

QB365 Question Bank Software Study Materials

Depreciation Accounting 50 Important 1 Marks Questions With Answers (Book Back and Creative)

11th Standard

Accountancy

Total Marks : 50

Multiple Choice Question

50 x 1 = 50

- 1) Under straight line method, the amount of depreciation is ____.
(a) Increasing every year (b) Decreasing every year **(c) Constant for all the years** (d) Fluctuating every year
- 2) If the total charge of depreciation and maintenance cost are considered, the method that provides a uniform charge is ____.
(a) Straight line method **(b) Diminishing balance method** (c) Annuity method (d) Insurance policy method
- 3) Under the written down value method of depreciation, the amount of depreciation is ____.
(a) Uniform in all the years **(b) Decreasing every year** (c) Increasing every year (d) None of the above
- 4) Depreciation is caused by ____.
(a) Lapse of time (b) Usage (c) Obsolescence **(d) a, b and c**
- 5) For which of the following assets, the depletion method is adopted for writing off cost of the asset?
(a) Plant and machinery **(b) Mines and quarries** (c) Buildings (d) Trademark
- 6) A depreciable asset may suffer obsolescence due to ____.
(a) Passage of time (b) Wear and tear **(c) Technological changes** (d) None of the above
- 7) Which method shall be efficient, if repairs and maintenance cost of an asset increases as it grows older.
(a) Straight line method **(b) Reducing balance method** (c) Sinking fund method (d) Annuity method
- 8) Depreciation is to be calculated from the date when ____.
(a) Asset is put to use (b) Purchase order is made (c) Asset is received at business premises
(d) Invoice of assets is received
- 9) If the rate of depreciation is same, then the amount of depreciation under straight line method vis-à-vis written down value method will be ____.
(a) Equal in all years **(b) Equal in the first year but higher in subsequent years**
(c) Equal in the first year but lower in subsequent years (d) Lower in the first year but equal in subsequent years.
- 10) Residual value of an asset means the amount that it can fetch on sale at the ____ of its useful life.
(a) Beginning **(b) End** (c) Middle (d) None
- 11) Cash received from sale of fixed asset is credited to ____.
(a) Profit and loss account **(b) Fixed asset account** (c) Depreciation account (d) Bank account
- 12) Depreciation is provided on ____.
(a) Fixed assets (b) Current assets (c) Outstanding charges (d) All assets
- 13) In every business, certain ____ assets are used for the conduct of business operations.
(a) fixed (b) current (c) tangible (d) intangible

The assets that are not depreciated are referred to as _____ assets.

- 14) _____ are not depreciated and referred to as _____ assets.
 (a) depreciable (b) **non-depreciable** (c) both (d) none of these
- 15) _____ is a statement of financial position of a business.
 (a) Trading account (b) Profit and loss account (c) **Balance sheet** (d) Trial balance
- 16) The written down value is the true value of _____ assets
 (a) **fixed** (b) current (c) tangible (d) intangible
- 17) _____ is a non-cash item.
 (a) **Depreciation** (b) Asset (c) Liabilities (d) None of these
- 18) _____ means the amount incurred in acquiring the asset.
 (a) **Original cost of the asset** (b) Scrap value of an asset (c) Estimated useful life of the asset (d) None of these
- 19) _____ method, is also known as original cost method or fixed instalments method.
 (a) Annuity (b) Diminishing balance (c) Depreciation fund (d) **Straight line**
- 20) _____ is also knoww as written downvalue method or reducing instalments method.
 (a) Straight line method (b) **Diminishing balance** (c) Annuity method (d) Revaluation method
- 21) If original cost of the asset is Rs.1,00,000 and the rate of depreciation is 10% per annum. The depreciation in the first year will be Rs._____
 (a) **Rs. 10,000** (b) Rs. 1,000 (c) 90,000 (d) 1,00,000
- 22) _____ means exhaustion of natural resources.
 (a) **Depletion** (b) Depreciation (c) Revaluation (d) None of these
- 23) Land and Building 6,00,000. Depreciation is provided at 10%. The value of land and Building will be_____
 (a) Rs.6,60,000 (b) **Rs.5,40,000** (c) Rs. 60,000 (d) Rs.3,30,000
- 24) The term depletion is used in relation to _____
 (a) Fixed assets (b) Current assets (c) **Wasting assets** (d) Intangible assets
- 25) Under the diminishing balance method of depreciation _____
 (a) Both rate of depreciation and amount of depreciation are reduced every year
 (b) **Only the amount of depreciation is reduced every year** (c) Only the rate of depreciation is reduced every year
 (d) None of the above
- 26) A machine costing Rs.2,00,000 was depreciated @ 25% per annum using written down value method. At the end of three years it will have a book value of _____
 (a) Rs. 1,50,000 (b) **Rs. 84,375** (c) Rs. 1,12,500 (d) Rs. 2,00,000
- 27) Profit on sale of fixed asset is debited to _____
 (a) Profit and loss account (b) **Fixed Asset account** (c) Depreciation account (d) Bank account
- 28) If the sale price of an asset is less than, the book value of the asset, it denotes _____
 (a) **Loss** (b) Capital Profit (c) Expenditure (d) Capital gain
- 29) The Non-depreciable fixed asset is _____
 (a) Plant and machinery (b) Building (c) **Land** (d) Vehicles
- 30) The Accounting standards is applicable for depreciation is _____

(a) AS 10 (b) AS 29 (c) AS 3 (d) **AS 6**

- 31) The method of depreciation prescribed by the Indian Companies Act, 2013 is _____
(a) Straight line method (b) Diminishing balance method (c) Revaluation method (d) Sinking Fund method
- 32) The process of becoming out of date or obsolete is termed as _____.
(a) Depletion (b) Physical Deterioration **(c) Obsolescence** (d) None of the above
- 33) In the process of provision method of depreciation the asset always valued at _____.
(a) Market Price **(b) Cost Price** (c) Scrap Value (d) None
- 34) Meaning of Salvage value is _____.
(a) Cash to be paid when asset is disposed off **(b) Estimated disposal value** (c) Definite sale price of the asset
(d) Cash to be received when life of the asset ends
- 35) In the accounting records, the fixed assets are normally recorded _____.
(a) At Cost (b) At Book Value (c) At Scrap Value (d) At replacement value
- 36) A fixed asset was bought for 75,000. Its accumulated depreciation is 71,000 and rate depreciation is 10%. What are the depreciation expenses for the current accounting period using reducing balance method?
(a) Rs.600 (b) Rs.2000 **(c) Rs.500** (d) Rs.400
- 37) Cost of an asset is Rs. 3, 00,000. Rate of depreciation is 10% on WDV method. Value of the asset at the end of the second year will be _____.
(a) Rs.2, 70,000 (b) Rs. 30, 000 (c) Rs.2, 50,000 **(d) Rs.2, 43,000**
- 38) Depletion method of charging depreciation is adopted for which of the following assets?
(a) Plant and Machinery (b) Buildings **(c) Wasting assets like mines and quarries** (d) Trademarks
- 39) A trader followed WDV method of depreciation; the book value of assets after 4 years is 24% of original cost. Find rate of depreciation _____.
(a) 24% (b) 26% (c) 32% **(d) 30%**
- 40) For oil wells _____ method Of depreciation is to be followed
(a) Exhaustion (b) Wear & Tear (c) Depletion (d) None of the above
- 41) Depreciation arises due to the following reason _____.
(a) Wear & Tear (b) Fall in the market value (c) Effluxionof time **(d) All the above**
- 42) Depreciation on fixed assets is _____ expenditure.
(a) Revenue Expenditure **(b) Capital Expenditure** (c) Deferred Revenue expenditure (d) None
- 43) Original Cost = Rs.1,00,000; Estimated Life = 5 years; Expected salvage value = Rs. 2,000. Depreciation for 3rd year as per straight line method is _____.
(a) Rs. 12,800 **(b) Rs.19,600** (c) Rs. 20,000 (d) Rs. 20,400
- 44) Statement: Under which method the value of an asset can never be completely extinguished. Find out which of the following is related to the statement.
(a) Straight line method **(b) Diminishing balance method** (c) Annuity method (d) Depletion method
- 45) Depreciation is the gradual and permanent decrease in the value of an asset from any cause _____.
(a) Owen (b) Wheeler (c) Spicer and Pegler **(d) R.N. Carter**

- 46) The normal use of a tangible asset results in physical deterioration which is called _____.
- (a) Wear and tear** (b) Abnormal factors (c) Obsolescence (d) Efflux of time
- 47) _____ is also known as residual value.
- (a) Book value **(b) Scrap value** (c) Amortization (d) Wear and tear
- 48) When there is no proper maintenance of fixed assets there is a possibility of _____.
- (a) more depreciation** (b) more damage (c) more expense (d) cost minimisation
- 49) Every company is required to provide depreciation on fixed assets before declaring dividend to its shareholders according to section of the Indian Companies Act _____.
- (a) 123(1)** (b) 165 (c) 19 (d) 123
- 50) Under which one of the following methods the amount of interest on the investment (on the asset) is taken into account while computing depreciation?
- (a) Revaluation method **(b) Annuity method** (c) Written down value method (d) Depletion method