

## 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. Accumulated Depreciation, Equipment	15,000		
Cash			
Equipment	1,000		
		16,000	

No Gain or Loss

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

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

Loss: \$4,000

Disposal of 4-year-old worthless Equipment.

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

Loss: \$2,000

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

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

Loss: \$3,500

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

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

Gain: \$2,500

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

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

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)	13,000		
Accumulated Depreciation, Equipment	12,000		
Equipment			
Cash			
		16,000	
		9,000	

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.