

MID-WESTERN UNIVERSITY  
EXAMINATIONS MANAGEMENT OFFICE  
MAKE-UP EXAMINATION: 2018  
BACHELOR OF BUSINESS STUDIES (BBS)  
SEMESTER - III

Subject: Company Account  
Full Marks: 100

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 2 = 20 MARKS)**

Answer **ALL** questions.

- Q1. What do you mean by company?  
Q2. What is authorized capital?  
Q3. Naresh & Naresh Company Ltd. issued 20,000 shares of Rs 100 each at 20% discount 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 Karnali Company.

Particulars	Year 2073	Year 2074
Sales	325,000	-
Cost of goods sold	500,000	-
Sundry debtors	30,000	20,000
Bills receivable	100,000	180,000
Sundry creditors	80,000	70,000
Bills Payable	75,000	45,000
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 absorption with suitable example.  
Q7. What do you mean by subsidiary company?  
Q8. Point out any three importance of financial statement.  
Q9. B Ltd. Company issued 2,000, 10% Debentures of Rs 1,000 each at a premium of 10% to be payable at a premium of 15% after 5 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. Surya Company issued 10,000 ordinary shares of Rs 100 each at a premium of Rs 10 per share out of the authorized capital of 50,000 share. The calls were made as follows.

On Application      Rs 30  
On Allotment        Rs 50  
Balance on first and final call

Application were received for 30,000 Share.

The directors allotted the share on the following basis.

- To Application for 2,000 Share - Full
- To Application for 20,000 Share - Pro-rata
- To Application for 8,000 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 500 shares on pro-rata group failed to pay first and final call.

**Required:** Journal entries for:

- a) Application (2)
- b) Allotment (3)
- c) First call and final call (3)

Q12. (a) Rara Company issued 20,000, 15% debentures of Rs.100 each at a premium of 10% which is to be redeemed at a discount of 5% 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 balance sheet and Income statement of Ltd. have been given below.

**Balance sheet**

:	Year 1	Year 2	Assets	Year 1	Year 2
Share capital	80,000	100,000	Plant and machinery cost	50,000	70,000
Share premium	8,000	10,000	Land and building	40,000	50,000
Bank loan	-	20,000	Accumulated depreciation	(10,000)	(16,000)
Outstanding wages	5,000	6,000	Provisions for doubtful debts	(4,000)	(3,000)
Account payable	15,000	10,000	Inventories	30,000	40,000
Provision for taxation	8,000	10,000	Account receivable	20,000	15,000
Profit and loss	14,000	24,000	Cash	4,000	24,000
	<b>130,000</b>	<b>180,000</b>		<b>130,000</b>	<b>180,000</b>

**Income statement**

Particulars	Details	Amount
sales		<b>100,000</b>
<b>Less: cost of goods sold</b>		
<b>Purchase</b>	50,000	
<b>Add: beginning inventory</b>	30,000	
Less: Ending inventory	(40,000)	
Wages	12,000	
Gross margin		<b>52,000</b>
Less: Operating expenses	10,000	
Interest on Bank loan	2,000	
Depreciation on machinery	10,000	
Provision for taxation	8,000	
Loss on sales of machine ( cost 10,000 , accumulated depreciation 4,000)	4,000	
<b>Net income</b>		<b>34,000</b>

**Required:** Cash flow statement

(8)

Q14. Xyz Company went into voluntary liquidation. The company had paid up capital of Rs 500,000 in equity shares of Rs 100 each fully paid . The assets of the company realized Rs 500,000. The various creditors including secured creditors of Rs 150,000 and preferential creditors of Rs 20,000 amounted to Rs 265,000. The liquidators was entitled to a remuneration of 3% on assets realized and 5% of the amount distributed to equity shareholders . The expenses of the liquidators amounted to Rs 10,000.

**Required:** Liquidator final statement of account

(8)

Q15. What is holding company? Define the advantages and disadvantages of holding companies.

(3+5)

Q16. What is cash flow statement? Discuss the objective of cash flow statement.

(3+5)

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 31st 2068 is given below.

Particular	Amount	Particular	Amount
Opening Stock.....	50,000	Sales.....	360,000
Purchase.....	180,000	Profit & Loss a/c....	25,000
Furniture.....	378,000	Share Capital.....	250,000
General expenses.....	50,000	Accounts payable	50,000
Interim Dividend paid	4,000	Provision for taxation	15,000
Insurance premium	30,000		
Income tax paid	8,000		
<b>Total</b>	<b>700,000</b>	<b>Total</b>	<b>700,000</b>

**Additional Information:**

- Closing stock Rs 60,000
- Unexpired insurance Rs 5,000
- Outstanding general expenses Rs 4,000
- Proposed dividend Rs 10,000

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

(7+3+6)

Q20. The following is the balance sheet of X Co. Ltd., as on 31st December, 2014

Liabilities	Amount	Assets	Amount
18,000 share of Rs 100 each .....	18,00,000	Land and Building	15,00,000
10% Debenture of Rs 100 each .....	800,000	Furniture	400,000
Creditors .....	100,000	Inventory	300,000
		Debtors	200,000
		Cash	60,000
		Profit & loss	240,000
<b>Total</b>	<b>27,00,000</b>	<b>Total</b>	<b>27,00,000</b>

Y Co. Ltd. is formed to take over the assets of X Co. Ltd. but not the liabilities . The company adopted the following scheme.

- A payment in cash at Rs 90 each for every debenture in X. Co.
- A further payment of cash at the rate of Rs 10 for every share in X. Co.
- The holders of every five share of X. Co. will be allotted two shares of Rs 100 each in Y Co. Ltd.
- The creditors agreed to receive Rs 80,000 in full satisfaction of their claim.
- The cost of liquidation Rs 10,000 is paid by X. Co. Ltd.

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

(4)

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

(7)

(c) Realisation account in the books of X. Co.Ltd.

(5)

Q21. What is share capital? Briefly discuss the types of share and differentiate between preference share and equity share.

