

(b) Abbas Limited**Notes to the financial statements
For the year ended June 30, 2019**

(----- Rupees in '000' -----)

7. Property, plant and equipment**Cost / Revalued Amount**

Opening balance (July 01, 2018)	12,000	125,000	500,000	100,000	737,000
+Addition	-	-	-	60,000	60,000
-Transfer	-	-	-	-	-
+/- Revaluation	8,000	-	-	-	8,000
-Disposal	(5,000)	(31,250)	-	-	(36,250)
Closing balance (June 30, 2019)	15,000	93,750	500,000	160,000	768,750

Accumulated depreciation

Opening balance (July 01, 2018)	-	38,000	300,000	36,000	374,000
-Transfer	-	-	-	-	-
+Depreciation (W-2.1);(W-3)	-	8,313	125,000	20,800	154,113
-Disposal	-	(10,688)	-	-	(10,688)
Closing balance (June 30, 2019)	-	(35,625)	(425,000)	(56,800)	(517,425)

Written down value (June 30, 2019)

Written down value (June 30, 2018)

	Land	Building	P&M	Equipment	Total
Opening balance (July 01, 2018)	12,000	125,000	500,000	100,000	737,000
+Addition	-	-	-	60,000	60,000
-Transfer	-	-	-	-	-
+/- Revaluation	8,000	-	-	-	8,000
-Disposal	(5,000)	(31,250)	-	-	(36,250)
Closing balance (June 30, 2019)	15,000	93,750	500,000	160,000	768,750
Opening balance (July 01, 2018)	-	38,000	300,000	36,000	374,000
-Transfer	-	-	-	-	-
+Depreciation (W-2.1);(W-3)	-	8,313	125,000	20,800	154,113
-Disposal	-	(10,688)	-	-	(10,688)
Closing balance (June 30, 2019)	-	(35,625)	(425,000)	(56,800)	(517,425)
Written down value (June 30, 2019)	15,000	58,125	75,000	103,200	251,325
Written down value (June 30, 2018)	12,000	87,000	200,000	64,000	363,000

7.1 Measurement basis

Depreciation method

Useful life / rate

Revaluation	Cost	Cost	Cost
-	Straight line	Output	Reducing bal.
-	12 years	20 mill. units	20%

7.2 Last revaluation was performed on July 01, 2018 by M/s Ashfaq & Co. Chartered Accountants, an independent firm.

7.3 Had there been no revaluation the written down value of land would have been as follows:

Cost (15,000 - 15,000 x 25%)	Rs. in '000'
Less: Accumulated depreciation	11,250
Written down value	-
	<u>11,250</u>

7.4 Detail of disposals

Asset	Cost / Rev. amount	WDV	Sale proceeds	gain / (loss)	Buyer name	Mode
Land	5,000	5,000	12,400	7,400	-	-
Building	31,250	20,563	77,500	56,938	-	-

7.5 Movement in revaluation surplus

Opening balance	Rs. in '000'
+Arose during the year	-
-Transferred to retained earnings	5,000
Closing balance	(1,250)
	<u>3,750</u>

7.6 Depreciation expense charged during the year is allocated as follows:

	(-----Rupees in '000'-----)		
	Cost of sales	Admin	Total
Building (60 : 40)	4,988	3,325	8,313
Plant and machinery	125,000	-	125,000
Equipment	-	20,800	20,800
	<u>129,988</u>	<u>24,125</u>	

7.7 Movement in CWIP - factory building

Opening balance	Rs. in '000'
+ Addition [20,000 + (20,000 x 12% x 7/12)]	-
- Transfer	21,400
Closing balance	-
	<u>21,400</u>

7.8 Borrowing cost of Rs. 1,400 (20,000 x 12% x 7/12) is capitalised in CWIP - factory building as above in respect of loan obtained to finance the above project.

7.9 A contract was made with M/s UniPower & Co. to purchase plant and machinery worth Rs.35 million once the construction of factory building is completed.

(a) Journal entries

	Debit	Credit
1 Land (W-1)	8,000	
P/L account (W-1)		3,000
Rev. surplus (W-1) (Bal. fig.)		5,000
(Recording of revaluation surplus on land)		
2 Acc. dep. (W-2.2)	10,688	
Cash (90,000 - 100)	89,900	
P/L account (Bal. fig.)		64,338
Land (20,000 x 25%)		5,000
Building (125,000 x 25%)		31,250
(Recording of disposal of land and building)		
3 Rev. surplus (W-1)	1,250	
Retained earnings		1,250
(Transfer of rev. surplus to retained earnings on disposal)		

Workings**1 Revaluation of land**

Date	Description	Land	P/L	R/S
	Original Cost	15,000		
	Rev. loss (Bal. fig.)	(3,000)	(3,000)	
30.06.18	WDV/Rev. amount	12,000	(3,000)	
	Rev. surplus	8,000	3,000	5,000
01.07.18	Rev. amount	20,000	-	5,000
01.01.19	Disposal (25%)	(5,000)		(1,250)
30.06.19	WDV	15,000		3,750

2 Depreciation and disposal of building**2.1 Depreciation expense on building for the year**

On opening [(125,000 - 31,250) - (11,000 x 75%)] / 12(W-2.3)	7,125
On addition	-
On disposal [31,250 - (11,000 x 25%)] / 12 x 0.5	1,188
	8,313

2.2 Acc. Dep. of disposal [(125,000 x 25%) - (11,000 x 25%)] / 12 x 4.5]

10,688

2.3 Depreciation rate / useful life of building

Acc. Dep. till 30.06.18	=	$\frac{\text{Cost} - \text{RV}}{\text{Useful life}}$	X	Life passed
38,000	=	$\frac{125,000 - 11,000}{\text{Useful life}}$	X	4
Useful life	=			12 years

3 Depreciation of Plant and machinery

Depreciation expense per unit (300,000 / 12,000)	25
Depreciation expense for the year ended June 30, 2019 (5,000 units x Rs. 25)	125,000

4 Depreciation of Equipment

On opening (100,000 - 36,000) x 20% (W-4.1)	12,800
On addition (60,000 x 20%) x 8/12	8,000
On disposal	-
	20,800

4.1 Depreciation rate / useful life of equipment

Explained in class