



SAIVA BHANU KSHATRIYA COLLEGE
(Aruppukottai Nadargal Uravinmurai Pothu Abi Viruthi Trustuku Pathiyapattathu)

ARUPPUKOTTAI
QUESTION BANK

Name of the Department :	Commerce with Computer Application	UG / PG :	UG
Semester (UG - III & V; PG - III) :	V	Subject Code :	CCAJC51
Name of the Subject :	Financial accounting –v		

Section A (Multiple Choice Questions)

Unit I: Issue of Shares

- Equity share holder is----- of the company
(a) Creditor (b) Lender (c) Debtor (d) Owner
- Premium of issue of shares can be used for
(a) Issue of bonus shares (b) Transferring of general reserve (c) Issue of Right Shares (d) Paying Dividend
- The balance of share forfeiture is transferred to
(a) Profit and loss account (b) Reserve Capital (c) Capital Reserve (d) Revenue Reserve
- A company can Redeem
(a) Only fully paid RPS (b) Partly paid RPS (c) Preference Shares (d) IRRP
- Transfer of Capital Redemption Reserve account can be made from
(a) General Reserve (b) Share Premium (c) Capital Reserve (d) Capital Profit

Unit II: (Issue of Debentures)

- In case Debentures are issued at par and Repayable at a premium, the premium payable will be debited to
(a) Debentures suspense account (b) Premium on Redemption of Debentures account
(c) Loss on issue of debenture (d) Premium
- Profit on Redemption of Debentures is taken to
(a) Goodwill (b) Capital Reserve (c) Capital Redemption Reserve (d) General Reserve
- A Debenture Holder is
(a) An Owner (b) A loan Creditor (c) A Director (d) A Trade Union
- Interim Dividend is always shown
(a) In Profit and loss appropriation account (b) On the asset side of the balance sheet
(c) On the Liability side of the balance sheet (d) In Trading account
- Debentures represents the
(a) Manager's shares in a business (b) Investment by share holder in a business (c) long term borrowing of a business (d) None

Unit III Underwriting of shares

- Preliminary expenses is an example of
(a) Current Asset (b) Fictitious assets (c) Tangible asset (d) Intangible assets
- Underwriting account is a
(a) Real a/c. (b) Personal account (c) Nominal account (d) outstanding account
- If the amount paid is less than the net asset acquired, it is to be credited to
(a) Good will (b) capital reserve (c) capital (d) Loan
- Profit prior to incorporation is
(a) Capital Profit (b) revenue Profit (c) Normal Profit (d) Average Profit
- Dividends can be paid only out of
(a) Reserve Fund (b) Profit on Revolution (c) Post Incorporation Profit (d) Net Profit



SAIVA BHANU KSHATRIYA COLLEGE
(Aruppukottai Nadargal Uravinmurai Pothu Abi Viruthi Trustuku Pathiyapattathu)

ARUPPUKOTTAI
QUESTION BANK

Unit IV: IV (Valuation of Goodwill and Shares)

16. Goodwill is a
(a) Tangible Asset (b) Fictitious Assets (c) Current Assets (d) Intangible Assets
17. Excess of Average profit over the normal profit is called
(a) Super Profit (b) Actual Profit (c) Adjusted Profit (d) Normal Profit
18. Break up value of share can be determined by:
(a) Net Assets Method (b) Yield Method (c) Fair Value Method
(d) Market Value Method
19. Intrinsic value of share is calculated by dividing the --- of the company by the number of shares
(a) Total Assets (b) Net Assets (c) Assets (d) Face Value
20. Fair value of share is ---- average of intrinsic value and yield method
(a) Weighted (b) Simple (c) Market (d) Stock

Unit V: (Amalgamation and Absorption)

21. When an existing company take over the business of one or more existing companies it is called
(a) Absorption (b) Amalgamation (c) External Reconstruction (d) Internal Reconstruction
22. The amount which is paid by the purchasing company for the purchase of the business of vendor company is called
(a) Goodwill (b) Purchase Consideration (c) Value (d) Price
23. The excess of net asset over the purchase price is
(a) Goodwill (b) Capital Reserve (c) Capital Redemption Reserve (d) Revenue Reserve
24. When there is one liquidation and one formation it is known as
(a) Amalgamation (b) Absorption (c) Acquisition (d) External Reconstruction
25. In case of liquidation the liquidators have to file a statement of the receipts and payments known as
(a) Receipts and Payments a/c (b) Trading a/c (c) Liquidators Final statement
(d) Statement of affairs

Section B (7 mark Questions)

Unit I: (Issue of shares)

26. A company forfeited 10 shares of Rs.10 each issued at a premium of 10% for non payment of final call of Rs.3 per share. Out of these 7 shares were re issued at Rs.8 per share as fully paid up. Give entries for forfeited and reissue.
27. What is Bonus share?
28. A company has 4,000, 7% redeemable preference shares of Rs.100 each fully paid. The company decides to redeem shares on December 31, 2007, at a premium of 5%. The company had sufficient profits. The following issues are made for redemption purpose.
a) 1000 equity Shares of Ra.100 each at a premium of 10%
b) 1000, 5% Debentures of Rs.100 each.
The issue was fully subscribed and all the amounts were received. The Redemption was duly carried out. Write journal entries.
29. Kumar Ltd.. issued to the public 5,000 shares of Rs.100 each at a discount of 5% payable as follows:
On Applications were received for 4,800 shares and all of these were accepted. All the money due was received except the first and final call on 300 shares which were forfeited. 200 of these shares were reissued at Rs.90 as fully paid. Show the required prepare journal Entries and Balance Sheet.
30. What are Preference shares? What are the types of Redemption of preference shares?



SAIVA BHANU KSHATRIYA COLLEGE
(Aruppukottai Nadargal Uravinmurai Pothu Abi Viruthi Trustuku Pathiyapattathu)
ARUPPUKOTTAI
QUESTION BANK

Unit II: (Issue of Debentures)

31. X Ltd. Issued 1000, 9% Debentures of Rs.100 each. Write journal entries when they are issued
- at par
 - at 20% Premium
 - at 10% Discount
32. Bring out the. Difference between shares and Debentures.
- 33 .New ways limited issues 1,000, 6% debentures of Rs. 100 each. Give journal entries in each of the following cases:
- Debentures are issued and redeemed at par
 - They are issued at a discount of 6% but redeemable at par
 - They are issued at a premium of 5% but redeemable at par
 - They are issued at a discount of 4% but redeemable at premium of 5%
34. On 1st January, 2007 , a company issued Rs.2,00,000 14% Debentures at 5% discount repayable in five years at par. The interest is payable half yearly on 30th June and 31st December and the same was duly paid.
- On 31st December, 2007, the company purchased Rs.20,000 debentures at a cost of Rs.18,900. Pass necessary journal entries in the books of the company upto 31st December,2007 including closing entries on that date if the above redemption was out of profit.
35. .TAMIZ Ltd. Offered 20,000, 10 % Debentures of Rs. 10 each at a premium of 5% were payable as under:
- | | |
|-------------------|------------------------|
| On application | Rs.3 per Debentures |
| On Allotment | Rs.4.30 per Debentures |
| On I & Final call | Rs.3 per Debentures |
- Public applied for 22,000 Debentures. The directors allotted 20,000 debentures and rejected the remaining applications. All moneys due were fully received. Give journal entries.

Unit III: (Underwriting of shares)

36. Ganesh limited was incorporated on 1st May 2006 to purchase the business of vinayak and Co With effect from 1st January 2006. The company obtained certificate of Commencement of business on 24th August 2006. Calculate the time Ratio, if the accounts were finalized on 31st December 2006.
37. Ratna corporation Ltd. Was incorporated as 30th June 1990 to purchase the business of Soman from 1.1.90. The annual accounts prepared on 31.12.90 disclosed that the sales for the year was Rs.6,00,000 of which Rs.2,40,000 was the first six months.
- Calculate the Time Ratio and Sales Ratio.
38. What is meant by underwriting? Explain its types.
39. The following are the balances extracted from the company records. Calculate the remuneration of the managing director at 5% of the net Profit, after charging such commission.
- | | |
|------------|-----------|
| Net profit | Rs.38,786 |
|------------|-----------|
- Items considered for arriving at the above net profit:
- Provision for taxation Rs.39,000
 - Managing director remuneration Rs.12,000
 - Formation expenses Rs.4,000
 - Directors fees Rs.2,500
 - Provision for Doubtful Debts Rs.1,200
 - Depreciation allowable as per income tax rules Rs. 12,000
 - Depreciation Rs.12,880
 - Ex-gratia payment to the employee Rs.2,000
40. Give a specimen form of company's balance sheet according to the companies Act, 1956



SAIVA BHANU KSHATRIYA COLLEGE
(Aruppukottai Nadargal Uravinmurai Pothu Abi Viruthi Trustuku Pathiyapattathu)
ARUPPUKOTTAI
QUESTION BANK

Unit IV: (Valuation of Goodwill and shares)

41. Calculate the amount of Goodwill on the basis of three years purchase of the last five years average profits. The profits for the last five years are:
I Year. - 4,800. II Year - 7,200. III Year - 10,000
IV Year. - 3,000. V Year - 5,000
42. From the following information, calculate the value per equity share under the market value method (Yield method)
- | | |
|--|--------------------|
| 1000, 9% preference share of Rs.100 each | Rs.1,00,000 |
| 1,00,000 equity shares of Rs.5 each Rs.2 per share paid up | Rs.2,00,000 |
| Expected profits per year before Tax | Rs.1,09,000 |
| Rate of tax | 50% |
| Normal rate of return | 15% |
| Transfer to general reserve | 20% of net profit. |
43. Discuss the various methods of valuation of Goodwill.
44. The net profit of the company after providing for taxation, for the past five years are 73,000; Rs.69,000; Rs.69,000; Rs.77,000; Rs.70,000; Rs.79,000;
45. Explain the various methods of Valuation of shares.

Unit V (Merger Amalgamation)

46. L Ltd. Agreed to absorb the business of M Ltd. The purchase consideration was as under:
a) For every 4, 10% Preference shares of Rs.10 each in M Ltd. Rs.7 Equity shares of Rs.10 each in L Ltd. as Rs.8 paid up.
b) For every 3 Equity shares of Rs.10 each in M Ltd. 8 Equity shares in L Ltd. as Rs.10 paid up. There were 90,000 equity shares in M Ltd.
Find out purchase consideration.
47. Distinguished between Amalgamation and Absorption
48. Explain the various methods of Calculating Purchase Consideration.
49. White Limited agreed to acquire the business of Green limited as on 31.12.2003 which date the balance sheet of Green limited was as follows:
- | Liabilities | amount | assets | amount |
|---------------------------------|-----------|-------------------|-----------|
| Share capital (Rs.10 per share) | 6,00,000 | Goodwill | 1,10,000 |
| Debenture 6% | 1,00,000 | Land and Building | 3,00,000 |
| Creditors | 20,000 | plant | 3,40,000 |
| General Reserve | 1,70,000 | stock | 1,68,000 |
| Profit and Loss account | 1,10,000 | Debtors | 56,000 |
| | | Cash | 36,000 |
| | ----- | | ----- |
| | 10,00,000 | | 10,00,000 |
| | ----- | | ----- |
50. State the specimen of Liquidator's Final Statement of Account.



SAIVA BHANU KSHATRIYA COLLEGE
(Aruppukottai Nadargal Uravinmurai Pothu Abi Viruthi Trustuku Pathiyapattathu)
ARUPPUKOTTAI
QUESTION BANK

Section C (10 mark Questions)

Unit I (Issue of shares)

51. Following is the balance sheet of X Lid., as on 31.03.2003

The preference shares are redeemable at a premium of 5% on 1.4.2003, it was decided:

- a) To sell the investment for Rs.3,00,000
- b) Utilise Rs.5,00,000 from P&L a/c
- c) To issue sufficient equity shares of Rs.10 each at a premium of Rs.2 per share to raise the balance of funds required. All the above decisions were fully carried out and the preference shares were fully redeemed.

Pass journal entries to record the above and show balance sheet after redemption.

52. Sun limited makes an issue of 1,00,000 equity shares of Rs.10 each payable Rs.3 on application, Rs.5 on allotment and Rs.2 on first and final call. Applications were received for 2,50,000 shares. The company returned the applications on 24,000 shares and excess application money from remaining applicants was carried forward in part satisfaction on amount due on allotment on the shares allotted to them. The balance of allotment was received. The company did not make the first and final call. Journalist the transaction.

Unit II: : (Issue of Debentures)

53. A company issued 5,000 Debentures of Rs.100 each at par on 1st January,2003 redeemable at par on 31st December,2007. A sinking fund was established for the purpose. It was expected that investments would earn 5% net. Sinking fund tables show that Re.0.180975 amounts to Re.1 at the end of 5 years at 5%. The Investments are made in multiples of Rs.100. On 31st December 2008 the investment realised Rs.3,90,000. On that date the company's bank balance stood at Rs.1,45,600. The Debentures were duly redeemed. Give the necessary journal entries in the books of the company.

54. State the various methods of Redemption of Debentures.

Unit III: (Underwriting of shares)

55. Define the term Underwriting. Explain its types.

56. Vaigai limited was formed with an authorized capital of Rs.10,00,000 divided into equity share of Rs.10 each, to acquire the business of X and Y whose balance sheet on the date of acquisition was as follows:

Liabilities	amount	assets	amount
Share capital	6,00,000	Freehold premises	28,000
General Reserve	4,00,000	Stock	2,00,000
Creditors	2,00,000	Debtors	1,60,000
		Less:provision	10,000
		Cash at bank	1,50,000
	-----		-----
	12,00,000		12,00,000
	-----		-----

The purchase consideration was agreed upon at Rs.12,00,000 to be paid in Rs.10,00,000 fully paid equity shares of Rs.10 each at Rs.11 and the balance in cash. Give journal entries to record the above and prepare the balance sheet of Vaigai Ltd. Assuming the Vendors account is finally settled.



SAIVA BHANU KSHATRIYA COLLEGE
 (Aruppukottai Nadargal Uravinmurai Pothu Abi Viruthi Trustuku Pathiyappattathu)
ARUPPUKOTTAI
QUESTION BANK

Unit IV: (Valuation of Goodwill and shares)

57. The balance sheet of Eswari Co. as on 31.12.2010 is disclosed the following.

Liabilities	amount	assets	amount
60,000 equity shares			
Of Rs.100each	6,00,000	Goodwill	28,000
Debenture6%	4,500,000	Land and Building	16,000
Creditors	1,50,000	Machinery	28,000
General Reserve	2,25,000	stock	16,000
Profit and Loss account	75,000	Debtors	8,000
Workmen savings bank	3,00,00	Cash	2,000
		Preliminary expenses	2,000
	-----		-----
	18,00,000		18,00,000
	-----		-----

- a) The profit of the past 5 years are as follows”
 2007 – Rs.30,000; 2008 – Rs.70,000; 2009 – Rs.50,000; 2010 – Rs.55,000;
 2011 – Rs.95,000
- b) The market value of investment was Rs.3,30,000
- c) Goodwill is to valued at three years purchase of the average annual profits for the last five years. Find the intrinsic value of each. share

58. Mr. Chandran holds 5,00 equity shares of Suzuki Ltd., the nominal and paid up capital of which consist of :

- 1) 20,000 equity shares of Re.1 each
- 2) 10,000 5% Preference shares of Re.1 each is ascertained;
 - a) The normal annual net profit of such a company is Rs.5,000; and
 - b) The normal return by way of dividend on the paid up value of equity share capital for the type of business carried out by the company is 8%

Mr. Chandran requires you to value his share holding on the basis of earning capacity method.

Unit V: (Merger and amalgamation)

59. The following is the balance sheet of Amirta Ltd.

Liabilities	amount	assets	amount
Share capital	60,000	Goodwill	28,000
Debenture	10,000	Land and Building	16,000
Creditors	6,000	Machinery	28,000
General Reserve	4,000	stock	16,000
Profit and Loss account	20,000	Debtors	8,000
		Cash	2,000
		Preliminary expenses	2,000
	-----		-----
	1,00,000		1,00,000
	-----		-----

Bangalore Ltd. Takes over the business of Amrita Ltd. The value agreed for various assets are:

Goodwill	Rs.22, 000
Building	Rs.25, 000
Machinery	Rs.24,000
Stock	Rs.13,000
Debtors	Rs. 8,000

Bangalore Ltd. Does not take over cash but agrees to assume the liability of sundry creditors at Rs.5,0000. Calculate the purchase consideration under the Net assets Method.

60. Distinguish between Internal and External Reconstruction.



SAIVA BHANU KSHATRIYA COLLEGE
(Aruppukottai Nadargal Uravinmurai Pothu Abi Viruthi Trustuku Pathiyapattathu)
ARUPPUKOTTAI
QUESTION BANK
