17 Lecture - MGT101

Important Mcqs

1. What are fixed assets?

- a. Short-term tangible assets
- b. Long-term tangible assets
- c. Intangible assets
- d. Both a and b

Answer: b. Long-term tangible assets

- 2. Which of the following is an example of a fixed asset?
 - a. Cash
 - b. Inventory
 - c. Building
 - d. Accounts receivable

Answer: c. Building

3. What is depreciation?

- a. The process of allocating the cost of a fixed asset over its useful life
- b. The process of increasing the cost of a fixed asset over its useful life
- c. The process of revaluing a fixed asset based on market prices
- d. The process of adjusting the cost of a fixed asset based on inflation

Answer: a. The process of allocating the cost of a fixed asset over its useful life

- 4. Which of the following is not a method of depreciation?
 - a. Straight-line
 - b. Double-declining balance
 - c. Units of production
 - d. Last-in, first-out (LIFO)

Answer: d. Last-in, first-out (LIFO)

- 5. Which method of depreciation results in a higher depreciation expense in the early years of an asset's life?
 - a. Straight-line
 - b. Double-declining balance
 - c. Units of production
 - d. All of the above

Answer: b. Double-declining balance

6. Which method of depreciation results in a lower depreciation expense in the early years of an asset's life?

- a. Straight-line
- b. Double-declining balance
- c. Units of production
- d. None of the above

Answer: a. Straight-line

7. What is the salvage value of a fixed asset?

- a. The amount of money the business paid for the asset
- b. The estimated value of the asset at the end of its useful life
- c. The amount of depreciation expense recognized in the first year
- d. The estimated value of the asset at the beginning of its useful life

Answer: b. The estimated value of the asset at the end of its useful life

8. What is the formula for calculating straight-line depreciation?

- a. (Cost Salvage Value) / Useful Life
- b. Cost x Useful Life
- c. Salvage Value x Useful Life
- d. Cost (Salvage Value / Useful Life)

Answer: a. (Cost - Salvage Value) / Useful Life

9. What is the purpose of tracking fixed assets?

- a. To determine the value of a business
- b. To calculate taxes owed
- c. To comply with accounting standards
- d. All of the above

Answer: d. All of the above

10. What is the impact of depreciation on a business's financial statements?

- a. It increases assets and decreases liabilities
- b. It decreases assets and increases liabilities
- c. It decreases assets and decreases equity
- d. It has no impact on assets, liabilities, or equity

Answer: c. It decreases assets and decreases equity.