### Assignment 7

#### Instructions

- Due: 2020-03-18, 23:59 IST.

#### Questions

1. Under the depreciation allowance method in computing depreciation, the depletion charge is equal to either _______ whichever is smaller.
   - [Blank] point(s)
   - Fixed percentage of gross income or the net taxable income
   - Fixed percentage of gross income or 50% of the net taxable income
   - 50% of the fixed percentage of gross income or 50% of the net taxable income
   - 50% of the fixed percentage of gross income or the net taxable income
   - The examiner is incorrect.
   - Accepted Answers:
     - [Blank] point(s)
     - Fixed percentage of gross income or 50% of the net taxable income
     - 50% of the fixed percentage of gross income or 50% of the net taxable income
     - 50% of the fixed percentage of gross income or the net taxable income
     - The examiner is incorrect.

2. The method of computing depreciation in which it is assumed that value of an asset decreases at a fixed rate is _______.
   - [Blank] point(s)
   - Straight line method
   - Annuity method
   - Sum of the year's digit method
   - Declining balance method
   - The examiner is incorrect.
   - Accepted Answers:
     - [Blank] point(s)
     - Straight line method
     - Annuity method
     - Sum of the year's digit method
     - Declining balance method
     - The examiner is incorrect.

3. Point tax payer's point of view, the type of depreciation method which will have more acceptance while calculating deductions made for depreciation of an asset will be _______.
   - [Blank] point(s)
   - SL method
   - 100% declining balance switching to SL
   - 50% declining balance switching to SL
   - The examiner is incorrect.
   - Accepted Answers:
     - [Blank] point(s)
     - SL method
     - 100% declining balance switching to SL
     - 50% declining balance switching to SL
     - The examiner is incorrect.

4. An equipment has a cost base of Rs. 50,000 and it is expected to have salvage value of Rs. 15,000 when replaced after 50,000 hours of use. Depreciation rate per hour of use will be _______.
   - [Blank] point(s)
   - 1.25 per hour
   - 1.50 per hour
   - 2.00 per hour
   - The examiner is incorrect.
   - Accepted Answers:
     - [Blank] point(s)
     - 1.25 per hour
     - 1.50 per hour
     - 2.00 per hour
     - The examiner is incorrect.

5. An equipment has a cost base of Rs. 50,000 and it is expected to have salvage value of Rs. 15,000 when replaced after 50,000 hours of use. (Both value is correct) this at the end of 15,000 hours of operation will be _______.
   - [Blank] point(s)
   - 30000
   - 37500
   - 50000
   - The examiner is incorrect.
   - Accepted Answers:
     - [Blank] point(s)
     - 30000
     - 37500
     - 50000
     - The examiner is incorrect.

6. An asset had first cost of Rs. 60,000 and salvage value of Rs. 5000 after 11 years. If it is depreciated by the basic declining balance method using a rate of 10%, the book value in the 8th year will be _______.
   - [Blank] point(s)
   - Rs. 28750
   - Rs. 32500
   - Rs. 36250
   - The examiner is incorrect.
   - Accepted Answers:
     - [Blank] point(s)
     - Rs. 28750
     - Rs. 32500
     - Rs. 36250
     - The examiner is incorrect.

7. An oil reservoir is estimated to have 200,000 barrels of oil. The cost of purchasing the lease and well is $800,000. If crude oil is selling for $70 per barrel and 100,000 barrels of oil per year are produced. The allowed depletion charge if depletion rate is 10% will be _______.
   - [Blank] point(s)
   - $ 60,000
   - $ 80,000
   - $ 100,000
   - $ 200,000
   - The examiner is incorrect.
   - Accepted Answers:
     - [Blank] point(s)
     - $ 60,000
     - $ 80,000
     - $ 100,000
     - $ 200,000
     - The examiner is incorrect.

8. Following information relating to a fixed asset:
   - Cost: Rs. 100,000
   - Residual Value: Rs. 50,000
   - Useful Life: 4 years
   - If the sum of the years' digit (SYD) method is used, the depreciation amount for year 2 will be _______.
   - [Blank] point(s)
   - Rs. 15,000
   - Rs. 20,000
   - Rs. 18,000
   - Rs. 17,500
   - The examiner is incorrect.
   - Accepted Answers:
     - [Blank] point(s)
     - Rs. 15,000
     - Rs. 20,000
     - Rs. 18,000
     - Rs. 17,500
     - The examiner is incorrect.

9. A machine was bought with cost of Rs. 250,000 to estimate to provide 1000 hours of service during its life, after which it will have zero salvage value. If the machine is used for 2500 hours during first year, the depreciation charge during first year will be _______.
   - [Blank] point(s)
   - Rs. 12000
   - Rs. 25000
   - Rs. 41000
   - The examiner is incorrect.
   - Accepted Answers:
     - [Blank] point(s)
     - Rs. 12000
     - Rs. 25000
     - Rs. 41000
     - The examiner is incorrect.

10. An asset was purchased for Rs. 48,000. It is being depreciated in accordance with the basic straight line method for an estimated total life of 20 years. The book value after 10 years will be _______.
    - [Blank] point(s)
    - Rs. 18000
    - Rs. 20000
    - Rs. 32000
    - The examiner is incorrect.
    - Accepted Answers:
      - [Blank] point(s)
      - Rs. 18000
      - Rs. 20000
      - Rs. 32000
      - The examiner is incorrect.