

**29.2 More drills to practise accounting for fixed asset disposals**

For each example below, state the double entry necessary to account for the disposal, and show the Fixed Asset Disposal Account, with an extract from the P&L Account in the year of disposal.

### Business 1

A fixed asset in the accounts of a business at cost £5 000 less accumulated depreciation £4 000, is disposed of with disposal proceeds £750.

### Response

double entry:

DR	money or promises	£750	
CR	Fixed Asset Disposal		£750

  

DR	Fixed Asset Disposal	£5 000	
CR	Fixed Asset Cost		£5 000

  

DR	Provision for Depreciation	£4 000	
CR	Fixed Asset Disposal		£4 000

  

DR	P&L Account – loss on disposal	£250	
CR	Fixed Asset Disposal		£250

accounts:

<i>Fixed Asset Disposal</i>			
<i>Fixed Asset Cost</i>	5 000	<i>disposal value</i>	750
		<i>provision for depreciation</i>	4 000
		<i>to P&amp;L</i>	250
	<u>5 000</u>		<u>5 000</u>

<i>P&amp;L Account extract</i>	
<i>loss on disposal</i>	250

## Business 2

A fixed asset in the accounts of a business at cost £15 000 less depreciation £8 000, is disposed of with disposal proceeds £7 500.

### Response

double entry:

DR	money or promises	£7 500	
CR	Fixed Asset Disposal		£7 500

DR	Fixed Asset Disposal	£15 000	
CR	Fixed Asset Cost		£15 000

DR	Provision for Depreciation	£8 000	
CR	Fixed Asset Disposal		£8 000

DR	Fixed Asset Disposal	£500	
CR	P&L Account – profit on disposal		£500

accounts:

<i>Fixed Asset Disposal</i>			
<i>Fixed Asset Cost</i>	15 000	<i>disposal value</i>	7 500
		<i>provision for depreciation</i>	8 000
<i>to P&amp;L</i>	500		
	<u>15 500</u>		<u>15 500</u>

<i>P&amp;L Account extract</i>	
	<i>profit on disposal</i> 500

### Business 3

A fixed asset in the accounts of a business at cost £42 000 less provision for depreciation £38 000, is disposed of with nil value.

#### Response

double entry:

DR	Fixed Asset Disposal	£42 000	
CR	Fixed Asset Cost		£42 000

  

DR	Provision for Depreciation	£38 000	
CR	Fixed Asset Disposal		£38 000

  

DR	P&L Account – loss on disposal	£4 000	
CR	Fixed Asset Disposal		£4 000

accounts:

<i>Fixed Asset Disposal</i>			
<i>Fixed Asset Cost</i> 42 000			
		<i>provision for depreciation</i>	38 000
		<i>to P&amp;L</i>	4 000
	<u>42 000</u>		<u>42 000</u>

<i>P&amp;L Account extract</i>	
<i>loss on disposal</i>	4 000

### Business 4

A fixed asset in the accounts of a business at cost £27 000 less provision for depreciation £9 000, is destroyed in an accident, at which time it is not insured.

### Response

double entry:

DR	Fixed Asset Disposal	£27 000	
CR	Fixed Asset Cost		£27 000

  

DR	Provision for Depreciation	£9 000	
CR	Fixed Asset Disposal		£9 000

  

DR	P&L Account – loss on disposal	£18 000	
CR	Fixed Asset Disposal		£18 000

accounts:

<i>Fixed Asset Disposal</i>	
<i>Fixed Asset Cost</i> 27 000	
	<i>provision for depreciation</i> 9 000
	<i>to P&amp;L</i> 18 000
<u>27 000</u>	<u>27 000</u>

  

<i>P&amp;L Account extract</i>	
<i>loss on disposal</i> 18 000	

### Business 5

A fixed asset in the accounts of a business at cost £120 000 less provision for depreciation £70 000, is damaged in an accident, and sold for scrap £10 000. The insurers of the business agree to pay a claim of £35 000.

### Response

double entry:

DR	money or promises for scrap	£10 000	
DR	promise from Insurance Company	£35 000	
CR	Fixed Asset Disposal		£45 000

  

DR	Fixed Asset Disposal	£120 000	
CR	Fixed Asset Cost		£120 000

  

DR	Provision for Depreciation	£70 000	
CR	Fixed Asset Disposal		£70 000

  

DR	P&L Account – loss on disposal	£5 000	
CR	Fixed Asset Disposal		£5 000

accounts:

<i>Fixed Asset Disposal</i>			
<i>Fixed Asset Cost</i> 120 000		<i>disposal value</i>	45 000
		<i>provision for depreciation</i>	70 000
		<i>to P&amp;L</i>	5 000
<u>120 000</u>			<u>120 000</u>

<i>P&amp;L Account extract</i>	
<i>loss on disposal</i>	5 000