

### a. Exchange Has Commercial Substance When an exchange has commercial substance, gains or losses are recognized immediately. However, defer this gain: \*\* – Gain on exchange: \$1,300 \*\* Adjust the cost of the new computer to defer the gain: \*\* – Cost of the computer without recognizing the gain:  $\$3,300 - \$1,300 = \$2,000$  (Deferred gain reduces the asset's recognized value) \*\* Journal Entry: \*\* – Debit Computer: \$2,000 – Debit Accumulated Depreciation – Truck: \$18,000 – Credit Truck: \$20,000 – Credit Cash: \$500 In both scenarios, the entries reflect the appropriate handling of gains based on whether the transaction impacts future cash flows (commercial substance) or not.