

**Unit 1: Accounting Standards**

1. The global key professional accounting body is
  - a) The International Accounting Standards Board
  - b) The Institute of Chartered Accountants of India
  - c) The Financial accounting standard board.
  - d) The International Accounting Standards Committee
2. International Public Sector Accounting Standards were issued by
  - a) International Accounting Standards Board.
  - b) International Auditing Practices Committee.
  - c) International Federation of Accountants.
  - d) None of the above
3. The process of recording financial data up to trial balance is
  - a) Book keeping
  - b) Classifying
  - c) Summarizing
  - d) Analyzing
4. In which of the following cases, accounting estimates are needed?
  - a) Employs benefit schemes
  - b) Impairment of losses
  - c) Inventory obsolescence
  - d) All of the above
5. The long term assets that have no physical existence but, possess a value is known as,
  - a) Current assets
  - b) Fixed assets
  - c) Intangible assets
  - d) Investments
6. Which of these best explains fixed assets?
  - a) Are bought to be used in the business.
  - b) Are expensive items bought for the business
  - c) Are items which will not wear out quickly
  - d) Are of long life and are not purchased specifically for resale

7. The assets that can be easily converted into cash within a short period (i.e., 1 year or less is known as,

- a) Current assets
- b) Fixed assets
- c) Intangible assets
- d) Investments

8. Shares received from the new company are recorded at –

- a) Face value
- b) Average price
- c) Market value
- d) None of the above

9. Which of the following statement is correct?

- a) The amount of Goodwill or Capital Reserve is found out in the books of purchasing company only
- b) The amount of Goodwill or Capital Reserve is found out in the books of vendor company only.
- c)  $\text{Goodwill} = \text{Net Assets} - \text{Purchase price}$
- d) The face value of shares of purchasing company will be taken in to account while calculating purchase consideration.

10. Hitesh Ltd.'s purchase consideration is Rs.12,345 and Net Assets Rs.3,568, then.....

- a) A Goodwill Rs. 8,777
- b) B Capital Reserve Rs. 8,777
- c) C Goodwill Rs. 15,913
- d) D Capital Reserve Rs. 15,913

11.If the two companies have different accounting policies in respect of the same item, then they make necessary changes to adopt ..... accounting policies.

- a) Same
- b) Different
- c) Important
- d) Some

12When two or more companies carrying on similar business decide to combine, a new company is formed, it is known as.....

- a) Merger

- b) Amalgamation
- c) Absorption
- d) Demerger

13 When one of the existing companies take over business of another company or companies, it is known as.....

- a) Merger
- b) Amalgamation
- c) Absorption
- d) Demerger

14. In case of ....., one existing company takes over the business of another company and no new company is formed

- a) Merger
- b) Amalgamation
- c) Absorption
- d) Demerger

15. .While calculating purchase consideration ..... values of assets is to be considered.

- a) Total
- b) Half
- c) Net
- d) 25%

16. Net Assets minus Capital Reserve is.....

- a) Purchase consideration
- b) Goodwill
- c) Liabilities
- d) Total Assets

17. The original amount of preference share capital should be transferred to ..... account in the time of amalgamation in the books of vendor co.

- a) Equity shareholders
- b) Preference share holders
- c) Debenture holders
- d) vendors

18.....method the amount of depreciation expenses remains same throughout the useful life of a fixed assets

- a) Straight line method
- b) Annuity methods
- c) Purchase value method

d) Written down value methods

19. Depreciation arises because of.....

- a) Abnormal quality
- b) Normal wear and tear
- c) Excessive use of a product
- d) Low quality product

20. Loss prior to incorporation is treated as ..... Loss, and Vendor's Salaries are chargeable to ..... incorporation period.

- a) Pre
- b) During
- c) Post
- d) In between

21. Which type of asset class includes those assets which have only definite use and become valueless when the yield is over?

- a) Fixed asset
- b) Current asset
- c) Fictitious asset
- d) Wasting asset

22. Financial accounting is concerned with –

- a) Recording of business expenses and revenue
- b) Recording of costs of products and services
- c) Recording of day to day business transactions
- d) None of the above

23. Accounting principles are generally based upon:

- a) Practicability
- b) Subjectivity
- c) Convenience in recording
- d) None of the above

24. The system of recording based on dual aspect concept is called:

- a) Double account system
- b) Double entry system
- c) Single entry system
- d) All the above

25. Fixed assets and current assets are categorized as per concept of:

- a) Separate entity
- b) Going concern
- c) Consistency
- d) Time period

26. Accounting standards and Standards on Auditing establish standards which have to be complied with to ensure that financial statements are prepared in accordance with \_\_\_\_\_.

- a) Generally acceptable Audit Procedure
- b) Accounting Principles
- c) Ind AS
- d) Accounting Standards

27. Change in accounting estimate is \_\_\_\_\_

- a) Prior Period Item
- b) Change in accounting policy
- c) Extra-ordinary item
- d) Ordinary item

28. Indian accounting standards are the International financial reporting standards converged standards issued by the central government of India under the supervision and control of accounting standards board of ICAI and in consultation with \_\_\_\_\_.

- a) Ministry of corporate affairs
- b) NFRA
- c) Accounting Standards Board
- d) All of the above

29. Every holding company is required to present a consolidated balance sheet under the companies act, 1956.

- a) False
- b) True

30. A company has to acquire more than 50% shares of another company in order to become a holding company.

- a) True
- b) False

31. Preparation of consolidated Balance Sheet of Holding Co. and its subsidiary company as per

- a) A As 11
- b) B AS – 22
- c) C AS 21
- d) D AS – 23

32. The share of outsiders in the Net Assets in subsidiary company is known as under:

- a) Assets
- b) subsidiary company's liability
- c) Minority Interest
- d) outsiders liability

33. Pre-acquisition profit in subsidiary company is considered as:

- a) Revenue profit
- b) Capital profit
- c) Goodwill
- d) Non of the above

34. Excess of paid up value of the shares over cost of investment is considered as:

- a) Goodwill
- b) Capital Reserve
- c) Minority Interest
- d) Non of above

35. Profit earned after acquisition of share is treated as

- a) Capital profit
- b) Revenue profit
- c) General Reserve
- d) Revaluation Loss

36. When two or more companies carrying on similar business decide to combine, a new company is formed, it is known as .....

- a) Amalgamation
- b) Absorption
- c) Internal reconstruction
- d) External reconstruction

37. When one of the existing companies take over business of another company or companies, it is known as .....

- a) Amalgamation
- b) Absorption
- c) Internal reconstruction
- d) External reconstruction

38. While calculating purchase price, the following values of assets are considered

- a) Book value
- b) New values fixed
- c) Average values
- d) Market values

39. Shares received from the new company are recorded at –

- a) Face value
- b) Average price
- c) Market value
- d) None of the above

40. Preparation of consolidated statement as per AS 21 is

- a) Optional
- b) Mandatory for listed Companies
- c) Mandatory for Pvt. Ltd.
- d) Companies Ltd. partnership firm

41. Holding Co. share in revenue profits of subsidiary company is adjusted in :

- a) Cost of control
- b) Shown on Assets side of Balance sheet
- c) Profit and loss account
- d) None of above

42. Unrealised profit on goods sold and included in stock is deducted from :

- a) Capital Profit
- b) Revenue Profit
- c) Fixed Assets
- d) Minority interest

43. Face value debentures of subsidiary co. held by Holding Company is deducted from

- a) Debentures
- b) Cost of control
- c) Minority interest
- d) Debentures in consolidated balance sheet

44. Which of the following statement is true:

- a) There is no change in the amount of capital reserve before and after issue of bonus share of the issue is made from out of pre-acquisition profit.
- b) There is change in the amount of capital reserve before and after issue of bonus share of the issue is made from out of post-acquisition profit.
- c) There is change in the amount of capital reserve before and after issue of bonus share of the issue is made from out of pre-acquisition profit.
- d) There is no connection between the issue of bonus shares and the calculation of capital reserve.

45. Minority Interest includes :

- a) Share in share capital
- b) Share in Capital profit
- c) Share in Revenue profit
- d) All of the above

46. The Time interval between the date of acquisition of shares in subsidiary company and date of Balance Sheet of Holding Company is known as :

- a) Pre-acquisition period
- b) Post-acquisition period
- c) Pre-commencement period
- d) Pre-incorporation period

47. Pre-acquisition dividend received by Holding company is credited to

- a) Profit & loss A/c
- b) Capital profit
- c) Investment A/c
- d) Non of the above

48. Post Acquisition dividend received by Holding Company is debited to :

- a) Bank A/c
- b) profit & loss A/c
- c) Dividend A/c
- d) Investment A/c

49. Which Exchange rate will be considered for conversion of share capital of subsidiary company.



- a) Opening Rate
- b) Closing rate
- c) Average Rate
- d) Rate of which date share acquired (actual)

50. A subsidiary company shall be excluded from consolidation when:

- a) Control is intended to be temporary
- b) It operates under severe long-term restrictions which significantly impair its ability to transfer funds to the parent
- c) Always included for consolidation
- d) Both a and b.

ANSWER KEY									
1 a	2 c	3 a	4 d	5 c	6 a	7 a	8 c	9 c	10 a
11 a	12 b	13 c	14 c	15 c	16 a	17 b	18 a	19 b	20 c
21d	22 c	23 a	24b	25b	26 a	27 b	28 b	29 a	30 a
31 a	32 d	33 b	34 a	35 a	36 a	37 b	38 b	39 c	40 b
41 c	42 b	43 b	44 a	45 d	46 b	47 c	48 b	49 d	50 d

### **Unit: 2 PROFIT PRIOR TO INCORPORATION**

1). The profit of post incorporation period is called.....

- a) Revenue profit

- b) capital profit
  - c) Both a & b
  - d) none of the above
- 2). Salesmen's commission is divided in profit prior to incorporation according to
- a) Turnover Ratio
  - b) Time Ratio
  - c) Post incorporation period
  - d) Pre incorporation period
- 3). Director's remuneration is calculated on the basis of ,
- a) Turnover Ratio
  - b) Time Ratio
  - c) Post incorporation period
  - d) Pre incorporation period
- 4). If there is a loss prior to incorporation, it will be debited to
- a) General Reserve A/c
  - b) Profit and Loss A/c
  - c) Capital Reserve Account
  - d) None of the Above
- 5). Audit fees in general is to be treated as .....expenses.
- a) Turnover Ratio
  - b) Time Ratio
  - c) Post incorporation
  - d) Pre incorporation period
- 6). A private company can start business on the receipt of the .....
- a) Revenue profit
  - b) capital profit
  - c) Certificate of Incorporation).
  - d) none of the above
- 7). Which of the following expenses is not distributed based on time.
- a) Rent
  - b) Salary
  - c) Stationery expenses

d) None of the above.

8). Net profit is get divided into

- a) Capital Profit
- b) Revenue Profit
- c) Both a & b
- d) None of the above

9). For which purpose profits prior to incorporation may not be used?

- a) To write off capital loss.
- b) To create capital reserve.
- c) To write off goodwill.
- d) To distribute dividend.

10).Asha ltd issues 30000, 6% debenture underwritten by Rachna Ltd. 30%. Shashi Ltd 30%and Arun Ltd 20%. Market applications for 24000debentures were received. what will be the liability of underwriters.

- a) 1400, 1600, 1600
- b) 1800,1800,1200
- c) 1600,1600,1400
- d) 2000,2000,800

11). Interest on purchase price is divided in .....

- a) Turnover Ratio
- b) Time Ratio
- c) Post incorporation
- d) Pre incorporation period

12). Capital loss should be debited to .....

- a) Goodwill A/c
- b) Revenue Profit
- c) Revenue Loss
- d)Reserves

13).Gross profit is to be distributed in .....

- a) Turnover ratio
- b) Fixed ratio

- c) Variable expenses
- d) Purchases ratio

14). Preliminary expenses is written on.....

- a) Post incorporation period
- b) Pre incorporation period
- c) Profit / Loss
- d) Sales period

15) Sales man's salary is to be divided into .....

- a) Turnover ratio
- b) Fixed ratio
- c) Variable expenses
- d) Purchases ratio

16) Office expenditure is allocated on the basis of .....

- a) Turnover Ratio
- b) Time Ratio
- c) Post incorporation
- d) Pre incorporation period

18) If nothing is given, gross profit should be allocated on the basis of .....

- a) Turnover Ratio
- b) Time Ratio
- c) Post incorporation
- d) Pre incorporation period

19) Profit prior to incorporation are ..... Profit.

- a) Capital
- b) Revenue
- c) Net
- d) Gross

20) Loss prior to incorporation should be shown in the assets side under the heading .....

- a) Preliminary Expenses
- b) Direct Expenses
- c) Miscellaneous Expenses
- d) Indirect Expenses

21). Profits after incorporation is transfer to.....

- a) Profit & Loss A/c
- b) Trading A/c
- c) Capital A/c
- d) Expenses

22) The profit of post incorporation period is called.....

- a) Revenue profit
- b) capital profit
- c) Both a & b
- d) none of the above

23). Salesmen's commission is divided in profit prior to incorporation according to

- a) Turnover Ratio
- b) Time Ratio
- c) Post incorporation period
- d) Pre incorporation period

24). Director's remuneration is calculated on the basis of ,

- a) Turnover Ratio
- b) Time Ratio
- c) Post incorporation period
- d) Pre incorporation period

25). If there is a loss prior to incorporation, it will be debited to

- a) General Reserve A/c
- b) Profit and Loss A/c
- c) Capital Reserve Account
- d) None of the Above

26) Audit fees in general is to be treated as post incorporation expenses.

- a) True
- b) False

27) A private company can start business on the receipt of the Certificate of Incorporation.

- a) True
- b) False

28) Capital loss should be debited to Goodwill Account.

- a) True

b) False

29) Which of the following expenses is not distributed based on time.

- a) Rent
- b) Salary
- c) Stationery expenses
- d) None of the above.

30) Interest on purchase price is divided in time ratio.

- a) True
- b) False

31) Gross profit is to be distributed in turnover ratio.

- a) True
- b) False

32) Net profit is get divided into;

- a) Capital Profit
- b) Revenue Profit
- c) Both a & b
- d) None of the above

33) Preliminary expenses is written on post incorporation period.

- a) True
- b) False

34) Sales man's salary is to be divided into turnover ratio.

- a) True
- b) False

35) Miscellaneous expenses is allocated on the basis of....

- a) Turnover Ratio
- b) Time Ratio
- c) Post incorporation period
- d) Pre Incorporation period

36) Bad Debts is allocated on the basis of....

- a) Turnover Ratio
- b) Time Ratio

- c) Post incorporation period
  - d) Pre Incorporation
- 37) Distributed Expenses is allocated on the basis of....
- a) Turnover Ratio
  - b) Time Ratio
  - c) Post incorporation period
  - d) Pre Incorporation period
- 38) Share transfer fee is allocated on the basis of....
- a) Turnover Ratio
  - b) Time Ratio
  - c) Post incorporation period
  - d) Pre incorporation period
- 39) Packing Charges is allocated on the basis of....
- a) Turnover Ratio
  - b) Time Ratio
  - c) Post incorporation period
  - d) Pre incorporation period
- 40) Discount on issue of shares is allocated on the basis of....
- a) Turnover Ratio
  - b) Time Ratio
  - c) Post incorporation period
  - d) Pre incorporation period
- 41) Is date of Acquisition and date of incorporation is always same ?
- a) True
  - b) False
- 42) Telegram charge is allocated on the basis of....
- a) Turnover Ratio
  - b) Time Ratio
  - c) Post incorporation period
  - d) Pre incorporation period
- 43) Delivery van is allocated on the basis of....
- a) Turnover Ratio
  - b) Time Ratio

- c) Post incorporation period
  - d) Pre incorporation period
- 44) Taxation Provision is allocated on the basis of....
- a) Turnover Ratio
  - b) Time Ratio
  - c) Post incorporation period
  - d) Pre incorporation period
- 45) Vendor's salary is allocated on the basis of....
- a) Turnover Ratio
  - b) Time Ratio
  - c) Post incorporation period
  - d) Pre incorporation period
- 46) Carriage outward is allocated on the basis of....
- a) Turnover Ratio
  - b) Time Ratio
  - c) Post incorporation period
  - d) Pre incorporation period
- 47) The excess of purchase consideration over the net assets is debited to Goodwill Account?
- a) True
  - b) False
- 48) Publicity charges is allocated on the basis of....
- a) Turnover Ratio
  - b) Time Ratio
  - c) Post incorporation period
  - d) Pre incorporation period
- 49) Dividend on share is allocated on the basis of....
- a) Turnover Ratio
  - b) Time Ratio
  - c) Post incorporation period
  - d) Pre incorporation period
- 50) Commission on sales is allocated on the basis of....





- a) Turnover Ratio
- b) Time Ratio
- c) Post incorporation period
- d) Pre incorporation period

ANSWER KEY									
1b	2a	3c	4d	5c	6c	7d	8c	9d	10b
11c	12a	13a	14a	15a	16b	17b	18a	19a	20c
21a	22a	23a	24d	25b	26b	27b	28b	29d	30b
31a	32c	33a	34a	35b	36a	37a	38c	39a	40c
41b	42b	43a	44c	45c	46a	47a	48a	49c	50a



### **Unit:3 COMPANY FINAL ACCOUNTS**

1)The term ‘Financial Statement’ covers.....

- a) A Profit & Loss Statement
- b) Balance sheet and Profit & Loss Statement appropriation account
- c) Profit & Loss Statement and Balance sheet

d) All of the above

2) The form of balance sheet is.....

- a) Vertical
- b) Horizontal
- c) Horizontal and vertical
- d) None of the above

3) The term current asset doesn't cover

- a) Car
- b) Debtors
- c) Stock
- d) Prepaid expenses

4) P&L statement is also known as

- a) Statement of operations
- b) Statement of income
- c) Statement of earnings
- d) All of the above

5) Which of the following is true about financial statements?

I) Financial statement gives a summary of accounts

II) Financial statements can be stated as recorded facts

- a) Only I
- b) Only II
- c) Both I and II
- d) None of the above

6) The statement of financial position and the balance sheet are synonyms

- a) True
- b) False

7) Which of the following statements are true?

I) Financial statements are only interim report

II) Financial statements are also known as annual records

III) Financial statements are historic

- a) Both I and II

- b) Both I and III
- c) Both II and III
- d) I, II, III

8) Certain assumptions are essential to prepare financial statements

- a) True
- b) False

9) Premium received on issue of shares cannot be utilised for -----

- a) for the issue of bonus shares
- b) for writing of preliminary expenses
- c) for providing premium payable on redemption
- d) for distribution of dividend

10) In case of public limited company, after getting the-----the company can start the business

- a) Memorandum of Association
- b) Table A
- c) Certificate of commencement of business
- d) Articles of Association

11) Trade Payables are recorded in.....

- a) Current Liabilities
- b) Current Assets
- c) Equity
- d) Inventories

12) In company Final Accounts Goodwill is shown under.....

- a) Current Liabilities
- b) Current Assets
- c) Fixed Assets
- d) Inventories

13) Dividend is payable on the amount of.....

- a) Profit
- b) Reserves
- c) Loss
- d) Income

14) The dividend paid between two annual general meetings is known as.....

- a) Final dividend
- b) Ex Dividend
- c) Interim Dividend
- d) Dividend

15) Unclaimed dividend recorded on the..... the balance sheet

- a) Liability
- b) Assets
- c) Credit
- d) Debit

16) A liability which can be measured only by using a substantial degree of estimation is called.....

- a) Contingent liabilities
- b) Contingent Assets
- c) Fixed Assets
- d) Non-Current Liabilities

17) Unquoted shares means.....

- a) Listed Shares
- b) Quoted Shares
- c) Unquoted Shares
- d) Unlisted Shares

18) Bills receivable is ..... assets

- a) Current
- b) Non - current
- c) Fixed Assets
- d) Investment

19) The amount of profit kept aside to maintain uniform rate of dividend is called.....

- a) Ex Dividend
- b) Final Dividend
- c) Undistributed Dividend
- d) Dividend

20) Director's remuneration shall not exceed ..... % of the net profits

- a) 10%
- b) 20%
- c) 15%
- d) 13333%

21) Business is said to be in a profit when

- a) Expenditure exceeds income
- b) Income exceeds expenditure
- c) Income exceeds liability
- d) Assets exceed expenditure

22) As per the accounting double-entry system, an account that receives the benefit is

- a) No need to show as an accounting record
- b) Income
- c) Debit
- d) Credit

23) What does credit mean in business?

- a) It depends upon items
- b) Provides benefits
- c) It has no effect on business
- d) Receives benefits

24) When a Liability is decreased or reduced, it is registered on the

- a) Debit or left side of the account
- b) Credit or right side of the account
- c) Debit or right side of the account
- d) Credit or left side of the account

25) When there is an increase in capital by an amount, it is registered on the

- a) Credit or right side of the account
- b) Debit or left side of the account
- c) Credit or left side of the account
- d) Debit or right side of the account

26) What kind of expenses are paid from Gross Profit?

- a) Selling Expenses
- b) Financial Expenses
- c) General Expenses
- d) All of the above

27) Which option gives a review report on the firm's financial status at a specified date?

- a) Income & Expenditure Account
- b) Balance Sheet
- c) Cash Flow Statement
- d) Profit & Loss Account

28) Which of the options is not an intangible asset?

- a) Land
- b) Patents
- c) Goodwill
- d) Franchise rights

29) Which of the options is an example of business liability?

- a) Creditors
- b) Cash
- c) Building
- d) Land

30) The unfavourable balance of Profit and Loss account should be

- a) Subtracted from liabilities
- b) Subtracted from capital
- c) Subtracted from current assets
- d) Added in liabilities

31) A company which can offer its shares for subscription to the public is known as:

- a) Private company
- b) Public limited company
- c) Public corporation
- d) Corporation

32) What is the authorized share capital of a limited company?

- a) The issued share capital
- b) Issued share capital plus reserves
- c) Issued share capital plus debentures
- d) The shares that a company is allowed to issue by law

- 33) The liability of shareholders of a public limited company is limited to:
- a) paid up value of shares
  - b) nominal value of shares
  - c) extent of private assets
  - d) called up share capital
- 34) What is the other name of authorized capital?
- a) issued capital
  - b) Nominal capital
  - c) Uncalled capital
  - d) Calls in arrears
- 35) The debenture interest paid is recorded in which part of the final accounts of a limited company?
- a) Trading account
  - b) Profit and loss account
  - c) Profit and loss appropriation account
  - d) Balance sheet
- 36) The dividend is calculated on which of the following values of shares?
- a) Authorized share capital
  - b) Issued share capital
  - c) Called up share capital
  - d) Paid up share capital
- 37) Which of the following is not included in the share holders' funds?
- a) Debentures
  - b) General reserves
  - c) Ordinary share capital
  - d) Preference share capital
- 38) Retained profit of a limited company belongs to the:
- a) directors'
  - b) debenture holders'
  - c) shareholders
  - d) company
- 39) Proposed dividends are:
- a) Shown as a current liability on the balance sheet
  - b) Debited with other business expenses in the profit and loss account
  - c) Paid from capital reserves
  - d) Credited to the appropriation account

40) The final accounts of a limited company, directors' remuneration is:

- a) debited in the trading account
- b) debited in the profit and loss account
- c) debited in the appropriation account
- d) deducted from share capital in the BS

41) Under which heading is share premium account shown?

- a) Current assets
- b) Current liabilities
- c) Share capital
- d) Reserves & Surplus

42) The interim dividend paid is shown in the:

- a) profit and loss account
- b) profit and loss appropriation account only
- c) profit and loss account and balance sheet
- d) profit and loss appropriation account and balance sheet

43) All direct & indirect expenses related to business are charged:

- a) Profit and loss account
- b) Trading account
- c) Trading account Profit and Loss account
- d) Directly to Balance sheet

44) Trade Payables are recorded in

- a) Asset side of B/S
- b) Liability side of B/S
- c) P & L a/c
- d) None of the above

45) The shares received from the new company is recorded at

- a) Face value
- b) Market value
- c) Average price
- d) None of these

46) Margin Money are recorded in.....

- a) Asset side of B/S



- b) Liability side of B/S  
 c) P & L a/c  
 d) None of the above

47) Bearer Plants are recorded in.....

- a) Asset side of B/S  
 b) Liability side of B/S  
 c) P & L a/c  
 d) None of the above

48) Intellectual Property are recorded in.....

- a) Asset side of B/S  
 b) Liability side of B/S  
 c) P & L a/c  
 d) None of the above

49) Share issue Expenses are recorded in.....

- a) Asset side of B/S  
 b) Liability side of B/S  
 c) P & L a/c  
 d) None of the above

50) Claim for compensation to workers disputed are recorded in.....

- a) Asset side of B/S  
 b) Liability side of B/S  
 c) P & L a/c  
 d) None of the above

ANSWER KEY									
1c	2c	3a	4b	5c	6a	7c	8a	9d	10c
11a	12a	13a	14c	15a	16a	17d	18a	19c	20a
21b	22d	23d	24a	25a	26d	27b	28a	29a	30b
31b	32d	33d	34b	35b	36d	37a	38c	39c	40c
41d	42d	43c	44b	45b	46d	47a	48a	49d	50c

**Unit 4 : Valuation of shares**

- 1) Shares are to be valued on \_\_\_\_\_
- a) Mergers
  - b) Sale of shares
  - c) Gift tax
  - d) All of the above
- 2) Quoted shares are those shares which are \_\_\_\_\_
- a) listed on the stock exchange
  - b) quoted daily
  - c) quoted by the seller
  - d) quoted by the buyer
- 3) Under net asset method, value of a share depends on \_\_\_\_\_
- a) net assets available to equity shareholders
  - b) net assets available to debentures holders
  - c) net assets available to preference shareholders
  - d) none of the above
- 4) Net asset value is also called as \_\_\_\_\_
- a) asset backing value
  - b) intrinsic value
  - c) liquidation value
  - d) (a), (b) and (c)
- 5) While deciding net asset value, fictitious assets \_\_\_\_\_
- a) should be considered
  - b) should not be considered
  - c) added to total assets
  - d) none of the above
- 6) Net asset value method is based on the assumption that the company is \_\_\_\_\_
- a) a going concern
  - b) going to be liquidated
  - c) A & B both
  - d) none of the above

7) Yield value depends on \_\_\_\_\_

- a) future maintainable profit
- b) paid-up equity capital
- c) normal rate of return
- d) none of the above

8) FMP for yield valuation is \_\_\_\_\_

- a) future profit
- b) profit that would be available to equity shareholders
- c) past profit
- d) none of the above

9) Fair value of a share is equal to \_\_\_\_\_

- a) Intrinsic value only
- b) Yield value only
- c) Average of intrinsic and yield value
- d) None of the above

10) Value of a partly paid equity share is equal to \_\_\_\_\_

- a) Value of fully paid share - calls unpaid per share
- b) Calls in arrears per share
- c) Paid-up value per share
- d) None of the above

11) Investments are ..... assets

- a) Non trading
- b) Current
- c) Fixed assets
- d) Fictitious

12) ..... value depends on Net assets

- a) Yield value
- b) Fair value
- c) Intrinsic value

13) Yield value depends on.....

- a) Net profit
- b) Gross profits
- c) Operating profits
- d) Losses

14) Fair value is the ..... of intrinsic value and yield value

- a) Average
- b) Total
- c) Net
- d) Difference

15) EPS depends on net profit available to..... Shareholders

- a) Equity
- b) Preference
- c) Debenture
- d) Both A and B

16) FMP stands for .....

- a) Firm maintainable profits
- b) Future maintainable profits
- c) False maintainable profits
- d) Foreign maintainable profits

17) P/E ratio is a relationship between..... and .....

- a) MP/ EPS
- b) NP/ EPS
- c) GP/ EPS
- d) LOSS/ EPS

18) Intrinsic Value Method is also called as.....

- a) Yield method
- b) Fair value method
- c) Asset Backing method

19) Yield value is based on the assumption that .....

- a) Revenue realisation
- b) Going concern
- c) Prudence
- d) Cost concept

20) NRR stands for .....

- a) Normal rate of return
- b) Non resident
- c) Natural rate of return
- d) Nil rate of return

21) Goodwill is paid for obtaining \_\_\_\_\_

- a) Future benefit
- b) Present benefit
- c) Past benefit
- d) None of the above

22) Under net asset method, value of a share depends on \_\_\_\_\_

- a) Net assets available to equity shareholders
- b) Net assets available to debentures holders
- c) Net assets available to preference shareholders
- d) None of the above

23) The value of a share is greatly affected by the financial conditions of the country.

- a) True
- b) False

24) Gross assets are 1,01,000, fictitious assets 350 are included in the gross assets External liabilities are 7,500 6% preference share capital is 45,000 Equity capital is 4,500 equity shares of 10 each fully paid Average expected profit is 8,500 Transfer to reserves is 10% preference dividend is payable NRR is 9% The Net Asset Value Per share is \_\_\_\_\_

- a) 11
- b) 1070
- c) 15
- d) 20

25) Fair value of a share is equal to yield value

- a. True
- b. False

26) Shares are to be valued for the purpose of gifts only.

- a) True
- b) False

27) Net asset value is also called as \_\_\_\_\_

- a) Asset backing value
- b) Intrinsic value
- c) Both a and b
- d) None of the above

28) Quoted shares are those shares which are \_\_\_\_\_

- a) listed on the stock exchange
- b) quoted daily
- c) none of the above
- d) All of the above

29) Fair value is not the average of intrinsic value and yield value

- a) True
- b) False

30) In net Assets method all liabilities are consider

- a) True
- b) False

31) While calculating net assets for share valuation purpose, fictitious assets are valued at

- a) Book Value
- b) Market Value
- c) Face Value
- d) None of them

32) If the fair value of equity share is Rs150 and its market value is Rs140, then intrinsic value of the share is Rs\_\_\_\_\_

- a) Rs145
- b) Rs160
- c) Rs220
- d) Rs215

33) If the fair value of equity share is Rs300 and its market value is Rs280, then intrinsic value of the share is Rs\_\_\_\_\_

- a) Rs145
- b) Rs300
- c) Rs320
- d) Rs315

34) Net Assets / No of Equity Shares = .....

- a) Intrinsic value
- b) Fixed value
- c) Share value
- d) Realizable value

35) For the purpose of share valuation, the assets should be valued at their .....

- a) Intrinsic value
- b) Fixed value
- c) Share value
- d) Realisable value

36) The Company can give dividend on share on the .....of share

- a) Face value
- b) Fixed value
- c) Share value
- d) Realisable value

37) Rate of Dividend/Expected Rate of Return X Paid up amount of share is the formula to find out the Value of share as per.....

- a) Market Value method
- b) Realisable value
- c) Face value

d) fixed value

38) If the fair value of equity share is Rs450 and its market value is Rs420, then intrinsic value of the share is

- a) Rs480
- b) Rs 485
- c) Rs 460
- d) Rs 840

39) If the face value of equity share is Rs100, its intrinsic value is Rs118, market value is Rs120 and expected value is Rs125, then fair value of the share is

- a) Rs 119
- b) Rs 113
- c) Rs 356
- d) Rs 256

40) The Intrinsic Value of each equity share will always be ..... after the bonus share.

- a) Less
- b) More
- c) same
- d) None of the above

41) In case of valuation of non-participating share, they are treated as.....

- a) Outside Creditors
- b) Creditors
- c) Debtors
- d) Equity

42) Under the net assets method of valuation of share floating assets are to be taken at value .....

- a) Book Value
- b) Market Value
- c) Face Value
- d) None of them
- e)

43) Valuation of share means determination of the .....value of share in the balance sheet

- a) Fair Value
- b) Market Value
- c) Face Value
- d) None of them





- 44) The share listed on stock exchange are termed as .....share
- Quoted
  - unquoted
  - listed
  - unlisted
- 45) The value of an equity share based on net assets is known as .....value of share
- Quoted
  - unquoted
  - Intrinsic
  - unlisted
- 46) The return on the amount invested in the share , is referred to as .....
- Yield
  - Fixed value
  - Share value
  - Realisable value
- 47) Fair value of the share is the simple .....of net assets value and yield value
- way
  - Average
  - Interest
  - Value
- 48) Under balance sheet method of valuation of share Goodwill should always be .....
- way
  - Included
  - Interest
  - Value
- 49) Yield is the effective rate of return on investment made by the investors
- True
  - False
- 50) The value of a share is greatly affected by the economic conditions of the country.
- True
  - False

**ANSWER KEY**

1a	2a	3a	4d	5b	6b	7d	8b	9c	10a
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