1. As per section 77A (1) of the companies act,1956, a company can buy back its own shares out of:

a. Reserves which are available for distribution as dividend

b. Securities premium accout

c. Proceeds of fress issue of shares or other specified securities

d. All of the above.

2. Buy back of shares is allowed out of fress issue of shares of the same kind. ***False***

3. 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.

4. Maximum buy back limit in any year is _______ of total paid up equity capital and free reserves.

a. 25%

b. 10%

c. 20%

d. No limit

5. Maximum one buy back is allowed in a period of 365 days. ***True***

6. According to sec. 77(5), the buy back can be made from:

a. From the existing shareholders on a proportionate basis

b. From open market

c. From employee to whom shares are issued under stock option or sweat equity share

d. All of the above

7. Declaration of solvency is required to be submitted to SEBi and Registrar befor making buy back. ***True***

8. After buy back, further issue of same kind of shares or specified securities can be made within 24 months. ***False***

9. Further issue of shares after buy back can be made for:

a. Conversion of debentures or preference shares into equity shares

b. Bonus issue and Conversion of warrants

c. Stock option schemes

d. All of the above

10. A company can not buy back its shares:

a. Through its subsidiary

b. Through investment or group of investment companies

c. If defalt in repayment of debt or interest is subsist

d. All of the above

11. Which of the following is not correct:

a. Under the scheme of buy back, an escrow account is opened

b. Escrow account guaranteed fullfillment of condition of buy back

c. Cash depostied in escrow account is equal to 25% of the consideration payable if it is less than 100 crores plus 10% of the consideration exceeding 100 crores.

d. None of the above

12. 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

13. 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

14. For cancellation of shares at the time of buy back:

a. Equity share capital a/c is debited and share holders 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

15. From the information given below calculated the equity share for buy back:

Equity share capital = 1200000

Free reserves = 1800000

Securities Premium = 600000

Debentures = 2500000

Creditors = 1100000

Ans: 750000

Debt equity ratio (after buy back) = Debt / Equity (must be 2:1 after buy back)

2 = (2500000. + 1100000 creditors)/equity (After buy back)

Equity (after buy back) = 1800000

Amount of equity available for buy back = Equity before buy back – Equity after buy back

= 3600000 – 1800000

= 1800000

Amount of buy back permissible = 25% of equity capital and free reserves or amount available for buy back (Lower)

= 25% of 3000000 or 1800000

= 750000 or 1800000

= 750000