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Test Series

Self-Made Assignment - Advance Accounting

Forfeiture Of Shares

Do the Following Multiple Choice Questions:

1.) What is the primary reason for the forfeiture of shares by a company?

- a) The shareholder sells the shares without approval
- b) The shareholder fails to pay the allotment or call money
- c) The shareholder resigns from the company
- d) The company decides to reduce its share capital

2.) When can the Board of Directors initiate the process of forfeiture of shares?

- a) Immediately after issuing shares
- b) After issuing a call notice and the shareholder fails to pay the call money
- c) If the share prices fall below the face value
- d) If the shareholder refuses to attend the annual general meeting

3.) Once shares are forfeited, the shareholder:

- a) Retains voting rights
- b) Is still eligible for dividends
- c) Loses all membership rights in the company
- d) Has a right to a refund of the paid amount

4.) Which of the following can a company do with forfeited shares?

- a) Transfer them back to the original shareholder
- b) Reissue them at a price less than their original issue price
- c) Cancel them permanently
- d) Use them to pay off the company's debts

5.) The forfeiture of shares results in:

- a) Complete release of the shareholder's liability for unpaid calls
- b) The company taking possession of the unpaid amount on the shares
- c) The loss of capital for the shareholder but the liability for unpaid calls may remain
- d) Automatic refund of the money already paid by the shareholder

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6.) Forfeited shares can be reissued by the company:

- a) Only at the original issue price
- b) At a discount, but not exceeding the amount unpaid on the shares
- c) At a premium
- d) Only after the shareholder pays the remaining amount

7.) Which document usually contains provisions regarding the forfeiture of shares?

- a) Memorandum of Association
- b) Shareholders' Agreement
- c) Articles of Association
- d) Directors' Resolution

Answer the following question

- 1) What do you mean by Forfeiture Of Share? Explain it With a suitable example.