

Keywords: Depreciation under Income Tax Act, 1961 as well as Companies Act 2013, Installed Capacity of the Plant, Actual Production, Raw Material Availability, Level of Technology, Part, Fraction and Whole Valuation, Relationship of Earnings and Assets, Business Specific Economic Viability and Economic Obsolescence, Efficiency of Plant Layout & Imbalances in different production sections

1 Depreciation is a...

- A Measure of consumption of assets
- B Process of allocation of cost and not of valuation
- C Wear and tear due to use and/or lapse of time
- D **All of the above**

2 Which of the following does not influence the useful life of an asset?

- A Expected physical wear and tear
- B **Cost of the asset**
- C Obsolescence
- D Legal or other limits on the use of the asset

3 For computing depreciation of an asset, the factors that are taken into consideration include the following except...

- A Historical cost
- B **Insurance premium**
- C Expected useful life
- D Estimated residual value

4 Depreciation on plant and machinery is...

- A Not a cash cost, so is ignored in the cost accounts
- B Part of manufacturing overheads
- C **Part of prime cost**
- D Always calculated using the straight-line method

5 Which of the following methods of depreciation results in fixed per unit cost of depreciation?

- A **Straight line**
- B Reducing balance
- C Sinking fund
- D Production unit

6 Obsolescence is the measure of the loss of value of an asset due to...

- A **Technological innovation**
- B Changes in market conditions
- C Both (a) and (b) above
- D None of the above

7 Total depreciation of an asset cannot exceed its...

- A **Scrap value**
- B Residual value
- C Market value
- D Depreciable value

8 Which of the following is not a method of charging depreciation?

- A Straight line Method
- B Written down value Method
- C **Discounted present value Method**
- D Sum of digits Method

- 9 Which of the following statements best describes the purpose of depreciation?**
- A Regular reduction of asset value to correspond to changes in market value as the asset ages
 - B A process of correlating the market value of an asset with its gradual decline in physical Efficiency
 - C Allocation of cost in a manner that will ensure that Plant and Equipment items are not carried on the Balance Sheet in excess of net realizable value
 - D Allocation of the cost of an asset to the periods in which services are received from the asset**
- 10 The main objective of providing depreciation is to...**
- A Calculate the true profit
 - B Show the true financial position in the Balance Sheet**
 - C Provide funds for replacement of fixed assets
 - D Both (a) and (b) above
- 11 Depreciation is a process of...**
- A Valuation
 - B Valuation and allocation
 - C Allocation**
 - D Appropriation
- 12 The accounting process of gradually converting the unexpired cost of fixed assets into expenses over a series of accounting periods is...**
- A Depreciation**
 - B Physical deterioration of the asset
 - C Decrease in market value of the asset
 - D Valuation of an asset at a point of time
- 13 Depreciation is calculated on the...**
- A Cost price of asset
 - B Market price
 - C Cost + Transport + Installation expenses**
 - D Cost or market values whichever is less
- 14 Depreciation is a process of...**
- A Valuation of fixed assets
 - B Allocation of cost over the useful life of assets**
 - C Generating funds replacements of the assets
 - D Avoidance of tax
- 15 Property, Plant and Equipment are conventionally presented in the Balance Sheet at...**
- A Replacement cost - Accumulated Depreciation
 - B Historical cost - Salvage Value
 - C Historical cost (Gross Book Value) - Depreciation portion thereof**
 - D Original cost adjusted for general price-level changes
- 16 A change in Depreciation Method under accounting standard is treated as...**
- A Change in Accounting Policy**
 - B Prior-Period Adjusting
 - C Change in Accounting Standards
 - D All the three
- 17 The Primary objective of providing depreciation is...**
- A To calculate true profit
 - B To show the asset on fair / market value**

C To reduce tax Burdon

D To provide funds for replacement

18 Under which method of depreciation annual depreciation goes on decreasing...

A Reducing balance method

B Straight line method

C Annuity method

D None

19 Under which method of depreciation annual depreciation fluctuate with the volume of production...

A Sum of Years' Digit Method

B Unit of Production Method

C Written Down Value Method

D None

20 Which of these expenses does not result in cash outflow?

A Depreciation

B Interest on Loan

C Payment on Dividend

D Donation

21 Mr. A purchased a new plant and machinery for Rs. 50,000 on 01.01.2012. The machinery was received in the factory on 10.01.2012 and was installed and put to use on 18.01.2012. Depreciation on the plant and machinery will commence from...

A 01.04.2011

B 01.04.2012

C 01.01.2012

D 18.01.2012

22 Which method of depreciation is allowed under Income Tax, 1961?

A Straight line method

B Written down value method

C Unit of production method

D All of above

22 Which method of depreciation is allowed under The Companies Act, 2013?

A Straight line method

B Written down value method

C Unit of production method

D All of above

23 Under Income Tax, 1961, depreciation of assets is based on...

A Remaining useful life in year

B Rate of depreciation in %

C Useful life in year

D Scrap value of asset

24 Under The Companies Act, 2013, depreciation of assets is based on...

A Remaining useful life in year

B Rate of depreciation in %

C Useful life in year

D Scrap value of asset

25 Under Income Tax, 1961, depreciation of assets is based on...

A Individual asset

- B Group of assets
- C Block of Assets**
- D All of above

25 Under The companies Act, 2013, depreciation of assets is based on...

- A Individual asset**
- B Group of assets
- C Block of Assets
- D All of above

26 Under Income Tax, 1961, how many block of assets is define for fixed asset?

- A 10
- B 14
- C 13
- D 12**

27 Under Income Tax, 1961, how many block of assets is define for company's asset?

- A 10
- B 14
- C 13**
- D 12

28 Componentization of asset is based on...

- A Useful life
- B Identifiable part of asset
- C Cost of part of asset
- D All of above**

29 Under The companies Act, 2013, useful life of thermal power plant is defined as...

- A 30 years
- B 40 years**
- C 35 years
- D 45 years

30 Which one of following is defined as amount by which the carrying amount of an asset exceeds its recoverable amount?

- A Scrap value
- B Market value
- C Salvage value
- D Impairment loss**

31 Which of the following is considered to estimate net book value?

- A Gross book value**
- B Reinstatement value
- C Replacement Cost New
- D Market Value

32 Unit of maximum production according to the manufacturer's specification of equipment is known as...

- A Installed capacity**
- B Actual production
- C Licensed capacity
- D Utilization capacity

33 Valuing all machines individually out of group of machines in a plant is known as

- A Part
- B Fraction**
- C Whole
- D Part and Fraction

34 A method in which the parts or sections of asset/ machinery are individually depreciated at different rates...

- A Separation
- B Componentization
- C Identification**
- D Fraction

35 The maximum productive capacity of a plant reduced by the predictable and unavoidable factors of interruption pertaining to internal causes is called...

- A Installed capacity**
- B Actual capacity
- C Licensed capacity
- D Utilization capacity

36 The production capacity of the plant for which license has been issued by an appropriate authority is called...

- A Installed capacity
- B Actual capacity
- C Licensed capacity**
- D Utilization capacity

37 The volume of production achieved in relation to installed capacity is called...

- A Mass production
- B Efficiency
- C Volume of production
- D Capacity utilization

38 Unavailability of raw material can affect the valuation...

- A No
- B Yes
- C Cannot say
- D None of above

39 Unavailability of raw material can affect in adoption of remaining useful life of machine for th valuation...

- A No
- B Yes
- C Cannot say
- D None of above

40 Valuing all machines which is integrate with the whole & dependent upon the whole is known as...

- A Part**
- B Fraction
- C Whole
- D Part and Fraction

41 Valuation of entire bundle of rights a property is known as...

- A Part
- B Fraction

C Whole

D Part and Fraction

42 The ratio that shows the percentage of profit a company earns in relation to its overall resources or assets is called...

A Return on profit

B Return on asset

C Gross profit

D Net profit

43 Net income of the company can be finding from...

A Balance sheet

B Profit & loss account

C Income statement

D None of above

44 Asset of the company can be finding from...

A Balance sheet

B Profit & loss account

C Income statement

D None of above

45 Which ratio is reflects profitability or potential of profitability?

A Return on profit

B Return on asset

C Gross profit

D None of above

46 An earning of company is due to...

A Tangible asset

B Intangible asset

C Both A & B

D None of above

47 Higher earning of company compare to capital invested in assets is due to...

A Goodwill

B Copy rights

C Patent

D Intangible assets

48 Measurement of financial performance of new or existing plant to survive is called...

A Economic obsolescence

B Financial ratio

C Economic Viability

D Financial indicator

49 Loss in value by factors external to the asset, especially factors related to changes in supply or demand for products produced by the asset is called...

A Economic obsolescence

B Financial ratio

C Economic Viability

D Financial indicator

50 Economic Viability is....

A Curable

- B Incurable
- C May be curable or incurable**
- D None of above

51 Economic obsolescence is...

- A Curable
- B Incurable**
- C May be curable or incurable
- D None of above

52 Technique of locating different machines and plant services within the factory so that the greatest possible output of high quality at the lowest possible total cost can be available is called...

- A Fixed layout
- B Process layout
- C Product layout
- D Plant layout**

54 Which of following in not Characteristics of good plant layout?

- A Efficient space utilization
- B Reduced discomfort
- C Maximum movement**
- D According to statutory regulations

55 Design of plant layout is depends on...

- A Types of products
- B Types of process
- C Volume of production
- D All of above**

56 New process technology required less capital investment and provide higher efficiency compare to old process technology, than old technology is...

- A Superior
- B Obsolete**
- C Bad
- D Cannot say

57 Plant has three divisions A, B & C. Output of division A is input of division B. If machinery of division A get major breakdown and it's require about 1 month to recover, while all machinery of division B & C is in good working condition. Is production of plant will affected?

- A Yes**
- B No
- C Cannot say
- D None of above

58 The estimated amount that an entity would currently obtain from disposal of the asset, after deducting the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life is called...

- A Salvage value
- B Residual value**
- C Value in use
- D Value in exchange

59 Company A is using electrical controls like relay and its logic and Company is using SCADA system for control of plant & machinery. Which company is suffering by technological

obsolescence?

- A A
- B B
- C A & B
- D Cannot say

60 Adoption of residual value more than 5% its historical cost required...

- A Assumption
- B Proof of historical cost
- C Disclosure & support**
- D None of above

Valuation of Plant & Machinery

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