

**Aufgabe QR-7.12: Revaluation**

(Neubewertung)

On 3.04.20X2 production company BROCKBACH Ltd. bought a machine and paid 151,200.00 EUR. It plans to use the machine 6 years (= useful life). Use straight line method accurate to a month for depreciation. After 3 years (on 3.04.20X5) the machine got broken by accident. Its value is only half of carrying amount on the day before the accident. BROCKBACH Ltd. repaired the machine for 23,000 EUR (net amount) on 5.04.20X5. Its carrying amount is estimated by a qualified valuer to be 46,080.00 EUR directly after the repair. Make a bookkeeping entry along the net replacement method. On 3.04.20X7 BROCKBACH Ltd. sold the machine for 16,200.00 EUR, the amount is the gross value.

**Required: Show P, P, E account, realization account and determine profit and loss from disposal.**

**Lösung (Solution):**

(1) The machine was bought for 151,200.00 EUR. The net amount is  $151,200/120\% = 126,000.00$  EUR.

<b>DR P, P, E</b> .....	<b>126,000.00 EUR</b>
<b>DV VAT</b> .....	<b>25,200.00 EUR</b>
<b>CR Bank</b> .....	<b>151,200.00 EUR</b>

(2) Depreciation for 20X2 is for 9 month only. Depreciation charge =  $9 \cdot 126,000/(6 \cdot 12) = 15,750.00$  EUR.

<b>DR Depr.</b> .....	<b>15,750.00 EUR</b>
<b>CR Acc. Depr.</b> .....	<b>15,750.00 EUR</b>

(3) Depreciation for 20X3 is  $126,000/(6 \cdot 12) = 21,000.00$  EUR.

<b>DR Depr</b> .....	<b>21,000.00 EUR</b>
<b>CR Acc. Depr.</b> .....	<b>21,000.00 EUR</b>

(4) Depreciation for 20X4 is  $126,000/(6 \cdot 12) = 21,000.00$  EUR.

<b>DR Depr</b> .....	<b>21,000.00 EUR</b>
<b>CR Acc. Depr.</b> .....	<b>21,000.00 EUR</b>

(5) Depreciation for 20X5 is  $3 \cdot 126,000/(6 \cdot 12) = 5,250.00$  EUR.

<b>DR Depr</b> .....	<b>5,250.00 EUR</b>
<b>CR Acc. Depr.</b> .....	<b>5,250.00 EUR</b>

(6) The carrying amount before the accident is  $126,000 - 63,000 = 63,000.00$  EUR. Half of that amount is  $63,000/2 = 31,500.00$  EUR. Impairment loss is 31,500.00 EUR.

<b>DR IL</b> .....	<b>31,500.00 EUR</b>
<b>CR Acc. IL</b> .....	<b>31,500.00 EUR</b>

(7) The payment for repair is not relevant for valuation. The bookkeeping entry is linked to the profit and loss account.

<b>DR Repair</b> .....	<b>23,000.00 EUR</b>
<b>DR VAT</b> .....	<b>4,600.00 EUR</b>
<b>CR Bank</b> .....	<b>27,600.00 EUR</b>

(8) Reversal impairment loss  $46,080 - 31,500 = 14,580.00$  EUR:

<b>DR Acc IL</b> .....	<b>14,580.00 EUR</b>
<b>DR Reversal IL</b> .....	<b>14,580.00 EUR</b>

(9) Depreciation (20X5) after the reversal impairment loss is  $9 \cdot 46,080 / (3 \cdot 12) = 11,520.00$  EUR.

<b>DR Depr</b> .....	<b>11,520.00 EUR</b>
<b>CR Acc. Depr.</b> .....	<b>11,520.00 EUR</b>

(10) Depreciation in 20X6 is for the full year.  $46,080/3 = 15,360.00$  EUR.

<b>DR Depr.</b> .....	<b>15,360.00 EUR</b>
<b>CR Acc. Depr.</b> .....	<b>15,360.00 EUR</b>

(11) Depreciation in 20X7 is for 3 month.  $3 \cdot 46,080 / (3 \cdot 12) = 3,840.00$  EUR.

<b>DR Depr.</b> .....	<b>3,840.00 EUR</b>
<b>CR Acc. Depr.</b> .....	<b>3,840.00 EUR</b>

(12) The cash in is posted in the realization account ( $16,200/120\% = 13,500.00$  EUR.):

<b>DR Bank</b> .....	<b>16,200.00 EUR</b>
<b>CR VAT</b> .....	<b>2,700.00 EUR</b>
<b>CR Realization</b> .....	<b>13,500.00 EUR</b>

(13) Offset Acc. Depr. against realization:

<b>DR Acc. Depr.</b> .....	<b>93,720.00 EUR</b>
<b>CR Realization</b> .....	<b>93,720.00 EUR</b>

(15) Offset Acc. impairment loss against the Realization account:

<b>DR Acc. IL</b> .....	<b>16,920.00 EUR</b>
<b>CR Realization</b> .....	<b>16,920.00 EUR</b>

(16) Offset P, P, E against the Realization account:

**DR Realization ..... 126,000.00 EUR**

**CR P, P, E ..... 126,000.00 EUR**

The loss on disposal results from the balancing figure of the Realization account:

D		PPE	C	
(1)	126.000,00	c/d	126.000,00	
b/d	126.000,00	REAL	126.000,00	

D		VAT	C	
(1)	25.200,00	c/d	25.200,00	
b/d	25.200,00	Bank	25.200,00	
(7)	4.600,00	c/d	4.600,00	
b/d	4.600,00	Bank	4.600,00	
c/d	2.700,00	(12)	2.700,00	
		b/d	2.700,00	

D		Bank	C	
c/d	151.200,00	(1)	151.200,00	
VAT	25.200,00	b/d	151.200,00	
c/d	126.000,00			
	151.200,00		151.200,00	
		b/d	126.000,00	
c/d	153.600,00	(7)	27.600,00	
	153.600,00		153.600,00	
VAT	4.600,00	b/d	153.600,00	
c/d	149.000,00			
	153.600,00		153.600,00	
(12)	16.200,00	b/d	149.000,00	

D		Depr. 20X2	C	
(2)	15.750,00	c/d	15.750,00	
b/d	15.750,00	P&L	15.750,00	

D		Acc. Depr.	C	
c/d	15.750,00	(2)	15.750,00	
		b/d	15.750,00	
c/d	36.750,00	(3)	21.000,00	
	36.750,00		36.750,00	

D		Depr. 20X3	C	
(3)	21.000,00	c/d	21.000,00	
b/d	21.000,00	P&L	21.000,00	

D		Depr. 20X5	C	
(5)	5.250,00	c/d	16.770,00	
(9)	11.520,00			
	16.770,00		16.770,00	
b/d	16.770,00	P&L	16.770,00	

D			C	
c/d	57.750,00	(4)	21.000,00	
	57.750,00		57.750,00	
		b/d	57.750,00	
c/d	63.000,00	(5)	5.250,00	
	63.000,00		63.000,00	
		b/d	63.000,00	
c/d	74.520,00	(9)	11.520,00	
	74.520,00		74.520,00	
		b/d	74.520,00	
c/d	89.880,00	(10)	15.360,00	
	89.880,00		89.880,00	
		b/d	89.880,00	
c/d	93.720,00	(11)	3.840,00	
	93.720,00		93.720,00	
REAL	93.720,00	b/d	93.720,00	

D		Acc. IL	C	
(8)	14.580,00	(6)	31.500,00	
c/d	16.920,00			
	31.500,00		31.500,00	
REAL	16.920,00	b/d	16.920,00	

D		Depr. 20X4	C	
(4)	21.000,00	c/d	21.000,00	
b/d	21.000,00	P&L	21.000,00	

D		Depr. 20X5	C	
(5)	5.250,00	c/d	16.770,00	
(9)	11.520,00			
	16.770,00		16.770,00	
b/d	16.770,00	P&L	16.770,00	

D		IL	C	
(6)	31.500,00	c/d	31.500,00	
b/d	31.500,00	P&L	31.500,00	

D		Repair 20X5	C	
(7)	23.000,00	c/d	23.000,00	
b/d	23.000,00	P&L	23.000,00	

D		Reversal IL	C	
c/d	14.580,00	(8)	14.580,00	
P&L	14.580,00	b/d	14.580,00	

D		Realization	C	
PPE	126.000,00	(12)	13.500,00	
		AccDpr	93.720,00	
		AccIL	16.920,00	
		c/d	1.860,00	
	126.000,00		126.000,00	
Lod	1.860,00			

D		Depr. 20X6	C	
(10)	15.320,00	c/d	15.320,00	
b/d	15.320,00	P&L	15.320,00	

D		Depr. 20X7	C	
(11)	3.840,00	c/d	3.840,00	
b/d	3.840,00	P&L	3.840,00	

### Exhibit 1: Accounts