

Aufgabe QR-7.15: Subsequent valuations

(Folgebewertungen)

DURBANVILLE Ltd. runs a machine bought on 8.04.20X1 at a price net of VAT 140,000.00 EUR. Depreciation method is along straight line method over a period of 7 years. On 1.01.20X3 a qualified valuer estimated the machine to be worth 126,000.00 EUR. Assume the revenue in 20X3 is 1,000,000.00 EUR (net amount). All other expenses amount to 800,000.00 EUR and are paid on cash during 20X3. Assume expenses are VAT relevant.

Required: Make all bookkeeping entries for 20X3 and prepare the statement of comprehensive income. Make a net replacement bookkeeping entry for revaluation. Consider depreciation for tax statements to be along straight line method, no revaluation allowed. The income tax rate is 30 %. Deferred taxes are to be considered!

Lösung (Solution):

In 20X1 the bookkeeping entries for acquisition and depreciation are to be made:

(1) Acquisition:

DR P,P,E at cost	140,000.00 EUR
DR VAT	28,000.00 EUR
CR Bank	168,000.00 EUR

(2) Depreciation charge is $(140,000 / (7 \cdot 12)) \cdot 9 = 15,000.00$ EUR.

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

In 20X2 only depreciation is relevant for this task. Depreciation charge is $140,000 / 7 = 20,000.00$ EUR.

(3) Depreciation

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

In 20X3 the bookkeeping entry for the replacement is to be made. It is (4):

DR P,P,E at valuation	126,000.00 EUR
DR Acc. Depr.	35,000.00 EUR
CR P,P,E at cost	140,000.00 EUR
CR Revaluation reserve	21,000.00 EUR

The revaluation requires a provision for deferred taxes, see (5)

DR Revaluation reserve	6,300.00 EUR
CR Deferred taxes	6,300.00 EUR

(6) Depreciation is along the new amount over 63 month: $(126,000/63) \cdot 12 = 24,000.00$ EUR.

DR Depr	24,000.00 EUR
CR Acc. Depr.	24,000.00 EUR

(7) By writing off the value of the machine the Revaluation reserves are to be dissolved. $(6,300/63) \cdot 12 = 1,200.00$ EUR.

DR Deferred taxes	1,200.00 EUR
CR Revaluation reserves	1,200.00 EUR

(8) Dissolving the revaluation reserve is as below:

DR Revaluation reserve	4,000.00 EUR
CR R/E	4,000.00 EUR

(9) Posting revenue:

DR Bank	1,200,000.00 EUR
CR VAT	200,000.00 EUR
CR Revenue	1,000,000.00 EUR

(10) Expenses paid during 20X3:

DR Other expenses	800,000.00 EUR
DR VAT	160,000.00 EUR
CR Bank	960,000.00 EUR

Taxation is along the financial statement for taxation, in particular along the P&L-account for tax. Taxes are for 20X3: $(1,000,000 - 800,000 - 20,000) \cdot 30\% = 54,000.00$ EUR. Along IFRS taxes would be 52,800.00 EUR. In order to adjust the difference in taxation a bookkeeping entry for deferred tax income is made (11):

DR R/E	1,200.00 EUR
CR P&L	1,200.00 EUR

The balancing figure of the R/E earnings account (which has no opening value here for 20X3) amounts to 126,000.00 EUR.

If you compare the entry in the financial statements for taxation the R/E amount is the same: It is $180,000 - 54,000 = 126,000.00$ EUR.

Observe the accounts for detailed information:

D		PPE at cost	C	
(1)	140.000,00	c/d	140.000,00	
b/d	140.000,00	(4)	140.000,00	
D		VAT	C	
(1)	28.000,00	c/d	28.000,00	
b/d	28.000,00	Bank	28.000,00	
(10)	160.000,00	(9)	200.000,00	
c/d	40.000,00	(9)	200.000,00	
	200.000,00	b/d	40.000,00	
D		Bank	C	
c/d	168.000,00	(1)	168.000,00	
VAT	28.000,00	b/d	168.000,00	
c/d	140.000,00			
	168.000,00			
(9)	1.200.000,00	b/d	140.000,00	
		(10)	960.000,00	
		c/d	100.000,00	
			1.200.000,00	
b/d	100.000,00			
D		Depr 20X1	C	
(2)	15.000,00	P&L	15.000,00	
D		Acc. Depr.	C	
c/d	15.000,00	(2)	15.000,00	
		b/d	15.000,00	
c/d	35.000,00	(3)	20.000,00	
	35.000,00		35.000,00	
(4)	35.000,00	b/d	35.000,00	
D		Depr 20X2	C	
(3)	20.000,00	P&L	20.000,00	
D		PPE at val	C	
(4)	126.000,00			
D		Rev Res	C	
(5)	6.300,00	(4)	21.000,00	
(8)	4.000,00	(7)	1.200,00	
c/d	11.900,00			
	22.200,00		22.200,00	
		b/d	11.900,00	
D		Def Tax	C	
(7)	1.200,00	(5)	6.300,00	
D		Depr 20X3	C	
(6)	24.000,00	P&L	24.000,00	
D		Acc. Depr. (new)	C	
c/d	24.000,00	(6)	24.000,00	
		b/d	24.000,00	
D		R/E	C	
(11)	1.200,00	(8)	4.000,00	
c/d	126.000,00		123.200,00	
	127.200,00		127.200,00	
		b/d	126.000,00	
D		Revenue 20X3	C	
P&L	1.000.000,00	(9)	1.000.000,00	
D		Other expenses	C	
(10)	800.000,00	P&L	800.000,00	
D		P&L 20X3	C	
Depr	24.000,00	Rev	1.000.000,00	
Other	800.000,00			
EBT	176.000,00			
	1.000.000,00		1.000.000,00	
Tax	54.000,00		176.000,00	

Exhibit 1: Accounts

Durbanville Ltd's STATEMENT of COMPREHENSIVE INCOME

	20X3 [EUR]	20X2 [EUR]
Revenue	1.000.000,00	
Other income		
Changes in inventory of finished goods and work in progress		
Work performed by the entity and capitalized		
<i>Total</i>	<u>1.000.000,00</u>	
Raw material and consumables used		
Employee benefits expense		
Depreciation and amortisation expense	(24.000,00)	
Impairment of property, plant and equipment		
Other expenses	(800.000,00)	
Finance costs		
Share of profit of associates		
Profit before taxation	<u>176.000,00</u>	
Income tax expenses	(54.000,00)	
Deferred tax income/expense	<u>1.200,00</u>	
Profit for the period	<u>123.200,00</u>	

Exhibit 2: Statement of comprehensive income