

Q.1 A] State True or False: (any 10).

[10 Marks]

1. Indian Partnership Act is in force since 1932.
2. Drawing appears on debit side of capital Account.
3. In excess capital method, $\text{Unit Capital} = \text{Adjusted Capital} \div \text{Share of Profit}$.
4. In excess capital method, $\text{Proportionate capital} = \text{Base Capital} \times \text{Profit share of partner}$.
5. On conversion into a limited company, firm receives purchase consideration from the company for sale of business.
6. On Amalgamation, the realisation account is opened.
7. After amalgamation, assets and liabilities of old firm get recorded at their realisable values.
8. In a piecemeal distribution, the amounts realised from assets are used to pay first the outside loans and then the realisation expenses.
9. Conversion of firm into company does not involve dissolution of firm.
10. Closing stock is valued at cost price or market price whichever is more.
11. Prepaid expense is a liability.
12. In case of Amalgamation, the goodwill of both the firms is ignored.

Q.1 B] Fill in the blanks (Any 10)

[10 Marks]

- a. Payment made in advance is shown on _____ side of balance sheet.
(Assets / Liabilities)
- b. Interest on drawing of a partner is credited to _____ Account.
(Trading / Profit & Loss Appropriation)
- c. If the realised amount is not sufficient to pay all outside debts, then _____.
(The dues are paid proportionately / The largest dues are paid first)
- d. Income received in advance is shown on _____ side of Balance Sheet.
(Assets / Liabilities)
- e. The interest on capital of partner is credited to _____.
(Trading Account / Capital Account)
- f. The Purchase Consideration is calculated by _____.
(Net Assets Method / Capital Method)
- g. Type of partner whose association with the firm is not disclosed to the public.
(Admission of partner / Secret Partner)
- h. Fictitious assets are distributed among the partners in their _____ ratio.
(Profit Sharing / Capital Sharing)
- i. Wages are debited to _____.
(Trading Account / Profit & Loss Account)
- j. Employee's dues are _____ liabilities.
(Secured / Preferential)
- k. In conversion, if purchase consideration is more than the net asset taken over, in the books of the purchasing company, the difference is _____.
(Credited to Capital Reserves / Debited to Goodwill A/C)
- l. In excess capital method, $\text{Excess Capital} = \text{Adjusted Capital} - \text{Proportionate Capital}$.
(Adjusted Capital – Proportionate Capital / Adjusted Capital + Proportionate Capital)

[20 Marks]

- Q.2 L, U and M were in partnership, sharing profits and losses in the ratio of 1/2, 1/3, 1/6 respectively. Their firm was dissolved as on 31st December 2022 on which date the Balance Sheet of the firm was as under:

Liabilities	Rs.	Assets	Rs.
Capital :		Cash	4,000
- L	17,000	Debtors	42,000
- U	8,000	Stock	16,000
- M	1,000		
General Reserve	6,000		
Loans			
- L	6,000		
- U	4,000		
Sundry Creditors	20,000		
	62,000		62,000

It was agreed that the realisation should be distributed in their due order at the end of each fortnight. The realisation and expenses were as under:

Particulars	Debtors (Rs.)	Stocks (Rs.)	Expenses (Rs.)
15th January 2023	7,500	4,500	1,000
31st January 2023	10,500	500	500
15th February 2023	8,500	8,500	1,000
28th February 2023	10,500	500	400
15th March 2023	2,050	3,050	600

Stocks were completely disposed off and the remaining debtors were to be taken over by Mr. M at an agreed amount of Rs. 600.

Show the Statement of distribution of cash as per Relative Capitals Method.

OR

[20 Marks]

- Q.2 The business of M/s' Lad and Wad', who were sharing profits in the ratio of 3: 2 has been taken over by ABC Co. Ltd. Their Balance Sheet as on 31-03-2023 was as follows:

Liabilities	Rs.	Assets	Rs.
Trade Creditors	16,580	Land and Building	40,000
Overdraft	8,950	Plant and Machinery	24,000
Capitals :		Stock	15,960
- Lad	40,974	Debtors	23,860
- Wad	37,316		
	103,820		103,820

The company took over all the assets and assumed all the liabilities and the consideration was fixed at Rs. 110,000. In computing this figure, Land and Building were valued at Rs. 60,000, Plant and Machinery at Rs. 20,000; Stock at Rs. 15,000 and Debtors at book value subject to allowance of 5% to cover the doubtful debts.

The Purchase price was settled by the issue of 3,300 Equity shares at Rs. 10 each, to firm, 2,500 Preference Shares of Rs. 10 each, and the balance paid in cash.

Prepare: (a) Realisation A/c (b) Partners' Capital A/c (c) ABC Co. Ltd. A/c (d) Equity Shares in Limited Company A/c and (e) Cash A/c.

Q.3 The following is the Trial Balance of a firm as on 31st December, 2022 [20 Marks]

Debit	Rs.	Credit	Rs.
Purchases	1,56,000	Capital Account	
Return Inward	2,400	- Sita	30,000
Stock	24,000	- Gita	30,000
Drawings		- Rita	30,000
- Sita	12,000	Sales	2,94,000
- Gita	12,000	Return outward	2,000
- Rita	12,000	R.D.D.	8,800
Salary	27,000	Creditors	78,500
Office Expenses	16,500		
Bad Debts	2,100		
Carriage Inward	4,500		
Carriage Outward	6,750		
Debtors	100,000		
Bills Receivables	3,250		
Bank Balance	8,800		
Premises	50,000		
Machinery	36,000		
	4,73,300		4,73,300

On 1st July 2022, 'Sita' retired and the following adjustments were agreed upon:

- Goodwill of Rs 90,000 was brought into the books of accounts.
- Furniture worth Rs 20,000 was purchased on 31-3-2022 but the invoice was not recorded in the books.
- Balance in Sita's account after making all adjustments was to be transferred to her loan account carrying interest @ 16%.
- Closing stock was valued at Rs 42,000.
- Depreciate machinery by 10%, Premises by 5% and furniture by 5% p.a.
- Provide interest on capital at 10%.

Prepare Trading and Profit & Loss Account for the year ended 31-12-2022 and a Balance Sheet as on that date.

OR

Q.3 The following is the Trial Balance of firm as on 31st December, 2022. [20 Marks]

Debit	Rs.	Credit	Rs.
Cash	29,700	Creditors	40,500
Debtors	93,000	Sales	5,40,000
Rent and Rates	17,700	Capital :	
Salary	36,000	- D	72,000
Sundry Expenses	15,600	- E	36,000
Stock	75,000	- F (including goodwill)	12,000
Purchases	3,30,000		
Sundry Assets	31,500		
Drawings :			
- D	45,000		
- E	22,500		
- F	4,500		
	700,500		700,500

Adjustments:

- D and E were partners sharing profits and losses equally.
- Mr. F was admitted to the partnership on 1st July, 2022.
- On 31st December, 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 July, 2022 and not to appear in the Balance Sheet.
- Interest on capital to be charged at the rate of 10% p.a.

You are required to prepare Trading, Profit and Loss Account for the year ended on 31st December, 2022 and Balance sheet as on that date.

[20 Marks]

Q.4 Mr. Bill and Mr. Will are partners in BW & Co. In a similar type of business Mr. Mill & Mr. Gill are partners in MG & Co. It was agreed that on 1st April, 2023 the old firms be amalgamated into one new firm BMW Group. The respective Balance Sheets of the Old firms as on 31st March, 2023 were as follows:

Liabilities	BW & Co. (Rs.)	MG & Co. (Rs.)	Assets	BW & Co. (Rs.)	MG & Co. (Rs.)
Capital:			Land & Building	29,600	40,000
- Bill	61,200	-	Furniture	7,200	5,600
- Will	44,000	-	Vehicles	12,000	7,200
- Mill	-	45,200	Stock	33,200	26,400
- Gill	-	29,600	Investments	3,200	-
Creditors	20,800	24,000	Debtors	27,200	23,200
Bank overdraft	-	3,600	Bank	13,600	-
	126,000	1,02,400		126,000	1,02,400

Terms and Conditions of amalgamation:

- Provision for doubtful debts @ 5% to be made on Debtors.
- Rebate on the liabilities of creditors to be provided @ 2%.
- New Firm to take over the assets of old firms as under :

	BW & Co. (Rs.)	MG & Co. (Rs.)
Stock	33,800	25,560
Vehicles	11,200	5,200
Furniture	6,400	-
Land & Building	40,000	-
Goodwill	25,200	16,000

- Furniture and Land & Building not taken over by New Firm were sold for Rs. 54,000 on 1st April, 2023 by MG & Co.
- Mr. Bill to take over investments for Rs. 3,040.
- The Capitals of the Partners in the New Firm were to be Rs. 216,000 to be contributed in profit sharing ratio; any adjustment to be made in cash.
- Profit Sharing Ratio:

	Bill	Will	Mill	Gill
Old Firms	4	3	3	2
New Firm	6	5	4	3

You are required to close the books of the Old Firms and prepare the Opening Balance Sheet of the New Firm.

OR

Q.4 Following is the Balance Sheet of two firms as at 31st March, 2023 [20 Marks]

Liabilities	Prem & Co. (Rs.)	Raj & Co. (Rs.)	Assets	Prem & Co. (Rs.)	Raj & Co. (Rs.)
Capital:			Premises	-	5,000
- Prem	11,500	-	Computers	10,000	-
- Anil	11,500	-	Furniture	5,000	7,000
- Raj	-	18,000	Inventory	9,000	8,000
- Shyam	-	12,000	Debtors	6,000	14,000
General Reserve	-	3,000	Bank	2,000	4,000
Creditors	5,000	4,000	Cash	1,000	2,000
Bills Payable	5,000	3,000			
	33,000	40,000		33,000	40,000

It was mutually agreed to amalgamate the business from 1st April, 2023. Terms of amalgamation were as follows:

- A premise was valued at Rs. 10,000 and computers at Rs.12,000.
- Furniture was not taken over by new firm.
- A reserve of 5% is to be created on debtors.
- Goodwill was valued as: M/s. Prem & Co. at Rs. 10,000 and that of M/s. Raj & Co. at Rs. 15,000.
- The new firm also assumed other Assets and Liabilities of old firm at book value.

Show necessary accounts in the books of old firms and the Balance Sheet of new firm M/s. Prem Raj & Co. after amalgamation.

Q.5 A] What is Amalgamation? Explain various objectives of Amalgamation. [10 Marks]

B] Explain the benefits of Conversion of firm into Company. [10 Marks]

OR

Q.5 Write a Short notes on (Any 4) [20 Marks]

- Partnership Deed and its content
- Piecemeal Distribution of Cash
- External Liabilities
- Purchase consideration
- Conversion of firm into Company
- Fixed capital and Fluctuating Capital Method