

MM:26 Chapter: Issue of shares (MCQ Questions)

MM:26 Chapter: Issue of shares (MCQ Questions)

1. Upon forfeiture of shares, Share Capital account is debited by:
 - a. Paid-up amount
 - b. Calls in arrears
 - c. Nominal value of share
 - d. Called up amount

2. When a company issued fully paid shares to promoters for their services, the journal entry will be
 - a. Bank a/c -Dr To Share Capital A/c
 - b. Underwriters A/c - Dr To Share Capital A/c
 - c. Promoters A/c - Dr To Share Capital A/c
 - d. Incorporation expenses A/c- Dr To Share Capital A/c

3. Mohan holding 900 shares of Rs.10 each failed to pay allotment money of Rs. 2 per share and call money Rs. 4 per share. His shares were forfeited and out of these 600 shares were reissued at Rs. 7 per share fully paid up. The amount of Capital Reserve will be:
 - a. Rs. 1,200
 - b. Rs. 600
 - c. Rs. 800
 - d. Rs. 900

4. Rama Ltd. issued 1,00,000 equity shares of Rs. 10 each payable as :
On application – Rs. 3 per share
On allotment – Rs. 4 per share
On first 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. Rs. 3,80,000
 - b. Rs. 3,78,000
 - c. Rs. 3,80,250
 - d. Rs. 4,00,250

5. If a share of Rs. 10 issued at a premium of Rs. 3 on which the full amount has been called and Rs. 8 (including premium) has been paid on it, is forfeited, the share capital account is debited with:
 - a. Rs. 13
 - b. Rs. 10
 - c. Rs. 8
 - d. Rs. 6

6. Balance of share forfeiture account is shown in the balance sheet under the item :
- Current liabilities
 - Reserves and Surplus
 - Share Capital
 - Long term borrowings
7. The profit on reissue of forfeited shares is transferred to:
- General reserve
 - Capital redemption reserve
 - Capital reserve
 - General Reserve
8. Fast India Ltd invited applications for 2,00,000 shares of Rs.10 each .These shares were issued at premium of Rs.11 each included in allotment money. All money was called and duly received except on 10,000 shares on which only application money of Rs.3 per share was received. The company forfeited all the shares. 7,000 of forfeited shares were re-issued @ Rs.13 per share. The amount of securities premium reserve to be shown under the head Reserve and Surplus shall be : (1 Point)
- Rs.20,00,000
 - Rs.11,11,000
 - Rs.8,11,000
 - Rs.21,11,,000
9. Star Ltd. had allotted 100,000 shares to the applicants of 140,000 shares on pro-rata basis. The amount payable on application is Rs. 20 and on allotment is Rs.25. Madhuri had applied for 4200 shares.The number of shares allotted to her and the amount owed by her on allotment shall be: (2 Points)
- 3000 shares ; Rs.24,000
 - 3000 shares ; Rs 51,000
 - 3600 shares ;Rs. 51,000
 - 4200 shares ; Rs. 51,000
10. A company forfeited 4,000 shares of Rs.10 each on which application money of Rs. 3 had been paid . Out of these 2000 shares reissued as fully paid up and Rs. 4000 had been transferred to Capital reserve. Calculate the rate at which these shares were reissued.
- Rs. 10 per share
 - Rs. 9 per share
 - Rs. 11 per share
 - Rs. 8 per share

11. Zee Ltd forfeited 300 shares of Rs.10 each issued at 20% premium (Rs.9 called up): on which Rs. 4 of allotment (including premium) and first call of Rs. 2 has not been received. Out of these,100 shares were reissued as fully paid up for Rs. 9 per share. The net balance left in left in share forfeiture account shall be:
- Rs. 1400
 - Rs. 1500
 - Rs. 900
 - Rs. 1000
12. Health Care Ltd. issued 50,000 shares of Rs.100 each payable Rs.20 on application (on 1st May 2018); Rs.30 on allotment (on 1st January 2019); Rs.20 on first call (on 1st July 2019) and the balance on final call (on 1st February 2020). Sudha , a shareholder holding 5,000 shares did not pay the first call on the due date. The second call was made and Sudha paid the first call amount along with the second call. All sums due were received. Total amount received on 1st February,2020 was:
- Rs.16,00,000
 - Rs.15,00,000
 - Rs.10,00,000
 - Rs.11,00,000
13. Aarkay Ltd. issued 4,000 shares of Rs.10 each payable Rs.3 on application ; Rs.2 on allotment Rs.4 on first call and the balance on final call . Applications were received for 16,000 shares, out of which 6000 shares were rejected and pro-rata allotment was made to the remaining applicants. Determine the amount that will be received on first call when excess money is adjusted towards amount due on allotment and call.
- Rs. 12,000
 - Rs.10,000
 - Rs. 16,000
 - Rs. 6,000
14. Premium on issue of shares can be used for:
- issue of fully paid bonus shares
 - writing off preliminary expenses
 - writing off discount/loss on issue of debentures
 - all the above
15. Wye Ltd issued 15,000 equity shares of Rs. 20 each at a premium of Rs.5 ; payable Rs.5 on application ,Rs. 10 on allotment (including premium) and the balance on first and final call. The company received applications for 22,500 shares and allotment was made pro rata. Bittoo to whom 1,200 shares were allotted, failed to pay the amount due on allotment. All his shares were forfeited after the call was made. The forfeited shares were reissued to Dheeraj at par. Assuming that no other bank transactions took place, the bank balance of the company after the above transactions is :
- Rs.6,85,000
 - Rs.3,60,500
 - Rs.3,78,000
 - Rs.6,34,000

16. Match the items of Column A with that of Column B:

COLUMN A	COLUMN B
a) Cumulative Pref. Share	i) Repaid after some time
b) Participating Pref. Share	ii) Converts into equity shares
c) Redeemable Pref. shares	iii) Dividend accumulates if not paid
d) Convertible Pref. shares	iv) Gets share in surplus profit

- a. a-ii, b-i, c-iii, d-iv
- b. a-iii, b-iv, c-i, d-ii
- c. a-iii, b-iv, c-ii, d-i
- d. a-ii, b-iv, c-iii, d-i

Cloud limited was incorporated on 1st April 2020 with registered office in Bangalore. The company was registered capital of 80,000 Equity shares of Rs.100 each and 8% 10,000 Preference shares of Rs.500 each. 10,000 equity shares were issued to promoters and 2000 8% Preference shares at par to M/s XYZ in consideration of machinery acquired. The company also issued 20,000 equity shares for cash at par to public payable as Rs. 2 on application, Rs.3 on allotment, Rs. 2 on first call and Rs.3 on second call.

The second call has not yet been made and all the shareholders have paid except Sunita, a holder of 300 shares who did not pay allotment and call and Vinita, who did not pay first call on his 200 shares. Shares of Anita were then forfeited and out of them 100 shares were reissued at Rs.12 per share.

Based on above information you are required to answer the following question.

17. The amount of issued capital shall be:

- a. ₹ 40,00,000
- b. ₹ 30,00,000
- c. ₹ 14,00,000
- d. ₹ 50,00,000

18. Shares issue to M/s XYZ , would be classified as:

- a. Preferential Allotment
- b. Employee Stock Option Plan
- c. Issue for Consideration other than cash
- d. Right Issue of Shares

19. Venus Ltd issued 1,00,000 shares of Rs. 100 each . All money due on application and allotment was duly received. When the first and final call was made, the company received the amount on 97,400 shares . The Calls in Arrears account now shows a debit balance of Rs. 65,000. The value of final call on a share is: (1 Point)
- Rs. 25
 - Rs. 35
 - Rs. 30
 - Rs. 40
20. Camelin Ltd forfeited 500 shares issued to Madhuri , who had applied for 600 shares for non payment of allotment and first call money. Second and final call was not yet made. The amount was payable as Rs.6 on application, Rs. 3 on allotment (including premium Rs. 2) Rs. 2 on first call and balance on second and final call. The amount to be debited to Securities Premium reserve on forfeiture of shares is:
- Rs. 1000
 - Rs.1500
 - Rs. 600
 - Rs. 900
21. Shares can be forfeited for:
- non-payment of allotment money
 - non-payment of call money
 - non-payment of interest on calls-in-arrear
 - both A and B
22. A company purchased Building for Rs. 26,00,000; out of which Rs.2,00,000 were paid in cash ; a bill payable for Rs. 300,000 was accepted at three months. Balance amount was paid by issue of equity shares of Rs. 10 each at 10 % premium. The number of shares issued by the company shall be:
- 1,90,910 shares
 - 1,90,909 shares
 - 1,90,900 shares
 - 1,91,000 shares
23. A portion of share capital that is reserved by the company and will be utilised only on the happening of winding up of the company is called_____.
- Securities Premium
 - Calls in arrear
 - Reserve Capital
 - Capital Reserve

24. Paid up capital is equal to:

- a. That part of subscribed capital which has been called up on the shares.
- b. That part of subscribed capital which has been called up on the shares minus the amount on calls unpaid by any of the shareholders.
- c. That part of subscribed capital which is actually offered for public subscription.
- d. That part of issued capital which has actually been subscribed by the public.

25. X Ltd issued 45,000 shares of Rs. 10 each to public, payable as Rs. 3 on application; Rs. 2 on allotment and balance on first and final call. After receiving allotment, Calls in advance account showed a balance of Rs. 2,500, and a shareholder holding 300 shares did not pay the first call. The amount with which bank account shall be debited at the time of call would be:

- a. Rs. 2,21,000
- b. Rs. 2,22,500
- c. Rs. 2,23,500
- d. Rs. 2,27,500

26. XYZ Ltd took over the following assets and liabilities of M/s More Ltd:

Plant Rs. 8,00,000 at Rs. 6,50,000 ; Debtors Rs. 2,00,000 at Rs. 1,75,000; Machinery worth Rs. 5,00,000 at Rs. 5,25,000 ; Creditors Rs. 3,50,000 valued at Rs. 3,20,000. The purchase consideration was settled by issuing 11,000 8% Redeemable preference shares of Rs. 100 each at par. This would result in creation of:

- a. Goodwill Rs. 70,000
- b. Goodwill Rs. 50,000
- c. Capital Reserve Rs. 70,000
- d. Capital Reserve Rs. 50,000