

20 Lecture - MGT101

Important Mcqs

1. **Which of the following is a method of calculating depreciation on fixed assets?**
- a) Straight-line method
 - b) Perpetual inventory method
 - c) FIFO method
 - d) LIFO method

Answer: a) Straight-line method

2. **What is the purpose of charging depreciation on fixed assets?**
- a) To calculate the value of the asset at the end of its useful life
 - b) To allocate the cost of the asset over its useful life
 - c) To determine the market value of the asset
 - d) To adjust the value of the asset for inflation

Answer: b) To allocate the cost of the asset over its useful life

3. **Which of the following is not a factor that affects the calculation of depreciation?**
- a) The cost of the asset
 - b) The useful life of the asset
 - c) The market value of the asset
 - d) The salvage value of the asset

Answer: c) The market value of the asset

4. **How is the book value of a fixed asset calculated?**
- a) Cost of the asset minus accumulated depreciation
 - b) Cost of the asset plus accumulated depreciation
 - c) Market value of the asset minus accumulated depreciation
 - d) Market value of the asset plus accumulated depreciation

Answer: a) Cost of the asset minus accumulated depreciation

5. **Which of the following methods of depreciation is best suited for assets that have a high rate of obsolescence?**
- a) Straight-line method
 - b) Units of production method
 - c) Declining balance method
 - d) Sum of years' digits method

Answer: c) Declining balance method

6. **When disposing of a fixed asset, how is the gain or loss on disposal calculated?**
- a) By subtracting the book value from the selling price

- b) By subtracting the selling price from the book value
- c) By adding the selling price to the book value
- d) By adding the book value to the selling price

Answer: a) By subtracting the book value from the selling price

7. **What happens if the selling price of a fixed asset is greater than its book value?**
- a) A gain on disposal is recorded
 - b) A loss on disposal is recorded
 - c) The asset is revalued upwards
 - d) The asset is revalued downwards

Answer: a) A gain on disposal is recorded

8. **Which of the following is not a method of disposing of a fixed asset?**
- a) Sale
 - b) Exchange
 - c) Abandonment
 - d) Depreciation

Answer: d) Depreciation

9. **What is the tax treatment of gains and losses on the disposal of fixed assets?**
- a) Gains are taxable, and losses are tax-deductible
 - b) Gains and losses are not taxable or tax-deductible
 - c) Gains and losses are both taxable and tax-deductible
 - d) Gains are not taxable, and losses are tax-deductible

Answer: a) Gains are taxable, and losses are tax-deductible

10. **Which of the following is not a reason for disposing of a fixed asset?**
- a) The asset has become obsolete
 - b) The asset is no longer needed
 - c) The asset has reached the end of its useful life
 - d) The asset's book value has increased

Answer: d) The asset's book value has increased