Aphrodite Co has a year end of 31 December and operates a factory which makes computer chips for mobile phones.

It purchased a machine on 1 July 20X3 for $80,000 which had a useful life of ten years and is depreciated on the straight-line basis, time apportioned in the years of acquisition and disposal.

The machine was revalued to $81,000 on 1 July 20X4.

There was no change to its useful life at that date.

A fire at the factory on 1 October 20X6 damaged the machine leaving it with a lower operating capacity.

The accountant considers that Aphrodite Co will need to recognise an impairment loss in relation to this damage.

The accountant has ascertained the following information at 1 October 20X6:

(1) The carrying amount of the machine is $60,750.

(2) An equivalent new machine would cost $90,000.

(3) The machine could be sold in its current condition for a gross amount of $45,000. Dismantling costs would amount to $2,000.

(4) In its current condition, the machine could operate for three more years which gives it a value in use figure of $38,685.

In accordance with IAS 16 Property, Plant and Equipment, what is the depreciation charged to Aphrodite Co's profit or loss in respect of the machine for the year ended 31 December 20X4?

A $9,000

B $8,000

C $8,263

D $8,500

Examiners Report

Each case uses a common scenario as the basis for five 2-mark objective test questions.

The first related to non-current assets, with particular emphasis on impairment.
For the first scenario (questions 16 to 20) most questions were answered correctly by a substantial majority of candidates.