Q.1 X,Y and Z were in partnership sharing profit & losses in the proportion of 1/2, 1/3 and 1/6 respectively .The partnership was dissolved on march 31st ,the balance sheet on which data was as follows:

Liabilities	Rs.	Assets	Rs.
Capitals : X	20,000	Cash	4,000
Y	10,000	Debtors	42,000
Z	2,000	Stock	16,000
Loan: X	6,000		
Y	4,000		
Creditors	20,000		
	62,000		62,000

It was agreed that the net realization should be distributed in their due order at the end of each calendar month .The realisations and expenses were:

Date	Debtor (Rs)	Stock (Rs)	Expenses (Rs)
April	8,000	4,000	1,000
May	10,000	1,000	500
June	9,000	8,000	1,000
July	10,000	1,000	400
August	2,000	3,000	500

The stock having been completely disposed off, it was agreed that Z should take over the remaining debts at Rs.600/-. Show how the cash was distributed on the basis of excess capital Method. (15)

OR

Q.1 A,B and C were in partnership sharing profit & losses in the proportion of 1/2, 1/3 and 1/6 respectively .The partnership was dissolved on march 31st ,the balance sheet on which data was as follows:

Liabilities	Rs.	Assets	Rs.
Capitals : A	40,000	Cash	5,000
B	20,000	Debtors	64,000
C	4,000	Stock	31,000
Loan: B	8,000		
C	6,000		
Creditors	22,000		
	100,000		62,000

It was agreed that the net realization should be distributed in their due order at the end of each calendar month .The realisations and expenses were:

(P T O)

Date	Debtor (Rs)	Stock (Rs)	Expenses (Rs)
April	12,000	4,000	1,000
May	15,000	1,000	500
June	12,000	9,000	1,000
July	15,000	9,000	400
August	8,000	6,000	500

The stock having been completely disposed off, it was agreed that A should take over the remaining debts at Rs.1200/-. Show how the cash was distributed on the basis of excess capital Method. (15)

Q.2 Two independent firms carrying on similar business under the name and style Tina and Bina and Sona and Mona decided to amalgamate on 1st July 2001;when their respective Balance sheets were as under :

Liabilities	Tina & Bina (Rs)	Sona & Mona (Rs)	Assets	Tina & Bina (Rs)	Sona & Mona (Rs)
Tina's capital	40,000	-	Building	40,000	36,000
Bina's capital	20,000	-	Furniture	8,000	20,000
Sona's capital	-	35,000	Stock	28,000	24,000
Mona's capital	-	28,000	Debtor	7,000	22,000
Creditors	28,000	37,000	Investment	-	10,000
Mortgage Loan	12,000	-	Cash	17,000	10,000
Bills Payable	-	22,000			
	1,00,000	1,22,000		1,00,000	1,22,000

Terms of amalgamation were as under:

(A) For Tina & Bina –

(1) Firms should pay its mortgage loan.
(2) Building to be increased to Rs. 60,000.
(3) Furniture recorded 20% below cost should be recorded at its cost price.
(4) Stock to be reduced by Rs. 4,000.
(5) Debtor should appear in the books at 95% of book value.
(6) Goodwill to be valued at Rs. 30,000.

(B) For Sona and Mona

(1) Goodwill to be valued at Rs. 20,000.
(2) Investment not be taken over by the new firm.
(3) Stock was recorded 20% above the book value. It is to be recorded at its original cost.
(4) Reduce Debtor by 10%.

It was further decided that-

Total capital of the new firm is to be fixed at Rs.1,00,000 and the profit sharing ratio 3:2:3:2 is to be maintained for individual capital contribution of the partners.

(PTO)

Adjustment in this respect is to be done through Loan Accounts.
Goodwill account in the new firm is to written off. (15)

OR

Q.2 The Balance Sheet of M/s M & N and M/s R & S as on 31st December , 2007 were as follows :

Liabilities	M & N `	R & S `	Assets	M & N `	R & S `
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	-	39,000	Bank	7,200	5,400
Outstanding	7,200	11,400			
Expenses	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 31st December, 2007.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
Loan	-	38,000
Outstanding Expenses	7,200	11.400

In addition to the above it was decided :

1. Goodwill of M & N and R & S were valued at ` 35,000 and ` 20,000 respectively and it should be written off in the new firm.
2. That the Reconstructed Capitals of the Partners would be ` 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 and M/s R & S and
ii) The opening Balance Sheet of the new firm. (15)

Q. (3) Rama and Jaya were in partnership sharing profit in the ratio of 3:2. From 1st Jan.2003, they admitted Ajay into partnership giving him 1/6 share in profit. He brought Rs.10,000 cash, of which Rs. 3,000 was considered as being in payment for his share of goodwill and the balance as his capital. You are given :

(PTO)

- H -

Particulars	Dr.	Cr.	Particulars	Dr.	Cr.
Purchase and Sales	1,71,625	2,62,650	Bad Debts	400	
Returns	5,250	4,125	Loan at 5% to Dilip made on 1st August 2003	6,000	
Reserve for Doubtful debts		5,200	Prepaid Insurance	240	
Sundry Debtors and Creditors	40,200	25,525	Outstanding Wages		1,200
Bills Receivable and Bills Payable	20,070	11,950	Rent accrued but not paid		900
Stock(1st January 2003)	39,725		Capital Accounts (1st January 2003)		
Wages	17,175		A		15,000
Salaries	9,795		B		10,000
Furniture	5,000		Cash paid by C on 1st July 2003		20,000
Alterations to shop	15,500		Current Accounts-		
Postage, Stationery and Insurance	3,240		A	5,000	
Trade Expenses	2,690		B	4,000	
Rent, Rates and Taxes	4,200		C	2,000	
			Cash in hand	4,440	
				3,56,550	3,56,550

You are required to prepare the firm's Trading and Profit and Loss Accounts for the year ending 31st December 2003 and Balance Sheet as on that date having regard to the following information :

(1) Stock at the end was Rs.20,000.
(2) Sundry Debtors include an item of Rs.300 for goods supplied to B and an item of Rs.1.000 due from customer on account of sales , who has become insolvent.
(3) Depreciation on Furniture is to be charged at 10% per annum.
(4) Reserve for Doubtful Debts is to be maintained at 5% on the sundry debtors.
(5) Goods to the value of Rs.800 have been destroyed by fire and the Insurance Co. has admitted the claim for Rs.600 only.
(6) Bills Receivable include a dishonoured bill for Rs.1,100.
(7) One-fifth of the alterations to the shop are to be written off.
(8) The Gross profits for the year are to be allocated in ratio of time between the period before the admission and the period after the admission.

(15)

Q.4 A) Select the most appropriate alternative from those given below.

1) In the absence of partnership agreement partners share profit and loss in the……… ratio.
   a) 3:2 b)2:3 c) 1:1 d) Capital
2) The liability of partners in a firm is ----------- .

a) Limited b) Unlimited c) Partly Limited d) Zero

3) Excess capital Method is different from ---------

a) Surplus capital Method b) Highest Relative capital method c) Maximum loss method

4) Loss on Realisation is debited to --------- .

a) Realisation A/c b) Partners Capital A/c c) Cash and Bank A/c d) New Firm A/c

5) General Reserve should be distributed in ------- .

a) Capital Ratio b) Profit sharing ratio c) Equally (5)

B) State whether the following statements are TRUE or FALSE

1.Under Piecemeal distribution assets realized gradually.

2.Purchase consideration means amount agreed to be paid by old firm to new firm.

3.Assets and Liabilities are transferred to realization A/c at book value.

4. Goodwill is an intangible assets.

5.Prepaid expenses are shown on the liability side of balance sheet. (5)

C) ABC & Co. took over the following assets and Liabilities as follows:
Goodwill Rs.50,000 Land & Building Rs.1,00,000 Furniture Rs.30,000, Debtors(Book Value Rs.20,000) at 10% R.D.D, Bank balance Rs.10,000, CreditorsRs.25,000, Bills payable Rs.5,000. Find out purchase Consideration. (5)

OR

D) E, H, and K are partners who share income equally. At the end of piecemeal distribution ,the capital balances are E, 65000;H,Rs.67,000; K,Rs.64,000.The fixed assets valued at Rs.1,10,000 were sold for Rs.92,000. How much of the **loss on realization** should be allocated to E?

a)Rs.5,000 b)Rs.6,000

c)Rs.6,153 d)Rs.9,000 (5)

e)Rs.18000

2) B and G have dissolved their partnership .At the end of the piecemeal distribution, the remaining cash is Rs.1,40,000. B's capital balance is Rs.68,000,and G's capital balance is Rs.72,000.Their partnership agreement states That they will share profits and losses on a 2 :1 ratio. The amount of cash to be distributed to B is.

a)Rs.66,667 b)Rs.72,000

c)Rs.70,000 d)Rs.68,000 (5)

3)At the end of the piecemeal distribution ,Partners Ramesh and Maruti each have Rs.3,000 capital balances and share income and losses in a 2:1 ratio ,respectively .Cash equals Rs.1,000 ,Fixed assets total Rs.10,000 and liabilities are Rs.5,000.If all the fixed assets are sold for Rs.7,000, Maruti Finally receive cash of

a)Rs.4,667 b)Rs.2,000

c)Rs.1,000 d)Rs.2,333 (5)

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