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| On January 2, 2008, Lucas Hospital purchased a $100,200 special radiology scanner from Faital Inc. The scanner has a useful life of 5 years and will have no disposal value at the end of its useful life. The straight-line method of depreciation is used on this scanner. Annual operating costs with this scanner are $105,500.       Approximately one year later, the hospital is approached by Alliant Technology salesperson, Becky Bishop, who indicated that purchasing the scanner in 2008 from Faital Inc. was a mistake. She points out that Alliant has a scanner that will save Lucas Hospital $27,400 a year in operating expenses over its 4-year useful life. She notes that the new scanner will cost $120,900 and has the same capabilities as the scanner purchased last year. The hospital agrees that both scanners are of equal quality. The new scanner will have no disposal value. Bishop agrees to buy the old scanner from Lucas Hospital for $30,000.

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 | http://edugen.wiley.com/edugen/art2/common/pixel.gif |

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| If Lucas Hospital sells its old scanner on January 2, 2009, compute the gain or loss on the sale. $

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 | http://edugen.wiley.com/edugen/art2/common/pixel.gif |

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| http://edugen.wiley.com/edugen/art2/common/pixel.gif |

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| Using incremental analysis, determine if Lucas Hospital should purchase the new scanner on January 2, 2009. ***(If answer is zero, please enter 0. Do not leave any fields blank. If amount decreases the income, use either a negative sign preceding the number eg -45 or parentheses eg (45).)***

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|  | **Retain Scanner** | **Replace Scanner** | **Net IncomeIncrease (Decrease)** |
| Annual operating costs | $ | $ | $ |
| New scanner cost |  |  |  |
| Old scanner salvage |  |  |  |
|      Total | $ | $ | $ |

Lucas Hospital should the old scanner.

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