

Task QR-7.9: Revaluation and Register of non-current assets (Neubewertung und Anlagepiegel)

DALUM AG is in the van rental business. The company owns 50 vans. Normally, they run vans for a period of 2 years and sell them at 40% of purchase price (gross amount). Vans all are MB-Sprinters and price of acquisition in recent accounting periods was 24.000,00 EUR/van (gross amount without discount), but the local car dealer offers a discount 5% for DALUM AG. Depreciation at DALUM AG is due to particular use of vans in rental business 30% of cost of acquisition per year.

At the beginning of fiscal year 20X9 DALUM AG recognises 25 vans bought on 2.01.20X7 and 25 vans bought on 4.01.20X8. On 7.01.20X9 DALUM AG sells 25 vans (the 2 year old ones) for 9,120.00 EUR (gross amount) each and buys 25 new MB-Sprinters. The business pays 25,650.00 EUR for each van after deducting the usual discount received from the local car dealer. Because of the increase of van prices DALUM AG revalues the 1-year old vans along the gross replacement method on 8.01.20X9. Use paid net price of acquisition as comparative information. Consider that the revaluation gives you a residual value 8,550.00 EUR accordingly to the rule selling used cars for 40% of cost of acquisition.

One of the new (bought in 20X9) vans was damaged on 26.08.20X9 in a car crash and got an after-crash-value of 2,000.00 EUR. Consider depreciation from January to August for that van. It was sold on 29.09.20X9 for a selling price 2,850.00 EUR (gross amount).

Required: Make all relevant bookkeeping entries in T-accounts and set up a realization account for the van crashed and sold and a register of non-current assets as at 31.12.20X9. Show vans in 2 groups (20X8-van, 20X9-van) therein.

Solution (Lösung)

Determination of opening values as at 1.01.20X9:

(1) for PPE at cost account: $(50 \cdot 24,000 \cdot 0.95) / 120\% = \mathbf{950,000.00 \text{ EUR}}$

(2) for Accumulated Depreciation account: young vans: $475,000 \cdot 0.3 = \mathbf{142,500.00 \text{ EUR}}$ and old vans: $475,000 \cdot 0.6 = \mathbf{285,000.00 \text{ EUR}}$.

Further bookkeeping entries:

(3) Sales of 2-year old vans for a gross selling price 9,120.00 EUR/van. (no profit/loss on disposal)

DR Cash	228,000.00 EUR
DR Acc. Depr.	285,000.00 EUR
CR VAT	38,000.00 EUR
CR P,P,E at cost	475,000.00 EUR

(4) Acquisition of 25 new vans $(25 \cdot 25,650)/120\% = 534,375.00$ EUR

DR P,P,E at cost	534,375.00 EUR
DR VAT	106,875.00 EUR
CR Cash	641,250.00 EUR

(5) Revaluation along gross replacement method. New amount is 25,650.00 EUR which is the amount after deduction of discount.

DR P,P,E at valuation	534,375.00 EUR
CR Acc. Depr.	17,812.50 EUR
CR P,P,E at cost	475,000.00 EUR
CR Rev.Res.	41,562.50 EUR

(6) Revaluation causes deferred taxes $(30\% \cdot 41,562.50 = 12,468.75$ EUR.

DR Rev.Res.	12,468.75 EUR
CR Deferred Taxes	12,468.75 EUR

(7) Depreciation of vans in 20X9, one car exempted: $49 \cdot 21,375 \cdot 0.3 = 314,212.50$ EUR.

DR Depr.	314,212.50 EUR
CR Acc. Depr.	314,212.50 EUR

The impact of revaluation reserves and deferred taxes is not relevant for the register of non-current assets so computation is not part of the solution for this task.

(8) The new van involved in the crash on 26.08.20X9 was depreciated for the period Jan ... Aug 20X9. Depreciation amounts to $21,375 \cdot 0.3 \cdot 8/12 = 4,275.00$ EUR.

DR Depr.	4,275.00 EUR
CR Acc. Depr.	4,275.00 EUR

(9) Impairment loss for crashed cars is: $21,375 - 4,275 - 2,000 = 15,100.00$ EUR.

DR IL	15,100.00 EUR
CR Acc. IL	15,100.00 EUR

(10) For the sale of the van a realisation account was used. Net selling price was $2,850/120\% = 2,375.00$ EUR:

DR Realisation	21,375.00 EUR
CR P,P,E at cost	21,375.00 EUR
 DR Acc. Depr.	 4,275.00 EUR
CR Realisation	4,275.00 EUR
 DR Acc. IL	 15,100.00 EUR
CR Realisation	15,100.00 EUR
 DR Bank	 2,375.00 EUR
CR Realisation	2,375.00 EUR

The register of non-current assets looks as below:

**Dalum AG's
REGISTER OF NON-CURRENT ASSETS
as at 31.12.20X9**

Item	Cost/ Valuation [EUR]	Acc. Depreciation [EUR]	Acc. Impairment Loss [EUR]	Carrying Amount [EUR]
20X9-vans (24)	513.000,00	(153.900,00)	0,00	359.100,00
20X8-vans (25)	534.375,00	(320.625,00)	0,00	213.750,00

Exhibit 1: Register of non-current assets

See accounts for further investigation:

D		PPE cost	C
OV	950.000,00	(3)	475.000,00
(4)	534.375,00	(5)	475.000,00
c/d	513.000,00	(10)	21.375,00
	<u>1.997.375,00</u>		<u>971.375,00</u>
		b/d	513.000,00

D		Acc Depr	C
(3)	285.000,00	OV	142.500,00
(10)	4.275,00	OV	285.000,00
		(5)	17.812,50
		(7)	314.212,50
		(8)	4.275,00
c/d	<u>474.525,00</u>		<u>763.800,00</u>
		b/d	474.525,00

D		Cash	C
(3)	228.000,00	(4)	641,25
(10)	2.375,00	c/d	229.733,75
	<u>230.375,00</u>		<u>230.375,00</u>
b/d	229.733,75		

D		VAT	C
(4)	106.875,00	(3)	38.000,00
		c/d	68.875,00
	<u>106.875,00</u>		<u>106.875,00</u>
b/d	68.875,00		

D		PPE valuation	C
(5)	534.375,00	c/d	534.375,00
b/d	534.375,00		

D		RevRes	C
(6)	12.468,75	(5)	41.462,50

D		DefTax	C
		(6)	12.468,75

D		Depr	C
(7)	314.212,50	c/d	318.487,50
(8)	4.275,00		
	<u>318.487,50</u>		<u>318.487,50</u>
b/d	318.487,50		

D		IL	C
(9)	15.100,00	c/d	15.100,00
b/d	15.100,00		

D		Acc IL	C
(10)	15.100,00	(9)	15.100,00

D		Realisation	C
(12)	21.375,00	(10)	2.375,00
		(10)	4.275,00
		(10)	15.100,00
c/d	<u>375,00</u>		<u>21.750,00</u>
		b/d	375,00

Exhibit 2: Accounts