Accounting Leaving Certificate Higher Level

Past Exam Questions on:

Revaluation of Fixed Assets

2012

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)

O3 2009

3. Revaluation of Fixed Assets

On 1 January 2004 Lyons Ltd owned freehold buildings which cost €290,000 and adjacent land which cost €210,000. 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 1/1/2000 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 2004	Re-valued land and buildings at €600,000. Of this revalued amount €240,000 was attributable to land.
Jan 1 2005	Sold for €280,000 land which cost €210,000 but was since re-valued on 1/1/2004.
Jan 1 2006	Purchased buildings for €400,000. During the year 2006, €150,000 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 Lyons Ltd for this work.
Jan 1 2007	Re-valued buildings owned at €1,056,000 (a 10% increase in respect of each building).
Jan 1 2008	Sold for €420,000 the buildings owned on 1/1/2004. The remaining buildings were re-valued at €750,000.

You are required to:

(a) Prepare the relevant ledger accounts in respect of the above transactions for each of the years ended 31 December 2004 to 31 December 2008.
(Bank Account and Profit and Loss Account **not** required) (55)

(b) Show the relevant extract from the Balance Sheet as at 31/12/2008 (5)

(60 marks)

Q3 2007

3. Revaluation of Fixed Assets

On 1 January 2002 McGrath Ltd. owned freehold property and land which cost €670,000, consisting of land €240,000 and buildings €430,000. 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 eight years earlier and depreciation had been charged against profits in each of these eight years (land is not depreciated).

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

Re-valued property at €810,000. Of this revaluation €290,000 was attributable to land. Sold for €340,000 land which cost €240,000 but was since re-valued on 1/1/2002 Purchased buildings for €470,000. During the year 2004, €150,000 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 €80,000 by McGrath Ltd. for this work.

Jan 1 2005 Re-valued buildings owned at €1,403,000 (a 15% increase in respect of each building).
Jan 1 2006 Sold for €660,000 the buildings owned on 1/1/2002. The remaining buildings were re-valued at €860,000.

You are required to:

(a) Prepare the relevant ledger accounts in respect of the above transactions for the years ended 31 December 2002 to 31 December 2006.
(Bank Account and Profit and Loss Account not required) (55)

(b) Show relevant extract from Balance Sheet as at 31/12/2006 (5)

(60 marks)

Q3 2004

3 Revaluation of Fixed Assets

On 1 January 1999 Cavanagh Ltd owned freehold property and land which cost €740,000, consisting of Land €250,000 and Buildings €490,000. 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. This 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 1999 Re-valued property at €870,000. Of this revaluation €300,000 was attributable to land.
Jan 1 2000 Sold for €330,000 land which cost €250,000 but was since re-valued on 1/1/1999
Jan 1 2001 Purchased buildings for €450,000. During the year 2001, €120,000 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 €60,000 by Cavanagh Ltd for this work.

Jan 1 2002 Re-valued buildings owned at €1,320,000 (a 10% increase in respect of each building).
Jan 1 2003 Sold for €700,000 the buildings owned on 1/1/1999. The remaining buildings were re-valued at €800,000.

You are required to:

(a) Prepare the relevant ledger accounts in respect of the above transactions for the years ended 31 December 1999 to 31 December 2003 **(Bank Account and Profit and Loss Account not**

required).
(60 marks)

Q4 2003

3 Revaluation of Fixed Assets

On 1 January 1998 O'Flynn Ltd owned property which cost €630,000, consisting of Land €210,000 and Buildings €420,000. The company depreciates its assets at the rate of 2% using the straight line method. It is the company's policy to apply a full year's depreciation in the year of acquisition and nil depreciation in the year of disposal. This 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 1998 Revalued property at €750,000. Of this revaluation €250,000 was attributable to land.

Jan 1 1999 Sold for €320,000 land which cost €210,000 but was since revalued on 1/1/1998.

Jan 1 2000 Purchased buildings for €340,000. During the year 2000, €80,000 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 €30,000 by O'Flynn Ltd for this work.

Jan 1 2001 Revalued buildings owned at €1,045,000 (a 10% increase in respect of each building).

Jan 1 2002 Sold for €590,000 the buildings owned on 1/1/1998. The remaining buildings were revalued at €620,000.

You are required to:

Prepare the relevant ledger accounts in respect of the above transactions for the five years to 31 December 2002.
(Bank Account and Profit and Loss Account not required)

(60 marks)