Revaluation of property, plant and equipment i.t.o. the amendments to IFRS for SMEs (issued May 2015)
Presenter details

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- Enjoy the presentation…
• Issued originally in July 2009

• Most recent approved amendments to IFRS for SMEs issued in May 2015

• Effective date of improvements is for annual reporting periods beginning on or after 1 January 2017

• Earlier application is permitted…

• This lecture relates to one of the main changes to the IFRS for SMEs
  • **Subsequent revaluation of property, plant and equipment (section 17)**
Internationally the biggest single reason for non-adoption of the IFRS for SMEs was the absence of the revaluation model as an option for subsequently measuring items of property, plant and equipment at fair value.

**Advantages**

- Providing SME’s with the ability to account for their property, plant and equipment at fair value (which was prohibited before), where such fair values can be measured reliably.

- Advantages to finance providers and possible investors.

- Embracing the move to fair value accounting experienced in full IFRSs.

**Disadvantages**

- Negative perception regarding determination of fair values for items of PP&E.

- Costliness of determination of fair value on regular basis; time-consuming.
Addition to the existing section 17:

“An entity shall choose either the cost model or the revaluation model as its accounting policy and shall apply that policy to an entire class of property, plant and equipment. An entity shall apply the cost model to investment property whose fair value cannot be measured reliably without undue cost or effort. An entity shall recognise the costs of day-to-day servicing of an item of property, plant and equipment in profit or loss in the period in which the costs are incurred.” (par. 17.15)

Implications from the above:

- SME’s now have a choice on how to subsequently measure property, plant and equipment (i.e. using the cost model or the revaluation model)
- The choice is an accounting policy
- A change from the cost model to the revaluation model is therefore a change in accounting policy
- The entire class of PP&E to which the asset belongs, must be revalued
- Investment properties dealt with as PP&E, may not be revalued
Note 1 Accounting Policies (*indicates only new information*)

**Property, plant and equipment**

Property, plant and equipment also include *investment property* for which fair value cannot be determined without undue cost or effort on an ongoing basis. Such investment properties are carried at cost less accumulated depreciation and accumulated impairment losses after initial recognition.

**Buildings** are carried at revalued amounts less accumulated depreciation and accumulated impairment losses after initial recognition. Revaluations are performed with sufficient regularity to avoid material differences between carrying amounts and fair values. At the date of revaluation, accumulated depreciation is offset against the gross revalued amount OR the gross revalued amount and accumulated depreciation are proportionately restated.

**Vehicles** are carried at cost less accumulated depreciation and accumulated impairment losses after initial recognition.

*Depreciation, residual values, depreciation methods, useful lives etc….\ Gains or losses on disposal*…
The revaluation model – principle 1

“An entity shall measure an item of property, plant and equipment whose fair value can be measured reliably at revalued amount, being its fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations shall be made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. If an item of property, plant and equipment is revalued, the entire class of property, plant and equipment to which that asset belongs shall be revalued.” (par. 17.15B)
• “If an asset’s carrying amount is increased as a result of a revaluation, the increase shall be recognised in **other comprehensive income** and accumulated under the heading of revaluation surplus. However, the increase shall be recognised in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss.” (par. 17.15C)
“If an asset’s carrying amount is decreased as a result of a revaluation, the decrease shall be recognised in profit or loss. However, the decrease shall be recognised in other comprehensive income to the extent of any credit balance existing in the revaluation surplus in respect of that asset. The decrease recognised in other comprehensive income reduces the amount accumulated in equity under the heading of revaluation surplus.” (par. 17.15D)
### ABC Group

**Statement of profit or loss and other comprehensive income for the year ended ... (By Function)**

<table>
<thead>
<tr>
<th>Description</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>xxx</td>
<td>(xx)</td>
</tr>
<tr>
<td>Cost of sales</td>
<td></td>
<td>(xx)</td>
</tr>
<tr>
<td>Gross profit</td>
<td>xxx</td>
<td>xxx</td>
</tr>
<tr>
<td>Other income</td>
<td>xxx</td>
<td>xxx</td>
</tr>
<tr>
<td>Distribution costs</td>
<td>(xx)</td>
<td>(xx)</td>
</tr>
<tr>
<td>Administrative expenses</td>
<td>(xx)</td>
<td>(xx)</td>
</tr>
<tr>
<td>Other expenses</td>
<td>(xx)</td>
<td>(xx)</td>
</tr>
<tr>
<td>Profit from associates</td>
<td>xxx</td>
<td>xxx</td>
</tr>
<tr>
<td>Profit before tax</td>
<td>xxx</td>
<td>xxx</td>
</tr>
<tr>
<td>Income tax expense</td>
<td>(xx)</td>
<td>(xx)</td>
</tr>
<tr>
<td>Profit for the year from continuing operations</td>
<td>xxx</td>
<td>xxx</td>
</tr>
<tr>
<td>Loss for the year from discontinued operations</td>
<td>(xx)</td>
<td>(xx)</td>
</tr>
<tr>
<td><strong>PROFIT for the year</strong></td>
<td>xxx</td>
<td>xxx</td>
</tr>
<tr>
<td>Attributable to <strong>Owners of the parent</strong></td>
<td>xxx</td>
<td>Xxx</td>
</tr>
<tr>
<td>Attributable to <strong>Non-controlling interest</strong></td>
<td>xxx</td>
<td>Xxx</td>
</tr>
<tr>
<td><strong>Earnings per share: Basic and diluted</strong></td>
<td>x.xx</td>
<td>x.xx</td>
</tr>
</tbody>
</table>

**Other comprehensive income**

- **Items that can never be reclassified to P/L**
  - Gains on property revaluation
  - Actuarial gains
  - Income tax relating to components

- **Items that may be reclassified to P/L**
  - Cash flow hedges
  - Exchange differences on translating
  - Share of OCI of associate
  - Income tax relating to components

**Other comprehensive income net of tax**

<table>
<thead>
<tr>
<th>Description</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>TOTAL COMPREHENSIVE INCOME for the year</strong></td>
<td>xxx</td>
<td>xxx</td>
</tr>
<tr>
<td>Attributable to <strong>Owners of the parent</strong></td>
<td>xxx</td>
<td>xxx</td>
</tr>
<tr>
<td>Attributable to <strong>Non-controlling interest</strong></td>
<td>xxx</td>
<td>xxx</td>
</tr>
</tbody>
</table>

**Presentation** = face of AFS
Disclosure of revalued PP&E (1)

- Must be done for each class of PP&E
- A reconciliation of the carrying amount, at the beginning and end of the reporting period, showing separately:
  - Increases/decreases resulting from revaluations and from impairment losses recognised (or reversed) in other comprehensive income in accordance with section 27 Impairment of Assets

Disclosure = notes to the AFS
If items of property, plant and equipment are stated at revalued amounts, the following shall be disclosed:

- The effective date of the revaluation;
- Whether an independent valuer was involved;
- The methods and significant assumptions applied in estimating the items’ fair values;
- For each revalued class of property, plant and equipment, the carrying amount that would have been recognised had the assets been carried under the cost model; and
- The revaluation surplus, indicating the change for the period and any restrictions on the distribution of the balance to the shareholders.”
Issues to consider/apply (agenda)

- Change in accounting policy (and relevant disclosure requirements)
- How is “fair value” determined?
- What is the effective date of the revaluation?
- The mechanics of the revaluation (debits and credits)
  - Offset accumulated depreciation or proportionately restate?
- When, where and how (if at all) is the ‘revaluation surplus’ released from other comprehensive income?
  - What is “other comprehensive income”?
- The impact of impairment losses and reversal of impairment losses on revalued property, plant and equipment
- The deferred tax implications of the revaluation model (to be discussed in next lecture on deferred tax, 29 October 2015)
- Application of the presentation and disclosure requirements relating to revalued property, plant and equipment
**Change in accounting policy (1)**

- Section 10 of the IFRS for SME’s amended with the following:

- “The initial application of a policy to revalue assets in accordance with Section 17 Property, Plant and Equipment is a change in accounting policy to be dealt with as a revaluation in accordance with Section 17. Consequently, a change from the cost model to the revaluation model for a class of property, plant and equipment shall be accounted for **prospectively**, instead of in accordance with paragraphs 10.11 to 10.12.” (par. 10.10A)

- Unique treatment for change in accounting policy, as changes in accounting policy are usually applied retrospectively…
• **Disclosure** requirements in the notes to the AFS:

  • The **nature** of the change in accounting policy

  • The **reasons** why applying the new accounting policy provides reliable and more relevant information

  • To the extent practicable, the **amount of the adjustment** for each financial statement line item affected, shown separately:
    • For the current period;
    • For each prior period presented; and
    • In the aggregate for periods before those presented

  • An **explanation** if it is impracticable to determine the amounts to be disclosed above
Note 12 Change in accounting policy *(example of note disclosure)*

In 2015 the entity changed its accounting policy for the measurement of buildings (a class of property, plant and equipment) after initial recognition from the cost model to the revaluation model. *(par. 10.14(a))*

Management judged that this policy provides reliable and more relevant information because changes in its fair value are an integral component of the financial performance of the building and measurement at fair value is necessary if that financial performance is to be reported in a more meaningful way. *(par. 10.14(b))*

This change in accounting policy has been accounted for prospectively. No comparative information has therefore been restated.

The effect of the change in accounting policy on the financial statements for the year ended 31 December 2015, was as follows: *(par. 10.14(c))*

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increase in operating expenses</td>
<td>(R100 000)</td>
</tr>
<tr>
<td>Decrease in deferred tax expense</td>
<td>R28 000</td>
</tr>
<tr>
<td>Increase in revaluation surplus</td>
<td>R1 440 000</td>
</tr>
<tr>
<td>Increase in deferred taxation</td>
<td>(R560 000)</td>
</tr>
<tr>
<td>Increase in property, plant and equipment</td>
<td>R2 000 000</td>
</tr>
</tbody>
</table>
How is fair value determined? (1)

- Guidance provided in IFRS for SMEs section 11.27 to 11.32

- The following hierarchy is to be used:
  - **Quoted price** for an **identical** asset in an **active** market (best evidence)
  
  - Where quoted prices are not available, the price of a **recent transaction** for an **identical** asset provides evidence of fair value, as long as there has not been a significant change in economic circumstances or a significant lapse of time since that transaction took place – if the entity can demonstrate that the most recent price is not a good estimate of fair value (e.g. forced transaction, involuntary liquidation, distress sale etc.), such price is adjusted
  
  - If no active market and recent transactions of an identical asset are not a good estimate of fair value, the entity **estimates** the fair value using a **valuation technique** = to estimate what the transaction price would have been on the measurement date in an arm’s length exchange motivated by normal business considerations
How is fair value determined? (2)

- Guidance on **valuations and valuation techniques**
  - What should be used?
    - Recent arm’s length market transactions for identical assets between knowledgeable, willing parties (if available)
    - Reference to the current fair value of another asset that is substantially the same as the asset being measured
    - Discounted cash flow analysis
    - Technique commonly used by market participants to price the asset AND the technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions
  - Principles applied?
    - Maximum use of market-inputs
    - Minimum possible entity-determined inputs

- **Overall test for acceptability of valuation technique:**
  - It reasonably reflects how the market could be expected to price the asset, and
  - The inputs to the valuation technique reasonably represent market expectations and measures of the risk return factors inherent in the asset
How is fair value determined? (3)

- **Is fair value reliably measurable without quoted prices in an active market?**
  - If the variability in the range of reasonable fair value estimates is not significant for that asset
    - OR
  - The probabilities of the various estimates within the range can be reasonably assessed and used in estimating fair values
  - If not, the entity is **PRECLUDED** from measuring the asset at fair value

- Per IFRS for SMEs, it is *normally* possible to estimate the fair value of an asset that an entity has acquired from an outside party (i.e. internally-generated = problematic?)

- If a reliable measure of fair value is no longer available for an asset measured at fair value, its carrying amount at the last date the asset was reliably measurable, becomes its new cost – the entity shall measure the asset at this cost amount less depreciation and impairment until a reliable measure of fair value becomes available
How is fair value determined? (4)

- Most appropriate fair value also be assessed per class of property, plant and equipment
- Land: e.g. market value, valuation technique
- Buildings: e.g. market value, valuation technique
- Vehicles, plant, equipment: e.g. net replacement cost
  - Example: Entity owns a two year old vehicle with a total expected useful life of five years. The **gross** replacement cost of the vehicle is R100 000 at the end of year two.
  - The **net** replacement cost is therefore calculated as follows at the end of year two:
    - R100 000 x 3/5 = R60 000 (the vehicle is revalued to a net replacement cost of R60 000)
What is the effective date of the revaluation?

- Entity may freely choose the date of the revaluation, but should apply this consistently.

- **Options?**
  - Revaluation at the end of the financial period, with reference to fair value information at the end of the financial period (advantages/disadvantages?)
  
  - Revaluation at the beginning of the financial period, with reference to fair value information at the beginning of the financial period (advantages/disadvantages?)
  
  - Revaluation at the beginning of the financial period, with reference to fair value information at the end of the financial period (advantages/disadvantages?)
SME ABC (Pty) Ltd has a financial reporting date of 31 December. The company needs to perform a revaluation of their building as at 31 December 2015. The carrying amount of the building (before revaluation) is R4.5 million. The market value (reliably measured) is as follows:

- 1 January 2015: R5.5 million
- 31 December 2015: R5.8 million

The remaining useful life of the building (as at 31 December 2015) is unchanged on ten years.

- Revalue the building on 1 January 2015 using the R5.5 million (depreciation for 2015 will be R500 000, i.e. R5.5m/11 years)
- Revalue the building on 31 December 2015 using the R5.8 million (depreciation for 2015 will be R450 000, i.e. R4.5m/10 years)
- Revalue the building on 1 January 2015 using a restated R5.8 million (depreciation for 2015 will be R580 000, i.e. [R5.8m/10 years x 11 years] / 11 years) (depreciation for 2015 already based on fair value at the END of the 2015 year)
• Basic revaluation journal entry:
  • Dr Plant
  • Cr Revaluation surplus (OCI)
  • (revaluation of plant)
  • Dr Deferred tax (OCI)
  • Cr Deferred tax (F/P)

• **Concern lies with the debit to “Plant”... (see next slide)**
Accounting policy should be selected i.r.o. the following, at the revaluation date:

- **Option 1**: Eliminate accumulated depreciation against the gross cost of the revalued asset, and then revalue the “plant at valuation” account

- **Option 2**: Proportionately restate the gross cost and the accumulated depreciation of the revalued asset to reflect the revaluation

*The above election is to be reflected in the accounting policy notes for property, plant and equipment, as discussed earlier in the lecture…*
On 31 December 2015, SME GHI (Pty) Ltd revalues machinery to the net replacement value at that date. The gross replacement value at that date is R2 million and the remaining useful life is 8 years (total useful life: 10 years, unchanged). The original cost of the machinery was R1.5 million.

**Option 1: Eliminate accumulated depreciation at revaluation date**

Dr Accumulated depreciation (R1.5m/10x2) R300 000  
Cr Plant at cost price R1 500 000  
Dr Plant at valuation (R2m x 8/10) R1 600 000  
Cr Revaluation surplus (OCI) R400 000

**Option 2: Proportionately restate the gross cost and the accumulated depreciation at revaluation date**

Dr Plant at cost (gross replacement value) (R2m – R1.5m) R500 000  
Cr Accumulated depreciation [(R2m x 2/10) – R300 000)] R100 000  
Cr Revaluation surplus (OCI) (R1.6m – R1.2m) R400 000
• Revaluation surplus (after tax) is recognised in other comprehensive income (OCI)

• **A revaluation surplus is NOT a non-distributable reserve (necessarily)**

• Addition to Section 2 (par. 22):
  • **“This IFRS does not prescribe how, when or if amounts can be transferred between components of equity.”**

• Crux: the SME needs to make a decision and disclose its policy for the release of the revaluation surplus (if done at all)
  • This accounting policy will be disclosed under the heading of “revaluation surplus” in the notes to the AFS

• **One very important point to remember: the revaluation surplus may NOT be reclassified from OCI to profit or loss directly!**
• When IFRS for SMEs gives no specific guidance, full IFRSs may be consulted

• **Two options** exist for the release of the revaluation surplus from OCI:
  • An amount equal to the after-tax effects of the additional depreciation attributable to the revaluation, may be released to retained earnings (i.e. the release of the revaluation surplus takes place gradually over the remaining useful life of the asset)
    • What is the logic for this option?
  • The revaluation surplus may be released to retained earnings when the revalued asset is derecognised (i.e. the earlier of when no further FEBs are expected therefrom, or when the asset is disposed)
Example: Gradual release from OCI into retained earnings

SME JKL (Pty) Ltd revalued plant to net replacement cost of R2 million for the very first time at 31 December 2014. The remaining useful life of the asset remained unchanged at 31 December 2014 on 8 years (total useful life: 10 years, unchanged). The cost price of the plant was R2 million. Assume that the full revaluation surplus was taxed at 28%.

How much should be released from OCI into retained earnings for the 2015 year?

Historic depreciation: R2m / 10 years = R200 000 p.a.
Revalued depreciation: R2m / 8 years = R250 000 p.a.
Additional depreciation: R250 000 – R200 000 = R50 000
After-tax: R50 000 x 72% = R36 000

Test: revaluation surplus = (R2m – R1.6m) x 72% = R288 000 (after tax)
Remaining useful life: 8 years
Amount to be released to retained earnings: R288 000 / 8 years = R36 000
Example: Release from OCI into retained earnings upon disposal (derecognition)

SME JKL (Pty) Ltd revalued plant to net replacement cost of R2 million for the very first time at 31 December 2014. The remaining useful life of the asset remained unchanged at 31 December 2014 on 8 years (total useful life: 10 years, unchanged). The cost price of the plant was R2 million. Assume that the full revaluation surplus was taxed at 28%. The plant was disposed of on 31 December 2015 for R3 million. Ignore tax on disposal. Assume that accumulated depreciation is eliminated against the cost of the plant upon revaluation.

What are the journal entries for the 2015 year?

Dr Depreciation (P/L) (R2m / 8 years) R250 000
Cr Accumulated depreciation – plant R250 000

Dr Bank R3 000 000
Dr Accumulated depreciation – plant R250 000
Cr Plant at valuation R2 000 000
Cr Gain on disposal (P/L) R1 250 000

Dr Revaluation surplus (OCI) [(R2m – R1.6m) x 72%] R288 000
Dr Deferred tax (F/P) R112 000
Cr Retained earnings (SoCIE) R400 000
What is other comprehensive income?

- A subcomponent of equity

**TOTAL EQUITY**

**Equity**
- Share capital
- Share premium
- Retained earnings

**Other comprehensive income**
- Not reclassifiable to P/L
- Actuarial gains/losses
- Revaluation surplus
- Reclassifiable to P/L
- FCTR
- Cash flow hedge reserve
- Share of OCI of associate
The impact of impairment losses (1)

- Cost model: all impairment losses and reversals of impairment losses accounted for in profit or loss (take note of reversal ceiling)

- Non-depreciable asset measured i.t.o. cost model

- Depreciable asset measured i.t.o. cost model
The impact of impairment losses (2)

- Revaluation model (take note of ceiling for reversal through P/L)

- Non-depreciable asset measured i.t.o. revaluation model

- Depreciable asset measured i.t.o. revaluation model
Example: impairment loss and reversal of impairment loss on revalued PP&E

On 31 December 2014, SME MNO (Pty) Ltd revalued equipment to their net replacement value of R2 million. The carrying amount of the equipment (never revalued before) was R1.6 million on that date. The remaining useful life (as at that date) was unchanged at 8 years (total useful life: 10 years, unchanged). The revaluation surplus was taxed in full at 28%. The revaluation surplus is released to retained earnings over the useful life of the equipment. No wear-and-tear can be claimed from the SA Revenue Service (SARS) on the equipment.

The recoverable amount of the equipment was as follows on:
- 31 December 2015: R1 300 000
- 31 December 2016: R1 800 000
The impact of impairment losses (4)

Example (continued)

2015 year
- Revalued carrying amount (31 December 2015) = R2m x 7/8 = R1 750 000
- Recoverable amount = R1 300 000
- Impairment loss = R450 000
- Journal entry:
  - Dr Revaluation surplus (OCI) (R400k x 72% x 7/8) R252 000
  - Dr Deferred tax (F/P) (R400k x 28% x 7/8) R98 000
  - Dr Impairment loss (P/L) (R450k – R350k) R100 000
  - Cr Accumulated impairment loss – plant (F/P) R450 000

No deferred tax recognised on impairment loss in P/L, as no W&T claimed (permanent difference)
Example (continued)

2016 year
- Carrying amount (31 December 2016) = R1.3m x 6/7 = R1 114 286
- Recoverable amount = R1 800 000
- Impairment reversal = R685 714 (potentially!!)
- RCA would have been (without any impairment): R2m x 6/8 = R1 500 000 (CEILING!!)
- Maximum reversal = R1 500 000 – R1 114 286 = R385 714
- How much reversed through P/L? HCA: R2m x 6/10 = R1 200 000 – R1 114 286 = R85 714
- Journal entry:
  Dr Accumulated impairment loss – plant (F/P) R385 714
  Cr Impairment loss (P/L) R85 714
  Cr Revaluation surplus (OCI) [(R385 714 – R85 714) x 72%] R216 000
  Cr Deferred tax (F/P) (R300 000 x 28%) R84 000

No deferred tax adjustment on reversal of impairment through P/L, as no W&T claimed (permanent difference)
Deferred tax on revalued PP&E (1)

- IFRS for SMEs also amended for calculation of deferred tax
- Brought fully in line with IAS 12 *Income Taxes* (per full IFRSs)

- IFRS for SMEs (previously, 2009)
  - Deferred tax only recognised for consequences of recovering an asset through SALE

- IFRS for SMEs (amended, 2015)
  - **Deferred tax should be recognised for consequences of recovering an asset through USE and SALE**
Example 1 – deferred tax based on recovery through USE versus SALE (cost model)

SME PQR (Pty) Ltd measures buildings according to the cost model. The building has an original cost price (and carrying amount) of R1 million (which is also the base cost for capital gains tax purposes). Unclaimed wear-and-tear in respect of the building is R600 000. The building is not depreciated as it has a residual value of R1.2 million (reliably measured).

Deferred tax on the building:
- If recovered through sale (deemed selling price = CA = R1m):
  - Recoupment of R400 000 (W&T) x 28% = R112 000
- If recovered through use: (R1m (CA) – R600k (TB)) x 28% = R112 000
- No effect due to amendment
Example 2 – deferred tax based on recovery through USE versus SALE (revaluation model)

SME PQR (Pty) Ltd measures buildings according to the revaluation model. The building has an original cost price of R1 million (which is also the base cost for capital gains tax purposes). The building appears in the statement of financial position of the company at a revalued carrying amount of R1.5 million. Unclaimed wear-and-tear in respect of the building is R600 000. The building is not depreciated as it has a residual value of R1.2 million (reliably measured).

Deferred tax on the building:
- If recovered through sale (deemed selling price = RCA = R1.5m):
  - Recoupment of R400 000 (W&T) x 28% = R112 000
  - Capital gains tax: (R1.5m – R1m) x 66.6% x 28% = R93 240
  - Total = R205 240
- If recovered through use and sale:
  - Recoupment of R400 000 (W&T) x 28% = R112 000
  - Capital gains tax: (R1.2m – R1.0m) x 66.6% x 28% = R37 296
  - Use: (R1.5m – R1.2m) x 28% = R84 000
  - Total = R233 296
- Additional deferred tax of R28 056
Mostly disclosure is affected (i.e. notes to AFS) as discussed before

Reconciliation from opening balance to closing balance
  - Will depend on accounting policy choice elected regarding the elimination of accumulated depreciation against the cost price of the revalued asset, or the proportionate restatement of the gross cost and accumulated depreciation of the revalued asset
  - Opening balance and closing balance to reflect this information

Remember to disclose the historic carrying amount as part of the note on property, plant and equipment
### Example of reconciliation in notes to AFS (proportionately restated)

**Machinery**

<table>
<thead>
<tr>
<th>Description</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Carrying amount at beginning of year</td>
<td>800</td>
</tr>
</tbody>
</table>

- Gross replacement value/cost: 1 000
- Accumulated depreciation: (200)

- Revaluations: 500
- Depreciation: (100)

<table>
<thead>
<tr>
<th>Description</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Carrying amount at end of year</td>
<td>1 200</td>
</tr>
</tbody>
</table>

- Gross replacement value: 1 600
- Accumulated depreciation: (400)
### Example of reconciliation in notes to AFS (accumulated depreciation eliminated)

#### Machinery

<table>
<thead>
<tr>
<th>Description</th>
<th>2015</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Carrying amount at beginning of year</td>
<td>800</td>
<td>800</td>
</tr>
<tr>
<td>Gross replacement value/cost</td>
<td>1 000</td>
<td>(200)</td>
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<tr>
<td>Accumulated depreciation</td>
<td>(100)</td>
<td>(100)</td>
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<tr>
<td>Revaluations</td>
<td>500</td>
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<tr>
<td>Depreciation</td>
<td>(100)</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Carrying amount at end of year</th>
<th>1 200</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross replacement value</td>
<td>1 300</td>
</tr>
<tr>
<td>Accumulated depreciation</td>
<td>(100)</td>
</tr>
</tbody>
</table>