

(C) MULTIPLE CHOICE QUESTIONS (MCQs)

In the following sub-questions more than one answers are given. You have to select correct answer with necessary calculations.

1. What is the formula to find out capitalized profit ?

- (A) Average profit – Expected profit
- (B) Average profit ÷ Expected rate of return
- (C) Expected profit – Average profit
- (D) Average profit × Expected rate of return

[Sau. Uni., S.Y., Nov. 2012, 2013; April, 2016]

[Ans. : (B) Average profit ÷ Expected rate of return.]

2. What is the formula for finding out goodwill by capitalisation of Net profit ?

- (A) Goodwill = Assets – Liabilities
- (B) Goodwill = Capitalisation of Net profits – Net Assets
- (C) Goodwill = Capitalisation of Net profits + Net Assets
- (D) Goodwill = Net assets – Capitalisation of Net profits

[Ans. : (B) Goodwill = Capitalisation of Net profits – Net Assets]

3. Find out the value of goodwill by the method of capitalisation of profit.

- | | |
|-----------------------------|--------------|
| (1) Average annual profit | Rs. 24,000 |
| (2) Total Assets | Rs. 7,00,000 |
| (3) Total Liabilities | Rs. 4,00,000 |
| (4) Expected rate of return | 6% |

VALUATION OF GOODWILL

- (A) Rs. 1,00,000 (B) Rs. 1,80,000
(C) Rs. 4,00,000 (D) Rs. 66,000

[Ans. : (A) Rs. 1,00,000, Capitalisation of profit Rs. 4,00,000, Net Assets Rs. 3,00,000.]

4. Total assets of the business are Rs. 18,00,000, Liabilities Rs. 10,00,000 and Expected rate of return is 12.5%. Annual average profit is Rs. 1,16,000. Value of the goodwill on the basis of capitalization of profit will be _____.

- (A) Rs. 1,25,000 (B) Rs. 4,00,000
(C) Rs. 1,28,000 (D) Rs. 1,16,000

[Guj. Uni., S.Y., Nov., 2012]

[Ans. : (C) Rs. 1,28,000 (Net Assets Rs. 8,00,000 (Total assets Rs. 18,00,000 – Total liabilities Rs. 10,00,000), Capitalised profit Rs. 9,28,000 (1,16,000 profit \times 100 / 12.5), \therefore Value of Goodwill Rs. 1,28,000 (9,28,000 – 8,00,000).]

5. Calculate goodwill from following information on the basis of 3 years purchase of super profit. Capital employed Rs. 4,00,000, Expected rate of return is 12%, Average profit is Rs. 60,000.

- (A) Rs. 48,000 (B) Rs. 63,000
(C) Rs. 72,000 (D) Rs. 36,000

[Guj. Uni., S.Y., Nov. 2012]

[Ans. : (D) Rs. 36,000 (Expected profit Rs. 48,000, Super Profit Rs. 12,000 (60,000 – 48,000), Goodwill 12,000 \times 3 = 36,000)]

6. Find out the value of goodwill by the method of capitalization of profit :

	Rs.
Average annual profit	38,400
Total Assets	11,20,000
Total Liabilities	6,40,000
Expected rate of return	6%
(A) Rs. 1,60,000	(B) Rs. 2,88,000
(C) Rs. 6,40,000	(D) Rs. 1,05,600

[Guj. Uni., S.Y., Nov. 2013]

[Ans. : (A) Rs. 1,60,000.]

7. Find out the value of goodwill by the method of Capitalisation of Average Profit :

	Rs.
Total Assets	5,00,000
Total Liabilities	1,00,000



5% Preference share Capital	1,00,000
Expected rate of return	5%
Average annual profit	25,000
(A) Rs. 1,00,000	(B) Rs. 1,50,000
(C) Rs. 2,00,000	(D) Rs. 3,00,000

[Guj. Uni., S.Y., Nov. 2014]

[Ans. : (A) Rs. 1,00,000 (Capitalised Profit 4,00,000 – Net Assets 3,00,000 = Goodwill Rs. 1,00,000).]

8.

Find out the value of goodwill by the method of Capitalisation of Super profit :

	Rs.
Total Assets	48,00,000
Total Liabilities	5,00,000
10% Preference Share Capital	2,00,000
Expected rate of return	10%
Average annual profit before distribution of dividend	5,00,000
(A) Rs. 9,00,000	(B) Rs. 7,00,000
(C) Rs. 4,00,000	(D) Rs. 5,00,000

[Guj. Uni., S.Y., Nov. 2014]

[Ans. : (B) Rs. 7,00,000 (Average Profit 4,80,000 – Expected Profit 4,10,000 = Super Profit Rs. 70,000 ÷ 10% Expected Rate = Rs. 7,00,000 Goodwill).]

9.

The company has assets of Rs. 5,00,000, Liabilities of Rs. 1,00,000 and the annual average profit is Rs. 30,000 and expected rate of return is 10%. Calculate the goodwill by purchase of two years' super profit.

- (A) Rs. 40,000 (B) Rs. 50,000
(C) Zero (D) Rs. 80,000

[Guj. Uni., S.Y., Nov. 2014]

[Ans. : (C) Zero (Average Profit 30,000 – Expected Profit 40,000 = Super Profit – 10,000; As Super Profit is Negative, Goodwill will be Zero).]

10.

In a business adjusted net profit amounted to Rs. 2,25,000 and the capital invested is Rs. 20,00,000. If the expected rate of returns is 10% and the goodwill is valued at 3 years purchase of super profit, the value of goodwill will be _____.

- (A) Rs. 25,000 (B) Rs. 75,000
(C) Rs. 2,00,000 (D) Rs. 2,25,000

[Sau. Uni., S.Y., April, 2014]

[Ans. : (B) Rs. 75,000.]



VALUATION OF GOODWILL

11. When there is continuous reduction in profit every year, then which profit is taken into account for calculating goodwill ?
 (A) Simple Average Profit (B) Weighted Average Profit
 (C) Super Profit (D) Capitalized Profit
[Sau. Uni., S.Y., April, 2015]

[Ans. (B) Weighted Average Profit.]

12. Which of the following institutions will have goodwill ?
 (A) A public library
 (B) Arts and Commerce College
 (C) Dr. Acharya's private nursing home
 (D) None of these

[Sau. Uni., S.Y., April, 2015]

[Ans. (C) Dr. Acharya's private nursing home.]

13. Find out the value of goodwill by the method of Capitalization of Average Profit :

	Rs.
(i) Average Annual Profit	53,760
(ii) Total Assets	15,68,000
(iii) Total Liabilities	8,96,000
(iv) Expected rate of Return	6%
(A) Rs. 2,24,000	(B) Rs. 6,72,000
(C) Rs. 8,96,000	(D) Rs. 94,080

[Guj. Uni., S.Y., Nov. 2015]

[Ans. : (A) Rs. 2,24,000 (Profit Rs. 53,760 ÷ 6% = Rs. 8,96,000 Capitalised Profit – Rs. 6,72,000 Net Assets = Goodwill Rs. 2,24,000).]

14. Calculate goodwill from the following information on the basis of 3 years purchase of super profit. Capital employed Rs. 5,50,000. Expected rate of return is 12%. Average profit is Rs. 80,000.
 (A) Rs. 42,000 (B) Rs. 66,000
 (C) Rs. 14,000 (D) Rs. 24,000

[Guj. Uni., S.Y., Nov. 2015]

[Ans. (A) Rs. 42,000 (Capital Employed Rs. 5,50,000 × 12% Expected rate of return = Rs. 66,000 Expected Profit, Super Profit Rs. 14,000 (80,000 – 66,000), Goodwill Rs. 42,000 (Rs. 14,000 × 3).]

15. Calculate goodwill by three years' purchase of super profit from the following particulars :
 (i) Average profit Rs. 1,60,000 (before charging 40% taxes and 9% dividend on Rs. 2,00,000 preference share capital).



- (ii) Capital employed Rs. 4,00,000
- (iii) Normal rate of return 15%
- (A) Rs. 54,000 (B) Rs. 96,000
- (C) Rs. 18,000 (D) None of the above

[Guj. Uni., S.Y., Nov. 2016]

[Ans. : (A) Rs. 54,000 (Capital employed Rs. 4,00,000 \times Expected rate of return 15% = Expected profit Rs. 60,000, Average Profit Rs. 1,60,000 – 40% taxes Rs. 64,000 = Rs. 96,000 – Pref. dividend Rs. 18,000 = Rs. 78,000, Super profit = Average profit Rs. 78,000 – Expected profit Rs. 60,000 = Rs. 18,000, \therefore Goodwill = 18,000 \times 3 years = Rs. 54,000.)]

16. In the case, of continuous increase in the profits of the company, which profit shall be taken into consideration for goodwill valuation ?

- (A) Simple average profit (B) Capital profit
- (C) Revenue profit (D) Weighted average profit

[Guj. Uni., S.Y., Nov. 2012, 2017]

[Ans. : (D) Weighted average profit.]

17. Which of the following type of investment is not included while deciding capital employed or net capital employed to calculate valuation of goodwill ?

- (A) Permanent investment (B) Trading investment
- (C) Non-trading investment (D) Current investment

[Sau. Uni., S.Y., April, 2013, 2016; Guj. Uni., S.Y., Nov. 2018]

[Ans. : (C) Non-trading investment.]

18. Which of the following detail is taken into account while calculating Capital Employed for valuation of goodwill ?

- (A) Workmen's compensation fund
- (B) Preliminary expenses
- (C) Worker's profit sharing fund
- (D) None of these

[Sau. Uni., S.Y., April, 2015; Guj. Uni., S.Y., Nov. 2018]

[Ans. (C) Worker's profit sharing fund.]

19. When profit of few years are increasing, then which profit is taken into account for calculating goodwill ?

- (A) Simple average profit (B) Weighted average profit
- (C) Capitalised profit (D) Super Profit

[Guj. Uni., S.Y., Nov. 2019]

[Ans. : (B) Weighted average profit.]



VALUATION OF GOODWILL

20. When there is any increase or decrease in profit, then which profit is taken into account for calculating goodwill ?
- (A) Capitalised profit (B) Weighted average profit
(C) Simple average profit (D) Super profit
- [Sau. Uni., S.Y., Nov. 2012, April, 2016; Guj. Uni., S.Y., Nov. 2013, 2018; North Guj. Uni., S.Y., Nov. 2019]

[Ans.: (C) Simple average profit.]

21. What is the capitalised value of average profit on the basis of expected rate of return.
- (A) Super profit (B) Goodwill
(C) Weighted average profit (D) Capitalisation of profit
- [Sau. Uni., S.Y., April, 2012, 2016; Guj. Uni., S.Y., Nov. 2019]

[Ans.: (D) Capitalisation of profit.]

22. When risk is more in business then goodwill is –
- (A) Normal (B) Less
(C) More (D) Zero

[Guj. Uni., S.Y., Nov. 2013, 2016, 2018, 2019; Sau. Uni., S.Y., April, 2012, 2015, 2016; North Guj. Uni., S.Y., Nov. 2019]

[Ans. : (B) Less.]

23. What is the formula for finding out super profit ?
- (A) Average profit – Expected profit
(B) Expected profit – Average profit
(C) Average profit + Expected profit
(D) Expected profit + Average profit

[Sau. Uni., T.Y., April, 2013; Guj. Uni., S.Y., Nov. 2019]

[Ans. : (A) Average profit – Expected profit.]

24. Which of the following institutions will have no goodwill ?
- (A) B. S. Shah Prakashan (B) Rapid Transport Co.
(C) A Public Library (D) Dr. Shah's Private Nursing Home.

[Sau. Uni., S.Y., Nov. 2012; Guj. Uni., S.Y., Nov. 2019]

[Ans. : (C) A Public Library.]

25. Calculate of amount of Goodwill from the following information :
- | | |
|---|------------------|
| Capital employed | Rs. 25,00,000 |
| Average annual profit | Rs. 2,25,000 |
| Expected rate of return on capital employed | 10% |
| (A) Rs. 25,000 | (B) Rs. 2,50,000 |
| (C) Rs. 22,500 | (D) Zero |

[North Guj. Uni., S.Y., Nov. 2019]



[Ans. : (D) No Goodwill, Expected profit Rs. 2,50,000 ($25,00,000 \times 10\%$), Average profit Rs. 2,25,000, there is a minus super profit of Rs. 25,000, So, No Goodwill.]

26.

Which of the following details is taken into account while calculating capital employed for Valuation of Goodwill ?

- | | |
|-----------------------|---------------------|
| (A) Profit & Loss A/c | (B) General Reserve |
| (C) Provident Fund | (D) None of these |

[Guj. Uni., S.Y., Nov. 2019]

[Ans. : (C) Provident Fund.]



(C) MULTIPLE CHOICE QUESTIONS (MCQs)

In the following sub-questions more than one answers are given. You have to select correct answer with necessary calculations.

1. What is the formula to find out intrinsic value of Equity Shares ?

(A) $\text{Intrinsic Value} = \frac{\text{Net Assets}}{\text{Number of Equity Shares}}$

(B) $\text{Intrinsic Value} = \frac{\text{Total Assets}}{\text{Number of Equity Shares}}$

(C) $\text{Intrinsic Value} = \text{Net Assets} \times \text{Number of Equity shares}$

(D) $\text{Intrinsic Value} = \text{Total assets} \times \text{Number of Equity shares}$

[Ans. : (A) $\text{Intrinsic Value} = \frac{\text{Net Assets}}{\text{Number of Equity Shares}}$.]

2. Which points should be carefully studied in connection with Net Assets Method ?

(A) Fictitious assets should be excluded from total assets.

(B) The balance of accumulated profits should be deducted from total assets.

(C) Only provision for taxation should be deducted from total assets.

(D) Share capital and liabilities should be deducted from total assets.

[Ans. : (A) Fictitious assets should be excluded from total assets.]

3. Find out the market value of share from the following details :

Particulars	Rs.
5,000 Equity shares of Rs. 100 each, Rs. 80 paid	4,00,000
Average yearly profit	90,000
To General Reserve	20,000
To Provision for taxation	10,000
Expected rate of return	10%

(A) Rs. 180

(B) Rs. 120

(C) Rs. 140

(D) Rs. 100

[Ans. : (B) Rs. 120 (Profit Rs. 90,000 Less Gen. Res. 20,000 and Provision for Taxation 10,000 = 60,000, Rate of Dividend 15% $(60,000 \times 100 / 4,00,000)$, Market Value = $15 \times 80 / 10 = \text{Rs. } 120$.]

4. $\frac{\text{Rate of Dividend}}{\text{Expected Rate of Return}} \times \text{Paid up amount on share}$

Above formula is useful for calculating, which price of the share ?



- (A) Face value
(C) Market value

- (B) Intrinsic value
(D) Fair value

[Guj. Uni., S.Y., Nov. 2012]

[Ans. : (C) Market value.]

5. In the case, when Face value of Equity Share is Rs. 100, Intrinsic value is Rs. 118, Market value is Rs. 120 and Expected value is Rs. 125. The fair value of the share will be –

- (A) Rs. 119
(C) Rs. 122.50
- (B) Rs. 109
(D) Rs. 112.50

[Guj. Uni., S.Y., Nov. 2012]

[Ans. : (A) Rs. 119 ($118 + 120 \div 2 = 119$).]

6. In the case when face value of Equity share is Rs. 100, Intrinsic value is Rs. 236, Market value is Rs. 240 and Expected value is Rs. 250, the fair value of the share will be –

- (A) Rs. 238
(C) Rs. 175
- (B) Rs. 218
(D) Rs. 170

[Guj. Uni., S.Y., Nov. 2013]

[Ans. : (A) Rs. 238.]

7. If the fair value of an equity share of a company is Rs. 450 and its market value is Rs. 420, then the intrinsic value of share is –

- (A) Rs. 435
(C) Rs. 660
- (B) Rs. 480
(D) Rs. 645

[Guj. Uni., S.Y., Nov. 2013, 2017]

[Ans. : (B) Rs. 480.]

8. The fair price of share means –

- (A) Face value
(B) Average of intrinsic value and market price
(C) Yield value
(D) Difference of face value and market price

[Sau. Uni., S.Y., April, 2013, 2014, 2016]

[Ans. : (B) Average of intrinsic value and market price.]

9. In the case, when face value of Equity share is Rs. 100. Intrinsic value is Rs. 228, Market value is Rs. 220 and Expected value is Rs. 225. The fair value of the equity share will be –

- (A) Rs. 226.50
(C) Rs. 222.50
- (B) Rs. 224
(D) Rs. 224.33

[Guj. Uni., S.Y., Nov. 2015]

[Ans. : (B) Rs. 224 (Intrinsic Value Rs. 228 + Market Value Rs. 220 $\div 2 = 224$).]

10. Find out the expected rate of return from the following information:

- (i) Market value of Equity share Rs. 210.
(ii) Rate of dividend 35%



(iii) Equity shares of Rs. 100 each on which Rs. 90 is paid up.

- (A) 31.5% (B) 15%
(C) 16.67% (D) None of the above.

[Guj. Uni., S.Y., Nov. 2016]

[Ans.: (B) 15% ($35\% \times 90/210 = 15\%$).]

11. In the case when Face value of equity share is Rs. 100, Intrinsic value is Rs. 246, Market value is Rs. 256 and Expected value is Rs. 255, the Fair value of the share will be –

- (A) Rs. 250.50 (B) Rs. 251
(C) Rs. 255.50 (D) Rs. 177.50

[Guj. Uni., S.Y., Nov. 2016]

[Ans.: (B) Rs. 251 ($246 + 256 \div 2$).]

12. If the fair value of an equity share for a company is Rs. 300 and its market value is Rs. 280, then the intrinsic value of share is –

- (A) Rs. 145 (B) Rs. 300
(C) Rs. 310 (D) Rs. 320

[Sau. Uni., S.Y., April, 2012; Guj. Uni., S.Y., Nov. 2018]

[Ans.: (D) Rs. 320.]

13. On the basis of net asset, _____ price of share is decided.

- (A) Market (B) Face
(C) Fair (D) Intrinsic

[Sau. Uni., S.Y., April, 2013, 2014, 2016; Guj. Uni., S.Y., Nov. 2018]

[Ans.: (D) Intrinsic.]

14. Out of the following, which company's share is not quoted in stock market ?

- (A) Foreign Company (B) Public Sector Company
(C) Holding Company (D) Private Company

[Sau. Uni., S.Y., April, 2015; Guj. Uni., S.Y., Nov. 2018]

[Ans.: (D) Private Company.]

15. Price of shares of a public limited company is quoted in stock market if –

- (A) Valuation is done (B) Take over
(C) There is no speculation (D) Listing is made

[Sau. Uni., S.Y., April, 2016; Guj. Uni., S.Y., Nov. 2018, 2019]

[Ans.: (D) Listing is made.]

16. Normally, the intrinsic value of a share _____ after issue of bonus shares.

- (A) Increases
(B) Decreases
(C) Remain unchanged
(D) Sometimes increases, sometimes decreases.

[Sau. Uni., S.Y., April, 2013, 2016; Guj. Uni., S.Y., Nov. 2018, 2019]

[Ans.: (B) Decreases.]



17. Market price of equity share is Rs. 250 and rate of dividend is 40%. If equity share of Rs. 100 is fully paid, what will be the rate of expected return ?
(A) 15% (B) 10%
(C) 12% (D) 16%

[Sau. Uni., S.Y., April, 2014, 2016; Guj. Uni., S.Y., Nov. 2019]

[Ans.: (D) 16%.]

18. On which value of the share, company gives dividend ?
(A) Market value (B) Fair value
(C) Intrinsic value (D) Face value

[Guj. Uni., S.Y., Nov. 2012, 2015, 2016, 2018, 2019;
North Guj. Uni., S.Y., Nov. 2019]

[Ans. : (D) Face value.]

19. While calculating net assets for share valuation purpose, fictitious assets are valued at –
(A) Book value (B) Market value
(C) Face value (D) None of these

[Guj. Uni., S.Y., Nov. 2012, 2019]

[Ans. : (D) None of these.]

20. If the fair value of equity share of a company is Rs. 150 and its market value is Rs. 140, then the intrinsic value of share is _____.
(A) Rs. 145 (B) Rs. 160
(C) Rs. 220 (D) Rs. 215

[North Guj. Uni., S.Y., Nov. 2019]

[Ans. : (B) Rs. 160.]

21. The assets should be valued at their _____ values.
(A) Book (B) Realisable
(C) Original (D) Cost

[Guj. Uni., S.Y., Nov. 2013; Sau. Uni., S.Y., April, 2015;
North Guj. Uni., S.Y., Nov. 2019]

[Ans.: (B) Realisable.]

22. On the basis of yield method which price of share is decided ?
(A) Fair Value (B) Market Value
(C) Face Value (D) Intrinsic Value

[Guj. Uni., S.Y., Nov. 2019]

[Ans. : (B) Market Value.]



(C) MULTIPLE CHOICE QUESTIONS (MCQs)

In the following sub-questions more than one answers are given. You have to select correct answer with necessary calculations.

1. The authorised capital of a bank is Rs. 40,00,000. The authorised capital is double the called up capital and paid up capital is half of the called up capital. If the Statutory Reserve is Rs. 8,00,000 and the profit during the year is Rs. 5,00,000. the minimum amount of be transferred to Statutory Reserve Fund is –

- | | |
|------------------|-------------------|
| (A) Rs. 1,00,000 | (B) Rs. 1,25,000 |
| (C) Rs. 50,000 | (D) Rs. 2,00,000. |



BANK ACCOUNTS

[Ans. : (A) Rs. 1,00,000; However, it is only when the bank declares dividend, it will be compulsory for the bank to transfer 20% of its profit to Reserve. Here, there is no mention of any declaration of dividend. Hence, it is not compulsory to transfer any amount to Statutory Reserve Fund.]

2. From the following details find out the amount of the discount to be credited to the bank's Profit and Loss A/c in 2013-'14 :

	Rs.
Discounted Bills	6,00,000
Discount Received	50,000
Rebate on discounted Bills (1-4-'13)	5,000

Average due date of discounted bills 12-6-'14.

Rate of discount 10% p a.

- (A) Rs. 45,000 (B) Rs. 55,000
(C) Rs. 62,000 (D) Rs. 43,000

[Guj. Uni., S.Y., Nov. 2014]

[Ans. : (D) Rs. 43,000 (Discount received in advance = $6,00,000 \times 10\% \times 73/365$ = Rs. 12,000, Now Discount received 50,000 + Op. Balance 5,000 – Cl. balance 12,000 = Rs. 43,000 will be credited to P & L A/c).]

3. The expenses of special audit suggested by Reserve Bank in public interest will be borne by _____.

- (A) Reserve Bank of India (B) Banking Company itself
(C) Government of India (D) Central Bank of India

[Guj. Uni., S.Y., Nov. 2012, 2013, 2015, 2016]

[Ans. : (B) Banking Company itself.]

4. On the non-performing assets of a bank, interest Rs. 80,000 is accrued during the year. Out of which interest of Rs. 20,000 was actually received. How much interest will be recognised as income for the year ?

- (A) Rs. 20,000 (B) Rs. 60,000
(C) Rs. 80,000 (D) Rs. 1,00,000

[Guj. Uni., S.Y., Nov. 2017]

[Ans. : (A) Rs. 20,000.]

5. In which account is the interest accrued on non-performing assets, deposited on the date of maturity ?

- (A) Interest Account (B) Interest Suspense Account
(C) Profit & Loss Account (D) None of the above

[Guj. Uni., S.Y., Nov. 2018]

[Ans. : (C) Interest Suspense Account.]



6. The paid up capital of a bank is Rs. 6,00,000. The balance of Statutory Reserve Fund is Rs. 2,50,000. The balances of preliminary expenses and underwriting commission are Rs. 30,000 and Rs. 18,000 respectively. If the current year's profit of a Bank is Rs. 1,50,000, the maximum rate of dividend, bank can declare is –
- (A) 25% (B) 20%
(C) 17% (D) 12%.

[North Guj. Uni., S.Y., Nov. 2019]

[Ans. : (D) 12% Dividend, because 20% of the profit will have to be transferred to Statutory Reserve Fund and the amount of preliminary expenses and underwriting commission will have to be completely written off before declaring dividend.]

7. As per Banking Regulation Act, every bank has to transfer _____ of profit to Statutory Reserve Fund Account.
- (A) 10% (B) 20%
(C) 25% (D) 5%

[Guj. Uni., S.Y., Nov. 2012, 2013, 2015, 2018, 2019;
North Guj. Uni., S.Y., Nov. 2019]

[Ans. : (B) 20%.]

8. The opening balance of Rebate on bills discounted account is –
- (A) Credit Balance (B) Debit Balance
(C) Either Debit or Credit (D) None of the above

[Guj. Uni., S.Y., Nov. 2012, 2013, 2015, 2018, 2019;
North Guj. Uni., S.Y., Nov. 2019]

[Ans. : (A) Credit Balance.]

9. Which of the following asset is not included in the classification of bank advances as per Banking Act ?
- (A) Standard Assets (B) Sub-standard Assets
(C) Mortgage Assets (D) Loss Assets

[Guj. Uni., S.Y., Nov. 2012, 2015, 2016, 2018, 2019;
North Guj. Uni., S.Y., Nov. 2019]

[Ans. : (C) Mortgage Assets.]

10. Interest Suspense Account in the books of a bank shows _____ balance.
- (A) Debit or Credit (B) Debit
(C) Credit (D) Negative

[Guj. Uni., S.Y., Nov. 2017, 2019]

[Ans. : (C) Credit.]

11. The expenses of special audit suggested by Reserve Bank in public nterest will be borne by –
- (A) Reserve Bank of India (B) Banking Company itself
(C) Government of India (D) Central Bank of India

[Guj. Uni., S.Y., Nov. 2018, 2019]

[Ans. : (C) Banking Company itself.]



(C) MULTIPLE CHOICE QUESTIONS

■ In the following sub-questions, more than one answer is given of which only one answer is correct. Select the correct answer supported by necessary explanation working note.

- (1) While winding up the company, Dividend in arrears of the cumulative preference shareholders –
- (A) will be paid before the capital given back to the equity shareholders.
 - (B) will be paid after the capital given back to the equity shareholders.
 - (C) will be paid equally to both type of shareholders.
 - (D) only current year's dividend will be paid before equity shareholder's capital.

[Ans. : (A) will be paid before the capital given back to the equity shareholders.]

- (2) The liquidator of A Company has cash on hand Rs. 5,75,000. The capital structure of the company is as follows :

Type of Share	No. of Eq. Shares	Face Value Rs.	Paid up per share Rs.
A	10,000	100	75
B	8,000	100	7
C	4,000	50	35

Calculate the capital deficiency :

- (A) Rs. 5,75,000
- (B) Rs. 8,75,000
- (C) Rs. 14,50,000
- (D) Rs. 20,00,000

[Ans. : (B) Rs. 8,75,000; Paid up capital Rs. 14,50,000 ($10,000 \times 75 = 7,50,000 + 8,000 \times 70 = 5,60,000 + 4,000 \times 35 = 1,40,000 = 14,50,000$)
Less : Cash on hand Rs. 5,75,000 = Capital Deficiency Rs. 8,75,000.]

- (3) Having paid to Debentureholders, the liquidator has the cash balance of Rs. 73,440. To liquidator, 2% remuneration is payable on the amount paid to unsecured creditors. How much amount would be receivable by unsecured creditors ?



- (A) Rs. 71,971.20
(C) Rs. 74,000

- (B) Rs. 72,000
(D) Rs. 70,000

[Sau. Uni., S.Y., Nov. 2012]

[Ans. : (B) Rs. 72,000 ($73,440 \times 100/102$).]

(4) With reference to liquidation of the company, which of the following statement is correct ?

- (A) If the company is solvent, debenture interest is paid till the date of repayment of debenture.
(B) If the company is solvent, debenture interest is not paid.
(C) If the company is solvent, debenture interest is paid till the date of liquidation.
(D) None of the above.

[Guj. Uni., S.Y., Nov. 2012]

[Ans. : (A) If the company is solvent, debenture interest is paid till the date of repayment of debenture.]

(5) As per Companies Act, on liquidation of company which of the following item relating to workers' dues is correct.

- (A) Workers' dues are payable in priority to government dues.
(B) Workers' dues are preferential.
(C) Workers' dues are not payable.
(D) Workers' dues are paid at last.

[Guj. Uni., S.Y., Nov. 2012]

[Ans. : (A) Workers' dues are payable in priority to government dues.]

(6) The Liquidator has a cash balance of Rs. 1,26,990 after paying to Debenture holders. 2% remuneration is payable to liquidator on the amount paid to unsecured creditors. How much amount would be receivable by unsecured creditors ?

- (A) Rs. 1,24,500
(C) Rs. 2,490
(B) Rs. 1,26,000
(D) Rs. 1,24,450.20

[Guj. Uni., S.Y., Nov. 2013]

[Ans. : (A) Rs. 1,24,500.]

(7) Which is the correct statement for Debentures with floating charge ?

- (A) It is less secured than unsecured creditors.
(B) It is more secured than fully secured creditors.
(C) It is less secured than fully secured creditors.
(D) None of the above.

[Sau. Uni., S.Y., Nov. 2013]

[Ans. : (C) It is less secured than fully secured creditors.]



(8) Which of the following is considered as unsecured creditors ?

- (A) Unpaid taxes of local government
- (B) Employees' Gratuity
- (C) Employees' Provident Fund
- (D) Outstanding Expenses

[Sau. Uni., S.Y., Nov. 2013]

[Ans. : (D) Outstanding Expenses.]

(9) In which order liquidation expenses and liquidators' remuneration are paid ?

- (A) after paying debenture holders with floating charge.
- (B) after paying secured creditors
- (C) before paying secured creditors
- (D) after paying preferential creditors.

[Sau. Uni., S.Y., Nov. 2013]

[Ans. : (B) after paying secured creditors.]

(10) Salary of four clerks is monthly Rs. 15,000 each, which is outstanding for last two months. How much amount would be considered as preferential creditors at the time of liquidation ?

- (A) Rs. 1,20,000
- (B) Rs. 60,000
- (C) Rs. 1,80,000
- (D) Rs. 80,000

[Sau. Uni., S.Y., Nov. 2013]

[Ans. : (D) Rs. 80,000.]

(11) Unsecured creditors of a company were Rs. 3,80,000 and Preferential creditors were Rs. 20,000. Liquidator has Rs. 2,04,400 after payment to Preferential creditors. Liquidator's remuneration is fixed at 2% of the amount paid to unsecured creditors including preferential creditors. Find out the amount of liquidator's remuneration.

- (A) Rs. 3,600
- (B) Rs. 4,800
- (C) Rs. 4,400
- (D) Rs. 4,200

[Guj. Uni., S.Y., Nov. 2014]

[Ans. : (C) Rs. 4,400 (Pref. creditors $20,000 \times 2\% = \text{Rs. } 400$ + Unsecured Creditors $2,04,400 - 400$ remuneration $= 2,04,000 \times 2/102 = \text{Rs. } 4,000 = \text{Rs. } 4,400$ Total remuneration).]

(12) Calculate the amount of Preferential Creditors' :

Outstanding salary of four clerks for two months, monthly Rs. 15,000 each.

Provident Fund Rs. 20,000, Staff Welfare Fund Rs. 4,000.

Outstanding Municipal tax for current year Rs. 6,000.

Directors' fees Rs. 5,000.

Outstanding Income tax before two years Rs. 15,000.

- (A) Rs. 1,70,000 (B) Rs. 1,10,000
(C) Rs. 1,25,000 (D) Rs. 1,30,000

[Guj. Uni., S.Y., Nov. 2014]

[Ans. : (B) Rs. 1,10,000 (Salary 20,000 \times 4 Clerks = 80,000 + 20,000 + 4,000 + 6,000 = Rs. 1,10,000).]

- (13) From the following, which one is not included in Unsecured Creditors?

- (A) Bank overdraft (B) Outstanding directors' fees
(C) Employees provident fund (D) Creditors

[Sau. Uni., S.Y., Nov. 2015]

[Ans. : (C) Employees provident fund.]

- (14) Liquidator has Rs. 5,50,000 on hand after payment made to preference shareholders. Liquidator is entitled to get 10% commission on amount paid to equity shareholders. What would be the remuneration of liquidator?

- (A) Rs. 45,000 (B) Rs. 55,000
(C) Rs. 50,500 (D) Rs. 50,000

[Sau. Uni., S.Y., Nov. 2015]

[Ans. : (D) Rs. 50,000 (5,50,000 \times 10/110).]

- (15) Which of the following is considered as floating charge creditors?

- (A) Creditors (B) Government dues
(C) Provident fund (D) Debentures

[Sau. Uni., S.Y., Nov. 2015]

[Ans. : (D) Debentures.]

- (16) The liquidator has a cash balance of Rs. 2,63,989 after paying to Debenture holders. 3% remuneration is payable to liquidator on the amount paid to unsecured creditors. What amount would be receivable by unsecured creditors ?

- (A) Rs. 7,689 (B) Rs. 2,56,069.33
(C) Rs. 7,919.67 (D) Rs. 2,56,300

[Guj. Uni., S.Y., Nov. 2015]

[Ans. : (D) Rs. 2,56,300 (2,63,989 \times 100/103).]

- (17) Which of the following statement is correct ?

- (A) The liquidator's statement is a Cash Account only.
(B) The liquidator's statement is a Ledger Account only.
(C) The liquidator's statement is a Rojmel.
(D) None of above.

[Guj. Uni., S.Y., Nov. 2013, 2016]

[Ans. : (A) The liquidator's statement is a Cash Account only.]



LIQUIDATOR'S ACCOUNTS

- (18) The liquidator has a cash balance of Rs. 1,23,600 after paying to the debenture holders. 3% remuneration is payable to the liquidator on the amount paid to unsecured creditors. Calculate the amount payable to unsecured creditors.

(A) Rs. 3,600
(C) Rs. 1,20,000

(B) Rs. 1,19,892
(D) Rs. 1,23,600

[Guj. Uni., S.Y., Nov. 2016, 2017]

[Ans. : (C) Rs. 1,20,000 ($1,23,600 \times 100/103$).]

- (19) From the following, which income will not be shown in Liquidator's Receipts & Payment Account ?

(A) Assets realised
(C) Profit & Loss A/c

(B) Surplus from secured creditors
(D) Calls on partly paid shares.

[Guj. Uni., S.Y., Nov. 2016, 2018]

[Ans. : (C) Profit & Loss A/c.]

- (20) Which of the following amount is not included in Preferential Creditors ?

(A) Provident Fund
(C) Bills payable

(B) Taxes of Government
(D) None of the above

[Sau. Uni., S.Y., Nov. 2014; Guj. Uni., S.Y., Nov. 2019]

[Ans. : (C) Bills payable.]

- (21) A Liquidator can not keep the sum received on behalf of the company more than Rs. 5,000 for more than –

(A) 100 days
(C) 5 days

(B) 10 days
(D) 30 days

[Guj. Uni., S.Y., Nov. 2013, 2018, 2019]

[Ans. : (B) 10 days.]

- (22) Liquidator has only Rs. 2,10,000 to pay to creditors. He is entitled to get 5% remuneration on the amount paid to Creditors. In such a situation Liquidator's Remuneration will be _____.

(A) Rs. 10,000
(C) Rs. 12,000

(B) Rs. 9,500
(D) Rs. 10,500

[Guj. Uni., S.Y., Nov. 2012, 2019]

[Ans. : (A) Rs. 10,000 ($2,10,000 \times 2/102$).]

- (23) The liquidator has cash on hand Rs. 52,500 to pay the creditors. The liquidator is entitled to a remuneration at 5% on the amount distributed to unsecured creditors. What will be the remuneration of the liquidator ?

(A) Rs. 2,625
(C) Rs. 2,500

(B) Rs. 2,375
(D) Rs. 3,000

[North Guj. Uni., S.Y., Nov. 2019]

[Ans. : (C) Rs. 2,500 ($52,500 \times 5/105$).]



(24) Which mode of the winding up the companies, will be called compulsory winding up ?

- (A) Winding up by Tribunal
- (B) Voluntary winding up
- (C) Winding up subject to the supervision of the tribunal
- (D) None of the above.

[North Guj. Uni., S.Y., Nov. 2019]

[Ans. : (A) Winding up by Tribunal.]

(25) From the following, who can not file the application for winding up the company ?

- (A) Company itself
- (B) Creditors
- (C) Stackholders
- (D) Debtors

[Guj. Uni., S.Y., Nov. 2013, 2017, 2018, 2019]

[Ans. : (D) Debtors.]

(26) When a liquidator should prepare final statement of Receipts and Payments ?

- (A) Every year
- (B) Every three years
- (C) On completion of liquidation
- (D) Every two years.

[Guj. Uni., S.Y., Nov. 2019]

[Ans. : (C) On completion of liquidation.]

(27) How many days notice is to be given when a company has passed resolution for voluntary winding up ?

- (A) 5 days
- (B) 10 days
- (C) 14 days
- (D) 30 days

[Guj. Uni., S.Y., Nov. 2013, 2015, 2017, 2018, 2019]

[Ans. : (C) 14 days.]

