

6 Lecture - MGT401

Important Subjective

- 1. What is revaluation of assets and why is it necessary?**
Answer: Revaluation of assets is the process of updating the value of assets to reflect their current market value. It is necessary to ensure that a company's financial statements reflect the true value of its assets.
- 2. How is the revalued amount of an asset determined?**
Answer: The revalued amount of an asset is determined by assessing the current market value of the asset.
- 3. What are the accounting entries required for revaluation of assets?**
Answer: The accounting entries required for revaluation of assets include recording any revaluation gains or losses on the balance sheet and creating a revaluation reserve account to track changes in the value of revalued assets.
- 4. What is the difference between revaluation and impairment?**
Answer: Revaluation involves updating the value of assets to reflect their current market value, while impairment involves writing down the value of assets that are no longer expected to generate economic benefits.
- 5. How does revaluation impact a company's financial ratios?**
Answer: Revaluation can impact a company's financial ratios, such as debt-to-equity and return on assets, by changing the carrying value of assets and equity.
- 6. What are some potential risks of revaluation of assets?**
Answer: Potential risks of revaluation of assets include inaccuracies in determining the current market value of assets and manipulation of financial statements by companies.
- 7. How does revaluation impact depreciation expense?**
Answer: Revaluation can impact depreciation expense by changing the carrying value of assets and accumulated depreciation.
- 8. Can a company revalue its assets every year?**
Answer: Yes, a company can revalue its assets every year, although it is not common practice.
- 9. What are the factors that can influence the market value of an asset?**
Answer: The factors that can influence the market value of an asset include supply and demand, economic conditions, and changes in technology or regulations.
- 10. How does revaluation of assets impact a company's income tax liabilities?**
Answer: Revaluation of assets can impact a company's income tax liabilities by changing the carrying value of assets and resulting in a gain or loss that may be taxable.