

### Adjustment & Depreciation

1. Depreciation is a process of \_\_\_\_\_  
A. valuation.                      **B. allocation.**                      C. reduction.                      D. appreciation.
2. The main objective of providing depreciation is \_\_\_\_\_  
A. to calculate true profit.                      B. to calculate financial position.  
C. to reduce tax burden.                      D. to reduce profit.
3. Depreciation arises because of \_\_\_\_\_  
A. fall in the market value of an asset.                      **B. physical wear and tear**  
C. fall in the value of money.                      D. rise in the value of money.
4. Under the straight line method of charging depreciation, depreciation \_\_\_\_\_  
A. increases every year.                      B. decreases every year.  
**C. is constant.**                      D. fluctuate every year.
5. Under the diminishing balance method depreciation is calculated on \_\_\_\_\_  
A. original value                      **B. written down value.**                      C. scrap value.                      D. market value.
6. The amount of depreciation charged on machinery will be debited to \_\_\_\_\_  
A. machinery account.                      **B. depreciation account.**                      C. cash account                      D. bank account.
7. Loss on the sale of machinery should be written off against \_\_\_\_\_  
A. share premium account.                      B. sales account.  
**C. depreciation fund account.**                      D. general reserve account.
8. The annual installment to depreciation fund for replacement of a fixed asset is \_\_\_\_\_  
**A. charge against profit.**                      B. an appropriation of profits.  
C. charge against reserve.                      D. charge against cash.
9. Depreciation is provided on \_\_\_\_\_  
A. current asset.                      **B. fixed assets.**                      C. fictitious assets.                      D. investment.
10. The permanent, continuing and gradual shrinkage in the book value of a fixed asset is called \_\_\_\_\_  
**A. depreciation**                      B. appreciation.                      C. reduction.                      D. computation.
11. Depreciation is charged on the \_\_\_\_\_  
A. market value.                      **B. Depreciable value.**                      C. purchase value.                      D. sale value.
12. Depreciation is the allocation of the depreciable amount of an asset over its estimated useful life. Depreciation for the accounting period is charged to income either directly or indirectly. This definition is given by  
A. company law.                      B. Income Tax Law.  
**C. International accounting standard.**                      D. Indian accounting standard.

## ADJUSTMENT & DEPRECIATION MCQS

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13. Depreciation is charged on \_\_\_\_\_  
A. continuous basis.      B. temporary basis.      C. daily basis.      D. monthly basis.
14. Loss of usefulness occasioned by improved production methods is known as \_\_\_\_\_  
A. physical deterioration.      B. obsolescence.      C. disuse.      D. inadequacy.
15. Mines quarries oilfields and forest are example of \_\_\_\_\_  
A. fixed assets.      B. current assets.      C. wasting assets.      D. intangible assets.
16. Depreciation applies to \_\_\_\_\_  
A. current assets.      B. wasting assets.      C. intangible assets.      D. fixed assets.
17. Depletion applies to \_\_\_\_\_  
A. current assets.      B. wasting assets.      C. intangible assets.      D. fixed assets.
18. Amortization applies to \_\_\_\_\_  
A. current assets.      B. wasting assets.      C. intangible assets.      D. fixed assets.
19. Estimated sale value of the asset at the end of its economic life is known as \_\_\_\_\_  
A. purchase value.      B. market value.      C. written down value.      D. residual value.
20. Provision for depreciation account appears on the \_\_\_\_\_  
A. Asset side.      B. Liability side.  
C. P & L account debit side.      D. P & L account credit side.
21. If the asset is sold, the provision for depreciation relating to the asset sold is transferred to \_\_\_\_\_  
A. asset account.      B. liability account.      C. P & L account.      D. trading account.
22. The asset account appears in the books at original cost when a \_\_\_\_\_  
A. P & L account is maintained.  
B. balance sheet is maintained.  
C. provision for depreciation account is maintained.  
D. provision for depreciation account is not maintained.
23. The value of asset can be reduced to zero under this method \_\_\_\_\_  
A. straight line method.      B. written down value method.  
C. annuity method.      D. depreciation fund method.
24. The balance in the asset account will not be reduced to zero under this method \_\_\_\_\_  
A. straight line method.      B. written down value method.  
C. annuity method.      D. depreciation fund method.
25. Income tax authorities recognize this method \_\_\_\_\_  
A. straight line method.  
B. written down value method.  
C. annuity method.  
D. depreciation fund method.

## ADJUSTMENT & DEPRECIATION MCQS

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26. Under which method of depreciation the earlier year of the life of the asset profits are more  
**A. straight line method.** B. written down value method.  
C. annuity method. D. depreciation fund method.

26. Under which method of depreciation the earlier year of the life of the asset profits are more  
**A. straight line method.** B. written down value method.  
C. annuity method. D. depreciation fund method.

**27. Straight line method is also called \_\_\_\_\_**  
A. written down value method. B. annuity method.  
C. depreciation fund method. **D. Fixed installment method.**

**28. Diminishing balance method is also called \_\_\_\_\_**  
**A. written down value method.** B. annuity method.  
C. depreciation fund method. D. Fixed installment method.

**29. Reducing installment method is also called \_\_\_\_\_**  
A. straight line method. **B. written down value method.**  
C. annuity method. D. depreciation fund method.

**30. Written down value method is also called \_\_\_\_\_**  
**A. diminishing balance method.** B. annuity method.  
C. depreciation fund method. D. Fixed installment method.

**31. Straight line method is also called \_\_\_\_\_**  
A. written down value method. B. annuity method.  
**C. original cost method.** D. depreciation fund method.

**32. Original cost method of depreciation is also called \_\_\_\_\_**  
**A. straight line method.** B. written down value method.  
C. annuity method. D. depreciation fund method.

**33. Original cost method of depreciation is also called \_\_\_\_\_**  
A. diminishing balance method. B. annuity method.  
C. depreciation fund method. **D. Fixed installment method.**

**34. Fixed installment method of depreciation is also called \_\_\_\_\_**  
**A. straight line method** B. written down value method.  
C. annuity method. D. depreciation fund method.

**35. Fixed installment method of depreciation is also called \_\_\_\_\_**  
A. written down value method. B. annuity method.  
**C. original cost method.** D. depreciation fund method.

**36. Diminishing balance method of depreciation is also called \_\_\_\_\_**  
**A. reducing balance method.** B. annuity method.

C. depreciation fund method.

D. fixed installment method.

**37. Reducing balance method of depreciation is also called \_\_\_\_**

A. straight line method.

**B. written down value method.**

C. annuity method.

D. depreciation fund method.

ANSWER: B

**38. Written down value method of depreciation is also called Written down value method of depreciation is also called \_\_\_\_**

A. annuity method.

B. insurance policy method.

C. fixed installment method.

**D. reducing balance method.**

**39. Under annuity method the amount of depreciation is found out from \_\_\_\_**

A. log tables.

B. sinking fund tables

**C. annuity tables.**

D. present value tables.

**40. Annuity factor can be obtained from \_\_\_\_**

A. log tables.

B. sinking fund tables.

**C. annuity tables.**

D. present value tables.

**41. Depreciation fund is also called \_\_\_\_**

A. reserve fund.

B. compensation fund.

C. workers fund.

**D. sinking fund.**

**42. Sinking fund of depreciation is also called \_\_\_\_**

A. reserve fund.

B. compensation fund.

**C. depreciation fund.**

D. workers fund.

**43. Under depreciation fund method, the amount of depreciation is calculated with reference to \_\_\_\_**

A. log tables

**B. sinking fund tables**

C. annuity tables

D. present value tables

**44. Under sinking fund method, the amount of depreciation is calculated with reference to \_\_\_\_**

A. log tables. B. annuity tables.

**C. sinking fund tables.**

D. present value tables.

**45. Under depreciation fund method depreciation is charged to \_\_\_\_**

**A. profit and loss account.**

B. trading account.

C. balance sheet.

D. p & l appropriation account.

**46. Under which method, a policy is taken for amount of the asset to be replaced \_\_\_\_**

A. annuity method

**B. insurance policy method**

C. fixed installment method

D. Reducing balance method

**47. Under insurance policy method the premium is paid in the \_\_\_\_**

- A. beginning of each year.
- B. end of each year.
- C. beginning of each month.
- D. end of each month.

**48. The difference between the book value at the beginning and at the end revaluation amount is \_\_\_\_**

- A. depreciation.
- B. appreciation.
- C. reduction.
- D. computation.

**49. The difference between the book value at the beginning and at the end (revaluation amount) is depreciation and charged to \_\_\_\_**

- A. profit and loss account.
- B. trading account.
- C. balance sheet.
- D. p & l appropriation account.

**50. Depletion method is also called \_\_\_\_**

- A. annuity method.
- B. insurance policy method.
- C. output method.
- D. reducing balance method.