SYBCOM/SEM III/EXT/AFM-III

Time: 3 hrs. **Marks: 100**

Note:
1. All questions are compulsory with internal options.
2. Figures to the right indicate full marks.
3. Draw a neat diagram wherever necessary.

Q.1 State whether the following statement is True or False (any ten): **(10)**

(1) The partners must conduct lawful business.
(2) The drawing appears on the debit side of the capital account.
(3) The general reserve is credited to the partners' capital account.
(4) Unpaid salaries of employees are preferential liabilities.
(5) Goodwill requires special treatment on amalgamation.
(6) On amalgamation, fictitious assets are transferred to capital account.
(7) Partners' capital accounts are closed on settlement of purchase consideration among the partners
(8) Profit or loss on realisation is transferred to partners' capital account in capital ratio.
(9) Provision for discount on debtors shows debit balance.
(10) Outstanding wages is a nominal account.
(11) Closing stock is valued at market price only.
(12) Assets taken over by partner is credited to his capital account.

(B) Fill in the blanks (any ten): **(10)**

(1) Fictitious assets are distributed among the partners in their ________ ratio
(Profit sharing / Capital ratio/Equal)
(2) Assets and Liabilities are transferred to realisation account at ________________
(Book Value / Market Value/Cost Value)
(3) Unproductive wages are debited to________
(Trading Account/Profit and Loss Account/Balance Sheet)
(4) Expenses payable are shown on ________ side in the balance sheet.
(Assets/Liabilities/Income)
(5) Current account showing debit balance is shown in the balance sheet on__________(Liabilities/Assets/Expencs)
(6) Excess capital method is known as ___________
(Highest Relative method / Maximum Loss method/Net asset metod)
(7) Profit on realisation is ___________ to partners' capital account.
(Credited/Debited/Capital)
(8) A partnership firm has ___________ liability.
(Limited/Unlimited/Several)
(9) Government dues are _______ liabilities.
(Preferential/Unsecured/Secured)
(10) Amount agreed to be paid by the new firm to old firm is called ____________
(Purchase consideration / Agreed liability)
(11) Bad debts is a ______________
(Loss / Profit/Income)
(12) Employee's dues are __________ .
(Preferential/Secured/Unsecured)

Q.2 Pandit, Sharma and Karma are partners sharing profits and losses in the ratio 4 : 2 : 1 (20)
They decided to dissolve the partnership as on 31st March, 2017 when their Balance Sheet was as under :

Balance sheet as on 31st March 2017

Liabilities	₹	Assets	₹
Partners' Capital :		Land and Building	1,00,000
-Pandit	2,00,000	Machinery	3,00,000
-Sharma	1,20,000	Debtors	90,000
-Karma	40,000	Stock	69,000
10% Loan (Unsecured)	80,000	Cash and Bank	1,000
Bills Payable	60,000		
Creditors	60,000		
	5,60,000		5,60,000

₹ 1,600 has to be provided for realisation expenses.
Thereafter all cash received should be distributed among the partners. The amount was realised as follows:

1st Realisation	1,20,600
2nd Realisation	1,00,000
3rd Realisation	1,58,000
4th Realisation	55,400

The actual realisation expenses were ₹ 1,000. Prepare a Statement showing piecemeal distribution of cash as per Excess Capital Method.

OR

Q.2 Madhuri, Tabu and Juhi carrying on business in partnership decided to Dissolve it on and from 30th September, 2013. The following was their Balance Sheet on the date : (20)

Balace sheet

Liabilities	₹	Assets	₹
Capital Accounts :		Fixed Assets	40,000
-Madhuri	20000	Current Assets	22,000
- Tabu	5000	Bank	13,000
-Juhi	10000		
General Reserve	30,000		
Creditors	10,000		
	75,000		75,000

As per the arrangements with the bank, the partners were entitled to withdraw ₹ 4,000 immediately and₹9,000 after 1st December, 2013. It was decided that after keeping aside an amount of ₹ 1,000 for estimated realisation expenses, the available funds should be distributed amongst the partners as and when realised. The following were the realisations :

	Fixed Assets ₹	Current Assets ₹
31st October, 2013 (First)	10,000	5,000
15th November, 2013 (Second)	26,000	12,000
30th December, 2013 (Final)	10,000	12,000

Actual realisation expenses amounted to ₹ 700. You are requested to submit a statement showing the distribution of cash amongst the partners by Proportionate Capital Method.

Q.3 Following is the Balance Sheet of two firms as at 31st March, 2014: (20)

Liabilities	Prem & Co. ₹	Raj & Co. ₹	Assets	Prem & Co. ₹	Raj & Co. ₹
Capital A/cs			Premises	-	5000
Prem	11,500	-	Computers	10000	-
Anil	11,500	-	Furniture	5000	7000
Raj	-	18,000	Inventory	9000	8000
Shyam	-	12,000	Debtors	6000	14000
General Reserve	-	3,000	Bank	2000	4000
Creditors	5,000	4,000	Cash	1000	2000
Bills Payable	5,000	3,000			
	33,000	40,000		33,000	40,000

It was mutually agreed to malgamate the business from 1st April 2024

Terms of amalgamation were as follow:

[a] Premises was value at ₹ 1,0000 and computers at ₹ 12,000.
[b] Furniture was not taken over by new firm.
[c] A reserve of 5% is to be created on debtors.
[d] Goodwill was valued as: M/s .Prem & Co. at ₹ 10,000 and that of M/s Raj & Co. at ₹ 15,000.
[e] The new firm also assumed other Assets and Liabilities of old firm at book value. Show necessary accounts in the books of oldfirms and the Balance Sheet of new firm M/s . Prem Raj & and Co. after amalgamation.

OR

Q.3 (20)

A, B and C carry on business in partnership sharing profits and losses in the proportions of 1/2, 3/8 and 1/8 respectively. On 31st March, 2012, they agreed to sell their business to a limited company.
Their position on that date was as follows

Liabilities	₹	Assets	₹
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 Mortage	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	61,000
Furniture	31,800
Stock	22,000
Book Debts	14,000
Goodwill	10,000

The Company also agreed to pay the creditors which was agreed at ₹ 17,700. The company paid ₹ 67,000 in fully paid shares of ₹ 10 each and the balance in cash. The expenses amounted to ₹ 1500.

Prepare ledger accounts in the books of the firm.

Q.4 From the Following Trial Balance of Ajit and Sujit, you are required to prepare a Trading and Profit & Loss A/c for the year ended 31st December 2013 and a Balance Sheet as on that date: (20)

Particulars	Debit ₹	Credit ₹	Particulars	Debit ₹	Credit ₹
Capital A/cs			Carriage Outwards	1400	
-Ajit		60,000	Wages	24000	
-Sujit		40,000	Insurance	1600	
Drawing A/cs			Discount Received		200
-Ajit	2,000		Postage	800	
-Sujit	1,000		Debtors and Creditors	70400	64200
Stock on 1-1-2013	44,000		Furniture	24000	
Bills Receivable	1,800		Cash in Hand	9800	
Purchases and Sales	1,90,000	3,02,000	Machinery	80000	
Return	6,000	2,000	Rent & Taxes	1200	
Salaries	10,000		Printing & Stationery	400	

Adjustments :

(1) The closing stock on 31st December 2013 was valued at ₹ 56,000.
(2) The outstanding expenses were : (a) Wages ₹ 2,000 and (b) Salaries ₹ 930
(3) Goods of ₹ 2,000 were distributed as free samples.
(4) Interest on Partners' capitals was to be provided at 7% p.a.
(5) Prepaid Insurance was ₹ 100.
(6) Depreciation was to be provided on furniture at 10% and on machinery at 5%
(7) A reserve for bad and doubtful debts was to be created at 5% of sundry debtors.

OR

Q.4 Desai Bros. and Shah Traders decided to amalgamate and form a new firm called Desha & Co. on the following terms andconditions on 1st January, 2014 when their Balance Sheets were as follows : (20)

Particulars	Desai Bros. ₹	Shah Traders ₹	Particulars	Desai Bros. ₹	Shah Traders ₹
Arun's Capital	60,000	-	Building	20,000	41,000
Barun's Capital	30,000	-	Furniture	6,000	-
Tarun's Capital	-	40,000	Investments	30,000	12,000
Varun's Capital	-	65,000	Stocks	34,000	46,600
Creditors	20,000	46,000	Debtors	20,000	75000
Bank Loan	10,000	34,000	Cash at Bank	10,000	10,400
	1,20,000	**1,85,000**		**1,20,000**	**1,85,000**

Terms of Amalgamation

1. **In Case of Desai Bros. :**
   - (a) Goodwill was valued at ₹ 20,000
   - (b) Desai Bros. Partners to take over its Bank Loan equally
   - (c) Building was taken to be worth ₹ 60,000
   - (d) Stock to be valued at ₹ 30,000
   - (e) Provision for doubtful debts to be created at 5% on debtors
2. **In Case of Shah Traders :**
   - (a) Goodwill was valued at ₹ 10,000
   - (b) Building was taken to be worth ₹ 80,000
   - (c) Investments were not taken over by the new firm, which were taken over by Varun at ₹ 10,000
   - (d) Stock to be valued at ₹ 42,600
   - (e) Provision for doubtful debts to be created at 5% on debtors.

You are required to show necessary ledger accounts in the books of Desai Bros. and Shah Traders and prepare Balance Sheet of New firm after amalgamation.

Q.5 A Explain the methods of calculating Purchase Consideration **(10)**

B Explain the benefits of conversion of firm into company **(10)**

OR

Q.5 **Write short notes on (Attempt any 4)** **(20)**

(1) Admission of Partner
(2) Partnership deed
(3) Conversion of firm into company
(4) Preferential Creditors
(5) Excess capital method

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