Aufgabe QR-7.4: Änderung des Restbuchwerts
(Changes in Accounting Policies)

This task refers to the changes in accounting policy required along IAS 8. Read page 155ff. for further consideration.

JAMSIL Ltd. is in the movie making industry. For their new film they acquired a new movie camera and paid 12,000.00 EUR on 1.01.20X5. Consider VAT rate to be 20%. JAMSIL estimates to use camera 3 years and sell it after that period for 4,000.00 EUR (net amount) on the internet marked for used cameras. Assume they sell camera on 1.01.20X8, so it is included in bookkeeping records as end of year 20X7. Depreciation follows straight line method.
At the end of 20X6 JAMSIL Ltd's accountant notices that the residual value for the camera is too high. After consultation of an expert she adjusts residual value to the fair market price for 3 year old used cameras 1,200.00 EUR (gross amount). The new residual value is relevant for 20X6's depreciation charge already.

Pls. provide the recognition of the camera for financial statements as at 31.12.20X6 and as at 31.12.20X7. In particular the comparison data are required for this task! Assume the national tax law requires the adjustment of residual values but does not follow IAS 8. Income tax rate is 30%.

Lösung: (Solution)

In 20X5 camera is bought and there is straight line depreciation under consideration of residual value to be 2,000.00 EUR.
(1) Acquisition

```
DR P, P, E ......................... 10,000.00 EUR
DR VAT ..............................  2,000.00 EUR
CR Bank ............................ 12,000.00 EUR
```

(2) Depreciation charge is (10,000 – 4,000) / 3 = **2,000.00 EUR**.

```
DR Depr. ...........................  2,000.00 EUR
CR Acc. Depr. ......................  2,000.00 EUR
```

During Accounting period 20X6 the accountant learns that residual value estimate is too high and is to be reduced to 1,000.00 EUR. Accordingly there is an adjustment for depreciation required. Along IAS 8 the change in accounting policy is to pull forward to 20X5 and to be shown as comparable information. Despite financial statements for 20X5 remain unchanged.
New depreciation charge is (10,000 – 1,000)/3 = 3,000.00 EUR. For that reason bookkeeping entry is:
(3) Depreciation in 20X6 along IFRSs

```
DR Depr. ........................... 3,000.00 EUR
CR Acc. Depr. ...................... 3,000.00 EUR
```

Now, bookkeeping records show depreciation to be 3,000.00 EUR for both years (!) along display in financial statements for 20X6. To adjust accumulated depreciation account you have to make the following bookkeeping entry:

(adj) Adjustment

```
DR Retained earnings ...............  1,000.00 EUR
CR Acc. Depr. ......................  1,000.00 EUR
```

The adjustment requires an asset for deferred taxes:

(adj) Making a bookkeeping entry for an asset for deferred taxes. As the asset is later dissolved there is a DR in the Provision account already. The amount is 1,000 · 30% = 300.00 EUR.

```
DR Asset for deferred taxes .........    300.00 EUR
CR Deferred tax income .............    300.00 EUR
```

The new carrying amount at end of year 20X6 is derived from P, P, E account and accumulated depreciation account: 10,000 – 3,000 – 3,000 = **4,000.00 EUR**.

Assume that financial statements for taxation do not follow IFRSs. Accordingly depreciation would be for 20X6: (8,000 – 1,000) / 2 = **3,500.00 EUR**. For this reason profit for commercial financial statements exceeds taxable profit by 500.00 EUR. Accordingly IAS 12 requires raising a provision for deferred taxes. The income tax rate for this task is given to be 30%. So, provision is 500 · 30% = **150.00 EUR**. Instead of the provision the asset for deferred taxes gets reduced.

(4) Reducing asset for deferred taxes:

```
DR deferred tax expenses ...........    150.00 EUR
CR Asset for deferred taxes .........    150.00 EUR
```

Preparing financial statements for 20X7 the adjusted carrying amount is relevant. Depreciation charge is 3,000.00 EUR and for taxation it is 3,500.00 EUR.

(5) Depreciation in 20X7

```
DR Depr. ...........................  3,000.00 EUR
CR Acc. Depr. ......................  3,000.00 EUR
```

Now, again profit for commercial financial statements exceeds taxable profit, so there is a further provision to be raised.

(6) Raising provision:

DR Deferred tax expenses .... 150.00 EUR

CR Asset for deferred taxes .... 150.00 EUR

The accounts as at 31.12.20X7 look as below. Note, these are the accounts for bookkeeping records along IFRSs financial statements.

P, P, E

D			C
(1)	10.000,00	c/d	10.000,00
b/d	10.000,00		

VAT

D			C
(1)	2.000,00	c/d	2.000,00
b/d	2.000,00	Bank	2.000,00

Bank

D			C
c/d	12.000,00	(1)	12.000,00
VAT	2.000,00	b/d	12.000,00
c/d	10.000,00		
	12.000,00		12.000,00
		b/d	10.000,00

Acc Depr

D			C
		(2)	2.000,00
		(adj)	1.000,00
		(3)	3.000,00
c/d	9.000,00	(6)	3.000,00
	9.000,00		9.000,00
		b/d	9.000,00

Depr

D			C
(2)	2.000,00	P&L-X5	2.000,00
(3)	3.000,00	P&L-X6	3.000,00
(6)	3.000,00	P&L-X7	3.500,00

Def taxes

D			C
(adj)	300,00	(4)	150,00
		c/d	150,00
	300,00		300,00
b/d	150,00	(6)	150,00

Tax exp

D			C
(4)	150,00	(adj)	300,00
P&L-X6	150,00		
(6)	150,00	P&L-X7	150,00

R/E

D			C
P&L-05	2.000,00	c/d	2.000,00
b/d	2.000,00		
(adj)	1.000,00		
P&L-06	2.850,00	c/d	5.850,00
	5.850,00		5.850,00
b/d	5.850,00		
P&L-X7	3.150,00	c/d	9.000,00
	9.000,00		9.000,00
b/d	9.000,00		

P&L 20X7

D			C
Depr	3.000,00	R/E	3.150,00
Other	150,00		
	3.150,00		3.150,00

Exhibit 1: Accounts

The register of fixed assets shows the amounts as at 31.12.20X7:

JAMSIL Ltd.'s REGISTER OF FIXED ASSETS as at 31.12.20X7

Item	Cost/ Valuation	Acc. Depreciation	Acc. Impairment Loss	Carrying Amount
	[EUR]	[EUR]	[EUR]	[EUR]
Camera	10.000,00	(9.000,00)	0,00	1.000,00

Exhibit 2: Register of fixed assets

RECONCILIATION OF CARRYING AMOUNTS

	20X7	20X6	20X5
	[EUR]	[EUR]	[EUR]
Carrying Amount beginning of year	4.000,00	8.000,00	10.000,00
Adjustment	0,00	(1.000,00)	0,00
Impairment loss	0,00	0,00	0,00
Depreciation	(3.000,00)	(3.000,00)	(2.000,00)
Carrying Amount as at 31.12.	1.000,00	4.000,00	8.000,00

Exhibit 3: Reconciliation statement of carrying amounts

The comparison of financial statements as at 31.12.20X7 is as follows:

	old (ResV = 4.000)	new (ResV = 1.000)	B/S difference	I/S difference
31.12.20X5	8.000,00	8.000,00	0,00	
31.12.20X6	6.000,00	4.000,00	(2.000,00)	(2.000,00)
31.12.20X7	4.000,00	1.000,00	(3.000,00)	(1.000,00)

Exhibit 4: Comparison