

Download Value Is Lower When Depreciation Is An Operating Expense A Current Issue (Feature)

A difference in procedure exists between the typical accounting viewpoint that it should be included in operating expenses, as opposed to the real estate analysis which uses it only to lower taxable income. The contrast is important in the estimation of value and the overall capitalization rate. REAL ESTATE ISSUES 21 Volume 35, Number 1, 2010 FEATURE Value is Lower when Depreciation is an Operating Expense: A Current Issue to the owner ...INTRODUCTION . STANDARD ACCOUNTING PROCEDURE DEDUCTS DEPRECIATION as an operating expense when computing the NOI for real property. (1) When the resulting NOI is incorporated in an estimate of value using NOI/R, the final estimate is lowered due to the deduction. Hewitt Packing Company has an issue of \$1,000 par value bonds with a 14 percent annual coupon interest rate. The issue has ten years remaining to the maturity date. Bonds of similar risk are currently selling to yield a 12 percent rate of return. The current value of each Hewitt bond is _____. Value Is Lower When Depreciation Is An Operating Expense A Current Issue (Feature).

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