3. Revaluation of Fixed Assets

On 1 January 2008, Kilmartin Ltd purchased new property for €480,000 consisting of land €80,000 and buildings €400,000. The company depreciates buildings at the rate of 2% per annum using the straight line method. Land is not depreciated. It is company policy to charge a full year's depreciation in the year of acquisition and no depreciation in the year of disposal.

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

Jan 1 2014	Revalued property at €620,000. Of this revaluation, €120,000 was attributable to the land purchased on 01/01/2008.
Jan 1 2015	Purchased a building for €130,000. During 2015, €50,000 was paid to a building contractor for an extension to this building. The company's own employees also worked on the extension to this building and they were paid wages amounting to €25,000 by Kilmartin Ltd for their work.
Jan 1 2016	Sold for €170,000 land which had cost €80,000 but has since been revalued on 01/01/2014. In 2016, Kilmartin Ltd spent €10,000 in respect of repairs to existing buildings.
Jan 1 2017	Revalued buildings owned at €846,000 (a 20% increase in respect of each building).
Jan 1 2018	Sold for €225,000 the building purchased and extended in **2015**. The remaining buildings were revalued at €715,000.

Required:

(a) (i) Prepare the relevant ledger accounts in respect of the above transactions for the years ended 31/12/2014 to 31/12/2018.

(Bank account and profit and loss account **not** required.)

(ii) Show the relevant extract from the balance sheet as at 31/12/2018.

(52)

(b) (i) Distinguish between capital and revenue expenditure.

(ii) Explain what is meant by a revenue reserve in the context of revaluation. (8)

(60 marks)