

MID-WESTERN UNIVERSITY  
FACULTY OF MANAGEMENT  
FINAL EXAMINATION: 2073  
BACHELOR OF BUSINESS STUDIES (BBS)  
SEMESTER - III

Subject: Company Account  
Full Marks: 100

Course Code: MGMT 331  
Time: 3 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 X2 = 20 MARKS)**

Answer **ALL** questions.

- Q1. What is Preference share?  
Q2. Point out any two differences between private and public company.  
Q3. Rohit Company Ltd. issued 10,000 shares of Rs 100 each at 20% premium for public subscription. All the shares were applied for and the allotment was made in full.

**Required:** Journal Entries

- Q4. You are provided the following information about the Bheri Company.

Particulars	Year 2	Year 1
Sales	215,000	-
Cost of goods sold	500,000	-
Sundry debtors	30,000	20,000
Bills receivable	10,000	18,000
Sundry creditors	30,000	20,000
Bills Payable	15,000	40,000
Stock	75,000	50,000

**Required:** Cash sales and collection from debtors.

- Q5. The following information is provided to you.

Particulars	Amount	Particulars	Amount
Sales	460,000	Administrative expenses	91,000
Interest earned	36,000	Selling expenses	23,000
Loss on sale of assets	2,000	Income tax paid	10,100
Cost of goods sold	316,000		

**Required:** Income statement

- Q6. Define amalgamation with suitable example.  
Q7. What do you mean by holding company and subsidiary company?  
Q8. What is voluntary winding-up (liquidation) of a company?  
Q9. B Ltd. Company issued 3,000, 15% Debentures of Rs 1,000 each at a discount of 5% to be payable at a premium of 5% after 3 year.

**Required:** Journal entries for the issue of debentures.

- Q10. You are given the following particulars:

Particulars	Amount
Liquidation expenses	5400
Secured creditors	52,000
Preferential creditors	15,000
Unsecured creditors	152,000
Total assets realized	200,000

The liquidator remuneration was agreed at 2% on assets realized and 3% on amount distributed to unsecured creditors only. Calculate the total remuneration payable to the liquidator.

**SECTION B: SHORT ANSWER QUESTIONS (6 X 8 = 48 MARKS)**

Answer any **SIX** questions.

- Q11. Siya Company issued 100,000 ordinary shares of Rs 100 each at a premium of Rs 10 per share out of the authorized capital of 200,000 share. The calls were made as follows.

Particulars	Amount
On Application	Rs 20
On Allotment	Rs 40
On First call	Rs 30
On Final call	Rs 20

Application were received for 135,000 Share.

The directors allotted the share on the following basis.

To Application for 75,000 Share - Full

To Application for 50,000 Share - 25,000

To Application for 10,000 Share - Nil

Under the term of issue the surplus application money could be utilized on allotment as well as on subsequent calls. All the call money was received, however, one shareholder holding 5,000 shares on pro- rata group failed to pay first and final call.

**Required:** Journal entries for:

- a) Application (2)
- b) Allotment (2)
- c) First call (2)
- d) Final call (2)

Q12. (a) Sangrila Company issued 10,000, 9% debentures of Rs.100 each at a premium of 5% which is to be redeemed at a premium of 10% after 10 years.

**Required:** Journal entries for:

- (i) At the time of issue of debenture (2.5)
- (ii) At the time of redemption (2.5)
- (b) Define debenture with suitable example (3)

Q13. The Income statement and Balance sheet of the company are given below.

Particulars	Amount	Amount
Sales		1,200,000
Less : Cost of goods sold		700,000
Gross profit		500,000
Less : Operation expenses :		
Depreciation	160,000	
Other operation cost	200,000	
Premium on redemption of debenture	20,000	380,000
Net profit before other income		120,000
Add: Profit on sale of plant (Book value of Rs 40,000)		20,000
		140,000
Less: Dividend paid		40,000
Retained earning		100,000

Comparative balance sheet

Capital & Liabilities	Year 1	Year 2	Assets	Year 1	Year 2
Share capital	1,000,000	12,00,000	Plant	1,200,000	1,600,000
Share premium	100,000	120,000	Inventories	100,000	200,000
10% debenture	200,000	100,000	Account payable	300,000	200,000
Bills payable	100,000	80,000	Cash	200,000	100,000
Account payable	200,000	300,000			
Retained earning	200,000	300,000			
Share capital	1,800,000	2,100,000	Assets	1,800,000	2,100,000

**Required:** Cash flow statement

Q14. The balance sheet of Rohit Company Ltd. as on 31<sup>st</sup> December 2071 is given below.

Capital and Liabilities	Rs	Assets	Rs
Share capital: Equity share of Rs 100 each Rs 80 called up	400,000	Land	500,000
10% preference share of Rs 100 each fully	500,000	Goodwill	300,000
10% debenture secured by Land	200,000	Plant & Machinery	300,000
Account payable	200,000	Inventory	100,000
Preferential Creditors	50,000	Account receivable	100,000
		Cash at bank	50,000
Total Capital and Liabilities	1,350,000	Total Assets	1,350,000

(8)

The company went in to voluntary liquidation. The assets realized Rs 850,000 excluding cash. The liquidator was entitled to a remuneration of 2% on assets realized and his expenses for realization amounted to Rs 12,000.

The liquidator made call of Rs 20 per share on partly paid equity shares for making payment to preference shareholders. All shareholders paid the call money with the exception of one shareholder holding 100 share.

**Required:** Liquidator final statement of account

(8)  
(3+5)

Q15. What is absorption? Define the legal procedure for business combination as per company Act, 2063.

Q16. (a) Following is the balance sheet of XYZ Company as on 31<sup>st</sup> Chaitra 2071.

Liabilities	Rs.	Assets	Rs
18,000 share@ Rs 100 each	1,800,000	Land and building	15,00,000
10% debenture @ 100 each	800,000	Furniture	400,000
Creditors	100,000	Inventory	300,000
		Debtors	200,000
		Cash	60,000
		Profit & loss	240,000
	2,700,000		2,700,000

The assets of XYZ Co. Ltd are taken over by ABC Company. The company adopted the following scheme.

- o A payment in cash at Rs 80 each for every debenture in XYZ Company.
- o Further payment of cash at the rate of Rs 20 for every share in XYZ Company.
- o The holders of every 5 shares of XYZ Company will be allotted 2 shares of Rs 100 each in ABC Company.

**Required:** Purchase Consideration.

(4)

(b) Briefly discuss the role of financial statement.

(4)

Q17. What is fund flow statement? Difference between the funds flow statement and balance sheet.

(3+5)

Q18. Define holding company. Explain the advantage and disadvantage of holding company.

(3+5)

### SECTION C: LONG ANSWER QUESTIONS (2 X 16 = 32 MARKS)

Answer any **TWO** questions.

Q19. The Trial balance of Hulas Company as on Ashadh 31<sup>st</sup> 2068 is given below.

Particular	Amount	Particular	Amount
Opening Stock.....	105,000	Sales.....	476,000
Purchase.....	343,000	Profit & Loss a/c....	28,000
Furniture.....	23,800	Share Capital.....	210,000
Rent and rates.....	16,800	Reserve Fund.....	14,700
Plant and machinery.....	40,600	Bills payable.....	9,800
Bills receivable.....	64,680	Purchase Return....	14,000
Wages.....	30,800	Suppliers.....	24,500
Salaries.....	21,700	Transferred fees received.....	4,200
Calls in arrear.....	70,000		
Dividend paid.....	12,600		
Customers.....	38,500		
Cash at bank.....	7,000		
Trade mark.....	6,720		
	<b>781,200</b>		<b>781,200</b>

#### Additional Information:

- Closing Stock was valued at Rs. 123,200.
- Depreciate Plant, Furniture and Trade mark written off by 10% each.
- Outstanding: Rent expense Rs. 1,120 and Salaries Rs. 1,260.
- Directors proposed a dividend @15% and transfer to reserve fund Rs. 1,890.
- Make a provision for doubtful debts amounting to Rs.500.
- Make a provision for tax 40%.
- Managing director is entitled to a commission of 10% on net profit before charging such commission.

**Required:** Income statement as per company Act 2063, Retained earnings and Balance Sheet.

(7+3+6)

Q20. The following is the balance sheet of X Co. Ltd., as on 31<sup>st</sup> December, 2012

Liabilities	Amount	Assets	Amount
10,000 Shares of Rs.100 each.....	1,000,000	Fixed assets.....	1,450,000
10% Debenture of Rs.100 each...	700,000	Investment.....	25,000

Reserve Fund.....	125,000	Patent rights.....	70,000
Sundry Creditors.....	115,000	Stock.....	100,000
Profit and loss a/c.....	10,000	Sundry Debtors....	280,000
		Cash at bank .....	25,000
	1,950,000		1,950,000

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

- Y Company Ltd. to take over all assets and liabilities.
- The Shareholders were to be discharged by paying Rs.20 per Share and the exchange of four Rs.100 Shares in Y Co. Ltd. at an agreed market value of Rs.150 each for every shares in X Co. Ltd.
- Y Co. Ltd. is to make a further payments in cash of Rs.110 for every debentures in X Co. Ltd.

**Required:** (a) Calculate Purchase Consideration.

(b) Entries to close the books of X Co. Ltd.

(16)

OR

The following are the Balances Sheets of Holding Company Ltd. and Subsidiary Company Ltd. as on 30<sup>th</sup> Chaitra 2070:

Liabilities	H Ltd. Rs	S Ltd. Rs	Assets	H Ltd. Rs	S Ltd. Rs
Share Capital of Rs. 10 each	300,000	125,000	Plant & Machinery	110,000	40,000
General Reserve (1-1-2070)	80,000	47,500	Land & Building	140,000	60,000
Profit for the year	120,000	60,000	Furniture	55,000	17,500
Creditors	50,000	17,500	Debtors	40,000	57,500
			Stock-in- trade	80,000	40,000
			Investment (In shares of S Ltd.)	100,000	-----
			Cash at Bank	25,000	35,000
Liabilities	550,000	250,000	Assets	550,000	250,000

Additional Information:

- H Ltd. purchased 7500 shares of Rs. 10 each of S Ltd. at a cost of Rs. 100,000 on 1<sup>st</sup>, Shrawan, 2070.
- The debtors of H Ltd. included Rs. 7500 due from S Ltd. for goods sold on credit.
- Stock of H Ltd. includes Rs. 5000 worth of goods bought from S Ltd. on which the latter company has made a profit of 20% on cost.

**Required:**

- Ratio of shares of holding company and minority shareholders (1)
- Capital profit (2)
- Revenue profit (1)
- Capital profit (2)
- Minority interest (2)
- Cost of control (2)
- Mutual owing (1)
- Unrealized profit (1)
- Consolidated Balance Sheet (4)

Q21. (a) The following particulars relate to a limited company which has gone into voluntary liquidation. You are required to prepare the liquidator's final statement of account, allowing for his remuneration @ 2% on the amount realized and 2% on the amount distributed among unsecured creditors other than preferential creditors. (8)

Preferential creditors Rs. 10,000

Unsecured creditors Rs. 32,000

12% Debenture Rs. 10,000

The assets realized the following sums:-

Land & Building Rs. 20,000

Plant & Machinery Rs. 18,650

Furniture & fitting Rs. 1000

The liquidation expenses Rs. 1000.

(b) What is meant by company? Briefly discuss the types of company.

(2+6)