

Task IM-7.27: Exercise on Revaluation**(Neubewertung)**

TINNEN (Pty) Ltd. uses a digging machine bought on 1.01.20X3 at a cost price 80,000.00 EUR (VAT not included).

The business intends to use the digger for 5 years, depreciation is along declining method. TINNEN depreciates 1.67%/m of the carrying amount. (Monthly depreciation)

On the 1.07.20X4 a qualified expert estimates the digger's fair market value amount to be 75,000.00 EUR. The accountant makes a bookkeeping entry for revaluation and applies the net replacement method. Depreciation from 1.07.20X4 is along the revalued amount as for the commercial financial statements. The tax law doesn't allow a revaluation. Pls, note that depreciation charge cannot be 10 % of the carrying amount for the second half of 20X4 as the new carrying amount is valid from 1.07.20X4 onwards only! Even without revaluation depreciation charge is not 10 % of the carrying amount as at 1.07.20X4.

In both years TINNEN's expenses besides depreciation were 60,000.00 EUR (net amount) and the business earned a revenue 140,000.00 EUR (net amount). Don't draw a VAT account for this task. Do not consider an appropriation of profit both years.

Required: Prepare the PPE-relevant T-Accounts for TINNEN in 20X3 and 20X4. Prepare an income statement or a P&L Account, a register of non-current assets and a statement of reconciliation of carrying amounts for the digging machine. Consider deferred taxes at a total income tax rate 30 %.

TINNEN (Pty) Ltd. kauft am 1.01.20X3 einen Bagger zu einem Preis von 80.000,00 EUR netto.

Das Unternehmen plant den Bagger für 5 Jahre zu nutzen, die Abschreibung findet nach degressiver Abschreibung statt. TINNEN schreibt jeden Monat 1,67% des Buchwerts ab. Am 1.07. 20X4 stellt ein beglaubigter Gutachter fest, dass der Wert des Baggers 75.000,00 EUR sein müsste. Der Buchhalter veranlaßt darauf eine Neubewertung nach der Net Replacement Bookkeeping Methode. Die Abschreibung vom 1.07.20X4 ist für den handelsrechtlichen Jahresabschluss nach dem neubewerteten Betrag. Das Steuergesetz erlaubt keine Neubewertung. Beachten Sie, dass im zweiten Teil des Jahres die Abschreibung nicht 10 % des Buchwerts sein kann, da der neue Buchwert zur Jahresmitte gilt! Auch ohne Neubewertung ist der Abschreibungsbetrag nicht 10 % des Buchwerts vom 1.07.20X4.

In beiden Jahren hat TINNEN neben der Abschreibung 60.000,00 EUR netten Aufwand und erwirtschaftet einen Umsatz von 140.000,00 EUR (netto). Sie brauchen kein Umsatzsteuerkonto zu zeichnen. Berücksichtigen Sie keine Verwendung des Ergebnisses.

Gefragt: Erstellen Sie die anlagevermögenswirksamen Konten für TINNEN in 20X3 und 20X4. Erstellen Sie eine Gewinn- und Verlustrechnung oder ein GuV-Konto, einen Anlagespiegel und eine Überleitungsrechnung für den Bagger. Berücksichtigen Sie latente Steuern mit einem Gesamtsteuersatz für Steuern vom Einkommen und Ertrag in Höhe von 30 %.

Solution:

The amount after the first year on 31.12.20X3 amounts to $80,000 \cdot (1 - 1.67\%)^{12} = \mathbf{65,361.57 \text{ EUR}}$. Depreciation accordingly is $80,000 - 65,361.57 = \mathbf{14,638.43 \text{ EUR}}$.

After the next half year the amount is: $80,000 \cdot (1 - 1.67\%)^{18} = \mathbf{59,079.76 \text{ EUR}}$. The same amount is obtained by: $65,361.57 \cdot (1 - 1.67\%)^6$. Depreciation for Jan ... June 20X4 amounts to $65,361.57 - 59,079.76 = \mathbf{6,281.81 \text{ EUR}}$.

Bookkeeping entry for revaluation along the net replacement method is:

DR P, P, E at valuation	75,000.00 EUR
DR Acc. Depr.	20,920.24 EUR
CR P, P, E at cost	80,000.00 EUR
CR Rev. Reserves	15,920.24 EUR
DR Rev. Reserves	4,776.07 EUR
CR Provisions	4,776.07 EUR

The amount for depreciation in the next half year amounts to $75,000 \cdot (1 - 1.67\%)^6 = \mathbf{67,791.85 \text{ EUR}}$. Depreciation for the 2nd half year along IFRSs is $75,000 - 67,791.85 = \mathbf{7,208.15 \text{ EUR}}$. The percentage of this portion is $7,208.15/75,000 = \mathbf{9.61\%}$. The company has to dissolve 9.61 % of their provisions (= deferred tax liabilities) and revaluation reserves. $9.61\% \cdot 4,776.07 = \mathbf{458.98 \text{ EUR}}$. After that the revaluation reserves get dissolved by the same percentage: $9.61\% \cdot 15,920.24 = \mathbf{1,529.94 \text{ EUR}}$.

Without revaluation the amount would have been $80,000 \cdot (1 - 1.67\%)^{24} = \mathbf{53,401.68 \text{ EUR}}$. Depreciation along tax law for 20X4 is: $65,361.57 - 53,401.68 = \mathbf{11,959.89 \text{ EUR}}$.

See commercial accounts as below.

PPE @Cost				Cash/Bank				Depr (20X3)			
D		C		D		C		D		C	
(1)	80,000.00	c/d	80,000.00	(4)	140,000.00	(1)	80,000.00	(2)	14,638.43	c/d	14,638.43
b/d	80,000.00	NRB	80,000.00			(3)	60,000.00	b/d	14,638.43		
					140,000.00		140,000.00				
				(c)	140,000.00	(a)	19,608.47				
						(b)	60,000.00				
						c/d	60,391.53				
					140,000.00		140,000.00				
				b/d	60,391.53						

Acc Depr				Expenses (20X3)				Revenue (20X3)			
D		C		D		C		D		C	
c/d	14,638.43	(2)	14,638.43	(3)	60,000.00	c/d	60,000.00	c/d	140,000.00	(4)	140,000.00
		b/d	14,638.43	b/d	60,000.00	P&L	60,000.00	P&L	140,000.00	b/d	140,000.00
NRB	20,920.24	(d)	6,281.81								
	20,920.24		20,920.24								
c/d	7,208.15	(h)	7,208.15								
		b/d	7,208.15								

P&L (20X3)				ITL				R/E			
D		C		D		C		D		C	
Exp	60,000.00	Sales	140,000.00	c/d	19,608.47	P&L	19,608.47	c/d	45,753.10	P&L	45,753.10
Depr	14,638.43			(a)	19,608.47	b/d	19,608.47	DTI	459.02	b/d	45,753.10
NP	65,361.57			c/d	20,412.03	P&L	20,412.03	(g)	1,529.93		1,529.93
	140,000.00		140,000.00		40,020.50		40,020.50	c/d	93,381.04	P&L	46,557.03
ITL	19,608.47	b/d	65,361.57			b/d	20,412.03		93,840.06		93,840.06
R/E	45,753.10									b/d	93,381.04
	65,361.57		65,361.57								

Expenses (20X4)				Revenue (20X4)				Depr (20X4)			
D		C		D		C		D		C	
(b)	60,000.00	c/d	60,000.00	c/d	140,000.00	(c)	140,000.00	(d)	6,281.81		
b/d	60,000.00	P&L	60,000.00	P&L	140,000.00	b/d	140,000.00	(h)	7,208.15	c/d	13,489.96
									13,489.96		13,489.96
								b/d	13,489.96		

PPE @val				Rev Res				Provisions			
D		C		D		C		D		C	
NRB	75,000.00	c/d	75,000.00	(e)	4,776.07	NRB	15,920.24	(f)	458.98	(e)	4,776.07
b/d	75,000.00			(g)	1,529.94	(f)	458.98	c/d	4,317.09		
				c/d	10,073.21				4,776.07		4,776.07
					16,379.22		16,379.22			b/d	4,317.09
						b/d	10,073.21				

P&L				P&L-Taxation			
D		C		D		C	
Exp	60,000.00	Sales	140,000.00	Exp	60,000.00	Sales	140,000.00
Depr	13,489.96			Depr	11,959.89		
NP	66,510.04			NP	68,040.11		
	140,000.00		140,000.00		140,000.00		140,000.00
ITL	20,412.03	b/d	66,510.04	ITL	20,412.03	b/d	68,040.11
R/E	46,557.03	DTI	459.02	R/E	47,628.08		
	66,969.06		66,969.06		68,040.11		68,040.11

Exhibit 1: Accounts

In 20X4 the income taxes amount to $0.3 \cdot (140,000 - 60,000 - 11,959.89) = \mathbf{20,412.00 \text{ EUR}}$. The amount transferred to R/E is accordingly: $0.7 \cdot (140,000 - 60,000 - 11,959.89) = \mathbf{47,628.08 \text{ EUR}}$. The same amount results from R/E based on the commercial financial statements if you deduct the 20X3 amount: $93,381.04 - 45,753.10 = \mathbf{47,627.94 \text{ EUR}}$. Ignore the rounding difference.

**Tinnen (Pty) Ltd's
REGISTER OF NON-CURRENT ASSETS
as at 31.12.20X3**

Item	Cost/ Valuation [EUR]	Acc. Depreciation [EUR]	Acc. Impairment Loss [EUR]	Carrying Amount [EUR]
Vans	80.000,00	(14.638,43)	0,00	<u>65.361,57</u> <u>65.361,57</u>

Exhibit 2: Register of non-current assets

**Tinnen (Pty) Ltd's
REGISTER OF NON-CURRENT ASSETS
as at 31.12.20X4**

Item	Cost/ Valuation [EUR]	Acc. Depreciation [EUR]	Acc. Impairment Loss [EUR]	Carrying Amount [EUR]
Vans	75.000,00	(7.208,15)	0,00	<u>67.791,85</u> <u>67.791,85</u>

Exhibit 3: Register of non-current assets

RECONCILIATION OF CARRYING AMOUNTS

	20X4 [EUR]	20X3 [EUR]
Carrying Amount beginning of year	65.361,57	80.000,00
Revaluation	15.920,24	0,00
Impairment loss		0,00
Depreciation	<u>(13.489,96)</u>	<u>(14.638,43)</u>
Carrying Amount as at 31.12.	<u>67.791,85</u>	<u>65.361,57</u>

Exhibit 4: Reconciliation statement

In order to check the results we can prepare the bookkeeping entries monthwise:

Exhibit 5: Accounts with consideration of detailed depreciation

depreciation-20X4			R/E			
D		C	D		C	
(A)	1,091.54		P&L	459.02	R/E	1,530.07
(B)	1,073.31		c/d	47,628.08		46,557.03
(C)	1,055.39			48,087.10		48,087.10
(D)	1,037.76				b/d	47,628.08
(E)	1,020.43					
(F)	1,003.39					
(G)	1,252.50					
(H)	1,231.58					
(I)	1,211.02					
(J)	1,190.79					
(K)	1,170.91					
(L)	1,151.35	P&L				
	13,489.96					
		13,489.96				

Revaluation reserves			Liabilities for deferred taxes			
D		C	D		C	
R2	4,776.07	Repl (58,620.74)	RR	459.02	R2	4,776.07
R/E	1,530.07	DT	459.02			
c/d	10,073.12		c/d	4,317.05		4,776.07
	16,379.26	(58,161.72)		4,776.07	b/d	4,317.05
		10,073.12				

Profit and Loss			Profit and loss account taxation				
D		C	D		C		
Depr	13,489.96	Rev	140,000.00	Depr	0.00	Rev	140,000.00
other ex	60,000.00			other ex	60,000.00		
EBTc/d	66,510.04			EBTc/d	68,040.11		140,000.00
	140,000.00	140,000.00		128,040.11		140,000.00	
ITL	20,412.03	b/d	66,510.04	ITL	20,412.03		68,040.11
R/E	46,557.03	R/E	459.02	R/E	47,628.08		68,040.11
	66,969.06	66,969.06		68,040.11		68,040.11	

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hibit 5: Accounts with consideration of detailed depreciation (continued)