# **Accounting for Share Capital**

# State which of the following is correct:

# Question 1.

A Joint stock company has:

- (a) Common Seal
- (b) Limited Liability
- (c) Separate Legal Entity
- (d) All of these

# **▼** Answer

Answer: (d) All of these

# Question 2.

Private company is one which:

- (a) Restrict the right of members to transfer shares
- (b) Prohibits any invitation to the public to subscribe
- (c) Limit the number of members to two hundred
- (d) All of the above.

### **▼** Answer

Answer: (d) All of the above.





Minimum number of members in a public company:
(a) 2
(b) 7
(c) 50
(d) No limit.
▼ Answer
Answer: (b) 7
Question 4.
Minimum number of members in a private company:
(a) 2
(b) 7 (c) 50
(d) No limit.
▼ Answer
Answer: (a) 2
Question 5.
Maximum number of members in a private company:
(a) 7 (b) 50
(c) 100
(d) 200.
▼ Answer
Answer: (d) 200.
Question 6.
Maximum number of members in a public company:
(a) 2
(b) 7
(c) 50 (d) No limit
(d) No limit.
▼ Answer
Answer: (d) No limit.
Question 7.
Equity shareholders are the of the company.



(a) Owners
<ul><li>(b) Creditors</li><li>(c) Money lenders</li></ul>
(d) Customers.
▼ Answer
Answer: (a) Owners
Question 8.  Debenture holders are the of the company.  (a) Owners  (b) directors  (c) Moneylenders  (d) Customers.
▼ Answer
Answer: (c) Moneylenders
Question 9.  Preference shareholders are the of the company.  (a) First Owners  (b) Second Owners  (c) Money lenders  (d) Customers.
▼ Answer
Answer: (b) Second Owners
Question 10. Companies in India are governed by companies Act: (a) 1912 (b) 1976 (c) 1932 (d) All of these.
▼ Answer
Answer: (d) All of these.
Question 11.  is the fractional part of the total Capital of the company.  (a) Share (b) Debenture (c) Bond (d) All of these.





▼ Answer
Answer: (a) Share
Question 12.
shares have to be repaid by the company after a specified period.
(a) Equity
(b) Preference
<ul><li>(c) Both equity and preference</li><li>(d) All of these.</li></ul>
▼ Answer
Answer: (b) Preference
Question 13.
Rate of return is not fixed on
(a) Preference share
(b) Equity share
(c) Debentures
(d) All of these.
▼ Answer
Answer: (b) Equity share
Question 14.
enjoys the rights of voting.
(a) Equity share holder
(b) Preference share holder
(c) Debenture holder
(d) All of these
▼ Answer
Answer: (a) Equity share holder
Question 15.
can not be redeemed during the life time of a company.
(a) Equity shares
(b) Preference shares
(c) Debentures (d) All of these
▼ Answer
Answer: (a) Equity shares





Question 16. Shares can be issued at:
(a) Par (b) Discount (sweet equity)
<ul><li>(b) Discount (sweat equity)</li><li>(c) Premium</li></ul>
(d) All of these
▼ Answer
Answer: (d) All of these
Question 17.
capital is the sum mentioned in capital clause of Memorandum of Association.  (a) Nominal
(b) Authorised
(c) Registered (d) All of these
(d) All of these
▼ Answer
Answer: (d) All of these
Question 18.
capital is that portion of uncalled share capital which shall not be called except in the event and for the purpose of the company wound up.
(a) Nominal
(b) Called up
(c) Paid up (d) Reserve.
▼ Answer
Answer: (d) Reserve.
Question 19.
Issued capital can never be more than capital.  (a) Subscribed
(a) Subscribed (b) Nominal
(c) Paid up
▼ Answer
Answer: (b) Nominal
Question 20.  When the growther of shores applied for is less than the growther of shores affected is called
When the number of shares applied for is less than the number of shares offered, is called subscription.
(a) minimum
(b) over





(c) under (d) par
▼ Answer
Answer: (c) under
Question 21.  When the number of shares applied for is more than the number of shares offered, is called subscription.  (a) minimum  (b) over  (c) under  (d) par
▼ Answer
Answer: (b) over
Question 22.  Application money never is less than of face value.  (a) 5%  (b) 10%  (c) 25%  (d) 100%
▼ Answer
Answer: (a) 5%
Question 23.  Minimum subscription amount must be received within subscription list.  (a) 10 (b) 120 (c) 30 (d) 7
▼ Answer
Answer: (c) 30
Question 24.  Maximum paid-up capital in case of OPC is restricted to rupees  (a) ₹ 2,00,000  (b) ₹ .5,00,000  (c) ₹ 50,00,000  (d) ₹ 2,00,00,000
▼ Answer





Answer: (c) X 50,00,000
Question 25.  Calls amount should not exceed of the face value.  (a) 30%  (b) 25%  (c) 90%  (c) 10%
▼ Answer
Answer: (b) 25%
Question 26. Section of Companies Act provide those conditions which must be followed if share are issued at discount.  (a) 52 (b) 53 (c) 54 (d) 79.
▼ Answer
Answer: (c) 54
Question 27. Interest on calls arrears will be charged@ pa.  (a) 5%  (b) 6%  (c) 10%  (d) 12%.
▼ Answer
Answer: (c) 10%
Question 28. Interest on calls in advance will be allowed @ p.a.  (a) 5%  (b) 6%  (c) 10%  (d) 12%.
▼ Answer
Answer: (d) 12%.



Ouestion 29.

Amount received for security premium will be credited to:

- (a) Cash Account
- (b) Share Capital Account
- (c) Capital Reserve
- (d) Security Premium Account.

#### **▼** Answer

Answer: (d) Security Premium Account.

Ouestion 30.

Discount (Loss) allowed on Re-issue of shares will be debited to:

- (a) Share Discount A/c
- (b) Share forfeiture A/c
- (c) Profit and Loss A/c
- (d) Share Capital A/c.

#### **▼** Answer

Answer: (b) Share forfeiture A/c

Question 31.

Amount of security premium may be called along with:

- (a) Application
- (b) Allotment
- (c) Calls
- (d) Any of a,b,c

# **▼** Answer

Answer: (d) Any of a,b,c

#### Ouestion 32.

The balance of share forfeiture account after re-issue is transferred to:

- (a) Share Capital
- (b) Capital Reserve
- (c) General Reserve
- (d) Security Premium.

#### **▼** Answer

Answer: (b) Capital Reserve

# Question 33.

Joy Ltd. issued 1,00,000 equity shares of ₹ 10 each. The amount was payable as follows:

On application -₹ 3 per share.

On 1st and final call balance.







Applications for 95,000 shares were received and shares were allotted to all the applicants. Sonam to whom 500 shares were allotted failed to pay allotment money and Gautam paid his entire amount due including the amount due on first and final call on the 750 shares allotted to him along with allotment. The amount received on allotment was:

- (a)  $\ge 3,80,000$
- (b)  $\ge 3,78,000$
- (c)  $\ge 3,80,250$
- (d) ₹ 4,00,250 (CBSEDelhi 2015)

#### **▼** Answer

Answer: (c) ₹ 3,80,250

#### Ouestion 34.

Nirman Ltd. issued 50,000 equity shares of ₹ 10 each. The amount was payable as follows:

On application – ₹ 3 per share

On allotment – ₹ 2 per share On first and final call – The balance

Applications for 45,000 shares were received and shares were allotted to all the applicants. Pooja, to whom 500 shares were allotted, paid her entire share money at the time of allotment, whereas Kundan did not pay the first and final call on his 300 shares. The amount received at the time of making first and final call was:

- (a)  $\ge 2,25,000$
- (b)  $\ge 2,20,000$
- $(c) \ge 2,21,000$
- (d) ₹ 2,19,500

#### **▼** Answer

Answer: (c) ₹ 2,21,000

# Question 35.

Metacaf Ltd. issued 50,000 shares of ₹ 100 each payable ₹ 20 on application (on 1 st may 2012) ₹ 30 on allotment (on 1st January 2013) ₹ 20 on first call (on 1st July 2013) and the balance on final call (on 1st February 2014). Shankar, a shareholder holding 5,000 shares did not pay the first call on the due date. The second call was made and Shankar paid the first call amount along with the second call. All sums due were received.

- (a)  $\ge 15,00,000$
- (b)  $\ge 16.00,000$
- $(c) \ge 10,00,000$
- (d) ₹ 11,00,000

#### **▼** Answer

Answer: (b) ₹ 16,00,000

# Fill in the blanks with correct word:

#### Question 36.

A portion of share capital that is reserved by the company and will be utilized only on the happening of winding up of the company is called \_\_\_\_\_.





▼ Answer
Answer: Reserve Capital
Question 37. Company is an person.
▼ Answer
Answer: artificial
Question 38.  Company is under the provisions of Companies Act 2013.
▼ Answer
Answer: incorporated
Question 39. Company is an artificial person created by
▼ Answer
Answer: Law
Question 40. Liability of members of a company is to the extent of the value of shares held by him.
▼ Answer
Answer: Limited
Question 41. A joint State company has a seal.
▼ Answer
Answer: Common
Question 42.  Reserve capital is the part of capital.
▼ Answer
Answer: 5 Uncalled





Public Ltd. companies are required to write after their name.
▼ Answer
Answer: Limited
Question 44.  Private Companies are required to use after their names
▼ Answer
Answer: Private Limited
Question 45. Public Ltd. Company imposes on the transfer of share.
▼ Answer
Answer: No restriction
Question 46. Shares come into existence when money is demanded.
▼ Answer
Answer: allotment
Question 47. There is no fixed rate of dividend on
▼ Answer
Answer: equity shares
Question 48. On cumulative preference shares, arrears of dividend automatically.
▼ Answer
Answer: accumulate
Question 49 shareholders don't have normal voting rights.
▼ Answer
Answer: preference





Question 50. Shares which are not preference shares are called shares.
▼ Answer
Answer: Equity
Question 51. At the time of forfeiture of shares, will be debited.
▼ Answer
Answer: Share Capital Account
Question 52. Shares cannot be issued at to the public.
▼ Answer
Answer: Discount
Question 53 Capital is not a part of balance sheet.  ▼ Answer
Answer: Reserve
Question 54. The purpose of creating capital is to assure security to unsecured creditors.
▼ Answer
Answer: Reserve
Question 55. Section of the Companies Act., 2013 provides issue of sweat equity shares.
▼ Answer
Answer: 54
Question 56. Section of Companies Act. 2013 provides for ESOP.
▼ Answer





A	(0
Answer:	67
Talls w Cl.	04.

State whether the following statements are true or false:

Question 57.

Minimum number of members in a private limited company is three.

# **▼** Answer

Answer: False

Question 58.

Maximum number of directors in a company can be fifteen.

# **▼** Answer

Answer: True

Question 59.

One person company is the extension of sole proprietorship with limited liability.

# **▼** Answer

Answer: True

Question 60.

Irredeemable preference shares carry the same features as that of equity shares.

# **▼** Answer

Answer: False

Question 61.

Fixed dividend is allowed on equity shares.

# **▼** Answer

Answer: False

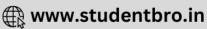
Question 62.

Preference shareholders have no normal voting rights.

# **▼** Answer

Answer: True





Question 63.

Equity shareholders are owner of the company.

**▼** Answer

Answer: True

Question 64.

Company have perpetual succession.

**▼** Answer

Answer: True

Question 65.

If shareholders are unable to pay their dues then company can forfeit their shares.

**▼** Answer

Answer: True

Question 66.

Company can forfeit shares without any notice.

**▼** Answer

Answer: False

Question 67.

There is no difference between private company and public company.

**▼** Answer

Answer: False

Question 68.

Table F deals with calls in arrears.

**▼** Answer

Answer: True

Question 69.

Private placement refers to issue of shares privately without disclosing the facts on issue.

**▼** Answer

Answer: False





Question 70.

Called up capital may be greater than issued capital.

# **▼** Answer

Answer: False

Question 71.

Company can exceed the limit of nominal capital through alteration in the memorandum of association.

### **▼** Answer

Answer: True

Question 72.

Reserve capital and capital reserve are same in nature.

#### **▼** Answer

Answer: False

Question 73.

There is lot of difference between minimum subscription and under subscription.

#### **▼** Answer

Answer: True

Question 74.

Issue of shares at discount can be issued only to directors and employees of a company.

### **▼** Answer

Answer: True

Question 75.

Securities premium reserves can be used to issue bonus shares to the equity shareholders.

#### **▼** Answer

Answer: True

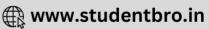
Question 76.

Called up value on share cannot be more than 25% of the face value of a share.

**▼** Answer







Answer: True

# One Word Questions:

# Ouestion 77.

What is meant by over subscription of shares? (CBSE Compt. 2019)

### **▼** Answer

Answer: Oversubscription of shares means that the company receives applications for more than the number of shares offered to the public for subscription.

#### Ouestion 78.

What is meant by 'par value' of a share? (CBSE Compt. 2019)

# **▼** Answer

Answer: Par value is the nominal value or the face value of the share.

# Question 79.

Is Reserve Capital a part of Unsubscribed Capital or Uncalled Capital? (CBSE Delhi 2018)

### **▼** Answer

Answer: Yes.

### Ouestion 80.

A company issued 25,000 equity shares of ₹ 10 each but received applications for 30,000 shares. Name the case of subscription.

#### **▼** Answer

Answer: Over subscription

# Question 81.

Neelam Limited has the following balances appearing in the balance sheet:

Securities Premium Reserve	₹ 22,00,000
9% Debentures	₹ 1,20,00,000
Underwriting Commission	₹ 10,00.000

The company decided to redeem its 9% debentures at a premium of 10%. You are required to state how much securities premium amount can be used for redemption of debentures.

#### **▼** Answer

Answer: ₹ 12,00,000.





### Ouestion 82.

On 1.1.2016 the first call of ₹ 3 per share became due on 1,00,000 equity shares issued by Kamini Ltd. Karan a holder of 500 shares did not pay the first call money. Arjun a shareholder holding 1000 shares paid the second and final call of ₹ 5 per share along with the first call.

Pass the necessary journal entry for the amount received by opening 'Calls-in-arrears' and 'Calls-in-advance' account in the books of the company.

#### **▼** Answer

#### Answer:

#### Journal

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c	Dr.		3,03,500	
	Call in Arrears A/c	Dr.		1,500	
	To Share Ist call A/c				3,00,000
	To Call in Advance A/c			1	5,000
	(Being amount received on Ist call)				

#### Ouestion 83.

Where will you show call in arrears in the balance sheet?

#### **▼** Answer

Answer: As deduction from the subscribed but not fully paid share capital.

#### Ouestion 84.

Where will you show call in advance in the balance sheet?

# **▼** Answer

Answer: It is shown under other current liabilities.

### Question 85.

At what rate of interest, interest on call in arrears, is charged?

#### **▼** Answer

Answer: 10%p.a.

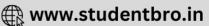
# Question 86.

At what rate interest on calls-in-advance is paid by the company according to Table F of Companies Act, 2013? (CBSE Delhi Compt.2014)

# **▼** Answer

Answer: As per Table F, company is required to pay interest on the amount of calls in advance @ 12% p.a.





### Question 87.

How would you deal in a situation where the value of purchase considerations is more than the value of net assets while acquiring a business?

#### **▼** Answer

Answer: It would refer to loss.

#### Ouestion 88.

How will you deal in a situation where the value of net assets is more than the value of purchase consideration while acquiring a business?

# **▼** Answer

Answer: It would refer to gain.

# Question 89.

Which account will you debit while issuing the shares to the promoters of a company against their services?

# **▼** Answer

Answer: Goodwill Account or Incorporation Expenses Account.

#### Ouestion 90.

When can shares held by a shareholder be forfeited? (CBSE Delhi 2017)

#### **▼** Answer

Answer: On the non-payment of call money due.

### Question 91.

An Ltd forfeited a share of 100 issued at a premium of 20% for non-payment of first call of 30 per share and' final call of 10 per share. State the minimum price at which this share can be reissued. (CBSE Sample Paper 2016)

### **▼** Answer

Answer: ₹ 40 per share

### Question 92.

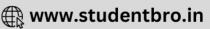
Give the meaning of forfeiture of share.

# **▼** Answer

Answer: Cancellation of shares.







### Ouestion 93.

At the time of forfeiture of shares, what amount is credited to share forfeiture account?

#### **▼** Answer

Answer: The amount already received.

### Ouestion 94.

Where will you show the share forfeited account in the balance sheet of a company?

#### **▼** Answer

Answer: As an addition in the subscribed capital.

### Ouestion 95.

What amount of share capital is debited when the shares are forfeited?

### **▼** Answer

Answer: Called up money.

### Ouestion 96.

What amount of share capital is credited when the forfeited shares are reissued?

### **▼** Answer

Answer: Paid up capital of shares at the time of reissue.

# Question 97.

Y Ltd. forfeited 100 equity shares of ₹ 10 each for the non-payment of first call of ₹ 2 per share. The final call of ? 2 per share was yet to be made.

Calculate the maximum amount of discount at which these shares can be re-issued. (CBSE Delhi 2017)

### **▼** Answer

Answer: ₹ 6 per share or ₹ 600.

# Question 98.

If a question is silent on the question of excess money received with application, how would you treat it?

#### **▼** Answer

Answer: In the absence of any information, excess money over the amount due on allotment shall be refunded.



