Nonmonetary exchange.

Martin Co. had a sheet metal cutter that cost $96,000 on January 5, 2002. This old cutter had an estimated life of ten years and a salvage value of $16,000. On April 3, 2007, the old cutter is exchanged for a new cutter with a market value of $48,000. The exchange lacked commercial substance. Martin also received $12,000 cash. Assume that the last fiscal period ended on December 31, 2006, and that straight-line depreciation is used.

**Instructions**

(a) Show the calculation of the amount of the gain or loss to be recognized by Martin Co.

1. Prepare all entries that are necessary on April 3, 2007. Show a check of the amount recorded for the new cutter.