

## PART B – REVALUATION OF FIXED ASSETS

### REVALUTATION OF FIXED ASSETS

This is when the true value of the Fixed Assets are entered into the accounts. This will usually happen when the market value of the Fixed assets increases which means that the cost of the Fixed Assets has now increased. Revaluation of the Fixed Assets is useful because

1. It provides up to date information to the end user
2. Ratios can be calculated more accurately

Once the Fixed asset has been calculated it is this figure that is used to calculate depreciation. This will result in increased depreciation and less profits on the disposal of the Fixed asset

Free hold land is not normally depreciated.

### THE ACCOUNTS

The account needed to calculate this question includes the following

1. The asset account
2. The provision for depreciation account
3. The disposal account
4. The revaluation Reserve account (Finance By)
5. The revenue reserve account (Finance By)
6. Extract from the Profit and Balance Sheet

### ACCOUNTING PROCEDURES

Debit	The asset account (Increase value)
Debit	The provision for depreciation (depreciation to date)
Credit	Revaluation Reserve (Two Debit Figure Above)

#### Remember

1. When revaluation takes place
  - a. Transfer the any depreciation from the revalue assets to the revaluation reserve account
2. Land is not depreciated