3. Revaluation of Fixed Assets

On 1 January 2012, Cummins Ltd owned freehold property which cost €960,000, consisting of adjacent land €240,000 and buildings €720,000. The company depreciates its buildings at the rate of 2% per annum using the 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. The property had been purchased ten years earlier and depreciation had been charged against profits in each of these ten years (land is not depreciated).

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

Jan 1 2012	Revalued property at €1,140,000. Of this revaluation, €315,000 was attributable to land.
Jan 1 2013	Sold for €420,000 land which cost €240,000 but was since revalued on 01/01/2012.
Jan 1 2014	Purchased buildings for €360,000. During 2014, €90,000 was paid to a building contractor for an extension to the recently purchased buildings. The company's own employees also worked on this extension and they were paid wages amounting to €30,000 by Cummins Ltd for their work.
Jan 1 2015	Revalued the buildings owned at €1,435,500 (a 10% increase in respect of each building).
Jan 1 2016	Sold for €937,500 the buildings owned on 01/01/2012. The remaining buildings were revalued at €570,000.

Required:

(a) (i) Prepare the relevant ledger accounts in respect of the above transactions for the years ended 31 December 2012 to 31 December 2016.
(Bank account and profit and loss account **not** required).

(ii) Show the relevant extract from the balance sheet as at 31/12/2016. (52)

(b) (i) Explain why it is important for firms to revalue their fixed assets.

(ii) Outline the factors that affect the price of property on the market.

(8)

(60 marks)