

XLRI JAMSHEDPUR – BM**End-term Examination, Time: 120 Minutes, Total Marks: 40, Date: Sep. 2008**

NAME: _____

ROLL # _____

INSTRUCTIONS

This is a closed book examination. You are not allowed to borrow books, calculators, etc. Answer all questions. Please read all footnotes (some of them might contain crucial information). Marks in brackets at the start of each section indicate the marks assigned for that section. In case of multiple-choice questions, you are required to mark (tick) the appropriate choice in the question paper and also work out the solution (or give reasonable explanation) in the space provided.

Anyone who resorts to unfair practices, as judged by the examiner, the minimum penalty will be zero in this segment of evaluation, while the maximum penalty could be expulsion from the institute. There will be no further warnings.

Section – I

Pick the most appropriate answer [Each Correct Match: 1 mark, Each Wrong match: – ½ mark, No Attempt: – ½ mark]

1. Lawreshwar Polymers Limited is a Jaipur-based public company listed on the Bombay Stock Exchange with an issued and fully paid up share capital of Rs. 13.6 crores (each share of Rs. 10 par value). Theoretically, the maximum number of members Lawreshwar Polymers can have as its shareholders would be equal to:
 - a) 13.6 crore shareholders
 - b) 13.6 lakh shareholders
 - c) 1.36 crore shareholders
 - d) None of the above
2. As part of its long-term capital employed, a public company cannot have which of these instruments:
 - a) Irredeemable cumulative non-convertible participating preference shares
 - b) Convertible non-cumulative preference shares
 - c) Secured cumulative redeemable non-convertible preference shares
 - d) None of the above
3. A company may increase its authorized capital by altering the capital clause of its Memorandum. Such increase in authorized capital:
 - a) does not require any accounting entry
 - b) may be shown in the Balance Sheet
 - c) both (a) and (b)
 - d) None of the above
4. Discount allowed on reissue of forfeited shares is debited to:
 - a) Discount on issue of shares account
 - b) Forfeited shares account
 - c) Profit & Loss Account
 - d) None of the above

5. The balance of the Forfeited Shares Account after reissue of forfeited shares account is transferred to:
- a) Capital Reserve Account
 - b) Share Capital Account
 - c) Profit and Loss Account
 - d) None of the above
6. If a share of Rs.10, on which Rs.6 has been paid, is forfeited, it can be reissued at the minimum price of:
- a) Rs. 6 per share
 - b) Rs. 4 per share
 - c) Rs. 10 per share
 - d) None of the above
7. In case debentures of Rs.10,000 are issued at par but payable at a premium of 10 per cent, the premium payable will be debited to:
- a) Debentures suspense account
 - b) Premium on redemption of debentures account**
 - c) Loss on issue of debentures account
 - d) None of the above
8. The balance of the debentures sinking fund after redemption of debentures is transferred to:
- a) Profit and loss account
 - b) General reserve**
 - c) Debentures account
 - d) None of the above
9. The amount paid as premium for an insurance policy taken for redemption of debentures is credited at the end of the accounting period to:
- a) Insurance policy account
 - b) Debenture redemption fund account
 - c) Profit & loss appropriation account
 - d) None of the above
10. If a share of Rs.10, on which Rs.6 has been paid, is forfeited, it can be reissued at the minimum price of:
- a) Rs. 6 per share
 - b) Rs. 4 per share
 - c) Rs. 10 per share
 - d) None of the above

SECTION IV

[Each Correct answer + 2 marks]

A company forfeits 100 shares of Rs 10 each, originally issued at a premium of Rs. 2 per share. The shareholder paid Rs. 4 per share on application but did not pay the allotment money of Rs. 4 per share (including premium) and call of Rs. 4 per share. The company takes credit for the premium as soon as it becomes due. The shares are subsequently reissued at Rs 11 per share fully paid up. The journal entries for the forfeiture of the shares are passed as follows:

By Share capital a/c	Dr.	Rs. 1,000/-	
By Securities premium a/c	Dr.	Rs. 200/-	
To share allotment a/c	Cr.		Rs. 400/-
To share call a/c	Cr.		Rs. 400/-
To shares forfeited a/c	Cr.		Rs. 400/-

Explanation: *being forfeiture of 100 shares on account of non-payment of allotment and call moneys.*

1. Pass the journal entry for reissue of forfeited shares (explanation provided below).
2. Pass the journal entry for transfer of profit on shares forfeited to capital reserve (explanation provided below)

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THE INFORMATION GIVEN BELOW WILL BE KEPT CONFIDENTIAL

(You can pick a name of any student)

In my view, _____ (mention the name of a student) in the class helped in better learning of the course