

## Principles of Accounting - ICOM Part 2 Principles of Accounting Chapter 5 Short Questions Preparation

Q1. Write down the causes of depreciation of fixed assets.

**Ans 1:** The main cause of depreciation are divided into two categories ,which named are below  
1.internal cause depreciation.  
2.External cause of depreciation.

Q2. Define fixed assets?

**Ans 1:** Assets which have long life and which are brought for use for a long period of time are called fixed assets ,These are not bought for selling purpose.  
Example: Land,building m,machinery ,Furniture etc.

Q3. Write other names of reducing balance sheet.

**Ans 1:** Reducing balance method is a method under which the depreciation of an assets to calculated on the book value of asset ,It is also known as diminishing balance method or book value method,In this method the price of an asset changes every year or decrease every year.

Q4. Define the term fluctuation.

**Ans 1:** Fluctuation is decrease or increase in the market value of an assets not due to use in business.In fluctuation the price of things may decrease or increase in the market.  
Example: Increase in value of land or building not due to use in business.

Q5. Write the merits of straight line method of depreciation.

**Ans 1:** Three merits of straight line method are given below:  
1.It is simply and easy to work out.  
2.The book value of an assets can be reduced to zero.  
3.Useful for providing depreciation in leasehold property.

Q6. Write two objects of depreciation.

**Ans 1:** It is necessary for the following reasons:  
1.Ascertainment of true profit and loss  
2.Ascertainment of true cost production  
3.Keeping capital intact  
4.True valuation of an asset.  
5.Replacement of asset.

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Q7. Define reserve food.

**Ans 1:** When the amount of reserve is invested outside the business in government paper or in gilt ,edged securities, then it is known as Reserve Fund.

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Q8. What is meant by depreciation?

**Ans 1:** The gradual decrease in the value of an assets due to use in business in knows as depreciation.  
Example: Machine purchase at rs 5000 and sold after 1 year rs 4000.

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Q9. What are internal cause of depreciation?

**Ans 1:** Depreciation which occur for certain inherent normal cause it known as internal cause of depreciation.

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Q10. What is meant by wear and tear?

**Ans 1:** Wear and tear is the change in shape of an assets due to in business,Or the physical change of a fixed assets is known as wear and tear.

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