



**Fixed Assets**  
**Purchase, Payment, Setup**  
**and**  
**Depreciation**

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## Fixed Assets

Assets are resources owned by a company that have future economic value and can be measured, and expressed in a country's currency in equineGenie. Examples include cash, investments, accounts receivable, inventory, supplies, land, buildings, equipment, and vehicles. Assets are used in a business's operations and are reported on the balance sheet usually at cost or lower. Assets are also part of the accounting equation:  $\text{Assets} = \text{Liabilities} + \text{Owner's (Stockholders') Equity}$ . *Fixed Asset* indicates that these assets will not be used up, consumed, or sold in the current accounting year.

In equineGenie, a company's *Fixed Assets* are reported in the asset section of the balance sheet and in the asset reports in equineGenie's financial section. All *Fixed Assets*, except for land, are depreciated. *Fixed Asset* accumulated depreciation is reported on the balance sheet. *Fixed Asset* depreciation expense is reported in the non-operating expense section on the income statement. To display the selection of *Fixed Asset Account Categories* in equineGenie, select the 1500 – 1899 *Fixed Assets* account category on the *GL / Chart of Accounts Setup* screen and display the *Select An Account* dropdown.

*Some valuable assets that cannot be measured and expressed in a currency include the company's outstanding reputation, its customer base, the value of successful consumer brands, and its management team. Unfortunately, these items are not reported among the assets appearing on the balance sheet, but are extremely important to a business's success.*

## Depreciation

There are two types of depreciation. The two types are *Accumulated Depreciation* and *Depreciation Expense*. They are related and offsetting. *Accumulated Depreciation* is the total amount of an asset's cost that is allocated to *Depreciation Expense* since the asset was put into service. *Accumulated Depreciation* and *Depreciation Expense* are associated with *Fixed Assets* such as buildings, machinery, office equipment, furniture, fixtures, vehicles, farm equipment, etc.

*Depreciation Expense* is the portion of a *Fixed Asset's* cost that is being used up during an accounting period and accounted for as non-operating expense on the income statement. The income statement account *Depreciation Expense* is a temporary account. Therefore, at the end of each year, its balance is closed and the account *Depreciation Expense* will begin the next year with a zero balance.

*Depreciation Expense is a noncash expense* because the recurring monthly depreciation does not involve a cash payment - the cash was spent when acquiring the *Fixed Asset*. Methods for computing depreciation expense, other than straight-line, include double-declining balance, sum-of-the-years digits, and units of production or activity.

For example, if a horse business purchases a \$60,000 tractor that is expected to be used for 5 years, the business will have a straight-line depreciation expense of \$12,000 in each of the five years. The depreciation amounts can vary depending on the depreciation method and other business assumptions. The monthly depreciation entered on the *Fixed Asset screen* in equineGenie can be adjusted to accommodate many depreciation methods or business assumptions.

In our tractor example, each year there will be an adjusting entry with a debit to *Depreciation Expense* for \$12,000 and a credit to *Accumulated Depreciation* for \$12,000. Since the adjusting

entries do not involve cash, Depreciation Expense is a noncash expense as explained above. That is why it is a non-operating expense on the Income Statement,

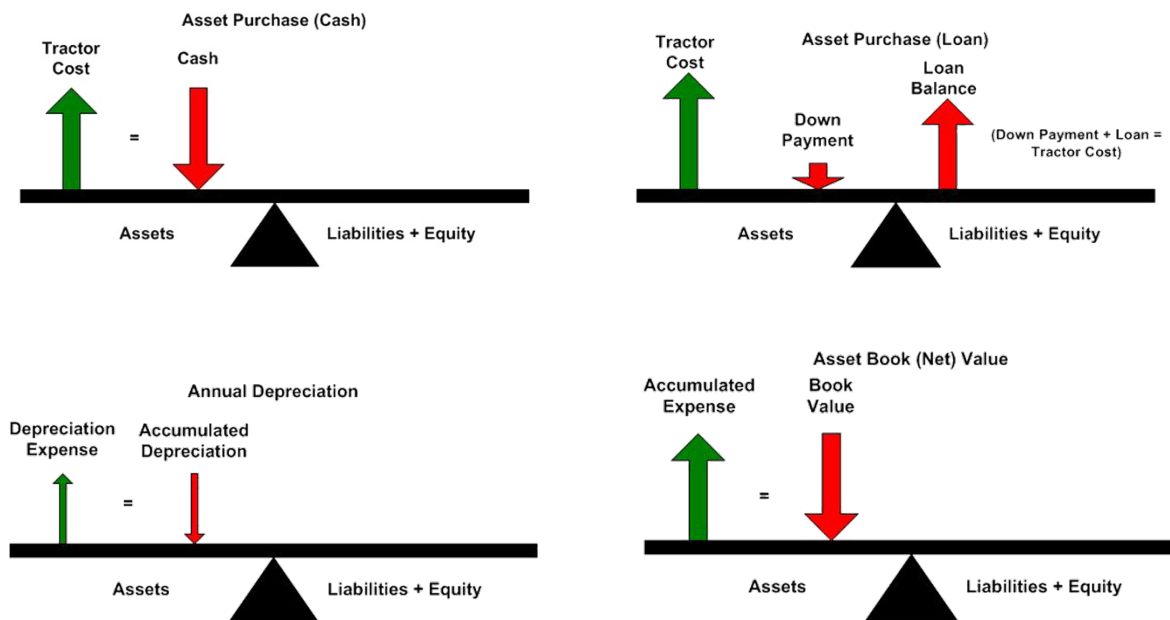
A *Fixed Asset's Accumulated Depreciation* is the amount of depreciation that has been accumulated from the time an asset was acquired, or put in service, until the date it is reported. The cost of a *Fixed Asset* minus its *Accumulated Depreciation* is the asset's book or net value. The account *Accumulated Depreciation* is a balance sheet account and therefore its balance is *not* closed at the end of the year. *Accumulated Depreciation* is a contra asset account whose credit balance will get larger every year. However, its credit balance cannot exceed the cost of the asset being depreciated.

Since depreciation is an allocation of a *Fixed Asset's* cost based on its estimated useful life, you should not assume that the depreciation is an indicator of what's occurring to the asset's market value. For example, a depreciated horse that wins multiple championships may be increasing in value even though it is being depreciation. The present market value might be many times the original cost and yet, when an asset is fully depreciated, the *Accumulated Depreciation* will equal the asset's cost—meaning its book (net) value is \$0.

The purpose of depreciation is to match the cost of a productive *Fixed Asset* that has a useful life of more than a year to the revenues earned from using the *Fixed Asset*. Since it is hard to see a direct link to revenues, the asset's cost is usually spread over the years in which the asset is used. Depreciation systematically allocates or moves the *Fixed Asset's* cost from the balance sheet to non-operating expense on the income statement over the *Fixed Asset's* useful life. In other words, depreciation is an allocation process in order to achieve the matching principle; it is *not* a technique for determining the fair market value of the asset.

## The Accounting Equation Fixed Asset Depreciation Illustrations

$$\text{Assets} = \text{Liabilities} + \text{Equity}$$



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# Asset Purchase, Payment and Setup

## Chart of Accounts

equineGenie's *Fixed Asset* accounts and the *Depreciation Expense* accounts need to be selected, and any associated subaccounts identified for the *Chart of Accounts*.

### Fixed Asset Account Selection

equineGenie Financial Setup - General Ledger / Chart of Accounts

**GL / Chart Of Account Setup**

1500 - 1899 Fixed Assets

Select An Account

- 1500 - Furniture and Fixtures
- 1510 - Equipment
- 1520 - Vehicles
- 1530 - Other Depreciable Property
- 1540 - Leasehold Improvements

Select A Primary Account Category

Select A Primary Account

Subaccount Number

Enter A Subaccount

Another Subaccount Same Primary Account

Another Primary Account, Same Category

Another Primary Account Category

Remove Selected Subaccount (Caution!)

Chart Of Accounts

View Subaccount Assignments

General Ledger Setup Comments

Enter

Popup And Red Flag  
equineGenie  
Notes

### Fixed Asset Subaccount Identification

equineGenie Financial Setup - General Ledger / Chart of Accounts

**GL / Chart Of Account Setup**

1500 - 1899 Fixed Assets

Select An Account

Another Category

**General Ledger Subaccount Setup**

1500 - 1899 Fixed Assets

1510 - Equipment

1510.001

John Deere Tractor

Another Subaccount Same Primary Account

Another Primary Account, Same Category

Another Primary Account Category

Remove Selected Subaccount (Caution!)

Chart Of Accounts

View Subaccount Assignments

General Ledger Setup Comments

Enter

You can identify up to 999 subaccounts for each Fixed Asset Account. Subaccounts are highly recommended so you can measure and manage each fixed asset's contribution to your business.

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Notes

## Fixed Asset Depreciation Expense Account Selection

equineGenie Financial Setup - General Ledger / Chart of Accounts

GL / Chart Of Account Setup

5000 - 9999 Expenses

Select An Account

- 5150 - Depreciation, Furniture and Fixtures
- 5160 - Depreciation, Equipment
- 5180 - Depreciation, Vehicles
- 5190 - Depreciation, Other
- 5200 - Depreciation, Leasehold

Select A Primary Account Category

Select A Primary Account

Subaccount Number

Enter A Subaccount

Another Subaccount Same Primary Account

Another Primary Account, Same Category

Another Primary Account Category

Remove Selected Subaccount (Caution!)

Chart Of Accounts

View Subaccount Assignments

General Ledger Setup Comments

Enter

Popup And Red Flag  
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Notes

Scroll down and select the 5000 - 9999 Expense Account Category.

Scroll down and select the Depreciation Accounts for the Fixed Assets used by your business.

## Fixed Asset Depreciation Expense Subaccount Identification

equineGenie Financial Setup - General Ledger / Chart of Accounts

GL / Chart Of Account Setup

5000 - 9999 Expenses

Select An Account

Another Category

General Ledger Subaccount Setup

5160.001

John Deere Tractor

Another Subaccount Same Primary Account

Another Primary Account, Same Category

Another Primary Account Category

Remove Selected Subaccount (Caution!)

Chart Of Accounts

View Subaccount Assignments

General Ledger Setup Comments

Enter

You can identify up to 999 subaccounts for each Depreciation Expense Account. Subaccounts are highly recommended so you can measure and manage each Fixed Asset's Depreciation Expense.

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## Existing Fixed Asset Entry

Fixed Asset management begins with entering an existing *Fixed Asset* or a purchased *Fixed Asset* on the *Fixed Asset* screen. If the asset is already in use you only need to enter it as displayed below.

### Fixed Asset – Tractor Entry

equineGenie Financial Setup - Fixed Assets
— □ ×

#### Fixed Assets Setup

**Asset Account**

Tractor

1510 - Equipment

John Deere Tractor

**Asset Information**

123456789      \$60,000.00

3/20/2017      \$1,000.00

Equipment Shed

**Asset Picture**      Locate    View    Clear

**Remove Selected Fixed Asset Entry**

#### Fixed Asset Setup Comments

Enter the Fixed Asset.

Select the Fixed Asset Account.

Select the Fixed Asset Subaccount if you have more than one Equipment Asset and have setup Equipment Subaccounts.

Enter Tractor Asset Number (optional).

Enter Tractor Cost when purchased.

Enter 5 year Monthly Depreciation.  
5 x 12 = 60 months  
\$60,000 / 60 months = \$1,000 per month

Enter the Tractor's In Service Date.


Add a picture of the Asset for insurance purposes.

Fixed Asset  
 All Fixed Assets


The tractor's asset report will show the tractors cost, depreciation to date and its book value.

### Tractor's Asset Report

**Make Believe Ranch**



Asset Picture



Tractor's Depreciation since its In Service Date

| Tractor - Asset Report |           |  |                |              | Out of Service : |                    |                 |
|------------------------|-----------|--|----------------|--------------|------------------|--------------------|-----------------|
| In Service Date        | AssetID   | Account Subaccount                     | Asset Location | AssetCost    | Month            | Total Depreciation | Asset Net Value |
| Mar 20, 2017           | 123456789 | 1510 - Equipment<br>John Deere Tractor | Equipment Shed | \$ 60,000.00 | \$ 1,000.00      | \$ 23,802.74       | \$ 36,197.26    |

Tractor's In Service Date

Tractor's Cost

Tractor's Book Value

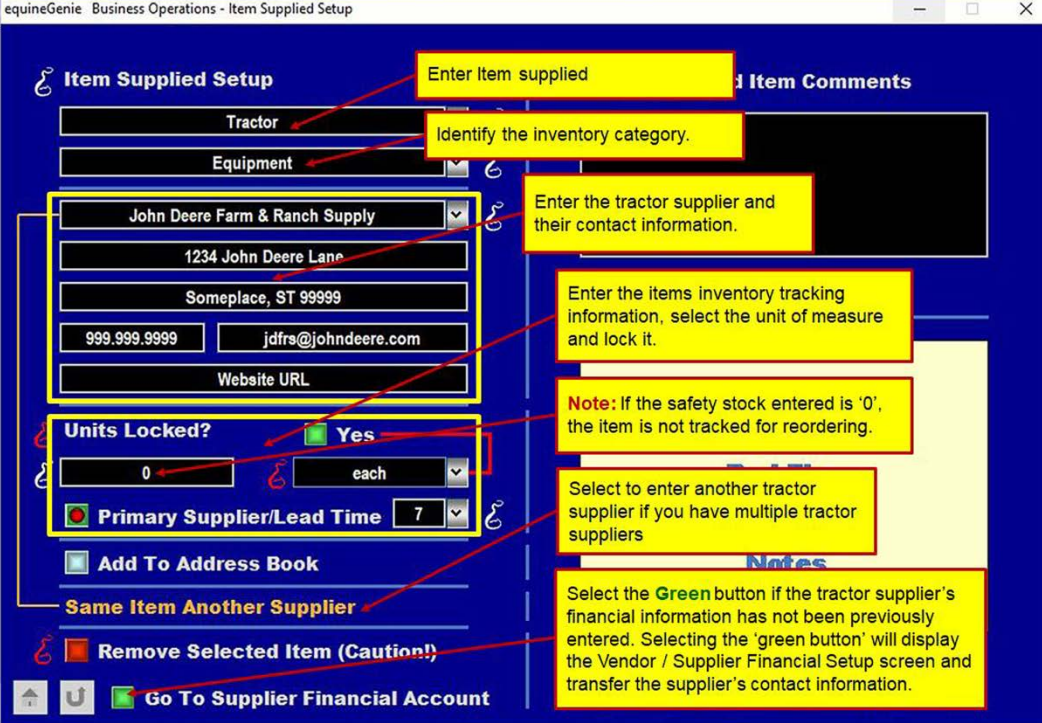
The monthly depreciation method used in this example is straight line – the most common. Other depreciation methods such as accelerated, diminishing balance, etc., can be used by adjusting the amount of the monthly depreciation. equineGenie's asktheGenie free service can assist you with other depreciation methods.

## Fixed Asset Vendor / Supplier

If you are purchasing a new *Fixed Asset*, the *Fixed Asset* is purchased on the *Purchases* screen in the *Business Operations* section of equineGenie. If the *Fixed Asset* and the supplier are new to your business, you should also identify the *Fixed Asset* and the supplier on the *Items Supplied Setup* screen before you make the purchase. The *Items Supplied Setup* is a one-time setup and worth doing for completeness in measuring and managing your business' purchases, your suppliers and

your items unit cost. If you have previously setup the *Fixed Asset* supplier, it does not need to be repeated. Setting up the *Fixed Asset* supplier and making the asset purchase are displayed below.

### Tractor Supplier Setup



**Item Supplied Setup**

Enter Item supplied

Identify the inventory category.

Enter the tractor supplier and their contact information.

Enter the items inventory tracking information, select the unit of measure and lock it.

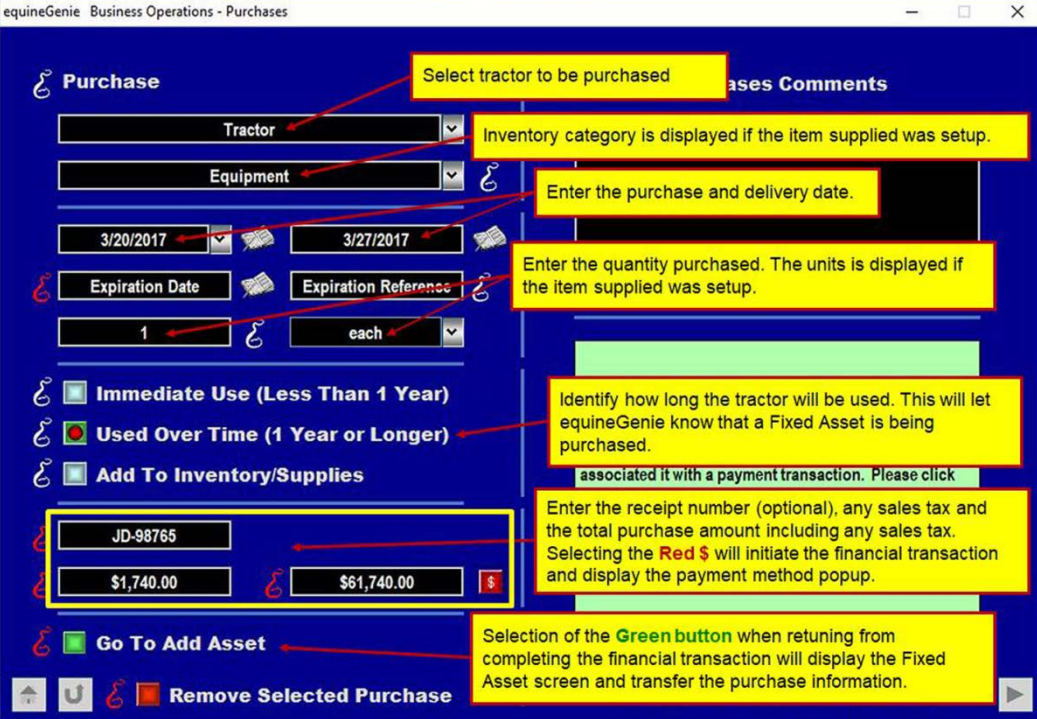
**Note:** If the safety stock entered is '0', the item is not tracked for reordering.

Select to enter another tractor supplier if you have multiple tractor suppliers

Select the **Green** button if the tractor supplier's financial information has not been previously entered. Selecting the 'green button' will display the Vendor / Supplier Financial Setup screen and transfer the supplier's contact information.

## Fixed Asset Purchase

### Tractor Purchase



**Purchase**

Select tractor to be purchased

Inventory category is displayed if the item supplied was setup.

Enter the purchase and delivery date.

Enter the quantity purchased. The units is displayed if the item supplied was setup.

Identify how long the tractor will be used. This will let equineGenie know that a Fixed Asset is being purchased.

associated it with a payment transaction. Please click

Enter the receipt number (optional), any sales tax and the total purchase amount including any sales tax. Selecting the **Red \$** will initiate the financial transaction and display the payment method popup.

Selection of the **Green** button when returning from completing the financial transaction will display the Fixed Asset screen and transfer the purchase information.



Selection of the Purchases screen **Red \$** will display Payment Method Popup. Selection of the payment method will display the Pay By ... Popup. Selection of the Pay button will complete the financial transaction, close the Pay By ... Popup and redisplay the Purchases screen.

## Fixed Asset Payment

**Tractor Purchase Payment**

**Payment Method**

**Purchase**

**Tractor**

John Deere Farm & Ranch Supply

1500 - 1899 Fixed Assets

1510 - Equipment

John Deere Tractor

**Pay By ...**

Charge Account

Cash

Check

Credit Card

Debit Card

Select the tractor Supplier who was setup previously.

1500 – 1899 Fixed Assets will be displayed.

1510 – Equipment will be selected from the Fixed Asset accounts dropdown.

1510 – Equipment subaccount will be selected from the Fixed Asset subaccounts dropdown.

Pay by Check is selected in this example. Selection of pay By check will display the payment by check popup.

**Payment By Check**

7777

\$61,740.00

3/20/2017

Account Balance: \$39,628.15

Amount Available: \$39,628.15

4582

The checking account is selected

The purchase amount and date are displayed.

The checking account balance is displayed.

The check number is entered.

Selecting Pay will redisplay the purchase screen.

Add Check To Check Print File

Pay

When the Purchases screen is redisplayed, the 'Go To Add Asset' **Green** button is selected. Selection of the **Green** button will display the *Fixed Asset screen* and transfer the tractor's purchased date and tractor cost. If there is sales tax, as there is in this example, the transferred amount will contain the tax. You can either include the sales tax in the tractor's capitalization, or change the asset cost to \$60,000 and enter and pay the sales tax on the *Enter A Bill / Pay A Bill screens*. The decision is financial and an income tax strategy decision that is dependent on your current tax situation.

For example; if you need the expense write-off to lower your income tax, you would not include the sales tax in the capitalized amount. You would expense the sales tax on the *Enter A Bill / Pay A Bill screens*. If you need a stronger balance sheet for your banker or some other investment evaluation, you would want to include the sales tax in the capitalization to make the tractor appear to be worth more.

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## Depreciation Journal Entry

*Fixed Asset* depreciation is calculated, tracked and reported in equineGenie. equineGenie calculates depreciation on a daily bases. It does this so that the most recent *Depreciation Expense* can be added to the non-operating expense on your business's income statement whenever required. The

journal entry for depreciation is a debit to the income statement account *Depreciation Expense* and a credit to the balance sheet account *Accumulated Depreciation*.

## Purpose of the Journal Entry

The purpose of the journal entry for depreciation is to achieve the matching principle. In each accounting period, part of the cost of certain assets (equipment, building, vehicle, etc.) will be moved from the balance sheet to *Depreciation Expense* on the income statement. The goal is to match the cost of the asset to the revenues in the accounting periods in which the asset is being used. It is important to understand the depreciation entry will cause a decrease in net income, but the company's cash is not decreasing. *Cash was decreased when the Fixed Asset was acquired.*

Remember – *The depreciation entry is an estimate based on the Fixed Asset's historical cost, its estimated useful life, and its estimated salvage value.*

Remember – *The depreciation entry is an allocation of the Fixed Asset's cost; it is not an attempt to indicate the current market value of the asset.*

## Adding Depreciation Expense to the Income Statement

To create a journal entry and add the *Depreciation Expense* to the income statement, you need to make *Depreciation* a vendor. This is done on the *Vendor / Supplier Setup* screen in the *Financial: Financial Business Setup* section.

**Vendor Depreciation Setup**

equineGenie Financial - Vendor / Supplier Account Setup

**Vendor / Supplier Accounts** **Charge Account Comments**

Depreciation

Contractor?  No Contractor Tax ID

Address

City, State, Zip Code

Telephone # email Address

Website URL

Add To Address Book

BD-001

Enter Credit Limit due on receipt

Late Charge (%) and / or Late Charge (\$)

\$0.00 **Initial Setup Only**

Another Charge Account Same Supplier

Remove Selected Vendor (Caution!)

Since this is a non-cash account and not associated with any real vendor, no address information needs to be entered.

However, a Vendor Account Number does need to be added. You can makeup any vendor account number just as the Red Genie Note instructs.

Set the initial depreciation vendor to equal '0'.

**Red Flag**

**Vendor / Supplier Accounts**

**Vendor / Supplier Account Numbers**


After creating the depreciation vendor you need the *Fixed Asset Depreciation Expenses* for the *Depreciation Expense Journal Entries*. *Depreciation Expense* is reported in the depreciation reports in the *Financial Reports* in equineGenie's financial section. You need to get the appropriate depreciation report for the accounting period you are reporting. The reports can be viewed, exported or printed.

If you are reporting your company's yearend income statement, you would need to get the *Depreciation Previous Year* report. It will contain the depreciation through the end of the year on all your assets. The report is grouped by *Fixed Asset* accounts and will probably have multiple pages.


The depreciation vendor you set up is only used for inputting the *Depreciation Expense* and is not part of your payables. equineGenie ignores the *Depreciation Expense* entries except on the income statement.

Below are examples of the yearend and year-to-date depreciation reports that equineGenie provides.

### Tractor's Full Year Depreciation Report

| Make Believe Ranch   |                               |  |              |       |  |
|--|-------------------------------|---|--------------|-------|--|
| Tractor's In Service Date  |                               |   |              |       |  |
| 2018   | 1510 - Equipment Depreciation |   |              |       |  |
| Asset  | Cost                          | In/Out of Service Date  | Depreciation | *Mo.  |  |
| John Deere Scout ATV   | \$ 7,408.80                   | Mar 17, 2018  | \$ 1,173.23  | 9.50  |  |
| Tractor  | \$ 60,000.00                  | Mar 20, 2017  | \$ 12,000.00 | 12.00 |  |
| 2 Assets   | \$ 67,408.80                  |   | \$ 13,173.23 |       |  |
| *Note: In/Out Service Date Green = In Service. In/Out Service Date Red = Out of Service. |                               |   |              |       |  |
| *Note: Months Depreciated  |                               |   |              |       |  |
| Tractor Full Year Depreciation   |                               |   |              |       |  |

### Tractor's Partial Year Depreciation Report

| Make Believe Ranch   |                               |              |                  |      |              |
|--|-------------------------------|---|------------------|------|--------------|
| Tractor's In Service Date  |                               | January 1 <sup>st</sup> of the current year to the date the report is viewed, printed or exported |                  |      |              |
| 2019   | 1510 - Equipment Depreciation |   |                  |      | Mar 21, 2019 |
| Asset  | Cost                          | In/Out of Service Date  | YTD Depreciation | *Mo. |              |
| John Deere Scout ATV   | \$ 7,408.80                   | Mar 17, 2018  | \$ 324.77        | 2.63 |              |
| Tractor  | \$ 60,000.00                  | Mar 20, 2017  | \$ 2,630.14      | 2.63 |              |
| 2 Assets   | \$ 67,408.80                  |   | \$ 2,954.91      |      |              |
| *Note: In/Out Service Date Green = In Service. In/Out Service Date Red = Out of Service. |                               |   |                  |      |              |
| *Note: *Mo = Months Depreciated  |                               |   |                  |      |              |
| Tractor Partial Year Depreciation  |                               |   |                  |      |              |

## Journal Entry

A *Fixed Asset's Depreciation Expense* is entered on the *Enter A Bill* screen. It is not a payable. It is a journal entry, so the *Pay A Bill* screen is not used and a *Depreciation Expense* entry does not show up on any payables reports. The entry only shows up on the income statement. The tractor's *Depreciation Expense Journal Entry* example is illustrated.

### Tractor Depreciation Expense Journal Entry

equineGenie Financial Management - Enter Invoice / Bill

**Enter An Invoice / Bill**

Depreciation [▼]  
 BD-001 [▼]  
 3/21/2019 [▼] 3/21/2019 [▼]  
 Invoice / Reference # \$2,630.14

**Accounting**

5000 - 9999 Expenses [▼]  
 5160 - Depreciation, Equipment [▼]  
 John Deere Tractor [▼]  
 Department [▼]

**Go To Pay Bill (Read Red Genie Note!)**

*\*Note: This screen is reserved for entering an Invoice or Bill that has not been paid on another screen. Supplied items should be purchased on the Purchases Screen.*


**Enter**

Select the Depreciation Expense Journal Entry (Vendor).  
 Select the Depreciation Expense Journal Entry (Vendor) Account.  
 Enter the Depreciation Expense Journal Entry Date.  
 Enter the Tractor's Depreciation Expense as of the Entry Date.  
 Select the Expense Category Account.  
 Select the Depreciation Expense Account.  
 Select the Depreciation Expense Equipment.

**Note:** This does not create a payable. It creates a Depreciation Expense Journal Entry. It is not a payable.

Vendor/Supplier Payables Ledger  
 Payables Ledger (Date Specified)

### Income Statement with Depreciation Expense



**Make Believe Ranch**

---

Jan 1, 2019 **Income Statement** Mar 22, 2019

| Category                            | Description                            | Subaccount Total             | Account Total      | %            | Total              |
|-------------------------------------|--|------------------------------|--------------------|--------------|--------------------|
| <b>Revenue</b>                      |  |                              |                    |              |                    |
| <i>Sales</i>                        |  |                              |                    |              | \$ 5,845.00        |
| <hr/>                               |  |                              |                    |              |                    |
| <b>4000 - Boarding Income</b>       |  |                              | <b>\$ 4,500.00</b> | <b>77.0%</b> |                    |
|                                     | 4000.001 . Stall w/Full Care           | \$ 3,750.00                  |                    |              |                    |
| <hr/>                               |  |                              |                    |              |                    |
| <b>4150 - Seminar/Clinic Income</b> |  |                              | <b>\$ 150.00</b>   | <b>2.6%</b>  |                    |
|                                     | 4150.001 . Preventative Care           | \$ 150.00                    |                    |              |                    |
| <hr/>                               |  |                              |                    |              |                    |
| <b>4400 - Lesson Income</b>         |  |                              | <b>\$ 675.00</b>   | <b>11.5%</b> |                    |
|                                     | 4400.001 . Private Lesson - 1 Hour     | \$ 675.00                    |                    |              |                    |
| <hr/>                               |  |                              |                    |              |                    |
| <b>4550 - Farrier Income</b>        |  |                              | <b>\$ 520.00</b>   | <b>8.9%</b>  |                    |
|                                     | 4550.001 . Farrier - Full Set of Shoes | \$ 520.00                    |                    |              |                    |
| <hr/>                               |  |                              |                    |              |                    |
| <b>Net Sales</b>                    |  | <b>Total Revenue (Sales)</b> |                    |              | <b>\$ 5,845.00</b> |
| <hr/>                               |  |                              |                    |              |                    |
| <b>Gross Profit</b>                 |  |                              | <b>\$ 5,845.00</b> | <b>100%</b>  |                    |

**Expenses**

|                                   |           |           |        |                  |
|-----------------------------------|-----------|-----------|--------|------------------|
| <b>Horse Expense</b>              |           |           |        | <b>\$ 702.67</b> |
| <b>5350 - Farrier</b>             |           |           |        |                  |
| 5350.001 - Full Set of Shoes      | \$ 420.00 | \$ 420.00 | 59.8%  |                  |
| <b>5510 - Horse, Grain</b>        |           |           |        |                  |
| 5510.001 - Purina - Omolene 200   | \$ 75.80  | \$ 56.85  | 8.1%   |                  |
| <b>5520 - Horse, Forage (Hay)</b> |           |           |        |                  |
| 5520.001 - Grass Hay              | \$ 150.00 | \$ 195.00 |        |                  |
| 5520.002 - Alfalfa                | \$ 45.00  |           |        |                  |
| <b>6290 - Tack, Horse</b>         |           |           |        |                  |
| 6290.001 - Working Halter         | \$ 30.82  | \$ 30.82  | 4.4%   |                  |
| <b>Vehicle Expense</b>            |           |           |        | <b>\$ 159.52</b> |
| <b>5400 - Fuel, Diesel Fuel</b>   |           |           |        |                  |
| 5400.001 - 2015 GMC Sierra 3500   | \$ 106.52 | \$ 159.52 | 100.0% |                  |
| 5400.002 - John Deere Tractor     | \$ 53.00  |           |        |                  |

**Total Expense** **\$ 862.19**

**Operating Profit** **\$ 4,982.81 85.25%**

**Tractor Depreciation Expense**

|                                       |             |             |       |                    |
|---------------------------------------|-------------|-------------|-------|--------------------|
| <b>Depreciation</b>                   |             |             |       | <b>\$ 3,072.32</b> |
| <b>5160 - Depreciation, Equipment</b> |             |             |       |                    |
| 5160.001 - John Deere Tractor         | \$ 2,630.14 | \$ 2,954.91 | 96.2% |                    |
| 5160.002 - John Deere Scout ATV       | \$ 324.77   |             |       |                    |
| <b>5240 - Depreciation, Horses</b>    |             |             |       |                    |
| 5240.001 - Lesson Horse               | \$ 117.41   | \$ 117.41   | 3.8%  |                    |

**Total Non-Operating Expense** **\$ 3,072.32**

**Non-Operating Expense** **3,072.32 52.56%**

**Net Profit** **\$ 1,910.49 32.69%**

Printed on March 22, 2019

**Depreciation Expense - % of Revenue**

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The Income Statement shows the business's income, expense and non-operating expense for an accounting period from January 1, 2019, to March 22, 2019. The operating profit is a good indication about how a business is performing – not bad. However, although the non-operating expense is not consuming cash, the non-operating expense percentage of revenue needs to be watched – the lower the better.

The *Depreciation Expense* is shown for each *Fixed Asset* you have entered a *Journal Entry*. equineGenie computes the total *Depreciation Expense* for all the *Depreciation Journal Entries*, and shows it as a percent of your business's total revenue. In this example the *Depreciation Expense* is 52.56% of the total revenue. If the percentage is too high or not is a business decision. But, you need to make sure that your *Fixed Assets* are producing for your business. Buying a shiny new horse trailer when a used one would do the job is probably not a good business decision. Remember, your ego does not have a ROI.

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