

Q1. A. State whether the following statements are true or false (any 10) 10

1. Interest on drawing is an income of a firm.
2. The partners must conduct lawful business.
3. General reserve is credited to partners capital account.
4. Goodwill requires special treatment on amalgamation of firms.
5. Goodwill brought in by the incoming partner is shared by all the partners.
6. In practice assets are realized gradually.
7. On amalgamation old firms are dissolved.
8. Govt. dues are preferential liability on dissolution of firms.
9. Carriage is debited to trading a/c.
10. Assets must be always equal to liabilities.
11. On amalgamation of firms Profit & loss adjustment a/c is opened in the books of vendor firms.
12. In Excess capital method minimum capital is equal to lowest capital.

Q1. B. Fill in the blanks with proper words and rewrite the statement. (any 10) 10

1. Assets and liabilities are transferred to realization account at ----- (Book value / Market value)
2. Purchase consideration = Assets less ----- liabilities both at market values. (Internal / external)
3. On amalgamation of a firm ----- account is opened. (Profit & loss/ Realisation)
4. There cannot be more than ----- partners in partnership firm. (10 / 20)
5. The credit balance of realization a/c shows ----- . (loss / profit)
6. Fictitious assets are distributed to the partners in ----- ratio (Profit sharing / Capital ratio)
7. Expenses payable are shown on ----- side of balance sheet. (Asset / Liability)
8. Excess capital method is also known as ----- . (Highest relative method / Maximum loss method)
9. Bad debt is a ----- (Loss / Profit)
10. Current account showing debit balance is shown on ----- side of balance sheet (Asset / liability)
11. The balance in capital a/c remains constant in ----- method (fluctuating / fixed)
12. Payment made in advance is shown on ----- side of balance sheet (asset / liability)

Q2. A, B and C are partners sharing profits and losses in the ratio of 3:2:1 respectively on 31/3/2022 their balance sheet was as under. 20

Liabilities	Rs	Assets	Rs.
A s capital	1,22,500	Cash at bank	25,000
B s capital	52,500	Sundry assets	2,25,000
C s capital	25,500	Cash at bank	62,500
General reserve	30,000		
Loan from bank	45,000		
Bills payable	37,000		
Total	3,12,500	Total	3,12,500

- Rs. 10,000 to be provided for realization expenses.
- The following realization of assets took place.

15/4/2022 Rs. 50,000 30/4/2022 Rs. 10,000 10/5/2022 Rs. 67,500

19/5/2022 Rs. 65,000

The actual realization expenses amounted to Rs. 12,500 at final realisation .

Prepare statement showing excess capital and piecemeal distribution of capital

OR

- Q2. Me and Too are partners sharing profits and losses in the ratio of 2:3. Their balance sheet as on 31/3/2018 is as under. 20

Liabilities	Rs.	Assets	Rs.
Creditors	1,80,000	Bank	42,000
Secured loan	60,000	Debtors	1,56,000
Me s capital	1,20,000	Stock	96,000
Too s capital	60,000	Machinery	30,000
		Property	96,000
Total	4,20,000	Total	4,20,000

The partners decided to convert their business in to private company. The company took over all the assets and liabilities except bank loan . The purchase consideration was fixed at Rs.3,60,000 payable as Rs. 72,000 in cash Rs. 1,44,000 in debentures and Rs. 1,44,000 in equity shares of Rs. 10 each.

Bank loan is paid by firm. Partners agreed to distribute shares and Debentures received from company in proportion to their final capital.

Prepare realization account ,partners capital account and new companys a/c , cash a/c , Equity shares and Debentures in new company's a/c

- Q3. M/s PM and M/s AV decided to amalgamate on following conditions when their balance sheet were as under. 20

Liabilities	M/s PM	M/sAV	Assets	M/Spm	M/sAV
Prashant s capital	2,59,200	----	Land and building	1,50,000	----
Mahesh s capital	1,90,800	-----	Plant	94,800	1,45,800
Amit s capital	-----	3,36,900	Investment	75,000	-----
Vijay s capital	-----	1,26,000	Inventories	1,02,300	1,48,500
Creditors	82,500	46,500	Debtors	1,20,000	1,50,000
Bank loan	37,500	-----	Cash at Bank	27900	65700
Total	5,70,000	5,10,000	Total	5,70,000	5,10,000

Following are the terms and conditions of amalgamation.

In case of M/s PM : Goodwill was taken at Rs. 1,80,000. Investments were taken over by the new firm at agreed value of Rs. 90,000. Land and building was taken over at Rs. 2,70,000. Inventories to be valued at Rs. 97,800. 5% provision to be created on debtors .

In case of M/s AV : Goodwill was taken at Rs. 1,50,000. Inventories to be valued at Rs. 1,26,000 .Calculate purchase consideration and give Realisation a/c, Partners capital a/c , New firm's a/c in the books of both the firms

OR

Q3.

A,B and c are partners sharing profits and losses in the ratio of 5:3:2. The balance sheet of the firm is as under.

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Liabilities	Rs.	Assets	Rs.
A s capital	70,000	Land and building	1,28,000
B s capital	50,000	Machinery	60,000
C s capital	60,000	Investments	12,000
Creditors	45,000	Bills receivable	5,200
Bills payable	7,000	Debtors	15,000
Reserve fund	10,000	Stock	9,000
S		Cash at bank	12,800
Total	2,42,000	Total	2,42,000

The business of the firm was taken over by a new company, R ltd. on following terms,

Assets are revalued as machinery Rs.80,000 stock Rs.12000 and land and building rs.1,60,000. Cash and bank and investment not to be taken over and other assets and liabilities to be considered at book value. The company agreed to pay Rs.40,000 as goodwill . The company issued 20,000 equity shares of Rs. 10 each to be distributed among the partners in profit sharing ratio and remaining amount was paid in cash. Partners sold investments at Rs. 10,000.

Calculate purchase consideration and Prepare in the books of the firm Realisation account partners capital account cash bank account new company's account, Equity shares in new company's a/c

Q4.

The following is the trial balance of a firm as on 31st march 2022

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Debit balances	Rs.	Credit balances	Rs.
A s drawing	15,000	A s capital	24,000
B s drawing	7,500	B s capital	12,000
C s drawing	1,500	C s capital including goodwill	5,000
Furniture	10,500	Sales	1,80,000
purchases	1,10,000	Creditors	13,500
Stock	25,000		
General expenses	5,200		
Salary	12,000		
Rent and taxes	5,900		
Debtors	31,000		
Bank	10,900		
Total	2,34,500	Total	2,34,500

A And B were partners sharing profits and losses equally. Mr. C was admitted to partnership on 1st October 2022. On 31st march 2022 stock was valued at Rs.23,500. Rent and taxes paid in advance Rs.900. General expenses were outstanding Rs. 800. Charge depreciation on furniture @ 10% p.a. Interest on capital to be charged @10% p.a. Share of goodwill of new partner was valued at Rs.1000 on 1st Oct. and yet to be adjusted. Prepare trading a/c, Profit and loss a/c in two columns and Balance sheet on 31/3/22.

OR

- Q4. A , B and C are in partnership sharing profits an losses in the ratio of 3:2:1 . They decided to dissolve the firm on 31/3.22 on which date their Balance sheet was as under. 20

Liabilities	Rs	Assets	Rs
A' capital	60,000	Land and building	80,000
B' s capital	40,000	Furniture	12000
C' s capital	25,000	Stock	48,000
Creditors	90,000	Debtors	95,000
Bank overdraft	30,000	Bank	10,000
Total	245000	Total	24500

The assets realised gradually after payment of realisation expnses . The realisation is as under .

1st installment Rs.75,0000 2nd installment Rs.32,000 3rd installment Rs.62,000 4th installment Rs.43,000

5th installment Rs.21,000 . Calculate Excess capital and prepare statement of piecemeal distribution of cash installment wise.

- Q5. A. Explain the accounting procedure in the books of vendor firms on amalgamation. 10
- B. Explain the advantages of conversion of a firm in to limited company 10

OR

- Q5 Write short notes (any 4) 20

1. Excess capital statement
2. Admission of partner
3. Conversion of a firm in to company.
4. Net assets method of purchase consideration.
5. Amalgamation of firms
6. Preferential creditors