

Class: S Y B Com (Sem-III)

Time: 3 Hrs 15/10/2019

Sub: Accountancy & Financial Management

Marks: 100

Q.1. A. State whether the following statements are true or false (any 10)

10 Marks

- i. Under Net Assets Method, agreed value of assets and liabilities are taken into a/c.
- ii. AS 14 deals with Amalgamation of firm
- iii. Amalgamation means merger of two firm.
- iv. Government dues are preferential liabilities.
- v. Under piecemeal distribution, realization of assets is gradual.
- vi. Undistributed profit is shared to partners in their capital ratio.
- vii. All variable expenses are allocated on the basis of Time Ratio.
- viii. Prepaid expense is a liability.
- ix. All partners of a partnership firm automatically become directors in the new company upon the conversion of the firm.
- x. Conversion of the firm into company does not involve dissolution of firm.
- ~~xi. Partnership is a non-trading concern.~~
- ~~xii. Balance sheet is an account -~~

Q. 1. B. Match the column (any 10)

10 Marks

| Column A | Column B |
|--|--|
| I. Dues to Employees | a. Outgoing Partner |
| II. Fluctuating Capital Method | b. Old Ratio minus New Ratio |
| III. Excess Capital Method | c. will be settled by old firm |
| IV. Amalgamation of Firm | d. 12% p.a. |
| V. Purchase Consideration | e. created after payment of external liabilities |
| VI. Loose Tools | f. 6% p.a. |
| VII. Preferential Liability | g. Income Tax due |
| VIII. Interest on Partner's Loan | h. Not a fixed asset |
| IX. Reserve for Contingent Liabilities | i. Amount payable by purchasing company |
| X. Liabilities not taken over | j. Purchase Consideration |
| XI. Ratio of Sacrifice | k. Highest relative method |

XII. Retirement of Partner

1. Separate current a/c is opened

m. Preferential liabilities

Q.2. Amit and Narendra are partners. Their final balances as on 31st December 2018 was as under. 20 Marks

| Debit Balances | Amt in INR | Credit Balances | Amt in INR |
|------------------|-----------------|--------------------|-----------------|
| Building | 74,000 | Amit's Capital | 90,000 |
| Machinery | 40,000 | Narendra's Capital | 90,000 |
| Furnitures | 20,000 | Sales | 6,80,000 |
| Purchases | 2,98,000 | Creditors | 52,000 |
| Stock | 60,000 | R D D | 3,000 |
| Wages | 65,000 | Discount | 10,000 |
| Carriage Inward | 25,000 | | |
| Salaries | 40,000 | | |
| Repairs | 18,000 | | |
| Commission | 5,700 | | |
| General Expenses | 30,000 | | |
| Rent & Taxes | 21,000 | | |
| Bank Balance | 95,000 | | |
| Cash Balances | 49,300 | | |
| Debtors | 84,000 | | |
| | 9,25,000 | | 9,25,000 |

Additional Information:

- Closing Stock was Rs. 50,000.
- Narendra has taken goods worth Rs. 5,000 for his personal use for which no entry was made in the books.
- Wages outstanding were Rs. 6,000 and Taxes paid in advance Rs. 2,000.
- Depreciation was to be provided at 10% on Machinery, 5% on Building & 15% on Furniture.
- Write off Rs. 2000 as Bad Debts and provision for doubtful debts is to be increased to Rs. 5,000.
- Goods costing Rs. 2,500 have been stolen but no entry was passed in the books.

Prepare Trading and Profit and Loss account for the year ended 31st December 2018 and Balance sheet as on that date.

OR

Q.2. The following is the Trial Balance of a firm as on 31st December 2018. 20 Marks

| Particulars | Debit Amt | Particulars | Credit Amt |
|------------------|-----------|-------------------------------------|------------|
| Current Account: | | Capital Account | |
| Karan | 10,000.00 | Karan | 30,000.00 |
| Kusum | 8,000.00 | Kusum | 20,000.00 |
| Kajal | 4,000.00 | Cash paid by Kajal on 1st July 2018 | 40,000.00 |

| | | | |
|---------------------------------------|-------------|----------------------------|-------------|
| Cash in Hand | 8,880.00 | Bills Payable | 23,900.00 |
| Opening Stock | 79,450.00 | Reserve for Doubtful debts | 10,400.00 |
| Purchases | 3,43,250.00 | Creditors | 51,050.00 |
| Returns Inward | 10,500.00 | Outstanding Salaries | 4,200.00 |
| Wages | 34,350.00 | sales | 5,25,300.00 |
| Salaries | 19,590.00 | Return Outwards | 8,250.00 |
| Furniture & Fixtures | 10,000.00 | | |
| Trademarks | 31,000.00 | | |
| Postage and Insurance | 6,480.00 | | |
| Trade Expenses | 5,380.00 | | |
| Rent | 8,400.00 | | |
| Debtors | 80,400.00 | | |
| Bad Debts | 800.00 | | |
| Investment @ 5% made on 5th Aug. 2018 | 12,000.00 | | |
| Prepaid Rent | 480.00 | | |
| Bills Receivable | 40,140.00 | | |
| | 7,13,100.00 | | 7,13,100.00 |

Karan & Kusum were running a business in partnership sharing profit equally.

On 1st July, 2018, Kajal admitted into partnership firm for 1/3rd share of profits. She bought in Rs. 40,000 in cash for which Rs. 12,000 were considered as being payment for her share of Goodwill and reminder as her capital.

Additional Information:

1. Rate of depreciation on Furniture is @ 10% p.a.
2. Goods to the value of Rs. 2,000 have been distributed as free sample.
3. 1/5th of the Trademarks are to be written off.
4. Closing Stock Rs. 40,000

You are required to prepare firm's Final Account for the year ending as on 31st December 2018. The Gross profit for the year is to be allocated in ration of time between pre & post admission period.

Q.3. Arvind, Chandan and Piyush were in partnership sharing profit & losses in the ratio 2:1:1. Their Balance Sheet as on 31-03-2018 was as under, the date of which they decided to dissolve the firm.

20 Marks

Balance Sheet as on 31-03-2018

| Liabilities | Amt in INR | Assets | Amt in INR |
|-----------------------------------|------------|----------------|------------|
| Sunday Creditors | 75000 | Cash on Hand | 45000 |
| Bank Loan (Secured against Stock) | 150000 | Stock in Trade | 200000 |
| Income Tax Payable | 20000 | Debtors | 300000 |
| Capital Accounts: | | Furniture | 180000 |

| | | | |
|------------------|--------|-----------|--------|
| Arvind | 200000 | Motor Car | 125000 |
| Chandan | 200000 | | |
| Piyush | 150000 | | |
| Loan from Piyush | 55000 | | |
| | 850000 | | 850000 |

1. Bank could realise Rs. 125000 only on disposal of stock.
2. A sum of Rs. 15000 was spent on Motor Car for getting better price.
3. Other assets were realise as follow:

| | |
|-----------------|------------|
| 1 st | Rs. 135000 |
| 2 nd | Rs. 50000 |
| 3 rd | Rs. 150000 |
| 4 th | Rs. 180000 |

4. The partners distributed the cash as and when available.

Using the Excess Capital Method show the Piecemeal distribution of Cash.

OR

Q.3. Following is the Balance Sheet of two firms as at 31st March, 2018: 20 Marks

| Liabilities | MM & Co. Rs. | NN & Co. Rs. | Assets | MM & Co. Rs. | NN & Co. Rs. |
|---------------|-----------------|-----------------|-----------|-----------------|-----------------|
| Capital: | | | Premises | - | 10,000 |
| Mamta | 23,000 | - | Computers | 20,000 | - |
| Meena | 23,000 | - | Furniture | 10,000 | 14,000 |
| Narmata | - | 36,000 | Inventory | 18,000 | 16,000 |
| Neena | - | 24,000 | Debtors | 12,000 | 28,000 |
| General | - | 6,000 | Bank | 4,000 | 8,000 |
| Reserve | 10,000 | 8,000 | Cash | 2,000 | 4,000 |
| Creditors | 10,000 | 6,000 | | | |
| Bills Payable | | | | | |
| | 66,000 | 80,000 | | 66,000 | 80,000 |

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

Terms of amalgamation were as follows:

- (a) Premise was valued at Rs. 20,000 and Computers at Rs. 24,000.
 - (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. MM & Co. at Rs. 20,000 and that of M/s. NN & Co. at Rs. 30,000.
 - (e) 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. MN & Co. after amalgamation.

(4)

Q.4. Veena, Eenna & Reena are partners sharing equal profits. They decided to convert their partnership firm into a joint stock company in the name of "VEER Ltd". Following is the Balance sheet on the date of conversion. 20 Marks

| Liabilities | Amt in INR | Assets | Amt in INR |
|------------------|------------------|-------------------|------------------|
| Capital: | | Building | 1,98,000 |
| Veena | 3,00,000 | Plant & Machinery | 1,52,000 |
| Eenna | 3,00,000 | Motor Van | 66,000 |
| Reena | 3,00,000 | Furniture | 84,000 |
| General Reserve | 24,000 | Stock | 1,20,000 |
| Bills Payable | 8,000 | Sundry Debtors | 1,65,000 |
| Sundry Creditors | 96,000 | Investment | 43,000 |
| | | Bank | 2,00,000 |
| | 10,28,000 | | 10,28,000 |

a. "VEER Ltd" took over the following assets and liabilities:

Building at Rs. 2,00,000

Plant & Machinery Rs. 2,00,000

Furniture Rs. 14,000

Stock Rs. 1,50,000

Goodwill Rs. 66,200

b. Create 10% Reserve for Doubtful Debts.

c. The Company has also agreed to take over Sundry Creditors at Rs. 82,000.

d. The purchase consideration was discharged by the issue of sufficient number of Equity Shares of Rs. 100 each fully paid up at par.

e. The firm sold Investment for INR 50,000 and paid bills payable fully.

f. Motor Van was taken over by Veena at book value.

g. The firm paid realisation expenses Rs. 20,000.

Purchase consideration was distributed amongst the partners as per their proportionate capital at the end. You are required to:

- Calculate the Purchase consideration
- Close the books of old partnership firm
- Prepare Balance Sheet of "VEER Ltd" as per the schedule III.

OR

Q.4. Amar & Co. and Deep & Co. carrying on allied business decided to amalgamate under the name of Amardeep & Co. on and from 31st December 2018. Their balance sheet as on that were as follows: 20 Marks

Balance Sheet

| Liabilities | Amar & Co. | Deep & Co. | Assets | Amar & Co. | Deep & Co. |
|--------------|------------|------------|-----------|------------|-------------|
| Capital A/cs | | | Machinery | 75,000.00 | 1,20,000.00 |
| Ajeet | 50000 | | Stock | 50,000.00 | 67,500.00 |
| Sujeet | 75000 | | Debtors | 75,000.00 | 50,000.00 |
| Samar | | 62,500.00 | Bank | 27,500.00 | 22,500.00 |

| | | | | | |
|-----------------|-------------|-------------|----------|-------------|-------------|
| Babar | | 62,500.00 | Goodwill | 12,500.00 | |
| General Reserve | 62500 | 50,000.00 | | | |
| Creditors | 37500 | 75,000.00 | | | |
| Bills Payable | 15000 | 10,000.00 | | | |
| | 2,40,000.00 | 2,60,000.00 | | 2,40,000.00 | 2,60,000.00 |

The term of Amalgamation were as follows:

- a. The valuation of assets & liabilities :

| Firm | Goodwill | Machinery | Stock | Debtors | Creditors | Bills Payable |
|------------|-----------|-------------|-----------|-----------|-----------|---------------|
| Amar & Co. | 37,500.00 | 95,000.00 | 45,000.00 | 70,000.00 | 45,000.00 | 13,000.00 |
| Deep & Co. | 30,000.00 | 1,12,500.00 | 62,500.00 | 47,500.00 | 70,000.00 | 8,000.00 |

- b. Profit Sharing ratio

| Before / After | Ajeet | Sujeet | Samar | Babar |
|----------------|-------|--------|-------|-------|
| Before | 1 | 4 | 3 | 2 |
| After | 2 | 1 | 1 | 1 |

- c. Goodwill was to be write off.
d. The agreement capital of new firm should be Rs. 3,00,000, to be distributed in new profit sharing ratio. The difference if any is to be settle in cash.

You are required to prepare :

- Statement of Purchase Consideration
- Ledger a/c to close the books of Amar & Co. and Deep & Co.
- Balance Sheet of Amardeep & Co. after amalgamation.

Q.5 A. What do you mean by amalgamation of firm? Explain the objectives of Amalgamation. 10 Marks

Q. 5 B. Explain in detail " Piecemeal Distribution". 10 Marks

OR

Q. 5. Write short notes (any 4) 20 Marks

- Purchase consideration
- Order of payment under piecemeal distribution
- Profit & Loss Appropriation A/c
- Admission of partner
- Conversion of firm into company
- Partnership Deed.

(6)