SY (AF) Fin Acts

LM3AEI

5/3/13

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TIME : 2 Hrs. **Marks : 60**

N.B.:

1. All questions are compulsory.
2. Figures to the right indicate full marks.

Q.1 Following were the Balance sheet of M/s E and Co. and M/s F and Co. as on 31st Dec., 2011. [15]

Liabilities	E & Co ₹	F & Co ₹	Assets	E & Co ₹	F & Co ₹
Capital A/c			Furniture	4,000	5,000
E	40,000		Premises	40,000	-
G	20,000		Debtors	15,000	20,000
F		15,000	Stock	20,400	18,300
H		10,000	Cash	5,600	6,700
Creditors	20,000	25,000			
Mrs. E's loan	5,000				
	85,000	**50,000**		**85,000**	**50,000**

The two firms decided to amalgamate their business as from 1st January, 2012 and form a new firm EF & Co. for this purpose it was agreed that Mrs. E's loan should be repaid by the firm. Goodwill of M/s E & Co. was fixed at Rs. 8,000 and that of M/s F & Co at Rs. 10,000. Premises were revalued at Rs. 50,000. The stock of M/s E & Co was found over valued at Rs. 4000, where as the stock of M/s F & Co was undervalued by Rs. 2000 A provision of 5% was Created for doubtful debts of both the firms. The total capital of the new firm was to be in his profit sharing ratio which was to be 3:2:3:2 Adjustments to be made through their current accounts. Prior to that Goodwill A/c in the new firm was to be written off.

Prepare ledger accounts in the books of E & Co. & F & Co. to close these Partnership firms and also prepare opening Balance sheet of EF & Co. after the amalgamation scheme is carried out.

Q.1 M, N and O share profits of a business as to ½, ⅓ , ⅙ respectively. Their Balance sheet as on 31.12.2011 was as follows : [15]

Liabilities	₹	**Assets**	₹
Capital A/c		Goodwill	1,00,,000
M	7,00,000	Land	2,00,000
N	8,00,000	Building	11,00,000
O	1,00,000	Machinery	5,00,000
General Reserve	1,80,000	Motor Car	2,80,000
Investment fluctuation	40,000	Furniture	1,20,000
Fund		Investment	1,80,000
O's loan	3,30,000	Loose tools	70,000
Mr's M's loan	1,50,000	Stock	1,80,000
Creditors (trade)	7,60,000	Bills Receivable	2,00,000
Creditors (Exp.)	2,00,000	Debtors 400000	
Bills payable	1,40,000	(-) provision (20,000)	3,80,000
Bank Overdraft	6,00,000	Cash	10,000
		O's Current A/c	5,60,000
		Profit & Loss A/c	1,20,000
	40,00,000		**40,00,000**

The partners decide to convert their firm into a joint stock company for this purpose MNO Ltd was formed with an authorised capital of Rs. 1,00,00,000 dividend into Rs. 100 equity shares. The business of the firm was sold to the company as at the dat of balance sheet given above on the following terms.

1. Motor car, furniture, Investments, loose tools, debtors and cash are not to be taken over by the company
2. Liabiities for bills payable and bank overdraft are to be taken over by the company
3. The purchase price is settled at Rs. 1955000 payable as to Rs. 755000 in cash and the balance in companys fully paid shares of Rs. 100 each.

The remaining assets and liabities of the firms are directly disposed of by the firm as per details given below. Investments are taken over by M of Rs. 130000, debtors realised in all Rs. 200000, Motor car, furniture and loose tools fetch Rs. 2,40,000, Rs. 40000 and Rs. 10000 respectively. M agrees to pay his wife's loan and the creditors were paid Rs. 7,40,000 in final settlement of their claims. Creditors for expenses are paid in full.

The realisation exprenses amount to Rs. 5000. The equity shares received from the vendor company are to be divided among the partners in profit sharing ratio. According to the partnership deed the partner's loan is to be adjusted against the capital account debit balance if any.

You are required to show the necessary ledger account in the book of the firms.

Q.2 Objectives

A) Fill in the blanks.

1. The assets liabilities and capital accounts of the amalgamation are closed by opening ....

   a) capital account of the partners b) Profit & loss Adjustment A/c

   c) New firm Account d) Trading A/c

2. On sale of firm to a company the purchase consideration is calculated by.........

   a) lumpsum method b) Payment method

   c) Net asset method d) Any of the above

3) Closing stock with consignee is shown in the Balance sheet of..........

   a) Consignee b) Agency

   c) consignor d) Consignment

4) The hire purchases can record the asset at its ....

   a) hire purchase price b) Cash price

   c) Sale price d) down payment

5) If the Gross profit is 16.67% on cost then the gross profit rate on sale is equal to .... of sales.

   a) ½ b) 1/4

   c) 1/6 d) 1/5

6) The relationship between consignor and consignee is of ....

   a) Debtor and creditor b) purchase and seller

7) Shares or debentures received from company on sales of firm are distributed among the partners ....

a) in specific ratio agreed by all partners

b) equitably

c) in ratio of capitals

d) any of the above

B) State whether TRUE or FALSE : [7]

1. On sale of firm to a company cash and bank accounts are transferred to the realisation a/c even if not taken over by the company.
2. When assets are acquired under hire purchase system depreciation need not be provided as the vendor still continues to be the legal owner of such assets.
3. All expenses incurred by consignee are debited to his account.
4. When the firms are amalgamated, profit & loss adj. A/c is prepared to close the books of such firms.
5. Del-credere commission is always allowed on credit sales only.
6. While calculating insurance claim value of salvage is deducted from the cost of the stock lost.
7. Invoice price is always equal to selling price.
8. Hire vendor should provide for depreciation in his books as h continues to be the legal owner of such goods.

OR

Q.2 Multiple choice questions.

A) Fill in the blanks

1. Any balance in the profit and loss account of the amalgamation firm will be transferred to ....

   a) Capital account of the partners

   b) Profit & loss adjustment account

   c) New firms account

   d) Current account

2. If the Gross profit is 25% on cost then the gross profit rate on sale is equal to .... of sales.

   a) 1/2

   b) 1/3

   c) 1/5

   d) 1/4

3. Under higher purchase agreement the buyer agrees to pay............

a) Cash price only b) interest only

c) Cash price and interest d) Down payment

4 Extra commission given to the consignee for making him responsible for Bad debt this extra commission is known as ....

a) Commission b) Over riding Commission

c) Profit to consignee d) Del credere commission

5. Realisation expenses paid by the company to the firm on conversion are ....

a) debited to Deferred Revenue expenditure A/c

b) Credited to capital Reserve A/c c) debited to goodwill a/c

d) credited to current A/c

6. Depreciation is calculated on the full as the same is not affected by the extent of Payment made

a) Down payment b) cost price

c) Cash price d) written down value

7. While valuing closing stock consignment the .... expenses incurred by consignor are added to the cost of stock.

a) full b) half

c) proportionate d) Nil

B) State whether TRUE or FALSE :

1. Goods returned by the consignee should be charged to consignment account at cost or market price whichever is lower.
2. Though the instalments of a hire purchase agreement may be equal, the interest element in each installment is not the same.
3. Average clause in an insurance policy for loss of stock applies only in case of under- insurance and not over insurance.
4. Conversion of firm into company does not involves dissolution of firm.
5. Any reserves standing in the books of the amalgamating firms will be

or the amount of insurance policy.

8. In case of sale of firm to a company, all the present partners may not become directors of the company.

Q.3 PQR purchased a motor car on hire purchase system on 1st Jan, 2009 from ABC by paying Rs. 3000 against delivery. The cash price was Rs. 17000. He paid the balance in four instalments at the end of each year on 31st December including interest ! 10% p.a. on cash price as follows. Rs. 6,400, Rs. 4,900, Rs. 3500 and Rs. 2200 respectively. He charged depreciation on motor car @ 10% p.a. on diminishing balance method. show necessary ledger a/c in the book of Hire purchaser under credit purchase method.

OR

Q.3 N and S were partners sharing profits and losses in the ratio of 2:1. Their Balance sheet as on 31st March, 2011 showed the following financial position

Liabilities	₹	Assets	₹
Capital A/c		Plant & Machinery	18,000
N	50,000	Premises	62,000
S	40,000	Stock	32,000
Current A/		Book Debts	41,000
N	26,000	SBI Bank	45,000
S	18,000		
N's loan A/c	40,000		
A/c payable	24,000		
	1,98,000		**1,98,000**

The partners wishing to dissolve the firm, accepted the offer of C' Ltd to acquire the stock and fixed assets at an inclusive price of Rs. 1,40,000

The purchase consideration was to be satisfied by a) A cash payment of Rs. 35,000. b) Allotment to the partners 6000 6% preference shares of Rs. 10 each, valued at Rs. 8 per share . c) 57,000 ordinary shares of one each. The book debts realised Rs. 38,000 and a/c payable were settled by Rs. 22000.

The partners agreed that the following should be the basis of distribution on dissolution of the partnership.

a) N's to be allotted preference shares in settlement of his loan, the remaining preference shares being allotted equally to them

You are required to prepare -

i) Realisation a/c

ii) Partner's Capital a/c and current a/c separately

iii) C's Ltd A/c

iv) Cash A/c

Q.4 The premises of Amardeep Ltd. were engulfed by fire on 16th November, 2012 where by substantial stock was severely destroyed. The records avalaible with the company yield the following information.

a) For year ended 31st March 2012.

Particulars	₹	**Particulars**	₹
To Stock	3,00,000	By Sales	600000
To Purchases	2460,000	By Stocks	360000
To Freight	600000		
To Wages	1200000		
To Gross profit	1800000		
	6360000		**6360000**

b) For half year ended 30th September, 2012

Sales 3600000

Purchase 1680000

c) For period from 1st October to date of firm sales and purchase were at same, monthly rate as for period 1st April, 2012 to 30th September 2012

d) The freight, wages during period 1st April, 2012 to date of firm were at the same rate per month as in last year

e) Solvage value is 10% of cost of stock

f) The sum insured is Rs. 400000 and policy contains average clause.
Compute the amount of claim.

OR

Q.4 RSP sold goods on behalf of NSS on consignment basis. On 1st Jan, 2011 he had with him a stock of Rs. 20,000 on consignment.

RSP had instruction to sell the goods at cost plus 25% and was entitled to a commission of 4% on sales in addition to 1% delcredere commission on total sales for guaranteeing collection of all the sales proceeds.

During the year ended 31st Dec., 2011 cash sales were Rs. 1,20,000 credit sales Rs. 105000 and RSP expenses relating to the consignment Rs. 3000 being salaries and insurance. Bad debts were Rs. 3000 and goods sent on consignment Rs. 200000

Prepare consignment A/c and consignee in the books of NSS and important