INDIAN SCHOOL MUSCAT

Senior Section

Department of Commerce and Humanities

Class : 12

Question Bank SERIES -1
PARTNERSHIP VOLUME-1

Reference:
KVS Question Bank, NCERT/TS GREWAL

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ACCOUNTANCY (055)

1	Define Goodwill.	1
2	State any two reasons for the preparation of ‘Revaluation Account’ on the admission of a partner.	1
3	Give the meaning of ‘minimum subscription”.	1
4	Shyam and Manav are partners in a firm without any partnership deed. Their capitals are ₹ 4,00,000 and ₹ 5,00,000.Shyaml is an active partner and looks after the business. Shyam wants that profit should be shared in proportion of capitals. State with reason whether his claim is valid or not.	1
5	Why is it that the Capital Account of a partner does not show a Debit Balance in spite of regular and consistent losses year-after year?	1
6	What is the nature of Revaluation Account?	1
7	Do all forms of business organization prepare a Profit and Loss Appropriation Account?	1
8	Where would you record ‘Interest on Drawings’ when capitals are fixed?	1
9	Promod, Visjhal and Samuktha decided that interest on capital will be provided to each partner @ 5% p.a. But after one year Samuktha wants that no interest on capital is to be provided to any partner. State how Samuktha can do this.	1
10	How does the factor ‘Quality of product’ affect the goodwill of a firm?	1
11	Give the average period in months for charging interest on drawings for the same amount withdrawn at the beginning of each quarter.	1
12	State the meaning of sacrificing ratio.	1
13	How does the nature of business affect the value of goodwill of a firm?	1

14 A partnership deed provides for the payment of interest on capital, but there was a loss instead of profits during the year 2015-16 .At what rate will the interest on capital be allowed?. 1

15 Give any one distinction between sacrificing ratio and gaining ratio. 1

16 State any one purpose for admitting a new partner in a partnership firm. 1

17 Give the Journal Entry to distribute 'Workmen Compensation Fund/Reserve of ₹ 70,000 at the time of retirement of Namita when there is a claim of ₹ 25,000 against it. The firm has three partners Naufal ,Neeraja and Namita 1

18 At what rate is interest payable on the amount remaining unpaid to the executor of a deceased partner in a partnership firm? firm' 1

19 State the ratio in which the partners share the accumulated profits when there is a change in the profit sharing ratio amongst existing partners. 1

20 If partners' capital is fixed, state any two items in the debit side of Partners Capital Account. 1

21 Prakariti, Pandit and Pallavi were partners sharing profits in the ratio of 1/2,3/10 and 1/5.Pradeep retired from the firm. Calculate the Gaining Ratio of the remaining partners. 1

22 State the rights acquired by a newly admitted partner. 1

23 Distinguish between 'Dissolution of partnership' and 'Dissolution of partnership firm' on the basis of Court's intervention. 1

24 Give the meaning of 'Reconstitution of a partnership'. 1

25 In absence of partnership deed what will be interest rate on loan taken from a partner. 1

26 Randheer, Ramyaand Ravindra were partners in a firm sharing profits in the ratio of 5:3:2.On 1st January, 2015 they admitted Ratra as a new partner for 1/10th share in the profits. On Ratra's admission, the Profit and Loss Account of the firm was showing a debit balance of ₹20,000 which was credited by the accountant of the firm to the capital accounts of Randheer, Ramya and Ravindra in their profit sharing ratio. **Did the accountant give correct treatment?**
Give reason in support of your answer. 1

27 On the death of a partner, his/her share in the profits of the firm till the date of his/her death is transferred to which account? 1

28 Manpreet, Geeta and Arvind were partners in a firm sharing profits in the ratio of 7:5:3.From 1st January 2015, they decided to share the profits equally. For this purpose the goodwill of the firm was valued at ₹ 2,40,000. **Pass necessary Journal entry for the treatment of goodwill on change in the profit sharing ratio of Manpreet, Geeta and Arvind.** 1

29 Rohit, Bindra and Gulfam were partners in a firm sharing profits in the ratio 3:2:1 .At the time of admission of a partner, the goodwill of the firm was valued at ₹ 2, 00,000.The Accountant of the firm passed the entry in the books of accounts for this and thereafter showed goodwill at ₹ 2,00,000 as an asset in the Balance Sheet. 1

Was the Accountant correct in doing so? Why?

30 Chalk, Duster and Blackboard are partners. The firm had given a loan of ₹ 20,000 to Duster. They decided to dissolve the firm. In the event of dissolution of the firm what will be the accounting treatment 1

31 Shirt and Pant were partners sharing profits in the ratio of 3:2.On 1st April 2015, they decided to admit Blazer for 1/5th share in the profits. They had a Reserve of ₹ 25,000 which they wanted to show in their new Balance Sheet. Blazer agreed and the necessary adjustments were made in the books of accounts. On 1st October 2015 Shirt met with an accident and died. Pant and Blazer decided to admit Shirt's son T-shirt in their partnership, who agreed to bring ₹ 2, 00,000 as capital. Calculate Shirt's share in the reserve on the date of his death 1

32 What will be the accounting treatment where Workmen Compensation Reserve stands in the books of accounts of a partnership firm at ₹40,000 as on 31st March 2014.But the claim settled for compensation to the workers as on that date was ₹ 41,000? 1

33 Ramyan,Chaman and Lallan are partners in a firm. They contributed ₹ 75,000 each as capital three years ago. At that time Lallan agreed to look after the business as Raman and Chaman were busy in their private works. The profit for last three years were ₹ 45,000, ₹30,000 and ₹ 60,000 respectively. While going through the books of accounts, Raman noticed that profit had been distributed in 1:1:2 ratio. When he enquired from Lallan about this,Lallan answered that since he looked after the business he should get more profit. Raman disagreed and it was decided to distributed profits equally with retrospective effect for the last three years. 3

a) You are required to make necessary corrections in the books of accounts of Ramyan, Chaman and Lallan by passing an adjustment entry.
b) Identify the value which is being ignored by Lallan.

34 Chmeera and Balbira were partners in a firm sharing profits in the ratio of 3:2.their capitals were ₹ 1, 60,000 and ₹ 1, 00,000 respectively. They admitted Dalbira on 1st April 2015 as a newpartner for 1/5 share in the future profits. Dalbira brought ₹ 1,20,000 as his capital. 3

Calculate the value of goodwill of the firm and record necessary journal entries for the above transactions on Dalbira's admission

35 On 1st April 2014, Brinda and Chinya entered into partnership to construct toilets in government girls' schools in the remote areas of 3

Jharkhand. They contributed capitals of ₹ 10, 00,000 and ₹ 15, 00,000 respectively. Their profit sharing ratio was 2:3 and interest allowed on capital as provided in the Partnership Deed was 12% p.a. During the year ended 31st March 2015, the firm earned a profit of ₹ 2, 00,000. **Prepare Profit and Loss Appropriation Account of Brick and Cement for the year ended 31.03.2015**.

36 Bhima, Nima and Sima are partners in a firm whose books are closed on 31st March every year. Nima died on 30th June 2015 and according to the agreement, the share of profits of a deceased partner up to the date of death is to be calculated on the basis of the average profits of the last five years. The net profits for the last five years have been: 2014-15: ₹ 16,000 2013-14: ₹ 10,000 (Loss) 2012-13: ₹ 16,000 2011-12:₹18,000 2010-11:₹ 14,000. 3

Calculate Nima's share of the profit up to the date of death and pass necessary journal entry.

37 Ananya and Sugandha were partners in a firm sharing profits in the ratio of 3:2.their fixed capitals were: Ananya -₹ 9, 00,000 and, Sungandha ₹ 6, 00,000.The partnership deed provided for the following: (i) Interest on capital @ 5 % p.a. (ii)₹ 60,000 p.a salary to Ananya and salary ₹ 2,000 per month to Sugandha. The profit earned by the firm for the year ended 31st March, 2015 was ₹ 2, 34,000. The profits were divided equally without providing for the above. 4

Pass adjustment entry.

38 Duran, Fujain and Ryan were partners in a firm sharing profits in the ratio 2:2:1. The firm closes its books on 31st March every year. Fujain died on 24th August 2015.On Fujain's death the goodwill of the firm was valued at ₹ 75,000.The Partnership deed provided that on the death of a partner his/her share in the profits of the firm in the year of his/her death will be calculated on the basis of last year's profit. The profit of the firm for the year ended 31st March 2015 was ₹ 2, 00,000. 4

(i) Calculate Fujain's share of profit till the time of his death.
(ii) Pass the necessary journal entries for the treatment of goodwill and his share of profit.

39 Deepa, Reepa and Neepa were partners in a firm having capitals of ₹ 80,000;₹80,000;and ₹ 40,000 respectively. Their current account balances were: Deepa: ₹ 10,000; Reepa: ₹ 5,000; and Neepa: ₹ 2,000(Dr.) According to the partnership deed the partners were entitled to interest on capital @ 10% p.a. Neepa being the working partner was also entitled to a salary of ₹ 12,000 p.a. The profits were to be divided as follows: (a)The first ₹ 20,000 in proportion to their capitals. (b) Next ₹ 30,000 in the ratio of 5:3:2 (c) Remaining profits to be shared equally. The firm made a profit of ₹ 1,72,000 before charging any of the above items. 4

a) Prepare the Profit and Loss Appropriation account.
b) Pass the necessary journal entry for the appropriation of profits.

40 **a)** A and B are partners in the ratio of 7:3.They admit C for 1/5th share, which he acquires, in equal proportions from both. **Find the new profit sharing Ratio.** 4

b) A, B and C are partners in a firm sharing profits in the ratio of 5:4:3.B retires and his share is taken up equally by A & C. **Find the new profit sharing ratio.**

41 X, Y and Z are partners in a firm. Their capitals were X: ₹ 30,000; Y: ₹ 20,000 and Z: ₹ 10000 respectively. According to the partnership deed they were entitled to an interest on capital @ 5 % p.a. In addition Z was also entitled to draw a salary of ₹ 500 per month. Y was entitled to a commission of 5% on the profits after charging the interest on capital, but before charging the salary payable to Z. The net profits for the year ended 31st March 2015 of ₹ 30000 distributed in the ratio of their capitals without providing for any of the above adjustments. The profits were to be shared in the ratio 2:1:2. 4

Pass the necessary adjustment entry showing the workings clearly.

42 Tarun,Barun and Arun are partners in a firm sharing profits in the ratio of 6:5:4.Their capitals were: Tarun ₹ 1,00,000; Barun ₹ 80,000 and Arun ₹ 60,000 respectively. On 1st April 2015 Arun retired from the firm and the new profit sharing ratio between Tarun & Barun was decided as 11:4.On Arun's retirement the goodwill of the firm was valued at ₹ 90,000 . 4

Showing your calculations clearly, pass necessary journal entry for the treatment of goodwill on Arun's retirement.

43 Ram and Shyam entered into partnership on 1st April 2014 without any partnership deed. They introduced capitals of ₹ 5,00,000 and ₹3,00,000 respectively. On 30th September 2014, and Ram advanced ₹ 2,00,000 by way of loan to the firm without any agreement as to interest. The Profit & Loss Account for the year ended 31st March 2015 showed a profit of ₹ 4,30,000, but the partners could not agree upon the amount of interest on loan to be charged and the basis of division of profits. 4

Pass journal entry for the distribution of the profits between the partners and prepare the Capital Accounts of both the partners and Loan Account of Ram.

44 A partnership firm earned net profits during the last three years as follows: 2014-15: ₹ 1, 90,000 2013-14: ₹ 2, 20,000 2012-13: ₹ 2,50,000 The capital employed in the firm throughout the above mentioned period has been ₹ 4, 00,000.Having regard to the risk involved, 15% is considered to be a fair return on the capital. The remuneration of all the partners during this period is estimated to be ₹ 1, 00,000 per annum. 4

Calculate the value of goodwill on the basis of (i) two years purchase of super profits earned on average basis during the above mentioned three years and (ii) by capitalization method

45 Atul, Bibek,Chandan and Danish are partners sharing profits in the ratio of 3:3:2:2 respectively. Danish retires and Atul, Bibek and Chandan decide to share the future profits in the ratio of 3:2:1. Goodwill of the firm is valued at ₹ 6,00,000.Goodwill already appears in the books at ₹ 4,50,000.The profits for the first year after Danish retirement amount to ₹ 12,00,000. Give the necessary Journal entries to record Goodwill and to distribute the profits. Show your calculations clearly 4

46 Lalu and Peelu are partners in a firm sharing profits in the ratio of 3:2.Their fixed capitals on 1st April 2014 were: Lalu ₹1, 00,000 and Peelu ₹ 2, 00,000.They agreed to allow interest on capital @ 12% p.a and to charge on drawings @ 15% p.a. The firm earned a profit, before all above adjustments, of ₹ 30,000 for the year ended 31st March 2015.The drawings of Lalu and Peelu during the year were ₹ 3000 and ₹ 5000 respectively. Showing your calculations, clearly prepare Profit and Loss Appropriation a/c of Lalu and Peelu .The interest on capital will be allowed even if the firm incurs a loss. 4

47 Sameer and Krishan are partners in a firm. They admit Sajal as a new partner with 1/5th share in the profits of the firm. Sajal brings ₹ 5, 00,000 as his share of capital. The value of the total assets of the firm was ₹ 15, 00,000 and outside liabilities were valued at ₹ 5, 00,000 on that date. Give necessary Journal entry to record goodwill at the time of Sajal's admission. Also show your workings. 4

48 Rose, Jasmine and Marigold are partners in a firm sharing profits in the ratio of 4:3:2.On 1st April 2014, Jasmine gave a notice to retire from the firm. Rose and Marigold decided to share future profits in the ratio of 1:1.The capital accounts of Rose and Marigold after all adjustments showed a balance of ₹ 43,000 and ₹ 80,500 respectively. The total amount to be paid to Jasmine was ₹ 95,500.This amount was to be paid by Rose and Marigold in such a way that their capitals become proportionate to their new profit sharing ratio. 4

Pass necessary Journal Entries in the books of the firm for the above transactions. Show your working clearly.

49 Patel and Agarwal decided to start a partnership firm to manufacture low cost compost manure as chemical manure were creating many environmental problems. They contributed capitals of ₹ 1, 00,000 and ₹50,000 on 1st April, 2014 for this. Patel expressed his willingness to admit Bansal as a partner without capital, who is a specially abled but creative and intelligent friend of his. Agarwal agreed to this. The terms of partnership were as follows: (i) Patel, Agarwal and Bansal will share profits in the ratio of2:2:1. (ii)Interest on capital will be provided @ 6 % 4

p.a. Due to shortage of capital, Patel contributed ₹ 25,000 on 30th September 2014 and Agarwal contributed ₹ 10,000 on 1st January 2015 as additional capital. The profit of the firm for the year ended 31st March 2015 was ₹ 1, 68,900.

a) Identify any two values which the firm wants to communicate to the society.
b) Prepare Profit and Loss Appropriation Account for the year ended 31st March 2015

50 Gopal, Govind and Govardhan were partners in a firm sharing profits in the ratio of 2:2:1 respectively. On 31st March, 2015 their Balance Sheet was as under: BALANCE SHEET as on 31st March, 2015 4

liabilities	Amount	Assets	Amount
Capitals:		Fixed Assets	3,60,000
Gopal 1,80,000		Stock	60,000
Govind 1,50,000		Debtors	1,20,000
Govardhan 90,000	4,20,000	Cash	2,70,000
Reserve Fund	1,50,000		
Creditors	2,40,000		
	8,10,000		8,10,000

Govind died on 30th June 2015.It was agreed between his executors and the remaining partners that- (a) Goodwill of the firm be valued at 3 years' purchase of average profits for the last four years. The average profits were ₹ 2, 00,000. (b) Interest on capital be provided at 12 % p.a. (c) His share of the profits up to the date of death will be calculated on the basis of average profits for the last four years. Prepare Govind's Capital account as on 30th June, 2015

51 Sutapa,Sunita and Sujata were partners in a firm sharing profits in the ratio of 4:3:3.On 31st March 2015,their Balance Sheet was as follows: 4

liabilities	Amount	Assets	Amount
Capitals:		Cash	8,000
Sutapa 70,000		Debtor	13,000
Sunita 68,000	1,38,000	Bills receivable	9,000
Sujata's Loan	28,000	Furniture	27,000
Bills Payable	12,000	Machinery	1,25,000
Creditors	17,000	Sujata's Capital	13,000
	1,95,000		1,95,000

On 30th September 2015 Sujata died. The Partnership Deed provided for the following to the executors of the deceased partner:

(a)Her share in the goodwill of the firm calculated on the basis of three years purchase of the average profits of the last four years. The profits of the last four years were ₹ 1,90,000;₹ 1,70,000;₹ 1,80,000 and ₹ 1,60,000 respectively.

(b) Her share in the profits of the firm till the date of her death calculated on the basis of the average profits of the last four years.
(c)Interest @ 8 % p.a on the credit balance, if any, in her Capital Account.
(d) Interest on her loan @ 12 % p.a.
Prepare Sujata's Capital Account to be presented to her executors, assuming that his loan and interest on loan were transferred to her Capital Account.

52 Comb, Hair and Ribbon were partners in a firm. Their fixed capitals were Comb ₹ 2,00,000; Hair ₹ 3,00,000 and Ribbon ₹ 5,00,000.They were sharing profits in the ratio of their capitals. The firm was engaged in logistic business at three different locations in the city, each being managed by Comb, Hair and Ribbon. The outlet managed by Comb was doing more business than the outlets managed by Hair and Ribbon. Comb requested Hair and Ribbon for a higher share in the profits of the firm which Hair and Ribbon accepted. It was decided that the new profit sharing ratio will be 2:1:2 and its effect will be introduced retrospectively for the last four years. The profits of the last four years were ₹ 2,00,000;₹3,50,000;₹4,75,000 and ₹ 5,25,000 respectively. **Showing your calculation clearly, pass necessary adjustment entry to give effect to the new agreement between Comb, Hair and Ribbon.** 4

53 Following is the Balance Sheet of the firm of Dhiraj, Pankaj and Poonam who are sharing profits in the ratio 2:1:2 as on 31st March 2015 4

liabilities	**Amount**	**Assets**	**Amount**
Capitals:		Building	2,40,000
Dhiraj 1,44,000		Stock	65,000
Pankaj 92,000		Debtors	30,000
Poonam 1,24,000	3,60,000	Cash at Bank	5,000
Bills Payable	2,000	Profit and Loss	60,000
Creditors	38,000	Account	
	4,00,000		4,00,000

Dhiraj died on 30th September 2015.He had withdrawn ₹ 44,000 from his capital on 1st July 2015.According to the partnership agreement, he was entitled to interest on capital @ 8% p.a. His hare of profit till the date of death was to be calculated on the basis of the average profits of the last three years. Goodwill was to be calculated on the basis of three years purchase average profits of the last four years. The profits for the year ended- 2013-14 ₹ 80,000 2012-13 ₹ 70,000 2011-12 ₹ 30,000.
Prepare Dhiraj's Account to be rendered to his executors.

54 Nisha and Misha are partners doing dyeing business in Kolkata, sharing profits in the ratio of 2:1 with capitals ₹ 5,00,000 and ₹ 4,00,000 respectively. Nisha withdrew the following amounts during the year for 4

paying the school fees of her son – 1st April 2014 ₹ 10,000 1st June 2014 ₹ 9,000 1st November 2014 ₹ 14,000 1st December 2014 ₹ 5,000 Misha withdrew ₹ 15,000 on the first day of April, July, October 2014 and January 2015 to pay rent for the accommodation of his family. She also paid ₹ 20,000 per month as rent for the office of the firm which was in a nearby shopping complex.

Calculate interest on drawings @ 6% p.a.

55 Man and Dhan were partners in a firm sharing profits in 3:2 ratio. They admitted Bhan as a new partner for 1/3rd share in the profits of the firm. Bhan acquired his share from Man and Dhan in 2:3 ratio. Bhan brought ₹ 80,000 for his capital and ₹ 30,000 for his 1/3rd share as premium. **Calculate the new profit sharing ratio of Man,Dhan and Bhan and pass necessary journal entries for the above transactions in the books of the firm.** 4

56 Sun, Moon and Star were partners sharing profits in the ratio of 3:2:1.On 31st March 2015, their Balance Sheet as under: 6

liabilities	**Amount**	**Assets**	**Amount**
Capitals:		Cash at bank	70,000
Sun: 75,000		Investments	50,000
Moon: 70,000		Patents	15,000
Star: 50,000	1,95,000	Stock	25,000
Creditors	72,000	Debtors	20,000
General Reserve	24,000	Buildings	75,000
		Machinery	36,000
	2,91,000		2,91,000

Sun died on 31st May 2015.It was agreed that: (a) Goodwill was valued at 3 years purchase of the average profits of the last five years, which were: 2010-11 ₹ 40,000; 2011-12 ₹ 40,000; 2012-13 ₹ 30,000; 2013-14 ₹ 40,000 and 2014-15 ₹ 50,000. (b) Machinery was valued at ₹ 70, 000, Patents at ₹ 20,000 and Buildings at ₹ 66,000. (c) For the purpose of calculating Sun's share of profits till the date of death, it was agreed that the same be calculated based on the average profits for the last 2 years. (d) The executor of the deceased partner is to be paid the entire amount due by means of cheque.

Prepare Sun's Capital Account to be rendered to his executor and also a journal entry for the settlement of the amount due to the executors.

57 Radio, Television and Computer were partners in a firm sharing profits in the ratio of 6:3:1.On 31st March 2015 their Balance Sheet was as follows: 6

liabilities	**Amount**	**Assets**	**Amount**

Capitals: Radio: 6,00,000 Television: 3,00,000 Computer: 1,00,000 Creditors Profit & Loss Account	 10,00,000 2,77,000 1,23,000	Land & Building Machinery Stock Debtors Cash at Bank	6,00,000 5,00,000 40,000 2,00,000 60,000
	14,00,000		14,00,000

The firm was dissolved on 1st April 2015 and the assets and liabilities were settled as follows: (i) Creditors accepted stock and Debtors in their full and final settlement of the claim. (ii) Land & Building was sold for ₹ 7, 00,000 and Machinery was taken over by Television by paying cash less than 30 % of its book value.

Pass necessary Journal Entries for dissolution of the firm.

58 Green, Red and Yellow are partners in a firm .On 1st April 2014 the balances in their capital accounts stood at ₹10,00,000; ₹8,00,000 and ₹ 6, 00,000 respectively. They shared profits in the proportion of 5:4:3 respectively. Partners are entitled to interest on capital @ 10% p.a and salary to Red @ ₹ 4,000 per month and a commission of ₹ 16,000 per quarter to Yellow as per the provisions of the partnership deed. Green's share of profit (excluding interest on capital) is guaranteed at not less than ₹1,90,000 p.a. Red's share of profit (including interest on capital but excluding salary) is guaranteed at not less than ₹ 2,45,000 p.a .Any deficiency arising on that account shall be met by Yellow. The profits for the year ended 31st March 2015 amounted to ₹ 8, 32,000. 6

Prepare 'Profit and Loss Appropriation Account' for the year ended 31st March 2015.

59 The Balance Sheet of the firm of Book, Note-pad and Journal, who are sharing profits in the ratio of 7:4:3 respectively, as on 31st 2015 was as follows: 6

liabilities	**Amount**	**Assets**	**Amount**
General Reserve Bills Payable Loan Capitals: Book: 85,000 Note-pad: 65,000 Journal: 1,05,000	14,000 25,000 28,000 2,55,000	Cash Stock Investments Plant & Building Note-pad's Loan	36,000 69,000 89,000 1,03,000 25,000
	3,22,000		3,22,000

Note-pad died on 30th June 2015.the partnership deed provided for the following on the death of a partner: (a) Goodwill of the firm be valued at two years purchase of average profits for the last three years which were

₹ 90,000. (b) Note-pad's share of profits till the date of his death was to be calculated on the basis of sales. The Sales for the year ended 31st March 2015 amounted to ₹ 9,00,000 and that from 1st April 2015 to 30th June 2015 ₹ 5,40,000.The profit for the year ended 31st March 2015 was ₹ 2,50,000. (c) Interest on capital was to be provided @ 8 % p.a. (d) According to Note-pad's will, the executors should donate his share to SNEH-SUDHA –an old-age home for girls.

Prepare Note-pad's capital Account to be rendered to his executor. Also identify the value being highlighted here.

60 Diya,Riya and Hiya were partners in a firm trading in educational materials. They were sharing profits in the ratio of 5:3:2.Their capitals as on 1^{st} April 2014 were ₹ 3, 00,000; ₹ 4, 00,000 and ₹8,00,000 respectively. After the drought in Odisha, all partners decided to help the drought -victims personally. For this Diya withdrew ₹ 20,000 from the firm on 15 September 2014.Riya instead of withdrawing cash from the firm, took educational materials amount to ₹ 24,000 from the firm and distributed to the students among the drought victims. On the other hand Riya withdrew₹ 2, 00,000 from his capitals on 1^{st} January 2015 and provided a Medical Van in the drought area. The partnership deed provides for charging interest on drawings @ 6 % p.a. After Final Accounts were prepared it was discovered that interest on drawings@ 6 % p.a. After accounts were prepared it was discovered that interest on drawings had not been charged. 6

Give the necessary adjusting journal entry and show working notes clearly. Also state any two values which the partners wanted to communicate to the society.

61 Ahmed and Shruti were partners in a firm sharing profits in the ratio of their capitals. On 31st March, 2015 their Balance Sheet was as follows: 6

liabilities	**Amount**	**Assets**	**Amount**
Creditors	1,50,000	Bank	2,00,000
Workmen's Compensation Fund	3,00,000	Debtors	3,40,000
		Stock	1,50,000
General Reserve	75,000	Furniture	4,60,000
Ahmed's Current Account	25,000	Machinery	8,20,000
		Shruti's Current Account	80,000
Capitals:			
Ahmed: 10,00,000			
Shruti: 5,00,000	15,00,000		
	20,50,000		20,50,000

On the above date the firm was dissolved. (i) Debtors were realized at a discount of 5%.Half of the Stock was taken over by Ahmed at 10 %

discount less than the book value. Remaining stock was sold for ₹ 65,000. (ii) Furniture was taken over by Shruti for ₹ 1, 35,000.Machinery was sold as scrap for ₹ 74,000. (iii) Creditors were paid in full. (iv) Expenses on realization ₹ 8,000 were paid by Ahmed. **Prepare Realization Account**.

62 On 1st January 2012, Satish and Harish entered into partnership with fixed capitals of ₹ 7, 00,000 and ₹ 3, 00,000 respectively. They were doing good business and were interested in its expansion but could not do the same because of lack of capital. Therefore, to have more capital, they admitted Ramesh as a new partner on 1st January 2013.Ramesh brought ₹ 10,00,000 as capital and the new profit sharing ratio decided was 3:2:5. On 1st January 2015, another new partner Suresh was admitted with capital of ₹ 8, 00,000 for 1/10th share in the profits, which he acquired equally from Satish, Harish and Ramesh. .On 1st April 2015 Ramesh died and his share was taken over by Satish and Suresh equally. 6

Calculate:

(i) **The Sacrificing ratio of Satish and Harish on Ramesh's admission.**

(ii) **New profit sharing ratio of Satish, Harish,Ramesh and Suresh on Suresh's admission.**

(iii) **New profit sharing ratio of Satish and Suresh on Ramesh's death.**

63 **(a)** A firm earned profits of ₹ 80,000;₹ 1,00,000;₹ 1,20,000 and ₹1,80,000 during 2011-12,2012-13,2013-14 and 2014-15 respectively. The firm has a capital investment of ₹5, 00,000.A fair return on investment is 15 % p.a. **Calculate goodwill of the firm based on three years purchase of average super profits of last four years.** 6

(b) Farhan and Rehan are partners in a firm sharing profits in the ratio of 7:3.Farhan surrenders 2/10th from his share and Rehan surrenders 1/10th from his share in favour of Saddam ,a new partner. **Calculate new profit sharing ratio and sacrificing ratio.**

64 Raasi, Shadique and Teesta are partners in a firm sharing profits in the ratio of 2:2:1. On 31st March 2015 their Balance Sheet was as follows: 8

liabilities	**Amount**	**Assets**	**Amount**
Capitals: Raasi: 80,000 Shadique: 50,000 Teesta: 40,000	1,70,000	Cash Bills Receivable Debtors Stock	51,300 10,800 35,600 44,600
Profit & Loss Account	9,000	Furniture	7,000 19,500

Sundry Creditors Bank loan	25,000 12,800	Plant & Machinery Buildings	48,000
	2,16,800		2,16,800

Shadique retired from the firm on 1st April 2015 and his share was ascertained on the revaluation of assets as follows: Stock ₹ 40,000; Furniture ₹ 6,000; Plant & Machinery ₹ 18,000; Building ₹ 40,000; ₹1,700 were to be provided for doubtful Debts. The Goodwill of the firm was valued at ₹ 12,000. Shadique was to be paid ₹ 18,080 in cash on retirement and the balance in three equal yearly installments. Prepare Revaluation Account, Partners' Capital Accounts, Shadique's Loan Account and Balance Sheet (after Shadique's retirement).

65 Deelip, and Eshan are partners in a firm sharing profits in the ratio of 3:1. On 1st April 2015 they admitted Fateema as a new partner for 1/4th share in the firm which she acquires entirely from Deelip. Their Balance Sheet on 31st March 2015 was as follows: 8

liabilities	Amount	Assets	Amount
Capitals: Deelip : 1,00,000 Eshan: 70,000	1,70,000	Land & Buildings Machinery Stock	50,000 60,000 15,000
General Reserve	32,000	Debtors 40,000	
Sundry Creditors	54,000	Less-Provision 3,000	37,000
		Investments	50,000
		Cash	44,000
	2,56,000		2,56,000

Fateema will bring ₹ 40,000 as his capital and the other terms agreed upon were: (i) Goodwill of the firm was valued at ₹ 24,000. (ii) Land & Building were valued at ₹ 70,000 (iii) Provision for Bad Debts was found to be in excess by ₹ 800. (iv) A liability for ₹ 2,000 included in the sundry creditors was not likely to arise. (v) The capital of the partners be adjusted on the basis of Fateema's contribution of capital to the firm. (vi) Excess or shortfall ,if any ,to be transferred to current accounts **Prepare Revaluation Account, Partners' Capital Accounts and Balance Sheet of the new firms**.

66 Jheelam and Ganga are partners in a firm sharing profits in the ratio of 3:2. Their Balance Sheet on 31st March 2015 was as follows: 8

liabilities	Amount	Assets	Amount
Capitals: Jhelam : 70,000 Ganga: 60,000	1,30,000	Cash Debtors 20,500 Less-PBDD 300	14,800 20,200
Reserve	15,000	Stock	20,000
Bank Overdraft	17,000	Plant	40,000
Bills payable	3,000	Buildings	70,000
Creditors	20,000	Motor Vehicle	20,000
	1,85,000		1,85,000

They agree to admit Mandavi for 1/4th share from 1st April 2015 subject to the following terms: (i) Mandavi to bring in capital equal to 1/4th of the total capital of Jhelam & Ganga after all adjustments including premium for goodwill. (ii) Buildings to be appreciated by ₹ 14,000stock to be depreciated by ₹ 6,000. (iii) Provision for Doubtful Debts (on debtors) to be raised to ₹ 1,000. (iv) Mandavi's share of goodwill/premium was calculated at ₹ 10,000 **Prepare Revaluation Account, Partners' Capital Accounts and Balance Sheet of the new firm**.

67 Ajmal, Bahadur and Chaman are partners in a firm sharing profits in proportion to their capitals. On 31st March 2015 their Balance Sheet was as follows: 8

liabilities	Amount	Assets	Amount
Capitals: Ajmal: 90,000 Bahadur: 60,000 Chaman: 30,000	1,80,000	Buildings Machinery Stock Debtors 20,000	1,00,000 48,000 18,000
Reserve	6,000	Less: PBDD 400	19,600
Sundry Creditors	15,600	Cash	16,000
	2,01,600		2,01,600

On the above date Bahadur retired owing to ill health and the following adjustments were agreed upon: (i) Buildings to be appreciated by 10 % (ii) Provision for doubtful debts be increased to 5 % on debtors. (iii) Machinery be depreciated by 15 %. (iv) Goodwill of the firm be valued at ₹ 36,000 and be adjusted into the Capital; Accounts of Ajmal and Chaman who will share profits in future in the ratio of 3:1. (v) A provision be made for outstanding repair bill of ₹ 3,000. (vi) Included in the value of creditors is ₹ 1,800 for an outstanding legal claim, which is not likely to arise. (vii) Out of the insurance premium paid ₹ 2,000 is for the next year. The amount was debited to P/L A/C. (viii) The partners decide to fix the capital of the new firm as ₹ 1, 20,000 in the profit sharing ratio. (ix) Bahadur to be paid ₹ 9,000 in cash and the balance to be transferred to his loan account. **Prepare Revaluation Account, Partners' Capital Accounts and Balance Sheet of the new firm (after Bahadur retirement).**

68 Rajat,Ravi and Rasul were partners sharing profits in the ratio of 3:1:1.Their Balance Sheet as on 31st March 2015 was as follows: 8

liabilities	Amount	Assets	Amount
Capitals: Rajat: 27,500 Ravi: 10,000 Rasul: 7,000	44,500	Sundry Assets Stock Debtors 24,200 Less: PBDD 1,200	17,000 7,800 23,000
Loan	1,500	Bills Receivable	1,000
Sundry Creditors	6,000	Cash	3,200
	52,000		52,000

They want to dissolve the firm on the above date and the following was agreed upon: (i) Rajat to take over Bills Receivables at ₹ 800, debtors amounting to ₹ 20,000 at ₹ 17,200 and the creditors of ₹ 6,000 were to be paid by him at this figure. (ii) Ravi is to take over all stock for ₹ 7,000 and some sundry assets at ₹ 7,200(being 10% less than the book value). (iii) Rasul to take over remaining sundry assets at 90% of the book value and assume the responsibility of discharge of loan together with accrued interest of ₹ 300. (iv) The expenses of realization were ₹ 270. The remaining debtor were sold to a debt collecting agency at 50% of the book value. **Prepare realization Account, Partners' Capital Account and Cash account**

69 Ravikant and Sasikant are partners in a firm sharing profits in the ratio of 3:1. Their Balance Sheet on 31st March 2015 was as follows: 8

liabilities	Amount	Assets	Amount
Capitals: Ravikant : 6,000 Sasikant: 4,000		Cash at Bank Debtors 6,500 Less-PBDD 500	2,000 6,000
General Reserve	10,000	Stock	3,000
Employees'	2,000	Investment	5,000
Provident Fund	1,200		
Creditors	2,800		
	16,000		16,000

They agree to admit Manikant for 1/5th share from 1st April 2015 subject to the following terms: (i) Manikant shall bring ₹ 6000 as his share of premium. (ii) That unaccounted accrued income of ₹ 100 to be provided for. (iii) Market value of investment was ₹ 4,500. (iv) A debtor whose due of ₹ 500 was written off as bad debts paid ₹ 400 in full settlement. (v) Manikant to bring in capital to the extent of 1/5th of the total capital of the new firm. **Prepare Revaluation Account, Partners' Capital Accounts and Balance Sheet of the new firm.**

70 Xenifer,Yusuf and Zaki were partners in a firm sharing profits in the ratio of 5:3:2.On 31st March 2015 their Balance Sheet was as follows: 8

liabilities	Amount	Assets	Amount
Capitals: Xenifer: 75,000 Yusuf: 62,500 Zaki: 37,500 Sundry Creditors	 1,75,000 42,500	Buildings Patents Machinery Stock Debtors Cash at Bank	50,000 15,000 75,000 37,500 20,000 20,000
	2,17,500		2,17,500

Zaki died on 31st July 2015.It was agreed that:

(i)Goodwill be valued at 2½ year's purchase of the average profits of the last four years, which were ₹37,500 ; ₹40,000 ;₹ 30,000 ;₹ 32,500.

(ii)Machinery be valued at ₹ 70,000; Patents at ₹ 20,000 and Building at ₹ 62,500.

(iii) For the purpose of calculating Zaki's share of profits in the year of death the profits in 2015-16 should be taken to have been accrued on the same scale as in 2014-15.

(iv) A sum of ₹ 17,500 was paid immediately to the executors of Zaki and the balance was paid in four half-yearly installment together with interest at 12 % p.a starting from 31st January 2016.

Give necessary journal entries to record the above transactions and Zaki's executors' account till the payment of installment due on 31st January 2016.

71 Madhur and Virat were partners in a firm with capitals of ₹ 1, 20,000 and ₹ 1, 60,000 respectively. On 1st April 2014 they admitted Yusuf as a partner for 1/4th share in profits on his payment of ₹ 2,00,000 as his capital and ₹ 90,000 for his 1/4th share of goodwill. On that date creditors of Madhur and Virat were ₹ 60,000 and Bank overdraft was ₹ 15,000.Their Assets apart from cash included Stock ₹ 10,000;Debtor ₹ 40,000 ;Plant & Machinery ₹ 80,000;Land & Building ₹ 2,00,000.It was agreed that stock should be depreciated by ₹ 2000;Plant & Machinery by 20 % ;₹ 5,000 should be written off as bad debts and Land & Building should be appreciated by 25 %. **Prepare Revaluation Account, Partners' Capital Account and Balance Sheet of the new firm (after Yusuf's admission)** 8

72 Alakananda and Maitree were partners in a firm sharing profits in the ratio of 5:3. On 31st March 2015 they admitted Mahanadi as a new partner for 1/5th share in the profits. The new profit sharing ratio was 5:3:2.On Mahanadi's admission the Balance Sheet of the firm was as follows: 8

liabilities	Amount	Assets	Amount
Capitals: Alakananda : 1,50,000 Maitree: 90,000 Provision for bad debt Creditors Workmen Compensation Fund	 2,40,000 1,200 20,200 32,000	Land & Building Machinery Patents Stock Debtors Cash Profit & Loss A/c	1,50,000 40,000 5,000 27,000 47,000 4,200 20,000
	2,93,200		2,93,200

On Mahanadi's admission it was agreed that (i) Mahanadi will bring ₹ 40,000 as her capital and ₹ 16,000 for her share of goodwill premium, half of which was withdrawn by Alakananda and Maitree; (ii) A provision of 2 1/2% for bad and doubtful debts was to be created; (iii) Included in the creditors was an item of ₹ 2,500 which was not to be paid; (iv) A provision was to be made for an outstanding bill for electricity ₹ 3,000; (v) A claim of ₹ 325 for damages against the firm was likely to be admitted. Provision for the same was to be made. After the above adjustments, the capitals of Alakananda and Maitree were to adjusted on the basis of Mahanadi's capital. Actual cash was to be brought in or to be paid off to Alakananda and Maitree as the case may be.

Prepare Revaluation Account, Partners' Capital Accounts and Balance Sheet of the new firm

73 Kapil,Sunil and Mahendra were partners in a firm sharing profits in the ratio of 3:2:5.Their Balance Sheet as on 31st December,2014 was as follows: 8

liabilities	Amount	Assets	Amount
Capitals: Kapil: 3,00,000 Sunil: 2,00,000 Mahendra: 5,00,000 General Reserve Loan from Sunil Sundry Creditors	 10,00,000 1,00,000 50,000 75,000	Goodwill Land & Building Machinery Stock Debtors Cash Profit & Loss Account	3,00,000 5,00,000 1,70,000 30,000 1,20,000 45,000 60,000
	12,25,000		12,25,000

On 14th March 2015, Sunil died. The partnership deed provided that on the death of a partner the executor of the deceased partner is entitled to: (i) Balance in Capital Account. (ii) Share in profits up to the date of death on the basis of last year's profits. (iii) His share in profit/loss on revaluation of assets and reassessment of liabilities which were as follows: (a) Land & Building was to be appreciated by ₹ 1,20,000 (b) Machinery was to be depreciated to ₹ 1, 35,000 and stock to ₹ 25,000. (c) A provision of 21/2 % for bad and doubtful debts was to be created on Debtors. (iv) The net amount payable to Sunil's executors was transferred to his Loan Account which was paid later. **Prepare revaluation Account Partners' Capital Account, Sunil's Executors Account and Balance Sheet** of Kapil and Mahendra who decided to contribute the business keeping their capital balances in their new profit sharing ratio. Any surplus or deficit to be transferred to current account of the partners.

74 Suraj and Vasudha are partners sharing profits in the ratio 2:1.Since both of them are specially abled sometimes they find it difficult to run the business on their own.Moon,a common friend, decided to help them. Therefore they admit her into partnership for 1/3rd share in profits. She brings ₹ 60,000 for goodwill and proportionate capital. At the time of admission of Moon, the Balance Sheet of Suraj and Vasudha was as under: 8

liabilities	Amount	Assets	Amount
Capitals:		Plant	66,000
Suraj: 70,000		Furniture	30,000
Vasudha: 60,000	1,30,000	Investments	40,000
General Reserve	18,000	Stock	46,000
Bank Loan	18,000	Debtors 38,000	
Sundry Creditors	72,000	Less: PBDD 4,000	34,000
		Cash	22,000
	2,38,000		2,38,000

It was decided to (i) Reduce the value of Stock by ₹ 10,000. (ii) Plant is to be valued at ₹ 80,000 (iii) An amount of ₹ 3000 included in Creditors was not payable. (iv) Half of the Investments were taken over by Suraj and remaining were valued at ₹ 25,000. **Prepare Revaluation Account, Partners' Capital Accounts and Balance Sheet of reconstituted firm. Also identify the value being conveyed in the question**.

75 Pinaki and Ranjan were partners in a firm sharing profits in the ratio of 3:2.In spite of repeated reminders by the authorities, they kept dumping hazardous materials into a nearby river. The court ordered for the dissolution of their partnership firm on 31st March 2015.Pinaki was deputed to realize the assets and to pay the liabilities. He was paid ₹ 1,000 as commission for his services. The financial position of the firm on 31st March 2015 was as follows: 8

liabilities	Amount	Assets	Amount

Creditors Mrs.Pinaki's Loan Ranjan's Loan Investment Fluctuation Fund Capitals: Pinaki: 42,000 Ranjan: 42,000	80,000 40,000 24,000 8,000 84,000	Building Investments Debtors 34,000 Less- PBDD 4,000 Bills Receivable Cash Profit & Loss Account Goodwill	1,20,000 30,600 30,000 37,400 6,000 8,000 4,000
	2,36,200		2,36,200

Following was agreed upon: (i) Pinaki agreed to pay off his wife's loan. (ii) Debtors realized ₹ 24,000. (iii) Ranjan took away all investment at ₹ 27,000. (iv) Building realized ₹ 1, 52,000. (v) Creditors were payable after 2 months. They were paid immediately at 10 % discount. (vi) Bills Receivable were settled at a loss of ₹ 1,400. (vii) Realization expenses amounted to ₹ 2,500. **Prepare Realization Account, Partners' Capital Account and Cash account to close the books of the firm. Identify the value being conveyed in the question.**

76 Shivani and Rebeka werw partners in a firm sharing profits in the ratio of 7:3.On 1st April,2015, they admitted Kavya as a new partner for 1/4th share in profits of the firm.Kavya brought ₹ 4,30,000 as her capital and ₹ 25,000 for her share of goodwill premium. The Balance Sheet of Shivani and Rebeka as on 31st March 2015 was as follows: 8

liabilities	Amount	Assets	Amount
Capitals: Shivani: 8,00,000 Rebeka: 3,50,000 General Reserve Workmen's Compensation Fund Sundry Creditors	 11,50,000 1,00,000 1,00,000 1,50,000	Land & Building Machinery Debtors 2,20,000 Less: PBDD 20,000 Stock Cash	3,50,000 4,50,000 2,00,000 3,50,000 1,50,000
	15,00,000		15,00,000

It was agreed that (i) The value of Land & building will be appreciated by 20%. (ii) The value of Machinery will be depreciated by 10 %. (iii) The liabilities of Workmen's Compensation Fund was determined at ₹ 50,000. (iv) Capital of Shivani and Rebeka will be adjusted on the basis of Kavya's capital and actual cash to be brought in or to be paid off as the case may be. **Prepare Revaluation Account, Partners' Capital Accounts and Balance Sheet of the new firm**.

77 Lalit,Mayank and Nishant were partners in a firm sharing profits in the ratio of 2:1:1.On 1st April 2015 their Balance Sheet was as follows: 8

liabilities	Amount	Assets	Amount

Capitals: Lalit: 6,00,000 Mayank: 4,80,000 Nishant 4,80,000	15,60,000	Land Building Furniture Debtors 4,00,000	8,00,000 6,00,000 2,40,000
General Reserve	4,40,000	Less: PBDD 20,000	3,80,000
Workmen's Compensation Fund	3,60,000	Stock	4,40,000
		Cash	1,40,000
Sundry Creditors	2,40,000		
	26,00,000		26,00,000

On 1st April, 2015 Nishant retired. The following were agreed: (i) Goodwill of the firm was valued at ₹ 6, 00,000. (ii) Land was to be appreciated by 40 % and Building was to be depreciated by ₹1, 00,000. (iii) Furniture was to be depreciated by 4 30,000. (iv) The liabilities of Workmen's Compensation Fund was determined at ₹ 1, 60,000. (v) Amount payable to Nishant was transferred to his Loan Account. (vi) The capital of Lalit and Mayank were to be adjusted in their new profit sharing ratio and for this purpose current accounts of the partners will be opened. **Prepare Revaluation Account, Partners' Capital Accounts and Balance Sheet of the new firm**.

78 Ocean, Rock and Sky were partners in a firm sharing profits in the ratio of 3:2:1 .On 1st April, 2015 their Balance Sheet was as follows: 8

liabilities	Amount	Assets	Amount
Capital Accounts: Ocean 3,58,000 Rock 3,00,000 Sky 2,62,000	9,20,000	Land & Building Plant & Machinery Furniture Bills Receivable	3,64,000 2,95,000 2,33,000 38,000
General Reserve	48,000	Sundry Debtors	90,000
Sundry Creditors	1,60,000	Stock	1,11,000
Bills Payable	90,000	Cash	87,000
	12,18,000		12,18,000

On the above date, Hill was admitted on the following terms: (i) He will bring ₹ 10,00,000 for his capital and will get 1/10th share in the profits. (ii) He will bring necessary cash for his share of goodwill premium. The goodwill of the firm was valued at ₹ 3,00,000. (iii) A liability of ₹ 18,000 will be created against bills receivables discounted. (iv) The value of Stock and Furniture will be reduced by 20 %. (v) The value of Land & building will be increased by 10%. (vi) Capital Accounts of the partners will be adjusted on the basis of Hill's capital in their profit sharing ratio by opening current accounts. **Prepare Revaluation Account, Partners' Capital Accounts.**

79 Xanifer, Yuqub and Zeesan were partners in a firm sharing profits in the ratio of 4:3:2.On 1st April their Balance Sheet was as follows: 8

liabilities	Amount	Assets	Amount

Sundry Creditors Capital Accounts: Xanifer: 1,2 0,000 Yuqub: 90,000 Zeesan: 60,000	41,400 2,70,000	Cash at Bank Sundry Debtors 30,450 Less: PBDD 1050 Stock Plant & Machinery Land & Buildings	33,000 29,400 48,000 51,000 1,50,000
	3,11,400		3,11,400

Yuqub had been suffering from ill health and thus gave notice of retirement from the firm. An agreement was, therefore ,entered into as on the above date ,the terms of which were as follows: (i) That land and building be appreciated by 10 %. (ii) The provision for bad debts is no longer necessary. (iii) The stock be appreciated by 20 %. (iv) The goodwill of the firm be fixed at ₹ 54,000.Yuqub’s share of the same be adjusted into Xanifer’s and Zeesan’s Capital Accounts, who are going to share future profits in the ratio of 2:1. (v) The entire capital of the newly constituted firm be readjusted by bringing in or paying necessary cash so that the future capitals of Xanifer and Zeesan will be in their profit sharing ratio. **Prepare Revaluation Account, Partners’ Capital Accounts**.

80 The following is the Balance sheet of X and Y on 30th June 2011. 8

Liabilities	**₹**	**Assets**	**₹**
Creditors	40,000	Goodwill	10,000
General Reserve	2,000	Buildings	25,000
Bank Overdraft	8,000	Plant	25,000
Outstanding Expense	2,000	Investments	15,300
X’s Brothers loan	20,000	Stock	8,700
Employees Provident fund	10,000	Debtors 17,000 Less provision2,000	15,000
Invest. Fluctuation Fund	2,800	Bills Receivable	10,000
Y’s Loan	1,200	Cash at Bank	13,000
Capital: X	20,000	Profit and Loss account	4,000
Capital :Y	20,000		
	1,26,000		1,26,000

The firm was dissolved on 30th June 2011 and the following arrangement was decided upon:

(a)X agreed to pay off his Brother’s loan. (b) Debtors of ₹5,000 proved bad. (c) Other assets realized as follows: Plant 20% less, Building 100% more, Goodwill 60% (d) Sundry creditors were settled at 5% discount. (e) Y accepted stock at ₹8,000 and all investments at ₹12,000 and X took over Bills Receivable at 20% discount. (f) Realization Expenses amounted to ₹2,000.

Prepare necessary ledger accounts.

81 M,N and O were partners in a firm sharing profits and losses in the ratio of 1/2:1/3:1/6 respectively. They agreed to dissolve their firm on 31st December , 2011, on which date their Balance Sheet was as under: 8

Liabilities	**₹**	**Assets**	**₹**
Capital Accounts:		Machinery	1,21,500
M	1,17,000	Stock	22,650
N	58,000	Investments	44,490
Mrs. M's loan	30,000	Joint Life Policy	42,000
Trade Creditors	49,500	Debtors 27,900	
Joint Life Policy Fund	42,000	Less:Provision 1,800	26,100
Workmen Compensation Reserve	6,000	O's Capital	35,500
Employees Provident Fund.	6,000	Cash at Bank	16,260

The Life Policy is surrendered for ₹36,000. The investments are taken over by M for ₹ 52,500.M agrees to discharge the loan of his wife. N takes over all the stock at ₹ 21,000 and debtors amounting to ₹ 15,000 at ₹ 12,000. Machinery is sold for ₹ 1,65,000. The remaining debtors realized 50% of the book value. The expenses of realization amounted to ₹ 1,800. The investments of the value of ₹ 9,000 were not recorded in the books . These were taken over by the Trade Creditors. **Prepare the Realisation A/c and the Capital accounts of the partners closing the books of the firm**.

82 Following is the Balance Sheet of Pawan, Raman and Saman who share profits in the ratio of 2:2:1 on 31st December,2012. 8

Liabilities	**₹**	**Assets**	**₹**
Bank Overdraft	7,000	Cash	11,000
Creditors	27,000	Investment	22,000

Bills Payable	14,000	Bills Receivable	4,000
Capital Pawan 12,000 Raman 16,000 Saman 18,000 Reserve Fund	 46,000 2,000	Debtors Stock Furniture Machinery	21,000 13,000 10,000 15,000
	96,000		96,000

On 1-7-2013, Raman died and his dependents are entitled to get the following:

a) His share of Capital and Reserve Fund
b) His share of profit up to the date of death calculated on the basis of average profits of last two years.
c) His share of goodwill to be valued at three times the average profits of the last four years. Profits for the last four years 2009 ₹3,600, 2010 ₹2,400, 2011 ₹2,800 and 2012 ₹3,200.
d) His share in the profits or losses arising out of revaluation of assets and liabilities are as under.
e) Stock ₹14,800, Investments ₹13,900, Machinery ₹12,700, Reserve for bad and doubtful debts ₹700.

Prepare Revaluation account, Partners Capital account and the Balance sheet of the surviving partners.

83 X and Y are partners in a firm sharing profits in the ratio of 3:2. They decided to admit Z as a new partner w.e.f. April 1, 2015. In future profits will be shared equally. The balance sheet of X and Y as at 1st April 2015 and the terms of admission are given below: 8

Liabilities	Amount(₹	Asset	Amount(₹
X's Capital	3,00,000	Plant & Machinery	4,53,000
Y's Capital	3,00,000	Furniture and fittings	62,000
Creditors	60,000	Stock	84,000
Outstanding expenses	15,000	Debtors	36,000
		Cash in hand	40,000
	6,75,000		6,75,000

a) Capitals of the firm was fixed at ₹6,00,000 to be contributed by partners in the profit sharing ratio. The differences to be adjusted in cash.
b) Z was to bring his share of goodwill and capital in cash. Goodwill of the firm is to be valued on the basis of two years purchase of super profit. The average net profit expected in future by the firm ₹90,000 per year. The normal rate of return on capital in similar business is 10%. Calculate the goodwill and prepare partners' capital a/c and cash a/c.

84 On 31st December 2014 the Balance sheet of A and B who are partners in a firm sharing profits in the ratio of 3:2 was as follows: 8

Liabilities	Amount(₹	Assets	Amount(₹
Capital accounts A B General reserves	 10,000 8,000 15,000	Plant & machinery Land & Buildings Debtors 12,000 Less: PBDD 1,000	10,000 8,000 11,000
Workmens compensation fund	5,000	Stock Cash	12,000 9,000
Creditors	12,000		
	50,000		50,000

They agreed to admit C into partnership for 1/5th share of profits on the following terms:

(i) Provision for doubtful debts would be increased by ₹2,000.
(ii) The value of Land and Building would be increased to ₹18,000.
(iii) The value of stock would be increased by ₹4,000.
(iv) The liability against workmen's compensation fund is dtermined at ₹2,000. C brought in as his share of goodwill ₹10,000 in cash.
(v) C would bring further cash as would make his capital equal to 20% of the total capital of the new firm after the above revaluation and adjustments are carried out.

Prepare Revalauation a/c, partners capital a/c and the balance sheet of the firm after C's admission.

85 A and B are partners in a firm sharing profits in the ratio of 3:2. Their balance sheet as at 31st December 2009 stood as follows: 8

Liabilities	Amount(₹	Assets	Amount(₹
Capital accounts A B	 35,000 30,000	Machinery Furniture Investments	33,000 15,000 20,000
General reserves	10,000	Stock	23,000
Bank loan	9,000	Debtors 19,000 Less: PBDD 2,000	 17,000
Creditors	36,000	Cash	12,000
	1,20,000		1,20,000

On that date they admitted C into partnership for 1/4th share in the profit on the following terms:

(i) C brings capital proportionate to his share. He brings ₹7,000 in cash as his share of goodwill.
(ii) Debtors are all good.
(iii) Depreciate stock by 5% and furniture by 10%.
(iv) An outstanding bill for repairs ₹1,000 will be brought in books.
(v) Half of the investments were to be taken over by A and B in their profit sharing ratio at book value.
(vi) Bank loan is paid off.
(vii) Partners agreed to share future profits in the ratio of 3:3:2.

Prepare Revaluation account, partners capital account and the balance sheet after C's admission.

86 A firm has two partners P and Q sharing profits in the ratio 3:2 and they admit Z into the firm on 1st Jan 2011, when the Balance sheet of the firm was as follows:- 8

Liabilities	₹	Assets	₹
Creditors	70,000	Fixed Assets	3,60,000
Bills Payable	25,000	Investments	90,000
General Reserve	75,000	Debtors	40,000
Capital Accounts:-		Stock	60,000
P	3,00,000	Cash	20,000
Q	1,00,000		
	5,70,000		5,70,000

(i) Z is to bring ₹ 2,00,000 as his capital for 1/3rd share in future profits and ₹35,000 as his share of goodwill.
(ii) Value of fixed assets and stock are to be reduced by 20% and 10% respectively.
(iii) Capitals of the partners shall be proportionate to their new profit sharing ratio taking Z's capital as the base. Excess and deficiency of capital is to be made up by opening current a/c.

Prepare necessary Ledger accounts

87 X,Y and Z are partners sharing profits and losses in the ratio of their capitals. Y retired on 31-12- 2016 and the date on which the B/S stood as under. 8

Liabilities	₹	Assets	₹
X	60,000	Debtors 12,000 Less :Provision 800	11,200
Y	48,000	Cash	10,800
Z	36,000	Stock	20,000
Creditors	8,000	Machinery	56,000
Bills Payable	5,000	Land & Building	60,000
Outstanding salary	1,000		

	1,58,000		1,58,000

The following adjustments were made:-

(i) Building appreciated by 20%, Stock depreciated by 10%, Provision for doubtful debts was to be 5% and a reserve for legal charges payable was to be made at ₹1,800.

(ii) Goodwill of the firm be valued at ₹48,000.

(iii) ₹40,000 from Y's capital account be transferred to his loan account and balance be paid In cash.

(iv) The capital of the new firm be fixed at ₹1,00,000 and the new profit sharing ratio is 3:2.

Give necessary ledger account and prepare the new Balance sheet

88 A, B and C were partners sharing profits in the proportion 5:3:2 respectively. The Balance sheet of the firm on 31st Dec 2014 was as follows:- 8

Liabilities	₹	Assets	₹
Creditors	10,600	Fixed Assets	50,000
Expenses Outstanding	1,400	Stock	22,000
Reserve Fund	6,000	Book debts	8,000
Capital A	40,000	Cash	14,000
B	20,000		
C	16,000		
	94,000		94,000

They had taken a joint life policy of the face value of ₹40,000. On 31st Dec.2014, its surrender value was ₹8,000. On this date B decided to retire and for this purpose:

(i) Goodwill was valued at ₹30,000.

(ii) Fixed assets were valued at ₹60,000.

(iii) Stock was considered as worth ₹20,000.

B was to be paid through cash brought in by A and C in such a way as to make their Capitals proportionate to their new profit sharing ratio which was to be A 3/5 and C 2/5. The Joint life policy is not to appear in the Balance Sheet.

Prepare Revaluation a/c, Capital Account and the Balance Sheet.

89 X, Y, and Z were in partnership sharing profits in the ratio of 3: 2: 1 they had taken a Joint life policy of ₹ 50,000 , whose surrender value on 1st Jan 2015 was ₹18,000 . On this date B/S is as follows:- 8

Liabilities	₹	Assets	₹
Provision for Doubtful Debts	1,300	Cash at bank	10,000
Sundry creditors	15000	Debtors	16,000
Capitals:		Stock	20,300

X 78,750 Y 70,000 Z 61,250	2,10,000	Machinery Land and Building	60,000 1,20,000
	2,26,300		2,26,300

Z retires on the above date and the new profit sharing ratio between X and Y will be 5:4 following terms were agreed:
1) Land and buildings be reduced by 10%.
2) Out of the Insurance premium paid during the year ₹5,000 be carried forward as unexpired.
3) There is no need of any provision for doubtful debts.
4) Goodwill of the firm be valued at ₹36,000 and adjustment in this respect be made without raising a goodwill a/c . The joint life policy was also not to appear in the Balance sheet.
5) X and Y decided that their Capital will be adjusted in their new profit sharing ratio by bringing in or paying cash to the partners is a/c will be transferred to his loan a/c.

Pass necessary Journal Entries

100 X and Y are partners in a firm sharing profits and losses in the ratio of 3:2. They decided to that w.e.f April 1, 2014, they shared the profits equally. The Balance Sheet of X and Y as at 31.3.14 and the terms of reconstitution are given below: 8

BALANCE SHEET AS AT 31.3.2014

LIABILITIES	₹	ASSETS	₹
Creditors	60,000	Cash	40,000
Outstanding expenses	15,000	Debtors	36,000
Capitals :		Stock	84,000
X 300,000		Furniture	62,000
Y 300,000	6,00,000	Machinery	4,53,000
	6,75,000		6,75,000

a) Capital of the firm was fixed at ₹800000 to be contributed by partners in the profit sharing ratio. The difference will be adjusted in cash.
b) Goodwill of the firm is to be valued on the basis of two years' purchase of super profit. The average net profit expected in future by the firm is ₹100000 per year. The normal rate of return on capital in similar business is 10%.

Prepare partners' capital accounts and Balance sheet of the reconstituted firm.

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