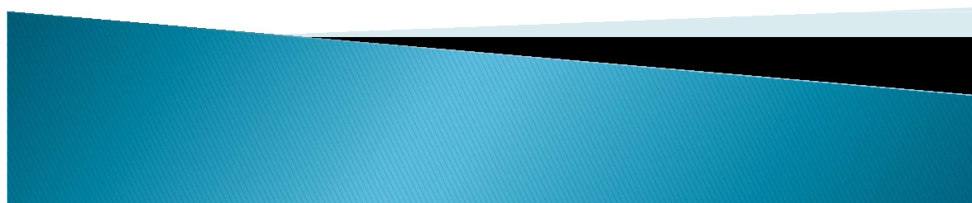


Section 10-2

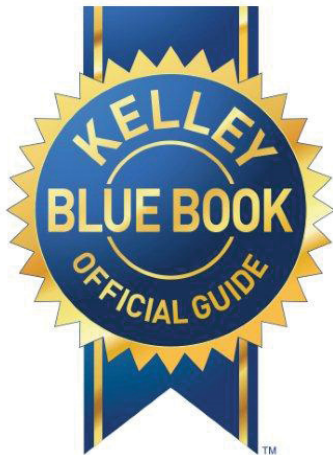
Equity and depreciation



Equity: the difference between what the car is worth and what the buyer still owes on it

Depreciation: the difference between the original purchase price of the car and its resale value at any time

Book Value: the standard estimate of the resale value of a car

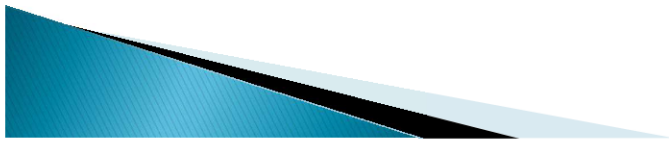


Title:
document
stating
ownership
of the car

A sample Certificate of Title of a Vehicle from the State of Illinois. The form is filled with sample data. At the top, it says "STATE OF ILLINOIS" and "CERTIFICATE OF TITLE OF A VEHICLE". The vehicle information includes: VIN: 1G6DW56K000000000, Year: 2009, Make: BUICK, Model: CENTURY, Body Style: 4 DOOR, and Title No.: T027142001. The seller is listed as "RISHEL LOAN AGENCY" and the buyer as "BISWEL LOAN AGENCY". The document includes a barcode, a section for "ASSIGNMENT OF TITLE" with fields for odometer reading, date, and signatures, and a section for "PRINTED NAME OF DONOR(S) GOES HERE". The document number is 035950006. At the bottom, it says "DO NOT ACCEPT TITLE SHOWING ANY ERRORS, ALTERATIONS OR IMITATIONS".

To find depreciation:

- ▶ Multiply the original principal amount by the yearly depreciation percentage.



Example 1

- ▶ Make a chart for the depreciation of car that originally cost \$22,000 and depreciates 10% every year.



Exponential Depreciation

Year	% Depreciation	Dep. Amt	Resale Value
0	10%		\$22,000
1	10%	2,200	19,800
2	10%	1,980	17,820
3	10%	1,782	16,038
4	10%	1,603.80	14,434.20
5	10%	1,443.42	12,990.78
6	10%	1,299.08	11,691.70



Straight line depreciation

Year	% Depreciation	Dep. Amt	Resale Value
0	10%		\$22,000
1	10%	2,200	19,800
2	10%	2,200	17,600
3	10%	2,200	15,400
4	10%	2,200	13,200
5	10%	2,200	11,000
6	10%	2,200	8,800
7	10%	2,200	6,600
8	10%	2,200	4,400
9	10%	2,200	2,200
10	10%	2,200	0



Example 2

- ▶ Make a chart for the depreciation of car that originally cost \$22,000 and depreciates each year by the following amounts:
- ▶ 30%, 20%, 15%, 10%, 8%, 7%, 4%, 3%, 2%, 1%



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We will go over this at 11:40