Questions on Accounting standard and Company Accounts – 2013

Q1] XYZ Private Limited company has share capital of 200000 equity share, face value of each share is Rs.10/-. The company makes a right issue of 1 equity share for 4 shares held. It then makes a bonus of 1 equity share for every 5 shares held. The amount of share capital to be shown in the balance sheet will be

A] 2750000 B] 2000000 C] 3000000 D] 2500000

Q2] under the provisions of Companies Act 1956, every company shall keep proper books of accounts at its

A] Head office B] Registered office

C] Main office D] Where majority of shareholders reside

Q3] Goodwill arising on amalgamation is to be

A] Retained in the books of the transferee company

B] Adjusted against reserve and profit and loss account balance

C] Amortised to income on a systematic basis normally in five years

D] None of the above

Q4] If vendors are issued fully paid up shares of Rs.50000/- in consideration of net assets of Rs.80000/-, then the balance of Rs.30000/- will be

A] Debited to profit and loss account B] Debited to Goodwill account

C] Credited to capital reserve account D] none of the above

Q5] on issue of shares to promotes, the entry will be

A] Share capital A/c. Dr.
To Goodwill A/c

B] Bank A/c. Dr.
To Goodwill A/c

C] Goodwill A/c. Dr.
To Bank A/c

D] Goodwill A/c. Dr.
To Share capital A/c

Q6] Forfeited shares Account is shown in the

A] Liability side of the balance sheet B] Assets side of Balance sheet

C] Debit side of Profit and loss account D] Credit side of the profit & loss A/c

Q7] the vendor company transfers preliminary expenses at the time absorption to

A] Equity shareholder's account B] Realisation account

C] Purchasing company's account D] None of the above

Q8] when amalgamation is in the nature of purchase, the accounting method to be followed is

A] Consolidated method B] Purchase method

C] Pooling of Interest method D] Equity method

Q9] when amalgamation is in the nature of merger, the accounting method to be followed is

A] Consolidated method B] Purchase method

C] Pooling of Interest method D] Equity method

Q10] A limited company forfeits 500 shares of Rs.10/- each for non-payment of call money of Rs.5/-. The balance amount had already been received. These shares are re-issued as fully paid up at Rs.8/- each. What is the amount to be transferred to capital reserve account?

A] Rs.500/- B] Rs.1000/- C] Rs.1500/- D] Rs.4000

Q11] Forfeited shares can be re-issued

A] At par B] at premium C] at discount D] any of the above

Q12] for amalgamation in the nature of merger, the shareholders holding atleast ---- or more of the equity shares of transferor company become the equity shareholders of the transferee company

A] 51% B] 90% C] 99% D] 100%

Q13] when there is liquidation and one formation it is known as

A] Amalgamation B] External reconstruction

C] Acquisition D] None of the above

Q14] share premium may be utilised

A] To write off preliminary expenses

B] To write off commission paid on issue of shares or debentures

C] Both A and B above D] None of the above

Q15] any profit earned during the period prior to incorporation

A] Is capital in nature B] is credited to capital reserve account

C] May be utilised for writing off discount on issue of shares

D] All of the above

Q16] In case of private limited company the liability of its shareholders is

A] Unlimited B] Limited to the extent of their fixed assets

C] Limited to the extent of their share capital

D] Limited to the extent of their bank balance

Q17] in amalgamation, in the books of transferor company, following special account is opened

A] Reorganization account B] Realisation account

C] Reconstruction account D] Revaluation account

Q18] Contingent liabilities of a company are

A] Trade claims, not acknowledged by debtors B] Discounted bills receivable

C] Disputed liability of income tax D] All of the above

Q19] on allotment of shares at premium the entry will be

A] Bank A/c. Dr.
To Share allotment A/c

B] Share premium A/c. Dr.
To Share capital A/c

C] Share allotment A/c. Dr.
To Share capital A/c
To Share premium A/c

D] Share capital A/c. Dr.
To Share premium A/c

Q20] Pre-incorporation and post incorporation profit can be ascertained, in case a consolidated profit and loss account for the year has been prepared

A] On the basis of time B] on the basis of sales

C] On equitable basis D] any of the above

Q21] Bonus shares are issued by a company

A] Free of cost B] to the existing shareholders

C] In a certain ratio D] All of the above

Q22] under pooling of interest method the difference between the purchase consideration and share capital of the transferee company should be adjusted to

A] General Reserve B] Amalgamation adjustment account

C] Goodwill or capital reserve D] none of the above

Q23] A Company collects sales tax from customers on the sale value of its products. In its financial statement it only exhibits sales value and does not show sales tax collected. The sales tax collected will be shown in

A] Liability side of the balance sheet B] credit side of profit and loss account

C] Debit side of the profit and loss account D] Debit side of trading account

Q24] X limited issues 10000 shares of Rs.10/- each which are underwritten by A. Applications are received from public for 8500 shares. The liability of A to purchase shares would be for

A] 8500 shares B] 1500 shares C] 7000 shares D] none of the above

Q25] for purchase of machinery of Rs.1 lakh against issue of shares, what entry will be passed in the books of account

A] Share capital A/c. Dr.
To Machinery A/c

B] Bank A/c. Dr.
To Machinery A/c

C] Machinery A/c. Dr.
To Share capital A/c

D] Cash A/c. Dr.
To Machinery A/c

Q26] Royalties are recognised (AS 9)

A] On accrual basis in accordance with the terms of relevant agreement

B] On accrual basis irrespective of difference in the terms of relevant agreement

C] On cash basis as and when revenue is realised

D] On accrual or cash basis whichever is later

Q27] the contingent liability denominated in the foreign currency in the balance sheet is disclosed (AS11)

A] At closing rate B] Average rate for the month

C] Rate of the date on which the transaction from which the contingent liability arose occurred D] Higher of A or B

Q28] AS 2 Valuation of inventories applies to inventories other than

A] Work in progress arising in the ordinary course of business of service providers

B] Shares, debentures and other financial instruments held as stock in trade

C] Both A and B D] None of the above

Q29] As per AS 7, in the percentage of completion method, the effect of change in the estimate of contract revenue is

A] Accounted for as a change in accounting estimate

B] Adjusted against contract revenue of coming period

C] Adjusted against the cost of contract of the coming period

D] Not reflected in accounts as estimate is provisional and not final

Q30] Accounting to AS 1, Materiality refers to

A] All known facts about the enterprise as on the balance sheet date

B] The purchase and sales particulars of the enterprise which is the material concern for all users

C] Current realizable value of all non-current assets and non-current liabilities to find out the long-term stability of the enterprise

D] Items, the knowledge of which might influence the decision of the user of financial statements.

Q31] As per AS 1, the disclosure of significant accounting policies should

A] Form part of the financial statements and normally be disclosed in one place

B] Form part of the financial statements and should be disclosed under the corresponding schedules

C] Form part of the management report used for internal evaluation

D] Need not be a part of either financial statements management report however given to income tax authorities as and when required

Q32] A lease transfers substantially all the risks and rewards incident to ownership. It is called as

A] Operating lease B] financing lease

C] Non-cancellable lease D] Renewable lease

Q33] As per AS 9, revenue on sale of goods is recognised on

A] Transfer of property in goods

B] Transfer of significant risk and rewards of ownership

C] Both A and B

D] Transfer of property in goods and realisation of cash or cash equivalents

Q34] the disclosure requirement of deferred tax liability is (AS 22)

A] It should be disclosed under a separate heading in the Balance sheet

B] Should be included in current liabilities

C] Should be included in current assets

D] Should be included in non-current liabilities

Questions on Accounting standard and Company Accounts – 2014

Q1] A ltd issued shares of Rs.100/-each at a premium of 25%. R who has 2000 shares of A ltd failed to pay first and final call totalling Rs.50. Premium was taken by A ltd at the time of allotment. On forfeiture of R's shares, the amount be debited to security premium account will be

A] Rs.5000 B] Rs.10000 C] Rs.15000 D] Nil

Q2] Discount on issue of debentures is a

A] Revenue loss to be charged in the year of issue

B] Capital loss to be written off from capital reserve

C] Capital loss to be written off over the tenure of the debentures

D] Capital loss to be shown as goodwill.

Q3] the following information pertains to R Ltd. Equity share capital called up Rs.500000. Calls in arrears Rs.40000 and calls in advance Rs.25000. Proposed dividend 15%. The amount of dividend payable will be:

A] Rs.75000 B] Rs.72750 C] Rs.71250 D] Rs.69000

Q 4] Discount allowed on issue of share is an example of

A] Capital expenditure B] Revenue expenditure

C] Deferred revenue expenditure D] Contingent expenditure

Q5] bonus issue shall be made out of

A] Depreciation reserve for new assets B] Share premium collected in cash

C] Reserve created by revaluation of fixed assets D] All of the above

Q6] A vendor company has a share capital of Rs.10,00,000 divided into 100000 equity shares of Rs.10/- each. Purchasing company has agreed to allot 4 shares of Rs.10/- each for every 3 shares of Vendor Company. Holders of 1000 shares did not agree with the scheme. These were settled by cash @ Rs.9 per share. Purchase consideration payable to these shareholders would be

A] Rs.1329000 B] Rs.1159000 C] Rs.1009000 D] Rs.1529000

Q7] R Ltd has an authorised capital of Rs.20,00,000 divided into shares of Rs.10/- each. R limited issued fully paid up shares of Rs.10/- each in consideration of acquiring assets, worth Rs.364800/- from M/s. A Brothers.

The shares are issued at a premium of 20%. To record this transaction, share capital needs to be credited by

A] Rs.380000 B] Rs.76000 C] Rs.200000 D] Rs.304000

Q8] As per SEBI's Guidelines rights issue should not be kept open for more than

A] 30 days B] 45 days C] 60 days D] 75 days

Q9] Liability to pay money due on a share becomes a debt only when

A] A call is made in terms of the articles of association of the company

B] On reissue of the forfeited shares

C] On refusal of the company to issue the shares

D] all of the above.

Q10] XYZ Ltd had paid up capital of Rs.250000 comprising 25000 shares of Rs.10/- each. ABC Ltd agreed to absorb XYZ Ltd on the terms that shares in XYZ Ltd are to be considered as worth Rs.8 each and shares in ABC ltd as worth Rs.12 each (Rs.10 paid up). The purchase consideration would be

A] Rs.300000 B] Rs.100000 C] Rs.500000 D] Rs.200000

Q11] which of the following is capital profit

A] Premium paid on redemption of debentures

B] Profit on sale of shares held as stock in trade

C] Premium received on issue of shares

D] Dividend received on shares held as permanent investment

Q12] the issue price of shares issued to promoters for their services is normally debited to

A] Promoters Account B] Goodwill account

C] Cash Account D] Forfeited account

Q13] A company on non- receipt of first call money of Rs. 2 per share and final call of Rs.3 per share from R, debited call-in-arrears account by Rs.2000 and Rs.3000 respectively. After due notice 1000 shares of Rs.10 each was forfeited from R. The amount to be credited to first call amount at the time of entry for forfeiture will be

A] Rs.2000 B] Rs.3000 C] Nil D] Rs.10000

Q14] when there are one or more liquidations and no formation, it is known as

A] Amalgamation B] Acquisition

C] External reconstruction D] none of the above

Q15] which of the following shall not be deducted from net profit while calculating managerial remuneration

A] Interest on debenture issued by company

B] Loss on sale of undertaking

C] Debts considered bad and written off

D] Directors' remuneration

Q16] in an amalgamation in the nature of purchase, consideration paid was Rs.20 crores, whereas the value of net assets of transferor company acquired was Rs.15 crore. The difference of Rs.5 crore should be

A] Treated as capital reserve B] Goodwill

C] Adjusted as share capital of the transferee company D] none of the above

Q17] while passing accounting entries in the books of Transferee Company in case of merger under the pooling of interest method, the difference between the amounts recorded as share capital issued and the amount of share capital of Transferor Company should be adjusted against

A] Current liabilities of Transferee Company

B] Reserves of the transferee company

C] Current assets of the transferee company

D] None of the above

Q18] which of the following is not a capital expenditure

A] Legal expenses incurred in raising a debenture loan

B] Compensation paid to a dismissed employee

C] Brokerage paid to the broker at the time of purchase of land

D] Expenses for pulling down an old structure

Q19] Amalgamation adjustment account will be shown in the balance sheet of the transferee company as a part of

A] Capital reserve B] Goodwill

C] Share capital D] Miscellaneous expenditure

Q20] In case of absorption

A] A new company may or may not be formed B] No new company is formed

C] A new company is formed D] none of these.

Q21] Sales are recognised as income

A] At the point of sale or at the performance of a service

B] After the expiry of the credit period allowed to debtors

C] After the money collected from the debtors

D] Both A and C

Q22] under first in first out method closing inventory is valued at

A] At cost price B] at Market price

C] Lower of cost and market price D] None

Q23] what is a permanent difference in the taxation of income

A] Difference between income and expense in different period

B] Difference between taxable income and accounting income for a period

C] Difference between tax and income

D] Difference between tax and cess

Q24] Accounting standard – 1 relates to

A] Disclosure of accounting policies B] Valuation of inventories

C] Revenue recognition D] Depreciation accounting

Q25] According to AS 2, the cost of items which are segregated for specific projects should be assigned by

A] First in First out method B] Last in First out method

C] Specific identification of their individual costs D] none of the above

Q26] in the finance lease inception how the lessee should recognise the lease?

A] He should recognise the lease as income or expenditure

B] He should recognise as asset and liability at the amount equal to the fair value of the leased asset

C] Interest element should be recongised

D] Both asset or liability should not be recongised

Q27] under the percentage of completion method, the contract revenue is recognised

A] Revenue in the statement of profit and loss in the accounting period in which the work is performed

B] A percent of revenue is recognised as a fixed sum for the year

C] Total revenue and total cost difference

D] Revenue estimated in future is also included in P and L A/c.

Q28] the exchange rate to be used for conversion of tangible fixed assets in case of integral foreign operations is?

A] Rate on the date of purchase of fixed assets B] Closing rate

C] Opening rate D] Average rate

Q29] Accounting standards are intended to apply only to items which are

A] Material B] Measured in terms of money

C] Insignificant D] none of the above

Q30] unabsorbed depreciation and carry forward of losses which can be set off against future taxable income are considered as

A] Permanent difference B] Deferred tax

B] Timing difference D] Tax expense

Answer key on Accounting standard and Company Accounts – 2013

1] C	2] B	3] C	4] C	5] D	6] A	7] A	8] B	9] C	10] C
11] D	12] B	13] C	14] C	15] D	16] C	17] B	18] D	19] C	20] D
21] D	22] A	23] A	24] B	25] C	26] A	27] A	28] C	29] A	30] D
31] A	32] B	33] C	34] A						

Answer key on Accounting standard and Company Accounts – 2014

1] D	2] C	3] D	4] C	5] B	6] A	7] D	8] A	9] A	10] D
11] C	12] B	13] C	14] B	15] B	16] B	17] B	18] B	19] D	20] B
21] A	22] A	23] B	24] A	25] C	26] B	27] B	28] A	29] A	30] B