The Cost Model

1. Update depreciation
2. Current value = historical cost – accumulated depreciation
3. Compare current value and market value
4. Recalculate depreciable amount

The Revaluation Model (revalue at regular intervals i.e. 3-5 years)

1. Update depreciation
2. Carrying amount

Dr Accumulated depreciation Cr Buildings

3. Record increment/decrement

Increment	Decrement

Dr Asset
Cr Gain on revaluation/
   Revaluation reserve
	Dr Loss on revaluation/
	   Revaluation reserve
	Cr Asset

4. Recalculate depreciable amount

R&D

Research – expensed

Development – recognised as cost of asset

Impairment

1. Compare current value and recoverable amount (either market value or value in use)
2. If CV > RA, asset is overvalued

Cost Model	Revaluation Model
Dr Loss on impairment Cr Accumulated impairment	Dr Loss on revaluation/ Revaluation reserve Cr Asset

3. If asset is undervalued (reversal of impairment loss)

Cost Model	Revaluation Model
Dr Accumulated impairment Cr Gain on reversal of impairment	Dr Asset Cr Gain on revaluation/ Revaluation reserve