

LGS Paragon

Subject : Accounting

Grade : X

Marks: 20

1. A business buys a delivery van for \$ 12 000. Its estimated useful life is four years, after which its scrap value is estimated to be \$ 4 000. Depreciation is charged on the straight line basis. What is the annual amount of depreciation?
A \$ 1 000
B \$ 2 000
C \$ 3 000
D \$ 8 000
2. Two companies each purchase a car for \$ 10 000 at the beginning of year 1. Company G uses the straight-line method of depreciation at a rate of 15% per annum while Company H uses the reducing balance method at a rate of 20% per annum. What will be the difference in the depreciation charge between the two companies for year 2?
A \$ 100 greater for G
B \$ 100 greater for H
C \$ 500 greater for G
D \$ 500 greater for H
3. A computer network costing \$ 100 000 is depreciated by the straight line method at 25% per annum with no residual value. What will be the net book value at the end of year 3?
A \$ nil
B \$ 25 000
C \$ 50 000
D \$ 75 000
4. A Non current asset cost \$ 8 000. It is sold for \$ 4 800. At the date of its disposal its net book value is \$ 3 000. What is the profit or loss on disposal?
A loss \$ 200
B loss \$ 1 800
C profit \$ 200
D profit \$ 1 800
5. Given the purchase price of an asset is \$ 30 000, and its estimated useful life is 10 years, what will be the annual depreciation using the straight line method of depreciation?
A \$ 2 000
B \$ 2 500
C \$ 3 000
D \$ 3 300
6. What is the depreciation amount of a van that costs \$ 4 500 and is estimated to have useful life of eight years, at the end of that time, its scrap value would be \$ 500?
A \$ 50 per year
B \$ 500 per year
C \$ 510 per year
D \$ 563 per years
7. Which of the following is not required in order to calculate depreciation under straight line method?
A the annual cost of repairs
B the cost of the asset
C the expected residual value
D the useful life of the asset

8. In a manufacturing company loose tools are normally depreciated by using the
- A** straight line method
 - B** reducing balance method
 - C** revaluation method
 - D** machine hours method
9. A manufacturer buys a machine for \$ 20 000. its estimated life is five years with a scrap value of \$ 10000. Depreciation is charged on the straight line method. What is the percentage rate of depreciation on an annual basis?
- A** 5%
 - B** 10%
 - C** 20%
 - D** 50%
10. X buys a machine on 1 January 2000 for \$ 10 000 and depreciates it by 20% per annum using the straight-line method. X sells the machine on 1 January 2003 for \$ 3 000. What is the profit or loss on disposal?
- A** \$ 1 000 loss
 - B** \$ 3 000 loss
 - C** \$ 1 000 profit
 - D** \$ 3 000 profit
11. A Non current asset costing \$ 5 000 is depreciated at the rate of 20% per annum using the diminishing balance method. What is the total amount of depreciation for the first two years?
- A** \$ 1 000
 - B** \$ 1 200
 - C** \$ 1 800
 - D** \$ 2 000
12. What is the main purpose of charging depreciation?
- A** to provide funds for asset replacement
 - B** to reduce the cost of repairing assets
 - C** to show the assets at their realizable values in the Statement of Financial Position
 - D** to spread the cost of an asset over its useful life
13. At the start of the year a car was purchased for \$ 5 000. By the end of the year it was written down to \$ 4500 in the books. It was then revalued at the end of the second year at \$ 3 800. Which value will appear in the Statement of Financial Position at the end of year 2?
- A** \$ 3 300
 - B** \$ 3 800
 - C** \$ 4 500
 - D** \$ 5 000
14. A business depreciates its Non current assets using the straight line method. Assuming there is no scrap value, on which amount is the annual depreciation charge calculated?
- A** book value
 - B** cost
 - C** market value
 - D** replacement cost
15. A machine costing \$ 60 000 is depreciated by 25% per annum on the diminishing balance method. What is the depreciation charge at the end of the second year?
- A** \$ 11 250
 - B** \$ 15 000
 - C** \$ 26 250
 - D** \$ 30 000

16. A machine is purchased at the start of year 1 for \$ 35 000. It is depreciated on the reducing balance method at 20% per year. What is the net book value at the end of year 2?
- A \$ 17 920
 - B \$ 21 000
 - C \$ 22 400
 - D \$ 28 000
17. Why does a business provide for depreciation on Non current assets?
- A to retain cash in the business for replacement of the assets
 - B to charge the cost of Non current assets against profits in the year of purchase
 - C to ensure that the realizable value of assets is shown in the Statement of Financial Position.
 - D to ensure that the matching principle is applied when preparing Financial Statements
18. How are Non current assets normally shown in a Statement of Financial Position?
- A at net book value
 - B at net realizable value
 - C at replacement cost
 - D at scrap value
19. How is the balance on the Provision for Depreciation of Motors account shown in the Financial Statements?
- A It is added to the current liabilities in the Statement of Financial Position.
 - B It is deducted from the Non current assets in the Statement of Financial Position.
 - C It is credited in the Income Statement.
 - D It is debited in the Income Statement.
20. Which of the following accounts normally has a credit balance?
- A capital account
 - B motor vehicles account
 - C purchases account
 - D returns inward account