Professor Vishwanathan Iyer's

HERAMB COACHING CLASSES

Yogeshwar Tower, Katemanivali, Kalyan (E)

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S.Y.BCOM/Financial Accounts Marks: 100 Duration:3Hour

Q.1.(A) SELECT THE MOST APPROPRIATE ALTERNATIVE FROM THOSE GIVEN BELOW(10)

1. In piecemeal distribution, amounts realised from assets are used to settle the liabilities in the following order -
   (a) Partner's Loans, Outside Liabilities, Realisation Expenses, Partners Capitals
   (b) Realisation Expenses, Outside Liabilities, Partners Loans, Partners Capitals
   (c) Outside Liabilities, Realisation Expenses, Partners Capitals, Partners Loan
   (d) None of the above

2. On amalgamation, fictitious assets of the vendor firm are transferred to ………..
   (a) Partners Capital Accounts (b) Purchasing Firm's Account
   (c) Realisation Account (d) P & L Adjustment Account

3. Any balance in the profit & loss A/c of the amalgamation firm will be transferred to
   (a) Capital Account of the partners (b) Profit & Loss Adjustment Account
   (c) New Firm's Account

4.

5. In piecemeal distribution, amounts payable to creditors are settled in the following order -
   (a) Preferential unsecured creditors, fully secured creditors, partly secured creditors, other unsecured creditors
   (b) Bank Overdraft, Bank Loans, Unsecured Creditors, Preferential Creditors
   (c) Secured Creditors, Preferential Unsecured Creditors, Unsecured Creditors •
   (d) None of the above

6. Income tax payable by a firm as on the date of dissolution is treated
   (a) as preferential creditors (b) as secured creditors
   (c) as unsecured creditors (d) as non-recoverable

7.

8. On amalgamation, Realization Account is opened
   (a) in the books of the purchasing firm
   (b) in the books of the vendor firm
   (c) in the books of both the purchasing and the vendor firm
   (d) none of the above.

9.

10.

(B) STATE WHETHER TRUE / FALSE: (10)

1.

2. Conversion of firm into company does not involve dissolution of firm.
3. On amalgamation of firm, Profit and Loss Ajustment Account is opened.
4. In a piecemeal distribution, the amounts realised from assets are used to pay first the Partners loans and then the outside loans.
5. In Excess Capital Method the minimum capital is equal to the lowest Unit Capital.

6.

7. Excess of Income over expenditure is Net profit.
8. Preferential Creditors include the loans given by partners on preferential terms i.e. without charging any interest.
9. On conversion of a firm into a Limited Company, partners of the firm can become directors in the new firm.

10.

Q.2.: Sudash and Bhudas are partners in a firm sharing profits and losses as Sudash 75% and Bhudas 25%. From the following Trial Balance of the firm as at 31st March, 2017; you are required to show the Trading and Profit & Loss Account (including Profit & Loss Appropriation Account) for the year ended 31 st March, 2017 and a Balance Sheet as at that date. **(15)**

	(Rs)		(Rs)
Opening Stock	40,000	Capital Account:	
Machinery	50,000	Sudash 50,000	
Furniture	20,000	Bhudas 40,000	90,000
Sundry Debtors	60,000	Sales	2,18,000
Purchases	1,05,000	Returns Outwards	1,400
Discount	2,500	Bills Payable	5,000
Carriage Inwards	1,500	Sundry Creditors	40,000
Carriage Outwards	1,400	Discount	2,000
Rent & Rates	2,400	Charandas' A/c	30,000
Returns Inwards	1,600		
Salaries	11,000		
Wages	15,000		
Bills Receivable	20,000		
Cash at Bank	56,000		
	3,86,400		3,86,400

Take into consideration the under mentioned additional information :

a) Closing Stock Rs. 6,000

b) Depreciate Machinery at 10% and Furniture at 20%.

c) Provide outstanding liabilities: Salary Rs.4,000 and Wages Rs.1,000

d) Bad-debts Reserve to be provided at 2 ½ % on sundry Debtor.

e) Interest on capital at 5%

f) Partnership salary for Sudash Rs.6,000 and Bhudas Rs. 5,000

g) The partners decided to admit Mr. Charandas into partnership from 1st April, 2016 for 1/5 share in future profit Mr. Charandas brought Rs. 30,000 as his capital which is credited to his account.

h) Goodwill of the firm was to be valued equal to 2 year purchase of average profit for the last 3 year. The profit were Rs. 20,000 Rs. 30,000 Rs. 25,000 for 2015, 2016 and 2017 respectively. Goodwill was to be raised at full value.

i) it was decided to adjust capital account of the partners in their profit sharing ratio through their current account.

OR

Q.2. : A, B and C were partners sharing profit & losses in the ratio of 3:3:2. On 1st January, 2017; C retired from the firm and A & B continued the business sharing profit and losses equally. The following is the Trial Balance as on 31st march, 2017. **(15)**

	Debit (Rs)	Credit (Rs)
Capitals / Drawings		
A	15,000	3,00,000
B	15,000	3,00,000
B	10,000	2,00,000
Opening Stock	2,88,600	
Purchase of Raw Materials	22,30,000	
Wages	69,200	
Power and Fuel	48,500	
Factory Rent	25,000	
Carriage Outward	34,700	
Sales (upto 31.12.2016, Rs. 36, 00,000)		48,74,000
Insurance Premium	51,000	
Discount	5,000	19,000
Printing and Stationary	41,400	
Office Rent	64,600	
Bills Receivable and Bills Payable	3,01,000	1,00,000
Sundry Debtors and Creditors	6,00,000	4,00,000
Plant and Machinery	16,00,000	
Motor Car	6,00,000	
Returns	74,000	30,000
Interest @ 14% on Investments		22,000
Investments (1.4.2016)	2,00,000	
Bad Debts	10,000	
Provision for Bad and Doubtful Debts		6,000
Life Insurance Premium paid (A-3,000; B-3,000 & C-2,000)	8,000	
	62,51,000	62,51,000

a) Closing Stock is Rs 5,40,000
b) Depreciate Plant and Machinery @ 15% p.a. and Motor Car @ 20% p.a.
c) General Insurance prepaid was Rs. 9,000.
d) Provide for outstanding factory rent Rs. 13,000.
e) Write-off Rs. 20,000 as bad debts.
f) Create provision for doubtful debts and provision for discount on debtors @ 5% and 2% respectively.
g) On 30th March, 2017; goods costing Rs. 40,000 were purchased on credit (included in Closing stock) which remained unrecorded.
h) Partnership deed provides for the following :
    i) Goodwill of the firm is valued at Rs. 1,00,000 Goodwill is to be accounted for through Capital accounts; No entry for the same has been passed yet.
    ii) C's dues are to be converted into his loan carrying interest @ 15% p.a.
    iii) Interest @ 9% p.a. is to be allowed on Capital.

Q.3. : Lata, Usha and Meena were in partnership, sharing profits and losses in the ratio of 1/2, 1/3 and 1/6 respectively. Their firm was dissolved as on 31st December, 2000 on which date the Balance Sheet of the firm was as under **(15)**

Balance Sheet As at 31st December, 2000

Liabilities	**Rs.**	**Assets**	**Rs.**
Capitals:		Cash	4,000
Lata	17,000	Debtors	42,000
Usha	8,000	Stock	16,000
Meena	1,000		
General Reserve	6,000		
Loans:			
Lata	6,000		
Usha	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 fortnight. The realization and expenses were as under:

	Debtors Rs.	Stock Rs.	Expenses Rs.
15th January 2001	7,500	4,500	1,000
31st January 2001	10,500	500	500
15th February 2001	8,500	8,500	1,000
28th February 2001	10,500	500	400
15th March 2001	2,050	3,050	600

Stock was completely disposed of and the remaining debtors were to be taken over by Meena at an agreed amount of Rs. 600. Show the statement of distribution of cash, following Highest Relative Capitals Method.

OR

Q.3: Anuradha, Sujata and Bimala carrying on business in the partnership decided to dissolve it on and from 30th Sept. 2000. The following was their Balance Sheet on that date: **(15)**

Balance Sheet

Liabilities		**Rs.**	**Assets**	**Rs.**
Capital Accounts:			Fixed Assets	40,000
Anuradha	20,000		Current Assets	22,000
Sujata	5,000		Bank	13,000
Bimala	10,000	35,000		
General Reserve		30,000		
Sundry Creditors		10,000		
		75,000		75,000

As per the arrangements with the bank, the partners were entitled to withdraw Rs. 4,000 immediately and Rs. 9,000 after 1st December 2000. It was decided that after keeping aside an amount of Rs. 1,000 for estimated realization expenses, the available funds should be distributed amongst the partners as and when realized. The following were the realization:

	Fixed Assets Rs.	Current Assets Rs.
31st October 2000(First)	10,000	5,000
15th November 2000{Second)	26,000	12,000
30th December 2000 (Final)	10,000	12,000

Actual realization expenses amounted to Rs. 700.
You are requested to submit a statement showing distribution of Cash amongst the partners.

Q.4.: In similar type businesses, Red and Yellow are in partnership as Orange Co. and Violet and Blue as Indigo Co. It was mutually agreed that as on January 1, 2001 the partnership be amalgamated into one firm, Rainbow Co. The profits-sharing ratios in the various firms were and are to be as follows: **(15)**

	Red	Yellow	Violet	Blue
Old Firm	4	3	3	2
New Firm	6	5	4	3

As on December 31, 2000 the Balance Sheets of the firms were as follows:

Liabilities	**Orange**	**Indigo**	**Assets**	**Orange**	**Indigo**
Capitals:			Property	7,400	1,400
Red	15,300	-	Fixtures	1,800	10,000
Yellow	11,000	-	Vehicles	3,000	1,800
Violet	-	11,300	Stock	8,300	6,600
Blue	-	7,400	Investment	800	-
Creditors	5,200	6,000	Debtors	6,800	5,800
Bank Overdraft	-	900	Bank Balance	3,400	-
	31,500	26,600		31,500	25.600

The agreement to amalgamate contains the following provisions:

a) Provisions for doubtful debts at the rate of 5% be made in respect of debtors, and a provision for discount receivable at the rate of 2.5% be made in respect of creditors.

b) Rainbow Co. to take over the old partnership assets at the following values:

Assets	Orange Co. (Rs.)	Indigo Co. (Rs.)
Stock	8,450	6,390
Vehicle	4,500	1,300

Fixture	1,600	-----
Property	5,900	-----

The Property and Fixtures of Indigo Co. not to be taken over by Rainbow Co. These assets were sold for Rs. 13,500 cash on January 1, 2001.
Yellow to take over his firm's investments at a value of Rs. 760.
The capital of Rainbow Co. to be Rs. 54,000 and to be contributed by the partners in profit sharing ratios, any adjustments to be made in cash.
You are required to give Journal Entries reflecting the closing of the old partnerships and Opening Balance Sheet of the new firm after taking into account the provisions of agreement.

OR

Q.4.: Following is the Balance Sheet of two firms as at 31st March, 2011 :- **(15)**

Liabilities	***Prem & Co***	***Raj & Co.***	***Assets***	***Prem & Co***	***Raj & Co.***
	Rs.	**Rs.**		**Rs.**	**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, 2011. Terms of amalgamation were as follows :-

1) Premises was valued at Rs.10,000 and computers at Rs. 12,000.
2) Furniture was not taken over by new firm.
3) A reserve of 5% is to be created on debtors.
4) Goodwill was valued as : M/s. Prem & Co. at Rs. 10,000 and that of M/s. Raj & Co. at Rs. 15,000.
5) 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, B and C were 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: **(15)**

Particulars	Rs	Particular	Rs
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 Mortgage	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:

	Rs.
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 Rs. 17,700.The company Paid Rs. 67,000 in fully paid shares of 10 each and the balance in cash.
The expenses amounted to Rs. 1,500.
Prepare ledger accounts.

OR

Q.5.: Ashok, Karan and Vipin were partners sharing Profits and Losses in the ratio of 3: 2: 1. Their Balance Sheet as on 31-3-2016 was as follows: **(15)**

Balance sheet as on 31-3-2016

Liabilities	Rs	Assets	Rs
Capital Account		Land and Building	42,000
Ashok	50,000	Machinery	30,000
Karan	20,000	Stock	26,000
Vipin	30,000	Debtors	44,000
General Reserve	24,000	Cash at Bank	6,000
Bills Payable	12,000	Furniture	10,000
Sundry Creditors	20,000		
Outstanding Expenses	2,000		
	1,58,000		1,58,000

The partners agreed to sell their business to a limited company. The company to take over the assets at the valuation shown below:

Land and Building	Rs. 45,000
Plant and Machinery	Rs. 25,000
Sundry Debtors	Rs. 40,000
Stock	Rs. 20,000
Furniture	Rs. 12,000
Goodwill	Rs. 20,000

The company also agreed to pay the Bills Payable which were agreed at Rs. 10,000. The Limited Company paid Rs. 46,000 in cash and the balance in Equity shares Re. 1 each. The creditors were paid by the firm at of 2 ½ Discount and Outstanding expenses were paid in full. The Realisation expenses amounted to Rs. 3,500.
Shows Realisation A/c, Partners Capital A/c, Cash A/c, Limited Company A/c,
Shares in Limited Company A/c. and show calculation of Purchase Consideration.

Q.6. (A) Define Partnership. What are the main features of partnership accounts? (10)

(B) Describe the order in which outside liabilities are paid under piecemeal distribution. (10)

OR

Q.6. Short notes: (any 4) (20)

1. Surplus capital method
2. Fixed Capital Method
3. Amalgamation of firm
4. Net Assets Method of Purchase Consideration
5. Conversion of firm into company
6. Sale of firm to a company.