Sheth T.J. Education Society's

Sheth N.K.T.T. College of Commerce and Sheth J.T.T College of Arts, Thane

Department of Accountancy
TY BCOM- Sem VI Financial Accounting

Multiple Choice Questions

Module I Amalgamation, Absorption and External Reconstruction

1. If the business of an existing company ABC Limited is taken over by an existing company PQR Limited, it is called
   (a) external reconstruction (b) internal reconstruction
   (c) absorption (d) amalgamation

2. If the business of an existing company ABC Limited is taken over by an existing company PQR Limited,
   (a) ABC Ltd. is known as the "Vendor Company"; and PQR Ltd. is known as the "Purchasing Company"
   (b) ABC Ltd. and PQR Ltd. are known as the "Purchasing Companies"
   (c) PQR Ltd. is known as the "Vendor Company"; and ABC Ltd. is known as the "Purchasing Company"
   (d) ABC Ltd. and PQR Ltd. are known as the "Vendor Companies"

3. If the business of ABC Limited, a loss-making company, is taken over by a new company ABC (New) Limited, it is called (a) internal reconstruction (b) absorption
   (c) external reconstruction (d) amalgamation

4. If the business of ABC Limited, a loss-making company, is taken over by a new company ABC Limited,
   (a) ABC Ltd. is known as the "Vendor Company"; and ABC (New) Ltd. is known as the "Purchasing Company"
   (b) ABC Ltd. and ABC Ltd. are known as the "Purchasing Companies"
   (c) ABC Ltd. is known as the "Vendor Company"; and ABC Ltd. is known as the "Purchasing Company"
   (d) ABC Ltd. and ABC Ltd. are known as the "Vendor Companies"

5. When the merger involves liquidation of two existing companies and formation of one new company, it is called
   (a) internal reconstruction (b) absorption
   (c) external reconstruction (d) amalgamation

6. When the merger involves liquidation of one or more existing companies and formation of no new company, it is called

   (a) internal reconstruction (b) absorption
   (c) external reconstruction (d) amalgamation

7. When the merger involves liquidation of one existing sick company and formation of one new company, it is called

   (a) internal reconstruction (b) absorption
   (c) external reconstruction (d) amalgamation

8. A feature which is common in all cases of merger viz. absorption, amalgamation and external reconstruction is (a) purchase of one company by another company

   (b) liquidation of at least two companies
   (c) formation of at least one new company
   (d) liquidation at least one existing company and formation of at least one new company

9. Accounting for amalgamation is governed by

   (a) Accounting Standard 1 (b) Accounting Standard 13
   (c) Accounting Standard 14 (d) Accounting Standard 11

10. On amalgamation, Profit & Loss A/c (Dr.) balance of the vendor company

    (a) is closed by debit to Realisation A/c
    (b) is closed by debit to Equity Shareholders A/c
    (c) is closed by credit to Equity Shareholders A/c
    (d) is closed by credit to Realisation A/c

Module II Foreign Currency Transactions

11. Which of the following statements is false ?

    (a) AS 11 should be applied in accounting for transactions in foreign currencies
    (b) AS 11 deals with accounting for foreign currency transaction in the nature of forward exchange contracts
    (c) AS 11 specifies the currency in which an enterprise should present its financial statements
    (d) The principal issues in accounting for foreign currency transactions are to decide which exchange rate to use and how to recognize in the financial statements the financial effect of changes in exchange rates

12. Average rate

    (a) is the exchange rate at the balance sheet date
    (b) is the mean of the exchange rates in force during a period
    (c) is the ratio for exchange of two currencies
    (d) is the rate at which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction

13. Closing rate
(a) is the exchange rate at the balance sheet date
(b) is the mean of the exchange rates in force during a period
(c) is the ratio for exchange of two currencies
(d) is the rate at which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction

14. Exchange rate
(a) is the exchange rate at the balance sheet date
(b) is the mean of the exchange rates in force during a period
(c) is the ratio for exchange of two currencies
(d) is the rate at which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction

15. Currency other than the reporting currency of an enterprise
(a) Non-Reporting currency (b) U.S. Dollars
(c) Foreign Currency (d) Indian Rupees

16. Currency used in presenting the financial statements
(a) Reporting currency (b) Non-Foreign Currency
(c) Official Currency (d) Indian Rupees

17. Money held and assets and liabilities to be received or paid in fixed or determinable amounts of money
(a) Current items (b) Non-monetary items
(c) Monetary items (d) Forward Exchange Contract

18. Which of the following is a foreign currency transaction ?
(i) an enterprise buys or sells goods or services whose price is denominated in a foreign currency
(ii) an enterprise borrows or lends funds when the amounts payable or receivable are denominated in a foreign currency
(iii) an enterprise becomes a party to an unperformed forward exchange contract
(a) only (iii) (b) all
(c) only (i) (d) only (ii)

19. Following is *not* an example of a monetary item.
(a) Cash (b) Receivables
(c) Payables (d) Fixed assets

20. Following is an example of a non-monetary item.
(a) Debtors (b) Creditors
(c) Bank account (d) Inventories

Module III Liquidation of Companies

21. List H shows__Account.
    (a) Deficiency or Surplus (b) Preferential Creditors
    (c) Fixed Assets Account (d) None of the above

22. When a company is wound-up, all persons who ceased to be the shareholders within a year before the winding-up are placed in the
    (a) 'A' List of Contributories (b) 'B' List of Contributories
    (c) 'C' List of Contributories (d) 'D' List of Contributories

23. Following is treated as over-riding preferential creditor
    (a) Retirement benefits of employees
    (b) Retirement benefits to workers
    (c) Salary due to employees exceeding ` 20,000
    (d) Remuneration to investigator

24. Remuneration to investigator upon investigation of the affairs of company is treated as
    (a) Secured creditor (b) Over-riding preferential creditor
    (c) Preferential creditor (d) Unsecured creditor

25. Amount of Govt. dues that arose within 12 months before the date of winding up is treated as
    (a) Secured creditor (b) Over-riding preferential creditor
    (c) Preferential creditor (d) Unsecured creditor

26. Amount of Retirement benefits of employees exceeding ` 20,000 per employee is treated as
    (a) Secured creditor (b) Over-riding preferential creditor
    (c) Preferential creditor (d) Unsecured creditor

27. Preference dividend in arrears on the date of winding up is
    (a) treated as Secured creditor
    (b) treated as Over-riding preferential creditor
    (c) treated as Preferential creditor
    (d) added to Preference Share Capital

28. Amount of calls in advance is treated as
    (a) Secured creditor (b) Asset not specifically pledged
    (c) Preferential creditor (d) Unsecured creditor

29. Interest on debentures and unsecured loan is payable upto the date of actual payment
    (a) if the company is solvent

(b) if the company is insolvent
(c) whether the company is solvent or insolvent
(d) none of the above

30. Liability for compensation under Workmen's Compensation Act is treated as
(a) Secured creditor (b) Over-riding preferential creditor
(c) Preferential creditor (d) Unsecured creditor

Module IV Underwriting of Shares and Debentures

31. The underwriting commission in case of debentures as per the Companies Act shall not exceed
(a) 5 percent of issue price (b) 10 percent of the issue price
(c) 2.5 percent of the issue price (d) 2 per cent of the issue price

32. As per SEBI guidelines, the underwriting commission on equity shares
(a) 10 per cent of the issue price (b) 5 per cent of the issue price
(c) 2.5 per cent of the issue price (d) 2 per cent of the issue price

33. The underwriting commission in case of ` 4 lakh preference shares capital subscribed to by the public, under Ministry of Finance guidelines, should not exceed
(a) 2.5 per cent (b) 1 per cent
(c) 2.00 per cent (d) 1.5 per cent

34. According to the Companies Act the underwriting commission on shares should not exceed
(a) 5 per cent (b) 2.5 per cent
(c) 10 per cent (d) 1 per cent

35. The underwriting commission is calculated on
(a) net liability of the share value
(b) firm underwriting value of the shares
(c) marked application of the share value
(d) issue price of the shares underwritten

36. Unmarked applications refer to
(a) Firm underwriting
(b) Applications issued by the company
(c) Applications bearing the stamp of underwriter

(d) Applications from the public received directly by the company without bearing any stamp of underwriter

37. R Limited issued a debenture of ` 100 each at ` 90. The underwriting commission will be paid on

(a) 100 (b) 95
(c) 105 (d) 90

38. M Limited issued shares at a face Value of ` 100 with a premium of ` 20 per share. The underwriting commission will be calculated on

(a) 100 (b) 90
(c) 80 (d) 120

39. When the entire issue is underwritten by only one person, his liability will be equal to

(a) No. of shares underwritten
(b) No. of shares underwritten minus no. of shares applied for by the public
(c) No. of shares applied for by the public
(d) None of the above

40. The underwriting commission in the case of debentures as per Companies Act, should not exceed:

(a) 5% of the price at which debentures are issued
(b) 4% of the price at which debentures are issued
(c) 2½% of the price at which the debentures are issued
(d) None of the above

Module V Limited Liability Partnership

41. LLP should have minimum

(a) 7 partners (b) 50 partners
(c) 2 partners (d) 3 partners

42. The maximum number of partners LLP can have is

(a) 7 partners (b) 50 partners
(c) 2 partners (d) No limit

43. Every limited liability partnership shall have at least ___ designated partners who are individuals.

(a) 7 (b) 50
(c) 2 (d) 3

44. At least ______ of the designated partners of every limited liability partnership shall be a resident in India.
(a) one (b) two
(c) three (d) seven

45. In absence of LLP Agreement, the mutual rights of Partners and in relation to LLP will be determined as per Schedule ______ of the LLP Act 2008.
(a) I (b) II
(c) VI (d) VIII

46. A Limited Liability Partnership whose contribution exceeds `__is required to annually get its accounts audited by any Chartered Accountant in practice.
(a) 40 Lakh (b) 1 lakh
(c) 25 Lakh (d) 50 lakh

47. A Limited Liability Partnership whose turnover exceeds `__is required to annually get their accounts audited by any Chartered Accountant in practice.
(a) 40 Lakh (b) 1 lakh
(c) 25 Lakh (d) 50 lakh

48. LLP is governed by
(a) Partnership Act, 1932 (b) Companies Act, 1956
(c) Limited Liability Partnership Act, 2008 (d) Companies Act, 2013

49. Following can become a partner in the LLP:
(a) Company incorporated in India
(b) LLP incorporated outside India
(c) Individuals resident outside India
(d) any of the above

50. Following can become a partner in the LLP:
(a) Company incorporated outside India
(b) LLP incorporated in India
(c) Individuals resident in India
(d) any of the above

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