# 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