

ACC/ACF2100 Financial Accounting

Topic 5 Property, Plant and Equipment: Presentation Question

At 30 June 2017, Move With Us Ltd has two recorded vehicles; a small truck and a delivery van. The truck was purchased three years ago at a cost of \$100 000, and is carried at \$70 000. The delivery van was purchased three years ago at a cost of \$40 000, and its carrying amount is now \$28 000. Both vehicles are measured using the cost model and are depreciated on a straight line basis over 10 years.

On 1 July 2017, the directors of Move With Us Ltd decided to change the basis of measuring the vehicles from the cost model to the revaluation model. The truck was revalued to \$75 000 with an expected useful life of 5 years, and the delivery van was revalued to \$22 000 with an expected useful life of 5 years.

At 30 June 2018, the delivery van's fair value was \$21 600 with an expected useful life of 4 years.

The tax rate is 30%.

Required

Prepare the journal entries during the period 1 July 2017 to 30 June 2018 in relation to the vehicles. Explain why each entry needs to be made.