

PROPERTY, PLANT & EQUIPMENT

1. As per AS 10 (Revised) 'Property, plant and equipment', which of the following costs is not included in the carrying amount of an item of PPE
 - a. Costs of site preparation
 - b. Costs of relocating
 - c. Installation and assembly costs.
 - d. initial delivery and handling costs

2. As per AS 10 (Revised) 'Property, Plant and Equipment', an enterprise holding investment properties should value Investment property
 - a. as per fair value
 - b. under discounted cash flow model.
 - c. under cost model
 - d. under cash flow model

3. A plot of land with carrying amount of ₹ 1,00,000 was revalued to ₹ 1,50,000 at the end of Year 2. Subsequently, due to drop in market values, the land was determined to have a fair value of ₹ 1,30,000 at the end of Year 4. Assuming that the entity adopts Revaluation Model, what would be the accounting treatment of Revaluation?
 - a. Initial upward valuation of ₹ 50,000 credited to Revaluation Reserve. Subsequent downward revaluation of ₹ 20,000 debited to P/L.
 - b. Initial upward valuation of ₹ 50,000 credited to P/L. Subsequent downward revaluation of ₹ 20,000 debited to P/L.
 - c. Initial upward valuation of ₹ 50,000 credited to Revaluation Reserve. Subsequent downward revaluation of ₹ 20,000 debited to Revaluation Reserve.
 - d. Initial upward valuation of ₹ 50,000 debited to P/L. Subsequent downward revaluation of ₹ 20,000 credited to P/L.

4. A plot of land with carrying amount of ₹ 1,00,000 was revalued to ₹ 90,000 at the end of Year 2. Subsequently, due to increase in market values, the land was determined to have a fair value of ₹ 1,05,000 at the end of Year 4. Assuming that the entity adopts Revaluation Model, what would be the accounting treatment of Revaluation?
 - a. Initial downward valuation of ₹ 10,000 debited to Revaluation Reserve. Subsequent upward revaluation of ₹ 15,000 credited to P/L.
 - b. Initial downward valuation of ₹ 10,000 debited to P/L. Subsequent upward revaluation of ₹ 15,000 credited to P/L.
 - c. Initial downward valuation of ₹ 10,000 debited to P/L. Subsequent upward revaluation of ₹ 10,000 credited to P/L and ₹ 5,000 credited to Revaluation Reserve.
 - d. Initial downward valuation of ₹ 10,000 credited to P/L. Subsequent upward revaluation of ₹ 10,000 debited to P/L and ₹ 5,000 debited to Revaluation Reserve.

5. On sale of an asset which was revalued upwards, what would be the treatment of Revaluation Reserve?
 - a. The Revaluation Reserve is credited to P/L since the profit on sale of such asset is now realized.

- b. The Revaluation Reserve is credited to Retained Earnings as movement in reserves without impacting the P/L.
 - c. No change in Revaluation Reserve since profit on sale of such asset is already impacting the P/L.
 - d. The Revaluation Reserve is reduced from the asset value to compute profit or loss.
6. A machinery was purchased having an invoice price ₹ 1,18,000 (including GST ₹ 18,000) on 1 April 2021. The GST amount is available as input tax credit. The rate of depreciation is 10% on SLM basis. The depreciation for 2022 -23 would be
 - a. ₹ 10,000.
 - b. ₹ 11,800.
 - c. ₹ 9,000.
 - d. ₹ 10,500.
7. What does Accounting Standard 10 primarily deal with?
 - a. Revenue Recognition
 - b. Property, Plant, and Equipment
 - c. Leases
 - d. Contingent Liabilities
8. According to AS 10, how should the cost of property, plant, and equipment be measured initially?
 - a. Historical Cost
 - b. Fair Value
 - c. Present Value
 - d. Replacement Cost
9. Under AS 10, which of the following costs should be included in the initial measurement of property, plant, and equipment?
 - a. Selling Costs
 - b. General and Administrative Expenses
 - c. Borrowing Costs
 - d. Future Maintenance Costs
10. In what circumstances does AS 10 allow the revaluation of property, plant, and equipment?
 - a. Only when required by tax regulations.
 - b. When there is a significant change in fair value
 - c. At the discretion of management
 - d. Only during periods of inflation
11. A company purchases a building costing ₹ 25 Lakhs. It is estimated that the estimated life of the building will be 30 years but the company is thinking of selling the building after 20 years when the residual value of the building will be ₹ 25 lakhs. Depreciation will be
 - a. 1,25,000
 - b. 0
 - c. 2,50,000
 - d. None of the above

12. An entity wishes to accelerate its depreciation policy because of changes in the useful life of the asset. How should the change be dealt with?
 - a. By retrospective restatement
 - b. By retrospective application
 - c. By prospective application
 - d. By disclosure of an error

13. According to AS 10, which of the following is not considered as part of the cost of property, plant, and equipment?
 - a. Purchase price
 - b. Installation costs
 - c. Initial estimate of dismantling and removal costs
 - d. General administration overheads

14. How does AS 10 recommend the depreciation of property, plant, and equipment?
 - a. Straight-line method
 - b. Diminishing balance method
 - c. Units of production method
 - d. All of the above

15. How does AS 10 recommend treating the cost of day-to-day servicing of property, plant, and equipment?
 - a. Capitalized as part of the asset's cost
 - b. Expensed as incurred
 - c. Treated as revenue
 - d. Recorded as a liability

Answers:

1. (b)
2. (c)
3. (c)
4. (c)
5. (b)
6. (a)
7. (b)
8. (a)
9. (c)
10. (b)
11. (b)
12. (c)
13. (d)
14. (d)
15. (b)