Shri Guru Nanak College Preet Vihar Rudrapur

Corporate Accounting

Section A: 50 Long Answer Questions

- 1. Define shares. Explain their features and types.
- 2. Differentiate between preference shares and equity shares.
- 3. Explain the procedure of forfeiture and reissue of shares.
- 4. What is share capital? Describe its various types.
- 5. Discuss the provisions of the Companies Act regarding issue of shares.
- 6. Explain the process of redemption of preference shares with journal entries.
- 7. What are debentures? Explain their types.
- 8. Differentiate between shares and debentures.
- 9. Discuss the SEBI guidelines for issue of shares.
- 10. What is share premium? How is it treated in accounts?
- 11. Explain the concept of bonus shares and their accounting treatment.
- 12. Discuss the meaning and significance of buy-back of shares.

13. Explain the procedure for issue of rights shares.
14. What are sweat equity shares? State their significance.
15. What is underwriting of shares? Explain the provisions.
16. Define final accounts. What are their objectives?
17. Prepare a proforma of Balance Sheet as per Companies Act.
18. What is Profit and Loss Account? Discuss its format.
19. Explain adjustments in final accounts with examples.
20. Discuss treatment of outstanding and prepaid expenses.
21. What is provision for bad debts? How is it shown?
22. Explain the treatment of depreciation in final accounts.
23. What is managerial remuneration? Explain its provisions.
24. What are notes to accounts? Explain with examples.
25. Prepare a company final account with imaginary figures.
26. Define goodwill. What are its features?
27. Why is valuation of goodwill necessary?

28. Explain Average Profit Method of valuation of goodwill.
29. Discuss Super Profit Method with examples.
30. Explain Capitalisation Method of valuation of goodwill.
31. Differentiate between purchased and inherent goodwill.
32. What are the factors affecting goodwill valuation?
33. Explain the need for valuation of goodwill during amalgamation.
34. What is valuation of shares? Why is it important?
35. Discuss Net Asset Method of valuation of shares.
36. Explain Yield Method of share valuation.
37. Describe Fair Value Method of share valuation.
38. Explain methods of computing profit prior to incorporation.
39. What factors affect share valuation?
40. Write a note on share valuation for taxation purposes.
41. What is intrinsic value of a share? Explain with example.
42. What is capitalisation of yield? Explain.

43. Define amalgamation. What are its types?
44. Explain accounting treatment for amalgamation as per AS-14.
45. Differentiate between amalgamation and absorption.
46. What is internal reconstruction? Discuss its objectives.
47. Explain external reconstruction with suitable examples.
48. Discuss the calculation of purchase consideration.
49. Draft journal entries for amalgamation.
50. Write a detailed note on amalgamation in the nature of merger.
✓ Section B: 50 Short Answer Questions
1. What is share forfeiture?
2. Define share reissue.
3. What are redeemable preference shares?
4. What is equity share?

6. Define debenture.
7. What is share buy-back?
8. What is share premium?
9. Define bonus share.
10. What is rights issue?
11. What are sweat equity shares?
12. Define underwriting.
13. What is authorised capital?
14. What is paid-up capital?
15. Define final accounts.
16. What is a Balance Sheet?
17. What is Profit and Loss Account?
18. State any two objectives of final accounts.

19. Define outstanding expenses.

5. State two differences between shares and debentures.

20. What are prepaid expenses?
21. What is provision for bad debts?
22. Define depreciation.
23. What is managerial remuneration?
24. What are notes to accounts?
25. What is goodwill?
26. Define purchased goodwill.
27. Define inherent goodwill.
28. State any two factors affecting goodwill.
29. What is Average Profit Method?
30. What is Super Profit?
31. Define capitalisation method.
32. What is share valuation?
33. What is Net Asset Method?
34. What is Yield Method?

35. Define fair value.
36. What is profit prior to incorporation?
37. What is intrinsic value?
38. Define capitalisation of yield.
39. What is amalgamation?
40. What is absorption?
41. What is external reconstruction?
42. What is internal reconstruction?
43. What is purchase consideration?
44. What is AS-14?
45. State one objective of amalgamation.
46. What is merger?
47. What is goodwill reserve?
48. What is reorganisation?

- 49. Define securities premium.
- 50. What is proforma Balance
- Section C: 50 Objective Type Questions
- 1. Preference shareholders get:
- a) Voting rights
- b) Fixed dividend
- c) Extra bonus
- d) Commission
- 2. Debentures are:
- a) Owners' capital
- b) Borrowed capital
- c) Reserves
- d) Equity shares
- 3. Equity shares are also known as:
- a) Preference shares
- b) Ordinary shares
- c) Premium shares
- d) Bonus shares
- 4. Shares forfeited can be:
- a) Reissued
- b) Redeemed
- c) Cancelled permanently
- d) None
- 5. Buy-back of shares means:
- a) Issuing new shares
- b) Redeeming debentures
- c) Company buys its own shares
- d) Selling shares to others
- 6. SEBI stands for:

b) State Equity Board of Indiac) Stock Equity Bank of Indiad) Securities Exchange Bank
7. Sweat equity shares are given to:a) Publicb) Promotersc) Employeesd) Debenture holders
8. Final accounts are prepared:a) Weeklyb) Monthlyc) Yearlyd) Never
9. Provision for bad debts is:a) Assetb) Liabilityc) Revenued) Expense
10. Prepaid expenses are:a) Assetb) Liabilityc) Incomed) Reserve
11. Outstanding expenses are shown as:a) Assetsb) Liabilitiesc) Revenued) Cash
12. Goodwill is a:a) Tangible assetb) Intangible asset

a) Securities and Exchange Board of India

c) Current asset d) Liability
13. Purchased goodwill arises on:a) Admissionb) Purchase of businessc) Sale of sharesd) Amalgamation only
14. Average Profit Method is used for:a) Valuing sharesb) Valuing goodwillc) Redemptiond) Debentures
15. Super Profit = Average Profit a) Actual Profit b) Normal Profit c) Paid-up capital d) Capital reserve
16. Capitalisation of Super Profit means:a) Multiplying super profitb) Dividing super profitc) Deducting goodwilld) Adding depreciation
17. Net Asset Method is used for:a) Valuing sharesb) Calculating premiumc) Redemptiond) Final accounts
18. Yield Method is based on:a) Book valueb) Net assetsc) Earning capacity

d) Premium

19. Fair Value = (Net Asset + Yield) ÷	
a) 1 b) 2 c) 3 d) 5	_
20. AS-14 deals with:a) Final accountsb) Amalgamationc) Cash flowd) Depreciation	
21. Amalgamation means:a) Dissolution	

- 22. Absorption means:
- a) Amalgamation
- b) Liquidation

b) Mergerc) Split upd) Liquidation

- c) One company absorbs another
- d) Revaluation
- 23. Internal reconstruction involves:
- a) New company formation
- b) Dissolution
- c) Reorganisation of same company
- d) Amalgamation
- 24. External reconstruction means:
- a) New company formed
- b) Internal adjustments
- c) Debenture redemption
- d) Profit distribution

25. Profit prior to incorporation is a:a) Revenue profitb) Capital profitc) Revenue reserved) Deferred expense
26. Dividend to preference shareholders is: a) Optional b) Compulsory c) Never paid d) Repaid later
27. Forfeited shares account is shown under:a) Assetsb) Liabilitiesc) Share Capitald) Debentures
28. Debenture holders are: a) Owners b) Creditors c) Debtors d) Promoters
29. Balance Sheet shows: a) Cash flow b) Financial position c) Expenses d) Revenue
30. Profit and Loss Account shows: a) Assets b) Liabilities

31. Outstanding salary appears in:

a) Cash Book

c) Profit or Loss d) Cash reserves

c) Journal d) Trial Balance
32. Notes to accounts are:a) Optionalb) Compulsoryc) Not neededd) Attached to Journal
33. Companies Act prescribes format for:a) Cash Bookb) Ledgerc) Final Accountsd) Trial Balance
34. Goodwill affects:a) Assetsb) Liabilitiesc) Revenued) Current liabilities
35. Rights shares are offered to:a) Debenture holdersb) Employeesc) Existing shareholdersd) Directors only

36. Minimum subscription refers to:

37. Profit prior to incorporation is credited to:

a) Debenturesb) Sharesc) Goodwill

d) Final Accounts

a) Revenue Reserveb) Capital Reservec) P&L Account

b) Balance Sheet

d) Dividend

- 38. Provision for Tax is:
- a) Asset
- b) Liability
- c) Equity
- d) Reserve
- 39. Amalgamation results in:
- a) Profit
- b) New company formation
- c) Dividend
- d) Buy-back
- 40. Underwriting commission is paid for:
- a) Audit work
- b) Guaranteeing subscription
- c) Managing shares
- d) SEBI approval
- 41. Final dividend is declared by:
- a) Board of Directors
- b) Debenture holders
- c) SEBI
- d) Registrar
- 42. Interim dividend is paid:
- a) Before final accounts
- b) After final accounts
- c) During amalgamation
- d) On debentures
- 43. Capital Redemption Reserve is created on:
- a) Issue of shares
- b) Redemption of preference shares
- c) Forfeiture of shares
- d) Debenture issue

a) Assets b) Shares c) Goodwill d) Equity capital
45. Premium on issue of shares is shown under: a) Revenue Reserve b) Securities Premium c) Capital Reserve d) General Reserve
46. Minimum subscription must be received within: a) 60 days b) 90 days c) 120 days d) 180 days
47. Underwriting is related to: a) Shares only b) Debentures only c) Shares & debentures d) Final accounts
48. Amalgamation expenses are treated as: a) Goodwill b) Capital Reserve c) Deferred Expense d) Provision
49. Bonus shares are issued from:

a) Securities Premiumb) Cash account

d) Current assets

c) Debenture redemption

50. The objective of final accounts is to ascertain:

- a) Assets
- b) Liabilities
- c) Profit or loss
- d) Cash flow