



BRAINWARE UNIVERSITY

Term End Examination 2021 - 22

Programme – Master of Business Administration

Course Name – Mergers, Acquisitions and Corporate Restructuring

Course Code - FM401

(Semester IV)

Time allotted : 1 Hrs.15 Min.

Full Marks : 60

[The figure in the margin indicates full marks.]

Group-A

(Multiple Choice Type Question)

1 x 60=60

Choose the correct alternative from the following :

- (1) If Amalgamation is in the nature of merger, the accounting method to be followed is:

a) Equity Method	b) Purchase Method
c) Pooling of Interest Method	d) Consolidated Method
- (2) 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
- (3) AS – 14 is not applicable if when transferee company acquires transferor company and transferor company

a) Ceases to exist	b) Separate entry is continue to exist
c) Applicable in all cases	d) None of the above
- (4) X Ltd. goes into liquidation and a new company Z Ltd. is formed to take over the business of X Ltd. It will be identified as –

a) Absorption	b) External Reconstruction
c) Amalgamation	d) All of the above
- (5) Accumulated profits include

a) Provision for Doubtful debts	b) Superannuation Funds
c) Workmen’s Compensation Fund	d) All of the above
- (6) If expenses of Liquidation are to be borne by the vendor company, then the vendor company debits

a) Realization Account	b) Bank Account
c) Goodwill Account	d) All of the above

- (7) 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) Realization Account
 - d) None of the above
- (8) If the two companies have different accounting policies in respect of the same item, then they make necessary changes to adopt
- a) LIFO Method
 - b) FIFO Method
 - c) Average Method
 - d) Uniform Method
- (9) The General Reserve or Profit and Loss A/c balance will not be shown in the balance sheet in case of –
- a) Form of Merger
 - b) Form of Purchase
 - c) Net Assets Method
 - d) All of the above
- (10) Capital Reserve equals
- a) Cost Price – Purchase Price
 - b) Goodwill - General Reserve
 - c) Net Assets – Purchase Price
 - d) None of the above
- (11) A company being a creation of law cannot die a natural death. It comes to an end by law through the process of _____
- a) Dissolution
 - b) Mutual Transfer
 - c) Liquidation
 - d) None of the above
- (12) Voluntary winding up:
- a) If period fixed for the company is expired.
 - b) If company passes a special resolution the company wound up voluntarily.
 - c) Member's voluntary winding up is applicable to solvent companies only.
 - d) All of them
- (13) If a company makes a default in delivering the statutory report to the registrar or in holding the statutory meeting, then company is compulsorily wound up by the _____.
- a) Central Government
 - b) State Government
 - c) Court
 - d) None of them
- (14) The first item in order of payment to be made by liquidator is
- a) Secured creditor
 - b) Preferential creditors
 - c) Liquidation expenses
 - d) None of them
- (15) Liquidator's statement of receipts and payment is known as
- a) Cash Flow Statement
 - b) Cash Book
 - c) Liquidators Final Statement of Account
 - d) None of the above
- (16) A contributory is
- a) A Creditor
 - b) A Shareholder
 - c) A Debenture holder
 - d) None of them
- (17) Which of the following statement is true
- a) Preference share capital together with any arrears of dividend will have priority for payment over equity capital
 - b) The holders of cumulative preference shares are entitled to arrears of dividend if there is a surplus after return of equity capital.
 - c) Preference shares are treated as fully secured creditors.
 - d) None of the above

- (18) Interest on liabilities is to be paid upto the date of _____ in case of solvent companies and upto date of commencement of insolvency in case of insolvent company
- a) Actual Receipt b) Deferred Payment
c) Actual Payment d) None of the above
- (19) A creditor for Rs. 10000 holding a charge on the stock of the book value Rs. 12000 (Market value Rs. 8000) is called
- a) Fully Secured Debtors b) Fully Secured Creditors
c) Unsecured Creditors d) Partly Secured Creditors.
- (20) Calls in _____ on shares have priority over payment of paid up share capital of that class.
- a) Advance b) Arrear
c) Due d) None of the above
- (21) Internal expenses like Salaries due to director, manager, secretary etc. are _____
- a) Preferential b) Non Preferential
c) May not be paid d) None of them
- (22) Amount due to workman is rank with _____ creditors in the event of liquidation of the company.
- a) Preferential b) Non preferential
c) May not be taken in to account d) None of them
- (23) Where the corporate person owes any debt to any person, creditors representing _____ in value of its debt shall approve the resolution for appointment of insolvency professional to act as a liquidator:
- a) 1/3rd b) 2/3rd
c) 3/4th d) 1/4th
- (24) Within how many days shall the dissolution order be forwarded to the authority with which the corporate debtor is registered:
- a) 5 b) 14
c) 7 d) None of them
- (25) A Contributor Is a _____
- a) Unsecured creditors b) Preferential creditors
c) Share holders d) None of the above
- (26) The proceeds of assets not specifically pledged and the surplus of the assets specifically pledged is first available for
- a) Preferential Creditors b) Unsecured Creditors
c) Legal Charges d) Preference Share Holders
- (27) Any sum due to an employee out of provident fund is
- a) Unsecured Creditors b) Preferential Creditors
c) Secured Creditors d) Partly Secured Creditors
- (28) The job of realizing assets and paying liabilities is performed by A person
- a) Liquidator b) Auditor
c) Registrar of companies d) None of the above
- (29) When winding up takes place, shareholders are described as

- a) Member
c) Debtor
- b) Creditor
d) Contributor
- (30) If the company is insolvent, the debenture interest is payable only up to the date of
- a) Commencement of Insolvency
c) Date of Incorporation of the Company
- b) Date of Closing
d) None of them
- (31) Assets not specifically pledged are shown in the statement of affairs at
- a) Book value
c) Purchase Price
- b) Estimated Realizable Value
d) None of the above
- (32) The deficiency shown by deficiency account will be equal to the deficiency revealed by
- a) Liquidator final statement of account
c) Statement of Affairs
- b) Liquidator Reports
d) None of them
- (33) In liquidator final statement if account, payment of preferential creditors is shown after
- a) Debenture holders
c) Secured creditors
- b) Unsecured creditors
d) None of the above
- (34) When two or more companies carrying on similar business decide to combine, a new company is formed, it is known as
- a) Amalgamation
c) Absorption
- b) Reconstruction
d) None of the above
- (35) When one of the existing companies take over business of another company or companies, it is known as.....
- a) Amalgamation
c) Reconstruction
- b) Absorption
d) None of them
- (36) The Amalgamation Adjustment Account appears in the books, it is shown under the heading of in the balance sheet.
- a) Reserve and Surplus
c) Investments
- b) Fixed Assets
d) Misc Expenditures
- (37) In case of, one existing company takes over the business of another company and no new company is formed.
- a) Amalgamation
c) Reconstructions
- b) Absorptions
d) None of them
- (38) When the purchasing company bears the liquidation expenses, it will debit the expenses to
- a) Vendor Company's Account
c) Goodwill Account
- b) Bank Account
d) None of them
- (39) When the purchasing company does not take over a particular liability and the vendor company pays that liability, it will debit it to
- a) Realisation Account
c) Liability Account
- b) Bank Account
d) None of the above
- (40) While calculating purchase consideration values of assets is to be considered.
- a) Book value
c) Average price
- b) Revalued price
d) None of the above

- (41) Both of the old companies will not exist in
- | | |
|----------------------------|-----------------|
| a) Internal Reconstruction | b) Absorption |
| c) External Reconstruction | d) Amalgamation |
- (42) The shares received from the new company is recorded at
- | | |
|------------------|----------------------|
| a) Face Value | b) Market Value |
| c) Average Price | d) None of the above |
- (43) Net Assets of R.D.Co. for Purchase Consideration worth Rs. 2,00,000. At the time of absorption, the company has paid 16,000 equity shares each of Rs.10 each at 10% premium, then remaining cash will be -
- | | |
|------------|------------|
| a) ₹24,000 | b) ₹42,000 |
| c) ₹40,000 | d) ₹60,000 |
- (44) If the shares of smaller denomination-are converted into the shares of higher denomination without changing the total amount of share capital, then it is a case of _____ Share Capital
- | | |
|------------------|-----------------|
| a) Consolidation | b) Subdivision |
| c) Decrease | d) None of them |
- (45) If the creditors are willing to reduce their claims against the company, (hen the amount of reduction in their claim will be transferred to
- | | |
|-------------------------------|----------------------|
| a) Share capital account | b) Creditors account |
| c) Capital reduction account. | d) None of them |
- (46) In a scheme of reorganization amount of shares surrendered by shareholders is transferred to:
- | | |
|------------------------------|-------------------------------|
| a) Capital reduction account | b) Shares surrendered account |
| c) Capital reserve account | d) Reserve capital account |
- (47) Amount sacrificed by shareholders are credited to:
- | | |
|------------------------------|-------------------------------|
| a) Capital reduction account | b) Shares surrendered account |
| c) Capital reserve account | d) Reserve capital account |
- (48) Internal reconstruction can be defined as
- | | |
|----------------------|----------------------|
| a) Reorganization | b) Deletion |
| c) Either (a) or (b) | d) None of the above |
- (49) When purchase consideration is recorded the entry will be
- | | |
|--------------------------|------------------------|
| a) Realization A/c Dr. | b) Realization A/c Cr. |
| c) Shareholders' A/c Dr. | d) None of them |
- (50) When general reserve is transferred to capital a/c:
- | | |
|--------------------------------|----------------------------|
| a) General Reserve Account Dr. | b) General Reserve A/c Cr. |
| c) Capital Reserve A/c Dr. | d) None of them |
- (51) Excess of net assets over purchase consideration is:
- | | |
|-------------|--------------------|
| a) Goodwill | b) Capital reserve |
| c) Premium | d) Dividend |
- (52) If, after the sale of a partnership firm, the partners want to receive the dividends in future in a profit sharing ratio, equity shares received from the company must be distributed in the ratio of:
- | | |
|-------------------|---------------------------------------|
| a) Capital | b) Final claim |
| c) Profit-sharing | d) No. of shares given in memorandum. |

- (53) Excess of purchase consideration over net assets is called:
- a) Goodwill
 - b) Capital Reserve
 - c) Capital Profit
 - d) None of the above.
- (54) One of the following is the objective of Amalgamation and Absorption
- a) To call cut throat competition
 - b) To lose control over the market
 - c) The gain economies of scale
 - d) None of them
- (55) The balance of the Profit and Loss Account of the transferor company should be aggregated with the corresponding balance of the transferee company or transferred to the
- a) Capital Reserve
 - b) General Reserve
 - c) Capital Account
 - d) Taken back by owners
- (56) Acquisition of fixed asset is an example of
- a) Capital Expenditure
 - b) Revenue Expenditure
 - c) Deferred Revenue Expenditure
 - d) None of the above
- (57) A series of receipts or payments of a fixed amount for a specified number of years
- a) Fixed Cash Flows
 - b) Variable Cash Flows
 - c) Annuity
 - d) None of them
- (58) Under Pooling of Interest Method, for recording Purchase Consideration
- a) Business Purchase Dr.
 - b) Business Purchase Cr.
 - c) Liquidator A/c Dr.
 - d) None of them
- (59) All the assets and liabilities will be shown individually at the book values.
- a) Book value
 - b) Market value
 - c) Present value
 - d) None of the above
- (60) A limited company will be allowed to alter its share capital if authorized by
- a) Articles of Association
 - b) Memorandum of Companies
 - c) General Meeting
 - d) None of the above