

INTERNAL RECONSTRUCTION

1. Increase in value of Liability under Internal Reconstruction is debited to _____.
 - a) Profit & Loss A/c
 - b) Goodwill A/c
 - c) Capital Reduction A/c
 - d) None.
2. Share of ₹ 100 each (paid up value ₹ 90 each) are reduced to share of nominal value of ₹ 90 each in a scheme of reconstruction.
 - a) There will be credit of ₹ 10 per share to capital reduction A/c
 - b) There will be credit of ₹ 90 per share to capital reduction A/c
 - c) There will be credit of ₹ 100 per share to capital reduction A/c
 - d) There will be no credit to capital reduction A/c
3. Share of ₹ 100 each paid up value are reduced to share of nominal & paid up value of ₹ 10 each in a scheme of reconstruction.
 - a) There will be credit of ₹ 10 per share to capital reduction A/c
 - b) There will be credit of ₹ 90 per share to capital reduction A/c
 - c) There will be credit of ₹ 100 per share to capital reduction A/c
 - d) There will be no credit to capital reduction A/c
4. The existing 1000 shares of ₹ 100 each are altered to 10000 shares of ₹ 10 each. This is known as
 - a) Consolidation
 - b) Sub-division
 - c) Conversion in Stock
 - d) Surrender
5. The existing 1000 shares of ₹ 1 each are altered to 100 shares of ₹ 10 each. This is known as
 - a) Consolidation
 - b) Sub-division
 - c) Conversion in Stock
 - d) Surrender
6. 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
 - a) Internal reconstruction with liquidation
 - b) Internal reconstruction without liquidation of the company
 - c) External reconstruction
 - d) None of the above.
7. The accumulated losses under scheme of internal reconstruction are written off against
 - a) Capital Reduction account
 - b) Share Capital account
 - c) Shareholders' account
 - d) Reserve and surplus.
8. A process of reconstruction, which is carried out without liquidating the company and forming a new one is called

- a) Internal reconstruction.
 - b) External reconstruction.
 - c) Amalgamation in the nature of merger.
 - d) Amalgamation in the nature of purchase.
9. Reconstruction is a process by which affairs of a company are reorganized by
- a) Revaluation of assets and Reassessment of liabilities.
 - b) 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.
 - c) Both (a) and (b).
 - d) None of the above.
10. For reduction of the share capital, the permission has to be sought from
- a) Court.
 - b) Controller.
 - c) State government.
 - d) Shareholders.
11. In case of internal reconstruction
- a) Only one company is liquidated.
 - b) Two or more companies are liquidated.
 - c) No company is liquidated.
 - d) Two companies amalgamated.
12. The Capital reduction means reduction in _____ value of shares.
- a) Authorized capital
 - b) Called up capital
 - c) Uncalled capital
 - d) Paid-up value
13. The Shareholders can surrender shares for _____ or _____ .
- a) Re-issue, Cancellation
 - b) Fresh Issue, Redemption
 - c) Fresh Issue, cancellation
 - d) none of the above
14. The fictitious debit balances are to be transferred to _____ Account.
- a) External Reconstruction
 - b) Security Premium
 - c) Share Capital
 - d) Capital Reduction
15. The difference in revaluation of assets is to be transferred to _____ Account.
- a) Realisation
 - b) Capital Reduction
 - c) Security Premium
 - d) Capital Reserve
16. A scheme of _____ or _____ mean the scheme having same effect.
- a) Capital Reduction or Internal Reconstruction
 - b) Capital Reduction or External reconstruction
 - c) None of the above
 - d) Capital reserve or External reconstruction

17. The full balance of capital is to be debited, if _____ value is reduced.
- Face
 - Market
 - Both of a & b
 - none of the above
18. The expenses for forming and implementing scheme should be debited to _____ .
- security premium
 - share capital
 - External reconstruction
 - capital reduction
19. The objective of reconstruction is to write off _____ .
- profit
 - accumulated losses
 - Assets
 - none of the above
20. In _____ , no new company is formed.
- External reconstruction
 - Amalgamation
 - Internal reconstruction
 - none of the above
21. Appreciation in the value of land & building is recorded on _____ side of Capital Reduction Account.
- credit
 - debit
 - both of a & b
 - none of the above
22. Any credit balance on Capital Reduction Account after writing off losses is transferred to _____ Account.
- Reserve & Surplus
 - Profit & Loss
 - Share Capital
 - Capital Reserve
23. Payment for contingent liability is debited to _____ A/c.
- Capital Reduction
 - Bank
 - Share Capital
 - None of the above
24. Fictitious assets are written off to _____ A/c.
- Capital Reduction
 - Profit & Loss A/c
 - Goodwill
 - Land & Building
25. Reconstruction expenses are debited to _____ A/c.
- Cash Account
 - Goodwill Account
 - Profit & Loss A/c
 - Capital Reduction A/c

26. Appreciation in land and building is credited to _____ A/c.
- Capital Reduction A/c
 - Profit & Loss A/c
 - Cash Account
 - Goodwill Account
27. XYZ Ltd. had on 31st December, 2023; 80,000 equity shares at ₹ 10 each. It was decided to reduce shares to ₹ 8 each. The reduction is _____.
- 1,60,000
 - 6,40,000
 - 2,00,000
 - 1,50,000
28. 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
29. 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
30. 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
31. 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
32. Y Ltd. has 8,000 equity shares of ₹ 100 each fully paid. Each share is sub-divided into 10 equity shares of ₹ 10 each. The number of shares after sub-division will be _____.
- 8,000
 - 80,000
 - 75,000
 - 60,000
33. 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 _____ .
- 80,000
 - 1,00,000
 - 20,000
 - 60,000

