

# 6410725

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# Introduction

- ▶ Name & Introduce yourself

# Solution to Issue 1:

- ▶ Difference between Revaluation decrement and impairment loss :
  - 1. As per Australian Accounting Standards revaluation decrement is done for majorly fixed assets where as impairment loss is calculated for all items including cash generating units.
  - 2. Impairment is tested annually where as revaluation is done rarely for the fixed assets.
  - 3. For business combinations when goodwill is acquired it is tested for impairment annually.
  - 4. AASB 136 Impairment of Assets says about impairment loss to be done annually where as AASB 116 Property, Plant & Equipment speaks about the revaluation of fixed assets.
  
- So, advice to Kaelyn is that both revaluation decrement and impairment loss are different from accounting standard point of view.

## Solution to Issue 2:

- ▶ <sup>1</sup> Differences between Cost Model & Revaluation Model:
- ▶ In cost model, the assets are valued at historical cost whereas in Revaluation model assets are measured at fair value as per AASB 116 Property, Plant & Equipment.
- ▶ The AASB 116 comes for measuring the fixed assets of the company at fair value only because it shows fair results to the investors whereas Cost model is old concept where it shows historical cost incurred on assets.
- ▶ Cost model impacts with depreciation on fixed assets on income statement whereas Revaluation model impacts with revised depreciation & gain or loss on fair valuation of fixed assets.

## Solution to Issue 2:

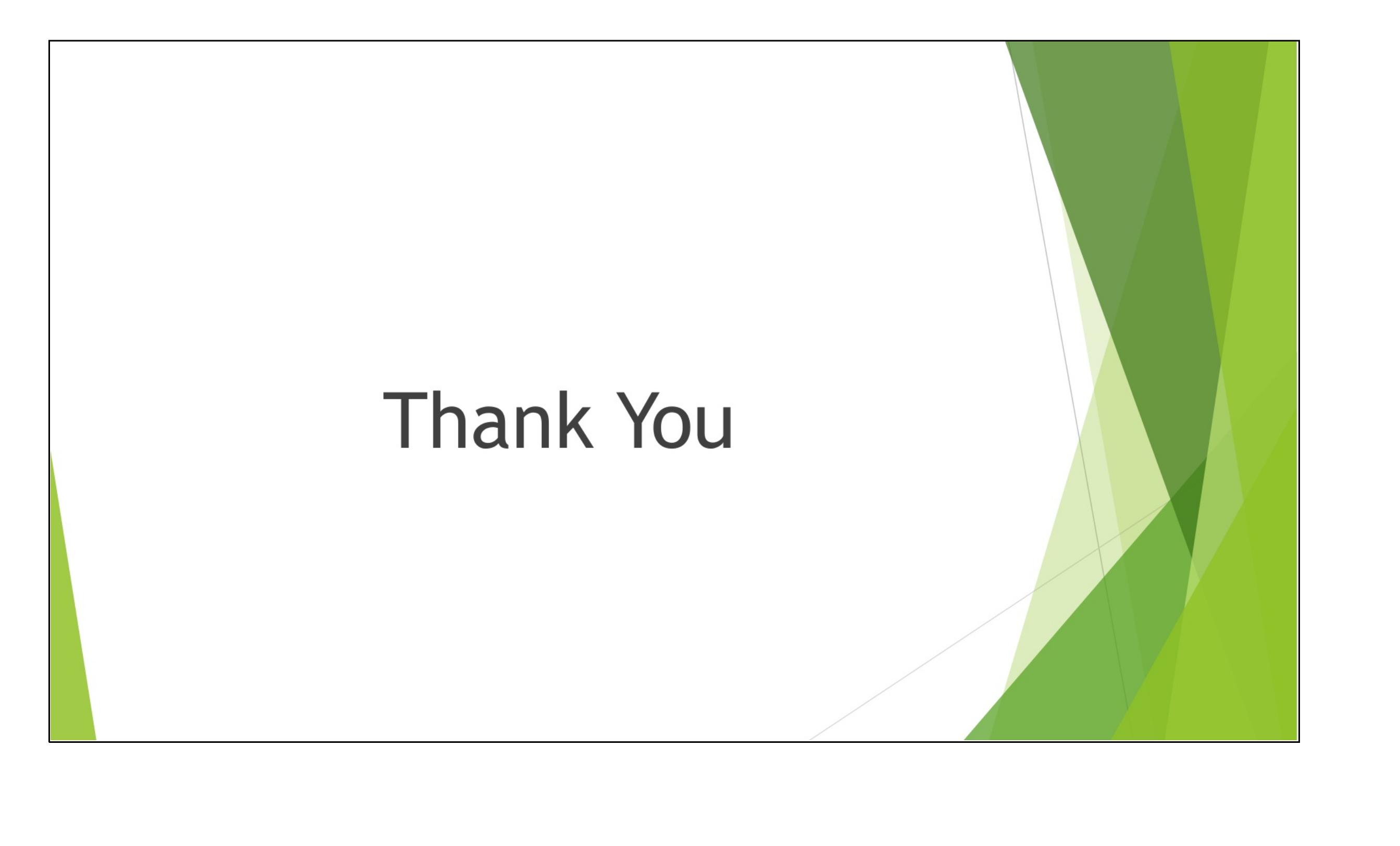
- ▶ Effect of changing valuation of Plant & Machinery from Cost Model to Revaluation Model :
- If we change model from Cost to Revaluation of Plant And Machinery then it will show the fair value of Plant and Machinery which is useful from the investors point of view.
- Also, if Plant And Machinery actually has increased fair value then the net assets of the company will increase.
- It will impact income statement with accurate depreciation.

## Solution to Issue 2:

- Changing from Cost Model to Revaluation Model for Plant and Machinery will generate revaluation gain or loss then it will impact the statement of changes in equity of the company.
- So, it is concluded that the company should change its model of valuation of Plant And Machinery from Cost to Revaluation because it will show the fair results to outside investors and also give true results in balance sheet, income statement and statement of changes in equity.

## Solution to Issue 2:

- ▶ **Conclusion:**
- ▶ When company changes model from Cost to Revualtion it will impact their cost but it is to be concluded that the company should change model because it will increase the chances of investors entering into the business & also new investors will come to Riley Ltd.
- ▶ Also, it is good to show fair value results in balance sheet & income statement for the company.

The background features a complex, abstract design of overlapping, semi-transparent green triangles and polygons. The colors range from light, pale greens to deep, forest greens. The shapes are layered, creating a sense of depth and movement. The overall composition is modern and minimalist.

**Thank You**

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