

21 Lecture - MGT101

Important Subjective

- 1. What is meant by the revaluation of fixed assets?**
Answer: Revaluation of fixed assets refers to the process of updating the value of a company's fixed assets to their current market value.
- 2. What are the reasons for revaluation of fixed assets?**
Answer: The reasons for revaluation of fixed assets are the increase in the market value of fixed assets, the change in their useful life, or the significant improvement in their condition.
- 3. How is the revaluation reserve calculated?**
Answer: The revaluation reserve is calculated by taking the difference between the current market value of the fixed asset and its original book value, and recording this difference in a separate reserve account.
- 4. What is the journal entry for revaluation of fixed assets?**
Answer: The journal entry for revaluation of fixed assets includes debiting the asset account and crediting the revaluation reserve account.
- 5. What is the impact of revaluation of fixed assets on the financial statements?**
Answer: The revaluation of fixed assets impacts the balance sheet by increasing the value of fixed assets and the revaluation reserve. It also affects the income statement through the depreciation charge.
- 6. What is the effect of revaluation of fixed assets on tax liabilities?**
Answer: The revaluation of fixed assets can result in an increase in the tax liabilities of the company as it increases the value of fixed assets and the corresponding depreciation charge.
- 7. How often should fixed assets be revalued?**
Answer: The frequency of revaluation of fixed assets depends on the company's accounting policy and the type of asset. Generally, it is revalued once in every three to five years.
- 8. What are the advantages of revaluation of fixed assets?**
Answer: The advantages of revaluation of fixed assets include reflecting the current market value of assets, enhancing the credibility of financial statements, and facilitating better decision-making.
- 9. What are the limitations of revaluation of fixed assets?**
Answer: The limitations of revaluation of fixed assets include the subjectivity of the valuation process, the possibility of overvaluing assets, and the impact of revaluation on tax liabilities.
- 10. How can a company ensure the accuracy of the revaluation of fixed assets?**
Answer: A company can ensure the accuracy of the revaluation of fixed assets by engaging a professional valuer, following the appropriate accounting standards, and maintaining proper documentation.