

**DUBLIN EXAMINATION BORAD****Revaluation of Fixed Assets**

1. What factors are taken into account in arriving at an annual depreciation charge? (3)

2015

2. Explain what is meant by 'depreciation'. (3)

2017

<b>2015</b>
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**What factors are taken into account in arriving at an annual depreciation charge? (3)**

Any 3: (3 × 1)

1. cost of the asset //
2. useful / estimated life of the asset //
3. estimated residual / scrap / obsolescence value of the asset //
4. appropriate method of depreciation //
5. lifecycle of product //
6. legal limits / requirements // etc.

<b>2017</b>
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**Explain what is meant by 'depreciation'. (3)**

Depreciation is the measure of the wearing away / loss in value (1) of a fixed asset (1) as a result of wear and tear/ passage of time / obsolescence / extraction (1)

**PAST EXAM QUESTIONS****Revaluation of Fixed Assets**

1. Distinguish between capital and revenue expenditure. (4)
2. Explain what is meant by a revenue reserve in the context of revaluation. (4)
3. Explain why it is important for firms to revalue their fixed assets. (4)
4. Outline the factors that affect the price of property on the market (4)
5. What factors are taken into account in arriving at an annual depreciation charge?

2019

2017

2012

**2019****Distinguish between capital and revenue expenditure (4)**

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.

**Explain what is meant by a revenue reserve in the context of revaluation (4)**

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.

**2017****Explain why it is important for firms to revalue their fixed assets. (4)**

Importance of revaluation:

1. The accounts will show fixed assets at their true market value and thereby show a true and fair view of the financial position of the company.
2. It provides useful information to users of the accounts (lenders, takeover bidders etc.).
3. It enables ratios to be calculated more accurately (e.g. ROCE).
4. Depreciation will not be understated and therefore profits will not be overstated.

**Outline the factors that affect the price of property on the market (4)**

(ii) Factors that influence the price of property on the market:

1. The use of the land – zoning, commercial or private.
2. New investments and projects nearby – for example a new Luas line.
3. Overall state of the property market – boom, recession.
4. Tax rates/breaks etc. to encouragement development.
5. The overall levels of supply and demand and the availability of credit from financial institutions.

<b>2012</b>
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**What factors are taken into account in arriving at an annual depreciation charge?**

Factors used to determine annual depreciation charge. [2]

1. Cost of asset
2. Estimated life of asset
3. Estimated residual/scrap value of asset
4. Selection of appropriate method of depreciation