

Duration: 3 Hours

B11410OAFM

Marks: 100

- Note: 1. All Questions are Compulsory
2. Figures to the right indicate full marks.
3. Draw neat diagrams wherever necessary.

Q.1. A. Select appropriate words: (Any Ten)

(10M)

1. On the admission of a partner, the goodwill is raised at full value, it should be debited to
a) Goodwill account b) Current account c) P & L account d) Capital account
2. Return outward are deducted from
a) Purchases b) Sales c) Capital d) Debtors
3. When realization expenses are paid by a partner on behalf of the firm such expenses are debited to:
a) Realization Account b) Partners Capital Account c) Partners Loan Account d) Cash Account
4. Income tax payable by a firm as on the date of dissolution is treated
a) As preferential creditors b) As secured creditors c) As unsecured creditors d) As non-recoverable
5. Under the fluctuation method of capital, what is the treatment of interest on capital?
a) Credited to capital account b) Debited to capital account
c) No treatment or adjustment needed d) Credited to current account
6. Amalgamation is _____
a) Merger of business b) Dissolution of firms c) Admission of partner d) Retirement of partner
7. Excess of credit over debit side of realization account is
a) Profit on realization account b) Loss on realizations c) Surplus d) Deficit
8. On amalgamation liability not taken over by the new firm is transferred to
a) Capital account b) New firm account c) P&L account d) Profit and Loss adjustment account
9. Balance Sheet items like profit and loss account balance and general reserve must be transferred to
a) Revaluation account b) Partners capital accounts c) Realization account d) Drawings account
10. Partners loan is
a) Internal liability b) External liability c) Secured liability d) Unsecured Liability
11. Shares and debentures received from the limited company are distributed among the partners in their
a) Profit sharing ratio b) Capital ratio c) Final claim ratio d) Gain ratio
12. Bank loan is Rs.30000 secured against stock and stock sold for Rs.25000 balance Rs.5000 is
a) Secured b) Unsecured c) Partly secured d) Fully paid

Q.2.B. State whether the following statements are True or False. (Any Ten)

(10M)

1. In case of piecemeal distribution creditors are an external liability.
 2. Interest in drawing is a loss to the firm.
 3. Expenses on dissolution are credited to the realization account.
 4. Government dues are not a preferential liability.
 5. In amalgamation old firms are called as amalgamated firms.
 6. In absence of information, partners share profits and losses in their capital ratio.
 7. Income received but not earned is an asset.
 8. Balance sheet is an account.
 9. In the excess capital method, the partner whose unit capital is taken as base, has the highest excess capital.
 10. In the case of amalgamation of firms, goodwill of both the firms is ignored.
 11. Shares received as part of purchase consideration by the firm on conversion must be distributed amongst partners equally.
 12. Liabilities due to outsiders are internal liabilities.
- Q.2. Purva, Sudipa and Kranti are partners sharing profits and losses in the ratio 4:2:1. They decided to dissolve the partnership as on 31st March 2022 when their balance sheet was as under:

It was mutually agreed to amalgamate the business from 1st April, 2018.

The terms of amalgamation were as follows:

1. Premises were valued at Rs.10,000 and computers at Rs.12,000.
2. Furniture was not taken over by the new firm.
3. A reserve at 5% to be created against debtors.
4. Goodwill was valued as : A & co. at Rs.10,000 and that B & co. at Rs.15000
5. The new firm also assumed other assets and liabilities of old firms at book value.
6. C and D share a 3:2 ratio.
7. Show necessary ledger accounts in the books of the old firm.

(20M)

OR

Q.3. Amit Traders and Sumit Bros. decided to amalgamate on the following terms and conditions on 1st April, 2021 when their balance sheet were as follows:

Liabilities	Amit Traders	Sumit Bros.	Assets	Amit Traders	Sumit Bros.
Amit's Capital	26,400	-	Buildings	25,000	-
Anish's Capital	33,600	-	Furniture	11,500	27,000
Sumit's Capital	-	72,300	Investments	-	22,500
Sunil's Capital	-	42,200	Stocks	13,600	32,600
Creditors	21,500	51,500	Debtors	32,000	62,000
Bank Loan	12,000	-	Cash at Bank	11,400	21,900
	93,500	1,66,000		93,500	1,66,000

Terms of Amalgamations:

1. In case of Amit Traders:
 - a) Goodwill was valued at Rs.20,000
 - b) Amit took over a bank loan.
 - c) Building was taken to be worth Rs.60,000
 - d) Stock to be valued at Rs.12,600.
 - e) Provision for doubtful debts to be created at 5% on debtors.
2. In the case of Sumit Bros.
 - a) Goodwill was valued at Rs.30,000
 - b) Investments were taken over by the new firm at Rs.30,000
 - c) Stock was valued at Rs.32,000
 - d) Provision for doubtful debts to be created at 5% on debtors.

You are required to show necessary ledger accounts in the books of Amit Traders and Sumit Bros.

(20M)

Q.4. A, B and C carry on business in partnership sharing profits and losses in the proportions of $\frac{1}{2}$, $\frac{3}{8}$ and $\frac{1}{8}$ respectively. On 31st March, 2020 they agreed to sell their business to a limited company their position on that date was as follows:

Particular	Amount	Particular	Amount
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	Book Debts	15,000
Sundry Creditors	18,000	Cash	2,000
	1,30,000		1,30,000

The company took the following assets at the valuation shown below:

Machinery	Rs.61,000
Furniture	Rs.31800
Stock	Rs.22000
Book Debts	Rs.14000
Goodwill	Rs.10,000

The company also agreed to pay the creditors which was agreed at Rs.17,700. The company paid Rs.67000 in fully paid shares of Rs.10 each and the balance in cash. The expenses amounted to Rs.1500.
Prepare necessary ledger accounts in the books of the firm. (20M)

OR

Q.4. The following is the Trial balance of a firm as on 31st March, 2022.

Debi	Amount	Credit	
Cash	29,700	Creditors	40,500
Debtors	93,000	Sales	5,40,000
Rent and Rates	17,700	Capital:	
Salary	36,000	Ram	72,000
Sundry Expenses	15,600	Laxaman	36,000
Stock	75,000	Bharat (Including	12,000
Purchases	3,30,000	Goodwill)	
Sundry Assets	31,500		
Drawings:			
Ram	45,000		
Laxaman	22,500		
Bharat	4,500		
	7,00,500		7,00,500

Adjustments:

- Ram and Laxaman were partners sharing profit and losses equally.
- Mr.Bharat was admitted to the partnership on 1st October, 2021.
- On 31st March 2022; stock was valued at Rs.70,500.
- Rent and Rates paid in advance Rs.700
- Sundry Expenses were outstanding Rs.400
- Depreciate sundry Assets by 20%p.a
- Goodwill of the firm was valued at Rs.6,000 on 1st October, 2021 and did not appear in the balance sheet.
- Interest on capital to be charged at the rate 10% p.a

You are required to prepare Trading, Profits and Loss Account for the year ended on 31st March, 2022 and Balance sheet as on that date. (20M)

Q.5.A. What is the Accounting procedure for accounting of amalgamation of firms in the books of amalgamation firms? (10M)

Q.5.B. What are the adjustments in final accounts of a firm specially related to the partners. (10M)

OR

Q.5. Write Short note :(Any 4) (20M)

- Net Assets method of purchase consideration
- Proportionate capital Method
- Distinguish between Fixed Capital Method and Fluctuating capital method.
- Types of Liabilities under piecemeal Distribution
- Profit and loss appropriation account
