CONCEPT: SALE OF PLANT ASSETS

● A company may decide to dispose of an asset at any point during or after its useful life.

□ When we sell a plant asset, we may take a ***gain/loss on sale*** based on the current ___________________

- Proceeds from Sale > Net Book Value of Asset → ___________
- Proceeds from Sale < Net Book Value of Asset → ___________
- Proceeds from Sale = Net Book Value of Asset → ___________

$$Net\ Book\ Value\ of\ Long\ Term\ Asset = Initial\ Cost - Accumulated\ Depreciation$$

T-accounts for Plant Assets, Accumulated Depreciation, Cash, and Gain/Loss on Sale

On December 31, 2009, ABC Company sold machinery with an initial cost of $20,000 for $8,000. The machine had accumulated depreciation of $15,000 after all adjusting entries were made.

Assets	=	Liabilities	+	Equity

□ Tougher problems like to combine your knowledge of depreciation with the sale of the asset:

On July 1, 2009, ABC Company sold machinery with an initial cost of $52,000 (originally purchased January 1, 2008). The machine had an estimated useful life of ten years and salvage value of $2,000. The company uses the straight-line method of depreciation. The machinery was sold for $36,000.

Assets	=	Liabilities	+	Equity