

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

Q1. 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.

Q2. What is fluctuation?

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

Q3. 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.

Q4. 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.

Q5. What are Tangible assets.

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

Q6. Which formula is used to find out the double declining balance method.

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

Q7. Define the term depletion.

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

Q8. 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The term Obsolescence refers to the process of becoming out of date or obsolete due to inventions or change in habits and taste of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.

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Q9. 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.

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Q10. Define fixed assets.

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

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