

SYBAF Sem II Reg & A.T.K.T. Exam Oct-2022  
Fin. Accounting III

Total Marks: 75

Note:

10/10/22

1. All Questions are Compulsory carrying 15 Marks each with Internal Options

Q1. A. Multiple Choice Questions (Attempt any 8 out of 10)

- When a partner is given Guarantee by the other partner, loss on such guarantee will be borne by
  - Partnership Firm
  - All the other partners
  - Partner who gave the guarantee
  - Partner with highest PSR
- In case of amalgamation
  - Goodwill of both the firms is ignored
  - Goodwill of both the firms is valued separately
  - Goodwill of both the firms is valued at cost
  - None of the above
- Income Tax payable by a firm as on the date of dissolution is treated as
  - Preferential creditors
  - Secured creditors
  - Unsecured debtors
  - Non-recoverable
- At each balance sheet date, non-monetary items, which are carried at fair value or other similar valuation denominated in a foreign currency, should be reported
  - Using the exchange rate at the date of the transaction
  - Using the exchange rates that existed when the values were determined
  - Using the closing exchange rate at the date of the Balance Sheet
  - Using the average exchange rate during the financial year
- A, B and C were in partnership, sharing profits in the ratio of 4:2:1 respectively. A guaranteed that in no case C's share in profit should be less than Rs. 7,500. Profits for the year 2013 amounted to Rs. 31,500. A will get
  - Rs. 15,000
  - Rs. 18,000
  - Rs. 16,000
  - None of the three



6. On amalgamation of firms, accumulated profits/reserves of old firm get distributed over
- |                             |                             |
|-----------------------------|-----------------------------|
| (a) Old partners in old PSR | (b) New partners in new PSR |
| (c) Old partners in new PSR | (d) None of the above       |
7. The exchange rate at the Balance Sheet date is known as
- |                       |                   |
|-----------------------|-------------------|
| (a) Average Rate      | (b) Closing Rate  |
| (c) Non-monetary Rate | (d) Monetary Rate |
8. Dissolution expenses paid by the company to the firm on conversion are
- |   |
|---|
| (a) Debited to Deferred Revenue Expenditure A/c |
| (b) Credited to Capital Reserves A/c            |
| (c) Debited to Goodwill A/c                     |
| (d) None of the above                           |
9. B and G have dissolved their partnership. At the end of the piecemeal distribution, the remaining cash is Rs. 1,40,000. B's Capital Balance is Rs. 68,000 and G's Capital Balance is Rs. 72,000. Their partnership agreement states that they will share profits and losses in a 2:1 ratio. The amount of cash to be distributed to B is
- |                |                |
|----------------|----------------|
| (a) Rs. 66,667 | (b) Rs. 72,000 |
| (c) Rs. 70,000 | (d) Rs. 68,000 |
10. Liabilities not taken over by the new firm (at the time of amalgamation) will be transferred to
- |                        |                                      |
|------------------------|--------------------------------------|
| (a) New Firm's Account | (b) Profit & Loss Adjustment Account |
| (c) Capital Accounts   | (d) None of the above                |

**AND**

**Q1. B.** True or False (Attempt any 7 out of 10)

1. In Excess Capital Method, Proportionate Capital of a partner is equal to his capital divided by his share of profit.
2. Partners are allowed 12% interest on capital in absence of contract to the contrary.
3. Conversion of firm into company does not involve dissolution of firm



4. Exchange rate is the rate at which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm length's transaction.
5. The final accounts of amalgamated company should suffix the words "And increased".
6. Capital reserve or goodwill cannot arise in Net Assets method of Amalgamation.
7. Interest is allowed on partner's loans at the same rate at which it is allowed on capitals.
8. The depreciation on imported fixed assets is converted at the rate on date of opening Balance Sheet.
9. Non-monetary items are the items other than assets and liabilities.
10. Shares received as part of purchase consideration by firm on conversion must be distributed amongst partners equally.

**Q2. A.** Kartik, Hritik and Pratham carrying on business in partnership decided to dissolve it on and from 31<sup>st</sup> March 2022. The following was their Balance Sheet on that date:

Liabilities	Rs.	Assets	Rs.
Capital A/c's:		Fixed Assets	40,000
Kartik           15,000		Current Assets	22,000
Hritik           7,500		Bank	13,000
Pratham <u>12,500</u>	35,000		
General Reserve	15,000		
Mr. Kartik's Loan	5,000		
Mr. Hritik's Loan	10,000		
Creditors	10,000		
	<u>75,000</u>		<u>75,000</u>

It was decided that after keeping aside an amount of Rs. 2,000 for estimated realization expenses, the available funds should be distributed amongst the partners as and when realized:

The following were the realisations:

- April, 2022 (First): Rs. 15,000
- May, 2022 (Second): Rs. 38,000
- June, 2022 (Third): Rs. 22,000

Actual realization expenses amounted to Rs. 2,200

You are required to submit a statement showing distribution of cash amongst the partners under Excess Capital Method.

OR

**Q2. B. i.** Anjali Industries Ltd. exported refrigerators and received the amounts as under:

Sales Transactions:

1. On 5<sup>th</sup> January, 2022 to S of Switzerland amount US \$20,000 at exchange rate Rs. 41 per US \$.
2. On 7<sup>th</sup> January, 2022 to K of UK amount US \$40,000 at exchange rate Rs. 41 per US \$.

Receipts Transactions

1. On 5<sup>th</sup> February, 2022 from S of Switzerland amount US \$12,000 at exchange rate Rs. 42 per US \$.
2. On 10<sup>th</sup> February 2022 from K of UK amount US \$12,000 at exchange rate Rs. 43 per US \$.
3. On 15<sup>th</sup> March, 2022 from K of UK amount US \$28,000 at exchange rate Rs. 42 per US \$.
4. On 31<sup>st</sup> March, 2022 from S of Switzerland amount US \$8,000 at exchange rate Rs. 44 per US \$.

You are required to:

- a. Pass necessary Journal Entries to record above transactions.
- b. Prepare Foreign Exchange Fluctuation Account in the Books of Rahul Industries Ltd. for the Year Ended 31<sup>st</sup> March, 2022 (Apply AS-11).

AND

**Q2. B. ii.** Below is the Trial Balance of M/s. Omkar and Manoj as at 31<sup>st</sup> December, 2021. You are required to prepare a Trading and Profit and Loss Account for the year ended 31<sup>st</sup> December 2021.

Particulars	Debit (Rs.)	Credit (Rs.)
Capital Accounts:		
Omkar	-	25,000
Manoj	-	20,000
Opening Stock	45,000	-
Purchases	2,25,000	-
Plant and Machinery	75,000	-
Trade Charges	12,800	-
Sales	-	4,50,000
Carriage Inwards	2,500	-
Carriage Outwards	1,500	-



Factory Rent	1,500	
Discount	350	750
Insurance	700	-
Sundry Debtors	60,000	-
Sundry Creditors	-	15,000
Office Rent	3,000	-
Bad Debts Reserve	-	200
Advertising	15,600	-
Bills Receivable	3,000	-
Drawings:		
Omkar	3,500	-
Manoj	2,500	-
Bills Payable	-	2,000
Salaries	18,000	-
Manufacturing Wages	20,000	-
Furniture and Fixtures	7,500	-
Coal, Gas and Water	1,000	-
Cash & Bank	14,500	-
	Rs. 5,12,950	5,12,950

The following adjustments are required:

1. Plant and Machinery and Furniture and Fixtures are to be depreciated at 6% and 5% respectively.
2. Bad Debts Reserve to be raised to 2.5% on Debtors.
3. Provide for Outstanding Liabilities:  
    Factory Rent           Rs. 300  
    Office Rent            Rs. 600
4. The closing stock amounted to Rs. 35,000. Market value Rs. 40,000.
5. Insurance includes Rs. 100 in respect of 2022.
6. Interest on capital and drawings to be charged at 6% and 5% respectively per annum.
7. Free samples worth Rs. 1,000 were distributed during the year which is not recorded in the books.

**Q3. A.** M/s Red and M/s Green decided to amalgamate on the following terms and conditions on 1<sup>st</sup> April, 2021. When their Balance sheet were as follows:

Liabilities	M/s Red (Rs.)	M/s Green (Rs.)	Assets	M/s Red (Rs.)	M/s Green (Rs.)
Capital A/c:			Land and		
- Red	1,32,000	-	Building	1,25,000	-
- Blue	1,68,000	-	Furniture	57,500	1,35,000
- Green	-	3,61,500	Investments	-	1,12,500
- Yellow	-	2,11,000	Inventories	68,000	1,63,000
Creditors	1,07,500	2,57,500	Trade		
Bank Loan	60,000	-	Receivables	1,60,000	3,10,000
			Cash at		
			Bank	57,000	1,09,500
	4,67,500	8,30,000		4,67,500	8,30,000

Terms of Amalgamation:

1. In case of M/s Red
  - a. Provision for doubtful debts to be created at 10% on Sundry Debtors.
  - b. Inventories to be revalued at Rs. 63,000.
  - c. Building is to be taken over at Rs. 3,00,000.
  - d. M/s Red took over Bank Loan.
  - e. Goodwill was valued at Rs. 1,00,000.
  - f. Creditors are taken over at Book Value.
2. In case of M/s Green
  - a. Provision for doubtful debts to be created at 10% on debtors.
  - b. Inventories were valued at Rs. 1,60,000.
  - c. Investments were to be revalued at Rs. 1,50,000.
  - d. Goodwill was valued at Rs. 1,50,000.
  - e. Creditors are taken over at Book Value.

You are required to show necessary ledger accounts so as to close the books of M/s Red and M/s. Green.

OR

**Q3. B.** A, B and C carry on business in partnership sharing profits and losses 1/2, 3/8 and 1/8 respectively. On 31<sup>st</sup> March, when they agreed to sell their concern to a newly started Joint Stock Company, their position was as follows:

Liabilities	Rs.	Assets	Rs.
A's Capital	20,000	Freehold Property	18,000
B's Capital	15,000	Machinery	12,000
C's Capital	12,000	Book Debts	15,000



Sundry Creditors	12,000	Stock	13,000
		Cash	1,000
	59,000		59,000

The company took up the following assets at the valuation shown below:  
 Stock Rs. 12,000; Goodwill Rs. 4,000; Freehold Property Rs. 22,000;  
 Machinery Rs. 11,000; Book Debts Rs. 14,000

The purchase price of book debts and stock was paid for in cash while shares were issued for other assets. The sundry creditors were paid off at a discount of 2.5%, and the expenses of realization amounted to Rs. 500.

Prepare the ledger accounts showing the result of dissolution, and the final distribution of cash and new company's shares between the partners (Distribute shares in their final claim ratio.)

**Q4. A.** From the following trial balance of M/s Agarwal Trading Company, prepare Trading and Profit and Loss Account for the year ended on 31<sup>st</sup> March, 2021 and Balance Sheet as on that date.

Name of the Account	Dr. (in Rs.)	Cr. (in Rs.)
Land and Building	66,000	
Capital: Aryan		60,000
Siddhant		40,000
Furniture	18,000	
Wages	39,000	
Machinery	30,000	
Bills payable		12,000
Cash	2,400	
Purchases (less returns Rs. 3,000)	1,40,600	
Carriage Inwards	15,000	
Carriage Outwards	2,000	
Salaries	4,000	
Opening Stock	56,000	
Debtors and Creditors	42,000	70,000
Bank Overdraft		12,000
9% Bank Loan		25,000
Rent, rates and taxes	1,600	
Carriage Inwards	6,000	
Insurance	1,500	
Bills Receivable	2,000	
Interest on Bank Loan	1,125	
Miscellaneous expenses	4,700	
Drawings: Aryan	8,035	

Siddhant Sales (less returns 5,000)	6,040	2,27,000
Rs.	4,46,000	4,46,000

Following further information is also supplied:

1. Interest on Bank Loan is paid only upto 30<sup>th</sup> September, 2020.
2. Insurance prepaid is Rs. 300.
3. Closing Stock on 31<sup>st</sup> March 2021 is Rs. 90,000.
4. Bad Debts to be written off Rs. 2,000.
5. Depreciation to be provided on Machinery @15% and on Furniture @10%.
6. Outstanding Wages and Salaries Rs. 3,000 and Rs. 500 respectively.
7. The partnership deed provided:
  - a. Interest on the Capital @10%.
  - b. Salary: Aryan Rs. 500 per month, Siddhant Rs. 375 per month.
  - c. Profits and Losses to be shared equally.

**OR**

**Q4. B.** Ajit, Mayank and Sahil were in partnership sharing profits & losses in proportion of 5/10, 3/10 and 2/10. The partnership was dissolved on 31<sup>st</sup> March, 2022 when the position was as follows.

Liabilities	Rs.	Assets	Rs.
Capital A/c's:		Cash at Bank	500
Ajit	40,000	Debtors	40,000
Mayank	-	Bills Receivable	4,000
Ajit's Loan	14,000	Sahil's Capital	10,000
Mrs. Sujeet's Loan	16,000	Stock of Goods	49,500
Bank Overdraft	4,000		
Premjeet for Supply of goods	30,000		
	1,04,000		1,04,000

Realisations should be distributed at the end of each month as safely as possible.

The realisations were as under:

Date	Realised (Rs.)
15 <sup>th</sup> April 2022	9,500
29 <sup>th</sup> April 2022	10,000
28 <sup>th</sup> May 2022	10,000
20 <sup>th</sup> June 2022	30,000



20 <sup>th</sup> July 2022	20,000
20 <sup>th</sup> August 2022	6,000
20 <sup>th</sup> September 2022	8,000



Sahil brought necessary cash at the time of last realization.  
Show distribution of cash to by Surplus Capital Method.

**Q5. A. Answer in Brief**

1. What is a Partnership Deed? Describe the normal clauses in a Partnership Deed.
2. What is Amalgamation and its Objectives?

**OR**

**Q5. B. Short Notes (Attempt any 3 out of 5)**

1. What is Fixed Capital Method?
2. Write a note on – Foreign Exchange Fluctuation.
3. What is Purchase Consideration in Amalgamation of Firms?
4. Write down any five liabilities of a partnership firm in the order of payments under Piecemeal Distribution.
5. What is Conversion of a Firm into a Limited Company?