OBJECTIVE TYPE QUESTIONS

ISSUE, FORFEITURE, REISSUE OF FORFEITED SHARES AND BONUS SHARES

1. Suresh purchased a machinery for ₹ 90,000 for which its paying share of ₹ 100 each at 10% discount. How many shares will be given as consideration ?
(A) 1,800 (B) 2,000
(C) 1,000 (D) 1,500

2. Mr. Ramesh a holder of 5,000 shares of ₹ 100 each, has paid ₹ 30 on Application and ₹ 40 on Allotment. He did not pay ₹ 20 on first call. His shares are forfeited after first call, share capital will be debited by :
(A) ₹ 5,00,000 (B) ₹ 2,00,000
(C) ₹ 4,50,000 (D) ₹ 6,00,000

3. The difference of subscribed capital and called up capital is called :
(A) Calls in arear (B) Uncalled capital
(C) Calls in advance (D) None of the above

4. At the time of forfeiture, share capital account will be debited with :
(A) Nominal value (B) Face value
(C) Called up value (D) Paid up value

5. If a share of ₹ 100 on which ₹ 70 has been paidup is forfeited, it can be re-issued at the minimum price of :
(A) ₹ 100 per share (B) ₹ 70 per share
(C) ₹ 50 per share (D) ₹ 30 per share

6. A company can issue its shares at :
(A) Par (B) Premium
(C) Discount (D) Both (A) & (B)

7. When shares are issued to the promoters for their services, then ..... account is debited :
(A) Share capital (B) Promoters
(C) Goodwill (D) General Reserve

8. The Share capital of Company consists of :
(A) Equity Shares (B) Preference Shares
(C) Deferred Shares (D) Both (A) and (B)

9. Equity Shareholders are :
(A) Creditors of the Company (B) Customers of the Company
(C) Owners of the Company (D) Directors of the Company

10. Interest on calls in arrears is charged according to 'Table-A' at :
(A) 6% (B) 5%
(C) 8% (D) 10%

11. Shares can be forfeited :
(A) For non-payment of call money (B) For failure to attend meetings
(C) For failure to repay the loan to the bank (D) For which shares are pledged as a security

12. Money received in advance from shareholders before it is actually called-up by the directors is :
(A) Debited to Calls in advance account (B) Credited to Calls in advance account
(C) Debited to Calls account (D) None of these

13. The balance of share forfeited account after the reissue of forfeited shares is transferred to :
(A) General reserve (B) Capital redemption reserve
(C) Revenue reserve (D) Capital reserve

14. Balance of share forfeiture account is shown in the balance sheet under the item :
(A) Current liabilities and provisions (B) Reserves and surpluses
(C) Share capital account (D) Unsecured loans

15. The difference between Subscribed Capital and Called up capital is known as :
(A) Paid up capital (B) Uncalled-up capital
(C) Calls in advance (D) Calls in arrears

16. If a share of ₹ 20 on which ₹ 16 has been called and ₹ 12 is paid is forfeited, by what amount share capital account be debited with :
(A) ₹ 20 (B) ₹ 16
(C) ₹ 12 (D) None of the above

17. If a share of ₹ 10 issued at a premium of ₹ 2 on which the full amount has been called and ₹ 8 (including Premium) paid is forfeited, by what amount the Share Capital Account should be debited with ?
(A) ₹ 12 (B) ₹ 10
(C) ₹ 8 (D) None of the above

18. Shareholders receive :
(A) Interest (B) Dividend
(C) Commission (D) Brokerage

19. Share Allotment Account is :
(A) Personal Account (B) Real Account
(C) Nominal Account (D) Profit-Loss Account

20. Issue of Shares at premium is :
(A) Abnormal Gain (B) Capital Receipts
(C) Capital Loss (D) Revenue Receipts

21. When Shares are forfeited then share capital account is debited with :
(A) Unpaid amount of call (B) Called amount
(C) Paid amount (D) Due amount

22. Unpaid calls :
(A) are added in Capital (B) are deducted from Capital
(C) are deducted from Profit (D) are added in Profit

23. Discount given at reissue of forfeited shares is debited in :
(A) Share Discount Account (B) Share Forfeiture Account
(C) Profit-Loss Account (D) Unpaid Call Account

24. Shares can be forfeited on :
(A) Not payment of Call money (B) Failure to attend the Meeting
(C) Not payment of Bank Loan (D) Shares mortgaged as a Security

25. 10,000 equity shares of ₹ 10 each issued at the Premium of ₹ 2 to the public. Applications received for 12,000 shares. The amount of Security Premium will be :
(A) ₹ 20,000 (B) ₹ 24,000
(C) ₹ 4,000 (D) ₹ 1,600

26. The right to equity shareholders is :
(A) For voting (B) For Dividend at 50%
(C) For Dividend at 20% (D) All the above

27. The maximum amount of issue of shares by company on above no permission is allowed for collecting fund, is called :
(A) Issued capital (B) Reserve capital
(C) Authorised capital (D) Subscribed capital

28. The maximum limit of Premium of shares is :
(A) 10% (B) 20%
(C) 30% (D) No limit

29. A Company can not issue its shares :
(A) At par (B) At Discount
(C) At Premium (D) None of these

30. Equity shareholders are :
(A) Customers of company (B) Owners of company
(C) Creditors of company (D) Bankers of company

31. In total amount of liabilities includes :
(A) Subscribed capital (B) Issued capital
(C) Paid up capital (D) Amount of application money

32. The real amount of share capital is :
(A) Authorized capital (B) Issued capital
(C) Subscribed capital (D) Paid up capital

33. The amount of capital which is included in 'Capital Clause' is called :
(A) Authorized capital (B) Issued capital
(C) Subscribed capital (D) Paid-up capital

34. The part of share capital, which can be called only at the time of liquidation, is called :
(A) Authorized capital (B) Called up capital
(C) Capital reserve (D) Reserve capital

35. If Equity Share of ₹ 100 is issued at ₹ 120, is called :
(A) Issue at par (B) Issue at premium
(C) Issue at discount (D) None of the above

36. Calls paid in advance account is shown separately at the :
(A) Debit side of P/L A/c (B) Credit side of P/L A/c
(C) Liability side of balance sheet (D) Asset side of balance sheet

37. Share Premium Account is shown in liability side of balance sheet under which head :
(A) Reserve and surplus (B) Share capital
(C) Secured loan (D) Current liability

38. When bonus share is issued, which account is credited ?
(A) General Reserve Account (B) Share Premium Account
(C) Share Capital Account (D) Bonus to shareholders Account

39. Bonus shares can be issued from :
(A) Profit & Loss Account (B) Share Premium Account
(C) General Reserve Account (D) All of the above

40. Capitalization of profit of company is made by :
(A) Issue of bonus shares (B) Declaration of dividend
(C) Making capital reserve (D) It is not possible

41. Share premium is determined by :
(A) Company Law Board (B) Company itself
(C) Government (D) SEBI

42. Premium received on the issue of share can be utilised for :
(A) issue of fully paid up shares
(B) writing off preliminary expenses
(C) providing premium payable on redemption of preference shares
(D) all the above

43. Share application account is :
(A) Real Account (B) Personal Account
(C) Nominal Account (D) Impersonal Account

44. Premium received on issue of shares is shown on :
(A) Credit side of P & L A/c (B) Debit side of P & L A/c
(C) Assets side of balance sheet (D) Liability side of balance sheet

45. Y Ltd. forfeited 200 shares of Ravi ₹ 10 each ₹ 8 called up. On which he had paid application and allotment money of ₹ 3 per share of these 120 shares were re-issued as fully paid up for ₹ 8 per share Amount transferred to Capital Reserve A/c will be :
(A) ₹ 420 (B) ₹ 600
(C) ₹ 360 (D) ₹ 120

46. Calls paid in advance account is shown separately at the :
(A) Debit side of P & L A/c (B) Credit side of P & L A/c
(C) Liability side of Balance Sheet (D) Asset side of Balance Sheet

47. Bonus shares ..... goodwill of the company in the market.
(A) decrease (B) increase
(C) both (A) and (B) (D) do not effect

48. If 10 equity shares of ₹ 10 each on which ₹ 8 is called up, are forfeited for non-payment of the first call of ₹ 2 per share. If the shares are to be reissued as fully paid up, the minimum amount to be collected is :
(A) ₹ 10 per share (B) ₹ 8 per share
(C) ₹ 4 per share₹ (D) ₹ 2 per share

49. A company can buy back only :
(A) Fully paid shares (B) Partially paid shares
(C) Both (A) and (B) (D) None of the above

50. Capital redemption reserve Account can be utilised for issuing fully paid .....
(A) Equity shares (B) Preference shares
(C) Bonus shares (D) Debentures

51. When shares are forfeited, the amount which is already received is :
(A) Refunded (B) Treated as revenue profit
(C) Retained by company (D) Distributed as dividend

52. Calls in arrear is shown :
(A) Under the head current liabilities (B) By deducting from the called up capital
(C) Under the head current assets (D) None of the above

53. Joint stock company is :
(A) Juristic artificial person (B) Natural person
(C) General person (D) Non-resident Indian

54. According to Table 'A' rate of interest on calls in arrear is :
(A) 5% (B) 6%
(C) 8% (D) 11%

55. After re-issuing of forfeited shares balance of share forfeiture account is transferred to :
(A) Statement of Profit & Loss (B) Capital Reserve Account
(C) General Reserve Account (D) Reserve Fund

56. Which should be deducted to find out paid up capital :
(A) Calls in Advance (B) Calls in Arrear
(C) Share Forfeiture (D) Discount on Shares Issue

57. Right shares are issued :
(A) To promoters for their services
(B) To holders of convertible debentures
(C) To existing shareholders
(D) To above all.

58. Generally dividend is paid on :
(A) Paid up Capital (B) Called up Capital
(C) Issued Capital (D) Reserve Capital

59. Company collects its capital :
(A) By taking loan from public
(B) By taking contribution of members
(C) By issuing shares
(D) By taking grants from bank

60. Call money should be equal to following limit of face value of shares :
(A) 20% (B) 15%
(C) 25% (D) 10%

61. Liability of company's members is :
(A) Unlimited (B) Limited
(C) Limited and unlimited (D) No liability

62. Minimum and maximum number of members of Public Company is :
(A) 7 to 50 (B) 10 to 20
(C) 7 to unlimited (D) Not fixed

REDEMPTION OF PREFERENCE SHARES

63. Preference shareholders are :
(A) Creditors of a Company (B) Owner of the Company
(C) Customers of the Company (D) Debtors of the Company

64. Redeemable Preference Shares can be redeemed from out of :
(A) Divisible profit (B) Proceeds of fresh issue of shares
(C) Both (A) and (B) (D) Sale of fixed assets

65. Capital redemption reserve can be created out of ..... .
(A) Revenue Profit (B) Divisible Profit
(C) Capital Profit (D) None of these

66. Premium payable on redemption of preference shares must be debited against :
(A) Profits (B) Security premium reserve
(C) Both (A) and (B) (D) None of these

67. Preference shares can be redeemed :
(A) At premium (B) At Par
(C) At discount (D) All of the above

68. Capital reserve can be used to create ..... .
(A) Premium on redemption of preference shares
(B) Capital redemption reserve
(C) General reserve
(D) None of these

69. Transfer to capital redemption reserve account is allowed from :
(A) Security premium account (B) Share forfeited account
(C) Workmen's compensation fund (D) Capital reserve account

70. A company can redeem its partly paid preference shares :
(A) At any time (B) At its own will
(C) On shareholders' demand (D) None of these

71. Capital redemption reserve account can be made :
(A) From general reserve (B) From share premium
(C) From capital reserve (D) From pre-incorporation profit

72. A company can redeem :
(A) Only fully paid preference shares
(B) Only partly paid preference shares
(C) Partly and fully paid preference shares
(D) None of these

73. S Ltd. redeems its 40,000 redeemable preference shares of ₹ 10 each at par. For this purpose, if issued 24,000 equity shares of ₹ 10 each at 10% premium. How much money can be used to redeem preference shares ?
(A) ₹ 4,00,000 (B) ₹ 2,40,000
(C) ₹ 2,64,000 (D) ₹ 1,60,000

74. Which method is legally accepted for redemption of preference shares :
(A) Issue of Debentures (B) Public Deposits
(C) Issue of equity shares (D) Sale of fixed assets of the company

75. A company can not issue such preference shares which are redeemable after ..... from the date of issue.
(A) 5 years (B) 10 years
(C) 2 years (D) None of these

76. Capital redemption reserve can be utilised for writing off :
(A) Losses
(B) Preliminary expenses
(C) Both (A) and (B)
(D) None of these

ISSUE AND REDEMPTION OF DEBENTURES

77. Debentures which are transferable by mere delivery are :
(A) Registered Debentures (B) First Debentures
(C) Second Debentures (D) Bearer Debentures

78. Debenture-holders are the :
(A) Owners of the Company (B) Creditors of the Company
(C) Directors of the Company (D) Customers of the Company

79. Discount on issue of debentures is :
(A) Current Assets (B) Fixed Assets
(C) Fictitious Assets (D) Personal Assets

80. X Co. Ltd. purchased assets worth ₹ 28,80,000. It issued debentures of ₹ 100 each at a discount of 4 per cent in full satisfaction of the purchase consideration. The number of debentures issued to vendor is :
(A) 30,000 (B) 28,800
(C) 32,000 (D) None of the above

81. Premium on Redemption of debentures account is :
(A) Asset (B) Liability
(C) Expense (D) Revenue

82. Debentures of ₹ 4,25,000 are issued against the purchase of assets of ₹ 4,50,000 in this case ₹ 25,000 will be supposed to be :
(A) Goodwill (B) Capital Reserve
(C) Profit (D) Loss

83. If Debentures of ₹ 1,000 purchased for ₹ 980 by the Company. The difference of ₹ 20 will be assumed to be :
(A) Profit on redemption of debenture (B) Loss on redemption of debenture
(C) Goodwill (D) None of the above

84. Debenture is the part of :
(A) Share capital (B) Loan
(C) Owner Capital (D) All the above

85. The interest on Debentures is :
(A) 6% (B) 12%
(C) 20% (D) Certain Rate

86. The consideration of debentures is :
(A) Profit (B) Dividend
(C) Capital Receipts (D) Interest

87. A Co. issued 1,00,000, 12% Debentures of ₹ 100 each. The interest on Debentures is :
(A) ₹ 12,000 (B) ₹ 1,20,000
(C) ₹ 12,00,000 (D) None of these

88. According to SEBI guidelines by what percentage of amount of debentures the debenture redemption fund will be raised before redemption ?
(A) 40% (B) 50%
(C) 60% (D) 100%

89. The Premium on redemption of debentures is :
(A) Personal Account (B) Real Account
(C) Nominal Account (D) None of these

90. Sinking fund always shows :
(A) Debit Balance (B) Credit Balance
(C) Both (D) None of these

91. Sinking fund Investment always shows :
(A) Debit Balance (B) Credit Balance
(C) Both (D) None of these

92. The interest on sinking fund investment is credited in :
(A) Profit-Loss Account (B) Sinking Fund Account
(C) General Reserve Account (D) Sinking Fund Investment Account

93. Loss on issue of Debenture Account is :
(A) A liability (B) An expenses
(C) An asset (D) A gain

94. Debenture holders get :
(A) Dividend (B) Ownership
(C) Rights according to Article of Association (D) Fixed interest

95. After the redemption of all debentures the balance of 'Debenture Redemption Fund Account' is transferred in :
(A) Debentures Account (B) Debentures Investment Account
(C) General Reserve Account (D) Capital Reserve Account

96. Discount in debentures should be written-off in :
(A) Five years (B) Issue year
(C) Total period of debentures (D) Redemption year

97. Discount on Debentures is :
(A) Appropriation of profits (B) Effect on profits
(C) Reserve (D) Provision

98. Discount on issue of debentures A/c is :
(A) Capital loss (B) General loss
(C) Trading loss (D) Revenue loss

99. 6,000 debentures of ₹ 10 each were redeemed by the issue of equity shares of ₹ 10 each at 20% premium. Number of issued shares will be :
(A) 50,000 (B) 60,000
(C) 5,000 (D) 6,000

100. Debenture premium should be used :
(A) In writing-off revenue losses (B) In distribution of dividend
(C) In writing-off capital losses (D) None of the above

101. Redemption of debentures may be by :
(A) Purchasing in open market (B) Changing in shares
(C) Changing in debentures (D) All of the above

102. Interest on debentures account is transferred in :
(A) Share Premium Account (B) Profit & Loss Account
(C) General Reserve Account (D) Balance Sheet

103. Interest on debentures is calculated on :
(A) Issue price (B) Redeemable price
(C) Face value (D) Market price

104. X Ltd. issued ₹ 1,00,000, 7% Debentures at 6% discount. These Debentures are to be redeemed in instalments of ₹ 20,000 every year. Amount of discount transferred to P & L A/c in first year will be:
(A) ₹ 2,000 (B) ₹ 6,000
(C) ₹ 1,200 (D) ₹ 1,600

105. Debentures can be issued .....
(A) For cash consideration
(B) For other than cash consideration
(C) Either for cash or for other than cash or as collateral securities
(D) None of the above

106. Sinking fund can be created out of .....
(A) Revenue profit (B) Capital profit
(C) Premium (D) Capital redemption reserve

107. When own debentures are cancelled, any profit on cancellation is transferred to ..... .
(A) Profit and Loss A/c (B) General Reserve
(C) Debenture redemption reserve (D) Capital Reserve

108. Debentures which cannot be transferred by mere delivery are called ..... debentures :
(A) Bearer (B) Registered
(C) Convertible (D) Non-Convertible

109. Debentures have been issued at a discount rate of :
(A) 10 per cent (B) 4 per cent
(C) 6 per cent (D) 10.42 per cent

110. A company ..... its own debentures :
(A) Can re-buy (B) Cannot re-buy
(C) Can partly buy (D) None of the above

111. If debentures of ₹ 1,000 purchased for ₹ 1,020 by the issuing company the difference of ₹ 20 will be assumed to be :
(A) Profit on redemption of debenture (B) Loss on redemption of debenture
(C) Goodwill (D) None of these

112. After the redemption of all debentures, the balane in sinking fund is transferred to ..... .
(A) Sinking Fund Investment A/c (B) General Reserve A/c
(C) Capital Reserve A/c (D) Redemption Reserve A/c

113. Debentures not recorded in a company's book are called :
(A) Secured Debentures (B) Bearer Debentures
(C) Mortgage Debentures (D) Irredeemable Debentures

114. Debenture is :
(A) Certificate of Loan (B) Certificate of Cash
(C) Certificate of Credit (D) Certificate of Capital

115. Generally debentures are :
(A) Secured (B) Partly secured
(C) Unsecured (D) None of these

116. Interest on debenture is :
(A) 12% (B) 20%
(C) Fixed rate (D) 6%

117. Debentureholders are :
(A) Owners of the Company (B) Creditors of the Company
(C) Customers of the Company (D) Bankers

118. If debentures worth ₹ 4,50,000 are issued to vendors in consideration of net assets worth ₹ 5,00,000, the balance of ₹ 50,000 will be debited to :
(A) Statement of Profit & Loss
(B) Goodwill Account
(C) General Reserve Account
(D) Capital Reserve Account

119. In case of issue of debentures underwriting commission can not exceed :
(A) 2% (B) 2.5%
(C) 3% (D) 5%

120. Loss on issue of debentures is written off :
(A) In 5 years
(B) In 10 years
(C) In 15 years
(D) Upto the period of redemption

121. After sale of investment, the balance of Debenture Sinking Fund Investment Account is transferred to :
(A) Statement of Profit and Loss
(B) Debentures Account
(C) Redemption Fund Account
(D) None of these

122. W Ltd. issued 20,000, 8% debentures of ₹ 10 each, redeemable at a premium of 20% after 5 years. Annually amount of loss on redemption of debentures to be written off will be :
(A) ₹ 40,000
(B) ₹ 10,000
(C) ₹ 20,000
(D) ₹ 8,000

123. 1,000, 5% debentures of ₹ 100 each were issued at ₹ 98 per debenture. These are to be redeemed at ₹ 102 per debenture. Journal Entry will be :

			₹	₹
(A)	Bank A/c	Dr.	98,000	
	To 5% Debentures A/c			98,000
(B)	Bank A/c	Dr.	98,000	
	Discount on Issue of Debentures A/c	Dr.	2,000	
	To 5% Debentures A/c			1,00,000
(C)	Bank A/c	Dr.	98,000	
	Loss on Issue of Debentures A/c	Dr.	4,000	
	To 5% Debentures A/c			1,00,000
	To Premium on Redemption of Debentures A/c		2,000	

(D) None of these

ACCOUNTING FOR AMALGAMATION OF COMPANIES (AS PER AS-14)

124. As per AS-14 purchase consideration will include the payments that are payable to whom :
(A) Creditors (B) Debenture holders
(C) Shareholders (D) All the above

125. Excess value of net assets over purchase consideration at the time of purchase of business is credited to :
(A) Assets Account (B) General Reserve Account
(C) Capital Reserve Account (D) Vendor's Account

126. When two or more than two companies, doing similar business, combine together and form a new company to takeover their business then this combination is called :
(A) Absorption (B) Reconstruction
(C) Amalgamation (D) None of the above

127. The main object of amalgamation is :
(A) To bring economy in expenses (B) To facilitate distribution
(C) To eliminate competition (D) All the above

128. If the net assets taken over by the company are less than the purchase consideration, the difference shall be treated as :
(A) Secret Reserve (B) Goodwill
(C) Capital Reserve (D) General Reserve

129. Accounting standard (AS) 14 issued by ICAI on Accounting for Amalgamation came into effect in respect of accounting on or after :
(A) 1st April, 1994 (B) 1st April, 1995
(C) 1st April, 1996 (D) 1st April, 1997

130. When liquidation expenses are born by the transferee company, transferee company debits :
(A) Realisation Account (B) Capital Reserve Account
(C) Goodwill Account (D) None of these

131. How many method of determination of purchase consideration ?
(A) 2 (B) 3
(C) 4 (D) 5

132. According to Accounting Standard-14 the purchase consideration is that which is payable to :
(A) Shareholders (B) Shareholders and debentureholders
(C) Debentureholders and creditors (D) Debentureholders

133. Excess of net assets over purchase consideration is called :
(A) Goodwill (B) Capital Reserve
(C) Revenue Reserve (D) Secret Reserve

134. Accounting Standard relating to accounting of amalgamation is :
(A) AS-2 (B) AS-10
(C) AS-13 (D) AS-14

135. If net value of purchased assets is less than purchase consideration, then this amount will be :
(A) Profit (B) Reserve
(C) Loss (D) Goodwill

136. The particulars of assets and liabilities of transferer company is as follows :
Fixed Assets ₹ 2,50,000; Current Assets₹ 2,70,000; Current Liabilities ₹ 2,00,000; Reserve ₹ 25,000; Share capital ₹ 2,95,000; purchase consideration will be, if amalgamation is in the nature of merger:
(A) ₹ 3,20,000 (B) ₹ 5,20,000
(C) ₹ 2,50,000 (D) ₹ 2,95,000

137. Given—Assets purchased ₹ 18,00,000; Liabilities ₹ 1,40,000; Purchase consideration ₹ 15,00,000, result will be :
(A) Goodwill ₹ 1,60,000 (B) Capital Reserve ₹ 1,60,000
(C) Goodwill ₹ 3,00,000 (D) Capital Reserve ₹ 3,00,000

138. When an existing company takes over the business of one or more existing companies, it is called?
(A) Absorption (B) Amalgamation
(C) Reconstruction (D) None of the above

139. Purchase Consideration is payable in .....
(A) Cash (B) Shares
(C) Debentures (D) Any one of the above or all of the above

140. Types of calculation of purchase consideration are ..... .
(A) 4 (B) 5
(C) 3 (D) 2

141. Profit on realisation A/c must be transferred to ..... .
(A) Preference shareholders (B) Debenture holders
(C) Equity shareholders (D) Creditors

142. Under the pooling of interest method shares are issued by the transferee company at ..... .
(A) Par (B) Premium
(C) Discount (D) Market value

143. Under purchase method assets and liabilities are recorded at their ..... value :
(A) Book (B) Market
(C) Agreed (D) Fair

144. ABC Ltd. agrees to issue 3 shares of ₹ 10 each ₹ 9 paid up at market value of ₹ 15 per share for every 5 shares in the transferor company. The transferor company has ₹ 5,00,000 paid up share capital of ₹ 10 each, ₹ 5 paid up Market value of these shares is ₹ 8. Find out purchase consideration :
(A) ₹ 4,50,000 (B) ₹ 5,40,000
(C) ₹ 9,00,000 (D) ₹ 6,00,000

145. When the amalgamation is in the nature of merger, method used is .....
(A) Purchase method (B) Net assets method
(C) Pooling of interest method (D) Net Payment method

146. Goodwill on purchase of business is :
(A) Excess of Purchase consideration over net assets
(B) Excess of net assets over purchase consideration
(C) Net Assets/Purchase Consideration
(D) Purchase consideration/net assets

147. AS-14 covers amalgamation of ..... .
(A) Companies (B) Firms
(C) Firms and Company (D) Directors and partners

148. As per Accounting Standard 14 purchase consideration is payable to any one of the following :
(A) Creditors (B) Debentureholders
(C) Shareholders (D) Promoters

149. Amalgamation Adjustment account is opened for :
(A) Secret Reserve (B) Capital Reserve
(C) Depreciation Reserve (D) Statutory Reserve

150. Two companies go into liquidation to form a new company. It is the case of :
(A) Amalgamation (B) Internal Reconstruction
(C) External Reconstruction (D) Absorption

151. When amalgamation is in the nature of merger, the accounting method to be followed is :
(A) Equity Method (B) Pooling Interest Method
(C) Purchase Method (D) None of these

152. When amalgamation is in the nature of purchase, the accounting method to be followed is :
(A) Equity Method (B) Pooling Interest Method
(C) Purchase Method (D) None of these

153. At the time of amalgamation preliminary expenses are transferred to :
(A) Account of Transferee Company (B) Realisation Account
(C) Shareholders' Account (D) Debentureholders' Account

154. In case of amalgamation accumulated profits include :
(A) Public Deposit (B) Employee Provident Fund
(C) Provision for taxes (D) None of these

155. The formula to find out goodwill is :
(A) Value of Net Assets-Purchase Price (B) Purchase price-Value of Net Assets
(C) Value of Assets-Purchase Price (D) Purchase Price-Value of Liability

156. When the expenses of liquidation are borne by the vendor company, the vendor company debits :
(A) Realisation account (B) Bank account
(C) Goodwill account (D) All the above

157. When the expenses of liquidation are borne by the purchasing company, the purchasing company debits :
(A) Realisation Account (B) Vendor's Company Account
(C) Bank Account (D) Goodwill Account

158. Value of net assets is subtracted from accepted purchase consideration. The balance amount will be:
(A) Purchase Surplus (B) Value of Goodwill
(C) Business Fund (D) Capital Surplus

159. What will be recorded in the books of transferee company under purchase method ?
(A) All assets and liabilities of transferor company
(B) All assets, liabilities and reserves of transferor company
(C) Assets and liabilities acquired by transferee company
(D) Assets and liabilities acquired by transferee company and statutory reserves.

160. To which account the difference between the purchase price (consideration) and share capital of the transferor company should be adjusted under the pooling of interests method :
(A) Goodwill or capital reserve (B) General Reserve
(C) Amalgamation Adjustment Account (D) Other Liabilities

161. Characteristics of Absorption is :
(A) Purchase of business by a Company
(B) Formation of a new company and liquidation of two companies
(C) Liquidation of other Companies except one
(D) None of these

162. Name of accounting procedure for Amalgamation in the nature of merger is :
(A) Purchase Method (B) Merger Method
(C) Pooling of Interest Method (D) Net Asset Method

163. Under pooling of interest method difference of share capital of transferor Company will be adjusted from :
(A) Reserves (B) Profits
(C) Assets (D) No need of adjustment

164. Under Net Assets Method, formula of Purchase Consideration will be :
(A) Total Assets – Total Liabilities
(B) Total Assets – Outside Liabilities
(C) Realisation Value of Purchased Assets – Purchase price of Liabilities
(D) Purchase Price of Total Assets

165. Under which head of balance sheet Amalgamation Adjustment Account is shown :
(A) On Assets side – Misc. Exp.
(B) On Assets side – Current Assets
(C) On Liabilities side – Current Liabilities
(D) On Liabilities side – Reserves and Surplus.

166. Purchased assets ₹ 15,00,000. Purchased liabilities ₹ 1,00,000. Purchase Consideration ₹ 15,50,000; Goodwill/Capital reserve will be :
(A) ₹ 14,00,000 Goodwill
(B) ₹ 50,000 Capital Reserve
(C) ₹ 1,50,000 Goodwill
(D) ₹ 50,000 Goodwill

167. Given : Goodwill ₹ 37,000; Fixed Assets ₹ 45,000; Current Assets ₹ 35,000, Statement of Profit and Loss ₹ 30,000; Creditors ₹ 40,000; Share Capital of the Company ₹ 10,000, ₹ 10 per share, Value of Share ₹ 7 per share. What will be Purchase Consideration ?
(A) ₹ 1,10,000
(B) ₹ 70,000
(C) ₹ 40,000
(D) ₹ 1,27,000

ABSORPTION

168. The meaning of absorption is :
(A) To absorb another company by existing company
(B) After liquidation of two companies making new company
(C) To improve economic situation by existing company
(D) To purchase an other company by a company

RECONSTRUCTION OF COMPANIES

169. When one company goes in liquidation and a new company is formed to takeover the business of the company which goes in liquidation, this is called :
(A) Amalgamation
(B) Absorption
(C) External Reconstruction
(D) Internal Reconstruction

170. In Internal reconstruction :
(A) No company goes into liquidation
(B) Only one company goes into liquidation
(C) Two or more companies are liquidated
(D) One or more companies go into liquidation

171. Reconstruction of a company means :
(A) Internal change of the company
(B) External change of the company
(C) None of the above
(D) Both (A) and (B)

172. Capital reduction requires the permission of :
(A) Company Law Board
(B) Government
(C) Court
(D) All of the above

173. The balance of capital reduction is transferred to :
(A) General Reserve
(B) Reserve Fund
(C) Capital Reserve
(D) Profit and Loss A/c

174. The characteristic of internal reconstruction is :
(A) Liquidation of companies
(B) Liquidation of one company
(C) Change in capital structure
(D) Absorption

175. In case of internal reconstruction the existing company will be ..... .
(A) Liquidated
(B) Amalgamated
(C) Absorbed
(D) Retained

176. When there is no liquidation and one formation, it is known as ..... .
(A) Amalgamation
(B) Absorption
(C) External Reconstruction
(D) Internal Reconstruction

177. If total value of net assets acquired by the Company is less than the purchase consideration, the difference is :
(A) Secret Reserve
(B) Goodwill
(C) Capital Reserve
(D) General Reserve

178. Resolution to change share Capital must be passed in :
(A) General Meeting (B) Extraordinary Meeting
(C) Special Meeting (D) Emergency Meeting

179. Right to buy Right share is to :
(A) Preference Shareholders (B) Equity Shareholders
(C) Both (A) and (B) (D) Not to both

180. Shares to be converted into stock :
(A) Paid up shares (B) Fully paid up shares
(C) Partly paid up shares (D) All of these

181. It is necessary to give notice to convert shares into stock within :
(A) 15 days (B) One month
(C) Two months (D) 45 days

182. A new account is opened on application of Capital Reduction Scheme, that account is :
(A) P&L Adjustment A/c (B) Capital Reduction A/c
(C) Capital Surplus A/c (D) Capital Realisation A/c

183. Trade payables accepted debentures in half settlement of their claim of ₹ 5,00,000. Journal Entry will be :

		₹	₹
(A) Trade Payables A/c	Dr.	2,50,000	
To Debentures A/c			2,50,000
(B) Debentures A/c	Dr.	2,50,000	
Trade Payables A/c	Dr.	2,50,000	
To Capital Reduction A/c			5,00,000
(C) Trade Payables A/c	Dr.	5,00,000	
To Debentures A/c			2,50,000
To Capital Reduction A/c			2,50,000

(D) None of the above

184. Arrear of dividend on Cumulative Preference Shares is :
(A) Current Liability (B) Contingent Liability
(C) Provision (D) Reserves and Surplus

185. An item to be credited in Capital Reduction Account is :
(A) Goodwill (B) Preliminary Expenses
(B) Reduction in Value of Assets (D) Increment in Value of Assets

WINDING UP OF COMPANIES

(REVISED ON THE BASIS OF THE INSOLVENCY AND BANKRUPTCY CODE, 2016)

186. The part of share capital, which can be called only at liquidation of company, is called :
(A) Authorised Capital (B) Issued Capital
(C) Reserve Capital (D) Capital Reserve

187. In case of liquidation of company first payment is made in respect of :
(A) Legal Expense (B) Preferential Creditor
(C) Liquidators remunerations (D) Liquidation expenses

188. A contributory is :
(A) Creditor (B) Shareholder
(C) Debenture holder (D) Convertible Debenture holder

189. The liquidator of a company is entitled to a remuneration of 2% on assets realised and 3% on the amount distributed to unsecured creditors. The assets realised ₹ 1,00,000 including cash balance of ₹ 3,000. Amount available for distribution to unsecured creditors before paying liquidator's remuneration was ₹ 46,350. The liquidator's will be :
(A) ₹ 3,100 (B) ₹ 3,330.5
(C) ₹ 3,140 (D) ₹ 3,290

190. If dividend on preference shares has been declared but is not paid. On liquidation dividend is paid as ..... .
(A) Debt (B) Arrears of Dividends
(C) Preferential Creditors (D) Profit

191. When winding up of a company is made by the Court, it is called ..... .
(A) Creditors voluntary winding up (B) Liquidation under supervision of the Court
(C) Voluntary liquidation (D) Compulsory liquidation

192. A creditor for ₹ 10,000 holding a charge on the stock of the book value ₹ 12,000 (market value ₹ 9,000) is :
(A) Partly secured creditor (B) Fully secured creditor
C) Preferential creditor (D) Unsecured creditor

193. When a company is wound up, out of the unsecured creditors some have to be paid, under the law, before others. Such creditors are known as ..... .
(A) Partly secured creditors (B) Unsecured creditors
(C) Preferential creditors (D) Secured creditors

194. Winding up of the company is :
(A) By closure of business (B) By sale of asset
(C) By end of legal existence (D) By Articles

195. Under which section of the Companies Act winding up is possible.
(A) Sec. 425 (B) Sec. 424
(C) Sec. 423 (D) Sec. 426

196. Winding up by court is possible under section :
(A) Sec. 484 (B) Sec. 433
(C) Sec. 425 (D) Sec. 424

197. For winding up by court it is essential to have :
(A) A general resolution (B) Non-general resolution
(C) Resolution by general meeting (D) Special resolution

198. Among the following conditions in which condition is winding up possible ?
(A) If the company has not called up statutory meeting
(B) The life of the company has expired
(C) Members have passed a resolution for voluntary winding up
(D) None of these

199. On receiving of winding up orders from the court it is necessary to provide information to :
(A) to Registrar (B) to Directors
(C) to Promoters (D) to Shareholders

200. On Declaration up the members' declaration given by the director is :
(A) Business Progress Declaration
(B) Declaration of solvency
(C) Declaration of winding up
(D) Declaration of appointment of liquidator

201. In case winding up by the court the meeting of the creditors is called up :
(A) within two months from the date of winding up
(B) within two months from the order of court
(C) within one month from the appointment of liquidator
(D) Not essential to call meeting

202. Calls in arrerars in case of winding up is shown in :
(A) List E (B) List C
(C) List A (D) List F

203. In case of winding up the assets specifically pledged are shown in :
(A) List A (B) List B
(C) List D (D) List G

204. List related to creditor secured by floating charge :
(A) List D (B) List C
(C) List H (D) List E

205. In case of windingup of the company the contingent liabilities are :
(A) Preference creditors (B) Secured creditors
(C) Unsecured creditors (D) Partial secured creditors

206. Secured creditors are ₹ 15,000, the realisable value of the assets kept as security is ₹ 20,000, the excess will be shown in :
(A) It will be added to the reasonable value of asset
(B) It will be added to unsecured creditors
(C) Added in Deficiency
(D) Decreased from liability

207. Creditors are ₹ 8,000, value of asset kept as security is ₹ 6,000, the difference will be :
(A) Preference creditors (B) Unsecured creditors
(C) Deficiency (D) Creditors having floating right

208. Determine preferential creditors if trade creditors ₹ 10,000, debentures ₹ 50,000, previous year income tax ₹ 2,000, one month salary of employers ₹ 2,700, salary of managing director ₹ 7,000:
(A) ₹ 9,000 (B) ₹ 11,700
(C) ₹ 9,700 (D) ₹ 4,700

209. If the winding up of the company is on the order of court then the liquidator will present his statement for a specific period to :
(A) Company (B) Court
(C) Company Law Board (D) Registrar

210. Among the following the payment will be made first to :
(A) Remuneration to the valuer
(B) Remuneration to liquidator
(C) Preferential creditors
(D) Statutory/legal expenses

211. In absence of provision in Articles the amount which remains undistributed after payment of all liabilitiy will be distributed to :
(A) Preference shareholders (B) Equity shareholders
(C) Among (A) and (B) (D) Creditors

212. Among the following the item which increases the deficiency is :
(A) Trade profit (B) Trade loss
(C) Non-trade profit (D) Increase in value of asset

ANSWERS

1. (C)	2. (C)	3. (B)	4. (C)	5. (D)	6. (D)	7. (C)	8. (D)	9. (C)	10. (D)	11. (A)	12. (B)
13. (D)	14. (C)	15. (B)	16. (B)	17. (B)	18. (B)	19. (A)	20. (B)	21. (B)	22. (B)	23. (B)	24. (A)
25. (A)	26. (A)	27. (C)	28. (D)	29. (B)	30. (B)	31. (C)	32. (A)	33. (A)	34. (D)	35. (B)	36. (C)
37. (A)	38. (C)	39. (D)	40. (A)	41. (B)	42. (B)	43. (B)	44. (D)	45. (D)	46. (C)	47. (C)	48. (C)
49. (A)	50. (C)	51. (C)	52. (B)	53. (A)	54. (A)	55. (B)	56. (B)	57. (C)	58. (A)	59. (C)	60. (C)
61. (B)	62. (C)	63. (B)	64. (C)	65. (B)	66. (C)	67. (D)	68. (D)	69. (C)	70. (D)	71. (A)	72. (A)
73. (B)	74. (C)	75. (B)	76. (C)	77. (D)	78. (B)	79. (C)	80. (A)	81. (B)	82. (B)	83. (A)	84. (B)
85. (D)	86. (D)	87. (C)	88. (D)	89. (C)	90. (B)	91. (A)	92. (B)	93. (C)	94. (D)	95. (C)	96. (C)
97. (B)	98. (D)	99. (C)	100. (C)	101. (D)	102. (B)	103. (C)	104, (C)	105. (C)	106. (A)	107. (C)	108. (A)
109. (B)	110. (A)	111. (B)	112. (B)	113. (B)	114. (A)	115. (A)	116. (C)	117. (B)	118. (D)	119. (B)	120. (D)
121. (C)	122. (D)	123. (C)	124. (D)	125. (C)	126. (C)	127. (C)	128. (B)	129. (B)	130. (C)	131. (C)	132. (A)
133. (B)	134. (D)	135. (D)	136. (A)	137. (B)	138. (B)	139. (D)	140. (A)	141. (C)	142. (A)	143. (C)	144. (A)
145. (C)	146. (A)	147. (A)	148. (C)	149. (D)	150. (A)	151. (B)	152. (C)	153. (C)	154. (D)	155. (B)	156. (A)
157. (D)	158. (D)	159. (D)	160. (B)	161. (C)	162. (C)	163. (A)	164. (C)	165. (A)	166. (C)	167. (A)	168. (A)
169. (C)	170. (A)	171. (D)	172. (C)	173. (C)	174. (C)	175. (D)	176. (C)	177. (B)	178. (A)	179. (B)	180. (B)
181. (C)	182. (B)	183. (C)	184. (B)	185. (D)	186. (C)	187. (C)	188. (B)	189. (D)	190. (B)	191. (D)	192. (B)
193. (C)	194. (C)	195. (A)	196. (B)	197. (D)	198. (A)	199. (A)	200. (B)	201. (A)	202. (C)	203. (B)	204. (A)
205. (C)	206. (A)	207. (B)	208. (D)	209. (B)	210. (D)	211. (B)	212. (B)				