CHAPTER - 1 : AMALGAMATION, ABSORBTION AND EXTERNAL RECONSTRUCTION (AS - 14)

MULTIPLE CHOICE QUESTIONS

1. Companies may combine in following ways
   (i) absorption (ii) amalgamation
   (iii) external reconstruction (iv) internal reconstruction
   (v) merger
   (a) any of above (b) none of above
   (c) any except (iv) (d) any except (v)
2. If the ABC Limited and DEF Limited are taken over by a new company XYZ Limited
   (a) it is called absorption (b) it is called amalgamation
   (c) it is called external reconstruction (d) it is called internal reconstruction
3. If the ABC Limited and DEF Limited are taken over by a new company XYZ Limited
   (a) ABC Ltd. and DEF Ltd. are known as the "Vendor Companies"
   (b) ABC Ltd. and XYZ Ltd. are known as the "Vendor Companies"
   (c) XYZ Ltd. and DEF Ltd. are known as the "Vendor Companies"
   (d) XYZ Ltd. is known as the "Vendor Company"
4. If the ABC Limited and DEF Limited are taken over by a new company XYZ Limited
   (a) ABC Ltd. and DEF Ltd. are known as the "Purchasing Companies"
   (b) ABC Ltd. and XYZ Ltd. are known as the "Purchasing Companies"
   (c) XYZ Ltd. and DEF Ltd. are known as the "Purchasing Companies"
   (d) XYZ Ltd. is known as the "Purchasing Company"
5. If the business of an existing company ABC Limited is taken over by an existing company PQR Limited, it is called
   (a) external reconstruction (b) internal reconstruction
   (c) absorption (d) amalgamation
6. If the business of an existing company ABC Limited is taken over by an existing company PQR Limited,
   (a) ABC Ltd. is known as the "Vendor Company"; and PQR Ltd. is known as the "Purchasing Company"
   (b) ABC Ltd. and PQR Ltd. are known as the "Purchasing Companies"
   (c) PQR Ltd. is known as the "Vendor Company"; and ABC Ltd. is known as the "Purchasing Company"
   (d) ABC Ltd. and PQR Ltd. are known as the "Vendor Companies"
7. If the business of ABC Limited, a loss-making company, is taken over by a new company ABC (New) Limited, it is called
   (a) internal reconstruction (b) absorption
   (c) external reconstruction (d) amalgamation
8. If the business of ABC Limited, a loss-making company, is taken over by a new company ABC (New) Limited,
   (a) ABC Ltd. is known as the "Vendor Company"; and ABC (New) Ltd. is known as the "Purchasing Company"
   (b) ABC Ltd. and ABC (New) Ltd. are known as the "Purchasing Companies"
   (c) ABC (New) Ltd. is known as the "Vendor Company"; and ABC Ltd. is known as the "Purchasing Company"
   (d) ABC Ltd. and ABC (New) Ltd. are known as the "Vendor Companies"
9. When the merger involves liquidation of two existing companies and formation of one new company, it is called
   (a) internal reconstruction (b) absorption
   (c) external reconstruction (d) amalgamation

10. When the merger involves liquidation of one or more existing companies and formation of no new company, it is called
    (a) internal reconstruction (b) absorption
    (c) external reconstruction (d) amalgamation
11. When the merger involves liquidation of one existing sick company and formation of one new company, it is called
    (a) internal reconstruction (b) absorption
    (c) external reconstruction (d) amalgamation
12. A feature which is common in all cases of merger viz. absorption, amalgamation and external reconstruction is
    (a) purchase of one company by another company
    (b) liquidation of at least two companies
    (c) formation of at least one new company
    (d) liquidation at least one existing company and formation of at least one new company
13. Under the Companies Act, 1956,
    (a) absorption' includes ''amalgamation"
    (b) amalgamation' includes 'absorption'
    (c) amalgamation' excludes 'absorption'
    (d) internal reconstruction' includes ''external reconstruction"
14. Accounting for amalgamation is governed by
    (a) Accounting Standard 1 (b) Accounting Standard 13
    (c) Accounting Standard 14 (d) Accounting Standard 11
15. Accounting for absorption is governed by
    (a) Accounting Standard 1 (b) Accounting Standard 13
    (c) Accounting Standard 14 (d) Accounting Standard 11
16. Accounting for amalgamation by way of purchase is governed by
    (a) Accounting Standard 1 (b) Accounting Standard 13
    (c) Accounting Standard 14 (d) None of the above
17. Accounting for amalgamation by way of merger is governed by
    (a) Accounting Standard 1 (b) Accounting Standard 13
    (c) Accounting Standard 14 (d) None of the above
18. According to AS 14, Transferor Company means the Company
    (a) which is amalgamated into another Company
    (b) into which a Company is amalgamated
    (c) which is newly formed
    (d) none of the above
19. According to AS 14, Transferee Company means the Company
    (a) which is amalgamated into another Company
    (b) into which a Company is amalgamated
    (c) which is liquidated
    (d) none of the above
20. According to AS 14, Amalgamations fall into two categories
    (a) amalgamation and absorption
    (b) merger and purchase
    (c) amalgamation and reconstruction
    (d) external reconstruction and internal reconstruction
21. On amalgamation, Share issue Expenses A/c appearing on Assets side of the balance sheet of the vendor company
    (a) is closed by debit to Realisation A/c
    (b) is closed by debit to Equity Shareholders A/c
    (c) is closed by debit to Profit & Loss A/c
    (d) is closed by credit to Equity Shareholders A/c

22. On amalgamation, Profit & Loss A/c (Dr.) balance of the vendor company
    (a) is closed by debit to Realisation A/c
    (b) is closed by debit to Equity Shareholders A/c
    (c) is closed by credit to Equity Shareholders A/c
    (d) is closed by credit to Realisation A/c
23. On amalgamation, Debenture A/c appearing in the balance sheet of the vendor company
    (a) is closed by credit to Purchasing Company A/c, if debentures are taken over by the purchasing company
    (b) is closed by credit to Realisation A/c, whether debentures are taken over by the new company or not
    (c) is closed by credit to Debentureholders A/c, if debentures are not taken over by the new company
    (d) is closed by debit to Realisation A/c, whether debentures are taken over by the new company or not
24. On amalgamation, Provident Fund A/c appearing on the Liabilities side in the balance sheet of the vendor company
    (a) is closed by credit to Purchasing Company A/c
    (b) is closed by credit to Realisation A/c
    (c) is closed by credit to Equity Shareholders A/c
    (d) is closed by debit to Realisation A/c
25. On amalgamation, Sinking Fund A/c appearing on the Liabilities side in the balance sheet of the vendor company
    (a) is closed by credit to Purchasing Company A/c
    (b) is closed by credit to Realisation A/c
    (c) is closed by credit to Equity Shareholders A/c
    (d) is closed by debit to Realisation A/c
26. On amalgamation, if the dissolution expenses are paid as well as borne by the purchasing company
    (a) Entries are passed in the books of the purchasing as well as the vendor company
    (b) no entry is passed in the books of the vendor company
    (c) no entry is passed in the books of the purchasing company
    (d) no entry is passed in the books of the purchasing as well as the vendor company
27. On amalgamation, if pref. shares are settled at a premium
    (a) the premium is credited to Realisation A/c
    (b) the premium is debited to Realisation A/c
    (c) the premium is credited to Security Premium A/c
    (d) the premium is debited to Capital Reserve A/c
28. On amalgamation, accounting procedure used by the vendor company
    (a) is the same in all types of amalgamation
    (b) is different depending upon whether the amalgamation is in the nature of a merger or a purchase as defined by Accounting Standard 14
    (c) is different depending upon whether the companies are private or public
    (d) is different depending upon the amount of purchase consideration
29. On amalgamation, accounting procedure used by the purchasing company
    (a) is the same in all types of amalgamation
    (b) is different depending upon whether the amalgamation is in the nature of a merger or a purchase as defined by Accounting Standard 14
    (c) is different depending upon whether the companies are private or public
    (d) is different depending upon the amount of purchase consideration
30. All the assets and liabilities of the vendor company become the assets and liabilities of the purchasing company
    (a) if the amalgamation is in the nature of merger as defined under AS 14
    (b) if the amalgamation is in the nature of absorption as defined under the Companies Act
    (c) if the amalgamation is in the nature of external reconstruction as defined under the Companies Act
    (d) if the amalgamation is in the nature of purchase as defined under AS 14

31. Shareholders holding not less than 90% of the face value of the equity share capital in the vendor company become equity shareholders in the purchasing company
    (a) if the amalgamation is in the nature of merger as defined under AS 14
    (b) if the purchase consideration is calculated under payment method
    (c) if the amalgamation is in the nature of external reconstruction as defined under the Companies Act
    (d) if the amalgamation is in the nature of purchase as defined under AS 14
32. The assets and liabilities of the vendor company are incorporated in the accounts of the purchasing company at book values
    (a) if the amalgamation is in the nature of merger as defined under AS 14
    (b) if the amalgamation is in the nature of purchase as defined under AS 14
    (c) if the purchase consideration is calculated under Net Assets method
    (d) if the amalgamation is in the nature of external reconstruction as defined under the Companies Act
33. In the books of the purchasing company, the assets and liabilities of the vendor company are incorporated on the basis of their agreed values (i.e. either the book values or the fair values)
    (a) if the amalgamation is in the nature of merger as defined under AS 14
    (b) if the amalgamation is in the nature of purchase as defined under AS 14
    (c) if the purchase consideration is calculated under Net Assets method
    (d) if the amalgamation is in the nature of external reconstruction as defined under the Companies Act
34. The difference between the purchase consideration and the net assets of the vendor company, if any, is either debited to the Goodwill Account or credited to the Capital Reserve Account
    (a) if the amalgamation is in the nature of merger as defined under AS 14
    (b) if the amalgamation is in the nature of purchase as defined under AS 14
    (c) if the purchase consideration is calculated under Net Assets method
    (d) if the amalgamation is in the nature of external reconstruction as defined under the Companies Act
35. Under purchase method of amalgamation, the reserves of the vendor Company
    (a) are not brought in the books of the purchasing company
    (b) (except a statutory reserve) are not brought in the books of the purchasing company
    (c) are brought in the books of the purchasing company
    (d) (except a statutory reserve) are brought in the books of the purchasing company
36. Amalgamation Adjustment Reserve
    (a) should be shown as a Fixed Asset in the balance sheet of the purchasing company
    (b) should be shown as a Fictitious Asset in the balance sheet of the vendor company
    (c) should be shown under Reserves and Surplus in the balance sheet of the purchasing company
    (d) should be shown as a Fictitious Asset in the balance sheet of the purchasing company
37. The amounts paid by the purchasing company to discharge the debentures are
    (a) ignored while calculating purchase consideration by net payment method
    (b) ignored while calculating purchase consideration by net asset method
    (c) considered while calculating purchase consideration by net payment method
38. The amounts paid by the purchasing company to discharge the contingent liabilities are
    (a) ignored while calculating purchase consideration by net payment method
    (b) ignored while calculating purchase consideration by net asset method
    (c) considered while calculating purchase consideration by net payment method
39. The amounts paid by the purchasing company to meet the expenses of winding up are
    (a) ignored while calculating purchase consideration by net payment method
    (b) ignored while calculating purchase consideration by net asset method
    (c) considered while calculating purchase consideration by net payment method
40. The agreed values at which the assets or liabilities are taken over by the purchasing company are
    (a) ignored while calculating purchase consideration by net payment method
    (b) ignored while calculating purchase consideration by net asset method
    (c) considered while calculating purchase consideration by net payment method

41. The value of assets or liabilities not taken over by the purchasing company is
    (a) ignored while calculating purchase consideration by net payment method
    (b) ignored while calculating purchase consideration by net asset method
    (c) considered while calculating purchase consideration by net asset method
42. The Unamortized Expenditure not written off is
    (a) ignored while calculating purchase consideration by net payment method
    (b) ignored while calculating purchase consideration by net asset method
    (c) considered while calculating purchase consideration by net asset method
43. Liquidation expenses of Vendor Co. agreed to be paid / re-imbursed by the Purchasing Co., should be
    (a) considered while calculating purchase consideration by net payment method
    (b) considered while calculating purchase consideration by net asset method
    (c) ignored while calculating the purchase consideration (whether under net payments method or net assets method).
44. As per AS-14 purchase consideration is what is payable to
    (a) Shareholders (b) Shareholders and debenture holders
    (c) Shareholders and creditors (d) None of the above
45. When amalgamation is in the nature of merger, the accounting method to be followed is :
    (a) Equity method (b) Purchase method
    (c) Pooling of interests method (d) None of the above
46. Amalgamation adjustment reserve is opened in the books of transferee company to incorporate
    (a) The assets of the transferor company
    (b) The liabilities of the transferor company
    (c) The statutory reserves of the transferor company
    (d) None of the above
47. Under the 'Purchase method of accounting' , the transferee company incorporates in its books:
    (a) Only the assets and liabilities of the transferor company
    (b) Only the assets, liabilities and statutory reserves of the transferor company
    (c) Only the assets, liabilities and reserves of the transferor company.
    (d) None of the above
48. Goodwill arising on amalgamation is to be
    (a) Retained in the books of the transferee company.
    (b) Amortised to income on a systematic basis
    (c) Adjusted against reserves and profit and loss account of the transferee company immediately.
    (d) None of the above
49. Under the pooling of interests method the difference between the purchase consideration and share capital of transferee company should be adjusted to :
    (a) General reserve (b) Amalgamation adjustment reserve
    (c) Goodwill or capital reserve (d) None of the above
50. At the time of amalgamation, purchase consideration does not include
    (a) The sum which the transferee company will directly pay to the creditors of the transferor company.
    (b) Payments made in the form of assets by the transferee company to the shareholders of the transferor company.
    (c) Preference shares issued by the transferee company to the preference shareholders of the transferor company.
    (d) preference shares issued by the transferee company to the equity shareholders of the transferor company.
51. The asset which is not taken under the Net assets method of calculating purchase consideration is
    (a) Loose Tools (b) Bills Receivables
    (c) Machinery (d) Share issue Expenses
52. 'Pooling of interest' is a method of
    (a) Charging Depreciation (b) Accounting for Amalgamation
    (c) Calculation of Purchase Consideration (d) None of the above

53. In which of the following methods, the purchase consideration is calculated on the basis of the agreed value of the shares of the transferor company ?
(a) Net Asset Method (b) Net Payment Method
(c) Intrinsic Value Method (d) None of the above
54. The adjustment entry passed to eliminate the inter-company bills of exchange is
(a) Debit bills payable a/c credit bills receivable a/c
(b) Debit bills receivable a/c credit bills payable a/c
(c) Debit amalgamation adjustment a/c, credit statutory reserve a/c
(d) None of the above
55. Under 'Purchase method', any excess of the amount of purchase consideration over the net acquired assets of the transferor company should be recognised as;
(a) Capital Reserve (b) Goodwill
(c) Profit & Loss A/c (d) None of the above
56. If there is a provision (RDD) against the debtors, such debtors are transferred to the Realisation a/c at
(a) Net Amount i.e. Debtors less RDD (b) Current Market Value
(c) Gross Amount of Debtors (d) None of the above
57. Under payments method, puurchase consideration for the amalgamation means
(a) Aggregate of shares and cash to shareholders
(b) Aggregate of shares, cash and payment to debenture holders
(c) Shares, cash, payment to debenture holders and expenses of realisation
(d) None of the above
58. Loss or profit on realisation a/c is transferred by the transferor company, under amalgamation to
(a) Preference shareholders a/c (b) Equity shareholders a/c
(c) Profit & loss appropriation a/c (d) None of the above
59. Intrinsic value of each equity share of the transferor company is ₹ 250 and that of the transferee company is ₹ 400. The ratio of exchange of shares on the basis of intrinsic value is
(a) 2 : 1 (b) 8 : 8
(c) 8 : 5 (d) None of the above

ANSWERS

1.	(c)	10.	(b)	19.	(b)	28.	(a)	37.	(a)	46.	(c)	55.	(b)
2.	(b)	11.	(c)	20.	(b)	29.	(b)	38.	(a)	47.	(b)	56.	(c)
3.	(a)	12.	(a)	21.	(b)	30.	(a)	39.	(a)	48.	(b)	57.	(a)
4.	(d)	13.	(b)	22.	(b)	31.	(a)	40.	(a)	49.	(a)	58.	(b)
5.	(c)	14.	(c)	23.	(b)	32.	(a)	41.	(b)	50.	(a)	59.	(c)
6.	(a)	15.	(c)	24.	(b)	33.	(b)	42.	(b)	51.	(d)		
7.	(c)	16.	(c)	25.	(c)	34.	(b)	43.	(c)	52.	(b)		
8.	(a)	17.	(c)	26.	(b)	35.	(b)	44.	(a)	53.	(c)		
9.	(d)	18.	(a)	27.	(b)	36.	(c)	45.	(c)	54.	(a)		

CHAPTER - 2 : ACCOUNTING OF TRANSACTIONS OF FOREIGN CURRENCY

MULTIPLE CHOICE QUESTIONS

1. Which of the following statements is false ?
   (a) AS 11 should be applied in accounting for transactions in foreign currencies
   (b) AS 11 deals with accounting for foreign currency transaction in the nature of forward exchange contracts
   (c) AS 11 specifies the currency in which an enterprise should present its financial statements
   (d) The principal issues in accounting for foreign currency transactions are to decide which exchange rate to use and how to recognize in the financial statements the financial effect of changes in exchange rates
2. Average rate
   (a) is the exchange rate at the balance sheet date
   (b) is the mean of the exchange rates in force during a period
   (c) is the ratio for exchange of two currencies
   (d) is the rate at which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction
3. Closing rate
   (a) is the exchange rate at the balance sheet date
   (b) is the mean of the exchange rates in force during a period
   (c) is the ratio for exchange of two currencies
   (d) is the rate at which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction
4. Exchange rate
   (a) is the exchange rate at the balance sheet date
   (b) is the mean of the exchange rates in force during a period
   (c) is the ratio for exchange of two currencies
   (d) is the rate at which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction
5. Currency other than the reporting currency of an enterprise
   (a) Non-Reporting currency (b) U.S. Dollars
   (c) Foreign Currency (d) Indian Rupees
6. Currency used in presenting the financial statements
   (a) Reporting currency (b) Non-Foreign Currency
   (c) Official Currency (d) Indian Rupees
7. Money held and assets and liabilities to be received or paid in fixed or determinable amounts of money
   (a) Current items (b) Non-monetary items
   (c) Monetary items (d) Forward Exchange Contract
8. Which of the following is a foreign currency transaction ?
   (i) an enterprise buys or sells goods or services whose price is denominated in a foreign currency
   (ii) an enterprise borrows or lends funds when the amounts payable or receivable are denominated in a foreign currency
   (iii) an enterprise becomes a party to an unperformed forward exchange contract
   (a) only (iii) (b) all
   (c) only (i) (d) only (ii)

9. A foreign currency transaction should be recorded, on initial recognition
   (a) in the reporting currency, by applying to the foreign currency the exchange rate between the reporting currency and the foreign currency at the date of the recognition
   (b) in the Indian Rupees, by using the exchange rate between the Indian Rupee and the U.S. Dollars at the date of the transaction
   (c) in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction
   (d) in the reporting currency, by applying to the foreign currency amount the average exchange rate between the reporting currency and the foreign currency during the financial year
10. Which of the following statements is false ?
   (a) At each balance sheet date, foreign currency monetary items should be reported using the closing rate
   (b) At each balance sheet date, non-monetary items which are carried in terms of historical cost denominated in a foreign currency should be reported using the exchange rate at the date of the transaction
   (c) At each balance sheet date, non-monetary items, which are carried at fair value denominated in a foreign currency should be reported using the exchange rates that existed when the values were determined
   (d) At each balance sheet date, foreign currency monetary items should be reported using the average rate during the year
11. Following is *not* an example of a monetary item.
   (a) Cash (b) Receivables
   (c) Payables (d) Fixed assets
12. Following is an example of a non-monetary item.
   (a) Debtors (b) Creditors
   (c) Bank account (d) Inventories
13. At each balance sheet date, non-monetary items, which are carried at fair value or other similar valuation denominated in a foreign currency, should be reported
   (a) using the exchange rate at the date of the transaction
   (b) using the exchange rates that existed when the values were determined
   (c) using the closing exchange rate at the date of the balance sheet
   (d) using the average exchange rate during the financial year
14. At each balance sheet date, Foreign currency monetary items should be reported
   (a) using the exchange rate at the date of the transaction
   (b) using the average of the (i) exchange rate at the date of the transaction and (ii) closing exchange rate
   (c) using the closing exchange rate at the date of the balance sheet
   (d) using the lowest exchange rate during the financial year
15. Following Exchange differences should be recognized as income or as expenses in the period in which they arise -
   (a) Exchange difference arising on the settlement of monetary items
   (b) Exchange difference arising on reporting an enterprise's monetary items at rates different from those at which they were initially recorded during the period
   (c) Exchange difference arising on reporting an enterprise's monetary items at rates different from those at which they were reported in previous financial statements
   (d) all the above
16. Following Balances should be translated at the closing rate
   (a) Non-monetary items valued at historical cost denominated in a foreign currency
   (b) Monetary items
   (c) Non-monetary items which are carried in terms of fair value, denominated in a foreign currency
   (d) All the above

17. Following Balances should be translated at the exchange rate on the date of the original transaction
    (a) Non-monetary items valued at historical cost denominated in a foreign currency
    (b) Monetary items
    (c) Non-monetary items which are carried in terms of fair value, denominated in a foreign currency
    (d) All the above
18. Following Balances should be translated at the exchange rate that existed when the values were determined
    (a) Non-monetary items valued at historical cost denominated in a foreign currency
    (b) Monetary items
    (c) Non-monetary items which are carried in terms of fair value, denominated in a foreign currency
    (d) None of the above
19. No exchange difference will arise on
    (a) inventory, fixed assets, investments etc. valued at historical cost denominated in a foreign currency
    (b) cash, debtors or creditors
    (c) inventory, fixed assets, investments etc. which are carried in terms of fair value, denominated in a foreign currency
    (d) (a) and (c) above
20. The mean of the exchange rates in force during a period is known as
    (a) Average Rate (b) Closing Rate
    (c) Reporting Rate (d) Fair Rate
21. The exchange rate at the balance sheet date is known as
    (a) Average Rate (b) Closing Rate
    (c) Non-monetary Rate (d) Monetary Rate
22. Reporting currency is the currency used
    (a) In recording the financial transactions (b) In presenting the financial statements
    (c) In settling the financial transactions (d) None of the above
23. Foreign currency is a currency
    (a) Used in recording the foreign transactions
    (b) Used in presenting the foreign financial statements
    (c) Other than the reporting currency of an enterprise
    (d) Other than the Indian Rupee
24. Non-monetary items
    (a) Are the items exchanged at fair value
    (b) Are the items other than assets and liabilities
    (c) Are assets and liabilities other that monetary items
    (d) None of the above
25. Monetary items
    (a) Are assets and liabilities to be received or paid in money
    (b) Are assets to be received in fixed or determinable amounts of money
    (c) Are money held and assets and liabilities to be received or paid in fixed or determinable amounts of money
    (d) None of the above
26. An exchange difference results
    (a) When there is a change in the exchange rate between the transaction date and the date of settlement of any non-monetary items arising from a foreign currency transaction
    (b) When there is a change in the fair value rate between the transaction date and the date of settlement of any monetary items arising from a foreign currency transaction
    (c) When there is a change in the exchange rate between the transaction date and the date of settlement of any monetary items arising from a foreign currency transaction
    (d) None of the above

27. Non-monetary items which are carried in terms of historical cost denominated in a foreign currency should be reported using the exchange rate at the date of the
    (a) Balance Sheet (b) Transaction
    (c) Settlement (d) None of the above
28. The contingent liability denominated in foreign currency at the balance sheet date is disclosed by using the
    (a) Average Rate (b) Closing Rate
    (c) Non-monetary Rate (d) Monetary Rate

ANSWERS

1.	(c)	5.	(c)	9.	(c)	13.	(b)	17.	(a)	21.	(b)	25.	(c)
2.	(b)	6.	(a)	10.	(d)	14.	(c)	18.	(c)	22.	(b)	26.	(c)
3.	(a)	7.	(c)	11.	(d)	15.	(d)	19.	(d)	23.	(c)	27.	(b)
4.	(c)	8.	(b)	12.	(d)	16.	(b)	20.	(a)	24.	(c)	28.	(b)

CHAPTER - 3 : LIQUIDATION OF COMPANIES

MULTIPLE CHOICE QUESTIONS

1. A company can be liquidated in any of following ways under the Companies Act, 2013 after 1-4-2017
   (a) Compulsory winding-up by the Tribunal
   (b) Voluntary winding-up by the Members or Creditors
   (c) Winding-up under the supervision of the Court
   (d) All of the above
2. List H shows ________ Account.
   (a) Deficiency or Surplus (b) Preferential Creditors
   (c) Fixed Assets Account (d) None of the above
3. When a company is wound-up, all persons who ceased to be the shareholders within a year before the winding-up are placed in the
   (a) 'A' List of Contributories (b) 'B' List of Contributories
   (c) 'C' List of Contributories (d) 'D' List of Contributories
4. If default is made in delivering the annual return to the Registrar, the company is likely to face
   (a) compulsory winding up by the tribunal
   (b) voluntary winding up by members
   (c) voluntarily winding up by creditors
   (d) none of the above
5. Following is treated as over-riding preferential creditor
   (a) Retirement benefits of employees (b) Retirement benefits to workers
   (c) Salary due to employees exceeding ₹ 20,000
   (d) Remuneration to investigator
6. Remuneration to investigator upon investigation of the affairs of company is treated as
   (a) Secured creditor (b) Over-riding preferential creditor
   (c) Preferential creditor (d) Unsecured creditor
7. Amount of Govt. dues that arose within 12 months before the date of winding up is treated as
   (a) Secured creditor (b) Over-riding preferential creditor
   (c) Preferential creditor (d) Unsecured creditor
8. Amount of Retirement benefits of employees exceeding ₹ 20,000 per employee is treated as
   (a) Secured creditor (b) Over-riding preferential creditor
   (c) Preferential creditor (d) Unsecured creditor
9. Preference dividend in arrears on the date of winding up is
   (a) treated as Secured creditor (b) treated as Over-riding preferential creditor
   (c) treated as Preferential creditor (d) added to Preference Share Capital
10. Amount of calls in advance is treated as
    (a) Secured creditor (b) Asset not specifically pledged
    (c) Preferential creditor (d) Unsecured creditor
11. Interest on debentures and unsecured loan is payable upto the date of actual payment
    (a) if the company is solvent
    (b) if the company is insolvent
    (c) whether the company is solvent or insolvent
    (d) none of the above
12. Accrued holiday remuneration becoming payable to any workman is treated as
    (a) Secured creditor (b) Over-riding preferential creditor
    (c) Preferential creditor (d) Unsecured creditor
13. Liability for compensation under Workmen's Compensation Act is treated as
    (a) Secured creditor (b) Over-riding preferential creditor
    (c) Preferential creditor (d) Unsecured creditor

14. If the remuneration to liquidator is payable as a percentage of collection
    (a) include opening cash and bank balance (b) exclude closing cash and bank balance
    (c) exclude opening cash and bank balance
    (d) exclude both opening and closing cash and bank balance
15. If the remuneration to liquidator is payable on distribution,
    (a) exclude distribution to preferential and unsecured creditors and contributories
    (b) include distribution to preferential and unsecured creditors but exclude distribution to contributories
    (c) exclude distribution to preferential creditors but include distribution to unsecured creditors and contributories
    (d) include distribution to preferential and unsecured creditors and contributories
16. All contributions payable during the 12 months next under the *Employees State Insurance* Act, 1948
    (a) are treated as overriding preferential creditors
    (b) are treated as preferential creditors unless the company is being wound up voluntarily for the purpose of reconstruction
    (c) are treated as unsecured creditors
    (d) are treated as preferential creditors unless the company is being wound up compulsorily by the Court
17. A contributory is a
    (a) Unsecured creditor (b) Preferential creditor
    (c) Shareholder (d) Debentureholder
18. List 'A' in statement of affairs gives the list of
    (a) Assets specifically pledged (b) Assets not specifically pledged
    (c) Preferential creditors (d) Unsecured creditors
19. List 'E' in statement of affairs gives the list of
    (a) Preferential creditors (b) Debentureholders
    (c) Unsecured creditors (d) Secured creditors
20. Secured creditors are shown in the statement of affairs under :
    (a) List A (b) List B
    (c) List C (d) List D
21. Preferential creditors are shown in the statement of affairs under :
    (a) List D (b) List B
    (c) List C (d) List A
22. The proceeds of assets not specifically pledged and the surplus of the assets specifically pledged is first available for :
    (a) Preferential creditors
    (b) Unsecured creditors
    (c) Legal charges, liquidator's remuneration and liquidation expenses
    (d) Preference shareholders
23. Any sum due to an employee out of provident fund is an example of :
    (a) Unsecured creditor (b) Preferential creditor
    (c) Secured creditor (d) Partly secured creditor
24. Bills were discounted to the extent of ₹ 10,000 of which bills of ₹ 4,000 are likely to be dishonoured. Hence, the liability to rank in respect of these bills will be
    (a) ₹ 10,000 (b) ₹ 4,000
    (c) ₹ 6,000 (d) ₹ 14,000
25. When the sale proceeds of pledged security is not sufficient to pay off secured creditors fully, the balance due to them should be added to
    (a) Unsecured creditors (b) Preferential creditors
    (c) Equity share capital (d) Preference share capital
26. When the liquidated company has adequate cash to pay off all liabilities, the interest on liabilities should be paid :
    (a) upto date of commencement of insolvency proceedings
    (b) upto the date of actual payment of liabilities
    (c) upto the date of payment to shareholders
    (d) none of these

ANSWERS

1. (a)	5. (b)	9. (d)	13. (b)	17. (c)	21. (c)	25. (a)
2. (a)	6. (c)	10. (d)	14. (c)	18. (b)	22. (c)	26. (b)
3. (b)	7. (c)	11. (a)	15. (d)	19. (c)	23. (b)	
4. (a)	8. (c)	12. (b)	16. (b)	20. (b)	24. (b)	

CHAPTER - 4 : UNDERWRITING OF SHARES AND DEBENTURES

MULTIPLE CHOICE QUESTIONS

1. The underwriting commission in case of debentures as per the Companies Act shall not exceed
   (a) 5 percent of issue price (b) 10 percent of the issue price
   (c) 2.5 percent of the issue price (d) 2 per cent of the issue price
2. As per SEBI guidelines, the underwriting commission on equity shares
   (a) 10 per cent of the issue price (b) 5 per cent of the issue price
   (c) 2.5 per cent of the issue price (d) 2 per cent of the issue price
3. The underwriting commission in case of ₹ 4 lakh preference shares capital subscribed to by the public, under Ministry of Finance guidelines, should not exceed
   (a) 2.5 per cent (b) 1 per cent
   (c) 2.00 per cent (d) 1.5 per cent
4. According to the Companies Act the underwriting commission on shares should not exceed
   (a) 5 per cent (b) 2.5 per cent
   (c) 10 per cent (d) 1 per cent
5. The underwriting commission is calculated on
   (a) net liability of the share value (b) firm underwriting value of the shares
   (c) marked application of the share value (d) issue price of the shares underwritten
6. Unmarked applications refer to
   (a) Firm underwriting
   (b) Applications issued by the company
   (c) Applications bearing the stamp of underwriter
   (d) Applications from the public received directly by the company without bearing any stamp of underwriter
7. When all the shares are underwritten by the underwriters, it is called
   (a) Firm underwriting (b) Partial underwriting
   (c) Complete underwriting (d) None of the above
8. Marked applications refer to
   (a) Applications bearing the seal of underwriting
   (b) Applications bearing the signature of applicants
   (c) Applications issued by company
   (d) None of the above.
9. R Limited issued a debenture of ₹ 100 each at ₹ 90. The underwriting commission will be paid on
   (a) ₹ 100 (b) ₹ 95
   (c) ₹ 105 (d) ₹ 90
10. M Limited issued shares at a face Value of ₹ 100 with a premium of ₹ 20 per share. The underwriting commission will be calculated on
    (a) ₹ 100 (b) ₹ 90
    (c) ₹ 80 (d) ₹ 120
11. When the entire issue is underwritten by only one person, his liability will be equal to
    (a) No. of shares underwritten
    (b) No. of shares underwritten minus no. of shares applied for by the public
    (c) No. of shares applied for by the public
    (d) None of the above
12. Marked applications refers to
    (a) Applications bearing the stamp of the underwriters
    (b) Applications carrying the signatures of public who applied for shares
    (c) Applications carrying the stamp of company which offered the shares
    (d) None of the above

13. Unmarked applications refers to
    (a) Applications bearing the stamp of the underwriters
    (b) Applications from public received directly by the company without bearing any stamp of underwriters
    (c) Applications issued by the company to underwriters
    (d) None of the above
14. The underwriter is entitled to claim remuneration on
    (a) the issue price of shares underwritten
    (b) the face value of shares actually purchased
    (c) the face value of shares not purchased by him
    (d) None of the above
15. If the whole of the issue of shares or debentures is underwritten it is known as
    (a) Partial underwriting (b) Sole underwriting
    (c) Complete or Full underwriting (d) None of the above
16. If a part of the issue of shares or debentures is underwritten, it is termed as
    (a) Partial underwriting (b) Complete underwriting
    (c) Firm underwriting (d) None of the above
17. When an underwriter agrees to buy a definite number of shares in addition to unsubscribed shares, it is termed as
    (a) Partial underwriting (b) Firm underwriting
    (c) Complete underwriting (d) None of the above
18. According to the Companies Act, the commission payable to underwriter for underwriting shares should not exceed
    (a) 5% (b) 10%
    (c) 2.5% (d) 1.5%
19. Commission for underwriting shares as per the guidelines issued by the Stock Exchange division of the Dept. of Economic Affairs, Ministry of Finance (F 14/1/SE/85-7-5-85) and also as per SEBI guidelines should not exceed
    (a) 5% (b) 2.5%
    (c) 10% (d) 1.5%
20. The underwriting commission in the case of debentures as per Companies Act, should not exceed:
    (a) 5% of the price at which debentures are issued
    (b) 4% of the price at which debentures are issued
    (c) 2½% of the price at which the debentures are issued
    (d) None of the above
21. As per SEBI guidelines, commission payable to underwriters for underwriting Preference shares or Debentures upto ₹ 5 lakhs, should not exceed
    (a) 5% (b) 2.5%
    (c) 10% (d) 1.5%
22. The Underwriting Commission in case of Preference Shares / Debentures beyond ₹ 5 lakhs as per SEBI guidelines, should not exceed
    (a) 2% (b) 2.5%
    (c) 5% (d) 1.5%
23. K Ltd. issued shares of ₹ 1,000 each at ₹ 950. The Underwriting Commission will be paid on
    (a) ₹ 1,000 (b) ₹ 950
    (c) ₹ 1,950 (d) ₹ 50

ANSWERS

1.	(c)	5.	(d)	9.	(d)	13.	(b)	17.	(b)	21.	(b)
2.	(c)	6.	(d)	10.	(d)	14.	(a)	18.	(a)	22.	(a)
3.	(d)	7.	(c)	11.	(b)	15.	(c)	19.	(b)	23.	(b)
4.	(a)	8.	(a)	12.	(a)	16.	(a)	20.	(c)		

CHAPTER - 5 : ACCOUNTING FOR LIMITED LIABILITY PARTNERSHIP

MULTIPLE CHOICE QUESTIONS

1. LLP should have minimum
   (a) 7 partners (b) 50 partners
   (c) 2 partners (d) 3 partners
2. The maximum number of partners LLP can have is
   (a) 7 partners (b) 50 partners
   (c) 2 partners (d) No limit
3. Every limited liability partnership shall have at least ______ designated partners who are individuals.
   (a) 7 (b) 50
   (c) 2 (d) 3
4. At least ______ of the designated partners of every limited liability partnership shall be a resident in India.
   (a) one (b) two
   (c) three (d) seven
5. In absence of LLP Agreement, the mutual rights of Partners and in relation to LLP will be determined as per Schedule ______ of the LLP Act 2008.
   (a) I (b) II
   (c) VI (d) VIII
6. A Limited Liability Partnership whose contribution exceeds ₹ ______ is required to annually get its accounts audited by any Chartered Accountant in practice.
   (a) 40 Lakh (b) 1 lakh
   (c) 25 Lakh (d) 50 lakh
7. A Limited Liability Partnership whose turnover exceeds ₹ ______ is required to annually get their accounts audited by any Chartered Accountant in practice.
   (a) 40 Lakh (b) 1 lakh
   (c) 25 Lakh (d) 50 lakh
8. LLP is governed by
   (a) Partnership Act, 1932 (b) Companies Act, 1956
   (c) Limited Liability Partnership Act, 2008 (d) Companies Act, 2013
9. Following can become a partner in the LLP:
   (a) Company incorporated in India (b) LLP incorporated outside India
   (c) Individuals resident outside India (d) any of the above
10. Following can become a partner in the LLP:
   (a) Company incorporated outside India (b) LLP incorporated in India
   (c) Individuals resident in India (d) any of the above
11. A partner of LLP has the following right, only if provided in the LLP agreement
   (a) participate in the management of the LLP
   (b) get remuneration for participating in the management of LLP
   (c) share equal profits in the LLP
   (d) transfer his right to share in the profit/losses of the LLP

ANSWERS

1. (c)	3. (c)	5. (a)	7. (a)	9. (d)	11. (b)
2. (d)	4. (a)	6. (c)	8. (c)	10. (d)	