

Corporate Accounting Question Bank

Q.1) Choose the correct alternative for the following questions:

1. Issue of bonus share raises the overall ----- of the company.
a) Loan Capital b) **Share Capital** c) Reserves & Surplus d) Assets
- 2.. For issue of bonus shares, approval of ----- is essential.
a) RBI b) Central Government c) **SEBI** d) State Government
3. ---- is a fixed interest-bearing security
a) Preference Share b) Equity Share c) Ordinary Share d) **Debenture**
- 4 **Preference shares can be redeemed:**
a) **Only if they are fully paid** b) Even if they are partly paid up
c) After getting the permission from the court only d) All of the above
5. Companies Act 2013 is an Amendment to the companies Act _____.
a) 1947 b) 1990 c) **1956** d) 1979
6. Sundry creditor is a _____ type of liability.
a) **Current** b) Fixed c) Long term d) Short term
- 7.Dividend is paid on _____
a) On Issued Share Capital b) On Subscribed Share Capital
c) On Called up Share Capital d) **On Paid up Share Capital**
8. Preference shareholders are _____ of the company
a) Creditors of the company b) Customer of the company
c) **Owner of the company** d) None of the above.
9. ----- shares are the shares issued by a company free of charge to its existing shareholders on a pro-rata basis.
a) **Bonus** b) Right c) Sweat d) Preference
10. The sweat equity shares shall be issued to -----
a) Director of the Company b) **Director of the other Company**
c) Investor of the Company d) Debtors of the Company
11. Issue of ----- is one of the sources of debt financing for business activities.
a) **debentures** b) equity shares c) preference shares d) ordinary shares
- 12 ----- Debentures are secured by a charge upon some or all assets of the company.
a) Convertible b) Negotiable c) **Secured** d) Permanent
- 13 Companies Act 2013 is an Amendment to the companies Act _____.
(a) 1947 (b) 1990 (c) **1956** (d) 1979
- 14 Sundry creditor is a _____ type of liability.
(a) **Current** (b) Fixed (c) Long term (d) Short term
- 15 Preference shareholders are _____ of the company
a) Creditors of the company b) Customer of the company
c) **Owner of the company** d) None of the above.
- 16 Transfer to Capital Redemption Reserve A/c is allowed from
a) **General Reserve A/c** b) Capital Reserve A/c
c) Share Premium A/c d) All the above.

Q.2 Short Notes. (ANY 2)

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1. Characteristic of Main features of company
2. Difference between Shares and Debentures
3. Splitting profit and loss account
4. . Equity shares
5. Some Special Features of profit and loss account
6. Types of debenture
7. Preference shares

Q.Redemption on preference shares

Steel Company Ltd. issued 50,000 Redeemable Preference Shares of Rs.10 each on 1st January 2012, redeemable at the option of the company on or after 31st March 2015, in whole or in part.

The following redemptions were made out of profits:

On 31st March 2016 Rs.1,00,000

On 31st March 2017 Rs.1,50,000

On 31st March 2018 the company issued 40,000 equity shares of Rs.10 each at a premium of Rs.2 per share and redeemed the balance of the preference shares. Pass journal entries to record the above transactions.

Q. When Interest on Debentures is paid annually

On 1st April 2020 Godawari Dam Ltd. issued 2,000 12% Debentures of 1000 each, repayable at par at the option of the company after 5 years. Under the terms of issue of debentures, interest is payable annually.

Pass journal entries for the first 3 years.

Q. When Interest on Debentures is paid half yearly.

Narmada Dam Ltd. issued 12,000 12% Debentures of 100 each, repayable at par at the end of 5 years on 1st April 2021.

Under the terms of issue of debentures, interest is payable half yearly. Pass journal entries for the first two years only.

Pass journal entries for the year 2022-23.

Q.Bombay Burma Ltd. issued on 1st July 2007, 10,000 redeemable preference shares of Rs.10 each. Such shares were redeemable at a premium of 10%. Two-fifth of this issue was redeemed out of profits on 20th January 2012. On 20th December 2019, the company issued 20,000 equity shares of Rs.10 each at premium of Rs.4 per share. Out of the proceeds of such issue, the balance of redeemable preference shares was redeemed.

Give necessary journal entries.

Q. (Simple Problem with common adjustments)

Shrimant Co.Ltd was registered with capital of Rs 2, 00,000 dividends in 2,000 Equity Shares. The Trial balance of the company as on 31st March, 2018 was as under.

Particular	Debit	Credit
Issues Shares Capital		1,00,000
Motor	37,000	
Sundry Debtors	9,600	
Salaries	15,000	
Bank Interest & Charges	400	
Rent Received		3,500
Travelling expenses	4,000	
Machinery	80,000	
Sales		1,05,000
Building	50,000	
Discount allowed	1,500	
Sundry creditors		16,800
Wages	8,800	
Bank overdraft		12,200
Stock on 1-4-2017	7,000	
Profit and loss appropriation A\C		22,500
Purchases	30,000	
Carriage	2,000	
Cash in hand and cash at bank	1,000	
Printing and Stationary	2,000	
Repairs & Renewals	1,500	
Directors remuneration	2,500	
Audit fees	500	
Calls in arrears	3,000	
Interim Dividend	5,000	
	2,60,000	2,60,000

Prepare Trading, Profit and loss account, profit and loss appropriation account for the year ended 31st march, 2018 and balance sheet as on that date, after considering the following.

Adjustment:

1. Stock on 31.3.2018 is Rs 6,000
2. Create a Reserve for doubtful debts at 5% on debtor
3. Depreciation Machinery by Rs.2,000, Building by Rs.7000, Motor by Rs 620.
4. Outstanding wages were Rs. 1,000
5. Directors declared a final dividend at 20% on paid capital.