FINAL DRAFT OF ACHIEVEMENT TEST

DEVELOPED BY

(INVESTIGATOR)

DEPARTMENT OF EDUCATION
PANJAB UNIVERSITY
CHANDIGARH
ACHIEVEMENT TEST

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

Marks: 60
Duration: 40 Min.

General Instructions
(i)  Fill in your particulars in the space provided.
(ii) Attempt all the questions.
(iii) There are 60 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) Get your doubts cleared before the start of test but once the test starts, you are not allowed to ask anything.
(vii) All these instructions are to be very strictly observed.
(viii) For every correct response, one mark will be assigned and there is no negative marking for any incorrect response.
(ix) 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. 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 buy public. Company received money except the second and final call on 500 shares.
   (i) Rs.5,00  (ii) Rs.1,000
   (iii) Rs.1500  (iv) Rs.2,000

2. 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

3. 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

4. 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

5. 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
6. 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

7. 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

8. 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

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. 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:
    (i) 1,00,000  (ii) 1,05,000
    (iii) 1,10,000  (iv) 1,15,000

11. 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  (iv) Common seal

12. 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
13. 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

14. 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

15. 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

16. 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

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

18. 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

19. 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

20. 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
21. Capital reserve is created out of:
   (i) Sales  (ii) Profits
   (iii) Forfeited Shares  (iv) None of the above

22. 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

23. 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

24. 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

25. 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

26. 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

27. 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
SECTION-B
State whether the following statements are True or False.

28. 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)

29. 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)

30. The directors cannot reject the excess applications. (True/False)

31. 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)

32. The shares belonging to prorata category are forfeited. (True/False)

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

34. Company cannot issue debentures for consideration other than cash. (True/False)

35. Loss on issue of debenture is a capital loss. (True/False)

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

37. The amount of premium received on forfeited shares cannot be transferred to forfeited shares A/c. (True/False)

38. Share application account is shown at credit side of cash book. (True/False)

SECTION-C
Fill in the blanks with appropriate words:

39. Calls-in-advance is shown on the __________ side of balance sheet.

40. 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.

41. When more applications are received than offered for subscription of debentures, it is known as ________________.

42. If the number of shares applied for is less than the number of shares offered to public for subscription, this situation is called as ________________.

43. Capital of a company is divided into units of small denomination called ________________.

44. If the forfeited shares are reissued at a price higher than paid up, the excess is ________________ to securities premium account.
SECTION-D
Very short answer type questions:
45. 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.
47. Pass journal entry to transfer the amount of forfeited shares to capital reserve account.
48. Differentiate between equity and preference shares.
49. When shares are issued at an amount more than the face value. What will be the additional amount of shares are called as? The amount due on allotment is Rs.60,000 including a premium of Rs.10,000. Pass journal entry.
50. Show 9% debenture on the relevant side of balance sheet.
51. Pass journal entry for refund of excess debenture application amount.
52. Why calls in advance are shown in the balance sheet as a current liability?
53. Why does a company forfeit its shares?
54. Differentiate between forfeiture of shares and surrender of shares.
55. 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.
56. 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.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. Pass journal entry for reissue of shares.
57. Capital reserve amount should not be available for distribution of dividend. Comment.
58. 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.
59. Differentiate between sweat equity shares and equity share.
60. 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.
### SCORING KEY

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<td>1</td>
<td>(ii)</td>
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<td>Because it’s a current liability</td>
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<td>If any shareholder does not pay the amount of call</td>
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<td>Forfeiture of shares means cancelling the shares for non-payment of calls due as a final action against the defauling shareholders and when a shareholder feels that he cannot pay further calls, he may himself surrender the shares to the company.</td>
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<td>Equity share allotment A/c Dr. 40,000 Discount on issue of shares A/c Dr. 10,000 To Equity Share capital A/c 50,000</td>
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<td>Bank A/c Dr. 1,600 Forfeited shares A/c Dr. 4,000 To Share capital A/c 2,000</td>
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<td>(i)</td>
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<td>Capital reserve is created out of the profits of capital nature which are not available for distribution as dividend.</td>
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<td>No, because it restricts the usage of premium collected for the specified purposes.</td>
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<td>Share first &amp; final call A/c Dr 30,000</td>
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<td>To Share capital A/c 30,000</td>
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<td>20</td>
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<td>9. 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. Interest is charged @5% on calls-in-arrears whereas Interest is paid @6% on calls-in-advance.</td>
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<td>12. 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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