



## Dr.G.R.Damodaran College of Science

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CRISL rated 'A' (TN) for MBA and MIB Programmes

II B.com(CA) (2016-2019)

semester - II

core – CorporateAccounting -303B.

Multiple Choice Questions.

1. Share allotment account is a \_\_\_\_\_.

- A. personal account.
- B. real account.
- C. nominal account.
- D. impersonal account.

ANSWER: A

2. Share application account is a \_\_\_\_\_.

- A. personal account.
- B. real account.
- C. nominal account.
- D. impersonal account.

ANSWER: A

3. The minimum share application money must be at least \_\_\_\_\_.

- A. 5 percentage of the face value of shares.
- B. 10 percentage of the issue price of shares.
- C. Re.1 per share.
- D. 15 percentage of the face value of the shares.

ANSWER: A

4. Premium received on issue of shares is shown on \_\_\_\_\_.

- A. liability side of balance sheet.
- B. asset side of balance sheet.
- C. credit side of P & L a/c.
- D. debit side of P & L a/c.

ANSWER: A

5. Premium on issue of shares can be used for \_\_\_\_\_.

- A. writing off capital losses
- B. distribution of dividend
- C. transferring to general reserve.
- D. paying fees to directors.

ANSWER: A

6. Section \_\_\_\_\_ of Companies Act 1956 deals with the scheme of Stock-invest.

- A. 69-73
- B. 69-71
- C. 69-72
- D. 69-70

ANSWER: A

7. When shares are issued at premium which of the following account is credited?

- A. Share premium a/c.
- B. Share first call a/c.
- C. Share allotment a/c.
- D. Share forfeited a/c.

ANSWER: A

8. After getting minimum subscription of shares, the company has to allot shares within \_\_\_\_ days.

- A. 120
- B. 100
- C. 110
- D. 90

ANSWER: A

9. If the minimum subscription is not received by the company, then the refund of application money should be made within \_\_\_\_\_ days.

- A. 10
- B. 9
- C. 7
- D. 22

ANSWER: C

10. In case of public company, only after getting the \_\_\_\_\_ the company can start the business.

- A. .certificate of commencement of business.
- B. table A.
- C. memorandum of Association
- D. articles of association.

ANSWER: A

11. The amount of capital mentioned in MoA is \_\_\_\_\_.

- A. authorized capital.
- B. issued capital.
- C. paid up capital.
- D. subscribed capital.

ANSWER: A

12. The difference between called-up capital and paid-up capital is \_\_\_\_\_.

- A. unpaid capital
- B. issued capital
- C. reserve capital

D. uncalled capital

ANSWER: A

13. When the shares are issued at premium to purchase the fixed asset, \_\_\_\_\_ should be credited.

- A. share capital a/c.
- B. share a/c.
- C. asset a/c.
- D. share allotment a/c.

ANSWER: A

14. According to Companies act \_\_\_\_\_ percentage of interest is to be paid on calls in arrears.

- A. 5
- B. 4
- C. 3
- D. 6

ANSWER: A

15. According to Companies act \_\_\_\_\_ % of interest is to be paid on calls in advances.

- A. 6
- B. 4
- C. 5
- D. 3

ANSWER: A

16. Interest on calls in arrears is transferred to \_\_\_\_\_.

- A. credit side of P&L a/c.
- B. debit side of P&L a/c.
- C. liability side.
- D. asset side.

ANSWER: A

17. Interest on calls in advance is transferred to \_\_\_\_\_.

- A. debit side of P&L a/c.
- B. credit side of P&L a/c.
- C. liability side.
- D. asset side.

ANSWER: A

18. The rate of discount on shares cannot exceed \_\_\_\_ percent of the face value.

- A. 5
- B. 10
- C. 12
- D. 18

ANSWER: B

19. Discount on issue of shares is shown on\_\_\_\_\_.

- A. asset side of B/S.
- B. liability side of B/S.

- C. debit side of P&L a/c.
- D. credit side of P&L a/c.

ANSWER: A

20. Discount on issue of shares is a \_\_\_\_\_.

- A. capital loss.
- B. revenue loss.
- C. deferred revenue expenditure.
- D. direct expenses.

ANSWER: A

21. When shares are forfeited, the share capital a/c is debited by \_\_\_\_\_.

- A. called-up capital.
- B. paid-up capital.
- C. calls in arrears.
- D. issue price of shares

ANSWER: A

22. Discount on reissue of forfeited shares should not exceed \_\_\_\_\_.

- A. the amount received so far on forfeited shares.
- B. 10 percent of reissued capital.
- C. 5 percent of subscribed capital.
- D. 25 percent of original issue price.

ANSWER: A

23. The profit on reissue of forfeited shares is transferred to \_\_\_\_\_.

- A. capital reserve.
- B. capital redemption reserve.
- C. general reserve.
- D. profit and loss a/c.

ANSWER: A

24. If a share of Rs. 10, on which Rs.8 has been called and Rs.5 has been received is forfeited share capital a/c in this case will be debited with \_\_\_\_\_.

- A. Rs. 8
- B. Rs. 5
- C. Rs. 2
- D. Rs. 10

ANSWER: A

25. Rights shares are those shares which are \_\_\_\_\_.

- A. first offered to the existing shareholders
- B. issued by a newly formed company.
- C. issued to the directors of the company.
- D. issued to holders of convertible debentures.

ANSWER: A

26. The following members are real owners of the company.

- A. equity shareholders
- B. preference share holders
- C. debenture holders
- D. bond holders

ANSWER: A

27. Preference shareholders receive \_\_\_\_\_.

- A. fixed rate of interest.
- B. flexible rate of interest.
- C. fixed rate of dividend.
- D. flexible rate of dividend.

ANSWER: C

28. A new company cannot issue shares at \_\_\_\_\_.

- A. discount.
- B. premium.
- C. par.
- D. face value.

ANSWER: A

29. Indian companies cannot issue \_\_\_\_\_ shares.

- A. equity shares.
- B. preference shares.
- C. sweat equity shares.
- D. deferred shares.

ANSWER: D

30. When shares are issued to promoters for their services, \_\_\_\_\_ is to be debited.

- A. bank a/c.
- B. promoter a/c
- C. goodwill a/c.
- D. discount a/c.

ANSWER: C

31. Transfer to capital redemption reserve can be made from \_\_\_\_\_.

- A. capital reserve.
- B. forfeited shares.
- C. general reserve.
- D. securities premium.

ANSWER: C

32. Which section of the companies act 1956 provides for the issue and redemption of preference shares?

- A. Section 75.
- B. Section 76.
- C. Section 77.
- D. Section 80.

ANSWER: D

33. Securities premium a/c is shown under \_\_\_\_\_ head.

- A. capital.
- B. reserve and surplus.
- C. long term loan.
- D. current provision.

ANSWER: B

34. \_\_\_\_\_ can be utilized to issue bonus shares.

- A. P&L a/c.
- B. General reserve.
- C. Capital redemption reserve.
- D. All the above.

ANSWER: D

35. The amount on shares paid by share holders before it is actually due is \_\_\_\_\_.

- A. calls in advance.
- B. reserve capital.
- C. subscribed capital.
- D. calls in arrear.

ANSWER: A

36. Minimum subscription is decided by \_\_\_\_\_.

- A. shareholders.
- B. board of directors.
- C. debenture holders.
- D. creditors.

ANSWER: B

37. 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.

ANSWER: C

38. When the company takes over the running business, the difference between the assets and liabilities is transferred to \_\_\_\_\_.

- A. goodwill a/c.
- B. capital reserve.
- C. either a or b
- D. neither a nor b

ANSWER: C

39. Preference shareholders are \_\_\_\_\_.

- A. creditors of the company.
- B. owners of the company.
- C. customers of the company.
- D. .none of the above.

ANSWER: B

40. Dividend is paid on \_\_\_\_\_.

- A. issue price.
- B. market price.
- C. face value.
- D. paid up amount on shares.

ANSWER: D

41. When two or more companies going to liquidation and new company is formed then it is known as \_\_\_\_\_.

- A. absorption.
- B. amalgamation.
- C. internal Reconstruction.
- D. external Reconstruction.

ANSWER: B

42. When a new company is formed with the same name in order to take over the business of the existing company it is called as \_\_\_\_\_.

- A. absorption.
- B. amalgamation.
- C. internal Reconstruction.
- D. external Reconstruction.

ANSWER: C

43. When an existing company takes over the business of one or more existing Companies, it is called \_\_\_\_\_.

- A. amalgamation.
- B. absorption.
- C. reconstruction.
- D. none of the above.

ANSWER: B

44. The cost of liquidation of the vendor company agreed to be paid by the purchasing company is debited to \_\_\_\_\_ in the books of the later company.

- A. goodwill account.
- B. capital reserve account.
- C. goodwill and Capital account.
- D. none of the above.

ANSWER: C

45. Preference dividend is to be paid before \_\_\_\_\_.

- A. payment of debenture interest.
- B. payment of Income tax.
- C. distribution of equity dividend.
- D. all the above.

ANSWER: C

46. Accumulated losses in the vendor company should be transferred to \_\_\_\_\_.

- A. share capital account.
- B. equity shareholders account.
- C. capital Reserve account.
- D. profit and loss account.

ANSWER: B

47. Goodwill is \_\_\_\_\_.

- A. fixed Asset.
- B. current Asset.
- C. intangible Asset.
- D. tangible Asset.

ANSWER: C

48. Post acquisition profits are treated as \_\_\_\_\_.

- A. revenue Profit.
- B. capital Profit.
- C. capital Reserve.
- D. revenue Reserve.

ANSWER: A

49. In what form, the profits of the company are distributed amongst the shareholders?

- A. shares.
- B. premium from issue of share.
- C. reserves
- D. dividend.

ANSWER: D

50. The dividend that is declared between two AGM is \_\_\_\_\_.

- A. interim Dividend.
- B. final Dividend.
- C. semi Dividend.
- D. half-yearly dividend.

ANSWER: A

51. The total remuneration payable to the managerial personnel should not exceed \_\_\_ percent of the net profit.

- A. 5
- B. 10
- C. 11
- D. 15

ANSWER: C

52. Memorandum of Association is an \_\_\_\_\_.

- A. internal document.
- B. external document.
- C. secondary document.
- D. all the above.



ANSWER: A

53. Share capital of a company means \_\_\_\_\_.

- A. equity share capital.
- B. preference share capital
- C. equity and preference share capital.
- D. equity share capital and debentures.

ANSWER: B

54. Forfeited shares will become \_\_\_\_\_.

- A. property of the Government.
- B. property of the company.
- C. property of the shareholders.
- D. property of all the shareholders.

ANSWER: B

55. Underwriting commission on shares shall not exceed \_\_\_\_ percent of issue price.

- A. 2
- B. 2.5
- C. 3
- D. 5

ANSWER: D

56. The dividend declared should be paid or the warrant in respect thereof should be posted within \_\_\_\_\_ of declaration of dividend.

- A. 21 days.
- B. 30days.
- C. 42 days.
- D. 50 days.

ANSWER: C

57. After obtaining the certificate to commence the business, the company may be wound up if it does not commence business within \_\_\_\_\_.

- A. 6 months.
- B. one year.
- C. two years.
- D. three years.

ANSWER: D

58. When an arrangement has been proposed for the purpose of reconstruction of a company, the scheme shall be approved by the holders of the \_\_\_\_\_ in the value of the shares concerned.

- A. one third.
- B. half.
- C. three fourth.
- D. one fourth.

ANSWER: C

59. The term acquisition of business refers to \_\_\_\_\_.

- A. purchase of business of sole trader or partnership by an existing company.
- B. conversion of sole trading concern or partnership into a limited company.
- C. purchase of another company.
- D. takeover of existing company.

ANSWER: A

60. Purchase consideration is payable in \_\_\_\_\_.

- A. shares.
- B. cash .
- C. debentures.
- D. any one of the above or all of the above.

ANSWER: D

61. The excess of purchase consideration over net asset is \_\_\_\_\_.

- A. securities premium.
- B. capital reserve
- C. goodwill.
- D. preliminary expenses.

ANSWER: C

62. On sale of business , if the partners wish to receive the dividends in future in profit sharing ratio, the equity shares received from the company must be distributed in the ratio of \_\_\_\_\_.

- A. profit sharing.
- B. capitals.
- C. final claim.
- D. no. of shares subscribed by memorandum of association.

ANSWER: B

63. Profit prior to incorporation is the profit earned \_\_\_\_\_.

- A. between the date of incorporation and the date of commencement of business.
- B. between the date of purchase of business and the date of incorporation.
- C. between the date of purchase of business and the date of commencement of business.
- D. between the date of incorporation and date of receipt of commencement of business.

ANSWER: B

64. Profit prior to incorporation belongs to \_\_\_\_\_.

- A. the company.
- B. the Vendor.
- C. both the company and the vendor .
- D. none of the above.

ANSWER: A

65. Profit prior to incorporation should be credited to \_\_\_\_\_.

- A. goodwill a/c.
- B. revenue reserve a/c.
- C. capital reserve a/c.
- D. none of the above .

ANSWER: C

66. Loss prior to incorporation should be debited to \_\_\_\_\_.

- A. revenue reserve.
- B. goodwill a/c.
- C. capital reserve a/c.
- D. preliminary expenses a/c.

ANSWER: B

67. Gross profit is to be apportioned between pre and post incorporation periods in \_\_\_\_\_.

- A. time ratio.
- B. adjusted time ratio.
- C. sale ratio.
- D. none of the above.

ANSWER: C

68. Bad debts recovered which was written off before purchase of business should be \_\_\_\_\_.

- A. divided in time ratio.
- B. divided in sale ratio.
- C. posted in pre-incorporation period
- D. posted in post- incorporation period.

ANSWER: C

69. Audit fees should be divided between pre and post incorporation periods in \_\_\_\_\_.

- A. time ratio.
- B. time ratio or posted only in post-incorporation period.
- C. sale ratio
- D. adjusted time ratio.

ANSWER: B

70. The salary paid to manager , for a period before acquisition of business , should be \_\_\_\_\_.

- A. divided in time ratio .
- B. posted in pre-incorporation period .
- C. posted in post-incorporation period .
- D. divided in adjusted time ratio.

ANSWER: B

71. Interest-paid to Vendor should be divided between pre and post incorporation periods in \_\_\_\_\_.

- A. adjusted time ratio.
- B. time ratio.
- C. sales ratio.
- D. none of the above.

ANSWER: A

72. In the balance sheet of a limited company , assets are arranged in the order of \_\_\_\_\_.

- A. liquidity .
- B. permanence.
- C. neither of the two .
- D. either liquidity or permanence .

ANSWER: B

73. Goodwill is shown in assets side under the heading \_\_\_\_\_.

- A. fixed assets .
- B. current assets .
- C. investments .
- D. miscellaneous expenses.

ANSWER: A

74. Advance payment of tax is in the nature of \_\_\_\_\_.

- A. capital expenses .
- B. revenue expense.
- C. pre-paid expenses .
- D. outstanding expenses.

ANSWER: C

75. In the liabilities side of the company's balance sheet , calls in arrears are shown \_\_\_\_\_.

- A. under the heading Reserves and surplus.
- B. under the heading current liabilities.
- C. under the heading Secured loans .
- D. by subtracting the amount from the called up capital .

ANSWER: D

76. In balance sheet of a company, fictitious asset like Discount on issue of debenture are shown under the heading \_\_\_\_\_.

- A. fixed assets .
- B. investments.
- C. current assets.
- D. miscellaneous expenditure.

ANSWER: D

77. Preliminary expenses are an example of \_\_\_\_\_.

- A. fixed assets.
- B. current asset
- C. fictitious asset.
- D. investment.

ANSWER: C

78. Divisible profits do not include \_\_\_\_\_.

- A. reserve fund.
- B. profit and loss a/c balance.
- C. revaluation reserve.
- D. insurance fund.

ANSWER: C

79. In the liabilities side of the balance sheet, unclaimed dividend is shown under the heading \_\_\_\_\_.

- A. share capital.
- B. current liabilities and provisions.

- C. secured loans.
- D. unsecured loans.

ANSWER: B

80. Interim dividend is always shown \_\_\_\_\_.

- A. in P/L a/c.
- B. in P/L appropriation a/c.
- C. on the assets side of balance sheet.
- D. on the liabilities side.

ANSWER: B

81. Debentures are shown in the balance sheet under the heading \_\_\_\_\_.

- A. unsecured loans.
- B. current liabilities.
- C. secured loans.
- D. share capital.

ANSWER: C

82. The maximum remuneration payable to a part time director (without managing director(s) or whole time director(s), or manager) should not exceed \_\_\_\_\_.

- A. 1 percent of the annual profit.
- B. 3 percent of the annual profits.
- C. 5 percent of the annual profits.
- D. 10 percent of the annual profits .

ANSWER: C

83. Interest on debentures is normally payable \_\_\_\_\_.

- A. quarterly.
- B. half early.
- C. annually.
- D. once in four months

ANSWER: B

84. Interest on debentures is \_\_\_\_\_.

- A. variable in nature.
- B. fixed in nature.
- C. optional.
- D. appropriation.

ANSWER: B

85. Interest on debentures is calculated on \_\_\_\_\_.

- A. Issue price.
- B. redeemable price.
- C. face value.
- D. market price.

ANSWER: C

86. Profit on cancellation of own debentures are transferred to \_\_\_\_\_.

- A. P&L a/c.
- B. capital reserve.
- C. general reserve.
- D. dividend equalization fund.

ANSWER: B

87. Own debentures a/c (at the time of purchase of own debentures) is always debited with \_\_\_\_\_.

- A. the fair value.
- B. the cum-interest price.
- C. the ex-interest price.
- D. face value.

ANSWER: C

88. The balance of sinking fund investment a/c after the realization of investment is transferred to

- A. P&L a/c.
- B. debenture a/c.
- C. sinking fund a/c.
- D. general reserve a/c.

ANSWER: C

89. After the redemption of all debentures, the balance in sinking fund is transferred to

- A. SF investment a/c
- B. general reserve a/c
- C. capital reserve a/c
- D. redemption reserve a/c

ANSWER: B

90. When debenture of Rs.100 is issued for Rs. 95 and it is redeemable at Rs. 5 premium, the amount which should be debited to loss on redemption of debenture a/c is \_\_\_\_\_.

- A. Rs.5.
- B. Rs.10.
- C. Rs.95.
- D. Rs.100.

ANSWER: A

91. Accounting standard for amalgamations is \_\_\_\_\_.

- A. AS -8.
- B. AS-20.
- C. AS-14.
- D. AS -3.

ANSWER: C

92. Pooling of interests method is used to account for amalgamation in the nature of \_\_\_\_\_.

- A. Purchase.
- B. Sale.
- C. Merger.
- D. None of the above.

ANSWER: A

93. Purchase consideration, as per AS-14, should include cash and securities agreed to be given by the transferee company to \_\_\_\_\_ of transferor company.

- A. Shareholders.
- B. Shareholders & Debenture holders.
- C. Creditors, Debenture holders and Shareholders.
- D. None of the above.

ANSWER: A

94. Excess purchase consideration paid to the transferor company and debited to goodwill account under the purchase method of accounting for amalgamation should be written off within a period of \_\_\_\_\_.

- A. 2 years .
- B. 20 years .
- C. 5 years .
- D. 8 years .

ANSWER: C

95. The price payable by a company for business acquired is known as \_\_\_\_\_.

- A. purchase consideration.
- B. net worth.
- C. net asset.
- D. lump sum.

ANSWER: A

96. If the net tangible assets exceeds the purchase consideration , the difference will be treated as .

- A. goodwill.
- B. capital reserve.
- C. acquisition cost
- D. capital redemption reserve.

ANSWER: B

97. Rent is divided in ratio while calculating Pre-incorporated profit.

- A. time ratio.
- B. sales ratio.
- C. adjusted time ratio.
- D. purchase ratio.

ANSWER: A

98. Final accounts of a company include \_\_\_\_\_.

- A. P&L a/c and balance sheet.
- B. P&L a/c and P&L appropriation a/c.
- C. Trading, P&L a/c and P&L appropriation a/c.
- D. Trading, P&L a/c and P&L appropriation a/c and balance sheet.

ANSWER: D

99. Loose tools is shown in the balance sheet under the head \_\_\_\_\_.

- A. fixed assets.
- B. loans and advances.

- C. current assets.
- D. Miscellaneous assets.

ANSWER: A

100. The surplus found in P&L appropriation a/c is shown under the head \_\_\_\_\_.

- A. share capital.
- B. reserve and surpluses.
- C. current liabilities.
- D. current provision.

ANSWER: B

101. \_\_\_\_\_ section of the companies act provides the power of issuing debentures.

- A. 293
- B. 295
- C. 291(1)
- D. 284

ANSWER: C

102. Debentures can be issued \_\_\_\_\_.

- A. for cash consideration only.
- B. for other than cash consideration only.
- C. as collateral securities.
- D. either for cash or for other than cash or as collateral.

ANSWER: D

103. When debentures are redeemed out of profits, the profit equivalent to the debenture is transferred to \_\_\_\_\_.

- A. sinking fund.
- B. debenture redemption fund.
- C. debenture.
- D. debenture holders.

ANSWER: B

104. If the quoted price includes the interest on the debenture from the previous interest to till the date of sale, the price is \_\_\_\_\_.

- A. ex-interest price.
- B. cum-interest price.
- C. interest free price.
- D. whole sale price.

ANSWER: B

105. If the quoted price does not include the interest on the debenture from the previous interest to till the date of sale, the price is \_\_\_\_\_.

- A. ex-interest price.
- B. cum-interest price.
- C. interest free price
- D. whole sale price.

ANSWER: A



106. Sinking fund can be created out of \_\_\_\_\_.

- A. revenue profit.
- B. capital profit.
- C. premium.
- D. capital redemption reserve.

ANSWER: A

107. Debentures represent the \_\_\_\_\_.

- A. managers share in the business.
- B. investment by shareholders in business.
- C. long term borrowings of a business.
- D. trade creditors.

ANSWER: C

108. Debenture holders are the \_\_\_\_\_.

- A. customers.
- B. creditors.
- C. owners.
- D. borrowers.

ANSWER: B

109. Company can alter the share capital provided it is authorized by \_\_\_\_\_.

- A. board of directors.
- B. share holders.
- C. memorandum of association.
- D. articles of association..

ANSWER: C

110. The company can implement the capital reduction scheme only after getting permission from \_\_\_\_\_.

- A. central government.
- B. share holders.
- C. competent court.
- D. controller of capital issue.

ANSWER: C

111. In case of internal reconstruction the existing company will be \_\_\_\_\_.

- A. liquidated.
- B. Amalgamated.
- C. Absorbed.
- D. retained

ANSWER: D

112. Increases in the value of fixed assets at the time of reconstruction will be credited to

- A. Capital reserve account.
- B. Share capital account.
- C. General reserve account

D. Capital reduction account.

ANSWER: A

113. To carry out the scheme of capital reduction ----- approval is necessary.

- A. Court.
- B. central government.
- C. Company law board.
- D. registers of company.

ANSWER: C

114. Audit fees should be divided between pre and post incorporation periods in \_\_\_\_\_.

- A. time ratio.
- B. time ratio or posted only in post-incorporation period.
- C. sale ratio
- D. adjusted time ratio.

ANSWER: B

115. In the liabilities side of the balance sheet, unclaimed dividend is shown under the heading \_\_\_\_\_.

- A. share capital.
- B. current liabilities and provisions.
- C. secured loans.
- D. unsecured loans.

ANSWER: B

116. The balance in the capital reduction account after writing of all accumulated losses and others is transferred to

- A. Capital reserve account.
- B. Goodwill account.
- C. General reserve account.
- D. share capital account.

ANSWER: C

117. When shares are surrendered \_\_\_\_\_ is debited.

- A. Capital reduction A/c.
- B. Share capital A/c.
- C. Share holders A/c.
- D. Assets A/c.

ANSWER: B

118. Premium received on the issue of share can be utilised for \_\_\_\_.

- A. issue of fully paid bonus shares
- B. writing of preliminary expenses
- C. providing premium payable on redemption of preference shares
- D. all the above

ANSWER: D

119. When the shares are issued for acquiring the assets, then \_\_\_\_\_ is debited to take the assets.

- A. Assets a/c

- B. vendor a/c
- C. share capital a/c
- D. cash a/c

ANSWER: A

120. when the shares are issued to existing shareholders without receiving cash, it is known as \_\_\_\_\_.

- A. right issue
- B. bonus issue
- C. initial issue
- D. further issue

ANSWER: B

121. when the shares are issued to existing shareholders on receipt of cash, it is known as \_\_\_\_\_.

- A. right issue
- B. bonus issue
- C. initial issue
- D. further issue

ANSWER: A

122. Premium on redemption policy is paid \_\_\_\_\_ of every year.

- A. at the beginning
- B. at the end
- C. at the middle
- D. in advance

ANSWER: A

123. Bonds represent the \_\_\_\_\_.

- A. managers share in the business.
- B. investment by shareholders in business.
- C. long term borrowings of a business.
- D. trade creditors.

ANSWER: C

124. According to companies (amendment) act 1999, the premium on issue of debentures should be credited to \_\_\_\_\_.

- A. share premium a/c.
- B. debenture premium a/c.
- C. securities premium a/c.
- D. premium a/c.

ANSWER: C

125. When the entire issue is underwritten by one person, his liability will be equal to \_\_\_\_\_.

- A. No. of shares underwritten
- B. no. of shares underwritten - no. of shares applied by the public
- C. no. of shares applied by the public
- D. none of the above

ANSWER: B

126. The underwriter is entitled to claim remuneration on \_\_\_\_\_.

- A. the issue price
- B. the face value of the shares actually purchased
- C. the face value of shares not purchased
- D. none of the above

ANSWER: A

127. The underwriting commission on debentures should not exceed \_\_\_\_\_ percent of issue price.

- A. 5
- B. 3
- C. 2.5
- D. 1

ANSWER: C

128. Interim dividend is shown in \_\_\_\_\_.

- A. Balance sheet
- B. P&L a/c
- C. P&L Appr. A/c
- D. Trading A/c

ANSWER: C

129. Amounts to be payable on amalgamation by the transferee company is \_\_\_\_\_.

- A. Purchase price
- B. purchase consideration
- C. sales price
- D. lump sum.

ANSWER: B

130. Value of assets taken over - Value of liabilities taken over =

- A. Lump sum method
- B. Net asset method
- C. net payment method
- D. intrinsic value method

ANSWER: B

131. Types of calculation of purchase consideration are \_\_\_\_\_

- A. 4
- B. 5
- C. 3
- D. 2

ANSWER: A

132. Profit on realization a/c must be transferred to \_\_\_\_\_.

- A. equity shareholders
- B. preference shareholders
- C. debenture holders
- D. creditors

ANSWER: A

133. When the interest is included in quoted price, it is \_\_\_\_\_.

- A. face value
- B. ex-interest price
- C. cum-interest price
- D. market price

ANSWER: C

134. When the interest is not included in quoted price, it is

- A. face value
- B. ex-interest price
- C. cum-interest price
- D. market price

ANSWER: B

135. At the time of debenture purchase ,the price paid for interest due is \_\_\_\_\_.

- A. capital charge
- B. revenue charge
- C. discount
- D. none of the above

ANSWER: B

136. Sec. 100 to 105 of the companies act deals with \_\_\_\_\_.

- A. amalgamation
- B. absorption
- C. reconstruction
- D. capital reduction

ANSWER: D

137. Which section deals with issue and redemption of preference shares?

- A. 70
- B. 77
- C. 78
- D. 74B

ANSWER: A

138. Accounting standard for amalgamation is

- A. AS 8
- B. As 20
- C. As 14
- D. As 3

ANSWER: C

139. When unissued surrendered shares are cancelled, \_\_\_\_\_ is credited.

- A. Share capital.
- B. Equity share capital.
- C. Capital reduction A/c.

D. Profit and loss A/c.

ANSWER: C

140. For any sacrifice made by debenture holders or creditors \_\_\_\_\_ is credited.

- A. Capital reduction A/c.
- B. Bank A/c.
- C. Capital reserve A/c.
- D. Asset A/c.

ANSWER: A

141. For payment of scheme/ reconstruction expense \_\_\_\_\_ is credited.

- A. Preliminary expenses A/c.
- B. Bank A/c.
- C. Assets A/c.
- D. Creditors A/c.

ANSWER: B

142. For transferring liabilities taken over \_\_\_\_\_ is debited

- A. Assets A/c.
- B. Realization A/c.
- C. Liabilities A/c.
- D. None of the above.

ANSWER: C

143. For receiving the purchase consideration \_\_\_\_\_ is credited

- A. Shares in new company
- B. debentures in new company
- C. cash and bank
- D. Purchasing company accounts.

ANSWER: A

144. If expenses are to be borne by the purchasing company \_\_\_\_\_ is debited

- A. Purchasing Co. A/c.
- B. Preference share holders A/c.
- C. Profit and loss A/c.
- D. Equity share holders A/c.

ANSWER: A

145. In case of amalgamation in the nature of merger. Under pooling of interests method, for purchase consideration payable \_\_\_\_\_ is credited

- A. Liquidator of transferor company
- B. Reserves A/c.
- C. surplus.
- D. None of the above.

ANSWER: A

146. Formation expenses paid \_\_\_\_\_ is debited

- A. Liability A/c.

- B. Preliminary expenses.
- C. General reserve A/c.
- D. Bank A/c.

ANSWER: B

147. A ltd takes over B ltd , with a exception of creditors and agrees to pay Rs.500000 to the share holders of B ltd .Creditors stood at Rs.100000.the purchase consideration is to be taken as -----.

- A. Rs.500000.
- B. Rs.600000.
- C. Rs.400000.
- D. Rs.700000.

ANSWER: C

148. A ltd takes over b ltd and agrees to discharge debenture holders of B ltd at the premium of 5 % the premium should be debited in the books the vendor company to -----.

- A. Realisation A\c.
- B. Share holders A\c.
- C. Profit and loss A\c.
- D. Bank A\c.

ANSWER: B

149. When the purchasing company allots shares at market price the calculation of purchase consideration is based on -----.

- A. Market price.
- B. Paid up value.
- C. Average of the above two.
- D. None of the above.

ANSWER: A

150. X ltd acquires the business of Y ltd whose net assets as per the balance sheet work out to Rs.500000.X ltd agrees to pay Rs.350000 to equity shareholders , Rs.250000 to preference share holders and Rs. 200000 to debenture holders the purchase consideration agreed to be paid is \_\_\_\_\_.

- A. Rs.800000.
- B. Rs.600000.
- C. Rs.500000.
- D. Rs.700000.

ANSWER: A

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