Learning Simplified

Financial Accounting – Sem 3 Notes

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PARTNERSHIP FINAL ACCOUNTS

Q.1. From the following Trial Balance of Ajit and Sujit, you are required to prepare a Trading and Profit & Loss A/c for the year ended 31st December, 2013 and a Balance Sheet as on that date:

Trial Balance as on 31st December 2013

Particulars	Debit Rs.	Credit Rs.	Particulars	Debit Rs.	Credit Rs.
Capital A/cs			Carriage Outwards	1,400	
- Ajit		60,000	Wages	24,000	
- Sujit		40,000	Insurance	1,600	
Drawings			Discount Received		200
- Ajit	2,000		Postage	800	
- Sujit	1,000		Debtors & Creditors	70,400	64,200
Stock on 1-1-2013	44,000		Furniture	24,000	
Bills Receivable	1,800		Cash in Hand	9,800	
Purchases and Sales	1,90,000	3,02,000	Machinery	80,000	
Return	6,000	2,000	Rent & Taxes	1,200	
Salaries	10,000		Printing & Stationery	400	
				4,68,000	4,68,000

Adjustments:

(1) The closing stock on 31st December 2013 was valued at Rs.56,000.
(2) The outstanding expenses were : (a) Wages Rs.2,000 and (b) Salaries Rs.930.
(3) Goods of Rs.2,000 were distributed as free samples.
(4) Interest on partner's capitals was to be provided at 7% p.a.
(5) Prepare Insurance was Rs.100.
(6) Depreciation was to be provided on furniture at 10% and on machinery 5%.
(7) A reserve for bad and doubtful debts was to be created at 5% of sundry debtors.

Q.2. A, B & C carried on business in partnership as Ready Made Cloth Dealers. The partnership agreement provided that –

(1) The partners were to be credited at the end of each year with interest at 5% per annum on Opening Balance of Capital.
(2) No interest was to be charged on drawings.
(3) Profits and losses were to be shared as to A 5, B 3 and C 2. It was agreed that C's share of profit in any year should not be less than Rs.10,000 and any deficiency in such share was to be borne by the other two parties in their profit sharing ratio.

Trial Balance of the Partnership as on 31-12-2013

Account	Debit (Rs.)	Credit (Rs.)
Shop Fitting (at cost)	36,000	
Freehold premises	60,000	
Leasehold premises Purchased during the year	45,000	
Additional and alterations to leasehold premises	25,000	
Purchases	2,80,000	
Stock as at 1-1-13	42,000	
Salaries and wages	64,000	
	45,200	
Office and Trade Expenses	10,500	
Rent, Rates and Insurance	3,500	
Professional Charges	20,600	
Balance at Central Bank Ltd	43,700	
Partner's Capital Account		

- A		80,000
- B		50,000
- C		30,000
Partner's Current Account		
- A		16,000
- B		8,000
- C		12,000
Sales		4,45,000
Trade Creditors		37,000
Depreciation Reserve		14,000
Reserve for Doubtful Debts		500
Drawings other than Monthly Payment:		
- A	7,000	
- B	6,000	
- C	4,000	
	6,92,500	6,92,500

You are given the following additional information:

(1) Stock on December 31, 2013 was valued at the market value of Rs.35,000 but if valued at cost it was Rs.42,000.
(2) Goods worth Rs.1,000 were destroyed by fire and the insurance company has admitted claim for Rs.700 only.
(3) A debt of Rs.600 is to be written off and provision for doubtful debts is to be at 5%
(4) Salaries and wages include the following monthly drawings by the partners: A: Rs.500; B: Rs.300; C: Rs.250
(5) Partners had during the year been supplied with goods worth Rs. 600 to A and Rs 400 to B.
(6) On December 31, 2013rates paid in advance and office and trade expenses owing were Rs.2,500 and Rs.2,100 respectively.
(7) Depreciation of shop fittings to be provided at 5% p.a. on cost.
(8) Professional charges include Rs.2,500 fees paid in respect of acquisition of leasehold premises.
(9) The cost of additional and alteration to the leasehold premises were to be written off over 25 years commencing from 1-1-2013.

You are requested to prepare the Trading Account and Profit and Loss Account for the year ending 31st December, 2013 and Balance Sheet as at 31st December 2013.

Q.3. R and K are partners sharing profits equally. From the following Trial Balance, prepare Trading and Profit and Loss A/c for the year ended 31st December 2013 and the Balance Sheet as at that date of M/s. RK after making the adjustments given below:

Particulars	**Dr.(Rs.)**	**Cr.(Rs.)**	**Particulars**	**Dr.(Rs.)**	**Cr.(Rs.)**
R's Capital		1,00,000	Rent and Taxes	2,000	
K's Capital		1,00,000	Motor Car	3,000	
Land and Buildings	87,000		Carriage Outward	1,400	
Plant & Machinery	17,500		Sales		84,000
Goodwill	20,000		Salaries	3,100	
R's Drawings	10,000		Bank Charges	105	
K's Drawings	12,600		Bad Debts Written off	2,100	
Deposits	1,000		Provision for Doubtful Debts		1,500
Stock (1-1-2013)	27,000		Printing and Stationery	2,000	
Wages	10,000		Debtors	19,800	
Purchases	69,000		Creditors		7,500

Carriage Inward	600		Bank Current A/c	795	
General Expenses	4,000				
				2,93,000	2,93,000

(1) Closing Stock was Rs.46,000.
(2) It is discovered that credit sales effected on 21-12-2013 to the value of Rs.200 have not been entered in the books.
(3) Stock worth Rs.3,000 uninsured has been destroyed by fire.
(4) Plant and Machinery worth Rs.1,000 purchased on 31st December 2013 has been inadvertently included in purchases.
(5) Wages include a sum of Rs.500 spent at the time of installation of a new machinery valued at Rs.4,000 on 30-06-2013.
(6) The Motor Car was sold on 30-06-2016 for Rs.2,000, the amount being wrongly included in the sales.
(7) Depreciate Plant and Machinery at 10% p.a. and Motor Car at 20% p.a. and Provision for Bad Debts to be increased by Rs.2,000.
(8) Rent and taxes prepaid were Rs.800.
(9) No interest is to be allowed on partner's capital and no interest is to be charged on drawings.

Q.4. X, Y and Z are partners in manufacturing business sharing profit and losses, X 2/5 Y 2/5 and Z 1/5. Z's annual share of profit is to be minimum of Rs.20,000 any deficiency being borne by the other two partners in their profit sharing ratio. No interest is allowed or charged on partner's current accounts but Fixed Capital Accounts carry interest at 6% p.a. The Firm's Trial Balance as on 31st March 2014 was as follows:

Particulars	Rs.	Particulars		Rs.
Freehold Premises Cost	90,000	Capital A/cs		
Plant and Machinery (at cost)	80,000	- X	80,000	
Purchases	3,80,000	- Y	60,000	
Stock (1-4-2013)	72,000	- Z	30,000	1,70,000
Motor Vehicles	24,000	Current Accounts (1-4-2013):		
Manufacturing Wages	82,000	- X	18,000	
Trade Expenses	6,000	- Y	6,000	24,000
Salaries	54,000	Sales		6,78,000
Repairs	12,000	Creditors		42,000
Cash Discount	2,400	Provision for Doubtful Debts (1-4-2013)		3,400
Office Expenses	36,000			
Carriage Inward	6,200	Cash Discount		4,200
Rates and Insurance	14,000	Provision for Depreciation (1-4-2013):		
Professional Charges	4,000			
Debtors	68,000	- Plant & Machinery		24,000
Balance at Bank	8,000	- Motor Vehicles		12,000
Current Account Z (1-4-2013)	11,000			
Carriage Outward	8,000			
	9,57,600			9,57,600

You are given the following information:
(1) Stock on hand on 31st March 2014 amounted to Rs.64,800.
(2) Sales included Rs.24,000 for goods sent out on sale or return charged to customers at cost plus 20% & which remained in their hands unsold on 31st March 2014.
(3) The following amounts included in salaries have been drawn each month by the partners : X Rs.500; Y Rs.400; Z Rs.250.
(4) It was agreed that a charge of Rs.2,500 should be made to Y for goods supplied to him from stock during the year.
(5) X who acted as traveller is to be credited with an expense allowance of Rs.2,000.

(6) Repairs include an item of Rs.7,500 for alteration to the Office which amount, it is agreed should be capitalized.
(7) Rates and Insurance paid in advance amounted to Rs.5,000 and Office Expenses accrued amounted to Rs.1,200.
(8) A motor vehicle costing Rs.9,000 had been purchased during the year against which Rs.6,000 had been allowed on the sale of an old vehicle, the net amount only being debited to Motor Vehicle Account The vehicle sold had cost Rs.7,5000 and had been written down to Rs.2,500. Any profit or loss on sale of the vehicle is to be credited or charged in the Profit & Loss A/c.
(9) Depreciation on Plant & Machinery and Motor Vehicles is to be provided at the rate of 10% and 20% per annum respectively on the cost at the end of the year.
(10) A debt of Rs.600 is to be written off and the provisions for doubtful debts increased to Rs.4,500.

You are required to prepare:
(a) Trading and Profit and Loss Account for the year ended 31st March, 2014.
(b) The Balance Sheet as on the date, and
(c) The Partner's Current Accounts.

Q.5. Sujata, Sarita and Suman are partners, sharing profits and losses in the ratio 3:2:1. Suman is guaranteed a profit of Rs.16,000 p.a. as her minimum share. Any deficiency, will be borne by the others partners in their profit sharing ratio. Interest at the rate of 6% is to be allowed on partners fixed capital account. On 31st March, 2014, Trial balance was as under:

Debit	Rs.	Credit	Rs.
Building	64,000	Fixed Capital A/cs:	
Machinery	50,000	- Sujata	80,000
Vehicles	20,000	- Sarita	60,000
Purchases	2,90,000	- Suman	40,000
Stock	68,000	Current A/cs:	
Wages	65,000	- Sujata	16,000
Trade Expenses	25,000	- Sarita	9,000
Salaries	30,000	Sales	6,72,000
Repairs	28,000	Creditors	48,000
Commission	2,500	Provision for doubtful debts	3,000
Office Expenses	33,200	Commission	4,000
Rates & Taxes	22,900	Discount	6,400
Bank Balance	1,42,400		
Debtors	84,000		
Suman's Current A/c	13,400		
	9,38,400		**9,38,400**

Additional Information:
(1) Closing Stock Rs.70,000.
(2) Sujata has taken goods worth Rs.3,000 from stock for which no entry is made in the books.
(3) Sarita is to be paid Rs.24,000 for travelling expenses for business trips.
(4) Wages outstanding are Rs.5,000 and commission received in advance Rs.1,000.
(5) Depreciation on machinery and building is to be provided @ 10% p.a. and on vehicles @ 15%p.a.
(6) Provision for doubtful debts is to be increased to Rs.6,000.
(7) Goods worth Rs.10,000 were destroyed by fire, the same were not insured.

From the above Trial balance and additional information given, prepare Trading and Profit & Loss A/c for the year ended 31st March, 2014 and Balance sheet as on that date.

Q.6. Ram and Shyam are Partners. Their Trial Balance as on 31-12-2014 was as under:

Debit	Rs.	Credit	Rs.
Building	74,000	Ram's Capital	90,000
Machinery	40,000	Shyam's Capital	90,000
Furniture	20,000	Sales	6,80,000
Purchases	2,98,000	Creditors	52,000
Stock	60,000	R.D.D.	3,000
Wages	65,000	Discount	10,000
Carriage Inward	25,000		
Salaries	40,000		
Repairs	18,000		
Commission	5,700		
General Expenses	30,000		
Rent and Taxes	21,000		
Bank Balance	95,000		
Cash Balance	49,300		
Debtors	84,000		
	9,25,000		9,25,000

Additional Information:

(1) Closing Stock was Rs.50,000.
(2) Shyam was taken goods worth Rs.5,000 for his personal use for which no entry was made in the book.
(3) Wages outstanding were Rs.6,000 and taxes paid in advance Rs.2,000.
(4) Depreciation was to be provided at 10% p.a. on machinery and 5% p.a. on Building and 15% p.a. on Furniture.
(5) Write off Rs.2,000 as Bad Debts and provision for doubtful debts is to be increased to Rs.5,000.
(6) Goods costing Rs.2,500 have been stolen but no entry was passed in the books for the same.

Prepare a Trading and Profit & Loss Account for the year ended 31st December, 2014 and Balance Sheet as on that date.

Q.7. Ram and Kirti were in partnership in a retail business sharing profit 3:2 As from 1st January 2013 they admitted Vikram into partnership giving him one fifth of the profits. Vikram brought in Rs. 20,000 in cash of which Rs. 6,000 were considered as being in payment for his share of goodwill and remainder as his capital.

The following Trial Balance was extracted from the books as on 31st December 2013:

Particulars	Dr. (Rs)	Cr. (Rs)
Purchase and Sales	1,71,625	2,62,650
Returns	5,250	4,125
Customers and Creditors	40,200	25,525
Bills Receivable and Bills Payables	20,070	11,950
Carriage Inward	15,000	-
Carriage Outward	2,175	-
Stock (01-01-2013)	39,725	-
Reserve for doubtful debts	-	5,200
Outstanding Carriage Inward	-	1,200
Bad Debts	400	-
Salaries	9,795	-
Furniture	5,000	-
Shop	15,500	-
Postage and Insurance	3,240	-

Trade Expenses	2,690	-
Rent, Rates and Taxes	4,200	-
Loan to Vishnu (from 01-08-2013)	6,000	-
Prepaid Insurance	240	-
Rent accrued but not paid	-	900
Cash in Hand	4,440	-
Current Accounts:		
Ram	5,000	-
Kirti	4,000	-
Vikram	2,000	-
Capital Accounts:		
Ram	-	15,000
Kirti	-	10,000
Cash Paid by Vikram	-	20,000
Computer	30,000	-
Personal Charges	4,450	-
Loan from ICICI Bank	-	34,450
	3,91,000	3,91,000

You are required to prepare the firms. Trading and Profit and Loss Account for the year ending 31st December, 2013 and balance Sheet as on that date having regard to the following information.

(1) Stock at the end was Rs.20,000.
(2) Depreciation on computer and furniture is to be charged at 10% p.a.
(3) One fifth of the shop are to be written off.
(4) Foods worth Rs. 800 have been destroyed by fire and the Insurance Co. has admitted the claim of Rs.600.
(5) Bill Receivable include a dishonored bill for Rs. 1,100 of Rs 1,000 due from customer on account of sales, who has become insolvent.
(6) Debtors include Rs 300 for goods supplied to Kirti and an item of Rs 1,000 due from customer, on account of sale, who has become insolvent.
(7) Reserve of doubtful debts is to be maintained at 5% on debtors.

Q.8. Jaya and Bhaduri were in partnership sharing profit in the ratio of 3 : 2. From 1st January 2013, they admitted Amit into partnership giving him 1/6th share in profit. He brought Rs.10,000 cash, of which Rs.3,000 was considered as being in payment for his share of goodwill and the balance as his capital.

You are given:

Trial Balance as on 31st December, 2013

Particulars	**Rs.**	**Particulars**	**Rs.**
Drawings:		Rent Payable	928
- Jaya	4,000	Outstanding Wages	2,719
- Bhaduri	3,500	Sales	2,63,150
- Amit	4,000	Return Outward	3,120
Purchases	1,66,405	Reserve for Doubtful Debts	1,200
Return Inward	4,250	Creditors	30,106
Debtors	40,200	Bills Payable	8,950
Opening Stock	27,225	Dividend	825
Wages	20,137	Capital:	
Salaries	8,753	- Jaya	14,500
Building	6,750	- Bhaduri	8,300
Addition to Building	500	Cash paid by Amit (on 1-4-13)	10,000
Patents	7,300		

Postage/Telegram	3,226		
Power/Fuel	1,850		
General Expenses	3,314		
Rent, Rates, Taxes	3,517		
Bad Debts	525		
Loan to 'P' at 6% p.a.(Given on 1-9-13)	5,000		
Investments	11,500		
Pre-paid Insurance	524		
Cash/Bank	5,752		
Bills Receivable	17,070		
	3,43,798		3,43,798

Adjustments:

(1) Closing stock was valued at Rs.15,760.
(2) Goods costing Rs.1,000 have been stolen but not entered in the books.
(3) Write off $1/5^{th}$ of patents.
(4) Bills Receivable include dishonoured bill of Rs.1,050.
(5) Maintain reserve for doubtful debts @ 5%.
(6) Depreciate building @ 10% p.a.
(7) Necessary adjustment in connection with admission is to be made through current accounts of the partners.
(8) Goodwill should not appear in the books.

Prepare final accounts.

Q.9. Jinal and Sameer were in partnership in a wholesale business sharing profits in the proportion of 3 : 2. As from 1^{st} April, 2012 they admitted Jatin into partnership giving him one-sixth of the profits. Jatin brought in Rs.80,000 in cash of which Rs.30,000 were considered as being in payment for his share of goodwill and remainder as his capital.
The following Trial Balance was extracted from the books as on 31^{st} March, 2013.

Particulars	Dr. Rs.	Cr. Rs.	Particulars	Dr. Rs.	Cr. Rs.
Sales	-	2,15,725	Postage & Stationery	2,690	-
Purchases	1,25,730	-	Rent, Rates & Insurance	3,200	-
Discount Received	-	2,150	Bad Debts	400	-
Discount Allowed	3,125	-	Investment	60,000	-
Reserve for Doubtful Debts	-	1,200	Capital Accounts:		
Sundry Debtors	40,200	-	- Jinal	-	65,000
Sundry Creditors	-	32,540	- Sameer	-	35,000
Stock (1^{st} April, 2012)	42,820	-	Cash paid by Jatin on 1-4-2012	-	80,000
Carriage Inward	3,250	-	Drawings:		
Sundry Expenses	7,840	-	- Jinal	5,000	-
Motor Vehicles	50,000	-	- Sameer	4,000	-
Land and Building	80,000	-	- Jatin	2,000	-
Cash in Hand	5,040	-	Bank Overdraft	-	6,920
Telephone Expenses	3,240	-			
			Total	4,38,535	4,38,535

You are required to prepare the Firm's Trading and Profit and Loss Account for the year ending 31^{st} March, 2013 and Balance Sheet as on that data having regard to the following information:

(1) Stock on 31^{st} March, 2013 was Rs.42,250.

(2) Sundry Debtors include item of Rs.1,200 due from a customer on account of sales, who has become insolvent.
(3) Depreciate Land and Building and Motor Vehicles at 5% p.a. and 20% p.a. respectively.
(4) Reserve for Doubtful Debts is to be maintained at 5% on the Sundry Debtors.
(5) Goods of the value of Rs.800 have been destroyed by the fire and the insurance company has admitted the claim for Rs.600 only.

Q.10. A and B were in partnership in a retail business sharing profits in the proportion of 3 : 2. A from 1st July 2013, they admitted C into partnership giving him one-fifth of the profits. C brought in Rs.20,000 in cash of which Rs.6,000 were considered as being payment for his share of goodwill and remainder as his capital.

The following Trial Balance was extracted from the books as on 31st December, 2013:

Particulars	**Dr. Rs.**	**Cr. Rs.**
Purchases and Sales	1,71,625	2,62,650
Returns	5,250	4,125
Reserve for Doubtful Debts		5,200
Sundry Debtors/Creditors	40,200	25,525
Bills Receivable and Bills Payable	20,070	11,950
Stock (1st January 2013)	39,725	
Wages	17,175	
Salaries	9,795	
Furniture	5,000	
Alterations to shop	15,500	
Postage, Stationery and Insurance	3,240	
Trade Expenses	2,690	
Rent, Rates and Taxes	4,200	
Bad Debts	400	
Loan at 5% to Dilip made on 1st August 2013	6,000	
Prepaid Insurance	240	
Outstanding Wages		1,200
Rent accrued but not paid		900
Capital A/cs (1st Jan, 2013)		
- A		15,000
- B		10,000
Cash paid by C on 1st July 2013		20,000
Current Accounts –		
- A	5,000	
- B	4,000	
- C	2,000	
Cash in Hand	4,440	
	3,56,550	3,56,550

You are required to prepare the firm's Trading and Profit and Loss Account for the year ending 31st December, 2013 and Balance Sheet as on that date having regard to the following information:
(1) Stock at the end was Rs.20,000.
(2) Sundry Debtors include an item of Rs.300 for goods supplied to B and an item of Rs.1,000 due from customer on account of sales, who has become insolvent.
(3) Depreciation on Furniture is to be charged at 10% per annum.
(4) Reserve for Doubtful Debts is to be maintained at 5% on the sundry debtors.
(5) Goods to the value of Rs.800 have been destroyed by fire and the Insurance Co. has admitted the claim for Rs.600 only.
(6) Bills Receivable include a dishonoured bill of Rs.1,100.

(7) One-fifth of the alterations to the shop are to be written off.
(8) The Gross profits for the year are to be allocated in ratio of time between the period before the admission and the period after the admission.

Q.11. A and B were partners sharing profits and losses in two third (A) and one third (B). Interest on fixed capital was credited at the rate of 5 percent per annum. No interest was charged on drawings.
On 1-1-2014 C was admitted as a partner, and the new profit sharing was A six-tenths, B three-tenths and C one-tenth. C was to be credited with a salary at the rate of Rs.6,000 p.a.
It was agreed by A that C's total share of profits including his Salary and Interest on capital should be guaranteed at a minimum of Rs.18,600. Any apportionment should be made as to gross profit on the basis of sales and as to expenses, with the exception of general expenses, on the basis of time.
The Trial Balance on March 31st, 2014 was as follows:

Particulars	Dr. Rs.	Cr. Rs.
Drawings and Capitals		
- A	30,000	48,000
- B	15,000	24,000
- C (Cash paid on 1-1-2014)	3,000	8,000
Delivery Van (Cost and provision for Depreciation)	10,000	4,000
Sales (Nine months to December, 2013 Rs.2,40,000)	-	3,69,000
Sales Returns	9,000	-
Purchases	2,22,000	-
Stock (March 31st, 2013)	48,000	-
Furniture	15,000	-
General Expenses (Nine months to December 31st, 2013 Rs.4,850)	10,400	-
Salaries	24,000	-
Heating and Lighting	2,200	-
Rent and Rates	9,600	-
Debtors and Creditors	53,000	18,000
Cash and Bank	19,800	-
	4,71,000	4,71,000

Adjustments:
(1) On March 31st, 2014 the stock was valued at Rs.47,000.
(2) Rates paid in Advance Rs.600.
(3) Rs.800 is to be provided for electricity consumed to that date.
(4) Included in the sales and debtors was Rs.6,000 for goods sent on sale or return of February 1st, 2014 which were still unsold on March 31st, 2014 (Cost Rs.3,000).
(5) Depreciation is to be provided at 20% p.a. on the cost of delivery van, and at 2½ % p.a. on the furniture.

You are required to prepare:
Trading and Profit and Loss Account for the year to March 31st, 2014 and Balance Sheet.

Q.12. Following is the Trial Balance of a partnership of A, B and C as on 31st December, 2013:

Particulars	Rs.	Rs.	Particulars	Rs.	Rs.
Capital A		30,000	Creditors		31,000
B		20,000	Purchases	35,000	
C		10,000	Wages	3,500	
Drawings A	3,000		Carriage Inwards	1,500	
B	2,000		Sales		70,000
C	1,000		Office & Administrative Exps.	10,000	
Building	20,000		Selling & Distribution Exps.	5,000	

Machinery	10,000		Cash	8,000	
Furniture	5,000		Bank	8,000	
Stock	3,000		Advance	16,000	
Debtors	30,000				
				1,61,000	1,61,000

Additional Information:

(1) On 1st July 2013 C was admitted who brought Rs.10,000 as his capital for which the entry is passed. He later on brought Rs.2,400 for Goodwill for which the entry is to be passed.

(2) A & B were sharing profit and losses as 3 : 2. After C's admission they shared profit and losses as 2:1:1.

(3) The sales ratio for the first six months and second six months has been 3 : 2. Selling expenses are in direct proportion to sales.

(4) Out of administrative expenses Rs.1,000 belonged to second half of the year only. Balance of the administrative expenses to be divided equally.

(5) Closing Stock Rs.3,000 on 30-6-2013, Rs.2,500 on 31-12-2013.

(6) Depreciate Building at 5% p.a. Machinery at 10% p.a.

(7) Interest on Capital to be allowed at 10% p.a.

Prepare Trading Profit and Loss Account and the Balance Sheet for the year ended on 31st December 2013. Also prepare partner's capital accounts showing the final balance.

Q.13. A and B were partners sharing profits and losses in the ratio of 3 : 2. With effect from 1-10-2012, C joins as a third partner. The new profit sharing ratio was 2 : 2 : 1.

The following is their Trial Balance as on 31-3-2013:

Particulars	Dr. Rs.	Cr. Rs.
A's Drawings and Capital	15,000	3,00,000
B's Drawings and Capital	10,000	2,00,000
C's Drawings and Capital	5,000	1,50,000
Opening Stock (1-4-2012)	30,000	-
Purchases and Sales	9,00,000	14,00,000
Wages	1,40,000	-
Furniture	2,00,000	-
General Expenses	60,000	-
Selling Expenses	14,000	-
Debtors and Creditors	6,26,000	2,50,000
Cash and Bank Balance	3,50,000	-
Amount brought by C (for his share of Goodwill)	-	50,000
	23,50,000	23,50,000

Other Information:

(1) Stock on 31-3-2013 was Rs.1,80,000.

(2) Purchases from 1-4-2012 to 30-9-2012 were Rs.4,00,000.

(3) Sales from 1-4-2012 to 30-9-2012 were Rs.6,00,000.

(4) Wages from 1-4-2012 to 30-9-2012 were Rs.60,000.

(5) Stock on 30-9-2012 was Rs.80,000.

(6) Furniture worth Rs.1,00,000 was purchased on 1-1-2013. Write off depreciation on furniture at 20% p.a.

(7) Interest on partner's capital is to be provided at 12% p.a.

(8) No interest is to be charged on partner's drawings.

You are required to prepare:

(i) Trading A/c containing the columns for : 1-4-2012 to 30-9-2012 and 1-10-2012 to 31-3-2013.

(ii) Profit and Loss A/c containing the columns for : 1-4-2012 to 30-9-2012 and 1-10-2012 to 31-3-2013.

(iii) Profit and Loss Appropriation A/c containing the columns for : 1-4-2012 to 30-9-2012 and 1-10-2012 to 31-3-2013.
(iv) Balance Sheet as on 31-3-2013.

Q.14. X, Y and Z are partners sharing profit and losses in the ratio 2 : 2 : 1. On 1st January 2011, they book out a joint life policy of Rs.1,00,000. Annual premium of Rs.5,000 was payable on 1st January each year. Last premium was paid on 1st January 2014. Y died on 1st March 2014 and policy money was received on 31st March 2014. The surrender value of policy as on 31st December each year were as follows : 2011 – Nil; 2012 – Rs.1,000; 2013 – Rs.2,500.
Show necessary account and Balance Sheet as on 31st December, each year, assuming in each case that:
(1) The premium is charged to Profit and Loss Account every year; or
(2) The premium is debited to Joint Life Policy Account and the balance of the Joint Life Policy Account is adjusted every year to its surrender value; or
(3) The premium is debited to Joint Life Policy Account and a sum equal to premium is debited to Profit and Loss Appropriation Account and credited to Joint Life Policy Fund.

Q.15. The following is the Trial Balance of a firm as on 31st December, 2013:

Debit	Rs.	Credit	Rs.
Purchases	1,56,000	Capital Account	
Return Inward	2,400	- A	30,000
Stock	24,000	- B	30,000
Drawings		- C	30,000
- A	12,000	Sales	2,94,000
- B	12,000	Return Outward	2,000
- C	12,000	R.D.D.	8,800
Salary	27,000	Bank Loan	20,000
Office Expenses	16,500	Creditors	76,500
Bad Debts	2,100	Bills Payable	8,700
Carriage Inward	4,500		
Carriage Outward	6,750		
Debtors	1,00,000		
Bills Receivables	3,250		
Bank Balance	8,000		
Cash Balance	2,500		
Investments	25,000		
Premises	50,000		
Machinery	36,000		
	5,00,000		5,00,000

On 1st July 2013, 'A' retired and the following adjustments were agreed upon:
(a) Goodwill of Rs.90,000 was brought into the books of accounts.
(b) Furniture worth Rs.20,000 was purchased on 31-3-2013 but the invoice was not recorded in he books.
(c) Balance in A's account after making all adjustments was to be transferred to his loan account carrying interest @ 16%.
(d) Closing Stock was valued at Rs.42,000.
(e) Depreciate machinery by 10%. Premises by 5% and furniture by 5% p.a.
(f) Provide interest on capital at 10%. Prepare Trading and Profit and Loss Account for the year ended 31-12-2013 and a Balance Sheet as on that date.

Q.16. The following is the Trial Balance of M/s. A, B and M as on 31-12-2013.

Particulars	Dr. Rs.	Particulars	Cr. Rs.
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 (1-1-2013)	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, 2013 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 Rs.30,000 and brought into the books.

(2) Machinery worth Rs.24,000 was purchased on 31st March 2013, 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 Rs.14,300.

(2) Bad Debts provision is to be kept at Rs.1,500.

(3) Depreciate Plant by 10% and buildings 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 Rs.1,200 p.a.

(6) Loan of Rs.300 was given to a worker but is wrongly debited to Salary Account.

(7) Outstanding trade expenses Rs.100.

Q.17. X and Y shared profits and losses equally. Their Trial Balance as on 31st December 2013 was an under:

Particulars	Rs.	Rs.
Capital X		75,000
Y		75,000
Current X	7,500	
Y	7,500	
Fixed Assets	75,000	
Debtors	25,000	
Bank	25,000	
Stock (Opening)	12,500	
Purchases	62,500	
Wages	6,250	

Office & Administrative Expenses	12,500	
Selling & Distribution Expenses	10,000	
Creditors		12,500
Sales		1,12,500
Advances	31,250	
	2,75,000	2,75,000

Additional Information:

(1) Z retired on 30th June 2013. His capital was paid off but the amounts due to him for (i) Profit of the year (ii) Share of Goodwill Rs.10,000 (iii) Interest on his capital Rs.1,250 were to be paid.

(2) X, Y and Z were sharing profits and losses 2 : 2 : 1.

(3) Closing Stock was Rs.6,250 on 30-6-2013 and Rs.7,500 on 31-12-2013.

(4)

Item	Upto 30-6-2013	After 1-7-2013
Purchases	37,500	25,000
Wages	3,750	2,500
Sales	75,000	37,500

Other Expenses were to be equally distributed between the two periods.

(5) Depreciate Fixed Assets by 10% p.a.

(6) Allow interest at 10% p.a. on capital.

Show the Final Accounts.

Q.18. Dinesh, Amar and Manoj were partners sharing profits and losses in the ratio of 3 : 2 : 1 respectively. You are required to prepare Trading and Profit and Loss Account for the year ended 31st March, 2014 and Balance Sheet as on that date after making the necessary adjustments. Following is the Trial Balance extracted from the books as on 31st March, 2014.

Debit Balances	Rs.	Credit Balances	Rs.
Buildings	9,00,000	Capital : Dinesh	3,20,000
Machinery	6,00,000	Amar	2,70,000
Furniture	45,000	Manoj	2,10,000
Debtors	1,62,000	Reserve for Bad Debts	9,000
Sundry Expenses	42,000	Loan from Amar	1,50,000
Rent	1,44,000	Creditors	2,16,250
Salaries	2,93,000	Gross Profit	14,25,000
Advertisements	62,500	Bills Payable	26,350
Carriage Outwards	22,500	Interest on Investments	12,000
Insurance	9,000	Other Incomes	14,400
Salesman Commission	1,50,000	Bank Loan (31-3-2014)	3,00,000
Stock	1,25,500		
12% Investment (1-4-2013)	2,00,000		
Cash and Bank	25,750		
Bills Receivable	61,750		
Drawings : Dinesh	32,500		
Amar	43,500		
Manoj	28,000		
Bad Debts	6,000		
	29,53,000		29,53,000

On 31st December, 2013, Dinesh retired. Following adjustments were agreed upon.

(1) Goodwill of the firm was valued at Rs.2,40,000.

(2) Balance of Dinesh Capital Account after all adjustments was to be transferred to his Loan Account carrying interest @ 18% p.a.

(3) Depreciate fixed assets @12% p.a.

(4) Write off further bad debts Rs.12,000.

(5) Provide interest on capital @ 9% p.a. and on loan @ 6%.
(6) During the year Gross Profit Ratio is constant.
(7) Sales upto December, 2013 were Rs.25,00,000 and thereafter was Rs.6,25,000.

Q.19. Following is the Trial Balance of M/s. PQR having P, Q and R (profit and losses in 2:1:2) as on 31st December, 2013.

Debit Balances	**Rs.**	**Credit Balances**	**Rs.**
Plant and Machinery	45,000	Creditors	7,000
Stock (on 31-12-2013)	7,000	Bills Payable	4,000
Repairs (upto 30th Sept., Rs.600)	1,000	Gross Profit	62,000
Bills Receivable	4,000	Outstanding Expenses	5,000
Cash	4,000	Capitals:	
Bank	3,000	- P	15,000
Debtors	16,000	- Q	10,000
Bad Debts (upto 30th Sept., Rs.18,000)	2,000	- R	18,000
Salaries & Wages	8,000		
Carriage Outward	7,000		
Prepaid Expenses	1,000		
Miscellaneous Expenses	12,000		
Drawings: - P	2,000		
- Q	4,000		
- R	5,000		
	1,21,000		1,21,000

According to the Partnership Deed, interest at 10% p.a. should be provided on partner's capitals. Partner Q and R should get salary of Rs.200 p.m.

R retired on 30th September 2013, and his share was taken by other partners in old profit sharing ratio. The goodwill on the date of retirement was Rs.6,000 and it was agreed by the new partners that it should not appear in the books of accounts. R will not get salary after his retirement but he is entitled for interest at 12% p.a. on the outstanding balance after retirement. Depreciation on the plant and machinery for the year was Rs.4,000.

Prepare Profit and Loss Account and Balance Sheet for the year after considering above mentioned information. Interest on partner's capital should be calculated only on the balance on 1-1-2013 and 30-9-2013. All drawings are upto 30th September, 2013.

PIECEMEAL DISTRIBUTION OF CASH

Q.1. A, B & C where partners sharing Profits & Losses in the ratio of 5 : 3 : 2 respectively. Their capital balance was A – Rs.38,800, B – Rs.20,400, C – Rs.26,000. General reserve were Rs.19,200. Calculate Excess capital.

Q.2. From the following information calculate excess capital
Partners X, Y and Z. PSR = 3 : 2 : 1.
General Reserve – Rs.6,000
Capital – X = Rs.17,000, Y = Rs.8,000, Z = Rs.1000.

Q.3. Partners P, Q, R
Profit Sharing Ratio 4 : 2 : 1
Capital: P : 80000, Q : 1,60,000, R : 1,30,000
General Reserve Rs.18900

Q.4. Raja, Rani & Rajkumar were partners sharing P & L in ratio of 3 : 2 : 1. The capital were Rs.96,000, Rs.64,000, Rs.30,000 respectively.
General reserve Rs.42,000. Prepare statement of Excess Capital.

Q.5. X, Y and Z are partners, Profit Sharing Ratio 5 : 3 : 2.
Capital: X : Rs.45,000, Y : Rs.27,000, Z : Rs.14,000
General Reserve: Rs.50,000. Prepare Statement of Excess Capital.

Q.6. From the following Balance Sheet of M/s Ideal Store with Sunil, Anil and Neel as partners sharing profits and losses in the ratio of 5 : 3 : 2. Their Balance Sheet on the date of dissolution was as follows:

Liabilities	Rs.	Assets	Rs.
Partner's Capital:		Fixed Assets	80,000
- Sunil	38,800	Current Assets	60,000
- Anil	20,400	Cash in hand	9,600
- Neel	26,000		
General Reserve	19,200		
Sunil's Loan	21,200		
Sundry Creditors	24,000		
	1,49,600		1,49,600

(1) Realisation expenses were estimated at Rs.4,000.
(2) The assets were realised as under:
First Installment Rs.61,280
Second Installment Rs.28,720
Third Installment Rs.20,000
(3) Actual realisation expenses were Rs.3,000 only.
Prepare a statement showing piecemeal distribution of cash by adopting Excess Capital Method.

Q.7. L, U and M were in partnership, sharing profits and losses in the ratio of 1/2, 1/3, 1/6 respectively. Their firm was dissolved as on 31st December 2013 on which date the Balance Sheet of the firm was as under:

Balance Sheet As At 31st December, 2013

Liabilities	Rs.	Assets	Rs.
Capitals		Cash	4,000
- L	17,000	Debtors	42,000

- U	8,000	Stock	16,000
- M	1,000		
General Reserve	6,000		
Loans			
- L	6,000		
- U	4,000		
Creditors	20,000		
	62,000		62,000

It was agreed that the realisation should be distributed in their due order at the end of each fortnight. The realisation and expenses were as under:

Particulars	**Debtors Rs.**	**Stocks Rs.**	**Expenses Rs.**
15th January 2014	7,500	4,500	1,000
31st January 2014	10,500	500	500
15th February 2014	8,500	8,500	1,000
28th February 2014	10,500	500	400
15th March 2014	2,050	3,050	600

Stocks were completely disposed off and the remaining debtors were taken over by M at an agreed amount of Rs.600.

Show the Statement of distribution of cash, following Relative Capital Method.

Q.8. Red, White and Blue are in partnership. The following is their Balance Sheet as at 31-12-2014 On which date, they dissolved partnership. They share profits in the ratio 5 : 3 : 2.

Liabilities	**Rs.**	**Assets**	**Rs.**
Capitals :		Premises	40,000
Red	50,000	Plant	30,000
White	15,000	Stock	30,000
Blue	45,000	Debtors	60,000
Creditors	40,000		
Red's loan	10,000		
	1,60,000		1,60,000

It was agreed to repay the amounts due to the partners as and when the assets were realized, viz. **Rs.**

1-2-2015	30,000
1-4-2015	73,000
1-6-2015	47,000

Prepare a statement showing how the distribution to the partners should be made under Excess Capital Method.

Q.9. Madhav, Anup and Parag are partners sharing profits and losses in the proportion of ½ , 1/3, and 1/6 respectively. Their partnership was dissolved on 30th June, 2013 on which date their Balance Sheet was as under:

Liabilities		**Rs.**	**Assets**	**Rs.**
Capitals			Cash	8,000
Madhav	40,000		Debtors	84,000
Anup	20,000		Stock	32,000
Parag	4,000	64,000		
Loan				
Madhav	12,000			
Anup	8,000	20,000		
Creditor		40,000		
		1,24,000		1,24,000

It was agreed that cash should be immediately utilized and thereafter the net realization should be distributed in their due order at the end of each month by following Excess Capital Method.

The net realization were as under:

July	Rs. 22,000
August	Rs. 21,000
September	Rs. 32,000
October	Rs. 21,200
November	Rs. 9,000

Prepare necessary statement of Distribution.

All your Working should of Distribution

Q.10. Kar, Lahiri and Mitra were partners sharing Profits and losses in the proporation of 3 : 4 : 5. They decided to dissolve the partnership firm on 1st March, 2014 and to realize the Assets gradually so that they might be sold at the best available price. They further agreed to distribute the money as and when received without waiting for final realization of all assets. The following was the Balance Sheet as at 1st march, 2014.

Liabilities	Rs.	Assets	Rs.
Sundry creditors	45,000	Sundry Assets	1,71,000
Loan Accounts:			
- Kar	27,000		
- Mitra	18,000		
Capital Accounts :			
- Kar	45,000		
- Lahiri	27,000		
- Mitra	9,000		
	1,71,000		1,71,000

The following amounts were gradually realized from the Assets :

1st Instalment	22,500
2nd Instalment	40,500
3rd Instalment	45,000
4th Instalment	7,200

Prepare a detailed Statement showing the basis of distribution of each of these instalments received although the final results were not yet known.

Q.11. A, G and C 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 Balances Sheet:

Balance Sheet As On 31-3-2013

Liabilities		Rs.	Assets	Rs.
Sundry Creditors		5,000	Premises	40,000
Loan on (Mortage of Premises)		30,000	Sundry Debtors	60,000
Partner's loan (A)		15,000	Stock	70,000
General reserve		10,000	Cash	3,000
Partner's capitals				
- A	50,000			
- G	40,000			
- C	23,000	1,13,000		
		1,73,000		1,73,000

The assets were piecemeal as follows:

June 2013	Rs. 5,000 received after meeting in full the mortgage loan.		
July 2013	Debtors	Rs. 15,000;	Stock Rs. 10,000
August 2013	Debtors	Rs. 20,000;	Stock Rs. 25,000
September 2013	Debtors	Rs. 17,000;	Stock Rs. 20,000 (final)

The remaining stock was taken over by G at an agreed value of Rs. 3,000. The sundry creditors were settled for Rs. 4,000. The partners decided to distributed cash as and when realized.
You are required to show the distribution of cash, applying the "highest relative capitals" method.

Q.12. A, B and c are partners in a firm. The firm is dissolved on 31-12-2013 and on the date of dissolution the balance Sheet is as below:

Balance Sheet as at 31-12-2013

Liabilities	Rs.	Assets	Rs.
Capital Accounts :		Goodwill	10,000
- A	30,000	Machinery	50,000
- B	40,000	Stock	40,000
- C	50,000	Debtors	55,000
Reserve	10,000	Cash and bank	5,000
Creditors	30,000		
	1,60,000		1,60,000

It was decided to distributed cash each month to partners after meeting the creditors and after retaining Rs.3,000 out of cash in hand for meeting expenses. The profit ratio is 5 : 3 : 2.

Realisations :			**Rs.**
1^{st} Month	:	Machinery	40,000
2^{nd} Month	:	Stock	10,000
		Debtors	5,000
3^{rd} Month	:	Stock	25,000
		Debtors	10,000
Last Month	:	Debtors	10,000
		Expenses totalled	2,000

Prepare distribution statement showing amounts to be distributed each month to the different partners.

Q.13. Following is balance Sheet of A, B, and C who shared profit and losses in the ratio of 4 : 3 : 2 respectively.

Balance Sheet as on 31-12-2013

Liabilities		Rs.	Assets	Rs.
Capital			Cash	10,000
- A	64,000		Debtors	73,000
- B	45,000		Stock	65,000
- C	42,000	1,51,000	Machinery	70,000
Creditors		28,000		
Mrs. B's Loan		14,000		
Bills Payable		7,000		
General Reserve		18,000		
		2,18,000		2,18,000

The firm was dissolved on the above date. It was decided to keep aside Rs. 3,000 for estimated realization expenses and to distribute the cash as and when the assets realized.
The cash was received in installments as follows:

Month	**Amt.**
Jan. 2014	Rs.52,000
Feb. 2014	Rs.69,000
March 2014	Rs.63,000

The actual realization expenses were Rs.3,000.

Prepare: (a) Statement showing Surplus Capital and
(b) Statement showing piecemeal Distribution of cash.

Q.14. A, B and C were partners in a firm, which was dissolved with effect from 1st January 2014. On the date of dissolution, their Balance Sheet was as follows.

Balance Sheet as on 1st January 2014

Liabilities		Rs.	Assets	Rs.
Capital			Cash at bank	17,000
- A	45,000		Debtors	23,000
- B	20,000		Furniture	10,000
- C	10,000	75,000	Stock	18,000
General Reserve		5,000	Machinery	42,000
B's Loan		5,000		
Creditors		25,000		
		1,10,000		1,10,000

The assets were realized Piecemeal as follows:

On 31st January, 2014	Rs.11,000
On 28th February, 2014	Rs. 7,000
On 31st March, 2014	Rs.17,000
On 30th April 2014	Rs.36,000

The partners shared profit and loss in the ratio 3 : 1 : 1 respectively. It was agreed that cash should be distributed as and when realised. Dissolution expenses were originally provided for an estimated amount of Rs.2,000. The actual expenses amounted to Rs.1,000 spent on 30th April 2014.

Prepare: (a) Statement showing surplus capital. (b) Statement showing distribution of cash.

Q.15. 'L', 'M' and 'N' were partners in firm sharing profits and losses in the ratio of 5 : 3 : 2 respectively.

Balance Sheet as on 31-12-2013

Liabilities	Rs.	Assets	Rs.
Creditors	18,000	Cash in Hand	3,000
Bank Overdraft	10,000	Stock	42,000
Mrs. M's Loan	2,000	Debtors	45,000
L's Loan	15,000	Furniture	6,000
M's Loan	6,000		
Capital A/Cs			
- L	22,500		
- M	18,000		
- N	4,500		
	96,000		96,000

The firm was dissolved on 1-1-2014. The assets realised as follows:

Date	Stock (Rs.)	Debtors (Rs.)	Furniture (Rs.)	Expenses (Rs.)
11-01-2014	7,500	9,000	2,250	750
28-02-2014	10,500	6,000	-	1,200
07-03-2014	15,000	22,500	-	2250
31-03-2014	6,000	4,500	3,000	750

Cash was paid as and when received to the rightful claimants. On 31-3-2014 there was furniture worth Rs.600 which was taken by 'L'.

Show Distribution of cash Statement.

Q.16. Alu, Mutter and Gobi partners of M/s Veg Always shared profits in the ratio of 3 : 2 : 1. On 30th June 2013, they decided to dissolve their firm when their Balance Sheet was as under:

Liabilities	Amount	Assets	Amount
Sundry Creditors	1,50,000	Goodwill	80,000
Reserve	60,000	Building	64,000
Capitals:		Plant	47,000

- Alu	80,000		Furniture	44,000
- Mutter	60,000		Debtors	92,500
- Gobi	50,000	1,90,000	Bills Receivable	39,000
			Stock	22,500
			Bank	11,000
		4,00,000		4,00,000

The realization and the expenses of realization were as stated below:

Date	Realization	Expenses
30st July	85,000	5,000
31st August	1,13,000	3,000
30st September	1,87,000	7,000

You are required to prepare statements to show the piecemeal distribution of cash available under highest Relative Capital Method.

Q.17. A, B and C were in partnership sharing profit 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	Rs.	Assets	Rs.
Creditors	40,000	Cash	10,000
Loan from A	10,000	Debtors	80,000
General Reserve	12,000	Stock	27,000
Capital : A	20,000		
B	25,000		
C	10,000		
	1,17,000		1,17,000

The realization and expenses were as under:

Date	Debtors (Rs.)	Stock (Rs.)	Expenses (Rs.)
Jan., 2014	12,000	6,000	1,000
Feb., 2014	22,000	1,000	1,500
March, 2014	6,000	10,000	1,200
April, 2014	18,000	5,000	900
May, 2014	15,500	3,000	1,500

It was agreed that available cash and net realization should be distributed at the end of each month. It was decided in May, 2014, that C would take the remaining debtors at Rs.2,500. Prepare a statement by proportionate Capital method showing the distribution of cash. Also show realisation account.

Q.18. A partnership firm was dissolved on 30th June, 2013. Its Balance Sheet on the date of Dissolution was as follows:

Liabilities		Rs.	Assets	Rs.
- Ram	38,000		Cash	5,400
- Shyam	24,000		Sundry Assets	94,600
- Mohan	18,000	80,000		
Loan A/c – Shyam		5,000		
Sundry Creditors		15,000		
		1,00,000		1,00,000

The assets were realised in instalments and the payments were made on the proportionate capital basis. Creditors were paid Rs.14,500 in full settlement of their account. Expenses of realization were estimated to be Rs.2,700 but actual amount spent on this account was Rs.2,000. This amount was paid on 15th September. Draw up a Memorandum of distribution of cash, which was realised as follows:

On 5th July, 2013 Rs. 12,600
On 30th August, 2013 Rs. 30,000

On 15th September, 2013 Rs. 40,000

The partners shared profits and losses in the ratio of 2 : 2 : 1. Give working notes.

Q.19. A, B and C were partners sharing in the ratio of 4 : 3 : 1. Their balance sheet as on 31st March, 2013 was as follows:

Liabilities	Rs.	Assets	Rs.
Creditors	26,250	Building	60,000
Bank Loans (Secured)	8,750	Plant	20,000
Loan from A	10,000	Stock	55,000
Capital Account : A	70,000	Debtors	60,000
B	30,000		
C	50,000		
	1,95,000		1,95,000

They decided to dissolve the business. The assets were realised gradually and the net amount were distributed immediately as given below:

Date	*Assets Realised*	*Expenses paid*
May 20, 2013	22,000	2,000
July 30, 2013	16,800	1,800
Sept. 20, 2013	38,000	NIL
Nov. 15, 2013	45,000	5,000
Dec. 30, 2013	72,000	7,000

Show the distribution of cash and the loss to be borne by the partners.

Q.20. On 31-12-2013, the Balance Sheet of A, B and C sharing profits in the ratio of 3 : 2 : 1 was as follows :

Liabilities		Rs.	Assets		Rs.
Capital : A	49,000		Cash		0,000
B	21,000		Other Assets		90,000
C	10,000	80,000	Drawings : A	10,000	
Reserve		12,000	B	10,000	
Secured Loan		18,000	C	5,000	25,000
Bills Payable		10,000			
Creditors		5,000			
		1,25,000			1,25,000

Additional Information:

(1) Realisation Expenses : Estimated – Rs.4,000, Actual – Rs.5,000

(2) Assets Realised: 15-1-2014 – Rs.20,000; 31-1-2014 – Rs.4,000, 10-2-2014 – Rs.27,000 and 19-2-2014 Rs.26,000

Prepare a statement showing distribution of cash by applying Proportionate capital Method.

Q.21. X, Y and Z were in partnership sharing profits and losses in the ratio of 5 : 3 : 2. On 31st Dec. 2013, their balance Sheet was as under:

Liabilities		Rs.	Assets	Rs.
Capital Accounts :			Cash at bank	1,000
- X	2,500		Other Assets	7,500
- Y	1,000			
- Z	2,000	5,500		
Contingency Reserve		500		
Reserve Fund		1,000		
X's Loan		500		
Creditors		1,000		
		8,500		8,500

The firm was dissolved on the above date :

1st Realisation	Rs. 3,850
2nd Realisation	Rs. 1,500
3rd Realisation	Rs. 3,000

The Realisation expenses were estimated of Rs.350 but actually it was only Rs.300. At the time of dissolution there was a contingent liability of Rs.300against the firm which was settled at Rs.200 at the time of realization of the second installment.
You are require to distribute cash as and when it is received. No partner is insolvent.

Q.22. The firm of LMS was dissolved on 31-03-2014 at which date its Balance Sheet stood as follows.

Liabilities	Amt (Rs.)	Assets	Amt (Rs.)
Creditors	2,00,000	Fixed Assets	45,00,000
Bank Loan	5,00,000	Cash and Bank	2,00,000
L's Loan	10,00,000		
Capital			
- L	15,00,000		
- M	10,00,000		
- N	5,00,000		
	47,00,000		47,00,000

Partners share profit equally. A firm of Chartered Accountants is retained to realize the assets and distribute the cash after discharge of liabilities. Their fees which were to include all expense is fixed at Rs.1,00,000. No loss is expected on realization since fixed assets include valuable land and building. Realization are: 1st Rs.5,00,000; 2nd Rs.15,00,000; 3rd Rs.15,00,000 and 4th Rs.30,00,000; 5th Rs.30,00,000. The Chartered Accountant firm decided to pay off the partners in "Higher Relative Capital Method". You are required to prepare a statement showing distribution of cash with necessary workings.

Q.23. Mr. B, Mr. C and Mr. D are partners sharing profits and losses in the ratio of 5 : 4 : 3 and they decided to dissolve their business on and from January 1, 2014. The following was the balance sheet as on the date of dissolution:

Liabilities		Rs.	Assets	Rs.
Capital Accounts :			Machinery	87,000
Mr. B	60,000		Motor Car	39,000
Mr. C	50,000		Investments	30,000
Mr. D	40,000	1,50,000	Stock	27,000
General Reserve		30,000	Debtors	41,000
Mr. C's Loan		20,000	Cash in Hand	16,000
Mr. B's Loan		15,000		
Creditors		25,000		
		2,40,000		2,40,000

The assets were realised as follows:

Particulars	Rs.	Particulars	Rs.
On January 18, 2014; Realised	31,000	On March 1, 2014; Realised	11,000
On February 1, 2014; Realised	28,000	On March 15, 2014; Realised	10,500
On February 12, 2014; Realised	49,000	On March 31, 2014; Realised	23,500
On February 18, 2014; Realised	14,000		

On February 18, 2014, the motor car was taken over by Me. B at an agreed valuation of Rs.30,000. Distribution expenses were provided at an estimate of Rs.1,500 but actual expenditure was Rs.1,200. On March 31, 2014, the accounts were closed.
Show a statement showing the distribution of cash (On the basis of surplus capital).

Q.24. Given below is the Balance Sheet of A, B, C as on December 31, 2013 on which date they dissolved their partnership. They shared profits and losses in the ratio of 4 : 3: 3. Since the realisation of assets was protracted they decided to distribute amounts as and when feasible and to appoint C for this purpose, who was to get as his remuneration 1% of the value of the assets (other than cash at bank). Realised and 10% of the amount distributed to the partners.

Balance Sheet of A, B, C as on December 31, 2013

Liabilities	Rs.	Assets	Rs.
Capital Accounts :		Cash at bank	275
- A	15,000	Sundry Assets	53,725
- B	7,500		
- C	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.

AMALGAMATION OF FIRMS

Q.1. AB & Co. and CD & Co. amalgamated with effect from 1-4-2014. Their balance sheet as on 31-3-2014 was as under:

Liabilities	AB & Co. Rs.	CD & Co. Rs.	Assets	AB & Co. Rs.	CD & Co. Rs.
A's Capital	1,00,000	-	Land and Building	2,80,000	-
B's Capital	2,00,000	-	Plant and Machinery	-	8,00,000
C's Capital	-	2,00,000	Stock	3,00,000	4,00,000
D's Capital	-	3,00,000	Debtors	2,00,000	4,00,000
General Reserve	1,00,000	2,00,000	Cash & Bank Balance	1,20,000	1,00,000
Creditors	7,50,000	13,40,000	Investments	3,00,000	4,00,000
Investment Fluctuation Reserve	50,000	60,000			
	12,00,000	21,00,000		12,00,000	21,00,000

Both the firms amalgamated subject to the following terms:
(1) All the assets and all the liabilities of both the firms shall be taken over by the new firm.
(2) Land and Building shall be appreciated by 20%.
(3) Plant and Machinery shall be depreciated by 10%.
(4) Stock of AB & Co. shall be increased by Rs.50,000.
(5) Stock of CD & Co. shall be taken at Rs.4,50,000.
(6) Debtors of AB & Co. shall be decreased by Rs.10,000.
(7) Debtors of CD & Co. shall be taken at Rs.3,80,000.
(8) Goodwill of AB & Co. shall be valued at Rs.1,00,000.
(9) Goodwill of CD & Co. shall be valued at Rs.2,00,000.
(10) Investment of AB & Co. shall be taken over Rs.2,80,000.
(11) Investment of CD & Co. shall be taken over at Rs.3,60,000.

You are required to prepare :
(1) Statement showing calculation of purchase consideration.
(2) Realisation A/c and Partners' Capital A/c in the books of AB & Co.
(3) Realisation A/c and Partners' Capital A/c in the books of CD & Co.

Q.2. Following is the Balance Sheet of two firms as at 31st March, 2014:

Liabilities	Prem & Co.	Raj & Co.	Assets	Prem & Co.	Raj & Co.
Capital:			Premises	-	5,000
Prem	11,500	-	Computers	10,000	-
Anil	11,500	-	Furniture	5,000	7,000
Raj	-	18,000	Inventory	9,000	8,000
Shyam	-	12,000	Debtors	6,000	8,000
General Reserves	-	3,000	Bank	2,000	4,000
Creditors	5,000	4,000	Cash	1,000	2,000
Bills Payable	5,000	3,000			
	33,000	40,000		33,000	40,000

It was mutually agreed to amalgamate the business from 1st April, 2014.
Terms of amalgamation were as follows:
(a) Premises was valued at Rs.10,000 and computers at Rs.12,000.
(b) Furniture was not taken over by new firm.
(c) A reserve of 5% is to be created on debtors.
(d) Goodwill was valued as: M/s Prem & Co. at Rs.10,000 and that of M/s. Raj & Co. at Rs.15,000.

(e) The new firm also assumed other Assets and Liabilities of old firm at book value. Show necessary accounts in the book of old firms and the Balance Sheet of new form M/s. Prem Raj & Co. after amalgamation.

Q.3. The Balance Sheet of M/s. M & N and M/s. R & S as on 31-12-2013 were as follows:

Liabilities	M & N Rs.	R & S Rs.	Assets	M & N Rs.	R & S Rs.
Capital			Land	36,000	47,400
- M	36,000	-	Machinery	25,200	28,800
- N	36,000	-	Furniture	10,800	12,600
- R	-	36,000	Debtors	21,600	30,600
- S	-	36,000	Stock	28,800	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. MNRS with effect from 1-04-2014. 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	M & N (Rs.)	R & S (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
Creditors	52,000	34,000
Loans	-	38,000
O/S Expenses	7,200	11,400

In addition the above it was decided-

(1) Goodwill of M & N and R & S was valued at Rs. 35,000 and Rs. 20,000 respectively and it should be written off in the new firm.

(2) That the reconstructed capitals of the partners would be Rs. 37,500 each. The difference, if any, should be transferred to Current Account.

You are required to show:

(i) The accounts in the books of M/s. M & N and M/s. R & S and

(ii) The opening Balance Sheet of the New Firm.

Q.4. Following is the Balance Sheet of M/s. LB. & M/s. M.B. as at 31st March, 2014:

M/s. L. B.

Liabilities	Rs.	Assets	Rs.
Sundry Creditors	50,000	Cash-in-Hand	12,000
Loan from Vijaya Bank	10,000	Stock-in-Trade	58,000
Capitals:		Sundry Debtors	30,000
- Ajay	1,00,000	Furniture & Fixture	20,000
- Sanjay	50,000	Office Premises	90,000
	2,10,000		2,10,000

M/s. M.B.

Liabilities	Rs.	Assets	Rs.
Sundry Creditors	60,000	Cash-in-Hand	16,000
Capital:		Stock-in-Trade	44,000
- Ankur	60,000	Sundry Debtors	50,000
- Ankit	40,000	Furniture & Fixtures	10,000

		5% in National Saving Certificate	40,000
	1,60,000		1,60,000

They shared profits and losses in proportion to their capital.

They decided to amalgamate their business with effect 1-4-2014 as per the following conditions.

(1) Name of new firm shall be Vanee Trading Corporation.
(2) Vijaya Bank be repaid by M/s. L.B.
(3) 5% N.S.C. not to be taken over by new firm.
(4) Goodwill of M/s. L.B. be reduced by Rs.9,000 and that of M/s. M.B. be increased by Rs.5,000.
(5) Office Premises are revalued at Rs.99,000.
(6) Stock in Trade of M/s. L.B. be reduced by Rs.9,000 and that of M/s. M.B. be increased by Rs.5,000.
(7) Reserve for Bad Debts be created @ 5% on debts of both firms.
(8) Total capital of firm of Vanee Trading Corporation will be Rs.1,80,000 and the capital of each partner will be in his P.S.R. which will be as follows: Ajay 30%; Sujay 20%; Ankur 30%; Ankit 20%.
(9) The difference, if any, should be transferred to Current Accounts.
(10) Goodwill Account in new firm should be written off.

You are required to close the books of M/s. L.B. and M/s. M.B. to give effect to above arrangements. Also prepare Balance Sheet as on 1st April, 2014.

Q.5. The Balance Sheet of Messers. 'A & B' and Messers. 'C & D' as on 31-12-2013 were as follows:

Liabilities	"A & B" Rs.	"C & D" Rs.	Assets	"A & B" Rs.	"C & D" Rs.
Capitals:			Land	10,000	12,000
A	10,000		Machinery	7,000	8,000
B	10,000		Furniture	3,000	3,500
C		10,000	Debtors	6,000	8,500
D		10,000	Stock	8,000	10,000
Creditors	15,000	10,000	Cash and Bank	3,000	1,000
Loan		10,000			
Outstanding Expenses	2,000	3,000			
	37,000	43,000		37,000	43,000

The two firms decided to amalgamate and form into ABCD & Co. with effect from 1-1-2014. 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	10,000	10,000
Machinery	7,000	8,000
Furniture	2,500	2,500
Debtors	5,500	7,000
Stock	8,000	8,000
Outstanding Expenses	2,000	3,500

In addition to the above it was decided:

(i) that the new firm would not take over the loan of "C & D'.
(ii) that the Goodwill of 'A & B' and 'C & D' were valued at Rs.10,000 and Rs.5,000 respectively in the first instance but for the purpose of the Balance Sheet of the new firm, the combined Goodwill would be valued at Rs.12,000 and

(iii) that the reconstructed capitals of the partners would be Rs.14,000 each, partners introducing cash, if necessary.

You are required to show:

(a) the accounts in the books of 'A & B' and 'C & D'.

(b) the opening Balance Sheet of the new firm.

Q.6. Desai Bros. and Shah Traders decided to amalgamate and form a new firm called Desha & Co. on the following terms and conditions on 1st January, 2014 when their Balance Sheet were as follows:

Particulars	Desai Bros. Rs.	Shah Traders Rs.	Particulars	Desai Bros Rs.	Shah Traders Rs.
Arun's Capital	60,000	--	Building	20,000	41,000
Barun's Capital	30,000	--	Furniture	6,000	--
Tarun's Capital	--	40,000	Investments	30,000	12,000
Varun's Capital	--	65,000	Stocks	34,000	46,600
Creditors	20,000	46,000	Debtors	20,000	75,000
Bank Loan	10,000	34,000	Cash at Bank	10,000	10,400
	1,20,000	1,85,000		1,20,000	1,85,000

Terms of Amalgamation:

(1) In case of Desai Bros.

(a) Goodwill was valued at Rs. 20,000.

(b) Desai Bros. partners to take over its bank loan equally.

(c) Building was taken to be worth Rs. 60,000.

(d) Stock was to be valued at Rs. 30,000.

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

(2) In case of Shah Traders.

(a) Goodwill was valued at Rs. 10,000.

(b) Building was taken to be worth Rs. 80,000.

(c) Investments were not taken over by the new firm, which were taken over by Varun at Rs. 10,000.

(d) Stock was valued at Rs. 42,600.

(e) Provisions for Doubtful Debts to be created at 55 on Debtors.

You are required to show necessary ledger accounts in the books of Desai Bros. and Shah Traders and prepare Balance sheet of New firm after amalgamation.

Q.7. In similar type of businesses, Red and Yellow are in partnership as Orange Co. and Violet and Blue as Indigo Co. It was mutually agreed that as on January 1, 2014 the partnership be amalgamated into one firm, Rainbow Co. The profit-sharing ratios in the various firm were and are to be as follows:

	Red	Yellow	Violet	Blue
Old Firm	4	3	3	2
New Firm	6	5	4	3

As on December 31, 2013, the Balance Sheets of the firms were as follows:

Particulars	Orange	Indigo	Particulars	Orange	Indigo
Capital Accounts:			Property	7,400	10,000
Red	15,300	-	Fixtures	1,800	1,400
Yellow	11,000	-	Vehicles	3,000	1,800
Violet	-	11,300	Stock	8,300	6,600
Blue	-	7,400	Investment	800	-
Creditors	5,200	6,000	Debtors	6,800	5,800
Bank Overdraft	-	900	Bank Balance	3,400	-
	31,500	25,600		31,500	25,600

The agreement of amalgamate contains the following provisions:

(a) Provision for doubtful debts at the rate of 5% be made in respect of debtors, and a provision for discount receivable at the rate of 2.5% be made in respect of creditors.

(b) Rainbow Co. to take over the old partnership assets at the following values:

Assets	Orange Co. (Rs.)	Indigo Co. (Rs.)
Stock	8,450	6,390
Vehicles	2,800	1,300
Fixtures	1,600	-
Property	10,000	-
Goodwill	6,300	4,500

(c) The property and fixtures of Indigo Co. not to be taken over by Rainbow Co. These assets were sold for Rs.13,500 cash on January 1, 2014.

(d) Yellow to take over his firm's investments at a value of Rs.760.

(e) The capital of Rainbow Co. to be Rs.54,000 and to be contributed by the partners in profit sharing ratios, any adjustments to be made in cash.

You are required to give Journal Entries reflecting the closing of the old partnerships and opening Balance Sheet of the new firm after taking into account the provisions of the agreement.

Q.8. The Balance Sheet of two firms M/s Good and Better and M/s Show and Fast, as on January 1, 2014 were:

Balance Sheet

Liabilities	Good & Better (Rs.)	Slow & Fast (Rs.)	Assets	Good & Better (Rs.)	Slow & Fast (Rs.)
Creditors	12,500	10,000	Building	18,750	-
Reserves	7,500	-	Plant	25,000	-
Capital Accounts			Stock	12,500	32,500
Good	25,000		Debtors	6,250	18,750
Better	18,750		Cash	1,250	8,750
Fast		12,500			
Slow		37,500			
	63,750	60,000		63,750	60,000

Good and Better shared profits in the ratio of 3 : 2 and Slow and Fast in the ratio of 5 : 3. The two firms decided to amalgamate and the new profit sharing ratio among Good, Better, Slow and Fast was to be 3 : 2 : 3 : 2. The other terms were:

(1) Goodwill of M/s Good and Better was valued at Rs.25,000 and that of M/s Slow and Fast at Rs.18,750. The new firm was not to be retain goodwill in the books.

(2) Stock of M/s Slow and Fast was valued at Rs.31,250 and a provision of 5% was required against debtors.

(3) In the case of M/s Good and Better, Rs.750 of the debtors was to be written off. Buildings were valued at Rs.25,000 and the plant at Rs.22,500.

(4) The total capital of the firm was fixed at Rs.1,00,000 to be contributed by partners in their profit sharing ratio and necessary adjustments were to be made in cash. Show the incorporating entries and the Balance Sheet of the new firm called M/s Good and Fast.

Q.9. Vijay and Sanjay were carrying on business of supply of hardware as sole traders. Their balance sheets as on 31st March, 2014 are given below:

Liabilities	Vijay (Rs.)	Ajay (Rs.)	Assets	Vijay (Rs.)	Ajay(Rs.)
Bills payable	50,000	40,000	Fixed Assets	40,000	50,000
Bank Overdraft	25,000	--	Stock	50,000	25,000
Capital A/c	75,000	1,00,000	Book Debts	60,000	55,000
			Cash Balance	--	10,000
	1,50,000	1,40,000		1,50,000	1,40,000

Both the parties decided to amalgamate their business and form a new partnership firm under the name of M/s Jay on 1st April, 2014. The terms of amalgamation were as follows:

(1) Fixed assets were to be reduced by 10%.
(2) Stock of Mr. Vijay to be reduced by 20% and that of Sanjay increased by 10%.
(3) A reserve for 2.5% to be created against book debts.
(4) Both the parties to be credited with goodwill of Rs.25,000 each.
(5) The Bank overdraft of Mr. Vijay has to be paid by him.

You are required to prepare necessary Ledger accounts in the books of Vijay and Sanjay.

Q.10. A and B are in partnership sharing profits and Losses in the proportion of 3/5 and 2/5 respectively decided to admit C into partnership who was trading alone in the same line and form a new firm ABC & Co. Their Balance sheets as on 31st December, 2013 are as follows:

A & B

Liabilities	Rs.	Assets	Rs.
A's Capital account	1,05,000	Cash	20,000
B's Capital account	70,000	Book Debts	65,000
Creditors	15,000	Machinery	35,000
Reserve	10,000	Land & Building	10,000
		Stock	70,000
	2,00,000		2,00,000

'C'

Liabilities	Rs.	Assets	Rs.
C's Capital	20,000	Stock	15,000
Creditors	7,500	Book Debts	2,500
		Cash	10,000
	27,500		27,500

It is decided that C should be given a quarter share in the new firm, A and B sharing the balance in the old proportion. It is also agreed that C's assets and liabilities were to be taken over as per his balance sheet, but the following adjustments were to be made in A & B's balance sheet:

(i) Debtors to be written off by Rs.15,000.
(ii) Stocks to be written off by Rs.15,000.
(iii) Machinery to be written off Rs 5,000.

C also agrees to pay privately to A and B by the way of goodwill quarter share of A and B's profits for the last two years which were 2011 Rs.27,000 and 2002 Rs.33,000. It was also decided that the partner's capitals in the new business shall be in the same proportion as they share profits.

Draw up:

(1) The necessary accounts in the books of A & B.
(2) The journal and the new firm's Balance Sheet at as 1st January 2013 and state:
    (a) The total cost to C for his share in the business,
    (b) How much A and B will each receive for goodwill?

Q.11. X and Y are two sole traders. Their Balance sheets as on 1st January, 2014 are given below:

X's Balance sheet as on 1st January, 2014

Liabilities	Rs.	Assets	Rs.
Sundry creditors	10,000	Plant & machinery	7,500
Das Bank Ltd.	5,000	Stock in trade	10,000
Capital account	15,000	Sundry Debtors	12,500
	30,000		30,000

Y's Balance sheet as on 1st January, 2014

Liabilities	Rs.	Assets	Rs.
Sundry Creditors	8,500	Plant & Machinery	10,500
Capital Account	20,000	Stock in trade	5,000
		Sundry Debtors	11,000
		Cash at Bank	2,000
	28,500		28,500

They agree to amalgamate their business as on 1st January, 2014. The following revaluations were to be made:

(1) Plant & Machinery were to be reduced by 10%.

(2) Stock in trade was to be reduced in case of X by 20% and in case of Y by 10%.

(3) A reserve of $2^{1}/_{2}$ % is to be raised against Sundry Debtors. Each partner is to be credited with Goodwill of Rs.5,000.

(4) The Bank overdraft of X is to be paid off by him.

You are required to give the journal entries for recording the above transaction in the books of X and Y. Give also the amalgamated balance sheet of the new firm as on 1st January, 2014.

Q.12. A and B carry on independent business in provisions and their positions on 31-12-2013 are reflected in the Balance sheet given below:

Liabilities	A	B	Assets	A	B
Sundry creditors for	1,10,000	47,000	Stock-in-trade	1,70,000	98,000
purchase	750	2,000	Sundry Debtors	89,000	37,000
Sundry creditors for	12,500	--	Cash at Bank	13,000	7,500
Expenses	1,53,000	95,500	Cash in Hand	987	234
Bills payable			Furniture and Fixtures	2,750	1,766
Capital A/c			Investments	513	--
	2,76,250	1,44,500		2,76,250	1,44,500

Both of them want to form a part5nership firm from 1-1-2014 on the following understanding:

(a) The capital of the partnership firm would be Rs. 3, 00,000 which would be contributed by them in the ratio of 2:1.

(b) The assets of the individual businesses would be evaluated by C at which values, the firm will take them over and the value would be adjusted against the contribution due by A and B.

(c) C gave his valuation report as follows:
Assets of A: Stock-in-trade to be written down by 15% and a portion of the sundry debtors amounting to Rs. 9,000 estimated unrealizable not to be assumed by the firm; furniture and fixtures to be valued at Rs. 2,000 and investments to be taken at market value of Rs. 1,000.
Assets B: Stocks to be written up by 10% and Sundry Debtors to be admitted at 85% of their value, rest of the assets to be assumed at their book values.

(d) The firm is not to assume any creditors other than the dues on account of purchases made.

You are required to pass necessary Journal entries in the books of A and B. Also prepare the opening Balance Sheet of the firm as on 1-1-2014.

Q.13. Miss Charu and Miss Paru are in partnership as 'Maru and Co'. In the similar type of business Miss Palak and Miss Zalak are in partnership as 'Malak Associates'. It was agreed that on 1st April, 2013 the partnership be amalgamated into one firm 'Charmalak & Co'. The profit sharing in the old firm and the new firm are as below:

Particulars	Charu	Paru	Palak	Zalak
Old Firm	2	3	3	2
New Firm	6	5	3	4

As on 31st March, 2013 the Balance sheets of the firm were as follows:

Liabilities	Maru & Co (Rs.)	Malak Assoc. (Rs.)	Assets	Maru & Co (Rs.)	Malak Assoc (Rs.)
Capital :			Land	65,000	84,000
Charu	80,000		Furniture	38,000	30,500
Paru	1,20,000		Vehicle	25,000	27,250
Palak	--	70,000	Stock	49,900	66,000
Zalak	--	70,000	Investment	14,000	--
Creditors	50,000	83,500	Debtors	52,500	52,250
Bank Overdraft	--	36,500	Bank	5,600	--
	2,50,000	2,60,000		2,50,000	2,60,000

The amalgamation was made on the following terms:
New firm to take the Old Firm's assets as under:

Particulars	Maru & Co (Rs.)	Malak Associates(Rs.)
Stock	45,000	65,000
Vehicle	20,000	20,000
Furniture	35,000	28,000
Land	1,25,000	1,65,000
Goodwill	40,000	30,000

Miss Charu to take over Investments for Rs.12,000.
The capitals of the partners in the New firm to be Rs.4,00,000 and to be contributed by their profit Sharing Ratio and adjustments to be made in cash/Bank overdraft.
You are required to show necessary Ledger accounts in the books of 'Maru & Co' and 'Malak & Associates' and prepare Balance sheet of New Firm after amalgamation.

Q.14. A and B were partners sharing profits and losses in the ratio of 3:1 and C and D were partners sharing equally:
Following were their balance as on 31st March 2014.

Liabilities	A & B (Rs.)	C & D (Rs.)	Assets	A & B (Rs.)	C & D (Rs.)
Capital Accounts:			Goodwill	4,000	-
A	30,000	--	Plant & machinery	20,000	27,000
B	30,000	--	Furniture	8,000	9,000
C	--	25,000	Stock	20,000	24,000
D	--	32,000	Debtors	19,000	17,000
Creditors	10,000	15,000	Fixtures	1,00	1,200
Bills Payable	4,000	8,000	Cash	3,400	3,300
Outstanding Rent	2,000	1,500			
	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 & Machinery is subject to 5% depreciation of both the firms.
(4) Furniture of 'C' and 'D' was sold in market for Rs. 8,000 and furniture of 'A' and 'B' was not taken over by the new firm.
(5) Fixtures were not taken over by the new firm.
(6) Stock of 'A' and 'B' was valued at Rs. 22,100 and that of 'C' and 'D' was valued at Rs. 21,000.
(7) Goodwill of M/s A and B is valued at Rs. 6,000 and that of M/s C and D at Rs. 8,000. Goodwill account is not to be retained in the books of the new firm.
(8) Capital of each partner in the new firm is to be maintained at Rs. 25,000 by bringing cash or paying cash, as the case may be.

You are required to prepare:
(a) Realisation A/c
(b) Partner's capital A/c in the books of both the firms and
(c) Amalgamated Balance sheet of the new firm.

Q.15. M/s. A & B as partners decided to amalgamate with M/s. C & Co. having C & D as partners on the following terms and conditions:

(i) The new firm M/s. AC & Co. to consider Goodwill of both the firms at Rs.12,000 each.
(ii) The new firm to take over investments at 10% depreciation; Debtors and Furniture at book value; Premises at Rs.53,000; Land at Rs.66,800; Machinery at Rs.9,000 and such cash which remained after discharge of partners' loan by the respective old firms before amalgamation.
(iii) The new firm also assumed other liabilities of old firm.

The following were the Balance Sheet of both the firms on the date of amalgamation:

Liabilities	A & Co. Rs.	C & Co. Rs.	Assets	A & Co. Rs.	C & Co. Rs.
Creditors	20,000	10,000	Cash	15,000	12,000
Bills Payable	5,000	-	Investments	10,000	8,000
Loans : A	8,000	-	Debtors	9,000	4,000
C	-	10,000	Furniture	12,000	6,000
Reserves	10,000	4,000	Premises	30,000	-
Capital : A	35,000	-	Land	-	50,000
B	22,000	-	Machinery	15,000	-
C	-	36,000	Goodwill	9,000	-
D	-	20,000			
	1,00,000	80,000		1,00,000	80,000

Prepare following Ledger Accounts in each case:
(1) Realisation Account.
(2) Partners' Capital Account.
(3) New Firm Account;
And also prepare the Balance sheet of the New Firm.

Q.16. Ajay and Vijay are partners who share profits and losses in the ratio of 2:3 in a business. In the similar type of business Kailash and Manish are partners who share profits and losses equally. It is agreed that both the firm have to be amalgamated into one from on 1st April, 2014. On 31st March, 2014 the financial position of both the firms is as under:

Balance sheet as on 31-3-2014

Liabilities	A&V (Rs.)	K& M (Rs.)	Assest	A&V (Rs.)	K&M (Rs.)
Capital:			Goodwill	31,200	20,800
- Ajay	1,04,000	-	Machinery	1,40,400	1,09,200
- Vijay	91,000	-	Furniture	28,080	21,840
- Kailash	-	72,800	Motor Car	1,87,200	1,24,800
- Manish	-	65,000	Stock	86,660	76,700
General Reserve	26,000	20,800	Debtors	1,01,920	83,460
Creditors	1,02,700	74,100	Bills Receivable	30,940	28,080
Bills Payable	50,700	35,100	Cash and Bank	13,000	10,920
Loan from SBI	2,47,000	2,08,000			
	6,21,400	4,75,800		6,21,400	4,75,800

The firms are amalgamated on the following terms:
(1) Creditors of both the firms to be taken at a discount at 10%.
(2) Machinery is subject to 5% depreciation of both the firms.
(3) Motor car is to be appreciated by 10% of both the firms.

(4) Furniture of both the firms is not taken over by the new firm.
(5) Stock is to be appreciated by 20% of both the firms.
(6) Goodwill of A & V is to be valued at Rs.62,400 whereas of K and M is Rs.39,000.
(7) Capital of the new firm is fixed at Rs.9,36,000 to be adjusted according to their new profit sharing ratio, any adjustment to be made in cash.
(8) The new profit sharing ratio is Ajay 3/10, Vijay 2/10, Kailash 3/10 and Manish 2/10.

You are required to close the books of both the firms and draw the Balance sheet after amalgamation.

Q.17. Amit Traders and Sumit Bros. decided to amalgamate on the following terms and conditions on 1st April, 2013 when their Balance sheets were as follows:

Particulars	Amit Traders	Sumit Bros.	Particulars	Amit Traders	Sumit Bros.
Amit's Capital	26,400	--	Buildings	25,000	--
Amil's Capital	33,600	--	Furniture	11,500	27,000
Sumit's Capital	--	72,300	Investments	--	22,500
Sunil's Capital	--	42,200	Stocks	13,600	32,600
Creditors	21,500	51,500	Debtors	32,000	62,000
Bank Loan	12,000	--	Cash at Bank	11,400	21,900
	93,500	1,66,000		93,500	1,66,000

Terms of amalgamation:
(1) In case of Amit Traders
  (a) Goodwill was valued at Rs.20,000.
  (b) Amit took over Bank Loan.
  (c) Building was taken to be worth Rs.60,000.
  (d) Stock to be valued at Rs.12,600.
  (e) Provision for doubtful debts to be created at 5% on debtors.
(2) In case of Sumit Bros.
  (a) Goodwill was valued at Rs.30,000.
  (b) Investments were taken over by the new firm at Rs. 30,000.
  (c) Stock was valued at Rs.32,000.
  (d) Provision for Doubtful debts to be created at 5% on debtors.
(3) It was further decided that the total capital of the new firm shall be Rs.2,00,000 and the capital of each partner shall be in profit sharing proportion i.e. 1 : 1 : 3 : 3, the difference to be transferred to the Current Accounts.

You are required to show necessary ledger accounts in the books of Amit Traders and Sumit Bros. and prepare Balance sheet of new firm after Amalgamation.

Q.18. Following were the Balance Sheets of two firms M/s. A & B & M/s. X & Y as on 31st March 2014.

Balance Sheets

Liabilities	A & B Rs.	X & Y Rs.	Assets	A & B Rs.	X & Y Rs.
Creditors	60,000	30,000	Building	40,000	-
Bills Payable	21,000	18,000	Plant and Machinery	50,000	35,000
Capital Accounts :			Fixtures & Patterns	10,000	7,000
- A	50,000	-	Furniture	6,000	10,000
- B	50,000	-	Debtors	30,000	25,000
- X	-	27,000	Stock in Hand	44,000	21,000
- Y	-	27,000	Cash at bank	1,000	4,000
	1,81,000	1,02,000		1,81,000	1,02,000

A & B were sharing profits and losses in the ratio of 3 : 1 and X & Y were sharing profits equally. The two firms were amalgamated on that date and assets and liabilities were revalued as follows:

(1) Building was appreciated by 20% but Plant and Machinery of both the firms were to be depreciated by 10%
(2) Fixtures and Patterns of A and B were revalued at Rs. 8,000 that of X and Y at Rs. 10,000.
(3) 5% Reserve for doubtful debt is to be provided on Debtors of both the firms.
(4) Reserve 2% for discount on creditors of both the firms
(5) Furniture's of both the firms were taken at 5% depreciation.
(6) Other assets and liabilities were taken at Book Values.

Prepare Ledger Accounts in the books of both the firms and the amalgamated balance Sheet.

Q.19. The following were the Balance Sheets of the two firms as on 31st December, 2013:

Liabilities	A & B Rs.	C & D Rs.	Assets	A & B Rs.	C & D Rs.
Creditors	80,000	80,000	Cash at bank	48,000	16,000
Outstanding Expenses	-	32,000	Outstanding Income	16,000	-
Capital :			Debtors	96,000	64,000
- A	2,40,000	-	Stock	1,28,000	96,000
- B	1,60,000	-	Furniture	32,000	16,000
- C	-	1,92,000	Vehicles	48,000	32,000
- D	-	1,28,000	Premises	1,12,000	2,08,000
	4,80,000	4,32,000		4,80,000	4,32,000

Profit and losses were shared by A and B in the ratio 3 : 2 by C and D in the ratio of 3 : 1. The two firms decided to amalgamate as form 1st January, 2014 on the following;

(a) Assets and Liabilities to be takeover by the new firm at the following values:

Particulars	A & B (Rs.)	C & D (Rs.)
Debtors	92,000	60,000
Stock	1,48,000	88,000
Furniture	24,000	14,000
Vehicles	37,500	29,000
Premises	1,45,000	2,55,000
Goodwill	1,60,000	1,30,000
Creditors	80,000	80,000
Outstanding Expenses	-	34,000

(b) B is to takeover the outstanding income of his firm at Rs. 20,000
(c) No Goodwill account is to be opened by the new firm.
(d) The total capital of the new firm was fixed at Rs. 10,00,000. The capital of each partner was to be in his new profit sharing ratio. Any adjustment was to be made in cash. The new PSR of A, B, C and D was fixed as 3 : 3 : 2 : 2.

Give: Accounts to close the books of the A & B and C & D firms and opening Balance Sheet of the ABCD firm.

Q.20. Shri Black and Shri White are in partnership as BW Firm in the similar type of business. Shri Fine and Shri Shine are in partnership as FS Firm. It was agreed that on 1st April, 2014; the partnership be amalgamated into one firm BWFS frim.

The profit sharing ratio into old firm and new firm are as follows :

	Black	White	Fine	Shine
Old Firm	4	3	2	3
New Firm	6	5	3	4

As on 31st March, 2014 the Balance Sheet of their firm were to be as follows:

Liabilities	BW (Rs.)	FS (Rs.)	Assets	BW (Rs.)	FS (Rs.)
Capital A/cs :			Land	40,000	54,000
- Black	82,500		Furniture	10,000	7,500
- White	60,000		Vehicles	15,000	9,750
- Fine		60,000	Stock	44,900	36,000
- Shine		40,000	Investments	4,500	
Creditors	30,000	33,000	Debtors	52,500	32,250
Bank Overdraft		6,500	Bank	5,600	
	1,72,500	1,39,500		1,72,500	1,39,500

The amalgamation was made on the following terms:

(1) Provision for doubtful debts @ 5% to be made in respect of debtors.

(2) New firm to take over the old firm's assets as under :

	BW (Rs.)	FS (Rs.)
Stock	46,000	34,500
Vehicles	15,000	8,000
Furniture	8,500	7,500
Land	54,000	54,000
Goodwill	34,000	24,000

(3) Shri White takes over Investments for Rs.4,000.

(4) The capitals of the partners in the new firm to be Rs. 2,97,000 and to be contributed by their profit sharing ratio, and adjustments to be made in cash.

You are required to show the accounts in the books of BW firm And FS firms.

Q.21. A & Co. and C & Co. decided to amalgamate on the following terms and conditions on 1st March, 2014 when their Balance Sheet were as follows :

Liabilities	A & Co. Rs.	C & Co. Rs.	Assets	A & Co. Rs.	C & Co. Rs.
A's Capital	6,000	-	Buildings	50,000	-
B's Capital	30,000	-	Furniture	6,000	10,000
C's Capital	-	33,000	Investments	-	20,000
D's Capital	-	22,000	Stocks	30,000	26,000
Creditors	10,000	15,000	Debtors	20,000	24,000
Bank Loan	20,000	25,000	Cash at Bank	14,000	15,000
	1,20,000	95,000		1,20,000	95,000

Terms of Amalgamation:

(1) In case of A & Co.
   (a) Goodwill was valued at Rs.12,000
   (b) A & Co. should pay its Bank Loan
   (c) Building was taken to be worth Rs.64,000.
   (d) Stock to be valued at Rs.26,000
   (e) Provision for doubtful debts to be created at 5% on debtors

(2) In case of C & Co.
   (a) Goodwill was valued at Rs.10,000
   (b) Investments were not taken over by the new firm.
   (c) Stock was valued at Rs.22,000.
   (d) Provision for doubtful debts to be created at 5% on debtors.

(3) It was further decided that the total capital of the new firm shall be Rs.1,20,000 and the capital of each partner shall be in profit sharing proportion i.e. 3 : 2 and 3 : 2 the difference to be transferred to the current accounts. You are required to give journal entries in the books of new firm and show the Balance Sheet after amalgamation.

CONVERSION / SALE OF A PARTNERSHIP FIRM INTO A LIMITED COMPANY

Q.1. ABC Co. Ltd was formed with an authorised capital of Rs.1,50,000 consisting of 10,000 equity shares @ Rs.10 each and 5,000, 7 ½% preference shares of Rs.10 each to acquire on 1-7-14 the business of M/s 'Lad and Wad', who were sharing profits in the ratio of 3:2. Their balance sheet as on 30-6-14 was as follows:

Balance Sheet

Liabilities	Rs.	Assets	Rs.
Trade Creditors	16,580	Land and Building	40,000
Overdraft	8,950	Plant and Machinery	24,000
Capitals:		Stock	15,960
Lad	40,000	Debtors	23,860
Wad	37,316		
	1,03,820		1,03,820

The company took over all the assets and assumed all the liabilities and the liabilities and the consideration was fixed at Rs.1,10,000. In computing this figure, Land and Building were valued at Rs.60,000 , Plant and Machinery at Rs.20,000; Stock at Rs.15,000 and Debtors at book value subject to allowance of 5% to cover the doubtful debts.

The purchase price was settled by the issue of 3,300 equity shares at Rs.10 each, to the firm, 2,500 Preference shares of Rs.10 each, and the balance paid in cash.

Prepare:

(a) Realisation A/c

(b) Partner's Capital A/c

(c) ABC Co. Ltd. A/c

(d) Cash A/c

Q.2. A, B and C were in partnership sharing profits and losses as ½, $^{3}/_{8}$ and $^{1}/_{8}$ respectively. On 31-12-16, they decided to convert their firm into a limited company, when their position was as under:

Balance Sheet (as on 31-12-2016)

Liabilities	Rs.	Assets	Rs.
Mortage Loan	8,000	Freehold Property	20,000
Sundry Creditors	18,000	Machinery	15,000
Capital A/c's:		Debtors	12,000
- A	20,000	Stock	14,000
- B	15,000	Cash	10,000
- C	10,000		
	71,000		71,000

The company agreed to take over the following assets at the values stated below:

Freehold Property	Rs.24,000
Stock	Rs.13,000
Machinery	Rs.14,000
Goodwill	Rs.5,000
Debtors	Rs.11,000

The Co. also agreed to pay Rs.17,000 to sundry creditors in full settlement of their claim.

Out of purchase price Rs.35,000 was paid in fully paid shares of Rs.10 each and balance in cash. The expenses amounted to Rs.500. Shares were distributed in the ratio of final capital balances.

Pass necessary Journal Entries in the books of the firm.

Q.3. A, B and C were partners carrying on partnership business and sharing profits and losses in the ratio of 1 : 2 : 3. On March 31, 2013, their Balance Sheet was as under:

Balance Sheet as on 31st March, 2013

Liabilities		Rs.	Assets	Rs.
Capitals:			Buildings	20,000
- A	10,000		Machinery	30,000
- B	20,000		Motor Car	5,000
- C	30,000	60,000	Stock	15,000
B's Loan		20,000	Debtors	20,000
Creditors		15,000	Cash	9,000
Bills Payable		5,000	Investments	1,000
		1,00,000		1,00,000

On the above date a Private Ltd. company was incorporated to take over the business on the following terms and conditions:

(1) All assets (except cash and investments) and all liabilities (except B's Loans) to be taken over by the company for which all assets are valued at par except Building which is considered worth Rs.27,000 and stock as worth Rs.14,000. Further, goodwill is valued at Rs.30,000.

(2) B's loan to be partly liquidated by his takings over the firm's cash and investments at par. For the balance he is given 8% debentures received from the company in part discharge of purchase consideration.

(3) The balance of the purchase consideration is received in the form of equity shares of the company which are to be appropriately distributed amongst the partners.

Give journal entries and ledger accounts to be close the books of the firm.

Q.4. A,B and C carry on business in partnership sharing profits and losses in the proportions of ½, $^3/_8$ and $^1/_8$ respectively. On 31st March, 2012, they agreed to sell their business to a limited company. Their position on that date was as follows:

Particulars	Rs.	Particulars	Rs.
A's capital	40,000	Machinery	48,000
B's capital	30,000	Furniture	42,000
C's capital	26,000	Stock	23,000
Loan on Mortage	16,000	Bad Debts	15,000
Sundry Creditors	18,000	Cash	2,000
	1,30,000		1,30,000

The company took the following assets at the valuation shown below:	**Rs.**
Machinery	61,000
Furniture	31,000
Stock	22,000
Book Debts	14,000
Goodwill	10,000

The company also agreed to pay the creditors which was agreed at Rs.17,700. The company paid Rs.67,000 in fully paid shares of Rs.10 each and the balance in cash. The expenses amounted to Rs.1,500.

Prepare ledger accounts in the books of the firm.

Q.5. A, B and C were in partnership sharing profits 1/2, 1/3 and 1/6. The balance sheet of the partnership as at 31st December was as under:

Liabilities		Rs.	Assets	Rs.
Capitals:			Fixed Assets	70,000
- A	50,000		Stock	34,000
- B	30,000		Debtors	45,000

- C 20,000	1,00,000	Cash	61,000
Current a/cs:			
- A 24,000			
- B 18,000			
- C 13,000	55,000		
Loan from B	20,000		
Creditors	35,000		
	2,10,000		2,10,000

The fixed assets included two motor cars having book have of Rs.7,000 and Rs.5,000

The partners accepted the offer of Unique India Limited to acquire the stock and fixed assets, other than motor cars, at an inclusive price of Rs.1,50,000. The purchase consideration was to be satisfied by a cash payment of Rs.26,000 and allotment by the company to the partners of 5,500 6% preference shares of Rs.10 each @ 8 per share paid up and 8,000 Equity shares of Rs. 10 each fully paid up. The debtors realized Rs. 42,000 and creditors were settled for Rs. 33,000.

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

(1) A to take over one car at a valuation Rs.8,000 and B to take over the other car at a valuation of Rs.4,600.

(2) B to be allotted preference shares to the value of his loan , balance being allotted equally between the partners.

(3) Equity shares to be allotted in proportion to fixed capital.

(4) The balance to be settled in cash.

You are required to prepare:

(a) Realisation account (b) Cash account (c) Partner's Capital and Current accounts, in columnar form showing the final settlement between them, and (d) Statement showing distribution of shares.

Q.6. P and Q are partners sharing profits and losses in the ratio of 2 : 1 and their Balance Sheet as on 31-3-2016 was as follows :

Liabilities	Rs.	Assets		Rs.
Creditors	80,000	Cash in Hand		600
Bills Payable	20,000	Bills Receivable		10,000
P's loan	40,000	Debtors	1,20,000	
Capital : P	60,000	Less : Provision	6,000	1,14,000
Q	40,000	Stock		87,000
Reserve Fund	12,000	Machinery		40,000
	2,52,000			2,52,000

They agreed to sell the business to a limited company and the company to take over the assets and liabilities as follows:

Machinery at Rs.32,000; Stock at Rs.70,000; Debtors at Rs.1,01,400; Bills Receivable at Rs.10,000; Goodwill Rs.12,000 and Cash. The company agreed to take over Creditors at Rs.76,000 and Bills payable at Rs.20,000.

The firm received Rs.80,000 of the purchase in Rs.10 fully paid Equity shares and the balance in cash.

Distribute the shares in the ratio of 3 : 2 between the partners. Prepare the necessary Ledger Accounts in the books of the firm.

Q.7. AB Ltd. was formed to acquire the business A and B who share profit in the ratio of 3:2 respectively.

The Balance Sheet of A and B on 31st December, 2014 was as under:

Balance Sheet as on 31st December 2014

Liabilities	Rs.	Assets	Rs.
Capital Account:		Land and Building	40,000
A	64,000	Machinery	20,000
B	40,000	Stock	24,000
A's Loan	32,00	Debtors	23,000
Bills Payable	7,200	Bills Receivable	6,400
Sundry Creditors	21,600	Investments	4,800
		Cash at Bank	9,600
		Goodwill	8,000
	1,36,000		1,36,000

It was agreed by the company to take over the assets at book value with the exception of land and building, stock and goodwill which are taken over at Rs.45,000, Rs.20,000 and Rs.28,800 respectively.

The investments were retained by the firm and sold for Rs.4,000. The firm discharged the loan of Mrs. A. The company took over the remaining liabilities. The purchase consideration was discharged by issuing 10,000 Equity shares of Rs.10 each in AB Ltd. and the balance was paid in cash. Prepare the Ledger Accounts of the firm assuming the shares are distributed amongst partners in their profit sharing ratio.

Q.8. A, B and C were partners sharing Profits and Losses in the ratio 3:2:1. Their Balance Sheet as on 31-3-2010 was as follow:

Balance Sheet as on 31-3-2010

Liabilities	Rs.	Assets	Rs.
Capital A/c's:		Land and Building	42,000
- A	50,000	Plant and Machinery	30,000
- B	20,000	Sundry Debtors	44,000
- C	30,000	Stock	26,000
General Reserve	24,000	Furniture	10,000
Creditors	20,000	Cash	6,000
Bills Payable	12,000		
Outstanding Expenses	2,000		
	1,58,000		1,58,000

The partners agreed to sell their business to a limited company. The company to take over the assets at the valuation shown below:

Land and Building	Rs.45,000
Plant and Machinery	Rs.25,000
Sundry Debtors	Rs.40,000
Stock	Rs.20,000
Furniture	Rs.12,000
Goodwill	Rs.20,000

The company also agreed to pay the Bills Payable which were agreed at Rs.10,000. The Limited Company paid Rs.46,000 in cash and the balance in Equity shares @ Rs.1 each.

The Creditors were paid by the firm at a discount of 2 ½ % and Outstanding expenses were paid in full. The Realisation expenses amounted to Rs.3,500.

Prepare Realisation A/c, Partners Capital A/c, Cash A/c, Limited Company A/c, Shares in Limited Company A/c and show calculation of Purchase Consideration.

Q.9. Amar, Akbar and Anthony who are partners in a firm and share profits and losses in the ratio 2:2:1 respectively, decided to convert their firm to a limited company, the ABC Ltd. The balance sheet of their firm on the date of conversion shows the following position:

Balance Sheet as on 31st March, 2008

Liabilities	Rs.	Assets	Rs.
Sundry Creditors	24,000	Building	30,000
Bills Payable	1,500	Plant and Machinery	18,000
General Reserve	6,000	Motor	12,000
Capital Accounts:		Furniture	2,500
Amar	30,000	Stock	4,700
Akbar	28,000	Sundry Debtors	26,000
Anthony	17,000	Investments	6,000
		Cash at Bank	7,300
	1,06,500		1,06,500

The ABC Ltd. agreed to take over the following assets at values shown below:
Building Rs.32,000, Plant and Machinery Rs.16,500, Furniture Rs.2,000, Stock Rs.7,800, Goodwill Rs.4,000 and Sundry Debtors subject to 5% RDD.
The company has also agreed to take over Sundry Creditors at Rs.22,000. The purchase consideration was paid by the company by issue of sufficient number of equity shares of Rs.1 each fully paid, at par.
The firm sold investments for Rs.8,000 and paid off bills payable fully. The motor was taken over by the Amar at book value. The firm paid realisation expenses of Rs.800.

Prepare:

(a) Realisation A/c
(b) Partner's Capital A/c
(c) ABC Ltd. A/c
(d) Bank A/c
(e) Show working of purchase consideration in the books of partnership firm.

Q.10. X, Y and Z are partners sharing profits and losses in the ratio of 3:2:1 respectively. They decided to sell their business to a Limited Company on 1-1-16. Their positions were as under:

Balance Sheet as on 31-12-15

Liabilities	Rs.	Assets		Rs.
Capital A/c's:		Building		69,000
X	37,950	Investments		5,400
Y	41,300	Stock		7,500
Z	3,000	Debtors	12,000	
General Reserve	3,000	Less: RDD	600	11,400
Mrs. X's Loan	4,500	Cash at Bank		26,000
Creditors	8,800	Cash in Hand		550
Creditors for expenses	6,000	Z' Current A/c		6,900
Bills Payable	22,200			
	1,26,750			1,26,750

The purchasing company agreed to take over only Building at Rs.60,400 and to pay off only Bills Payable. It agreed to issue 365 equity shares at Rs.100 each as fully paid and balance in cash.
'Y' acquired investments at Rs.5000.
The firm sold away stock for Rs.7,940 and collected Rs.10,000 from debtors(balance due from the debtors proved as bad debts).
The firm paid of all the creditors and earned Rs.800 as discount. The creditors for expenses were paid in full. The realisation expenses amounted to Rs.740.
'X' agreed to pay off his wife's loan.
Shares were distributed between 'X' and 'Y' in the ratio of their final capital balances. Z paid his due to the firm in cash.
Show necessary ledger accounts in the books of the firm.

Q.11. A, B and C share profits of a business as to 1/2, 1/3 and 1/6 respectively. Their Balance Sheet as on 31-12-2013 was as follows:

Liabilities		Rs.	Assets		Rs.
Capital Accounts			Goodwill		10,000
- A	70,000		Land		20,000
- B	80,000		Building		1,10,000
- C	10,000	1,80,000	Machinery		50,000
General Reserve		18,000	Motor Car		28,000
Investments fluctuation fund		4,000	Furniture		12,000
C's loan		33,000	Investments		18,000
Mr. A's Loan		15,000	Loose tools		7,000
Creditors (trade)		76,000	Stock		18,000
Creditors (expenses)		20,000	Bills Receivable		20,000
Bills Payable		14,000	Debtors	40,000	
Bank overdraft		60,000	Less: Provision	2,000	38,000
			Cash		1,000
			C's current a/c		56,000
			Profit and Loss a/c		12,000
		4,00,000			4,00,000

The partners decide to convert their firm into a Joint Stock Company. For this purpose ABC Ltd. was formed with an authorised capital of Rs.10,00,000 divided into Rs.100 equity shares. The business of the firm was sold to the company as at that date of balance sheet given above on the following terms:

(i) Motor Car, furniture, investments, loose tools, debtors and cash are not to be taken over by the company.

(ii) Liabilities for bills payable and bank overdraft are to be taken over by the company.

(iii) The purchase price is settled at Rs.1,95,500 payable as to Rs.75,500 in cash and the balance in company's fully paid shares of Rs.100 each.

The remaining assets and liabilities of the firm are directly disposed of by the firm as per details given below: Investments are taken over by A for Rs.13,000, Debtors realize in all Rs.20,000, Motor Car, furniture and loose tools fetch Rs.24,000, Rs.4,000 and Rs.1,000 respectively. A agrees to pay his wife's loan and the creditors were paid Rs.74,000 in final settlement of their claims. Creditors for expenses are paid in full. The realization expenses amount to Rs.500.

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 his capital account debit balance, if any.

You are required to show the necessary ledger accounts.

Q.12. Santosh and Prakash were in partnership sharing profits and losses in the ratio of 3:1. Following is the balance sheet of the firm as on 31st December, 2004.

Balance Sheet as on 31st December, 2004

Liabilities		Rs.	Assets	Rs.
Capital Account:			Fixed Assets	31,500
- Santosh	36,000		Stock	16,800
- Prakash	12,000	48,000	Debtors	29,400
Current Account:			Cash at Bank	5,580
- Santosh	6,300			
- Prakash	3,000	9,300		
Loan from Prakash		4,500		
Creditors		21,480		
		83,280		83,280

Prashant Ltd. Agreed to take over stock and fixed assets excluding the value of Motor car Rs.6,150, for consideration of Rs.72,000 which is to be satisfied.
(1) By the payment of cash Rs.24,000.
(2) Allotment of 240 Preference Shares of Rs.100 each valued at Rs.75 per share.
(3) The balance by allotment of Equity shares of the face value of Rs.10 each.
The debtors realised Rs.28,800 and the creditors were satisfied for Rs.21,000. The following were agreed between partners:
(1) Equity Shares to be allotted in the fixed capital ratio.
(2) Santosh to take over the motor car at an agreed value of Rs.6,300.
(3) The Preference shares to the value of loan amount to be allotted to Prakash and the remaining Preference shares to be allotted to partners equally.
(4) The balance remaining be paid in cash.
You are required to show:
(a) Realisation Account
(b) Partner's Capital Accounts
(c) Bank Account
(d) Statement Showing Distribution of Shares

Q.13. Hopeful Ltd. was formed to acquire the business of Jyoti,Priti and Swati who share profits and losses in the ratio of 2:1:1 respectively. The balance sheet of the partnership firm as on 31-12-12 was as follows:

Balance Sheet as on 31-12-2012

Liabilities	Rs.	Assets	Rs.
Capital A/c's:		Machinery	37,000
Jyoti	25,000	Stock	17,000
Priti	12,000	Motor Car	10,000
Swati	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

'Hopeful Ltd' took machinery, stock, debtors at 10% less than the book value and agreed to pay Rs.10,000 for goodwill. It also agreed to pay the creditors at book value. The purchase consideration was satisfied in 400 shares of Rs.100 each and the balance in cash.
Jyoti took over the Motor Car at Rs.8,000. Investments were sold in the market for Rs.9,000. The firm paid Bills Payable @ 10% discount. Realisation expenses amount to Rs.2,300.
The firm sold the shares of 'Hopeful Ltd' at Rs.36,000.
Prepare:
(a) Realisation A/c
(b) Capital A/c's of partners
(c) Ltd.Co. A/c
(d) Cash A

Q.14. A, B and C sharing profits and losses equally, decided to convert their business into a Limited company as on 31st December,2014 when their balance sheet stood as follows:

Liabilities	Rs.	Assets	Rs.
Sundry Creditors	40,000	Sundry Debtors	40,000
Bank Overdraft	20,000	Bills Receivable	16,000
General Reserve	12,000	Stock in Trade	25,000
Loan from X	6,000	Plant	6,000
Capitals:		Furniture	14,000
- A	20,000	Patents	8,000
- B	10,000	Goodwill	11,000
- C	12,000		
	1,20,000		1,20,000

(1) The goodwill of the firm was valued at two years' purchase of the average profits of the last three years; the profits being Rs.12,000; Rs.2,000 and Rs.16,000 respectively.

(2) The plant and furniture was valued at Rs.8,000 and Rs.16,000 respectively.
(3) The debtors were taken at 5% less.
(4) The firm was allotted 1,000, 10% Preference Shares of Rs.20 each, 3,000 equity shares of Rs.10 each and the balance was paid in cash.
(5) Expenses of realisation were Rs.2,000.
(6) A, B and C agreed to take Preference Shares in the ratio 4:3:3 and Equity Shares in the ratio of 5 : 3 : 2.

Prepare the necessary accounts to close the books of the firm.

Q.15. S and V, sharing profits and losses equally, decided to convert their business into a limited company on 31st December, 2004 when their balance sheet stood as follows:

Balance Sheet as on 31st December, 2004

Liabilities		Rs.	Assets	Rs.
Sundry Creditors		48,000	Sundry Debtors	60,000
Loan Creditors		40,000	Bills Receivable	10,000
Bank Overdraft		16,000	Stock in Trade	36,000
Reserve Fund		6,000	Patents	8,000
Capital Accounts:			Plant and Machinery	16,000
- S	40,000		Land and Building	60,000
- V	40,000	80,000		
		1,90,000		1,90,000

(a) The goodwill of the firm was to be valued at two years' purchase of the profits of the previous three years.
(b) The loan creditor agreed to accept 7 ½% redeemable Preference Shares in settlement of his claim.
(c) Land and Building and Plant and Machinery were to valued at Rs.1,00,000 and Rs.24,000 respectively.
(d) The vendors were to be allotted Equity shares of the value of Rs.2,10,000.
(e) The past working results of the firm showed that they had made profits of Rs.30,000 in 2002, Rs.36,000 in 2003 and Rs.42,000 in 2004 after setting aside Rs.2,000 to reserve fund each year.

You are required to show realisation account and capital account in the books of the firm assuming that all the transactions are duly completed.

Q.16. A and B were partners sharing profits and losses in the proportion of 3/5 and 2/5 respectively. Their balance sheet as on 31st December, 2014 was as under:

Liabilities		Rs.	Assets	Rs.
Bills Payable		3,500	Cash	4,500
Sundry Creditors		6,400	Book Debtors	7,500
Reserve Fund		15,000	Investments	4,000
Capitals:			Stock	31,000
A	70,260		Plant and Machinery	50,000
B	46,840	1,17,100	Freehold Premises	45,000
		1,42,000		1,42,000

AB limited was formed with an authorised capital of Rs.5,00,000 divided into Rs.25,000 Equity Shares of Rs.10 each and 25,000 Preference shares of Rs.10 each to acquire the going concern of A and B upon the following terms:
(1) The company took over all assets except investments. It valued the stock and plant and machinery at 10 percent less than the book value and the freehold premises at 20 percent more than the book value.
(2) The liabilities were to be discharged by the company.

(3) The goodwill of the firm was to be valued at 2 years purchase of the average profits of 3 years. The working results of the firm showed that it had made profits of Rs.15,000 in 2012, Rs.18,000 in 2013 and Rs.21,000 in 2014 after setting aside Rs.5,000 to reserve fund every year.
(4) The purchase price was agreed upon to be paid Rs.53,000 in fully paid Equity shares, Rs.50,000 in fully paid Preference shares, Rs.30,000 in Debentures and the balance in cash.
(5) The partners sold the investments and realised Rs.4,100.

You are required to prepare in the books of the firm of A and B.

(i) Realisation Account (ii) Capital Accounts of the partners; and (iii) Cash Account

Assuming that shares and debentures are to be distributed in profit sharing ratio, the final settlement being made in cash

Q.17. Rudra and Kunal are partners sharing profits and loss in the ratio of 3:2. They decided to convert their business into a limited company, RK Ltd. on December 31, 2015, when the balance sheet stood as under:

Liabilities		Rs.	Assets	Rs.
Capital Accounts:			Land and Building	80,000
Rudra	70,000		Plant and Machinery	60,000
Kunal	50,000	1,20,000	Furniture	21,000
Reserve Fund		30,000	Patents	18,000
Loan Creditors		80,000	Stock	24,000
Sundry Creditors		33,000	Bills Receivable	16,000
			Sundry Debtors	28,000
			Cash at Bank	16,000
		2,63,000		2,63,000

In order to arrive at the purchase consideration, the following terms are agreed upon by the company:

(a) The company will take over the loan creditors but will not take over Sundry Creditors.
(b) Land and Building will be valued at Rs.95,000, Machinery Rs.72,000 and Stock Rs.32,000 and all other assets taken (except cash and patents) at their book values. Patents are valued at Rs.25,000 and realised in cash.
(c) The goodwill of the firm will be valued at 2 years' purchase of the average profit of the last three years. The profits for the last three years after setting aside Rs.10,000 to Reserve Fund each year were as follows:
2012 - Rs.44,000; 2013 - Rs.52,000; 2014 - Rs.60,000
(d) The vendor to be allotted Equity Shares of Rs.10 each to the amount equal to the purchase Consideration.

You are required to show the necessary accounts in the books of the firm assuming that all the transactions have been duly completed and surplus cash, if any, was distributed equally and the balance was adjusted by the shares of the new company.

Q.18. Arjun, Nakul, and Bhim are partners of Bright Brothers. They share profits and losses in the ratio of 5 : 4 : 3. On January 1, 2006, their balance sheet was as under.

Liabilities		Rs.	Assets	Rs.
Capital Accounts:			Building	75,000
- Arjun	75,000		Plant and Machinery	60,000
- Nakul	60,000		Delivery Van	18,000
- Bhim	50,000	1,85,000	Investments	26,000
Nakul's Loan		30,000	Stock	21,000
Creditors		20,000	Sundry Debtors	30,000
Bills Payable		10,000	Cash	15,000
		2,45,000		2,45,000

On the above date, a private company was incorporated to take over the above firm on the basis of the following terms and conditions:

(a) All assets (except delivery van) and all liabilities (excluding Nakul's Loan) were taken over by the company at their book values except the following:
Buildings: Rs.98,000; Machinery: Rs.56,000

(b) Goodwill of the firm is to be valued at Rs.42,000.

(c) Delivery van was taken over by Nakul at an agreed valuation of Rs.15,000 as part payment of his loan and for the balance, he is given 10% Preference shares of Rs.10 each of the company out of the purchase consideration received from the company.

(d) The balance purchase consideration was discharged by the new company by issuing full paid up Equity shares of Rs.1 each.

Give necessary ledger accounts in the books of the firm.

Q.19. 'X' and 'Y' carrying on business in partnership sharing Profit and Losses equally, wished to dissolved the firm and sell the business to 'X' Limited Company on 31-3-2016 when the firm's position was as follows:

Liabilities	Rs.	Assets	Rs.
X's Capital	1,50,000	Land and Building	1,00,000
Y's Capital	1,00,000	Furniture	40,000
Sundry Debtors	60,000	Stock	1,00,000
		Debtors	66,000
		Cash	4,000
	3,10,000		3,10,000

The arrangement with X Limited Company was as follow:

(1) Land and Building was purchased at 20% more than the book value.

(2) Furniture and stock were purchased at book value less 15%.

(3) The goodwill of the firm was valued at Rs.40,000.

(4) The firm's debtors, cash and creditors were not to be taken over, but the company agreed to collect the book debts of the firm and discharged the creditors of the firm as an agent, for which services, the company was to be paid 5% on all collections from the firm's debtors and 3% on cash paid to firms creditors.

(5) The purchase price was to be discharged by the company in fully paid Equity shares of Rs.10 each at a premium of Rs.2 per share.

The company collected all the amounts and debtors. The creditors were paid off less by Rs.1,000 allowed by them as discount. The company paid the balance due to the vendors in cash.

Prepare the Realisation Account, the Capital Accounts of the partners and the Cash Account in the books of partnership firm.

Q.20. X and Y were partners sharing P & L in the ratio 3 : 2 respectively. Their Balance Sheet as on 31-3-2015 was as follows:

Balance Sheet

Liabilities		Rs.	Assets	Rs.
Creditors		20,000	Plant and Machinery	42,000
Bills Payable		6,000	Loose tools	4,000
X' loan A/c		8,000	Motor Car	8,000
Outstanding salaries		4,000	Bills Receivable	8,000
Reserve Fund		8,000	Stock	15,000
Capital A/cs :			Debtors	12,000
- X	25,000		Cash	6,000
- Y	25,000	50,000	Current A/c – Y	3,000
		2,000		
		98,000		98,000

The partnership firm was vonverted into a Ltd. Co. on the above date subject to the following adjustment.

(1) The company agreed to take over the following assets and liabilities and goodwill at the values stated below :

Plant and machinery	Rs. 52,000
Stock	Rs. 13,000
Debtors	Rs. 14,000

Creditors at 10% discount and bills payable at 20% discount.

(2) Goodwill was valued at 3 year's purchases of the average profits of the last 3 years. Profit figures are :
2014 (Profit) – Rs.14,000
2013 (Profit) – Rs.10,000
2012 (Profit) – Rs. 6,000

(3) Motor car was sold at Rs.10,000.

(4) Bills Receivable were taken over by 'X' at Rs.7,000 and 'Y' took over the loose at Rs.3,000.

(5) X's loan and outstanding salaries were paid in full.

(6) Realization expenses amounted to Rs.2,000.

(7) Purchase Consideration was discharged by issuing 4,000 shares of Rs.10 each and balance in cash.

(8) Shares received from the 'Ltd. Co.' are to be shared by partners in their profit sharing ratio.

Prepare (i) Realisation A/c (ii) Capital A/cs of Partners (iii) Ltd. Co. A/c and (iv) Cash A/c.

Q.21. P and Q were partners sharing profits in the ratio of 2:1. Their balance sheet on 31-3-2012 on which date they converted their business into a company was as follow:

Liabilities	**Rs.**	**Assets**	**Rs.**
Creditors	60,000	Cash	14,000
Mortgage on Freehold Premises	20,000	Debtors	52,000
Capital:		Stock	32,000
- P	40,000	Machinery	10,000
- Q	20,000	Freehold Premises	32,000
	1,40,000		1,40,000

The company took over all the Assets and Liabilities except mortgage of Freehold premises for a purchase price of Rs.1,20,000 payable as to Rs.24,000 in cash, Rs.48,000 in Debentures and the Balance in Equity shares of Rs.100 each.

Close the books of the firm after the above transactions have been carried out, mortgage loan has been paid and partners agreed to share the debentures and shares in proportion to their final capitals.

Prepare the Ledger accounts in the books of the firm; and Journal Entries and Balance sheet in the books of Purchasing Company.

Q.22. Veeru & Naru are carrying on business in name of Veena & Co. sharing profit in ratio of 2 : 3. On 31-3-2013 their Balance Sheet was:

Particulars	**Rs.**	**Particulars**	**Rs.**
Naru Account	88,000	Property	72,000
Veeru Account	60,000	Stock	40,000
General Reserve	24,000	Debtors	48,000
Loan Naru	16,000	Machinery	60,000
Bank Overdraft	32,000	Advances	8,000
Creditor	20,000	Cash/Bank	12,000
	2,40,000		2,40,000

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

(i) 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. 4,000 every year to General Reserves. The profits after above transfer were Rs.12,800; Rs.14,000; Rs.15,000; Rs.14,200 and Rs.15,400.

(ii) Plant is overvalued by Rs.6,000 and Property is undervalued by Rs.8,000. Other assets and liabilities except Loan to Naru – are taken over at book value.

(iii) The company decided to allot:

(a) 12% preference share to that partner who has excess capital after all necessary adjustment to the extent of such amount.

(b) Equity shares for balance amount payable.

(iv) The face value of shares is Rs.10.

Show the necessary journal entries in the books of both parties to the above agreement.

Q.23. Nandan and Parijat were partners in a firm sharing profits and losses in the ratio of 3:2. The firm was followed calendar year as its accounting year. The following is the Balance Sheet of the firm on 31st December, 2014:

Liabilities	Rs.	Assets	Rs.
Partner's Capital:		Goodwill	30,000
Nandan	2,40,000	Land and Building	1,00,000
Parijat	2,18,000	Plant and Machinery	2,10,000
Bills Payable	35,000	Furniture and fittings	1,00,000
Creditors for Goods	25,000	Stock-in-Trade	65,000
Creditors for Expenses	40,000	Debtors	25,000
		Cash and Bank Balances	28,000
Total	5,58,000	Total	5,58,000

On 1st January, 2015 a new company, Nap Ltd., was formed to take over the business of the firm on the following terms:

(a) The company would not take over creditors for expenses to the extent of Rs.17,000.

(b) Assets are to be valued as follows:
Goodwill Rs.50,000; Land and Building Rs.1,68,000; Plant and Machinery Rs.50,000 above book value; Furniture and Fittings to be depreciated by 10%; Rs.5,000 of Debtors to be treated as bad and the balance 5% is to be treated as doubtful of recovery. Cash and Bank balance to be taken over in full except to meet the creditors for expenses not taken over by the company.

(c) The purchase consideration is to be satisfied by issuing 20,000 Equity shares of Rs.10 each at a premium of 20%, Rs.1,50,000 by issuing 8% Preference shares of Rs.100 each at par and the balance in the form of 6% debenture issued at 5% discount.

Pass necessary journal entries in the books of the company and prepare the Balance Sheet after acquisition.

Q.24. Sangita, Debjani and Barnali are partners in a firm, sharing profits and losses in the ratio 3:2:1 respectively. The balance Sheet of the firm as on 31st march, 2016 is given below.

Liabilities		Rs.	Assets	Rs.
Sundry Creditors		30,000	Plant and equipment	60,000
Capital Account :			Debtors	50,000
- Sangita	60,000		Bills Receivable	8,000
- Dabjani	40,000		Stock	25,000
- Barnali	20,000	1,20,000	Cash at Bank	5,000
			Cash in Hand	2,000
		1,50,000		1,50,000

The partners agree to sell the business to a limited company which was incorporated with 65,000 shares of Rs.10 each. The purchasing company agrees to take over the assets and liabilities and discharge the purchase consideration by the issue of 8,250 shares of Rs.10 each and cash Rs.56,000. The cost of Dissolution Rs.2,500 is paid by the firm and balance amount of cash is distributed among the partners.
You are asked to prepare Journal entries and necessary Ledger Accounts in the books of the firm and opening journal entries in the Books of Ltd. Co.

Q.25. Vijay and Dipak are in partnership sharing profits and losses in proportion of 5:3. Their balance Sheet as on 31st December, 2012 reads as under:

Liabilities	**Rs.**	**Assets**	**Rs.**
Capital Account		Property	40,000
- Vijay	50,000	Equipment	60,000
- Dipak	30,000	Furniture	10,000
Current Account		Investments	15,000
- Vijay	10,000	Stocks	25,000
- Dipak	30,000	Debtors	35,000
Loans	40,000	Cash	5,000
Creditors	30,000		
Total	1,90,000	Total	1,90,000

On 31st December,2012 Jaidip Private Limited is incorporated to take over running business of this firm on the following term :

(1) The Company will pay consideration as under :
   (a) Allot 15% preferences shares of nominal value of Rs.80,000/- to be distributed in ratio of capital.
   (b) Issue equity shares at par of nominal value of Rs.1,00,000/-.
   (c) Cash Rs.20,000/-.
(2) The Company takes over all assets and liabilities except investment and bank balance. The firm owns vehicle worth Rs.25,000/- which is fully written off. The vehicle is also taken over by Company.
(3) Investments are taken over by Mr. Dipak at agreed value of Rs.20,000/-.
(4) The company revalued property at Rs.80,000/-, Equipment at Rs.50,000/-, Furniture Rs.5,000/-, Vehicle Rs.25,000/-, Stock Rs.27,000/- and Debtors Rs.33,000/- The company allotted 14% Debentures toward payment of Loan.
(5) The company utilized bank overdraft facility to the extent necessary.

Show: (i) Accounts in the books of Firm, (ii) Balance Sheet of Jaidip Private Lim