

**Task IM-7.43a: Exercise on Revaluations****(Impairment Loss and Disposal)**

CLAYMONT Ltd. is in the hotel business. In order to fetch guests from the airport and to offer them a free shuttle service to the beach, the hotel runs 2 TOYOTA mini buses. The buses were bought on 1.04.20X6 at a cost of acquisition of 28,000.00 EUR/car (net amount). Depreciation for CLAYMONT Ltd.'s all assets is always along declining method at 2 %/month. On the 23 June 20X8 one of the buses breaks down due to an engine fault. The bus is sold to the dealership at 12,000.00 EUR (gross amount). On 10.07.20X8, CLAYMONT Ltd. buys a new TOYOTA mini bus at 30,000.00 EUR cost of acquisition. The new bus comes with a 5 % discount allowed by the dealership. You must deduct the discount from the cost of acquisition along IAS 16. All business activities are on a cash/instant bank transfer basis.

**Required: Prepare a register of non-current assets as at 31.12.20X8. How much is the profit/loss on disposal for the damaged bus?**

CLAYMONT Ltd. ist ein Hotel. Um Gäste vom Flughafen abzuholen und einen Beach Shuttle Service anzubieten, betreibt das Hotel 2 TOYOTA Kleinbusse. Die Busse wurden am 1.04.20X6 zu Anschaffungskosten (cost of acquisition) von 28.000,00 EUR/Fahrzeug gekauft. Die Abschreibung auf alle Vermögensgegenstände von CLAYMONT Ltd. erfolgt nach degressiver Abschreibungsmethode (declining method) zu 2%/Monat. Am 23. Juni 20X8 bleibt einer der Busse wegen eines Motorschadens liegen. Der Bus wird an einen Händler für 12.000,00 EUR brutto verkauft. Am 10.07.20X8 kauft CLAYMONT Ltd. einen neuen TOYOTA Kleinbus zu 30.000,00 EUR Anschaffungskosten. Auf den neuen Bus gibt es einen 5% Preisnachlass (discount allowed) vom Händler. Sie müssen den Preisnachlass von den Anschaffungskosten nach IAS 16 abziehen. Alle Geschäftsvorfälle finden auf einer Cash/sofortigen Banküberweisungs-Grundlage statt.

**Gefragt: Erstellen Sie einen Anlagespiegel (register of non-current assets) zum 31.12.20X8. Wie hoch ist der Gewinn/Verlust durch den Abgang des beschädigten Busses (profit/loss on disposal)?**

**Solution:**

(1) Acquisition of the buses on 1.04.20X6. The gross amount equals to  $28,000 \times 120\% = 33,600.00$  EUR.

<b>DR P, P, E @cost (TYT1, TYT2) . . . . .</b>	<b>28,000.00 EUR</b>
<b>DR VAT . . . . .</b>	<b>5,600.00 EUR</b>
<b>CR Cash/Bank . . . . .</b>	<b>33,600.00 EUR</b>

(2) Depreciation on the buses. The remaining value of each bus after the accounting period 20X6 equals to  $28,000 \times (1 - 2\%)^9 = 23,344.94$  EUR. Depreciation on each bus is  $28,000 - 23,344.94 = 4,655.06$  EUR.

<b>DR Depr . . . . .</b>	<b>9,310.12 EUR</b>
<b>CR Acc. Depr. (TYT1) . . . . .</b>	<b>4,655.06 EUR</b>
<b>CR Acc. Depr. (TYT2) . . . . .</b>	<b>4,655.06 EUR</b>

(a) VAT refund in 20X7

<b>DR Cash/Bank</b> .....	<b>5,600.00 EUR</b>
<b>CR VAT</b> .....	<b>5,600.00 EUR</b>

(b) Depreciation on the buses. The remaining value of each bus after the accounting period 20X7 equals to  $23,344.94 \times (1 - 2\%)^{12} = 18,319.16$  EUR. Depreciation on each bus is  $23,344.94 - 18,319.16 = 5,025.78$  EUR.

<b>DR Depr</b> .....	<b>10,051.56 EUR</b>
<b>CR Acc. Depr. (TYT1)</b> .....	<b>5,025.78 EUR</b>
<b>CR Acc. Depr. (TYT2)</b> .....	<b>5,025.78 EUR</b>

(A) Depreciation on the undamaged bus. The carrying amount as at the end of 20X8 equals to  $18,319.16 \times (1 - 2\%)^{12} = 14,375.35$  EUR. Depreciation equals to  $18,319.16 - 14,375.35 = 3,943.81$  EUR.

<b>DR Depreciation</b> .....	<b>3,943.81 EUR</b>
<b>CR Acc Depr. (TYT1)</b> .....	<b>3,943.81 EUR</b>

(B) Depreciation on the damaged bus. As the bus breaks down at the end of June, depreciation is considered for 6 months. The carrying amount without impairment loss equals to  $18,319.16 \times (1 - 2\%)^6 = 16,227.89$  EUR. The depreciation equals to  $18,319.16 - 16,227.89 = 2,091.27$  EUR.

<b>DR Depreciation</b> .....	<b>2,091.27 EUR</b>
<b>CR Acc Depr. (TYT2)</b> .....	<b>2,091.27 EUR</b>

(R) The disposal of the car is recorded by a Realization account.

<b>DR Realization</b> .....	<b>28,000.00 EUR</b>
<b>CR P, P, E @cost (TYT2)</b> .....	<b>28,000.00 EUR</b>

<b>DR Acc Depr. (TYT2)</b> .....	<b>11,772.11 EUR</b>
<b>CR Realization</b> .....	<b>11,772.11 EUR</b>

<b>DR Cash/Bank</b> .....	<b>12,000.00 EUR</b>
<b>CR Realization</b> .....	<b>12,000.00 EUR</b>

<b>DR Realization</b> .....	<b>2,000.00 EUR</b>
<b>CR VAT</b> .....	<b>2,000.00 EUR</b>

(C) The acquisition of the new bus is at 30,000.00 EUR net amount.

<b>DR P, P, E @cost (TYTn) .....</b>	<b>30,000.00 EUR</b>
<b>DR VAT .....</b>	<b>6,000.00 EUR</b>
<b>CR Cash/Bank .....</b>	<b>36,000.00 EUR</b>

(D) The discount equals to  $36,000 \times 5\% = \mathbf{1,800.00 \text{ EUR}}$ . The amount is recorded in the Discount Received account and paid out by the car dealership instantly.

<b>DR Cash/Bank .....</b>	<b>1,800.00 EUR</b>
<b>CR Discount Received .....</b>	<b>1,800.00 EUR</b>

(F) Depreciation on the new bus is based on 6 months declining method depreciation: The carrying amount at the yearend equals to  $28,500 \times (1 - 2\%)^6 = \mathbf{25,246.51 \text{ EUR}}$ . Depreciation for the second half of the year 20X8 equals to  $28,500 - 25,246.51 = \mathbf{3,253.49 \text{ EUR}}$ .

<b>DR Depreciation .....</b>	<b>3,253.49 EUR</b>
<b>CR Acc. Depr. (TYTn) .....</b>	<b>3,253.49 EUR</b>

Observe the accounts below:

D	P, P, E Toyota_One	C
(1)	28,000.00	c/d 28,000.00
b/d	28,000.00	

D	P, P, E Toyota_Two	C
(2)	28,000.00	c/d 28,000.00
b/d	28,000.00	(R) 28,000.00

D	Cash/Bank	C
	(1) 33,600.00	
c/d	67,200.00	(2) 33,600.00
	67,200.00	67,200.00
(a)	11,200.00	b/d 67,200.00
c/d	56,000.00	
	67,200.00	67,200.00
(R)	12,000.00	b/d 56,000.00
(D)	1,800.00	(C) 6,000.00

D	VAT	C
(1)	5,600.00	
(2)	5,600.00	c/d 11,200.00
	11,200.00	11,200.00
b/d	11,200.00	(a) 11,200.00
(C)	6,000.00	(R) 2,000.00
		(E) 300.00
		c/d 3,700.00
	6,000.00	6,000.00
b/d	3,700.00	

Depr - 20X6				Depr - 20X7			
D			C	D			C
(3)	9,310.12		P&L	(b)	10,051.56		P&L
Acc depr Toyota One				Acc depr Toyota Two			
D			C	D			C
c/d	4,655.06	(3)	4,655.06	c/d	4,655.06	(3)	4,655.06
		b/d	4,655.06			b/d	4,655.06
c/d	9,680.84	(b)	5,025.78	c/d	9,680.84	(b)	5,025.78
	9,680.84		9,680.84		9,680.84		9,680.84
		b/d	9,680.84			b/d	9,680.84
c/d	13,624.65	(A)	3,943.81	(R)	11,772.11	(B)	2,091.27
	13,624.65		13,624.65		11,772.11		11,772.11
		b/d	13,624.65				

Exhibit 1: Accounts

Depr				Realization account TYT2			
D			C	D			C
(A)	3,943.81			(R)	28,000.00	(R)	11,772.11
(B)	2,091.27			(R)	2,000.00	(R)	12,000.00
(F)	3,253.49	P&L	9,288.57			LoD	6,227.89
	9,288.57		9,288.57		30,000.00		30,000.00
Profit and Loss P&L				P, P, E @cost Toyota new			
D			C	D			C
LoD	6,227.89			(C)	30,000.00	(E)	1,500.00
Depr	9,288.57	NL	15,516.46			c/d	28,500.00
	15,516.46		15,516.46		30,000.00		30,000.00
				b/d	28,500.00		
Discount received				Acc depr Toyota new			
D			C	D			C
(E)	1,500.00	(D)	1,800.00	c/d	3,253.49	(F)	3,253.49
(E)	300.00					b/d	3,253.49
	1,800.00		1,800.00				

Exhibit 1: Accounts (continued)

**Claymont Ltd.'s  
REGISTER of NON-CURRENT ASSETS  
as at 31.12.20X8**

Asset	Acquisition	Acc. depr.	Acc. impairm. losses	Carrying amount
Toyota one	28,000.00	(13,624.65)	0.00	14,375.35
Toyota two	28,000.00	(11,722.11)	(6,277.89)	sold
Toyota new	28,500.00	(3,253.49)	0.00	25,246.51
				39,621.86

Exhibit 2: Register on non-current assets as at 31.12.20X8