

Exercise 10-14

Old computer traded for new computer

Book value of old computer is \$180,000 (cost of \$400,000 less \$220,000 in accumulated depreciation; fair market value is \$200,000

\$60,000 paid to complete the exchange which has commercial substance

**Prepare the journal entry to record the exchange**

Equipment - new (200,000 + 60,000)	260,000	
Accumulated depreciation	220,000	
Equipment – old		400,000
Cash		60,000
Gain on exchange (200,000-180,000)		20,000