S.Y.B.Com (Sem-III) March-2023

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Accountancy & Financial Management-III

Q.P. Code:00291

[Time:3.00 Hrs]	**[Marks:100]**

Please check whether you have got the right question paper.

N.B:
1. All question are compulsory.
2. Figures to the right indicate full marks.
3. Students answering in the regional language should refer in case of doubt to the main text of the paper in English.

Q.1

Q1) a) Match the columns (Any ten) 10 marks

	Column A		Column B
1.	Partners' Salaries	a	Old firm
2.	Purchase Consideration	b	Debited to Profit and Loss A/C
3.	Purchasing Firm	c	Assets minus Liabilities
4	Creditors	d	Debited to Trading Account
5.	Carriage Outwards	e	Contingent Liability
`6	Bills Discounted	f	Debited to Profit and Loss Appropriation A/C
7	Net Assets Method	g	Old ratio minus new ratio
8	Vendor Firm	h	Outgoing Partner
9	Admission of Partner	i	Consideration Payable on Amalgamation
10.	Carriage Inwards	J	External Liabilities
11.	Ratio of Sacrifice	k	Incoming Partner
12.	Retirement of Partner	l	New Firm

Q1) b) State whether the following statements are True or False (Any ten) 10 marks

1. The partners must conduct lawful business.
2. Drawing appears on debit side of capital account.
3. General reserve is credited to partners' capital account.
4. Unpaid salaries of employees are preferential liabilities.
5. Goodwill requires special treatment on amalgamation.
6. On amalgamation fictitious assets are transferred to capital account.
7. Partners' capital accounts are closed on settlement of purchase consideration among the partner
8. Profit or loss on realisation is transferred to partners' capital account in capital ratio.
9. Provision for discount on debtors shows debit balance.
10. Outstanding wages is a nominal account.
11. Closing stock is valued at market price only.
12. Assets taken over by partner is credited to his capital account.

Q.2

Q2) a. Prakash, Rajeev and Kavya are partners sharing profits and losses in the ratio 4 :2:1. They decided to dissolve the partnership as on 31st March, 2022 when their Balance Sheet was as under:

Balance Sheet as on 31st March, 2022 (20 marks)

Liabilities	₹	Assets	₹
Partners' Capital:		Land and Building	1,00,000
- Prakash	2,00,000	Machinery	3,00,000
- Rajeev	1,20,000	Debtors	90,000
- Kavya	40,000	Stock	69,000
10% Loan (Unsecured)	80,000	Cash and Bank	1,000
Bills Payable	60,000		
Creditors	60,000		

₹ 1,600 has to be provided for realisation expenses.

Thereafter all cash received should be distributed among the partners. The amount were realized as follows:

1st Realisation	₹ 1,20,600
2nd Realisation	₹ 1,00,000
3rd Realisation	₹ 1,58,000
4th Realisation	₹ 55,400

The actual realisation expenses were 1,000. Prepare a statement showing piecemeal distribution of cash as per Excess Capital Method

(OR)

Q2) b) Amar, Akbar and Anthony are in partnership sharing profits and losses in the ratio 3:2:1 respectively. They decide to dissolve the business on 31st December, 2022 on which date their Balance Sheet was as follows: (20 marks)

Balance Sheet as on ....

Liabilities		₹	Assets	₹
Capital Accounts			Land and Building	31,810
- Amar	39,700		Motor Car	5,160
- Akbar	10,680		Investment	1 080
- Anthony	11,100	61,480	Stock	19530
Loan Account:			Debtors	11 280
- Athony		3,000	Cash	5,940
Creditors		10,320		
		74,800		74,800

The assets were realised piecemeal as follows and it was agreed that cash should be distribute and when realized

	₹
15th January, 2023	10,380
20th February, 2023	27,900
23rd March, 2023	3,600
27th April, 2023 Anthony takes over investment at	1,360
27th April, 2023	19,200

Dissolution expenses were originally provided for an estimated amount of ₹ 2,700, but actual amount spent on 20th March, 2023 was ₹ 1,920. The creditors were settled for 10,080. You are required to prepare a statement showing distribution of cash among the partners by Proportionate Capital Method.

Q.3

Q3)a) Following is the Balance sheet of two firms as at 31st March, 2022 (20 Marks)

Liabilities	Ali & Co	Amir & Co.	Assets	Ali & Co	Amir & Co.
Capital:			Premises		5,000
Ali	11,500	-	Computers	10,000	
Anil	11,500	-	Furniture	5,000	7,000
Amir		18,000	Inventory	9,000	8,000
Shami	- -	12,000	Debtors	6,000	14,000
General Res		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, 2022

Terms of amalgamation were as follows

(a) Premises was valued at 10,000 and computers at ₹ 12,000.
(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. Ali & Co. at ₹ 10,000 and that of M/s. Amir & Co. at ₹ 15,000.
(e) The new firm also assumed other Assets and Liabilities of old firm at book value. Show necessary accounts in the books of old firm at a book value and the Balance Sheet of new firm M/s. Ali Amir & Co. after amalgamation.

OR

Q3) b) M and N were partners sharing profits and losses in the ratio of 3: 1 and P and Q were partners sharing equally.

Following were their Balance Sheet as on 31st March 2014. (20 Marks)

Liabilities	M & N (₹)	P & Q (₹)	Assets	M & N (₹)	P & Q (₹)
Capital Accounts:			Goodwill	4,000	-
			Plant & Machinery	20,000	27,000
M	30,000	-	Furniture	8,000	9,000
N	30,000		Stock	20,000	24,000
P		25,000	Debtor	19,000	17,000
Q	-	32,000	Fixtures	1,600	1,200
Creditors	10,000	15,000	Cash	3,400	3,300
Bills Payable	4,000	8,000			
Outstanding Rent	2,000	1,500			
	76,000	81,500		76,000	81,500

The firms are amalgamated on the following terms

1. Outstanding rent was paid in fully by the respective firms.
2. Creditors of both the firms were taken by the new firm at a discount of 5%.
3. Plant and Machinery is subject to 5% depreciation of both the firms.
4. Furniture of 'P' and 'Q' was sold in the market for 8,000 and furniture 'M' and ‘N’ was not taken over by the new firm.
5. Fixtures were not taken over by the new firm.
6. Stock of 'M' and 'N' was valued at ₹ 22,100 and that of 'P' and 'Q' was valued at ₹21,000.
7. Goodwill of M/s M and N is valued at ₹ 6,000 and that of M/s P and Q at ₹ 8,000. Goodwill account is not being retained in the books of the new firm.
8. Capital of each partner in the new firm is to be maintained at ₹ 25,000 by bringing cash or paying cash, as the case may be.

You are required to prepare:

1. Realisation A/c
2. Partners’ Capital A/c in the books of both the firms and
3. Amalgamated Balance Sheet 0f the new firm.

Q.4

Q4) (20 marks)

a) Mr. R was carrying on business as the proprietor. On 1st January 2022 he admitted Mr. S as a partner to the said business on the following conditions:

(1) Mr. S should bring in ₹ 30,000 as his capital.
(2) The goodwill of the entire business was determined at ₹ 25,000.
(3) Mr. S should be entitled to 40% profits of the business and that he should bring one half of

his share of goodwill in cash and for the balance of his share of goodwill, a Goodwill Account may be raised in the Books.

(4) Each year an amount of ₹ 1,000 be transferred from S's account to Goodwill Account so as to wipe off that account ultimately.
(5) Interest on Capitals of partners was fixed at 10% per annum.
(6) Salaries to partners
Mr. R ₹ 5,000 per annum. Mr. S ₹ 3,000 per annum.
(7) In addition, Mr. S was entitled to 10% of net profits of the business after providing for item Nos. 5 and 6.
(8) Each year an amount equal to 25% of net profits as they remain after providing for item Nos. 5, 6 and 7 should be transferred to General Reserve.

In addition to the balances, if any, arising from above, the following figures were extracted from the books of accounts of the partnership firm on 31st December 2022

Particulars	Dr ₹	Cr ₹
Trading Profit		1,84,000
Salaries to employees	10,000	
Rent, Rates & Taxes	4,000	
Discounts	1,500	
General Expenses	2,500	
Fire Insurance Premium	2,000	
Amounts brought in by Mr. S at the time of his admission		35,000
R's Capital Account		40,000
Creditors		5, ,000
Depreciation	8,000	
Fixed Assets	1,22,000	
Current Assets	93,000	
R's drawing	12,000	
S's drawing	9,000	
	2,64,000	2,64,000

Prepare Profit and Loss Account, Partners' Capital Accounts and the Balance Sheet of the Firm as at 31st December, 2022.

OR

Q4 (20 marks)

b) PQ Ltd. was formed to acquire the business P and Q who share profits in the ratio of 3:2 respectively

The Balance Sheet of P and Q on 31st December, 2022 was as under:

Balance Sheet as on 31st December 2022

Liabilities	₹	Assets	₹
Capital Account:		Land and Building	40,000
P	64,000	Machinery	20,000
Q	40,000	Stock	24,000
P's Loan	3,200	Debtors	23,200
Bills Payable	7,200	Bills Receivable	6,400
Sundry Creditors	21,600	Investments	4,800
		Cash at Bank	9,600
		Goodwill	8,000
	1,36,000		1,36,000

It was agreed by the company to take over the assets at book value with the exception of land and building, stock and goodwill which are taken over at ₹ 45,000, ₹ 20,000 and ₹ 28,800 respectively. The investments were retained by the firm and sold for ₹ 4,000. The firm discharged the loan of Mrs. P. The company took over the remaining liabilities. The purchase consideration was discharged by issuing ₹ 10,000 Equity shares of ₹ 10 each in PQ Ltd. and the balance was paid in cash. Prepare the Ledger Accounts of the firm assuming the shares are distributed amongst partners in their profit-sharing ratio.

Q5

Q5 a) Explain the meaning of purchase consideration and its different types. (10)

Q5 b) What is Profit and Loss Appropriation account? Discuss the items to be considered in Profit and Loss Appropriation account (10)

OR

Q5) Write Short notes (Any 4): (20 marks)

1) Excess Capital Method
2) Realisation Account
3) Amalgamation of firm
4) Sale of firm to company
5) Admission of partner
6) Preferential Creditors