## 3. Revaluation of Fixed Assets

On 1 January 2007 Logan Ltd owned freehold buildings which cost €360,000 and adjacent land which cost €240,000. The company depreciates its buildings at the rate of 2% per annum straight line method. It is the company's policy to apply a full year's depreciation in the year of acquisition and no depreciation in the year of disposal. This property had been purchased on 01/01/2003 and depreciation had been charged against profits in each of these four years (land is not depreciated).

The following details were taken from the firm's books:

| | |
|---|---|
| Jan 1 2007 | Re-valued land and buildings at €700,000. Of this re-valued amount €270,000 was attributable to land. |
| Jan 1 2008 | Sold for €320,000 adjacent land which cost €240,000 but was since re-valued on 01/01/2007. |
| Jan 1 2009 | Purchased buildings for €500,000. During the year 2009, €100,000 was paid to a building contractor for an extension to these recently purchased buildings. The company's own employees also worked on the extension and they were paid wages amounting to €50,000 by Logan Ltd for this work. |
| Jan 1 2010 | Re-valued buildings owned at €1,188,000 (a 10% increase in respect of each building). |
| Jan 1 2011 | Sold for €400,000 the buildings owned on 01/01/2007. The remaining buildings were re-valued at €950,000. |

**Required**:

**(a)** Prepare the relevant ledger accounts in respect of the above transactions for each of the years ended 31 December 2007 to 31 December 2011.
(Bank Account and Profit and Loss Account **not** required.) (52)

**(b)** (i) Show the relevant extract from the Balance Sheet as at 31/12/2011.
(ii) What factors are taken into account in arriving at an annual depreciation charge?
(8)

**(60 marks)**