

Task IM-7.44: Exercise on Revaluations**(Impairment Loss and Disposal)**

KROLLER Ltd. is a restaurant business based on a franchise agreement. The interior was built in on 1.04.20X0 at a cost of acquisition of 180,000.00 EUR.

Depreciation on the interior is along declining method at a rate of 2.5%/m based on the month's opening carrying amount. The calculation of depreciation is accurate to the month!

On 4.06.20X1, 20 % of the interior is damaged by a fight among guests. KROLLER Ltd. pays 4,500.00 EUR (net amount) for the disassembling of the damaged parts and sells them at 10,000.00 EUR (net selling price) to a local pub. Take the selling price as indicator for the asset valuation.

On, 11.06.20X1, KROLLER Ltd. buys new interior equipment at 40,000.00 EUR (net amount) and receives a discount from its supplier of 5 %. The discount is paid on 31.12.20X1. The same depreciation method and parameters apply for the new parts of the interior equipment.

Required: Prepare the P, P, E account, Depreciation account, Accumulated Depreciation account and Impairment Loss account. Disclose a register of non-current assets which contains the amounts of 20X0 and 20X1 (together). For marking of your examination, it is recommended to disclose the old and the replacement interior equipment separately.

KROLLER Ltd. ist im Restaurantgeschäft als Franchisenehmer tätig. Die Inneneinrichtung wurde am 1.04.20X0 zu Anschaffungskosten von 180.000,00 EUR eingebaut.

Die Abschreibung der Inneneinrichtung folgt einer degressiven Abschreibung, die monatsgenau ist. Die Monatsabschreibung beträgt 2.5 %/m auf den Buchwert jeweils zu Beginn des Monats.

Am 4.06.20X1 werden 20 % der Inneneinrichtung bei einer Schlägerei beschädigt. KROLLER Ltd. zahlt 4.500,00 EUR für den Ausbau der beschädigten Teile und verkauft sie für 10.000,00 EUR (netto). Nehmen Sie den Verkaufspreis als Indikator für die Bewertung an.

Am 11.06.20X1 kauft KROLLER Ltd. neue Einrichtungsgegenstände für 40.000,00 EUR (netto) ein und erhält von dem Lieferanten 5 % Rabatt. Der Rabatt wird am 31.12.20X1 gezahlt. Die gleichen Abschreibungsmethode und -parameter gelten für die neuen Einrichtungsteile.

Gefragt: Buchen Sie in dem Anlagevermögenskonto, dem Abschreibungskonto, dem Konto für kumulierte Abschreibung und in dem Konto für ausserplanmäßige Abschreibung. Erstellen Sie einen Anlagespiegel, der die Werte für 20X0 und 20X1 gemeinsam zeigt. Wegen der Bewertung ist empfohlen, die alten und die neuen Einrichtungsgegenstände gemeinsam auszuweisen.

Solution:

(1) Acquisition of interior.

(2) Depreciation on the interior in 20X0: $180,000 - 180,000 \times (1 - 2.5\%)^9 = 36,677.61 \text{ EUR}$. The remaining amount equals to $180,000 - 36,677.61 = 143,322.39 \text{ EUR}$.

The accounts are closed off at the yearend.

(A) Depreciation on interior from 1.01.20X1 until 31.05.20X1 equals to: $143,322.39 - 143,322.39 \times (1 - 2.5\%)^5 = 17,041.65 \text{ EUR}$. The remaining amount equals to $143,322.39 - 17,041.65 = 126,280.74 \text{ EUR}$.

(B) Depreciation on the intact interior is based on 80 % thereof: Depreciation equals to $80\% \times 126,280.74 - 80\% \times 126,280.74 \times (1 - 2.5\%)^7 = \mathbf{16,407.24 \text{ EUR}}$. The remaining amount equals to $101,024.59 - 16,407.24 = \mathbf{84,617.35 \text{ EUR}}$.

(C) Disassembling: 4,500.00 EUR

(D) Impairment loss on the damaged interior equals to: $20\% \times 126,280.74 - 10,000 = \mathbf{15,256.15 \text{ EUR}}$.

(R) Sale of the damaged interior is based on the Realisation account. The P, P, E reduction equals to: $20\% \times 180,000 = 36,000.00 \text{ EUR}$. The amount taken from the Accumulated Depreciation account equals to $20\% \times (36,677.61 + 17,041.65) = \mathbf{10,743.85 \text{ EUR}}$.

(E) Acquisition of the replacement interior. As the discount is paid in 20X1, the discount is recorded instantly. $40,000 \times (1 - 5\%) = \mathbf{38,000.00 \text{ EUR}}$.

(F) Depreciation on the replacement interior equals to $38,000 - 38,000 \times (1 - 2.5\%)^7 = \mathbf{6,171.52 \text{ EUR}}$. The remaining amount equals to: $38,000 - 6,171.52 = \mathbf{31,828.48 \text{ EUR}}$.

Observe the accounts:

D	P, P, E	C
(1)	180,000.00	c/d 180,000.00
b/d	180,000.00	(R1) 36,000.00
		c/d 144,000.00
	180,000.00	180,000.00
b/d	144,000.00	

D	VAT	C
(1)	36,000.00	c/d 36,000.00
b/d	36,000.00	(..) 36,000.00
(C)	900.00	(R5) 2,000.00
(E)	7,600.00	c/d 6,500.00
	44,500.00	44,500.00
b/d	6,500.00	

D	Cash/Bank	C
OV	200,000.00	(1) 216,000.00
c/d	16,000.00	
	216,000.00	216,000.00
(..)	36,000.00	b/d 16,000.00
(R4)	12,000.00	(C) 5,400.00
c/d	19,000.00	(E) 45,600.00
	67,000.00	67,000.00
		b/d 19,000.00

D	Depreciation - 20X0	C
(2)	36,677.61	c/d 36,677.61
b/d	36,677.61	

D		Acc depr	C	
c/d	36,677.61	(2)	36,677.61	
(R2)	10,743.85	b/d	36,677.61	
		(A)	17,041.65	
c/d	59,382.65	(B)	16,407.24	
	70,126.50		70,126.50	
		b/d	59,382.65	

D		Depreciation - 20X1	C	
(A)	17,041.65			
(B)	16,407.24			
(F)	6,171.52	c/d	39,620.41	
	39,620.41		39,620.41	
b/d	39,620.41			

D		Repair	C	
(C)	4,500.00	c/d	4,500.00	
b/d	4,500.00			

D		Impairment loss - 20X1	C	
(D)	15,256.15	c/d	15,256.15	
b/d	15,256.15			

D		Acc IL	C	
c/d	15,256.15	(D)	15,256.15	
(R3)	15,256.16	b/d	15,256.15	

D		P, P, E new	C	
(E)	38,000.00	c/d	38,000.00	
b/d	38,000.00			

D		Acc depr new	C	
c/d	6,171.52	(F)	6,171.52	
		b/d	6,171.52	

D		Realisation	C	
(R1)	36,000.00	(R2)	10,743.85	
(R5)	2,000.00	(R3)	15,256.16	
	38,000.00	(R4)	12,000.00	
			38,000.01	

Exhibit 1: Accounts

**Kroller Ltd.'s
REGISTER of NON-CURRENT ASSETS
as at 31.12.20X1**

Asset	P, P, E @ cost / @ valuation	Acc. depr.	Acc. impairment loss	Carrying amount
Interior old	144,000.00	(59,382.65)	0.00	84,617.35
Interior new	38,000.00	(6,171.52)	0.00	31,828.48
Total				116,445.83

Exhibit 2: Register of non-current assets