

Test ID :095
Depreciation

Instruction for Question 1 To 50 MCQ

Qn.1) A firm acquired machinery on 1st July, 2012 at a cost of Rs. 45,000 and spent Rs. 5,000 for its installation. The firm writes off depreciation at 10% per annum on diminishing balance method. The books are closed on 31st March every year. Depreciation for the year ended 31st March, 2012 & 31st March, 2013 will be Rs&Rs

- A. 3,750 & 5,000
- B. 4,625 & 3,750
- C. 3,750 & 4,625
- D. 5,000 & 3,750

Qn.2) Under which of following method depreciation is charged uniformly?

- A. Insurance policy method
- B. Annuity method
- C. Depreciation fund method
- D. All of the above

Qn.3) Reduction in the value of assets due to its continuous use is treated as

- A. loss
- B. profit
- C. appreciation
- D. depreciation

Qn.4) Depreciation method that does not result in decreasing charges is-

- A. Sinking Fund method
- B. Double digit method
- C. Written down method
- D. Sum years digit method

Qn.5) Hi-Fi Ltd. acquired machinery on 1st January, 2012 at a cost of Rs. 36,000 and spent Rs. 4,000 for its installation. The firm writes off depreciation at 10% p.a. on WDV basis. The books are closed on 31st December. Closing balance of machinery account for 1st & 2nd year will be Rs.....&Rs.....

- A. 32,400,29,160
- B. 36,000,36,000
- C. 32,400,36,000
- D. 36,000,32,400

Qn.6) A machine of Rs 3,000 was sold for Rs 4,200. Depreciation provision to date was Rs 400 and commission paid to selling agent was Rs 420 and wages paid to workers for removing the machine was Rs 30. Profit on sale of machine will be :

- A. Rs 1,200
- B. Rs 1,000
- C. Rs 1,150
- D. None of these

Qn.7) Which method of depreciation is suitable when expenditure on repairs and maintenance, increases as the machine grows old?

- A. Reducing balance method
- B. Straight line method
- C. Machine hour rate method
- D. Sinking fund Method.

Qn.8) Sangam Trading Co. started business by purchasing one machinery on 1st Jan. 2005 costing Rs. 88000 and spent Rs. 2000 on its erection. On 30th June 2005 additional machinery costing Rs. 10000 was purchased. Company provides depreciation every year ending on 30th June @ 10% p. a. what is the amount of depreciation to be charged in the first year.

- A. 4500
- B. 10000
- C. 5000
- D. 9000

Qn.9) H Ltd purchased a machinery on April 01, 2000 for Rs. 3,00,000. It is estimated that the machinery will have a useful life of 5 years after which it will have no salvage value. If the company follows sum-of-the-years-digits method of depreciation, the amount of depreciation charged during the year 2004-05 was

- A. Rs. 100,000
- B. Rs. 80,000
- C. Rs. 60,000
- D. Rs. 20,000

Qn.10) Which of the following is / are the important characteristic of depreciation?

- A. Depreciation is a process of allocation of future cost.
- B. Depreciation is caused due to physical factors and functional factors

C. Total depreciation can exceed its depreciable value or original cost

D. All of the above

Qn.11)C Ltd. acquired a machine on 1st January, 2010 at a cost of Rs. 14,000 and spent Rs. 1,000 on its installation. The firm writes off depreciation at 10% p.a. of the original cost every year. The books are closed on 31st December every year. On 31st May, 2013 machine sold for Rs. 8,000. Profit/Loss on sale = ?

A. Profit - Rs. 2,275

B. Loss - Rs. 2,275

C. Profit - Rs. 1,875

D. Loss - Rs. 1,875

Qn.12)If an asset is bought on 1.1.04 for Rs. 10000 and is expected to be sold on 31.12.09 for Rs. 7000 what would be its annual depreciation.

A. Rs. 500

B. Rs. 600

C. Rs. 3000

D. Rs. 2000

Qn.13)Which of the following is/are not the important characteristic of depreciation?

A. Total depreciation can exceed its depreciable value or original cost

B. Depreciation is calculated in respect of fixed assets only

C. Depreciation is always computed in a systematic and rational manner

D. All of the above

Qn.14)A machine was purchased for Rs 50,000. Installation expenses amounted to Rs 2,000 wages of Rs 4,000 were paid on installation. The scrap value at the end of its useful life of 10 years is Rs 6,000. Repairs of Rs 6,000 was made after 6 months from the date of purchase. Calculate depreciation

A. Rs 5,600

B. Rs 4,800

C. Rs 5,000

D. None

Qn.15)In the year 2004-2005, C Ltd purchased a new machine and made the following payments in relation to it:

| | Rs | Rs |
|-----------------------------|----------|----|
| Cost as per supplier's list | 5,20,000 | |

| | | |
|---|--------|----------|
| Less: Agreed discount | 50,000 | 4,70,000 |
| Delivery charges | | 10,000 |
| Erection charges | | 20,000 |
| Annual maintenance charges | | 30,000 |
| Additional components to increase capacity of the machine | | 40,000 |
| Annual insurance premium | | 5,000 |

The cost of the machine is

A. Rs. 540,000

B. Rs. 545,000

C. Rs. 470,000

D. Rs. 550,000

Qn.16)On April 01, 2004 the debit balance of the machinery account of A Ltd was Rs. 5,67,000. The machine was purchased on April 01, 2002. The company charged depreciation at the rate of 10% per annum under diminishing balance method. Depreciation provided in 2002-03 =

A. Rs. 56,700

B. Rs. 63,000

C. Rs. 70,000

D. Rs. 77,778

Qn.17)Original cost = Rs. 7,50,000. Installation charges =1,00,000, Salvage value = 50,000. Depreciation for 3rd year by units of production Method, if units produced in 3rd year was 40,000 and total estimated production 2,00,000.

A. Rs. 1,20,000

B. Rs. 1,80,000

C. Rs. 1,60,000

D. Rs. 2,00,000

Qn.18)Z Ltd. acquired machinery on 1st January, 2011 at a cost of Rs. 72,000 and spent Rs. 8,000 for its installation. The firm writes off depreciation at 10% p.a. on the original cost every year. The books are closed on 31st December every year. Depreciation for 1st & 2nd year as per fixed installment method will be Rs.....

A. 6,000,6,000

B. 8,000,8,000

C. 8,000,7,200

D. 6,000,8,000

Qn.19)

A machine is purchased for Rs. 80000. Expenses incurred for the cartage and installation Rs. 20000. The residual value at the end of its expected useful life of 4 years is estimated at Rs. 40000. Calculate the amount of depreciation for the first year ending on 31st March 2002, on SLM basis if the machine was purchased on 1st Oct. 2001

- A. Rs. 7500
- B. Rs. 7650
- C. Rs. 3750
- D. 3900

Qn.20) N Ltd. purchased a machinery on April 1, 2008 for Rs. 6,00,000. It is estimated that the machinery will have a useful life of 5 years after which it will have no salvage value. If the company follows sum of year digit method of depreciation, the amount of depreciation charged during the year 2012-2013 was.....

- A. Rs. 40,000
- B. Rs. 1,20,000
- C. Rs. 1,90,000
- D. Rs. 2,00,000

Qn.21) Depreciation on machine sold up to 1.10.2002 in year 2002 - 2003 will be Rs.

- A. Rs. 16,560
- B. Rs. 3,240
- C. Rs. 11,200
- D. Rs. 7,900

Qn.22) Original cost = Rs. 12,00,000. Salvage value = 2,00,000. Useful Life = 10 years. Annual depreciation = ? and rate of depreciation = ?

- A. Rs. 1,00,000 & 8.33%
- B. Rs. 1,00,000 & 10%.
- C. Rs. 1,20,000 & 12%
- D. Rs. 1,20,000 & 8.33%

Qn.23) Interest for the year ended 31st March, 2011 = ?

- A. 1,05,000
- B. 71,007
- C. 89,115
- D. None of the above

Qn.24) Depreciation to be provided for each year = ?

- A. 2,63,463
- B. 2,48,463
- C. 2,33,463
- D. 2,18,463

Qn.25) For which of the following Inventory system of depreciation can be applied?

- A. Animals
- B. Loose tools
- C. Jars & bottles
- D. All of the above

Qn.26)

Original cost = Rs. 88,200. Salvage value = Rs. 4,200. Useful Life = 3 years. Depreciation rate = ?

- A. 33.3333%
- B. 31.7446%
- C. 34.9206%
- D. None of the above

Qn.27) Under which of following method depreciation charged does not decline?

- A. Insurance policy method
- B. Annuity method
- C. Depreciation fund method
- D. All of the above

Qn.28) Manan Printers. Mumbai, purchased a furniture on 1.1.04 for Rs. 40000. In the same year on 1.7.04 another furniture costing Rs. 20000 was purchased. Find out the amount of Depreciation @ 10% on original cost and balance to be c/f in the next year on 1st Jan. 05

- A. 6000 and 54000
- B. 55000 and 5000
- C. 5000 and 55000
- D. 54000 and 6000

Qn.29) Z Ltd. acquired machinery on 1st January, 2011 at a cost of Rs. 72,000 and spent Rs. 8,000 for its installation. The firm writes off depreciation at 10% p.a. on the original cost every year. The books are closed on 31st December every year. Closing balance of machinery account for 1st & 2nd year as per fixed installment method will be Rs.....

- A. 72,000, 64,000
- B. 74,000, 66,000
- C. 74,000, 72,000

D. 74,000,66,000

Qn.30) Which of the following is/are, cannot be treated as advantage of fixed installment method of charging depreciation?

- A. It is a simple and easy method.
- B. It takes into account the effective utilization of the asset.
- C. This method can be applied where asset gets depreciated because of efflux ion of time like furniture, equipment's, patents, leasehold etc.
- D. All of the above

Qn.31) Which of the following is/ are the objectives of providing depreciation?

- A. To make provision for receivables
- B. To derive maximum tax benefit for excise duty by taking Cenvat credit.
- C. To present true financial position
- D. All of the above

Qn.32) The net cost of new asset is 48000 and depreciation is charged on WDV basis @ 10% p.a. The next year depreciation is charged on the amount of

- A. 48000
- B. 43200
- C. 47000
- D. 44300

Qn.33) Depreciation to be provided for each year = ?

- A. 16,666.67
- B. 14,817.45
- C. 6,371.50
- D. None of the above

Qn.34) M/s NZ & Co. purchased a machine for Rs. 10,00,000. Estimated useful life and scrap value were 10 years and Rs. 1,20,000 respectively. The machine was put to use on 1.1.2001. If the company follows sum of year digit method of depreciation, the amount of depreciation charged during the year 2007-2008 was..... &.....

- A. 64,000 & 48,000
- B. 48,000 & 64,000
- C. 1,12,000 & 1,28,000
- D. 1,28,000 & 1,12,000

Qn.35) A new machine costing Rs. 1,00,000 was purchased by a company on 1st April,

2011. Its useful life is estimated to be 5 years and scrap value at Rs. 10,000. The production hours for the next 5 years is as follows:

| Year | Hours |
|-----------|--------|
| 2011-2012 | 5,000 |
| 2012-2013 | 10,000 |
| 2013-2014 | 12,000 |
| 2014-2015 | 20,000 |

Depreciation for year 2013 - 2014 = ?

- A. 25,000
- B. 15,000
- C. 12,500
- D. 6,250

Qn.36) Under sinking fund method of depreciation any surplus in sinking fund A/c is transferred to

- A. Capital Reserve A/c
- B. General Reserve A/c
- C. Reserve Capital A/c
- D. Profit and Loss A/c

Qn.37) On April 01, 2004 the debit balance of the machinery account of A Ltd was Rs. 5,67,000. The machine was purchased on April 01, 2002. The company charged depreciation at the rate of 10% per annum under diminishing balance method. Cost of machinery on 01.04.2002 = _____

- A. Rs. 567,000
- B. Rs. 630,000
- C. Rs. 700,000
- D. Rs. 777,778

Qn.38) _____ method, a fixed proportion of the original cost of the asset is written off each year so that asset account may be reduced to its residual value at the end of its estimated economic useful life.

- A. Fixed installment method
- B. Sum of year digit method
- C. Double decline method
- D. All of the above

Qn.39) Balance of lease account for the year ended 31st March, 2011 = ?

- A. 6,36,537
- B. 5,07,189
- C. 3,59,733
- D. 1,91,633

Qn.40) Sinking Fund Investment Account balance for the year ended 31st March, 2010 = ?

- A. 14,817
- B. 31,412
- C. Nil
- D. None of the above

Qn.41) Depreciation is accounted for

- A. increase the profit
- B. reduce the profit
- C. present incorrect state of affairs
- D. None of these

Qn.42) Where the life of the asset is uncertain..... method of depreciation is applied.

- A. Depletion
- B. Machine hour rate
- C. Inventory system of depreciation
- D. Sum of years digit

Qn.43).....is a method of accelerated depreciation that allocates larger amounts of depreciation as an expense during the earlier years of the life of an asset.

- A. Annuity method
- B. Inventory system of depreciation
- C. Sum of years digit method
- D. All of the above

Qn.44) Amortization refers to writing off:

- A. Depleting assets
- B. Wasting assets
- C. Intangible assets
- D. Fictitious assets

Qn.45) Depreciation fund method is also known as.....

- A. Redemption fund method
- B. Amortization fund method
- C. Sinking fund method
- D. All of the above

Qn.46) In the case of downward revaluation of an asset which is for the first time revalued, the account to be debited is

- A. Fixed Asset
- B. Revaluation Reserve
- C. Profit and Loss account

D. General Reserve

Qn.47) Obsolescence means decline in the value due to :

- A. Fall in the market price
- B. Physical wear and tear
- C. Efflux of time
- D. Innovations and inventions

Qn.48) Under which of following method depreciation charged does not decline?

- A. Diminishing balance method
- B. Annuity method
- C. Double decline method
- D. All of the above

Qn.49) Life of an asset is 5 years, Purchase cost - Rs. 5,70,000, Installation charges - Rs. 30,000 Depreciation as per sum of years digit method for 4th year = ?

- A. 1,60,000
- B. 40,000
- C. 2,00,000
- D. 80,000

Qn.50) Under sum of year digit method depreciation year by year.....

- A. Increases
- B. Decreases
- C. Remains constant
- D. None of above