

## Principles of Accounting - ICOM Part 2 Principles of Accounting Chapter 4 Short Questions Preparation

Q1. Define preliminary expenses.

**Ans 1:** The expenses which are incurred in the initial stages of incorporation are called primary expenses or preliminary expenses, It is also known as organization cost.

Example: Legal fees, remuneration of promoters, cost of preparing of various documents etc.

Q2. Define incorporation of certificate.

**Ans 1:** A Certificate of incorporation is a legal documents relating to the formatting of a company, It is license to form a corporation issued by state government.

Q3. What is registered capital or nominal capital or authorized capital?

**Ans 1:** Registered or nominal or authorizes capital is the amount of share capital with which a company is registered, The capital is mentioned in memorandum of association.

Example: An amount of Rs 500000 is mentioned in memorandum of association is registered capital.

Q4. What are different kinds of shares?

**Ans 1:** There are three main kinds of shares.

1. Ordinary Shares
2. Preference Shares
3. Deferred ordinary shares/

Q5. What is holding company or subsidiary company?

**Ans 1:** Holding or subsidiary company is a company which holds more than 50% shares of another company, This company has the power to appoint more than 50% directors of another company.

Q6. What is meant by company limited by Guarantee?

**Ans 1:** The company in which the liability of the members is limited to such amount as the member may respectively undertake to contribute to the assets of the company in the event of its being wound up.

Q7. Define public limited company.

**Ans 1:** Any company is called public limited if it has some characteristics :

1. It can invite application from investors through advertisement in the newspaper/
2. It can be formed by at least seven member and these are no limit maximum members.

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Q8. What is meant by company limited by Guarantee?

**Ans 1:** The company in which the liability of the members is limited to such amount as the member may respectively undertake to contribute to the assets of the company in the event of its being wound up.

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Q9. What is meant by common seal of company?

**Ans 1:** The common seal is the official signature of company. It is used as substitutes of signature because company is an artificial and cannot sign itself. It is also called official signature of the company.  
Example : Stem of the company etc.

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Q10. What are promoters?

**Ans 1:** Persons who do necessary work for the incorporation of company are known as promoters or the work of forming a company is undertaken by certain person are called promoters.

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