FIRST DRAFT OF ACHIEVEMENT TEST IN ACCOUNTANCY

DEVELOPED BY
(INVESTIGATOR)

DEPARTMENT OF EDUCATION
PANJAB UNIVERSITY
CHANDIGARH
ACHIEVEMENT TEST

Name............................. Class/Section..........................Roll No......................
Sex.................................School...................................Dated..............................

Marks: 96
Duration: 45 Min.

General Instructions
(i) Fill in your particulars in the space provided.
(ii) Attempt all the questions.
(iii) There are 96 questions of multiple choice, true/ false, fill in the blanks and short answer type.
(iv) Select any one answer and put tick in multiple choice questions.
(v) Do not make any mark in this booklet until you are told to do so and handle it with care.
(vi) All these instructions are to be very strictly observed.
(vii) For every correct response, one mark will be assigned and there is no negative marking for any incorrect response.
(viii) Information regarding your performance will be kept confidential.

(Do not turn the page until you are told to do)
SECTION-A

Read the following statements and select the most appropriate answer:

1. Who defined company as “a corporation is an artificial being, invisible, intangible, existing only in the contemplation of the law”?
   (i) Prof. Haney    (ii) Chief Justice Marshall
   (iii) Huxley       (iv) American Association of Business Education

2. Which out of the following is not the characteristic of a company?
   (i) Perceptual existence    (ii) Transferability of shares without restriction
   (iii) Management and ownership are same

3. Suppose, a company is indulged into malpractices, against whom can legal action be taken?
   (i) The company     (ii) Shareholders
   (iii) Directors      (iv) All of the above

4. A joint stock company ie. Sugandha Ltd. was registered with a nominal capital of Rs. 10,00,000. They issue 20,000 equity shares of Rs. 10 each and general public applied for the 15,000 shares. Due to some reasons, it was decided in meeting to wind up the company. Calculate the liability of shareholders.
   (i) 20,000 shares   (ii) 15,000 shares
   (iii) 10,000 shares  (iv) 5,000 shares

5. Suppose there is a private company ABC Pvt. Ltd. it has shares of Rs. 2,00,000 ie. 20,000 shares @Rs. 10 each. ABC Pvt. Ltd. wants to transfer its shares to XYZ Pvt. Ltd. After taking the consent from the directors, how many shares they can transfer to XYZ Pvt. Ltd.
   (i) 20,000 shares   (ii) 12,000 shares
   (iii) 15,000 shares  (iv) 10,000 shares

6. A private company is a company which has a minimum paid up share capital of ____________ or such higher paid up share capital as may be prescribed.
   (i) Rs.1,00,000    (ii) Rs. 90,000
   (iii) Rs.1,50,000   (iv) Rs.10,000

7. Which is called as a Charter of a company?
   (i) Article of association    (ii) Memorandum of association
   (iii) Prospectus               (iv) Certificate of incorporation
8. For incorporating the company named Bhavya’s Ltd., the following are some of the expenses incurred: legal expenses=5,000, fee paid to registrar=20,000, public issue expenses=10,000, advertising expenses=2,000. What are the preliminary expenses?
(i) Rs. 20,000 (ii) Rs. 25,000
(iii) Rs. 27,000 (iv) Rs. 22,000

9. Preliminary expenses are shown on the asset side of the balance sheet and are written off in the number of years considered appropriate by the management. The amount which is not written off is carried to:
(i) Profit and Loss A/c (ii) Balance Sheet
(iii) Trading A/c (iv) Trial Balance

10. Nokia Ltd. has subscribed capital of 2,00,000 equity shares of Rs.10 each, out of this value of Rs.10 each, the company has called up the subscribers to pay @Rs.5 per share. What will the amount of called up capital?
(i) 1,00,000 (ii) 10,00,000
(iii) 2,00,000 (iv) 20,00,000

11. If company XYZ Ltd. has issued 75,000 equity shares of Rs.10 each and 2,500 preference shares of Rs.100 each. What is the authorized share capital of a company?
(i) 2,50,000 (ii) 5,00,000
(iii) 7,50,000 (iv) 10,00,000

12. Identify which is not the type of preference shares:
(i) With reference to dividend (ii) With reference to redemption
(iii) With reference to forfeiture (iv) With reference to convertibility

13. Which sections of the companies act restrict the use of the amount collected as premium on securities for the issuing fully paid bonus shares to the members:
(i) Section 77A and 79 (ii) Section 77A and 78
(iii) Section 78 and 78(A) (iv) Section 78 and 79

14. If partial allotment is made, surplus of application money is adjusted towards:
(i) Share application money due (ii) Share allotment money due
(iii) Share advance money due (iv) None of the above

15. Priya Ltd. invited application for issuing 40,000 shares of Rs.10 each. The amount was payable as follow: on application Rs.3 per share, on allotment Rs.4 per share, first and final call Rs.3 per share. Applications were received for 35,000 shares and allotment was made to all. Entries will be passed by the amount:
16. When shares are issued, it would be preferable to record cash transactions in the:
(i) Subsidiary book  (ii) Petty cash book  
(iii) Cash book  (iv) Share capital account

17. The amount of calls-in-arrear is transferred to a separate account titled:
(i) Calls-in-arrear A/c  (ii) Calls-in-advance A/c  
(iii) Paid up capital A/c  (iv) None of the above

18. What is the amount of calls-in-arrear for a company named Ishu Pvt. Ltd. who issued 10,000 shares payable at Rs.2 on application, Rs.3 on allotment, Rs.3 on first call and Rs.2 on second call? All the shares were subscribed by public. Company received money except the second and final call on 500 shares.
(i) Rs.5,00  (ii) Rs.1,000  
(iii) Rs.1,500  (iv) Rs.2,000

19. Vani Pvt. Ltd. issued 10,000 shares payable at Rs.2 on application, Rs.3 on allotment, Rs.3 on first call and Rs.2 on second call. All the shares were subscribed by public. Company received money except the second and final call on 500 shares. What will be the amount of money received on final call?
(i) 18,000  (ii) 19,000  
(iii) 20,000  (iv) 17,000

20. Since the amount (in case of calls-in-advance) has not become due, hence it is a _______ of the company.
(i) Asset  (ii) Reserve  
(iii) Liability  (iv) Profit

21. Bawa Ltd. issued 20,000 equity shares, of Rs.10 each at a premium of 10% payable as follows: Application Rs.3 per share (1st Jan.2010), Allotment Rs.3 (including premium) per share (1st April 2010), First call Rs.3 per share (1st June 2010), Final call Rs.2 per share (1st August 2010). One shareholder to whom 600 equity shares were allotted did not pay allotment and first call money on his holdings but he paid it with final call. What will be the interest received on calls-in-arrears?
(i) 40  (ii) 45  
(iii) 50  (iv) 55
22. Issue of shares for consideration other than cash is disclosed in the balance sheet under the head of Share capital and under the subhead of:
   (i) Issued capital  (ii) Subscribed capital
   (iii) Authorized capital  (iv) Issued capital and Subscribed capital

23. If shares are issued to vendor at a premium then entry will be:
   (i) Vendor A/c Dr.  To Share Capital A/c
       To Securities Premium A/c
   (ii) Vendor A/c Dr.  To Share Capital
       To Securities Premium A/c
   (iii) Vendor A/c Dr.  To Security Premium A/c
       Share Capital A/c Dr.
   (iv) Share Capital A/c Dr.  To Share Capital A/c

24. A company issued 15,000 fully paid up equity shares of Rs.100 each for the purchase of following assets and liabilities from Gupta Brothers: Plant Rs.3,50,000, Land & building Rs.6,00,000, Stock-in-Trade Rs.4,50,000, Sundry Creditors 1,00,000. What will be the amount transferred to Goodwill A/c.
   (i) 1,00,000  (ii) 2,00,000
   (iii) 3,00,000  (iv) 4,00,000

25. Cancelling the shares for non-payment of calls due as a final action against the defaulting shareholders called as:
   (i) Reissue of shares  (ii) Forfeiture of shares
   (iii) Buyback of shares  (iv) None of the above

26. Before how many days the company must give a clear notice for forfeiting the shares to the defaulting shareholders?
   (i) 12  (ii) 14
   (iii) 15  (iv) 17

27. Suppose 1,000 equity shares of Rs.10 each are to be forfeited for non-payment of the first call. The amount payable were Rs.3 on application, Rs.3 on allotment, Rs.2 on first call and the balance on second and final call. What will be the amount of forfeited shares?
   (i) 2,000  (ii) 5,000
   (iii) 6,000  (iv) 8,000

28. Swati Ltd. issued 10,000 equity shares of Rs.10 each at Rs.12 per equity shares. The amount was payable as: on application Rs.3, on allotment Rs.4 (including premium), on first call Rs.3 and on final call Rs.2. The company did not make the final call,
Sohan, holder of 250 equity shares, failed to pay allotment and first call money. Directors forfeited his shares. What is the amount of forfeited shares?

(i) Rs.550  (ii) Rs.750  
(iii) Rs.850  (iv) Rs.1000

29. Shares Forfeited becomes the ______________ of the company:

(i) Profit  (ii) Property  
(iii) Liability  (iv) Expense

30. Harjit Ltd. forfeited 200 equity shares of Rs.10 each fully called up, held by X for nonpayment of allotment money Rs.3 per share and final call Rs.4 per share. He paid the application money of Rs.3 per share. These shares were reissued to Y Ltd. for Rs.8 per share. What is the amount of reissue of the shares?

(i) 1000  (ii) 1300  
(iii) 1600  (iv) 1800

31. Capital reserve is created out of:

(i) Sales  (ii) Profits  
(iii) Forfeited Shares  (iv) None of the above

32. Nisha Ltd. issued 10,000 shares of Rs.10 each payable at Rs.2 on application, Rs.3 on allotment, Rs.3 on first call and Rs.2 on second call. The public applied for 15,000 shares. The shares were allotted on a pro rata basis to the applicants of 12,000 shares. All shareholders paid the allotment money except one shareholder who has allotted 200 shares. These shares were reissued. The first call was made thereafter. The forfeited shares were reissued @Rs.9 per share, Rs.8 paid-up. the final call was not yet made. What will be the amount transfer to capital reserve?

(i) 480  (ii) 400  
(iii) 520  (iv) 600

33. When shares are issue and allotted to a selected group of persons privately and not to public in general through public issue it is called as:

(i) Public placement of shares  (ii) Private placement of shares  
(iii) Preferential allotment  (iv) Employee stock option

34. A company can raise long term funds by issue of:

(i) Equity shares  (ii) Debenture  
(iii) Mutual funds  (iv) Insurance policy.
35. Specific coupon rate debentures are issued with a specified rate of interest which is:
   (i) Fixed
   (ii) Floating
   (iii) Fixed or floating
   (iv) None of above

36. Tushar Ltd. issued 10,000, 9% debentures of Rs.100 each at a premium of 10% in full on application by 1st March, 2010. The issue was fully subscribed and debentures were allotted on 10th March, 2010. Calculate the amount of premium.
   (i) 1,000
   (ii) 10,000
   (iii) 90,000
   (iv) 1,00,000

37. Where partial adjustment is made, excess application money received is adjusted towards:
   (i) Allotment
   (ii) Application
   (iii) First call
   (iv) Final call

38. Naveen Ltd. issued 10,000, 10% debentures of Rs.100 each at par payable in full on application by 1st January, 2010. Applications were received for 12,000 debentures. Debentures were allotted on 5th January, 2010. Excess application money was refunded on the same date. What is the amount of excess money?
   (i) 1,00,000
   (ii) 2,00,000
   (iii) 3,00,000
   (iv) 4,00,000

39. Excess of net value of asset over the purchase consideration is transferred to:
   (i) Reserve capital
   (ii) Capital reserve
   (iii) Vendor
   (iv) Profit and loss account

SECTION-B

State whether the following statements are True or False.

40. The issued share capital can exceed the company’s authorized share capital. (True/False).

41. The share capital of a company is disclosed in the balance sheet on the asset side. (True/False).

42. The company cannot make public issue under different modes and prices. (True/False)

43. A company can issue its shares for cash and not for consideration other than cash. (True/false)

44. The amount of the premium should be debited to securities premium A/c. (True/False)

45. The company can allot shares more than those offered for subscribed. (True/False)

46. A company can issue a share having value of Rs.100 at Rs.70. (True/False)
47. Share application account is shown at credit side of cash book. (True/False)
48. The company is authorized to charge interest at a specified rate on calls in arrears from the due date to the date of payment. (True/False)
49. According to Section 78 of the Indian Companies Act, 1956 the securities premium collected cannot be cancelled at the time of forfeiture of shares. (True/False)
50. The amount of premium received on forfeited shares cannot be transferred to forfeited shares A/c. (True/False).
51. When the shares are issued at a premium and the amount for premium was duly paid on the shares forfeited, it would remain in the securities premium account. (True/False)
52. The shares belonging to pro-rata category are forfeited. (True/False)
53. The directors cannot reject the excess applications. (True/False)
54. Company cannot issue debentures for consideration other than cash. (True/False)
55. Loss on issue of debenture is a capital loss. (True/False)

SECTION-C

Fill in the blanks with appropriate words:

56. Capital of a company is divided into units of small denomination called _________________.
57. Making an offer or inviting the public in general to subscribe to shares is known as _________________.
58. When shares are issued at a discount, the share capital account is credited with the face value of the shares and discount on issue of shares is shown on the _________________ side of the balance sheet under the head miscellaneous expenditure.
59. When the number of shares applied for is more than the number of shares offered for subscription is called as _________________.
60. If the number of shares applied for is less than the number of shares offered to public for subscription, this situation is called as _________________.
61. Calls-in-advance is shown on the ___________ side of balance sheet.
62. If the forfeited shares are reissued at a price higher than paid up, the excess is _________________ to securities premium account.
63. When more applications are received than offered for subscription of debentures, it is known as _________________.

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SECTION-D

Very short answer type questions:

64. Why calls in advance are shown in the balance sheet as a current liability?

65. Vijay Company received share application for Rs.10,000. Pass journal entry for receiving share application money.

66. Y Ltd. issued 10,000 shares of Rs.10 each payable as Rs.3 on application, Rs.4 on allotment, Rs.3 on first and final call. Pass journal entry for first and final call being due.

67. When shares are issued at an amount more than the face value. What will be the additional amount of shares are called as?

68. The amount due on allotment is Rs.60,000 including a premium of Rs.10,000. Pass journal entry.

69. XYZ Ltd. issued 10,000 equity shares of Rs.10 each at a discount of 10%. The amount is payable as On application Rs.2, on allotment Rs.4, On Final call Rs.3. All the shares offered was subscribed for and the money was duly received. Pass journal entry for allotment money due.

70. Fashions Ltd. was incorporated on 10\textsuperscript{th} January, 2010 and has decided to raise its capital by issue of shares at a discount of 10%. It has applied to the Central Govt. for sanction after passing resolution at the general meeting on 10\textsuperscript{th} March, 2010. Do you think the company will get the sanction? Give reasons.

71. The application money and the allotment money per share are respectively Rs.3 and Rs.2 per share. A Applies for 200 shares but is allotted only 60 shares. The excess is to be kept for pending calls. Pass entry for the adjustment of amount received in excess on application towards allotment and calls.

72. Differentiate between over and under subscription of shares.

73. Differentiate between equity and preference shares.

74. Black & White Ltd. offered 1,00,000 shares of Rs.10 each to public in the terms: Rs.3 per share on Application, Rs.2 per share on Allotment, Rs.2 paid in two months after allotment and Rs.3 to be paid in 3 months after the first call. Public applied for 90,000 shares. Calls were duly made but a shareholder holding 1500 shares failed to pay the calls. Pass entries for First and final call due.
75. What do you mean by calls in arrears?
76. What do you mean by calls-in-advance?
78. What do you mean by shares issued for consideration other than cash?
79. Why does a company forfeit its shares?
80. State any one effect of forfeiture of shares.
81. Rita Ltd. forfeited 1,000 equity shares of Rs.10 each for non-payment of the first call the amount payable were Rs.3 on application, Rs.3 on allotment, Rs.2 on first call and the balance on second and final call. Pass journal entry.
82. What is meant by Forfeiture of shares originally issued at a premium?
83. Simran Ltd. issued 10,000 equity shares of Rs.10 each at Rs.12 per equity shares. The amount was payable as: On application Rs.3, on allotment Rs.4 (including premium), on first callRs.3 and on final call Rs.2. The Company did not make the final call, Sohan, holder of 250 equity shares, failed to pay allotment and first call money. Directors forfeited his shares. Pass journal entry regarding forfeiture of shares.
84. Company can reissue the forfeited shares. Comment
85. Differentiate between forfeiture of shares and surrender of shares.
86. Narinder Ltd. forfeited 200 equity shares of Rs.10 each fully called up, held by X for nonpayment of allotment money Rs.3 per share and final call Rs.4per share. He paid the application money of Rs.3 per share. These shares were reissu ed to Y Ltd. for Rs.8 per share. Pass journal entry for reissue of shares.
87. Capital reserve amount should not be available for distribution of dividend. Comment.
88. Pass journal entry to transfer the amount of forfeited shares to capital reserve account.
89. Differentiate between sweat equity shares and equity share.
90. Khalsa Ltd. with paid up share capital of Rs.10,00,000 has a balance of Rs.2,50,000 in Securities premium account. The company’s management does not want to carry over this balance. You are required to suggest the method for utilizing this premium money that would achieve the objectives of the management and maximize the return to shareholders.
91. Premium collected on issue of debentures is credited to securities premium account. Do you think it can be credited to any other account? Give reasons.
92. Show 9% debenture on the relevant side of balance sheet.

93. Pass journal entry for refund of excess debenture application amount.

94. Naveen Ltd. issued 10,000, 10% debentures of Rs.100 each at par payable in full on application by 1st January, 2010. Applications were received for 12,000 debentures. Debentures were allotted on 5th January, 2010. Excess application money was refunded on the same date. Journalize entries in the books of company.

95. Pass journal entry when purchase consideration is more than the net value of assets.

96. Manisha Ltd. has agreed to pay purchase consideration of Rs.1,25,000 by issuing fully paid 8% debentures of Rs.100 at Rs.120 to the vendors. What journal entry will you pass?
### SCORING KEY

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<td>IPO 72</td>
<td>Over subscription of shares means shares applied for are more than the shares offered for subscription whereas under subscription of shares means shares applied for are less than the shares offered for subscription.</td>
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<td>Equity shares are those which are not preference shares i.e., these shares do not enjoy any preferential rights. Preference shares may be converted to equity but equity shares cannot be converted.</td>
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Appendix-C

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<td>Calls in advance</td>
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<td>Calls in arrear is the amount called up by the company but not paid up by the shareholders whereas Calls in advance is the amount not called up by the company but paid by the shareholders.</td>
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<td>Sometimes companies also issue shares for consideration other than cash such as against purchase of land and building, plant and machinery or purchase of business etc.</td>
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<td>If any shareholder does not pay the amount of call.</td>
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<td>The name of the defaulting shareholder is removed from the register of members. OR The amount already paid by the defaulting shareholder is forfeited.</td>
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<td>Equity share capital A/c Dr. 8,000 To Forfeited shares A/c 6,000 To Calls in arrear A/c 2,000</td>
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<td>then shares will be forfeited by the company</td>
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<td>Share capital account Dr. 2,000 Securities Premium A/c Dr. 500 To Forfeited shares A/c 750 To Share allotment A/c 1,000 To Share first call A/c 750</td>
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<td>Shares forfeited become the property of the company and the directors have the authority to reissue them at par, at a premium or at a discount.</td>
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<td>cancelling the shares for non-payment of calls</td>
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<td>Bank A/c Dr. 1,600 Forfeited shares A/c Dr. 4,00</td>
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<td>Sweat equity shares means equity shares issued by a company to its employees or Directors at a discount or for consideration other than cash and Equity shares are those which are not preference shares and issued to general public.</td>
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<td>Securities premium money can be utilized in accordance with the provisions of Section 78 of Companies Act. The management may utilize the securities premium of Rs. 2,50,000 by issue of bonus shares to the shareholders in the ratio of 1:4.</td>
</tr>
<tr>
<td>91</td>
<td>No</td>
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<table>
<thead>
<tr>
<th>Q. No.</th>
<th>Ans.</th>
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<tr>
<td>92</td>
<td>Liability</td>
</tr>
<tr>
<td>93</td>
<td>Debenture application A/c Dr. To Bank A/c</td>
</tr>
<tr>
<td>94</td>
<td>Bank A/c Dr. 10,00,000 To 10% Debentures A/c 10,00,000</td>
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<tr>
<td>95</td>
<td>Sundry Asset A/c Dr. Goodwill A/c Dr. To Sundry Liabilities A/c To Vendor A/c</td>
</tr>
<tr>
<td>96</td>
<td>Vendor A/c Dr. 1,25,000 To 8% Debentures A/c To Securities Premium A/c 20,820 To Bank A/c</td>
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