

BUSINESS ENGLISH

Depreciation

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DEPRECIATION[\[1\]](#)

Complete the text by inserting the correct form of the verbs in the box

charge deduct encourage

exist increase involve lose

convert spread wear out

Fixed assets^[2] such as buildings, plant and machinery (but not land) gradually (1)_____ value, because they (2)_____ or decay, or because more modern and efficient versions are developed. Consequently, they have to be replaced every so often. The cost of buying or replacing fixed assets that will be used over many years is not (3)_____ from a single year's profits, but is accounted for over the several years of their use and wearing out. This accords with the matching principle^[3] that costs are identified with related revenues. The process of (4)_____ an asset into an expense is known as depreciation.

Various methods of depreciation (5)_____, but they all (6)_____ estimating the useful life of an asset, and dividing its estimated cost (e.g. purchase price minus any scrap^[4] or second-hand value at the end of its useful life) by the number of years. The most useful method of depreciation is the straight line method^[5], which simply (7)_____ the total expected cost over the number of years of anticipated useful life, and (8) _____ an equal sum each year.

Some tax legislations (9)_____ accelerated depreciation: writing off large amounts of the cost of capital investments during the first years of use; this is a measure to (10)_____

investment.

Adapted from 'Financial English Accounting Basics' Ian Mackenzie (Cambridge)

ANSWERS

1. LOSE
2. WEAR OUT
3. DEDUCTED
4. CONVERTING
5. EXIST
6. INVOLVE
7. SPREADS
8. CHARGES
9. ALLOW
10. ENCOURAGE

[\[1\]](#) ammortamento

[\[2\]](#) immobilizzazioni

[\[3\]](#) principio di competenza

[\[4\]](#) valore a rottame

[\[5\]](#) ammortamento a quote costanti