EXAMPLE ACTIVITY

1. I would like to purchase a 2015 Lexus RX, so I went to Kelly Blue Book and found a hypothetical car to purchase



2. As seen above, Kelly Blue Book gave me a total price on the car, a hypothetical down payment, and an amount financed for a term and interest rate. With this information, I will use the amortization table provided to break down my monthly payments.



3. As you can see, I just filled in the specified blanks with the information I found on Kelly Blue Book. With this information, I can see the summary of my payments in detail. I can see from this that I will pay my principal loan amount ($45,838.00) plus interest of $2,356.21, which totals to $48,194.21.

4. Next, take the worth of the asset that you have picked and depreciate this asset using straight-line depreciation. To do so, you will have to make up a hypothetical salvage value and useful life. These values just mean how long will you keep the asset, and when you sell it, what will the worth be. The Lexus I have chosen will be depreciated using its worth of $51,274.00, a salvage value of $10,000.00, and a useful life of 10 years.

$$Depreciation= \frac{Cost -Salvage Value}{Useful Life}$$

$$Depreciation= \frac{51274 -10000}{10}$$

Depreciation = $4,127.40

5. Next, create a depreciation table using these values (HINT: this is extremely easy to do in Microsoft Excel using formulas)



6. As you can see, this shows the worth of your asset throughout its useful life.