



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

**ARUPPUKOTTAI**  
**DEPARTMENT OF COMMERCE**  
**QUESTION BANK**

Name of the Department :	Commerce	UG / PG :	UG
Semester (UG - III & V; PG - III) :	UG- V	Subject Code :	CCRJA51
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) Lendor                      (c) Debtor                      (d)Owner
- Share Application a/c is a .....  
(a) Nominal a/c                      (b) Reala/c                      (c) Personala/c                      (d)Impersonala/c
- The difference between subscribed capital and called –up capital is called  
(a) Paid –up capital                      (b) Uncalled capital                      (c) Calls in Advance  
(d)Calls in arear
- If the Issue price is less than the face value of share, it is called.....  
(a) Reserve Capital                      (b) Share Premium                      (c) Share Discount                      (d)Share capital
- The balance of Share Forfeiture is transferred to.....  
(a) P&L a/c                      (b) Reserve Capital                      (c)Capital Reserve                      (d)Revenue Reserve

**Unit II: (Issue of Debentures)**

- A Debenture holder is a ....  
(a) An owner                      (b) A loan creditor                      (c) A director                      (d)A trade creditor
- After the debentures are redeemed, the balance in the sinking fund a/c is trnsferred to:  
(a) Capital reserve a/c                      (b) General reserve a/c                      (c) Profit and Loss a/c                      (d)Capital redemption reserve a/c
- If the debentures are issued at par and repayable at a premium, the premium payable will be debited to :  
(a) Debentures suspense a/c                      (b) Premium on redemption of debenture a/c  
(c) Loss on issue of Debenture a/c                      (d)Premium a/c
- Debentures issued as collateral security will be debited to.....  
(a) Debenture suspense a/c                      (b) Bank a/c                      (c) Debentures a/c  
(d)Investment a/c
- Profit on redemption of debentures is taken to.....  
(a) Goodwill                      (b) Capital reserve                      (c) Capital redemption reserve  
(d)General Reserve

**Unit III: (Underwriting of commission and Profit Prior to incorporations)**

- The rate of underwriting commission on shares must not exceed ..... of the issue price of shares  
(a) 5%                      (b) 7%                      (c) 2%                      (d)3 ½%
- An underwriter may reduce his liability by entering into a contract with another person known as .....  
(a) Brokers                      (b) Sub-underwriter                      (c) Sub-brokers                      (d)Agent
- The underwriting account is a .....  
(a) Real a/c                      (b) Personal a/c                      (c) Nominal a/c                      (d)Outstanding a/c
- Profit earned after incorporation is a .....  
(a) Capital profit                      (b) Revenue Profit                      (c) Normal Profit                      (d)Average profit



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

---

15. Gross profit should be apportioned between prior to and post incorporation period on  
(a) Time Ratio (b) Sales ratio (c) weighted time ratio (d) Post incorporation

**Unit IV: (Valuation of Goodwill and Valuation of Shares)**

16. Goodwill is a .....  
(a) Tangible assets (b) Fictitious assets (c) Current assets (d) Intangible Assets
17. In order to compute goodwill of a firm on the basis of super profit it is necessary to know:  
(a) Average Profit and Normal Profit (b) Average profit and actual profit  
(c) Actual profit and capital employed (d) Normal profit and normal rate
18. Goodwill can be realised  
(a) During the lifetime of the business (b) After the life time of the business  
(c) At the time of liquidation (d) Before the liquidation
19. Break – up value of a share can be determined by:  
(a) Net assets methods (b) Yield methods (c) Fair value method (d) Market value method
20. For calculating the value of an equity share by yield method, information is required regarding:  
(a) Normal rate of return (b) Net assets of the business  
(c) Total assets of the business (d) Face value of the share

**Unit V: (Amalgamation, Absorption and Reconstruction of the company)**

21. In case of amalgamation there are  
(a) Two or more liquidation and one formation (b) Two or more liquidations and no formation  
(c) One liquidation and no formation (d) No liquidation and no formation
22. When an existing company takes over the business of one or more existing companies, it is called .....  
(a) Absorption (b) Amalgamation (c) External Reconstruction  
(d) Internal Reconstructions
23. The process of two or more companies combining to form a new company is called  
(a) Absorption (b) Amalgamation (c) Combination (d) Reconstruction
24. According to AS-14 purchase consideration is what is payable to .....  
(a) Equity Shareholders only (b) Debenture holders only (c) Share Holders and Debentures  
(d) Equity and Preference shareholders
25. The excess of net assets over the purchase price is .....  
(a) Goodwill (b) Capital Reserve (c) Capital Redemption reserve  
(d) Revenue Reserve

**Section B (7 mark Questions)**

**Unit I: (Issue of shares)**

26. What is forfeiture of shares? Give Example
27. Explain the procedure for issue of shares.
28. On 1.1.2008 R Ltd., offers 10,000 shares of Rs.10 each Payable as follows:  
On Application Rs. 3 Per Share  
On Allotment Rs. 2 Per share  
On First Call Rs. 3 Per Share  
On Final Call Rs.2 Per Share  
All the shares are subscribed and amounts duly received . Pass journal entries.
29. A Ltd., issued 15,000 shares of Rs. 10 each at a premium of Rs.2 per share, payable Re.1 per



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

---

shareon application; Rs.6 Per share on allotment including premium; rs.3 per share on first call and Rs.2 per share on final call. The shares were all subscribed and money was duly received. Give the journal entries in the books.

30. An existing company offered 20,000 Equity shares of Rs. 10 each at a discount of 5% per shares were payable as under:  
On Application Rs.3 per share  
On Allotment Rs.4 per share  
On First & Final callRs.2.50 per share  
Public applied for 16,000 shares and these shares have been allotted. All moneys were received. Pass necessary Journal Entries.

**Unit II: (Issue of Debentures and redemption of debentures)**

31. What do you understand by the Capital Redemption Reserve?  
32. Can partly paid up preference shares can be redeemed? What is the procedure for it?  
33. The following are the details taken from the records of B Ltd June 30,2007:

Share Capital:

Equity Shares(fully paid up)	Rs.6,00,000
Preference Shares(fully paid up)	Rs.3,00,000
General Reserve	Rs.2,00,000
P&L a/c (Credit Balance)	Rs.1,25,000
Share Premium a/c	Rs.50,000

The company decided to redeem the preference shares at a premium of 10% out of its General and P&L a/c. Give journal entries relating to redemption of preference shares.

34. A company has 8,000 redeemable preferences shares of Rs.100 each fully paid. The company decides to redeem the shares on 30<sup>th</sup> June 2008 at a premium of 7%. The company has sufficient profits but in order to augment liquid funds the following issues.  
a)3000, 6% Debentures of Rs.100 each at Rs.106  
b)2000, Equity shares of Rs.100 each at Rs.111  
The issues were fully subscribed and all the amounts were received. The redemption was duly carried out. Give journal entries.
35. X Ltd., took over the assets of Rs.3,50,000 from Y Ltd. For Rs.3,30,000.X Ltd and the purchase price by issuing debentures of Rs.100 each at a premium of 10%. Give journal entries.

**Unit III: (Underwriting of shares and profit prior to incorporation)**

36. What is underwriting agreement?  
37. What are marked and unmarked applications?  
38. A company issued 10,000 shares of Rs.10 each. These shares were underwritten as follows:  
A-7000 shares and B- 3000 shares  
The public applied for 8,000 shares, which included marked applications as follows:  
A-5000 shares and B-2000 shares  
Determine the liability of A and B under both Gross liability and Remaining liability basis.
39. You are required to calculate the weighted time ratio for pre and post incorporation period from the following particulars :  
a)Date of incorporation 1.4.2010  
b) Period of financial accounts 1.1.2010 to 31.12.2010  
c)Total wages Rs.4.800  
d)Number of workers : Pre-incorporation period 10,post-incorporation period 25.
40. Madras Cements Ltd. Was formed on 1.7.2007 to acquire the business of Mohan & Bros with effect from 1.1.2007. When the company's first accounts were prepared on 31.12.2007, the following were noted:



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

---

- a) Sales for the year Rs3,00,000
- b) Sales in January, February, April and May were only 50% of the annual average. Sales of August, September and December were twice the annual average.

**Unit IV: (Valuation of Goodwill and Valuation of Shares)**

- 41. Describe the various factors affecting goodwill.
- 42. What are the factors that influence valuation of shares?
- 43. Goodwill is to be valued at 3 years purchase of 5 years of profit. The profits for the last 5 year's profit of the firm were 1994- Rs.2400, 1995-Rs3,000, 1996 – Rs3,400, 1997 –Rs.3,200 and 1998- Rs.4000. Calculate the amount of goodwill.
- 44. A firm earned profits during the last three years as follows:
  - I Year Rs.54,000
  - II Year Rs.60,000
  - III Year Rs.66,000The capital investment of the firm is Rs1,00,000  
A fair return on the capital, having regard to the risk involved is 25%. Calculate the value of goodwill on the basis of 3 years purchase of super profit.
- 45. The net profit of the company, after providing for taxation for the past five years are Rs.73,000; Rs.69,000; Rs.77,000; Rs.70,000; Rs.79,000.  
The capital employed in the business is Rs.6,00,000 on which a reasonable rate of return of 10% is expected. Calculate the goodwill under:
  - a) Capitalisation of Average Profit Method and
  - b) Capitalisation of Super Profit method.

**Unit V: (Amalgamation, Absorption and Reconstruction of the company)**

- 46. What is the purpose of amalgamation?
- 47. Distinguish between amalgamation and absorption.
- 48. Calculate purchase consideration
  - a) A cash payment equivalent to Rs.3 for every Rs.10 shares in G Ltd. (Number of Shares 1,20,000)
  - b) The issue of 90,000 shares of Rs.10 fully paid in W Ltd., having an agreed value of Rs.12 per share.
  - c) The issue of 5% debentures of W Ltd. For 6% Debentures of the G Ltd (Rs.1,00,000) at a premium of 20%
- 49. X Co. Ltd. took over assets Rs.3,50,000 and liability of Rs.30,000 of Y Co. for the purchase of consideration of Rs.3,30,000. X Co., Ltd., paid the purchase consideration by issuing debentures of Rs.100 each at a premium of 10%. Give Journal entries.
- 50. The company B takes over the business of company A. The value agreed for various assets is Goodwill Rs.22,000, Land and Buildings Rs25,000, plant and machinery Rs.24,000, Stock Rs.13,000, Debtors Rs.8,000. B Company does not take over cash but agree to assume the liability of sundry creditors at rs.5,000. Calculate Purchase Consideration.

**Section C (10 mark Questions)**

**Unit I: (Issue of Shares)**

- 51. A company with an authorized capital of Rs.30,00,000 invited applications for 2,00,000 shares of Rs.10 each at premium of Re.1. The shares are payable as follows:
  - On application Rs.3
  - On allotment Rs. 4(including premium)
  - On First and Final call Rs.4



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

---

There was over-subscription and applications were received for 3,60,000 shares.

Allotment shares was made as under:

To applicants of 1,50,000 shares - 1,50,000 shares

To applicants of 25,000 shares - NIL

To applicants of 1,85,000 shares – 50,000 shares

Excess money paid on application was adjusted against sums due on allotment and first call.. All moneys due were received. Give journal entries to record the above transactions.

52. X Ltd. Invited applications for 20,000 shares of Rs.100 each payable:

Rs.25 on application

Rs.35 on allotment

Rs.40 on call

25,000 shares were applied for. The directors accepted applications for 20,000 shares and rejected the remaining applications. All moneys due were fully received. Give journal entries.

**Unit II: (Issue of Debentures and Redemption of Debentures)**

53. On 1<sup>st</sup> January, 2007, a company issued Rs.1,50,000 10% debentures at a premium of 10% repayable in five years at par. The interest is payable half yearly on 30<sup>th</sup> June and 31<sup>st</sup> December every year.

On 31<sup>st</sup> December 2007, the company redeemed Rs.15,000 debentures out of capital by drawing a lot. You are required to pass journal entries in the books of accompany.

54. On 1<sup>st</sup> January 2001, A Ltd issues 2000 6% debentures of Rs.100 each repayable at the end of four years at a premium of 5%. It has been decided to institute a sinking fund for the purpose, the investments being expected to realize 4% net. Sinking fund tables show that 0.235490 annually amounts to one @ 4% in four years. Investments were made in multiples of hundred only.

On 31<sup>st</sup> December 2004, the balance at bank was Rs.59,000 and the investments realized Rs.1,56,800. The debentures were paid off. Give journal entries and show ledger accounts(except for debenture interest)

**Unit III: (Underwriting and Profit prior to incorporations)**

55. K Ltd. Has authorized capital of Rs.25 lakhs divided into 1,00,000 equity shares of Rs.25 each. The company issued for subscriptions 25,000 shares at a premium of Rs. 10 each. The entire issue was under written as follows:

A - 15,000 shares (Firm underwriting -2500 shares)

B – 7,500 shares (Firm underwriting- 1000 shares)

C – 2500 shares (Firm Underwriting – 500 shares)

Out of the Total issue, 22,500 shares including firm underwriting were subscribed.

A – 8,000 shares; B- 5,000 shares; C- 2,000 shares

Calculate the liability of each underwriter.

56. A co. ltd . was incorporation on May 1, 2003 to take over the business of a partnership firm as a going concern from January 1, 2003. The company got the certificate of commencement business in July ,2003.

The following is the profit and loss a/c for the year ending on 31.12.2003 as follows:

Profit and Loss a/c of Co.ltd

Particulars	Amount	Particulars	Amounts
To Rent and Taxes	12,000	By Gross Profit b/d	1,55,000
To Insurance	3000		
To Electric Charges	2400		
To Director's fees	3000		



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

To Auditors fees	1600		
To Advertisement	6000		
To Salaries	36,000		
To Commission	4000		
To Preliminary Exp	6500		
To Bad debts	2000		
To Net Profit	78,500		
	1,55,000		1,55,000

The total turnover for the year ending 31.12.2003 was Rs5,00,000 divided into Rs.1,50,000 for the period upto 1.5.23 and Rs.3,50,000 for the remaining period. Calculate the profits prior to incorporation and profits since incorporations of the company.

**Unit IV: (Valuation of Goodwill and Valuation of Shares)**

57. The Balance sheet of the B Ltd as on 31.12.2003 is given below

Liabilities	Amounts	Assets	Amounts
4000 ,10% preference shares of Rs.100 each	4,00,000	Sundry Assets at Book values	12,00,000
60,000 equity shares of Rs.10 each	6,00,000		
Bills payable	50,000		
Creditors	1,50,000		
	12,00,000		12,00,000

a)The market value of 60% of the assets is estimated at 15% more than the book value and that of the remaining 40% at 10% less than the book value of the assets.

b)There is an unrecorded liability of the Rs.10,000

Find out the value of the each equity shares on the basis of the assumptions that preferences shareholders have no prior claims to payment of dividend or to repayment of capital.

58. The following information is given below

a)Average capital employed Rs.1,50,000

b)Normal rate of profit 10%

c)present value of annuity Re.1 for five years at 10% as Rs.3.78

d)Net Profit for five years: I Yr- Rs.14,400; II yr –Rs.15,400;IIIrd yr-Rs.16,900;IV yr – Rs.17,400and Vth yr –Rs.17,900

The profit included non- recurring profits on an average basis of Rs.1000 out of which it was deemed that even recurring profits had a tendency of appearing at the rate of Rs.600 p.a.

You are required to calculate the goodwill:

i)As per annuity method

ii)as per five years purchase of average super profit and

iii)as per capitalization of super profit method.

**Unit V: (Amalgantion, Absorption and Reconstruction of the company)**

59. A Ltd was absorbed by B ltd on 31<sup>st</sup> December 2007 . On that date their balance sheet were as under:

Liabilities	A ltd	B ltd	Assets	A ltd	B ltd
Equity shares of Rs.10 each	5,00,000	2,00,0000	Fixed Assets	3,00,000	2,00,000
Reserve and Surplus	1,00,000	50,000	Investments	-	20,000
Current Liabilities	2,00,000	1,50,000	Current Assets	5,00,000	1,80,000
	8,00,000	4,00,000		8,00,000	4,00,000

The condition of absorption are 2 shares of B Ltd., of Rs.10 each at a premium of Rs.2.50 per shares for every one share held in A ltd. Prepare the ledger accounts in the books of A ltd and





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

---

pass entries in the books of B ltd.

60. X co ltd agreed to acquire the assets excluding cash as on 31<sup>st</sup> Dec.2003 of Y co. ltd. The B/S of Y ltd., as on that date was:

Liabilities	Rs	Assets	Rs
12,000 shares of Rs.500 each	60,00,000	Land and Buildings	27,20,000
Reserve Fund	6,50,000	Plant and Machinery	30,00,000
Insurance fund	1,30,000	Furniture and Fittings	1,00,000
P & L a/c	20,000	Patents and Trademarks	4,00,000
2600 Debentures of Rs.500 each	13,00,000	Stock	20,00,000
Workman savings bank	4,00,000	Sundry Debtors	6,00,000
Sundry creditors	5,00,000	Cash	1,80,000

Y company ltd. Agreed to take over X ltd. On the following basis:

- Payment of cash at Rs.90 for every share in X ltd.
- Payment of cash at Rs.550 for every debentureholders in full discharge of debentures
- Exchange of 4 shares of Y company ltd. On Rs. 75 each (quoted in the market at Rs.140 each) for every share in X company ltd.

Show the necessary ledger accounts in X ltd.