Depreciation ledger Accounts:

E.g. → Single entry System.

Machinery	\$ 20,000
(−) Acc. dep	\$ 8,000
Net Book value	\$ 12,000
(−) Sale	\$ 14,000
Gain on Sale	\$ 2,000/-

Convert all of these Single entry Transactions into double entry system.

Purchase	Sale
1- Machinery A/c. Bank A/c.	1- Disposal A/c. Machinery A/c.
→ Purchase of Machinery.	→ Sale of Machinery.

Machinery is always recorded at cost value.

2- Depreciation Expense A/c. Accumulated Depreciation A/c.	2- Accumulated Depreciation. Disposal A/c.
→ Charging of depreciation.	→ writing off depreciation to disposal account.

03- Bank A/c:
Disposal A/c

→ Receipts against sale of Machinery.

Important Notes:

* Disposal account helps in order to calculate Profit / Loss on Sale using double entry system.

* Write down opening Balance of Machinery and Accumulated depreciation
E.g. Dr. balance as opening Balance of Machinery account & Cr. balance as opening Balance of Accumulated depreciation.

* There is no opening balance of disposal Account, whereas Machinery cost Account and Accumulated depreciation always have Closing Balance.

Lets have a look on ledger accounts with the help of above journal entries.

Machinery A/c (COST)

Dr.		Cr.	
Opening Balance b/d		Disposal	
Cash/Bank		Closing Balance c/d	
	xxx		xxx

Accumulated Depreciation A/c.

Dr.		Cr.	
Disposal		Opening Balance	
Closing Balance		Depreciation Expense.	
	xxx		xxx

Disposal A/c

Dr.		Cr.	
Machinery		Accumulated depreciation	
Gain on Sale		Bank.	
		Loss on Sale	
	xxx		xxx