BUYBACK OF SECURITIES

1) Debt Equity ratio after buyback must not be more than………
   a) 1:1
   b) 1:2
   c) 2:3
   d) 2:1

2) Buy-back of Equity Shares in any financial shares shall not exceeds.
   a) 5% of its total capital
   b) 20% of Nominal Share Capital
   c) 25% of fully paid Equity Shares
   d) None of above

3) As per section 68 of the Companies Act, 2013, a company can buy back its own shares out of:
   a) Free Reserves which are available for distribution as dividend.
   b) Securities premium account.
   c) Proceeds of fresh issue of shares or other specified securities.
   d) All of the above.

4) According to Sec. 68(5) of the Companies Act, 2013, the buyback can be made from:
   a) From the existing shareholders on a proportionate basis.
   b) From open market.
   c) From employees to whom shares are issued under stock option or sweat equity share.
   d) All of the above.

5) If shares are bought back out of free reserves then a sum equal to nominal value of the shares so bought back is transferred to:
   a) Capital reserve account.
   b) Capital redemption reserve account (CRR).
   c) General reserve account.
   d) Forfeited shares account.

6) Premium payable on buy back is adjusted out of:
   a) Securities premium account.
   b) Free reserves.
   c) Both of the above.
   d) None of the above.

7) Which of the following statement is false?
   a) Buy back must be authorised by articles of company.
   b) A special resolution must be passed for buy back.
   c) Shares can be partly paid up.
   d) The ratio of debt owed by the company is not more than twice the capital and its free reserves after such buy back.

8) When a company completes buyback of its shares, it cannot further issue same kind of shares within a period of:
   a) 6 months
   b) 1 year
   c) 2 years
   d) 5 years

9) For cancellation of shares at the time of buy back:
   a) Equity share capital a/c is debited and shareholders account is credited
   b) Shareholders account is debited and Equity share capital account is credited
   c) Equity share capital is debited and CRR is credited
   d) Equity share capital is debited and Shares Surrendered is credited

10) As per SEBI Guidelines, modes of Buy-Back: Buy-back is permissible:
   a) From the existing security holders on a proportionate basis through the tender offer;
   b) From the open market through i. Book-building process, ii. stock exchange;
   c) From odd lots, that is to say, where the lot of securities of a public company whose shares are listed on a recognized stock exchange is smaller than such marketable lot as may be specified by the stock exchange:
   d) All of the above mentioned statements are correct.

11) Which of the following is not a free reserve for the purpose of buyback of shares?
   a) General reserves
   b) Surplus
   c) Dividend equalisation reserves
   d) Revaluation reserve

12) Provisions relating to buying back of securities are contained in which section of the Companies Act, 2013.
   a) Section 77
   b) Section 77A
   c) Section 68
   d) Section 63

13) The maximum permissible buy-back under the Companies Act, 2013 is
   a) 15% of paid-up capital with Board resolution.
   b) 25% of paid-up capital with Board resolution.
   c) 25% of the aggregate of paid-up capital and free reserves of the company with a special resolution of shareholders.
   d) 25% of the aggregate of paid-up capital and free reserves of the company with an ordinary resolution of shareholders.

14) For buy-back up to _____________of the company, Board resolution is sufficient.
   a) 10% of paid-up capital
   b) 10% of free reserves
   c) 10% of paid-up capital or free reserves
   d) 10% of paid-up capital and free reserves

15) As per Section 68 of the Companies Act, 2013, the post-buy-back debt-equity ratio should not exceed –
   a) 1
   b) 1.5
   c) 2
   d) 3

16) No offer of buy-back shall be made within a period of reckoned from the date of the closure of the preceding offer of buy-back
   a) 6 months
   b) 1 year
   c) 2 years
   d) 10 months

17) The Paid-up equity shares capital of ABC Ltd. is ₹ 50,00,000 having a face value of ₹ 10 each fully paid-up. Other details:
General Reserve = ₹ 15,00,000
Capital Redemption Reserve = ₹ 4,00,000
Profit & Loss Account = ₹ 1,00,000
Statutory reserve = ₹ 6,40,000
Securities Premium = ₹ 1,00,000

The Board of Directors passed a resolution in a Board meeting to buy back a maximum number of shares as allowed by law. Maximum No. of shares that can be bought back =?
a) 50,000 shares
b) 67,000 shares
c) 1,25,000 shares
d) 1,67,500 shares

18) N Ltd. had 90,000 equity shares of ₹ 100 each, fully paid up. The company decided to buy back 10% shares at par by the issue of the sufficient number of preference shares. N Ltd. does not have any reserves.
How many preference shares are required to be issued if new preference shares are to be issued at ₹ 10 each?
a) 9,00,000 shares
b) 90,000 shares
c) 1,00,000 shares
d) 1,20,000 shares

19) S Ltd. decided to buy back 2,000 equity shares of ₹ 100 each at a premium of 10%. For the purpose of redemption, the company issued 15,000 10% Preference shares of ₹ 10 each at a premium of 20%. At the time of buy-back shares, the amount to be transferred by the company to the Capital Redemption Reserve Account =?
a) ₹ 20,000
b) ₹ 50,000
c) ₹ 1,50,000
d) ₹ 2,00,000

20) As per section 68(1) of the Companies Act, buy-back of own shares by thecompany, shall not exceed
a) 25% of the total paid-up capital and free reserves of the company.
b) 20% of the total paid-up capital and free reserves of the company.
c) 15% of the total paid-up capital and free reserves of the company.
d) 10% of the total paid-up capital and free reserves of the company.

21) The companies are permitted to buy-back their own shares out of
a) Free reserves and Securities premium
b) Proceeds of the issue of any shares.
c) Both (a) and (b)
d) Neither (a) nor (b).

22) When a company purchases its own shares out of free reserves; a sum equal to nominal value of shares so purchased shall be transferred to
a) Revenue redemption reserve.
b) Capital redemption reserve.
c) Buy-back reserve
d) Special reserve

23) State which of the following statements is true?
    a) Buy-back is for more than twenty-five per cent of the total paid-upcapital and free reserves of the company.
    b) Partly paid shares cannot be bought back by a company.
    c) Buy-back of equity shares in any financial year shall exceed twenty-fiveper cent of its total paid-up equity capital in that financial year.
    d) Partly paid shares can be bought back by a company.

24) Premium (excess of buy-back price over the par value) paid on buy-backshould be adjusted against
    a) Free reserves.
    b) Securities premium.
    c) Both (a) and (b).
    d) Neither (a) nor (b).

25) Advantages of Buy-back of shares include to
    a) Encourage others to make hostile bid to take over the company.
    b) Decrease promoters holding as the shares which are bought back arecancelled.
    c) Discourage others to make hostile bid to take over the company as thebuy-back will increase the promoters holding.
    d) All of the above.

Answers:

1. (d)
2. (c)
3. (d)
4. (d)
5. (b)
6. (c)
7. (c)
8. (a)
9. (a)
10. (d)
11. (d)
12. (c)
13. (c)
14. (d)
15. (c)
16. (b)
17. (b)
18. (b)
19. (b)
20. (a)
21. (c)
22. (b)
23. (b)
24. (c)
25. (c)