Recording the trade-in of an asset

Like many areas of professional bookkeeping, recording a trade-in can be tricky until you have done one. That is why our monthly briefings for members include a section called “Review of the Basics.” Here is a column from a past issue.

In 2003, your firm purchased a copier for $20,000. To date, depreciation expense of $12,000 has been taken. In 2006, your firm trades in the copier for a new one costing $25,000. The trade-in allowance is $3,000. What is the journal entry to record the trade-in?

Copier (new) 25,000
Accumulated Depreciation 12,000
Loss 5,000
Cash 22,000*

* $25,000 for new copier - $3,000 trade-in allowance for old copier = $22,000 cash required

The new copier is recorded at list price. The cost of the old copier and its related, accumulated depreciation is removed from the books, and the loss is recorded.