

Solution:

The book value of the van will be given by:

$$\text{Book Value} = \$55,000 - \frac{3}{5} \times (\$55,000 - \$5,000) = \$25,000$$

The journal entries for (a) and (b) are as follows:

JOURNAL ENTRY FOR SALE OF DELIVERY VAN (in \$)			
Scenario	Particulars	Debit	Credit
(a)	Cash	27,000	
	To Equipment		25,000
	To Capital Gains		2,000
(b)	Cash	14,000	
	Capital Loss	11,000	
	To Equipment		25,000