

Financial Accounting – SEM V (2019-20)

Multiple choice questions

Investment Accounting- SEM V

- 1) Investment intended to be held for less than 12 months is called_____ investment
 - a) annual
 - b) Current
 - c) long term
 - d) trade
- 2) Fixed return bearing investment are ____
 - a) equity shares
 - b) debentures
 - c) jewellery
 - d) Machinery
- 3) The requirement regarding investment are specified in AS ____
 - a) 3
 - b) 11
 - c) 13
 - d) 14
- 4) Rights shares are offered in the ratio of
 - a) No.of shares held
 - b) face value of shares
 - c) cost of shares
 - d) paid up value of share
- 5) The cost of investment sold is to be calculated as per ____ method
 - a) FIFO
 - b) LIFO
 - c) Weighted average
 - d) simple average
- 6) The interest upto the date of transaction is paid in addition to the price in case of ____ quotation

- a) Cum interest
- b) Ex- interest
- c) Fixed price
- d) All types of

7) The interest on bond is to be calculated on ____

- a) cost
- b) Face value
- c) No.of bonds
- d) Market value

8) The carrying amount of current investment is to be shown at__

- a) face value
- b) cost
- c) market value
- d) lower of cost or market value

9) Each side of investment a/c's have ____ columns of amount

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

10) The carrying amount of long term investment is to be shown at ____

- a) Cost
- b) face value
- c) market value
- d) paid up value

11) Long term investments are carried out at ____

- a) cost
- b) fair value
- c) market value
- d) cost or market value whichever is less

12) Short term investments are carried out at ____

- a) Cost
- b) market value
- c) cost or market value whichever is less
- d) none of above

13) Cost of right shares is ____

- a) added to cost of investment
- b) deducted from cost of investment
- c) ignored
- d) none of the above

14) Sale of right to subscribe to right share is ____

- a) credited to investment a/c
- b) debited to investment a/c
- c) not entered in invest. a/c
- d) none of above

15) Cost of investment includes ____

- a) purchase price
- b) stamp duty
- c) brokerage
- d) all of the above

16) Investment in immoveable property is shown under ____

- a) Fixed assets
- b) current assets
- c) current investment
- d) long term investment

17) Interest on securities is paid on due date to the ____

- a) holder on due date in respect of actual holding period
- b) original buyer
- c) holder on due date irrespective of period of holding
- d) none of the above

18) When bonus shares are received ____

- a) Nominal value is entered in nominal value column of Invet. a/c
- b) is entered in cost column of Investment a/c
- c) ignored
- d) none of above

19) Interest on securities is always calculated on____

- a) Cost price
- b) market price
- c) face value
- d) all of above

20) Security can be purchased at ____

- a) cum-int price
- b) ex-interest price
- c) cost +brokerage + interest
- d) any of the above

21) Equity share is a____

- a) fixed income bearing security
- b) fluctuating income bearing security
- c) safe security
- d) none of the above

22) Interest is always calculated on the ____

- a) M.V. of security
- b) Face value of security
- c) realizable value of security
- d) Cost of security

23) On sale of investment profit/loss is calculated by the equation____

- a) sale – average cost
- b) sale – weighted average cost
- c) sale – cost as per FIFO
- d) sale – cost as per LIFO

24) Profit on sale of investment is transferred to____

a) profit & loss a/c

b) investment a/c

c) capital reserve a/c

d) none of the above

25) Dividend on shares accrues on the ____

a) due date

b) date of declaration

c) date fixed in advance

d) last day of the year

26) Current investments are valued on closing date at ____

a) cost

b) market value

c) cost or market value whichever is lower

d) cost or market value whichever is higher

27) Issue of bonus shares is entered in ____

a) N. v. column on Dr. side of Invest. a/c

b) N. v. column on Cr. side of Invest. a/c

c) capital column on Dr. side of investment a/c

d) none of above

28) Rights shares subscribed are entered in ____

a) N.V. column (Dr.) cost is entered in capital column debit of invest. a/c

b) N.V. column (Cr.) cost is entered in cost column credit of invest. a/c

c) cost is entered in capital column on debit side of investment a/c

d) None of above

29) Sale of rights share(right to subscribe) is entered in invest. a/c on ____

a) Dr. side of invest. a/c in cost column

b) Dr. side of invest. a/c in N.V. column

c) entered in investment a/c

d) sale proceeds credited to P & L a/c

30) Cost of right share is ____

- a) added to cost of investment
- b) deducted from cost of investment
- c) added to nominal value of investments
- d) none of the above

31) Accounting for investment is dealt by ____

- a) AS 9
- b) AS13
- c) AS 11
- d) AS 29

32) Cost of acquisition of debentures in case of cum-int. price is ____

- a) Cum-int. price – interest for expiry period
- b) Cum-int. price + interest for expiry period
- c) Cum int. price only
- d) None of the above

33) Loss on sale of investment is ____

- a) WAC of invest. – net sale
- b) WAC of invest. + net sale
- c) simple average cost of invest. – net sale
- d) none of the above

34) Loss on sale of investment is ____

- a) Debited to invest. a/c
- b) Debited to P & L a/c
- c) Credited to P & L a/c
- d) none of the above

35) On sale of equity shares , equity share a/c is credited by ____

- a) cost price
- b) net selling price
- c) M.V.
- d) N.V.

36) Bonus shares received increases ____

- a) Nominal value of shares held
- b) cost of shares held
- c) Market value of shares held
- d) None of the above

37) On 1st July, 2018 J Ltd purchased 100 of its own 12% Debentures for a price of ₹9,900

Which is cum-int. price. Interest is paid on 30th Sept & 31st March every year. The acquisition cost of 100 Debentures is ____

- a) ₹9,600
- b) ₹9,700
- c) ₹10,300
- d) ₹10,000

38) Y Ltd., purchased 1000 shares at ₹120 each and paid brokerage 2% . The acquisition cost is ____

- a) ₹1,20,000
- b) ₹2,400
- c) ₹1,22,400
- d) ₹1,25,000

39) R Ltd., holds 14% Debentures of the F.V. of ₹5000 in RJ Ltd. Interest is payable on 30th June & 31st Dec., every year. The Debentures were purchased on 1st July 2018. Accounts are closed on 31st March every year. Accrued interest on 31st March 2019 was ____

- a) ₹175
- b) ₹525
- c) ₹325
- d) ₹ 350

40) Z Ltd., purchased 10,000 shares of ₹ 10 each at ₹25 per share of A ltd during the year 2018 -19. During the year 2018-19 A ltd offered Rights issue at 1 share for every 2 shares held at a price of ₹20 per share. Right shares were subscribed. Carrying cost of investment is ____

- a) ₹2,50,000
- b) ₹1,00,000
- c) ₹ 3,00,000
- d) ₹3,50,000

41) X purchased 2000 equity shares of Y ltd at a cost of ₹ 125 per share on 1st March 2010. This shares are held as a current investment . On 31st March M.V. of the shares was ₹115 per share. The carrying amount of investment is ____

- a) ₹ 2,50,000
- b) ₹2,30,000
- c) ₹ 4,80,000
- d) ₹ 2,00,000

42) Any reduction to market value of current investment from cost , on valuation date is debited to ____

- a) Revaluation a/c
- b) P & L a/c
- c) Capital Reserve
- d) General reserve

43) If market value of investment held as current asset is less than cost ____

- a) difference is credited to P & L a/c
- b) difference is debited to P & L a/c
- c) difference is ignored
- d) difference is debited to capital reserve a/c

44) If market value of investment held as long term asset is less than cost ____

- a) difference is credited to P & L a/c
- b) difference is debited to P & L a/c
- c) difference is ignored
- d) difference is debited to capital reserve a/c

45) If a security is transferred on 31st March, 2018 being the exact date when the interest falls due

- a) the entire interest upto 31st March 2018 belongs to the purchaser
- b) the interest upto 30th March 2018 belongs to the purchaser
- c) the entire interest upto 31st March, 2018 belongs to the seller
- d) None of the above

Buy Back Of Shares

46) The provisions of Buy back of shares are specified in section ____ of Company act

a) 68

b) 75

c) 78

d) 80

47) Maximum buy back in a year can be ___ %

a) 10%

b) 20%

c) 25%

d) 30%

48) The shares bought back should be _____

a) reissued

b) pledged of loans

c) cancelled

d) ignored

49) The premium paid on buy back should be provided out of _____

a) Security premium

b) statutory reserve

c) share capital

d) capital reserve

50) The amount not collected by the shareholders should be shown as ___

a) current liabilities

b) capital reserve

c) share capital

d) reserve capital

51) The Debt : Equity ratio after buy back should not exceed_____

a) 2: 1

b) 1:1

c) 1:2

d) 3:4

52) The security under buy back cannot be issued within _____

a) 1 year

b) 2 year

c) 3 year

d) 6months

53) For buy back company should open an escrow account with____

a) stock exchange

b) broker

c) underwriter

d) bank

54) Board of directors can approve buy back upto____

a) 25%

b) 10%

c) 20%

d) 5%

55) The company before buy back has to submit a declaration of ____

a) liquidity

b) solvency

c) insolvency

d) competency

56) The company can buy back ____

a) Pref. shares

b) Equity shares

c) none of above

d) a & b

57) Buy back of shares can be out of ____

a) Profits only

b) proceeds of fresh issue only

c) capital profit only

d) free reserve & security premium or proceeds of shares

58) The reserve which is not a free reserve for the purpose of buy back of shares is_____

a) P & L a/c

b) Dividend equalization reserve

c) Revaluation reserve

d) General reserve

59) Buy back of equity shares in any financial year shall not exceed 25% of its ____

a) Paid up equity capital of the company

b) paid up capital & reserves

c) paid up capital & free reserves

d) nominal capital & free reserve

60) which of the following is a free reserve for the purpose of buy back of shares ____

a) workmen's compensation fund (after meeting liability)

b) capital redemption reserve

c) debenture redemption reserve

d) forfeited share a/c

61) In case equity shares are bought back out of free reserves, amount equal to face value of equity shares bought back should be transferred to ____

a) general reserve a/c

b) development rebate reserve

c) sinking fund a/c

d) capital redemption reserve a/c

62) The objective of buy back of equity share is ____

a) to reduce earning per share

b) to increase share capital

c) to bring cash in business

d) none of the above

63) Buy back of equity share is governed by ____

a) section 117C of the companies act

b) section 68 of the companies act 2013

c) section 80 of the companies act

d) section 100 to 104 of the companies act

64) Buy back refers to ____

- a) refund of preference share capital
- b) refund of Equity share capital
- c) refund of debentures
- d) purchase of own debentures

65) Which of the following statements is true

- a) Buy back can be out of free reserves only
- b) Buy back can be out of free reserves and securities premium
- c) Buy back cannot be out of general reserve
- d) Buy back can be out of capital reserve

66) Buy back must be authorized by M/A

- a) auditors of the company
- b) A/A
- c) auditors of company
- d) Central Govt

67) Buy back must be authorized by ____

- a) special resolution of general meeting
- b) ordinary resolution of general meeting
- c) ordinary resolution of board meeting
- d) Unanimous resolution passed by board meeting

68) Before buy back all shares must be ____

- a) partly paid
- b) fully paid
- c) fully subscribed
- d) none of the above

69) Buy back must be completed within ____

- a) 12 months
- b) 3 months
- c) 6 months
- d) 2 months

70) Company going to buy back must file solvency declaration with ____

- a) Registrar of Companies
- b) SEBI
- c) Registrar & SEBI
- d) Central Govt.

71) The company must destroy the certificate after buy back within _____

- a) 7 days of completion
- b) 10 days of completion
- c) 21 days of completion
- d) 42 days of completion

72) Buy back expenses must be treated as _____

- a) Revenue expenses
 - b) Deferred Revenue expenses
 - c) Capital expenses
 - d) Revenue expenses or Deferred Rev . expenses
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Ethical Behaviour & Implications for Accountants

73) The term ethics come from_____

- a) Greek word
- b) French word
- c) German word
- d) none of the above

74) Ethical behaviour distinguishes ____

- a) Right from wrong
- b) Proper from improper
- c) Correct from incorrect
- d) All of the above

75) Ethical behaviour should be practiced with _____

- a) Customers
- b) Shareholders
- c) Suppliers
- d) Stakeholders

76) Ethical principles are ____

- a) Well designed
- b) Clearly articulated
- c) Ill defined
- d) a & b

77) Unethical behaviour can _____

- a) Cost the company
- b) Harm the company
- c) Defame the company
- d) All of the above

78) The components of workplace ethical behaviour are _____

- a) Honesty
- b) Legality
- c) Disclosure
- d) All of the above

79) Ethical behaviour encourages ____

- a) good actions
- b) bad actions
- c) illegal actions
- d) none of the above

80) Ethics is ____

- a) predecessor of law
- b) positive
- c) no punishment
- d) all of the above

81) In India CSR is made mandatory wef

- a) 1/04/2003
- b) 1/12/2014
- c) 1/04/2014
- d) 1/04/2018

82) A company has to spend in CSR____

- a) 10% of NP
- b) 2% of NP
- c) 5% of NP
- d) 11% of NP

83) CSR is governed by sec of companies act 2013_

- a) 135
- b) 198
- c)123
- d)125

84) If company fails to comply with CSR obligations the penalty is not less than_____

- a) 20,000
- b) 30,000
- c) 50,000
- d) 75,000

85) Donating time towards a community is a ____

- a) ethical responsibility
- b) legal responsibility
- c) economic responsibility
- d) philanthropic responsibility

86) Accounting & finance need

- a) legal rules only
- b) ethical rules only
- c) social rules only
- d) all of the above

87) Reasons for unethical behaviour includes

- a) emphasis on short term results
- b) ignoring unethical issues
- c) economic cycles
- d) all of the above

88) Principles & ethical behaviour included ____

- a) integrity
- b) objectivity
- c) Confidentiality
- d) all of the above

89) Misappropriation of assets may take place

- a) Junior level
- b) senior level
- c) middle level
- d) at any level

90) Charging cost of family dinner to the company is ____

- a) misappropriation of assets
- b) fraudulent reporting
- c) ethical reporting
- d) all of the above

91) Principle of accounting & finance ethics include ____

- a) integrity
- b) professional competence
- c) professional behaviour
- d) all of the above

92) Rules based accounting standards ____

- a) adds excessive complexity
- b) facilitate financial engineering
- c) do not reflect true & fair view
- d) all of the above

93) An appropriate principle based approach must be ____

- a) Broad in its scope
- b) Narrow in its scope
- c) Definite in its scope
- d) None of the above

94) Rules based approach provides _____

- a) room for judgement
- b) no room for judgement
- c) great scope for interpretation
- d) all of the above'

95) Rule based approach provides _____

- a) detailed rule
- b) consistency
- c) authoritative support
- d) all of the above

96) In principle based approach the accountant has _____

- a) no discretion
- b) discretion
- c) wider scope
- d) all of the above

97) ASB is constituted by _____

- a) ICAI
- b) Central Govt.
- c) State Govt.
- d) None of the above

98) ASB was constituted in _____

- a) 1977
- b) 2014
- c) 2015
- d) 2002

99) Draft of accounting standard is circulated to _____

- a) SEBI
- b) CBDT
- c) Member of ICAI
- d) all of above

100) Revised code ensures compliance of ___

- a) integrity
- b) objectivity
- c) confidentiality
- d) all of the above

101) Effects of unethical behaviour are ___

- a) Law suit
- b) Loss of trust
- c) Loss of human capital
- d) All of the above

102) Unethical behaviour results in ___

- a) loss of tax revenue to the Govt.
- b) Loss of market capitalisation
- c) loss human capital
- d) All of the above

103) Unethical reporting can be checked by ___

- a) Ethics education
- b) Personal Ethical orientation
- b) Mentoring
- d) all of the above

104) Code of Ethics sets out company ____.

- a) Company Values
- b) Ethic
- c) Objectives
- d) all of the above

105) Ethical code is needed to ___

- a) articulate the values
- b) act as a central guide
- c) encourage compliance of ethics
- d) all of the above

106) The purposes of code of ethics are ___

- a) Complainece
- b) Marketing
- c) Risk mitigation
- d) All of the above

107) Code of ethics ___

- a) Guides the employees
- b) minimises subjective standards
- c) builds public trust
- d) All of the above

108) Whistle blowers are like _____ of public

- a) Eyes
- b) Ears
- c) Hands
- d) both a & b

*109) A person who comes forward & shares his knowledge on wrong doing is a _____.

- a) whistle blower
- b) Director
- c) Executive
- d) All of the above

110) A whistler blower could be

- a) an employee
- b) a contractor
- c) a supplier
- d) All of the above

111) Whistle blowing___

- a) can deal with misconduct
- b) prevent embrassing public disclosures
- c) exposes unethical behaviour
- d) all of the above

112) Whistle blower should be supported by__

- a) Protecting against termination
- b) empowering the whistle blower
- c) conducting seminars &workshops
- d) all of the above

113) Study of what a person actually believes is__

- a) descriptive ethics
- b) evaluative ethics
- c) behavioural ethics
- d) none of the above

114) Inquiry into what should be evaluated is __

- a) descriptive ethics
- b) evaluative ethics
- c) behavioural ethics
- d) none of the above

115) Ethics can be applied to ____

- a) journalism
- b) financial accounting
- c) human resources
- d) all of the above

116) Ethics __

- a) makes you more successful
- b) allows you to live an authentic life
- c) provides for a stable society
- d) all of the above

117) Ethics __

- a) rejects bribery
- b) develops honesty
- c) develops integrity
- d) all of the above

- 118) Professional ethics –
- a) increases goodwill
 - b) increase ROI
 - c) builds a competitive edge
 - d) all of the above
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Company Final Accounts

119) The requirements for final a/cs of companies are specified in schedule__

- a) I
- b) III
- c) VIII
- d)XIV

120) The schedule III prescribes verticle form of B/S in part ____

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

121) The unpaid interest on loan is ____

- a) loan
- b) Current liability
- c) reserve
- d) contingent liabilities

122) Any amount payable within 12 months from date of B/S is called____

- a) Capital
- b) loan
- c) Contingent liabilities
- d) current liabilities

123) Fixed deposits with bank is a part of

- a) investment
- b) bank balance

c) fixed assets

d) loans & advances

124) calls in arrears is to be

a) shown as Drs.

b) reduced from share capital

c) shown as investment

d) ignored

125) The debit balance in P & L a/c to be__

a) reduced from share capital

b) reduced from reserves

c) disclosed as miscellaneous expenditure

d) shown as note to a/c

126) Schedule II provides for ____

a) depreciation

b) capital

c) loans

d) assets

127) Dividend paid on share capital is to be __

a) shown as finance expenses

b) shown as appropriation of profit

c) shown in manufacturing a/c

d) shown as reduction in capital

128) The Schedule III requires P & L a/c prepared in ____

a) Horizontal form

b) verticle form

c) convenient form

d) columnar form

129) The extract of B/S format is specified in part____ of schedule III

a) 1

b) 2

c) 3

d) 4

130) The uncalled amount in investment in shares is shown as ___

a) investment

b) contingent liabilities

c) current liabilities

d) current assets

131) The transfer to reserve is ___

a) 10%

b) 15%

c) voluntary

d) 25%

132) The interest accrued on investment appears in the B/S under the head___

a) current assets

b) fixed assets

c) loans & advance

d) investment

133) In B/S securities premium should be shown under

a) share capital

b) reserves & surplus

c) current liabilities

d) fixed assets

134) which of the following items do not come under reserves & surplus

a) CRR

b) General reserve

c) Prov. Fund

d) Sinking Fund

135) Retained earnings is the amount of___

a) profit after tax less dividend

b) profit before tax less dividend

c) profit before depreciation

d) profit after depreciation

136) Which of the following is not an example of fixed assets__

a) Plant & M/c

b) Buildings

c) Royalty

d) Patents

137) unclaimed dividend is shown under __

a) current liability

b) secured loan

c) Provisions

d) reserves

138) Which of the following items appears on the assets side of B/S

a) Capital reserve

b) security premium

c) sinking fund investment

d) specific reserve

139) The example of accounting policy is ____

a) consistency

b) going concern

c) accrual

d) depreciation

140) The example of accounting policy is ____

a) realization

b) dual aspect

c) maturity

d) valuation of inventory

141) Which of the following is shown under reserves & surplus__

a) calls in advance

b) calls in arrears

c) securities premium

d) bonus

142) Payment of dividend is based on ___

a) Paid up capital

b) authorized capital

c) issued capitals

d) reserve capital

143) Unclaimed dividend is shown under ___

a) current liabilities

b) current assets

c) reserves & surplus

d) none of the above

144) Final dividend can be declared by___

a) share holders only

b) directors only

c) stock exchange

d) none of the above

145) Recommendation & declaration is necessary for ____

a) final dividend

b) interim dividend

c) interest on debentures

d) none of the above

Internal Reconstruction

146) The reduction of capital is permitted under _____ of Companies Act.

a) 77

b) 100

c) 66

d) 75

147) The Capital reduction means reduction in _____ value of shares.

a) authorized capital

b) Called up capital

c) Uncalled capital

d) paid-up value

148) The Sub – division of shares does not result in _____ of capital.

a) reduction

b) added

c) Compromise

d) none of the above

149) The internal reconstruction results in proper valuation of _____ and _____ of companies.

a) Profit & Loss Account

b) reserve & surplus

c) assets and liabilities

d) none of the above

150) The scheme of internal reconstruction requires approval of _____.

a) Shareholders

b) Central Government

c) NCLT

d) all the above

151) _____ resolution is to be passed by shareholders for approval of scheme of reconstruction.

a) ordinary

b) Special

c) both of a & b

d) none of the above

152) The fictitious debit balances are to be transferred to _____ Account.

a) internal reconstruction

b) security premium

c) share capital

d) Capital Reduction

153) The difference in revaluation of assets is to be transferred to _____ Account.

- a) internal reconstruction
- b) Capital Reduction
- c) Security Premium
- d) capital reserve

154) The full balance of capital is to be debited, if _____ value is reduced

- a) face
- b) market
- c) both of a & b
- d) none of the above

155) Shareholders not approving scheme is called _____ shareholders.

- a) dissenting
- b) paying
- c) pay dissentient shareholders
- d) none of the above

156) The Balance Sheet prepared after implementation of the scheme is to be prepared as per _____.

- a) Schedule IV
- b) Schedule VI
- c) Schedule II
- d) Schedule III

157) The expenses for forming and implementing scheme should be debited to _____.

- a) security premium
- b) share capital
- c) Internal reconstruction
- d) capital reduction

158) The scheme of internal reconstruction can be utilized to provide _____ for the company.

- a) funds
- b) share capital
- c) dividend
- d) none of the above

159) Capital Reduction Account is _____ by payment of reconstruction expenses.

- a) credited
- b) debited
- c) Cash Account
- d) none of the above

160) The objective of reconstruction is to write off _____.

- a) profit
- b) accumulated losses
- c) nil
- d) none of the above

161. Consolidation or sub-division of share capital of the company involves.

- a. Alteration of Share Capital
- b. Variation of Shareholders' Right
- c. Reduction of Share Capital
- d. Compromise /Arrangement

162. Change in the rate of preference dividend payable in future without any change in the amount of capital is known as

- a. Reduction of Share Capital
- b. Alternation of Share Capital
- c. Variation of Shareholders' Right
- d. Compromise /Arrangement

163. Conversion of cumulative preference share into non-cumulative preference shares (without any change in the amount of capital), in a scheme of reconstruction, is known as

- a. Reduction of Share Capital
- b. Alternation of Share Capital
- c. Variation of Shareholders' Right
- d. Compromise /Arrangement

164. Surrender of fully paid shares amounts to

- a. Reduction of Share Capital
- b. Alternation of Share Capital
- c. Variation of Shareholders' Right

d. Compromise /Arrangement

165. Debenture holders accepting a cash payment less than the face value of their debentures amounts to

- a. Reduction of Share Capital
- b. Variation of Shareholders' Right
- c. Compromise /Arrangement

166. Creditors accepting part payment of their claims, in a scheme of reconstruction, amounts to

- a. Reduction of Share Capital
- b. Alternation of Share Capital
- c. Variation of Shareholders' Right
- d. Compromise /Arrangement

167. Share capital (Rs 1) A/c 10,00,000 To share capital (Rs 10) A/c 10,00,000 The above entries, in a scheme of reconstruction, records

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

168. Share capital(Rs1000)A/c 1,00,000 To share capital (Rs 10) A/c 1,00,000 The above entries, in a scheme of reconstruction, records

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

169. Shares of Rs.100 each (paid-up value Rs.80 each) are reduced to shares of nominal value of Rs.90 each in a scheme of reconstruction.

- a. There is a credit of Rs. 10 per shares to Capital Reduction A/c
- b. There is a credit of Rs. 80 per shares to Capital Reduction A/c
- c. There will be no credit to Capital Reduction A/c

170. Shares of Rs.100 each paid-up value are reduced to shares of nominal value of Rs.15 each in a scheme of reconstruction

- a. There is a credit of Rs.10 per shares to Capital Reduction A/c

- b. There is a credit of Rs.85 per shares to Capital Reduction A/c
- c. There will be no credit to Capital Reduction

171. If the pref. shareholders give up the claim for Arrears of Preference Dividend shown as contingent Liability in Notes to Accounts in a scheme of reconstruction

- a. Capital Reduction A/c will be debited
- b. No entry is passed
- c. Preference Dividend Payable A/c will be credited

172. On cancellation of surrendered shares in a scheme of reconstruction

- a. Share capital A/c will be debited
- b. Share Surrendered A/c will be credited
- c. Capital Reduction A/c will be credited

173. In Internal Reconstruction

- a. No company is liquidated
- b. Only one company goes into liquidation
- c. One or more companies go into liquidation
- d) None of the above

174. Reduction of share capital of a company means reduction in

- a. Only called up share capital
- b. Subscribed and/or paid-up share capital
- c. Only authorized capital
- d) All of the above

175. Balance in capital Reduction A/c is generally transferred to

- a. General reserves only
- b. Capital reserves only
- c. Profit & loss A/c
- d) None of the above

176. The existing 5,000 shares of Rs 1 each are altered to 500 shares of Rs 10 each. This is known as

- a. Consolidation
- b. Sub-division
- c. Surrender

177. The existing 5,000 shares of Rs 100 each are altered to 50,000 shares of Rs 10 each. This is known as

- a. Consolidation
- b. Sub-division
- c. Conversion in stock

178. While granting approval to any scheme of Capital Reduction, the court may direct the company to add the following words to its name for such period as it thinks fit

- . a. And Reduced
- b. And Unlimited
- c. And Liquidated

179. Reconstruction refers to an arrangement, whereby

- a. A previously unprofitable or a weak company is reconstructed by certain measures
- b. Two companies come together to form a new company
- c. Assets and liabilities of the company are not revalued

180. For capital reduction under internal reconstruction, authorization/approval is required from

- a. Shareholders
 - b. Articles of Association
 - c. Court
 - d. All the above
-

Investment Accounting

181) Following is not a Fixed Income Bearing Security

- a. Debentures
- b. Equity shares
- c. Preference Shares
- d. Government security

182) Interest is always calculated on the

- a. Market Value
- b. Nominal Value
- c. Book Value
- d. Weighted Average cost

183) Interest on bonds accrues

- a. On the last day of the financial year
- b. On due dates fixed in advance
- c. On the date fixed by board resolution

184) Interest is paid

- a. To the holder of the security on the due date prorata as per his actual period of holding
- b. To the original investor if the security is sold ex-interest
- c. to the holder of the security on the due date irrespective on his actual period of holding

185) XYZ buys 200 Debentures of nominal value of Rs 100 each of ICICI LTD .at Rs 98 (ex-interest) on 1-3-2012 from ABC. Interest@12% p.a. is to be paid half-yearly on 30th June and 31st December price paid by XYZ towards capital is

- a. Rs 20,000
- b. Rs 19,600
- c. Rs 20,200
- d. Rs 19,800

186) XYZ buys 200 Debentures of nominal value of Rs 100 each of ICICI LTD .at Rs 98 (ex-interest) on 1-3-2018 from ABC. Interest@12% p.a. is to be paid half-yearly on 30th June and 31st December Total payment made by XYZ is

- a. Rs 20,000
- b. Rs 19,600
- c. Rs 20,200
- d. Rs 19,800

187) XYZ buys 200 Debentures of nominal value of Rs 100 each of ICICI LTD .at Rs 101 (cum-interest) on 1-3-2018 from ABC. Interest@12% p.a. is to be paid half-yearly on 30th June and 31st December price paid by XYZ towards capital is

- a. Rs 20,000
- b. Rs 19,600
- c. Rs 20,200
- d. Rs 19,800

188) XYZ buys 200 Debentures of nominal value of Rs 100 each of ICICI LTD .at Rs 101(cum-interest) on 1-3-2016 from ABC. Interest@12% p.a. is to be paid half-yearly on 30th June and 31st December. Total payment made by XYZ is

- a. Rs 20,000

- b. Rs 19,600
- c. Rs 20,200
- d. Rs 19,800

189) ABC sells 100 Debentures of nominal value of Rs 100 each of ICICI LTD .at Rs 98(ex-interest) on 1-3-2016 from ABC. Interest@12% p.a. is to be paid half-yearly on 30th June and 31st December. Nominal value of investments sold is

- a. Rs 20,000
- b. Rs 19,600
- c. Rs 20,200
- d. Rs 19,800

190) XYZ buys Debentures of nominal value of Rs 100 each of ICICI LTD .at Rs 98 (ex-interest) on 1- 3-2016 from ABC. Interest of Rs 400 has accrued from the last due date till the date of purchase. In entry for recording this investment in the books of XYZ

- a. Rs 400 will be credited to interest A/c
- b. Rs 400 will be debited to interest A/c
- c. Rs 400 will be credited to investment A/c

191) On each sale of investment, the profit or loss is calculated as

- a. Sale Price Less Simple Average cost
- b. Sale Price Less Weighted Average cost
- c. Sale price less Cost on FIFO basis

192) Profit on sale of investment

- a. Is transferred to profit & loss a/c only if the investment is current investment
- b. Is transferred to profit & loss a/c
- c. Is transferred to profit & loss a/c only if the investment is long term investment

193) If the market value of investment held as current assets is less than cost

- a. Difference is credited to profit & loss a/c
- b. Difference is debited to profit & loss a/c
- c. Difference is debited to capital reserves a/c

194) Dividend on the shares accrues

- a. On the last day of the financial year
- b. On due dates fixed in advance
- c. On the date it is declared

195) Any reduction to market value of current investment from costs , on valuation date is debited to

- a. Revaluation reserve
- b. Profit and loss account
- c. Capital reserves
- d. General reserves

196) Long term investment are carried at

- a. Cost Price
- b. Cost or Market Value whichever is less
- c. Market Value

197) Short term / Current investment are carried at

- a. Cost Price
- b. Cost or Market Value whichever is less
- c. Market Value

Company Final Accounts

198) Which of the following should be deducted from the share capital to find out paid-up capital?

- a) Calls-in-advance
- b) Calls-in-arrears
- c) Securities premium
- d) Bonus

199) Dividends are usually paid on

- a) Authorized capital
- b) Issued capital
- c) Paid up capital
- d) Reserve capital

200) Interim dividend of a company can be declared by

- a) Only be shareholders
- b) Boards of directors after approval of stock exchange
- c) Board of directors
- d) None of the above

201) Which of the following is not an example of contingent liability?

- a) Liability in respect of bills discounted
- b) Interim dividend
- c) Liabilities under guarantee
- d) All (a),(b) and (c) of the above

202) Assets to be sold, consumed or realized as a part of the entity's normal operating cycle are:

- a) Current Assets
- b) Non-Current Assets
- c) Classified as current or non- current in accordance with other criteria

203) A dividend declared by the company before its year-end and payable to its shareholders three months after the end of the reporting period is classified as:

- a) A non-current liability
- b) A current liability
- c) Equity
- d) A current asset

204) Which of the following items should not appear under the head 'Reserves and Surplus' in the balance sheet?

- a) General reserve
- b) Sinking fund
- c) Proposed dividend
- d) Securities premium

205) Which of the following items should not appear under the head 'unsecured loans' in the balance sheet?

- a) Sinking fund
- b) Short –term loans from banks
- c) Fixed deposits

206) Which of the following is not classified as inventory in the financial statements?

- a) Finished goods
- b) Work –in-progress
- c) Stores and spares
- d) Advance payment made to suppliers for raw materials

207) Which of the following items appears as an asset in Balance Sheet of Company?

- a) Retained earnings
- b) Sinking fund investment
- c) Securities premium

208) As per schedule VI of the Companies Act, 1956, under which of the following heads is 'premium on issue of debentures' shown in the balance sheet of a company?

- a) Miscellaneous expenditure
- b) Debentures
- c) Reserves and Surplus
- d) Current liabilities and provision

209) Declared dividend should be classified in the balance sheet as a

- a) Provision
- b) Current liability
- c) Reserve
- d) Current assets

210) The item 'Interest Accrued on Investment' appears in the balance sheet of a company under the category of

- a) Loans and advances
- b) Current assets
- c) Current liability
- d) Investment

201) Which of the following denotes the dividend declared by the directors between two annual general meetings?

- a) Proposed dividend
- b) Final dividend
- c) Interim dividend
- d) Unpaid dividend

202) Under which of the following heads is 'Claim against a company not acknowledged as debt' shown?

- a) Notes to balance sheet
- b) Secured loans
- c) Current liability

d) Current assets

203) Which of the following items does not come under the heading 'provision' in the Balance Sheet? a) Provision for taxation

b) Proposed dividend

c) Provision for contingencies

d) Unclaimed dividend

204) Companies with turnover of less than INR 100 crores are permitted under the revised schedule VI to round off the figures in the financial statements to the

a) Nearest millions, thousands, hundreds or decimals thereof

b) Nearest lakhs, thousands, hundreds or decimals thereof

c) Nearest lakhs or millions, thousands, hundreds or decimals thereof

d) Nearest lakhs or , thousands or decimals thereof

205) The choice rounding off to nearest hundreds or thousands is not available under the revised schedule VI to

a) Companies with turnover of INR 100 crores or more

b) Companies with turnover less than INR 100

c) Companies with turnover of INR 500 crores or more

d) Companies with turnover of INR 50 and 100 crores

206) The broad heading under which balance sheet is divided under the revised Schedule VI are

a) 'liabilities' and 'assets'

b) 'equity and liabilities' and 'assets'

c) 'Source of funds' and 'application of funds'

d) 'current' and 'non-current'

207) A trade receivable with an agreed credit term of three months which is not expected to be realized within 12 months from the year –end, shall be classified as

a) Non-current

b) Current

c) Partly current and partly non-current

208) Under the revised Schedule VI, calls in advance should be disclosed under

a) Other current liabilities

b) Share Capital

c) Non-current liabilities

d) Loans and advances

209) Under the revised Schedule VI, share options outstanding account should be disclosed under

a) Share Capital

b) Non-current liabilities

c) Reserves and Surplus

d) Loans and advances

210) The revised schedule specifically requires 'money received against share warrants' to be disclosed

a) Under share capital

b) Under 'Other non-current liabilities'

c) As a separate line item as part of 'shareholders' funds'

d) Separately under 'Equity' on the face of the balance sheet but it is not included in 'shareholders' funds'

211) Share application money which is due for refund in the event of over-subscription has to be presented under

a) Under share capital

b) Under 'other non-current liabilities'

c) Under 'other current liabilities'

d) As a separate line item as part of 'shareholders' funds'

212) 'Advances' taken for goods and service to be supplied within 3 months from year-end should be disclosed as an item under

a) 'other payables' under 'other current liabilities'

b) 'other loans and advances' under 'short-term borrowing'

c) Trade payables

213) Interest accrued and due on debentures

a) Should be added to debentures

b) Should be shown under other current liabilities

c) Should be shown under short-term provisions

d) Should be shown under short-term borrowing

214) Capital advances are required to be disclosed under

- a) Long-term loans and advances
- b) Capital work-in-progress
- c) Intangible assets under development
- d) Non-current investments

215) Revised schedule VI requires disclosure of trade receivable that are outstanding for more than six months

- a) From the date of the sales bill
- b) From the date of the balance sheet
- c) From the date they are due for payment
- d) From the date of the order

216) Which one of the following combinations of accounting assumption are fundamental according to Accounting Standard 1:

- a) Going concern ,consistency and historic cost
- b) Entity , accrual and materiality
- c) Conservatism, accounting period and prudence
- d) Going concern , consistency and accrual

217) Accounting standard 1 is

- a) Recommendatory
- b) Mandatory
- c) Optional
- d) No longer valid

218) Accounting polices

- a) Are same for all concerns
- b) Are laid down by law
- c) Change from concern to concern
- d) Are prescribed by AS 1

219) Purpose of Accounting Standard 1 is to establish a standard as to

- a) The desirable accounting policies
- b) The fundamental accounting assumptions
- c) Disclosure of accounting policies
- d) Preparation of final accounts

220) The following factor should be considered while selecting and applying accounting policies

- a) Going concern
- b) Growth of business
- c) Substance over form
- d) Solvency

221) The following factor should be considered while selecting and applying accounting policies

- a) Inflation
- b) Employee morale
- c) Liquidity
- d) materiality

222) According to AS 1, Disclosure should be made of

- a) Fundamental accounting assumptions
- b) All accounting principles
- c) All significant accounting policies
- d) All Accounting policies

223) According to AS 1, Disclosure should form part

- a) The Final accounts
- b) The auditor's report
- c) The directors report
- d) The books of accounts

224) According to AS 1, any change in accounting policy

- a) Should never be made
 - b) Is not possible
 - c) Should be disclosed
 - d) Requires permission of the Institute of Chartered Accountants of India
-

Internal Reconstruction

225) Court Confirmation Order has to be registered with the _____ of companies.

- a) NCLT
- b) share capital

c)Registrar

d) none of the above

226) In _____, no new company is formed.

a) security premium

b) share capital

c) internal reconstruction

d) none of the above

227) Appreciation in the value of land & building is recorded on _____ side of Capital Reduction Account.

a) credit

b) debit

c) both of a & b

d) none of the above

228) Any credit balance on Capital Reduction Account after writing off losses is transferred to _____ Account.

a) reserve & surplus

b) profit & loss

c) capital

d) Capital Reserve

229) Fictitious assets are written off to _____ _____ A/c.

a) capital Reduction

b) Profit & Loss A/c

c) Goodwill

d) Land & Building

230) The objective of capital reduction scheme is to w/off _____.

a) Losses

b) Profit

c) no profit – no loss

d)nil

231) In capital Reduction all the adjustments are made in _____ _____ A/c.

a) Goodwill Account

b) Capital Reductions A/c

c) Cash Account

d) Profit & Loss A/c

231) Reconstruction expenses are debited to _____ A/c.

a) Cash Account

b) Goodwill Account

c) Profit & Loss A/c

d) Capital Reduction A/c

232) Amicable settlement of differences by mutual consent by parties is _____.

a) Confirmation

b) Arrangement

c) compromise

d) Merger

233) Creditors foregoing their claims in whole or in part is _____.

a) Merger

b) Consolidation

c) Compromise

d) Arrangement

234) XYZ Ltd. had on 31st December, 2017; 80,000 equity shares at ` 10 each. It was decided to reduce shares to ` 8 each. The reduction is _____.

a) 1,60,000 `

b) 80,000 `

c) 2,00,000

d) 1,50,000

235) Creditors of the company are ` 50,00,000 one creditor for ` 20,00,000 decided to forego 40% of his claim. He is allotted 30,000 equity shares of ` 40 each in full satisfaction. The amount transferred to capital reduction is _____.

a) 8,00,000

b) 10,00,000

c) 4,00,000

d) 5,00,000

236) The preference shareholders agree to forego arrears of preference dividend of ₹ 72,000. The amount transferred to Capital Reduction Account is _____.

- a) Nil
- b) 72,000
- c) 36,000
- d) 70,000

237) Investment costing of ₹ 24,000 given to Bank for bank overdraft of ₹ 16,800. The capital reduction is debited by ₹ _____.

- a) 4,000
- b) 8,000
- c) 7,200
- d) 4,500

238) Y Ltd. has 8,000 equity shares of ₹ 100 each fully paid. Each share is sub-divided into 1 equity shares of ₹ 10 each. The number of shares after sub-division will be _____.

- a) 8,000
- b) 80,000
- c) 75,000
- d) 60,000

239) Provision for taxation is ₹ 1,00,000. The tax liability of the company is settled at ₹ 80,000 & it is paid immediately. Amount credited to capital reduction is _____.

- a) 80,000
- b) 1,00,000
- c) 20,000
- d) 60,000

240) 6% debentures of ₹ 100 each ₹ 1,00,000 to be converted into such number of 8% debentures of ₹ 50 each as to generate the same amount of interest as before. The amount of 8% debentures will be _____.

- a) 1,00,000
- b) 25,000
- c) 75,000
- d) 1,20,000

241) 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

242) On internal reconstruction, assets are written off except _____.

- a) land & building
 - b) goodwill
 - c) preliminary expenses
 - d) Profit & Loss Account
-

Company Final Accounts

243) Intellectual property rights are disclosed under _____.

- a) Other Intangible Assets
- b) Tangible assets
- c) Other assets
- d) None of the above

244) Horses are disclosed under _____.

- a) current assets
- b) Non- Biological assets
- c) Biological assets
- d) contingent liabilities

245) Share application money received for allotment to the extent refundable is shown under _____.

- a) current assets
- b) Other Financial Liability
- c) current liabilities
- d) none of the above

246) Maximum remuneration to a managing director in case of profit is

- a) 7 ½%
- b) 5%
- c) 10%
- d) 11%

247) In case of profit overall managerial remuneration shall not exceed.

- a) 12.50%
- b) 11%
- c) 15%
- d) 5%

248) In case of loss maximum remuneration is ` 60 lakhs in case effective capital is less than

- a) 5 crores
- b) 1 crores
- c) 25 crores
- d) 50 crores

249) Depreciation to be deducted from profit for deciding managerial remuneration as per section

- a) 123
- b) 371
- c) 441
- d) 315

250) In the event of profit remuneration to part time director, when there is no MD, is maximum

- a) 5% of net profit
- b) 3% of net profit
- c) 9% of net profit
- d) 11% of net profit

*** All the best ***