

**Q.3 Revaluation of Fixed Assets**

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(a) (i)

**Land and Buildings Account**

01/01/14	Balance b/d	480,000 [1]			
01/01/14	Revaluation res.	<u>140,000 [1]</u>	31/12/14	Balance c/d	<u>620,000</u>
		<u>620,000</u>			<u>620,000</u>
01/01/15	Balance b/d	620,000 [1]			
01/01/15	Bank	130,000 [1]			
01/01/15	Bank	50,000 [1]			
01/01/15	Wages	<u>25,000 [1]</u>	31/12/15	Balance c/d	<u>825,000</u>
		<u>825,000</u>			<u>825,000</u>
01/01/16	Balance b/d	825,000	01/01/16	Disposal	120,000 [1]
		<u>825,000</u>	31/12/16	Balance c/d	<u>705,000</u>
					<u>825,000</u>
01/01/17	Balance b/d	705,000			
01/01/17	Revaluation res.	<u>141,000 [2]</u>	31/12/17	Balance c/d	<u>846,000</u>
		<u>846,000</u>			<u>846,000</u>
01/01/18	Balance b/d	846,000	01/01/18	Disposal	246,000 [1]
01/01/18	Revaluation res.	<u>115,000 [2]</u>	31/12/18	Balance c/d	<u>715,000</u>
		<u>961,000</u>			<u>961,000</u>
01/01/19	Balance b/d	715,000			

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**Revaluation Reserve Account**

01/01/16	Revenue res.	40,000 [1]	01/01/14	Land and buildings	140,000 [1]
01/01/18	Revenue res.	<u>49,200 [2]</u>	01/01/14	Provision for depreciation	48,000 [1]
31/12/18	Balance c/d	<u>405,000 [1]</u>	01/01/17	Land and buildings	141,000 [1]
			01/01/17	Provision for depreciation	38,200 [1]
			01/01/18	Land and buildings	115,000 [1]
			01/01/18	Provision for depreciation	<u>12,000 [1]</u>
		<u>494,200</u>			<u>494,200</u>
			01/01/19	Balance b/d	405,000

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**Repairs Account**

31/12/16	Bank	10,000 [1]	31/12/16	Balance c/d	10,000
		<u>10,000</u>			<u>10,000</u>
01/01/16	Balance b/d	10,000			

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**Provision for Depreciation Account**

01/01/14	Revaluation reserve	48,000 [1]	01/01/14	Balance b/d	48,000 [2]
31/12/14	Balance c/d	<u>10,000</u>	31/12/14	Profit & loss	<u>10,000 [2]</u>
		<u>58,000</u>			<u>58,000</u>
31/12/15	Balance c/d	<u>24,100</u>	01/01/15	Balance b/d	10,000
		<u>24,100</u>	31/12/15	Profit & loss	<u>14,100 [1]</u>
31/12/16	Balance c/d	<u>38,200</u>			<u>24,100</u>
		<u>38,200</u>	01/01/16	Balance b/d	24,100
01/01/17	Revaluation reserve	38,200 [2]	31/12/16	Profit & loss	<u>14,100 [1]</u>
31/12/17	Balance c/d	<u>16,920</u>			<u>38,200</u>
		<u>55,120</u>	01/01/17	Balance b/d	38,200
01/01/18	Disposal	4,920 [2]	31/12/17	Profit & loss	<u>16,920 [2]</u>
01/01/18	Revaluation reserve	12,000 [2]			<u>55,120</u>
31/12/18	Balance c/d	<u>14,300</u>	01/01/18	Balance b/d	16,920
		<u>31,220</u>	31/12/18	Profit & Loss	14,300 [1]
					<u>31,220</u>
			01/01/19	Balance b/d	14,300

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**Disposal Account**

01/01/16	Land and buildings	120,000 [1]	01/01/16	Bank	170,000 [1]
31/12/16	Profit on disposal	<u>50,000 [1]</u>			<u>170,000</u>
		<u>170,000</u>			<u>170,000</u>
01/01/18	Land and buildings	246,000 [1]	01/01/18	Bank	225,000 [1]
		<u>246,000</u>	01/01/18	Acc. depreciation	4,920 [1]
			31/01/18	Loss on disposal	<u>16,080 [1]</u>
					<u>246,000</u>

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**Revenue Reserve Account**

			01/01/16	Revaluation res.	40,000 [1]
31/12/18	Balance c/d	<u>89,200</u>	01/01/18	Revaluation res.	<u>49,200 [1]</u>
		<u>89,200</u>			<u>89,200</u>
			01/01/19	Balance b/d	89,200

(ii) **Balance Sheet (extract) as at 31/12/2018**

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Fixed Assets	€	€	€
Land and buildings	715,000 [1]	14,300 [1]	700,700
<b>Capital and Reserves</b>			
Revaluation reserve			405,000 [1]
Revenue reserve			89,200 [1]

**(b)**

- (i) Capital Expenditure – refers to expenditure on items where the benefit derived is expected to last a long time (for more than one year).

E.g. Purchase of land, erection of buildings, purchase of machinery etc.

Revenue Expenditure – refers to expenditure where the benefit derived is of a temporary nature (less than one year).

E.g. Annual rates, light and heat, repairs, etc.

- (ii) Revenue reserve is undistributed profit not paid out to the owners in dividends, it is profit retained by the business.

A revaluation reserve arises when land and buildings are increased in value but the profit made on these revalued fixed assets isn't transferred to the revenue reserve until the fixed asset is sold off. Up until the sale of the fixed asset this profit cannot be distributed to the owners.