

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

Q1. Define fixed assets.

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

Q2. For which assets straight line method is suitable?

Ans 1: This method can be usefully used in case of those assets which have small value or which do not require many repairs and renewals like copy rights, patent rights etc.

Q3. Define the Scrap value or residual value.

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

Q4. Define the term depletion.

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

Q5. 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.

Q6. What are Tangible assets.

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

Q7. For which assets this diminishing balance method is suitable.

Ans 1: this method is most suitable to the fixed assets like plant and machinery etc. Where additions and expansions often take place.

Q8. 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.

Q9. Which formula is used to find out the double declining balance method.

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

Q10. What is fluctuation?

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