

h19.3 Depreciation and Revaluation. Kilmartin Ltd

Originally Bought / Start Question	2008	2014						
1 Year (months) (Years previously owned)	12	6						
Depreciation Rate	2%							
	Extension	Year	Building	Land	Total Value	P&L Workings	P&L	
Opening Balance b/d-A		2014	400,000	80,000	480,000	400,000 @ 2% @ 6 Years	48,000	
Revalued Both L&B to 620,000		2014	500,000	120,000	620,000	500,000 @ 2% @ 12/12	10,000	
Pur Build & Extended. (130 + 50 + 25)	205,000	2015	705,000	120,000	825,000	705,000 @ 2% @ 12/12	14,100	
Sold Land	205,000	2016	705,000	-	705,000	705,000 @ 2% @ 12/12	14,100	
Revalued Buildings + 20%	20%	2017	846,000	-	846,000	846,000 @ 2% @ 12/12	16,920	
Sold Building (+ Extension) from	2015	2018	-	-	715,000	715,000 @ 2% @ 12/12	14,300	

	Sold in 2018	Revenue	Revenue	Sold in 2016
Selling	Ext from 2015	205,000	80,000	b/d-A from 2014
1st Revaluation		2017 + 20%	2014	
		246,000	120,000	
2nd Revaluation		None	None	
		41,000	40,000	
All Depreciation Up to Final Revaluation		Dep	Dep	
	205,000 @ 2% @ 12/12	2015	4,100	-
	205,000 @ 2% @ 12/12	2015	4,100	-
			8,200	-
			49,200	40,000

2014

Land and Buildings

1	01/01	b/d-A	480,000	↻	3	31/12	c/d-A	620,000
2	01/01	Revalue Res	140,000					

Depreciation - Land and Buildings

2	01/01	Revalue Res	48,000	A	1	01/01	b/d-L	48,000	
↻	4	31/12	c/d-L	10,000	B	3	31/12	P&(L)	10,000

Revaluation Reserve

↻	3	31/12	c/d-L	188,000	1	01/01	L&B	140,000
				205,000	2	01/01	Depreciation	48,000

2017 + 20% 114

Revalued Land & Buildings

A

b/d-A	L&B =	480,000
b/d-A	Land =	80,000
b/d-A	Buildings =	400,000 Had for 6 years = 72 months
		400,000 @ 2% @ 72/12 = 48,000

B

P&(L)			
Revaluation	Buildings	Land	L&B
From	400,000	80,000	480,000
To	500,000	120,000	620,000
			500,000 @ 2% @ 12/12 = 10,000

2015

Land and Buildings

1	01/01	b/d-A	620,000	↻	5	31/12	c/d-A	825,000
2	01/01	Bank (new)	130,000					
3	01/01	Bank (Ext)	50,000					
4	01/01	Wages	25,000					

Depreciation - Land and Buildings

↻	3	31/12	c/d-L	24,100		1	01/01	b/d-L	10,000	
						C	2	31/12	P&(L)	14,100

Revaluation Reserve

↻	2	31/12	c/d-L	188,000		D	1	01/01	b/d-L	188,000
---	---	-------	-------	---------	--	---	---	-------	-------	---------

Purchased new Building & Built an Extension

C

P&(L)	Buildings	Land	L&B
Old	500,000	120,000	620,000
New	130,000		
Extension	50,000		
Wages	25,000		
	<u>705,000</u>	120,000	825,000
705,000 @ 2% @ 12/12 = 14,100			

D

No Change to the Revaluation Reserve

2016

Land and Buildings

1	01/01	b/d-A	825,000	2	01/01	Disposal	120,000	
				↻	3	31/12	c/d-A	705,000

Depreciation - Land and Buildings

↻	3	31/12	c/d-L	38,200	1	01/01	b/d-L	24,100	
					E	2	31/12	P&(L)	14,100

Revaluation Reserve

F	2	01/01	Revenue Res	40,000	1	01/01	b/d-L	188,000
↻	3	31/12	c/d-L	148,000				

Disposal (of Land)

1	01/01	L&B	120,000	2	01/01	Bank	170,000
↻	3	01/01	(P)&L	50,000			

Revenue Reserve

2	31/12	c/d-L	40,000	F	1	01/01	Revalue Res	40,000
---	-------	-------	--------	---	---	-------	-------------	--------

Repairs

1	Bank	10,000	↻	2	P&(L)	10,000
---	------	--------	---	---	-------	--------

Sold Land which had been Revalued. Also did Repairs

Note: Repairs never affect the value of the Asset itself.

E

P&(L)

Land is All Disposed of. c/d = Buildings: No Change

705,000 @ 2% @ 12/12 = **14,100**

F

To Revenue Reserve

Revaluations

Sold Land which had been Revalued in 2014

Disposal of Land Revalued in 2014

Land From	80,000
To	120,000
Increase of	<u>40,000</u>

Depreciation:

Land is Not Depreciated -

Revaluation increase is Transferred to Revenue Reserve:

In The Year of Sale

2017

Land and Buildings

1	01/01	b/d-A	705,000	G	2	31/12	c/d-A	846,000
↻	3	01/01	Revalue Res	141,000				

Depreciation - Land and Buildings

2	01/01	Revalue Res	38,200	1	01/01	b/d-L	38,200		
↻	4	31/12	c/d-L	16,920	H	3	31/12	P&(L)	16,920

Revaluation Reserve

↻	4	31/12	c/d-L	327,200	1	01/01	b/d-L	148,000
					2	01/01	L&B	141,000
					3	01/01	Depreciation	38,200

Revenue Reserve

↻	2	31/12	c/d-L	40,000	1	01/01	b/d-L	40,000
---	---	-------	-------	--------	---	-------	-------	--------

Revalued Buildings by 20%

G

Buildings

Buildings Revalued by 20% on 01/01

705,000 + 20% = **846,000**

H

P&(L)

Buildings Revalued to 846,000 on 01/01

846,000 @ 2% @ 12/12 = **16,920**

No Disposal. No Change to the Revenue Reserve

2018

Land and Buildings

1	01/01	b/d-A	846,000	J	2	01/01	Disposal	246,000
➔ 4	01/01	Revalue Res	115,000	3	31/12	c/d-A	715,000	

Depreciation - Land and Buildings

K	2	01/01	Disposal	4,920	1	01/01	b/d-L	16,290
L	3	01/01	Revalue Res	12,000				
➔ 5	31/12	c/d-L	14,300	M	4	31/12	P&(L)	14,300

Revaluation Reserve

N	4	31/12	Revenue Res	49,200	1	01/01	b/d-L	327,200
➔ 5	31/12	c/d-L	405,000	2	01/01	L&B	115,000	
				3	01/01	Depreciation	12,000	

Disposal (of Buildings)

1	01/01	L&B	246,000	2	01/01	Depreciation	4,920
				3	01/01	Bank	225,000
				➔ 4	01/01	P&(L)	16,080

Revenue Reserve

➔ 3	31/12	c/d-L	89,200	N	2	31/12	Revalue Res	49,200
-----	-------	-------	--------	---	---	-------	-------------	--------

Sold a Building (Extension) from 2015

J Disposal of Building

In 2015 New 205,000

In 2017 Revalued by: 20% to 246,000

Disposal of Depreciation on Building

246,000 @ 2% @ 12/12 = 4,920

K

Revaluation Reserve from Depreciation

Revaluation occurs after Disposal. 16,920 - 4,920 = 12,000

L

P&(L)

All Land is Gone, Only Buildings Remain

M

715,000 @ 2% @ 12/12 = 14,300

To Revenue Reserve

1. Revaluation

N

The Buildings & Extension had been

Revalued on 01/01/2017

Buildings From 205,000 by 20%

To 246,000 = 41,000

2. Depreciation

All Depreciation up to the Final (2017) Revaluation

2015 = 205,000 @ 2% @ 12/12 = 4,100 8,200

To Revenue Reserve

49,200

Revaluation increase is Transferred to Revenue Reserve:

In The Year of Sale