

Unit 8 - Week 7

Course outline

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Week 7

- Introduction to Depreciation and Depletion
- Types of Depreciation: SL Method and Declining Balance Method
- Tax Depreciation Methods
- SOD and UOP Method of Depreciation, Depletion
- Problem Solving on Depreciation and Depletion
- Quiz : Assignment 7
- Solution for Assignment 7

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Assignment 7

The due date for submitting this assignment has passed.
As per our records you have not submitted this assignment.

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

- 1) Under the depletion allowance method in computing depreciation, the depletion charge is equal to either _____, whichever is smaller. **1 point**
- 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

No, the answer is incorrect.
Score: 0

Accepted Answers:
Fixed percentage of gross income or 50% of the net taxable income

- 2) The method of computing depreciation in which it is assumed that value of an asset decreases at a fixed rate is **1 point**
- Straight line method
 - Sinking fund method
 - Sum-of-year digit method
 - Declining balance method

No, the answer is incorrect.
Score: 0

Accepted Answers:
Straight line method

- 3) From 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 **1 point**
- SL method
 - DDB switching to SL
 - SOYD
 - 150% declining balance switching to SL

No, the answer is incorrect.
Score: 0

Accepted Answers:
DDB switching to SL

- 4) An equipment has a cost basis of Rs. 50000 and is expected to have salvage value of Rs. 10000 when replaced after 30000 hours of use. Depreciation rate per hour of use will be Rupees **1 point**
- 1.25 per hour
 - 1.33 per hour
 - 1.36 per hour
 - 1.65 per hour

No, the answer is incorrect.
Score: 0

Accepted Answers:
1.33 per hour

- 5) An equipment has a cost basis of Rs. 50000 and is expected to have salvage value of Rs. 10000 when replaced after 30000 hours of use. Book value at the end of 10000 hours of operation will be Rupees **1 point**
- 35000
 - 36700
 - 36580
 - 35980

No, the answer is incorrect.
Score: 0

Accepted Answers:
36700

- 6) An asset had first cost of Rs. 60000 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 eight year will be **1 point**
- Rs. 2324
 - Rs. 2092
 - Rs. 25828
 - Rs. 34320

No, the answer is incorrect.
Score: 0

Accepted Answers:
Rs. 25828

- 7) An oil reservoir is estimated to have 350000 barrels of oil. The cost of purchasing the lease and well is \$ 4200000. If crude oil is selling for \$20 per barrel and 30000 barrels of oil per year are produced. The allowed depletion charge if depletion rate is 15% will be **1 point**
- \$ 600000
 - \$ 90000
 - \$ 52500
 - \$ 630000

No, the answer is incorrect.
Score: 0

Accepted Answers:
\$ 90000

- 8) Following information relates to a fixed asset:: **1 point**
- | | |
|----------------|------------|
| Cost | Rs. 100000 |
| Residual Value | Rs. 10000 |
| Useful Life | 4 Years |
- If the sum-of-the years'-digits (SOYD) method is used, the depreciation amount for year 2 will be
- Rs. 30000
 - Rs. 20000
 - Rs. 18000
 - Rs. 27000

No, the answer is incorrect.
Score: 0

Accepted Answers:
Rs. 27000

- 9) A machine with cost of Rs. 203000 is estimated to provide 7000 hours of service during its life, after which it will have zero salvage value. If the machine is used for 2200 hours during first year, the depreciation charge during first year will be **1 point**
- Rs. 20300
 - Rs. 63800
 - Rs. 41600
 - Rs. 53000

No, the answer is incorrect.
Score: 0

Accepted Answers:
Rs. 63800

- 10) An asset was purchased for Rs. 4800. It is being depreciated in accordance with the basic straight-line method for an estimated total life of 20 years and salvage value of Rs. 800. The book value after 10 years will be **1 point**
- Rs. 480
 - Rs. 400
 - Rs. 2800
 - Rs. 2400

No, the answer is incorrect.
Score: 0

Accepted Answers:
Rs. 2800