

DEPRECIATION

The main objective of depreciation is

- (a) To show the previous profit
- (b) To calculate net profit
- (c) To reduce tax
- (d) To satisfy the tax department

Q2. Depreciation is generated due to

- (a) Increase in the value of liability
- (b) Decrease in capital
- (c) Wear and tear
- (d) Decrease in the value of assets

Q3. What is the purpose of making a provision for depreciation in the accounts?

- (a) To charge the cost of fixed assets against profits
- (b) To show the current market value of fixed asset
- (c) To make cash available to replace fixed assets
- (d) To make a provision for repairs

Q4. According to straight line method of providing depreciation, the depreciation

- (a) Remains constant
- (b) Increase each year.
- (c) Decrease each year
- (d) None of them.

Q5. Total amount of depreciation of an asset cannot exceed its

- (a) Depreciable value
- (b) Scrap value
- (c) Market value
- (d) None of these

Q6. According to fixed instalment method, the depreciation is calculated on

- (a) Balance amount
- (b) Original cost
- (c) Scrap value
- (d) None of them

Q.7 Salvage value means

- (a) Definite sale price of the asset
- (b) Cash to be received when life of the asset ends
- (c) Cash to be paid when asset is disposed off
- (d) Estimated disposal value

Q8. Depreciation is calculated under diminishing balance method, based on

- (a) Original value
- (b) Book value
- (c) Scrap value
- (d) None of them

Q9. Depreciation amount charged on machinery will be debited to:

- (a) Repair account
- (b) Cash account
- (c) Depreciation account
- (d) Machinery account

Q10. In accounting, becoming out of date or obsolete is known as

- (a) Amortization
- (b) Obsolescence
- (c) Depletion
- (d) Physical deterioration