

Revaluation 2001

3. Revaluation of Fixed Assets

On 1 January 1996 Quick Ltd owned a building which had cost £350,000. The company depreciates its assets at the rate of 2% 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 building had been purchased eight years earlier and depreciation had been charged against profits in each of these eight years.

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

- Jan 1 1996 Revalued building at £480,000.
- Jan 1 1998 Purchased additional building for £240,000. During 1998, £60,000 was paid to a building contractor for an extension to this recently purchased building. The company's own employees also worked on the extension and they were paid wages amounting to £20,000 by Quick Ltd for this work.
- Jan 1 1999 Revalued buildings owned at £880,000 (a 10% increase in respect of each building).
- Jan 1 2000 Sold for £550,000 the building owned on 1/1/1996. The remaining building was revalued at £400,000.

You are required to:

Prepare the relevant ledger accounts in respect of the above transactions for the years ended 31 December 1996 to 31 December 2000. (Bank Account and Profit and Loss not required). (60 marks)