



Accounting Test Paper Questions with Answers On Accounting For Depreciation Of Fixed Assets

NOTE:

This Accounting test paper on Accounting Concepts is divided into two sections:

- Section A: 10 questions on True Or False
- Section B: 20 questions on Multiple Choice Question

Section A: Questions On True or False

		True	False
1.	Depreciation is a non cash flow item		

		True	False
2.	Loss on sale of fixed asset is a non-operating expense		

		True	False
3.	Reducing balance method of providing for depreciation is where the amount of depreciation is reduced from year to year		

		True	False
4.	To record depreciation charge for the year, we should credit Income Statement and debit Provision for Depreciation in the Balance Sheet		





**Accounting Test Paper Questions with Answers On
Accounting For Depreciation Of Fixed Assets**

		True	False
5.	A loss incurred on the disposal of plant and machinery should be debited to Income Statement		

		True	False
6.	The provision for depreciation of the asset sold is transferred to the debit side of the Provision for Depreciation Account		

		True	False
7.	When a fixed is sold for a profit, the amount transferred to the Income Statement by a debit in disposal of fixed asset account		

		True	False
8.	Depreciation is the cost of current asset wearing away		

		True	False
9.	In the reducing balance method, depreciation rate is applied on the cost of the asset		

		True	False
10.	The balance of the Provision for Depreciation account is shown on the Trial Balance as a Credit		





**Accounting Test Paper Questions with Answers On
Accounting For Depreciation Of Fixed Assets**

Section B: Questions On Multiples Choice Questions:

- 1 What is the purpose of making a provision for depreciation in the accounts?**
 - A To make a provision for repairs
 - B To make cash available to replace fixed assets
 - C To show the current market value of fixed asset
 - D To charge the cost of fixed assets against profits

- 2 What is depreciation?**
 - A The residual value of a fixed asset plus its original cost
 - B The cost of a replacement for a fixed asset
 - C The cost of an asset wearing away
 - D The part of the cost of the fixed asset consumed during the period of use by the business

- 3 What is ignored in the computation of depreciation of a fixed asset?**
 - A its length of expected useful economic life to the business
 - B its cost
 - C its cost of repairs
 - D its estimated residual value at the end of its useful life in the business

- 4 What does it mean by the yearly method of depreciation**
 - A No depreciation in the year of purchase and full year's depreciation in year of sale
 - B Full year's depreciation in year of purchase and no depreciation in year of sale
 - C Full year's depreciation in year of purchase and sale
 - D Monthly depreciation in year of purchase and sale

- 5 In the accounting records, the fixed assets are normally recorded**
 - A At cost
 - B At book value
 - C At scrap value
 - D At replacement value

- 6 Salvage value means**
 - A cash to be paid when asset is disposed off
 - B estimated disposal value
 - C definite sale price of the asset





**Accounting Test Paper Questions with Answers On
Accounting For Depreciation Of Fixed Assets**

D cash to be received when life of the asset ends

7 Depreciation follows which accounting concept

- A Historical cost concept
- B Matching concept
- C Money measurement concept
- D Going concern concept

8 Which of the following is not a method of depreciation?

- A Revaluation
- B Reducing balance
- C Replacement method
- D Straight line

9 What method do we use for depreciating tools,crates

- A Diminishing balance method
- B Revaluataion method
- C Straight line method
- D Reducing balance method

10 Which item may be included in a Balance Sheet at more than historical cost

- A Work-in-progress
- B Goodwill
- C Research expenditure
- D Land and Building

11 In Straight line method of depreciation, which is excluded

- A Useful life of the assets
- B Cost of the assets
- C Annual cost of repairs
- D Expected salvage value

12 A motor van was bought for \$20,000 on 1 September 2005 with a residual value of \$2,000. Depreciation was charged at 20% by the reducing balance method on yearly basis. It was sold for \$18,000 after three years of use on 30 September 2008. Compute the profit on sale of asset.

- A \$7,760
- B \$505
- C \$5,201





**Accounting Test Paper Questions with Answers On
Accounting For Depreciation Of Fixed Assets**

- D \$990
- 13 A fixed asset cost \$100,000, had a book value of \$40,000. It was sold for \$10,000. What is the provision for depreciation sold?**
- A \$30,000
B \$60,000
C \$10,000
D \$50,000
- 14 A company is exploring the impact of the two method of depreciation. On 1 January, it bought a machinery for \$15,000. The methods are (i) straight line where useful life is 4 years and residual value is \$2,000 and (ii) Reducing balance method -at the rate of 20% per annum. Show how the company's profit be affected if the staright line method is used rather than the reducing method?**
- A Profit increased by \$250
B Profit increased by \$300
C Profit decreased by \$500
D Profit decreased by \$1,100
- 15 The cost of the fixed asset is \$100,000, provision for depreciaiton is \$10,000, depreciation charge for the year are \$2,000. Show the net book value of the fixed asset in the Balance sheet**
- A \$74,000
B \$55,000
C \$24,000
D \$78,000
- 16 A machine was bought for \$100,000. Its estimated useful life is four years with a residual value of \$10,000. Depreciation is charged on the straight line method. What is the percentage of depreciation rate on an annual basis?**
- A 15%
B 22.50%
C 35%
D 25%





**Accounting Test Paper Questions with Answers On
Accounting For Depreciation Of Fixed Assets**

- 17** Motor Vehicles account has a balance of \$80,000 and provision for depreciation account has a balance of \$20,000. One motor vehicle which was bought two years ago for \$10,000 for \$20,000. The motor vehicle has been depreciated at 20% per annum on cost. What was the balance on the provision of depreciation after this disposal?
- a \$12,000
 - b \$15,600
 - c \$16,000
 - d \$10,400
- 18** A fixed asset cost \$12,000 and sold for \$5,000. At the date of disposal, its net book value is \$2,000. So what is the profit or loss on disposal of this fixed asset?
- a \$2,000(loss)
 - b \$3,000(loss)
 - c \$2,000(profit)
 - d \$3,000(profit)
- 19** A machine which was bought for \$180,000 on 30 April 2008. The residual value was \$5,000 and depreciation rate was 25%. Depreciation is to be charged under the reducing balance method on month to month basis. Compute the depreciation at 31st December 2008
- a \$15,000
 - b \$18,000
 - c \$19,000
 - d \$30,000
- 20** Company XYZ uses the straight line method of depreciation for all its fixed assets. On 1 January it bought a machine on hire purchase. The cash price was \$150,000 and the interest for the year is %16,500. The estimated useful life of the mahine is five years with no residual value. What is the charge for depreciation for the year ended 31 December?
- a \$15,500
 - b \$30,000
 - c \$26,900
 - d \$42,550





**Accounting Test Paper Questions with Answers On
Accounting For Depreciation Of Fixed Assets**

Answers

Section A: True(T) or False(F)			
1	T	6	T
2	T	7	T
3	T	8	F
4	F	9	F
5	T	10	T

SECTION B: MCQ			
1	d	11	c
2	d	12	a
3	c	13	b
4	b	14	a
5	a	15	d
6	b	16	b
7	b	17	c
8	c	18	d
9	b	19	d
10	d	20	b

