

Mid-West University  
Examinations Management Office  
Surkhet, Nepal  
End-Semester Examination-2081  
Bachelor of Business Studies (BBS)  
Semester - III

Subject: Company Account

Full Marks: 60 Pass Marks: 30

Course Code: MGMT 431/331

Time: 3: 00 Hours

*You are required to answer in your own words as far as applicable. Figures in the margins indicate full marks.*

**SECTION A: VERY SHORT ANSWER QUESTIONS (10 X 1 = 10 MARKS)**

*Answer ALL the questions.*

1. Write any four features of public company limited.
2. State any two differences between equity and preference shares.
3. X company Ltd. issued 20,000 shares of Rs. 100 each at 10% discount. All the shares are fully applied and allotted. Prepare journal entry on issue of share at lump sum bases.
4. Write the meaning of redeemable debenture.
5. The following information of NT company is given to you:  
Sales Rs. 10,00,000, cost of goods sold Rs. 4,20,000, operating expenses Rs. 2,80,000 and provision for tax Rs. 20,000.  
**Required:** Income statement
6. Write any four objectives of financial statement.
7. Show any two differences between amalgamation and absorption.
8. Write any four causes of liquidation of a company.
9. What do you understand by subsidiary company?
10. Following are the items of assets side of balance sheet.

Assets	Last year	This year
Plant and machinery	6,00,000	10,00,000
Land and building	22,00,000	17,00,000
investment	2,10,000	1,00,000

**Required:** cash flow from investing activities.

**SECTION B: SHORT ANSWER QUESTIONS (3 X 8 = 24 MARKS)**

*Answer any THREE questions.*

11. What do you mean by prospectus of a company? What kind of information is provided on it? [2+6]
12. (a) List out the steps involved in the preparation of cash flow statement. [4]  
(b) D. company limited issued 6,000, 13% debentures of Rs. 100 each at 5% discount and redeemable at 15% premium.

**Required:** journal entries of issue and redemption of debenture. [2+2]

13. A company limited is registered with 1,00,000 shares of Rs. 10 each. This year the company issued 50,000 shares with 20% premium, the payment of these shares as follows: On application Rs. 4, on allotment Rs. 5 and on first and final call Rs. 3. Applications were received for 90,000 shares. The company decided to allot these share as follows:

- To the applicant for 10,000 shares full
- To the applicant for 40,000 shares 50%
- To the applicant for 30,000 shares pro-rata
- To the applicant for remaining shares were rejected

A shareholder holding 2,000 shares allotted under pro-rata bases group failed to pay allotment and call money on due date these shares were forfeited.

**Required:** Journal entries for: application, allotment, first and final calls and forfeiture of shares.

[2+2+2+2]

14. The balance sheet of Z Ltd. has been given below:

Liabilities	Amount	Assets	Amount
Equity share @ Rs.100 each	5,00,000	Land and building	4,20,000
10% debenture (secured with plant)	2,50,000	Plant and machinery	3,00,000
Account payable	4,00,000	Inventory	1,00,000
Preferential creditors	20,000	Account payable	50,000
		Cash at bank	20,000
		Profit and loss	2,80,000
	<b>11,70,000</b>		<b>11,70,000</b>

Owing to high accumulated losses the company went into voluntary liquidation. A liquidator was appointed as a remuneration of 4% on assets realized and 5% of the amount distributed to equity shareholders. The liquidation expenses to Rs. 20,000. The assets realized as follows:

Land and building.....Rs. 4,00,000  
 Plant and machinery.....Rs. 2,75,000  
 Inventory ..... Rs. 75,000  
 Account receivable..... Rs. 37,292

**Required:** Liquidator's final statement account.

[8]

15. The balance sheet and income statement of a company are as follows:

Liabilities	Year 1	Year 2	Assets	Year 1	Year 2
Equity share	4,40,000	5,50,000	Plant and machinery	5,00,000	5,50,000
Profit and loss a/c	40,000	1,20,000	Investment	1,20,000	70,000
Debentures	2,50,000	1,00,000	Book debtors	1,00,000	1,20,000
Creditors	80,000	50,000	Stock	1,75,000	1,25,000
Provision for dividend	50,000	35,000	Prepaid expenses	10,000	15,000
Accumulated depreciation	2,10,000	2,30,000	Bank	1,65,000	2,05,000
<b>Total</b>	<b>10,70,000</b>	<b>10,85,000</b>	<b>Total</b>	<b>10,70,000</b>	<b>10,85,000</b>

Income statement for year 2

Particulars	Details	Amount
Sales revenue		10,00,000
<b>Less: Cost of goods sold:</b>		
Opening stock	90,000	
Purchase	4,00,000	
Wages	2,30,000	
Closing stock	<u>(1,20,000)</u>	<u>6,00,000</u>
<b>Gross profit</b>		<b>4,00,000</b>
<b>Less: Operating expenses:</b>		
General expenses	1,70,000	
Depreciation	50,000	
Interest	25,000	
Premium on redemption of debenture	15,000	
Provision for dividend	<u>40,000</u>	<u>3,00,000</u>
<b>Operating Profit</b>		<b>1,00,000</b>
<b>Add: Gain on sale of plant (cost Rs. 1,00,000 accumulated depreciation Rs. 30,000)</b>		<b>25,000</b>
<b>Less: Loss on sale of investment</b>		<b>10,000</b>
<b>Tax</b>		<b>35,000</b>
<b>Net income after tax</b>		<b>80,000</b>

**Required:** Cash flow statement

[3+2+2+1]

# SECTION C: LONG ANSWER QUESTIONS (2 X 13 = 26 MARKS)

Answer any TWO questions.

16. Write the meaning of holding company with a suitable example. Explain its advantages and disadvantages. [3+10]

17. Following balances were extracted from the ledger accounts as on 31<sup>st</sup> December.

Particulars	Amount	Particular	Amount
Opening stock	25,000	Sales	1,00,000
Purchase	50,000	Share capital	2,00,000
Freight	15,000	Provision for tax	25,000
Audit fees	10,000	Rent income	10,000
Prepaid insurance	15,000	10% mortgage loan	25,000
Patent	15,000	Bills payable	15,000
Interest on mortgage loan	1,500	Provision for bad debt	1,000
Plant and machinery	75,000	Profit and loss a/c	15,000
Land and building	1,00,000		
Cash	34,500		
Interim dividend	1,000		
Debtors	40,000		
Bad debts	4,000		
Calls in arrears	5,000		
Total	3,91,000	Total	3,91,000

**Adjustment:**

- Closing stock Rs. 50,000
- Patent to be written off Rs. 2,500
- Provision for bad debt is Rs. 3,500
- Proposed dividend 10% on paid up capital and transfer to reserve fund Rs. 7,900
- Depreciate plant by Rs. 5,000 and appreciate land by Rs. 9,000
- Provision for taxation to be maintained 20% on net profit
- Prepaid insurance is expired Rs. 12,000

**Required:** i) Income statement ii) Balance sheet

[8+5]

18. A company Ltd. Absorbs the business of H. Company Ltd. The consideration of purchase are as follows:

- A. Company Ltd. is to take all assets and liabilities of H. Company.
- A. Company Ltd. is to make payment in cash of Rs. 90 for every 5% debenture of Rs. 100 in H. Company Ltd. which debentures holders have agreed to accept in full discharge of their debenture.
- A. Company Ltd. is to make a further payment in cash of Rs. 45 per share for every shares in H. Company Ltd.
- A. Company Ltd. is to allot one share of Rs. 25 each at on agreed market value of Rs 30 each for every share in H. Company Ltd.

The balance sheet of H. Company Ltd. on Chaitra 31<sup>st</sup> 2023 stood as:

Liabilities	Amount	Assets	Amount
10,000 share capital of Rs. 50 each fully paid	5,00,000	Goodwill	2,50,000
5% Debenture 100 each	3,00,000	Plant and machinery	3,00,000
Sundry creditors	1,75,000	Stock in trade	2,50,000
Bills payable	2,25,000	Debtor	1,50,000
		Cash at bank	60,000
		Profit and loss a/c	1,90,000
Total	12,00,000	Total	12,00,000

**Required:** i) purchase consideration

[3]

ii) closing entries in the books of vendor company

[8]

iii) realization account

[2]

THE END