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in economics depreciation refers to the reduction in value of an asset over time, particularly due to wear and tear, age, or obsolescence. This concept is crucial in economics and accounting as it affects the financial statements of businesses and influences investment decisions. Understanding depreciation helps in assessing the true value of an asset and its contribution to a company's profitability. This article will explore the various types of depreciation, how it is calculated, its implications on financial reporting, and its relevance in economic analysis.