



Unit: 1 ACCOUNTING STANDARDS

Multiple Choice Questions

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

- A. 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

- A. 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 Goodwill = Net Assets – 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 Goodwill Rs. 8,777
 - B Capital Reserve Rs. 8,777
 - C Goodwill Rs. 15,913
 - 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
12. When 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 As 11



B AS – 22

C AS 21

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 COMPANY FINAL ACCOUNTS

Multiple Choice Questions

- 1.The term 'Financial Statement' covers.....
 - A. Profit & Loss Statement
 - B. Balance sheet and Profit & Loss Statement appropriation account
 - C. Profit & Loss Statement and Balance sheet
 - D all of above are false

- 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 andII
 - 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 isassets.

- 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. 13.333%

ANSWER KEY									
1 C	2 C	3 A	4 B	5 C	6 A	7 C	8 A	9 D	10 C
11 A	12 A	13 A	14 C	15 A	16 A	17 D	18 A	19 C	20 A

Unit:3 COMPANY LIQUIDATION ACCOUNTS

Multiple Choice Questions

1. Voluntary winding up:
 - A. If period fixed for the company is expired.
 - B. If company passes a special resolution the company wound up voluntarily.
 - C. Members voluntary winding up is applicable to solvent companies only.
 - D. All of the above

 2. Compulsory winding up:
 - A. If a company unable to pay its debt
 - B. If the number of members of company reduced below statutory limit.
 - C. If a company does commence its business within a year from its incorporation.
 - D. All of the above.

 3. The first item in order of payment to be made by liquidator is:
 - A. Secured creditors
 - B. Preferential creditors
 - C. Liquidation expenses
 - D. Preferential creditors

 4. Liquidator's statement of receipts and payment is know as:
 - A. Cash flow statement
 - B. Cash book
 - C. Liquidator's final statement of account
 - D. Deficiency accounts.

 5. A contributory is:
 - A. Creditor
 - B. A shareholder
 - C. A debenture holder
 - D. A convertible debenture holder

 6. A past member is not liable to contribute:
 - A. In respect of any liability contracted after he ceased to be member of the company.
 - B. One year passed since he ceased to be a member.
 - C. In case of company limited by shares, no liability arises if shares are fully paid up.
 - D. All of the above

 7. Which of the following is not a preferential creditors:
 - A. All sum due to employee from a provident fund, pension fund, gratuity fund or any other fund maintain for welfare of employee.
 - B. Compensation under workmen's compensation act.
-



- C. Amount due under employees state insurance act for 12 months previous to the winding up
D. Amount due to employee under amalgamation or reconstruction
8. Salaries due to clerk is preferential for a period not exceeding:
A. Two months
B. Three months
C. Four months
D. Nine months
9. B" List of contributories are not liable:
A. If shares are fully paid up
B. For liabilities after they are ceases to be member of the company.
C. If present shareholders paid the unpaid amount of the shares transferred by them.
D. All of the above
10. Which of the following is not a preferential creditors:
A. All sum due to employee from a provident fund, pension fund, gratuity fund or any other fund maintain for welfare of employee.
B. Compensation under workmen's compensation act.
C. Amount due under employee's state insurance act for 12 months previous to the winding up
D. Amount due to employee under amalgamation or reconstruction
11. Preference shareholders are legally entitled to the repayment of capital in the event of liquidation of the company.
A. True
B. False
12. Thehas a legal right of forfeiting the shares of those who fail to pay the amount due.
A. Liquidator
B. Company
C. Government
D. directors
13.on shares have priority over payment of paid up share capital of that class.
A. Calls in advance
B. Calls in arrears
C. Partially paid up shares.
D. Debentures

14. All revenue, taxes due to government withinbefore the date of commencement of winding up is preferential.
- A. 12 months
 - B. 24 months
 - C. 30 months
 - D. 180days
15. Salaries due to director, manager, secretary etc. are preferential.
- A. True
 - B. False
16. Amount due to workman is rank within the event of liquidation of the company.
- A. Government Dues
 - B. Secured creditors
 - C. Unsecured creditors
 - D. Preferential liabilities
- 17..... means any person employed in any skilled or unskilled, manual, supervisory (wages less than 1600 p.m.), technical work.
- A. Workman
 - B. Creditors
 - C. Trade receivable
 - D. Directors
18. A company being a creation of law cannot die a natural death. It comes to an end by law through the process of liquidation
- A. True
 - B. False
19. If a company makes a default in delivering the to the registrar or n holding the statutory meeting, then company is compulsorily wound up by the court.
- A. Audit report
 - B. Income tax report
 - C. Statutory report
 - D. Financial Statement
20. Creditors voluntary winding up applies to Companies
- A. Solvent
 - B. Insolvent
 - C. Textile
 - D. Automoblie



ANSWER KEY									
1 D	2 D	3 C	4 C	5 B	6 D	7 D	8 C	9 D	10 D
11 B	12 A	13 A	14 C	15 B	16 B	17 A	18 A	19 C	20 B



Unit:4. Computerized Accounting Practices

True or False

1. Spreadsheet software can be utilize to generate accounting reports.
 - A. True
 - B. False

2. A computer sometimes is also termed as 'electronic brain'
 - A. True
 - B. False

3. The idea of computers was first conceived by Charles P. Babbage in 1833.
 - A. True
 - B. False

4. Software, refers to the physical devices of a computer system
 - A. True
 - B. False

5. Consistency refers to the ability of the computers of perform a variety of tasks, simple as well as complex.
 - A. True
 - B. False

6. Connectivity is acknowledge as a element of the computer system.
 - A. Sixth
 - B. Thirth
 - C. Fourth
 - D. Fifth

7. Where large number of accounting data is involved spreadsheet software may not work.....
 - A. Effective
 - B. Speedy
 - C. Accurate
 - D. Perfect

8. The Enterprise Resource Planning software are of.....proposals.
 - A. Higher
 - B. Lower
 - C. Average
 - D. simple



9.Repeating the same results without any variations irrespective of the number of times the program is run is known as.....

- A. Simple
- B. Complex
- C. Flexible
- D. Consistency

10.In a pre-packaged accounting software reports are generated from the software could be the.....

- A. Package
- B. Plan
- C. Course

11.Computerized accounting requires transaction data to be entered into.....

- A. Accounting Package.
- B. Accounting software
- C. Accounting estimates

12.The choice of customized accounting packages is made on the basis of the.....

- A. Vendor
- B. Purchaser
- C. Buyer
- D. Client

13.The ability with which the computers remain functional to serve the user is termed as.....

- A. Reliability
- B. Accuracy
- C. Flexible
- D. Measurable

14.Enterprise resource planning is an

- A. Accounting Package.
- B. Accounting software
- C. Accounting estimates

15.AS400 is aaccounting software.

- A. Financial
- B. Management
- C. Cost



ANSWER KEY									
1 A	2 A	3 A	4 B	5 B	6 A	7 A	8 A	9 D	10 A
11 A	12 A	13 A	14 B	15 A	16	17	18	19	20



Unit 5. Accounting for Amalgamation, Absorption & External Reconstruction of Companies

Multiple Choice Questions

1. 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
2. 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
3. While calculating purchase price, the following values of assets are considered
 - A. Book value
 - B. New values fixed
 - C. Average values
 - D. Market values
4. Shares received from the new company are recorded at –
 - A. Face value
 - B. Average price
 - C. Market value
 - D. None of the above
5. 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.
6. If the two companies have different accounting policies in respect of the same item, then they make necessary changes to adopt accounting policies.
- A. LIFO method
 - B. FIFO method
 - C. Weighted method
 - D. Uniform
- 7 The Amalgamation Adjustment Account appears in the books, it is shown under the heading of in the balance sheet.
- A. Reserve and Surplus
 - B. Fixed Assets
 - C. Investments
 - D. Miscellaneous expenditure
8. If amalgamation is in the, the General Reserve or Profit and Loss A/c balance will not be shown in the balance sheet.
- A. Form of Merger
 - B. Form of purchase
 - C. Net assets method
 - D. Consideration method
9. If the intrinsic values of shares exchanged are not equal, the difference is paid in
- A. Cash
 - B. Debenture
 - C. Pref. share
 - D. Assets
10. In case of, one existing company takes over the business of another company and no new company is formed.
- A. Amalgamation
 - B. Absorption
 - C. Reconstruction
 - D. None of the Above
11. In amalgamation of two companies

- A. Both companies lose their existence
 - B. Both companies continue
 - C. Any one company continues
12. When purchasing company pays purchase consideration, it will be debited to
- A. Business purchase account
 - B. Assets account
 - C. Liquidator of selling company's account
13. When the purchasing company bears the liquidation expenses, it will debit the expenses to
- A. Vendor Company's Account
 - B. Bank Account
 - C. Goodwill Account
14. When the Vendor (seller) company agrees to bear liquidation expenses, it will debit
- A. Realisation Account
 - B. Bank Account
 - C. Goodwill Account
15. When the purchasing company does not take over a particular liability and the vendor company pays that liability, it will debit it to
- A. Realisation Account
 - B. Bank Account
 - C. Liability Account
16. When the Net Assets are less than the Purchase Consideration, the difference will be
- A. Debited to Goodwill A/c.
 - B. Debited to General Reserve
 - C. none of these
17. While calculating purchase consideration values of assets is to be considered.
- A. Book value
 - B. Revalued price
 - C. Average price
 - D. Capital



18. Net Assets minus Capital Reserve is _____
- A. Goodwill
 - B. Total assets
 - C. Purchase consideration
 - D. None of these
19. Hitesh Ltd.'s purchase consideration is Rs.12,345 and Net Assets Rs.3,568, then.....
- A. Goodwill Rs. 8,777
 - B. Capital Reserve Rs. 8,777
 - C. Goodwill Rs. 15,913
 - D. Capital Reserve Rs. 15,913
20. The original amount of preference share capital should be transferred to account in the time of amalgamation in the books of vendor co.
- A. Preference shareholders Account
 - B. Capital Reserve Account
 - C. Equity share capital Account
 - D. Equity share capital Account
21. The share capital, to the extent already held by the purchasing company, is closed by the vendor company by crediting it to:
- A. Share capital account
 - B. Purchasing company's account
 - C. Realisation account.
22. In case of inter-company holdings, the purchasing company, at the time of payment of the purchase consideration, surrenders the shares in the vendor company by crediting:
- A. Vendor company's account
 - B. Shares in the vendor company account
 - C. Share capital account.
23. The vendor company transfers preliminary expenses (at the time of absorption) to:
- A. Equity shareholders' account
 - B. Realisation account
 - C. Purchasing company's account.
24. A Ltd. and B Ltd. go into liquidation and a new company X Ltd. is formed. It is a case of:



- A. Absorption
- B. External reconstruction
- C. Amalgamation.

25. For amalgamation in the nature of merger, the shareholders holding at least _____ or more of the equity shares of the transferor company becomes the equity shareholders of the transferee company.

- A. 51%
- B. 90%
- C. 99%
- D. 100%

26. As per AS-14 purchase consideration is what is payable to

- A. Shareholders
- B. Creditors
- C. Debenture holders
- D. Shareholders and Debenture holders.

27. In the case of only one of the combining companies survives and the other loses its separate identity.

- A. Acquisition
- B. Merger
- C. Amalgamation
- D. Formation

28. is the amount payable by the purchasing companies to the vendor company for taking over the business of vendor company.

- A. Goodwill
- B. Total assets
- C. Purchase consideration
- D. None of these

29. In absorption there is one and no formation.

- A. Merger
- B. Liquidation.
- C. Demerger
- D. Formation

30. In external liquidations, there is one liquidation and one

- A. Formation
- B. Merger
- C. Demerger

D. Purchase consideration

31. When two or more companies carrying on similar business decide to combine, a new company is formed, it is known as
- A. Amalgamation
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 - B. New values fixed
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 - C. $\text{Goodwill} = \text{Net Assets} - \text{Purchase price}$ (
 - D. D) The face value of shares of purchasing company will be taken in to account while calculating purchase consideration.
36. If the two companies have different accounting policies in respect of the same item, then they make necessary changes to adopt accounting policies.
- A. Lifo method
 - B. Fifo method
 - C. Weighted method
 - D. Uniform

37. The Amalgamation Adjustment Account appears in the books, it is shown under the heading of in the balance sheet.

- A. Reserve and Surplus
- B. Fixed Assets
- C. Investments
- D. Miscellaneous expenditure

38. If amalgamation is in the, the General Reserve or Profit and Loss A/c balance will not be shown in the balance sheet.

- A. Form of Merger
- B. Form of purchase
- C. Net assets method
- D. Consideration method

39. If the intrinsic values of shares exchanged are not equal, the difference is paid in

- A. Cash
- B. Debenture
- C. Pref. share
- D. Assets

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

- A. Amalgamation
- B. Absorption
- C. Reconstruction
- D. None of the Above

ANSWER KEY									
1 A	2 B	3 C	4 C	5 A	6 D	7 D	8 B	9 A	10 B
11 A	12 C	13 C	14 A	15 A	16 A	17 B	18 C	19 A	20 A
21 C	22 B	23 B	24 C	25 B	26 A	27 A	28 C	29 B	30 A
31 A	32 B	33 B	34 C	35 A	36 D	37 D	38 B	39 A	40 B

Unit 6. Accounting for Internal Reconstruction

Multiple Choice Questions

1. Internal reconstruction is a slow and tedious process since it required the approval of :
 - A. Court
 - B. Shareholders
 - C. Creditors
 - D. All of the Above.

2. If the preference shareholder agree to sacrifice the arrear off preference dividend, it is credited to:
 - A. Capital Reduction A/C
 - B. Preference Shareholders A/C
 - C. Goodwill A/c
 - D. Profit & Loss A/C

3. After the implementation of the scheme of internal reconstruction , any surplus in capital reduction A/C is transferred to :
 - A. Capital A/C
 - B. Profit & Loss A/C
 - C. Shareholders A/C
 - D. Capital reserve A/C

4.reconstruction refers to the reduction of capital to cancel any paid up capital.
 - A. External
 - B. Internal
 - C. Amalgamation
 - D. Absorption

5. Reduction of share capital is possible by the company, if it is authorized by its:
 - A. Articles.
 - B. Special resolution.
 - C. Confirmation of the court.
 - D. All of the Above.

6. Converting share of smaller denomination into larger denominations is called:
 - A. Sub-division
 - B. Combination
 - C. Consolidation
 - D. Merger

7. Converting share of larger denomination into smaller denominations is called:
- A. Sub-division
 - B. Combination
 - C. Consolidation
 - D. Merger
8. After the implementation of scheme of internal reconstruction, any amount left in the capital reduction A/C will be transfer to:
- A. Capital Reserve A/C
 - B. Capital A/c
 - C. Profit & Loss A/C
 - D. Shareholders A/C
9. The main purpose of internal reconstruction is to:
- A. Eliminate the accumulated losses from the books.
 - B. Bring down the assets to their true values
 - C. Both A&B above
 - D. Only A
10. A fair and equitable distribution of loss is the essence of a successful scheme of:
- A. External reconstruction.
 - B. Merger
 - C. Amalgamation
 - D. Internal reconstruction

Answer key									
1D	2A	3D	4B	5D	6C	7A	8A	9C	10D

Unit 7 : Holding company Accounts

Multiple Choice Questions

1. At the time of, inter company debts and acceptances are to be cancelled out.
 - A. Merger
 - B. Absorption.
 - C. Internal reconstruction.
 - D. Consolidation.
2. Inter- company dividends areto the cost of investment in the subsidiary company for calculating goodwill or capital reserve.
 - A. Added
 - B. Deducted
 - C. Remove
 - D. None of the above.
3. Holdings of minority willby the number of bonus shares received by them.
 - A. Increase
 - B. Decrease
 - C. Remain same
 - D. None of the above
4. Out of the unrealized profits, a holding company's share is reduced from the stock and
 - A. Profit & Loss A/C
 - B. Goodwill.
 - C. Minority Interest
 - D. Capital A/C
5. Investments made by a holding company in a subsidiary company are always to be shown in
 - A. Profit & Loss A/C
 - B. Consolidated Balance Sheet.
 - C. Minority Interest.
 - D. Dividend A/C
6. If AB Ltd buys more than 50% of the shares in CD Ltd then which of the following statements accurately summarizes the relationship between these two firms?
 - A. AB Ltd is a subsidiary undertaking of CD Ltd
 - B. CD Ltd is the parent undertaking

- C. AB Ltd is the parent undertaking
D. There is no significant financial relationship between the two
7. On a consolidated balance sheet, if the shares of a company have been bought for more than the balance sheet value then the difference would appear as:
- A. Goodwill
 - B. Capital reserve
 - C. Loss on purchase
 - D. Profit on purchase
8. Pre-acquisition profit in subsidiary company is considered as:
- A. Revenue Profit
 - B. Capital Profit
 - C. Goodwill
 - D. None of the above
9. Profit earned after acquisition of share is treated as:
- A. Revenue Profit
 - B. Capital Profit
 - C. Goodwill
 - D. None of the above.
10. Profit earned before acquisition of share is treated as:
- A. Revenue Profit
 - B. Capital Profit
 - C. Goodwill
 - D. Revaluation Profit
11. Preparation of consolidated statements as per AS 21 is :
- A. Optional
 - B. Mandatory for All
 - C. Mandatory for listed companies.
 - D. Mandatory for PVT. companies.
12. Face value of debentures of subsidiary company, held by holding co. is deducted from:
- A. Debentures
 - B. Cost of Control
 - C. Minority Interest.
 - D. Goodwill.

13. Minority Interest includes:

- A. Share in share capital
- B. Share in capital profit
- C. Share in revenue profit
- D. All of the above.

14. Preparation of Holding Companies Accounts Deals with :

- A. AS-22
- B. AS-21
- C. AS-25
- D. AS-12

15. The time interval between the date of acquisition if 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.

Answer key

1 D	2 B	3 A	4 A	5 B	6 C	7 A	8 B	9 A	10 B	11 C	12 B	13 D	14 B	15 B
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Unit 8: Valuation of Shares.

Multiple Choice Questions

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 F.M.P. 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. Fictious
- 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. F.M.P. 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 company earns a net profit of 24,000 with a capital of 1,20,000. The NRR is 10%. Under capitalisation of super profit, goodwill will be _____.

- A. 1,20,000
- B. 70,000
- C. 12,000
- D. 24,000

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. 10.70
- C. 15
- D. 20

25. 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

26. Shares are to be valued on _____.

- A. Mergers
- B. Sale of shares
- C. Gift tax
- D. All of the above

27 Net asset value is also called as _____.

- A. Asset backing value
- B. Intrinsic value
- C. Liquidation value
- D. (a), (b) and (c)

28. 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

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

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

