

MID-WESTERN UNIVERSITY  
EXAMINATIONS MANAGEMENT OFFICE  
FINAL EXAMINATION: 2019  
BACHELOR OF BUSINESS STUDIES (BBS)  
SEMESTER - III

Subject: Company Account  
Full Marks: 60

Course Code: MGMT 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** questions.

- Q1. What is chartered company?  
Q2. List out any two differences between ordinary share and preference share.  
Q3. ABC Company Ltd. issued 25,000 Share of Rs.100 each at a premium of Rs.10 per share. Such share are fully applied and allotted all money were received in full.

**Required:** Journal Entries

- Q4. Naresh Company issued 10,000, 15% Debenture of Rs 100 each at 20% premium and redeemable at par.

**Required:** Prepare journal entries at the time of issue of debentures.

- Q5. Point out any two objectives of income statement.

- Q6. Following are the information given to you.

	This Year	Last year
Furniture	3,30,000	4,00,000
Plant and Machinery	2,20,000	1,50,000
Investment	1,75,000	1,25,000

**Required:** Cash flow from investing activities

- Q7. Point out the methods of calculating purchase consideration.  
Q8. What do you mean by wholly owned subsidiary company.  
Q9. The Bimal company provides the following amounts in various statement included in its 2015 annual report.
- |                                   |            |
|-----------------------------------|------------|
| Retained earning on Jan 1, 2015   | Rs 200,000 |
| Net income for 2015 Dec.          | Rs 100,000 |
| Dividend declare and paid in 2015 | Rs 50,000  |
| Transfer to general reserve       | Rs 30,000  |

**Required:** statement of retained earning

- Q10. The following are the assets and liabilities of Strong Co. Ltd. purchased by Large Co. Ltd.

a. Fixed assets	Rs 25,00,000
b. Debtors	Rs 300,000
c. Cash at Bank	Rs 200,000
d. Creditors	Rs 700,000
e. Account payable	Rs 200,000
f. Goodwill	Rs 100,000

**Required:** Purchase consideration

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

Answer any **THREE** questions.

- Q11. What is preference share? Explain the different types of preference share. [3+5]  
Q12. XYZ Company Ltd. issued 5000 share of Rs 100 each with 10% premium, payable as follows.
- |                          |       |
|--------------------------|-------|
| On Application           | Rs 30 |
| On Allotment             | Rs 50 |
| On First and final calls | Rs 30 |

Applications were received on 13350 share. The company allotted these shares as follows.

Applied	Allotted
1000	full
11350	Pro-rata
1000	reject

The Excess share application money utilizable towards share allotment and calls. one share holder holding 400 shares under pro-rata groups failed to pay first and final call money on due date. These shares were forfeited.

**Required:** Journal entries for:

- a. Share application [2]
- b. Share allotment [2]
- c. Share first and final [2]
- d. Share forfeiture [2]

Q13. The Balance Sheet of Global Company is as follows.

Liabilities	Year 1	Year 2	Assets	Year 1	Year 2
Share Capital .....	80,000	100,000	Plant & Machine	50,000	70,000
Share premium .....	8,000	10,000	Land .....	40,000	50,000
Bank loan.....	-	20,000	Debtors.....	20,000	15,000
Creditors.....	15,000	10,000	Cash at bank...	4,000	24,000
Outstanding wage....	5,000	6,000	Accumulated depreciation	(10,000)	(16,000)
Provision for taxation	8,000	10,000	Inventories	30,000	40,000
Retained earnings....	14,000	24,000	Provision for bad debts	(4,000)	(3,000)
	130,000	180,000		130,000	180,000

**Income statement**

Particulars	Details	Amount
Sales		100,000
.....		
Less: Cost of good sold:	50,000	
Purchase.....	30,000	
Add: Beginning inventories.....	(40,000)	
Less: Ending inventories.....	12,000	52,000
Wages.....		<b>48,000</b>
<b>Gross Margin.....</b>	10,000	
	2,000	
	10,000	
	8,000	
Less: Operating expenses.....		
Interest on bank loan.....	4,000	
Depreciation on machinery.....		34,000
Provision for taxation .....		
Loss on sale of plant (cost Rs 10,000; accumulated depreciation Rs 4,000)		
<b>Net income</b>		<b>14,000</b>

Prepare cash flow statement showing cash from:

[4+2+2]

- a. Operating activity
- b. Investing activity
- c. Financing activity

Q14. Kakrebihar Co. Ltd. went into voluntary liquidation on Chaitra 30, 2073. All the assets were realized for Rs 600,000 excluding amount realized by sale of partly secured creditors. However, Rs 15,000 expenses were incurred for liquidation. The position of the company on the same date was as follows:

Secured creditors	Rs 120,000
Partly secured creditors (security value Rs 150,000)	Rs 225,000
Prefential creditors	Rs 22,500
Unsecured creditors	Rs 300,000
Fully paid equity capital of Rs 100 each	Rs 800,000

The liquidator was entitled to a remuneration of 2% on assets realized and 3% of the amount distributed to unsecured creditors .

**Required:** Liquidator's Final Statement of Account

[4]

Q15. Ritvi Company Ltd. issued 15,000, 8% debenture of Rs.100 each at a premium of 5% which is to be redeemed at a premium of 10% after 5 years.

**Required:** Journal entries for:

- (a) At the time of issue of debenture [2]
- (b) At the time of redemption [2]

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

Answer any **TWO** questions.

Q16. The following is the balance sheet of Himat Co. Ltd., as on 31<sup>st</sup> December, 2012:

Liabilities	Amount	Assets	Amount
7,000 Shares of Rs.100 each.....	7,00,000	Goodwill	50,000
10% preference share of Rs 100 each	4,00,000	Fixed assets .....	11,00,000
10% Debenture of Rs.100 eac	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 share	10,000
		Profit and loss a/c	170,000
	15,50,000		15,50,000

The business of the Himal Company is taken over by Hulas Company Ltd. as on that date on following terms.

- The holders of 10% preference share will be allotted four, 12% preference shares of Rs 100 each for every five preference share held in Himal Company.
- The 10% debenture will be paid off by the issue of equal number of 12% debenture of Rs 100 each in Hulash Company Ltd. at a discount of 10%.
- The equity shareholders will be allotted 6 Share in Hulash Co. of Rs 100 each for every 5 share in Himal Co. hold by them at a premium of Rs 20.

**Required:** a. Calculate Purchase Consideration [3]  
b. Entries to close the books of X Co. Ltd [6]  
c. Realization Account [2]  
d. Shareholder's Account [2]

Q17. The Trial Balance of Surya Company Ltd. as on 31<sup>st</sup> Asadh, last year is as follows:

Particulars	Amount	Particulars	Amount
Opening stock	15,000	3,000 share of Rs 100 per share	300,000
Purchase	240,000	Sales	318,000
Wages	52,500	Purchase return	7,000
Salary	17,500	Commission	3,000
Dividend paid	3,500	Sundry creditors	15,000
Calls in arrear	20,000	Short term loan	30,000
Sundry debtors	19,500	Provision for bad debts	2,000
Machinery	100,000	Profit and loss appropriation a/c	112,500
Land and building	200,000	General reserve	7,500
Investment	150,000	Debenture	75,000
Income tax paid	3,000		
Cash at bank	22,500		
Carriage	5,000		
Bad debts	6,000		
Rent and rates	11,500		
Advance salary	4,000		
	870,000		870,000

Additional information:

- Closing stock Rs 60,000
- Outstanding wages Rs 2,500
- Rent paid in advance Rs 1,500
- Bad debts Rs 2,000 and maintained reserve for bad debts 10% on debtors.
- Proposed dividend at 20% on paid up capital.
- Transfer Rs 12,000 to general reserve.
- Stock worth Rs 20,000 is lost by fire, but the claim not expected by insurance company.
- Appreciate land and building by 10% and depreciate machinery by 12%.

**Required:** a) Income statement [7]  
b) Balance Sheet [6]

- Q18. (a) Write the meaning of Holding Company with suitable example. Explain the advantage of holding company. [3+3]  
(b) "Settlement of liabilities are required in preferential basis in liquidation of a company". Discuss this statement and explain the reasons for liquidation of company. [3.5+3.5]