

Task IM-7.43b: Exercise on Revaluations

(Impairment Loss and Disposal)

CLAYMONT Ltd. is in the hotel business. In order to fetch guests from the airport and to offer them a free shuttle service to the beach, the hotel runs 2 TOYOTA mini buses. The buses were bought on 1.04.20X6 at a cost of acquisition of 28,000.00 EUR/car (net amount). Depreciation for CLAYMONT Ltd.'s all assets is always along straight line method over 5 years without residual value. On the 23 June 20X8 one of the buses breaks down due to an engine fault. The bus is sold to the dealership at 12,000.00 EUR (gross amount). On 10.07.20X8, CLAYMONT Ltd. buys a new TOYOTA mini bus at 30,000.00 EUR cost of acquisition. The new bus comes with a 5 % discount allowed by the dealership. You must deduct the discount from the cost of acquisition along IAS 16. All business activities are on a cash/instant bank transfer basis.

Required: Prepare a register of non-current assets as at 31.12.20X8. How much is the profit/loss on disposal for the damaged bus?

CLAYMONT Ltd. ist ein Hotel. Um Gäste vom Flughafen abzuholen und einen Beach Shuttle Service anzubieten, betreibt das Hotel 2 TOYOTA Kleinbusse. Die Busse wurden am 1.04.20X6 zu Anschaffungskosten (cost of acquisition) von 28.000,00 EUR/Fahrzeug gekauft. Die Abschreibung auf alle Vermögensgegenstände von CLAYMONT Ltd. erfolgt nach linearer Abschreibungsmethode (straight line method) über 5 Jahre ohne Restwert. Am 23. Juni 20X8 bleibt einer der Busse wegen eines Motorschadens liegen. Der Bus wird an einen Händler für 12.000,00 EUR brutto verkauft. Am 10.07.20X8 kauft CLAYMONT Ltd. einen neuen TOYOTA Kleinbus zu 30.000,00 EUR Anschaffungskosten. Auf den neuen Bus gibt es einen 5% Preisnachlass (discount allowed) vom Händler. Sie müssen den Preisnachlass von den Anschaffungskosten nach IAS 16 abziehen. Alle Geschäftsvorfälle finden auf einer Cash/sofortigen Banküberweisungs-Grundlage statt.

Gefragt: Erstellen Sie einen Anlagespiegel (register of non-current assets) zum 31.12.20X8. Wie hoch ist der Gewinn/Verlust durch den Abgang des beschädigten Busses (profit/loss on disposal)?

Solution:

(1) Acquisition of the buses on 1.04.20X6. The gross amount equals to $28,000 \times 120\% = 33,600.00$ EUR.

DR P, P, E @cost (TYT1, TYT2)	28,000.00 EUR
DR VAT	5,600.00 EUR
CR Cash/Bank	33,600.00 EUR

(2) Depreciation on the buses. Depreciation equals to $(9/12) \times (28,000/5) = 4,200.00$ EUR.

DR Depr	8,400.00 EUR
CR Acc. Depr. (TYT1)	4,200.00 EUR
CR Acc. Depr. (TYT2)	4,200.00 EUR

(a) VAT refund in 20X7

DR Cash/Bank	5,600.00 EUR
CR VAT	5,600.00 EUR

(b) Depreciation on the buses equals to $28,000/5 = 5,600.00$ EUR.

DR Depr	11,200.00 EUR
CR Acc. Depr. (TYT1)	5,600.00 EUR
CR Acc. Depr. (TYT2)	5,600.00 EUR

(A) Depreciation on the undamaged bus equals to 5,600.00 EUR.

DR Depreciation	5,600.00 EUR
CR Acc Depr. (TYT1)	5,600.00 EUR

(B) Depreciation on the damaged bus. As the bus breaks down at the end of June, depreciation is considered for 6 months. Depreciation equals to $5,600/2 = 2,800.00$ EUR.

DR Depreciation	2,800.00 EUR
CR Acc Depr. (TYT2)	2,800.00 EUR

(R) The disposal of the car is recorded by a Realization account.

DR Realization	28,000.00 EUR
CR P, P, E @cost (TYT2)	28,000.00 EUR

DR Acc Depr. (TYT2)	12,600.00 EUR
CR Realization	12,600.00 EUR

DR Cash/Bank	12,000.00 EUR
CR Realization	12,000.00 EUR

DR Realization	2,000.00 EUR
CR VAT	2,000.00 EUR

(C) The acquisition of the new bus is at 30,000.00 EUR net amount.

DR P, P, E @cost (TYTn)	30,000.00 EUR
DR VAT	6,000.00 EUR
CR Cash/Bank	36,000.00 EUR

(D) The discount equals to $36,000 \times 5\% = 1,800.00 \text{ EUR}$. The amount is recorded in the Discount Received account and paid out by the car dealership instantly.

DR Cash/Bank	1,800.00 EUR
CR Discount Received	1,800.00 EUR

(F) Depreciation on the new bus is based on 6 months straight line method depreciation: $(30,000 - 1,500) / (5 \times 2) = 2,850.00 \text{ EUR}$.

DR Depreciation	2,850.00 EUR
CR Acc. Depr. (TYTn)	2,850.00 EUR

Observe the accounts below:

D	P, P, E Toyota_One	C
(1)	28,000.00 c/d	28,000.00
b/d	28,000.00	

D	P, P, E Toyota_Two	C
(2)	28,000.00 c/d	28,000.00
b/d	28,000.00 (R)	28,000.00

D	Cash/Bank	C
	(1)	33,600.00
c/d	67,200.00 (2)	33,600.00
	67,200.00	67,200.00
(a)	11,200.00 b/d	67,200.00
c/d	56,000.00	
	67,200.00	67,200.00
(R)	12,000.00 b/d	56,000.00
(D)	1,800.00 (C)	6,000.00

D	VAT	C
(1)	5,600.00	
(2)	5,600.00 c/d	11,200.00
	11,200.00	11,200.00
b/d	11,200.00 (a)	11,200.00
(C)	6,000.00 (R)	2,000.00
		(E) 300.00
		c/d 3,700.00
	6,000.00	6,000.00
b/d	3,700.00	

D	Depr - 20X6	C
(3)	8,400.00	P&L

D	Depr - 20X7	C
(b)	11,200.00	P&L

D	Acc depr Toyota One	C
c/d	4,200.00 (3)	4,200.00
	b/d	4,200.00
c/d	9,800.00 (b)	5,600.00
	9,800.00	9,800.00
	b/d	9,800.00
c/d	15,400.00 (A)	5,600.00
	15,400.00	15,400.00
	b/d	15,400.00

D	Acc depr Toyota Two	C
c/d	4,200.00 (3)	4,200.00
	b/d	4,200.00
c/d	9,800.00 (b)	5,600.00
	9,800.00	9,800.00
	b/d	9,800.00
(R)	12,600.00 (B)	2,800.00
	12,600.00	12,600.00

Exhibit 1: Accounts

D		Depr	C	
(A)	5,600.00			
(B)	2,800.00			
(F)	2,850.00	P&L	11,250.00	
	<u>11,250.00</u>		<u>11,250.00</u>	

D		Realization account TYT2	C	
(R)	28,000.00	(R)	12,600.00	
(R)	2,000.00	(R)	12,000.00	
		LoD	5,400.00	
	<u>30,000.00</u>		<u>30,000.00</u>	

D		Profit and Loss P&L	C	
LoD	5,400.00			
Depr	11,250.00	NL	16,650.00	
	<u>16,650.00</u>		<u>16,650.00</u>	

D		P, P, E @cost Toyota new	C	
(C)	30,000.00	(E)	1,500.00	
		c/d	28,500.00	
	<u>30,000.00</u>		<u>30,000.00</u>	
b/d	28,500.00			

D		Discount received	C	
(E)	1,500.00	(D)	1,800.00	
(E)	300.00			
	<u>1,800.00</u>		<u>1,800.00</u>	

D		Acc depr Toyota new	C	
c/d	2,850.00	(F)	2,850.00	
		b/d	2,850.00	

Exhibit 1: Accounts (continued)

**Claymont Ltd.'s
REGISTER of NON-CURRENT ASSETS
as at 31.12.20X8**

Asset	Acquisition	Acc. depr.	Acc. impairm. losses	Carrying amount
Toyota one	28,000.00	(15,400.00)	0.00	12,600.00
Toyota two	28,000.00	(12,600.00)	(5,400.00)	sold
Toyota new	28,500.00	(2,850.00)	0.00	25,650.00
				<u>38,250.00</u>

Exhibit 2: Register on non-current assets as at 31.12.20X8