

5 Lecture - MGT401

Important Mcqs

1. **What is Property, Plant, and Equipment (PP&E)?**
- A) Short-term assets used in a company's operations.
 - B) Tangible, long-term assets used in a company's operations.
 - C) Intangible, long-term assets used in a company's operations.
 - D) Short-term liabilities of a company.

Answer: B

2. **Which of the following assets is considered part of PP&E?**
- A) Cash
 - B) Inventory
 - C) Land
 - D) Accounts Receivable

Answer: C

3. **What is the purpose of recording depreciation on PP&E?**
- A) To reduce the asset's carrying value over time.
 - B) To increase the asset's carrying value over time.
 - C) To recognize the asset's market value.
 - D) To recognize the asset's potential future value.

Answer: A

4. **Which depreciation method calculates depreciation expense based on the asset's usage?**
- A) Straight-line method
 - B) Double-declining balance method
 - C) Units-of-production method
 - D) Sum-of-the-years'-digits method

Answer: C

5. **When does a company recognize a gain or loss on the disposal of PP&E?**
- A) When the asset is sold for more than its carrying value.
 - B) When the asset is sold for less than its carrying value.
 - C) When the asset is sold for its carrying value.
 - D) A and B.

Answer: D

6. **What is a useful life?**
- A) The length of time an asset is expected to be used in a company's operations.

- B) The time period when a company can legally own an asset.
- C) The period of time when a company can generate revenue from an asset.
- D) The amount of time it takes for an asset to become obsolete.

Answer: A

7. What is salvage value?

- A) The estimated amount a company will receive when it sells an asset.
- B) The cost of maintaining an asset.
- C) The residual value of an asset at the end of its useful life.
- D) The amount a company paid for an asset.

Answer: C

8. How does the acquisition of PP&E affect a company's cash flow statement?

- A) It does not affect the cash flow statement.
- B) It increases the cash flow from operating activities.
- C) It decreases the cash flow from operating activities.
- D) It increases the cash flow from investing activities.

Answer: D

9. Which of the following is not an example of PP&E?

- A) Trademarks
- B) Buildings
- C) Machinery
- D) Vehicles

Answer: A

10. How does a company account for major improvements to PP&E?

- A) It adds the cost of the improvement to the asset's carrying value.
- B) It records the cost of the improvement as an expense.
- C) It records the cost of the improvement as revenue.
- D) It records the cost of the improvement as a liability.

Answer: A