

B.Com III Annual Examination, 2016

Corporate Accounting [Code C-301]

1. After the redemption of all debentures the balance of 'Debenture Redemption Fund Account' is transferred in :
(a) Debentures Account (b) Debentures Investment Account
(c) General Reserve Account (d) Capital Reserve Account
2. Discount in debentures should be written-off in :
(a) Five years (b) Issue year
3. Discount on Debentures is :
(a) Appropriation of profits (b) Charge on profits
(c) Total period of debentures (d) Redemption year
4. Discount on issue of debentures A/c is :
(a) Capital loss (b) General loss
(c) Reserve (d) Provision
5. 6,000 debentures of ₹ 10 each were redeemed by the issue of equity shares of ₹ 10 each at 20% premium. Number of issued shares will be :
(a) 50,000 (b) 60,000
(c) Trading loss (d) Revenue loss
6. Debenture holder is :
(a) Debtor of company (b) owner of company
(c) 5,000 (d) 6,000
7. Debenture premium should be used :
(a) In writing-off revenue losses
(c) Surety of company (d) Creditor of company
(b) In distribution of dividend
(d) None of the above
8. Premium on redemption of debentures account is :
(a) Personal Account (b) Real Account
(c) Artificial Account (d) Loss Account
9. Redemption of debentures may be by :
(a) Purchasing in open market
(b) Changing in shares
(c) Changing in debentures
(d) All of the above
10. Interest on debentures account is transferred in :
(a) Share Premium Account (b) Profit & Loss Account (c) General Reserve Account (d) Balance Sheet
11. After forfeiture of unclaimed dividend the amount is transferred in :
(a) General Reserve (b) Dividend Equilization Fund (c) Capital Reserve (d) Capital Redemption Reserve A/c
12. Share Premium Account is shown in liability side of balance sheet under which head :
(a) Reserve and surplus (b) Share capital (c) Secured loan (d) Current liability
13. Unclaimed Dividend Account is shown in Balance Sheet in :
(a) Secured loan (b) Unsecured loan (c) Provision (d) Current liability
14. 'Discount on Issue of Shares Account' is shown in :
(a) Assets side of Balance Sheet (b) Liabilities side of Balance Sheet
(c) Statement of Profit-Loss (d) Statement of Profit-Loss Appropriation
15. Dividend is paid from :
(a) Share Premium Account (b) Capital Redemption Reserve Account
(c) Profits pre-incorporation (d) Profits of current year
16. Proposed dividend is shown in :
(a) Profit & Loss statement (b) Liability side of balance sheet
(c) Asset side of balance sheet (d) None of the above
17. Which item is not current liability from the following ?
(a) Unpaid dividend (b) Bills payable (c) Bank overdraft (d) Minorities interest
18. 'Tax Provision' is shown in balance sheet in which head ?
(a) Current liability and provision (b) Reserve and Surplus
(c) Secured loan (d) Sundry expenses
19. Interim dividend is shown in :
(a) Profit & Loss Statement (b) Asset side of balance sheet
(c) Liability side of balance sheet (d) Profit-Loss Appropriation Statement
20. In how many days of declaration of dividend, it is necessary to issue warrant or cheque ?
(a) 42 days (b) 21 days (c) 15 days (d) No limit
21. When bonus share is issued, which account is credited ?
(a) General Reserve Account (b) Share Premium Account
(c) Share Capital Account (d) Bonus to Shareholders Account
22. Bonus shares can be issued from :
(a) Profit & Loss Account (b) Share Premium Account
(c) General Reserve Account (d) All of the above
23. Capitalization of profit of company is made by :
(a) Issue of bonus shares (b) Declaration of dividend
(c) Making capital reserve (d) It is not possible
24. Share premium is determined by :
(a) Company Law Board (b) Company itself (c) Government (d) SEBI
25. Excess of net assets over purchase consideration is called :
(a) Capital Reserve (b) Revenue Reserve (c) Secret Reserve

26. Accounting Standard relating to accounting of amalgamation is:
 (a) AS-2 (b) AS-10 (c) AS-13 (d) AS-14
27. If net value of purchased assets is less than purchase consideration, then this amount will be:
 (a) Profit (b) Reserve (c) Loss (d) Goodwill
28. The particulars of assets and liabilities of transferor company is as follows:
 Fixed Assets ₹ 2,50,000; Current Assets ₹ 2,70,000; Current Liabilities ₹ 2,00,000; Reserve ₹ 25,000; Share Capital ₹ 2,95,000. purchase consideration will be, if amalgamation is in the nature of merger.
 (a) ₹ 3,20,000 (b) ₹ 5,20,000 (c) ₹ 2,50,000 (d) ₹ 2,95,000
29. Given - Assets purchased ₹ 18,00,000; Liabilities ₹ 1,40,000; Purchase consideration ₹ 15,00,000. result will be:
 (a) Goodwill ₹ 1,60,000 (b) Capital Reserve ₹ 1,60,000 (c) Goodwill ₹ 3,00,000 (d) Capital Reserve ₹ 3,00,000
30. The characteristic of internal reconstruction is:
 (a) Liquidation of companies (b) Liquidation of one company
 (c) Change in capital structure (d) Absorption
31. Equity shareholders are:
 (a) Customers of company (b) Owners of company (c) Creditors of company (d) Bankers of company
32. Shareholders receive:
 (a) Interest (b) Commission (c) Dividend (d) Brokerage
33. Share Allotment Account is:
 (a) Personal Account (b) Real Account (c) Nominal Account (d) Profit & Loss Account
34. Issue of shares at premium is:
 (a) Abnormal profit (b) Capital Loss (c) Abnormal profit or loss (d) Capital receipt
35. Issue of shares at discount is:
 (a) Capital receipt (b) Capital loss (c) Abnormal profit (d) Abnormal loss
36. When shares are forfeited, the Share Capital Account is debited with:
 (a) Outstanding amount of calls (b) Called up amount (c) Paid up amount (d) Outstanding amount
37. Unpaid calls are:
 (a) Added in capital (b) Deducted from capital (c) Deducted from profit (d) Added in profit
38. At the time of reissue of forfeited shares the discount is debited in:
 (a) Share Discount Account (b) Profit & Loss Account
 (c) Share Forfeiture Account (d) Unpaid Calls Account
39. After reissue of forfeited shares the balance of forfeited share money is transferred in:
 (a) Reserve Fund (b) Reserve Capital
 (c) Capital Reserve Account (d) Investment Fluctuation Fund
40. In total amount of liabilities includes:
 (a) Subscribed capital (b) Issued capital (c) Paid up capital (d) Amount of application money
41. The real amount of share capital is:
 (a) Authorised capital (b) Issued capital (c) Subscribed capital (d) Paid up capital
42. The amount of capital which is included in 'Capital Clause' is called:
 (a) Authorised Capital (b) Issued capital (c) Subscribed capital (d) Paid up capital
43. The part of share capital, which can be called only at the time of liquidation, is called:
 (a) Authorised capital (b) Called up capital (c) Capital reserve (d) Reserve capital
44. Equity capital ₹ 90,000; Liabilities ₹ 60,000; Profit of the year ₹ 20,000; Total Assets will be:
 (a) ₹ 1,70,000 (b) ₹ 1,50,000 (c) ₹ 1,10,000 (d) ₹ 80,000
45. If Equity Share of ₹ 100 is issued at ₹ 120, is called:
 (a) Issue at par (b) Issue at premium (c) Issue at discount (d) None of the above
46. Premium on Redemption of Debenture A/c is:
 (a) Asset (b) Liability (c) Expense (d) Revenue
47. Debentures of ₹ 4,25,000 are issued by company against the purchase of assets of ₹ 4,50,000. In this case ₹ 25,000 will be supposed to be:
 (a) Capital Reserve (b) Goodwill (c) Profit (d) Loss
48. Loss on Issue of Debenture Account is:
 (a) A Liability (b) An expense (c) An asset (d) A gain
49. If debentures of ₹ 1,000 purchased for ₹ 980 by the company the difference of ₹ 20 will be assumed to be:
 (a) Profit on redemption of debenture (b) Loss on redemption of debenture
 (c) Goodwill (d) None of the above
50. Calls paid in advance account is shown separately at the:
 (a) Debit side of P/L A/c (b) Credit side of P/L A/c
 (c) Liability side of balance sheet (d) Asset side of balance sheet
51. Goodwill is:
 (a) Current Asset (b) Fixed Asset (c) Artificial Asset (d) Intangible Asset
52. Method of depreciation of goodwill is:
 (a) Fixed instalment method (b) Diminishing balance method
 (c) Annuity method (d) No depreciation
53. Determination of goodwill is necessary:
 (a) At the time of issue of shares (b) On sale of company

- (c) On liquidation of company
A method of valuation of Goodwill is :
(a) Net Profit method
(c) Operating method
55. The formula of normal profit is :
(a) $\text{Average Profit} \times \frac{\text{Normal Rate}}{100}$
(c) $\text{Average Capital Employed} \times \frac{\text{Normal Rate}}{100}$
56. Not included in capital employed :
(a) Artificial assets (b) Current Assets
57. Average capital employed ₹ 1,20,000; Normal rate 10%, Real average profit ₹ 40,000. Super profit will be :
(a) ₹ 28,000 (b) ₹ 12,000 (c) ₹ 40,000 (d) ₹ 52,000
58. Average capital employed ₹ 80,000; Profit of current year ₹ 30,000. Capital employed will be :
(a) ₹ 1,10,000 (b) ₹ 50,000 (c) ₹ 95,000 (d) ₹ 65,000
59. At the time of calculating capital employed, debentures shown in balance sheet should be :
(a) Deducted (b) Added (c) No adjustment (d) Taken average
60. Intrinsic value of shares is calculated :
(a) On the basis of profits (b) On the basis of net assets
(c) On the basis of market price (d) Determined by speculators
61. Valuation of shares is essential on :
(a) Amalgamation of company (b) Absorption (c) Reconstruction of company (d) All of the above
62. The balance sheet method of valuation of shares is known as :
(a) Net Asset method (b) Asset valuation method (c) Retained Asset method (d) All of the above
63. The following asset is included in intrinsic value method :
(a) Preliminary expenses (b) Patent (c) Discount on debentures (d) Goodwill
64. For calculating net assets the liability which is deductible is :
(a) General reserve (b) Borrowed capital (c) Preference share capital (d) Equity capital
65. The formula of getting net assets will be :
(a) Total Assets – Total Liabilities (b) Total Assets – External Liabilities
(c) Realisable Value of Assets – External Liabilities (d) Book Value of Assets – Current Liabilities
66. The external liability increased by ₹ 5,000. The effect on net assets will be :
(a) Increase by ₹ 5,000 (b) Decrease by ₹ 5,000 (c) No effect (d) In addition to the a
67. Given – Fixed Assets ₹ 3,00,000; Current assets ₹ 1,50,000; Current Liability ₹ 50,000; Debentures ₹ 1,50,000; Reserve ₹ 20,000; Net Assets will be :
(a) ₹ 4,00,000 (b) ₹ 2,50,000 (c) ₹ 3,00,000 (d) ₹ 2,30,000
68. When two or more existing companies go into liquidation and a new company is formed to take over their business this activity is known as :
(a) Amalgamation (b) Absorption (c) Internal Reconstruction (d) None of the above
69. 10,000 equity shares of ₹ 10 each were issued to public at a premium of ₹ 2 per share. Applications were received for 12,000 shares. Amount of securities premium account will be :
(a) ₹ 20,000 (b) ₹ 24,000 (c) ₹ 4,000 (d) ₹ 1,600
70. After dividing net assets by number of shares, the value of share is called :
(a) Cost price (b) Book value (c) Intrinsic value (d) Market price
71. The main object of amalgamation :
(a) To bring economy in expenses (b) To facilitate distribution
(c) To eliminate competition (d) All of the above
72. When one company goes in liquidation and a new company is formed to take over the business of the company which goes in liquidation, this is called :
(a) Amalgamation (b) Absorption (c) External reconstruction (d) Internal reconstruction
73. In internal reconstruction :
(a) No company goes into liquidation (b) Only one company goes into liquidation
(c) Two or more companies are liquidated (d) One or more companies go into liquidation
74. If the net assets taken over by the company are less than the purchase consideration, the difference shall be treated as :
(a) Secret Reserve (b) Goodwill (c) Capital Reserve (d) General Reserve
75. Holding Company means :
(a) Which is the holder of an another company at least 51% shares
(b) Which is the holder of an another company at least 80% shares
(c) Other company controls on its board of directors (d) All of the above
76. Holding Company has been defined in the following Section of Companies Act, 1956 :
(a) Section 3 (b) Section 4 (c) Section 4(4) (d) Section 3(4)
77. Subsidiary Company means :
(a) Which controls an another company (b) Other company controls on its board of directors
(c) Other company is the holder of its 40% shares (d) None of the above
78. Subsidiary Company has been defined in :

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A method of valuation of Goodwill is
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(c) Operating method
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(a) $\text{Average Profit} \times \frac{\text{Normal Rate}}{100}$
(c) $\text{Average Capital Employed} \times \frac{\text{Normal Rate}}{100}$
- (d) At the time of forfeiture of shares
(b) Super profit method
(d) Capital Reserve method
- (b) $\text{Real Average Profit} \times \frac{\text{Rate}}{100}$
(d) $\text{Super Profit} \times \frac{\text{Normal Rate}}{100}$
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(a) Artificial assets (b) Current Assets
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(a) ₹ 4,00,000 (b) ₹ 2,50,000
(c) ₹ 3,00,000 (d) ₹ 2,30,000
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(a) Which controls an another company
(b) Other company controls on its board of directors
(c) Other company is the holder of its 40% shares
(d) None of the above
78. Subsidiary Company has been defined in :

- (a) Section 4 of Companies Act, 1956 (b) Section 2 of Income tax Act, 1961
(c) Section 2 of Companies Act, 1956 (d) None of the above
79. A Limited has purchased 55% shares of B Limited, A limited.
(a) has purchased B Limited (b) has absorbed (c) is holding company (d) is subsidiary company
80. The provision of Section 212 will not be applied on holding company, it is written in
(a) Section 212(7) (b) Section 212(8) (c) Section 212(6) (d) Section 212(5)
81. Holding company and subsidiary company, holds their account books, according to
(a) Section 209 (b) Section 210 (c) Section 211 (d) Section 208
82. The share of holding company in capital and reserves of subsidiary company is ₹ 3,90,000 and the investment in shares of subsidiary company is ₹ 4,20,000. The difference is called :
(a) Goodwill ₹ 30,000 (b) Capital Reserve ₹ 30,000
(c) Revenue Profit ₹ 30,000 (d) None of the above
83. H Company is a holding and S Company is a subsidiary. The stock of S company includes the goods of ₹ 20,000 which has been sold by H Company at 10% profit on its selling price. Unrealised profit will be :
(a) ₹ 2,000 (b) ₹ 1,818 (c) ₹ 2,200 (d) ₹ 2,222
84. Which part of unrealized profit is adjusted ?
(a) Share of holding company (b) Share of subsidiary company
(c) Whole amount (d) No adjustment
85. In creditors of holding company ₹ 12,500 is included for such goods which has been purchased from subsidiary company and which has not been sold. The subsidiary company sends goods after adding 25% on its cost. The holding company purchased 3/4 shares of subsidiary company. The share of holding company in unrealized profit will be
(a) ₹ 2,500 (b) ₹ 1,875 (c) ₹ 3,125 (d) ₹ 2,344
86. According to Accounting Standard – 14 the purchase consideration is that which is payable to :
(a) Shareholders (b) Shareholders and debentureholders
(c) Debentureholders and creditors (d) Debentureholders
87. Excess of net assets over purchase consideration is called :
(a) Goodwill (b) Capital Reserve (c) Revenue Reserve (d) Secret Reserve
88. The meaning of absorption is :
(a) To absorb another company by existing company (b) After liquidation of two companies making new company
(c) To improve economic situation by existing company (d) To purchase an other company by a company
89. Given
- | Particulars | Holding Co. (₹) | Subsidiary Co. (₹) |
|------------------|-----------------|--------------------|
| Bills Receivable | 45,000 | 25,000 |
| Bills Payable | 75,000 | 55,000 |
- Subsidiary Co. accepted all the bills in favour of Holding Co. from which the Holding Co. has discounted the bills of ₹ 15,000. The doubtful bills of Holding Co. are ₹ 40,000. The amount of bills receivable in consolidated Balance Sheet will be
(a) ₹ 70,000 (b) ₹ 45,000 (c) ₹ 30,000 (d) ₹ 55,000
90. In above question 89 the amount of bills payable which will be shown in consolidated balance sheet :
(a) ₹ 1,30,000 (b) ₹ 90,000 (c) ₹ 1,15,000 (d) ₹ 1,10,000
91. In the books of B Limited, a subsidiary company the value of Land and Building in the beginning of the year is ₹ 2,00,000. Holding company A Limited purchased the shares in the beginning of the year and the valuation on this date was ₹ 3,00,000. The rate of depreciation is 10%. Profit on revaluation will be :
(a) ₹ 1,00,000 (b) ₹ 1,20,000 (c) ₹ 1,10,000 (d) No profit
92. Holding company sold 1,000 shares @ ₹ 20 per share out of 3,000 shares which were purchased from subsidiary company at the cost of ₹ 48,000. Profit on sale will be :
(a) ₹ 10,000 (b) ₹ 20,000 (c) ₹ 28,000 (d) ₹ 4,000
93. Indian Companies Act contains the provision regarding remuneration of managing directors in :
(a) Section 309 (b) Section 78 (c) Section 79 (d) Section 198
94. Indian Companies Act contains the provision regarding remuneration of manager in :
(a) Section 309 (b) Section 78 (c) Section 79 (d) Section 387
95. Profit post-incorporation is transferred to :
(a) General Reserve (b) Capital Reserve (c) Profit & Loss Account (d) Trading Account
96. Profit pre-incorporation is transferred to :
(a) General Reserve (b) Capital Reserve (c) Profit & Loss Account (d) Trading Account
97. Depreciation is allocated :
(a) On time ratio (b) On sales ratio (c) On equal ratio (d) None of the above
98. Gross profit is allocated :
(a) In time ratio (b) In sales ratio (c) In equal ratio (d) None of the above
99. Advertisement is allocated :
(a) In time ratio (b) In sales ratio (c) In equal ratio (d) None of the above
100. Debentureholders get :
(a) Dividend (b) Ownership (c) Rights according to Article of Association (d) Fixed interest

