

Pierce Corporation recently hired a new manager for its struggling construction division. The manager was given responsibility for streamlining operations and restoring profitability. Selling selected assets is one option under consideration.

Begin by reviewing the following asset listing, and prepare hypothetical entries "as if" each asset were sold for cash at its estimated fair value. Then, determine which asset should be sold if the objective becomes to (a) have the largest immediate accounting gain, (b) have the largest immediate accounting loss, (c) result in the highest avoidance of future depreciation expense in periods subsequent to the period of asset sale, (d) produce the most immediate cash inflow, (e) have the largest total asset position, or (f) have no change in total assets.

| | Cost | Accumulated Depreciation | Fair Value |
|---------|-------------|--------------------------|-------------|
| Asset A | \$2,500,000 | \$1,000,000 | \$3,000,000 |
| Asset B | 800,000 | 100,000 | 700,000 |
| Asset C | 4,600,000 | 500,000 | 4,000,000 |
| Asset D | 3,250,000 | 1,250,000 | 1,250,000 |