

2.8.20

Financial Account -
B.Com Part I
Chapter. Conversion of Partnership
into Company.

Exercise. (1) Numerical S.M. Shukla

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Question.

Ganesh and Ram are two partners in a firm sharing profit & loss in the ratio of 3:1. On 31 March 2019 they decided to convert the firm into limited company, on that date, the Balance sheet of the firm stood as under.

Liabilities	Amount	Assets	Amount
Sundry Creditors	800	Cash at Bank	3,000
Bills payable -	3,300	Bills Receivable -	600
Capitals		Stock +	31,600
Ganesh.	40,000	Building.	25,300
Ram -	20,000	Debtors -	3,600
	64,100		64,100

The company took over the entire concern with the exception of cash at Bank and the purchase price was

Fixed at Rs 75000 out of which Rs 9000 paid in cash and for the balance share were issued. The expenses of Realisation to Rs 600 Pass the journal entries in the book of firm.

Ans.

Journal entries in the book of firm.

date	Particulars	Dr	Cr
	Realisation A/c Dr	61100	
	to Bills Receivable.		600
	" Stock -		91600
	" Building		25300
	" Debtors -		9600
	Being various assets transferred to Realisation a/c.		
		800	
	Sundry Creditors A/c		800
	to Realisation		
	(Being Creditors transferred to Realisation A/c)		

Purchasing Co Cr	75000	
to Realisation		75000
(Being Amount of purchase price)		
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Realisation Cr	300	
to Balance - A/c		300
(Being expenses of conversion)		
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Realisation Dr	14400	
to Ganesh capital		10800
" Ram capital		3600
(Being Profit transferred to partners)		
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Balance Cr	9000	
Share in new Co Cr	66000	
(Being purchase price received)		75000
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Bills payable Cr	3300	
to Balance		3300
(Being settlement of liabilities)		
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Ganesh Capital Cr	45065	
Ram Capital Cr	20935	
to Share in new company		66000
(Being share allotted to partners)		
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Ganesh Capital Cr	5735	
Ram Capital Cr	2665	
to Balance		8400
(Being balance paid by balance)		