1. I. Fill in the Blanks (Any 8)

a. On amalgamation assets and liabilities are transferred to ______________ account.

b. Purchase Consideration is the amount payable by the ____________ firm to the __________ firm for taking over its business.

c. On dissolution a secured creditor could only partly recover his dues out of the amounts realized from the concerned assets. The remaining amount is treated as ___________ creditors.

d. Municipal tax payable by a firm as on the date of dissolution is treated as__________.

e. If the business of ABC co. is taken over by an existing firm PQR co.: ___________ co. is known as the purchasing firm.

f. Division of equity shares in profit sharing ratio and debentures in ratio of capital is ____________ approach.

g. On sale of firm to a company the purchase consideration is calculated by ____________ methods. (Any two methods).

h. Liability of partners in partnership firm is ____________.

i. Interest on drawing of a partner is credited ___________ account.

j. A __________ center is any unit of an organization to which transaction (generally revenue) can be allocated.

II. State True or False. Give reasons for it. (Any 7)

a. Partner's capital account can show a debit balance.

b. The current account of a partner cannot appear on the assets side of a balance sheet.

c. If the shares received as purchase consideration on sale of firm to accompany are to be distributed "equitably", equity shares are to be distributed in the ratio of partner's capital.

d. Purchase Order records the placing of an order for stock items by customers.

e. If purchase consideration is more than the value of the net assets taken over, the difference is shown in capital reserve.

f. In case of amalgamation of firms goodwill of both the firms is ignored.

g. Preferential creditors include the loans given by partners on preferential terms that are without charging interest.

h. Reserve for doubtful debts is made on sundry debtors before writing off bad debts.

2. A. D, E, F were in partnership sharing profits and losses in the ratio 3:2:1. They dissolved the firm on 31-12-2013, on which date their balance sheet appeared as follows:

Liabilities		Assets	
Creditors	40000	Cash	10000
General Reserve	12000	Debtors	80000
Capital		Stock	27000
D 30000			
E 25000			
F 10000	65000		
	1,17,000		1,17,000

The realization and expenses were:

Date	Debtors	Stock	Expenses
January	12000	6000	1000
February	22000	1000	1500
March	6000	10000	1200
April	18000	5000	900
May	15500	3000	1500

It was arranged that the net realization should be distributed in their due order at the end of each month. It was decided in May that F would take over the debtors for Rs.2500.

every month.

Or

B. S, G and R 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.

Sundry Creditors Loan (on mortgage of premises) Partner's loan(A) General Reserve Partner's Capital S – 50,000 G – 40,000 R – 23,000	5000 30000 15000 10000 1,13,000	Premises Sundry Debtors Stock Cash	40,000 60,000 70,000 3,000
	1,73,000		1,73,000

The assets were realized in the following ways:

I. June 2013 – Rs.5000 received after meeting in full the mortgage loan.
II. July 2013 – Debtors Rs.15000, Stock : Rs.10,000
III. August 2013 – Debtors Rs.20,000, Stock: Rs.25,000
IV. September 2013 – Debtors Rs. 17000, Stock: Rs.23000
V. The remaining stock was taken over by G at an agreed value of Rs.3000
VI. The sundry Creditors were settled for Rs.4000
VII. The Partners decided to distribute cash as and when realized.
You are required to show the distribution of cash, statement of excess capital. Show necessary working notes.

3. A) A & B and C&D are two partnership firms carrying on similar type of businesses, sharing Profits and losses A&B in the ratio 8:7 and C&D in the ratio 3:2 respectively. They agree to amalgamate their business as on 1.1.2014.

Liabilities	A&B	C&D	Assets	A&B	C&D
Creditors	25,600	22,400	Freehold land	30,000	20,000
Outstanding Expense	2,800	-	Furniture	7,200	5,600
Bills Payable	-	2,000	Machinery	10,000	6,800
Current A/C			Cash	19,600	14,400
A	4,000	-	Stock	23,600	26,800
B	2,400	-	Debtors	28,400	26,000
Capital A/C			Investment	6,000	-
A	48,000				
B	42,000				
C		44,000			
D		31,200			
	1,24,800	99600		1,24,800	99,600

The terms of amalgamation are:

I. Assets to be taken over at following values:

	A&B	C&D
Stock	22,800	24,800
Machinery	9,200	6,000
Furniture	8,000	10,000
Freehold Land	38,000	30,000

II. Provision to be made for doubtful debt of A&B for Rs.1600 and C&D for Rs.2000
III. The creditors of both the firms were taken by the new firm at discount of 2.5% and other liabilities are paid in full by the respective firms.
IV. "A" to take over the investment at Rs.4800
V. The good will of A&B is to be taken at 30,000 and C&D Rs.20,000

VI. The capital of the new firm is to be Rs.200,000 and the capitals of A,B,C,D were to be in their PSR which was to be 6:5:5:4 respectively

You are required to prepare realization account and partner's capital account in the books of the firm and balance sheet of the new firm.

Or

B. A and B were partners sharing profits and losses in the ratio 3:1 and C and D were partners sharing equally. Following were their balance sheet as on 31-12-2013

Liabilities	A & B	C& D	Assets	A&B	C & D
Creditors	10000	15000	Machinery	20000	27000
Bills payable	4000	8000	Furniture	8000	9000
Mrs. B's loan	10000	-	Stock	20000	24000
Mrs. D's loan	-	7000	Debtors	19000	17000
Outstanding	2000	1500	Fixtures	1600	1200
rent			Cash	3400	3300
Capital	30000	-	Goodwill	4000	-
A	20000	-			
B	-	25000			
C	-	25000			
D	76000	81500		76000	81500

The firms are amalgamated on the following terms:

i. Mr. B agreed to pay Mrs. B's loan and Mr. D agreed to pay Mrs. D's loan
ii. Outstanding rent was paid in full by the respective firms.
iii. Creditors of both the firms were taken by the new firm at a discount of 5%
iv. Machinery is subject to 5 % depreciation of both the firms
v. Furniture of C & D was sold in the market for 8000 and furniture of A and B was not taken over by the firm.
vi. Fixtures were not taken over by the firm
vii. Stock of A & B was valued at 22100 and C & D was valued at 21000
viii. Goodwill of A& B is valued at 6000 and C & D at 8000. Goodwill account of the old firm is not to be retained in the books of new firm.
ix. R.D.D of 5 % is to be provided on debtors of both the firms
x. Capital of each partner in the new firm is to be maintained at 25000 by bringing cash or paying cash as the case may be.

4. A. Mohan and Sohan are carrying on business in name of Motion and Co. sharing profit in ratio 2:3. On 31.03.2014 their Balance sheet was:

Liability	Amount	Asset	Amount
Sohan	88,000	Machinery	60,000
Mohan	60,000	Stock	40,000
General Reserve	24,000	Debtors	48,000
Loan of Sohan	16,000	Property	72,000
Bank Overdraft	32,000	Furniture	8,000
Creditor	20,000	Cash/Bank	12,000

On the same date Motion Pvt Ltd was incorporated to take over the running business of Motion Co. on the following terms:

I. Machinery is overvalued by Rs.6000 and property is undervalued by Rs.8000. other assets and liabilities except loan of Sohan are taken over at book value.

II. Goodwill of the firm is to be valued at 2 years purchase of average profits of past five years. The firm used to transfer Rs.4000 every year to general reserves. The profits after above transfer were, Rs. 12,800, Rs.14000, Rs.15000, Rs.14200, and Rs.15400.

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III. The company decided to allot debentures to that partner who has excess capital after all necessary adjustment to the extent of such amount and equity shares for balance amount payable. Face value of shares is Rs.10

IV. Compute the Purchase Consideration statement, Realization account, and Balance sheet. Show necessary Working Notes.

Or

B. Bomi and Homi were in partnership sharing profits and losses in the ratio of 3:2. The following was the summarized balance sheet of the firm as on 31st December 2013.

Liabilities		Assets	
Capital Bomi 75160 Homi 44080	119240	Building, plant, machinery, & equipment	84000
Loan : Homi : 30000 Interest accrued : 800	30800	Investment	32000
Creditors	25000	Current Assets: Stock 40000 Debtors 35000	75000
Bank OD	15960		
	191000		191000

i. Homi and Bhomi wishing to dissolve partnership accepted the offer of a company to purchase their business. The company agreed :

a. To take over the stock and the buildings, plant and machinery and equipments with exception of two motor cars whose book values were Rs.8000 and Rs 4000 respectively and

b. That the consideration of Rs.200,000 was to be satisfied by allotment to the partners of 1500 equity shares of Rs. 100 each

ii. Homi took over the first mentioned motor car at a valuation of rs.8500 and Bomi the other at a valuation of rs. 3500

iii. Homi's loan along with interest accrued thereon was transferred to his capital account.

iv. Cash realized on the sale of investments amounted to 28000. The debtors realized 33000 and the creditors were settled for 24000

v. Realization expenses incurred was 1500

vi. The partners agreed to divide the shares in their PSR settling their final balance by cash.

You are required to prepare Realization Account, bank account, partner's capital account showing the final settlement between them.

5. Write Short Notes on: (Any 3)

a. Pure inventory transaction, Receipt Note, Delivery Note, Stock Journal

b. Profit Center and Cost Center

c. Purchase Consideration and its methods

d. Order of payment in piecemeal distribution

e. Methods of distribution in Sale or Conversion.