

ANSWERS

1. MULTIPLE CHOICE QUESTIONS

1. (3) **Explanation:** A Company limited by Guarantee is a company having the liability of its members limited by the memorandum to such amount as the members may respectively undertake to contribute to the assets of the company in the event of it being wound up.
2. (1) **Explanation:** According to the Companies Act, 2013 (Section 3), minimum number of shareholders in a private limited company should be 2.
3. (3) **Explanation:** According to the Companies Act, 2013 (Section 149), minimum number of directors in a private limited company or public limited company should be 15.
4. (4) **Explanation:** According to the Companies Act, 2013 (Section 43), Share Capital of a Company can be classified broadly into Equity Shares and Preference Shares.
5. (4) **Explanation:** Preference Shares can be of the following class:
 - (i) Cumulative/Non-Cumulative;
 - (ii) Participating/Non-Participating;
 - (iii) Convertible/Non-Convertible;
 - (iv) Redeemable/Irredeemable.Thus, all the options are correct.
6. (4) **Explanation:** Preference Shares that do not have the right to receive arrears of dividend before payment of dividend on Equity Shares are termed as Non-cumulative Preference Shares.
7. (2) **Explanation:** Preference Shares that do not have the right to get dividend out of remaining profit are termed as Non-participating Preference Shares.
8. (1) **Explanation:** Issued Capital means such capital as the company issues from time to time for subscription.
9. (4) **Explanation:** Called-up Capital means such part of the Capital, which has been called for payment.
10. (4) **Explanation:** The Companies Act, 2013 requires every company to state the maximum capital it can have. It is termed as Nominal or Authorised or Registered Capital of a company is stated in the Memorandum Association of the company.
11. (1) **Explanation:** Issued Capital is a part of the authorised capital which the company has issued for subscription, which may or may not be subscribed. It can be equal to or less than the authorised capital.
12. (3) **Explanation:** Subscribed Capital is the capital that has been subscribed against issued capital. Therefore, Subscribed Capital can be equal to or less than the Issued Capital.
13. (2) **Explanation:** Subscribed capital is that part of issued share capital for which a company has received subscription from the investors.
14. (3) **Explanation:** Paid-up Capital is the amount received by the company from the shareholders against amount called-up towards share capital.
15. (4) **Explanation:** As per Section 53 of the Companies Act, 2013, shares cannot be issued at discount.
16. (3) **Explanation:** As per Section 54 of the Companies Act, 2013, Sweat Equity Shares can be issued at discount.
17. (1) **Explanation:** Securities Premium is the amount received by the company in excess of the nominal (face) value of the securities (Shares, Debentures, etc.) It is a capital receipt for the company. Thus, it is a reserve and is shown in the Balance Sheet as Reserves and Surplus.
18. (4) **Explanation:** Section 43(b) of the Companies Act, 2013 defines preference shares to be shares that have two preferential rights, i.e., preferential right to receive dividend before it is paid on equity shares, and preferential right to receive repayment of capital before it is repaid on equity shares. Therefore, dividend is payable on preference shares if it is paid on equity shares.
19. (3) **Explanation:** Section 53 of the Companies Act, 2013 does not allow issue of shares to public at discount.
20. (4) **Explanation:** The amount payable along with application is stated in the prospectus. Application for shares without meeting the terms as stated in the prospectus is void, one of which is payment of Application Money as per Prospectus.

21. (3) **Explanation:** Application money received cannot be more or less than the number of shares applied. If this happens, the applications where the number of shares applied does not match the application money payable will be rejected being defective.
22. (1) **Explanation:** Shares cannot be issued because Minimum subscription of 90% of the issue is not received.
23. (1) **Explanation:** Shares are categorised as “Shares Subscribed and fully paid-up” when it has called the total nominal (face) value of the share and has also received it. Both the conditions are met by the first statement.
24. (2) **Explanation:** Calls-in-Arrears means the amount that has been called to be paid but has not been received by the company.
25. (4) **Explanation:** Calls-in-Advance means the amount that has not been called to be paid but has been received by the company.
26. (3) **Explanation:** Reserve Capital is a part of subscribed capital which the company resolves (by Special Resolution) to be called-up at the time of winding-up.
27. (2) **Explanation:** Reserve Capital means amount that will be called-up at the time of winding-up of the company. Since it is not called-up, the amount received towards share capital will be shown as “Shares Subscribed but not fully paid-up”.
28. (4) **Explanation:** Shares can be issued for cash to public or by private placement or in consideration of purchase of assets or business.
29. (2) **Explanation:** Share Capital Account is credited with the nominal (face) value of the share. Amount received more than the par value is towards premium. Therefore, it is credited to Securities Premium Account.
30. (2) **Explanation:** Securities Premium can be used only for the purposes specified in section 52(2) of the Companies Act, 2013. It does allow issue of partly paid bonus shares.
31. (2) **Explanation:** Forfeiture of shares means cancellation of shares. On cancellation of shares Share Capital Account is debited by the amount that was called-up and credited to Share Capital Account. Since Share Capital Account was credited with the amount called-up, on cancellation the account will be debited by that amount.
32. (4) **Explanation:** Section 52 (2) of the Companies Act, 2013 restricts the use of the amounts received as premium on securities for the following purposes:
- (i) Issuing fully paid bonus shares.
 - (ii) Writing off preliminary expenses of the company.
 - (iii) Writing of the expenses of, or the commission paid or discount allowed on any issue of securities or debentures of the company.
 - (iv) Providing for the premium payable on the redemption of any redeemable Preference Shares or any debentures of the company.
 - (v) in purchasing its own shares (buy-back).
33. (1) **Explanation:** Equity Share Capital Account will be credited by ₹ 75 as it is the amount called-up by the company.
34. (1) **Explanation:** A company cannot allot shares more than the issued shares. Shares are said to be oversubscribed when the applications exceed the shares offered for subscription. In such a case, a company may have following three alternatives:
- (i) *First Alternative:* Rejection of Excess Applications;
 - (ii) *Second Alternative:* *Pro rata* Allotment; and
 - (iii) Combination of above two alternatives.
- Thus, a company cannot allot applied shares to all the applicants.
35. (2) **Explanation:** Share Capital Account was credited by ₹ 10 being the nominal (face) value of the share which the company has called to be paid. Therefore, on forfeiture Share Capital Account will be debited by ₹ 10.
36. (1) **Explanation:** Share Capital Account was credited by ₹ 10 being the nominal (face) value of the share called-up by the company to be paid. Therefore, on forfeiture Share Capital Account will be debited by ₹ 10.
37. (2) **Explanation:** *Number of shares allotted to Maira are:* $(1,500/5,000) \times 750 = 225$ Shares
- | | |
|--|----------------|
| <i>Amount paid on Application:</i> $(750 \times ₹ 5)$ | $= ₹ 3,750$ |
| <i>Less: Amount adjusted on Allotment</i> $(225 \times ₹ 5)$ | $= ₹ 1,125$ |
| <i>Balance carried forward:</i> | <u>₹ 2,625</u> |

38. (4) **Explanation:** Share Capital not yet called is not due. If a company receives calls-in-advance, it is a liability for the company till the date it is called-up. Hence, it is credited to Calls-in-Advance Account.
39. (1) **Explanation:** It is a capital profit for the company. Hence, it is transferred to Capital Reserve.
40. (2) **Explanation:** The company has called total nominal (face) value but since it has not received final call of ₹ 3 per share on 500 shares these 500 Equity Shares are not fully paid-up. Therefore, these shares will be shown as shares Subscribed but not fully paid-up.
41. (2) **Explanation:** At the time of call being made Share Capital Account is credited by the amount called to be paid. In the present case, ₹ 16 has been called-up hence, Share Capital Account will be credited by ₹ 16.
42. (4) **Explanation:** Share Capital Account till the date of forfeiture was credited by ₹ 18,000 ($2,000 \times ₹ 9$ per share). Thus, on forfeiture Share Capital Account will be debited by ₹ 18,000.
43. (2) **Explanation:** Securities Premium is presumed to have been received alongwith Allotment Money, if the question does not specify when it is received. In the present question, it is not specified. Hence, it is presumed to have been received alongwith Allotment Money. The shareholder did not default on payment of Allotment Money. Thus, amount of Securities Premium is received by the company.
- Securities Premium received and credited to Securities Premium Account is not reversed because it can be used for the purposes as specified in Section 52(2) of the Companies Act, 2013. Therefore, no amount will be debited to Securities Premium Account.
44. (3) **Explanation:** Amount not paid by the shareholder holding 250 shares is ₹ 3,750 ($250 \times ₹ 15$) and amount not paid by another shareholder is ₹ 1,200 ($150 \times ₹ 8$).
45. (2) **Explanation:** Amount forfeited on 14,000 Shares is ₹ 8,40,000 ($14,000 \times ₹ 60$). It is the maximum discount that can be allowed on reissue of these shares.
46. (3) **Explanation:** Discount allowed on reissue of 40 shares is ₹ 40 ($40 \times ₹ 1$) and the amount forfeited on these 40 shares was ₹ 80 ($40 \times ₹ 2$). Thus ₹ 40 ($₹ 80 - ₹ 40$) is the gain.
47. (4) **Explanation:** Amount forfeited per share is ₹ 25 ($₹ 25,000/1,000$ Shares). Discount allowed per share on reissue of forfeited shares is also ₹ 25 per share. Hence, there is no gain on reissue of shares.
48. (2) **Explanation:** Amount received on application of 48 shares is ₹ 288 ($48 \times ₹ 6$). It is adjusted as follows: ₹ 160 ($40 \times ₹ 4$) towards Share Capital, ₹ 80 ($40 \times ₹ 2$) towards Securities Premium and balance ₹ 48 towards Calls-in-Advance. Out of ₹ 48, ₹ 40 is adjusted towards Share Capital ($40 \times ₹ 1$) and balance ₹ 8 towards Securities Premium. On forfeiture, Forfeited Shares Account will be credited by ₹ 200 ($₹ 160 + ₹ 40$).
49. (3) **Explanation:** Capital Reserve is an uncalled subscribed capital and can be called-up at the time of winding up of the company. It is not a capital profit hence, it can not be used for writing off Capital Losses.
50. (4) **Explanation:** Total amount forfeited and credited to Forfeited Shares Account is ₹ 6,30,000 ($70,000 \times ₹ 9$). Half of 70,000 shares, i.e., 35,000 shares have been issued at premium. Hence, amount forfeited on 35,000 shares, i.e., ₹ 3,15,000 is a gain which will be transferred to Capital Reserve Account.
51. (4) **Explanation:** Shares Allotment Account is debited when amount is called to be paid. Amount received is credited to the account. If the amount is short received, Shares Allotment Account will have a debit balance. Alternatively, the amount not received can be transferred to the debit of Calls-in-Arrears Account.
52. (2) **Explanation:** Number of shares to be issued is calculated by dividing consideration amount (₹ 15,00,000) by the issue price (₹ 12.50). Thus, number of shares issued will be 1,20,000.
53. (1) **Explanation:** Shares are issued for the services the promoters rendered in incorporating the company. Therefore, the expense will be debited to Incorporation Expenses Account.
54. (2) **Explanation:** Value of shares issued is ₹ 10,00,000 whereas the difference between the assets acquired and liabilities taken over is ₹ 13,00,000. Hence, the company has a capital profit of ₹ 3,00,000 which will be credited to Capital Reserve Account.
55. (1) **Explanation:** Value of shares issued is ₹ 20,00,000 whereas the difference between the assets acquired and liabilities taken over is ₹ 5,00,000. Hence, the company has paid goodwill of ₹ 15,00,000 which will be debited to Goodwill Account.
56. (2) **Explanation:** A company may by Special Resolution decide not to call a part of the subscribed capital until its winding-up. Since total nominal (face) value of shares is not called-up to be paid, such shares are shown in the Balance Sheet as Subscribed but not fully paid-up.
57. (2) **Explanation:** Subscribed Capital is 90% of the Issued Capital which is 90% of 2,50,000 shares of ₹ 10 each, i.e., ₹ 22,50,000.

58. (1) **Explanation:** Total Security Premium Amount is ₹ 40 (*i.e.*, ₹ 20 each on allotment and first call). Journal entries will be:

		₹	₹
(i) Share Allotment A/c	...Dr.	32,00,000	
To Equity Share Capital A/c			24,00,000
To Securities Premium A/c			8,00,000
(Allotment money due on 40,000 shares)			
(ii) Bank A/c	...Dr.	32,00,000	
To Share Allotment A/c			32,00,000
(Allotment money received)			

59. (2) **Explanation:** The number of shares applied are 86,000 shares (₹ 4,30,000/₹ 5).

60. (1) **Explanation:** The number of shares allotted to Shaira are: $(3,000/10,000) \times 1,250 = 375$

Amount paid on Application: $(1,250 \times ₹ 3) = ₹ 3,750$

Less: Amount adjusted on allotment $(375 \times ₹ 3) = ₹ 1,125$

Amount due on Allotment $(375 \times ₹ 3) = ₹ 1,125$

Balance refunded after Allotment $(₹ 3,750 - ₹ 1,125 - ₹ 1,125) = ₹ 1,500$.

61. (3) **Explanation:** Amount payable on allotment by Shyam is calculated as follows:

Step 1: Number of shares applied by Shyam = $(50,000/20,000) \times 1,500 = 3,750$ shares

Step 2: Calculation of excess amount received on Application:

Amount paid on Application = 3,750 shares $\times ₹ 3 = ₹ 11,250$

Less: Adjusted against Share Capital from Application Money = $1,500 \times ₹ 3 = ₹ 4,500$

Excess to be adjusted against Allotment = $(₹ 11,250 - ₹ 4,500) = ₹ 6,750$

Step 3: Calculation of Amount due on Allotment:

Amount due on Allotment = $1,500 \times ₹ .5 = ₹ 7,500$

Less: Excess money received on Application = ₹ 6,750

Allotment money due but not paid = ₹ 750.

62. (1) **Explanation:** Number of shares applied by Amar: $(80,000/50,000) \times 12,500 = 20,000$ shares.

Note: Applications for 30,000 shares out of 1,10,000 shares were rejected and the remaining 80,000 shares were allotted on *pro rata* basis.

63. (3) **Explanation:** According to SEBI Guidelines, if a company does not receive minimum subscription for at least 90% of the shares issued, it cannot allot the shares. The company will have to refund the money to the subscribers. In this case, subscription has been received for 3,20,000 shares which is less than 90% (*i.e.*, 3,60,000 shares). Therefore, X Ltd. cannot allot shares and will have to refund application money.

64. (3) **Explanation:** Calls-in-Arrears is shown in the Note to Accounts on 'Share Capital' to the Balance Sheet as a deduction from the amount of 'Subscribed but not fully paid-up' under 'Subscribed Capital'.

65. (1) **Explanation:** Calls-in-Arrears = ₹ 1,80,00,000 – $(₹ 80,00,000 + ₹ 35,00,000 + ₹ 55,00,000) = ₹ 10,00,000$.

66. (1) **Explanation:** In case, the Articles of Association of the company is silent or does not have a clause to this effect, in that case **Table F** of the Companies Act, 2013 applies. As per **Table F**, a company is liable to pay interest @ 12% per annum on Calls-in-Advance.

67. (2) **Explanation:**
- | | | ₹ | ₹ |
|---|--------|--------|--------|
| Bank A/c $(10,000 \times ₹ 5) + (500 \times ₹ 4)$ | ...Dr. | 52,000 | |
| To Equity Share Allotment A/c $(10,000 \times ₹ 3)$ | | | 30,000 |
| To Securities Premium A/c $(10,000 \times ₹ 2)$ | | | 20,000 |
| To Calls-in-Advance A/c $(500 \times ₹ 4)$ | | | 2,000 |
| (Allotment money received on 10,000 shares and calls-in-advance received on 500 shares) | | | |

68. (4) **Explanation:** A company may issue shares for consideration other than cash in the following cases:

- (i) As a purchase consideration;
- (ii) To Promoters of a company against preliminary expenses incurred by them;
- (iii) To Underwriters against the underwriting commission due to them.

69. (3) **Explanation:** Number of shares to be issued = ₹ 25,00,000 – ₹ 5,00,000 = ₹ 20,00,000/12 = 1,66,667 shares.
Amount of Securities Premium = 1,66,667 × ₹ 2 = ₹ 3,33,334.
70. (1) **Explanation:** On forfeiture of shares, shares issued are cancelled.
71. (1) **Explanation:** Amount received on Application is ₹ 2 and amount received on allotment is ₹ 6 (including ₹ 2 as Securities Premium). Therefore, amount forfeited is ₹ 6 per share. Thus, maximum permissible discount on reissue of forfeited shares is ₹ 6.
Minimum Reissue Price = ₹ 10 – ₹ 6 = ₹ 4.
72. (4) **Explanation:** The Equity Share Capital Account will be debited by the amount called-up till the date of forfeiture, i.e., ₹ 40.
73. (1) **Explanation:** *Calculation of Securities Premium:*
Number of shares to be issued = (₹ 2,25,000 – ₹ 10,000)/₹ 21.50 = 10,000 shares Therefore, Securities Premium = 10,000 shares × ₹ 1.50 = ₹ 15,000.
74. (3) **Explanation:** Amount received till allotment = ₹ 6
Number of shares forfeited = 1,000 shares
Therefore, share forfeited account will be credited by (₹ 6 × 1,000 shares) = ₹ 6,000.
75. (3) **Explanation:** If purchase consideration given is less than net assets than the difference is credited to Capital Reserve A/c.
76. (2) **Explanation:** Amount forfeited on 4,000 shares = ₹ 12,000 (i.e., 4,000 × ₹ 3)
Proportionate amount on 2,000 shares (A) = ₹ 6,000
Amount transferred to Capital Reserve (B) = ₹ 4,000
Therefore, balance used on reissue (A – B) = ₹ 2,000
Since, 2,000 shares were reissued as fully paid-up at ₹ 10 and only ₹ 2,000 (i.e., 2,000 shares at ₹ 1) were used from share forfeited amount, that means the shares were reissued at ₹ 9 per share.
77. (2) **Explanation:** It is the case of Minimum Subscription being not received. Therefore, allotment will not be made and application money will be refunded.
78. (4) **Explanation:** It is the case involving oversubscription at the initial stage and thus, *pro rata* allotment. Later when amount is not received on 500 equity shares, these 500 equity shares are forfeited. Hence, it involves all the situations stated in the question.

2. CASE STUDY BASED MCQS

1. A. 3. **Explanation:** It is an issue of shares for consideration other than cash because payment is not made in cash or by cheque but by issue of shares. Therefore, it is issue of shares for consideration other than cash.
- B. 3. **Explanation:** *Number of Equity Shares subscribed are:* Issue for Consideration other than cash + Issue of Shares to Public for cash – Forfeited Shares + Reissued shares
= 1,20,000 + 3,00,000 – 500 + 300 = 4,19,800 equity shares.
- C. 2. **Explanation:** Number of shares reissued × Securities Premium per share = 300 × ₹ 20 = ₹ 6,000.
- D. 4. **Explanation:** Number of shares forfeited but not reissued × amount received on forfeited shares
= 200 × ₹ 50 (₹ 30 + ₹ 20) = ₹ 10,000.
2. A. 3. **Explanation:** Company has issued 50% of its Authorised Capital for subscription = ₹ 20,00,000 × 50% = ₹ 10,00,000. Promoters had subscribed 6,000 shares of ₹ 100 each, i.e., ₹ 6,00,000. Thus, total Issued Capital is ₹ 16,00,000.
- B. 4. **Explanation:** Company received applications for 90% of the shares issued for subscription, i.e., 90% of Issued Capital = ₹ 10,00,000 × 90% = ₹ 9,00,000. Besides promoters have subscribed shares of ₹ 6,00,000. Thus, Subscribed Capital is ₹ 15,00,000 (₹ 9,00,000 + ₹ 6,00,000).
- C. 4. **Explanation:** The company has not called the final call of ₹ 25 per share. Therefore, called-up capital is ₹ 75 per share. Amount called-up = Number of Issued shares × Called-up Amount, i.e., 9,000 shares × ₹ 75 = ₹ 6,75,000. Besides, shares subscribed by promoters are ₹ 6,00,000. Thus, Called-up capital is ₹ 12,75,000 (₹ 6,75,000 + ₹ 6,00,000).

- D. 2. **Explanation:** Calls-in-Arrears = Called-up Capital – Paid-up Capital = ₹ 6,75,000 – ₹ 6,50,000 = ₹ 25,000.
Working Note: Paid-up Capital = (9,000 shares × ₹ 50) + (8,000 shares × ₹ 25) = ₹ 6,50,000.
3. A. 2. **Explanation:** Number of shares applied = 800 shares; Number of shares allotted = $800 \times 30,000/40,000 = 600$ shares.
- B. 1. **Explanation:** Number of shares allotted = 600 shares; Number of shares applied = $600 \times 50,000/30,000 = 1,000$ shares.
- C. 4. **Explanation:** Allotment money due but not paid = ₹ 3,000 – ₹ 600 = ₹ 2,400.
Working Note:
 Excess Application Money = (Applied Shares – Allotted Shares) × Application Money, i.e., $(800 - 600) \times ₹ 3 = ₹ 600$.
 Allotment Money Due = $600 \times ₹ 5 = ₹ 3,000$.
- D. 3. **Explanation:** Allotment Money Due but not paid = ₹ 3,000 – ₹ 1,200 = ₹ 1,800.
Working Note:
 Excess Application Money = (Applied Shares – Allotted Shares) × Application Money, i.e., $400 (1,000 - 600) \times ₹ 3 = ₹ 1,200$.
 Allotment Money Due = $600 \times ₹ 5 = ₹ 3,000$.
4. A. 1. **Explanation:** Money Received on Share Application and Allotment = $(1,90,000 \times ₹ 6) = ₹ 11,40,000$.
- B. 2. **Explanation:** Application Money to be refunded:
 (i) Shares rejected in full under Category A × Application Money = $10,000 \text{ shares} \times ₹ 6 = ₹ 60,000$.
 (ii) Excess Application Money received from Rajat = Nil (Refer Working Note).
 Therefore, excess money to be refunded (i + ii) = ₹ 60,000.
Working Note:
 Application Money received from Rajat ($1,000 \text{ shares} \times ₹ 6$) = ₹ 6,000
 Less: Application Money adjusted on allotment ($500 \times ₹ 6$) = ₹ 3,000
 Balance = ₹ 3,000
 Less: Application Money adjusted on allotment ($500 \text{ shares} \times ₹ 6$) = ₹ 3,000
 Refund of Surplus Application Money received = Nil.
- C. 2. **Explanation:** Calculation of amount received as First and Final Call = Amount due on First and Final Call
 Calls-in-Arrears – Calls-in-Advance
 = ₹ 4,00,000 – ₹ 4,000 (WN i) – ₹ 2,000 (WN ii) = ₹ 3,94,000.
Working Notes:
 (i) Calculation of Calls-in-Arrears:
 Shares applied by Manoj = $1,000 \text{ shares} \times 8/5 = 1,600 \text{ shares}$
 Excess Application Money = $(1,600 - 1,000) \times ₹ 6 = ₹ 3,600$ (Adjusted Against Allotment)
 First and Final Call Money due from Manoj = $1,000 \text{ shares} \times ₹ 4 = ₹ 4,000$
 Therefore, Calls-in-Arrears is = ₹ 4,000.
 (ii) Calculation of Calls-in-Advance:
Category B:
 Application Money received ($1,00,000 \times ₹ 6$) = ₹ 6,00,000
 Less: Adjusted on Allotment ($50,000 \times ₹ 6$) = ₹ 3,00,000
 Balance (Excess Application Money Adjusted Against Allotment) = ₹ 3,00,000
 Less: Adjusted against Allotment ($50,000 \times ₹ 6$) = ₹ 3,00,000
 Amount received from Rajat as Calls-in-Advance = $(500 \times ₹ 4) = ₹ 2,000$.

Category C:

Application Money received $(80,000 \times ₹ 6) = ₹ 4,80,000$

Less: Application Money adjusted $(50,000 \times ₹ 6) = ₹ 3,00,000$

Balance = ₹ 1,80,000

Amount Adjusted against Allotment = ₹ 1,80,000

Excess Application Money is adjusted against Allotment Money. Hence, no amount is carried to be adjusted against First and Final Call.

First and Final Call not received on 1,000 shares @ ₹ 4 per share.

Thus, amount receivable as First and Final Call = ₹ 4,00,000 $(1,00,000 \times ₹ 4)$.

D. 3. Explanation:	Share Capital A/c $(1,000 \times ₹ 10)$...Dr.	₹ 10,000
	To Calls-In-Arrears A/c (WN)		₹ 4,000
	To Forfeited Shares A/c		₹ 6,000

Since Shares are reissued at premium, there will not be loss on reissue hence total amount of forfeited shares is transferred to Capital Reserve which is ₹ 6,000.

5. A. 1. **Explanation:** *The amount of Calls-in-Arrears is ₹ 1,72,000, calculated as follows:*

10,000 Shares $\times ₹ 6$ $(₹ 15 - ₹ 9) = ₹ 60,000$

6,000 Shares $\times ₹ 10$ $(₹ 15 - ₹ 5) = ₹ 60,000$

4,000 Shares $\times ₹ 13$ $(₹ 15 - ₹ 2) = ₹ 52,000$

Total = ₹ 1,72,000

- B. 1. **Explanation:** *Amount of shares forfeited:*

6,000 shares $\times ₹ 5 = ₹ 30,000$

4,000 shares $\times ₹ 2 = ₹ 8,000$

Total = ₹ 38,000*

Working Note:

Total 10,000 shares will be forfeited as they have paid less than ₹ 9 per share, hence:

Share Capital A/c $(10,000 \times ₹ 15)$...Dr.	₹ 1,50,000
To Share Allotment A/c $(4,000 \times ₹ 3)$		₹ 12,000
To Share First and Final Call A/c $(10,000 \times ₹ 4)$		₹ 40,000
To Share Second and Final Call A/c $(10,000 \times ₹ 6)$		₹ 60,000
To Share Forfeiture A/c*		₹ 38,000

- C. 3. **Explanation:** Shares issued to Silk Board Ltd for purchase of their Textile Mill = $80,000 \times ₹ 25 = ₹ 20,00,000$

Balance Shares are not fully paid-up since ₹ 15 have been called against its nominal (face) value of ₹ 25.

- D. 2. **Explanation:** $90,000^* \text{ Shares} \times ₹ 15 \text{ each called-up} = ₹ 13,50,000$

Less: Calls-in-Arrears = ₹ 60,000

Total = ₹ 12,90,000

*Out of 1,00,000 shares issued, 10,000 shares are forfeited. Thus, shares subscribed but not fully paid-up are 90,000 Shares. Balance in Forfeited Shares Account (₹ 38,000) will be shown as a separate entry in the Note to Account on Share Capital. Balance of Forfeited Shares Account neither a part of subscribed and fully paid-up shares nor of subscribed but not fully paid-up shares.

3. SEQUENCE BASED MCQS

1. 3. **Explanation:** *The correct sequence is:*
 - C. Promotion;
 - A. Incorporation or Registration of a Company;
 - B. Capital Subscription; and
 - D. Commencement of Business.
2. 4. **Explanation:** *The correct sequence or order is:*
 - B. Nominal Capital;
 - D. Issued Capital;
 - A. *Subscribed Capital:* Subscribed and fully paid-up; and
 - C. *Subscribed Capital:* Subscribed but not fully paid-up.
3. 2. **Explanation:** *The correct sequence or order is:*
 - C. Issue of Prospectus;
 - E. Receipt of Minimum Subscription;
 - A. Allotment of Shares;
 - D. Amount Due on Allotment;
 - B. Receipt of Allotment Money;
 - G. Amount being due on First & Final Call; and
 - F. Receipt of First & Final Call.
4. 1. **Explanation:** *The correct sequence or order is:*
 - C. Compute Number of Shares Applied/Shares Allotted to defaulting Shareholders;
 - A. Calculate Amount Due on Allotment by multiplying Shares allotted to allotment money due per share;
 - D. Calculate Excess Application money adjusted on allotment by multiplying application money received to shares applied but not allotted;
 - B. Amount Due on Allotment over and above the excess application money adjusted on allotment.
5. 4. **Explanation:** *The correct sequence or order is:*
 - D. Compute Number of Shares Applied/Shares Allotted to Shareholder whose shares are being forfeited;
 - B. Calculate Total Application Money received on shares applied from defaulting shareholder by multiplying number of shares applied by shareholder to application money per share;
 - E. Calculate application money due on shares allotted to defaulting shareholder by number of shares allotted to shareholder to application money per share;
 - C. Compute Excess application money received by deducting application money due or required from application money received;
 - A. Calculate amount due on allotment by multiplying number of shares allotted by the amount of allotment money per share; and
 - F. Compute amount in arrears on allotment by deducting excess application money from amount due on allotment.

4. MATCHING QUESTIONS

1. 1. **Explanation:** *According to the Companies Act, 2013:*
 - A. One Person Company can have minimum and maximum one member. **[List II, Option (III)]**
 - B. A Public Company should have minimum 7 members with no maximum limit of members. **[List II, Option (I)]**
 - C. A Private Company should have minimum 2 members and maximum 200 members. **[List II, Option (II)]**

2. 4. Explanation:

- A. Preference Shares that do not carry right to receive arrears in Dividend are Non-cumulative Preference Shares. [List II, Option (III)]
- B. Preference Shares that cannot be converted into equity shares are Non-convertible Preference Shares. [List II, Option (IV)]
- C. Preference Shares that do not participate in profits remaining after paying dividend to equity shareholders are Non-participating Preference Shares. [List II, Option (I)]
- D. Preference Shares that are redeemed by the company at the time specified for their repayment or earlier are Redeemable Preference Shares. [List II, Option (II)]

3. 1. Explanation:

- A. A Public Company should have minimum 7 members, *i.e.*, shareholders. [List II, Option (III)]
- B. A Company can have maximum 15 Directors as is prescribed in the Companies Act, 2013. [List II, Option (V)]
- C. Minimum number of Directors in a One Person Company (OPC) is 2 Directors. [List II, Option (I)]
- D. A Private Company should have minimum 2 members, *i.e.*, shareholders. [List II, Option (II)]
- E. Maximum and Minimum number of shareholders in a OPC can be 1. [List II, Option (IV)]

4. 2. Explanation:

- A. With Reference to Dividend, preference shares are classified as Cumulative and Non-cumulative Preference Shares. [List II, Option (III)]
- B. With Reference to Convertibility, preference shares are classified as Convertible and Non-convertible Preference Shares. [List II, Option (IV)]
- C. With Reference to Redemption, preference shares are classified as Redeemable and Irredeemable Preference Shares. [List II, Option (II)]
- D. With Reference to Participation in Surplus Profit, preference shares are classified as Participating and Non-participating Preference Shares. [List II, Option (I)]

5. 4. Explanation:

- A. Authorised Capital is ₹ 80,00,000. [List II, Option (III)]
- B. Issued Capital is ₹ 72,00,000 (*i.e.*, 90% of ₹ 80,00,000). [List II, Option (VI)]
- C. Subscribed Capital is ₹ 64,80,000 (*i.e.*, 90% of ₹ 72,00,000). [List II, Option (V)]
- D. Called-up Capital is ₹ 42,12,000 (*i.e.*, 65% of ₹ 64,80,000). [List II, Option (I)]
- E. Paid-up Capital is ₹ 41,82,000 (*i.e.*, ₹ 28,80,000 + ₹ 13,02,000). [List II, Option (II)]
- F. Calls-in-Arrears are ₹ 30,000 (*i.e.*, ₹ 42,12,000 – ₹ 41,82,000). [List II, Option (IV)]

6. 3. Explanation:

- A. Share Capital Account is debited with the amount called-up on forfeited shares till the date of forfeiture. [List II, Option (III)]
- B. Securities Premium Account is debited with the amount called-up on Forfeited shares but remains unpaid. [List II, Option (IV)]
- C. Forfeited Shares Account is credited with the amount called-up and paid except credited to Securities Premium. [List II, Option (II)]
- D. Calls-in-Arrears Account is debited with the amount called-up on Forfeited shares but remains unpaid. [List II, Option (I)]

7. 1. Explanation:

- A. If he didn't pay allotment money and his shares were forfeited, ₹ 1,000 (*i.e.*, 500 shares × ₹ 2) will be forfeited. [List II, Option (I)]
- B. If he didn't pay first call money and his shares were forfeited, ₹ 1,500 (*i.e.*, 300 shares × ₹ 5) will be forfeited. [List II, Option (II)]
- C. If he didn't pay second and final call money and his shares were forfeited, ₹ 2,400 (*i.e.*, 300 shares × ₹ 8). will be forfeited [List II, Option (III)]

8. 2. Explanation:

- A. If he didn't pay allotment money and his shares were forfeited, ₹ 1,200 (*i.e.*, 600 shares × ₹ 2) will be forfeited. **[List II, Option (II)]**
- B. If he didn't pay first call money and his shares were forfeited, ₹ 2,500 (*i.e.*, 500 shares × ₹ 5) will be forfeited. **[List II, Option (III)]**
- C. If he didn't pay second and final call money and his shares were forfeited, ₹ 4,000 (*i.e.*, 500 shares × ₹ 8) will be forfeited. **[List II, Option (I)]**

9. 3. Explanation:

- A. His shares were forfeited for non-payment of second and final call, *i.e.*, ₹ 9 (*i.e.*, ₹ 3 + ₹ 4 + ₹ 2) per share are forfeited. **[List II, Option (III)]**
- B. His shares were forfeited for non-payment of both the calls, *i.e.*, ₹ 7 (*i.e.*, ₹ 3 + ₹ 4) per share are forfeited. **[List II, Option (II)]**
- C. His shares were forfeited for non-payment of allotment & both the calls, *i.e.*, ₹ 3 per share are forfeited. **[List II, Option (I)]**
- D. His shares were forfeited for non-payment of allotment & first call, *i.e.*, ₹ 3 per share are forfeited. **[List II, Option (I)]**
- E. His shares were forfeited for non-payment of first call only, *i.e.*, ₹ 7 (*i.e.*, ₹ 3 + ₹ 4) per share are forfeited. **[List II, Option (II)]**

10. 4. Explanation:

- A. If shares are reissued for ₹ 5 per share, ₹ 800 will be transferred to Capital Reserve. **[List II, Option (II)]**
- B. If shares are reissued for ₹ 7 per share, ₹ 8 called-up ₹ 4,000 will be transferred to Capital Reserve. **[List II, Option (I)]**
- C. If shares are reissued for ₹ 8 per share, fully paid-up, ₹ 3,200 will be transferred to Capital Reserve. **[List II, Option (v)]**
- D. If shares are reissued for ₹ 12 per share, fully called-up, ₹ 4,800 will be transferred to Capital Reserve. **[List II, Option (III)]**
- E. If shares are reissued for ₹ 5 per share, ₹ 8 called-up, ₹ 2,400 will be transferred to Capital Reserve **[List II, Option (IV)]**.

5. COMBINATION WITH SINGLE ANSWER QUESTIONS

- 1. 4. **Explanation:** A company is managed by Directors who are elected by shareholders. Thus, management and ownership are not same.
- 2. 2. **Explanation:** Limited Liability Partnership is not a kind of company. Rest all are kind of companies.
- 3. 3. **Explanation:** *The process of incorporating a company can be divided into five stages:*
 - (i) Promotion,
 - (ii) Registration of a Company,
 - (iii) Issue of Prospectus,
 - (iv) Capital Subscription, and
 - (v) Commencement of Business.
- 4. 3. **Explanation:** A company has to show its Share Capital under Authorised, Issued, Subscribed Capital (*i.e.*, Subscribed and Fully Paid-up and Subscribed but not Fully Paid-up) in the Notes to Accounts.
- 5. 4. **Explanation:** Subscribed and Fully Paid-up, Subscribed but not Fully Paid-up and Nominal Capital are disclosed in the Note to Accounts on Share Capital. Capital Reserve and Shares Option Outstanding Account are shown under Reserves and Surplus.
- 6. 3. **Explanation:** Reserve Capital, Calls-in-Advance and Securities Premium are not shown in the Note to Accounts on Share Capital while all other entries (items) are shown in the Note.

7. 4. **Explanation:** *As per Section 52(2) of the Companies Act, 2013, Securities Premium can be used for the following:*
- A. Issuing fully paid bonus shares to shareholders.
 - D. In purchasing its own shares (Buy-back).
 - E. Providing for the premium payable on the redemption of debentures.
8. 3. **Explanation:** Forfeited Shares Account and Calls-in-Advance Account will have credit balance.
- Note:** Shares First Call Account, wherein amount is not due but paid, the amount paid in advance will be shown in Calls-in-Advance Account not in Shares First Call Account. Thus, Calls-in-Advance Account will have credit balance.
9. 4. **Explanation:** *The following statement are related to Oversubscriptions of shares:*
- B. Make *pro rata* allotment to all the subscribers.
 - C. Reject the excess applications and refund their money.
 - D. Reject the excess applications and make *pro rata* allotment to remaining subscribers.
10. 3. **Explanation:** Calls-in-Arrears Account and Shares First Call Account, if Calls-in-Arrears Account is not opened are the accounts which show amount due but not received. Thus, these two accounts will have debit balance.
11. 4. **Explanation:** Preference shares can be classified with reference to all the categories except (A), *i.e.*, Security.
12. 3. **Explanation:** Issue of shares at discount in private placement, Use of Capital Reserve for distribution as dividend and Disclosure of Reserve Capital in company's Balance Sheet are not possible for a company.
13. 4. **Explanation:** Issued Capital is that part of Registered Capital that is issued for subscription. It can be equal to or more than Subscribed Capital of the company. Shares allotted for consideration other than cash are shown separately. It is stated separately for each class or kind of shares.
14. 4. **Explanation:** Subscribed Capital is that part of the capital which is for the time being subscribed by the members of a company. It can be equal to or less than Issued Capital of the company. It is classified into Subscribed and Fully Paid-up Capital and Subscribed but not fully Paid-up Capital. It is stated separately for each class or kind of shares.
15. 3. **Explanation:** Reserve Capital is that part of the uncalled capital which is called in the event of winding up. Special resolution is required for its creation. It is an uncalled capital.