

[Time:3.00 Hrs]		[Marks:100]
Please check whether you have got the right question paper.		
N.B:	<ol style="list-style-type: none"> 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	<p>(a)-State whether the following statements are True or False (Any ten): 10 marks</p> <ol style="list-style-type: none"> 1. Interest on drawings is an income of the firm. 2. In conversion of partnership into Limited Company, the partnership business is purchased by a limited company. 3. Dues payable to employees is a preferential liability of the firm. 4. In case of current accounts of partners, no interest is payable on the balances of current accounts. 5. In Amalgamation of firms, the old firms are called as Amalgamating Firms. 6. As per the Partnership Act, interest @ 6% p.a. is allowed on partners loans. 7. Excess capital method is also known as Quotient Method. 8. The payment of purchase consideration in the form of shares /debentures and cash is known as Net Payment Method. 9. Purchase consideration is the amount payable by the vendor firm to the purchasing firm. 10. Goodwill brought in by the incoming partner is shared by all the partners. 11. Loan taken from partner's spouse is an internal liability of the firm. 12. In case of amalgamation of firms, a realisation account is prepared to close the books of the old firms <p>Q.1 (b): Fill in the blanks (any ten):</p> <ol style="list-style-type: none"> 1. Fictitious assets are distributed among the partners in their _____ (Profit Sharing / Capital Sharing) 2. Assets and Liabilities are transferred to realisation account at _____ (Book Value / Market Value) 3. Unproductive wages are debited to _____ (Trading Account / Profit and Loss Account) 4. Expenses payable are shown on _____ side in the balance sheet. (Assets / Liabilities) 5. Current account showing debit balance is shown in the balance sheet on _____ side. (Liabilities / Assets) 6. Excess capital method is known as _____
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	<p>(Highest Relative method / Maximum Loss method)</p> <p>7. Profit on realisation is _____ to partners' capital account. (Credited / Debited)</p> <p>8. A partnership firm has _____ liability. (Limited / Unlimited)</p> <p>9. Government dues are _____ liability. (Preferential / Unsecured)</p> <p>10. Amount agreed to be paid by the new firm to old firm is called (Purchase consideration / Agreed liability)</p> <p>11. Bad debts is a _____ (Loss / Profit)</p> <p>12. Employee's dues are _____ liability. (Preferential / Secured)</p>																																												
Q.2	<p>a. Pandit, Sharma and Karma 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:</p> <p style="text-align: center;">Balance Sheet as on 31st March, 2022 (20 marks)</p> <table><tr><th>Liabilities</th><th>₹</th><th>Assets</th><th>₹</th></tr><tr><td>Partners' Capital:</td><td></td><td>Land and Building</td><td>1,00,000</td></tr><tr><td>- Pandit</td><td>2,00,000</td><td>Machinery</td><td>3,00,000</td></tr><tr><td>- Sharma</td><td>1,20,000</td><td>Debtors</td><td>90,000</td></tr><tr><td>- Karma</td><td>40,000</td><td>Stock</td><td>69,000</td></tr><tr><td>10% Loan (Unsecured)</td><td>80,000</td><td>Cash and Bank</td><td>1,000</td></tr><tr><td>Bills Payable</td><td>60,000</td><td></td><td></td></tr><tr><td>Creditors</td><td>60,000</td><td></td><td></td></tr><tr><td></td><td>560000</td><td></td><td>560000</td></tr></table> <p>₹ 1,600 has to be provided for realisation expenses.</p> <p>Thereafter all cash received should be distributed among the partners. The amount were: realized as follows:</p> <table><tr><td>1st Realisation</td><td>₹ 1,20,600</td></tr><tr><td>2nd Realisation</td><td>₹ 1,00,000</td></tr><tr><td>3rd Realisation</td><td>₹ 1,58,000</td></tr><tr><td>4th Realisation</td><td>₹ 55,400</td></tr></table>	Liabilities	₹	Assets	₹	Partners' Capital:		Land and Building	1,00,000	- Pandit	2,00,000	Machinery	3,00,000	- Sharma	1,20,000	Debtors	90,000	- Karma	40,000	Stock	69,000	10% Loan (Unsecured)	80,000	Cash and Bank	1,000	Bills Payable	60,000			Creditors	60,000				560000		560000	1st Realisation	₹ 1,20,600	2nd Realisation	₹ 1,00,000	3rd Realisation	₹ 1,58,000	4th Realisation	₹ 55,400
Liabilities	₹	Assets	₹																																										
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The actual realisation expenses were 1,000. Prepare a statement showing piecemeal distribution of cash as per Excess Capital Method

(OR)

Q2) b) M, N and O were in partnership sharing profits and losses in the ratio 2:1:1. They decided to dissolve the partnership on the basis of the following Balance Sheet

Liabilities	₹	Assets	₹
Sundry Creditors	5,000	Premises	40,000
Loan (on Mortgage of Premises)	30,000	Sundry Debtors	60,000
Partner's Loan (A)	15,000	Stock	70,000
General Reserve	10,000	Cash	3,000
Partners' Capital:			
- M	50,000		
- N	40,000		
- O	<u>23,000</u>		
	113,000		
	173,000		173,000

The assets were realised piecemeal as follows:

June 2022 - ₹ 5,000 received after meeting in full the mortgage loan.

July 2022 - Debtors ₹ 15,000, Stock ₹ 10,000

August 2022 – Debtors ₹ 20,000, Stock ₹ 25,000

September 2022 - Debtors ₹ 17,000, Stock ₹ 23,000 (Final)

The remaining stock was taken over by N at an agreed value of ₹ 3,000.

The Sundry Creditors were settled for ₹ 4,000.

The partners decided to distribute cash as and when realised.

You are required to show the distribution of cash, applying the highest relative capitals" method.

Q.3 a) 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
	(₹)	(₹)		(₹)	(₹)

Q.P. Code:00292

Capital Accounts:			Goodwill	4,000	-
M			Plant and Machinery	20,000	27,000
N	30,000	-	Furniture	8,000	9,000
P			Stock	20,000	24,000
Q	30,000	-	Debtor	19,000	17,000
Creditors		25,000	Fixtures	1,600	1,200
Bills Payable	-	32,000	Cash	3,400	3,300
Outstanding Rent		15,000			
	-	8,000			
	10,000	1,500			
	4,000				
	2,000				
	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 of the new firm.

OR

Q3) b) Arts and Craft decided to amalgamate on the following terms and conditions on 1st April, 2022, when their Balance Sheets were as follows:

(20 Marks)

Particulars	Arts	Crafts	Particulars	Arts	Crafts
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Q.P. Code:00292

P's Capital	86,400	-	Buildings	50,000	-
Q's Capital	63,600	-	Furniture	31,600	48,600
R's Capital	-	1,12,300	Investments	25,000	-
S's Capital		42,200	Stocks	34,100	49,500
Creditors	-	15,500	Debtors	40,000	50,000
Bank Loan	27,500	-	Cash at Bank	9,300	21,900
	12,500				
	1,90,000	1,70,000		1,90,000	1,70,000

Terms of amalgamation**1. In case of Arts**

(a) Goodwill was valued at ₹ 60,000.

(b) P's took over Bank Loan.

(c) Investments were taken over by the new firm at ₹ 30,000.

(d) Building was taken to be worth ₹ 90,000.

(e) Stock to be valued at ₹ 32,600.

(f) Provision for doubtful debts to be created at 5% on debtors.

2. In case of Crafts

(a) Goodwill was valued at ₹ 50,000.

(b) Stock was valued at ₹ 42,000.

(c) Provision for doubtful debts to be created at 4% on debtors.

Other assets and liabilities of both the firms were taken at book values. You are required to show necessary ledger accounts in the books of Arts and Crafts and prepare Balance Sheet of New Firm after Amalgamation. Amalgamated Balance Sheet of the new firm.

Q.4

a) The following is the Trial Balance of M/s. A, B and M as on 31-12-2022.

(20 marks)

Particulars	Dr ₹	Particulars	Cr ₹
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Drawings:		Capital Accounts:	
- A	4,000	- A	12,000
- B	4,000	- B	12,000
- M	4,000	- M	12,000
Purchases	52,000	Sales	92,000
Goods Returned	800	Returns	600
Stock (1-1-2022)	8,000	Bad Debts Provision	3,000
Salary	9,000	Bank Loan	6,750
Office Expenses	4,000	Creditors	25,500
Trade Expenses	1,500	Bills Payable	900
Bad Debts	700	Other Loan	2,000
Carriage inward	1,500		
Carriage outward	2,250		
Debtors	33,500		
Bills Receivable	1,000		
Bank Balance	2,800		
Cash on Hand	700		
Investment	5,000		
Buildings	20,000		
Plant & Machinery	12,000		
	1,66,750		1,66,750

On 1st July 2022 A died. The following adjustments were agreed upon for the purpose of change in constitution and you are required to give effect to them.

- (1) Goodwill was to be raised at 30,000 and brought into the books.
- (2) Machinery worth ₹ 24,000 was purchased on 31st March 2022, but the purchase invoice was not recorded in the books.
- (3) Balance standing to the credit of A after giving effect of above was to be treated as loan of Mrs. A on which interest @ 15% p.a. is allowed.

Further adjustments at the year-end:

- (1) Closing stock is valued at ₹ 14,300.
- (2) Bad debts provision is to be kept at ₹ 1,500.
- (3) Depreciate plant by 10% and building by 5% p.a.
- (4) 15% interest on partner's capital is to be provided.
- (5) Each partner is to be paid a salary of ₹ 1,200 p.a.
- (6) Loan of ₹ 300 was given to a worker but is wrongly debited to Salary Account.
- (7) Outstanding trade expenses ₹ 100.

OR

Q4

(20 marks)

b) Simple Ltd was formed to acquire the business of Smiti, Aarti and Prachi who share profits and losses in the rate of 2:1:1 respectively. The Balance Sheet of the partnership firm as on 31-12-22 was as follows

Liabilities	₹	Assets	₹
Capital A/cs		Machinery	37,000
Smiti	25,000	Stock	17,000
Aarti	12,000	Motor Car	10,000
Prachi	12,000	Debtors	19,000
Reserve Fund	5,000	Investments	10,000
Creditors	24,000	Cash	1,000
Bills Payable	16,000		
	94,000		94,000

Simple Ltd. took machinery, stock, debtors at 10% less than the book value and agreed to pay ₹ 10,000 for Goodwill. It also agreed to pay the creditors at book value. The purchase consideration was satisfied in 400 shares of ₹ 100 each and the balance in cash.

Jyoti took over the Motor Car at ₹ 8,000. Investments were sold in the market for ₹ 9,000. The firm paid Bills Payable @ 10% discount. Realisation expenses amount to ₹ 2,300.

The firm sold the shares of 'Simple Ltd.' at ₹ 36,000.

Prepare: (a) Realisation A/c (b) Capital A/cs of Partners (c) Ltd. Co. A/c (d) Cash A/c

Q.5

a) Explain the benefits of conversion of firm into company. (10)

b) Explain the methods of calculating purchase consideration (10)

OR

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

- 1) External Liabilities
- 2) Fixed Capital Method and Fluctuating Capital Method
- 3) Net Asset Method of Purchased Consideration
- 4) Realisation Account
- 5) Death of Partner
- 6) Accounting Procedure in the books of Purchasing Company