

Mid-West University
Examinations Management Office
Surkhet, Nepal
Final Examination-2078
Bachelor of Business Studies (BBS)
Semester - III

Subject: Company Account

Course Code: MGMT 331

Full Marks: 60 Pass Marks: 30

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. Mention any four characteristics of a public limited company.
2. Write, in brief, the meaning of convertible debentures.
3. M Company provides the following amounts in the various statements included in 2020 annual report.
 - Retained earnings on 1st January 2020.....Rs 2,00,000
 - Net income on 31st December 2020.....Rs.3,50,000
 - Dividend paid in 2020Rs 80,000

Required: Statement of retained earnings

4. What is amalgamation?
5. Mention any three reasons for the liquidation of the company.
6. Write any four advantages of Holding Company.
7. The provision for tax for last year and this year was Rs. 8,000 and Rs. 10,000 respectively. The provision made during the year was Rs.8,000.

Required: Tax paid for the year

8. Make a list of items related to financing activities.
9. Write about the methods of purchase consideration.
10. Find out net the cash flow from investing activities from the following information:
 - Purchase of machinery Rs. 70,000
 - Sale of investment Rs. 40,000
 - Purchase of building Rs. 4,00,000

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

Answer any **THREE** questions.

11. What are the main documents of Joint Stock Company? Explain. [8]
12. X Company Ltd. issued 20,000 shares of Rs. 100 each at 10% premium, payable as follows:
On application Rs. 30, on allotment Rs. 50 (including premium) and Rs. 30 on the first and final call.
The applications were received for 36,000 shares. Among them the applications for 8,000 shares were allotted fully, 10,000 shares were rejected and the rest applications were allotted on pro-rata basis.
Excess application money was utilized towards the allotment money. 1,000 shares which were allotted on pro-rata basis failed to pay first and final call money, hence their shares were forfeited.
Required: Journal entries for: a) application b) allotment c) first and final call d) forfeiture [4x2]
13. a) Himal Company Ltd. issued 5,000, 8% debenture of Rs. 1,000 each at 10% premium and redeemable at 15% premium after 12 years.
Required: Journal entries for issue and redemption of debenture. [2+2]
b) Write down the meaning of financial statement with its features. [4]

14. The balance sheet of a company is as follows:

Liabilities	Amount (Rs.)	Assets	Amount (Rs.)
Equity share of Rs. 100 each, Rs.75 called up	3,00,000	Land and building	2,00,000
12% preference shares of Rs. 50 each fully paid	1,00,000	Plant and machinery	2,40,000
8% Debentures mortgaged on plant and machinery	2,00,000	Inventory	1,90,000
Account receivable	1,50,000	Account receivable	62,000
Outstanding preference dividend	12,000	Cash	20,000
		Profit and loss account	50,000
Total	7,62,000	Total	7,62,000

The company went into voluntary liquidation. The assets except the cash realized Rs. 4,50,000 including Rs. 1,80,000 on sale of the mortgage plant and machinery. The liquidator was entitled to a remuneration of 4% on the value of the amount realized. The liquidation expenses of Rs.12,000 were incurred.

Required: Liquidator's statement of account

[8]

15. The followings are the income statement and balance sheet at the end of 2075:

Income Statement

Particulars	Amount (Rs.)	Amount (Rs.)
Sales		4,50,000
Less: Cost of goods sold.....		<u>2,00,000</u>
Gross profit.....		2,50,000
Less: Salary.....	60,000	
Rent	30,000	
Operating expenses.....	20,000	
Interest on debenture.....	10,000	
Depreciation.....	30,000	
Loss on sales of plant (book value Rs. 20,000)	5,000	1,55,000
Net profit		95,000

Balance sheet

Liabilities	2074	2075	Assets	2074	2075
Share capital	2,00,000	3,00,000	Plant	2,00,000	2,50,000
Retained earning	40,000	50,000	Investment	1,00,000	1,00,000
10% Debentures	1,00,000	50,000	Debtors	40,000	50,000
Creditors	20,000	30,000	Stock	30,000	25,000
Bank overdraft	40,000	20,000	Cash	30,000	25,000
	4,00,000	4,50,000		4,00,000	4,50,000

Required: Cash flow statement showing cash from operating, investing, and financial activities.

[3+2+2+1]

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

Answer any **TWO** questions.

16. What do you mean by holding company? Explain, briefly, the considerations to be taken into account while preparing a consolidated balance sheet.

[5+8]

17. The business of A Company Ltd. is absorbed by B Company Ltd. The terms of absorption are as follow:

- i) The holders of 10% preference shares will be allotted four, 12% preference shares of Rs. 100 each for every five preference shares held in A Co. Ltd.
- ii) The 10% debentures will be paid off by the issue of equal number of 12% debentures of Rs. 100 each in B Co. Ltd. at a discount of 10%.
- iii) The equity shareholders will be allotted 6 shares of Rs. 100 each for every 5 shares held by them at a premium of Rs.20.

The balance sheet of A Co. Ltd. at the date of absorption is as under:

Liabilities	Rs.	Assets	Rs.
7,000 Equity shares of Rs. 100 each	7,00,000	Goodwill	50,000
10% Preference share of Rs. 100 each	4,00,000	Plant and machinery	11,00,000
10% Debentures of Rs. 100 each	3,00,000	Stock	1,00,000
Sundry creditors	1,50,000	Sundry debtors	70,000
		Cash at bank	50,000
		Discount on issue of shares	10,000
		Profit and loss account	1,70,000
Total	15,50,000	Total	15,50,000

Required: a) Purchase consideration b) Entries to close the books of A Co. Ltd.
c) Realization account.

[3+7+3]

18. The trial balance of a company as on 31st Chaitra is given below:

Particulars	Rs.	Particulars	Rs.
Beginning stock	30,000	Share capital	5,00,000
Rent and rates	30,000	10% Debentures	1,00,000
Purchases	2,90,000	Sales	8,00,000
Wages	1,00,000	Purchase return	10,000
Carriage	25,000	Outstanding salaries	20,000
Salaries	1,00,000	Creditors	70,000
Sundry debtors	1,50,000	Provision for bad debt	5,000
Plant and machinery	2,50,000	Profit and loss account	25,000
Land and building	4,50,000		
Interest on debenture	10,000		
Prepaid insurance	5,000		
Cash and bank	50,000		
General expenses	40,000		
	15,30,000		15,30,000

Additional information:

- i. Ending balance of stock Rs. 30,000.
- ii. Depreciate plant and machinery by 10%.
- iii. Provision for bad debt to be increased up to Rs. 5250.
- iv. Provision made for income tax Rs. 25,000.
- v. Proposed dividend at 10% on share capital.
- vi. General reserve made for Rs. 20,000

Required: a) Income Statement b) Statement of retained earnings c) Balance sheet.

[5+3+5]

THE END