

## IV. DISPOSAL OF PLANT ASSETS

A number of possibilities existed when disposing of the company's television diagnostic equipment costing \$16,000, with \$1,000 residual value and originally expected to last 5 years. Assume Straight Line Method. Make the Journal Entry to dispose of the asset given the following independent situations.

DR.                      CR.

A.

No Gain or Loss

**Read First-->** Disposal of fully-depreciated Equipment receiving \$1,000.

B.

Loss: \$4,000

Disposal of 4-year-old worthless Equipment.

C.

Loss: \$2,000

To record destruction of the 4-year-old Equipment and Insurance proceeds of \$2,000.

D.

Loss: \$3,500

After 4 years, Equipment sold for \$500, loss recorded.

E.

Gain: \$2,500

After 4 years, Equipment sold for \$6,500, gain recorded.

F.

Loss: \$2,000

To record trade-in of 4-year-old Equipment paying \$12,000 for the new \$14,000 Equipment, material loss recognized.

G.

To record trade-in of 4-year-old Equipment for new \$14,000 Equipment paying \$9,000 Cash. No book gain recognized.

Hint: The historical cost of the new equipment was \$1,000 more in alternative F compared to alternative G.