

Mid-West University
Examinations Management Office
Surkhet, Nepal
End-Semester Examination-2080
Bachelor of Business Studies (BBS)
Semester - III

Subject: Company Account

Course Code: MGMT 431/331

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. What are the main documents of the company?
2. Write the meaning of calls in arrears and calls in advance.
3. List out any four objectives of financial statement.
4. What is amalgamation?
5. Point out the methods of calculating purchase consideration.
6. Who is Liquidator?
7. Write any four advantages of holding company
8. What are the steps involved in the preparation of cash flow statement?
9. D Company provides the following amounts in various statements included in its 2022 annual report.

Retained earnings on 1st Jan. 2022 Rs. 50,000

Net income at 31st Dec. 2022 Rs.70,000

Dividend proposed and paid in 2022 Rs. 30,000

Required: Statement of retained earnings.

10. The following are the liabilities and capital items:

Liabilities	Last year	This year
Equity share	5,00,000	7,00,000
Share premium	50,000	60,000
10%debenture	1,00,000	-
Mortgage loan	70,000	1,40,000

Required: Cash flow from financing activities.

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

Answer any **THREE** questions.

11. What does a public limited company mean? Mention its advantages. [3+5]
12. M and N company issued 5000 share of Rs.100 each with 10% premium the payments were as follow:

On application	Rs.40
On allotment	Rs.50
On first and final call	Rs.20

Applications were received on 8000 shares. The company allotted these share as: to the applicants of 7000 shares on pro-rata base and remaining shares were rejected. All money was duly received except a shareholder holding 500 shares failed to pay allotment and first and final call money on due date. These shares were forfeited.

Required: Journal entries for: share application, allotment, first and final call and forfeiture. [2+2+2+2]
13. (a) S Company limited issued 10,000 8%debentures of Rs.100 each at 5% discount and redeemable at 10% premium,
 Required: Journal entries for issue and redemption of debenture. [2+1+1]
- (b) What do you understand by debenture? State any four features of debenture. [2+2]

14. B Company Ltd. went into liquidation. Its assets realized Rs. 3,70,000 excluding amount realized by the sale of securities held by the secured creditors. The following was the position:

Share capital.....	1,000 shares of Rs.100 each
Secured creditors Rs. (securities realized Rs. 40,000).....	Rs.35,000
Preferential creditors	Rs. 8,000
Unsecured creditors.....	Rs.1,50,000
Debenture having floating charge on the assets of the company	Rs. 2,40,000
Liquidation expenses.....	Rs. 5,000
Liquidators remuneration.....	Rs. 7,500

Required: Prepare the liquidators final statement of account.

[8]

15. Followings are the balance sheets of krish Company as on 31st December.

Liabilities	Last year	This year	Assets	Last year	This year
Share capital	20,00,000	30,00,000	Fixed assets	15,40,000	30,80,000
Share premium	2,00,000	3,00,000	Investment	6,00,000	4,00,000
10% Debenture	2,00,000	5,00,000	Inventories	3,00,000	4,00,000
Account payable	2,00,000	1,60,000	Account receivable	4,00,000	3,00,000
Accrued wages	20,000	40,000	Prepaid expenses	60,000	20,000
Provision for taxation	1,60,000	1,20,000	Cash at bank	1,00,000	2,00,000
Profit and Loss A/C	2,20,000	2,80,000			
Total	30,00,000	44,00,000	Total	30,00,000	44,00,000

Income statement at the end of 31st December, this year

Particulars	Amount	Amount
Sales net		20,00,000
Less, cost of goods sold:		
Opening stock	3,00,000	
Purchases	10,00,000	
Wages paid	3,00,000	
Closing stock	(4,00,000)	
Gross profit		12,00,000
Less, operating expenses:		
Operating expenses.	2,00,000	
Depreciation on fixed assets	2,00,000	
Loss on sale of fixed assets (book value Rs.1,20,000)	20,000	
Provision for taxation	1,60,000	
Net income		5,80,000
Add, profit on sale of investment (costing Rs.2,00,000)		1,40,000
Net income		3,60,000

Dividend paid Rs.3,00,000 and plant purchased Rs.18,60,000.

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. Elaborate the procedures of preparation of consolidated balance sheet.

[3+10]

17. The trial balance of A company on 31st Chaitra, last year is as under:

Debit	Amount	Credit	Amount
Beginning stock	24,000	Share capital Rs.100 each	1,60,000
Purchases	2,50,000	Bills payable	13,000
Land and building	75,000	Profit and Loss a/c	15,000
Plant and machinery	30,000	Sales	3,60,000
Investment	60,000	General reserve	8,000

Carriage	12,000	20% mortgage loan	28,000
Salaries	20,000	Provision for bad debts	4,000
Debtors	40,000	Provision for tax	12,000
Cash at bank	6,000		
Wages	16,000		
Calls in arrears	10,000		
Prepaid insurance	12,000		
Goodwill and Trademark (4 year)	24,000		
Interim dividend	7,000		
Tax paid	9,000		
Preliminary expenses	5,000		
Total	6,00,000	Total	6,00,000

Additional information:

- Authorized share capital Rs.3,00,000
- Provision for bad and doubtful debts is to be increased from Rs. 4000 to Rs. 7,000.
- $\frac{3}{4}$ th of the prepaid insurance is expired and salary payable Rs. 6,400.
- Stock at the end Rs. 40,000.
- Write off goodwill fully during 4 years.
- The director proposed 15% dividend on paid-up capital and transfer to general reserve Rs. 12,500.

[8+5]

Required: Income statement and balance sheet.

18. The balance of Misan Company Ltd. on 31st Chaitra, last year was:

Liabilities	Amount	Assets	Amount
72,000 shares of Rs.100 each	7,20,000	Land and building	8,96,000
General reserve	4,80,000	Plant and machinery	5,60,000
Profit and loss a/c 10%	2,24,000	Furniture	48,000
Debenture	1,76,000	Inventories	1,28,000
Creditors	32,000	Debtors	58,000
Dividend equalization fund	64,000	Cash and bank	6,000
Total	16,96,000	Total	16,96,000

The company decided to sell its business to Yash company Ltd. Yash company Ltd. decided to acquire current assets at book value and fixed assets at the following value:

Land and building	Rs.960,000	Plant and machinery	Rs.6,40,000
Furniture	Rs.32,000	Goodwill	Rs.96,400

The company also decides to acquire the liabilities of Misan company Ltd. The purchase price was to be discharged by the allotment to the Misan company Ltd. of 14,000 shares of Rs.100 each at Rs. 120 each and the balance in cash. The cost of liquidation of Misan company Ltd. came to Rs.10,000.

Required:

- Purchase consideration
- Closing entries in the books of Misan company Ltd.
- Realization account.

[3]

[7]

[3]

THE END