

# [Palfinger’s ag – property, plant, and equipment](https://assignbuster.com/palfingers-ag-property-plant-and-equipment/)

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## Palfinger’s AG – Property, Plant, and Equipment

a. ) Palfinger’s property would include the property that they have to store the forklifts and other large inventory that they have on. The equipment would include all equipment that is necessary to make the inventory that they sell such as the cranes.

b. ) This number represents the total of the plant, property, and equipment that Palfinger has. This number should be recorded as the historical cost that the plant, property and equipment was purchased at. This total number also has the total sum of amortized depreciation subtracted out to get the net amount of PP&E that is put on the balance sheet

c. ) In the notes to the financial statements, Palfinger reports the plant, property and equipment of the following:

• Land and equipment • Undeveloped buildings and investments

• Plant and machinery • Other plant, fixtures, fittings, and equipment

• Payments and assets under construction

d. “ Prepayments and assets under construction” represents expenses that have prepaid for and assets that haven’t been finished yet. Because the assets aren’t completed and haven’t been used, they aren’t being depreciated. The reclassification comes from the allocation of depreciation from the newly completed projects that now have been put to use.

e. ) Palfinger depreciates its property and equipment by using straight-line depreciation over the prospective useful lives of the relevant assets.

They allocate 8-50 years on buildings, 3-15 years on plant and machinery, and 3-10 years on fixtures, fittings, and equipment. This policy does not seem reasonable because there is a short 8-year building useful life. Because of this, Palfinger’s ROA and EPS ratios are heavily impacted. f. You can both depreciate replacements investments and value-enhancing investments that are capitalized and depreciated over the new useful life or original useful life.

The alternative method to this would be to just expense out the costs of renovations or value-enhancing investments. This way it is completely hit on the income statement and is not shown on the balance sheet.

g. ) i. According to the notes to the consolidated financial statements, Palinger bought $61, 444 worth of new PPE in 2007. ii. There was a change of ($733) concerning government grants. According to IAS 20 government grants for property, plant, and equipment are presented as reductions of the acquisition and/or manufacturing costs.

When these are deducted from the account, it lessens the amount depreciated during the life of the acquired assets. iii. The depreciation expense for 2007 was $12, 557. iv. Netbook value of total disposed PPE, was $1, 501 (Derived from $13, 799 - $12, 298)

h. ) To derive the gain or loss Palfinger incurred, we compute their proceeds from the sale of PPE $1, 655 and subtract it from $1, 501 (net book value). This gives us a total gain of $154. i. )

Once this is subtracted from the previous years' depreciation of $4, 269, you get a total income statement impact of $3, 173. iii. The total income statement impact is exactly the same. The computations turn out to be identical because it is essentially a backward way of computing the initial cost of the asset of $10, 673, minus the proceeds from the sale $7, 500, which both gives you $3, 173. The difference between the two is perception.

Turnover went down about 11% (5. 61/6. 22) for Palfinger, we also see the despite being less effective they’re still more efficient then Caterpillar by about 26% (5. 61/4. 45) in regards to PPE sales for every dollar spent.

m. ) Depreciation, Amortization & Impairment expense1, 960 Accumulated Depreciation & Impairment1, 960

n. ) i. Due to the companies building location concept ii. Accumulated depreciation impairment1, 755 Depreciation, Amortization, & impairment expense1, 755 The credit is posted to an account the company has called revaluation reserve, if it is the initial write up.