

CONCEPT: RETIREMENT OF PLANT ASSETS (NO PROCEEDS)

- Once an asset is fully depreciated, it may still be in service by the company. Remember, useful life is an _____!
- We will eventually dispose of the fully depreciated asset: for money or no money.
- A disposal with no proceeds is called an **asset retirement**
 - If there was no salvage value, the asset will have a Net Book Value = _____

On April 1, 20X9, the company decides to dispose of a fully depreciated asset. The asset was originally purchased for \$80,000, and was depreciated using the straight-line method over the past ten years with **no salvage value**.

Journal Entry:

<u>Assets</u>	=	<u>Liabilities</u>	+	<u>Equity</u>
---------------	---	--------------------	---	---------------

- If there was a salvage value, the asset will have a Net Book Value = _____

On April 1, 20X9, the company decides to dispose of a fully depreciated asset. The asset was originally purchased for \$80,000, and was depreciated using the straight-line method over the past ten years with **\$6,000 salvage value**. However, the company received no proceeds on the disposal of the asset.

Journal Entry:

<u>Assets</u>	=	<u>Liabilities</u>	+	<u>Equity</u>
---------------	---	--------------------	---	---------------

PRACTICE: A company using the double-declining-balance method for recording depreciation has a fully depreciated asset with a salvage value of \$8,000. The asset originally cost the company \$62,000. If the company retires the asset in the current year for no proceeds, the journal entry to record the disposal would include:

- A debit to Accumulated Depreciation for \$62,000
- A debit to Depreciation Expense for \$8,000
- A credit to Equipment for \$8,000
- None of the above