

## Example on Computation of Loss on Disposal of Fixed Assets

### Example – Calculation of Loss on Disposal of Fixed Asset

|                                 | HK\$  |
|---------------------------------|-------|
| Cost of fixed asset             | 1,000 |
| Less : Accumulated Depreciation | 500   |
| Net Book Value of Fixed Assets  | 500   |
| Less : Sales Proceeds           | 300   |
| Loss on Disposal of Fixed Asset | 200   |

| Accounting Entries for Loss on Disposal of Fixed Asset  | Debit   | Credit  |
|---|---------|---------|
| <b>DR. Accumulated Depreciation</b><br>(accumulated depreciation charged on the disposed fixed asset) | \$500   |         |
| <b>DR. Bank</b><br>(sales proceeds of the disposed fixed asset)                                       | \$300   |         |
| <b>DR. Loss on Disposal of Fixed Asset</b>  | \$200   |         |
| <b>CR. Fixed Asset</b><br>(cost of the disposed fixed asset)  |         | \$1,000 |
| <b>Total</b>  | \$1,000 | \$1,000 |