make a repair or do a remodeling job that materially changes the form or expected life of an item, enter the expense on pages 42 and 43 of the Minnesota Farm Account Book. Then in the Depreciation Schedule, make the entries in the manner shown on page 4, lines 3 and 4. The method of handling major repairs or remodeling is essentially the same as with a trade.

The method of handling other types of entries are shown on pages 2 and 4. For handling a trade involving a car which is used for both the farm business and for personal use see page 2, lines 1 and 2. For handling a trade involving a different percentage of personal use see page 2, lines 3 and 4. For handling entries of an item owned in partnership with a landlord see page 4, line 5.

How to start this Depreciation Schedule

List all of the depreciable items that have some depreciable value remaining at the present time. The depreciation schedule used for your income tax statement the past year is a good starting point. Fill in the data according to the column headings.

When you have completed the fourth year, transfer to a new Depreciation Schedule the information for all items which still are on your farm. For each of these items, copy all information in the first nine columns ("Description" through "Annual Depreciation"). The "Cost Remaining End of Year" in the last column of the old Depreciation Schedule (end of 1970 in illustration) must be copied to "Cost Remaining Beginning of Year" in the first section of the new schedule. As you copy to the new schedule it will be desirable to rearrange the items into a systematic order.

Income tax statement. The information for the depreciation schedule of your income tax statement can be taken from this Depreciation Schedule. The data in the column, "Depreciation charged this year," is the amount of depreciation to be used.

Farm Record of _____

Route No. _____ Town _____ State _____ Zip Code _____

For the Four Year Period Beginning _____ 19 _____ and Ending _____ 19 _____

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ILLUSTRATION OF METHOD FOR MAKING AUTO AND TRUCK ENTRIES IN DEPRECIATION SCHEDULE

Line No.	Description	Year Bought	Cost	Salvage Value	Added First Year Depreciation	Remaining for Depreciation	7% Investment Credit	Est. Life Years	Annual Depreciation	19.67				
										COST REMAINING BEGINNING OF YEAR (Including Salvage Value)				Depreciation Charged This Year
										Total Value	Operator's Share	Landlord's Share		
1	(Bought for \$3000 cash - no trade)	1962	3000 -	600 -	20% 600 -	1800 -	140 -	6	300 -	900 -	900 -		300 -	
	1962 AUTOMOBILE 50% Farm Share		1500 -	300 -	300 -	900 -	70 00	6	150 -	450 -	450 -		150 -	
2	Total	1968	3100 -	500 -	20% 500 -	2100 -	144 67	6	350 -					
	1968 AUTOMOBILE 50% Farm Share		1550 -	250 -	250 -	1050 -	72 33	6	175 -					
3	Total	1959	1800 -	200 -	none	1600 -	—	8	200 -	200 -	200 -		none	
	1959 PICKUP 90% Farm Share		1620 -	100 -		1440 -	—	8	180 -	180 -	180 -		none	
4	Total	1968	2000 -	400 -	20% 360 -	1240 -	93 33	6	200 -					
	1968 PICKUP 100% Farm Share		2000 -	400 -	360 -	1240 -	93 33	6	200 -					

DEPRECIATION SCHEDULE FOR AUTO AND TRUCK USED

										19...20					
5	FORD CAR 100%	Total	1965	2390					5	400	Depreciated			Traded	
		Farm Share		2390					5	400	"	"		"	"
6	3/4 TON FORD PICKUP TRUCK 100%	Total	1968	2710					10	220	1790	1790		220 -	
		Farm Share		2710					10	220	"	"		220 -	
7	Pontiac (6/29)	Total	1970	3250 -	1625 -				5	325				325 -	
		Farm Share		1625 -	813 -				5	163				163 -	
8		Total													
		Farm Share													
9		Total													
		Farm Share													
10		Total													
		Farm Share													
11		Total													
		Farm Share													
12		Total													
		Farm Share													
13	Total Autos and Trucks										1780 -	1780 -		529	

3

19.68.				19.69				19.70				19.71.			
COST REMAINING BEGINNING OF YEAR (Including Salvage Value)			Depreciation Charged This Year	COST REMAINING BEGINNING OF YEAR (Including Salvage Value)			Depreciation Charged This Year	COST REMAINING BEGINNING OF YEAR (Including Salvage Value)			Depreciation Charged This Year	COST REMAINING BEGINNING OF YEAR (Including Salvage Value)			
Total Value	Operator's Share	Landlord's Share		Total Value	Operator's Share	Landlord's Share		Total Value	Operator's Share	Landlord's Share		Total Value	Operator's Share	Landlord's Share	
600 -	600 -	traded	1/10 68	for \$2500 cash	This \$2500	plus \$600 remaining value equals	\$3100	adjusted cost.	See line 2.						
300 -	300 -														
added first year depreciation				3300	2250 -	2250 -	350 -	1900 -	1900 -	350 -	1550 -	1500 -			
annual depreciation				3300											
50% of total depreciation				4250	1125 -	1125 -	175 -	950 -	950 -	175 -	775 -	775 -			
200 -	200 -	traded	7/1/68	for \$1000 cash (allowance \$300)	used previously 10% for personal use. None to be used 100% farm.										
180 -	180 -	this \$1800 plus	200 -	remaining value equals	\$2000 -	adjusted cost - see line 4.									
added first year depreciation				360 -	1540 -	1540 -	200 -	1340 -	1340 -	200 -	1140 -				
1/2 year annual depreciation				100 -											
			460 -	1540 -	1540 -	200 -	1340 -	1340 -	200 -	1140 -					

JOINTLY FOR FARM AND FOR HOUSEHOLD OR PERSONAL PURPOSES[illegible]

DEPRECIATION SCHEDULE FOR MECHANICAL POWER AND CROP AND GENERAL MACHINERY

[illegible]

DEPRECIATION SCHEDULE FOR MECHANICAL POWER AND CROP AND GENERAL MACHINERY

7

19.21

19.....

19.....

19.....

COST REMAINING BEGINNING OF YEAR
(Including Salvage Value)

COST REMAINING BEGINNING OF YEAR
(Including Salvage Value)

COST REMAINING BEGINNING OF YEAR
(Including Salvage Value)

COST REMAINING BEGINNING OF YEAR
(Including Salvage Value)

Total
Value

Operator's
Share

Landlord's
Share

Depreciation
Charged
This Year

Total
Value

Operator's
Share

Landlord's
Share

Depreciation
Charged
This Year

Total
Value

Operator's
Share

Landlord's
Share

Depreciation
Charged
This Year

Total
Value

Operator's
Share

Landlord's
Share

337.00

148.00

for 1970 Planter - received 200 remaining value + 400 = \$600 on 5/13
376.00

DEPRECIATION SCHEDULE FOR MECHANICAL POWER AND CROP AND GENERAL MACHINERY

[illegible]

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[illegible]

DEPRECIATION SCHEDULE FOR MECHANICAL POWER AND CROP AND GENERAL MACHINERY

Line No.	Description	Year Bought	Cost	Salvage Value	Added First Year Depreciation	Remaining for Depreciation	7% Investment Credit	Est. Life Years	Annual Depreciation	19.....				
										COST REMAINING BEGINNING OF YEAR (Including Salvage Value)			Depreciation Charged This Year	
										Total Value	Operator's Share	Landlord's Share		
1	OTHER Field Chopper V2 (2070)	1969	580 -					6	65 -	370	370		65 -	
2														
3	Flail Chopper	1967	1180 -					8	147 -	739 -	739		147	
4	Forage Blower													
5														
6														
7	Manure Spreader	1968	625 -					8	60	440	440		60 -	
8	Manure Loader	1969	400					8	40	280	280		40 -	
9	Fertilizer Spreader													
10														
11	Wagons Wagon & Hoist	1968	427 -					10	34 -	274 -	274 -		34 -	
12	Wagon	1960	175 -					10	18 -	3 -	3 -		3 -	
13	Wagon Box	1964	175					10	18 -	67 -	67 -		18 -	
14	Wagon	1969	200 -					10	20 -	180 -	180 -		20 -	
15	Trailer Flat Bed rack	1967	75 -					10	8 -	56 -	56 -		8 -	
16	Wagon & Chopper Box	1969	850 -					6	115 -	620 -	620 -		115 -	
17														
18	Tools													
19														
20														
21														
22	Office Equipment													
23														
24														
25														
26	Totals—Pages 10-11									3029			510	
27	Totals—Pages 4-5									3889 -			62	
28	Totals—Pages 6-7									6918 -			192	

DEPRECIATION SCHEDULE FOR MECHANICAL POWER AND CROP AND GENERAL MACHINERY

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19.....

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19.....

19.....

COST REMAINING BEGINNING OF YEAR
(Including Salvage Value)

COST REMAINING BEGINNING OF YEAR
(Including Salvage Value)

COST REMAINING BEGINNING OF YEAR
(Including Salvage Value)

COST REMAINING BEGINNING OF YEAR
(Including Salvage Value)

Total
Value

Operator's
Share

Landlord's
Share

Depreciation
Charged
This Year

Total
Value

Operator's
Share

Landlord's
Share

Depreciation
Charged
This Year

Total
Value

Operator's
Share

Landlord's
Share

Depreciation
Charged
This Year

Total
Value

Operator's
Share

Landlord's
Share

305 00

592 -

380 -

240 -

240 -

419 -

160 -

48 -

505 -

2519 00

3260 00

8101 "

10-21 "

[illegible]

DEPRECIATION SCHEDULE FOR LIVESTOCK EQUIPMENT

13

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19.....

19.....

19.....

COST REMAINING BEGINNING OF YEAR
(Including Salvage Value)

COST REMAINING BEGINNING OF YEAR
(Including Salvage Value)

COST REMAINING BEGINNING OF YEAR
(Including Salvage Value)

COST REMAINING BEGINNING OF YEAR
(Including Salvage Value)

Depreciation
Charged
This Year

Depreciation
Charged
This Year

Depreciation
Charged
This Year

Total
Value

Operator's
Share

Landlord's
Share

Total
Value

Operator's
Share

Landlord's
Share

Total
Value

Operator's
Share

Landlord's
Share

Total
Value

Operator's
Share

Landlord's
Share

510 0

456 0

355 0

96 0

56 0

14

DEPRECIATION SCHEDULE FOR LIVESTOCK EQUIPMENT

Line No.	Description	Year Bought	Cost	Salvage Value	Added First Year Depreciation	Remaining for Depreciation	7% Investment Credit	Est. Life Years	Annual Depreciation	19..... ⁷⁰				Depreciation Charged This Year
										COST REMAINING BEGINNING OF YEAR (Including Salvage Value)			Depreciation	
										Total Value	Operator's Share	Landlord's Share		
1	POULTRY EQUIPMENT Brooder													
2														
3	Portable Poultry Houses													
4														
5	Feeders													
6														
7														
8	Waterers													
9														
10														
11	OTHER Feed Grinder	1967	950 -					6	120 -	700 -	700 0			120 0
12														
13	Tank Heater													
14														
15	Portable Feed Bunks													
16														
17														
18	Totals—Pages 14-15									700 -	700 -			
19	Totals—Pages 12-13									1804 -	1804 -			
20	Total Livestock Equipment									2504 -	2504 -			

INVESTMENTS IN BARE LAND

[illegible]

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DEPRECIATION SCHEDULE FOR OPERATOR'S HOUSE

Line No.	Description	Year Bought	Cost	Salvage Value		Remaining for Depreciation		7% Investment Credit	Est. Life Years	Annual Depreciation	1970..							
											COST REMAINING BEGINNING OF YEAR (Including Salvage Value)			Depreciation Charged This Year				
											Total Value	Operator's Share	Landlord's Share					
1	Operator's House	1967	16,500						50	330	-	15,510	-	15,510	-		330	00
2																		
3																		
4																		
5	Total Operator's House											15,510	-	15,510	-		330	00

DEPRECIATION SCHEDULE FOR BUILDINGS, FENCING, TILING

[illegible]

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DEPRECIATION SCHEDULE FOR BUILDINGS, FENCING, TILING

DEPRECIATION SCHEDULE FOR BUILDINGS, FENCING, TILING

Line No.	Description	Year Bought	Cost	Salvage Value	Remaining for Depreciation	7% Investment Credit	Est. Life Years	Annual Depreciation	19.20				
									COST REMAINING BEGINNING OF YEAR (Including Salvage Value)			Depreciation Charged This Year	
									Total Value	Operator's Share	Landlord's Share		
1	Hog House	1960	700				15	45	265	265		45 -	
2													
3	Poultry House												
4													
5	Machine Shed												
6													
7	Corn Crib	1962	225				10	22	71	71		22	
8													
9													
10													
11	Granary	1960	1500				20	75	970	970		75 -	
12													
13	Garage	1962	3000				25	120	2100	2100		120 00	
14	GARAGE	1970	2250				25	90 00				75 00	
15	Shop												
16													
17													
18	Water System	1965	728				20	46	726	726		46 00	
19													
20													
21	Fencing												
22													
23	Tiling												
24													
25													
26													
27													
28	Totals—Pages 18-19								0620			702 00	

DEPRECIATION SCHEDULE FOR BUILDINGS, FENCING, TILING

19

19.7.1.

19.....

19.....

19.....

COST REMAINING BEGINNING OF YEAR
(Including Salvage Value)

COST REMAINING BEGINNING OF YEAR
(Including Salvage Value)

COST REMAINING BEGINNING OF YEAR
(Including Salvage Value)

COST REMAINING BEGINNING OF YEAR
(Including Salvage Value)

Total
Value

Operator's
Share

Landlord's
Share

Depreciation
Charged
This Year

Total
Value

Operator's
Share

Landlord's
Share

Depreciation
Charged
This Year

Total
Value

Operator's
Share

Landlord's
Share

Depreciation
Charged
This Year

Total
Value

Operator's
Share

Landlord's
Share

220 00

49 00

695 00

1980 00

2175 00

680 00

5799 00

7110 00

A "Four Year Depreciation Schedule" will be included each year when you obtain a new account book. Costs of labor and handling make it less expensive to handle the two sections as a unit than to sell each separately.