VCD 07/10/22 SYBCOM SEM III FINANCIAL ACCOUNTING 3 hrs Marks: 100

1) All questions are compulsory

Q.1. a) State whether the following statements are True or False (any ten) : (10)

1. The partners must conduct lawful business.
2. Every adjustment is to be recorded at two places.
3. RDD is provided on Debtors.
4. Profit or loss on realization is transferred to partners' capital account in capital ratio.
5. Purchase consideration is the amount payable by the vendor firm to the purchasing firm.
6. Partners` are entitled to salary.
7. Partners must share profit and loss equally.
8. In piecemeal distribution, liabilities due to outsiders are internal liabilities.
9. Partner can be admitted only on the first day of the accounting year.
10. Each Partner has a right to take part in the business.
11. Piecemeal distribution means piecemeal settlement of accounts.
12. In Amalgamation of firms, the old firms are dissolved.

b) Match the following column (any ten): (10)

Column A	Column B
1. Purchasing Firm	a) Assets minus Liabilities
2. Admission of Partner	b) Debited to Trading Account
3. Net Assets Method	c) Bad Debts
4. Carriage Inwards	d) 1932
5. A partner who is below 18 years.	e) New Firm
6. Liabilities not taken over	f) Incoming Partner
7. Debts Irrecoverable	g) Goodwill
8. Intangible Asset	h) Will be settled by old firm
9. Partnership Act	i) Credit Realisation Account
10. Loss on Realisation	j) Closing Stock
11. Unsold stock at the end of the year	k) Consideration payable on Amalgamation.
12. Purchase Consideration	l) Minor Partner

Q.2. Amar, Akbar and Anthony carried on business in partnership sharing profits and losses in the ratio of 2:1:2. (15)

The trial balance of the firm as on 31st March 2019 was as follows :-

Particulars	Rs.	Particulars	Rs.
Plant and Machinery	3,75,000	Capital Account:-	
Investment	1,25,000	Amar	2,25,000
Sales Return	12,500	Akbar	1,30,000
Furniture	1,17,500	Anthony	1.65.000
Motor Vehicles	1,50,000	Sales	14,12,500
Land & Building	2,50,000	Trade Creditors	2,17,500
Purchases	7,00,000	Commission	1,250
Opening Stock	1,15,000	Bills Payable	90,500
Salaries	1,55,000	Bank Loan	2,50,000
Office Expenses	1,00,500	Bank Overdraft	50,000
Rent and Insurance	38,750		
Accountant Fees	8,750		
Debtors	1,29,000		
Cash at Bank	1,09,250		
Drawings: Amar	30,000		
Akbar	15,000		
Anthony	47,500		
Bills Receivable	45,750		
Printing and Stationery	17,250		
	25,41,750		**25,41,750**

Additional Information:

1. Stock on 31st March, 2019 was valued at Rs. 1,66,250.
2. Depreciation: Land and Building at 5%
   Furniture at 10%
   Plant and Machinery at 20%
   Motor Vehicles at 20%
3. Provide for the following outstanding expenses as on 31st March, 2019.
   Salaries Rs. 20,000
   Printing and Stationery Rs. 6,000
4. Insurance Prepaid as on 31st March, 2019 Rs. 6,250.

You are required to prepare:

1. The Trading and Profit and Loss Account for the year ended 31st March, 2019.
2. The Balance Sheet as on that date.

OR

Q.2. Julie & Lilly were in partnership sharing profits and losses in the ratio of 3:2. From 1st April 2019, they admitted Fini into partnership giving her 1/5 share in profits. She brought Rs. 1,20,000 of which Rs, 15,000 was considered as share of goodwill and the balance as her share of capital. You are given: (15)

Trial Balance as on 31st March 2020

Particulars	Rs.	Particulars	Rs.
Drawings:		Rent Payable	11,100
Julie	48,000	Outstanding Wages	32,400
Lilly	42,000	Sales	31,68,000
Fini	30,000	Purchase return	31,800
Purchases	19,95,000	Reserve for Doubtful Debts	14,400
Sales Return	48,000	Creditors	3,61,200
Debtors	4,83,000	Bills Payable	90,750
Opening Stock	3,26,700	Dividend	9,900
Wages	2,41,800	**Capital:**	
Salaries	1,05,000	Julie	1,80,000
Buildings	90,000	Lilly	1,00,500
Patents	84,000	Cash Paid by Fini	1,20,000
Postage & Telegram	38,700	(as on 1-4-2019)	
Power & Fuel	22,500		
General Expenses	39,750		
Rent, Rates and Taxes	42,000		
Bad debts	6,300		
Investments	1,95,000		
Prepaid Insurance	6,000		
Cash and Bank	70,800		
Bills Receivable	2,05,500		
	41,20,050		**41,20,050**

Adjustments:

1. Closing stock was valued at Rs. 1,95,000.
2. Goods costing Rs. 12,000 have been stolen but not entered in books.
3. Write off 20% of Patents
4. Create provision for doubtful debts @5% of the debtors.
5. Depreciate building @ 10% p.a.

Prepare Trading and Profit and Loss Account and Balance Sheet as on 31 st March, 2020.

Q.3. Sony, Mony and Tony carrying on business in partnership decided to dissolve it on and from 30th September, 2020. The following was their Balance Sheet on the date: **(15)**

Balance Sheet

Liabilities		Rs.	Assets	Rs.
Capital Accounts:			Fixed Assets	80,000
Sony	40,000		Current Assets	44,000
Mony	10,000		Bank	26,000
Tony	20,000	70,000		

General Reserve		60,000		
Creditors		20,000		
		1,50,000		1,50,000

It was decided that after keeping aside an amount of Rs. 2,000 for estimated realisation Expenses, the available funds should be distributed among the partners as and when realized.

The following were the realisations:

	Fixed Assets Rs.	Current Assets Rs.
31st October, 2020 (First)	20,000	10.000
15th November, 2020 (Second)	52,000	24,000
30th December, 2020 (Final)	20,000	24,000

Actual realisation expenses amounted to Rs. 1,400. You are requested to submit a statement showing distribution of cash amongst the partners by Proportionate Capital Method.

OR

Q.3. From the following Balance Sheet of M/S Indian Store with Hum, Tum and Sub as partners sharing profits and losses in the ratio of 5:3:2. Their Balance Sheet on the date of dissolution was as follows: **(15)**

Liabilities	Rs.	Assets	Rs.
Partners' Capital		Fixed Assets	1,60,000
-Hum	77,600	Current Assets	1,20,000
-Tum	40,800	Cash in Hand	19,200
-Sab	52,000		
General Reserve	38,400		
Hum's Loan	42,400		
Sundry Creditors	48,000		
	2,99,200		**2,99,200**

1. Realisation Expenses were estimated at Rs. 8,000,
2. The Assets were realized as under:
   First Installment Rs 1,22,560
   Second Installment Rs. 57,440
   Third Installment Rs. 40,000
3. Actual realisation expenses were Rs. 6,000
4. Prepare a statement showing Piecemeal distribution of cash by adopting Excess Capital Method.

Q.4. M/s P & Q as partners decided to amalgamate with M/s R and Co. having R & S as partners on the following terms and conditions: - **(15)**

I. The new firm M/s PR and Co. to consider Goodwill of both the firm at Rs. 24,000 each.

II. The new firm to take over investments at 10% depreciation; Debtors and furniture at book value, Premises at Rs. 1,06,000, Land at Rs. 1,33,600, Machinery at Rs. 18,000 and such cash which remained after discharge of partners' loans by the respective old firms before amalgamation.

III. The new firm also assumed other liabilities of old firms.

The following were the Balance Sheets of both the firms on the date of amalgamation:

Liabilities	P & Co.	R & Co.	Assets	P & Co.	R & Co.
Creditors	40,000	20,000	Cash	30,000	24,000
Bills Payable	10,000	----	Investments	20,000	16,000
Loans: - P	16,000	----	Debtors	18,000	8,000
R	----	20,000	Furniture	24,000	12,000
Reserves	20,000	8,000	Premises	60,000	----

Capital: - P	70,000	----	Land	----	1,00,000
Q	44,000	----	Machinery	30,000	
R	----	72,000	Goodwill	18,000	
S	----	40,000			
	2,00,000	1,60,000		2,00,000	1,60,000

Prepare following Ledger Accounts in each case:

1. Realisation Account
2. Partners' Capital Account
3. New Firm Account and also Prepare the Balance Sheet of the New Firm.

OR

Q.4. Following is the Balance Sheet of two firms as at 31st March, 2019. **(15)**

Liabilities	Sameer & Co.	Anand & Co.	Assets	Sameer & Co.	Anand & Co.
Capital: -			Premises	----	10,000
Sameer	23,000	----	Computers	20,000	----
Ashish	23,000	----	Furniture	10,000	14,000
Anand	----	36,000	Inventory	18,000	16,000
Ravi	----	24,000	Debtors	12,000	28,000
General Reserve	----	6,000	Bank	4,000	8,000
Creditors	10,000	8,000	Cash	2,000	4,000
Bills Payable	10,000	6,000			
	66,000	80,000		66,000	80,000

It was mutually agreed to amalgamate the business from 1st April 2019.

Terms of Amalgamation were as follows: -

a) Premises was valued at Rs. 20,000 & 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 Sameer & Co. at Rs. 20,000 and that of M/S Anand & Co. at Rs. 30,000.
e) The new firm also assumed other Assets & Liabilities of old firm at book value. Show necessary accounts in the books of old firm and the Balance Sheet of new firm M/S Sameer Anand and Co. after amalgamation.

Q.5. XYZ Co. Ltd was formed with an authorized capital of Rs. 75,000 consisting of 5,000 Equity shares @ Rs 10. each and 2,500 6% Preference Shares of Rs. 10 each to acquire on 01-07-2020 the business of M/S Ram and Sam, who were sharing profits in the ratio of 3 : 2. Then Balance Sheet as on 30-06-2020 was as follows: **(15)**

Liabilities	Rs.	Assets	Rs.
Trade Creditors	8,290	Land and Building	20,000
Overdraft	4,475	Plant and Machinery	12,000
Capitals: Ram	20,487	Stock	7,980
Sam	18658	Debtors	11,930
	51,910		51,910

The company took over all the assets and assumed all the liabilities and the consideration was fixed as Rs. 55,000. In computing this figure, Land & Building were valued at Rs. 30,000,

Plant & Machinery at Rs. 10,000; Stock at Rs. 7,500; and Debtors at book value subject to allowance of 5% to cover the doubtful debts.
The Purchase Price was settled by the issue of 1,650 Equity Shares at Rs. 10 each, to the firm, 1,250 Preference shares of Rs. 10 each and the balance paid in cash.
Prepare:

a) Realisation A/c
b) Partners' Capital A/c
c) XYZ Co. Ltd A/c and
d) Cash A/c

OR

Q.5. Mona and Lisa were the partners in a firm sharing profits and losses in the ratio of 2:3 respectively. The Balance sheet of the firm as on 31-3-2021 was as Under: **(15)**

Liabilities	Rs.	Assets	Rs.
Capital Accounts:		Building	1,20,000
Mona	1,00,000	Machinery	20,000
Lisa	1,00,000	Furniture	25,000
General Reserve	10,000	Investment	15,000
Bank Loan	50,000	Debtors	70,000
Creditors	60,000	Stock	35,000
		Cash-Bank Balance	35,000
	3,20,000		3,20,000

On 1-04-2021 the firm was converted into "Mona & Lisa Co. Ltd.". Conditions of conversion and other information are as under:

1. The company has to take all the assets (except cash balance) and liabilities of the firm.
2. The goodwill of the firm is to be valued at Rs. 40,000.
3. The building and machinery are to be valued at Rs. 1,50,000 and Rs. 25,000 respectively. The investments are to be valued at Rs. 20,000.
4. Debtors are to be taken subject to 10% bad debts reserve.
5. The remaining assets are to be taken as per book value.
6. For settlement of purchase consideration the company has to give 20,000 Equity shares of Rs. 10 each equally to each partner, and the remaining amount in cash.

From the above information prepare in the books of the firm:

a) Realisation Account
b) Partners' Capital Account
c) Cash Account
d) New Company's Account

Q.6. Answer the following: **(20)**

A. What is Amalgamation? Explain Various Objectives of Amalgamation.
B. What is Purchase Consideration? Explain ways of Division and Distribution of Purchase Consideration.

OR

Q.6. Write Short Notes (any 4): **(20)**

a) Piecemeal Distribution of Cash
b) Methods of Calculating Purchase Consideration
c) Advantages or Benefits of Conversion of Firm
d) External Liabilities
e) Partnership Final Account
f) Profit & Loss Appropriation A/c.