



# **CORPORATE FINANCIAL ACCOUNTING**

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## **M.COM. 2<sup>nd</sup> SEMESTER : TEST 1**

### **(I) Multiple choice questions –**

(1) As per AS - 14 purchase consideration is what is payable to

- (a) Shareholders
- (b) Creditors
- (c) Debentureholders
- (d) Shareholders and Debentureholders

(2) When amalgamation is in the nature of merger, the accounting method to be followed is:

- (a) Equity method
- (b) Purchase method
- (c) Pooling of interests method
- (d) Consolidated method

(3) When amalgamation is in the nature of Purchase, the accounting method to be followed is:

- (a) Equity method
- (b) Purchase method
- (c) Pooling of interests method
- (d) Consolidated method

(4) Amalgamation is said to be in the nature of merger if:

- (a) All assets and liabilities of transferor company are taken over by the transferee company.
- (b) Business of transferor company is intended to be carried on by the transferee company.
- (c) Purchase consideration must be paid in equity shares by the transferee company except for fraction shares.
- (d) All of the above



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(5) Amalgamate adjustment account is opened in the books of transferee company to incorporate:

- (a) The assets of the transferor company
- (b) The liabilities of the transferor company
- (c) The statutory reserves of the transferor company
- (d) The non - statutory reserves of the transferor company

(6) Goodwill arising on amalgamation is to be

- (a) Retained in the books of the transferee company
- (b) Amortised to income on a systematic basis normally five years
- (c) Adjusted against reserves or profit and loss account balance
- (d) All of the above

(7) Under pooling of interest method the difference between the purchase consideration and share capital of the transferee company should be adjusted to:

- (a) General reserve
- (b) Amalgamation adjustment account
- (c) Goodwill or capital reserve
- (d) None of the above

(8) Under purchase method the difference between the purchase consideration and share capital of the transferee company should be adjusted to:

- (a) General reserve
- (b) Amalgamation adjustment account
- (c) Goodwill or capital reserve
- (d) None of the above



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(9) For amalgamation in the nature of merger, the shareholders holding at least \_\_\_\_\_ or more of the equity shares of the transferor company becomes the equity shareholders of the transferee company.

- (a) 51%
- (b) 90%
- (c) 99%
- (d) 100%



(10) AS - 14 is not applicable if when transferee company acquires transferor company and transferor company:

- (a) Ceases to exist
- (b) Separate entity is Continue to exist
- (c) Applied in all cases
- (d) None of the above

(11) A Ltd. and B Ltd. go into liquidation and a new company X Ltd. is formed. It is a case of:

- (a) Absorption
- (b) External reconstruction
- (c) Amalgamation.

(12) X Ltd. goes into liquidation and a new company Z Ltd. is formed to take over the business of X Ltd. It is a case of:

- (a) Absorption
- (b) External reconstruction
- (c) Amalgamation.

(13) X Ltd. goes into liquidation and an existing company Z Ltd. purchases the business of X Ltd. It is a case of:

- (a) Absorption
- (b) External reconstruction
- (c) Amalgamation.



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(14) Accumulated profits include:

- (a) Provision for doubtful debts
- (b) Superannuation fund
- (c) Workmen's compensation fund.

(15) Liabilities (not accumulated profits) of a company include—

- (a) General reserve
- (b) Pension fund
- (c) Dividend equalisation fund.

(16) When the expenses of liquidation are to be borne by the vendor company, then the vendor company debits:

- (a) Realisation account
- (b) Bank account
- (c) Goodwill account.

(17) When the expenses of liquidation are to be borne by the purchasing company, then the purchasing company debits:

- (a) Vendor company's account
- (b) Bank account
- (c) Goodwill account.

(18) When the purchasing company makes payment of the purchase consideration, it debits:

- (a) Business purchase account
- (b) Assets account
- (c) Vendor company's account.

(19) The vendor company transfers preliminary expenses (at the time of absorption) to:

- (a) Equity shareholders' account
- (b) Realisation account
- (c) Purchasing company's account.



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(20) For paying liabilities not taken over by the purchasing company, the vendor company credits:

- (a) Realisation account
- (b) Bank account
- (c) Liabilities account.

(21) In case of inter-company holdings, the purchasing company, at the time of payment of the purchase consideration, surrenders the shares in the vendor company by crediting:

- (a) Vendor company's account
- (b) Shares in the vendor company account
- (c) Share capital account.

(22) The share capital, to the extent already held by the purchasing company, is closed by the vendor company by crediting it to:

- (a) Share capital account
- (b) Purchasing company's account
- (c) Realisation account.

Dr. S.K.