

84 B Com /

III Sem

Q.P. Code: 23792

[Time: Three Hours]

[ Marks:100]

Please check whether you have got the right question paper.

**NOTE:**

1. All questions are compulsory.
2. Q.1 and Q.6 carry 20 marks each.
3. Q.2, Q.3, Q.4 and Q.5 carry 15 marks each.
4. Use of simple calculator is allowed.

**Q 1) (A) Fill in the blanks with proper words: (Answer any 10)**

**(10)**

1. In dissolution of partnership firm all assets are transferred to Realization A/c \_\_\_\_\_ side.
2. Debit balance on Realisation A/c represents \_\_\_\_\_.
3. On Amalgamation \_\_\_\_\_ assets are transferred to partners capital Accounts.
4. Partnership firm has \_\_\_\_\_ liability.
5. If asset is depreciated Realisation A/c is \_\_\_\_\_.
6. Trade Mark is a \_\_\_\_\_ assets.
7. Return Inward is deducted from \_\_\_\_\_.
8. Payment made in advance is shown on \_\_\_\_\_ side of balance sheet.
9. Goodwill written off in the books of new firm is debited to \_\_\_\_\_ Account.
10. The balance due to retiring partner is transferred to his \_\_\_\_\_ account until final settlement.
11. After all external liabilities are paid the balance cash is paid to the partners as per \_\_\_\_\_ method.
12. On dissolution of firm payment of unrecorded liability is debited to \_\_\_\_\_ account.

**(B). Match the following: (Answer any 10)**

**(10)**

Column 'A'	Column 'B'
1) Dues to employees	a) 12 % p .a
2) Fluctuating Capital Method	b) Distributed among the partners
3) Excess capital method	c) Closing stock
4) Amalgamation of firms	d) Liability
5) Purchase Consideration	e) created after payment of external liability
6) Loose tools	f) 6 % p.a
7) Preferential liability	g) Income tax dues
8) Interest on Partner's Loan	h) Not a fixed asset
9) Reserve for contingent Liabilities	i) Amount payable by purchasing company
10) Income received in advance	j) Purchase Consideration
11) Unsold stock at the end of the year	k) Highest Relative Capital method.
12) General Reserve	l) Separate current A/c is not opened
	m) Preferential Liability

Q.2 The Following is the Trial balance of a firm as on 31<sup>st</sup> March 2017.

(15)

Particulars	Debit (Amount)	Particulars	Credit (Amount)
Drawings:		Capital Accounts:	
Ajay	12,000	Ajay	30,000
Vijay	12,000	Vijay	30,000
Sanjay	12,000	Sanjay	30,000
Purchases	1,56,000	Sales	2,94,000
Return inward	2,400	Return Outward	2,000
Stock	24,000	RDD	8,800
Salary	27,000	Bank Loan	20,000
Office Expenses	16,500	Creditors	76,500
Bad Debts	2,100	Bills Payable	8,700
Carriage Inward	4,500		
Carriage Outward	6,750		
Debtors	1,00,000		
Bills Receivables	3,250		
Bank	8,000		
Cash	2,500		
Investments	25,000		
Premises	50,000		
Machinery	36,000		
	<b>5,00,000</b>		<b>5,00,000</b>

On 1<sup>st</sup> October 2016, Ajay Retired and the following adjustments were agreed upon:

1. Goodwill of Rs.90,000 was brought into the books of accounts.
2. Furniture worth Rs. 20,000 was purchased on 30<sup>th</sup> June 2016, but the invoice was not recorded in the books.
3. Balance in Ajay's Accounts after making all adjustments was to be transferred to his loan account carrying interest @16%.
4. Closing stock was valued @42,000.
5. Depreciate machinery by 10%, Premises by 5% and Furniture by 5% p.a.
6. Provide interest on capital @10%.

Prepare Trading and Profit & loss Account for the year ended 31<sup>st</sup> March 2017,

OR

Q.2.

(15)

Krishna was carrying on business as a wholesale business man. He closes his books of accounts by 31<sup>st</sup> March every year. Arjun was his Manager on a monthly salary of Rs.2,000 till 30<sup>th</sup> September 2016; and from 1<sup>st</sup> October 2016, it was agreed that he will be admitted as partner with 1/3<sup>rd</sup> share in profit and loss without any salary.

The books of the firm yielded the following Trail Balance at the end of the year on 31<sup>st</sup> March 2017.

Details	Debit (Amount)	Credit (Amount)
Krishna's Drawing and capital	20,000	37,000
Purchase and Sales	2,10,000	3,30,000
Debtors and Creditors	15,000	8,700
Furniture and Fittings	9,000	
Motor car	15,000	
Stock (01-04-2016)	30,000	
Bank	15,000	
Cash	900	
Salaries	15,000	
Advertising and Selling expenses	33,000	
Professional Charges	2,400	
Rent	6,400	
Prepaid Rent	400	
Bills Receivable and Bills Payable	8,900	5,300
	3,81,000	3,81,000

The Following additional information is available:

1. Purchases were Rs.1,00,000 upto 30<sup>th</sup> September 2016.
2. Sales during the first six months of the year were Rs.1,10,000.
3. Stock on 30<sup>th</sup> September 2016, and 31<sup>st</sup> March 2017 was Rs.50,000 and Rs.20,000 Respectively.
4. Furniture and Fittings are to be depreciated @10% and Motor Car @ 20%.
5. Rent which was Rs.450 per month upto 30<sup>th</sup> November 2016, was increased to Rs.600 per month. From 1<sup>st</sup> December. 2016.

You are required to prepare Trading and Profit and Loss account in Columnar Form.

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(15)

Q 3)

P, Q and R are partners of M/s. Piku Stationers, sharing Profits and Losses in the ratio of 1:1:2.

On 30th June, 2017. They decided to dissolve their firm when their Balance sheet was as under –

LIABILITIES	Rs.	ASSETS	Rs.
Capital - P	2,40,000	Goodwill	1,20,000
Q	1,60,000	Building	2,40,000
R	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
	9,80,000		9,80,000

The realisation and expenses of realisation were as stated below:

Date	Realisation	Expenses
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 to show the piecemeal distribution of cash available under Highest Relative Capital Method.

OR

Q 3).

(15)

The firm of Py Ra Midas present you with the following Balance Sheet drawn as on 31<sup>st</sup> March, 2017 :

Liabilities	Rs.	Asset	Rs.
Sundry Creditors	74,000	Cash in hand	6,000
Capital Accounts :		Sundry Debtor	68,000
P	80,000	Stock in Trade	78,000
R	60,000	Machinery	1,02,000
M	54,000	Current Accounts :	
		R	8,000
		M	6,000
	2,68,000		14,000
			2,68,000

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Partners shared profits and losses in the ratio of 4:3:3. Due to differences among the partners, it was decided to wind up the firm, realize the assets and distribute cash among the partners at the end of each month.

- i. April 2017: Rs. 30,000 from Debtors and Rs. 40,000 by sale of stock. Expenses on Realisation Rs. 1,000.
- ii. May 2017: Balances of debtors realized Rs.20,000. Balance of stock fetched Rs. 48,000.
- iii. June 2017: Part of Machinery was sold for Rs. 36,000. Expenses incidental to sale Rs. 1,200.
- iv. July 2017: Part of Machinery valued in the books at Rs, 10,000 was taken by P, in part discharge at an agreed value of Rs. 20,000. Balance of Machinery was sold for Rs. 60,000 (net)

Show how the amounts due to partners will be settled as per Highest Relative Capitals Method.

Q 4). The Balance Sheet of M/s. M & N, and M/s. R & S as on 31<sup>st</sup> March, 2017 were as follow:

LIABILITIES	M & N Rs.	R & S Rs.	ASSETS	M & N Rs.	R & S Rs.
Capital :			Land	36,000	47,400
M	36,000		Machinery	25,200	28,800
N	36,000		Furniture	10,800	12,600
R	-	36,000	Debtors	21,600	30,600
S	-	36,000	Stock	28,800	32,400
Creditors	54,000	36,000	Cash	3,600	1,800
Loan		39,600	Bank	7,200	5,400
Outstanding Expenses	7,200	11,400			
	1,33,200	1,59,000		1,33,200	1,59,000

The two firms decided to amalgamate and form into M/s. MNRS with effect from 31<sup>st</sup> March, 2017.

Partners would share profits and losses equally between themselves as they were doing prior to amalgamation and they agreed to following revaluation of assets and liabilities:

	M & N	R & S
Land	45,000	45,000
Machinery	30,000	32,000
Furniture	10,000	12,000
Debtors	21,000	30,000
Stock	29,000	34,000
Creditors	52,000	34,000
Loans	-	38,000
Outstanding Expenses	7,200	11,400

In addition to the above it was decided:

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1. Goodwill of M & N and R & S were values at Rs. 35,000 and Rs. 20,000 respectively and it should be written off in the new firm.
2. That the reconstructed capitals of the partners would be Rs. 37,500 each. The difference, if any should be transferred to Current Account.

You are required to show:-

- i) The accounts in the books of M/s. M & N
- ii) The opening balance sheet of the new firm. (15)

OR

Q 4)

(15)

Following is the Balance Sheet of M/s Lalwani Bros. and M/s Motwani Bros. as on 31<sup>st</sup> March, 2017.

**M/s. Lalwani Brothers  
Balance Sheet**

Liabilities	Rs.	Assets	Rs.
Sundry Creditors	50,000	Cash in hand	12,000
Loan from Vijaya Bank	10,000	Stock in Trade	58,000
Capital :		Furniture and Fixtures	20,000
Anil	1,00,000	Office Premises	90,000
Sunil	50,000	Debtors	30,000
	2,10,000		2,10,000

**M/s. Motwani Brothers  
Balance Sheet**

Liabilities	Rs.	Assets	Rs.
Sundry Creditors	60,000	Cash in hand	16,000
Capital :		Stock in Trade	44,000
Ajay	60,000	Sundry Debtors	50,000
vijay	40,000	Furniture and Fittings	10,000
		5% National Savings Certificate	40,000
	1,60,000		1,60,000

They shared profits & losses in proportion to their capitals. They decided to amalgamate their business with effect from 1<sup>st</sup> April, 2017, as per the following terms and conditions:

1. That the name of the new firm shall be VANEE TRADING CORPORATION.
2. That the Vijaya Bank Loan be repaid.
3. That the 5% National Saving Certificate not to be taken over by new firm to be distributed between partners equally at Book Value.
4. That Goodwill of M/s Lalwani Bros. and M/s. Motwani Bros fixed at Rs. 21,000 and Rs. 25,000 respectively.
5. That office premises are valued at Rs. 99,000.
6. That stock in trade of M/s Lalwani Bros. be reduced by 9,000 and that of M/s. Motwani Bros. increased by Rs. 5,000

7. That a reserve for Bad debts be created at the rate of 5% on debts of both the firms.
8. That the total capital of the "Vanee Trading Corporation" will be Rs. 1,80,000 and the capital of each partner will be in his profit sharing ratio which will be as follows :  
Anil 30%, Ajay 30%, Sunil 20%, Vijay 20%  
The differances if any, should be transferred to current account.
9. Goodwill account in the new firm should be written off.
- You are required to close the books of M/s Lalwani Bros and prepare balance sheet of VANEE TRADING CORPORATION as on 1<sup>st</sup> April, 2017.

Q5.

(15)

Veena and Neena are carrying on business in the name of Veena & co, sharing profit in the ratio of 2:3. On 31<sup>st</sup> March 2017 their Balance Sheet was:

Liabilities	Amount	Assets	Amount
Neena A/c	88,000	Property	72,000
Veena A/c	60,000	Stock	40,000
General Reserve	24,000	Debtors	48,000
Loan- Neena	16,000	Machinery	60,000
Bank Overdraft	32,000	Advances	8,000
Creditors	20,000	Cash/Bank	12,000
	<b>2,40,000</b>		<b>2,40,000</b>

On the same date Veena Pvt. Ltd was incorporated to take over the running business of Veena & Co, on the following terms.

- Goodwill of the firm is to be valued at 2 years purchase of average profits of past Five years. The firm used to transfer Rs.4,000 every year to General Reserves. The profit after above transfer were Rs.12,800, Rs.14,000, Rs. 15,000, Rs.14200 and Rs. 15,400
- Machinery is overvalued by Rs 6,000 and property is undervalued by Rs.8,000 other assets and liabilities except Loan of Neena are taken over at book value.
- The Company decided to allot
  - 12% preference shares to that partners who has excess capital after all necessary adjustments to the extent of such amount.
  - Equity shares for the balance amount payable.
- The face value of shares is Rs.10.

Show necessary Journal Entries in the books of both parties to the above agreement.

OR

Q5.

(15)

Ajit and Sujit were partners sharing profits and losses in the ratio of 2:1. Their Balance sheet as on 31-03-2017 showed the following positions.

Liabilities	Amount	Assets	Amount
Capital Accounts:		Freehold Premises	62,000
Ajit	50,000	Plant and Machinery	18,000
Sujit	40,000	Stock	32,000
Current Accounts:		Book Debt	41,000
Ajit	26,000	Bank PNB	45,000
Sujit	18,000		
Ajit's Loan Account	40,000		
Accounts Payable	24,000		
	<b>1,98,000</b>		<b>1,98,000</b>

The partner's wishing to dissolve the firm. Accepted the offer of Majestic Ltd to acquire the stock and fixed assets at an inclusive price of Rs.1,40,000.

The Purchase consideration was to be satisfied by-

1. A cash payment of Rs.35,000
2. By allotment to the partners 6,000, 6% preference shares of Rs.10 each valued at Rs.8 per share.
3. 57,000 ordinary shares of Rs. 1 each.

The book debts realized Rs.38,000 and Accounts payable were settled by Rs.22,000.

The partners agreed that the following should be the basis of distribution on dissolution of partnership.

- (a) Ajit to be allotted preference shares in settlement of his loan, the remaining preference shares being allotted equally to them.
- (b) The ordinary shares to be allotted in the ratio of profit sharing.
- (c) The Balance to be paid in cash.

You are required to prepare:-

1. Realisation Account
2. Partners capital and Current Accounts separately.
3. Majestic Ltd. Account
4. Cash Account.

Q.6. (a) What is the Accounting Procedure for accounting of Amalgamation of Firm in the books of Amalgamating firms? (10)

(b) What are the Adjustments in final accounts of a firm? (10)

OR

Q6. Short Notes (Answer any Four)

(20)

a) Net Asset Method of purchase consideration	b) Proportionate capital Method
c) Death of Partner	d) Interest on Partners Loan.
e) Fluctuating Capital	f) Accounting Procedure in the books of purchasing company.

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