Stars (Pvt.) Ltd. recorded its assets on historical cost basis. It has never practiced to revalue its assets at current market price. The boards of directors (BODs) are shy whether they should adopt the policy of recording their assets on revaluation basis or not. According to IAS-16 (*Property, Plant and Equipment*), they are anxious that this standard has ‘all or nothing’ approach which might impose a duty on them to maintain up-to-date valuations in the balance sheet for all property into the indefinite future. They are also anxious that the introduction of current value basis will make the accounting ratios (base on the company’s balance sheet and income statement) less attractive to stockholders and other users of the financial statements. The BODs have commissioned for an independent valuation of the property at June 30\(^{th}\), 2009. After in depth analysis, the commission summarized the following information in the report:

<table>
<thead>
<tr>
<th>Property</th>
<th>Cost Value Rs.</th>
<th>Depreciation to Date Rs.</th>
<th>Valuation Rs.</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>In Million</td>
<td>In Million</td>
<td>In Million</td>
<td></td>
</tr>
<tr>
<td>Building A</td>
<td>250</td>
<td>70</td>
<td>160</td>
<td>This building is in good health but it is located in the area of depressed market price conditions.</td>
</tr>
<tr>
<td>Building B</td>
<td>150</td>
<td>60</td>
<td>120</td>
<td>Building B is located in the area where Stars (Pvt.) Ltd. can get benefit due to economic prosperity.</td>
</tr>
<tr>
<td>Building C</td>
<td>134</td>
<td>48</td>
<td>40</td>
<td>Building C is badly maintained for several periods and market valuation of building C reveals the wear and tear that arises because of this.</td>
</tr>
</tbody>
</table>

Note: Depreciation is charged on 2% p.a on each kind of building.
**Requirements:**

**Marks 8**

a. You are required to mention why IAS-16 requires the revaluation of non-current assets in the relevant classes of each asset and why the revaluation of assets must be kept up to date once it is implemented.

**Marks 12**

b. Calculate the figures that would appear in Star’s financial statements in respect of property if the company selects to show the buildings at their valuation basis. You are required to point out where these kind of financial information would appear in financial statements; only relevant calculations are required without preparing any detail notes.

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**Important Tips**

1. **This Assignment can be best attempted from the knowledge acquired after watching video Lecture # 01 to Lecture # 13 with reading handouts and recommended text book.**
2. **Video lectures are also available at www.youtube.com/vu.**

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**Schedule**

<table>
<thead>
<tr>
<th>Opening Date and Time</th>
<th>May 05, 2010 At 12:01 A.M. (Mid-Night)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Due Date and Time</td>
<td>May 10, 2010 At 11:59 P.M. (Mid-Night)</td>
</tr>
</tbody>
</table>

**NOTE:**

Only in the case of Assignment, **24 Hrs extra / grace period** after the above mentioned due date is usually available to overcome uploading difficulties which may be faced by the students on last date. This extra time should only be used to meet the emergencies and above mentioned due dates should always be treated as final to avoid any inconvenience.

**Important Instructions:**

Please read the following instructions carefully before attempting the assignment solution.

**Deadline:**

- Make sure that you upload the solution file before the due date. No assignment will be accepted through e-mail once the solution has been uploaded by the instructor.

**Formatting guidelines:**

- Use the font style “Times New Roman” and font size “12”.
- It is advised to compose your document in MS-Word 2003.
- Use black and blue font colors only.
Solution guidelines:

- Use APA style for referencing and citation for helping material. For guidance search “APA reference style” in Google and read various website containing information for better understanding or visit http://linguistics.byu.edu/faculty/henrichsenl/apa/APA01.html

- You are required to provide complete calculations because calculations carry considerable marks.
- Every student will work individually and has to write in the form of an analytical assignment.
  Give the answer according to question, there will be negative marking for irrelevant material.
- For acquiring the relevant knowledge don’t rely only on handouts but watch the video lectures and use other reference books also.

Rules for Marking:

Please note that your assignment will not be graded or graded as Zero (0) if:

- It has been submitted after due date.
- The file you uploaded does not open or is corrupt.
- It is in any format other than .doc (MS Word).
- It is cheated or copied from other students, internet, books, journals etc...