

# C3FM919

Duration: 3 hrs.

Marks: 100

Note: All questions are compulsory.

Figures to the right indicate maximum marks.

**Q.1.A State whether the following statements are true or false (Any 10) 10**

- 1 Interest on drawings is income of a firm.
- 2 The partners must conduct lawful business.
- 3 General reserve is credited to partners' capital a/c.
- 4 Goodwill requires special treatment on amalgamation of firms.
- 5 Goodwill brought in by incoming partners is shared by all partners.
- 6 In practice on dissolution of business assets realize gradually.
- 7 On amalgamation of firms, old firms are dissolved.
- 8 Govt. dues are preferential liability on dissolution of business.
- 9 Carriage is debited in trading a/c.
- 10 Assets may not be equal to liabilities.
- 11 In conversion of firm in to ltd. company, old firm is dissolved.
- 12 Goodwill is current asset.

**Q.1.B Fill in the blanks with suitable word given in bracket (Any 10) 10**

- 1 Assets and liabilities are transferred to realization a/c at ----- . (book value /Market value)
- 2 Purchase consideration is asset less -----liabilities. (Internal /External )
- 3 On amalgamation of firms -----a/c is opened. (Profit Loss a/c / Realisation a/c)
- 4 There cannot be more then ----- no. of 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)
- 7 Expenses payable are shown on ----- side of Balance sheet. (Asset /Liability)
- 8 Excess capital method is also known as -----method.( Highest relative/ maximum loss)
- 9 Bad debt is a----- . (Loss /Profit)
- 10 Current a/c showing debit balance is shown on-----side. (Asset /Liability)
- 11 In limited company liability of owners is -----.(Limited / Unlimited)
- 12 Firm is converted into limited company for----- . (Large capital /unlimited liability)

**Q.2.A A, B and C are partners in a firm sharing profits and losses in the ratio of 3:2:1. On 31<sup>st</sup> March 2018 the firm is dissolved when the Balance sheet was as under 20**

Liabilities	Rs.	Assets	Rs.
A's capital	1,22,000	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	37,500		
<b>Total</b>	<b>3,12,500</b>	<b>Total</b>	<b>3,12,500</b>

A sum of Rs. 10,000 to be provided for estimated realization expenses in the beginning. The following were the realization of assets.

Date	Realization Rs.
15/04/2018	50,000
30/04/2018	10,000
10/05/2018	67,500
19/05/2018	65,000

The actual realization expenses amounted to Rs. 12,500

**OR**

**Q.2.B** Komal arts and Rose arts decided to amalgamate on following terms when their Balance sheets were as under

**20**

Liabilities	Komal(Rs.)	Rose(Rs.)	Assets	Komal(Rs.)	Rose(Rs.)
Pankj's capital	43,200	---	Building	30,000	10,000
Panna's capital	31,800	----	Furniture	15,900	24,300
Rina's capital	----	56,150	Investment	12,500	---
Riya's capital	---	21,100	Debtors	20,000	25,000
General reserve	5,000	10,000	Stock	17,050	24,750
Creditors	13,750	7,750	Bank	4,550	10,950
Bank loan	6.250	---			
<b>Total</b>	<b>1,00,000</b>	<b>95,000</b>	<b>Total</b>	<b>1,00,000</b>	<b>95,000</b>

**Terms of amalgamation for Komal arts:**

Goodwill was valued at Rs.30,000, Pankaj took over bank loan, Investments were taken over by new firm for Rs. 15,000, Building at Rs.45,000, stock at Rs.16,300, R.D.D.at 5% on debtors

**Terms of amalgamation for Rose arts:**

Goodwill was valued at Rs.25,000 ,stock at Rs. 15,800 ,R.D.D.at 5% on debtors.

All other assets and liabilities of both the firms at Book value.

Calculate purchase consideration , give journal entries in the books of Komal Arts to close the books of the firm and give realization a/c, capital a/c and new firms a/c in the books of both the firms to close the Books of both the firms

**Q.3.A** Prajakta and Manaswi are partners in a firm sharing profits and losses in the ratio of 3:2.

**20**

On 1<sup>st</sup> April 2017 they admitted Rishika in to partnership giving her 1/6 the share of profit.

Rishika brought Rs. 2,00,000 in cash of which Rs. 75,000 is to be treated as goodwill and balance as capital.

**Trial balance as on 31<sup>st</sup> march 2018** is as under.

<b>Debit balances</b>	<b>Rs.</b>	<b>Credit balances</b>	<b>Rs</b>
Purchases	3,14,325	Sales	5,35,800
Discount allowed	4,300	Discount received	5,375
Sundry debtors	1,00,500	RDD	3,000
Carriage inwards	8,125	Prajakta's capital	1,62,500
Sundry expenses	19,600	Manaswi's capital	87,500
Motor vehicle	1,25,000	Sundry creditors	81,350
Land and building	2,00,000	Cash paid by Manaswi	2,00,000
Cash at bank	12,600	Bank overdraft	17,300
Telephone expenses	8,100		
Printing and stationary	6,725		
Rent and insurance	8,000		
Bad debts	1,000		
Investments	1,50,000		
Prajakta's drawings	12,500		
Manaswi : drawing	10,000		
Rishika's drawings	5,000		
Stock in 1.4.17	1,07,050		
<b>Total</b>	<b>10,92,825</b>	<b>Total</b>	<b>10,92,825</b>

Additional information :

Stock on 31<sup>st</sup> march 2018 was Rs. 1.05.625.

Bad debts Rs. 3,000. Depreciate building by 5% ,motor vehicle by 20%

RDD to be at 10% on debtors. Goods of Rs. 2,500 are stolen.

Prepare Trading account, Profit& loss a/ capital account of partners and balance sheet.

**OR**

**Q.3.B** A,B and C are partners in a firm sharing profits and losses in the ratio of 4:3:1. On 31<sup>st</sup> March 2018 they agreed to sell their business to ABC ltd. when their Balance sheet was as under.

**20**

<b>Liabilities</b>	<b>Rs.</b>	<b>Assets</b>	<b>Rs.</b>
A's capital	40,000	Machinery	48,000
B's capital	30,000	Furniture	42,000
C's capital	26,000	Stock	23,000
Loan on mortgage	16,000	Debtors	15,000
Sundry creditors	18,000	Cash	2,000
<b>Total</b>	<b>1,30,000</b>	<b>Total</b>	<b>1,30,000</b>

The company took over assets at valuation shown below

Machinery Rs. 61,000 , Furniture Rs. 31,800 Stock Rs. 22,000 Debtors Rs. 14,000 ,Goodwill Rs. 10,000.

The company also agreed to pay creditors at Rs. 17,700. The company paid Rs. 67,000 in fully paid Equity shares of Rs. 10 each and balance in cash. The expenses amounted to Rs. 1,500. Prepare ledger accounts to close the books of the firm.

**Q.4.A** P, Q, R are partners sharing profits and losses in the ratio of 1:1:2. On 30<sup>th</sup> June 2018 they decided to Dissolve the firm when their Balance sheet was as under

**20**

Liabilities	Rs	Assets	Rs.
P's capital	2,40,000	Goodwill	1,20,000
Q's capital	1,60,000	Building	2,40,000
R's capital	3,00,000	Plant	2,68,000
General reserve	80,000	Stock	1,23,000
Loan from Q	40,000	Debtors	1,80,000
Sundry creditors	1,60,000	Bills receivable	37,000
		Bank	12,000
<b>Total</b>	<b>9,80,000</b>	<b>Total</b>	<b>9,80,000</b>

The realisations and expenses of realisation are:

Date	Realization Rs.	Expenses Rs.
31 <sup>st</sup> July	1,10,000	2,000
31 <sup>st</sup> August	3,40,000	10,000
30 <sup>th</sup> September	3,50,000	5,000
31 <sup>st</sup> October	1,62,000	3,000

You are required to prepare statement of excess capital and statement of piecemeal distribution of cash

**OR**

**Q.4.B** M/S PM and M/S AV decided to amalgamate on following terms and conditions when their balance sheet was as under.

**20**

Liabilities	M/SPM	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	27,900	65,700
<b>Total</b>	<b>5,70,000</b>	<b>5,10,000</b>	<b>Total</b>	<b>5,70,000</b>	<b>5,10,000</b>

**Terms of amalgamation:**

**In case of m/s PM :**

Goodwill was considered at Rs. 1,80,000 , investments at Rs. 90,000 taken over , land and building to be taken at Rs. 2,70,000, Inventories to be valued at Rs. 97,800, RDD at 5% on debtors.

**Incase of m/s AV :**

Goodwill to be valued at Rs. 1,50,000 , Inventories to be valued at Rs. 1,26,000 and RDD at 5% on debtors.

Calculate purchase consideration, give journal entries to take over business and Balance sheet of new firm.

**Q.5.A** Explain accounting procedure in the book of vendor firms on Amalgamation. **10**

**B** What is Goodwill? Explain its feature and condition in which it is calculated. **10**

**OR**

**Q.5** Write short notes on (Any four). **20**

- 1 Need and calculation of excess capital.
- 2 Advantages of amalgamation of firms.
- 3 Advantages of conversion of firm in to limited company.
- 4 Treatment of goodwill on retirement of partner.
- 5 Amount payable to retiring partner.
- 6 Methods of calculating purchase consideration on conversion of firm in to limited company.

\*\*\*\*\*