

NEMANI CLASSES

A PREMIER INSTITUTE OF COMMERCE

ACCOUNTANCY	ECONOMICS	BUSINESS STUDIES	I.P
XI & XII	B.COM	B.B.A & M.B.A	QT & F.M

Name.....
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Class.....
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Subject.....
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School.....
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**SPECIAL CLASSES OF
QT AND FM
BY NEMANI SIR**

DIRECTOR

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NEMANI CLASSES

Class XII Theory Notes

XII –Accountancy

Objective Type Question Bank

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UNIT -6 Company Accounts – Issue of Shares

R – Remembering

U- Understanding

A – Application

A&E- Analysis & Evaluation

Fill in the Blanks

Remembering (R)

1. The options granted by the company to its employees and employee directors at a price that is lower than the market price is _____.
[ESOP]
2. Share capital of a company is divided into small units .Every unit is known as _____.
[Share]
3. Actual number of shares offered to the public by the company for subscription is known as _____.
[issued capital]
4. Part of the issued capital offered for subscription to public is known as _____.
[subscribed capital]
5. When the shares are issued at a price more than the face value, it is known as share issued at _____.
[premium]
6. Excess balance amount of share forfeited account will be transferred to _____ Account.
[Capital Reserve]
7. When the called up amount is not paid by the shareholders then it will be transferred to _____ Account.
[Calls-in-arrears]

Understanding (U)

1. At the time of forfeiture of shares Share Capital Account will be debited with _____ Value.
[Called Up]
2. The application money should be refund within _____ days from the closure of the issue.
[15 days]
3. A company must receive minimum subscription of _____ of shares before it allots the share.
[90%]

4. X Ltd purchase the running business of Y Ltd consist total asset of Rs. 10,00,000 liabilities of Rs. 2,00,000. X Ltd paid Rs. 2,00,000 immediately in cash and balance by issuing 7,000 share of Rs. 100 each at a premium of Rs. 20 per share. The goodwill A/c will be debited by Rs._____.
- [2,40,000]
5. Mr. X purchased business from Y Ltd. By paying Rs.15 lakh for the assets worth Rs.18 lakh and liabilities worth Rs.4 lakh. Then_____A/c will be credited by Rs. 1 lakh.
- [goodwill]
6. Alpha Ltd. forfeited 200 equity shares of Rs. 10 each on which Rs. 6 was paid (including Rs. 1 premium). On reissue, the company can allow Rs._____as discount.
- [Rs.5 each]
7. Beta Ltd. issued 10,000 shares of Rs.10 each at 20% premium which was over-subscribed to the extent of 5,000 shares. All money to be paid on application only and shares were allotted on pro-rata basis. The company will refund_____.
- [Rs.60,000, 5,000 x 12]
8. Rock Ltd. Forfeited 2,000 equity shares of Rs. 10 each(called up Rs.7 each)for non-payment of Rs. 3 per share on allotment out of which company reissued 1,000 shares for Rs.9 each ,Amount of share capital will be credited by Rs._____.
- [Rs. 7,000]
9. Rock Ltd. Issued 10,000 equity shares of Rs.10 each out of which 2,000 shares were offered to the promoters stands debited to_____A/c.
- [incorporation cost]
10. A company issued 50,000,12% preference shares of Rs.100 each. Company received applications for 70,000 shares. This will be known as _____of shares.
- [Oversubscription]
11. _____ If a company has not received. The minimum subscription, within specified period then the application money should be refunded within the _____days from the closure of the issue.
- [15]

Application (A)

1. A company issued 10,000 shares of Rs.10 each at par for which Application were received for 50,000 shares. Amount called up:-On application Rs.4 each, on allotment Rs.3 and final call remaining Amount Shares were allotted on pro-rata basis Excess money will be refunded. After utilization for allotment and final call. The Bank A/c will be credited with Rs._____.
- [1 lakh]

2. Santa Ltd. issued 8,000 shares of Rs.10 each at per. Amount called up:- Rs.4 on application, Rs.3 on allotment and Rs.3 on first and final call. X, a shareholder holding 500 shares did not pay allotment money. The amount received on allotment will be Rs._____.
[22,500]
3. Banta Ltd. issued equity shares of Rs.10 each at 10% premium; all shares were issued and subscribed. Amount called up:- On application Rs.3 each, on allotment Rs.2, Rs.3 on first call and Rs. 2 on final call. Mr.A, a holder of 200 shares paid entire money on allotment. At the time of receiving the money of "Calls in Advance" A/c will be credited with Rs._____.
[1,000]
4. Z Ltd. Forfeited 400 share of Rs. 10 each and Rs. 7 called up for non-payment of first call of Rs. 2 per share. Out of these, 300 shares were reissued for Rs. 6 per share as Rs. 7 paid up. Rs._____ will be transferred to Capital Reserve Account.
[1,200]
5. X Ltd purchased the running business of Y Ltd. Consisting total assets of Rs 10,00,000, liabilities of 2,00,000 X Ltd. paid Rs. 2,00,000 immediately in cash and balance issued 7,000 Shares of Rs. 100 each at a premium of Rs. 20 per share . The goodwill A/c will be debited by Rs._____.
[2,40,000]
6. The % associated with preference shares is prefix is the rate of_____.
[dividend]

Analysis and evaluation

1. Alpha Ltd. forfeited 200 equity share of Rs. 10 each on which Rs. 6 each was paid.(includes Rs. 1 premium). On reissue, the company can allow Rs. each as discount.
[5]
2. Beta Ltd. issued 10,000 shares of Rs. 10 each at 20% premium which was oversubscribed to the extent of 5,000 shares. All money to be paid on application only and shares were allotted on pro-rata basis. The company will refund_____amount.
(Rs. 60,000)
3. Rock Ltd. forfeited 2,000 equity shares of Rs. 10 each(called up Rs. 7 each) for non -payment of Rs. 3 per share on allotment. Out of which company reissued 1,000 shares for Rs. 9 each. Amount of share capital will be credited with Rs._____.
[7,000]

4. Rock Ltd. issued 10,000 equity shares of Rs. 10 each out of which 2,000 shares were offered to the promoters. The shares issue to the Promoter's stands debited to _____ Account. [incorporation cost]
5. A co. issued 50,000 shares 12% preference share of Rs. 100 each Company received Applications for 70,000 shares. This will be known as _____ of shares. [oversubscription]
6. Santa Ltd issued 8,000 shares of Rs. 10 each at par share amount to be called up:-On application Rs. 3; on allotment Rs. 6 & Re1 on final call, A shareholder holding 500 shares did not pay allotment money the amount not received on allotment will be Rs. _____. [3,000]
7. Banta Ltd issued 4,000 Shares 10 each at 10% premium, Rs. 2 on application and Rs. 3 allotment (including premium), all shares were issued & subscribed Mr. A holder of 200 shares paid entire money on allotment, Calls in Advance A/c will be credited by Rs. _____. [1000]
8. Part of the issued capital applied by public for subscription is known as _____ capital. [subscribed]
9. When the shares are reissued at a price more than face value it is known as _____ . [Premium]
10. Excess balance amount at Share forfeiture account will be transferred to _____ account. [capital reserve]
11. When the called up amount is not paid by the shareholder then it will be transferred to _____ account. [Calls-in-Arrears]

True and False

1. (R) A Company can issue shares at discount to public [F]
2. (R) A Company can issue shares more than Authorised. [F]
3. (R) A Company can issue and allot shares to a select group of people privately. [T]
4. (R) Securities premium reserve account will appear in the Balance Sheet. [T]
5. (R) Company can forfeit its shares. [T]
6. (U) Reserve capital is a part of unsubscribed capital. [F]
7. (U) Equity share capital is also known as risk capital.; [T]
8. (A) When the shares subscribed are more than issued, it is known as

undersubscribed of shares.

[F]

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9. (A)When the shares are issued at a price more than face value it is said that shares are issued at premium. [T]
10. (A) When 90% of the issued shares are subscribed by the public it is known as over subscription of shares. [F]
11. (U)Securities premium money can be utilized to pay dividend to shareholders. [F]
12. (U)Securities premium money can be utilized to issue fully paid Bonus shares. [T]
13. (U) equity shares we get interest and on debenture we get dividend. [F]
14. (A&E) Maximum amount of discount allowed at the time of reissue of forfeited shares should not exceed the forfeited amount. [T]
15. (A&E)Reserve capital A/c is the account where excess amount of forfeited shares is transferred. [F]
16. (U)Reserve capital is the capital which will be called up by the company only at the event of winding up of the company. [T]
17. (A)Subscribed capital can be more than issued capital. [F]
18. (U)Liability of a shareholder is limited to the face value of shares allotted to him. [T]
19. (A)A private company restricts the rights to transfer its shares. [T]
20. (U)The capital which will be repaid by the company within a stipulated time period is known as irremediable preference share. [F]
21. (U)Securities Premium money cannot be used for writing off commission. [F]
22. (R) Equity shareholders are the owner of the company. [T]
23. ,(R) Debenture holders are the owner of the company. [F]
24. (A&E) Minimum amount at which shares can be reissued is the amount received at the time of Forfeiture of shares (T)
25. (R) Capital Reserve is a part of authorised capital of a company (F)

MULTIPLE CHOICE QUESTIONS

1. (R) Which of the following capital is not shown in the company's Balance Sheet
(a) Authorised capital

- (b) Issued & subscribed capital
(c) Called-up & paid up-capital
(d) Reserve capital [d]
2. (R) Shares Application & Allotment A/c is a:-
(a) Personal
(b) Real
(c) Nominal [a]
3. (R) As per sec. of the companies Act amount. received as premium on securities cannot be utilized for :-
(a) Issuing fully paid bonus shares to the members
(b) Purchase of fixed assets
(c) Writing off preliminary expenses
(d) Buy back of its own shares [b]
4. (R) Penalty for delay in refunding application money is charged:-
(a) 6%
(b) 5%
(c) 15%
(d) 20% [c]
5. (R) The portion of authorized capital which can be called up only on the liquidation of the company :-
(a) Authorised capital
(b) Reserve capital
(c) Issued capital
(d) Called up capital [b]
6. (R) Preference shares can be of following types :-
(a) Cumulative Preference shares
(b) Participating Preference shares
(c) Redeemable Preference shares
(d) All of the above [d]
7. (U) The amount of capital that a company can issue as par value is called:-
(a) Authorised capital
(b) Share premium
(c) Issued capital
(d) Fixed capital [a]

8. (U)When the shares are issued for consideration other than cash which account will be debited
- (a) Securities Premium
 - (b)Capital Reserve A/c
 - (c) Vendor A/c
 - (d)Share Capital A/c [c]
9. (U)If the purchase consideration is more than net worth then which account will be debited for the difference amount
- (a) Capital Reserve A/c
 - (b)Asset A/c
 - (c) Goodwill A/c
 - (d)Vendor A/c [c]
10. (A) Ltd company took over assets worth Rs. 10,00,000 and liabilities of Rs. 3,00,000 for purchase consideration worth Rs. 12,00,000 how much amount will be debited to goodwill account
- (a)Rs. 10,00,000
 - (b)Rs. 5,00,000
 - (c) Rs. 3,00,000
 - (d)Rs. 12,00,000 [b]
11. (A) A Ltd company took over assets worth Rs. 10,00,000 and liabilities of Rs. 3,00,000for a purchase consideration of Rs. 12,00,000 Rs. 2,00,000 bill payable accepted and remaining was paid by issuing shares at a premium of 25% on face value Rs. 100. How much amount will be credited to Securities Premium A/c
- (a)Rs. 8,00,000
 - (b)Rs. 2,00,000
 - (c) Rs. 10,00,000
 - (d)Rs. 12,00,00 [b]
12. (A) A Company allotted 20,000 shares to applicants of 50,000 shares after rejecting 10,000 applications. The ratio in which company allotted the share will be
- (a)5:2
 - (b)5:3
 - (c)2:1
 - (d)3:1 [c]

13. (A) A Co. has issued 6,000 equity shares of Rs. 10 each at par and called up amount Rs. 6 per share. The remaining part of capital is termed as (a)Called up Capital

(b) Paid up Capital

(c) uncalled Capital

(d) Subscribed Capital

[c]

14. (A) A company has issued 6,000 equity share of Rs. 10 each at par on application Rs. 2, Rs. 3 on allotment Rs. 2 on first call Rs. 2 on second call and remaining final call. The second call was not made

The amount collected on allotment is

(a)17000

(b)19000

(c) 15000

(d)18000

[d]

15. (A) A company issued 6,000 shares of Rs. 10 each money to be called up:- On application Rs. 3 on allotment Rs. 3 on first call Rs. 2 and remaining on second call. On allotment one shareholders having 100 shares paid full amount

The amount collected on allotment.....

(a)18,000

(b)12,000

(c) 18,400

(d)18,600

[c]

16. (A) X Ltd. Forfeited 1,000 shares of Rs. 10 each for the non-payment of final call of Rs. 2. The account will be debited for called up price of a share at the time of forfeiture of shares :

(a) Share Forfeiture A/c

(b)Share Capital A/c

(c) Share Final Call A/c

(d)None of these

[b]

17. (A&E)Amount of discount given at the time of reissue of shares should be debited to :

(a) Shares Capital

(b)Discount on Shares

(c) Share Forfeiture A/c

(d) Calls-In-Areas A/c

[c]

18. (A&E) 2,000 shares of Rs. 10 on which 7 have been called and Rs. 5 has been paid are forfeiture out of these 1,500 shares is reissued for Rs. 9 as fully paid. What is the amount to be debited to Share forfeiture A/c at the time of reissue of shares

(a)Rs. 13,500

(b)Rs. 1,500

(c) Rs.15,000

(d)Rs. 14,000

[b]

19(A) If the Purchase consideration is less than net worth then which account will be debited for the difference amount :

a) Capital Reserve

b) Assets

c) Goodwill

d) Vendor

(a)

20(A&E) A company issued 10,000 shares of Rs 10 each at par ; Rs3 on application ; Rs 3 on allotment ; Rs4 on First & Final call . One shareholder holding 1,000 shares paid the entire amount of his shares with application . Calculate amount received on application :

a) 1,00,000

b) 1,17,000

c) 1,10,000

d) 37,000

(d)

21 (A& E)A company Forfeited 1,000 shares of Rs10 each , Rs7 called up . For the non payment of Rs 2 First call. All these shares were reissued at Rs 5 per share . What amount will be debited to share Forfeiture account :

a) 5,000

b) 2,000

c) 7,000

d) 10,000

(b)

22 (A&E) A company Forfeited 1,000 shares of Rs 10 each , Rs 7 called up . For the non payment of Rs 2 First call .All these shares were reissued at Rs 5 per share . What will be Amount credited to share capital account at reissue:

- a) 7,000
- b) 10,000
- c) 5,000
- d) 2,000

(a)

23 (A& E) A company Forfeited 1,000 shares of Rs 10 each , Rs 7 called up. For the non payment of Rs 2 First call . All these shares were reissued at Rs 5 per share. What will the amount transferred to capital Reserve account :

- a) 2,000
- b) 3,000
- c) 4,000
- d) 5,000.

(b)

24 (A&E) A company Forfeited 2,000 shares of Rs 10 each issued at 20 % premium to be paid at the time of allotment on which Rs 8 is called up. company not received Rs 4 on Allotment including premium and Rs2 in First call. What will be the amount Debited to share capital account:

- a) 20,000
- b) 16,000
- c) 24,000
- d) 18,000.

(b)

25(A& E) A company Forfeited 2,000 shares of Rs10 each issued at 20 % premium to be paid at the time of allotment on which Rs 8 is called up. Company not received Rs 4 on allotment including premium and Rs2 on First call .What will be the amount credited to share Forfeiture account :

- a) 10,000
- b) 8,000
- c) 6,000
- d) 2,000

Match the following

Q1(R)

1. First stage of company in corporation	a) Capital subscription
2. After getting the name of the proposed company approved	b) Promotion
	c) Commencement of business
	d) Incorporation or registration

[1-b, 2-c]

Q2(R)

1. A Company can issue shares	a) For cash
	b) For considering other than cash
	c) Both (a) and (b)

[1-c]

Q3(R)

1. Shares issued at face value	a) At discount
2. Shares issued at more than face value	b) At par
	c) At premium

[1 – b, 2 – c]

Q4 (R)

1. Amount not paid by the shareholder is	a) Calls in arrear
	b) Calls in advance

[1-a]

Q5(R)

1. What is the treatment of forfeiture in balance sheet	a) Added
	b) Deducted

[1-a]

Q6(R)

1. A company having at least 7 members	a) Private company
2. A company having at least 2 members	b) Public company
	c) One person company

[1-b, 2-a]

Q7(U)

1. Actual number of shares offered to the public	a) Authorised capital
2. Maximum number of share above which a company cannot issue shares to the public	b) Issued capital
	c) Subscribed capital
	d) Uncalled capital

[1-b, 2-a]

Q8(U)

1. When shares are forfeited which account is debited	a) Incorporation cost
2. When the shares are issued to promoters which account is debited	b) Share capital
	c) Share Forfeiture A/c
	d) Capital Reserve A/c

[1-b, 2-a]

Q9(U)

1. Amount called but not paid by the shareholders	a) Call in advance
2. Amount not called up but paid by the share holder	b) Called up capital
	c) Paid up capital
	d) Calls in Arrear

[1-d, 2-a]

Q10 (U)

1. Shares issued by company to its employees or directors at a discount	a) Reserve Capital
	b) Capital Reserve
	c) Sweat Equity Share
	d) Employee Stock Account

[1-c]

Q11(R)

1. Amount of capital stated in M.O.A	a) Issued Capital
2. Entire money called up and paid	b) Authorised Capital
	c) Called up Capital
	d) Subscribed and fully paid up

[1-b, 2-d]

Q12(R)

1. Dividend cannot accumulate on	a) Non-cumulative preference share
	b) Equity share
	c) Preference share
	d) Non-participating preference share

[1-a]

Q13(U)

1. Shares issued at less than face value	a) At discount
2. Shares issued at face value	b) At Par
	c) At premium

[1-a, 2-b]

Q14(U)

1. Over – subscription	a) Number of shares applied less than offered
2. Under – subscription	b) Number of shares applied equal than offered
	c) Number of shares applied more than offered

[1-c, 2-a]

Q15(U)

1. Capital Reserve	a) Created out of uncalled capital
2. Reserve Capital	b) Created out of revenue profits
	c) Created out of capital profits

[1-c, 2-a]

Q16(U)

1.shares issued to promoters	a) Issue expenses
2.Shares issued to underwriters	b) Incorporation cost
	c) Underwriting commission
	d) Call in arrears

[1-b ; 2- c]

Q17(A)

1.when shares are reissued at value less than face value	a) Securities premium Reserves
2. When shares are reissued at value more than face value	b) Discount on issue of shares
	c) Share forfeiture
	d) Call in advance

[1-c; 2- a]

Q18(A)

1.At the time of forfeiture of shares share capital is debited with	a) Amount received
2.At the time of forfeiture of shares share Forfeiture is Credited with	b) Amount not received
	c) Amount demanded
	d) Calls in advance

[1-c ; 2 -a]

Q19(A)

1.Maximum amount of discount at the time of reissue of shares	a) Amount Received
2.Minimum amount at which shares can be reissued	b) Amount not received
	c) Amount demanded
	d) Calls in advance

[1 b; 2 a]

Q20(A)

1.Purchase consideration is more than net worth	a) Capital Reserve
2.Purchase consideration is less than net worth	b) Assets
	c) Goodwill
	d) vendor

[1 -c ; 2 -a]

Q21(A)

1.The amount of nominal capital that company can issue .	a) Subscribed capital
2.The amount of nominal capital that cannot be issued	b) Issued capital
	c) Reserved capital
	d) Paid up capital

[1- b ; 2 c]

Q22(R)

1.Share application & allotment account	a) Real account
2. Securities premium Reserve account	b) Nominal account
	c) Personal account
	d)

[1-c ; 2 -b]

Q23(A&E)

1.A company issued 10,000 equity shares of Rs 10 each at 10 % premium for consideration other than cash . what will the amount of purchase consideration	a) Rs 11,00,000
2.A company purchased sundry assets of Rs 11,00,000 from other company payment made by issuing 1,00,000 equity shares of Rs 10 each at 10 % premium . what will be amount of net worth .	b) Rs 10,00,000
	c) Rs 1,00,000
	d) Rs 1,10,000

[1 -d ; 2 - a]

Q24A& E)

1.A company forfeited 1,000 shares of Rs 10 each issued at par , Rs 8 called up per share . Rs 2 per share was not paid . What will be amount with which share capital account is debited	a) Rs 10,000
2..A company forfeited 1,000 shares of Rs 10 each issued at par , Rs 8 called up per share . Rs 2 per share was not paid . What will be amount with which share Forfeiture account is credited	b) Rs 8,000
	c) Rs 2,000
	d) Rs 6,000

[1 –b ; 2 – d]

Q25(A& E)

1. A company forfeited 1,000 share of Rs 10 each issued at 20 % premium (to be paid at he time of allotment) on which Rs 2 for final was yet not called and Rs 2 for First call was not paid. What amount will be debited to share capital account	a) Rs 10,000
2.. A company forfeited 1,000 share of Rs 10 each issued at 20 % premium (to be paid at he time of allotment) on which Rs 2 for final was yet not called and Rs 2 for First call was not paid. What amount will be Credited to share Forfeiture account	b) Rs 8,000
	c) Rs 6,000
	d) Rs 4,000

UNIT – 7 Company Accounts

(A) Issue of Debentures

(B) Redemption of Debentures

MULTIPLE CHOICE QUESTIONS

Remembering

1 The provision of companies act 2013 in respect of redemptions of debentures are to protect the interest of :

- A) **Debenture holders** B) Creditors C) shareholders D) Bank .

2 Premium payable on redemption of debentures is in the nature of :

- A) Liability account B) assets account C) **expense account** D) none of the above

3 Debenture holder are :

- A) Owner of the company B) **lenders of the company** C) vendors of the company D) customers of the company

4 At the time of issue of debentures , debentures account is :

- A) Credited by the amount Received
B) Credited by the issue price of the debentures
C) **Credited by nominal value of the debenture**
D) none of the above

5 Return on debenture is called :

- A) **interest**
B) dividend
C) A & B both
D) None of the above

6 Perpetual Debenture is the other name of :

- A) Convertible debentures
- B) Irredeemable debenture**
- C) Naked debenture
- D) None of the above

Understanding

7. in case of debenture of RS 10,000 are issued at par but redeemable at a premium of 10% , The premium payable is debited to :

- A) Debenture suspense account
- B) Premium on redemption of debentures**
- C) Loss on issue of debentures
- D) A & B both

8.A Ltd decided to redeem 2,000 9% debenture of Rs 100 each on 31st December 2018 , the company should invest in specified securities on or before :

- A) 30th april 2017**
- B) 30th april 2018
- C) 31st December 2017
- D) 31st December 2018

9. Debentureholder account are :

- A) Personal**
- B) Real
- C) Nominal
- D) None of the above

10. XLtd has purchased the building and debentures are issued at discount which account will be debited for discount :

- A) Discount on issue of Debentures**
- B) Loss on issue of debenture
- C) A& B any one can be
- D) None of the above

Application

11 Debentures are shown in the balance sheet of the company under the head of ;

A) Non current liabilities

B) Current liability

C) Share capital

D) None of the these

12 Discount or loss of issue of debenture to be written off after 12 months from the date of balance sheet or after the period of operating cycle in shown as :

A) Other current assets

B) Other non current assets

C) Other long term liability

D) Other current liabilities

13 ABC Ltd Purchase a machinery worth Rs 1,98,000. The payment made by issue of debenture of Rs 100 each at 10 % Discount in this case no. of debenture will be :

A) 1100

B) 2200

C) 3300

D) 4400

14 TP Ltd decided to redeem 1000, 10 % debenture of Rs 100 each redeemable at 10% premium . The company will have to invest in specified securities at least :

A) 15000

B) 16500

C) 25000

D) 27500

15 Global Ltd is to redeem 10,000 10% debenture of 100 each on 30thjune 2007 how much amount should be transferred to DRR by :

A) 2,50,000

B) 1,00,000

C) 5,00,000

D) Nil

16 Which of the following do not have voting right in the company :

- A) **Debentureholders**
- B) Shareholders
- C) Both A & B
- D) None of these

Evaluating

17. When 100 debenture issued at 5 % discount @ 100 each but redeemable at premium of 8% . How much amount will be credited as premium on redemption of debentures account :

- A) 5000
- B) 4000
- C) 8000**
- D) 6000

18. United Ltd is to redeem 40,000 10% Debenture of Rs 100 each on 31st December 2017. How much amount should it invest in specified securities :

- A) Rs 600000
- B) Rs 1000000**
- C) Rs 500000
- D) Nil

19. B Ltd decides to redeem 10,000 10% Debentures of Rs 100 each on 30th June 2017 . The company should invest in specified securities on or before :

- A) 30th April 2016
- B) 30th April 2015
- C) 30th June 2016
- D) 30th April 2017**

20. A Ltd took over Assets of Rs 5,00,000 and liability of Rs 50,000 from B Ltd in the agreed consideration of Rs 4,80,000 and Issued Debentures of Rs 100 each at the premium of Rs 20 number of Debenture issued are :

- A) 40,000**
- B) 48,000

C) 4,000

D) 4,800

Q21 A company issued 1000 7% Debentures of Rs 100 at 5% Discount and Repayable at 10 % Premium .What will be the amount of Loss on issue of Debentures.:

A Rs 10,000

B Rs 20,000

C Rs 15,000

D, Rs 30,000.

Q22 A Company issued 1000 7% Debentures of Rs 100 each at 5% Premium and Repayable at 10% Premium. What will be the amount of Loss on issue of Debentures:

A Rs 5,000

B Rs 10,000

C Rs 15,000

D Rs 20,000.

Q23 A company Redeem 1,000 6% Debentures of Rs 100 each at 10% premium out of profit. What will be amount transferred to Debentures Redemptions reserve:

A Rs 25,000

B Rs 15,000

C Rs 50,000

D Rs 1,00,000

Q24 A Company issued 5,000 12% Debentures of Rs 100 each at 10 % Discount and Repayable at 10 % Premium . Interest on Debentures are payable half yearly on which Tax deducted at source of 10% p.a. what will the amount of tax deduction of a year :

A Rs 3,000

B Rs4,000

C Rs 5,000

D Rs 6,000

Q25 State Bank of India redeemed 10,000 5% Debentures of Rs 100 each at 10% premium . What amount will be transferred to debenture redemption reserve :

A Rs 2,50,000

B Rs5,00,000

C Rs 10,00,000

D Nil

REMEMBERING

FILL IN THE BLANKS

Q 1. Debenture holder are the _____ of the company.

(creditors)

Q 2. From the point of view of security; _____ and _____ are the type of debentures.

(secured, unsecured)

Q 3. A collateral security is a _____ security besides the primary security when a company obtains a loan from a Bank or any other financial institution.

(secondary)

Q 4. _____ Debentures are those which are payable on the expiry of the specific period either in lump sum or in installments'. (Redeemable)

Q 5. When redemption in out of profit , _____ percent of redeemable debentures are debentures is to be transfer to debenture redemption reserve.

(100%)

Q 6. When debentures are repayable after a specific time , it is called _____ of debentures. (Redemption)

UNDERSTANDING

Q 7. Interest on debenture is charge against _____ and is to be paid even if there is no profit in the company. (profit)

Q 8. A debenture is said to be issued at a discount when the issue value is _____ than its nominal value. (less)

Q 9. Debentures are issued as other than cash, number of debentures will be calculated as purchase price dividing by _____ (issue price)

Q 10. After redemption of debentures Debenture Redemption Reserve is transferred to _____ account. (general reserve)

Q 11. When redemption of debenture made on premium _____ account must be debited along with debenture A/c (Premium on redemption)

Q 12. Debenture Redemption Reserve is being made/created by _____ A/c. (surplus in statement of P&L)

Q 13. Discount on issue of debenture is _____ loss of the company. (capital)

APPLICATION

Q 14. Interest payable on Debenture is calculated at the _____ debentures. (nominal / face)

Q 15. Security premium reserve A/c is shown _____ side of the balance sheet under the head _____. (liabilities, reserve & surplus)

Q 16. When debentures issued at par and redeemable at premium, loss on issue of debentures A/c will be _____.

(debited)

Q 17. A company is redeeming 20,000 debentures of Rs.100 each, out of profits Rs. _____ is to be transferred to Debenture Redemption Reserve.

(Rs.20,00,000)

Q 18. A company redeemed 50,000 debenture of Rs.100 each by lump sum method, Rs _____ is to be transferred to DRI A/c.

(Rs7,50,000)

Q 19. IDBI Bank issued 70,000, 9% debentures of Rs100 each. Rs _____ is to be transferred to Debenture Redemption on Reserve for the redemption of debenture.

(Zero)

Q 20. A company issued 100 debentures @Rs100 each at par redeemable at 5% premium Rs _____ will be debited to loss on issue of debenture A/c.

(Rs.5000)

Q 21. A company issued 500 debenture @ Rs.100 each at 5% discount and redeemable at 7% premium Rs. _____ will be credited as premium on redemption of debenture A/c.

(Rs.7000)

Q22 A company decided to redeem 10,000 6 % Debentures of Rs 100 each at 10% premium. Amount already transferred to Debentures Redemption reserve is Rs 2,50,000. _____ will be the additional amount to be transferred to Debentures Redemption reserve.

(Zero)

Q23 A company took a Bank loan of Rs 10,00,000 by issue of 10,00,000 6% Debenture as collateral security _____ amount will be shown in non current liabilities in the balance sheet

(Rs 10,00,000)

Q24 _____ % is minimum amount of the face value of Debentures to be redeemed will be transferred to Debentures Redemption investment. (15%)

Q25 _____% will be transferred to Debentures Redemption reserve when redemption is purely out of profit in case of banking company (zero)

True /False

Remembering

1. Debentures can be redeemed at premium (T)
2. Unsecured debentures can be issued in India (F)
3. At the time of redemption debenture redemption reserve is compulsory (F)
4. A debenture holder is the owner of the company (F)
5. A debenture is a written instrument acknowledging a debt (T)
6. Debentures include debenture/stock/ bond or another security of company whether constituting a charge on the assets of company or not (T)

Understanding

7. Premium on redemption of debenture account is shown under the Security premium in the balance sheet (F)
8. Debenture redemption reserve is transferred to capital reserve after redemption (F)
9. Profit on sale of redemption investment will be transferred to capital reserve (T)
10. A debenture holder can get his money back only at the liquidation of the company (F)
11. Debenture issued at a discount can be redeemed at premium (F)
12. A company can issue debenture with voting rights (F)

Application

13. Security premium reserve account will be debited at the time of debenture redeemed on premium (F)
14. When debentures are redeemed liability on account of debentures is increased (F)
15. Only redeemable debentures are compulsory redeemed (T)
16. Debenture premium cannot be used to pay dividend (T)
17. A ltd purchased machinery worth rs.198000. the payment made by issue of debenture of Rs 100 each at 10% discount. In this case no. of debenture will be 2200 (T)
18. Issue of 10000 , 9% debenture of Rs. 100 each as collateral security for bank loan Rs. 100000. In this case debenture suspense a/c will be debited by debenture a/c (T)

Analysis & Evaluation

19. A company redeemed 10000, 7% debenture of Rs. 100 each at par. The DRR amount will be transfer to general reserve Rs. 25000 (F)
20. A company redeemed 100, 7% debentures of Rs.100 each on premium of 5%. Premium for redemption a/c will be debited by 700 (F)
21. When the debenture are issued at collateral security the final entry of recording will be
 Debenture suspense a/c Dr
 To Debenture (T)
22. B ltd company has issued 200000 a/c debenture at discount of 6%. Amount of discount on issue of debenture will be Rs. 12000 (T)
23. Journal entry for allotment of debenture to Vendor as purchase consideration for Rs. 200000 is (T)
- | | | | |
|--------|------------------|--------|--------|
| Vendor | Dr | 200000 | |
| | To 10% Debenture | | 200000 |
24. A debenture issued at a discount can be redeemed at a premium (T)
25. Debenture issued as collateral security will not be a part of long term borrowing (T)

MATCH THE FOLLOWING

Q1 (R)

1. Debentures are transferable by Mere Delivery	a. Registered Debentures
2. Debentures redeemable either in Lump Sum or Installments.	b. Bearer Debentures
Ans.: 1-b 2-d	c. Convertible Debentures
	d. Redeemable Debentures

Q2 (A)

1. Excess Value of Net Asset consideration.	a. General Reserve
2. Excess of Purchase consideration over Value of net asset.	b. Capital Reserve
1-b	c. Vendor's Account
2-d	d. Goodwill Account

Q3(A)

1. Company issued 4000 12% Debentures of Rs.100/- each at 5% Premium. Calculate Interest.	a. Nominal value of Debentures
2. Company issued 10000 12% debenture of Rs.100/- each at 5% premium and redeemable at 10% premium. Calculate loss on Issue of Debentures	b. Paid up value of Debentures
1-b	c. No interest is paid.
2-d	d. Called value of debenture.

Q4 (R)

1. As per SEBI Guidelines: Amount transferred to Debentures Redemption Reserve: a. Redemption out of Profit b. Redemption other than profit	a. 50%
2.1-d	b. 25%

2. 2-b	c.80%
	d.100%

Q5(U)

1.Premium on Redemption of Debentures Account is a:	a.Real Account
2.Loss on issue of Debenture is a :	b.Nominal Account
1-c 2-b	c.Personal Account

Q6 (R)

1.Source Of Redemption	a. By draws of lots in a installments
2.Method of Redemption	b. By profit
1-b 2-a	c. Securities premium reserves

Q7(A&E)

1.A company is redeeming a 50000 7% Debentures of Rs.100 each at 5% premium amount 125000 transferred to:	a. Debentures redemption Investment
2.A company is redeeming 50000 7% Debentures of rs.100 each at 5% premium Amounts Rs.75000 transferred to:	b. Debentures Redemption Reserve
1-b 2-a	d. General Redemption
	e. Debentures Holder

Q8(A&E)

1.A Company purchased a Building of Rs.220000 for purchase consideration of Rs.250000 , Rs 30000 will be transferred to :	a. Capital Reserves
2.A Company purchased building Rs.220000 for purchase consideration of Rs.190000 Rs 30000 will be transferred to :	b. General Reserves
1-d 2-a	c.Debentures Holders
	d.Goodwill Account

Q9A&E)

1.A company issued 10000 7% Debentures @ Rs.100 at 5%Premium and Repayable at 10% Premium. Calculate the loss on issue of Debentures.	a.150000
2.A company issued 10000 7% Debentures @ Rs.100 at 5%Discount and Repayable at 10% Premium. Calculate the loss on issue of Debentures.	b.100000
1-b 2-a	c.50000
	d.200000

Q10(A&E)

1.A company issued 10000 7% Debentures @ Rs.100 at 5%Premium and Repayable at 10% Premium. Calculate amount received on issue of debenture.	a.1150000
2.A company issued 10000 7% Debentures @ Rs.100 at 5%Discount and Repayable at 10% Premium. Calculate Amount Received on Issue of debenture.	b.1050000
1-b 2-a	c.1000000
	d.950000

Q11(A&E)

1.A company issued 10000 7% Debentures @ Rs.100 at 5%Premium and Repayable at 10% Premium. Calculate premium of redemption of debenture.	a.1000000
2.A company issued 10000 7% Debentures @ Rs.100 at 5%Discount and Repayable at 10% Premium. Calculate premium of redemption of debenture.	b.1100000
1-b 2-b	c.1200000
	D.1500000

Q12 (A)

1. Creation of debenture Redemption Reserve for an Banking Company	a. 25%
2. Creation of debenture Redemption reserve for non banking company.	b. 50%
	c. 100%
	d. Exempted from created DRR.

Q13 (A)

1A company purchased Sundry Assets of Rs.600000 and Liabilities of 50000 from another company for purchase consideration of 600000. Amount of Goodwill will be:	a. 25000
2.A company purchased Sundry Assets of Rs.600000 and Liabilities of 50000 from another company for purchase consideration of Rs.475000. Amount of capital Reserve will be:	b. 50000
1-b 2-d	c. 100000
	d. 75000

Q14(A)

1.A company purchased Sundry Assets of Rs.600000 and Liabilities of 50000 from another company for purchase consideration of 600000. Amount transfer to vendor Account will be:	a. 550000
2.A company purchased Sundry Assets of Rs.600000 and Liabilities of 50000 from another company for purchase consideration of Rs.475000. Amount transfer to vendor Account will be:	b. 600000
1-b 2-c	c. 475000
	d. 500000

Q15A&E)

1.A company took over the assets of Rs 1100000 and liabilities 110000 payable by issues of 12% debenture of rs100each at10%discount. Calculate the No of Debentures.	a.10000
2.A company took over the assets of Rs 1100000 and liabilities 110000 payable by issues of 12% debenture of rs100each at 10 % premium. Calculate the No of Debentures.	b.9000
1-d 2-b	c.9900
	d.11000

Q16(A)

1.A company took over the assest of Rs 1100000 and liabilities 110000 payable by issues of 12% debenture of rs100each at10%discount. Calculate amount of discount on issue of debentures.	a.100000
2.A company took over the assets of Rs 1100000 and liabilities 110000 payable by issues of 12% debenture of rs100each at 10 % premium. Calculate amount of securities premium reserves.	b.90000
1-c 2-b	c.110000
	d.120000

Q17(A&E)

1.A company took over the assets of Rs 1100000 and liabilities 110000 payable by issues of 12% debenture of rs100each at10%v discount. And	a.90000
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repayable at 5% premium. Calculate amount of loss on issue of debentures.	
2.A company took over the assets of Rs 1100000 and liabilities 110000 payable by issues of 12% debenture of rs100each at 10 % premium and Repayable at 5% premium. Calculate amount of loss on issue of debentures.	b.45000
1-c 2-b	c.165000
	D.135000

Q18(A&E)

1.A company took over the assets of Rs 1100000 and liabilities 110000 payable by issues of 12% debenture of rs100each at10%v discount. And repayable at 5% premium. Calculate amount transferred to vendor's account.	a.900000
2.A company took over the assets of Rs 1100000 and liabilities 110000 payable by issues of 12% debenture of rs100each at 10 % premium and Repayable at 5% premium. Calculate amount transferred to vendor's account.	b.1100000
1-c 2-c	c.990000
	d.850000

Q19(A&E)

1.A company took over the assets of Rs 1100000 and liabilities 110000 payable by issues of 12% debenture of rs100each at10%v discount. And repayable at 5% premium. What amount will be transferred to DRR at	a.990000
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the time of Redemption.	
2.A company took over the assets of Rs 1100000 and liabilities 110000 payable by issues of 12% debenture of rs100each at 10 % premium. and Repayable at 5% premium. What amount will be transferred to DRR at the time of Redemption.	b.275000
1-b 2-d	c.1100000
	d.225000

Q20(A&E)

1.A company took over the assets of Rs 1100000 and liabilities 110000 payable by issues of 12% debenture of rs100each at10%v discount. And repayable at 5% premium. What amount will be transferred to DRI at the time of Redemption.	a.275000
2.A company took over the assets of Rs 1100000 and liabilities 110000 payable by issues of 12% debenture of rs100each at 10 % premium. and Repayable at 5% premium. What amount will be transferred to DRI at the time of Redemption.	b.225000
1-c 2-d	c.165000
	d.135000

Q21(A&E)

1.A company issued 10000 6% debenture Rs100 each and half of above debenture are due for redemption. What amount will be transferred to DRR.	a.225000
2.A company issued 10000 6% debenture Rs100 each and all of the above debenture are due for redemption. What amount will be	b.150000

transferred to DRR.	
1-d 2-d	c.1000000
	d.250000

Q22(A&E)

1.A company issued 10000 6% debenture Rs100 each and half of above debenture are due for redemption out of profit. What amount will be transferred to DRR.	a.225000
2.A company issued 10000 6% debenture Rs100 each and all of the above debenture are due for redemption out of profit. What amount will be transferred to DRR.	b.150000
1-c 2 c	c.1000000
	d.250000

Q23(A&E)

1.A company issued 5000 12% debenture 100 Rs each at 5% discount. And repayable at 10%premium. Interest on debenture is Payable Half Yearly.TDS payable is 10%.Calculate Interest on debenture for 6 month.	a.27000
2.A company issued 5000 12% debenture 100 Rs each at 5% discount. And repayable at 10%premium. Interest on debenture is Payable Half Yearly.TDS payable is 10%.Calculate TDS payable for 12 months.	b.30000
1-b 2-c	c.6000
	d.3000

Q24 (R)

1 Cash received against Debentures :	A Issue of Debentures as collateral security
2 Assets received against Debentures :	B Issue of Debentures for cash
3 Debentures given as secondary security :	C Issue of Debentures in kind

Answer 1-B; 2- C; 3 –A

Q25 (R)

1 When Debentures suspense account is open :	A Redemption at par.
2 When Premium on redemption of Debentures account is opened	B Issue of Debentures as collateral security
	C Redemption at Premium
	D Redemption at Discount

Answer : 1 – B & 2- C

UNIT - 8 (A) Financial Statement of Companies

(B) Financial Statement Analysis

(C) Tools for Financial Analysis

(D) Common Size Statement

R – Remembering

U- Understanding

A – Application

A&E- Analysis & Evaluation

FILL IN THE BLANKS

1. [R] There are _____ major heads on the assets side of a company's Balance sheet. [two]
2. [R] Assets and liabilities of a company are usually marshaled in the order of _____ [permanence]
3. [U] In the case of operating cycle cannot be determined then the time period of operating cycle is assumed to be _____ months. [12]
4. [R] There are _____ major head of the equity and liabilities side of a company's balance sheet. [4]
5. [U] Claims are expected to be settled beyond twelve month or an operating cycle is classified under _____. [Long term provision]
6. [R] Bank overdraft and cash credit in the balance sheet of a company are shown under _____. [Short term borrowing]
7. [R] Analysis of the financial statement measures _____ capacity. [Earning]
8. [U] When financial statement for a single year is analyzed, it is called _____ analysis. [vertical]
9. [u] Financial statement analysis ignores _____ elements. [qualitative]

10. [A] When financial statement figures for two or more years are compared, it is _____ statements. [comparative financial]
11. [R] Provision for tax is shown under the sub-head _____ [short term provision]
12. [R] Financial statement refers to the statement of profit and loss and _____ [Balance sheet]
13. [U] Financial statements do not show _____ information. [qualitative]
14. [U] _____ analysis is based upon the information available to the internal groups. [Internal]
15. [A] _____ are interested in knowing the firm's ability to meet its short-term liabilities. [Creditors or Suppliers]
16. [A] Financial statements are _____ in nature as they record past events and facts. [historical]
17. [A&E] The debit balance of statement of profit and loss will be disclosed under the head _____ as the _____ figure. [Reserves and Surplus, negative]
18. [A] Prepaid expenses are shown under the main head _____ balance sheet of a company. [Current assets]
19. [A&E] If the operating cycle cannot be identified, it is assumed to have duration of _____. [12 months]
20. [R] Provision for employee benefits is shown under the sub-head _____. [Long term provisions]
21. [A&E] If expected period of payment of trade payables is 7 months and operating cycle is of 14 months, then it is a _____ liability. [Current liability]
22. [R] The statement which shows the assets and liabilities of the company is known as _____. [Balance Sheet]
23. [U] Statement of profit and loss account is also called _____ statement. [Income]
24. [R] Financial statements shows only _____ information (Quantities)
25. [U] The amount due on account of goods sold by the business is called _____. (Trade Receivable)

TRUE AND FALSE:

1. [R] It is compulsory for the directors of a company to present company's statement of Profit and Loss Account and Balance Sheet in the annual general meeting of shareholders. [T]
2. [R] Contingent liabilities are shown in the balance sheet under the heading Current Liabilities. [F]
3. [R] The authorized capital is shown by way of information in the notes to accounts. It is not added to the amount of share capital to be shown in balance Sheet. [T]
4. [R] It is not compulsory for a company to prepare balance sheet as per proforma given in Schedule III of companies Act, 2013. [F]
5. [R] Interest accrued and due on debentures is shown under the heading non-current liabilities. [F]
6. [u] Facts and figures presented in financial statement are not at all based on personal judgments. [F]
7. [U] Financial analysis removes the limitations of financial statements. [F]
8. [A] Horizontal analysis is useful in long term planning. [T]
9. [U] Financial analysis ignores qualitative factors. [T]
10. Financial statements show price-level changes. [F]
11. [A&E] Vertical analysis is useful in time series analysis. [F]
12. [A&E] Common size statements enable horizontal analysis. [F]
13. [U] Comparative financial statements show only absolute changes in the figures. [F]
14. [A] In case of common size statement, figures of previous years are taken as base for comparison. [F]

15. [A]Comparative statement of profit and loss aims to measure increase or decrease in income and expenditure in terms of rupees as well as in percentage.

[T]

16. [A]Comparative balance sheet shows the increase or decrease in various items of balance sheet as compared to single year balance sheet, which shows the balance of accounts at a certain date.

[T]

17.[A&E]The operating cycle of a company is 17 months and the expected period of realization of trade receivables is 14 months. Trade receivable is shown as current assets.

[T]

18.[R]The accountant of a company has shown credit balance of statement of profit and loss in other current assets.

[F]

19.[A] A company has call in arrears of Rs 4,00,000 and calls in advance of Rs. 1,50,000. The company shown net balance of Rs 2,50,000 under current assets .

[F]

20.[R]Securities premium reserves is shown under share capital head.

[F]

21.[U]12 % Debentures redeemable within 12 months of the date of balance sheet it is shown in short term provision.

[T]

22 [R]Interest accrued on investment is shown in companies' balance sheet under non-current investment.

[F]

23.[U] Both Horizontal and Vertical analysis are conducted for two or more accounting periods.

[F]

24.[A&E] Vertical analysis is also known as Static Analysis.

[T]

25.[U] Financial analysis considers price level changes.

[F]

Multiple Choice Questions

1.[A&E] Share Capital of a company consists of 70,000 shares of Rs. 10 each, Rs. 8 called up. All the shareholders have duly paid the called up amount. Share capital will be shown as:

- (a) Subscribed and fully paid
- (b) Subscribed but not yet fully paid
- (c) Either (a) or (b)
- (d) Neither(a) nor (b)

[b]

2.[U]'Claim against the company not acknowledged as debts' is shown under :

- (a) Current Liabilities
- (b) Contingent Liabilities
- (c) Non-current Liabilities
- (d) Capital Commitments[b]

3.[R]12%Debentures in a company balance sheet is shown under the sub-head :

- (a) Long term provisions
- (b) Other current liabilities
- (c) Long term borrowings
- D(d) Other long term liabilities

[c]

4. [R]Interest accrued on investments is shown in company's Balance Sheet under the main head .

- (a) Non-current investments
- (b) Current assets
- (c) Other current assets

(d) Other Non Current assets

[b]

5. [U] 11% Debentures redeemable within 12 months of the date of balance sheet will be shown under:

(a) Short term borrowings

(b) Short terms provisions

(c) Other current liability

(d) Trade payables

[c]

6. [A] Which of the following items is shown under the head 'current assets' while preparing company's Balance Sheet ?

(a) Investment in property

(b) Patents

(c) Inventories

(d) Vehicles

[c]

7. [R] While preparing the balance sheet of a company, securities premium reserve is shown under :

(a) Non Current liabilities

(b) Share capital

(c) Long term borrowings

(d) Reserves and surplus

[d]

8. [R] Call in advance appears in a Company's Balance sheet under:

(a) Current liabilities

(b) Share Capital

(c) Long term Borrowings

(d) Reserves and Surplus

[a]

9. [R] Bills receivables appears in a company balance sheet under sub head :

- (a) Current investments
- (b) Trade receivables
- (c) Inventories
- (d) Cash and cash

[b]

10. [R]Schedule III has prescribed format for presentation of balance sheet.

- (a) Horizontal
- (b) Vertical
- (c) Either (a) or (b)
- (d) Neither (a) nor (b)

[b]

11. [U]Which analysis is considered as dynamic?

- (a) Horizontal analysis
- (b) Vertical Analysis
- (c) Internal Analysis
- (d) External Analysis

[a]

12. [R]Analysis of financial statement is significant for:

- (a) Creditors
- (b) Management
- (c) Employees
- (d) all of the above

[d]

13. [U]The area of interest for a creditor while analyzing financial statement will be:

- (a) Solvency
- (b) Liquidity
- (c) Profitability

(d) Long term solvency [a]

14. [U]The following analysis is based on one year data:

(a) Cash flow statement

(b) Dividend analysis

(c) Horizontal analysis

(d) Vertical analysis [a]

15. [U]Which of the following is a not limitation of analysis of financial statement?

(a)Window dressing

(b)Subjectivity

(c)Intra-firm comparison

(d) Only quantitative analysis [c]

16. [R] Earning capacity of a company is ascertained by:

(a) Solvency ratios

(b) Profitability ratios

(c) Liquidity ratio

(d) Working Capital Ratio [b]

17. [U]Under which tool of Financial Statement Analysis,100% is taken as a base and all other related items are expressed as a percentage of base?

(a) Comparative Statement

(b) Common Size Statement

(c) Ratio analysis

(d) Cash Flow Statement [b]

18. [U]Which of the following is an objective of Comparative Statement?

(a) To make data simpler and understandable

(b) To help in forecasting

(c) To indicates the trend

(d) All of the above

[d]

19.[U] Which of the following is not a limitation of Comparative Statement?

(a) Ignores price level changes

(b) Ignores quantitative aspects

(c) Ignores Qualitative aspects

(d) Variation in accounting Policies .

[b]

20. [A]Under the sub head of short – term provision which one is shown from the following :

(a) Interest accrued and due on borrowing

(b) Proposed dividend

(c) unpaid dividend

(d) calls in advance

[b]

21.[R] Which of the following items is shown under the heading ‘ Non – Current liabilities ‘ in the balance sheet of a company ?

(a) 12% Debentures

(b) Reserves and surplus

(c) unclaimed dividend

(d) Provision for tax

[a]

22.[R]Which tool of analysis of financial statements shows a comparative study of items of two or more years :

- (a) Ratio analysis
- (b) common size statements
- (c) comparative statements

[c]

23 [A&E] Intra – Firm Analysis is also known as :

- (a)Cross- section Analysis
- (b) Trend analysis
- (c) Dividend decision Analysis
- (d) Debt Analysis

[b]

24 [A&E] Inter – Firm Analysis is also known as :

- (a)Cross- section Analysis
- (b) Trend analysis
- (c) Dividend decision Analysis
- (d) Debt Analysis

[a]

25[A] It is statement in which each asset is expressed as a percentage to total assets:

- (a) Comparative Statement
- (b) Common Size Statement
- (c) Ratio analysis
- (d) Cash Flow Statement

[b]

MATCH THE FOLLOWING

1. [R]

1. Loose tools	a) Short term borrowing.
2. Bank overdraft	b) Cash and cash equivalent.
	c) Inventory
	d) Long term provision.

1-c , 2-a

.2[R]

1. Cheques in hand	a) Short term borrowing
2. Encashment of employees earned leave payable on retirement	b) Cash and cash equivalent
	c) Inventory
	d) Long term provision

1-b, 2-a

3.[R]

1. Public deposits	a) Inventories
2. Trade marks	b) Cash and cash equivalents
	c) Long term borrowing
	d) Intangible fixed assets

1-c, 2-d

4.[R]

1. Accrued income	a) Inventories
2. Provision for employee's benefit	b) Other current assets

	c) Short term provision
	d) Long term provision

1-b,2-d

5.[R]

1. Mining rights	a) Long term provision
	b) Other long term liabilities
	c) Fixed assets-Tangible assets
	d) Fixed assets-intangible assets

1-d

6.[R]

1. Interest on calls and advance.	a) Short term provision.
	b) Other current liability.
	c) Long term provision.
	d) Short term borrowing.

1-b

7.[U]

1. Factory, Building under construction.	a) Other Non Current assets.
2. shares in info-tech ltd.	b) Non Current investment.
	c) Fixed assets-work in progress
	d) Current investment.

1-c,2-b

8.[U]

1. Financial statement.	a) Balance Sheet
2. Financial analysis.	b) Receipts and Payments Account.
	c) Ratio

1-a,2-c

9.[R]

1. Employee benefit expenses	a) Balance sheet
------------------------------	------------------

2.Prepaid expenses.	b) Statement of profit and loss.
	c) Cash flow statement.

1-b,2-a

10.[A&E]

1.Comparative statement.	a) Dynamic analysis.
2.Common size statement.	b) Horizontal analysis
	c) Vertical analysis.
	d) External analysis.

1-b,2-c

11.[U]

1)Debentures redeemable after 5 years	a)Long term provision
2)Debentures redeemable within 1 year	b)Short term provision
	c)Other current liability
	d)Long term borrowings

1-d,2-c

12.[A&E]

1.500 shares on which final call not received	a)Authorised share capital
2.500 Shares on which final call has not been called	b)Subscribed and fully paid
	c)Subscribed but not fully paid
	d)Uncalled capital

1-c, 2-c

13.[A&E]

1.Provision for provident fund	a)Short term provision
2.Provision for employees benefit to be settled within 12 months	b)Short term borrowing
	c)Other current liabilities

1-a, 2-a

14.[A]

1.Sale of stock in trade	a)Other income
--------------------------	----------------

2. Interest received	b) Revenue from operations
	c) None of the above

1-b, 2-a

15. [A&E]

1. Employees benefit expense increased from 8,00,000 to Rs 21,50,000	a) Percentage change +50%
2. Cost of revenue from operations increased by 10,00,000 to 15,00,000	b) Percentage change +40%
	c) Percentage change +16.87%
	d) Percentage change +168.7%

1-d, 2-a

16[U]

1. Comparison of actual figures of one firm with those of industry to which firm belongs.	a) Intra form Comparison.
2. Comparison of actual figures of one firm with another firm belonging to same industry.	b) Pattern comparison.
	c) Inter firm comparison.

1-b, 2-c

17[R]

1. Employee benefit expense	a) Conveyance expense.
2. Finance cost.	b) Medical expense
	c) Interest paid on term loan.
	d) Business promotion expense.

1-b, 2-c

18[R]

1. Interest on public deposit	a) Revenue from operation
2. Entertainment expense.	b) Finance cost
	c) Other expense.
	d) Employee benefit expense.

1-b, 2-c

19.[A]

1. Interest received	a) Other expense
2. Profit on sale of investment.	b) Revenue from operation.
	c) Other income.
	d) Employee Benefit Expense.

1-c,2-c

20.[U]

1.Unpaid dividend.	a) Short term borrowing.
2.Bonds	b) Long term provision.
	c) Long term borrowing

1-d,2-c

21.[U]

1.Business promotion expense.	a) Office and administrative expense.
2.Audit fees	b) Selling and distribution expense.
	c) Other expense.
	d)Finance cost.

1-c,2-c

22.[U]

1.Net profit as shown by statement of profit and loss.	a) Share capital.
2.Loans payable on demand.	b) Reserve and surplus.
	c) Long term borrowing.
	d)Short term borrowing.

1-b, 2-d

23.[R]

1.Capital Reserve	a) Share capital
2.Security Premium Reserve.	b) Reserve and Surplus.
	c) Other Reserve.
	d)Subscribed Share Capital

1-b, 2-b

24.[U]

1.Dividend earned by financial company.	a) Other income.
2.Dividend earned by non-financial company.	b) Revenue from operation.
	c) Revenue and surplus.

1-b,2-a

25.[u]

1 Interest paid	a) Cost of material consumed
2. Carriage inward	b). Finance cost
	C) other expenses

1-b , 2- a

UNIT – 9 Accounting Ratios

R – Remembering

U- Understanding

A – Application

A&E- Analysis & Evaluation

FILL IN THE BLANKS

Remembering

1. Provision for tax is shown under the sub head **short term provisions**.
2. Prepaid expenses are shown under the main head **current assets** in the balance sheet of the company.
3. Provisions for employee benefits is shown under the sub head **long term provisions**.
4. The statement which shows the assets and liabilities of a company is called **balance sheet**.
5. Statement of Profit and Loss account is also called **income statement**.
6. Financial year in case of a company is from **1 April to 31 March**.

Understanding

7. Earning capacity of a business is assessed through **profitability** ratio.
8. Solvency of business is assessed through **solvency ratio**.
9. If the operating cycle cannot be identified then it is assumed to have a duration of **12 months**.
10. Liquidity or short term financial position of a business is assessed through **liquidity** ratio.
11. When comparative statement of financial statements of an enterprise for two or more accounting periods is prepared, it is known as **intra firm comparisons**.
12. In case of common size balance sheet, each assets is expressed as percentage to **total assets** and each liability is expressed as percentage to **total liability**.

APPLICATION

13. Proposed dividend will be shown in **contingent liability** heading in balance sheet.
14. Matured debentures will be shown in **current liability** main head in the balance sheet.

15. Public deposits will be shown under the main head **non current liabilities** in the balance sheet.
16. Provisions for employees benefit will be shown under the main head of **non-current liabilities** in the balance sheet.
17. Interest accrued but not due on debentures will be shown under main head of **non-current liabilities** in the balance sheet.
18. Arrears of fixed Cumulative preference dividend will be shown under the main heading of **contingent liabilities**.

Analysis and evaluation

19. If in 2017 share capital is 25 lakh and in 2016 share capital is 20 lakhs. The percentage change in share capital is **25%**.
20. If in 2018-2019, inventories appears in the balance sheet at Rs 18 lakhs- 20 lakhs. The percentage change in inventory is **11.11%**
21. If revenue from operation in 2017-2018 is 40 lakhs and profit before tax is 8.80 lakhs, then the % of profit before tax is **22%**.
22. If revenue from operations in 2018-19 is 60 lakhs and trade expenses are equal to 12 lakhs, then % of trade expenses is **20%**.
23. If expected period of payment of trade payables is 7 months and operating cycle is of 14 months then it is a **current** liability.
24. Current assets-Current liabilities=**Working Capital** .
25. Formula for working capital turnover ratio=
$$\frac{\text{Revenue from Operations}}{\text{Working Capital}}$$

True or false

REMEMBERING

1. Contingent liabilities are shown in the balance sheet under the heading current liabilities. [F]
2. Financial analysis removes the limitations of financial statements. [F]
3. Common size statements enable horizontal analysis. [F]
4. 12% borrowings in a company's balance sheet is shown under the sub heading long term borrowings. [T]
5. Financial statements show qualitative information. [F]
6. A total asset is assumed to be 100 on the asset side in case of common size balance sheet. [T]

UNDERSTANDING

7. Revenue from operations includes sale of products and sale of services.
8. Interest accrued and due on debenture is shown under the heading non-current liabilities.
9. Vertical analysis is useful in time series analysis.
10. A short term borrowing is disclosed under current liabilities in the company's balance sheet.
11. Financial strength of a business enterprise is judged by its profitability.
12. In case of common size statement, figures of previous year are taken as base for comparison.

APPLICATION

13. The four classification of ratio analysis are liquidity ratio, fixed asset ratio, Profitability ratio and efficiency ratio.
14. Should a business have no interest income in 1 year, and Rs. 1,000 of interest income in the following year, the percentage of change in the interest income between two years is 100%.
15. Working capital is shown on the assets side of balance sheet under the heading non-current assets.
16. Two popular techniques of comparative analysis are year to year change analysis and index number trend analysis.
17. Comparative statement ignores the price level changes.
18. Comparisons of company data with industry averages can provide some insight into the company's relative position in the industry.

ANALYSIS & EVALUATION

19. Liquid ratio is also known as acid test ratio.
20. Shareholders' funds are also known as net worth.
21. A short term borrowing is a part of capital employed.
22. A loose tool is a part of Inventory while calculating current Ratio.
23. Net worth is also known as Share capital.
24. Solvency refers to the ability of the enterprise to meet its current obligations.
25. Purchase of goods will increase the cost of Revenue from operations.

MULTIPLE CHOICE QUESTIONS

1. (A) current ratio is 2:1 current assets =Rs. 82,000. What will be current liabilities?
A) Rs. 41,000
B) Rs. 38,000
C) Rs. 15,000

- D) Rs. 20,000 [A]
2. (A) Current ratio 1.5 :1, Working capital Rs. 30,000. What will be the current liabilities:
 A) 20,000
B) 60,000
 C) 1,65,000
 D) 1,50,000 [B]
3. (A& E) Calculate proprietary ratio: if share capital Rs. 5,00,000 ,reserve & surplus Rs. 2,00,000 and general reserve Rs. 1,00,000 and total assets RS 21,00,000.
 A) **0.33:1**
 B) 0.38:1
 C) 0.48:1
 D) 0.50:1 [A]
4. (A&E) Current ratio 4:1, Current assets Rs. 60,000 quick assets are 2:5:1. Calculate inventory
 A) **22,500**
 B) 37,500
 C) 15,000
 D) 25,000 [A]
5. (A& E) Trade receivable turnover ratio 5 times, average trade receivables Rs. 60,000. Calculate net credit revenue from operations.
 A) **Rs. 3,00,000**
 B) Rs. 2,00,000
 C) Rs. 12,000
 D) Rs. 2,40,000 [A]
6. (A) If cash sales is RS 2,00,000 and credit sales is 20% of total sales. Calculate amount of credit sales.
 A) **Rs. 50,000**
 B) Rs. 2,50,000
 C) Rs. 16,000
 D) Rs. 3,00,000 [B]
7. (U) Which of the following is not a limitation of analysis of financial statements?
 A) Affected by personal bias
B) To know the financial strength
 C) Lack of qualitative analysis
 D) Based on accounting concepts [B]
8. (U) Financial analysis become useless because it :
 A) Measures the profitability
 B) Measures the solvency
C) Lacks qualitative analysis
 D) Marks a comparative study [C]
9. (R) Parties interested in financial analysis are :
 A) Investors
 B) Government
 C) Financial institutions
D) All of the above [D]

10. (R)Main limitation of financial analysis is:
- A) To know the earning capacity
 - B) To know financial strength
 - C) **Do not reflect changes in price level.**
 - D) Comparative study with other firms. [C]
11. (A)Fixed assets of a company are increased from Rs. 3,00,000 to Rs. 4,00,000.What is the percentage change?
- A) 25%
 - B) **33.3%**
 - C) 20%
 - D) 40% [B]
12. (A)A company's current liabilities decreased from Rs. 4,00,000 to Rs. 3,00,000.What is the percentage of change?
- A) 25%
 - B) **33.3%**
 - C) 20%
 - D) 40% [B]
13. (A) A Company's working capital is Rs. 10 lakhs (Negative Balance) in the year 2018. It became Rs. 15 lakhs in the year 2019.What is the percentage of change?
- A) **150%**
 - B) 100%
 - C) 250%
 - D) 50% [A]
14. (A)A company's revenue from operations are Rs. 20,00,000, Cost of revenue from operations is Rs. 14,00,000 and indirect expenses are Rs. 2,00,000.What is the amount of gross profit?
- A) Rs. 18 Lakhs
 - B) Rs. 4 Lakhs
 - C) Rs. 8 Lakhs
 - D) **Rs. 6 Lakhs** [D]
15. (A)Total assets of a firm areRs. 20,00,000 and its fixed assets are Rs. 8,00,000.What will be the percentage of Fixed assets on total assets?
- A) **40%**
 - B) 58%
 - C) 28%
 - D) 71% [A]
16. (A)Total assets of a firm are Rs. 8,20,000 and its fixed assets are Rs. 5,90,000.What will be the percentage of current assets on total assets.
- A) 42%
 - B) 58%
 - C) **28%**
 - D) 72% [C]
17. (A&E) If net revenue from operations of a firm are Rs. 15,00,000, Gross profit is Rs. 9,00,000 and operating expenses are Rs. 75,000. What will be the percentage of operating income on net revenue from operations?
- A) 45%
 - B) **55%**

C) 35%

D) 65%

[B]

18. (R) Debt equity ratio is:

A) Short term solvency ratio

B) Long term solvency ratio

C) Liquidity ratio

D) Profitability ratio

[B]

19. (R) Current ratio is also known as :-

A) Solvency Ratio

B) Acid Test Ratio

C) Working Capital Ratio

D) Liquid Ratio

[C]

20. (U) Securities premium reserve included in :-

A) Debt

B) Equity

C) Liquid assets

D) Cost of revenue from operations

[B]

21. (U) What is trade investment?

A) Trading in securities

B) Investment in his own business

C) Investment in other company for promotion of his own business

D) None of the above

[C]

22. (A) If average inventory is Rs. 30,000 and closing inventory is Rs. 20,000 more than the opening, what will be the value of closing inventory?

A) Rs. 10,000

B) Rs. 20,000

C) Rs. 30,000

D) Rs. 40,000

[D]

23. (A & E) If the liquid ratio of a company is 1.5:1, then the company purchased goods of Rs. 50,000.

A) Decrease in liquid ratio

B) Increase in liquid assets

C) Decrease in current liability

D) Increase in liquid ratio

[A]

24. (A & E) If capital employed is Rs 8,00,000, total debt is Rs 5,00,000, current liability is Rs 2,00,000 then debt equity ratio will be

A) 5:3

B) 3:5

C) 1:1

D) 8:5

[B]

Q25 (A&E) If Revenue from operations is Rs 12,00,000 and cash revenue from operations is 20% of credit revenue from operations . What will be credit revenue from operations :

A Rs 2,00,000

B Rs 8,00,000

C Rs 10,00,000

MATCH THE FOLLOWING

Q.1(R)

1) Working capital turnover ratio	(a) Current assets / Current liabilities
2) Working capital ratio	(b) Liquid assets / Current liabilities
	(c) Revenue from operation / Working capital
	(d) Cost of revenue from operation / Working capital

[1-c ; 2-a]

Q.2(A)

1) Capital employed	(a) Total Assets-current liabilities
2) Shareholder fund	(b) Total Assets – total debts
	(c) Fixed assets- current liabilities

[1-a, 2-b]

Q.3–(A&E)Debt equity Ratio is 0.5: 1, what will be the impact of following transactions

1) Purchased Machinery for cash	(a) Increase
2) Issue of equity shares for cash	(b) Decrease
	(c) No change

[1-c, 2-b]

Q.4(R)

1) Average trade receivables	(a) Opening Debtors + Closing Debtors
	(b) Opening B/R + Closing B/R

[1-a]

Q.5(U)

1) Interest coverage ratio is calculated	(a) Times
2) Return on investment	(b) Percentage
	(c) Proportionate

[1-a, 2-b]

Q.6(R)

1) Liquidity ratio	(a) Current ratio and acid test ratio
2) Solvency ratio	(b) Working capital ratio and working capital turnover ratio
	(c) Debt .equity ratio and proprietary ratio
	(d) Gross profit ratio and operating ratio

[1-a, 2-c]

Q.7(A&E)

1) Debt. Equity ratio is 3:1	(a) Risky
2) Current ratio is 3:1	(b) Ideal
	(c) Safe
	(d) None of the above

[1-a, 2-c]

Q.8(A&E) Proprietary ratio is 0.7:1, what will be the impact of the following transactions

1) Building purchased for cash	(a) Increase
	(b) Decrease
	(c) No change

[1-c]

Q.9(A)

1) Increase in ROI	(a) Goods sold in profit
	(b) Repayment of debentures
	(c) Issue of Debentures
	(d) Goods sold at loss

[1-b]

Q.10(U)

1) Loose tools are not included in inventory for current ratio because	(a) Due to low value of items
2) Stores & spares are not included in inventory for current ratio	(b) Due to non – convertible into cash
	(c) Because of part of fixed assets
	(d) None of the above

[1-b, 2-b]

Q.11(A)

1) Gross profit	(a) Operating profits + other operation expenses
2) Operating profit	(b) RFO- operating cost
	(c) Net profit + non of expenses
	(d) Net profit + non of expenses

[1-a, 2-b]

Q.12(U)

1) Gross profit ratio will increase	(a) Increase in revenue from operation
2) Gross profit ratio will decrease	(b) Increase. in cost of revenue from operation
	(c) Inc. in wages of workers
	(d) Inc. in salary of employees

[1-a, 2-b]

Q.13(R)

1) Financial statement for a number of years are analysed	(a) Vertical analysis
2) When financial statement for a single year is analysed	(b) Horizontal analysis
	(c) Comparative analysis
	(d) Common size statement

[1-c, 2-d]

Q.14(R)

1) Interest accrued on investment is shown under the main head	(a) Current assets
2) Calls in advance appears in which head	(b) Current liabilities
	(c) Contingent liabilities

[1-a, 2-b]

Q.15(R)

1) Office equipment	(a) Current assets
2) Goodwill	(b) Non-current tangible assets
	(c) Non-current Intangible assets

[1-b, 2-c]

Q.16(R)

1) Sale of scrap	(a) Expenses
2) Dividend received	(b) Other income
	(c) Revenue from operations

[1-b, 2-b]

Q.17(R)

1) Inventory	(a) Current assets
2) Furniture and fixtures	(b) Current liabilities
	(c) Non-current assets

[1-a, 2-c]

Q.18(U)

1) Increase in gross profit	(a) Increase in Rfo
2) Increase in operating profit	(b) Rent received
	(c) Interest paid on bank overdraft

[1-a, 2-a]

Q.19 –(A&E)Current ratio of

1) X LTD 2.5:1	(a) Y is better than X LTD
2) Y LTD 8:1	(b) Both the companies are having ideal current ratio
	(c) X LTD is better than Y LTD
	(d) Both the companies are having poor liquidity

[1-c, 2-c]

Q.20(U)

1) Gross profit ratio will increase	(a) Increase in revenue from operations
2) Gross profit ratio will decrease	(b) Increase in cost of revenue from operations
	(c) Increase in wages of workers
	(d) None of the above

[1-a, 2-b]

Q.21(R)

1) Performance ratios	(a) Current ratio and acid test ratio
2) Profitability ratios	(b) Fixed assets turnover and working capital

	turnover ratio
	(c) Debt equity ratio and proprietary ratio
	(d) Gross profit ratio and operating ratio

[1-b, 2-d]

Q.22 –(A&E) Total assets to debt ratio is 3:1, what will be the impact of the following transactions.

1) Loan taken from bank and Rs. 3. lakhs payable after 4 years	(a) Increase
2) Building purchased for cash	(b) Decrease
	(c) No change

Q23 (A)

[1-b, 2-c]

1 Earning capacity	A) Solvency Ratio
2 Short term creditably	: B) Profitability ratio
	C) Liquidity ratios

Answer 1- B; 2- C

Q24 (A&E)

1 . If average inventory is Rs1,00,000 and closing inventory is 2 time more than that in. the beginning , then what will be the amount. of closing inventory :	A) Rs 50,000
2. If average inventory is Rs 1,00,000 and opening inventory is 1/3 of closing inventory , then what will be the amount of opening inventory .	B) Rs 1,50,000
	C) Rs 1,33,333
	D) Rs66,667

Answer 1- B ; 2- A

Q25 (A&E)

1 If revenue from operations is Rs6,00,000 and Gross profit is 20% of cost of revenue from operations. What will be the gross profit .	A) Rs 2,00,000
2 If cost of revenue from operations is Rs 6,00,000 and Gross profit is 25% of revenue from operations. What will be the gross profit.	B) Rs 1,00,000
	. C) Rs1,50,000
Answer (1-B ; 2- A)	D) Rs 50,000

UNIT -10 Cash Flow Statement

R – Remembering

U- Understanding

A – Application

A&E- Analysis & Evaluation

FILL IN THE BLANKS

1. (R)The statement that gives information about the historical changes in cash and cash equivalents is called_____ (cash flow statement)
2. (R) The_____of enterprise is principal revenue producing activity. (net sales)
3. (R)The amount of Cash received from debtor is shown in_____activity of the company. (Operating)
4. (R) Manufacturing expenses paid are classified into_____activity.(Operating Activities)
5. (U) An increase in Outstanding Salaries as compared to previous year's outstanding salaries are added under_____in Cash Flow Statement. (Changes in Working Capital)
6. (U)Deprecation is added back to the net profit to determine Net Profit before Tax and Extraordinary Activity because it is a_____item.(Non – Cash Item)
7. (R) Receipts from Dividend is shown as_____activity in Cash Flow Statement.(Investing)
8. (A) Interest on Debentures paid is added in_____in Cash Flow from Operating Activity.(net profit)
9. (U) Operating Activities are the principal revenue producing activities of an enterprise and those activities which are not_____or_____. (Investing Activities, Financing Activities)

10. (A&E) Net Profit before tax is Rs. 3530. Trade Receivables are Rs. 1,200 (as on 1st April, 2018) and Rs. 1,700 (as on 31st March, 2019). Cash Flow after Working Capital Changes will be _____.(Rs. 3,030)
11. (A) In Cash Flow Statement, for calculating Net Profit before Tax and Extraordinary Items, Proposed Dividend of _____ is added. (Previous year's)
12. (A&E) Plant with original cost of Rs. 800 and accumulated depreciation of Rs. 600 was sold for Rs. 100. Loss of Rs. 100 will be added to _____ in determining Cash Flow from Operating Activities. (Net Profit)
13. (A&E)
- | | 1/4/18 | 31/3/19 |
|-------------------|--------|---------|
| Provision for tax | 10,000 | 25,000 |
- Tax paid during the year ended 31st March, 2019 is Rs. 15,000. While calculating Net Profit before Tax and Extraordinary Activities, Rs. _____ will be added. (Rs. 30,000)
14. (A&E) If net profit for the year is Rs. 50,000 and bills payable increased by Rs. 10,000 during the year, then Cash Flow from Operating Activities will be Rs. _____. (Rs. 60,000)
15. (A) Amount transferred to General Reserve will be affecting _____ activity of Cash Flow Statement. (Operating)
16. (R) Issue of Shares and Debentures is a _____ Activity. (Financing)
17. (R) Purchase of Goodwill is shown as outflow under _____ Activities. (Investing)
18. (R) Redemption of Debentures results in outflow under _____ Activity. (Financing)
19. (U) Interest received Rs 10,000 by a Non-financial company is an _____ activity. (Investing)
20. (U) Dividend paid by a Non-financial company is a _____ Activity. (Financial)
21. (A&E) Land costing Rs. 1,00,000 is sold for Rs 1,20,000. Under Operating Activities _____ will be deducted and Rs. _____ will be shown as inflow under Investing Activity. (Rs. 20,000; Rs. 1,20,000)
22. (A&E) Maira Ltd. issued Equity Shares of Rs 5,00,000 and with the proceeds redeemed Debentures of Rs. 1,50,000 in the financial year. Cash inflow under Financing Activity will be Rs. _____. (Rs. 3,50,000)
23. (A&E) Dividend is paid on 10% Preference Shares of Rs 1,00,000. Unclaimed Dividend during the year is Rs. 2,000. Cash outflow for Dividend paid under Financing Activities will be _____. (Rs. 8,000)
24. (A&E) Redemption of debentures of Rs 1,00,000 at 10% premium. Amount shown as outflow under Financing Activity will be _____. (Rs. 1,10,000)

25. (A&E) A company has issued 8% Debentures of Rs. 10,00,000 at a discount of 5% and redeemable at a premium of 10%. Inflow under Financing Activity will be _____(Rs. 9,50,000)
26. (A&E) A plant costing Rs 1,00,000, accumulated depreciation being Rs. 20,000 is sold at a profit of Rs. 8,000. Amount that will be shown as inflow under Investing Activity will be Rs. _____ . (Rs. 88,000)
27. (A&E) A plant costing Rs. 2,00,000 having accumulated depreciation of Rs. 40,000 is sold for Rs. 1,70,000. Under Cash Flow from Operating Activities _____ will be deducted. (Rs. 10,000)

TRUE OR FALSE

1. (R) case of financial enterprises interest paid and interest recd will be treated as cash flow from operating activities. (T)
2. (A) Dividend of Previous Year is added to net profit to calculate Net Profit before Tax and Extraordinary Activities. (T)
3. (A) Redemption of Debentures by converting them into equity shares would result in flow cash. (F)
4. (A) Decrease in Trade Payables is deducted to calculate Cash Flow from Operating Activities under Change in Working Capital. (T)
5. (U) Cash in hand and cash at bank will affect Cash Flow from Operating Activities. (F)
6. (A) paid on Long Term Borrowings is added back to Net Profit Before Tax and Extraordinary Activities because it is an expense relating to Financing Activities. (T)
7. (A&E) Surplus i.e., Balance in Statement of Profit and Loss
- | | 2016 | 2017 | |
|-------------------|-------|-------|-----|
| (12,000) (14,000) | | | |
| General Reserve | 2,000 | 3,000 | (F) |
8. (A) Refund of tax is deducted from Net Profit before Tax and Extraordinary Activities. (T)
9. (A&E)
- | | (2018) | (2017) | |
|--------------------------|----------------|---------------|--|
| Plant and Machinery | Rs. 8,00,000 | Rs. 7,00,000 | |
| Accumulated depreciation | Rs. - 1,20,000 | Rs. -1,00,000 | |
| | Rs. 6,80,000 | Rs. 6,00,000 | |
- Amount to be added to Net Profit before Tax and Extraordinary Items as Non – cash Expense (Depreciation) is Rs. 20,000 (T)

10. (R) Rent received is operating activity by manufacturing concern. (F)
11. (R) Interest received on investment is financing activity. (F)
12. (U) Purchase of land increases owner's wealth. (F)
13. (U) Redemptions of debenture at a premium is inflow under Financing Activity. (F)
14. (A)Rs. 10,000 paid for redemption of debenture is outflow under Financing Activity. (T)
15. (U) Underwriting Commission paid on issue of shares increases outflow under Financing Activities. (T)
16. (U)Interest received on debenture by a manufacturing enterprises shown as Investing Activity. (T)
17. (A&E) Asset of Rs.10,000 sold during the year at a profit of Rs. 2,000. Rs. 12,000 is shown as inflow under investing Activity. (T)
18. (A&E) Goodwill 1st April, 2018 31st March, 2019
Rs. 10,000 Rs. 8,000
Goodwill amortized during the year is Rs. 2,000. (T)
19. (U)Purchase of software by a manufacturing concern is Operating Activity. (F)
20. (A)10% Debenture of Rs5,00,000 issued on 1stOctober, 2018. Interest of Rs. 2,500 paid by company will be shown in Financing Activity. (T)
21. (A) 10% Preference Share of Rs. 5,00,000 were issued at a premium of 5%. The amount received i.e., Rs.4,50,000 will be shown as Financing Activity. (F)
22. (U)Short term deposits in bank will result in no flow of cash. (T)
23. (U) Bank deposits with 100days of maturity will be included in cash and cash equivalents.(F)
24. (R) Interest received on Calls in Arrears by a company is a Financing Activity. (T)
25. (R) Interest paid on bank overdraft is shown in financing activities (T)

MULTIPLE CHOICE QUESTIONS :

1. (R) Which of the following will be added to Net Profit before Tax.
a) Provision for Taxation.
b) Depreciation
c) Decrease interest.
d) None of the above. (a)
2. (R) In case of financial enterprises cash flow from interest and dividend received and interest paid is classified as cash flow from.
a) Operating Activity
b) Investing Activity
c) Finances Activity
d) Cash and Cash Equivalents. (a)
3. (R)Which of the following is not a cash inflow?
a) Decrease in debtors
b) Issues of shares
c) Decrease in creditors
d) Sale of fixed assets (c)
4. (U) Purchase of building against payment is
a) Operating Activity
b) Financing Activity
c) Investing Activity
d) None of these (c)
5. (R) Repayments of debenture is:
a) Operating Activity
b) Financing Activity
c) Investing Activity
d) None of these (b)
- 6(A)
.Investment costing Rs. 10,000 sold for Rs. 12,000. The amount shown in investing activity is
a) Rs. 2,000
b) Rs. 10,000
c) Rs. 12,000
d) Rs. 2,200 (c)
- 7.(A&E) Marketable Securities costing Rs. 10,000 sold for Rs. 12,000, Profit on sale of Marketable Securities was credited to Statement of Profit and Loss. Which of the following statement is correct?
a) Rs. 2,000 will be deducted from Net Profit under Operating Activity and shown as inflow under Investing Activities.
b) Rs. 2,000 will be deducted from Net Profit under Operating Activity and shown as Extra-ordinary Item under Operating Activities.

- c) Rs. 2,000 will be deducted from Net Profit under Operating Activity and shown as Extra-ordinary Item under Investing Activities.
- d) Rs. 2,000 will be deducted from Net Profit under Operating Activity and added to Cash and Cash Equivalents. (b)

8. (A) On 1stOctober, 2018 10% Debentures of Rs. 1,00,000 were issued. Interest on Debenture paid by company for year ended 31stMarch, 2019 is

- a) Rs. 10,000
- b) Rs. 15,000
- c) Rs. 5,000
- d) Rs. 2,500 (c)

9.(A) Increase in Bank Overdraft is

- a) Investing Activity
- b) Financing Activity
- c) Operating Activity
- d) Cash and Cash Equivalents (b)

10. (A) Proceeds from raising bank loan is shown as

- a) Investing Activity
- b) Financing Activity
- c) Operating Activity
- d) Cash and Cash Equivalents. (b)

11.(A&E) On 1stJanuary, 2018 company issued shares of Rs.10,00,000 and paid Rs. 10,000 as Share Issue Expense. Amount shown in Financing Activities

- a) Rs. 10,00,000 as Inflow and Rs. 10,000 as Outflow.
- b) Rs. 9,90,000 as Inflow.
- c) Rs. 10,10,000 as Inflow.
- d) Rs. 10,00,000 as Inflow from Shares and Rs. 10,000 as Inflow for Share Issue Expenses. (a)

12.(U) A company which issued bonds to raise funds which

- a) Increases liability
- b) Increases equity
- c) Increases assets
- d) Decreases cash (a)

13.(U) Which of the following is not Cash or Cash Equivalents

- a) Cash in hand
- b) Demand Deposit
- c) Bank Borrowings
- d) Investment which is maturing within 2 months from the date of acquisition (c)

14. (U) All of the following would be included in company's Operating Activities except
- a) Income tax payment
 - b) Collections from customer
 - c) Cash payment to suppliers
 - d) Interest on Current Investment (d)
15. (U) Which of the following items is not a Non-cash items
- a) Depreciation Expense
 - b) Amortization Expense
 - c) Result of Provision
 - d) Income tax Payment (d)
16. (A) of the following items would be subtracted from net income when using indirect method for operating activity.
- a) Depreciation Expense
 - b) Repayment of Bonds Payable
 - c) Gain on Sale of Land
 - d) Loss on Sale of Equipment. (c)
17. (U) Interest received on investment by a financing company is shown under:
- a) Operating Activity
 - b) Investing Activity
 - c) Financing Activity
 - d) Cash and Cash Equivalents (a)
18. (A) Sale of current investment will be shown under
- a) Operating Activity
 - b) Financing Activity
 - c) Investing Activity
 - d) Cash and Cash Equivalents (d)
19. (A & E) of Plant and Machinery of Book Value of Rs. 5,00,000 at a loss of 5%. Inflow under Investing Activities will be
- a) Rs. 4,75,000
 - b) Rs. 5,00,000
 - c) Rs. 3,80,000
 - d) Rs. 3,60,000 (a)
20. (A) of shares for consideration other than cash is
- a) Shown under Operating Activity
 - b) Shown under Financing Activity
 - c) Shown under Investing Activity
 - d) not shown in Cash Flow Statement. (d)
21. (A) Interest paid on investment is shown under
- a) Operating Activity

- b) Financing Activity
- c) Investing Activity
- d) Cash and Cash Equivalents (b)

22. (A & E) Issue of Debentures for consideration other than cash is shown as

- a) Inflow of Cash under Financing Activities
- b) Outflow of Cash under Financing Activities
- c) Neither Inflow nor Outflow of Cash
- d) Inflow of Cash under Operating Activities. (c)

23. (A) Issue of shares at a premium is shown as:

- a) Inflow under Operating Activities.
- b) Inflow under Financing Activities.
- c) Inflow under Investing activity
- d) Outflow under Financing Activities. (b)

24. (A) Dividend paid by a financing company is shown under :

- a) Operating Activity
- b) Investing Activity
- c) Financing Activity
- d) Cash and Cash Equivalents (c)

25. (A) Dividend paid by non financing company is shown under:

- a) Operating activity
- b) Investing activity
- c) Financing activity
- d) Cash and cash equivalents. (c)

MATCH THE FOLLOWING

1. Match the following items:

- | | |
|--|-------------------|
| a. Cash budget is prepared for | 1. Present period |
| b. Cash flow statement is prepared for | 2. Past period |
| c. | 3. Future period |
- (a-3 ; b - 2)

2. Match the following items:

- a. Cash and Cash Equivalents include
- b. Cash flow from Operative Activities

- 1. Cheques and drafts
- 2. Cash payment of wages, etc Include
- 3. Marketable securities
- 4. Cash payments or refunds income Tax.

(a -3 ; b -2)

3. [Evaluation]

- a. Interest received on investment
- b. Dividend paid on preference share

- 1. Operating activity
- 2. Investing activity
- 3. financial activity

4. [Evaluation]

- a. Acquisition of assets by issues of debentures
- b. Depreciation on fixed assets

- 1. Operating Activity
- 2. Investing Activity
- 3. Financing Activity
- 4. Not shown in Cash Flow Statement

(a - 4 ; b - 1)

5. [Application]

- a. Cash received from royalty, fees, commission
- b. Payment of salary rent. Etc.
- c. Sale of security by financial company

- 1. Inflow
- 2. Outflow
- 3. No flow of cash

(a - 1 ; b - 2 ; c - 1)

6(A&E)

- a. For an investment company- sale and purchase of security
- b. For an insurance company -receipt of premium

- 1. Operating Activity
- 2. Investing Activity
- 3. Financing Activity

(a - 1 ; b -1)

7(A&E)

- a. Goodwill written o
- b. Loss on sale of machine Rs. 5,000

- 1. Increase the flow by Rs. 5,000
- 2. Decrease the flow by Rs, 5,000
- 3. No change in flow

(a – 3 ; b – 3)

8(U)

- a. Increase in provision for tax
- b. Refund of tax

- 1. Inflow
- 2. Outflow
- 3. No flow

(A -3 ; B -1)

9.(A) a) Purchase of Land /Building

1) cash inflow

b) Issue of shares

- 2) investing activity
- 3) Operating activity
- 4) Financing activity

(a – 2 ; b -4)

10(A)a) Redemption of Debenture

1) Investing Activity

b) Purchase of Goodwill

- 2) Financing Activity
- 3) Operating Activity

(a – 2 ; b 1)

- 1 1 (A&E) a) Conversion of Debentures into shares
- b) Land sold @ 10% profit is shown under

- 1) Financing Activity
- 2) Is not shown in Cash Flow Statement
- 3) Investing activity

(a – 2 ; b – 3)

- 12(A&E) a) Dividend received on shares held as investment
- b) Bank Overdraft

- 1) Cash and Cash Equivalents
- 2) Operating Activity
- 3) Investing Activity
- 4) Financing Activity

(a – 3 ; b -4)

- 13A&E)a) Profit on sale of land
- b) Loss on sale of fixed assets

- 1) Operating activity
- 2) Investing activity
- 3) Financing activity

(a 2 ; b – 2)

14(U) a) Rent received on property held on investment
b) Underwriting commission paid

- 1) Operating Activity
- 2) Investing Activity
- 3) Financing Activity
- 4) Outflow of cash

(a- 2 ; b – 3)

15(A&E)a) 10% Debentures of Rs 1,00,000 issued @ 20% premium
b)Interest paid on long term loans(1,00,000)@15%

- 1) Rs. 15,000
- 2) Rs. 1,00,000
- 3) Rs. 1,10,000
- 4) Rs. 1,20,000

(a – 4 ; b – 1)

16(R)a) Purchase of intangible assets
b) Discount on issue of

- 1) Operating Activity
- 2) Investing Activity
- 3) Financing Activity

(a – 2 ; b – 3)

17(A)a)Land sold at Loss of Rs 10,000.
b)Securities premium at the time of issue of shares

- 1) Operating Activity
- 2) Investing Activity
- 3) Financing Activity

(a -2 ; b- 3)

18 (A) a) Purchase of Goodwill
b) Conversion of debentures into shares

1. Operating Activity
2. Investing Activity
3. Financing Activity
4. Not recorded in FS

(a – 2 ; b – 3)

19(U)a) Premium on redemption on debentures
b) Proceeds from public deposits

- 1)Operating Activity
- 2) Investing Activity
- 3) Financing Activity

(a – 3 ; b – 3)

- 20 A) a) Interim Dividend
b) Proposed Dividend

- 1) Operating Activity
- 2) Investing Activity
- 3) Financing Activity

(A – 3 ; B 3)

- 21(A) a) Sale of Marketable Securities
b) Profit on sale of Marketable Securities

- 1) Operating Activity
- 2) Investing Activity
- 3) Financing Activity
- 4) Cash and Cash Equivalents

(A - 4 ; b – 1)

- 22(A) a) Sale of Patents
b) Profit on sale of Investment

- 1) Operating Activity
- 2) Investing activity
- 3) Financing activity
- 4) Cash and Cash Equivalents

(A 2 ; B – 2)

- 23(A) a) Repayment t of Bank Overdraft
b) Loss on sale of Marketable Securities

- 1) Operating Activity
- 2) Investing Activity
- 3) Financing Activity
- 4) Cash and Cash Equivalents

(A – 3 ; b -1)

- 24(U) a) Sale of Marketable Securities
b) Profit on sale of Marketable Securities

- 1) Inflow of Cash
- 2) Outflow of Cash
- 3) No Flow of Cash
- 4) Cash and Cash Equivalents

(a- 3 ; b -3)

25(A) a) Dividend paid by financing company.
activity

1) Operating

b) Dividend paid by non financing company. 2)
Investing activity

3) Financing activity

4) Cash and cash
equivalents

(a- 3; b -3)

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