

Principles of Accounting - ICOM Part 2 Principles of Accounting Chapter 9 Short Questions Preparation

Q1. Define depreciation.

Ans 1: "Depreciation may be defined as gradual decrease in the value of the fixed asset due to its use in the business.

Q2. For which assets this diminishing balance method is suitable.

Ans 1: this method is most suitable to the fixex assets like plant and machinery etc. Where additions and exparisions offer take place.

Q3. What is fluctuation?

Ans 1: The decrease or increase in the market value of an asset is called fluctuation.

Q4. Define the Scrape value or residual value.

Ans 1: The Scrap value means price at whihc as will be sold after the end of the working life.

Q5. Which formula is used to find out the double declining balance method.

Ans 1: Double declining rate. $100\% / \text{year of useful life} \times 2$

Q6. What are Tangible assets.

Ans 1: Tangible assets are those assets, which have their physical existence which cna be seen and easily valuated.

Q7. Define the term Obsolescence.

Ans 1:

The term Obsolescence refers to the process of becoming out of date or obsolete due to inventions or change in habits and taste of the people.

Q8. Define fixed assets.

Ans 1: Fixed assets those assets, whihc have been purchased for permanent use in the business and have long life.

Q9. Why any particular method of providing depreciation is not suitable for all the assets.

Ans 1: Fixed assets differ from each other in their nature so widely that the same method of providing depreciation cannot be applied to each asset.

Q10. Define the term depletion.

Ans 1: The term depletion is applied to the process of measuring and recording the exhaustion of natural resources.
