One of the reasons for updating an asset's Acquisition Cost is for revaluation. This reference document describes revaluation.

In private industry, a company may revalue assets to take account of inflation or changes in value since the assets were acquired. Another way to say it is that the revaluation represents a reassessment of the value of a capital asset as at a particular date.

An asset is originally recorded in the accounts at its cost and depreciated periodically over its estimated useful life as a measure of the amount of the asset's value consumed in that period. In practice, the actual useful life of an asset can be miscalculated or an event can cause a change to the useful life. Consequently, assets occasionally need to be revalued in order to reflect a more close approximation to their "worth" in the accounts.

When the asset is revalued, the offsetting entry (in a double entry accounting system) would be either made to the profit or loss accounts or to the equity of the entity.

For Government purposes, revaluation should rarely be used, and only in conjunction with your Accounting POC. One reason revaluation should NOT be used is for a price correction. Auditing rules are different for revaluations than for price corrections.

Recommended examples or scenarios:

In everyday life, a homeowner is assessed property taxes based on the value of the home. Homes are "revalued" by the county or other local authority and taxes increased (or decreased) appropriately according to that revaluation. The assessed value of the house stays the same until the next valuation.

A revaluation can occur for assets purchased with foreign currency, which is then converted to U. S. Dollars. If the exchange rate changes, a revaluation may be required.

Hold for future reference?

Revaluation Allowance, represents the difference between standard inventory values and either historical cost or net realizable value.

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