Analysis of the MRI machine using the requirements of IAS 16 reveals that the selection of the appropriate depreciation method affects the financial statements of the entity. Correct capitalization of the asset provides a good basis for recognition, and the analysis of the three approaches helps identify the effects of each approach on the recognized amount. The straight- line approach provides a stable approach, the declining balance approach demonstrates a steeper pattern, and the units of production approach better reflects the use of the machine. Additionally, the disposal of the asset, illustrated by IAS 16, highlights the need for clarity when disclosing the asset-related transactions. This requirement of the accounting standard promotes the accuracy of the financial statements, hence facilitating the evaluation of the entity's performance.

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