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