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.