

Fixed Assets Interview Questions And Answers Guide.



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Fixed Assets Job Interview Preparation Guide.

Question # 1

How can we made calculation of Fixed Assets?

Answer:-

I think your question is regarding depreciation calculation.

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Question # 2

How to retire an in house fixed asset in SAP when there is no revenue?

Answer:-

As there is no revenue you can retire the same asset.

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Question # 3

What is asset book and what are the mandatory setups for this & what are the validation types in Fixed assets?

Answer:-

Fixed asset is which ever item is not transferable into cash easily is nothing but fixed asset

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Question # 4

Explain what is capitalization of Fixed Assets?

Answer:-

If a company purchase plant & machinery for its factory use by investing large amount of money and assume that expected life of P&M is 10 years and which generates revenue for the company more one financial year. Hence this investment cannot be treated expenses for one Financial year therefore same to be kept as fixed asset under P&M head and depreciation will be charged every year based on applicable % & transferred to profit and loss a/c.

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Question # 5

Tell me can start up costs associated with getting a new location up and running within your business be capitalized even though they are non-capital items?

Answer:-

As per Accounting standard 16 specified by ICAI , Borrowing cost, Interest cost even though non capital in nature which must be capitalized if they incurred for acquisition of Qualifying capital asset, but those cost shall be capitalized only up to the date of commencement of production utilizing such capital asset, Any amount of interest incurred after commencement of production shall not be capitalized and shall be debited to Profit and loss account.

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Question # 6

Explain what are direct and indirect tax? what do you mean by appreciation of assets? Explain with an example?

Answer:-

Direct taxes are nothing but , collecting tax by govt directly from the specified assesses, example is Income tax , wealth tax.

Where as indirect taxes are collecting indirectly from consumers say u are bearing excise duty on all manufactured products, Examples are VAT, Excise duty , customs duty, Service tax

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Question # 7

Tell me if we do why it would not appreciate in value?

Answer:-



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Depreciation refers to decrease in the value of assets due to wear and tear, obsolescence, and use, in fact most of the assets have limited useful life. but there are some examples like land value of which almost not depreciate because value of land not decreased and it has its unlimited life. so we can say that if the value of assets not decreased due to impact of time then its value should not be depreciated, item like antique 7 paintings normally increase as they pass the time so in my opinion it should not be depreciated.

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Question # 8

Explain Straight Line Depreciation Calculation?

Answer:-

$$\frac{\text{Purchase Price of Asset} - \text{Approximate Salvage Value}}{\text{Estimated Useful Life of Asset}}$$

Example: You buy a new computer for your business costing approximately \$5,000. You expect a salvage value of \$200 selling parts when you dispose of it. Accounting rules allow a maximum useful life of five years for computers. In the past, your business has upgraded its hardware every three years, so you think this is a more realistic estimate of useful life, since you are apt to dispose of the computer at that time. Using that information, you would plug it into the formula:

$$(\$5,000 \text{ purchase price} - \$200 \text{ approximate salvage value}) \div 3 \text{ years estimated useful life}$$

The answer, \$1,600, is the depreciation charges your business would take annually if you were using the straight line method.

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Question # 9

What is written down Value method?

Answer:-

Diminishing Balance Method or Written Down Value Method

Under this method, depreciation is charged at a fixed rate every year but on reducing balance i.e., on balance reduced each year during the economic life of the asset by the amount of depreciation till the asset is reduced to its scrap value.

For example, if the cost of the asset is Rs. 1,000 the rate of depreciation is 10 % on Rs. 1,000 i.e., Rs. 100, in the second year, it will be 10 % on Rs 900 i.e., Rs. 90 is the third year, it will be 10 % on Rs 810 (900-90) i.e., Rs. 81 and so on.

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Question # 10

Explain what is Asset life cycle?

Answer:-

Asset life cycle means the cycle in which the asset can provide or help provide future economic benefits. Each asset has a specific life cycle, it can be measured by evaluating the asset itself.

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Question # 11

What are fixed assets?

Answer:-

Fixed assets are assets which give the business future benefits.

Fixed assets are those which are tangible in nature and are not meant for sale in the near future and from which future benefits are derived.

Fixed Assets are those which are tangible and used for running the day to day business which are owned. As they are utilised for business, we save a part of the profit earned in the business to replace these Assets when they wear out.

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Question # 12

What are fictitious assets?

What is meant by cash book and day book and general ledger?

Employee salary deductions under section of the income tax act of India?

Answer:-

Fictitious Assets : These are the assets which can not be seen, but exist in the business.

ex: Goodwill, patents, etc

Cash Book: It is one of the Subsidiary Book which is generally used by any business organisation to record all the cash transactions which helps to know the cash position as and when desired. In it all the entries will be recorded. Generally the cash book can be balanced once in a month.

Day Cash book: It is the book maintained by accountant to record all the cash transactions which take place during the day (it can be receipt or payment). At later stage these will be posted into cash book.

General Ledger : While preparing Trial balance to check the arithmetical accuracy, some times the debit and credit balances may not tally, to make the process easy the accountant will open an account named General Ledger to post the entries which are causing balancing problem.

Straight line method is calculated based on the original cost and year by year the depreciation will remain the same, but in the NBV method the depreciation will be calculated based on the original cost.

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Question # 13

What is the difference between debenture holders and creditors?

Answer:-

Debentureholder are those who provides long term loan at specific interest rate in term of cash and creditor provides only short term credit in term of cash for purchasing of goods.

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Question # 14

What are the various means of calculating depreciation?

Answer:-

1. Double declining method
 2. Units of production method
 3. Straight-line method
 4. Sum of year digit method
- Depreciation Fund Method Insurance Method Annuity Method

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Question # 15

After run depreciation i have forget calculate depreciation of one asset then how to calculate depreciation of that asset?

Answer:-

if u forgot depreciation we have to follow the preliminary principal of the depreciation. That is value of asset/life time of asset*100.

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Question # 16

What is the difference between the different depreciation methods?

Answer:-

Different Methods Of Dpn .
Straight Line Method
Diminishing Value Method
Annuity Method
Depletion Method
Written Down value Method

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Question # 17

What experience have you had as a cashier?

Answer:-

Basically , almost all times, i must be in full of concentration, secondly, before cash paying and cash receiving we must count and give , at in any situation. Finally, quick listener, and speed and accuracy maintainence is very important.

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Question # 18

Explain NON PERFORMING ASSET?

Answer:-

An asset or account of borrower, which has been classified by a bank or financial instution as sub-standard, doubtful or loss assets as per the guidelines issued by RBI. An Asset/Advance is considered as non-performing in casse if interest or isntalment of principal or both remain unpaid for more than two quarters in a financial year.

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Question # 19

What is the meaning of non performing assets?

Answer:-

A non performing asset is one which does not earn any income. For example you have built a house consisting of 3 floors and the whole building is occupied by your family member and does not earn any rent, then this is called as a non performing asset.

A non performing asset is a type of asset which does not earn any income and these asset unable to cover up the investment put into it to hold.

if dues in the form of intrest and principle are not paid by borrower for the period of 90 days then the assets is called as N.P.A

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Question # 20

Tell me How advertisement cost comes under fictitious assets?

Answer:-

Fictitious assets means any expendicture, the benefits which will be spread over a period of time not only to the current period. Any expendicture we made for huge advertisements resulted for a period of time. hence its is classifying as fictitious asset.



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Question # 21

What is the role of General Reserve in Company & What time this is used and for What purpose?

Answer:-

role: general reserve is created in-order to meet the future known and un-known liabilities....

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Question # 22

Tell me what is the difference between the different depreciation methods?

Answer:-

In Revaluation Method, the amount of depreciation at the end will be deducted from the beginning Eg. Bottles, Tools.....

In sinking fund method, the amount of depreciation will be invested outside the business & this will be used for Replacement of Asstes, Buying a new assets.

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Question # 23

Which are the methods of depreciation?

Answer:-

Types of Depreciation

- 1) Straight Line Method
- 2) Written down value method

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Question # 24

Explain how to determine whether an expense is an asset or not? When you receive an invoice that shows that the company has purchased a tool or something, what makes you think this thing is an asset or its an expense. Is it the price of it or what?

Answer:-

The expenses can only be capitalised in the following circumstances:

1. It must be related with the asset.
2. It must be essential to make the asset in working condition.
3. It must be above the capitalisation limit as per the prescribed policies.

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Question # 25

What is accumulated depreciation?

Answer:-

Accumulated depreciation is contra account in Assets section of Balance sheet. That means, assets normally have debit balance but Accumulated depreciation has credit balance. This is a unique type of account and it serves the purpose of showing the viewers the original amount of assets and the resulting depreciation on those assets. Acc dep is also an ingredient in depreciation journal entry. Where Depreciation expese is debited and acc dep is credited.

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Question # 26

Suppose after run depreciation i have forget calculate depreciation of one asset then how to calculate depreciation of that asset?

Answer:-

You can repet the Depreciation run procedure by selecting the Repeat run option ---- BY GCI

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Question # 27

What is fictitious assets?

Answer:-

(Fictitious asset) An asset recorded in the balance sheet that really does not deserve to be classed as an attest . If this is intentional it may be considered fraud.

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Question # 28

Explain what is meaning of Secured & Unsecured loan?

Answer:-

Secured loans are those which are borrowed from banks and other financial services, which are genrally huge amounts.

Unsecured loans are small amounts borrowed from unorganised instituion. Exapmle: Moneyborrowed from any person or a relative, where you can get the money without any security.

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Question # 29

What is meaning General Reserve?



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Answer:-

general reserve: it is an appropriation of profit

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Question # 30

Explain what is the difference between book depreciation and derived depreciation?

Answer:-

Book depreciation is that which we follow the method or book the depreciation. And derived depreciation is that which is already held the method or derived the rate of method of depreciation.

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Question # 31

Tell me what are the various means of calculating depreciation?

Answer:-

Straight Line - divide the NBV by the number of periods of its useful life. 4-4-5 - similar to straight line but calculated by number of weeks in a period.

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Question # 32

Tell me which depreciation is superior WDV or SLM and Why?

Answer:-

We can decide which method of depreciation is best on the basis of usefulness (benefits) provided by the asset.

When we prefer SLM:-

we preferred SLM where the equal amount of benefit is derived from the asset through the useful life of the asset. e.g A room's capacity of storing the goods remain same in each year whether old or new.

When we prefer DBM:-

we preferred DBM where resulting benefit from the asset diminishing (decreasing) year by year.

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Question # 33

Do you know how many types of fixed assets?

Answer:-

There are two types of fixed assets tangible and intangible assets.

Tangible assets: A physical asset whose presence can be felt and touched.

Ex. Furniture and Fixtures, Plant and Machinery

Intangible Assets: Assets whose presence cannot be felt or touched.

Ex: Goodwill, patents, trademarks.

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Question # 34

What is meant by cash book and day book and general ledger?

Answer:-

Bookkeeping, in business, is the recording of financial transactions, and is part of the process of accounting. Transactions include purchases, sales, receipts and payments by an individual or organization. The accountant creates reports from the recorded financial transactions recorded by the bookkeeper and files forms with government agencies. There are some common methods of bookkeeping such as the single-entry bookkeeping system and the double-entry bookkeeping system. But while these systems may be seen as "real" bookkeeping, any process that involves the recording of financial transactions is a bookkeeping process.

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Question # 35

Suppose A company has current assets of \$3 million. The company's current ratio is 1.5 and its quick ratio is 1.0. What amount of current liabilities does the company have? What amount of the company's current assets is represented by inventory?

Answer:-

Current assets/Current Liabilities = 1.5

(Current assets minus inventory)/Current Liabilities = 1

Thus

Current Liabilities = 2 m

Inventory = 1 m

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Question # 36

What is Depreciation?

Answer:-

Depreciation is a Gradual Diminishing or Decrease in the value of fixed assets due wear & tear, Obsolescence.

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Question # 37



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Explain what is asset accounting in sap fico?

Answer:-

Asset Accounting component in SAP is meant for managing and supervising fixed assets and their values.

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Question # 38

Explain the nature and accounting treatment for fixed asset?

Answer:-

Once the asset is purchased it is recorded in the books of accounts by using money measurement concept. It takes in to account only the expenditure incurred for purchasing the asset.

As per the company procedures depreciation will be calculated. Depreciation fund will be maintained.

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Question # 39

Explain about customization of Depreciation areas?

Answer:-

Following are the steps:

- 1.First activate the Dep areas(book & tax) in asset class.
- 2.Assigning Dep key to Dep Areas either at Asset class level or Asset master data level.
- 3.Assign Screen layout to dep areas.
- 4.Determine how Dep Areas post to general ledger.
- 5.Assign G/L accounts.
- 6.Define posting rules and document type for Depreciation

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Question # 40

What is the current rate(%) of PF and ESI in private ltd. company?

Answer:-

PF Contribution Rate : 12 % by employee & 12 % by Company on BASIC SALARY + DA + HRA

ESI Contribution Rate : 1.75% by Employee & 4.75 % by Company on BASIC SALARY + DA + HRA

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Question # 41

Tell me can Loading, Unloading and Installation Charges during the time of shifting of the company be capitalized?

Answer:-

Loading, Unloading and Installation Charges during the time of shifting of the company cant be capitalised as such these Expenses are of (Opex) Operating Expenses nature.

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Question # 42

Tell me what are the journal entries which get passed from asset purchasing to asset retirement?

Answer:-

At the time of addition

Assets NA account -----dr

To asset clearing account ----CR

At the time of retirement

the nbv amount has been moved to the gain & loss account.

In sale case

we need to pass a journal entry to transfer the amount from gain & loss account cr and asset sale clearing account cr.

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Question # 43

Explain can a rental expense for equipment be treated as Construction in Progress?

Answer:-

Yes, as it will be added to the cost of the project

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Question # 44

Tell me what experience have you had in fixed assets accounting?

Answer:-

Fixed asset means it gives long term benefits to the organisation by year end we should find the accurate value of the asset for this purpose we must calculate the depreciation.

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Question # 45

Tell me why do we calculate loans & advance on the asset side of the balance sheet?

Answer:-

advances on asset side are those advances which are paid for now but realize at future date. so it is an assets to the company. And Loan on assets side ate those loans which are given by the company and to be recovered in future with interest. so it is an asset to the company.

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Question # 46

Explain example for all depreciation methods?

Answer:-

Following are the depriciation methods that are used in FA module:

1. Flat rate method
2. Calculated method
3. Table method
4. Formula method
5. Production method
6. STL
7. DEMINISHING
8. Time-Hour

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