Anekant Education Society's

Tuljaram Chaturchand College of Arts, Science and Commerce, Baramati
(Autonomous)

Class: F. Y. B. Com (Semester – I)

Subject: Financial Accounting

(Paper Code: COMFA1102)

QUESTION BANK

Q. 1) FILL IN THE BLANKS

1) Conversation is nothing but______ of firm resulting on account of sale.

2) Larger Capital requirement to felicitate business expansion may be the important objective of ______firm.

3) The price paid by a limited company for acquiring the business of firm is known as____.

4) Purchase consideration = _______(*minus*)_______.

5) When the asset not taken over by the new firm, it is sold at loss, such loss is debited to ________account.

6) ________ involves making use of computers and accounting software to record store and analyze financial data.

7) Computerized accounting system allows you to setup_______ such as rental or sales, income, salaries, advertising expenses and material costs.

8) ______Accounting system is software that helps businesses to manage the big financial transactions.

9) _______accounting system requires large storage to keep accounting records and vouchers.

10) Using accounting software's can help you to save_______.

11) Transfer from main cash to petty cash you require to pass______ entry.

12) Tally package is developed by______.

13) In Tally we can modify an existing company from______.

14) ______ is known as company configuration.

15) ______ is the shortcut key to quit from Tally.

16) Under Amalgamation, minimum _______ firms transfer their businesses to a new firm which is formed to take over such businesses.

17) In amalgamation of firms, any loss in liabilities will be _______ to Revaluation A/c.

18) The basic objective of amalgamation of firms is to maximize ______

19) In amalgamation of two firms, the identity of the old firm comes to an _______

20) Amalgamation of partnership firms is based on the concept of _______

21) In amalgamation of firms__________Is a situation in which a firm takes on new lines of business to reduce the degree of risk.

22) In amalgamation, when assets are retained in the same business, a ______ Account is operated for accounting treatment.

23) In amalgamation, when assets are sold and books of accounts are closed then ______ Account is operated for accounting treatment.

24) In amalgamation, any unrecorded asset taken over by old partner will be transferred to ____.

25) Total ______ no. of groups are pre-defined in Tally.

26) ______ voucher is used to Transfer amount from one bank to another.

27) In Tally _____ voucher can be used to record cash or Bank transactions.

28) Reserve fund is distributed among the partners in their ________ ratio.

29) When two or more firms come together and form new firm means_______.

30) The proportionate capital method is also called as ________ capital method.

31) The profit on Revaluation A/c is shared by all partners in their _______ ratio.

32) The provision for bad and doubtful debts is to be made on _______.

33) By default tally provided two ledgers which are cash and _______ .

34) All assets & liabilities are transferred to _______ account in conversion of partnership firm in to a limited company.

35) The profit on Realization is shared by all partners in their _______ ratio.

36) Reserve fund should be transfer to all partners in their _______ratio

37) In Tally software F4 key is used for recording _______ Entry.

38) In Tally software F7 key is used for recording _______ Entry.

39) _______voucher is used for recording purchase return transaction.

40) _______voucher is used for recording sales return transaction.

41) If Goodwill is written off, Goodwill A/c is ______.

42) Increase in the value of asset is credited to ______ A/c.

43) Accounting is often called as the ______ of business.

44) Loss on realization is transferred to all partners in their ______ ratio.

45) In amalgamation, ______ firms carrying on similar type of business are amalgamated.

Q.2) TRUE AND FALSE

1) In conversion of a firm a partner’s loan is not to be transferred to a realization account.

2) Conversion of firm into company takes the advantage of the principle of unlimited liability.

3) If purchasing company has taken over all assets including cash of the firm then such cash balance should not be transferred to realization account.

4) When the firm is converted into a limited company the firm is dissolved.

5) The profit on realization is shared by all partners in their profit and loss ratio.

6) Alter option is used in Tally to make changes in created company.

7) Arithmetical accuracy is one of the important benefits of computerized accounting.

8) 30 groups are pre-defined in Tally.

9) Contra voucher is used to Transfer amount from one bank to another.

10) In Tally for opening a purchase voucher F-9 is used.

11) Computerized accounting is helpful to quick decision making.

12) Vouchers are used for recording day to day transaction.

13) The invoice received along with goods purchased it's called as involved in voice.

14) In Tally journal voucher can be used to record cash or Bank transactions.

15) In the event of amalgamation, the goodwill of each firm is credited to the partners’ capitals of the respective firm in their capital ratio.

16) The assets and liabilities not taken over by the new firm are transferred to Partner's Capital Accounts.

17) The accounts of assets and liabilities which are taken over by the new firm will be closed by transferring them to the New Firm A/c at agreed values.

18) Partners' Capital accounts of the old firm are to be closed with the net balance by transferring them to the New Firm account.

19) If an asset is taken over by any partner, then Partner's Capital account is debited and asset account is credited.

20) The net profit or loss on P&L Adjustment account is to be transferred to Partner's Capital A/c in the capital ratio.

21) On amalgamation of partnership firms, the balance on Reserve account is to be transferred to Partners' Capital Accounts in the old profit sharing ratio.

22) The goodwill transferred from the old firm to the new firm may be maintained as it is or may be written off or may be reduced by the New Firm.

23) After amalgamation, partners may fix up the capital of the new firm and excess or deficit capital may be adjusted in cash.

24) In amalgamation, the old firm should transfer the accumulated reserves to the partner's capital accounts in their profit sharing ratio.

25) The profit or loss on realization is to be transfer to partner's loan accounts in their profit sharing ratio.

26) The liabilities not taken over by the new firm on amalgamation of partnership firms are transferred to partners' capital accounts in their capital ratio.

27) In amalgamation, increased value of asset is credited to realization A/c.

28) In the event of amalgamation of partnership firms, the goodwill of each business is credited to the partners of the respective firms in old profit sharing ratio.

29) Under conversion, two or more firms transfer their businesses to a new firm which is formed to take over such businesses.

30) Loss on realization A/c is to be transferred to Profit & Loss A/c.

31) In Tally software F5 key is used for recording Contra Entry.

32) All assets & liabilities are transferred to revaluation account in conversion of partnership firm in to a limited company.

33) The profit on Realization is shared by all partners in their capital ratio.

34) Reserve fund should be transfer to all partners in their profit sharing ratio

35) In Tally software F4 key is used for recording Contra Entry.

36) Loss on realization is transferred to all partners in their capital ratio.

37) In amalgamation only two firms carrying on similar type of business are amalgamated.

38) Debit note voucher is used for recording purchase return transaction.

39) Conversion of partnership firm into company gives the benefit of additional capital.

40) Realization A/c and Revaluation A/c both are same.

Q.3) ANSWER IN ONE SENTENCE

1) Give two examples of accounting software packages.

2) What is the long form of ERP?

3) Define the term computerized accounting system.

4) Give any four advantages of computerized accounting system.

5) What are the limitations of manual accounting system?

6) Which reports generated by Tally ERP?

7) What is the procedure for creating ledger in Tally?

8) Who is the founder of Tally accounting software?

9) What are the features of Tally accounting software?

10) Define the term conversion of partnership firm into limited company.

11) What are the objectives of conversion of partnership firm into limited company?

12) What are the methods of Calculation of purchase consideration

13) What are benefits of conversion of partnership firm into limited company?

14) Define the term Amalgamation of partnership firm.

15) What is mean by Revaluation method?

Q.4) WRITE SHORT NOTES

1) Purchase Consideration.
2) Advantages of conversion of partnership firm into limited company.
3) Types of vouchers in Tally accounting software.
4) Steps of Ledger creation in Tally
5) Treatment of goodwill under conversion of partnership firm.
6) Advantages of computerized accounting system.
7) Disadvantages of computerized accounting system
8) Features of Tally Accounting software.
9) Difference between debit note and credit note.
10) Application of Accounting software packages.
11) Objectives of conversion of partnership firm into limited company.
12) Benefits of conversion of partnership firm into limited company.
13) Methods of Amalgamation of Partnership Firm
14) Advantages and Disadvantages of Partnership Firm
15) Effects of conversion of partnership firm into limited company.
16) Treatment of Goodwill in Amalgamation of Partnership Firm
17) Computerized Accounting Environment
18) Difference between Revaluation A/c and Realization A/c
19) Types of Groups provided in Tally.
20) Objectives of Amalgamation of Partnership Firm.

Q.5) LONG ANSWER QUESTIONS

1) What is mean by amalgamation? Explain the advantages and disadvantages of it.
2) Explain any 5 vouchers which are provided by Tally Accounting Software.
3) Explain in detail various Accounting software used in recent era.
4) Draw and explain a screen of Company Creation in Tally Accounting Software.

5) What is Computerized Accounting Environment? Explain it's features.

6) What are the methods of purchase consideration? Explain with examples.

7) Write the uses of various types of vouchers in Tally ERP 9.0.

8) Explain how the Computerized Accounting is differs from Manual Accounting.

9) Draw a screen of various vouchers used in Tally accounting software.

PRACTICAL PROBLEMS

10) M/s P&Q and M/s R & S agreed to amalgamate their businesses and form new firm namely M/s PQR&S. The Balance Sheets of old firms are as follows.

Balance Sheets as on 31st March 2019

Liabilities	M/s P&Q ₹	M/s R&S ₹	Assets	M/s P&Q ₹	M/s R&S ₹
Capital A/c:			Machinery	35,000	29,000
P	35,000	-	Furniture	15,000	16,000
Q	35,000	-	Debtors	12,000	14,000
R	-	38,000	Stock	10,000	9,000
S	-	30,000	Investment	20,000	25,000
Reserve Fund	5,000	4,000	Cash	8,000	7,000
Sundry Creditors	15,000	16,000			
Bills Payables	10,000	12,000			
	1,00,000	**1,00,000**		**1,00,000**	**1,00,000**

Additional Information:

- Machinery of both the firms was taken over by new firm subject to 5% depreciation.
- Provision for doubtful debts is to be made @5% on debtors of both the firms.
- The Investment of M/s P&Q was valued at ₹ 24,300/- and of M/s R&S at ₹ 28,400/- respectively.
- Goodwill of P&Q and R&S were valued at ₹ 10,000/- and ₹ 12,000/- respectively.
- All other assets and liabilities were taken over at book values.

Prepare: a) Revaluation A/c, Partners' Capital A/c and Cash A/c in the books of both the firms

b) Draw Opening Balance Sheet in the books of new firm.

11) Two firms M/s PQ and M/s RS agreed to amalgamate their businesses. Their positions as on 31st March 2019 were as follows:

Liabilities	M/s PQ ₹	M/s RS ₹	Assets	M/s PQ ₹	M/s RS ₹
Creditors	1,04,000	52,000	Building	78,000	-
Reserve	62,000	6,000	Furniture	10,000	13,000
Capital Accounts:			Bank	1,56,000	65,000
- P	1,50,000	-	Debtors	1,30,000	1,04,000
- Q	1,00,000	-	Stock	42,000	26,000
- R	-	90,000			
- S	-	60,000			
	4,16,000	**2,08,000**		**4,16,000**	**2,08,000**

Additional Information:

- Creditors and Debtors of both the firms were not taken over by the new firm M/s. PQRS.
- Building was taken over by P & Q.
- Goodwill created ₹ 40,000 and ₹ 20,000 respectively of M/s. PQ and M/s. RS.

Prepare: a) Revaluation A/c and Partners' Capital A/c in the books of both the firms.

b) Draw Amalgamated Balance Sheet in the books of M/s PQRS firm.

12) Narendra, Rajendra & Mahendra were partners sharing profit and loss in the ratio of 3: 2: 1. The firm has decided to sell its business to NRM Ltd. on 1st April 2019.

Balance Sheet as on 31st March 2019

Liabilities	₹	Assets	₹
Capital Accounts :		Land & Building	1,50,000
-Narendra	1,50,000	Machinery	90,000
-Rajendra	1,00,000	Debtors	60,000
-Mahendra	50,000	Stock	40,000
Sundry Creditors	30,000	Cash	10,000
Loan	20,000		
	3,50,000		**3,50,000**

Additional Information:

- The company has taken the assets at given price - Land-Building ₹ 1,64,000, Machinery ₹ 80,000, Debtors ₹ 57,000, Stock ₹ 33,000 and Cash ₹ 26,000
- The company has not accepted the loan, but agreed to pay creditors.
- The company issued 30,000 equity shares of ₹ 10 each and paid remaining amount in cash for purchase price.
- Dissolution expense amounted to ₹ 5,000.

Prepare:

a) Calculate the Purchase Consideration and show the discharge of PC.
b) Realization A/c, Partners Capital A/c, NRM Ltd. A/c and Cash A/c to close the books of old firm.
c) Draw the Opening Balance Sheet in the books of NRM Ltd.

13) Two firms M/s A & B and M/s C & D agreed to amalgamate their businesses and form new firm namely M/s A, B, C & D. The Balance Sheets of old firms are as follows:

Balance Sheet as on 31st March 2019

Liabilities	A & B ₹	C & D ₹	Assets	A & B ₹	C & D ₹
Creditors	1,00,000	50,000	Goodwill	25,000	20,000
Capital			Building	1,40,000	-
A	1,50,000	-	Machinery	80,000	1,00,000
B	1,00,000	-	Stock	35,000	30,000
C	-	90,000	Debtors	60,000	40,000
D	-	60,000	Cash	10,000	10,000
	3,50,000	**2,00,000**		**3,50,000**	**2,00,000**

Additional Information:

- Building was appreciated by 10%.
- Machinery is subject to 5% depreciation of both the firms.
- Debtors of both the firms were taken over by the new firm subject to 5% R.D.D.
- Goodwill of A & B and C & D were revalued at ₹ 30,000 and ₹ 22,000 respectively

Prepare: Amalgamated Balance Sheet in the books of new firm with necessary workings.

14) The Balance Sheets of M/s AB and M/s CD as on 31st March, 2019 were as follows :

Liabilities	AB ₹	CD ₹	Assets	AB ₹	CD ₹
Capitals:			Land & building	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 & Bank	3,000	1,000
Bank Loan	-	10,000			
O/s Expenses	2,000	3,000			
	37,000	**43,000**		**37,000**	**43,000**

The two firms decided to amalgamate and form M/s ABCD with effect from 1st April, 2019. The partners would share profit and losses equally between themselves as they were doing prior to amalgamation and they agreed to following revaluation of assets and liabilities:

Particulars	M/s AB (₹)	M/s CD (₹)
Land & Building	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 above it was decided that:

- The new firm would not take over bank loan of M/s C and D.
- The goodwill of M/s. A and B and M/s. C and D were valued at ₹ 10,000 and ₹ 5,000 respectively in the first instant but for the purpose of the Balance Sheet of the new firm, the combined goodwill would be valued at ₹ 12,000.
- The reconstructed capitals of partners should be ₹ 14,000 each, partners introducing cash if necessary.

You are required to:

a) Prepare Revaluation A/c and Partners Capital A/c in the books of Old firms.

b) Draw the Balance Sheet in the books of M/s ABCD (New Firm).

15) Anil and Sunil are partners sharing profits and losses in the ratio of 1:1 respectively.

Balance Sheet as on 31st March, 2019

Liabilities	₹	Assets	₹
Capital Accounts		Land& Building	40,000
- Anil	50,000	Machinery	25,000
- Sunil	40,000	Investment	17,000
Reserve Fund	8,000	Debtors	22,000
Creditors	16,500	Stock	13,000
Bills payable	4,000	Cash	1,500
	1,18,500		**1,18,500**

Additional Information:

- The partners decided to convert their firm into limited company AS Company Ltd.
- The Company took the following assets and liabilities at an agreed value as: Land & Building- ₹ 50,000/-, Machinery-₹ 23,000/-, Debtors subject to 5% RDD, Stock - ₹.15,500/-, Goodwill- ₹.6,600/- and Creditors - ₹ 16,000/-
- The PC was discharged by issuing sufficient number of equity shares of ₹10/- each.
- Investment were sold in open market at ₹ 18,500/- by the firm
- Bills Payables were taken over by Mr. Anil at book value.
- The realization expenses were paid by the firm ₹1, 000/-.

Prepare: **a)** Calculate the Purchase Consideration and show the discharge of PC.

b) Realization A/c, Partners Capital A/c, AS Company Ltd. A/c and Cash A/c to close the books of old firm.

16) Mahendra, Devendra and Ravi were partners sharing profit –loss in the ratio of 3:2:1. On 31/3/2019 the firm has decided to sell its business to MDR Co. Ltd. Position of the firm on that date was as follows:

Liabilities		₹	Assets	₹
Capital Accounts :			Land & Building	20,000
Mahendra	20,000		Machinery	22,000
Devendra	10,000		Debtors	18,000
Ravi	10,000	40,000	Stock	13,000
Creditors		22,000	Cash	7,000
Loan		18,000		
		80,000		**80,000**

Additional Information:

- The company has taken following assets at given price.
  - Land-Building ₹ 24,000, Machinery ₹ 21,000, Goodwill ₹ 4,000
  - Debtors ₹ 17,000, Stock ₹ 13,000
- The company has not accepted the loan, but agreed to pay creditors.
- The company issued 3,000 equity shares of ₹.10 each and paid remaining amount in cash for purchase price.
- Dissolution expense amounted to ₹ 1,000.
- Partners have distributed shares in their profit and loss ratio.

Prepare:

a) Calculate the Purchase Consideration and show the discharge of PC.
b) Pass necessary journal entries to close the books of old firm.
c) Draw New Balance Sheet in the books of MDR Co. Ltd.

17) Ajay, Atul and Sanjay were partners sharing profits and losses in the ratio of 4:3:1. They were decided to convert their firm into a limited company, namely A2S Co. Ltd. on 1st April 2019. The Balance Sheet of the firm as on 31st March 2019 is as follows:

Liabilities	₹	Assets	₹
Capital Account		Cash in hand	15,000
Ajay	30,000	Machinery	35,000
Atul	25,000	Investments	25,000
Sanjay	15,000	Stock	25,000
Reserve	10,000	Debtors	20,000
Creditors	25,000	Bills Receivables	10,000
Mrs. Ajay's Loan	10,000		
Bills Payables	15,000		
	1,30,000		**1,30,000**

Additional Information:

- The Assets are taken over as: Machinery ₹ 34,000, Investments ₹ 24,000, Stock ₹ 27000, Debtors ₹ 18000.

- Bills Receivables were taken over by Mr. Ajay at an agreed value of ₹ 9,000. Also Mrs. Ajay's Loan was taken over by him.
- Creditors were taken over by company but Bills Payables were paid off at 10% discount.
- Cost of Realization was paid by firm amounted to ₹ 2,000.
- The company has paid ₹ 8,000 in cash and balance in equity shares of ₹.10 each for purchase price.

Prepare:

a) Calculate the Purchase Consideration and show the discharge of PC.

b) Draw a New Balance Sheet in the books of A2S Co. Ltd.

18) Following are the Balance Sheets of M/s A&B and M/s C&D as on 31st March, 2019. The partners share profits and losses equally.

Balance Sheet as on 31st March, 2019

Liabilities	M/s A&B ₹	M/s C&D ₹	Assets	M/s A&B ₹	M/s C&D ₹
Capital A/c			Building	3,00,000	2,50,000
A	2,00,000	--	Furniture	60,000	80,000
B	2,00,000	--	Debtors	1,50,000	1,80,000
C	--	2,40,000	Stock	90,000	40,000
D	--	1,60,000	Cash	30,000	30,000
Creditors	2,00,000	1,30,000			
Bank Overdraft	30,000	50,000			
	6,30,000	**5,80,000**		**6,30,000**	**5,80,000**

Additional Information:

The two firms decided to amalgamate their businesses from 1st April, 2019 and to form a new firm M/s ABC&D. They have agreed with the following terms and conditions.

- Bank Overdraft of M/s A&B was taken over by Mr. A and Bank Overdraft of M/s C&D was taken over by Mr. D
- Building of both the firms was taken over by the new firm by 10% appreciation.
- Furniture and Stock of both firms is to be reduced by 10% and by 5% respectively.
- A provision of 5% is to be made for doubtful debts of both the firms.
- Goodwill of M/s A&B was valued at ₹ 80,000 and that of M/s C&D at ₹ 1,00,000. Half of the goodwill is written off by new firm.

Prepare:

a) Necessary ledger accounts in the books of M/s A&B and M/s C&D to close the books.

b) Prepare Amalgamated Balance Sheet of M/s ABC&D on 1st April, 2019.

c) Show the treatment of Goodwill in the books of M/s ABC&D.

19) Anil, Amol and Om are partners in a firm sharing profit and losses in the ratio of 2:2:1 respectively decided to convert their firm into a 'New Ltd.':

Balance sheet as on 31st March, 2019

Liabilities	₹	Assets	₹
Capital account		Building	45,000
Anil	45,000	Plant & Machinery	27,000
Amol	42,000	Motor car	18,000
Om	25,500	Furniture	3,750
Sundry creditors	36,000	Stock	7,050
Bills payable	2,250	Sundry debtors	39,000
General Reserve	9,000	Investments	9,000
		Bank balance	10,950
	1,59,750		**1,59,750**

Additional Information:

New Ltd agreed to take over the following Assets valued shown below:

- Building - ₹.48,000, Plant and Machinery – ₹.24,750, Furniture - ₹.3,000
- Stock - ₹.11,700, Goodwill - ₹.6,000 and Sundry debtors to 5% RDD.

The New Co. Ltd has also agreed to take over sundry creditors at ₹.33,000. The purchase consideration was paid by the new company by issuing sufficient number of equity shares of ₹ 100 each fully paid at par.

The firm sold investments for ₹.12,000 and paid off Bills payable fully. The motor car was taken over by Mr. Anil at book value. The firm paid realization expenses of ₹.1,200

Prepare: a) Necessary ledger accounts in the books of old firm.

b) Draw a new Balance sheet in the books of The New Co. Ltd as on 1st April, 2019

20) A and B were partners sharing profits and losses in the ratio 2:1 respectively, decided to convert their business into C Ltd. on 31st March, 2019 when their position was as follows:

Balance Sheet as on 31st March, 2019

Liabilities	₹	Assets	₹
Capital Accounts:		Buildings	40,000
A	82,000	Machinery	20,000
B	16,000	Goodwill	8,000
General Reserve	6,000	Investments	4,800
Creditors	21,600	Stock	24,000
Bills Payable	7,200	Debtors	23,200
Mrs. A's Loan	3,200	Bills Receivable	6,400
		Cash	9,600
	1,36,000		**1,36,000**

Additional Information:

- It was agreed by C Ltd. to take over all the assets excluding Cash at book values with the exception of Buildings and Stock which are taken over at ₹ 45,000 and ₹ 20,000 respectively.
- Investments are retained by the firm and realized by them for ₹ 4,000.
- Goodwill is to be valued at ₹ 28,800.
- They also discharged Mrs. A's Loan. C Ltd. took over the remaining liabilities.
- The purchase consideration was discharged by C Ltd. by issuing 8,000 Equity Shares of ₹ 10 each plus ₹ 2.50 premium and balance in cash.

Prepare:

a) Calculate the Purchase Consideration and show the discharge of PC.

b) Pass Journal entries in the books of partnership firm.

c) Draw a New Balance Sheet in the books of C Ltd.

21) A Ltd. was formed to acquire the business of X, Y & Z, who share profits & losses in the ratio of 2:1:1 respectively. The Balance Sheet of the partnership firm on 31st March, 2019 was as:

Balance Sheet as on 31st March, 2019

Liabilities	₹	Assets	₹
Capital Accounts:		Plant & Machinery	1,48,000
X	1,00,000	Stock	68,000
Y	48,000	Debtors	76,000
Z	48,000	Vehicles	40,000
Sundry Creditors	96,000	Investment	40,000
Bills Payable	64,000	Cash in hand	4,000
Investment Fluctuation Fund	20,000		
	3,76,000		**3,76,000**

Additional Information:

- A Ltd. Took Plant and Machinery, Stock and Debtors at 10% less than the book value and agreed to pay ₹ 40,000 for Goodwill. It also agreed to pay the Creditors at book value.
- The purchase consideration was satisfied in 1,600 Equity Shares of ₹ 100 each and the balance in cash.
- X took the Vehicles for ₹ 32,000.
- Investments were sold in the market for ₹ 36,000.
- The partnership firm paid Bills Payable at 10% discount.
- Realization expenses amounted to ₹ 9,200.
- The partnership firm sold the Equity Shares of A Ltd. at ₹ 2,00,000.

Prepare the following:

1) Realization A/c.
2) Partners' Capital A/c
3) Cash A/c
4) Equity Shares in A Ltd. A/c
5) Investment A/c
6) Investment Fluctuation Fund A/c

22) The following were the Balance Sheets of two firms M/s P and Q and M/s R and S.

Balance Sheets as at 31/03/2019

Liabilities	P & Q (₹)	R & S (₹)	Assets	P & Q (₹)	R & S (₹)
Sundry Creditors	20,000	25,000	Cash at Bank	5,600	6,700
Mr. P's Loan	5,000	-	Stock	20,400	18,300
Capitals – P	40,000	-	Debtors	15,000	20,000
Q	20,000	-	Furniture	4,000	5,000
R	-	24,000	Premises	40,000	-
S		16,000	Investment	-	15,000
	85,000	**65,000**		**85,000**	**65,000**

Additional Information:

The two firms decided to amalgamate their businesses from 1st April, 2019 under the name Bharat Traders, For this purpose, it was agreed that Mr. P's Loan should be repaid and the Investment of M/s. R & S to be not taken over by the new firm.

Goodwill of P & Q was fixed at ₹ 8,000 and that of R & S at ₹ 10,000. Premises were revalued at ₹ 50,000, but the stock of P & Q was found overvalued by ₹ 4,000. The stock of R & S was undervalued by ₹ 2,000. A reserve for bad debts was created at 5% of both firms.

The total capital of Bharat Traders was to be ₹ 80,000 and it was shared by the P, Q, R & S in their new profit sharing ratio which was 3 : 2 : 3 : 2 respectively.

a) Pass necessary journal entries to close the books of M/s P & Q and M/s R & S

b) Pass opening entries in the books of Bharat Traders

23) Balance sheet of Ram and Shyam as on 1st April 2019 is as under:

Liabilities	₹	Assets	₹
Capital account		Land and building	2,80,000
Ram	1,80,000	Machinery	1,40,000
Shyam	1,80,000	Furniture	40,000
General reserve	40,000	Book debts	1,10,000
Loan from	1,80,000	Stock	80,000
Creditors	90,000	Bank	50,000
Bills payable	30,000		
	7,00,000		**7,00,000**

Additional Information:

X Ltd was incorporated for conversion of the firm into a company. Authorized capital of which was 5000 equity shares of ₹ 100 each and 15%, 2500 preference shares of ₹ 100 each. Conditions for conversion from partnership firm to a company were was under:

- X Ltd. Took over all the assets as under:
  - Land and building - ₹ 3,20,000 and Machinery – ₹ 1,50,000
  - Goodwill - ₹ 1,20,000 as per new value and remaining assets at their book value.
- X Ltd also took over all the liabilities other than loan.
- 12% Debentures of Ram Ltd. Of ₹ 1,80,000 and balance equity and preference shares of X Ltd. Were given to the firm in the ratio of 2:1 being purchase consideration of the firm.

24) Ravindra, Surendra and Narendra are the partners sharing profit and losses in the ratio of 3:2:1.

Balance Sheet of the firm as on 31st March 2019

Liabilities	₹	Assets		₹
Capital account		Goodwill		1,00,000
Ravindra	2,00,000	Land & Building	2,00,000	
Surendra	1,20,000	Less: Depreciation	20,000	1,80,000
Narendra	80,000	Machinery	2,00,000	
Profit and loss account	1,20,000	Less: Depreciation	20,000	1,80,000
Workers compensation fund	60,000	Furniture		60,000
Workers profit sharing fund	90,000	Investment		1,00,000
Investment fluctuation fund	20,000	Stock		90,000
Creditors	1,00,000	Sundry debtors		80,000
Bills payable	30,000	Bills receivable		14,000
Outstanding expenses	5,000	Bank balance		21,000
	8,25,000			**8,25,000**

Additional Information:

RSN Ltd. purchased all real assets except to Bank and all liabilities except Bills payable on 1st April 2019 with the following conditions:

- The company agreed to pay 10% more for land and building and 20% more for furniture.
- ₹. 81000 is to be paid for stock.
- Other real assets are to be taken over at book value.
- The company took liabilities at book value.
- Narendra accepts to pay Bills payable.

The company agreed to pay 3000 Equity shares of ₹ 100 each fully paid at 10% premium and the rest in bank. The partners distributed equity shares and Debentures in profit sharing Ratio.

Prepare: Realization A/c, Partners Capital A/c and Bank A/c in the books of old firm.

25) X,Y, Z were partners sharing profit and losses 4:3:1 respectively. Their Balance sheet as on 31st March, 2019 was as follows:

Balance sheet as on 31st March, 2019

Liabilities	₹	Assets	₹
Capital Account		Cash	4,000
X	36,000	Land	36,000
Y	27,000	Machinery	24,000
Z	25,000	Sundry Debtors	30,000
		Stock in Trade	26,000
General Reserve	8,000		
Sundry Creditors	24,000		
	1,20,000		**1,20,000**

M/s X,Y and Z decided to sale their business on the above date to Aarohi Ltd. The lumsum amount of purchase consideration was fixed up to ₹ 1,26,000 for the purchase of assets and liabilities of the firm at the valuation mention below:

Assets & Liabilities	Amount (₹)	Assets & Liabilities	Amount (₹)
Land	44,000	Stock	24,000
Machinery	22,000	Goodwill	8,000
Sundry Debtors	28,000	Liabilities	Nil

- The purchase price of Land and Machinery was paid by Aarohi Ltd in its equity shares of ₹10 each for ₹66,000, Debtors was paid for in its 10% Debentures for ₹.18,000. The purchase price for stock and Goodwill was paid for cash of ₹.42,000.
- The creditors were paid off at a discount of 2.5% by old firm
- Conversion expenses amounted to ₹.500.
- 10% Debentures of Aarohi Ltd. were realized by the firm at par value.

Prepare: a) Realization A/s, Partners Capital A/c and Cash A/c in the books of old firm.

b) Show the discharge of purchase consideration.

c) Pass Journal entries in the books of partnership firm.

d) Draw a New Balance Sheet in the books of new company.

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