

Accountancy

Accounting For Share Capital

Q1. When a company takes over another one and clearly becomes a new owner, the action is called_____.

1 Mark

- A** Merger **B** Acquisition **C** Strategic Alliance **D** None of the above

Ans: B Acquisition

2. Acquisition

Explanation:

The terms "mergers" and "acquisitions" are often used interchangeably, although in actuality, they hold slightly different meanings. When one company takes over another entity, and establishes itself as the new owner, the purchase is called an acquisition.

Q2. The interest on calls-in-advance is paid for the period from the _____.

1 Mark

- A** Date of receipt of application money to the date of appropriation
B Date of receipt of allotment money to the date of appropriation
C Dale of receipt of advance to the date of appropriation
D Date of appropriation to the date of dividend payment

Ans: C Dale of receipt of advance to the date of appropriation

3. Dale of receipt of advance to the date of appropriation

Explanation:

Calls in Advance is the amount paid by shareholder before the due date.

The company provides interest on this amount to the shareholder.

The interest is paid on call in advance starting from the date when advance is recieved to the date when the amount has to be appropriated or recieved.

Thus, the interest on call in advance is pai for period from date of reciept to the date of appropriation.

Q3. Minimum amount to be called up at the time of share application is _____.

1 Mark

- A** 5% **B** 10% **C** 15% **D** 25%

Ans: A 5%

1. 5%

Explanation:

As per Section 39, the amount payable on application on every share shall not be less than 5% of the nominal value of the share as per Companies Act or such other percentage as may be specified by the SEBI in this behalf.

Q4. The part of share capital, which can be called up only on the winding up of a company, is called _____.

1 Mark

- A** Authorised Capital **B** Called up Capital **C** Sacrificing ratio gaining ratio
D Reserve Capital

Ans: D Reserve Capital

4. Reserve Capital

Explanation:

According to Section 2 (8) of the Companies Act, 2013, 'authorised capital' means such capital as is authorised by the memorandum of a company to be the maximum amount of share capital of a company. Answer: Part of capital of a company which is called-up only on winding up is called 'reserve capital'.

Q5. If the loss on reissue of shares is less than the amount forfeited, the surplus is transferred to:

1 Mark

- A** Capital Reserve. **B** An asset. **C** Revenue Reserve. **D** None of these.

Ans: A Capital Reserve.

1. Capital Reserve.

Q6. Liability of a shareholder is limited to _____ of the shares allotted to him: **1 Mark**
A Paid up Value. **B** Called up value. **C** Face value. **D** Reserve Price.

Ans: C Face value.

3. Face value.

Q7. The capital of a company is divided into equal smaller units called _____. **1 Mark**
A Units **B** Shares **C** Both (a) and (b) **D** None of the above

Ans: B Shares

2. Shares

Explanation:

A company's capital is divided into small equal units of a finite number. Each unit is known as a share.

Q8. Which of the following is correct? **1 Mark**
A Capital Suspense Account can be used in place of Annuity Suspense Account.

B

There is very much difference between accounting in case of death of a partner and retirement of a partner.

C

At the time of retirement of a partner, the goodwill of the firm is evaluated on the basis of market price of assets of the firm.

D A partner who devotes more time to a business than other partners is entitled to get a salary.

Ans: A Capital Suspense Account can be used in place of Annuity Suspense Account.

1. Capital Suspense Account can be used in place of Annuity Suspense Account.

Q9. General insurance is a contract of _____. **1 Mark**
A Contribution **B** Indemnity **C** Guarantee **D** None of these

Ans: B Indemnity

2. Indemnity

Explanation:

When the purpose of insurance is to protect against loss of property due to an accident it is known as general insurance. Similarly if there is no loss of property there is no question of giving any compensation. For this reason general insurance is known as the contract of indemnity.

Q10. For amalgamation in the nature of merger, the shareholders holding at least _____ or more of the facevalue of equity shares of the transferor company becomes the equity shareholders of the transferee company. **1 Mark**
A 90% **B** 80% **C** 100% **D** None of these

Ans: A 90%

1. 90%

Explanation:

Shareholders holding not less than 90% of the face value of the equity shares of the transferor company (other than the equity shares already held therein, immediately before amalgamation by the transferee company or its subsidiaries or their nominees) become equity shareholders of the transferee company by virtue of amalgamation.

Q11. The profit on the re-issue of forfeited shares is transferred to _____. **1 Mark**
A Capital Account **B** Capital Reserve Account **C** Profit and Loss Account
D General Reserve Account

Ans: B Capital Reserve Account

2. Capital Reserve Account

Explanation:

When a company re-issues only a part of the forfeited shares, then it will transfer only the profit relating to this part to the capital reserve.

When a company re-issues shares at a price more than their face value, it shall transfer the excess amount to the Securities Premium A/c.

Q12. There are 20,000 Preference Shares of Rs 10, on which only Rs 8 has been called up. Company wants to redeem these shares. Company has received different advices. Which of the following advices is correct?

1 Mark

- A** Company cannot redeem preference shares **B** Can redeem preference shares
C
Company should make the final call @ Rs 2 and make shares fully paid up, and then preference shares may be redeemed.
D None of these

Ans: **C** Company should make the final call @ Rs 2 and make shares fully paid up, and then preference shares may be redeemed.

3. Company should make the final call @ Rs 2 and make shares fully paid up, and then preference shares may be redeemed.

Q13. Dividends are usually paid on _____.

1 Mark

- A** Authorised capital **B** Issued capital **C** Called-up capital **D** Paid-up capital

Ans: **D** Paid-up capital

4. Paid-up capital

Explanation:

A capital dividend is typically not taxable for shareholders, as it is viewed as a return of the capital that investors pay in. Additionally, by paying out dividends from retained earnings, a company's struggles may worsen as its capital base shrinks, limiting investment and business opportunities in the future.

Q14. The maximum number of members of a public company cannot exceed _____.

1 Mark

- A** 5000 **B** 1000 **C** 500 **D** No limit

Ans: **D** No limit

4. No limit

Explanation:

In case of private companies, the maximum limit has been increased by the new Companies Act, 2013 from 50 to 200. There is however no maximum limit on the no. of members in a public company.

The minimum number of members in case of a public company is seven and in case of a private company is 2.

Q15. _____ is the account created in connection with internal reconstruction.

1 Mark

- A** Realization a/c **B** Capital reduction a/c **C** Adjustment a/c **D** CRR a/c

Ans: **B** Capital reduction a/c

2. Capital reduction a/c

Explanation:

The Capital Reduction Account is a temporary account opened in order to carry out the internal reconstruction. When the scheme is carried out, the account is closed. The Capital Reduction Account represents the sacrifice made by the Shareholders, Debenture-holders, Creditors etc.

Q16. Which of the following is not an alteration of capital?

1 Mark

- A** Consolidation of shares **B** Sub-division of shares **C** Conversion of shares into stock
D Paid off paid up capital in excess of needs of the company

Ans: **D** Paid off paid up capital in excess of needs of the company

4. Paid off paid up capital in excess of needs of the company

Explanation:

Alteration of Share Capital:

Under Section 94 of the Companies Act, a company limited by shares may in general meeting, if so authorized by its Articles of Association, alter the capital clause of its Memorandum of Association in any of the following ways:

It may increase its share capital by issuing new shares.

It may consolidate and divide all or part of its share capital into shares of a large amount.

It may convert all or any of its fully paid-up shares into stock or reconvert that stock into fully paid-up shares of any denomination.

It may sub-divide its shares into shares of lower denomination.

It may cancel those shares which have not been taken by any person and reduce the amount of its share capital.

Q17. Shares of a Pvt. Ltd. company are listed _____.

1 Mark

- A** In regional stock exchange **B** Not listed at all **C** In NSE

D In BSE

Ans: B Not listed at all

2. Not listed at all

Explanation:

Shares of "Private Limited" company are prohibits any invitation to the public to subscribe for any securities of the company thus it is not listed on any stock exchanges.

Q18. When a company receives application for subscriptions to the shares of the company much more than the issued capital, the issue is called _____.

1 Mark

A Oversubscribed **B** Under subscribed **C** Overwhelmed issue **D** Flopped show

Ans: A Oversubscribed

1. Oversubscribed

Explanation:

Oversubscribed is the term for when the demand for a company's IPO shares is greater than the number of shares issued. That is, a situation in which investors have expressed an interest in buying more shares of a new company than will be available.

Q19. Reducing the capital of a company is called _____.

1 Mark

A Internal reconstruction **B** External reconstruction **C** Consolidation **D** None of these

Ans: A Internal reconstruction

1. Internal reconstruction

Explanation:

Reconstruction in which the once again reorganized by reevaluation assets and liabilities and writing off the losses by reducing the paid up of shares. Such a process is called internal reconstruction which is carried out without liquidating the company.

Q20. When shares are issued at discount, the amount of discount is debited to _____, which is in the nature of capital loss for the company.

1 Mark

A Discount on issue of shares account **B** Securities discount account **C** Share forfeiture account
D Securities premium account

Ans: A Discount on issue of shares account

1. Discount on issue of shares account

Explanation:

When shares are issued at a discount, the amount of such discount is debited to 'Discount on Issue of Shares Account', which is the nature of a capital loss for the company. For example, when a share of the nominal value of Rs.100 is issued at Rs.98, it is said to have been issued at a discount of Rs.2.

Q21. A Company formed and registered for future projects or to hold an asset or intellectual property rights can apply for registration as _____.

1 Mark

A Dummy company **B** Sham company **C** Dormant company **D** Inactive company

Ans: C Dormant company

3. Dormant company

Explanation:

As per the Companies Act, 2013, "Where a company is formed and registered under this Act for a future project or to hold an asset or intellectual property and has no significant accounting transaction, such a company or an inactive company may make an application to the Registrar in such manner as may be prescribed for obtaining the status of a dormant company".

Q22. Sec 494 of the Companies Act 1956 facilitates _____.

1 Mark

A Amalgamation **B** Absorption **C** External reconstruction **D** All of these

Ans: B Absorption

4. All of these

Explanation:

Section 494 in The Companies Act, 1956. 494. Power of liquidator to accept shares, etc., as consideration for sale of property of company

(2) Any sale or arrangement in pursuance of this section shall be binding on the members of the transferor company.

Q23.

1 Mark

While preparing the transferee company's financial statement under amalgamation in the nature of merger, the assets and liabilities taken over from the transferor company should be incorporated at _____.

- A** Cost **B** Book value **C** Revised value **D** None of these

Ans: B Book value

2. Book value

Explanation:

In case of other assets, the fair value may be determined by reference to the market value of the assets given up. Where the market value of the assets given up cannot be reliably assessed, such assets may be valued at their respective net book values.

Q24. Which of these types of shares cannot be issued at discount?

1 Mark

- A** New class of shares **B** Preference shares **C** Shares with differential dividend
D All of the above

Ans: A New class of shares

1. New class of shares

Explanation:

When Shares are issued at a price lower than their face value they are said to have been issued at a discount.

Shares can be issued at discount subject to the following conditions:

The shares must belong to a class already issued.

Discount rate should not be more than 10%.

Q25. In case of a company limited by shares, a shareholder has paid full on his shares, his liability will be.

1 Mark

- A** As decided by directors **B** An equal amount to already paid up value of share
C Nil **D** None of these

Ans: C Nil

3. Nil

Explanation:

In a company limited by shares, the liability of the shareholders for company debts is limited to the capital originally invested in the business i.e. the nominal value of the shares they own.

Q26. If a share of 10 on which ₹ 8 has been called and ₹ 6 is paid is forfeited, the Share Capital Account should be debited with.

1 Mark

- A** ₹ 10. **B** ₹ 8. **C** ₹ 6. **D** ₹ 2.

Ans: B ₹ 8.

2. ₹ 8.

Q27. Joy Ltd. issued 1,00,000 equity shares of ₹ 10 each. The amount was payable as follows:

1 Mark

On application – ₹ 3 per share.

On allotment – ₹ 4 per share.

On 1st and final call – balance.

Applications for 95,000 shares were received and shares were allotted to all the applicants. Sonam to whom 500 shares were allotted failed to pay allotment money and Gautam paid his entire amount due including the amount due on first and final call on the 750 shares allotted to him along with allotment. The amount received on allotment was

- A** ₹ 3,80,000. **B** ₹ 3,78,000. **C** ₹ 3,80,250. **D** ₹ 4,00,250.

Ans: C ₹ 3,80,250.

3. ₹ 3,80,250.

Q28. Anmol Ltd. forfeited 20 shares of Rs. 10 each and of which Rs. 4 per share were paid. What minimum price company must charge if the forfeited shares are re-issued as Rs. 8 per share paid up?

1 Mark

- A** Rs. 2 per share **B** Rs. 4 per share **C** Rs. 8 per share **D** Rs. 10 per share

Ans: B Rs. 4 per share

2. Rs. 4 per share

Explanation:

Reissue of share is merely a sale of Forfeited Shares and not an allotment of shares. The forfeited shares can be reissued as per the provisions of Articles of the company.

The Re-issue price of forfeited shares must be at least equal to the difference between the paid up value of Re-issued Shares and the Amount Forfeited on Re-issue Shares. In other words, Re-issue price must not be less than the amount unpaid on Forfeited Shares.

Therefore, difference between Paid up value of reissue shares and amount forfeited = Rs. 8 - 4 = Rs. 4

Q29. Under net payment method, purchase consideration includes all payments made to the shareholders in the form of _____ . **1 Mark**

- A** Equity share **B** Preference share **C** Cash **D** All of these

Ans: D All of these

4. All of these

Explanation:

'Purchase Consideration' under this method is taken as the aggregate of all payments made in the form of shares, debentures, other securities and cash to the shareholders of the transferor company.

Q30. When an existing company takes over the business of one or more existing companies, it is called _____ . **1 Mark**

- A** Amalgamation **B** Absorption **C** Internal reconstruction **D** None of these

Ans: B Absorption

2. Absorption

Explanation:

The process in which two or more than companies are wound up to form a new company, which acquires their business is known as Amalgamation. The process in which one company takes over the other company is known as Absorption.

Q31. Shares are movable property and transferable in the manner _____ . **1 Mark**

- A** Provided in the sales of goods act **B** Provided in the article of associations
C Provided for transfer is immovable property **D** Felt convenient by the transferor

Ans: B Provided in the article of associations

2. Provided in the article of associations

Explanation:

An important characteristic of a company is that its shares are transferable. Shares or debentures are movable property.

They are transferable in the manner provided by the articles of the company, especially, the shares of any member of a public company.

Q32. The name of a private company ends with _____ . **1 Mark**

- A** Limited **B** Public Ltd. **C** Private limited **D** Pvt.

Ans: C Private limited

3. Private limited

Explanation:

The name of a company is the indicator of its legal status. As such, by a bare look at the name of the company. a man should understand whether it is private or public company.

As per section 2 (68) of the Companies Act, 2013,

A private limited company should mention at the end of their company's name either "private limited" or "Pvt. Ltd".

Q33. Which of the following feature(s) of preference shares are similar to those of equity shares? **1 Mark**

- A** Redeemability **B** No obligation to pay dividend **C** Voting rights
D Change over assets **E** Both (B) and (C) above

Ans: B No obligation to pay dividend

2. No obligation to pay dividend

Explanation:

Like in the case of equity shareholders there is no obligatory payment to the preference shareholders and the preference dividend is not tax deductible.

Q34. Balance of shares forfeiture account (before re-issue) is a: **1 Mark**

- A** Capital reserves **B** Revenue reserves **C** Share Capital **D** None of the above

Ans:

C Share Capital

3. Share Capital

Explanation:

The balance in the Share Forfeiture A/c appears under the Share Capital in Shareholders funds on the liabilities side of the Balance Sheet.

Q35. The maximum rate of premium at which shares can be issued is _____ . **1 Mark**

- A** 5% **B** 10% **C** 15% **D** There is no limit

Ans: D There is no limit

4. There is no limit

Explanation:

Companies Act, 2013 does not prescribe any maximum rate of premium for the issue of shares.

Q36. The part of the capital which will be called up only in the event of winding up of the company is called _____ capital. **1 Mark**

- A** Issued **B** Paid-up **C** Reserve **D** Uncalled

Ans: C Reserve

3. Reserve

Explanation:

Uncalled capital may be converted in to reserve capital. Reserve capital will be called at the time of winding up of the company to meet the liabilities.

Q37. Statutory corporations are created under _____. **1 Mark**

- A** Companies act. 1956 **B** Statutory corporation act **C** An act enacted by the parliament
D All the above

Ans: C An act enacted by the parliament

3. An act enacted by the parliament

Explanation:

A statutory corporation is a corporation created by the state.They are enterprises brought into existence by a Special Act of the Parliament.

The Act defines its powers and functions, rules and regulations governing its employees and its relationship with government departments. It is a corporate person and has the capacity of acting in its own name.

Q38. Forfeiture of shares results in compulsory termination of _____ due to non-payment of allotment/call money. **1 Mark**

- A** Allotment **B** Membership **C** Subscription **D** Issue

Ans: B Membership

2. Membership

Explanation:

In absence of payment of allotment money by the shareholders, shares can be forfeited by the company. In case of forfeiture of shares, the membership is compulsorily terminated.

Q39. Equity shares cannot be issued for the purpose of: **1 Mark**

- A** Cash Receipts. **B** Purchase of assets. **C** Redemption of debentures.
D Distribution of dividend.

Ans: D Distribution of dividend.

4. Distribution of dividend.

Q40. The term contributory includes _____. **1 Mark**

- A** The holder of fully paid shares **B** The holder of partly paid shares
C A past member who has ceased to be a member **D** The holder of unpaid capital

Ans: A The holder of fully paid shares

1. The holder of fully paid shares

Explanation:

The members of the company on the commencement of the business is known as contributory. As per section 428 of the companies act, 2013, every person who is liable to contribute to the assets of the company at the time of its winding up or holder of a fully paid share is called as contributory.

Q41. Preference shareholders are _____ of the company.

1 Mark

- A** Creditors **B** Owners **C** Customers **D** Borrowers

Ans: B Owners

2. Owners

Explanation:

Like the ordinary or equity shareholders, preference shareholders are also owners of the company. The only difference is that preference shareholders have the dividend rights before the equity shareholders.

Q42. The balance in the deceased partner's capital account is transferred to the _____ capital account.

1 Mark

- A** Solvent Partners **B** Insolvent Partners **C** Representative of Deceased Partner
D New Partners

Ans: C Representative of Deceased Partner

3. Representative of Deceased Partner

Explanation:

On the death of a partner, the partnership ceases to exist. But the firm may not cease to exist as the other remaining partners may decide to continue the business.

In case of death of a partner, the treatment of various items is similar to that at the time of retirement of the partner.

After making all the adjustments in the partners capital account, the amount that is due to him is paid to his legal representative.

Q43. When shares are forfeited, share capital account is debited by _____.

1 Mark

- A** Paid up amount of shares **B** Called up amount of shares **C** Face value of shares
D Uncalled capital

Ans: B Called up amount of shares

2. Called up amount of shares

Explanation:

When the shares are forfeited, all accounting entries which were passed at the time of issue must be reversed.

Hence while forfeited, share capital account should be debited by the amount called up on shares.

Q44. Nirman Ltd. issued 50,000 equity shares of ₹ 10 each. The amount was payable as follows:

1 Mark

On application - ₹ 3 per share

On allotment - ₹ 2 per share

On first and final call - The balance

Applications for 45,000 shares were received and shares were allotted to all the applicants. Pooja, to whom 500 shares were allotted, paid her entire share money at the time of allotment, whereas Kundan did not pay the first and final call on his 300 shares. The amount received at the time of making first and final call was:

- A** ₹ 2,25,000 **B** ₹ 2,20,000 **C** ₹ 2,21,000 **D** ₹ 2,19,500

Ans: C ₹ 2,21,000

3. ₹ 2,21,000.

Q45. Which Amendment Act permits a company to issue equity share capital with differential rights as to dividend, voting or otherwise?

1 Mark

- A** Companies (Amendment) act, 2003 **B** Companies (Amendment) act, 2000
C Companies (Amendment) act, 1988 **D** Companies (Amendment) act, 2002

Ans: B Companies (Amendment) act, 2000

2. Companies (Amendment) act, 2000

Q46. A company cannot issue shares at a discount more than _____ % of its face value.

1 Mark

- A** 5 **B** 10 **C** 15 **D** 20

Ans: B 10

2. 10

Explanation:

When Shares are issued at a price lower than their face value, they are said to have been issued at a discount.

Shares can be issued at discount subject to the following conditions:

The shares must belong to a class already issued.

Discount rate should not be more than 10% of its face value.

Q47. The amount of surrendered shares is credited to _____.

1 Mark

- A** CRR **B** Sinking fund **C** Capital reduction account
D Reserve

Ans: **C** Capital reduction account

3. Capital reduction account

Explanation:

The Capital Reduction Account is a temporary account opened in order to carry out the internal reconstruction. When the scheme is carried out, the account is closed. The Capital Reduction Account represents the sacrifice made by the Shareholders, Debenture-holders, Creditors etc.

Q48. Which of the following statements does not relate to 'Reserve Capital':

1 Mark

- A** It is part of uncalled capital of a company. **B** It cannot be used during the lifetime of a company.
C It can be used for writing off capital losses. **D** It is part of subscribed capital.

Ans: **C** It can be used for writing off capital losses.

3. It can be used for writing off capital losses.

Q49. A and B enter into a Joint Venture sharing profits and losses in the ratio 3 : 2. A purchased good costing 2,00,000. Other expenses of A 10,000. B sold the goods for 1,80,000. Remaining goods were taken over by B at 20,000. The amount of final remittance to be paid by B to A will be:

1 Mark

- A** 2,15,000 **B** 2,05,000 **C** 2,10,000 **D** None of these

Ans: **D** None of these

4. None of these

Q50. Which of the following is not a case of combination?

1 Mark

- A** External reconstruction **B** Internal reconstruction **C** Amalgamation
D Absorption

Ans: **B** Internal reconstruction

2. Internal reconstruction

Explanation:

Internal reconstruction refers to the method of corporate restructuring wherein existing company is not liquidated to form a new one. External reconstruction is one in which the company undergoing reconstruction is liquidated to take over the business of existing company. New company. No new company is formed.

Q51. Share Application Account is in the nature of:

1 Mark

- A** Real Account. **B** Personal Account. **C** Nominal Account. **D** None of the above.

Ans: **B** Personal Account.

2. Personal Account.

Q52. A Private Company must be registered with a minimum share capital of _____.

1 Mark

- A** Rs.5 lakhs **B** Rs.1 lakhs **C** Rs.10 lakhs **D** Rs.50,000

Ans: **B** Rs.1 lakhs

2. Rs.1 lakhs

Explanation:

As per section 2(68) of companies act, 2013 "private company" means a company having a minimum paid-up share capital of one lakh rupees or such higher paid-up share capital as may be prescribed and restrict any invitation to the public to subscribe for any securities of the company.

Q53. Share or Security Premium can be used for writing off _____.

1 Mark

- A** Loss on sale of assets **B** Preliminary expenses **C** Bad debts **D** Both B and C

Ans: B Preliminary expenses

2. Preliminary expenses

Explanation:

As per section 52(2) of the Companies Act, 2013, Share or Security Premium can be used for writing off Preliminary Expenses. It cannot be used either for writing off loss on sale assets or bad debts.

Q54. Which section(s) of the company act specify the provisions relating to amalgamation?

1 Mark

A 360 and 362

B 340

C 320 and 326

D 390 and 396(a)

Ans: D 390 and 396(a)

4. 390 and 396(a)

Explanation:

According to section 390 and 396(a) of the Indian companies act, 2013, amalgamation is defined as a situation in which two or more companies come together to form a new company.

Q55. Advantages of a corporate form of business organization includes _____.

1 Mark

A Limited liability

B Perpetual existence

C No restriction on number of shareholders

D All of the above

Ans: D All of the above

4. All of the above

Q56. Which of the following result in reduction of capital?

1 Mark

A Reducing share capital

B Reducing the amount payable to creditors

C Appreciation in the value of assets

D All of these

Ans: D All of these

4. All of these

Q57. A company can not issue following kinds of shares _____.

1 Mark

A Redeemable equity shares

B Irredeemable preference shares

C Equity shares with differential voting rights

D Redeemable preference shares

Ans: B Irredeemable preference shares

2. Irredeemable preference shares

Explanation:

An Irredeemable preference share is a kind of preference share which have no maturity period to be redeemed. Means the investors of such shares will not get their capital back. so as the companies Act, 2013 does not allow any company to issue irredeemable preference shares.

Q58. A share certificate is required to be signed by _____.

1 Mark

A Two directors and company secretary

B Chairman of the company

C Attorney of the company

D Chartered accountant

Ans: A Two directors and company secretary

1. Two directors and company secretary

Explanation:

Rule 5 read and form SH.1 contains a provision for the signature of two Directors and a Secretary as a mandate for issuing share certificate. Thus, below-mentioned signatories are required to put their signatures on a share certificate:

Two Directors specifically authorized by the Board of Directors of the company for the purpose, or the Committee of the Board if so authorized by the Board.

The Company Secretary or any other person authorized by the Board.

Q59. In a share of Rs. 50, on which Rs.30 has been paid, is forfeited, it can be re-issued at the minimum price of _____.

1 Mark

A Rs.30 per share

B Rs.20 per share

C Rs.50 per share

D Rs.40 per share

Ans: B Rs.20 per share

2. Rs.20 per share

Explanation:

Reissue of share is merely a sale of Forfeited Shares and not an allotment of shares. The forfeited shares can be reissued as per the provisions of Articles of the company.

The Re-issue price of forfeited shares must be at least equal to the difference between the paid up value of Re-issued Shares and the Amount Forfeited on Re-issue Shares. In other words, Re-issue price must not be less than the amount unpaid on Forfeited Shares.

Therefore, difference between paid up value of reissued shares and amount forfeited = Rs.50 - 30 = Rs.20

Q60. Premium Received on Issue of Shares is shown on:

1 Mark

- A** Equity and Liabilities part of the Balance Sheet. **B** Assets part of the Balance Sheet.
C Credit side of the Statement of Profit and Loss. **D** Debit side of the Statement of Profit and Loss.

Ans: **A** Equity and Liabilities part of the Balance Sheet.

1. Equity and Liabilities part of the Balance Sheet.

Q61. Amount sacrificed by the shareholders is called _____.

1 Mark

- A** Capital reserve **B** General reserve **C** Capital reduction **D** None of these

Ans: **C** Capital reduction

3. Capital reduction

Explanation:

The Capital Reduction Account represents the sacrifice made by the Shareholders, Debenture-holders, Creditors, etc. The appreciation in the value of assets is credited to this account. It is also available to write off accumulated losses, intangible assets, over-valuation of assets, etc.

Q62. When shares are forfeited the share capital account is debited with the:

1 Mark

- A** Nominal value of shares **B** Paid up value of shares **C** Called up value of share
D None of the above

Ans: **C** Called up value of share

3. Called up value of share

Explanation:

The company debits the Share Capital Account with the amount called-up up to the date of forfeiture on shares.

It credits the Shares Allotment Amount or Shares Call Account with the amount called up on forfeited shares but due from the shareholders.

Q63. In the absence of partnership agreement, interest on drawings of a partners is charged:

1 Mark

- A** At 6% per annum **B** At 9% per annum **C** At 12% per annum **D** No interest is charged

Ans: **D** No interest is charged

4. No interest is charged

Explanation:

In the absence of partnership agreement, no interest on drawings is charged from any partners.

Q64. Shares in Sharma Ltd. was acquired by Mr. B at a cost of Rs. 50,000. During the current p.y. he got right to acquire fresh shares. On the date of receiving the right entitlement intimation fair market value of existing shares held by Mr. B was Rs. 60,000. Mr. B sold the right paper for Rs. 75,000. His capital gains liability would be:

1 Mark

- A** Rs. 10,000 **B** Rs. 15,000 **C** Rs. 25,000 **D** Rs. 75,000

Ans: **D** Rs. 75,000

4. Rs. 75,000

Q65. The committee to recommend formation of POC(One Person Company) in India is _____?

1 Mark

- A** Alagh **B** J.J.Irani **C** H.C.Baba **D** None of these

Ans: **B** J.J.Irani

2. J.J.Irani

Explanation:

In India, in the year 2005, the JJ Irani Committee recommended the formation of OPC. It had suggested that such an entity may be provided with a simpler legal regime through exemptions so that the small entrepreneur is not compelled to devote considerable time, energy and resources on complex legal compliance.

Q66. On a share of Rs. 10 on which Rs 8 has been called up but Rs. 5 has been paid forfeited. The share capital account should be debited by: **1 Mark**

- A** Rs. 5 **B** Rs. 8 **C** Rs. 10 **D** None of the above

Ans: D None of the above

2. Rs. 8

Explanation:

The company debits the Share Capital Account with the amount called-up up to the date of forfeiture on shares.

It credits the Shares Allotment Amount or Shares Call Account with the amount called up on forfeited shares but due from the shareholders.

In this case, since the called up amount is Rs. 8, then the share capital will be debited with Rs. 8.

Q67. Madhur Ltd. forfeited 10 shares of Rs. 10 each, (Rs. 8 called up) issued at a discount of 10% to Anita on which she had paid Rs. 2 per share. Out of these, 8 shares were re-issued to Sumita as Rs. 8 called up for Rs. 6 per share. What amount is left in share forfeiture account after re-issue of 8 shares? **1 Mark**

- A** Nil **B** Rs. 2 **C** Rs. 4 **D** Rs. 8

Ans: C Rs. 4

3. Rs. 4

Q68. There will be 'Revenue profits' if the shares are acquired by the holding company. **1 Mark**

- A** On the date of the given Balance Sheets **B** During the current year
C At the beginning of the current year **D** After the presentation of Balance Sheets

Ans: C At the beginning of the current year

3. At the beginning of the current year

Explanation:

Revenue profit is the net income that results from the business operations of an entity. Revenue profits include profits from the sale of goods and/or services, net income earned from leasing out activities, commission business etc.

There will be 'Revenue profits' if the shares are acquired by the holding company if shares are acquired at the beginning of the current year.

Q69. When company issues shares at a premium, the amount of premium may be received by the company: **1 Mark**

- A** Long with application money **B** Along with allotment only **C** Along with calls
D Along with any of the (A), (B) or (C)

Ans: D Along with any of the (A), (B) or (C)

4. Along with any of the (A), (B) or (C)

Explanation:

When a company issues shares at a premium, the premium amount will be received by it along with application money, allotment money, or calls.

Q70. Reinsurance is common in _____. **1 Mark**

- A** Life insurance **B** General insurance **C** Marine insurance **D** None of these

Ans: B General insurance

2. General insurance

Explanation:

Reinsurance occurs when multiple insurance companies share risk by purchasing insurance policies from other insurers to limit their own total loss in case of disaster. By spreading risk, an insurance company takes on clients whose coverage would be too great of a burden for the single insurance company to handle alone.

Q71. Which of these is one of the condition for issue of sweat equity shares by a company? **1 Mark**

- A** Authorized by a special resolution passed by the company in general meeting.
B Provision in the Article of Association of the company. **C** Court orders authorizing such issue.
D Cannot be issued at discount.

Ans: A Authorized by a special resolution passed by the company in general meeting.

1. Authorized by a special resolution passed by the company in general meeting.

Q72. The term capital structure denotes _____.

1 Mark

- A** Total of Liability side of Balance Sheet **B** Equity Funds, Preference Capital and Long-term Debt
C Total Shareholders Equity **D** Types of Capital issued by a Company

Ans: B Equity Funds, Preference Capital and Long-term Debt

2. Equity Funds, Preference Capital and Long-term Debt

Explanation:

The capital structure is how a firm finances its overall operations and growth by using different sources of funds. The capital structure is defined as a mixture of debt & equity or any other long term sources of funds.

Q73. Valuation is related to _____.

1 Mark

- A** Past **B** Future **C** Present **D** Both (A) and (B)

Ans: B Future

2. Future

Explanation:

Valuation is the measurement of a firm, goodwill, etc. so that purchase consideration can be received in the future by the company selling its goodwill.

Q74. Return of shares voluntarily by a shareholder to the company for cancellation is called _____.

1 Mark

- A** Forfeiture of shares **B** Transfer of shares **C** Redemption of shares **D** Surrender of shares

Ans: D Surrender of shares

4. Surrender of shares

Explanation:

Its a short cut of forfeiture of shares. In case of non payment of amount, rather than forfeiting the shares, members or shareholders can surrender the shares.

If a shareholder is voluntary returning the shares, it is called surrender of shares.

Q75. A public company can issue share at a premium not more than _____.

1 Mark

- A** 10% **B** 30% **C** No such limit prescribed
D 50%

Ans: C No such limit prescribed

3. No such limit prescribed

Explanation:

When a share is issued at more than its nominal value it is called issue of shares at premium. There is no limit on the amount of premium.

Q76. Which of the following can be treated as type of shares?

1 Mark

- A** Equity shares **B** Preference share **C** Both (A) & (B) **D** None of the above

Ans: C Both (A) & (B)

3. Both (A) & (B)

Explanation:

Equity shares are the main source of finance of a firm. It is issued to the general public. Equity shareholders do not enjoy any preferential rights with regard to repayment of capital and dividend.

They are entitled to residual income of the company, but they enjoy the right to control the affairs of the business and all the shareholders collectively are the owners of the company.

Preference shares, more commonly referred to as preferred stock, are shares of a company's stock with dividends that are paid out to shareholders before common stock dividends are issued. If the company enters bankruptcy, the shareholders with preferred stock are entitled to be paid from company assets first.

Q77. Which of the following statements is false?

1 Mark

- A** The forfeited shares should not be issued at a premium.

B

On forfeiture of shares, share or security premium account is not debited with the amount of premium received.

- C** Shares cannot be issued at a discount unless certain conditions are satisfied.

D Share premium cannot be transferred to Capital Reserve.

Ans: A The forfeited shares should not be issued at a premium.

1. The forfeited shares should not be issued at a premium.

Explanation:

Forfeiture of Shares Issued at Premium. However, at the time when the shares are forfeited if the entire, or part of the share premium is unpaid, certain adjustments must be made to Share Premium A/c. In such a case the Share Premium A/c will be debited by the amount of premium not received.

Q78. Capital reduction account is used to _____.

1 Mark

A Write of losses **B** Transfer of capital **C** Issue bonus shares **D** None of these

Ans: A Write of losses

1. Write of losses

Explanation:

Capital Reduction/Reconstruction Account is used for reducing share capital, paying/waiving off liabilities or revaluation of assets in order to write off unnecessary items such as P/L (Dr), Goodwill, Fictitious assets etc.

Q79. The name of a public company should end with _____.

1 Mark

A Limited **B** Pvt. Ltd. **C** Registered Ltd. **D** Ltd.

Ans: A Limited

1. Limited

Explanation:

The name of a company is the indicator of its legal status. As such by a bare look at the name of the company. A man should understand whether it is private or public company.

As per section 2 (71) of the Companies Act, 2013.

A public limited company should mention at the end of their company's name either "Limited" or "Ltd".

Q80. A Public Company must be registered with a minimum share capital of _____.

1 Mark

A Rs.10 lakhs **B** Rs.5 lakhs **C** Rs.50 lakhs **D** no limit

Ans: B Rs.5 lakhs

2. Rs.5 lakhs

Explanation:

As per section 2(71) of companies act, 2013 "public company" means a company which—is not a private company; has a minimum paid-up share capital of five lakh rupees or such higher paid-up capital, as may be prescribed.

Q81. Public limited companies cannot issue _____.

1 Mark

A Equity shares **B** Deferred shares **C** Preference shares **D** Right Share

Ans: B Deferred shares

2. Deferred shares

Explanation:

Deferred shares are those shares that does not have any rights to the assets of the company undergoing bankruptcy until equity and preference shares are paid off. Public limited company's are not allowed to issue such shares.

Q82. Joy Ltd. issued 1,00,000 equity shares of ₹ 10 each. The amount was payable as follows:

1 Mark

On application – ₹ 3 per share.

On allotment – ₹ 4 per share.

On 1st and final call – balance.

Applications for 95,000 shares were received and shares were allotted to all the applicants. Sonam to whom 500 shares were allotted failed to pay allotment money and Gautam paid his entire amount due including the amount due on first and final call on the 750 shares allotted to him along with allotment. The amount received on allotment was

A ₹ 3,80,000. **B** ₹ 3,78,000. **C** ₹ 3,80,250. **D** ₹ 4,00,250.

Ans: C ₹ 3,80,250.

3. ₹ 3,80,250.

Q83. A private company is required compulsorily to limit through its articles, the number of members to _____.

1 Mark

A 20

B 50

C 200

D 500

Ans: B 50

2. 50

Explanation:

A company is governed by the Companies Act, 1956. 2. Number of members – In a private company the minimum number is 2 and the maximum is 50. In a public company the minimum number is 7 and there is no maximum limit set by Law.

Q84. If minimum subscription is not received, then the company is required to refund the amount so received from the applicants within _____ days of issue of prospectus.

1 Mark

A 90

B 120

C 60

D 15

Ans: D 15

4. 15

Explanation:

The issuer company allows its securities in 60 days from the date of receiving the application money for such securities, and if the company is not able to allot securities within the given time, it has to refund the application money to the subscribers within 15 days after the completion of sixty days.

Q85. Equity shareholders are _____.

1 Mark

A Entitled to dividend at a fixed rate

B Not entitled to dividend at a fixed rate

C Entitled to dividend prior to payment of dividend to preference shareholder

D All of the above

Ans: B Not entitled to dividend at a fixed rate

2. Not entitled to dividend at a fixed rate

Explanation:

Equity shares will get dividend and repayment of capital after meeting the claims of preference shareholders. There will be no fixed rate of dividend to be paid to the equity shareholders and this rate may vary from year to year.

This rate of dividend is determined by directors and in case of larger profits, it may even be more than the rate attached to preference shares. Such shareholders may go without any dividend if no profit is made.

Q86. The company which is amalgamated into another company is called as _____.

1 Mark

A Transferor of company

B Transferee company

C Holding company

D None of the Above

Ans: A Transferor of company

1. Transferor of company

Explanation:

A company which makes transfer of assets to another company is called a transferor company. A transferor can make the transfer willingly or forcefully in case of legal circumstances. Hence, a company which is amalgamated into another company is called as transferor company.

Q87. _____ is deducted from the called-up capital in order to calculate paid-up capital.

1 Mark

A Calls in arrear

B Calls in advance

C Uncalled capital

D Reserve capital

Ans: A Calls in arrear

1. Calls in arrear

Explanation:

The amount which is not paid by the shareholders on call, the unpaid amount is called calls in arrears.

The amount of calls in arrears will be deducted from called up capital to show the net paid up capital.

Q88. Balance in Forfeited Shares Account is shown in the Balance Sheet under the head of:

1 Mark

A Other Current Liabilities.

B Reserves and Surplus.

C Share Capital.

D Long-term Borrowings.

Ans: C Share Capital.

3. Share Capital.

Q89. Which of the following statements is true?

1 Mark

A

Par value must be separately reported in the balance sheet because it represents the market value of the shares when it was first issued

- B Selling common shares for more than par value results in gain that is reported in the income statement
- C Common shareholders assume a higher investment risk than long-term creditors
- D Non-convertible debentures cannot be issued by companies

Ans: C Common shareholders assume a higher investment risk than long-term creditors

3. Common shareholders assume a higher investment risk than long-term creditors

Explanation:

The option A is not a true statement as the accountants record the par value of shares only in the balance sheet. This is because market value keeps on fluctuating and thus balance sheet can be drawn year after year.

The option B is also a false statement as the profit earned on selling shares more than the par value is recorded under the capital reserve under the balance sheet.

The option C is a true statement because common shareholder have risk of non-return of capital at the time of winding up of company but the long term creditors are returned their investments on winding up. Hence, they have a high investment risk.

The option D is an incorrect statement as a company is free to issue any kind of security like the non-convertible debentures.

Q90. If a share of 10 issued at a premium of ₹ 2 on which the full amount has been called and 78 (including premium) paid is forfeited, the Share Capital Account should be debited with. **1 Mark**

- A ₹ 12. B ₹ 10. C ₹ 8. D ₹ 6.

Ans: B ₹ 10.

2. ₹ 10.

Q91. When a fixed asset is acquired in exchange for shares and other securities in the enterprise, it is usually recorded at: **1 Mark**

- A Cost of share/ securities issued. B Fair market value of Shares/ Securities issued.
C Fair market value of asset acquired. D Enter (B) or (C).

Ans: D Enter (B) or (C).

4. Enter (B) or (C).

Explanation:

When a fixed asset is acquired in exchange for shares or other securities in the enterprise, it is usually recorded at its fair market value, or the fair market value of the securities issued, whichever is more clearly evident.

Q92. For which of the following purposes securities premium can be used: **1 Mark**

- A In writing off the discount on debentures of the company.
B In writing off the preliminary expenses of the company. C Issuing bonus shares
D In providing for the premium payable on the redemption of preference shares.
E All of the above

Ans: E All of the above

5. All of the above

Explanation:

Following are the purposes of securities premium reserve according to the Section 52(2) of the Companies Act, 2013:

To issue fully paid-up bonus shares to its existing shareholders. However, you cannot exceed the limit of the unissued share capital of the company.

Securities Premium Account can be used for writing off any preliminary expenses of the company.

To write off expenses of issue of shares and debentures, such as commission paid or discount given on the issue of shares.

The balance can also be used to provide for the premium that is payable on the redemption of debentures or of preference shares of the company.

It can be utilized by the company to buy back its own shares.

Q93. A company has issued shares of Rs.10 each at a premium of Rs.2 each. The whole amount has been called up but shares were forfeited for non-payment of Rs.4. On forfeiture share capital account will be debited by _____. **1 Mark**

- A Rs.12 B Rs.10 C Rs.8 D Rs.4

Ans: B Rs.10

2. Rs.10

Q94. Nirman Ltd. issued 50,000 equity shares of ₹ 10 each. The amount was payable as follows: **1 Mark**
On application - ₹ 3 per share

On allotment - ₹ 2 per share

On first and final call - The balance

Applications for 45,000 shares were received and shares were allotted to all the applicants. Pooja, to whom 500 shares were allotted, paid her entire share money at the time of allotment, whereas Kundan did not pay the first and final call on his 300 shares. The amount received at the time of making first and final call was:

A ₹ 2,25,000 B ₹ 2,20,000 C ₹ 2,21,000 D ₹ 2,19,500

Ans: C ₹ 2,21,000

3. ₹ 2,21,000.

Q95. Maximum limit of Premium on shares is:

1 Mark

A 5% B 10% C No Limit. D 100%

Ans: C No Limit.

3. No Limit.

Q96. Which of the following is not shown under the-heading 'Share Capital' in a Balance Sheet:

1 Mark

A Subscribed Capital. B Issued Capital. C Reserve Capital. D Authorised Capital.

Ans: C Reserve Capital.

3. Reserve Capital.

Q97. On forfeiture of shares, which of the following account is credited with the amount of money already received on such shares?

1 Mark

A Shares forfeited a/c B Share capital a/c C Unpaid calls a/c D Share premium a/c

Ans: A Shares forfeited a/c

1. Shares forfeited a/c

Explanation:

At the time of forfeiture of share, all accounting entries must be reversed. The amount which is already received will be transferred to share forfeited account.

Q98. Which of these is an example of a Statutory Company?

1 Mark

A RBI B LIC C SBI D All the three

Ans: D All the three

4. All the three

Explanation:

Statutory corporations are public enterprises brought into existence by a Special Act of the Parliament.

LIC is a statutory body established by an act of parliament. It is wholly owned by the Govt. of India at present. RBI (reserve bank of India) & State Bank of India is accountable to public & parliament.

Q99. Section 12 requires that One Person company shall mention along with its name(in brackets)

1 Mark

_____.

A One Person Company B OPC C One Person Company Pvt Ltd or Ltd
D None of the above

Ans: A One Person Company

1. One Person Company

Explanation:

To encourage the self employment, the Companies Act 2013 has allowed to open "one person company" i.e. OPC. One person company requires one member and one nominee.

Section 12 of the companies act requires that the word "One Person Company" should be mentioned in brackets.

Q100. The profit on re-issue of shares is transferred to _____.

1 Mark

A General reserve B Capital reserve C P/L Account
D P/L appropriation account

Ans: B Capital reserve

2. Capital reserve

Explanation:

Forfeited shares can be re-issued. Any amount of profit on re-issue is a capital receipt and should be transferred to capital reserve account because this profit is a capital gain for the company.

Q101. The _____ can either cancel or re-issue the forfeited shares.

1 Mark

A Managers

B Directors

C Employees

D Shareholders

Ans: B Directors

2. Directors

Explanation:

The directors can either cancel or reissue the forfeited shares. In most cases, however, they reissue special shares which may be at par, at premium or at a discount. Normally, the forfeited shares are reissued as fully paid and at a discount.

It may be noted that the amount of discount allowed cannot exceed the amount that had been received on forfeited shares on their original issue.

Q102. Joy Ltd. issued 1,00,000 equity shares of ₹ 10 each. The amount was payable as follows:

1 Mark

On application – ₹ 3 per share.

On allotment – ₹ 4 per share.

On 1st and final call – balance.

Applications for 95,000 shares were received and shares were allotted to all the applicants. Sonam to whom 500 shares were allotted failed to pay allotment money and Gautam paid his entire amount due including the amount due on first and final call on the 750 shares allotted to him along with allotment. The amount received on allotment was

A ₹ 3,80,000.

B ₹ 3,78,000.

C ₹ 3,80,250.

D ₹ 4,00,250.

Ans: C ₹ 3,80,250.

3. ₹ 3,80,250.

Q103. Owners of a company are _____.

1 Mark

A Shareholders

B Board of directors

C President of the company

D Debenture holders

Ans: A Shareholders

1. Shareholders

Explanation:

A shareholder is any person, company, or institution that owns shares in a company's stock. Shareholders are the owners of the company because they hold a share of the company.

Q104. The term equity share is defined in section _____ of the Company Act, 2013.

1 Mark

A 2(18)

B 85(1)

C 43(i)

D 89(1)

Ans: C 43(i)

3. 43(i)

Explanation:

As per section 43 (i) of company's act 2013, equity share capital“”, with reference to any company limited by shares, means all share capital which is not preference share capital,

Q105. Premium on issue of shares can be used for.

1 Mark

A Issue of fully paid bonus shares.

B Distribution of profit.

C Transferring to General Reserve.

D None of these.

Ans: A Issue of fully paid bonus shares.

1. Issue of fully paid bonus shares.

Q106. A shareholder who can vote conditionally he is _____.

1 Mark

A Equity shareholder

B Preference shareholder

C Member

D None of the above.

Ans: B Preference shareholder

2. Preference shareholder

Explanation:

To section 42 of the Companies Act, 2013 ('the Act'), the term preference shares mean and includes that part of the share capital the holders of which have a preferential right overpayment of dividend and repayment of share capital in the event of winding up of the company.

Q107. ___ represents that part of discount received during the year by a bank which relates to the next accounting year. **1 Mark**

- A** Trade discount **B** Normal discount **C** Unexpired discount **D** Cash discount

Ans: C Unexpired discount

3. Unexpired discount

Q108. The discount allowed on reissue of forfeited shares is debited to _____. **1 Mark**

- A** General reserve account **B** Capital reserve account **C** Revaluation reserve account
D None of these

Ans: D None of these

4. None of these

Explanation:

Reissue of forfeited shares at a discount : When the shares forfeited are reissued at discount, Bank account is debited by the amount received and Share capital account is credited by the paid up amount. The amount of discount allowed is debited to Share Forfeited Account.

Q109. Share Application Account is in the nature of _____. **1 Mark**

- A** Nominal account **B** Personal account **C** Real account **D** None of these

Ans: B Personal account

2. Personal account

Explanation:

Share Application or share allotment or Share capital A/c all are personal accounts as they represent money from the shareholders and when money is due, these are to be debited because of the rule "Debit the receiver".

Q110. Existing private/ closely held company with a three years track record of consistent profitability can issue shares at _____. **1 Mark**

- A** 10% premium **B** At book building process **C** Par only
D Free pricing either par or premium

Ans: D Free pricing either par or premium

4. Free pricing either par or premium

Q111. The excess amount received over the called amount of shares is credited to _____. **1 Mark**

- A** Calls-in-advance account **B** Share capital account **C** Capital Reserve account
D Share of security premium account

Ans: A Calls-in-advance account

1. Calls-in-advance account

Explanation:

Excess Money received by the company which has been called up is known as calls in advance. If authorized by its Articles, A Company may accept call in advance from its shareholders. When a company receives such an amount, it needs to credit it to the calls-in-advance account.

Q112. Which of the following fictitious assets is not taken over by the transferee company? **1 Mark**

- A** Preliminary expenses **B** Underwriting commission **C** Discount on issue of shares
D All of these

Ans: D All of these

4. All of these

Explanation:

During Amalgamation, Realization Account is opened and all the assets except any fictitious assets like preliminary expenses, underwriting commission, discount on issue of shares or debentures, profit and loss account (Dr.) balance, etc., are transferred to it at their book value.

Q113. Which of the following statements does not relate to 'Reserve Capital':

1 Mark

- A** It is part of uncalled capital of a company. **B** It cannot be used during the lifetime of a company.
C It can be used for writing off capital losses. **D** It is part of subscribed capital.

Ans: C It can be used for writing off capital losses.

3. It can be used for writing off capital losses.

Q114. Which of the following statement is true?

1 Mark

- A** Subscribed capital cannot exceed issued capital. **B** Subscribed capital can exceed paid up capital.
C Issued capital can be less than called up capital. **D** Paid up capital is always equal to authorized capital.

Ans: B Subscribed capital can exceed paid up capital.

2. Subscribed capital can exceed paid up capital.

Q115. The shares of a company are_____.

1 Mark

- A** Transferable **B** Non-transferable **C** Fixed **D** None of the above

Ans: A Transferable

1. Transferable

Explanation:

The shares of a company are transferable as the shares can be trade between buyers and sellers of the shares of the stock of the company at a mutually agreed price.

Q116. For which of the following purposes share premium of the company can not be used in case the company issues share at premium?

1 Mark

- A** For writing off loss as sale and assets.
B For the issue of fully paid bonus shares to the members of the company.
C For writing off preliminary expenses of the company.
D

For providing premium payable on the redemption of any redeemable preferences shares or debentures of the company.

Ans: A For writing off loss as sale and assets.

1. For writing off loss as sale and assets.

Explanation:

According to the Section 52(2) of the Companies Act, 2013, following are the purposes of securities premium reserve:

To issue fully paid-up bonus shares to its existing shareholders.

Securities Premium Account can be used for writing off any preliminary expenses of the company.

To write off expenses of issue of shares and debentures, such as commission paid or discount given on the issue of shares.

The balance can also be used to provide for the premium that is payable on the redemption of debentures or of preference shares of the company.

And finally, it can be utilized by the company to buy back its own shares.

Q117. When two or more existing companies combine, together to form a new company, it is _____.

1 Mark

- A** Absorption **B** Amalgamation **C** Reconstruction **D** Merger

Ans: B Amalgamation

2. Amalgamation

Explanation:

As per Indian companies act, 2013, when two or more companies combine to form a new company, it is called as amalgamation. It is basically done to increase cash resources, to decrease competition etc.

Q118. X, who holds 100 shares of Rs.10 each, fails to pay final call of Rs.2 per share. The directors forfeited all the shares and subsequently reissued 50 shares of Rs.10 each as fully paid on payment of Rs.4 per share. The amount to be transferred to Capital Reserve would be _____.

1 Mark

- A** Rs.200 **B** Rs.100 **C** Rs.400 **D** Rs.500

Ans: B Rs.100

2. Rs.100

Q119. D Ltd. forfeited 200 shares of Rs.10 each, Rs.7 called up on which Ram had paid only application money Rs.3 per share. Of these, 125 shares was reissued to Shyam for Rs.9 per share fully paid. What will be balance in the Share Forfeited A/c after reissue of 125 shares?

1 Mark

- A** Rs.225 **B** Rs.600 **C** Rs.525 **D** Rs.450

Ans: A Rs.225

1. Rs.225

Explanation:

Share forfeited A/c contains only the forfeited amount of those shares which are not reissued yet. Forfeited amount of reissued shares are transferred to capital reserve.

Balance in Share forfeited A/c after reissue = Shares not reissued x Call money received on such shares
= 75 x 3
= Rs. 225

Q120. The company into which transfer of company is amalgamated is called as _____.

1 Mark

- A** Transferee company **B** Transferor company **C** Holding company **D** None of the above

Ans: A Transferee company

1. Transferee company

Explanation:

A company which acquires the assets from the transferor company is called as transferee company. Hence, the company into which transferor company is amalgamated is called as transferee company.

Q121. A company has issued ₹ 10,000 Equity Shares of 10 each and it has called the total nominal value. It has received the total amount, except the final call of ₹ 3 on 500 Equity Shares. These 500 Equity Shares will be shown as.

1 Mark

- A** Subscribed and fully paid-up. **B** Subscribed but not fully paid-up. **C** Issued share capital.
D None of these.

Ans: B Subscribed but not fully paid-up.

2. Subscribed but not fully paid-up.

Q122. Which of the following does not involve liquidation of any company?

1 Mark

- A** Internal reconstruction **B** Amalgamation **C** Absorption
D External reconstruction

Ans: A Internal reconstruction

1. Internal reconstruction

Explanation:

Internal reconstruction refers to the method of corporate restructuring wherein existing company is not liquidated to form a new one. External reconstruction is one in which the company undergoing reconstruction is liquidated to take over the business of existing company. New company. No new company is formed.

Q123. If on shares of nominal value of ₹ 10, ₹ 8 have been called-up and received by the company, it will be shown as.

1 Mark

- A** Subscribed and fully paid-up. **B** Subscribed but not fully paid-up. **C** Issued share capital.
D None of these.

Ans: B Subscribed but not fully paid-up.

2. Subscribed but not fully paid-up.

Q124. Which of the following restriction is not applicable to a Private Ltd. Company?

1 Mark

- A** To open overseas branch/ office **B** Restrict number of members to 200
C Invite application for public subscription **D** Invite application for public deposits

Ans: A To open overseas branch/ office

1. To open overseas branch/ office

Explanation:

As per section 2(68) of companies act, 2013 "private company" restrict to-Having a minimum paid-up share capital of one lakh rupees or such higher Any invitation to the public to subscribe for any securities of the company Having maximum of 200 members.

Q125. Any balance in the share forfeiture account after all the forfeited share are re-issued should be:

1 Mark

- A** Added to the paid-up capital
- B** Transferred to Goodwill account
- C** Transferred to Capital Reserve account
- D** Should be shown in the balance sheet under the heading of 'Share forfeiture account'

Ans: C Transferred to Capital Reserve account

3. Transferred to Capital Reserve account

Explanation:

If the discount allowed on reissue of shares is less than the forfeited amount, there will be some balance left in the Forfeited Account, which should be transferred to capital reserve, because it is a profit of capital nature.

Q126. Under which of the following circumstances can a company resort to internal reconstruction?

1 Mark

- A** Accumulated huge losses
- B** Shortage of capital
- C** Over valued assets
- D** All of these

Ans: D All of these

4. All of these

Q127. Which of the following generally not result in increase in total dividend liability?

1 Mark

- A** Share-split
- B** Right Issue
- C** Bonus Issue
- D** All of the above

Ans: A Share-split

1. Share-split

Explanation:

In share split though the number of shares increases the Paid up capital remain unchanged and the dividend payout remains the same.

In Right Issue and Bonus issue, the number of shares as well as Paid up capital increases and the New Rights shares and Bonus shares are eligible for pro-rata dividend at the time of declaration of dividend.

Q128. While making an adjusting entry in respect of interest on capital, we credit _____.

1 Mark

- A** Interest on capital account
- B** Capital account
- C** Profit and loss account
- D** Drawing account

Ans: B Capital account

2. Capital account

Explanation:

Interest can be paid on the proprietor's funds/capital also. It is treated like any other expense and is debited to the Profit and Loss Account and credited to the capital Account.

Q129. Shares Allotment Account is a:

1 Mark

- A** Expense Account.
- B** Liability Account.
- C** Asset Account.
- D** Income Account.

Ans: C Asset Account.

3. Asset Account.

Q130. An unregistered company can't have more than _____ members.

1 Mark

- A** 20
- B** 25
- C** 50
- D** 100

Ans: C 50

3. 50

Q131. Nirman Ltd. issued 50,000 equity shares of ₹ 10 each. The amount was payable as follows:

1 Mark

On application - ₹ 3 per share

On allotment - ₹ 2 per share

On first and final call - The balance

Applications for 45,000 shares were received and shares were allotted to all the applicants. Pooja, to whom 500 shares were allotted, paid her entire share money at the time of allotment, whereas Kundan did not pay the first and final call on his 300 shares. The amount received at the time of making first and final call was:

- A** ₹ 2,25,000
- B** ₹ 2,20,000
- C** ₹ 2,21,000
- D** ₹ 2,19,500

Ans:

C ₹ 2,21,000

3. ₹ 2,21,000.

Q132. Intrinsic value of a share is given by_____.

1 Mark

- A** Total net assets/No of shares **B** Total assets/No of shares **C** Share capital/No of shares
D Market capitalization/No of shares

Ans: A Total net assets/No of shares

1. Total net assets/No of shares

Explanation:

To calculate the intrinsic value of a stock, first calculate the growth rate of the dividends by dividing the company's earnings by the dividends it pays to its shareholders.

Q133. If on shares of nominal value of ₹ 10, ₹ 10 have been called-up and also received, it will be shown as:

1 Mark

- A** Subscribed and fully paid-up. **B** Subscribed but not fully paid-up. **C** Issued share capital.
D None of these.

Ans: A Subscribed and fully paid-up.

1. Subscribed and fully paid-up.

Q134. Shares of a private company can be sold through _____.

1 Mark

- A** Private circulation **B** Stock exchange **C** Private circulation and exchange
D None of these

Ans: A Private circulation

1. Private circulation

Explanation:

The easiest way to sell shares of privately held stock is to get the company that issued them to buy them back. The process of a buyback is relatively simple. However, the sticking point is that the company must authorize a buyback, and if other shareholders want to sell their shares as well, then the company might not be willing to accommodate every shareholder's request.

Q135. Share to be issued at discount must be issued within _____ from the date of central government approval.

1 Mark

- A** 2 months **B** 6 months **C** One year **D** Three months

Ans: A 2 months

1. 2 months

Explanation:

As per Section 79 of the Companies Act, 1956, the shares to be issued at a discount are issued within two months after the date on which the issue is sanctioned by the Company Law Board or within such extended time as the Company Law Board may allow.

Q136. When shares are issued to promoters for their services, the account that will be debited is _____.

1 Mark

- A** Preliminary Expenses A/c **B** Goodwill A/c **C** Promoters A/c
D Share Capital A/c

Ans: B Goodwill A/c

2. Goodwill A/c

Explanation:

The company debits this amount to the Goodwill Account as it will derive the benefit of these services for a long period of time. Hence, it treats this expense as a capital expenditure. It thus needs to show the 'shares issued for consideration other than cash' separately under the heading 'Share Capital'.

Q137. The balance of share forfeited account after the reissue of forfeited shares is transferred to _____.

1 Mark

- A** General Reserve Account **B** Capital Redemption Reserve Account **C** Capital Reserve
D Revenue Reserve Account

Ans: C Capital Reserve

3. Capital Reserve

Explanation:

Normally, the forfeited shares are reissued as fully paid and at a discount. The amount of discount allowed cannot exceed the amount that had been received on forfeited shares on their original issue, and should be debited to the 'Share Forfeited A/c'.

The balance, if any, left in Share Forfeited A/c, in respect of shares reissued, should be treated as capital profit and transferred to Capital Reserve A/c.

Q138. Restrictions on transferability of shares is relevant in case of _____. **1 Mark**

- A Only private company having share capital
- B Private company incorporated as a pure guarantee company
- C Private company having either Share capital or Guarantee company
- D None of these

Ans: A Only private company having share capital

1. Only private company having share capital

Explanation:

In essence, private companies possess certain characteristics, significant of which is the unfettered right to restrict share transfers.

Section 3(iii) of the Companies Act defines private company as a company, which by its articles-

“(a) restricts the right to transfer its shares, if any;

While public company is a company which is not a private company.

And moreover, the shares of a public company are freely transferable.

Q139. Life insurance is a contract of _____. **1 Mark**

- A Indemnity
- B Guarantee
- C Contribution
- D None of these

Ans: B Guarantee

2. Guarantee

Explanation:

Life insurance is a contract between an insurer and a policyholder in which the insurer guarantees payment of a death benefit to named beneficiaries upon the death of the insured. The insurance company promises a death benefit in consideration of the payment of premium by the insured.

Q140. The part of authorised capital which can be called-up only on the company being wound up is called. **1 Mark**

- A Issued Capital.
- B Unsubscribed Capital.
- C Reserve Capital.
- D None of these.

Ans: C Reserve Capital.

3. Reserve Capital.

Q141. Which of the following is incorrect as to a share? **1 Mark**

- A It has a nominal value
- B It has a distinct number
- C It may be transferred in fractions
- D All shares of a class are of equal denominations

Ans: C It may be transferred in fractions

3. It may be transferred in fractions

Explanation:

Generally fractional shares cannot be transferred to another brokerage firm. If you decide to transfer your brokerage account to a different brokerage firm you may have to sell any fractional shares in your account.

Q142. Dividends are usually paid as a percentage of: **1 Mark**

- A Authorised share capital
- B Net profit
- C Paid-up capital
- D Called-up capital

Ans: C Paid-up capital

3. Paid-up capital

Explanation:

A capital dividend also called a return of capital, is a payment that a company makes to its investors that is drawn from its paid-in-capital or shareholders' equity. Regular dividends, by contrast, are paid from the company's earnings. The dividend is the distribution of profit to its shareholders. It is paid on the paid-up share capital. Dividends are not paid on calls in advance.

Q143. The balance of the share forfeiture account after the reissue of forfeited shares is transferred to _____. **1 Mark**

- A Capital redemption reserve account
- B Capital reserve account
- C General reserve account
- D Profit and loss account

Ans:

B Capital reserve account

2. Capital reserve account

Q144. If on a share of Rs.100 where called up capital is Rs.90, while the company received Rs.80, the Capital Account should be credited with _____.

1 Mark

A Rs.100

B Rs.90

C Rs.80

D Rs.70

Ans: B Rs.90

2. Rs.90

Q145. With regard to government company, identify the statement representing correct feature of Government company.

1 Mark

A Govt company can't sue the government in its own name as litigant.

B Employees of government company are not employees of central/state government.

C A government company can't wound like any other company.

D A government company must use either limited or Private Limited at the end of its name.

Ans: B Employees of government company are not employees of central/state government.

2. Employees of government company are not employees of central/state government.

Q146. A sends goods to B of Delhi, the goods are to be sold at 125% of cost which is invoice price.

1 Mark

Commission is 10% on sales at invoice price and 25% of any surplus realized above IP. 10% of the goods sent out on consignment, invoice value of which is Rs 12,500, were destroyed. 75% of the total consignment is sold by B at Rs 1,00,000. What will be the amount of commission payable to B?

A Rs 10,937-50

B Rs 16,250

C Rs 10,000

D Rs 9,700

Ans: A Rs 10,937-50

1. Rs 10,937-50

Q147. Shares of a company can't be issued at _____.

1 Mark

A Premium

B Discount

C Par

D Any of these

Ans: B Discount

2. Discount

Explanation:

As per the rules of SEBI a company cannot issue shares on discount value. It may violate the rules of SEBI and the Section 53 of the Companies Act 2013.

A company cannot issue shares at a discount because the loss due to the discounted price is barely managed by any company. Moreover, it leads to the rising in unhealthy competition, companies which have been low graded may provide a discount to investors but at the same time, they fool them with their invaluable working.

Thus, to protect the interest of investors, company act 2013 has prohibited the issue of shares at a discounted rate.

Q148. Subscribed capital is _____.

1 Mark

A Part of issued capital subscribed by promoters. **B** Part of issued capital subscribed by public only.

C Part of issued capital issued for consideration other than cash.

D Part of issued capital subscribed by public plus issued for consideration other than cash.

Ans: D Part of issued capital subscribed by public plus issued for consideration other than cash.

4. Part of issued capital subscribed by public plus issued for consideration other than cash.

Explanation:

As per section 2(86) of companies act, 2013 Subscribed share capital is that part of issued share capital for which company has received subscription from the investors. It is part of issued capital.

Q149. 30 shares of a company on which application money of Rs. 3 per share has been duly paid are forfeited for non payment of allotment money of Rs. 3 each and first and final call of Rs. 4 each. These shares are then re-issued at Rs.8 per share fully paid. How much money should be transferred to capital reserve?

1 Mark

A Rs. 30

B Rs. 60

C Rs. 90

D Rs. 120

Ans: A Rs. 30

1. Rs. 30

Q150. On the above question, if Shyam had been allotted 350 shares, how many shares he would have applied for? **1 Mark**

- A** 300 shares **B** 400 shares **C** 420 shares **D** 425 shares

Ans: C 420 shares

3. 420 shares

Q151. Share holders are entitled to _____. **1 Mark**

- A** Dividend **B** Interest **C** Remueration **D** Commission

Ans: A Dividend

1. Dividend

Explanation:

Common shareholders are granted six rights: voting power, ownership, the right to transfer ownership, dividends, the right to inspect corporate documents, and the right to sue for wrongful acts.

Q152. When shares are forfeited, Share Capital Account is debited with **1 Mark**

- A** Nominal value of shares. **B** Called-up value of shares. **C** Paid-up value of shares.
D Market value of shares.

Ans: B Called-up value of shares.

2. Called-up value of shares.

Q153. The capitals of X, Y and Z are Rs. 1,00,000; Rs. 75,000 and Rs. 50,000; profits are shared jn the ratio of **1 Mark**

3 : 2 : 1. Y retires on the basis of firm purchased by other partners. The new ratio between X and Z is 3 :1. Find the capital of X and Z.

- A** Rs. 1,50,000 and Rs. 1,00,000 **B** Rs. 1,46,250 and Rs. 42,000 **C** Rs. 1,56,250 and Rs.68,750
D Rs. 86,250 and Rs. 46,250

Ans: C Rs. 1,56,250 and Rs.68,750

3. Rs. 1,56,250 and Rs.68,750

Q154. Liquidator's Fees must be paid to the _____. **1 Mark**

- A** Central Government **B** State Government **C** Court **D** Promoter

Ans: A Central Government

1. Central Government

Q155. Which of the following is false? **1 Mark**

A Loss on reissue of shares cannot be more than the gain on forfeiture of those shares.

B

Where all the forfeited shares are not reissued, the share forfeited account will show a credit balance equal to gain on forfeiture of shares not yet issued.

C

When the shares are forfeited, share premium is debited along with share capital where premium has not been received.

D

Where forfeited shares are issued at premium, the amount of such premium is credited to capital reserve account.

Ans: D Where forfeited shares are issued at premium, the amount of such premium is credited to capital reserve account.

4. Where forfeited shares are issued at premium, the amount of such premium is credited to capital reserve account.

Explanation:

Forfeiture of Shares which are Issued at a Premium: If the premium is already received by the company, it cannot be cancelled even if the shares are forfeited in the future. The securities premium account will be debited with the amount of premium (if not received by the company).

Q156. Share valuation is in inticate exercise involving _____. **1 Mark**

- A** Accounting as well as non-accounting data **B** Objective and subjective consideration
C Both (A) and (B) **D** None of the above

Ans: C Both (A) and (B)

3. Both (A) and (B)

Q157. The minimum amount that should be called by a company with application for its shares is the following per cent of face value of shares.

1 Mark

- A** 2% **B** 5% **C** 10% **D** 15%

Ans: B 5%

2. 5%

Q158. The balance in capital reduction a/c after writing off all accumulated loss, fictitious assets and overvalued assets are transferred to _____.

1 Mark

- A** Capital reserve **B** General reserve **C** Reserve capital **D** Goodwill

Ans: A Capital reserve

1. Capital reserve

Explanation:

After writing off other accumulated loss, fictitious assets, patents to be written off as far as possible.

Capital Reserves to be continued in Balance Sheet and above are to be transferred in this A/c.

Q159. Which of the following statements is false?

1 Mark

A Shares can be issued for cash or for any other consideration.

B

In the event of over-subscription, excess amount of application has to be either refunded or a pro-rata allotment is made.

C SEBI guideline are applicable for issue of shares.

D The share application money is automatically converted to share capital.

Ans: D The share application money is automatically converted to share capital.

4. The share application money is automatically converted to share capital.

Explanation:

Accordingly, the payment of interest on such share application money that had been utilised for business purposes was a revenue was actually converted into share capital by allotment. The taxpayer relied on the.

Q160. Public company is a company which _____.

1 Mark

A Is not a private limited company.

B Has a minimum paid up capital of Rs.5,00,000 or such higher amount as may be prescribed.

C Is a private company, being a subsidiary of a company which is not a private company.

D All the above.

Ans: D All the above.

4. All the above.

Explanation:

By virtue of Section 2(71) of the Companies Act 2013, a public company means a company which:

Is not a private company.

It has a minimum paid-up share capital of five lakh rupees or such higher paid-up capital, as may be prescribed.

Provided that a company which is a subsidiary of a company, not being a private company, shall be deemed to be a public company for the purposes of this Act even where such subsidiary company continues to be a private company in its articles.

Q161. According to SEBI guideline a company must receive a minimum of _____% subscription before making any allotment of shares to the public.

1 Mark

- A** 75 **B** 90 **C** 50 **D** 25

Ans: B 90

2. 90

Explanation:

Minimum Subscription refers to the minimum shares the company needs to get from the public out of the total issue by the date of closure. Presently every company need to raise 90% of the issued amount.

Else, the company shall refund the whole amount received. This 90 % has to be exclusive of the cheques that are not cleared.

Q162. As per Companies Act 2013, Public company has minimum capital of _____.

1 Mark

A Rs.15 Lakh

B Rs.25 Lakh

C Rs.5 Lakh

D Rs.10 Lakh

Ans: C Rs.5 Lakh

3. Rs.5 Lakh

Explanation:

Companies Act 2013 defines that every company must have a minimum capital before starting of the business. All new companies must authorize with a minimum amount of capital.

For a private limited company the limit is Rs,1 Lakh while for Public Limited Company the minimum required capital is Rs. 5 Lakhs.

Q163. Types of dividend declared and paid by subsidiary company to shareholders after acquiring shares by the holding company, are _____ **1 Mark**

A Proposed dividend

B Capital dividend

C Revenue dividend and composite dividend

D All the above

Ans: D All the above

4. All the above

Q164. Securities Premium Account is shown on the liabilities side of the company's balance sheet under the heading _____ **1 Mark**

A Share Capital

B Current Liabilities and Provisions

C Unsecured Loans

D Reserves and Surpluses

Ans: D Reserves and Surpluses

4. Reserves and Surpluses

Explanation:

It is quite common for the shares of financially strong and well-managed companies to be issued at premium, i.e. at an amount more than the nominal or par value of shares.

Thus, when a share of the nominal value of Rs. 100 is issued at Rs. 105, it is said to have been issued at a premium of 5 percent.

When the issue of shares is at premium, the amount of premium may technically be called at any stage of the issue of shares.

Q165. Discount on issue of shares is _____ **1 Mark**

A Amortized

B Written in the first year

C Netted of from share premium A/c

D All of the above

Ans: A Amortized

1. Amortized

Explanation:

When shares are issued at a price lower than the face value, they are said to be issued at discount.

Thus, the excess of the face value over the issue price is the amount of discount. This amount is written off from accumulated profits or from Profit statement.

Q166. Shares which carry preferential rights are called _____ **1 Mark**

A Equity shares

B Preference shares

C Sweaty equity

D Greenshoe

Ans: B Preference shares

2. Preference shares

Explanation:

Preference shares are the shares with dividend that are paid out to shareholders before equity shares dividend. If the company goes in to liquidation, preference shares are paid first from the companies assets.

Q167. A and B enter into a joint venture to underwrite shares of K Ltd. K Ltd. make an equity issue of 100,000 equity shares. 80% of the shares underwritten by the venturer. 80,000 shares are subscribed by the public. How many shares are to be subscribed by the venture? **1 Mark**

A Nil

B 16,000

C 18,000

D None

Ans: B 16,000

2. 16,000

Explanation:

An equity issue of 1,00,000 equity share which are 80% of the share underwritten by the venturer. And, 80,000 share are subscribed by the public, hence, 20% share are remaining, so, $80,000 \times 20\% = 16,000$ are to be subscribed by the venture.

Q168. Long term capital loss can be set off from which of the following?

1 Mark

- A** Short term capital gain only **B** Long term capital gain only **C** Income from business and profession
D Capital gain head of income

Ans: B Long term capital gain only

2. Long term capital gain only

Explanation:

Long Term Capital Loss can be set off only against Long Term Capital Gains. Short Term Capital Losses are allowed to be set off against both Long Term Gains and Short Term Gains.

Q169. The term equity share means a share _____.

1 Mark

- A** Which is of equal denomination **B** Which is not a preference share **C** Which is so issued equally to all
D Which do not discriminate between the subscribers

Ans: B Which is not a preference share

2. Which is not a preference share

Explanation:

All shares that are not preferential shares are equity shares and are also known as ordinary shares. A person who holds equity shares has the right to vote in the company's decisions.

As an equity shareholder, you are entitled to receive a claim to any profits paid by the company in the form of dividends.

Q170. _____ of net surplus of a life insurance company is given to policyholders as bonus.

1 Mark

- A** 90% **B** 80% **C** 95% **D** None of these

Ans: C 95%

3. 95%

Explanation:

As per the LIC Act, the Corporation has to distribute 95 per cent of its surplus to policyholders as bonuses, the balance of 5 per cent amounting to Rs 2,206.70 crore was the share of the government.

Q171. When company issues shares to vendors of assets for a consideration other than cash such shares are issued:

1 Mark

- A** At par **B** At a discount **C** At a premium **D** Any of the above

Ans: D Any of the above

4. Any of the above

Q172. The maximum amount beyond which a company is not allowed to raise funds, by issue of shares, is its _____.

1 Mark

- A** Issued Capital **B** Reserve Capital **C** Authorised Capital **D** Subscribed Capital

Ans: C Authorised Capital

3. Authorised Capital

Explanation:

The maximum amount beyond which a company is not allowed to raise funds by issue of shares is authorized capital. Authorized capital, also known as nominal capital, represents the securities that are designated for shareholders.

Q173. The price payable by the purchasing company to selling company for taking over its business is called _____.

1 Mark

- A** Accounting treatment **B** Recording **C** Purchase consideration **D** None of the Above

Ans: C Purchase consideration

3. Purchase consideration

Explanation:

Purchase consideration is the amount paid by the transferee company to the transferor company for the purchase of the business. Hence, the price payable by the purchasing company to selling company for taking over its business is called purchase consideration.

Q174. Which one of the following statements regarding forfeiture of shares is not correct?

1 Mark

- A** Forfeited shares may be reissued at a discount or at a premium.
B The title of the new purchaser is not affected by any irregularity in the forfeiture or sale of the shares.
C Return of allotment of reissued of forfeited shares is filed with the Registrar of Companies.

D

Board may consider the request from the defaulting ex-shareholder for the cancellation of forfeiture before the disposal of forfeited shares.

Ans: D

Board may consider the request from the defaulting ex-shareholder for the cancellation of forfeiture before the disposal of forfeited shares.

4. Board may consider the request from the defaulting ex-shareholder for the cancellation of forfeiture before the disposal of forfeited shares.

Q175. Alteration of shares of smaller amounts into shares of larger amount is called _____ of share capital.

1 Mark

A Surrender

B Subdivision

C Consolidation

D None of these

Ans: C Consolidation

3. Consolidation

Explanation:

Share consolidation is a corporate action conducted by the company with the intention to reduce its number of shares trading on the stock exchange. It does so by reducing the number of shares held by its existing shareholders.