Profit on an internal asset sale

MODULE 5 / 1 / CALCULATE, THEN POST THE WORKSHEET

Group cost 90,000; accumulated depreciation 30,000; CA 60,000. Internal sale 84,000 at year start; four years remain; no residual; straight-line; no impairment. Tax assumptions: seller transfer gain/loss is taxable/deductible; buyer tax base follows the transfer and stated depreciation; 30% tax; all DTAs satisfy recognition. Recalculate for different tax facts. Worksheet entries, not extra legal-entity entries.

PROFIT = 84,000 - 60,000 = 24,000.

DEPRECIATION REALISATION = 84,000/4 - 60,000/4 = 6,000.

TAX EFFECT = (24,000 - 6,000) x 30% = DTA 5,400.

Remove the internal gain

Dr Gain on sale	**24,000**
Cr Plant	**24,000**

Remove excess buyer depreciation

Dr Accumulated depreciation	**6,000**
Cr Depreciation expense	**6,000**

Recognise the closing tax effect

Dr Deferred tax asset	**5,400**
Cr Income tax expense	**5,400**

Closing buyer CA 63,000 less remaining gain 18,000 = group CA 45,000. Net profit reduction: 12,600. These compact adjustments reconcile net CA; use a consistent gross-cost approach if gross columns are required.

Historical standards (October 2022 study context). AASB 10 B86(c), B94; AASB 112 11, 15, 24, 58. Original Accounting Ahead examples.

Asset profit: subsequent year

MODULE 5 / 2 / OPENING EQUITY AND CURRENT REALISATION

OPENING RE reduction = (24,000 - prior realisation 6,000) x 70% = 12,600.

CURRENT realisation = 6,000. CUMULATIVE realisation at year 2 end = 12,000. Closing DTA = (24,000 - 12,000) x 30% = 3,600.

Combined year-two worksheet entry

Dr Opening retained earnings	12,600
Dr Deferred tax asset	3,600
Dr Accumulated depreciation - cumulative	12,000
Dr Income tax expense - current reversal	1,800
Cr Plant - original gain	24,000
Cr Depreciation expense - current realisation	6,000

Debits and credits each equal 30,000. This combines the opening reconstruction and current-year adjustments. Do not add the separate versions again.

Year 2 closing check	Buyer	Group
Carrying amount	42,000	30,000
Difference / remaining internal gain	12,000	
DTA	3,600	

The old gain belongs to opening RE, but this year's 6,000 depreciation realisation belongs to current profit. The 1,800 tax expense reverses part of the opening DTA.

Historical standards (October 2022 study context). AASB 10 B86(c), B94; AASB 112 11, 15, 24, 58. Original Accounting Ahead examples.

Asset profit: four-year timeline

MODULE 5 / 3 / KEEP THE ANNUAL REALISATION CONSTANT

Year end	Buyer CA	Group CA	Remaining gain	DTA	Current after-tax effect
1	63,000	45,000	18,000	5,400	-12,600
2	42,000	30,000	12,000	3,600	+4,200
3	21,000	15,000	6,000	1,800	+4,200
4	0	0	0	0	+4,200

24,000 is realised over four years at 6,000 each year. Do not divide the shrinking unrealised balance by four again.

General later-year template

P = original gain; c = cumulative realisation; d = current realisation

Dr Opening RE	**Opening unrealised x (1-t)**
Dr DTA	**Closing unrealised x t**
Dr Accumulated depreciation	**c**
Dr Income tax expense	**d x t**
Cr Asset	**P**
Cr Depreciation expense	**d**

Here t = tax rate. Opening unrealised profit = P - (c - d); closing unrealised profit = P - c.

For a part-year transfer, time-apportion the buyer/group depreciation difference. For revised estimates, different residuals or external sale, reconstruct both carrying amounts. The simple P/life formula applies only to its stated straight-line assumptions.

Historical standards (October 2022 study context). AASB 10 B86(c); AASB 116 50-62; AASB 112 11, 24, 58. Original Accounting Ahead examples.

Buyer and group: blank asset working

MODULE 5 / 4 / COMPARE BOTH BASES BEFORE THE JOURNAL

Use this sheet for a stated internal asset transfer. First establish group impairment, the actual tax bases and the appropriate depreciation method. Write profit/loss and ownership direction before calculating.

Transfer date: _____ Seller / buyer: _____
Parent-to-subsidiary or subsidiary-to-parent: _____

Measurement	Buyer / separate	Group basis
Original cost / acquisition basis	_____	_____
Accumulated depreciation at transfer	_____	_____
Carrying amount at transfer	_____	_____
Internal price / original group CA	_____	_____
Remaining life / residual value	_____	_____
Current-year depreciation	_____	_____
Cumulative depreciation since transfer	_____	_____
Closing carrying amount	_____	_____
Closing tax base	_____	_____

Reconciliation	Working / amount
Original internal profit or eligible loss	_____
Prior cumulative realisation	_____
Opening unrealised / unconsumed amount	_____
Current depreciation realisation	_____
Closing unrealised / unconsumed amount	_____
Closing recognised DTA / DTL	_____
Opening RE and current P/L effects	_____

Tax rate and recognition assumptions: _____
Impairment / external disposal / part-year facts: _____

Check: buyer closing CA plus/minus the remaining internal adjustment equals group closing CA. Keep prior effects in opening equity and current effects in current profit.

Historical standards (October 2022 study context). AASB 10 B86(c), B94; AASB 116 50-62; AASB 112 11, 15, 24, 58. Original Accounting Ahead examples.