



Note:

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

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


1. If cash is insufficient to pay off all partners' loans, payment is made in the ratio of
 - (a) Outstanding loan balances
 - (b) Profit sharing ratio
 - (c) Capital balances
 - (d) None of the above

2. Atul, Vipul and Prafful are partners in a firm with no partnership agreement. They invested Rs. 1,00,000, Rs. 75,000 and Rs. 50,000 as capital in the firm. The profit for the year was Rs. 2,50,000. Prafful demands interest on loan of Rs. 20,000 advanced by him at the market rate of interest which is 12% p.a. The amount of interest received by him will be
 - (a) Rs. 2,400
 - (b) Nil
 - (c) Rs. 1,200
 - (d) Rs. 3,600

3. If there is a provision (RDD) against the debtors, such debtors are transferred to the Realisation a/c on amalgamation, at
 - (a) Net Amount i.e. Debtors less RDD
 - (b) Current Market Value
 - (c) Gross Amount of Debtors
 - (d) None of the above

4. In equitable approach,
 - (a) Equity shares are divided in Profit Sharing Ratio
 - (b) Preference shares and debentures are divided in ratio of capitals
 - (c) Both (a) and (b) above
 - (d) None of (a) and (b) above

5. Non-monetary items which are carried in terms of historical cost denominated in a foreign currency should be reported using the exchange rate at the date of the
 - (a) Balance Sheet
 - (b) Transaction
 - (c) Settlement
 - (d) None of the above

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6. Fluctuating Capital Account is credited with
- (a) Interest on Capital
 - (b) Profit of the Year
 - (c) Remuneration to the Partners
 - (d) All of the above
7. At the end of piecemeal distribution, Virgil's Capital account is Rs. 49,000 (credit balance) and Jadon's Capital account is Rs. 63,000 (credit balance). The book value of the firm's fixed assets Rs. 97,000, and they are sold for Rs. 85,000. Virgil and Jadon share profits and losses equally. The final cash paid to Jadon is
- (a) Rs. 67,000
 - (b) Rs. 63,000
 - (c) Rs. 65,000
 - (d) Rs. 49,500
8. If the amounts realized from assets on dissolution of firm are not sufficient to pay all outside debts
- (a) The earliest dues are paid first
 - (b) The largest dues are paid first
 - (c) The dues are paid in alphabetical order of the names of the parties
 - (d) The dues are paid proportionately
9. On amalgamation, loans from partners of vendor firm are transferred to
- (a) Partners Capital Accounts
 - (b) Purchasing Firm's Account
 - (c) Realisation Account
 - (d) None of the above
10. Foreign currency is a currency
- (a) Used in recording the foreign transactions.
 - (b) Used in presenting the foreign financial statements.
 - (c) Other than the reporting currency of an enterprise.
 - (d) Other than the Indian Rupee.

AND

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

1. On conversion of a firm into a Limited Company, partners of the firm can become directors in the new company.
2. Capital reserve or goodwill cannot arise in pooling of interest method in Amalgamation.
3. A partner cannot carry on competitive business in Partnership.



4. In Excess Capital Method, the minimum capital is equal to the lowest Unit Capital.
5. Inventories is a non-monetary item in Accounting for Transactions of Foreign Currency.
6. In Net Asset Method of purchase consideration, fictitious assets are not considered.
7. Realisation A/c Dr.

To Partner's Capital A/c

Firm passes this entry on conversion when a liability not taken over by a company is taken over by a partner.

8. After Amalgamation of firms, assets and liabilities of old firms get recorded at their realisable values.
9. Adjustment to Partners' capital are passed through current accounts when the capitals are fixed.
10. Equitable distribution of purchase consideration amongst partners by firm on conversion would mean division of equity shares in profit sharing ratio and debentures in the ratio of partners' capital.

Q2. A. The Balance Sheet of M/s. A & B and M/s. C & D as on 31-3-2022 were as follows:

Liabilities	A & B	C & D	Assets	A & B	C & D
Capital			Land	36,000	47,400
A	36,000	-	Machinery	25,200	28,800
B	36,000	-	Furniture	10,800	12,600
C	-	36,000	Debtors	21,600	30,600
D	-	36,000	Stock	28,600	32,400
Creditors	54,000	36,000	Cash	3,600	1,800
Loan	-	39,600	Bank	7,200	5,400
O/S Expenses	7,200	11,400			
Total	1,33,200	1,59,000	Total	1,33,200	1,59,000

The two firms decided to amalgamate and form into M/s. ABCD with effect from 1-4-2022. Partners would share profits and losses equally between themselves as they were doing prior to amalgamation and they agreed to following revaluation of assets and liabilities.

Particulars	A & B (Rs.)	C & D (Rs.)
Land	45,000	45,000
Machinery	30,000	32,000
Furniture	10,000	12,000
Debtors	21,000	30,000
Stock	29,000	34,000



Show the necessary ledger accounts to close the books of PQR & Co. You are informed that (1) all partners are solvent and have sufficient cash resources as may be necessary for the purpose of setting accounts and (2) shares and debentures are divided equally among the partners.

Q3. A. Sanjay, Rajesh and Anand carrying on business in partnership decided to dissolve it on and from 31st March 2022. The following was their Balance Sheet on that date:

Liabilities	Rs.	Assets	Rs.
Capital A/c's:		Fixed Assets	80,000
Sanjay	30,000	Current Assets	44,000
Rajesh	15,000	Bank	26,000
Anand	<u>25,000</u>		
General Reserve	30,000		
Mr. Sanjay's Loan	10,000		
Mr. Rajesh's Loan	20,000		
Creditors	20,000		
	<u>1,50,000</u>		<u>1,50,000</u>

It was decided that after keeping aside an amount of Rs. 4,000 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. 30,000

May, 2022 (Second): Rs. 76,000

June, 2022 (Third): Rs. 44,000

Actual realization expenses amounted to Rs. 4,400

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

OR

Q3. B. i. Below is the Trial Balance of M/s. Ritesh and Yash as at 31st December, 2021. You are required to prepare the Trading and Profit and Loss Account for the year ended 31st December 2021.

Particulars	Debit (Rs.)	Credit (Rs.)
Capital Accounts:		
Ritesh	-	25,000
Yash	-	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
Printing and Stationery	600	-
Advertising	15,000	-
Bills Receivable	3,000	-
Drawings:		
Sunil	3,500	-
Kapil	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 in Hand	2,000	-
Cash at Bank	12,500	-
	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.



AND

Q3. B. ii. Rahul Industries Ltd. exported refrigerators and received the amounts as under:

Sales Transactions:

1. On 5th January, 2022 to C of Canada amount US \$10,000 at exchange rate Rs. 41 per US \$.
2. On 7th January, 2022 to W of Germany amount US \$20,000 at exchange rate Rs. 41 per US \$.

Receipts Transactions

1. On 5th February, 2022 from C of Canada amount US \$6,000 at exchange rate Rs. 42 per US \$.
2. On 10th February 2022 from W of Germany amount US \$ 6,000 at exchange rate Rs. 43 per US \$.
3. On 15th March, 2022 from W of Germany amount US \$14,000 at exchange rate Rs. 42 per US \$.
4. On 31st March, 2022 from C of Canada amount US \$4,000 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 31st March, 2022
- c. (Apply AS-11)

Q4. A. From the following trial balance of M/s Denzel Trading Company, prepare Trading and Profit and Loss Account for the year ended on 31st 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: Siddhesh		60,000
Vedant		40,000
Furniture	18,000	
Wages	39,000	
Machinery	30,000	
Bills payable		12,000
Cash	2,400	
Purchases (less returns Rs. 3,000)	1,55,600	
Salaries	6,000	
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: Siddhesh	8,035	
Vedant	6,040	
Sales (less returns 5,000)		2,27,000
	Rs. 4,46,000	4,46,000

Following further information is also supplied:

- Interest on Bank Loan is paid only upto 30th September, 2020.
- Insurance prepaid is Rs. 300.
- Closing Stock on 31st March 2021 is Rs.90,000.
- Bad Debts to be written off Rs. 2,000.
- Depreciation to be provided on Machinery @15% and on Furniture @10%.
- Outstanding Wages and Salaries Rs. 3,000 and Rs. 500 respectively.
- The partnership deed provided:
 - Interest on the Capital @10%.
 - Salary: Siddhesh Rs. 500 per month, Vedant Rs. 375 per month.
 - Profits and Losses to be shared equally.

OR

Q4. B. Given below is the Balance Sheet of Vinay, Vijay and Vikram as on December 31, 2021 on which date they dissolved their partnership. They shared profits and losses in the ratio of 4 : 3 : 3. Since the realization of assets was protracted they decided to distribute amounts as and when feasible and to appoint Steve for this purpose who was to get as his remuneration 1% of the value of the assets (other than Cash at Bank), realized and 10% of the amount distributed to the partners.

Balance Sheet of Vinay, Vijay and Vikram as on 31st December 2021

Liabilities	Rs.	Assets	Rs.
Capital Accounts:		Cash at Bank	275
- Vinay	15,000	Sundry Assets	53,725
- Vijay	7,500		



- Vikram	15,000		
Sundry Creditors	16,500		
	54,000		54,000

Assets realised as follows:

	Rs.
First installment	16,250
Second installment	12,750
Third installment	10,000
Final installment	7,500

Prepare a statement showing distribution of cash.

Q5. A. Answer in Brief

1. Explain Secured Liability, Unsecured Liability and Preferential Liability.
2. What is Amalgamation and its Objectives?

OR

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

1. Distinguish between conversion of firm into company and sale of firm to company.
2. Write a note on – Foreign Exchange Fluctuation.
3. Write down any five liabilities of a partnership firm in the order of payments under Piecemeal Distribution.
4. Realisation method for Amalgamation of Firms.
5. What is Fixed Capital Method?