

Task IM-7.42: Exercise on Revaluations**(Neubewertung)**

EDEN Ltd. is a surf school and is based on shares. (The company was established on 1.01.20X1 by a share issue of 10,000 shares at 5.00 EUR/share face value. The issue price is 5.00 EUR/share as well.)

EDEN Ltd. runs 30 surf boards and 40 kites-and-boards. The surfboards were bought on 1.01.20X5 at 200.00 EUR each. The kite-and-board units were bought on 1.01.20X6 for 450.00 EUR each. All boards and kites are written off along straight line method over an useful life of 3 years. No salvage value. EDEN Ltd. bought on 1.01.20X6 2 compressor pumps for pumping the kites at 1,300.00 EUR each. Pumps have an useful life of 5 years. Their depreciation is along declining method at 15 %/annum. Apply monthly depreciation with a depreciation rate of 15%/12.

In 20X6 12 surfboards are sold at 145.00 EUR each on 30.06.20X6. At the same time 12 new boards are bought at 220.00 EUR each. (The price increase does not trigger a revaluation.)

On 1.08.20X6 1 kite-and-board unit is damaged on a transport and is of no value thereafter. EDEN Ltd. replaces the kite-and-board unit by a new one which is bought at 500.00 EUR. The supplier offers a 10 %-discount on the kite-and-surf unit.

On 1.10.20X6 the accountant revalues the compressor pumps as she learns that pumps are traded now at 1,500.00 EUR/unit.

Assume that the difference of revenue and admin amounts to 56,000.00 EUR in 20X6. For the profit calculation it is required to consider depreciation still.

Required: Prepare the PPE-relevant T-accounts for EDEN Ltd. in 20X6. Prepare, a register of non-current assets and a reconciliation statement for the asset groups (1) surfboards, (2) kite-and-board-unit and (3) compressor pumps. Prepare an income statement. All transactions are on cash. Ignore VAT.

EDEN Ltd. ist eine Surfschule auf Aktienbasis. (Das Unternehmen wurde am 1.01.20X1 durch ausgabe von 10.000 Aktien zu einem Nennwert von 5,00 EUR gegründet. Der Bezugskurs war auch 5,00 EUR/Aktie.

EDEN Ltd. setzt 30 Surfboards und 40 Kite-Board-Einheiten ein. Die Surfboards wurden am 1.01.20X5 zu jeweils 200,00 EUR gekauft. Die Kite-Board-Einheiten wurden am 1.01.20X6 für je 450,00 EUR gekauft. Alle boards und Kites werden nach linearer Abschreibungsmethode über eine Nutzungsdauer von 3 Jahren abgeschrieben. Es gibt keinen Restbuchwert. EDEN Ltd. kauft am 1.01.20X6 zwei Kompressorumpen um die Kites aufzublasen. Sie kosten jeweils 1.300,00 EUR. Die Pumpen haben eine Lebensdauer von 5 Jahren. Sie werden nach degressiver Abschreibung zu 15 %/Jahr abgeschrieben. Wenden Sie monatliche Abschreibung mit einer Rate von 15 %/12 an.

In 20X6 werden 12 Surfboards zu jeweils 145,00 EUR am 30.06.20X6 verkauft. Zur gleichen Zeit werden 12 neue Surfboards zu jeweils 220,00 EUR angeschafft. Die Preissteigerung führt nicht zu einer Neubewertung.)

Am 1.08.20X6 wird eine Kite-Board-Einheit beim Transport beschädigt und wird wertlos. EDEN Ltd. ersetzt die Kite-Board-Einheit durch eine neue, die für 500,00 EUR gekauft wird. Der Händler bietet einen 10 %tigen Rabatt auf die Kite-Board-Einheit.

Am 1.10.20X6 erfährt der Controller, dass Pumpen jetzt zu 1.500,00 EUR/Stück gehandelt werden und bewertet die Pumpen entsprechend neu.

Nehmen Sie an, die Differenz zwischen Umsatz und Verwaltungskosten betrage in 20X6 56.000,00 EUR. Um den Gewinn zu bestimmen, müssen Sie die Abschreibung noch berücksichtigen.

Gefordert: Erstellen Sie anlagevermögensrelevante Konten für EDEN Ltd. in 20X6. Erstellen Sie eine Gewinn- und Verlustrechnung. Alle Geschäftsvorfälle finden bar statt. Ignorieren Sie die Umsatzsteuer.

Solution:

For the solution 3 P, P, E accounts are in use. On 1.01.20X6 the amounts for the surfboards are: $30 \times 200 = 6,000.00$ EUR. Accumulated depreciation on surfboards is $6,000 / 3 = 2,000.00$ EUR.

(1) Acquisition of kite-and-board-units: $40 \times 450 = 18,000.00$ EUR.

| | |
|--|----------------------|
| DR P, P, E - kite-and-board | 18,000.00 EUR |
| CR Cash/Bank | 18,000.00 EUR |

(2) Acquisition of compressor pumps: $2 \times 1,300 = 2,600.00$ EUR.

| | |
|--------------------------------|---------------------|
| DR P, P, E - pump | 2,600.00 EUR |
| CR Cash/Bank | 2,600.00 EUR |

(3) Depreciation on the surfboards: $18 \times 200 / 3 = 1,200.00$ EUR. Depreciation on the surfboards for the sold boards: $(12 \times 200 / 3) \times 50 \% = 400.00$ EUR.

| | |
|--|-----------------------|
| DR Depreciation | 1,200.00 EUR |
| CR Acc Depreciation - Surfboard | 1,200.00 EUR |
| DR Depreciation | 400.00 EUR |
| CR Acc Depreciation - Surfboard | 400.00 EUR |

(5) Sale of 12 surfboards on 30.06.20X6. The sale is recorded by a Realization account for the disposal. Accumulated depreciation per surfboard is on 30.06.20X6: $(12 \times 200 / 36) \times 18 = 1,200.00$ EUR.

| | |
|---|-------------------------|
| DR Realization | 2,400.00 EUR |
| CR P, P, E - Surfboard | 2,400.00 EUR |
| DR Acc Depr. - Surfboard | 1,200.00 EUR |
| CR Realization | 1,200.00 EUR |

| | |
|-----------------------------|---------------------|
| DR Cash/Bank | 1,740.00 EUR |
| CR Realization | 1,740.00 EUR |

(6) Acquisition of 12 new surfboards: $12 \times 220 = 2,640.00$ EUR.

| | |
|-------------------------------------|---------------------|
| DR P, P, E – Surfboard | 2,640.00 EUR |
| CR Cash/Bank | 2,640.00 EUR |

(7) Depreciation on the new surfboards: $50\% \times 12 \times 220 / 3 = 440.00$ EUR.

| | |
|---------------------------------------|-------------------|
| DR Depreciation | 440.00 EUR |
| CR Acc Depr. – Surfboard | 440.00 EUR |

(8) Depreciation on the 39 kite-and-board-units: $39 \times 450 / 3 = 5,850.00$ EUR.

| | |
|--|---------------------|
| DR Depreciation | 5,850.00 EUR |
| CR Acc Depr. – Kite-and-Board | 5,850.00 EUR |

(9) Depreciation on the damaged kite-and-board-unit for 7 months. The depreciation amounts to $7 \times 450 / 36 = 87.50$ EUR.

| | |
|--|------------------|
| DR Depreciation | 87.50 EUR |
| CR Acc Depr. – Kite-and-Board | 87.50 EUR |

(10) Impairment loss of the kite-and-board-unit damaged: Impairment loss amounts to $450 - 87.50 = 362.50$ EUR.

| | |
|---|-------------------|
| DR Impairment Loss | 362.50 EUR |
| CR Acc IL – kite-and-board | 362.50 EUR |

(11) Replacement of the kite-and-board-unit at $(1 - 10\%) \times 500 = 450.00$ EUR.

| | |
|--|-------------------|
| DR P, P, E – kite-and-board | 450.00 EUR |
| CR Cash/Bank | 450.00 EUR |

(12) Depreciation on the new kite-and-board-unit: $5 \times 450 / 36 = 62.50$ EUR.

| | |
|--|------------------|
| DR Depreciation | 62.50 EUR |
| CR Acc Depr. – Kite-and-Board | 62.50 EUR |

(13) Carrying value after 9 months' depreciation on pumps: $1,300 \times (1 - (15\%/12))^{12} = 1,117.86$ EUR. The depreciation on both pumps amounts to $2 \times (1,300 - 1,117.86) = 364.28$ EUR.

| | |
|------------------------------|-------------------|
| DR Depreciation | 364.28 EUR |
| CR Cash/Bank | 364.28 EUR |

(14) Revaluation of the pumps should be recorded by a gross replacement bookkeeping entry. The amount to be credited to the Accumulated Depreciation – Pump account is $2 \times (1,500 - 1,500 \times (1 - (15\%/12))^9) - 139.15 = 42.80 \text{ EUR}$.

| | |
|--|-------------------------|
| DR P, P, E @ valuation | 3,000.00 EUR |
| CR Acc Depr. – Pump | 42.80 EUR |
| CR P, P, E @ cost | 2,600.00 EUR |
| CR Revaluation Reserves | 357.20 EUR |

(15) Deferred taxes to be considered: $30\% \times 357.20 = 107.16 \text{ EUR}$.

| | |
|--|-----------------------|
| DR Deferred Tax Liabilities | 107.16 EUR |
| CR Revaluation Reserves | 107.16 EUR |

(16) 3 months' depreciation on pumps. The carrying amount on 1.10.20X6 is $2 \times 1,500 \times (1 - (15\%/12))^9 = 2,678.89$. Depreciation is: $2,678.89 - 2,678.89 \times (1 - (15\%/12))^3 = 99.21 \text{ EUR}$. The depreciation charge is a percentage of $99.21 / 2,678.89 = 3.70\%$.

| | |
|-------------------------------------|----------------------|
| DR Depreciation | 99.21 EUR |
| CR Acc Depr – Pump | 99.21 EUR |

(17, 18) Deferred tax liabilities and revaluation reserves are reduced by 3.7 %. Deferred tax reduction is $3.7\% \times 107.16 = 3.96 \text{ EUR}$. Revaluation reserves reduction amounts to $3.7\% \times 357.20 = 13.22 \text{ EUR}$.

| | |
|--|--------------------------|
| DR Deferred Tax Liabilities | 3.96 EUR |
| CR Revaluation Reserves | 3.96 EUR |
| DR Revaluation Reserves | 13.22 EUR |
| CR Retained Earnings | 13.22 EUR |

(19) Profit without consideration of depreciation is recorded by bookkeeping entry 19. The contra entry is the Cash/Bank account:

| | |
|---|--------------------------|
| DR Cash/Bank | 56,000.00 EUR |
| CR Profit and Loss Account | 56,000.00 EUR |

Depreciation along the tax statements is lower to an extent of $278.30 + 111.10 - (2600 - (2 \times 1,300 \times (1 - (15\%/12))^{12})) = 278.30 + 99.21 - 364.27 = 13.24 \text{ EUR}$. Observe the accounts for profit calculation!

See commercial accounts as below.

| | | | |
|------------------------------------|--------|------------------|------------------|
| P, P, E - surfboards | | | |
| D | OV | 6,000.00 | (5) 2,400.00 |
| | (6) | 2,640.00 | c/d 6,240.00 |
| | | <u>8,640.00</u> | <u>8,640.00</u> |
| | b/d | 6,240.00 | |
| Acc depr - surfboards | | | |
| D | (5) | 1,200.00 | OV 2,000.00 |
| | | | (3) 1,200.00 |
| | | | (4) 400.00 |
| | c/d | 2,840.00 | (7) 440.00 |
| | | <u>4,040.00</u> | <u>4,040.00</u> |
| | | | b/d 2,840.00 |
| Cash/Bank | | | |
| D | OV | | (1) 18,000.00 |
| | (5) | 1,740.00 | (2) 2,600.00 |
| | (19) | 56,000.00 | (6) 2,640.00 |
| | | | (11) 450.00 |
| Issued capital | | | |
| D | c/d | 50,000.00 | OV 50,000.00 |
| | | | b/d 50,000.00 |
| P, P, E - kite-and-board | | | |
| D | (1) | 18,000.00 | |
| | (11) | 450.00 | c/d 18,450.00 |
| | | <u>18,450.00</u> | <u>18,450.00</u> |
| | b/d | 18,450.00 | |
| Acc depr - kite-and-board | | | |
| D | | | (8) 5,850.00 |
| | | | (9) 87.50 |
| | c/d | 6,000.00 | (12) 62.50 |
| | | <u>6,000.00</u> | <u>6,000.00</u> |
| | | | b/d 6,000.00 |
| P, P, E@cost - pump | | | |
| D | (2) | 2,600.00 | (14) 2,600.00 |
| Acc depr - pump | | | |
| D | | | (13) 364.28 |
| Depreciation | | | |
| D | (3) | 1,200.00 | P&L 8,404.28 |
| | (4) | 400.00 | |
| | (7) | 440.00 | |
| | (8) | 5,850.00 | |
| | (9) | 87.50 | |
| | (12) | 62.50 | |
| | (13) | 364.28 | |
| | (16) | <u>99.21</u> | |
| | | <u>8,503.49</u> | <u>8,404.28</u> |
| Realization - 12 surfboards | | | |
| D | (5) | 2,400.00 | (5) 1,200.00 |
| | c/d | 540.00 | (5) 1,740.00 |
| | | <u>2,940.00</u> | <u>2,940.00</u> |
| | PoD | 540.00 | b/d 540.00 |
| Impairment loss | | | |
| D | (10) | 362.50 | P&L 362.50 |
| Acc IL - kite-and-board | | | |
| D | c/d | 362.50 | (10) 362.50 |
| | | | b/d 362.50 |
| P, P, E@val - pump | | | |
| D | (14) | 3,000.00 | c/d 3,000.00 |
| | | | b/d 3,000.00 |
| Deferred tax liabilities | | | |
| D | (17) | 3.96 | (15) 107.16 |
| | c/d | 103.20 | |
| | | <u>107.16</u> | <u>107.16</u> |
| | | | b/d 103.20 |
| Revaluation Reserves | | | |
| D | (15) | 107.16 | (14) 357.20 |
| | (18) | 13.22 | (17) 3.96 |
| | c/d | 240.78 | |
| | | <u>361.16</u> | <u>361.16</u> |
| | | | b/d 240.78 |
| Retained Earnings R/E | | | |
| D | DTI | 3.97 | (18) 13.22 |
| | | | P&L 33,441.25 |
| Profit and Loss - IFRSs | | | |
| D | Depr | 8,404.28 | (19) 56,000.00 |
| | IL | 362.50 | PoD 540.00 |
| | EBTc/d | 47,773.22 | |
| | | <u>56,540.00</u> | <u>56,540.00</u> |
| | ITL | 14,331.97 | b/d 47,773.22 |
| | R/E | 33,441.25 | DTI 0.00 |
| | | <u>47,773.22</u> | <u>47,773.22</u> |

Exhibit 1: Accounts

Exhibit 1: Accounts (continued)

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

| Item | Cost/ Valuation | Acc. Depreciation | Acc. Impairment Loss | Carrying Amount |
|---------------------------|----------------------------|------------------------------|-------------------------------------|----------------------------|
| | [EUR] | [EUR] | [EUR] | [EUR] |
| 28 Surfboards 20X5 | 3,600.00 | (2,400.00) | | 1,200.00 |
| 12 Surfboards 20X6 | 2,640.00 | (440.00) | | 2,200.00 |
| 39 kite-and-board units | 17,550.00 | (5,850.00) | | 11,700.00 |
| 1 kite-and-board unit new | 450.00 | (62.50) | | 387.50 |
| 2 pumps | 2,600.00 | 364.28 | | 2,964.28 |
| | | | | <u>18,451.78</u> |

Exhibit 2: Register of non-current assets**RECONCILIATION OF CARRYING AMOUNTS**

| | 18 surfboards | 12 surfboards | 39 kite&boards | 1 kite&board | 2 pumps |
|--------------------------------------|----------------------|----------------------|---------------------------|-------------------------|-----------------|
| | [EUR] | [EUR] | [EUR] | [EUR] | [EUR] |
| Carrying Amount beginning of year | 2,400.00 | | | | |
| Acquisition | | 2,640.00 | 17,550.00 | 450.00 | 2,600.00 |
| Revaluation | | | | | |
| Impairment loss | | | | | |
| Depreciation | <u>(1,200.00)</u> | <u>(440.00)</u> | <u>(5,850.00)</u> | <u>(62.50)</u> | <u>(364.28)</u> |
| Carrying Amount as at 31.12. | <u>1,200.00</u> | <u>2,200.00</u> | <u>11,700.00</u> | <u>387.50</u> | <u>2,235.72</u> |

Exhibit 3: Reconciliation statement