

Salvage value

Salvage value is the estimated book value of an [asset](#) after [depreciation](#) is complete, based on what a company expects to receive in exchange for the asset at the end of its [useful life](#). As such, an asset's estimated salvage value is an important component in the calculation of a depreciation schedule.

KEY TAKEAWAYS

- Salvage value is the book value of an asset after all depreciation has been fully expensed.
- The salvage value of an asset is based on what a company expects to receive in exchange for selling or parting out the asset at the end of its useful life.
- Companies may depreciate their assets fully to \$0 because the salvage value is so minimal.
- Salvage value will influence the total depreciable amount a company uses in its depreciation schedule.

Understanding Salvage Value

An estimated salvage value can be determined for any asset that a company will be depreciating on its books over time. Every company will have its own standards for estimating salvage value. Some companies may choose to always depreciate an asset to \$0 because its salvage value is so minimal. In general, the salvage value is important because it will be the carrying value of the asset on a company's books after depreciation has been fully expensed. It is based on the value a company expects to receive from the sale of the asset at the end of its useful life. In some cases, salvage value may just be a value the company believes it can obtain by selling a depreciated, inoperable asset for parts.