

A STUDY OF DEPRECIATION

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ABSTRACT

This study is carried out to discuss the debate issues involved in accounting for depreciation. It also investigates the current various accounting practice for depreciation in Malaysian listed companies. In additional, the problem inherent in the accounting for depreciation will be discussed.

Hundred listed companies in main board on Kuala Lumpur Stock Exchange (KLSE) were selected as the sample of this study. Furthermore, hundreds of questionnaire was mostly distributed to the audit firms in Seremban and Kuching, whereas the rest were distributed to public. Researcher uses cross tabulation to determine the factors which influence the depreciation calculation, useful economic life and choice of depreciate method. Moreover, researcher also developed chi-square testing to identify the effect of depreciation expenditure in total assets ad net profit before tax.

Throughout this study, the result revealed the technological changes and repair and maintenance policy are the main factors that affect the useful economic life, and depreciation method. Besides that, the result indicated significant effect between depreciation expenditure and total assets and net profit before tax. Lastly appropriate recommendations have been made to assist depreciation analysts in determining the useful economic life and depreciation method.