

[Time: 3 Hours]

[ Marks:100]

Please check whether you have got the right question paper.

- N.B:
1. All questions are compulsory.
  2. Q.1 & Q.6 carry 20 marks each and Q.2 to Q.5 carry 15 marks each.
  3. Workings should form part of the answers.
  4. Use of simple calculator is allowed.

**Q1A. State whether the following statements are True or False (Any 10) (10)**

1. Interest on drawings is an income of the firm.
2. In Conversion of partnership into Limited Company, the partnership business is purchased by a limited company.
3. Dues payable to employees is a preferential liability of the firm.
4. In case of current accounts of partners, no interest is payable on the balances of current accounts.
5. In Amalgamation of firms, the old firms are called as Amalgamating Firms.
6. As per the Partnership Act, interest @ 6% p.a. is allowed on partners loans.
7. Excess Capital method is also known as Quotient Method.
8. The payment of purchase consideration in the form of shares/debentures and cash is known as Net Payment Method
9. Purchase consideration is the amount payable by the vendor firm to the purchasing firm.
10. Goodwill brought in by the incoming partner is shared by all the partners
11. Loan taken from partners spouse is an internal liability of the firm.
12. In case of Amalgamation of firms, a Realization account is prepared to close the books of the old firms.

**Q1B. Match the following Columns (Any 10) (10)**

| Column A                  | Column B                                 |
|---------------------------|--|
| 1) Partners Salaries      | a) Old firm                              |
| 2) Purchase Consideration | b) Debited to P&L A/c                    |
| 3) Purchasing Firm        | c) Assets minus liabilities              |
| 4) Creditors              | d) Debited to Trading A/c                |
| 5) Carriage Outwards      | e) Contingent Liability                  |
| 6) Bills Discounted       | f) Debited to P&L Appropriation A/c      |
| 7) Net Assets Method      | g) Old ratio minus new ratio             |
| 8) Vendor Firm            | h) Outgoing Partner                      |
| 9) Admission of Partner   | i) Consideration payable on amalgamation |
| 10) Carriage Inwards      | j) External Liabilities                  |
| 11) Ratio of Sacrifice    | k) Incoming partner                      |
| 12) Retirement of Partner | l) New Firm                              |

Q2. Sony, Mony and Tony were in partnership sharing profits and losses in the ratio of 2:2:1. They decided to dissolve the partnership on the basis of the following balance sheet as on 31-3-2018

| Liabilities                   | Rs.             | Assets         | Rs.             |
|-------------------------------|-----------------|----------------|-----------------|
| Partners Capitals:            |                 | Machinery      | 74,000          |
| -Sony                         | 1,00,000        | Sundry Debtors | 1,20,000        |
| -Mony                         | 80,000          | Stock in trade | 1,30,000        |
| -Tony                         | 46,000          | Cash           | 22,000          |
| Sundry Creditors              | 10,000          |                |                 |
| Loan on Mortgage of Machinery | 60,000          |                |                 |
| Sony's Loan                   | 30,000          |                |                 |
| P&L A/c                       | 20,000          |                |                 |
| <b>Total</b>                  | <b>3,46,000</b> | <b>Total</b>   | <b>3,46,000</b> |

The assets were realised in piecemeal as follows:

|                 |   |
|-----------------|---|
| June 2018       | Rs. 10,000 received after meeting in full the mortgage loan |
| July, 2018      | Debtors Rs.30,000      Stock Rs.20,000                      |
| August, 2018    | Debtors Rs. 40,000      Stock Rs.50,000                     |
| September, 2018 | Debtors Rs.34,000      Stock Rs.40,000 (Final)              |

The remaining stock was taken over by Tony at an agreed value of Rs.6,000. The sundry creditors were settled for Rs.8,000.

The partners decided to distribute cash as and when realized.

You are required to show the distribution of cash applying "Highest Relative Capitals" method.

OR

Q2. Following is the Balance Sheet as on 31-3-2018 of Arjun, Bansal and Chetan who shared profits and losses in the ratio of 4:3:2 respectively.

| Liabilities        | Rs.             | Assets       | Rs.             |
|--------------------|-----------------|--------------|-----------------|
| Capitals:          |                 | Cash         | 20,000          |
| -Arjun             | 1,28,000        | Debtors      | 1,46,000        |
| -Bansal            | 90,000          | Stock        | 1,30,000        |
| -Chetan            | 84,000          | Machinery    | 1,40,000        |
| Creditors          | 56,000          |              |                 |
| Mrs. Bansal's Loan | 28,000          |              |                 |
| Bills Payable      | 14,000          |              |                 |
| General Reserve    | 36,000          |              |                 |
| <b>Total</b>       | <b>4,36,000</b> | <b>Total</b> | <b>4,36,000</b> |

The firm was dissolved on the above date. It was decided to keep aside Rs.6,000 for estimated realization expenses and to distribute the cash as and when the assets realized.

The cash was received in instalments as follows:

| Month      | Rs.      |
|------------|----------|
| April 2018 | 1,04,000 |
| May 2018   | 1,38,000 |
| June 2018  | 1,26,000 |

The actual realization expenses were Rs.6,900.

Prepare

- Statement showing Surplus Capital and
- Statement showing Piecemeal Distribution of Cash.

**Q3** Fido and Dido were the partners in a firm sharing profits and losses in the ratio of 2: 3 respectively. The Balance sheet of their firm as on 31/3/2018 was as under:

| Liabilities             | Rs              | Assets            | Rs              |
|-------------------------|-----------------|-------------------|-----------------|
| Capital Accounts :      |                 | Building          | 1,20,000        |
| Fido                    | 1,00,000        | Machinery         | 20,000          |
| Dido                    | 1,00,000        | Furniture         | 25,000          |
| Profit and Loss Account | 10,000          | Investment        | 15,000          |
| Bank Loan               | 50,000          | Debtors           | 70,000          |
| Creditors               | 60,000          | Stock             | 35,000          |
|                         |                 | Cash-Bank Balance | 35,000          |
| <b>Total</b>            | <b>3,20,000</b> | <b>Total</b>      | <b>3,20,000</b> |

On 1/4/2018 the firm was converted into "Fido & Dido Co. Ltd.". Conditions of conversion and other information are as under:

- The company has to take all the assets (except Cash-Bank Balance) and liabilities of the firm.
- The Goodwill of the firm is to be valued at Rs. 40,000.
- The Building and Machinery are to be valued at Rs. 1,50,000 and Rs. 25,000 respectively. The Investments are to be valued at Rs. 20,000.
- Debtors are to be taken subjects to 10 % bad debts reserve.
- The remaining assets are to be taken as per book value.
- For settlement of purchase consideration the company has to give 20,000 equity shares of Rs. 10 each equally to each partner, and the remaining amount in cash.

From the above information prepare in the books of the firm.

A) Realization A/c, B) Partners' Capital A/c, C) Cash A/c, D) New Co.'s Account.

OR

**Q3.** Sadhana, Sunidhi and Shreya are partners and sharing profit and loss in the ratio of 5: 3: 2. The Balance Sheet of firms on 31/3/2018 is as follows:

| Liabilities        | Rs              | Assets           | Rs              |
|--------------------|-----------------|------------------|-----------------|
| Capital Accounts : |                 | Land & Building  | 1,28,000        |
| Sadhana            | 70,000          | Machinery        | 60,000          |
| Sunidhi            | 50,000          | Investments      | 12,000          |
| Shreya             | 60,000          | Bills receivable | 5,200           |
| Creditors          | 45,000          | Debtors          | 15,000          |
| Bills payable      | 7,000           | Stock            | 9,000           |
| Reserve Fund       | 10,000          | Cash-Bank        | 12,800          |
| <b>Total</b>       | <b>2,42,000</b> | <b>Total</b>     | <b>2,42,000</b> |

The business of the firm was taken over by a new company Rhythm Pvt. Ltd. on following conditions:

- Revalued assets are: Machinery Rs. 80,000, Stock Rs.12,000 and Land & Building Rs. 1,60,000.

- 2) Cash-Bank and investment not to be taken over and other assets and liabilities to be considered at book value.
- 3) The company agreed to pay Rs. 40,000 as goodwill.
- 4) The company issued 20,000 Equity Shares of Rs. 10 to be distributed among the partners in their profit sharing ratio and remaining amount was paid in cash.
- 5) Partners sold investment at Rs. 10,000.

Prepare in the books of the firm:

[1] Realization Account [2] Partners' Capital account [3] Cash-Bank Account [4] New Co.'s Account.

Q4. Following is the Trial Balance of Leo, Tiger & Panther as on 31<sup>st</sup> Dec. 2018.

| Debit Balances            | Rs.             | Credit Balances            | Rs.             |
|---------------------------|-----------------|----------------------------|-----------------|
| Purchases                 | 2,08,000        | <u>Capitals :</u>          |                 |
| Returns                   | 3,000           | Leo                        | 60,000          |
| Op. Stock                 | 32,000          | Tiger                      | 60,000          |
| Salary                    | 36,000          | Panther                    | 60,000          |
| Rent (paid for 11 months) | 22,000          | Sales                      | 3,68,000        |
| Bad Debts                 | 2,800           | Returns                    | 4,000           |
| Discount                  | 4,000           | Reserve for Doubtful Debts | 12,000          |
| Freight inward            | 6,000           | Bank Loan                  | 27,000          |
| Carriage on Sales         | 9,000           | Creditors                  | 1,02,000        |
| Debtors                   | 1,34,000        | Bills Payable              | 3,500           |
| Bills Receivable          | 3,000           | Loan from Singh            | 6,500           |
| Bank                      | 11,200          | Discount                   | 3,000           |
| Cash                      | 3,000           |                            |                 |
| Investment                | 56,000          |                            |                 |
| Building                  | 80,000          |                            |                 |
| Machinery                 | 48,000          |                            |                 |
| <u>Drawings :</u>         |                 |                            |                 |
| Leo                       | 16,000          |                            |                 |
| Tiger                     | 16,000          |                            |                 |
| Panther                   | 16,000          |                            |                 |
|                           | <b>7,06,000</b> |                            | <b>7,06,000</b> |

Additional Information:

On 1<sup>st</sup> July 2018 Leo Retired. Following adjustments are to be considered.

1. Goodwill to be valued at Rs. 1,20,000.
2. Amount due to Leo be treated as Leo's loan A/c on which no interest is payable.
3. Stock in trade as at 31<sup>st</sup> December, 2018 was valued at Rs. 56,000
4. Rent is outstanding for one month
5. Write off further bad debts Rs. 1,200 & R D D should be kept at Rs.6,000.
6. Depreciate Machinery by 10% p.a. and Building by 15% p.a.
7. 10% p.a. interest is to be allowed on partners opening capitals balances.
8. Each partner should be allowed salary Rs. 4,000 p.a.

Prepare Final Accounts for the year ended 31<sup>st</sup> Dec. 2018.

OR

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Q4. The following is the Trial Balance of Red, Blue and Orange as on 31<sup>st</sup> December, 2018:

| Debit            | Rs.      | Credit   | Rs.      |
|------------------|----------|--|----------|
| Cash and Bank    | 25,000   | Creditors  | 12,300   |
| Debtors          | 53,000   | Sales (up to 30 <sup>th</sup> Sep. Rs. 3,60,000) | 5,40,000 |
| Rent and Rates   | 17,700   | Capitals :                                       |          |
| Salary           | 36,000   | Red  | 72,000   |
| Selling Expenses | 15,600   | Blue   | 36,000   |
| Stock            | 75,000   | Orange   | 12,000   |
| Purchase         | 3,30,000 |  |          |
| Fixed Assets     | 95,000   |  |          |
| Drawings :       |          |  |          |
| Red              | 15,000   |  |          |
| Blue             | 6,000    |  |          |
| Orange           | 4,000    |  |          |
|                  | 6,72,300 |  | 6,72,300 |

Adjustment:

- 1) Red and Blue were partners sharing profits and losses equally.
- 2) Mr. Orange was admitted to the partnership on 1<sup>st</sup> October, 2018 for 1/3<sup>rd</sup> share.
- 3) On 31<sup>st</sup> December, 2018 Stock was valued at Rs. 72, 000.
- 4) Rent and Rates paid in advance Rs. 700.
- 5) Selling Expenses were outstanding Rs. 400.
- 6) Depreciate Fixed Assets by 20% p.a.

You are required to prepare Trading, Profit and loss account for the year ended on 31<sup>st</sup> December, 2018 and Balance sheet as on that date.

Q5. Meena and Naina were partners sharing profits and losses in the ratio of 1:2 and Leena and Reena were sharing profits and losses equally. Following were their Balance sheets as on 31<sup>st</sup> March 2018.

| Liabilities             | Meena & Naina<br>Rs. | Leena & Reena<br>Rs. | Assets    | Meena & Naina<br>Rs. | Leena & Reena<br>Rs. |
|-------------------------|----------------------|----------------------|-----------|----------------------|----------------------|
| <b>Capital Accounts</b> |                      |                      | Goodwill  | 40,000               | --                   |
| Meena                   | 3,00,000             | --                   | Machinery | 2,00,000             | 2,70,000             |
| Naina                   | 3,00,000             | --                   | Furniture | 80,000               | 90,000               |
| Leena                   | --                   | 2,50,000             | Stocks    | 2,00,000             | 2,40,000             |
| Reena                   | --                   | 3,20,000             | Debtors   | 1,90,000             | 1,70,000             |
| Creditors               | 1,00,000             | 1,50,000             | Fixtures  | 16,000               | 12,000               |
| Bills Payable           | 45,000               | 75,000               | Bank      | 30,000               | 26,000               |
| Outstanding Rent        | 15,000               | 20,000               | Cash      | 4,000                | 7,000                |
|                         | 7,60,000             | 8,15,000             |           | 7,60,000             | 8,15,000             |

The firms are amalgamated on the following terms:

- 1) Outstanding Rent was paid in full by the respective firms.
- 2) Creditors of both the firms were taken by the new firm at a discount of 5% and Bills Payable at book value.
- 3) Machinery is subject to 5% depreciation in case of both the firms.

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- 4) Stock of Meena and Naina was valued at Rs. 2,21,000 and that of Leena and Reena was valued at Rs. 2,01,000.
- 5) All remaining assets (including Cash & Bank) of both the firms to be taken over at book values.
- 6) Goodwill of Meena and Naina was valued at Rs. 60,000 and that of Leena & Reena at Rs. 80,000. Goodwill account is not being retained in the books of the New Firm.

Calculate Purchase Considerations and prepare amalgamated Balance Sheet of the New Firm.

OR

Q5. Arya Bros. and Surya Bros decided to amalgamate and form a new firm called Arsu & Co. on the following terms and conditions on 31<sup>st</sup> March 2018 when their Balance Sheets were as follows:

| Liabilities             | Arya Bros.<br>Rs. | Surya Bros<br>Rs. | Assets       | Arya Bros.<br>Rs. | Surya Bros<br>Rs. |
|-------------------------|-------------------|-------------------|--------------|-------------------|-------------------|
| <b>Capital Accounts</b> |                   |                   | Building     | 20,000            | 41,000            |
| A                       | 60,000            | --                | Furniture    | 6,000             | --                |
| B                       | 30,000            | --                | Investment   | 30,000            | 12,000            |
| C                       | --                | 40,000            | Stock        | 34,000            | 46,600            |
| D                       | --                | 65,000            | Debtors      | 20,000            | 75,000            |
| Creditors               | 20,000            | 46,000            | Cash at bank | 10,000            | 10,400            |
| Bank Loan               | 10,000            | 34,000            |              |                   |                   |
|                         | <b>1,20,000</b>   | <b>1,85,000</b>   |              | <b>1,20,000</b>   | <b>1,85,000</b>   |

Terms of amalgamation:

- A) In case of Arya Bros.
  - a) Goodwill is valued at Rs. 20,000
  - b) Building was taken to be worth Rs. 60,000
  - c) Stock to be valued at Rs. 30,000
  - d) Provision for doubtful debts to be created at 5% on debtors.
  - e) All liabilities and remaining assets are taken over at book values.
- B) In case of Surya Bros.
  - a) Goodwill is valued at Rs. 10,000
  - b) Building was taken to be worth Rs. 80,000
  - c) Provision for doubtful debts to be created at 5% on debtors.
  - d) All liabilities and remaining assets are taken over at book values.

You are required to show necessary ledger accounts in the books of Arya Bros. and Surya Bros.

Q6 A. What is Profit and Loss Appropriation Account? Discuss the items to be considered in Profit and Loss Appropriation Account. (10)

Q6 B. Explain the methods of calculating Purchase Consideration. (10)

OR

Q.6 Write short notes (any four) (20)

- A. Partnership Deed
- B. Highest Relative Capital Method
- C. Realisation Method for Amalgamation of the firms
- D. External Liabilities
- E. Conversion of Partnership Firm into Limited Company.
- F. Fixed Capital Method and Fluctuating Capital Method