

1. What is the primary characteristic of share capital in a company?

- a) It represents the total debt of the company
 - b) It represents ownership in the company
 - c) It is the amount borrowed by the company
 - d) It represents the liabilities of the company
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2. What is the significance of the issue of shares at a premium?

- a) The company earns additional capital
 - b) The company reduces its debt
 - c) It gives shareholders voting rights
 - d) The shares become non-transferable
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3. Which of the following is a feature of preference shares?

- a) Preference shareholders do not receive dividends
 - b) Preference shareholders have voting rights in general meetings
 - c) Preference shareholders receive a fixed dividend before equity shareholders
 - d) Preference shares cannot be converted into equity shares
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4. When a company issues shares for consideration other than cash, how is this accounted for?

- a) It is treated as an expense
- b) It is treated as revenue

- c) It is recorded as share capital and the corresponding asset is recognized
 - d) It is ignored in the financial statements
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5. What is the treatment of calls in arrears in the books of a company?

- a) Calls in arrears are treated as part of the company's capital
 - b) Calls in arrears are shown as an asset in the balance sheet
 - c) Calls in arrears are deducted from the total share capital in the balance sheet
 - d) Calls in arrears are written off as bad debts
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6. What happens in the event of over-subscription of shares?

- a) The company refunds the excess amount to applicants
 - b) The company issues additional shares to meet the demand
 - c) The company adjusts the excess amount against the first installment
 - d) The company cancels the excess applications
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7. How is the forfeiture of shares accounted for?

- a) The amount forfeited is transferred to the Securities Premium Account
 - b) The amount forfeited is transferred to the Capital Reserve Account
 - c) The amount forfeited is credited to the Profit and Loss Account
 - d) The amount forfeited is treated as a liability
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8. What is meant by the issue of shares at a discount?

- a) Shares are issued for less than their face value
 - b) Shares are issued for more than their face value
 - c) Shares are issued without any value
 - d) Shares are issued for a value equal to their face value
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9. How should the company present share capital and debenture capital in its balance sheet?

- a) Share capital and debenture capital are shown as liabilities
 - b) Share capital is shown under liabilities, and debenture capital is shown under assets
 - c) Both share capital and debenture capital are shown under liabilities
 - d) Both share capital and debenture capital are shown under equity
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10. What is the significance of debenture redemption?

- a) It reduces the liabilities of the company
- b) It increases the company's equity base
- c) It converts debentures into shares
- d) It converts the company's equity into debt

11. What does the term "calls in advance" mean in accounting for share capital?

- a) Calls in advance represent amounts due from shareholders
- b) Calls in advance represent amounts paid by shareholders before due
- c) Calls in advance represent dividends paid ahead of time
- d) Calls in advance are amounts set aside for future capital increases

12. What is the effect of forfeiting shares on the capital of the company?

- a) It increases the share capital
- b) It reduces the share capital
- c) It does not affect the share capital
- d) It increases liabilities

13. How is a premium on redemption of debentures accounted for?

- a) It is credited to a debenture redemption reserve
- b) It is recorded as an expense in the income statement
- c) It is shown as a liability in the balance sheet
- d) It is transferred to share capital

14. What is the effect of over-subscription on the allotment of shares?

- a) The company can issue more shares than originally planned
- b) The company refunds the excess application money
- c) The company allocates shares proportionately to applicants
- d) The company may cancel the excess applications

15. What does the term "securities premium account" refer to?

- a) The excess of shares issued over their face value
- b) The amount paid for shares over their par value

- c) The amount collected from shareholders on debentures
 - d) The amount set aside for future investments
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16. What is the main purpose of issuing preference shares?

- a) To raise funds without giving voting rights
 - b) To offer high returns to shareholders
 - c) To ensure the company retains full ownership control
 - d) To pay dividends out of profits before equity shareholders
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17. Which method of share issue involves the company offering shares at a price lower than their market value?

- a) Issuing shares at a discount
 - b) Issuing shares at a premium
 - c) Issuing shares at par value
 - d) Issuing bonus shares
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18. What is meant by “calls in arrears” in share capital accounting?

- a) Calls in arrears are amounts that shareholders owe to the company but have not yet paid
 - b) Calls in arrears are excess amounts paid by shareholders
 - c) Calls in arrears are amounts received in advance by the company
 - d) Calls in arrears are overdue dividend payments
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19. Which of the following is true about the re-issue of forfeited shares?

- a) The re-issue price cannot exceed the original issue price
 - b) The re-issue price must be higher than the original issue price
 - c) The re-issue price can be at par, at a premium, or at a discount
 - d) The re-issue price is irrelevant
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20. In which of the following situations is the debenture capital repaid by the company?

- a) When the company goes into liquidation
- b) When the company issues new shares
- c) Upon the redemption of debentures
- d) When the company re-issues its debentures

21. What is the meaning of "equity share capital"?

- a) Capital raised through the sale of bonds
 - b) Capital raised through the issue of preference shares
 - c) Capital raised through the issue of common shares
 - d) Capital raised through the sale of debentures
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22. What does "issue of shares at a premium" mean?

- a) Shares are issued at their face value
- b) Shares are issued at a price higher than their face value
- c) Shares are issued at a price lower than their face value
- d) Shares are issued for non-cash consideration

23. What is a "debenture"?

- a) A short-term loan from the bank
- b) A type of equity share
- c) A long-term debt instrument issued by the company
- d) A document proving ownership of a company

24. What happens when debentures are redeemed before maturity?

- a) The company cancels all outstanding debenture obligations
- b) The company pays off the debenture holders at the redemption price
- c) The company issues new shares to pay off debentures
- d) The company adjusts the debenture balance in its capital reserve

25. How are shares issued for consideration other than cash accounted for?

- a) The shares are issued at their face value only
- b) The shares are valued based on the market value of the consideration received
- c) The shares are issued at a discount
- d) The shares are not issued

26. Which of the following is a feature of preference shares?

- a) They provide voting rights
- b) They are always issued at a premium

- c) They have priority over equity shares for receiving dividends
 - d) They cannot be redeemed
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27. What is meant by "calls on shares"?

- a) The amount shareholders are required to pay for their shares
 - b) The amount shareholders pay as dividends
 - c) The money received by a company for the issue of debentures
 - d) The final payment made to a company for redeeming its bonds
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28. What is the journal entry for the forfeiture of shares?

- a) Debit Share Capital, Credit Forfeited Shares Account
 - b) Debit Forfeited Shares Account, Credit Share Capital
 - c) Debit Bank, Credit Share Capital
 - d) Debit Forfeited Shares Account, Credit Bank
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29. What is the effect of the redemption of debentures on the financial statements?

- a) It increases the liabilities of the company
 - b) It decreases the liabilities and reduces cash or bank balance
 - c) It has no effect on the balance sheet
 - d) It increases the assets and liabilities of the company
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30. What is the primary reason for a company to issue shares at a premium?

- a) To reduce shareholder equity
- b) To raise additional funds without increasing debt
- c) To avoid paying dividends
- d) To lower the company's liabilities

31. What is the treatment for "calls in arrears" in the balance sheet?

- a) It is shown as a liability
 - b) It is deducted from the share capital account
 - c) It is shown as part of reserves
 - d) It is shown under current liabilities
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32. How is "calls in advance" treated in the financial statements?

- a) It is deducted from the share capital account
 - b) It is shown as a liability
 - c) It is shown as a current asset
 - d) It is shown as part of equity
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33. When shares are forfeited, which account is credited?

- a) Share Capital
- b) Share Forfeiture
- c) Forfeited Shares Account
- d) Calls in Arrears

34. How is the issue of shares for non-cash consideration treated?

- a) Shares are issued at a discount
- b) The non-cash asset is valued and recorded at fair value
- c) No journal entry is made
- d) Shares are issued at par only

35. What is the purpose of "securities premium"?

- a) To reduce the value of shares
- b) To enhance the company's cash reserves
- c) To cover the costs of issuing shares
- d) To account for dividends

36. What does "over-subscription" of shares mean?

- a) Shares are issued at a price higher than their par value
- b) More shares are issued than the company intended
- c) The number of shares applied for exceeds the number of shares available for issue
- d) All shares issued are bought by a single investor

37. What is the treatment for "issue of debentures at a discount"?

- a) Debentures are issued at less than their face value

- b) Debentures are issued at their nominal value
 - c) The company receives more funds than the nominal value
 - d) Debentures are issued at a premium
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38. What is the main objective of debenture redemption?

- a) To increase the company's debt
- b) To pay off the company's debt by repurchasing debentures
- c) To reduce shareholders' equity
- d) To create a sinking fund

39. What is a "sinking fund" in relation to debenture redemption?

- a) A reserve set aside to pay dividends
 - b) A fund created to accumulate money for debenture repayment
 - c) A fund used for issuing new debentures
 - d) A reserve for stock dividends
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40. What is the journal entry for the issue of debentures at a premium?

- a) Debit Bank, Credit Debenture Premium Account
- b) Debit Debenture Premium Account, Credit Bank
- c) Debit Debenture Account, Credit Bank
- d) Debit Bank, Credit Debenture Account, Credit Premium on Debentures

41. What is the accounting treatment for the "issue of debentures at par"?

- a) Debit Bank, Credit Debenture Account
 - b) Debit Debenture Account, Credit Bank
 - c) Debit Bank, Credit Debenture Premium Account
 - d) Debit Debenture Premium Account, Credit Bank
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42. Which of the following is true for the "capitalization method" of goodwill valuation?

- a) It uses average profit to calculate the value of goodwill
 - b) It calculates goodwill based on the capital employed and the normal rate of return
 - c) It uses super profit to calculate the value of goodwill
 - d) It adds the total assets of the firm to determine the value of goodwill
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43. In which of the following situations would a partnership deed be necessary?

- a) When partners agree on a fixed profit-sharing ratio
 - b) When a partner is admitted to the partnership
 - c) When the partnership firm dissolves
 - d) All of the above
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44. What is the impact of "revaluation of assets and liabilities" on the partnership accounts during reconstitution?

- a) No impact, as it does not affect the financial statements
- b) It leads to a change in the partners' capital accounts

- c) It increases the capital of the business
 - d) It reduces the liabilities of the firm
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45. What is the formula for calculating the "sacrificing ratio"?

- a) New profit-sharing ratio - Old profit-sharing ratio
 - b) Old profit-sharing ratio - New profit-sharing ratio
 - c) Gaining ratio - New profit-sharing ratio
 - d) Old profit-sharing ratio + Gaining ratio
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46. When a partner retires, how is their share of goodwill treated in the partnership?

- a) It is written off from the books of the partnership
 - b) It is paid to the retiring partner
 - c) It is shared among the remaining partners
 - d) It is transferred to a separate goodwill account
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47. What happens when a partner's capital account shows a debit balance during reconstitution?

- a) The partner is required to pay the deficit amount
- b) The deficit is written off as a loss
- c) The capital account is adjusted through the profit-sharing ratio
- d) The capital account is frozen until further notice

48. Which of the following is true regarding the valuation of goodwill during the admission of a new partner?

- a) The goodwill of the business is shared equally among all partners
- b) Goodwill is not valued during the admission of a new partner
- c) Goodwill is valued using the capitalized method or average profit method
- d) Only the new partner contributes to the goodwill value

49. What is the main difference between "fixed" and "fluctuating" capital in a partnership?

- a) Fixed capital remains constant, while fluctuating capital changes based on the business's financial performance
- b) Fixed capital changes with each withdrawal or addition, while fluctuating capital does not
- c) Fluctuating capital is used for long-term investments, while fixed capital is for working capital
- d) There is no significant difference between the two

50. How is the revaluation of liabilities treated when a new partner is admitted?

- a) It increases the capital accounts of the partners
- b) It is debited to the revaluation account
- c) It is credited to the revaluation account
- d) It does not affect the capital accounts