

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.



Question 3.

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.

▼ [Answer](#)

Answer: (d) No limit.

Question 7.

Equity shareholders are the _____ of the company.



- (a) Owners
- (b) Creditors
- (c) Money lenders
- (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
- (c) Both equity and preference
- (d) All of these.

▼ [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 (sweat equity)
- (c) Premium
- (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

▼ [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
- (b) Nominal
- (c) Paid up

▼ [Answer](#)

Answer: (b) Nominal

Question 20.

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%.

Question 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.

Question 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

Question 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 allotment - ₹ 4 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) ₹ 3,80,000
- (b) ₹ 3,78,000
- (c) ₹ 3,80,250
- (d) ₹ 4,00,250 (CBSE Delhi 2015)

▼ [Answer](#)

Answer: (c) ₹ 3,80,250

Question 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) ₹ 2,25,000
- (b) ₹ 2,20,000
- (c) ₹ 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) ₹ 15,00,000
- (b) ₹ 16,00,000
- (c) ₹ 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



Question 43.

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](#)



Answer: 62.

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:

Question 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.

Question 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.

Question 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.

Question 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			5,000
	(Being amount received on Ist call)			

Question 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.

Question 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.

Question 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.

Question 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.



Question 93.

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

▼ [Answer](#)

Answer: The amount already received.

Question 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.

Question 95.

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

▼ [Answer](#)

Answer: Called up money.

Question 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.

