

Accounting for Banking

BBS 4th Year

Model Question

Full Marks: 100

Pass Marks: 35

Candidates are required to give their answer in their own words as far as practicable. The figures in the margin indicate full marks.

Attempt ALL Questions

Brief Answer Questions

(10x2=20)

1. Define the meaning of pay in slip.
2. What is flexi deposit account?
3. Define the concept remittance.
4. Differentiate between NOSTRO and VOSTRO account.
5. What is capital adequacy ratio?

6. A customer discounted a bill amounting to Rs.130,000 from a bank on 1stAshad, 2078 and bank charged Rs.1,300 as discount. Accounts are closed on 31stAshad every year.
Required: Entries in the books of the bank

7. Different in revenues and different in profit for the two periods of a trading concern are Rs.300,000 and Rs.60,000 respectively. Similarly, it has fixed cost of Rs.140,000
Required: Profit if revenue is Rs.1,200,000

8. RR Bank Ltd. approved personal overdraft of Rs.1,000,000 to Mr. Shyam for his personal use and amount was disbursed to his account. Processing fee of Rs.10,000 was charged.
Required: Journal entries to record the loan disbursement

9. Pokhara Branch of BB Bank Ltd. issued a draft on request of its customer for Rs.600,000 payable at Main Branch, Kathmandu. Bank charged Rs.600 as commission and Rs.60 as communication.
Required: Accounting entries in Pokhara Branch

10. A firm can invest Rs.50,000 in a project with a life of five years. The project can generates cash flow after tax of Rs.13,000 each year. The firm's cost of capital is 10%.
Required: Net Present Value

Short Answer Questions (attempt any five)

(5x10=50)

11. The following foreign currency assets and liabilities are extracted from the records of the Ramro Bank Ltd. as on 31stAshad 2078.

(Rs. in millions)

Currency	Exchange Rate	Assets	Liabilities
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Indian Rupees	1.6	15	11
USD	120	56	76
GBP	160	14	8
EURO	135	22	12
Thai Bhat	4.85	12	
Australian Dollar	92	45	46
Canadian Dollar	90	80	20
Singapore Dollar	81	24	
Japanese Yen	1.2	16	14
Total		284	187

Required: The risk weighted exposure for market risk as per the Capital Adequacy Framework, assume that the bank allocate 5% of their net open position and risk weightage is 10%. (10)

12. The following is the statement of profit and loss account of ABC Bank limited for the period ended 31 Ashad 2078

Particulars	Rs. in Millions
Interest Income	3,000
Interest Expenses	2,000
Net Interest Income	1000
Commission and Discount	100
Other Operating Income	60
Exchange Fluctuation Income	50
Total Operating Income	1,210
Staff Expenses	350
Depreciation	100
Bad Loans written off	30
Other Overhead Expenses	130
Operating Profit Before Provisions For Possible Loss	600
Provisions for possible losses	20
Operating Profit	580
Income from Sale of Investments	70
Profit From Regular Operations	650
Tax Provision	120
Net Profit /(Loss)	530

Statement of Financial Position of ABC Bank Limited

	Rs. in Millions	
Capital & Liabilities	Ashad 2078	Ashad 2077
Share Capital	6,000	6,000

Reserve and Funds	3,000	2,470
Debenture & Bonds	-	-
Borrowings	2,200	2,000
Deposits	80,000	65,000
Bills Payables	20	20
Loan Loss Provisions	720	700
Income Tax Liabilities	120	160
Total Liabilities	92,060	76,350
Assets	Ashad 2078	Ashad 2077
Cash Balance	3,000	2,000
Balance with Nepal Rastra Bank	10,000	8,000
Balance with Banks/Financial Institution	1,500	1,400
Money at Call and Short Notice	500	400
Investment	26,440	29,030
Loans, Advances and Bills Purchase	50,000	35,000
Fixed Assets	600	500
Non-Banking Assets	20	20
Total Assets	92,060	76,350

Required: Cash Flow Statement for 2078

(10)

13 a. The following information of JJ Bank Ltd. as at second quarter ending 2078 push were as under

Loan outstanding	Amount (Rs. in '000)
Up to 3 months	25,00,000
More than 3 months but less than 6 months	1,00,000
More than 6 months but less than 12 months	25,000
More than 12 months	5,000
Total	26,30,000

The bank has not reschedules or restructured any of its credit. Following additional information relating to previous quarter ending were

Paid up equity share capital	1,60,000
Statutory general reserve	40,000
Retained earning	10,000
Loan loss provisions	65,000
Exchange equalization reserve	15,000

Unaudited current year cumulative profit	72,500
Deferred revenue expenses	250

The bank has provided a term loan of Rs.1,00,000 to a party

Required:

- a. Core Capital
- b. Single Obligor Limit (SOL) 25% of Core Capital
- c. Loan Loss Provision required for the quarter (1+1+3=5)

b. What is SWIFT? Who are the users of SWIFT? (5)

14 a. The bank statement of a company shows a balance of Rs.160,000 on June 30 2020. On the same date the balance as per cash book is Rs.130,000. The following are the other reconciliation items,

- i. Deposit on transit Rs.20,000
- ii. Outstanding cheques:

No.35	Rs.30,000	No.38	Rs.10,000
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- iii. Actual amount of cheque Rs.12,400 was paid by the bank but the company showed it as Rs.12,800
- iv. NSF cheque from Amar returned by the bank Rs.4,000
- v. Note Receivable collected by bank Rs.10,000
- vi. Interest received by the bank Rs.4,000
- vii. Bank Charge Rs.400

Required: Bank Reconciliation Statement (5)

b. Differentiate between bank guarantee and letter of credit. (5)

15. Write about the anti-money laundering. Also, explain the importance of anti-money laundering. (4+6=10)

16. Explain, six C' of credit, which are used for measuring industry and business risk analysis. (10)

Long Answer Questions (attempt any two) (2x15=30)

17. The following information are extracted from the financial statement of a commercial bank:

Particulars	Amount (Rs.)
Net profit before tax	600,000
Fixed assets	2,000,000
Current assets	1,000,000

Borrowing	1,000,000
Deposit	1,500,000
Non-performing loan	50,000
Total operating expenses	500,000
Current liabilities as percentage of fixed assets	30 %
Equity as percentage of total assets	25 %
Non-performing loan to total loan	5 %
Interest on loan	10 %
Tax rate	25 %

Required: a. Net profit after tax b. Current ratio c. Return on total assets d. Return on equity e. Amount of total loan f. borrowing to shareholder equity g. Assets growth rate h. Interest to total operating expenses i. Cost of fund j. Credit deposit ratio (10x1.5=15)

18. The following Trail Balance of Mero Bank Ltd. for the year ended 31st Ashad 2078 is given below:

Account Heads	Debit	Credit
Share Capital @ Rs.100 each		1,500,000
Reserve on 1 st Shrawan, 2075		100,000
Bad Debts Recovered		20,000
Establishment Expenses	60,000	
Current Deposits		1,100,000
Interest Paid on Deposit	400,000	
Saving Accounts		1,500,000
Discount Received		50,000
Fixed Deposits		2,000,000
Income from Commission and Exchanges		150,000
Income from Lockers and Service Charges		100,000
Land and Building	2,200,000	
Cash in Hand	400,000	
Balance with Nepal Rastra Bank	250,000	
Interest Received		1,000,000

Investment in Shares	500,000	
Cash with Other Banks and Financial Institutes	300,000	
Term Loan in Nepal	1,300,000	
Cash Credit – Hypothecation in Nepal	800,000	
Bills Purchased	300,000	
Salaries, Allowances and Provident Fund	600,000	
Investment in Government Securities (T. Bills)	700,000	
Dividend Received		40,000
Bills Payable		150,000
Pension and Gratuity Payable		100,000
Total	7,810,000	7,810,000

Additional information:

- Unexpired discount as on 31st Ashad, 2076 was 40,000
- Provision for bad debts is Rs.20,000
- Provision for taxation is 25%
- Amount transfer to statutory reserve is 20%

Required: a. Income Statement and Balance Sheet on 31st Ashad, 2078 as per the directives of Nepal Rastra Bank (15)

19. Define the meaning of bank. Why it is important? Also, explain the different types of bank. (3+5+7=15)

Accounting for Business

BBS 4th Year

Model Question

Full Marks: 100

Pass Marks: 35

Candidates are required to give their answer in their own words as far as practicable. The figures in the margin indicate full marks.

Attempt ALL Questions

Brief Answer Questions

(10x2=20)

1. What is revaluation of assets?
2. Explain joint life policy.
3. Write about the insolvent of a partner.
4. State any two features of joint venture.
5. Define invoice price.
6. X, Y and Z shares profit in the ratio of 5:3:2. X and Y agree to transfer $1/10^{\text{th}}$ share to Z.
Required: New profit sharing ratio if Z acquired $1/10^{\text{th}}$ share equally from X and Y.

7. A company leased a colliery on 1st Baishak, 2076 at a minimum rent of Rs.5,000. The royalty fixed is Rs.3 per ton with a power to recoup the short working over the first three years of the lease. The output of the colliery for the first three years were:

Years	2076	2077	2078
Output/Ton	1,000	1,100	1,200

Required: Short-working account

8. On 1st January Mr A purchased machinery from Mr B on hire purchase system. The terms of payment was Rs.20,000 payable on signing the agreement and remaining two equal instalment of Rs.15,000 each with interest of 20%.

Required: Cash value of machine

9. On 1st Baishak, 2077, Mr. A purchased 2 motorbikes from Honda Company Ltd. under instalment system for Rs.420,000. He paid Rs.220,000 on delivery of motorbikes. The balance was to be paid in the two equal instalment of Rs.100,000 plus 12% interest p.a. Mr. A charges depreciation at 25% p.a. in straight line method.

Required: Motorbike account in the books of purchaser

10. A, B and C are partners sharing profit in the ratio of 5:2:3. The firm had taken individual policies for each partner, i.e. A for Rs.15,000. B for Rs.6,000 and C for Rs.9,000. The surrender value of each policy is 50% of the policy amount on 30th Chaitra, 2077. B died on 30th Chaitra, 2077, A and C decide to continue the business.

Required: The necessary journal entries, if the surrender value of individual policies appears in the books

Short Answer Questions (attempt any five)**(5x10=50)**

11. The following are the opening balance sheet and receipt and payment account for the year 2077 provided to you by Ram and Shyam, the registered auditors who share profit & loss in the ratio of 2:1.

Balance Sheet as on Baishak 2077

Liabilities	Rs.	Assets	Rs.
Capital account :		Office equipments	12,000
Ram	16,000	Office furniture	8,000
Shyam	8,000	Outstanding audit fees	6,000
Provision for outstanding Fees	5,000	Cash at bank	9,000
Advance audit fees	4,000	Library books	2,000
Outstanding expenses	1,000		
Clients account	3,000		
	37,000		37,000

Receipt & Payment Accounts got the year ending Chaitra 2077

Particulars	Rs.	Particulars	Rs.
To Opening balance	8,000	By Internet expenses	2,000
To Audit fees	20,000	By Travelling expenses	8,000
To Other services fees	40,000	By Printing & stationary	1,000
		By Library books	1,000
		By Office equipment	12,000
		By Membership subscription	2,000
		By Drawing: Ram	12,000
		Shyam	9,000
		By Disbursement of clients a/c	1,000
		By Bank balance	20,000
	68,000		68,000

Additional information:

- Depreciation on equipment and furniture by 15%
- Outstanding legal expenses amounted to Rs.4,000

Required:

a. Income and expenditure account

b. Balance sheet as on end of Chaitra 2077

(5+5=10)

12. The following is the Trial Balance of Birjung Branch on 31st Chaitra,2077:

Particulars	Rs.	Particulars	Rs.
Cash in hand	7,000	Head Office a/c	24,000
Opening stock	5,000	Sales	60,000
Debtors	8,000	Creditors	10,000
Goods from Head Office	30,000		
Furniture	4,000		
Purchases	30,000		
Wages	3,000		

Salaries	4,000		
Trade expenses	3,000		
Total	94,000	Total	94,000

Closing stock was valued at Rs.10,000.

Required: In the books of Head Office:

- a. Entries to incorporate the branch trial balance
- b. Branch Trading and Profit and Loss Account
- c. Branch account (5+3+2=10)

13. a. The following are the joint value transactions of A and B agreeing to share profit and losses equally:

- i. Goods of Rs.30,000 was purchased by A for joint venture
- ii. Rs.24,000 cash was received from B as capital
- iii. Paid by A for joint venture expenses amounting to Rs.8,000
- iv. Sold goods worth Rs.50,000 by A
- v. A is entitled to a commission at 2% on sales
- vi. Unsold goods taken by B amounting is Rs.12,000

Required: Joint venture account in the book of A (5)

b. Describe the system of departmental accounts with its objectives. (5)

14. a. A Water Distributing Centre purchased water containers at Rs.500 each. The customer's account was given credit by Rs.540 each for the containers returned within a given time frame. The charge to customers for despatch of products in containers is Rs.600 each.

Statement of container with customers

Details	Rs.	Details	Rs.
Beginning containers	6,000	Containers returned	9,000
Containers sent to customers	8,000	Containers retained	3,000
		Ending containers	2,000
	14,000		14,000

Rs.50,000 was recovered by selling 1,000 scrapped containers.

The stock in hand as on 1st January 2021 was 4,000 containers and as on December 31st 2021 it was 7,000 containers.

Required: No. of containers purchased, Hire charges and Containers trading account

(1+1+3=5)

b. What is branch account? Differentiate between dependent and independent branch. (5)

15. Define royalty. Also, explain the important terms used in accounting for royalties.

(3+7=10)

16. What is higher purchase system? In what respects does it differ from instalment purchase system? (5+5=10)

Long Answer Questions (attempt any two)**(2x15=30)**

17. X, Y and Z were on a partnership business sharing profit and losses in the ratio of 3:2:1. Their Balance Sheet on 31st December, last year was given under

Liabilities	Rs.	Assets	Rs.
Capital: X	60,000	Plant and machinery	80,000
Y	40,000	Inventory	40,000
Account payable	50,000	Account Receivable	40,000
Bills Payable	40,000	Cash at bank	30,000
Profit and loss	20,000	Z' s Capital	20,000
	210,000		210,000

On 1st January of current year they decided to liquidate the business. 'X' agreed to take inventory at book value less 20% and discharge account payable. Plant and machinery realised Rs.60,000 and account receivable only 30,000. The realisation expenses amounted to Rs.5,000. On the same date C was adjusted as an insolvent and only Re 0.50 in a rupee was realised from his personal estate.

Required

- Entries for dissolution of firm
- Realisation account
- Partners' capital amount (6+4+5=15)

18. The particulars relating to the consignment transaction are given below:

- 1,200 telephone sets costing Rs.400 per set were consigned by the consignor at an invoice price of Rs.500 per set.
- The consignee was informed to sell at Rs.550 per set.
- Expenses made by the consignor on consignment were:
 - * Freight and insurance Rs.9,000
 - * Miscellaneous expenses Rs.8,000
- The consignor drew a three months bill on consignee for Rs.350,000
- An account sale from the consignee disclosed the following particulars:
 - Sales of 500 sets at Rs.550 per set for cash and 500 sets at Rs.600 per set on credit.
 - Consignee took over the balance at Rs.600 per set.
 - Expenses incurred for consignment were:
 - Carriage Rs.8,000
 - Octroi Rs.7,000
 - Selling expenses Rs.25,000.
- Commission of 5% and 2% as del-credere commissions on gross sales proceeds.
- All debtors paid cash except one owing Rs.4,000.
- The consignee remitted the amount due on consignment.

Required:

- Consignment account and consignee's a/c in the books of consignor
- Entries and consignor's account in the books of consignee. (7+8=15)

19. What is partnership? Explain about partnership deeds. Also write down the impact of admittance in the profit sharing ratio of the firm. (4+6+5=15)

Advanced Auditing
BBS 4th Year
Model Question

Full Marks: 100

Pass Marks: 35

Candidates are required to give their answer in their own words as far as practicable. The figures in the margin indicate full marks.

Attempt ALL Questions

Brief Answer Questions

(10x2=20)

1. Write any two differences between auditing and accounting.
2. Define audit risk?
3. Write any two differences between Internal Auditor and Statutory Auditor.
4. What is teeming and lading?
5. Make differences between final and continuous audit.
6. List out any two consequences of incorrect valuation of profit.
7. Mention the liabilities of honorary auditor.
8. Explain about contingent liabilities.
9. Write any two objectives of Auditing Standard Board of Nepal.
10. What is environmental audit?

Short Answer Questions (attempt any five)

(5x10=50)

11. What is data processing audit? Write the procedures to be followed while performing data processing audit. (3+7=10)
12. What is financial sickness? Write the procedure of reporting the financial sickness of an organization. (3+7=10)
13. What are the objectives of government auditing in Nepal? Also, differentiate between government and commercial auditing? (4+6=10)
14. Do rectification entries for each of the following transaction where necessary. (5x2=10)
 - i) The total of purchase book has been over casted by Rs.10,000.
 - ii) Rs.6,000 paid for maintenance of Laptop has been debited to Laptop account.
 - iii) A credit sales to Adip amounting to Rs.70,000 has been posted to the Anjita's account
 - iv) Salary of Rs.30,000 paid to Samar has been wrongly debited to his personal account.
 - v) A sale of investment of Rs.80,000 was credited to sales account.
15. State your opinion with reasons as an auditor, whether the following are capital or deferred revenue or revenue expenditure. (5+2=10)

- i) Rs.500,000 incurred for advertisement, the benefit of which could be more than 10 years.
- ii) Rs. 7,000 was expended for repairing a second hand Motor Cycle which was purchased a week before.
- iii) A Laptop Showroom purchased 10 Laptop with Rs.600,000.
- iv) A Garment Shop incurred Rs.60,000 for shifting shop from Newroad to Baneshwor.
- v) A Transport Company compensated Rs.40,000 to a passenger who suffered in accident while in journey.

16. a. As an auditor, what advice you would give on the following decision taken by the Board of Directors? (2.5+2.5=5)

- i. A company decided to distribute profit of Rs.900,000 earned by selling a piece of land to the shareholders.
- ii. A company decided to charge only half of the total depreciation on the ground that it has been operated only for 6 months this year due to COVID pandemic.

b. Give your opinions as an auditor, whether the following are reserve or provisions?(5x1=5)

- a) Rs.120,000 has been set aside to pay premium on retirement of debentures.
- b) A company set aside Rs.60,000 for equalizing dividend fund.
- c) A company set aside Rs.20,000 for arrangement of working capital.
- d) Amount set aside to make discount to creditors
- e) Rs.80,000 set aside for anticipated loss.

Long Answer Questions (attempt any two) (2x15=30)

17. Describe how vouching is performed for following items. (5x3=15)

- a) Cash payments
- b) Credit purchase
- c) Sales return
- d) Good sent on consignment
- e) Good sent on sale or return basis

18. "The verification and valuation of assets and liabilities helps to present the true and fair view of the concern", comment. (15)

19. "Fundamental purposes of auditing are to prevent and detect the errors and frauds", elucidate. (15)

Advanced Cost and Management Accounting

BBS 4th Year

Model Question

Full Marks: 100

Pass Marks: 35

Candidates are required to give their answer in their own words as far as practicable. The figures in the margin indicate full marks.

Attempt ALL Questions

Brief Answer Questions

(10x2=20)

1. Write any two features of cost accounting.
2. Explain the importance of BEP.
3. Define 'Theory of Constraints'.
4. What is opportunity cost?
5. Define the meaning of static budget.

6. Assume that six monthly observations of indirect manufacturing costs Y and machine hours X are to be used as a basis for developing the cost volume formula $Y' = a + b X$. The sums are available as
 $\Sigma X = 570$ $\Sigma Y = \text{Rs.}3,785$ $XY = \text{Rs.}364,000$ $\Sigma X^2 = 55,000$
 $\Sigma Y^2 = \text{Rs.}2,413,925$

Required: Determine the fixed cost and the variable rate using the Least Squares Method

7. The company produces 10,000 units of output incurring cost Rs.1,000,000 which includes fixed cost Rs.200,000.

Required: Budgets for 8,000 and 11,000 units.

8. The following information are provided:
Fixed manufacturing cost = Rs.50,000
Profit from Absorption Costing Statement = Rs.130,000
Closing stock = 2,000 units
Opening stock = 1,000 units
Normal output = 10,000 units

Required: Profit of Variable Costing Statement

9. A company is considering the purchase of a machinery costing Rs.50,000 having expected life of 5 years. The cost of capital is 10%. Net cash flow during the expected life of the machinery is given below.

Years	1	2	3	4	5
CFAT	16,000	14,000	15,000	12,000	10,000

Required: Discounted Pay Back period

10. The standard material for one unit of output is 5 Kg. the actual output for 100 units is 480 Kg. The actual price for 480 Kg material is Rs.1,440 and standard price per Kg of material is Rs.2.

Required: Material cost variance.

Short Answer Questions (attempt any five)

(5x10=50)

11. A Company produces two types of products. The president of the company recently decided to change from a volume-based costing system to an activity-based cost system. To assess the effect of the change, the following data have been gathered:

Products	Units	Machine Hours	Prod. Runs	Prime Cost (Rs.)	Material Component per unit
A	3,000	9,000	10	10,000	2
B	2,000	4,000	5	8,000	4

The overhead cost and cost drivers are as follows:

Cost	Cost Drivers	Amount (Rs.)
Machine related activities	Machine Hours	52,000
Set-up Costs	Production-Runs	30,000
Material Handling Costs	No. of Material Components	42,000

Required: Cost per unit of both products using traditional method and ABC method (4+6=10)

12. A Multi- Product manufacturing company provides you the following information:

Products	O	P	Total
Sales unit	6,000	4,000	10,000
Sales revenue(Rs.)	120,000	80,000	200,000
Less: Variable Cost			
DM@3/unit	54,000	24,000	78,000
DL@4/DLH	48,000	32,000	80,000
Total variable cost	102,000	56,000	158,000
Contribution margin	18,000	24,000	42,000
Less: Fixed Cost			
Departmental fixed cost	7,000	5,000	12,000
Joint fixed cost	-	-	8,000
Total fixed cost			20,000
Net profit			22,000

Both raw materials and labor are shortage. Direct material (DM) and direct labor (DLH) are 4,000 units and 2,000 DLH respectively.

- Required:**
- Overall BEP in Rs.
 - MOS if profit is Rs.30,000
 - Profit if sales is Rs.300,000
 - Linear programming model for profit maximization. (2+1+1+6=10)

13. a. The following information of KK Company is:

Normal capacity = 10,000 units

Sales units = 10,000 units

Production = 8,000 units

- Direct materials = Rs.15 per unit
- Direct labor = Rs.6 per unit
- V. Manufacturing OH = Rs.4 per unit
- V. Selling cost = Rs.3 per unit
- Fixed manufacturing OH = Rs.50,000 per year
- Fixed Selling Cost = Rs.20,000 per year
- Selling price per unit = Rs.40

Required: Income statement for external reporting (5)

b. Differentiate between variable costing statement and absorption costing statement (5)

14. a. The product-wise income statement of a KK Company is as follows:

Products	S	M	L	Total
Capacity utilization	40%	30%	30%	100%
Sales unit	10,000	8,000	8,000	26,000
Sales Revenue(Rs.)	800,000	480,000	400,000	1,680,000
Less: Variable cost	400,000	160,000	320,000	880,000
Contribution margin	400,000	320,000	80,000	800,000
Less: Fixed cost				
Joint fixed cost	160,000	120,000	120,000	400,000
Departmental fixed cost	80,000	60,000	60,000	200,000
Net income	160,000	140,000	(100,000)	200,000

The product 'L' is suffered by loss so the management is thinking to drop out the product. Company allocate the capacity of product 'L' equally to product S and M which in turns increases the variable cost of both products by 5%

Required: Should the company drop the product L? (5)

b. Discuss the relevant and irrelevant cost with suitable examples (5)

15. "Management Accounting provides pertinent and reliable information to the managers in order to take the right decision at right time with consideration of environments", discuss. (10)

16. "Standard costing assists in setting budgets and evaluating managerial performance", comment. (10)

Long Answer Questions (attempt any two) (2x15=30)

15. A machine purchased four years ago for Rs.70,000 has been depreciated to a book value of Rs.50,000. The machine originally had a projected life of 14 years and zero salvage value. A new machine will cost Rs.120,000. Its installation cost estimated by the technician is Rs.10,000. The technician also estimates that the installation of a new machine will result in a reduced operating cost of Rs.10,000 per year for the next 10 years. The older machine could be sold for Rs.75,000. The new machine will have a 10 years life with no salvage value. The company's normal income is taxed at 25% and capital gains at 15%. Assuming the cost of capital of 10%,

Required:

- a. Whether the existing machine should be replaced? Use discounted cash flow criteria i.e. NPV and IRR.
- b. Do NPV and IRR give identical results? If so, why? (12+3=15)
16. The information needed for the preparation of master budget has been provided below:

Schedule 1

Balance Sheet at the beginning of 2077

Liabilities	Amount (Rs.)	Assets	Amount (Rs.)
Share capital	250,000	Machinery	200,000
Retained earnings	40,000	Raw material	60,000
12% Loan	25,000	Accounts receivable	60,000
Accounts payable	60,000	Cash and Bank	55,000
Total Liabilities	375,000	Total Assets	375,000

Schedule 2

Sales budget for 4 months

	Baishak	Jestha	Ashad	Shrawan
Budgeted sales value @ Rs.100	300,000	400,000	500,000	500,000

Schedule 3

Cost of goods sold budget for three months

Expenses	Baisakh	Jestha	Ashad
Direct materials: 20% of sales	60,000	80,000	100,000
Direct wages: 25% of the sales	75,000	100,000	125,000
Factory supervision	12,000	16,000	20,000
Other factory expenses	6,000	6,000	6,000
Depreciation	3,750	3,750	3,750

20% of sales are cash sales and balances are credit sales. 60% credit sales are collected in the month of sales and balance in the following month of sales. Purchases are paid in the next month of purchase and all other expenses are paid in the month when they are due. Operating expenses are 20% of sales revenue and 12% loan will be paid on Ashad end. Company is going to purchase machinery for Rs.100,000 on Baisakh.

Company maintained no inventory of finished goods. Therefore, productions are equal to sales of the month. The inventory of materials is maintained to meet the next month's production need. A minimum cash balance of Rs.50,000 to be maintained. Interest are payable together with amount of loan paid.

Required:

- a) Merchandize purchase budget
- b) Cash collection and disbursement budget
- c) Budgeted income statement
- d) Budget balance sheet at the end of 2077 (3+6+3+3=15)

19. a. What is management control system? Why is it essential in Nepalese organizations?
Critically examine.
- b. Discuss about decentralization. Explain its importance for effective operations of the
business organizations. (8+7=15)

Advanced Financial Accounting

BBS 4th Year

Model Question

Full Marks: 100

Pass Marks: 35

Candidates are required to give their answer in their own words as far as practicable. The figures in the margin indicate full marks.

Attempt ALL Questions

Brief Answer Questions

(10x2=20)

1. What is matching concept of accounting?
2. Write any two objectives of Nepal Public Sectors Accounting Standards (NPSAS).
3. State the need of valuation of shares.
4. What is external reconstruction?
5. Define the meaning of social accounting.
6. The net profit after tax of a company for the last five years were Rs.50,000, Rs.55,000, Rs.60,000, Rs.50,000 and Rs.55,000. The capital employed of the business was Rs.500,000 on which 10% rate of return is expected. The valuation of goodwill should be based on three years purchase of the annual super profit.

Required: Value of goodwill under super profit method

7. A company has 20,000 equity shares of Rs.100 each, Rs.80 paid up. The profit before tax is Rs.200,000. The company has a practice of transferring 20% of profit to general reserve every year. The normal rate of return 15% and tax rate is 25%

Required: Value of equity share using earning capacity method

8. The following information has been given for January 1st 2020

Monetary Assets Rs.300,000

Monetary Liabilities Rs.200,000

Retail Price Index:

As on January 1st 2020 100

As on December 31st 2020 150

Required: Net monetary gain or loss

9. S. Company has share capital of Rs.800,000 of Rs.100 each and capital reserve of Rs.300,000. The management of a company decides to utilize part of its capital reserve to make a bonus issue on one share for every four shares held by the company.

Required: a. Amount of bonus

b. Capital reserve after bonus

10. Wages and salaries of the employees is Rs.200,000 each year. Discount rate and efficiency ratio are 10% and 1.24 respectively.

Required: Present Value of human resource for five years.

Short Answer Questions (attempt any five)

(5x10=50)

11. The following Balance Sheets are presented:

Balance Sheet as on 31st March, 2020

Liabilities	H. Co.	S. Co.	Assets	H Co.	S. Co.
Equity Shares of Rs.100 each	600,000	250,000	Fixed Assets	400,000	300,000
General Reserve	120,000	20,000	Stock	80,000	60,000
Profit & Loss a/c	60,000	40,000	Debtors	70,000	40,000
12% Debenture	-	100,000	12% Debenture in S. Co. acquired at par	80,000	-
Creditors	50,000	40,000	Shares in S. Co. 2,000 shares	160,000	-
			Cash at bank	40,000	50,000
Total	830,000	450,000	Total	830,000	450,000

H. Co. acquired the shares on 1st August, 2019. The general reserve and profit and loss a/c of S. Co. showed a credit balance of Rs.10,000 and 20,000 respectively on 1st August, 2019.

Required:

Necessary working notes and consolidated balance sheet as on 31st March, 2020 (4+6=10)

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

Liabilities	Rs.	Assets	Rs.
Equity Share Capital of Rs.100 each	300,000	Land & Building	200,000
12% Preference Share Capital of Rs.100 each	100,000	Plant & Machinery	350,000
10% Debenture	200,000	Inventory	100,000
Account Payable	200,000	Account Receivable	80,000
Preference Dividend (due)	12,000	Cash	32,000
		P/L account	50,000
	812,000		812,000

The Company went into voluntary liquidation. The assets except cash realized Rs.600,000 including Rs.250,000 on sale of plant and machinery, which was mortgaged against 10% debenture. The liquidator was entitled to a remuneration of 5% on value of assets realized and 2% on amount paid to equity shareholders. The cost of liquidation was Rs.10,000.

Required: Liquidator's final statement of account (10)

13. a. ABC Company with issued capital of Rs.400,000 @ Rs.10 each provided you the following information:

Particulars	Rs.
Fixed Assets	400,000
Current Assets	300,000

Goodwill	50,000
Current Liabilities	140,000
10% Debenture	100,000

Net profit for the year was Rs.60,000 out of which 20% was transferred to reserve.
Normal rate of return was 8%.

Required: Value of each equity shares under

- a. Net assets method
 - b. Yield method (2.5+2.5=5)
- b. Differentiate between inflation and deflation. (5)

14 a. The following is the Receipts and Payments account of GG Sports for the current year ended

Receipts	Rs.	Payments	Rs.
To balance b/d	6,000	By Rent	4,000
To Subscription	10,000	By Salaries	6,000
To Tournament fund	4,000	By Office expenses	2,500
To Life membership fund	3,000	By Sports equipment	4,000
To Entrance fees	2,000	By General expenses	500
To Donation for building	3,500	By balance c/d	11,500
Total	28,500	Total	28,500

Additional information:

Subscription outstanding for current year end was Rs.2,000 and previous year end was Rs.1,500.
Sports equipments was valued Rs.1,000 on previous year end and Rs.2,000 on current year end.
Outstanding office expenses for current year end was Rs.500

Required: Income and Expenditure account for current year end (5)

- b. Define the meaning of goodwill. Also, explain the factors affecting the valuation of goodwill. (1+4=5)

15. What is forensic accounting? Also, explain about the detection techniques used in forensic accounting. (2.5+7.5=10)

16. "Environment accounting measures the economic efficiency of its environmental conservation and the business activities of the organization as a whole", discuss. (10)

Long Answer Questions (attempt any two)

(2x15=30)

17. The KK Company Ltd. sells its business to the MM Company Ltd. on December, 2020, on which date its balance sheet was as under:

Liabilities	Rs.	Assets	Rs.
Equity Shares of Rs.100 each	400,000	Land and Building	350,000
General reserve	100,000	Plant and Machinery	200,000
10% Debenture	200,000	Goodwill	40,000
Creditors	50,000	Stock	70,000
Profit and Loss a/c	30,000	Debtors	70,000
		Cash at bank	50,000
Total	780,000	Total	780,000

The MM Company Ltd. agreed to take over the assets (exclusive of cash at bank and goodwill) at 12% less than the book value to pay Rs.60,000 for goodwill and to take over the debentures. The purchase consideration was to be discharged by the allotment to the KK Company Ltd. of Rs.2,500 shares of Rs.100 each at a premium of Rs.10 per share and the balance in cash. The cost of liquidation amounted to Rs.10,000.

Required:

- Purchase consideration
- Journal entries in books of KK Company Ltd.
- Realization account
- Journal entries in the books of MM Company Ltd. (2+7+2+4=15)

18. The following Balance Sheet and Profit and Loss account for the month of Baisakh are:

Balance Sheet

Liabilities	Opening	Closing	Assets	Opening	Closing
Share capital	6,000	6,000	Fixed Assets	5,400	5,250
Net Profit	600	1,450	Stock	3,000	3,200
Loan	5,000	5,000	Debtors	2,000	2,000
			Cash	1,200	2,000
	11,600	12,450		11,600	12,450

Profit and Loss account

Sales		4,000
Less: Cost of Sales		
Opening Stock	3,000	
Purchase	3,200	
Closing Stock	(3,200)	3,000
Gross Profit		1,000
Less: Depreciation		150
Net Profit for the month		850
Add: Opening Net Profit		600
Closing Net Profit		1,450

Fixed assets costing Rs.5,400 were acquired when price index was 100. Price index in respect of them went up to 150 at the end of the month. Straight Line Method of Depreciation is used for 36 months to write off fixed assets with zero salvage value. The cost of stock at the beginning of the month was Rs.10 per unit and price index at that time was 100. During the month the cost of purchase increased by 10%.

RPI in the beginning of the month was 100

RPI at the end of the month was 120

Average RPI of the month was 110

- Required:**
- i. Adjustments details
 - ii. Amount credited to CCA reserve
 - iii. Profit and Loss account under CCA
 - iv. Balance Sheet under CCA (6+3+3+3=15)

19. a. Define the meaning of accounting standard. Also, explain about its importance? (3+5=8)

b. What do you mean by non-profit organization? Also, differentiate between profit and non-profit organization. (3+4=7)
