TOPIC II: FORMING JOINT STOCK COMPANIES, INCREASING SHARE CAPITAL, DECREASING SHARE CAPITAL AND TREASURY STOCKS

TOPIC II (A)

1) The Share Capital:
   a) It´s always the same as the outlaid Capital.
   b) It´s the addition of the Outlaid Capital and the uncalled Capital.
   c) It´s the Outlaid Capital minus the Uncalled Capital.
   d) It´s the addition of the Outlaid Capital plus the Share Premium.

2) When forming a Corporation, first contributions to the Share Capital:
   a) Can only be monetary.
   b) Can only be non-monetary.
   c) Can be monetary or non-monetary.
   d) Are the same for all the shareholders

3) Non-monetary contributions:
   a) Are valued by the shareholders that contribute them.
   b) Are valued by the Board of Directors.
   c) Are valued by the General Accounting Meeting.
   d) Are valued by independent experts.

4) The uncalled capital:
   a) Is part of the Share Premium not yet called up.
   b) Is part of the Company`s liabilities
   c) Is part of the Share Capital.
   d) Cannot exist at the end of the period.

5) The uncalled Capital is reported in the Balance Sheet:
   a) In the Equity, in negative.
   b) In the Assets, in negative.
   c) In liabilities, in positive.
   d) They are not reported in the Balance Sheet.

6) A shareholder in arrears:
   a) Is a shareholder who has not paid the uncalled Capital.
   b) Is a shareholder who has not paid the called up Capital.
   c) Is a shareholder who has not subscribed shares in an increase in capital.
   d) The Corporate Enterprises Act does not consider this question.

TOPIC II (B)

7) A Company can increase its Capital by:
   a) Increasing the par value of the shares.
   b) Issuing shares over par.
   c) Issuing new shares.
   d) All the above answers are correct.

8) A Company can increase its Capital:
   a) With non-monetary contributions.
   b) With all restrictive Reserves.
   c) By crediting the free Reserves accounts.
   d) By condoning uncalled capital.

9) An increase in Capital:
   a) Is always an increase in the Equity of the Company.
   b) Is a credit recording in the Share Capital account.
   c) Is a debit recording in the Share Capital account.
   d) Always modifies the Equity`s amount.

10) An increase in Capital that is covered by Voluntary Reserves:
   a) Is always an increase in the Equity`s amount.
   b) Is a decrease in Equity`s amount.
   c) Changes the Equity`s structure.
   d) Does not change the Equity`s structure.

11) The pre-emptive right:
   a) Exists in every increase in Capital.
   b) Exists in increases in capital when acquiring a Company.
   c) Exists only in totally covered increases in capital.
   d) Exists in increases in capital against non-monetary contributions.

12) The pre-emptive right:
   a) Has only a theoretical value.
   b) Has only a market value.
   c) Has a lower value when the increase is covered by reserves.
   d) Has a lower value when the increase in capital is partially covered by reserves than totally covered.

13) Increases in Capital are an increase in Equity:
   a) In all cases.
   b) When they a booked against Reserves.
   c) When they are booked against a debt payable.
   d) In no case.

TOPIC II (C):

14) Decreases in Share Capital:
   a) Have always as main objective the reimbursements to shareholders.
   b) Always imply decreases in Equity.
   c) Do not modify the structure of the Company`s Equity
   d) Do not necessary modify the amount of the Company`s Equity

15) Decreases in Share Capital entail decreases in Equity:
   a) In all cases.
   b) When the Company returns contributions to the shareholder´s
   c) When the purpose is the increasing of the Legal Reserve.
   d) In no case.

16) A decrease in Capital:
   a) Is always a decrease in the Equity of the Company.
   b) Is a credit recording in Share Capital.
   c) Is a debit recording in Share Capital.
   d) Means always a change in the Equity´s amount.

17) The Legal reserve:
   a) Is an unrestricted Reserve.
   b) Must be used to distribute Dividends
   c) Can have its origin in a decrease in Capital.
   d) Must reach the 10% of the Share Capital.

18) When decreasing a company`s share capital
   a) The par value of the shares must be decreased
   b) Shareholders must receive their contributions to the company.
   c) The par value of the shares can decrease in the event of unanimity among shareholders.
   d) The par value of the shares can decrease if the majority of shareholders agree

TOPIC II (D):

19) Treasury stock:
   a) Is compulsory for every Corporation.
   b) Is reported in the Balance Sheet as an increase in liabilities.
   c) Is reported in the Balance Sheet as an increase in Equity.
   d) Is reported in the balance Sheet as a decrease in Equity.

20) When selling treasury stock:
   a) The Company must record the result as part of the Equity.
   b) No result can be obtained by the Company
   c) The result obtained is reported in the income Statement
   d) The result obtained is reported as an asset.

21) Own shares:
   a) Are known as the treasury stock of a Corporation.
   b) Are reported in an asset account.
   c) Can only be sold for a selling Price equal to their issuing Price.
   d) Are reported in a liability account.

22) When redeeming own shares:
   a) The Company must always allocate the par value redeemed to an unrestricted Reserve
   b) The Company shall sometimes allocate the par valued redeemed to an unrestricted Reserve
   c) The Company will never allocate the par valued redeemed to an unrestricted Reserve
   d) The Company must always allocate the acquisition price to an unrestricted Reserve