

Aufg QR-7.22: Neubewertung (Revaluation)

FALKENBERG (Pty) Ltd is a production firm. It runs a machine bought on 1.01.20X3. The cost of acquisition was 80,000.00 EUR. They write off the machine along declining method (25%). After 2 years (1.01.20X5) FALKENBERG learns that the cost of acquisition of the same kind of machine has increased by 20,000.00 EUR. The bookkeeper makes a gross replacement bookkeeping entry accordingly. Another year later (1.01.20X6) the machine was sold for 50,016.00 EUR including VAT.

Required: Make all bookkeeping entries in T-Accounts. Use the realization account for the sales of the machine. Did FALKENBERG make a loss or a profit with the sales of the machine?

Lösung: (Solution)

(1) Acquisition of machine:

DR P, P, E	80,000.00 EUR
DR VAT	16,000.00 EUR
CR Cash/Bank	96,000.00 EUR

(2) Depreciation along declining method: $CA_{31.12.20X3} = 80,000 \cdot (1 - 25\%) = 60,000.00 \text{ EUR}$.

DR Depr.	20,000.00 EUR
CR Acc. Depr.	20,000.00 EUR

(3) Refund of VAT:

DR Cash/Bank	16,000.00 EUR
CR VAT	16,000.00 EUR

(4) Depreciation along declining method: $CA_{31.12.20X4} = 60,000 \cdot (1 - 25\%) = 45,000.00 \text{ EUR}$.

DR Depr.	15,000.00 EUR
CR Acc. Depr.	15,000.00 EUR

(5) Gross replacement bookkeeping entry: Difference in depreciation = $80,000 - 80,000 \cdot (1 - 25\%)^2 - (100,000 - 100,000 \cdot (1 - 25\%)^2) = (8,750.00 \text{ EUR})$. Revaluation reserve = $(100,000 - 80,000) \cdot (1 - 25\%)^2 = 11,250.00 \text{ EUR}$

DR P, P, E at valuation	100,000.00 EUR
CR P, P, E at cost	80,000.00 EUR
CR Acc. Depr.	8,750.00 EUR
CR Revaluation Reserves	11,250.00 EUR

(6) Provision for deferred taxes = $11,250 \cdot 0.3 = 3,375.00 \text{ EUR}$:

DR Revaluation reserves	3,375.00 EUR
CR Provisions	3,375.00 EUR

(7) Depreciation of machine in 20X5. Depreciation charge = $56,250 \cdot 25\% = 14,062.50$ EUR.

DR Depr.	14,062.50 EUR
CR Acc. Depr.	14,062.50 EUR

(8) Reduction of provisions ($3,375 \cdot 25\% = 843.75$ EUR) and (9) revaluation reserve ($11,250 \cdot 25\% = 2,812.50$ EUR):

DR Provisions	843.75 EUR
CR Revaluations Reserves	843.75 EUR

DR Revaluations Reserves	2,812.50 EUR
CR R/E	2,812.50 EUR

(10) Sale of the machine requires dissolving provision and (11) revaluation reserve:

DR Provisions	2,531.25 EUR
CR Revaluation Reserves	2,531.25 EUR

DR Revaluation Reserves	8,437.50 EUR
CR R/E	8,437.50 EUR

(11a – 11d) Disposal of the machine

DR Cash/Bank	50,016.00 EUR
CR Realization	50,016.00 EUR

DR Realization	8,336.00 EUR
CR VAT	8,336.00 EUR

DR Realization	100,000.00 EUR
CR P, P, E at valuation	100,000.00 EUR

DR Acc. Depr.	57,812.50 EUR
CR Realization	57,812.50 EUR

D	PPE	C
(1)	80.000,00	c/d 80.000,00
b/d	80.000,00	(5) 100.000,00

D	VAT	C
(1)	16.000,00	c/d 16.000,00
b/d	16.000,00	(3) 16.000,00
		(11b) 8.336,00

D	Bank	C
c/d	96.000,00	(1) 96.000,00
(3)	16.000,00	b/d 96.000,00
c/d	80.000,00	
	96.000,00	96.000,00
(11a)	50.016,00	b/d 80.000,00

D	Depr-20X3	C
(2)	20.000,00	c/d 20.000,00
b/d	20.000,00	

D	Acc Depr	C
c/d	20.000,00	(2) 20.000,00
		b/d 20.000,00
c/d	35.000,00	(4) 15.000,00
	35.000,00	35.000,00
		b/d 35.000,00
c/d	43.750,00	(5) 8.750,00
	43.750,00	43.750,00
		b/d 43.750,00
c/d	57.812,50	(7) 14.062,50
	57.812,50	57.812,50
(11d)	57.812,50	b/d 57.812,50

D	Depr-20X4	C
(4)	15.000,00	c/d 15.000,00
b/d	15.000,00	

D	PPE val	C
(5)	100.000,00	c/d 100.000,00
b/d	100.000,00	(11c) 100.000,00

D	RevRes	C
(6)	3.375,00	(5) 11.250,00
(9)	2.812,50	(8) 843,75
c/d	5.906,25	
	12.093,75	12.093,75
		b/d 5.906,25
(11)	8.437,50	(10) 2.531,25
	8.437,50	8.437,50

D	Provision	C
(8)	843,75	(6) 3.375,00
c/d	2.531,25	
	3.375,00	3.375,00
(10)	2.531,25	b/d 2.531,25

D	Depr-20X5	C
(7)	14.062,50	c/d 14.062,50
b/d	14.062,50	

D	R/E	C
c/d	2.812,50	(9) 2.812,50
		b/d 2.812,50
		(11) 8.437,50

D	Realization	C
(11b)	8.336,00	(11a) 50.016,00
(11c)	100.000,00	(11d) 57.812,50
		c/d 507,50
	108.336,00	108.336,00
b/d	507,50	

Exhibit 1: Accounts

The realization account reveals a loss on disposal to be 507.50 EUR.