

## BUSINESS ENGLISH

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### *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

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[1] ammortamento

[2] immobilizzazioni

[3] principio di competenza

[4] valore a rottame

[5] ammortamento a quote costanti