CHAPTER 1: INTERNAL RECONSTRUCTION (CAPITAL REDUCTION)

1. Any balance remaining in the Capital Reduction Account after writing off all accumulated losses and fictitious assets is permanently transferred to which account?

(A) General Reserve Account

(B) Capital Redemption Reserve Account

(C) Capital Reserve Account

(D) Profit & Loss Appropriation Account

2. Under a scheme of internal reconstruction, when preference shareholders agree to completely waive their undeclared cumulative preference dividend arrears, the company should record:

(A) A credit entry to the Capital Reduction Account

(B) A debit entry to the Profit & Loss Account

(C) No accounting entry in the books of accounts

(D) A credit entry to the Preference Share Capital Account

3. If a company's property with a book value of ₹8,00,000 is revalued at ₹11,50,000 under a capital reduction scheme, the appreciation of ₹3,50,000 must be:

(A) Credited to Capital Reserve Account

(B) Credited to Capital Reduction Account

(C) Debited to Capital Reduction Account

(D) Credited to Revaluation Reserve Account

4. To legally implement a formal scheme of capital reduction, a company strictly requires the validation and approval of:

(A) The Board of Directors and SEBI

(B) The National Company Law Tribunal (NCLT)

(C) The Registrar of Companies (RoC) alone

(D) The Comptroller and Auditor General

5. When a company converts its existing equity shares of ₹100 each fully paid into new equity shares of ₹10 each fully paid without altering total paid-up capital, the corporate action is termed as:

(A) Consolidation of Shares

(B) Compromise with Creditors

(C) Sub-division of Shares

(D) Surrender of Shares

6. Sundry Creditors of a company accept equity shares in full satisfaction of their financial claims. Which of the following statements represents the correct journal entry?

(A) Debit Capital Reduction A/c and Credit Equity Share Capital A/c

(B) Debit Sundry Creditors A/c and Credit Equity Share Capital A/c

(C) Debit Equity Share Capital A/c and Credit Sundry Creditors A/c

(D) Debit Sundry Creditors A/c and Credit Capital Reduction A/c

7. Shares surrendered by shareholders that are subsequently cancelled by the company are finally credited to:

(A) Share Surrender Account

(B) Capital Reduction Account

(C) General Reserve Account

(D) Securities Premium Account

8. Internal reconstruction is Permitted under which Section of the Companies Act, 2013?

(A) Section 55

(B) Section 63

(C) Section 66

(D) Section 77

9. The primary objective of an internal reconstruction scheme is to:

(A) Liquidate a loss-making company

(B) Amalgamate two companies under common control

(C) Write off accumulated losses and present a true view of assets

(D) Issue fresh shares to the general public to buy another firm

10. Fictitious assets like Preliminary Expenses and underwriting commission are written off by:

(A) Debiting them to the General Reserve

(B) Crediting them to the Capital Reduction Account

(C) Debiting them to the Capital Reduction Account

(D) Debiting them to the Share Capital Account

11. Who among the following stakeholders may be required to sacrifice their claims under a comprehensive capital reduction scheme?

(A) Equity Shareholders only

(B) Preference Shareholders and Creditors only

(C) Debenture Holders and Bank Lenders only

(D) All stakeholders as per scheme requirements

12. When a company converts its equity shares into capital stock, the account to be credited is:

(A) Equity Share Capital Account

(B) Equity Capital Stock Account

(C) Capital Reduction Account

(D) General Reserve Account

13. Reconstruction expenses paid by the company during the implementation of the capital reduction scheme are permanently charged to:

(A) Miscellaneous Expense Account

(B) Profit & Loss Account
(C) Capital Reduction Account
(D) Capital Reserve Account

14. If the shares of a smaller denomination are converted into shares of a higher denomination without changing the total amount of share capital, it is a case of:

(A) Sub-division of share capital
(B) Consolidation of share capital
(C) Surrender of share capital
(D) Forfeiture of share capital

15. Under capital reduction, if an asset is found to be overvalued, the amount written off from that asset is:

(A) Credited to the asset and debited to Capital Reduction A/c
(B) Debited to the asset and credited to Capital Reduction A/c
(C) Debited to Capital Reserve and credited to the asset
(D) Debited to Profit & Loss Account

16. Under a capital reduction scheme, a damaged machinery with a book value of ₹3,00,000 is sold as scrap for ₹25,000. What is the accounting adjustment needed?

(A) ₹25,000 credited to Capital Reduction Account
(B) ₹3,00,000 debited to Capital Reduction Account
(C) ₹2,75,000 debited to Capital Reduction Account
(D) ₹2,75,000 credited to Capital Reduction Account

17. If a company has a total capital reduction fund of ₹15,00,000 and the total application of this fund to write off losses is ₹10,90,000, what is the closing balance adjustment?

(A) ₹4,10,000 debited to Goodwill A/c
(B) ₹4,10,000 credited to Capital Reserve A/c
(C) ₹4,10,000 debited to Capital Reserve A/c
(D) ₹10,90,000 credited to Capital Reserve A/c

18. At the time of capital reduction, outstanding directors' fees were ₹20,000. 60% of the fees had already been paid. The directors agree to waive the remaining outstanding fees, and they refund the paid fees back to the company. What amount is credited to the Capital Reduction A/c?

(A) ₹8,000
(B) ₹12,000
(C) ₹20,000
(D) ₹4,000

19. A company's freehold property is shown in the books at ₹6,00,000. Under internal reconstruction, its value is appreciated by 25%. What is the journal entry for this appreciation?

(A) Debit Freehold Property ₹1,50,000; Credit Capital Reduction A/c ₹1,50,000
(B) Debit Capital Reduction A/c ₹1,50,000; Credit Freehold Property ₹1,50,000

(C) Debit Freehold Property ₹1,50,000; Credit Capital Reserve ₹1,50,000

(D) Debit Freehold Property ₹7,50,000; Credit Capital Reduction A/c ₹7,50,000

20. A company has 10,000 equity shares of ₹100 each, fully paid up. It decided to reduce the shares to ₹80 fully paid up. What is the reduction in share capital value?

(A) ₹8,00,000

(B) ₹2,00,000

(C) ₹10,00,000

(D) ₹ Zero

21. If under a scheme of capital reduction, out of preference dividend in arrears of ₹1,75,000 (undeclared), ₹50,000 is waived by shareholders, what is the amount to be recorded in the Capital Reduction Account?

(A) ₹50,000 credited

(B) ₹1,25,000 debited

(C) ₹75,000 credited

(D) ₹ Zero (No entry)

22. Creditors of ₹5,00,000 agree to accept 10% less claim and the remaining claim is settled by issuing equity shares of ₹10 each at par. What amount is transferred to the Capital Reduction Account?

(A) ₹5,00,000

(B) ₹4,50,000

(C) ₹50,000

(D) ₹4,00,000

23. A company decides to write off a Patent asset with a book value of ₹1,20,000. If the total available balance in the Capital Reduction Account is ₹4,00,000, what is the remaining balance in Capital Reduction after writing off the patent (assuming no other losses)?

(A) ₹2,80,000

(B) ₹4,00,000

(C) ₹1,20,000

(D) ₹5,20,000

24. Machinery worth ₹2,40,000 is found to be overvalued by 20% of its correct value. To bring it to its true value during internal reconstruction, Capital Reduction A/c must be debited by:

(A) ₹48,000

(B) ₹40,000

(C) ₹2,00,000

(D) ₹60,000

25. A company has 20,000 equity shares of ₹10 each fully paid. It reduces its capital by changing the face value to ₹6 per share fully paid. What amount is credited to the Capital Reduction Account?

(A) ₹2,00,000

(B) ₹1,20,000

(C) ₹80,000

(D) ₹4,00,000

26. An unrecorded liability for compensation to workers of ₹30,000 is settled at ₹18,000. What is the net impact on the Capital Reduction Account?

(A) Debited by ₹30,000

(B) Debited by ₹18,000

(C) Credited by ₹12,000

(D) No entry is required

27. Debenture holders of ₹4,00,000 agree to waive 25% of their total interest accrued which stands at ₹40,000. What amount will be credited to Capital Reduction Account?

(A) ₹1,00,000

(B) ₹40,000

(C) ₹10,000

(D) ₹30,000

28. If a company consolidates 50,000 equity shares of ₹10 each into shares of ₹100 each, the new total number of equity shares will be:

(A) 5,00,000 shares

(B) 5,000 shares

(C) 50,000 shares

(D) 25,000 shares

29. The total debit balance in Profit & Loss Account is ₹3,50,000 and Preliminary Expenses are ₹50,000. The company needs a minimum capital reduction credit balance of how much to completely wipe out these two items?

(A) ₹3,50,000

(B) ₹3,00,000

(C) ₹4,00,000

(D) ₹50,000

30. Provisions for bad debts is to be increased from ₹5,000 to ₹12,000 under a reconstruction scheme. Capital Reduction Account will be:

(A) Debited by ₹12,000

(B) Credited by ₹7,000

(C) Debited by ₹7,000

(D) Credited by ₹5,000

CHAPTER 2: ISSUE OF BONUS SHARES & RIGHT SHARES

1. According to Section 63 of the Companies Act, 2013, a company is legally prohibited from issuing fully paid bonus shares out of:

(A) Capital Redemption Reserve Account

(B) Securities Premium Account realised in cash

(C) Revaluation Reserve Account

(D) General Reserve Account

2. Which of the following reserves can be utilized for the unique purpose of converting partly paid-up equity shares into fully paid-up equity shares via a bonus share?

(A) Capital Redemption Reserve Account

(B) Securities Premium Account

(C) General Reserve Account

(D) Fixed Asset Revaluation Fund

3. When fully paid-up bonus shares are allotted to existing shareholders, the immediate financial impact on the company's balance sheet is:

(A) Increase in cash reserves and decrease in total capital

(B) Outflow of liquid cash with no change in share capital

(C) Decrease in specific reserves and increase in share capital

(D) Reduction in the total value of corporate assets

4. If a company announces a bonus issue in the ratio of 2:3, it implies that the shareholders will receive:

(A) 3 new bonus shares for every 2 shares currently held

(B) 2 new bonus shares for every 3 shares currently held

(C) 2 bonus shares for a total investment of 5 shares

(D) 3 bonus shares for every 5 shares currently held

5. Can a company withdraw its decision to issue bonus shares once it has been formally recommended by the Board of Directors and announced to the public?

(A) Yes, with prior approval from the RoC

(B) Yes, if profits decline before the actual allotment date

(C) No, an announced bonus issue cannot be withdrawn under standard regulatory guidelines

(D) Yes, by passing an ordinary resolution within 90 days

6. To make an issue of bonus shares legal and valid, authorization must explicitly exist within which underlying corporate document?

(A) Memorandum of Association

(B) Articles of Association

(C) Prospectus of the Company

(D) Statement in Lieu of Prospectus

7. Which of the following accounts can be utilized only for the purpose of issuing fully paid bonus shares?

(A) General Reserve

(B) Profit & Loss Account

(C) Capital Redemption Reserve (CRR)

(D) Dividend Equalization Fund

8. Right shares mean such shares which are issued:

(A) To directors of the company for services rendered

(B) To debenture holders when their debentures are converted

(C) To present equity shareholders to whom they are first offered

(D) By a newly incorporated subsidiary company to public

9. Right shares can be offered by the companies to persons other than existing shareholders by passing a:

(A) Ordinary Resolution

(B) Special Resolution

(C) Board Resolution

(D) Extra-ordinary Resolution

10. Capitalization of reserves is another name for:

(A) Issue of Right Shares

(B) Issue of Bonus Shares

(C) Reduction of Share Capital

(D) Forfeiture of Unpaid Shares

11. Which of the following statements is true if the company issues bonus shares?

(A) Total market value of the company always doubles overnight

(B) Bonus share is taxable income in the hands of everyday investors immediately

(C) Paid-up share capital increases with the issue of bonus shares

(D) Cash flow is affected adversely due to bonus issues

12. Bonus shares can be issued to:

(A) Equity shareholders only

(B) Preference shareholders only

(C) Debenture holders and Creditors

(D) Both Equity and Preference shareholders equally

13. Which of the following cannot be used for the issue of fully paid bonus shares?

(A) Securities Premium Account realized in cash

(B) Capital Redemption Reserve

(C) Dividend Equalization Fund

(D) Plant Revaluation Reserve

14. What is the correct accounting journal entry to finalize the allotment of bonus shares?

(A) Debit Equity Share Capital A/c and Credit Bonus to Shareholders A/c

(B) Debit Bonus to Shareholders A/c and Credit Equity Share Capital A/c

(C) Debit General Reserve A/c and Credit Securities Premium

(D) Debit Profit & Loss A/c and Credit Cash A/c

15. SEBI guidelines state that a bonus issue can be made out of:

(A) Reserves created by revaluation of fixed assets

(B) Only reserves realized in cash or free reserves

(C) Contingent liabilities reserves

(D) Capital reserves without articles authorization

16. Parth Ltd. offers one right share of ₹10 each at a price of ₹20 to its shareholders for every three shares held. The current market value of the share is ₹32. Calculate the value of the right.

(A) ₹4

(B) ₹2

(C) ₹3

(D) ₹5

17. Rooju Ltd. resolves to issue 3 bonus shares against every 5 existing equity shares. The company has 5,00,0 shares of ₹100 each fully paid up. The bonus shares are issued at a premium of 8%. What is the total amount to be debited to the General Reserve A/c?

(A) ₹3,00,000

(B) ₹24,000

(C) ₹3,24,000

(D) ₹5,40,000

18. A company has 2,00,000 equity shares of ₹10 each, ₹8 paid up. It wants to declare a bonus to make these shares fully paid up. What is the total amount of free reserves required for this bonus?

(A) ₹20,00,000

(B) ₹16,00,000

(C) ₹4,00,000

(D) ₹2,00,000

19. A company has a balance of ₹1,50,000 in Securities Premium A/c and ₹2,00,000 in General Reserve. It issues 2,000 fully paid bonus shares of ₹100 each. If it capitalizes Securities Premium first, how much will be taken from General Reserve?

(A) ₹2,00,000

(B) ₹50,000

(C) ₹1,50,000

(D) ₹ Zero

20. A company announces a 1:1 bonus issue. Before the issue, its Share Capital was ₹10,00,000 and General Reserve was ₹12,00,000. What will be the balances of Share Capital and General Reserve after the bonus issue?

(A) Capital ₹10,00,000; Reserve ₹2,00,000

(B) Capital ₹20,00,000; Reserve ₹12,00,000

(C) Capital ₹20,00,000; Reserve ₹2,00,000

(D) Capital ₹22,00,000; Reserve ₹0

21. A shareholder owns 600 shares of a company. The company declares a bonus issue of 1:2. How many total bonus shares will the shareholder hold after the allotment?

(A) 300 shares

(B) 900 shares

(C) 1,200 shares

(D) 800 shares

22. If a company uses ₹1,00,000 from Capital Redemption Reserve (CRR) to issue fully paid bonus shares, what is the journal entry?

(A) Debit Bonus to Shareholders; Credit CRR ₹1,00,000

(B) Debit CRR ₹1,00,000; Credit Bonus to Shareholders A/c ₹1,00,000

(C) Debit CRR ₹1,00,000; Credit Equity Share Capital ₹1,00,000 directly

(D) Debit Profit & Loss A/c; Credit CRR ₹1,00,000

23. A company has 50,000 equity shares of ₹10 each. The current market price is ₹50 per share. It issues bonus shares in the ratio of 1:1. What is the theoretical post-bonus market price per share?

(A) ₹50

(B) ₹10

(C) ₹25

(D) ₹100

24. A company wishes to issue bonus shares worth ₹5,00,000. It has the following balances: Capital Profit on sale of land (realized in cash) = ₹2,00,000; Profit & Loss (Cr) = ₹4,00,000. Can the company issue the bonus?

(A) No, capital profits can never be used

(B) Yes, and it will have a remaining balance of ₹1,00,000 in P&L if both are combined

(C) Yes, but only out of P&L entirely

(D) No, because total reserves are less than ₹5,00,000

25. To issue fully paid bonus shares of ₹60,000, a company utilizes its Capital Redemption Reserve completely which stands at ₹40,000. The remaining ₹20,000 is taken from Securities Premium. What is the final balance of CRR?

(A) ₹40,000

(B) ₹20,000

(C) ₹ Zero

(D) ₹60,000

26. If a company offers 1 right share for every 4 shares held at ₹15 per share (Face value ₹10) and the Ex-right price is calculated as ₹23. Useful background data identifies the original market price before rights as ₹25. What is the value of the right?

(A) ₹10

(B) ₹5

(C) ₹2

(D) ₹8

27. A company has Equity Share Capital of ₹3,00,000 (shares of ₹10 each). It decides to declare a bonus issue of 20% on capital. How many bonus shares will be issued?

(A) 60,000 shares

(B) 6,000 shares

(C) 30,000 shares

(D) 20,000 shares

28. A company's Profit & Loss account has a credit balance of ₹80,000. Capital Reserve (not realized in cash) is ₹30,000. Securities Premium is ₹15,000. What is the maximum amount of fully paid bonus shares the company can issue?

(A) ₹1,25,000

(B) ₹95,000

(C) ₹80,000

(D) ₹1,10,000

29. If a company issues right shares to its existing members in the ratio of 1:5, an investor holding 1,500 shares has the right to subscribe to how many new shares?

(A) 1,500 shares

(B) 500 shares

(C) 300 shares

(D) 7,500 shares

30. Before a bonus issue of 1:4, a company's total reserves stood at ₹5,00,000 and its share capital was ₹8,00,000 (shares of ₹10 each). What will be the new level of total reserves after capitalising the bonus?

(A) ₹5,00,000

(B) ₹3,00,000

(C) ₹2,00,000

(D) ₹4,00,000

CHAPTER 3: REDEMPTION OF PREFERENCE SHARES

1. According to the statutory provisions of Section 55 of the Companies Act, 2013, a company can redeem preference shares only if they are:

(A) Issued at a discount originally

(B) Fully paid-up

(C) Held by promoters for over 3 years

(D) Convertible into debentures automatically

2. When a company decides to redeem its preference shares entirely out of its divisible corporate profits, an amount equal to the nominal value of shares redeemed must be transferred to:

(A) Capital Reserve Account

(B) Capital Redemption Reserve (CRR) Account

(C) Securities Premium Account

(D) Development Rebate Reserve Account

3. Which of the following funds represents a "free reserve" that is legally available for transfer to the Capital Redemption Reserve Account?

(A) Workmen's Profit Sharing Fund

(B) Statutory Employee Provident Fund

(C) General Reserve / Credit Balance of Profit & Loss Account

(D) Profit Prior to Incorporation

4. The premium payable on the redemption of preference shares must be legally provided out of:

(A) The company's cash balance only

(B) Profits of the company or the Securities Premium Account

(C) Capital Redemption Reserve Account

(D) Fixed Assets Revaluation Reserve

5. Under Section 55 of the Companies Act, 2013, no company limited by shares can issue preference shares that are redeemable beyond a maximum period of:

(A) 10 years

(B) 15 years

(C) 20 years

(D) 25 years

6. When preference shares are due for redemption, the nominal value of the share capital account is closed by:

(A) Debiting Preference Share Capital Account and Crediting Preference Shareholders Account

(B) Debiting Preference Shareholders Account and Crediting Bank Account

(C) Crediting Preference Share Capital Account

(D) Debiting Capital Redemption Reserve Account

7. Which of the following balances cannot be used under any circumstances for the creation of a Capital Redemption Reserve?

(A) General Reserve

(B) Dividend Equalization Reserve
(C) Unclaimed Dividends Account
(D) Profit & Loss Credit Balance

8. Capital Redemption Reserve can be utilized by the company exclusively for the purpose of:

(A) Writing off preliminary expenses
(B) Declaring cash dividends to equity shareholders
(C) Issuing fully paid-up bonus shares to members
(D) Writing off losses on sale of fixed assets

9. Which type of preference shares cannot be issued under the current guidelines of the Companies Act, 2013?

(A) Cumulative Preference Shares
(B) Irredeemable Preference Shares
(C) Participating Preference Shares
(D) Convertible Preference Shares

10. If preference shares are redeemed out of the proceeds of a fresh issue of shares, the fresh issue can consist of:

(A) Equity shares or Preference shares
(B) Debentures only
(C) Commercial paper notes
(D) Secured bank loans

11. Unless explicitly stated otherwise in the corporate agreement, a preference share is always legally deemed to be:

(A) Non-cumulative, non-participating, and non-convertible
(B) Cumulative, participating, and convertible
(C) Cumulative, non-participating, and non-convertible
(D) Non-cumulative, participating, and non-convertible

12. When preference shares are redeemed at a discount, the net profit/amount on discount is transferred to:

(A) Capital Redemption Reserve
(B) Capital Reserve Account
(C) Profit & Loss Account
(D) General Reserve Account

13. A company cannot redeem preference shares out of:

(A) Fresh issue of debentures
(B) Accumulated profits
(C) Fresh issue of equity shares
(D) General Reserve surplus

14. The balance of the Securities Premium Account can be used to provide for:

(A) Nominal value of preference shares

(B) Premium payable on redemption of preference shares or debentures

(C) Cash dividends to preference shareholders

(D) Underwriting commissions of unsecured short debt

15. If a company is engaged in specified infrastructure projects, it can issue preference shares with a redemption tenure exceeding 20 years, up to a maximum ceiling of:

(A) 25 years

(B) 30 years

(C) 40 years

(D) 50 years

16. Hetal Ltd. wants to redeem its redeemable preference shares of ₹2,00,000 at a premium of 10%. For this purpose, it issues new equity shares of ₹60,000 face value. What amount must be transferred to the Capital Redemption Reserve (CRR) account?

(A) ₹1,40,000

(B) ₹2,00,000

(C) ₹60,000

(D) ₹1,60,000

17. In order to redeem redeemable preference shares of ₹1,00,000 at a premium of 5%, new equity shares of ₹1,00,000 are issued at par. The amount to be transferred to the Capital Redemption Reserve fund will be:

(A) ₹5,00,0

(B) ₹1,00,000

(C) ₹ Zero

(D) ₹95,000

18. Bablu Ltd. issued 20,000 equity shares of ₹10 each at a premium of 50% in order to redeem 4,000 redeemable preference shares of ₹100 each at a premium of 5%. What amount should be transferred to the Capital Redemption Reserve Account?

(A) ₹4,00,000

(B) ₹2,00,000

(C) ₹1,00,000

(D) ₹5,50,000

19. Varsha Limited wants to redeem its 12,000 Redeemable Preference shares of ₹100 each, ₹90 paid up, at a premium of 10%. The books show a P&L credit balance of ₹2,00,000. How many fresh shares of ₹100 each would be required to be issued at a premium of 10% by the company so that the preference shares can be redeemed?

(A) 12,000 shares

(B) 10,000 shares

(C) 8,000 shares

(D) 6,000 shares

20. A Ltd. issued 3,000 equity shares of ₹10 each at a premium of 10% to redeem preference shares of ₹1,00,000. The amount to be transferred to the Capital Redemption Reserve A/c will be:

(A) ₹1,00,000

(B) ₹70,000

(C) ₹67,000

(D) ₹30,000

21. Pavan Ltd. issued 6,000 equity shares of ₹50 each at a premium of 10% in order to redeem 10,000 redeemable preference shares of ₹100 each at a premium of 10%. The amount to be transferred to the Capital Redemption Reserve A/c will be:

(A) ₹7,00,000

(B) ₹4,00,000

(C) ₹3,00,000

(D) ₹2,50,000

22. X Co. decides to redeem 60,000 redeemable preference shares of ₹10 each. If it decides to issue 4,000 equity shares of ₹100 each at 10% premium for this purpose, then the amount to be transferred to Capital Redemption Reserve is:

(A) ₹1,80,000

(B) ₹2,00,000

(C) ₹6,00,000

(D) ₹4,00,000

23. Rajan Ltd. issues 1,200 equity shares of ₹50 at a premium of 10% in order to redeem 1,000 redeemable preference shares of ₹100 each at a premium of 10%. The amount to be transferred to the Capital Redemption Reserve A/C will be:

(A) ₹50,000

(B) ₹44,000

(C) ₹40,000

(D) ₹34,000

24. A company is redeeming preference shares of ₹5,00,000 at a premium of 10%. The company has a balance of ₹30,000 in Securities Premium A/c and ₹2,00,000 in Profit & Loss Account. What amount will be debited to the Profit & Loss account to provide for the premium on redemption?

(A) ₹50,000

(B) ₹30,000

(C) ₹20,000

(D) ₹ Zero

25. Fully paid preference shares of ₹3,00,000 are to be redeemed out of accumulated profits. The company has a General Reserve of ₹4,00,000. After transferring the necessary amount to CRR, what is the balance left in General Reserve?

(A) ₹4,00,000

(B) ₹1,00,000

(C) ₹3,00,000

(D) ₹2,00,000

26. In order to redeem preference shares of ₹80,000, a company decides to issue a fresh batch of equity shares of ₹10 each at a discount of 10%. What is the total nominal face value of fresh equity shares required if no profits are capitalized?

(A) ₹80,000

(B) ₹72,000

(C) ₹88,888

(D) ₹88,000

27. Preference shares of ₹1,50,000 are redeemed entirely out of a fresh issue of 15,000 equity shares of ₹10 each issued at a premium of 20%. What is the value transferred to CRR?

(A) ₹30,000

(B) ₹1,50,000

(C) ₹ Zero

(D) ₹1,20,000

28. If a company has a balance of ₹50,000 in Capital Redemption Reserve, and it decides to utilize it to make 5,000 partly paid-up equity shares of ₹10 each (₹8 paid up) fully paid up, what is the maximum amount it can legally use from CRR?

(A) ₹10,000

(B) ₹50,000

(C) ₹ Zero

(D) ₹40,000

29. Preference shares of ₹6,00,000 are to be redeemed. The company makes a fresh issue of equity shares of ₹4,50,000. The available balance in Profit & Loss Account is ₹1,00,000. Is the company legally ready to redeem?

(A) Yes, total funds exceed ₹6,00,000

(B) No, because the required CRR transfer is ₹1,50,000 and P&L only has ₹1,00,000

(C) Yes, because CRR is not mandatory

(D) No, because fresh issue must equal ₹6,00,000

30. A company redeems 1,000 8% Preference shares of ₹100 each at a premium of 10%. The total cash paid out to preference shareholders is:

(A) ₹1,00,000

(B) ₹10,000

(C) ₹1,10,000

(D) ₹90,000

CHAPTER 4: COMPANY FINAL ACCOUNTS

1. According to Schedule III Part I of the Companies Act, 2013, the item "Securities Premium Reserve" must be explicitly presented under which sub-head of the Balance Sheet?

(A) Share Capital
(B) Long-term Borrowings
(C) Reserves and Surplus
(D) Other Current Liabilities

2. Where should a company report "Current Maturities of Long-Term Debt" in its structural financial statements under Schedule III?

(A) Long-term Provisions
(B) Short-term Borrowings
(C) Other Current Liabilities
(D) Short-term Provisions

3. Unclaimed Dividend appears under which main head inside the Balance Sheet of a Company?

(A) Shareholders' Funds
(B) Non-Current Liabilities
(C) Current Liabilities
(D) Non-Current Assets

4. In Balancesheet, "Provision for Income Tax" created during the current accounting period is classified as:

(A) Short-term Provision
(B) Long-term Provision
(C) Other Non-Current Liability
(D) Reserves and Surplus

5. If a trial balance shows "Calls-in-Arrears", how is it treatment-wise adjusted within the presentation format of Schedule III?

(A) Added directly to Reserves and Surplus
(B) Deducted from the Called-up Share Capital
(C) Shown as a Current Asset under Loans & Advances
(D) Disclosed explicitly as a Contingent Liability

6. Debenture interest paid on long-term debentures must be presented in the Statement of Profit and Loss under the head of:

(A) Finance Costs
(B) Other Expenses
(C) Employee Benefit Expenses

(D) Operating Costs

7. Where is "Proposed Dividend" for the current financial year disclosed in company accounts according to current regulatory reporting norms?

(A) Disclosed as a Provision under Current Liabilities

(B) Deducted directly from the Balance of P&L Statement

(C) Disclosed in the Notes to Accounts under Contingent Liabilities

(D) Ignored completely until paid out next year

8. Dividends are usually paid on which form of capital?

(A) Authorised Capital

(B) Issued Capital

(C) Paid-up Capital

(D) Reserve Capital

9. Which of the following items does not appear under the head "Reserves and Surplus" in the corporate balance sheet?

(A) General Reserve

(B) Proposed Dividend

(C) Securities Premium Reserve

(D) Capital Redemption Reserve

10. Which of the following denotes the dividend declared by the directors?

(A) Final Dividend

(B) Proposed Dividend

(C) Interim Dividend

(D) Unpaid Dividend

11. Under which main heading of assets are Loose Tools shown in the Balance Sheet?

(A) Fixed Assets

(B) Inventories

(C) Trade Receivables

(D) Short-term Loans

12. Preliminary expenses should generally be written off against which of the following?

(A) Securities Premium / P&L Statement

(B) Share Capital

(C) Debentures

(D) Current Liabilities

13. What is the main objective of preparing Common-size statements?

(A) To show the percentage of each item relative to a common base

(B) To compare total global amounts

(C) To check mathematical accuracy

(D) To calculate tax

14. The presentation of a company's annual accounts is governed under which section of the Companies Act?

(A) Section 129

(B) Section 133

(C) Section 55

(D) Section 66

15. The current year's break-up (maturing amount) of long-term debt to be repaid is classified under:

(A) Long-term Borrowings

(B) Short-term Borrowings

(C) Other Current Liabilities

(D) Short-term Provisions

16. Revenue from operations is ₹5,00,000. Cost of Goods Sold (COGS) is 60%. Operating expenses are ₹40,000. Find the Net Profit before Tax.

(A) ₹2,00,000

(B) ₹1,60,000

(C) ₹3,00,000

(D) ₹1,40,000

17. If the profit before tax is ₹2,00,000 and the income tax rate is 40%, what will be the Profit After Tax (PAT)?

(A) ₹80,000

(B) ₹1,20,000

(C) ₹2,00,000

(D) ₹1,60,000

18. A company has 6% Debentures of ₹3,00,000. The Trial Balance shows debenture interest paid at ₹6,000. What is the total interest amount to be debited to the Profit & Loss Statement?

(A) ₹6,00,0

(B) ₹12,000

(C) ₹18,000

(D) ₹24,000

19. Based on the information in the previous question, how much outstanding (unpaid) debenture interest will be shown under current liabilities in the Balance Sheet?

(A) ₹6,000

(B) ₹12,000

(C) ₹18,000

(D) ₹0

20. A company has 50,000 Equity Shares of ₹10 each, on which ₹8 is called up. Total calls-in-arrears amount to ₹15,000. Find the net Paid-up Share Capital to be shown in the Balance Sheet.

(A) ₹5,00,000

(B) ₹4,00,000

(C) ₹3,85,000

(D) ₹4,15,000

21. If a company declares a 12% dividend on 10,000 Equity Shares of ₹100 each (₹80 paid-up), what will be the total dividend payable?

(A) ₹1,20,000

(B) ₹96,000

(C) ₹80,000

(D) ₹12,000

22. Gross Profit is ₹2,50,000. Other Income is ₹15,000. Administrative Expenses are ₹30,000 and Financial Expenses are ₹10,000. Find the Net Profit before Tax.

(A) ₹2,25,000

(B) ₹2,35,000

(C) ₹2,10,000

(D) ₹2,40,000

23. A company took a 6% bank loan of ₹2,00,000 on 1st October 2025. What will be the outstanding (accrued) interest on the loan for the year ending 31st March 2026?

(A) ₹12,000

(B) ₹6,000

(C) ₹3,000

(D) ₹0

24. A company's sales revenue is ₹10,00,000. The Gross Profit rate is 30%. Operating expenses are ₹10,000. Find the value of Operating Profit.

(A) ₹3,00,000

(B) ₹2,00,000

(C) ₹7,00,000

(D) ₹1,00,000

25. The Authorized Capital of a company is ₹20,00,000. It issues 1,00,000 shares of ₹10 each at par value. What is the value of the Issued Capital?

(A) ₹20,00,000

(B) ₹10,00,000

(C) ₹30,00,000

(D) ₹1,00,000

26. Bills Receivable are ₹80,000 and Sundry Debtors are ₹1,20,000. A Provision for Bad Debts of ₹10,000 is to be maintained. What net amount will be shown for Trade Receivables?

(A) ₹2,00,000

(B) ₹1,90,000

(C) ₹1,10,000

(D) ₹70,000

27. How is a debit balance of ₹45,000 in the Profit & Loss Account shown under Schedule III in a company's Balance Sheet?

(A) As an asset under other miscellaneous items

(B) As a negative (deducted) item under the heading Reserves and Surplus

(C) As a Current Liability

(D) As a Short-term Provision

28. If the profit before tax is ₹3,00,000 and a 25% tax provision is required, what will be the final closing liability for the Provision for Tax in the Balance Sheet?

(A) ₹75,000

(B) ₹2,25,000

(C) ₹3,00,000

(D) ₹0

29. A company has Equity Share Capital of ₹1,00,000 and a General Reserve of ₹50,000. The company proposes a 10% dividend on Equity Capital. What will be the contingent liability amount for this Proposed Dividend?

(A) ₹10,00,000

(B) ₹15,000

(C) ₹5,00,000

(D) ₹10,000

30. The cost price of Plant and Machinery is ₹8,00,000. Accumulated depreciation is ₹3,20,000. Find the book value to be shown in balance sheet.

(A) ₹8,00,000

(B) ₹3,20,000

(C) ₹4,80,000

(D) ₹11,20,000