[Name of the Writer]

[Name of Instructor]

[Subject]

[Date]

Finance Case Study

Introduction

One of the key things that is needed to be taken care off when the preparation of the income tax is that how the operation business purchases are needed to be written. In this case, it is going to be including all the purchases that are being done. The other business strategy that is needed to be employed here is that the ideal thing that is needed to be done by the organization is that they should be expending an item instead of depreciating to make sure that the value is not lost due to the time value of it.

Issue

The key thing that has to be taken care off when the indication of the depreciation is being carried out is that how the recognition of the expenses is carried out at all the broader levels. There are many critical elements that are needed to be taken care off during the course of the whole process. That includes the revenue that is being earned by the organization, the eventual cost of the goods sold as well as the operating expenses of the entity at the given point of time.

Resolution

The Earnings Before Interest and tax also plays an important role in this regard. The other thing that is needed to be done when it comes to the determining the tax expense of the company is taking into account that how the earning stands before and after the implementation of the tax at the given point of time.

Total Amount of Depreciation

 The key thing that has to be noted here is that how the limitation on these expenses is going to be calculated at the given point of time. The ideal thing that has to be determined here is that how they are supposed to reasonable at the given point of time and how it is supposed to be directly related with the business. The illustration is supposed to be done in the same example. The ideal thing that has to be done in this regard is that how the budget orientation so that the expense maintenance is going to be done at the given point of time. It has to be noted that all the expenses that are witnessed here are not supposed to be any bearing in terms of the way they are going to be directly related to the high-end client with the way leasing of the assets is going to be done at the given point of time. The method that is going to be used here for the calculation of the depreciation is also very important. Most of the organizations tend to use sum of the years digit as a major method specially for the organization that are involved in the service provisioning at any level as it allows them to make sure that they are able to keep track of all the expenditures that are incurred at their end. The ideal thing that is needed to be done here is to make sure that the determination of the appropriate goals must be done in accordance of the organizational business strategy at the given point of time.

Determining the Tax Deduction for the Given Year

The key thing that is needed to be kept in mind is that how the items that are needed to be expensed out are needed to be taken care off due to the fact that how money has time value. The case that is needed to be noted here is that if there is a case that deduction on the current tax is being calculated, the money that is being earned here can be made use off to make sure so that the corresponding expense deduction is being carried out in the appropriate manner. The other important factor that has to be kept in mind during the course of the whole event is that how the changes in the Federal Tax Reforms are going to benefit here. In this case, it is a small business and there is likelihood that how it is bound to get exceptional tax benefits at the given point of time. Section 179 of the document allows the bus8iness to make sure that they are able to deduct about $ 250,000 that is the total cost of the small capital assets that are being deployed by the organization in the full time period. One of the key requirement that has to be taken care off in this regard is to make sure that all the items that are put together are being used during the course of the service so the determination of the tax amount can be carried out in the appropriate manner. So better understanding of the legislation could go a long way towards betterment of the situation. The final thing that has to be done is the depreciation for the last year of the useful life of the asset is needed to be calculated so that the formula can be determined in an appropriate manner. The net book value also has to be determined at the start of the year which is going to be estimated with the help of the salvage value of the assets.

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| **Asset Description**  | **Cost Basis**  | **Cost Allocation Method – GAAP**  | **2018 GAAP Depreciation Expense** | **Cost Allocation Method – Tax** | **2018 Tax Depreciation Expense** |
| Duck’s bathing and grooming equipment | $1,010,000 | Depreciate over 48 months, beginning with June 2018 | $1,010,000/48 months \* 7 months in 2018 = **147,292** | **690,000** | **100,625** |