

Keywords: Replacement / Reproduction Cost New, Depreciated Replacement Cost, Market Inquiry or Quotation Method, Indexation, Cost to Capacity, Direct & Indirect Cost, Depreciation & Types of Depreciation, Obsolescence, Functional Obsolescence, Economic Obsolescence, Salvage Value, Scrap Value, Straight Line Method, Diminishing Method, Observed Deterioration, Limitation of Cost Approach

P&M: Plant & Machinery, RCN: Replacement Cost New, WPI: Wholesale Price Index

1 A valuation approach which is based on the economic principle that a buyer will pay no more for an asset than the cost to obtain an asset of equal utility, whether by purchase or by construction is called...

- A Cost approach**
- B Market approach
- C Income approach
- D None of above

2 Which approach of valuation used when the asset itself does not produce a cash flow or the cash flows associated with it are not separable from the business using it?

- A Cost approach**
- B Market approach
- C Income approach
- D None of above

3 In the cost approach, the valuer is comparing the subject machine with the machine that could actually _____ it.

- A Show
- B Misplace
- C Replace**
- D Present

4 A property that is rarely sold if ever sold in the market, except by way of sale of the business or entity of which it is part, due to uniqueness of it for any reason is called...

- A Specific property
- B Specialized property**
- C Unique property
- D Uncommon property

5 Which of the following approaches is generally used while valuing specialized plant and machinery?

- A Income approach
- B Market approach
- C Cost approach**
- D All of above

6 The current cost of a similar asset offering equivalent utility is called...

- A Utility cost
- B Reproduction cost
- C Equivalent cost
- D Replacement cost**

7 An asset which provides similar function and equivalent utility to the asset being valued, but which is of a current design and constructed or made using current materials and techniques is called...

- A Modern equivalent asset**
- B Modern asset
- C Similar asset
- D Identical asset

8 The current cost of creating a replica of the asset is called...

- A Utility cost
- B Reproduction cost**

- C Equivalent cost
- D Replacement cost

9 Replacement cost is often, but not always less than _____.

- A Value of replica of machine
- B Cost of identical machine
- C Cost new machine
- D **Reproduction cost**

10 The cost established by depreciating the current replacement cost in order to reflect the value attributable to the remaining portion of the total useful/economic life of the asset, taking due account of age, condition, obsolescence and other relevant factors, including residual value at the end of the asset's useful/economic life is called...

- A Depreciation
- B Replacement cost
- C **Depreciated replacement cost**
- D Reproduction cost

11 The current cost of reproduction or replacement of an asset less deductions for physical deterioration and all relevant forms of obsolescence and optimization is called..

- A Depreciation
- B Replacement cost
- C **Depreciated replacement cost**
- D Reproduction cost

12 Which method of valuation is used to arrive at a surrogate for the market value of specialized or limited market properties, for which market evidence is not available?

- A Summation method
- B Sale comparison method
- C Discounted cash flow method
- D **Depreciated replacement cost method**

13 Depreciated replacement cost method is based on...

- A **An estimation of the market value for existing use**
- B An estimation of the fair value for existing use
- C An estimation of the fair value for alternative use
- D An estimation of the market value for alternative use

14 Depreciated replacement cost method does not reflect...

- A Service potential
- B **Economic potential of asset**
- C Both (A) & (B)
- D None of above

15 Replacement cost & Reproduction cost is...

- A Equal
- B Not equal
- C **Rare or rare equal**
- D None of above

16 Reproduction cost means cost occurred to generate...

- A New asset
- B Equivalent asset
- C Similar asset in some manners
- D **Identical asset in all manners**

17 Which of the following method is not used for computation of Replacement Cost New?

- A **Sale comparison**
- B Indexation
- C Cost to capacity
- D Quotation from manufacturer or market survey

- 18 Which of the following method is most reliable for computation of Replacement Cost New?**
- A Quotation received from manufacturer for similar machine during the market survey
B Quotation received from manufacturer for identical machine during the market survey
 C Indexation
 D Cost to capacity
- 19 A method used to estimate current cost in which an trend factor is applied to the historical cost of an item reflecting the movement of cost over time is called...**
- A Sale comparison
B Indexation
 C Cost to capacity
 D Quotation from manufacturer or market survey
- 20 In computation of RCN by indexation in India, WIP stand for...**
- A Whole index piece
 B Whole index price
C Wholesale index price
 D All of above
- 21 In India, who is responsible for compiling WPI?**
- A The Office of the Economic Adviser, Ministry of Commerce and Industry**
 B The Office of the Economic Adviser, Ministry of Corporate Affair
 C The Office of the Economic Adviser, Ministry of Finance
 D All of above
- 22 At which frequency, The Office of the Economic Adviser is release WPI numbers?**
- A Weekly
B Monthly
 C Quarterly
 D Yearly
- 23 The base year for WPI is...**
- A Remain constant
 B Change at every year
C Change time to time
 D None of above
- 24 In 2018, on which based of financial year WIP numbers are released?**
- A 2013-14
 B 2010-11
 C 2012-13
D 2011-12
- 25 The Wholesale Price Index is important...**
- A deflate revenue streams in order to measure real growth in output
 B adjust income and expenditure streams for changes in the cost of living
C as it helps in understanding the movement of prices relating to bulk transactions of purchases, usually for further sale
 D All of above
- 26 At present data collection for WPI for 'Manufactured Product' is based ..**
- A On voluntary basis by manufacturer**
 B On compulsory basis by manufacture
 C As per regulation of Government
 D All of above
- 27 A primary use of the Producer Price Indices (PPI) is to...**
- A deflate revenue streams in order to measure real growth in output**
 B adjust income and expenditure streams for changes in the cost of living
 C None of (A) & (B)
 D Both of (A) & (B)

- 28 A primary use of the Consumer Price Indices (CPI) is to...**
- A deflate revenue streams in order to measure real growth in output
B adjust income and expenditure streams for changes in the cost of living
 C None of (A) & (B)
 D Both of (A) & (B)
- 29 WPI no. is 120 and 240 for the year of 2012 & 2018 respectively based on 2010 = 100. If the historical cost of machine is Rs. 10,000 in year of 2012 than what will be a replacement cost of machine in 2018 using Indexation method?**
- A Rs. 12,000
B Rs. 10,000
 C Rs. 5,000
 D Rs. 20,000
- 30 Trend factor is applied to the machine's _____ not _____.**
- Original cost, historical cost
 Replacement cost, reproduction cost
Historical cost, acquisition cost
 Replacement cost, historical cost
- 31 The valuer should have knowledge of that how index numbers are developed.**
- A False
B True
 C Both (A) & (B)
 D None of above
- 32 Multiplying factor of Index must be applied on...**
- A Acquisition price
 B Gross block
C Historical cost
 D All of above
- 33 Cost indexes are based on...**
- A Summation value
 B Multiplying value
 C Exact value
D Average value
- 34 The estimation the replacement cost (unknown) for an asset with one capacity (known) using the replacement costs of an asset (known) with a different capacity (known) is called...**
- A Sale comparison
 B Indexation
C Cost to capacity
 D Quotation from manufacturer or market survey
- 35 Relationship of cost of machine & its capacity is _____.**
- A Linear
B Exponential
 C Both (A) & (B)
 D None of above
- 36 Scale factor (exponent) is remain constant for all range of capacity of machine.**
- A False
 B True
 C Both (A) & (B)
 D None of above
- 37 Estimate the replacement cost of 200 TPD plant, if 60 TPD has replacement cost Rs. 12.80 crore and scale factor (exponent) is 0.75?**
- A **31.75 Crore**
 B 30.75 Crore

C 31.00 Crore

D 32.75 Crore

38 In cost using Cost to Capacity, range of capacity (or parameter) should not be too _____.

A Nearer

B Wide

C Small

D Closer

39 In computation of RCN, when information regarding cost of identical machinery is not available than which factors should be considered if information of cost for similar machine is available?

A Brand

B Capacity

C Type

D All of above

40 All expense that incurred in the purchase and placement of machine into functional use is called...

A Purchase price

B Direct cost

C Indirect cost

D None of above

41 Which of the following is direct cost in computation of RCN?

A Taxes

B Commission

C Professional fees

D Labor

42 All expense that incurred in the purchase and placement of machine into functional use but are not usually included in the manufacture or suppliers invoice is called...

A Purchase price

B Direct cost

C Indirect cost

D None of above

43 Which of the following is indirect cost in computation of RCN?

A Transport cost

B Labor

C Cost of material

D None of above

44 Which of the following is cause of depreciation?

A Physical deterioration

B Functional obsolescence

C Economic obsolescence

D All of above

45 Physical deterioration is due to...

A Age

B Wear and tear

C Obsolescence

D Only (A) & (B)

46 Physical deterioration is due to...

A Environment of process area

B Internal defect due to vibration

C Overload of operation on machine

D All of above

47 Physical deterioration is may be also called...

A Usage

- B Loss
- C Wear & tear**
- D All of above

48 A painting of machine can affect the physical deterioration.

- A False**
- B True
- C Both (A) & (B)
- D None of above

49 A painting of machine can affect the physical deterioration, if it is operated in moist or corrosive atmosphere.

- A False
- B True**
- C Both (A) & (B)
- D None of above

50 Physical deterioration of machine can be partially overcome by...

- A Purchasing new asset
- B Rebuilt or renovate**
- C Operation at full efficiency
- D Operator

51 Physical deterioration is...

- A Curable
- B Incurable
- C Both (A) & (B)**
- D None of above

52 Which of the following method used for physical deterioration?

- A Observed (comparison with identical or similar machine, professional judgment based on experience)
- B Use/Total use
- C Measurement of cost of cure
- D All of above**

53 By which factor physical condition of machine will be more declines rather age?

- A Effective age
- B Wear & Tear**
- C Maintenance
- D None of above

54 Which of the following is source of information for physical deterioration?

- A History of repair & maintenance
- B Discussion with operator & maintenance department
- C Product record & Budget for future expenditure
- D All of above**

55 The value of an asset that has reached the end of its economic life for the purpose it was made is called...

- A Salvage value**
- B Scrap value
- C Economic value
- D Material value

56 The estimated amount that could be realized for a property if it were sold for its material content, not for a productive use is called...

- A Salvage value
- B Scrap value**
- C Economic value
- D Material cost

57 The scrap value of smart phone (mobile) with brand iPhone & Samsung will be...

- A iPhone has higher scrap value
- B Very wide in range
- C Almost same**
- D Samsung has higher scrap value

58 Mr. A purchased a laptop & lathe machine at Rs. 35,000 of each. What will be relationship between scrap values of both?

- A Laptop < Lathe**
- B Laptop > Lathe
- C Laptop = Lathe
- D Cannot say

59 Technology based machinery or equipment has _____ scrap value compare to material based machinery or equipment.

- A Lower**
- B Higher
- C Cannot say
- D All of above

60 The systematic allocation of the depreciable amount of an asset over its useful/economic life is called...

- A Price allocation
- B Depreciation**
- C Obsolescence
- D None of above

61 Decline in value due to new inventions, changes in design or demand, improved methods of production, change in legislation and taste and preference of consumers is called...

- A Price allocation
- B Depreciation
- C Obsolescence**
- D None of above

62 A loss of utility resulting from inefficiencies in the subject asset compared to its replacement that results in a loss of value is called...

- A Technical Obsolescence
- B Functional Obsolescence**
- C Economic Obsolescence
- D Physical Obsolescence

63 Excess operating expenses is an example of...

- A Technical Obsolescence
- B Functional Obsolescence**
- C Economic Obsolescence
- D Physical Obsolescence

64 Which of the following is a cause of Functional Obsolescence?

- A Excess operating expenses
- B Excess capital cost
- C Overcapacity or inadequacy or lack of utility
- D All of above**

65 Replacement cost of old machine is lower than its historical cost than it's suffering from...

- A Technical Obsolescence
- B Functional Obsolescence**
- C Economic Obsolescence
- D Physical Obsolescence

66 Process of manufacturing plant required more manpower compare to new technology of process than it's suffering from...

- A Technical Obsolescence

B Functional Obsolescence

C Economic Obsolescence

D Physical Obsolescence

67 Capacity of filling machine is 2000 bottle per hour which installed in line of capacity of 1000 bottle per hour than it's suffering from...

A Technical Obsolescence

B Functional Obsolescence

C Economic Obsolescence

D Physical Obsolescence

68 A loss of utility caused by factors external to the asset, especially factors related to changes in supply or demand for products produced by the asset that result in a loss of value is called...

A Technical Obsolescence

B Functional Obsolescence

C Economic Obsolescence

D Physical Obsolescence

69 Which of the following is a cause of Economic Obsolescence?

A Loss of material and/or labor sources

B Increased cost of raw materials, labor or utilities

C Reduced demand for the product & increase competition

D All of above

70 Which of the following is a cause of Economic Obsolescence?

A Availability of financing or changes in interest rates

B Passage of new legislation and taxation

C Changes in zoning, either for the property or in its vicinity

D All of above

71 Which of the following is a cause of Economic Obsolescence?

A Cost of repair & maintenance

B Unavailability of spare parts

C Changes in ordinance or consumer taste

D Wear and tear

72 Which of the following is not a cause of Economic Obsolescence?

A Shifting on raw material away from unit

B Unavailability of skilled manpower

C Cost or capital invest of pollution control devices for protection of environment

D Availability of machine with higher efficiency at lower cost

73 Which of the following is method to quantify an Economic Obsolescence?

A Utilization analysis

B Gross margin analysis

C Best of best analysis

D All of above

74 Which of the following is not a method to quantify Economic Obsolescence?

A Market drive analysis

B Income shortfall analysis

C Observed analysis

D Equity to Book ratio analysis

75 Strict regulatory policy for the nuclear power plant in Japan after the earthquake is an example of...

A Technical Obsolescence

B Functional Obsolescence

C Economic Obsolescence

D Physical Obsolescence

76 Declination of rigs activity (production of crude oil) due to lower price of crude oil is an

example of...

- A Technical Obsolescence
- B Functional Obsolescence
- C Economic Obsolescence**
- D Physical Obsolescence

77 Which of the following is method to derive depreciation?

- A Observed deterioration
- B Straight line method
- C Written down value method (Diminishing method)
- D All of above**

78 Observed deterioration method of depreciation is based on...

- A Visual inspection**
- B Stability inspection
- C Mechanical test
- D On load test

79 Which of the following is an external cause of depreciation?

- A Routine repair and maintenance
- B Misuse
- C Obsolescence**
- D Wear and tear

80 Economic obsolescence is also called...

- A Internal Obsolescence
- B External Obsolescence**
- C Cost of Obsolescence
- D Value of Obsolescence

81 All of the following factors in computing depreciation are estimates except...

- A Historical Cost**
- B Residual value
- C Salvage value
- D Useful life

82 In computing depreciation, salvage value is

- A The fair value of a plant asset on the date of acquisition
- B Subtracted from accumulated depreciation to determine the plant asset's depreciable cost
- C An estimate of a plant asset's value at the end of its useful life**
- D Ignored in all the depreciation methods

83 Identify the item below where the terms are not related.

- A Equipment-depreciation
- B Franchise-depreciation**
- C Copyright-amortization
- D Oil well-depletion

84 The term used to describe the allocation of the cost of an intangible asset to expense is _____ rather than depreciation.

- A accumulated depreciation
- B Amortization**
- C average useful life
- D recoverable amount

85 Method of depreciation in which deduction of the same (constant) proportion of the historical cost or replacement cost for each period of the estimated life of the machine is called...

- A Observed deterioration
- B Straight line method**
- C Written down value method (Diminishing method)
- D All of above

- 86** Method of depreciation in which deduction of a constant percentage rate from the cost at the start of the previous period over the estimated life of the asset is called...
- A Observed deterioration
 B Straight line method
C Written down value method (Diminishing method)
 D All of above
- 87** An accounting term that represents the total depreciation taken against the cost of an asset as of a given date is called...
- A Depreciation
 B recoverable amount
 C Obsolescence
D Accumulated depreciation
- 88** Depreciation in the form of deterioration and obsolescence that is economically feasible to remedy because the resulting increases in utility and value are equal to or greater than the expenditure is called...
- A Curable depreciation
 B recoverable amount
 C Obsolescence
 D Accumulated depreciation
- 89** Formula of annual depreciation in straight method is... (where D = Annual depreciation, C = Historical / Replacement cost, F = Salvage value & N = Total life (useful/economic))
- A $D = (C - F)/N$
 B $D = (F - C)/N$
 C $D = (N - F)/C$
 D $D = (C - N)/F$
- 90** What would be an annual depreciation, if replacement cost of asset is Rs. 10,000, useful is 10 years and salvage value is null?
- A Rs. 900
B Rs. 1,000
 C Rs. 1,100
 D Rs. 800
- 91** What would be an annual depreciation, if replacement cost of asset is Rs. 10,000, useful is 10 years and salvage value is 10%?
- A Rs. 900
 B Rs. 1,000
 C Rs. 1,100
 D Rs. 800
- 92** Which method of depreciation is adopted for preparation of balance sheet of company for taxation purpose?
- A Lump sum method
 B Sum of Digit method
 C Sinking fund method
D Written down value method
- 93** What would be the written down value of an asset, if it is purchased at Rs. 10,000 after 2 years at 10% of depreciation rate?
- A Rs. 9,000
B Rs. 8,100
 C Rs. 8,900
 D Rs. 8,200
- 94** What would be the accumulated depreciation by written down value method for depreciation of an asset, if it is purchased at Rs. 10,000 after 2 years at 10% of depreciation rate?
- A Rs. 2,000

- B Rs. 2,100
- C Rs. 1,900**
- D Rs. 1,800

95 Cost of repairs eliminates the need for depreciation.

- A True
- B False**
- C Both (A) & (B)
- D Cannot say

96 Depreciation for accounting purpose is taking care of effect of wear & tear and obsolescence.

- A True
- B False**
- C Both (A) & (B)
- D Cannot say

97 Depreciation for technical (valuation) purpose is taking care of effect of wear & tear and obsolescence.

- A True**
- B False
- C Both (A) & (B)
- D Cannot say

98 Accounting depreciation is based on...

- A Guideline of The Income Tax Act or The Companies Act**
- B Guideline of International Valuation Standard
- C Guideline of Revenue Depart of India
- D None of above

99 Which is a best approach to value a 'Gas Power Station', if availability of gas (as fuel for generation of energy) is inadequate or almost null?

- A Cost approach
- B Market approach**
- C Income approach
- D None of above

100 Depreciated Replacement Cost method is subject...

- A Potential profitability
- B Usage
- C Replacement cost
- D Depreciation

101 Limitation of cost approach is...

- A does not reflect the forces of supply and demand
- B degree of depreciation for the subjective
- C the results are susceptible to scrutiny and may not be reliable
- D All of above**

make suggestion & query at

swamibeic@gmail.com