

SY BCOM Sem-IV Accountancy & Financial Management

MULTIPLE CHOICE QUESTIONS:

Chapter:-1: Introduction to Company Accounts

1. A company is formed_____ A. by special act. of parliament
B. under companies' act.
C. general agreement among potential investors
D. by ordinary agreement among the promoters
2. 'One company person' concept is introduced by _____
A. The Companies Act, 2013
B. The Companies Act, 1956
C. The Companies Amendment Act, 2014
D. The Partnership Act, 1932
3. The liability of equity shareholders is _____
A. unlimited
B. limited
C. guarantee given by them
D. as per agreement
4. Authorised capital is _____
A. the part of capital which is issued by the company
B. the amount of capital which is applied by prospective shareholders
C. maximum amount of capital which it is authorized to issue
D. amount paid by shareholders
5. Public limited companies should have a minimum paid up capital of _____
A. RS.5 lakhs
B. RS.10 lakhs
C. RS.20 lakhs
D. RS.50 lakhs

6. Private limited companies should have a minimum paid up capital of_____
- A. RS.5 lakhs
 - B. RS.1 lakhs
 - C. RS.10 lakhs
 - D. RS.40 lakhs
7. In case of private companies_____
- A. share can be transferred without restrictions
 - B. there is restriction on transfer of shares
 - C. can transfer 200 shares without consent of other shareholders
 - D. can transfer 500 shares with the consent of other shareholders
8. Securities premium account can be used for_____
- A. paying tax liability
 - B. paying dividend on shares
 - C. allowing discount in reissue of forfeited shares
 - D. to write off preliminary expenses
9. After the issue of forfeited shares, balance of forfeited shares account Is transferred to
- A. capital reserves A/c
 - B. share capital
 - C. general reserves
 - D. profit & loss A/c
10. Preference shares have priority over equity shares for_____
- A. payment of dividend and repayment of capital
 - B. voting in annual general meeting
 - C. subscribe for new issue of shares and debentures
 - D. interest on money invested in company
11. Bonus Shares are issued to _____
- A. Employees
 - B. Existing equity shareholders
 - C. Existing preference shareholders
 - D. Directors
12. Debenture holders have right to receive _____even if there is no profit.
- A. interest
 - B. commission
 - C. dividend
 - D. bonus

13. Debenture holders are the _____ of the company
- A. owners
 - B. customers
 - C. creditors
 - D. partners
14. Dividends are usually paid as a percentage of _____
- A. authorized capital
 - B. net profit
 - C. paid up capital
 - D. called up capital
15. Debentures can be issued only _____
- A. at par
 - B. at discount
 - C. premium
 - D. At par or Premium or discount
16. The maximum amount beyond which a company is not allowed to raise funds, by issue of shares is _____
- A. Issued capital
 - B. Called up capital
 - C. Paid up capital
 - D. Authorized capital
17. Shares can be issued by a public company through _____
- A. Public offer only
 - B. Private placement only
 - C. Bonus issue only
 - D. Public offer/ Private placement/ Bonus issue
18. In the balance sheet of a company, Debentures Account is shown under _____
- A. Share Capital
 - B. Long Term Loans
 - C. Unsecured Loans
 - D. Current Liabilities
19. Following is not an intangible assets _____
- A. Goodwill
 - B. Patents
 - C. Copy rights

- D. Live stock
20. Shareholders receive ----- as return for their investment
- A. Dividend
 - B. Profit
 - C. Interest
 - D. Capital
21. A new company cannot issue shares at -----
- A. premium
 - B. Discount
 - C. Par
 - D. None
22. A company is listed with _____
- A. Recognised stock exchange
 - B. SEBI
 - C. Government
 - D. ICAI
23. Discount on issue of share is a -----
- A. Deferred revenue
 - B. Revenue loss
 - C. Capital loss
 - D. Normal loss
24. _____ have the voting rights to take managerial decision.
- A. Equity shareholders
 - B. Employees
 - C. Preference shareholders
 - D. Creditors
25. Premium received on issue of shares a/c is shown _____
- A. Asset side
 - B. Liability side
 - C. Credit side
 - D. Debit side

Chapter:-2 Redemption of Preference Shares

1. Proceed of fresh issue as a source of redemption can be _____.
- A. Equity shares
 - B. Call money on shares

- C. Debentures
 - D. Loan for Bank
2. Capital redemption reserve can be created out of _____.
- A. Statutory reserves
 - B. Capital reserve
 - C. Security premium
 - D. Free reserve
3. X. Ltd. issues Rs. 40,000 worth of equity shares at a discount of 10% for redemption of preference shares of face value of Rs. 1, 50,000. Then the amount transferred to capital redemption reserve is _____.
- A. Rs.1, 14,000
 - B. Rs. 1, 10,000
 - C. Rs. 1, 23,000
 - D. Rs. 1, 12,500
4. SRK issues Rs. 50,000 worth of equity shares at par for redemption of preference shares have a face value of Rs. 3, 50,000. The amount transferred to Capital Redemption Reserve Account is _____.
- A. Rs. 4, 00,000
 - B. Rs. 3, 00,000
 - C. Rs. 80,000
 - D. Rs. 3, 20,000
5. Forfeiture of shares is the action taken by a company for _____.
- A. Issue of bonus shares
 - B. Cancellation of shares
 - C. Issue of right shares
 - D. None of the above
6. Dividend is calculated on preference share capital on _____.
- A. Face Value
 - B. Paid up Value
 - C. Market Value
 - D. None of the above
7. After redemption of preference shares, bonus issue is made to _____.
- A. Old equity shareholders
 - B. New equity shareholders
 - C. Old and New equity shareholders
 - D. Preference shareholders
8. Divisible profit means _____.
- A. Profit, which can be distributed as dividend
 - B. Net profit
 - C. Profit & Loss Appropriation Account
 - D. Revenue Profit

9. When preference shares are redeemable at premium, premium on redemption is debited to _____.
- A. Premium on Redemption Account
 - B. General Reserve Account
 - C. Profit & Loss Account
 - D. Security Premium Account
10. The amount utilised for redemption of preference shares is _____.
- A. Proceeds of fresh issue of equity shares
 - B. Proceeds of issue of debentures
 - C. Proceeds of Fixed deposits
 - D. Proceeds of sale of investment
11. The following account cannot be used for creation of Capital Redemption Reserve _____.
- A. Unclaimed dividend A/c
 - B. Profit and Loss A/c
 - C. General Reserve A/c
 - D. Dividend Equalisation Reserve A/c
12. The following profit does not part of divisible profits _____.
- A. Workmen compensation fund
 - B. Dividend equalization Reserve
 - C. Revaluation Reserve
 - D. General Reserve
13. A Company cannot issue _____.
- A. Redeemable cumulative Preference shares
 - B. Redeemable non-cumulative preference shares
 - C. Redeemable participating preference shares
 - D. Irredeemable preference shares
14. A company can issue redeemable preference shares _____.
- A. At par
 - B. At discount
 - C. At premium
 - D. At par, discount and premium
15. Amount transferred to Capital Redemption Reserve in case of redemption of preference shares by conversion into equity shares will be _____.
- A. Equal to face value of equity shares
 - B. Equal to face value of preference shares
 - C. Nil
 - D. Difference between face value of preference shares redeemed and the equity shares issued
16. Premium on redemption of preference shares should be adjusted out of _____.

- A. Divisible profit only
 - B. Capital profit only
 - C. Securities premium only
 - D. Profit of the company
17. As per Rule 9 of Companies (Share Capital & Debentures) Rules 2014 issue of preference shares must be authorised by a _____.
- A. Special resolution in the general meeting
 - B. Special resolution in the Board meeting
 - C. Ordinary resolution in the general meeting
 - D. Annual meeting
18. Following reserve is not available for redemption of preference shares _____.
- A. General Reserve
 - B. Profit & Loss Account
 - C. Dividend Equalisation Reserve
 - D. Investment Allowance Reserve
19. Securities premium can be used for issue of bonus shares if it is realised in cash in the case of _____.
- A. Listed companies
 - B. Unlisted companies
 - C. One person company
 - D. Unauthorised company
20. Capital Redemption Reserve can be used for _____.
- A. Payment of interim dividend
 - B. Writing off accumulated losses
 - C. Issue of fully paid bonus shares
 - D. Payment of final dividend
21. A company cannot issue redeemable preference shares for a period exceeding _____.
- A. 5 Years
 - B. 7 Years
 - C. 20 Years
 - D. 25 Years
22. Preference shares may be redeemed at _____.
- A. Par only
 - B. Premium only
 - C. Par or at premium
 - D. At Discount only
23. The Preference shares which carry the right of participating in surplus is called _____
- A. Participating preference shares
 - B. Convertible preference shares
 - C. Cumulative preference shares
 - D. Non- Participating preference shares

24. Profit on forfeiture of redeemable preference shares is credited to _____.
- A. Capital Reserve A/c
 - B. Capital Redemption Reserve A/c.
 - C. Profit & Loss A/c
 - D. General Reserve A/c
25. The process of refund of preference shares capital is known as _____.
- A. Repayment
 - B. Redemption
 - C. Issue
 - D. Surrender

Chapter:-3 Redemption of Debentures

1. The balance of Sinking Fund A/c is transferred to _____.
- A. Capital Reserve A/c
 - B. Balance sheet
 - C. General Reserve A/c
 - D. Debenture Account
2. Profit on sale of Sinking Fund Investment will be debited to _____.
- A. Profit & Loss A/c
 - B. Sinking Fund Investment A/c
 - C. Sinking Fund A/c
 - D. Revaluation A/c
3. Interest received on debenture redemption fund investment will be _____.
- A. Debited to Bank A/c
 - B. Debited to Sinking Fund A/c
 - C. Profit & Loss A/c
 - D. Sinking Fund A/c
4. On Redemption of Debentures, amount paid to Debenture holders A/c credited to _____.
- A. Debenture holders A/c
 - B. Bank A/c
 - C. Debentures A/c
 - D. Sinking Fund A/c
5. On payment of debenture interest amount paid is debited to _____.
- A. Sinking Fund A/c
 - B. Debenture Interest A/c
 - C. Bank A/c
 - D. Investment A/c
6. Balance in Discount on issue of Debentures is shown in Balance sheet.
- A. On Liabilities side
 - B. Current Assets

- C. On Assets side
D. Current Liability
7. As per Company Act, 2013 the company is required to create Debentures redemption reserve equal to _____.
- A. 100% of the issue price of the debentures
 - B. 25% of the issue price of the debentures
 - C. 20% of the issue price of the debentures
 - D. 10% of the issue price of the debentures
8. _____ is created to provide fund for redemption of debentures as and when they become due for redemption.
- A. Investment Fluctuation Reserve
 - B. Sinking Fund
 - C. Dividend Equalization Reserve
 - D. Debentures Redemption Reserve
9. Under redemption by _____, debentures can also be redeemed by converting them into shares or new debentures.
- A. Purchase
 - B. Conversion
 - C. Payment
 - D. Payment in lump sum
10. The method in which all the debentures are redeemed on the redemption date specified in the terms of issue, i.e., on their maturity is known as _____
- A. Redemption in Lumpsum
 - B. Redemption by Draw of Annual Lots
 - C. Redemption in instalments
 - D. Redemption by Conversion
11. Debenture Redemption Reserve account is shown on which side of the balance sheet _____
- A. None
 - B. Assets
 - C. Liabilities
 - D. Not to be shown
12. X Ltd. issued 1,000, 12 percent debentures of Rs.100 each at par. These debentures are redeemable at 10 percent premium at the end of 4 years. By what amount debenture holder account should be debited while making payment to them _____
- A. Rs.1,00,000
 - B. Rs.1,20,000
 - C. Rs.1,10,000
 - D. Rs.90,000

13. Debentures can be redeemed _____
- A. Only out of the proceeds of the fresh issue of debentures
 - B. Only out of divisible profits
 - C. Only out of capital
 - D. Only out of capital or profits
14. For the redemption of debentures, sinking fund is created out of _____
- A. Capital reserve
 - B. Share capital
 - C. Secured loans
 - D. Current year profits
15. Debentures represent the _____
- A. Share in business
 - B. Investment by shareholders in business
 - C. Long term borrowings of business
 - D. Current liabilities of business
16. Debenture holders are the _____
- A. Customers of the company
 - B. Creditors of the company
 - C. Owners of the company
 - D. Managers of the company
17. Debentures are shown under the following heading in a balance sheet _____
- A. Secured loans
 - B. Unsecured loans
 - C. Share capital
 - D. Current liabilities
18. According to Companies Act, the premium on issue of debentures should be credited to _____
- A. Share premium a/c
 - B. Debentures premium a/c
 - C. Securities premium a/c
 - D. Premium on redemption a/c
19. Interest on debentures is normally payable _____
- A. Half yearly
 - B. Quarterly
 - C. Annually
 - D. Monthly
20. A fixed % of interest on debentures is calculated on _____
- A. The issue price of debentures
 - B. The nominal value of debentures
 - C. The face value of debentures and premium value
 - D. Premium value of debentures

21. When debentures are to be repaid out of profits, an equal amount is transferred to _____
- A. CRR
 - B. DRR
 - C. General reserve
 - D. P&L A/C
22. Premium on redemption of debentures a/c is transferred to _____ at the time of redemption
- A. Debentures a/c
 - B. Redemption a/c
 - C. P&L a/c
 - D. Debenture holders a/c
23. Discount on issue of debentures being a _____ loss, can be written off against capital profits.
- A. business
 - B. Debenture holders
 - C. Capital
 - D. Net
24. The issue of debentures to vendors is known as issue of debentures for _____ other than cash.
- A. Consideration
 - B. Debenture holders
 - C. Premium
 - D. Discount
25. Debentures issued for purchase of Building is recorded as _____. A. Building A/c Dr. and vendor A/c Cr.
- B. Building A/c Dr. and Debentures A/c Cr.
 - C. Building A/c Dr. and Cash A/c Cr.
 - D. Building A/c Dr. Shares A/c Cr.

Chapter:-4 Profit Prior to Incorporation

1. Profit post incorporation are available for _____ .
- A. Acquisition of fixed asset
 - B. Debenture interest
 - C. Payment of dividend
 - D. For drawing by owner
2. Share issue expenses written off should be charged to _____ .
- A. Trading Account
 - B. Liabilities
 - C. Post incorporation Period
 - D. Pre- incorporation Period

3. Preliminary expenses written off is charged to _____ .
A. Current Liabilities
B. Floating Assets
C. Capital Account
D. Post incorporation Period
4. Discount allowed to Customers by a limited company is treated as _____ .
A. Pre-incorporation expenditure
B. Post-incorporation expenditure
C. allocated in Time period
D. allocated in Sales Ratio
5. Profit upto date of incorporation is transferred to _____ .
A. Capital Reserve
B. Capital Redemption Reserve
C. Security Premium
D. Revenue Reserve
6. Expenses exclusively relating to vendor should be charged to _____ period.
A. Pre-incorporation
B. Post-acquisition
C. Post-incorporation
D. Pre-acquisition
7. The excess of purchased consideration over net assets taken over is debited to _____
A. Fixed Assets
B. Goodwill
C. Capital Reserve
D. Revenue profit
8. The date of taken over 1st January 2018, incorporation 1st June 2018 year end 31st December 2018. Time ratio is _____ .
A. 5:1
B. 2:5
C. 1:6 D. 5:7
9. Sales for the year Rs.15 Lakhs pre acquisition sales Rs.3 Lakhs, pre-incorporation Rs.2 Lakhs, Balance post-incorporation. The sales Ratio is _____ .
A. 4:1
B. 3:5
C. 1:6 D. 1:5
10. Purchased Consideration Rs.60,000/- net assets taken over Rs.45,000/-. The value of goodwill is _____ .
A. Rs.25,000/-
B. Rs.45,000/-

C. Rs.15,000/- D. Rs.60,000/-

11. For computing pre-incorporation profits, Audit Fee _____
 - A. is treated as pre-incorporation expenditure
 - B. is treated as post-incorporation expenditure
 - C. is allocated in time ratio
 - D. is allocated in sales ratio
12. If sales not given, gross profit should be allocated in the _____.
 - A. Equal ratio
 - B. Time ratio
 - C. Sales ratio
 - D. Not Applicable
13. Depreciation is divided, for computing pre-incorporation profits in the ratio of _____.
 - A. Time
 - B. Sales
 - C. Pre-incorporation period
 - D. Post-incorporation period
14. Loss prior to incorporation is transferred to _____.
 - A. Capital Reserve
 - B. Goodwill
 - C. Net Loss
 - D. Liability
15. Bad debts written off realized is shown under _____.
 - A. Pre-incorporation income
 - B. Profit & Loss Account
 - C. Post-incorporation income
 - D. Post-incorporation expenditure
16. Profit prior to incorporation is the profit earned _____.
 - A. Between the date of incorporation and date of commencement of business
 - B. Between the date of purchase of business and date of incorporation
 - C. Between the date of purchase of business and date of commencement
 - D. Between the date of agreement of purchase of business and date of commencement
17. Profit prior to incorporation belongs to _____.
 - A. The company
 - B. The vendor
 - C. Partnership Firm
 - D. Sole trader
18. The salary paid to manager, for a period before acquisition of business, should be _____.
 - A. Divided in time ratio
 - B. Posted in pre incorporation period

- C. Posted in post incorporation period
D. Divided in adjusted time ratio
19. Discount received from creditors and carriage inwards should be divided in pre and post incorporation periods in _____
A. Sales ratio
B. Purchase ratio
C. Adjusted time ratio
D. Pre-incorporation period
20. The two important ratios in the calculation of pre-incorporation profits are _____ and _____
A. Gross and net
B. Net and sales
C. Income and sales
D. Time and sales
21. Post incorporation profit should be taken as _____ profit
A. Sales
B. Net
C. Revenue
D. Capital
22. Loss prior to incorporation is to be shown in the assets side of the balance sheet under the heading _____
A. Reserves and surplus
B. Paid up capital
C. Miscellaneous expenditure
D. Called up capital
23. When expenses remain constant overall the financial year they can be divided in _____.
A. Time ratio
B. Sales ratio
C. Purchase ratio
D. Gross Profit ratio
24. Capital profit must be transferred to _____.
A. Capital reserve a/c
B. Realisation a/c
C. Profit & loss a/c
D. Revaluation a/c
25. After the incorporation of a company all profits or losses are transferred to _____ a/c.
A. Trading
B. Revaluation
C. Profit & loss appropriation
D. Realisation

References

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