

5. Accounting for Share Capital

1) Star Ltd forfeited 1,000 shares of Rs.10 each (which were issued at par of Jeevan, a share holder of the company, for non payment of allotment money of Rs.4 per share. The called up value per share was Rs.7. On forfeiture, the amount debited to share capital:

- a) Rs.3,000
- b) Rs.7,000
- c)Rs.4,000
- d)Rs.10,000

Answer. b) Rs 7,000

2) Which of the following statement relates to Reserve Capital'?

- (a) It is a part of uncalled capital of the company.
- (b) It cannot be used in the lifetime of the company.
- (c) It is called only on the liquidation of the company.
- (d) All of the above.

Answer. D) All of the above

3) Calculate the amount of second & final call when Ekta Ltd, issues Equity shares of ₹ 10 each at a premium of 40% payable on Application ₹ 3, On Allotment ₹ 5, On First Call ₹ 2.

- (A) Second & final call ₹ 3.
- (B) Second & final call ₹ 4.
- (C) Second & final call ₹ 1.
- (D) Second & final call ₹ 14.

Answer. B) Second and final call Rs 4

4)Assertion: Call-in-advance account has a nil balance.

Reason: Calls-in-advance is credited in the entry when it is received and debited in the entry when is supposed to be received.

- (a) Assertion is true but reason is false.
- (b) Reason is true but Assertion is false.
- (c) Both the Assertion and Reason are true.
- (d) Both the Assertion and Reason are false.

Answer. C) Both Assertion and Reason are true.

5) Arrange the following in proper sequence as types of "Share Capital"

- a) Paid up capital
- b)Issued capital
- c) Subscribed capital
- d)Authorised capital
- a) a) , c) , d) , b)
- b) d), c) , b), a)
- c) d), b), c),a)

Answer. C) d, b, c, a

6) Sankalp Ltd offered 2,00,000 Equity Shares of ₹ 10 each, of these 1,98,000 shares were subscribed. The amount was payable as ₹ 3 on application, ₹ 4 an allotment and balance on first call. If a shareholder holding 3,000 shares has defaulted on first call, what is the amount of money received on first call?

- (A) ₹ 9,000.
- (B) ₹ 5,85,000.
- (C) ₹ 5,91,000.
- (D) ₹ 6,09,000.

Answer. B) Rs 5,85,000

7) Once, forfeited shares reissued, balance of share forfeiture money will be transferred to:

- a. General Reserve
- (b) Capital Reserve
- (c) Reserve Capital

(d) Securities Premium Reserve

Answer. B) Capital Reserve

8) Assertion: X Ltd. forfeited 2,000 equity shares of ₹ 10 each on which it had received ₹ 10,000. The company can reissue these forfeited shares at ₹ 4 per share.

Reason: Forfeited shares cannot be issued at discount more than the amount received on these shares.

- (a) Assertion and reason both are incorrect.
- (b) Assertion and reason both are correct.
- (c) Assertion is correct but the reason is incorrect.
- (d) Assertion is incorrect but the reason is correct.

Answer. D) Assertion is incorrect but the reason is correct

9) Assertion (A) The part of un-called capital, to be called only in the liquidation of a company is called Reserve Capital.

Reason (R) :It can be used for writing off capital losses.

In the context of the above two statements, which of the following is correct?

- (A) is correct, but (R) is wrong.
- (B) Both (A) and (R) are correct.
- (C) (A) is wrong, but (R) is correct.
- (D) Both (A) and (R) are wrong

Answer. A) Assertion is correct, but Reason is wrong

10. Varun Ltd, issued a prospectus inviting applications for 2,000 shares. Applications were received for 3,000 shares and pro-rata allotment was made to the applicants of 2,400 shares. If Dhruv has been allotted 40 shares, how many shares he must have applied for?

- (A) 40
- (B) 44
- (C) 48
- (D) 52

Answer. C) 48

11. As per Section 52 of Companies Act 2013, Securities Premium Reserve cannot be utilised for:

- (A) Writing off capital losses.
- (B) Issue of fully paid bonus shares.
- (C) Writing off discount on issue of securities.
- (D) Writing off preliminary expenses.

Answer. A) Writing off capital losses

12. The Earth Ltd. invited applications for 35,000 shares of Rs. 10 each and received applications for 40,000 shares along with the application money Rs. 4 per share. Which of the following alternatives can be followed?

- (1) Refund of excess application money and full allotment to the rest of the applicants.
 - (2) Not to allot any share to some applicants, Full allotment to some applicants and pro rata allotment to rest of the applicants.
 - (3) Not to allot any shares to some applicants and pro rata allotment to rest of the applicants.
 - (4) Make pro rata allotment to all the applicants and adjust the excess amount received towards call money.
- (a) Only (1)
 - (b) Both (1) and (3)
 - (c) Only (2)
 - (d) All of the above.

Answer. D) All of the above

13. X Ltd. invited applications for 20,000 shares of Rs. 10 each payable as under: Rs. 3 per share on application, Rs. 3 per share on Allotment, Rs. 2 per share on First Call; and Rs. 2 per share on Final Call. Final Call was not made by the company. An applicant who had been allotted 100 shares failed to pay Allotment and First Call money due from him. His shares were forfeited after the First Call and 70 shares were re-issued at 8.50 per share. Give answers to the following questions on the basis of above information: What will be the Subscribed and fully paid up Capital?

- A. 2,00,000**
- B. 20,000**
- C. 1,60,000**
- D. none of these.**

Answer. D) None of these

14. Black Ltd. had issued 5,000 equity shares of Rs. 10 each at par. The application money was Rs. 3 per share and the public applied for 7,500 shares. Pro rata allotment was made. Sohan applied for 450 shares. The amount carried forward towards the sum due on allotment will be:

- (a) Rs. 1,350**
- (b) Rs. 900**
- (c) Rs. 450**
- (d) Rs. 4,500**

Answer. C) Rs 450

15) 12,000 shares of ₹ 100 each forfeited due to non-payment of allotment of ₹ 40 per share and first & final call of ₹ 30 per share. Out of the forfeited shares, 9,000 shares were reissued at ₹ 80 per share fully paid. Which of the following amount of share forfeiture account will be transferred to Capital Reserve Account?

- (a) 90,000**
- (b) 1,80,000**
- (c) 3,60,000**
- (d) 2,70,000**

Answer. A) 90,000