# 21 Lecture - MGT101

# **Important Mcqs**

- 1. What is the purpose of revaluation of fixed assets?
  - a) To decrease the value of fixed assets
  - b) To increase the value of fixed assets
  - c) To reclassify the fixed assets
  - d) To dispose of the fixed assets

#### Answer: b) To increase the value of fixed assets

- 2. Which accounting standard provides guidance on revaluation of fixed assets?
  - a) IAS 16
  - b) IFRS 9
  - c) IAS 36
  - d) IAS 10

## Answer: a) IAS 16

- 3. When should a company revalue its fixed assets?
  - a) Whenever it wants to increase the value of the assets
  - b) When there is a significant increase or decrease in the market value of the assets
  - c) At the end of every fiscal year
  - d) Only when the assets are disposed of

# Answer: b) When there is a significant increase or decrease in the market value of the assets

- 4. What is the impact of revaluation of fixed assets on the income statement?
  - a) It does not have any impact on the income statement
  - b) It results in an increase in profit
  - c) It results in a decrease in profit
  - d) It depends on the revaluation amount

#### Answer: d) It depends on the revaluation amount

- 5. How is the revaluation reserve reported on the balance sheet?
  - a) As an asset
  - b) As a liability
  - c) As equity
  - d) It is not reported on the balance sheet

#### Answer: c) As equity

- 6. What is the purpose of creating a revaluation reserve?
  - a) To provide a source of funding for future capital expenditures

- b) To offset any future losses that may occur on the fixed assets
- c) To reflect the increase in the value of the fixed assets on the balance sheet
- d) To decrease the value of the fixed assets

# Answer: c) To reflect the increase in the value of the fixed assets on the balance sheet

# 7. What is the impact of revaluation of fixed assets on the depreciation expense?

- a) It results in an increase in depreciation expense
- b) It results in a decrease in depreciation expense
- c) It does not have any impact on depreciation expense
- d) It depends on the revaluation amount

# Answer: a) It results in an increase in depreciation expense

- 8. Which of the following is not a method of revaluing fixed assets?
  - a) Cost model
  - b) Revaluation model
  - c) Market model
  - d) Discounted cash flow model

## Answer: c) Market model

- 9. What is the journal entry to record the revaluation of fixed assets?
  - a) Debit revaluation reserve, credit fixed asset
  - b) Debit fixed asset, credit revaluation reserve
  - c) Debit revaluation reserve, credit retained earnings
  - d) Debit retained earnings, credit revaluation reserve

#### Answer: b) Debit fixed asset, credit revaluation reserve

- 10. Which of the following is a limitation of revaluation of fixed assets?
  - a) It is time-consuming and expensive
  - b) It can only be done for tangible assets
  - c) It may result in overvaluing assets
  - d) It is not allowed under accounting standards

Answer: c) It may result in overvaluing assets