SYBCom (III) / Paper / Subject Code: 79305 / Accountancy and Financial Management III / 726

[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		
Total	**3,46,000**	**Total**	**3,46,000**

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		
Total	**4,36,000**	**Total**	**4,36,000**

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
a. Statement showing Surplus Capital and
b. 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
Total	3,20,000	Total	3,20,000

On 1/4/2018 the firm was converted into "Fido & Dido Co. Ltd.". Conditions of conversion and other information are as under:
1) The company has to take all the assets (except Cash-Bank Balance) and liabilities of the firm.
2) The Goodwill of the firm is to be valued at Rs. 40,000.
3) 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.
4) Debtors are to be taken subjects to 10 % bad debts reserve.
5) The remaining assets are to be taken as per book value.
6) 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
Total	2,42,000	Total	2,42,000

The business of the firm was taken over by a new company Rhythm Pvt. Ltd. on following conditions:
1) 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 31st Dec. 2018.

Debit Balances	Rs.	Credit Balances	Rs.
Purchases	2,08,000	Capitals :	
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		
Drawings :			
Leo	16,000		
Tiger	16,000		
Panther	16,000		
	7,06,000		7,06,000

Additional Information:

On 1st 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 31st 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 31st Dec. 2018.

OR

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

Debit	Rs.	Credit	Rs.
Cash and Bank	25,000	Creditors	12,300
Debtors	53,000	Sales (up to 30th 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 1st October, 2018 for 1/3rd share.
3) On 31st 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 31st 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 31st March 2018.

Liabilities	**Meena & Naina** Rs.	**Leena & Reena** Rs.	**Assets**	**Meena & Naina** Rs.	**Leena & Reena** Rs.
Capital Accounts			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.

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 31st March 2018 when their Balance Sheets were as follows:

Liabilities	Arya Bros. Rs.	Surya Bros Rs.	Assets	Arya Bros. Rs.	Surya Bros Rs.
Capital Accounts			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			
	1,20,000	**1,85,000**		**1,20,000**	**1,85,000**

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
