

# 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.  $(\text{Cost} - \text{Salvage Value}) / \text{Useful Life}$
  - b.  $\text{Cost} \times \text{Useful Life}$
  - c.  $\text{Salvage Value} \times \text{Useful Life}$
  - d.  $\text{Cost} - (\text{Salvage Value} / \text{Useful Life})$

**Answer: a.  $(\text{Cost} - \text{Salvage Value}) / \text{Useful Life}$**

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.**