



PARTNERSHIP

- Q. 1** X and Y are partner sharing the profit and losses in the ratio of 3:2. X being a nonworking partner contributed ₹ 5,00,000 as his capital. Y being a working partner agreed to work for the firm. The partnership deed provides for interest on capital @ 8% and salary to every working partner @ ₹ 2,000 p.m. net profit before providing for interest on capital and partner's salary for the year 20X3 was ₹ 20,000. Show the distribution of profit. (3)
- Q. 2** On 31st Dec. 20X6 after the close of accounts, the capital accounts of X, Y and Z stood in the firm at ₹ 24,000; ₹ 18,000 and ₹ 12,000 respectively. Subsequently it was discovered that interest on capital 5% p.a. had been omitted. The profit for the year ended 20X6 amounted to ₹ 36,000 and the partners drawing had been X ₹ 6,000, Y ₹ 4,500 and Z ₹ 2,700. The profit sharing ratio of X, Y and Z was 3:2:1. Given the necessary adjustment entry. (3)
- Q. 3** A, B and C are partners in a firm. Though there is no provision in the partnership deed for interest on capital, this has been provided in the accounts @ 10%p.a. for the two years ended 31st Dec. 20X2. Their fixed capital on which interest was calculated were- A ₹ 15,000, B ₹ 12,000 and C ₹ 9,000. Their profit sharing ratios were 20X1- 5:3:2. 20X2-2:2:1. Given the necessary adjusting entry. (3)
- Q. 4** A firm earns profit of ₹ 1,00,000. The normal rate of return in the similar type of business is 10%. The value of total assets (excluding goodwill) and total outside liabilities as on the date of valuation of goodwill are ₹ 22,00,000 and ₹ 5,60,000 respectively. Calculate the value of goodwill according to capitalization of super profits method. (3)
- Q. 5** X, Y and Z are partners in a firm sharing profits & losses in the ratio of 5:3:2, They decide to share future profits & losses in the ratio of 2:5:3 with effect from 1st April, 20X4. Their balance of ₹ 4,000 in profit & loss account (Dr.) and a balance of ₹ 24,000 in General Reserve. For this purpose, it was agreed that-
- (a) the goodwill of the firm be valued at ₹ 52,600.
 - (b) the Land (having book value of ₹ 50,000) be valued at ₹ 80,000.
 - (c) the Stock (having book value of ₹ 50,000) be depreciated by 6%.
 - (d) Creditors amounting to ₹ 400 were not likely to be claimed.
- Required :** Give the necessary signal adjusting entry to record the above arrangement. (3)
- Q. 6** X and Y are partners sharing profits and losses in the ratio of 7:3. X surrenders $\frac{1}{7}$ th from his share and Y surrenders $\frac{1}{3}$ rd of his share in favour of Z, and new partner. Calculate the new profit sharing ratio and the sacrificing ratio. (2)
- Q. 7** A and B are partners profits in the ratio of 2:1. They admit C for $\frac{1}{4}$ th share in profits. C brings ₹ 30,000 for his Capital and ₹ 8,000 out of his share of goodwill. Before admission, goodwill appeared in books at ₹ 18,000. Goodwill of the firm is valued at ₹ 40,000. Goodwill journal entries to give effect to above arrangement. (3)
- Q. 8** A commenced business with a capital of ₹ 5,00,000 on 1st Jan. 20X1. During the five years ending 31st Dec. 20X5, the following profits and losses were made : 20X1 Loss ₹ 10,000, 20X2 Profit ₹ 26,000, 20X3 Profit ₹ 34,000, 20X4 Profit ₹ 40,000, 20X5 Profit ₹ 50,000. During this period, he had drawn ₹ 80,000 for his personal use. On 1st Jan. 20X6. A admitted B into partnership on the following terms : B to bring capital equal to A's Capital for his half share in the business on 1st Jan. 20X6 and to pay for one half share of goodwill of the business on the basis of three times the average profits of the last five year.

Required : Prepare statement showing what amount B should invest to become a partner. (4)

- Q. 9** A and B are partners sharing profits in the ratio of 3:2. Their Balance Sheet on 31st March, 20X3 stood as under: (6)

Liabilities		₹	Assets		₹
Capital			Machinery		66,000
A	70,000		Furniture		30,000
B	<u>60,000</u>	1,30,000	Investments		40,000
General Reserve		20,000	Stock		46,000
Bank Loan		20,000	Debtors	38,000	
Creditors		70,000	Less : provision	<u>4,000</u>	34,000
			Cash		24,000
		2,40,000			2,40,000

On this date they admitted C for 25% share in profits on following terms :

- C brings capital proportionate to his share after all adjustments and ₹ 8,000 for goodwill out of his share of ₹ 14,000
- Depreciate furniture by 10%.
- Half of investments were to be taken over by A and B in their sharing ratio and remaining valued at ₹ 26,000.
- New ratio will be 3:3:2.

Required : Prepare Revaluation Account, Capital Accounts and Balance Sheet after C's admission.

- Q. 10** A, B and C are partners in a firm. B retires and his claim including his capital and his share of goodwill is ₹ 60,000. There was some unrecorded furniture estimated at ₹ 3,000, half of which was handed over to an unrecorded liability of ₹ 6,000 in settlement of claim of ₹ 3,000 and remaining half was handed over to B at a discount of 10% in part satisfaction of his claim. Balance of B's claim discharged in cash. Give the journal entries to record this arrangement. (3)

- Q. 11** A, B and C were partners sharing profits as 50%, 30% and 20 respectively. On March 31, 20X4 their Balance Sheet stood as follows : (6)

Liabilities		₹	Assets		₹
Creditors		21,000	Premises		62,000
Profit and Loss A/c		15,000	Motor Vans		20,000
Investment Fluctuation Fund		10,000	Investment [Market value 15,000]		19,000
General Reserve		25,000	Plant		12,000
A's Capital		50,000	Stock		15,000
B's Capital		40,000	Debtors	40,000	
C's Capital		20,000	Less : provision	<u>3,000</u>	37,000
			Cash		16,000
		1,81,000			1,81,000

On 1st April, 20X4 B retires and C agreed to continue on the following terms :

- Firm goodwill was valued at 51,000 and it was decided to adjust B's goodwill into capital account of continuing partners.
- There is a claim for workmen's compensation to the extent of 4,000. Investments are brought down to 15,000.
- Provision for doubtful debts is to be reduced by 1,000.
- B will be paid in cash brought in by A and C in such a way as to make their capital proportionate in new profit sharing ratio i.e. 3:2. Minimum cash required ₹ 9,800.

Required : Prepare Revaluation Account, Capital Accounts and Balance Sheet.

- Q-12** A, B and C are partners sharing profits and losses in the ratio of 4: 3: 1. B retires selling his share of profit by A and C for ₹ 8,100—₹ 3,600 being paid by A and ₹ 4,500 by C. The profit for the year after B's retirement was ₹ 10,500. Give the necessary journal entries.

- Q. 13** A, B and C were partners sharing profits and losses in the ratio of 5:3:2. On 31st December, 20X4 their Balance Sheet was as follows : **(8)**

Liabilities	₹	Assets	₹
Sundry Creditors	10,000	Goodwill	5,000
Employee's Provident Fund	2,000	Joint Life Policy (sum Assured 20,000)	2,000
Workmen Compensation Reserve	1,000	Leasehold premises	20,000
Contingency	1,000	Patents	6,000
General Reserve	5,000	Machinery	30,000
Fixed Capital Accounts :		Stock	8,000
A	30,000	Sundry Debtors	8,000
B	25,000	Cash at bank	9,000
C	15,000	Advertisement Suspense A/c	1,000
	89,000		89,000

- C died on 1st May, 20X5. It was agreed between his executors and the remaining partners that :-
- Goodwill should be valued at 2½ years, purchase of average of four years' profits which were : 20X1, 13,000, 20X2 12,000, 20X3 16,000 and 20X4 15,000.
 - Patents to be valued at 8,000. Machinery at 28,000 and Leasehold Premises at 25,000 as on 1st May 20X5.
 - Profit during 20X5 should be taken to have accrued on the same scale as 20X4 for the purpose of calculating C's share.
 - A sum of 7,800 to be paid immediately and the remainder to be paid in four equal half-yearly installments together with interest at 6% per annum.

Required : Give Journal entries to be recorded on C's death and C's Executors Account.

- Q. 14** Mrs. Rita Chowdhary and Miss Sobha are partners in the firm. Their Balance Sheet as on 31st March, 2010 was as follows : **(6)**

Liabilities	₹	Assets	₹
Sundry Creditors	75,000	Cash	6,000
Employee's Provident Fund	30,000	Bank	30,000
Mr. Chowdhary's Loan	15,000	Stock	75,000
Reserve	14,000	Book debts	66,000
Joint Life Policy Reserve	12,000	Less : Provision	<u>6,000</u>
Mrs. Rita Chowdhary Capital	90,000	Plant and Machinery	45,000
Mrs. Shobha's	30,000	Land and Buildings	48,000
		Advertisement Suspense A/c	2,000
	2,66,000		2,66,000

Note : There is a bill for ₹ 1,000 under discount. The bill was received from Z. the firm was dissolved on the date given above. The following transactions took place:

- Mrs. Rita Chowdhary undertook to pay Mr. Chowdhary's loan and took over 50 percent of the stock at a discount of 20 percent.
 - Book debts realize ₹ 54,000; balance of the stock was sold off at a profit of 30 percent on cost.
 - Sundry Creditors were paid out at a discount of 10 per cent.
 - Plant and Machinery realized ₹ 75,000. Land and Building 150% more.
 - Mrs. Rita Chowdhary took over the goodwill of the firm at a valuation of ₹ 30,000.
 - Z proved insolvent and a dividend of 50% was received from his estate.
 - Mrs. Choudhary was to receive ₹ 4,750 as remuneration for completing the dissolution work and was to bear realization expenses. Realization expenses were ₹ 3,750 paid by the firm.
- Prepare Realisation account, partners capital a/c and cash & bank account.