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.

A. Accumulated Depreciation, Equipment  
   Cash  
   Equipment  
   DR. 15,000  
   1,000  
   CR. 16,000  

   No Gain or Loss

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

B. Loss on Disposal of Equipment  
   Accumulated Depreciation, Equipment  
   Equipment  
   DR. 4,000  
   12,000  
   CR. 16,000  

   Loss: $4,000

Disposal of 4-year-old worthless Equipment.

C. Cash  
   Accumulated Depreciation, Equipment  
   Loss from Destruction  
   Equipment  
   DR. 2,000  
   12,000  
   2,000  
   CR. 16,000  

   Loss: $2,000

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

D. Cash  
   Accumulated Depreciation, Equipment  
   Loss on Sale of Equipment  
   Equipment  
   DR. 500  
   12,000  
   3,500  
   CR. 16,000  

   Loss: $3,500

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

E. Cash  
   Accumulated Depreciation, Equipment  
   Gain on Sale of Equipment  
   Equipment  
   DR. 6,500  
   12,000  
   2,500  
   CR. 16,000  

   Gain: $2,500

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

F. Equipment (New)  
   Accumulated Depreciation, Equipment  
   Loss on Equipment Exchange  
   Equipment - Old  
   Cash  
   DR. 14,000  
   12,000  
   2,000  
   12,000  
   CR. 16,000  

   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. Equipment (New)  
   Accumulated Depreciation, Equipment  
   Cash  
   Equipment  
   DR. 13,000  
   12,000  
   16,000  
   9,000  
   CR. 16,000  

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