

## INTERNAL RECONSTRUCTION

### ICAI MCQs

- When the object of reconstruction is usually to re-organise capital or to compound with creditors or to effect economies then such type of reconstruction is called
  - Internal reconstruction with liquidation
  - Internal reconstruction without liquidation of the company
  - External reconstruction
  - None of the above.
- The accumulated losses under scheme of internal reconstruction are written off against
  - Capital Reduction account
  - Share Capital account
  - Shareholders account
  - General Reserves
- A process of reconstruction, which is carried out without liquidating the company and forming a new one is called
  - Internal reconstruction
  - External reconstruction
  - Amalgamation in the nature of merger
  - Amalgamation in the nature of purchase
- Reconstruction is a process by which affairs of a company are reorganized by
  - Revaluation of assets and Reassessment of liabilities.
  - Writing off the losses already suffered by reducing the paid-up value of shares and/or varying the rights attached to different classes of shares
  - Both (a) and (b).
  - None of the above.
- For reduction of the share capital, the permission has to be sought from
  - Court.
  - Controller.
  - State government.
  - Shareholders.
- In case of internal reconstruction
  - Only one company is liquidated.
  - Two or more companies are liquidated.
  - No company is liquidated.
  - Two companies amalgamated.

### ADDITIONAL MCQs

- Increase in value of Liability under Internal Reconstruction is debited to \_\_\_\_\_.
  - Profit & Loss A/c
  - Goodwill A/c
  - Capital Reduction A/c
  - None.

8. The existing 1,000 shares of ₹ 100 each are altered to 10,000 shares of ₹ 10 each. This is known as
- Consolidation
  - Sub-division
  - Conversion in Stock
  - Surrender
9. The existing 1,000 shares of ₹ 1 each are altered to 100 shares of ₹ 10 each. This is known as
- Consolidation
  - Sub-division
  - Conversion in Stock
  - Surrender
10. Any credit balance on Capital Reduction Account after writing off losses is transferred to \_\_\_\_\_ Account.
- Reserve & Surplus
  - Profit & Loss
  - Share Capital
  - Capital Reserve
11. Creditors of the company are ₹ 50,00,000 one creditor for ₹ 20,00,000 decided to forego 40% of his claim. He is allotted 30,000 equity shares of ₹ 40 each in full satisfaction. The amount transferred to capital reduction is \_\_\_\_\_.
- 8,00,000
  - 20,00,000
  - 12,00,000
  - 50,00,000
12. The preference shareholders agree to forego arrears of preference dividend of ₹ 72,000. The amount transferred to Capital Reduction Account is \_\_\_\_\_.
- Nil
  - 72,000
  - 36,000
  - 70,000
13. Creditors are ₹ 3,00,000. They are given option to either accept 50% of their claim in cash in full settlement or to convert their claim into equity shares of ₹ 10 each. Creditors of ₹ 2,00,000 opt for shares in satisfaction of claim. Capital reduction A/c is credited by \_\_\_\_\_.
- 1,00,000
  - 1,50,000
  - 50,000
  - 2,00,000
14. Investment costing of ₹ 24,000 given to Bank for bank overdraft of 16,800. The capital reduction is debited by \_\_\_\_\_.
- 24,000
  - 8,000
  - 7,200
  - 16,800

15. Provision for taxation is ₹ 1,00,000. The tax liability of the company is settled at ₹ 80,000 & it is paid immediately. Amount credited to capital reduction is \_\_\_\_\_ .
- a) 80,000
  - b) 1,00,000
  - c) 20,000
  - d) 60,000
16. 6% debentures of ₹ 100 each amounting ₹ 1,00,000 to be converted into such number of 8% debentures of ₹ 50 each as to generate the same amount of interest as before. The amount of 8% debentures will be \_\_\_\_\_ .
- a) 1,00,000
  - b) 25,000
  - c) 75,000
  - d) 1,20,000

**Answers:**

1: (b)	2: (a)	3: (a)	4: (c)	5: (a)	6: (c)	7: (c)	8: (b)
9: (a)	10: (d)	11: (a)	12: (a)	13: (c)	14: (c)	15: (c)	16: (c)