

## 65.2 A drill to practise accounting for revaluations

For each of the companies below, state the double entry required to account for the given situation, and show the entries on the relevant accounts.

### 1.

ABC plc has a fixed asset in its accounts at cost £400 000, less provision for depreciation £250 000. The company now wishes to revalue the fixed asset at £500 000.

#### Double Entry

DR	Fixed Asset at Valuation	£500 000	
DR	Provision for Depreciation	£250 000	
CR	Fixed Asset at Cost		£400 000
CR	Revaluation Reserve		£350 000

#### Entries on Accounts

<i>Fixed Asset Cost</i>			
<i>b/f</i>	<u>400 000</u>	<i>cancelled</i>	<u>400 000</u>

<i>Provision for Depreciation</i>			
<i>cancelled</i>	<u>250 000</u>	<i>b/f</i>	<u>250 000</u>

<i>Fixed Asset at Valuation</i>	
<i>new valuation</i>	500 000

<i>Revaluation Reserve</i>	
<i>claim to extra value</i>	350 000

**2.**

Five years after the revaluation above, during which time the company has been providing £10 000 per year depreciation on the revalued fixed asset, ABC plc disposes of the fixed asset for £420 000.

**Double Entry**

1. to account for fixed asset disposal

DR	Money or Promises	£420 000	
DR	Provision for Depreciation	£50 000	
DR	P&L Account (loss on disposal)	£30 000	
CR	Fixed Asset at Valuation		£500 000

2. to transfer Revaluation Reserve to P&L Account

DR	Revaluation Reserve	£350 000	
CR	P&L Account		£350 000

**Entries on Accounts**

<i>Fixed Asset at Valuation</i>			
<i>b/f</i>	500 000	<i>cancelled on disposal</i>	500 000
	<u>500 000</u>		<u>500 000</u>
<i>Provision for Depreciation</i>			
		<i>to P&amp;L 1</i>	10 000
		<i>to P&amp;L 2</i>	10 000
		<i>to P&amp;L 3</i>	10 000
		<i>to P&amp;L 4</i>	10 000
		<i>to P&amp;L 5</i>	10 000
<i>cancelled on disposal</i>	50 000		
	<u>50 000</u>		<u>50 000</u>
<i>Revaluation Reserve</i>			
<i>to P&amp;L</i>	350 000	<i>b/f</i>	350 000
	<u>350 000</u>		<u>350 000</u>

<i>Money or Promises</i>	
420 000	
<i>P&amp;L Account for Period 6</i>	
<i>loss on disposal</i>	30 000
	<i>from Revaluation Reserve</i> 350 000

**3.**

DEF plc has a fixed asset in its accounts at cost £750 000, less provision for depreciation £350 000. The company now wishes to revalue the fixed asset at £600 000.

**Double Entry**

DR	Fixed Asset at Valuation	£600 000	
DR	Provision for Depreciation	£350 000	
CR	Fixed Asset at Cost		£750 000
CR	Revaluation Reserve		£200 000

**Entries on Accounts**

<i>Fixed Asset Cost</i>			
<i>b/f</i>	<u>750 000</u>	<i>cancelled</i>	<u>750 000</u>

<i>Provision for Depreciation</i>			
<i>cancelled</i>	<u>350 000</u>	<i>b/f</i>	<u>350 000</u>

<i>Fixed Asset at Valuation</i>	
<i>new valuation</i>	600 000

<i>Revaluation Reserve</i>	
<i>claim to extra value</i>	200 000

**4.**

Ten years after the revaluation above, during which time the company has been providing £12 000 per year depreciation on the revalued fixed asset, DEF plc disposes of the fixed asset for £400 000.

**Double Entry**

1. to account for fixed asset disposal

DR	Money or Promises	£400 000	
DR	Provision for Depreciation	£120 000	
DR	P&L Account (loss on disposal)	£80 000	
CR	Fixed Asset at Valuation		£600 000

2. to transfer Revaluation Reserve to P&L Account

DR	Revaluation Reserve	£200 000	
CR	P&L Account		£200 000

**Entries on Accounts**

<i>Fixed Asset at Valuation</i>			
<i>b/f</i>	600 000	<i>cancelled on disposal</i>	600 000
	<u>600 000</u>		<u>600 000</u>
<i>Provision for Depreciation</i>			
<i>cancelled on disposal</i>	120 000	10 years at £12 000 per year	120 000
	<u>120 000</u>		<u>120 000</u>
<i>Revaluation Reserve</i>			
<i>to P&amp;L</i>	<u>200 000</u>	<i>b/f</i>	<u>200 000</u>

<i>Money or Promises</i>	
400 000	
<i>P&amp;L Account for Period 11</i>	
<i>loss on disposal</i>	80 000
	<i>from Revaluation Reserve</i> 200 000