



BUDDHA SERIES

(Unit Wise Solved Question & Answers)

Course – B.Com 5th Sem

College – Buddha Degree College

(DDU Code-859)

Department: Commerce

Subject- Corporate Accounting-II

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Unit -1

1. Goodwill is classified as which type of asset?

- a) Tangible asset
- b) Fictitious asset
- c) Current asset
- d) Intangible asset

Answer: d) Intangible asset

2. Goodwill arises due to:

- a) Tangible resources
- b) Brand reputation and customer loyalty
- c) Inventory levels
- d) Fixed assets

Answer: b) Brand reputation and customer loyalty

3. Goodwill can be recorded in the books only when:

- a) It is self-generated
- b) Business is inherited
- c) It is purchased
- d) It is estimated

Answer: c) It is purchased

4. Goodwill is shown in the balance sheet under:

- a) Liabilities
- b) Current assets
- c) Non-current assets – Intangible assets
- d) Reserves and surplus

Answer: c) Non-current assets – Intangible assets

5. Which of the following is a reason for valuing goodwill?

- a) Decrease in working capital
- b) Sale of goods

c) Sale or purchase of business

d) Transfer of stock

Answer: c) Sale or purchase of business

6. Goodwill helps a business to:

a) Avoid losses

b) Earn future profits

c) Reduce tax

d) Pay off debts

Answer: b) Earn future profits

7. Which method of goodwill valuation uses average profits?

a) Super profit method

b) Capitalization method

c) Average profit method

d) Net assets method

Answer: c) Average profit method

8. Super profit is calculated as:

a) Actual Profit – Goodwill

b) Normal Profit – Actual Profit

c) Average Profit – Normal Profit

d) Actual Profit – Capital

Answer: c) Average Profit – Normal Profit

9. Goodwill is valued at the time of:

a) Purchase of machinery

b) Admission or retirement of a partner

c) Annual audit

d) Payment of dividend

Answer: b) Admission or retirement of a partner

10. Capital employed is:

a) Fixed assets only

- b) Net assets of the business
- c) Liabilities
- d) Current liabilities only

Answer: b) Net assets of the business

11. In which method is $\text{goodwill} = \text{Super profit} \times \text{Number of years purchase}$?

- a) Capitalization of super profit
- b) Capitalization of average profit
- c) Super profit method
- d) Average profit method

Answer: c) Super profit method

12. What does "number of years' purchase" refer to?

- a) The age of the business
- b) The number of years goodwill will yield future benefits
- c) Total profits
- d) Working capital

Answer: b) The number of years goodwill will yield future benefits

13. Which method considers the capital required to earn average profit?

- a) Super profit method
- b) Capitalization of average profit method
- c) Average profit method
- d) Simple profit method

Answer: b) Capitalization of average profit method

14. Normal profit is:

- a) Average of previous profits
- b) Profit earned by similar firms in the same industry
- c) Super profit
- d) Profit before tax

Answer: b) Profit earned by similar firms in the same industry

15. Goodwill helps in:

- a) Increasing liabilities
- b) Reducing cash
- c) Attracting customers
- d) Decreasing reputation

Answer: c) Attracting customers

16. The value of goodwill depends on:

- a) Business losses
- b) Profits and reputation of business
- c) Wages and salaries
- d) Debts

Answer: b) Profits and reputation of business

17. Goodwill is an example of:

- a) Current liability
- b) Fictitious asset
- c) Non-monetary asset
- d) Deferred revenue

Answer: c) Non-monetary asset

18. Which factor does NOT affect the value of goodwill?

- a) Good location
- b) High customer loyalty
- c) Large debts
- d) Efficient management

Answer: c) Large debts

19. Purchased goodwill is:

- a) Not recorded in accounts
- b) Recorded at market value
- c) Recorded at purchase price
- d) Estimated by manager

Answer: c) Recorded at purchase price

20. When goodwill is self-generated, it is:

- a) Recorded in accounts
- b) Capitalized
- c) Not recorded in accounts
- d) Tax deductible

Answer: c) Not recorded in accounts

21. In the capitalisation method, goodwill =

- a) Capitalized value – Actual capital employed
- b) Average profit × Years' purchase
- c) Super profit × Years' purchase
- d) Net assets – liabilities

Answer: a) Capitalized value – Actual capital employed

22. Which of the following is not a method for valuing goodwill?

- a) Super profit method
- b) Market price method
- c) Capitalization method
- d) Average profit method

Answer: b) Market price method

23. Capitalization of super profit method uses:

- a) Average profit
- b) Super profit
- c) Normal profit
- d) Capital employed only

Answer: b) Super profit

24. Goodwill once written off should be:

- a) Added again
- b) Capitalized
- c) Not reinstated unless purchased again
- d) Included in depreciation

Answer: c) Not reinstated unless purchased again

25. Goodwill is generally valued in case of:

- a) Death of a creditor
- b) Transfer of inventory
- c) Change in partnership
- d) Increase in reserves

Answer: c) Change in partnership

UNIT-2

1. What does valuation of shares mean?

- a) Issuing new shares
- b) Determining the market price of shares
- c) Calculating dividend
- d) Assessing company profit

Answer: b) Determining the market price of shares

2. Valuation of shares is necessary during:

- a) Daily operations
- b) Payment of rent
- c) Mergers and acquisitions
- d) Employee promotions

Answer: c) Mergers and acquisitions

3. Which of the following is a need for share valuation?

- a) Increase in fixed assets
- b) Transfer of shares
- c) Launch of new products
- d) Preparing salary structure

Answer: b) Transfer of shares

4. Which type of company's shares are often valued due to no market quotation?

- a) Listed company
- b) Government company
- c) Private company
- d) Foreign company

Answer: c) Private company

5. Which of the following is not a method of share valuation?

- a) Net asset method
- b) Yield method

c) Book-building method

d) Market value method

Answer: c) Book-building method

6. Under net asset method, share value is based on:

a) Sales

b) Profit

c) Assets minus liabilities

d) Capital

Answer: c) Assets minus liabilities

7. Yield method is based on:

a) Number of shareholders

b) Expected future earnings

c) Value of buildings

d) Number of assets

Answer: b) Expected future earnings

8. The need for valuation arises in case of:

a) Business shutdown

b) Change in government

c) Company restructuring

d) Internal transfer of employees

Answer: c) Company restructuring

9. Valuation is required for taxation when:

a) Dividend is paid

b) Gifts or inheritance of shares occur

c) Inventory is sold

d) Salary is credited

Answer: b) Gifts or inheritance of shares occur

10. Valuation is helpful for:

a) Fixing employee wages

- b) Estimating dividend payout
- c) Settling disputes among shareholders
- d) Changing directors

Answer: c) Settling disputes among shareholders

11. The fair value of a share is generally taken as:

- a) Average of net asset value and yield value
- b) Highest of all valuations
- c) Book value
- d) Face value

Answer: a) Average of net asset value and yield value

12. Which factor affects share valuation the most?

- a) Furniture and fixtures
- b) Past profits and future earnings
- c) Number of employees
- d) Brand name

Answer: b) Past profits and future earnings

13. Net asset method is also called:

- a) Capitalization method
- b) Intrinsic value method
- c) Super profit method
- d) Dividend discount method

Answer: b) Intrinsic value method

14. The yield is calculated on the basis of:

- a) Actual earnings
- b) Expected returns
- c) Capital only
- d) Dividend paid

Answer: d) Dividend paid

15. Which method is used when shares are purchased for investment purposes?

- a) Super profit method
- b) Net asset method
- c) Market price method
- d) Intrinsic value method

Answer: c) Market price method

16. Market value of shares fluctuates due to:

- a) Fixed asset value
- b) Government rules
- c) Market demand and supply
- d) Auditor's report

Answer: c) Market demand and supply

17. In yield method, valuation depends on:

- a) Capital employed
- b) Normal rate of return
- c) Number of shares
- d) Asset value

Answer: b) Normal rate of return

18. The value of equity share depends on:

- a) Preference dividend
- b) Number of debentures
- c) Future maintainable profits
- d) Nominal value only

Answer: c) Future maintainable profits

19. Net Asset Value (NAV) is calculated as:

- a) Liabilities – Assets
- b) Assets – Liabilities
- c) Equity Capital + Profits
- d) Revenue – Expenses

Answer: b) Assets – Liabilities

20. In the yield method, value per share =

- a) Total profit / No. of shareholders
- b) $(\text{Yield} \times 100) / \text{Normal rate of return}$
- c) Net asset / No. of assets
- d) Dividend \times Market price

Answer: b) $(\text{Yield} \times 100) / \text{Normal rate of return}$

21. The term "face value" refers to:

- a) Market value
- b) Book value
- c) Nominal value printed on share certificate
- d) Purchase value

Answer: c) Nominal value printed on share certificate

22. Share valuation is mandatory under which of the following cases?

- a) Routine business operation
- b) Issue of bonus shares
- c) Conversion of shares
- d) Internal audit

Answer: c) Conversion of shares

23. Which valuation method is suitable for a non-profit generating company?

- a) Yield method
- b) Net asset method
- c) Dividend method
- d) Book value method

Answer: b) Net asset method

24. Valuation of shares is needed at the time of:

- a) Employee retirement
- b) Change in fiscal policy
- c) Admission/Retirement of partner in firm
- d) Trading in goods

Answer: c) Admission/Retirement of partner in firm

25. Which method is not suitable for fluctuating profit companies?

- a) Average profit method
- b) Yield method
- c) Net asset method
- d) Capitalization of earnings

Answer: b) Yield method

UNIT-3

1. Which Indian Accounting Standard deals with amalgamation?

- a) Ind AS 10
- b) Ind AS 16
- c) Ind AS 14
- d) Ind AS 103

Answer: d) Ind AS 103

(Note: AS 14 was replaced by Ind AS 103 under Ind AS framework)

2. Amalgamation means:

- a) Issue of bonus shares
- b) Combination of two or more companies into one
- c) Internal restructuring
- d) Change of directors

Answer: b) Combination of two or more companies into one

3. AS 14 is applicable to:

- a) Sole proprietorship
- b) Partnership firms
- c) Companies not following Ind AS
- d) All companies

Answer: c) Companies not following Ind AS

4. Under AS 14, amalgamation is classified into:

- a) Two types
- b) Three types
- c) Four types
- d) Five types

Answer: a) Two types

5. Which of the following is a type of amalgamation as per AS 14?

- a) Merger and reconstruction
- b) Merger and acquisition

- c) Merger and purchase
- d) Merger and absorption

Answer: c) Merger and purchase

6. In the nature of merger, assets and liabilities are recorded at:

- a) Market value
- b) Fair value
- c) Book value
- d) Negotiated value

Answer: c) Book value

7. In the nature of purchase, assets and liabilities are recorded at:

- a) Historical cost
- b) Book value
- c) Fair value or agreed value
- d) Market value

Answer: c) Fair value or agreed value

8. In amalgamation in the nature of merger, the identity of the company is:

- a) Dissolved completely
- b) Retained
- c) Not affected
- d) Combined

Answer: d) Combined

9. Purchase consideration means:

- a) Amount paid to creditors
- b) Amount paid to shareholders of transferor company
- c) Amount paid to employees
- d) Amount invested in fixed assets

Answer: b) Amount paid to shareholders of transferor company

10. Which method is used to record amalgamation in the nature of merger?

- a) Purchase method

- b) Pooling of interest method
- c) Consolidation method
- d) Matching principle

Answer: b) Pooling of interest method

11. Which method is used for amalgamation in the nature of purchase?

- a) Matching concept
- b) Pooling of interest method
- c) Purchase method
- d) Equity method

Answer: c) Purchase method

12. In pooling of interest method, reserves of transferor company are:

- a) Ignored
- b) Adjusted in profit
- c) Carried over
- d) Written off

Answer: c) Carried over

13. In purchase method, reserves of transferor company are:

- a) Carried over
- b) Ignored
- c) Capitalized
- d) Revalued

Answer: b) Ignored

14. Which of the following is not included in purchase consideration?

- a) Cash
- b) Shares issued
- c) Debentures issued
- d) Liabilities taken over

Answer: d) Liabilities taken over

15. Goodwill arises when:

- a) Purchase consideration = net assets
- b) Purchase consideration < net assets
- c) Purchase consideration > net assets
- d) No assets are taken over

Answer: c) Purchase consideration > net assets

16. Capital reserve arises when:

- a) Purchase consideration < net assets
- b) Purchase consideration > net assets
- c) No payment is made
- d) Shareholders are not paid

Answer: a) Purchase consideration < net assets

17. AS 14 does not apply to:

- a) Absorption
- b) External reconstruction
- c) Acquisition of shares
- d) Amalgamation

Answer: c) Acquisition of shares

18. The identity of transferor company is lost in:

- a) Merger
- b) Purchase
- c) Both a and b
- d) Joint venture

Answer: c) Both a and b

19. As per AS 14, the purchase method involves:

- a) Recording all assets at book value
- b) Carrying forward all reserves
- c) Recording assets at agreed values
- d) Ignoring goodwill

Answer: c) Recording assets at agreed values

20. The minimum condition for a merger as per AS 14 is:

- a) Shareholders get at least 90% equity of transferee company
- b) Payment must be in cash
- c) Goodwill is ignored
- d) Reserves are transferred

Answer: a) Shareholders get at least 90% equity of transferee company

21. Under pooling of interest method, goodwill is:

- a) Created
- b) Written off
- c) Not recognized
- d) Amortized

Answer: c) Not recognized

22. Consideration paid to debenture holders is:

- a) Included in purchase consideration
- b) Paid in cash only
- c) Ignored
- d) Not part of purchase consideration

Answer: d) Not part of purchase consideration

23. Profit and loss account balance of transferor company under purchase method is:

- a) Transferred to reserves
- b) Not recorded
- c) Carried forward
- d) Shown as income

Answer: b) Not recorded

24. Which of the following is true under purchase method?

- a) Reserves are pooled
- b) Goodwill may be recognized
- c) All losses are ignored
- d) Assets are recorded at book value

Answer: b) Goodwill may be recognized

25. Which method reflects a true merger of interests?

- a) Purchase method
- b) Pooling of interest method
- c) Cash method
- d) Hybrid method

Answer: b) Pooling of interest method

UNIT-4

1. Amalgamation refers to:

- a) Conversion of private company to public
- b) Issue of bonus shares
- c) Two or more companies combining into one
- d) Closure of branches

Answer: c) Two or more companies combining into one

2. One key characteristic of amalgamation is:

- a) Only liabilities are combined
- b) Separate legal identities remain
- c) All companies continue to exist
- d) Assets, liabilities and business are transferred to a new or existing company

Answer: d) Assets, liabilities and business are transferred to a new or existing company

3. One objective of amalgamation is:

- a) Decrease in equity capital
- b) Increase in legal formalities
- c) Increase in competition
- d) Achieving economies of scale

Answer: d) Achieving economies of scale

4. Amalgamation may lead to:

- a) Weakening of business
- b) Duplication of operations
- c) Synergy benefits
- d) Decrease in goodwill

Answer: c) Synergy benefits

5. In an amalgamation, the transferor company is the one which:

- a) Continues after merger
- b) Is newly formed
- c) Transfers its business

d) Receives the assets

Answer: c) Transfers its business

6. The company which takes over the business in an amalgamation is called:

a) Vendor company

b) Holding company

c) Transferee company

d) Transferor company

Answer: c) Transferee company

7. Which of the following is a kind of amalgamation?

a) Horizontal amalgamation

b) Vertical amalgamation

c) Conglomerate amalgamation

d) All of the above

Answer: d) All of the above

8. Horizontal amalgamation occurs between companies:

a) In unrelated industries

b) At different levels of production

c) Producing similar products

d) Located in different countries

Answer: c) Producing similar products

9. Vertical amalgamation refers to the combination of companies:

a) In unrelated industries

b) At different levels of the supply chain

c) With the same board of directors

d) Selling the same product

Answer: b) At different levels of the supply chain

10. Conglomerate amalgamation occurs between companies that:

a) Are competitors

b) Are in the same business

- c) Are unrelated in business
- d) Are government companies

Answer: c) Are unrelated in business

11. In amalgamation in the nature of merger, pooling of interest method is used to account for:

- a) Internal reconstruction
- b) External reconstruction
- c) Amalgamation
- d) Joint venture

Answer: c) Amalgamation

12. Internal reconstruction refers to:

- a) Combination of two companies
- b) Reorganization within a single company
- c) Merging with external companies
- d) Amalgamation with government

Answer: b) Reorganization within a single company

13. External reconstruction involves:

- a) One company acquiring another
- b) Merging similar companies
- c) Closing all branches
- d) Dissolving a company and forming a new one to take over the business

Answer: d) Dissolving a company and forming a new one to take over the business

14. Internal reconstruction is usually done to:

- a) Expand business
- b) Reduce competition
- c) Eliminate accumulated losses
- d) Increase working capital

Answer: c) Eliminate accumulated losses

15. Internal reconstruction usually involves:

- a) Transfer of business to other company

- b) Raising fresh capital
- c) Reduction in share capital
- d) Purchasing other business

Answer: c) Reduction in share capital

16. In capital reduction scheme, the capital is:

- a) Increased
- b) Reduced
- c) Refunded
- d) Suspended

Answer: b) Reduced

17. One of the common entries in internal reconstruction is:

- a) Dr. Share Capital A/c
- b) Dr. Goodwill A/c
- c) Cr. Bank A/c
- d) Dr. Debentures A/c

Answer: a) Dr. Share Capital A/c

18. The new company formed in external reconstruction is called:

- a) Transferee company
- b) Holding company
- c) Subsidiary
- d) Transferor company

Answer: a) Transferee company

19. One key difference between internal and external reconstruction is:

- a) Number of shareholders
- b) Formation of a new company
- c) Nature of assets
- d) Profit distribution

Answer: b) Formation of a new company

20. In internal reconstruction, existing company's legal entity is:

- a) Changed
- b) Dissolved
- c) Retained
- d) Merged

Answer: c) Retained

21. Which of the following is not a method of internal reconstruction?

- a) Alteration of share capital
- b) Reduction of capital
- c) Sale of business
- d) Revaluation of assets

Answer: c) Sale of business

22. Internal reconstruction is approved by:

- a) SEBI
- b) Registrar of Companies
- c) Tribunal or Court
- d) Income Tax Department

Answer: c) Tribunal or Court

23. In capital reduction, share capital is usually reduced by:

- a) Paying cash
- b) Reducing face value or unpaid calls
- c) Issuing bonus shares
- d) Debiting reserves

Answer: b) Reducing face value or unpaid calls

24. External reconstruction requires approval of:

- a) Board of Directors only
- b) Credit rating agency
- c) Shareholders and Court/Tribunal
- d) Marketing department

Answer: c) Shareholders and Court/Tribunal

25. Internal reconstruction helps in:

- a) Closing the company
- b) Avoiding legal formalities
- c) Cleaning up balance sheet and making company financially healthy
- d) Selling off all assets

Answer: c) Cleaning up balance sheet and making company financially healthy