

## ASSET SOLD/ BOUGHT, DEPRECIATION

How the entry - Payee, Category, and Memo should look in the register.

**TAX PLANNING SESSION:**

Please phone us and set up a time for review PRIOR to the year end in early December.  
 Some items needed for the review: 1 Books up to date for P/L and Bal Sheet, 2 YTD pay totals, 3 prior year tax returns, 4 Depreciation and Asset accounts printout.

	<u>DATE:</u>	<u>CK Number</u>	<u>PAYEE:</u>	<u>AMOUNT</u>
			<u>CATEGORY</u>	<u>MEMO</u>
<b>Purchase</b>				spend
For Cash ( ie, Checking)	2/5		Office Max	5000.00
			Office Equip. Copier XR7	
OR				
On Account ( Visa Charge)	2/5		Office Max	5000.00
			[ Visa ] Copier XR7	

**End of Year DEPRECIATION:**

Dec. 31      **NOTE: Open the 'Bus Equip-Deprec.' ( or Office Equip-Deprec.) account**      Decrease:  
**and make entry from there, NOT from the Checking or Equipment accounts.**

12/31	1001	Deprec for the yr	1000.00
		Depreciation . the memo .	

Category

Here is the related MEMO for various scenarios

Ex.For an asset that cost: 5000

*Depreciated over 5 yrs w/ 1/2yr convention the book entry is for the 2nd yr of depreciation for that asset.*

If all assets are in the same class  
 otherwise, specifically identify

Memo example: `98 5000, 5yr., 1/2yr, yr 2 (cost basis,method,convention,yr of deduct)

Memo example: 98 Desk, 5yr., 1/2yr, yr 2 (yr bought & item, method, .....)

OR      *Expensing election taken for the asset, expense amount less than 100%  
 expense amount is 4,600*

Memo example: `98 Desk, Sec 179, 400 bal(yr bought & item,election, balance available)

*Expensing election taken for the asset, expense amount is full 100%*

Memo example: `98 Desk, Sec 179, no bal. (yr bought & item,election, balance available)

OR      Memo example: `98 Desk, full Sec 179 (yr bought & item,election )

**Sale:**

Example for: `98 Desk      Cost: 5000 total deprec taken in prior yrs 2000  
 Sells for: 1500 in 3rd year of ownership, ie, 2 yrs of depreciation have to be added up.

	Spend	Deposit
in the Checking account:		
2/5      no ck #	Sold: `98 Desk	1500.00
	category      memo	
<i>takes asset cost out of account</i>	[ Office Equip ] `98 DeskSold	5000
<i>takes deprec amounts out of account</i>	[ Off Eq-Depr ] `98 DeskSold	-2000
<i>Subcategory of "Income" or "sales"</i>	[Sales-Assets ] Cost 5000; Tot Dep Taken 2000	-1500
<i>to report on 4797 at end of year</i>		

Be careful to make entries consistent - IRS category names, memo, payee line - the same each time EXCEPT THE YEAR TO YEAR INFORMATION THAT CHANGES....IE. yr of deduction ( unless expensing, then state remaining balanc