

## CONVERSION OF PARTNERSHIP FIRM INTO LTD CO.

### Q State whether following statements are True or False

- 1 Purchase Consideration should be paid fully by equity shares only.
- 2 On sale by conversion, the limited company takes over the business of the firm for an agreed price.
- 3 Dissolution expenses are debited to Cash account.
- 4 Liabilities assumed by partners are debited to partners capital accounts.
- 5 Debit Balance on Realisation shows profit on realisation.
- 6 Under Net Assets Method agreed value of assets and agreed values of liabilities are taken into account.
- 7 Purchase Consideration means amount agreed to be paid by old firm to the new company.
- 8 Excess of purchase consideration over net assets is considered as goodwill.
- 9 In case of sale of firm to a company, partners may not become directors of the company.
10. In case of conversion of firm into a company, the partners themselves are promoters of the company.

### Q Match the following

	GROUP "A"		GROUP "B"
(i)	Debit balance on Realisation A/c	(a)	Payable by new company to vendor firm.
(ii)	Credit balance on Realisation A/c	(b)	Vendor firm get dissolved.
(iii)	Purchase Consideration	(c)	Final claimant ratio of partners capital account.
(iv)	Conversion of Partnership Firm into Ltd Co.	(d)	Loss on realisation
(v)	Shares/Debentures of New Company	(e)	Equally
		(f)	Profit on realisation.
		(g)	Book Value.