

1. The redemption of preference shares is governed by Section _____ of the Company Act.
a) 77 b) 78 c) 75 d) 55
2. The company intended to provide funds for redemption of shares create _____.
a) Redemption fund b) depreciation fund
c) sinking fund/redemption fund d) dividend fund
3. Proceeds of fresh issue as a source of redemption can be _____.
a) Equity shares b) call money on shares c) debentures d) loan from bank
4. The premium payable on redemption can be provided out of _____.
a) Statutory reserve b) Capital redemption reserve
c) Profits d) Insurance Premium
5. Capital redemption reserve is to be created to the extent redemption is out of _____.
a) Bank account b) new issue of shares c) capital profits d) divisible profits
6. Capital redemption reserve can be utilised for _____.
a) paying dividend b) issue of bonus shares
c) set off against losses d) writing off fictitious balance
7. Capital redemption reserve can be created out of _____.
a) Statutory reserves b) capital reserve c) security premium d) free reserve
8. The amount remaining unpaid to preference shareholders is included in Balance sheet as _____.
a) Share capital b) loan c) current liabilities d) contingent liabilities
9. Preference shares can be redeemed by _____.
a) Issue of equity shares b) transfer of investments
c) sale of fixed assets d) set off deferred revenue expenditure
10. The terms of redemption is specified at time _____.
a) Issue of shares b) allotment of shares
c) receipt pf application for shares d) re-issue of share
11. X. Ltd issues Rs.40,000 worth of equity shares of 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
12. Divisible profit means
a) Profit disclosed by Profit & Loss Account
b) Profit disclosed by profit & Loss less dividend tax
c) Profit available for distribution as dividend
d) Retained earnings
13. Deepika Ltd. has 10,000, 7.5% preference shares of Rs.10 each. The company had forfeited 500 preference shares on which final call of Rs.2 had not been received. Remaining shares were redeemed at par out of reserves. The amount credited to capital redemption reserve is _____.
a) Rs.95,000 b) Rs.1,00,000 c) Rs.99,000 d) Rs.1,01,000
14. SRK issues Rs.50,000 worth of equity shares at par for redemption of preference shares having 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
15. Securities premium can be used for _____.

- a) Payment of dividend
 - b) issue of fully paid bonus shares
 - c) issue of partly paid bonus shares
 - d) none of the above
16. 1,00,000 equity shares of Rs.10 each are issued at a premium of 10% to redeem the preference shares. The proceeds of fresh issue U/S 80 is _____.
- a) Rs.10,00,000
 - b) Rs.11,00,000
 - c) Nil
 - d) Rs.12,50,000
17. The company which can issue redeemable preferences share is _____.
- a) A company limited by share
 - b) A company limited by guarantee not having share capital
 - c) A company limited by guarantee having share capital
 - d) An unlimited company
18. The account that can be transferred to capital Redemption Reserve A/c is _____.
- a) General reserve A/c
 - b) Forfeited shares A/c
 - c) profit prior to incorporation
 - d) Securities premium A/c .
19. When preferences share shares are redeemed at premium, premium on redemption is debited to _____.
- a) Premium on redemption a/c
 - b) General reserve a/c
 - c) Profit and loss a/c
 - d) none of the above
20. Calls in arrears is _____.
- a) Deducted from called up capital
 - b) added to called up capital
 - c) deducted from paid up capital
 - d) deducted from subscribed capital

1. Debentures can be redeemed by _____.
 - a) Issue of cheque
 - b) Transfer of fixed assets
 - c) Transfer of investment
 - d) Endorsement of bill of exchange
2. To provide funds for redemption a company may _____.
 - a) Create sinking fund
 - b) Create redemption fund
 - c) Remain inactive
 - d) Open new bank account
3. Uncollected redemption money should be shown as _____.
 - a) Loan
 - b) Contingent liability
 - c) Current liabilities
 - d) Capital
4. The forms of redemption of debentures are specified at the time of _____.
 - a) Issue of debentures
 - b) Allotment
 - c) Receipt of application
 - d) Redemption
5. The interest on investment representing sinking fund should be credited to _____.
 - a) Profit & Loss Account
 - b) Sinking Fund Account
 - c) Debentures Account
 - d) Capital Reserve
6. After redemption of debentures, balance in sinking fund should be transferred to _____.
 - a) Capital reserve
 - b) General reserve
 - c) Profit & Loss Account
 - d) Security premium
7. The company Act required creation of _____ by a company debentures.
 - a) Capital redemption reserve
 - b) Capital reserve
 - c) Debenture redemption reserve
 - d) Statutory reserve
8. RIL issued 500 debentures of Rs 100 each holders of these debentures have an option to convert their holding to equity shares of Rs 100 each, at a premium of Rs 25 at any time within 3 years from the date of issue. The number of equity shares to be issued for conversion is _____.
 - a) 500 shares
 - b) 400 shares
 - c) 625 shares
 - d) 375 shares

9. Kavita Ltd. issued 50,000 8% debentures of Rs 10 each at par, which are redeemable after 5 years at a premium of 20%. The amount of loss on redemption of debentures to be written off every year is _____.

- a) Rs 40,000
- b) Rs 10,000
- c) Rs 20,000
- d) Rs 5,000

10. Debentures may be _____

- a) Secured
- b) Unsecured
- c) Redeemable
- d) All of the above

11. Interest on sinking fund investment is credited to _____.

- a) Sinking Fund Account
- b) Profit & Loss Account
- c) Profit & Loss Appropriation Account
- d) None of the above

12. Loss on sale of sinking fund investment is debited to _____.

- a) Profit & Loss Account
- b) Sinking Fund Investment Account
- c) Sinking Fund Account
- d) Revenue Reserve Account

13. A company has to create debenture redemption reserve as per _____.

- a) Rule 18 (7) of companies Rules 2014
- b) M/A
- c) A/A
- d) None

14. Redemption out of capital can be made when _____.

- a) Profit is kept aside
- b) Provision is made
- c) No profit is set aside for redemption
- d) Nil

15. Interest on debentures is payable out of _____.

- a) Income
- b) Profit
- c) Capital
- d) None of the above

16. When debentures become due, the claim is credited to _____.

- a) Bank Account
- b) Debentures Account
- c) Debenture holders Account
- d) None of the above

17. Premium on redemption of debentures appears in the Balance Sheet till the date of redemption on ____.

- a) Asset side
- b) Liability side
- c) Profit & Loss Account credit side
- d) None of the above

18. As per Companies Act 2013, the company is required to create Debenture redemption reserve equal to ____.

- a) 100% of the issue size
- b) 25% of the issue size
- c) 20% of the issue size
- d) 10% of the issue size

19. Debentures can be redeemed out of ____.

- a) Capital
- b) Divisible profits
- c) Proceeds of fresh issue
- d) Capital or profit

20. In case of redemption of debentures out of profits the amount to be transferred to General Reserve is equal to ____.

- a) Claim on redemption
- b) Premium on redemption
- c) Face value of debentures redeemed
- d) None of the above.

21. Debenture Redemption Reserve is dealt with by section ____.

- a) 71 (4)
- b) 117
- c) 115
- d) 110

22. The Companies Act 2013 came into force w.e.f. ____.

- a) 12-9-2013
- b) 15-12-2000
- c) 31-3-2000
- d) 1-4-2001

23. Debenture Redemption Reserve must be created when a company redeems debentures

- a) Out of capital
- b) Out of profit
- c) By conversion
- d) None of the above

24. Transfer to Debenture Redemption Reserve must be made _____.

- a) Every year
- b) At the beginning of the 1st year
- c) At the end of the period after which debentures are to be redeemed
- d) All of the above

25. Before redemption of debentures begins Debenture Redemption Reserve must be _____.

- a) More than the amount of debenture liability
- b) Less than the amount of debenture liability
- c) Equal to the amount of debenture liability
- d) None of the above

26. Sinking Fund A/c for redemption of Debentures is shown under _____.

- a) Reserves and Surplus
- b) Secured Loans
- c) Unsecured Loans
- d) Fixed Assets

27. The Annual set aside for redemption of debentures is equal to _____.

- a) $\text{Redemption claim} \times \text{Factor in S.F. Table}$
- b) $\text{Redemption claim} \div \text{Factor in S.F. Table}$
- c) $\text{Redemption claim} + \text{Factor in S.F. Table}$
- d) None of the above

28. On redemption of Debentures by conversion into equity shares the amount of transfer to General Reserve is _____.

- a) Face value of debentures redeemed
- b) Face value of equity shares issued
- c) Nil
- d) Difference between face value of debentures redeemed and the amount of equity shares issued.

29. A company issuing debentures is required to create Debenture Redemption Reserve if the maturity period is more than _____.

- a) 10 months
- b) 15 months
- c) 18 months
- d) 24 months

30. A company may redeem debentures out of capital if the maturity period is less than _____.

- a) 18 months
- b) 12 months
- c) 15 months
- d) 24 months

31. Debentures can be redeemed by _____.

- a) Lumpsum payment
- b) Annual instalment
- c) Purchase in the open market
- d) All of the above

32. The claim of debenture holders on redemption is credited to _____.

- a) Bank A/c
- b) Debenture holders A/c
- c) Sinking Fund A/c
- d) None of the above

33. Premium on redemption of debentures is _____.

- a) Adjusted from capital profit
- b) Adjusted from accumulated profit
- c) Not adjusted at all
- d) None of the above

34. For redemption of debentures Sinking Fund is credited out of _____.

- a) Capital Reserve
- b) Share Capital
- c) Unsecured Loans
- d) Current year's profits

35. Premium on redemption of Debentures till the date of redemption appears in the Balance Sheet on

- a) Asset side of Balance sheet
- b) Credit side of Profit and Loss A/c
- c) Liability side of Balance Sheet
- d) Debit side of Profit and Loss A/c

36. Profit or Loss on sale of Sinking Fund Investment is transferred to _____

- a) Sinking Fund A/c
- b) Profit and Loss A/c
- c) Securities premium A/c
- d) General Reserve A/c

37. Capital Reserve is _____.

- a) Current year's profit
- b) Past accumulated profits
- c) Capital profit
- d) Divisible profit

1. Profit upto date of incorporation is _____.
 - a) capital reserve
 - b) capital profit
 - c) security premium
 - d) statutory reserve
2. The relevant date for segregation of income and expenses is date of _____.
 - a) take over
 - b) incorporation
 - c) business commencement certificate
 - d) Balance Sheet
3. The expenses relating to the company should be allocated to _____ period.
 - a) pre-incorporation
 - b) post-incorporation
 - c) none
 - d) both
4. The expenses pertaining to vendor should be allocated to _____ period.
 - a) none
 - b) pre-incorporation
 - c) both
 - d) post- incorporation
5. Loss prior to incorporation is transferred to _____.
 - a) Profit & Loss Account
 - b) Goodwill Account
 - c) Capital Reserve account
 - d) any of the above
6. Bad debts written off realised is shown under _____.
 - a) pre-incorporation income
 - b) Profit & Loss Account
 - c) post-incorporation income
 - d) none of the above
7. For computation of profit prior to incorporation, salary to directors is considered as _____.
 - a) pre-incorporation expenditure
 - b) post-incorporation expenditure
 - c) allocated in the ratio of sales
 - d) allocated in the ratio of time
8. For computation of profit prior to incorporation, interest on debentures is considered _____.
 - a) pre-incorporation expenditure
 - b) post-incorporation expenditure
 - c) allocated in the ratio of sales
 - d) allocated in the ratio of time

9. For computation of pre-incorporation profit, insurance premium is _____.
a) allocated in time ratio
b) allocated in sales ratio
c) treated as pre-incorporation expenditure
d) treated as post-incorporation expenditure
10. For computation of pre-incorporation profit, postage and telegram is _____.
a) treated as pre-incorporation expenditure
b) treated as post incorporation expenditure
c) allocated in time ratio
d) allocated in sales ratio
11. For computation of pre-incorporation profit, sales commission is _____.
a) allocated in time ratio
b) allocated in sales ratio
c) treated as pre-incorporation profit
d) treated as post incorporation profit
12. Profit prior to incorporation is available for payment of _____.
a) interest on debentures
b) dividend
c) fixed assets
d) none of the above
13. Loss prior to incorporation is transferred to _____.
a) capital Reserve A/c
b) goodwill A/c
c) profit and Loss A/c
d) none of the above
14. For computation of pre-incorporation profit, salary to vendor is _____.
a) treated as pre-incorporation item
b) treated as post incorporation profit
c) allocated in time ratio
d) allocated in sales ratio
15. For computation of pre-incorporation profit traveling expenses are allocated to _____.
a) pre-incorporation period
b) post incorporation period
c) in sales ratio
d) in time ratio
16. For computation of pre-incorporation profit carriage on purchases is _____.
a) allocated in sales ratio
b) allocated in purchase ratio
c) debited to pre-incorporation period
d) debited to post-incorporation period

17. New Ltd. took over the running business on 1st Jan, 2018. The company was incorporated on 1st May 2018 Accounts are closed on 31st Dec, 2018. Sales upto 30th April, 2018 were Rs 3,00,000 out of total sales of Rs 15,00,000 of the year. The sales ratio is _____.

- a) 1 : 4
- b) 1 : 2
- c) 1 : 3
- d) 1 : 5

18. Date of take over 1.1.2018. Date of incorporation 1.5.2018. Closing Date: 30.9.2018. Net sales are Rs 8,20,000 ;the monthly average of which for the first four months is one half of that of the remaining period. The sales ratio is _____.

- a) 1 : 5
- b) 2 : 5
- c) 8 : 5
- d) 3 : 5

19. Date of take over: 1.4.2018. Date of incorporation: 1.7.2018.Closing: 31.3.2019. Total Sale: Rs 2,78,000. Pre incorporation sales is Rs 74,133. The sales ratio is _____.

- a) 1 : 4
- b) 2 : 4
- c) 4 : 11
- d) 2 : 11

20. For computation of pre-incorporation profit, income tax is _____.

- a) treated as post incorporation expenditure
- b) treated as pre-incorporation expenditure
- c) allocated in the ratio of taxable profit.
- d) allocated in time ratio

1. Amalgamation of companies is governed by _____.
a) AS-13 b) AS-14 c) AS-9 d) AS-11
2. The scheme of amalgamation can involve _____ companies
a) None b) two c) one d) three
3. The amalgamation requires approval of _____.
a) High Court
b) Registrar of Companies
c) Central Government
d) Directors
4. Approval by _____ a shareholders is necessary for treatment as in nature of merger.
a) 51% b) 75% c) 90% d) 80%
5. Approval by _____ % of shareholders is required for implementation of the scheme of amalgamation.
a) 51% b) 75% c) 80% d) 90%
6. In case of purchase method, transferee company should record assets at _____.
a) Book value b) cost c) market value d) agreed value
7. In case of pooling of interest method, transferee company should record assets at _____.
a) cost b) market value c) agreed value d) book value
8. Amalgamation Adjustment Reserve Account is required in respect of _____.
a) General reserve
b) Statutory reserve
c) security premium
d) capital reserve
9. The excess of net asset value over consideration is _____.
a) capital reserve
b) security premium
c) profit or loss
d) goodwill
10. AS-14 covers amalgamation of _____.
a) companies
b) firms
c) Firms and company
d) Directors and Partners
11. Purchase consideration as per AS-14 is the amount payable to _____.
a) shareholders and debentureholders
b) shareholders and creditors
c) shareholders
d) none of the above

12. For accounting mergers, the method followed is _____.

- a) Pooling of Interest Method
- b) Equity Method
- c) Purchase Method
- d) none of the above

13. Under Pooling of Interest Method, the difference between purchase consideration and share capital of transferee company should be adjusted to _____.

- a) General Reserve Account
- b) Goodwill Account
- c) Amalgamation Adjustment Account
- d) none of the above

14. Pooling of Interest is a method of _____.

- a) providing depreciation
- b) valuation of inventory
- c) accounting for amalgamation
- d) none of the above

15. Under Purchase Method, any excess of purchase consideration over net assets acquired should be recognised as _____.

- a) goodwill
- b) capital reserve
- c) Profit & Loss Account
- d) none of the above

16. Accounting for amalgamation by merger is as per _____.

- a) AS 1
- b) AS 13
- c) AS 14
- d) AS 11

17. Accounting for amalgamation by purchase is as per _____.

- a) AS 1
- b) AS 13
- c) AS 14
- d) AS 11

18. As per AS 14 transferor company means the company _____.

- a) which is amalgamated into another company
- b) which is newly registered
- c) which is none of the above
- d) Into which a company is amalgamated.

19. Transferee company as per AS 14 is _____.

- a) Vendor company
- b) Purchasing company
- c) Liquidated company
- d) None of the above

20. On amalgamation preliminary expenses in Balance Sheet of Vendor Company are debited to _____.

- a) Realisation A/c
- b) Equity shareholders A/c
- c) Cash A/c
- d) Preference shareholder A/c

1. Capital reduction is implemented per Section _____ of Companies Act.
a) 77 b) 75 c) 80 d) 66
2. The scheme of capital reduction is to be approved by _____.
a) NCLT
b) SEBI
c) Central Government
d) Shareholders
3. The scheme of internal reconstruction involves _____ company
a) one b) two c) three d) many
4. Fictitious assets are to be transferred to _____.
a) internal reconstruction
b) security premium
c) share capital
d) capital reserve
5. Balance in Capital Reduction should be transferred to _____.
a) security premium
b) capital reserve
c) share capital
d) Profit & Loss Account
6. 6% debentures of Rs 100 each Rs 1,00,000 to be converted into such number of 8% debentures of Rs 50 each as to generate the same amount of interest as before. The amount of 8% debentures will be _____.
a) Rs 1,00,000
b) Rs 25,000
c) Rs 75,000
d) Rs 1,20,000
7. In internal reconstruction, method of calculation of purchase consideration is by _____.
a) Net Asset Method
b) Net Payment Method
c) no purchase consideration required
d) none of the above
8. On internal reconstruction, assets are written off except _____.
a) land & building
b) goodwill
c) preliminary expenses
d) Profit & Loss Account

9. The Court Confirmation Order may direct the management to add to its name ____.

- a) limited
- b) unlimited
- c) and reduced
- d) none of the above

10. Credit balance on Capital Reduction Account is utilised for ____.

- a) issue of bonus shares
- b) writing off fictitious assets
- c) paying shareholders
- d) none of the above

11. The scheme of internal reconstruction requires sanction from ____.

- a) shareholders
- b) A/A
- c) NCLT of Companies Act, 2013
- d) all the above

12. Internal Reconstruction is governed by section ____.

- a) 61
- b) 801
- c) 804
- d) 809

13. Surrender of fully paid shares amounts to ____.

- a) Alteration of share capital
- b) Reduction of share capital
- c) Arrangement
- d) Variation of shareholder's rights

14. The existing 1,000 shares of Rs 100 each altered to 10,000 shares of Rs 10 each is ____.

- a) Consolidation
- b) Sub-division
- c) Conversion
- d) Surrender

15. Balance on Capital Reduction is utilized to ____.

- a) Write off preliminary expenses
- b) Issue bonus shares
- c) Pay dissentient shareholders
- d) None of the above

16. Share Capital A/c Dr. (Rs 100)
 To Share Capital A/c (` 10)

- a) Consolidation of share capital
- b) Sub-division of share capital
- c) Conversion of shares into stock
- d) Conversion of stock into shares

17. In Internal Reconstruction _____.

- a) Only one company is liquidated
- b) One or more companies are liquidated
- c) Two or more companies are liquidated
- d) No company is liquidated

18. Reduction in Share capital of a company means reduction in _____.

- a) Paid up capital
- b) Called up capital
- c) Authorized capital
- d) Uncalled capital

19. Share Capital A/c Dr (Rs 10)
 To Share Capital A/c (Rs 100)

The above entry is the entry of _____.

- a) Sub-division of share capital
- b) Consolidation of share capital
- c) Internal reconstruction
- d) Amalgamation

20. Creditors foregoing their claims in whole or in part is _____.

- a) Compromise
- b) Arrangement
- c) Consolidation
- d) Sub-division