

**Aufgabe QR-7.16: Revaluation**

(Folgebewertung)

MOFFERT Ltd. is a diving school. They offer courses and rent diving equipment to the sportsmen. For that reason they have 56 wetsuits and 56 oxygen-bottles on stock. They bought half of them in 1/20X4 the other half in 1/20X5. MOFFERT uses wetsuits and oxygen-bottles 2 years (useful life). After that period MOFFERT replaces the assets by new ones. The cost of acquisition for a wetsuit are 96.00 EUR/p and for the oxygen-bottle 72.00 EUR/p. Cost of acquisition is along IAS 2 the amount net of VAT. You have to consider VAT in order to determine the price paid. At the end of 20X5 a market research study reveals that the prices for wetsuits increased by 25%. The price for oxygen-bottles remains unchanged. For that reason MOFFERT Ltd. revalued all the wetsuits on the 31.12.20X5. On 1.01.20X6 MOFFERT bought 28 wetsuits at a price net of VAT 120.00 EUR/p (consider VAT) and sold the wetsuits bought in 20X4 at a gross amount 42.00 EUR/p. The wetsuits bought in 20X5 are still in use at the balance sheet date 20X6. Consider straight line method for depreciation. The residual value for wetsuits is 20.00 EUR/p for oxygen-bottles it is 50.00 EUR/p. The oxygen bottles sold in 20X6 were sold at their carrying amount. The carrying amount is net of VAT but you have to consider VAT for the sales (Add VAT in order to determine the price.).

In 20X6 MOFFERT Ltd. made a gross revenue resulting from diving lessons and rent outs 480,000.00 EUR. The expenses for instructors and administration were 302,000.00 EUR.

**Required: Set up a register of non-current assets as at 31.12.20X6. Make all bookkeeping entries for PPE, VAT, depreciation, accumulated depreciation, revaluation reserves, deferred taxes. Use for revaluation a gross replacement bookkeeping entry. Set up a statement of comprehensive income for 20X6, no comparative information required.**

**Lösung (Solution):**

The solution starts with the opening values as at 1.01.20X5.

The opening values for PPE – wetsuits is  $56 \cdot 96 = 5,376.00 \text{ EUR}$ .

The opening values for PPE – oxygen-bottles is  $56 \cdot 72 = 4,032.00 \text{ EUR}$ .

The opening value for accumulated depreciation on wetsuits is  $0.5 \cdot (5,376 - (56 \cdot 20)) / 2 = 1,064.00 \text{ EUR}$ .

The opening value for oxygen-bottles is  $0.5 \cdot (4,032 - (56 \cdot 50)) / 2 = 308.00 \text{ EUR}$ .

In 20X5 depreciation is relevant for wetsuits and for oxygen-bottles.

(1) Depreciation on all wetsuits  $(5,376 - (56 \cdot 20)) / 2 = 2,128.00 \text{ EUR}$

<b>DR Depr. ....</b>	<b>2,128.00 EUR</b>
<b>CR Acc. Depr. ....</b>	<b>2,128.00 EUR</b>

(2) Depreciation on all oxygen-bottles  $(4,032 - (56 \cdot 50))/2 = 616.00$  EUR.

<b>DR Depr</b> .....	<b>616.00 EUR</b>
<b>CR Acc. Depr.</b> .....	<b>616.00 EUR</b>

(3) The revaluation is relevant for all wetsuits, even as half of them are written off already. The amounts are for P, P, E at valuation  $56 \cdot 96 \cdot 125\% = 6,720.00$  EUR. Accumulated depreciation on the wetsuits increases by the revaluation at  $1.5 \cdot 56 \cdot ((120 - 20)/2 - (96 - 20)/2) = 1,008.00$  EUR. The amount for P, P, E at cost is just 5,376 and the revaluation reserve amounts to  $0.5 \cdot 12 \cdot 56 = 336.00$  EUR.

<b>DR P, P, E at valuation</b> .....	<b>6,720.00 EUR</b>
<b>CR Acc. Depr.</b> .....	<b>1,008.00 EUR</b>
<b>CR P, P, E at cost</b> .....	<b>5,376.00 EUR</b>
<b>CR Revaluation reserves</b> .....	<b>336.00 EUR</b>

(4) The revaluation of half of the wetsuits requires to put 30% of the revaluation reserves in an account for deferred taxes.

<b>DR Revaluation reserves</b> .....	<b>100,80 EUR</b>
<b>CR Deferred tax provision</b> .....	<b>100,80 EUR</b>

(In exhibit 34 the accounts were balanced off at the end of year 20X5)

In 20X6 half of the wetsuits get sold. The wetsuits sold are not linked to the revaluation reserve.

(5) The profit on disposal results out of the realization account:

<b>DR Bank</b> .....	<b>1,176.00 EUR</b>
<b>CR VAT</b> .....	<b>196.00 EUR</b>
<b>CR Realization</b> .....	<b>980.00 EUR</b>
<b>DR Realization</b> .....	<b>3,360.00 EUR</b>
<b>CR P, P, E at valuation</b> .....	<b>3,360.00 EUR</b>
<b>DR Acc. Depr.</b> .....	<b>2,800.00 EUR</b>
<b>CR Realization</b> .....	<b>2,800.00 EUR</b>
<b>DR Realization</b> .....	<b>420.00 EUR</b>
<b>CR P&amp;L</b> .....	<b>420.00 EUR</b>

(6) Disposal of oxygen-bottles

<b>DR Bank</b> .....	<b>1,680.00 EUR</b>
<b>CR VAT</b> .....	<b>280.00 EUR</b>
<b>CR Realization</b> .....	<b>1,400.00 EUR</b>
<b>DR Realization</b> .....	<b>2,016.00 EUR</b>
<b>CR P, P, E at cost</b> .....	<b>2,016.00 EUR</b>
<b>DR Acc. Depr.</b> .....	<b>616.00 EUR</b>
<b>CR Realization</b> .....	<b>616.00 EUR</b>

(7) Acquisition of new wetsuits, gross amount:  $120 \cdot 120\% \cdot 28 = 4,032.00$  EUR.

<b>DR P, P, E at cost</b> .....	<b>3,360.00 EUR</b>
<b>DR VAT</b> .....	<b>672.00 EUR</b>
<b>CR Bank</b> .....	<b>4,032.00 EUR</b>

(8) Acquisition of new oxygen-bottles, gross amount  $72 \cdot 120\% \cdot 28 = 2,419.20$  EUR.

<b>DR P, P, E at cost</b> .....	<b>2,016.00 EUR</b>
<b>DR VAT</b> .....	<b>403.20 EUR</b>
<b>CR Bank</b> .....	<b>2,419.20 EUR</b>

(9a) Depreciation on wetsuits, all together  $56 \cdot (120 - 20)/2 = 2,800.00$  EUR.

<b>DR Depr.</b> .....	<b>2,800.00 EUR</b>
<b>CR Acc. Depr.</b> .....	<b>2,800.00 EUR</b>

(9b) Depreciation on oxygen-bottles, all together:  $56 \cdot (72 - 50)/2 = 616.00$  EUR

<b>DR Depr</b> .....	<b>616.00 EUR</b>
<b>CR Acc. Depr.</b> .....	<b>616.00 EUR</b>

(10) The depreciation on wetsuits requires to dissolve the revaluation reserve for the 28 wetsuits bought in 20X5 and revalued at the end of 20X5.

<b>DR Revaluation reserve</b> .....	<b>336.00 EUR</b>
<b>CR Retained earnings</b> .....	<b>336.00 EUR</b>
<b>DR Deferred tax provision</b> .....	<b>100,80 EUR</b>
<b>CR Revaluation reserves</b> .....	<b>100,80 EUR</b>

(11) Sales

<b>DR Bank</b> .....	<b>480,000.00 EUR</b>
<b>CR VAT</b> .....	<b>80,000.00 EUR</b>
<b>CR Sales revenue</b> .....	<b>400,000.00 EUR</b>

(12) Labour resulting from instructors and admin workers

<b>DR Labour</b> .....	<b>302,000.00 EUR</b>
<b>CR Bank</b> .....	<b>302,000.00 EUR</b>

See for calculation of profit exhibit 34. The amount for taxation results from the income statement for taxation. Income tax is different to the commercial financial statements. It amounts to  $[400,000 + 420 - 302,000 - 28 \cdot (96 - 20)/2 - 28 \cdot (120 - 20)/2 - 56 \cdot (72 - 50)/2] \cdot 30\% = 28,602.00 \text{ EUR}$ .

(13) In the statement of comprehensive income a deferred tax expense is to be displayed. It amounts to  $20,602 - 30\% \cdot 95,004 = 100,80 \text{ EUR}$ .

<b>DR R/E</b> .....	<b>100.80 EUR</b>
<b>CR Deferred tax expense (P&amp;L)</b> .....	<b>100.80 EUR</b>

D				PPE				C				D				Acc. Depr.				C				D				Depr-20X5				C											
OV				5.376,00				(3)				5.376,00								OV				1.064,00				(1)				2.128,00				P&L-5				2.744,00			
OV				4.032,00				c/d				4.032,00								OV				308,00				(2)				616,00											
				<u>9.408,00</u>								<u>9.408,00</u>								(1)				2.128,00								<u>2.744,00</u>				<u>2.744,00</u>							
b/d				4.032,00				(6b)				2.016,00								(2)				616,00																			
(7)				3.360,00																(3)				1.008,00																			
(8)				2.016,00				c/d				7.392,00				c/d				<u>5.124,00</u>				<u>5.124,00</u>																			
				<u>9.408,00</u>								<u>9.408,00</u>								(5c)				2.800,00				b/d				5.124,00											
b/d				7.392,00																(6c)				616,00				(9a)				2.800,00											
																				c/d				<u>5.124,00</u>				(9b)				616,00											
																								<u>8.540,00</u>				<u>8.540,00</u>															
																												b/d				5.124,00											

## Exhibit 1: Accounts

The register of non-current assets is displayed in exhibit 2:

**Moffert Ltd's  
REGISTER OF NON-CURRENT ASSETS  
as at 31.12.20X6**

<b>Item</b>	<b>Cost/ Valuation</b>	<b>Acc. Depreciation</b>	<b>Acc. Impairment Loss</b>	<b>Carrying Amount</b>
	[EUR]	[EUR]	[EUR]	[EUR]
wetsuits-20X5	3.360,00	(2.800,00)	0,00	560,00
wetsuits-20X6	3.360,00	(1.400,00)	0,00	1.960,00
oxygen-20X5	2.016,00	(616,00)	0,00	1.400,00
oxygen-20X6	2.016,00	(308,00)	0,00	1.708,00
				<u>5.628,00</u>

**Exhibit 2:** Register of non-current assets

**Moffert Ltd's  
STATEMENT of COMPREHENSIVE INCOME  
for 20X6**

	<b>20X6</b>
	[EUR]
Revenue	400.000,00
Other Income	420,00
Changes in Inventory of Finished Goods and Work in Progress	
Work Performed by the Entity and Capitalized	<u>400.420,00</u>
Raw Material and Consumables Used	
Employee Benefits Expense	(302.000,00)
Depreciation and Amortisation Expense	(3.416,00)
Impairment of Property, Plant and Equipment	
Other Expenses	
Finance Costs	
Share of Profit of Associates	
Profit Before Taxation (EBT)	<u>95.004,00</u>
Income Tax Expenses	(28.602,00)
Deferred Tax Income/Expense	<u>100,80</u>
Profit for the Period (EAT)	<u>66.502,80</u>

**Exhibit 3:** Statement of comprehensive income