

BBA Examination April - 2015

Semester – II

Paper No : 203

Paper Name : Principles & Practice of Accountancy – II

Paper Code : 2869

Time : 2.30 Hours

Maximum Marks : 70

- Q – 1 [A] What is partnership? Explain various types of partner [08]
 Q – 1 [B] Differentiate : Fixed and Fluctuating Capital Method [06]

OR

- Q – 1 [A] What do you mean by Goodwill? Explain factors affecting valuation of goodwill [10]
 Q – 1 [B] Explain various valuation methods of goodwill [04]
 Q – 2 [A] The balance sheet of A and B as on 31-12-2013 was as under: [10]

Liabilities		Amt. (Rs)	Assets		Amt. (Rs)
Sundry creditors		6000	Stock		25200
Bank Overdraft		3000	Debtors		16000
Capital A/c:			Loan of C		12200
A	12000		Furniture		1200
B	24000	36000	Land & Building		14400
Current A/c:					
A	14400				
B	9600	24000			
		69000			69000

The partners shared P&L in ratio 1:2. They agree to admit C as a partner from 1-1-2014 on the following terms:

- The Assets and Liabilities were revaluated as under:
 - Land and building at Rs. 32500.
 - Furniture at Rs. 6000
 - Stock to be written down by Rs.2200
 - A reserve was to be created for doubtful debts at 5%
 - Sundry Creditors include Rs. 500 which was no more a liability.
- C brought the following assets and liabilities into partnership from his business:
 - Furniture Rs. 1800
 - Stock Rs. 20800
 - Investment Rs. 4500
 - Creditors Rs. 5500
- The P&L of new firm were to be shared equally by the partners.
- C was to bring Rs. 6000 as his share of goodwill in cash.
- Loan to C was to be converted into his current A/c.
- Bank Overdraft was to be repaid.
- A and B were to keep their respective capital equal to that of C. Any surplus or deficit was to be adjusted through their respective current A/c.

You are required to prepare (i) Capital A/c and Current A/c of partners (ii) P & L Adjustment A/c and new balance sheet of new firm.

- Q – 2 [A] Differentiate: Sacrifice and Gain Ratio [04]

OR

- Q – 2 Following is the balance sheet of B and D as on 31st March, 2012. They share profits and losses in the ratio of 3:2 respectively. [10]

Liabilities	Rs.	Assets	Rs.
Capital : B	40,000	Land & Building	40,000
D	50,000	Plant & Machinery	30,000
Creditors	14,000	Sundry Debtors	20,000
General Reserve	4,000	Closing Stock	24,000
Profit & Loss A/c	6,000	Cash	10,000
Bills Payable	10,000		
	1,24,000		1,24,000

They decide to admit P on 1st April, 2012; on the following conditions:

1. P will bring Rs. 50,000 as his capital for $\frac{1}{5}$ share.
2. The goodwill account be opened in the books of the firm for Rs. 15,000.
3. Land & building be appreciated by 5%.
4. Plant & machinery be depreciated by 15%.
5. Reserve for bad & doubtful debts is to be maintained at 5% on sundry debtors.
6. A provision for outstanding legal expenses is to be made Rs. 750.

Prepare : Profit & Loss Adjustment A/c, Partners capital A/c & Balance sheet of new firm.

Q – 2 [B] Why are the assets and liabilities revaluated at the time of admission of a partner? [04]

Q – 3 [A] Following is the balance sheet on 31st March 2011 of A, B and C who share profits in the ratio of 4:2:1. [10]

Liabilities	Rs.	Assets	Rs.
Capital : A	30,000	Goodwill	10,000
B	20,000	Stock	15,000
C	15,000	Debtors	11,000
Creditors	15,000	Land & Buildings	20,000
Bills Payable	2,000	Plant & Machinery	26,500
General Reserve	10,500	Motor	10,000
	92,500		92,500

On the above date, A retired and the following arrangements were agreed upon:

1. Goodwill of the firm is to be valued at Rs. 24,000.
2. The assets and liabilities are to be valued as under:

Stock	12,000
Land & Building	22,600
Creditors	14,000
Debtors	10,500
Plant & Machinery	25,000
3. B and C were to introduce Rs. 20,000 & Rs. 5,000 respectively into the business and Rs. 16,200 was to be paid to A. The balance due to A was to be paid in three equal installments annually together with interest at 9% p.a.
4. B and C agreed not to retain goodwill in the books.

Prepare: Profit & Loss Adjustment A/c, Capital A/c & New Balance Sheet.

Q – 3 [B] How is the amount due to the retiring partner settled? [04]

OR

- Q – 3 A, B and C were partners sharing profit and losses in equal proportions. On 31-12-2012 when C decided to retire, balance sheet of the firm was under

Balance Sheet (as on 31-12-2012)

Liabilities		Amt. (Rs)	Assets		Amt. (Rs)
Capitals :			Land & Building		50000
A	40000		Furniture		10000
B	30000		Stock		20000
C	20000	90000	Debtors		28000
General Reserve		3000	Bills		6000
Bank Loan		11000	Bank		10000
Creditors		18000	Cash		6000
Bills		7600			
Outstanding Expense		400			
		130000			130000

Following decisions were taken at the time of C's retirement:

- 1) Land & Building appreciated by 10% and that of Stock and Furniture was to be depreciated by 5% and 10% respectively.
- 2) Outstanding expense in the balance sheet indicates unpaid rent at a rate of Rs. 200 per months rent was unpaid. But it was discovered during the investigation of accounts that in fact 3 months' rent was unpaid. Moreover, it was also revealed that no adjustment was made for prepaid insurance of Rs. 200.
- 3) After C's retirement, A and B were to share their profits and losses in the ratio of 2:1.
- 4) Goodwill of the firm was estimated at `60000. Entry was to be passed for C's share only. Necessary cash to pay to C was to be brought in by A in such a manner that cash balance of the firm would not be affected.
- 5) A and B decided that their capitals in the new firm would be in proportion of their profit sharing ratio. It was also agreed that net assets of the firm would be Rs. 120000. Necessary adjustments to implement this decision were to be made in Partners' current A/c.

From the above particulars, prepare P&L Adjustment A/c, Capital A/c and Cash A/c at the time of retirement and Balance sheet of the new firm.

- Q – 4 What do you mean by Joint life Policy and Individual policy of partner?

[14]

OR

- Q – 4 How would you journalize joint life policy of partners?

[14]

- Q – 5 M, A & P are partners sharing profits & losses in the ratio of 3:2:1 respectively. Their partnership was dissolved on 30th June, 2012; on which date their Balance Sheet was as under : 10

Liabilities	Rs.	Assets	Rs.
Capital:		Cash	8,000
M	40,000	Debtors	84,000
A	20,000	Stock	32,000
P	4,000		
Loans:			
M	12,000		
A	8,000		
Creditors	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 the order at end of each month by following excess capital method:

Net realization were as under:

Date	Rs.
15/07/2012	22,000
20/08/2012	21,000
06/09/2012	32,000
17/10/2012	21,200
30/11/2012	9,000

OR

- Q – 4 [A] What do you mean by dissolution of firm? Explain its reasons [07]
 Q – 4 [B] Specimen (format) of Realisation A/c [07]

- Q – 5 Kavita purchased a computer from Jagruti Ltd. On hire-purchase basis on 1-1-2005. The cash price of computer was Rs. 1,55,000 payable Rs. 50,000 as down payment and thereafter RS. 50,000 every year for three years on 31st December each year.

Prepare necessary accounts in books of Kavita and Jagruti Ltd. [14]

OR

- Q – 5 [A] What do you mean by hire-purchase system? Explain its features [07]
 Q – 5 [B] Differentiate Higher Purchase and Installment Payment [07]
