THE AMERICAN COLLEGE, MADURAI

(An Autonomous Institution Affiliated to Madurai Kamaraj University)

Re-accredited (2nd Cycle) by NAAC with Grade "A", CGPA – 3.46 on a 4-point scale

Backlog Arrear Examination, March 2021

CMC 2631/2421 **Partnership Accounting**

Duration: 3 Hrs **Marks: 75**

Answer any five of the following: **5X15=75**

1. Explain about the various kinds of partners in partnership business?

2. Discuss in detail about the methods of valuation of goodwill in partnership?

3. A, B and C were equal partners. Their balance sheet as on 1st January 2020 was as follows:

Liabilities	**Rs**	**Assets**	**Rs**
Capital A/C A	43,400	Building	39,000
B	33,200	Furniture	4,800
C	18,000	Goodwill	23,800
Creditors	6,600	Stock	22,800
Bills payable	12,000	Debtors	21,600
		Cash	1,200
	1,33,200		1,33,200

On the above mentioned date, they agreed to take D as an equal partner on the following terms:

a) D should bring in Rs 30,000 as his capital and goodwill. His share of goodwill was evaluated at Rs 10,000.
b) The goodwill account in balance sheet is to be written off before admission'
c) The value of building was to be taken at Rs.60,000.
d) Provision for loss on stock and Provision for debtors was to be taken at 10% and 5% respectively.
e) The total capital of the firm was fixed at Rs 80,000 and partners accounts to be in their profit sharing ratios, any excess is to be transferred to current a/c or deficit to be introduced in cash.

You are required to prepare the Revaluation account, Capital account and the balance sheet of the new firm.

4. Amar, Antony and Akbar are partners in a firm sharing profits and losses in the ratio of 1/3:1/2:1/6 respectively. Their balance sheet as on 31.3.2012 was as follows.

Liabilities	Rs.	Assets	Rs.
Reserve fund	16,000	Building	50,000

Capital	Amar	30,000	Machinery	40,000
	Antony	40,000	Furniture	10,000
	Akbar	25,000	Stock	25,000
Loan		15,000	Debtors	17,500
Creditors		25,000	Cash	8,500
		1,51,000		1,51,000

Akbar retires on 31.03.2012 subject to the following conditions:

a) Goodwill of the firm is valued at Rs 24,000

b) Machinery to be depreciated by 10%

c) Furniture to be depreciated by 5%

d) Stock to be appreciated by 15% and buildings to be appreciated by 10%

e) Provide provision for doubtful debts Rs 1,500

Prepare necessary ledger accounts and show the balance sheet of the new firm.

5. Following is the balance sheet of X, Y and Z as at 31.12.2010.

Liabilities		**Rs**	**Assets**	**Rs**
Creditors		4,000	Cash in hand	400
Capital	X	20,000	Cash at bank	10,000
	Y	10,000	Debtors	12,000
	Z	10,000	Stock	8,000
Reserve		6,400	Plant	12,000
			Goodwill	8,000
		50,400		50,400

Z died on 14.03.2011. Under the terms of partnership deed the execution of a deceased partner were entitled to:

a) Amount standing to the credit of partner's capital A/c

b) Interest on capital balance at 5% per annum

c) Share of goodwill in the basis of twice the average of the past three year's profit

d) Share of profit from the closing of the last financial year to the date of death on the basis of the average of the three completed year's profit before the death.

Profit for 2008, 2009 and 2010 were respectively Rs 12,000, Rs 14,000 and Rs 16,000 Profit were shared in the ratio of capitals.

Pass the necessary journal entries and draw up Z's capital A/c to be rendered to his executors.

6. R, S and M are partners sharing profits and losses as 2:2:1. Their balance sheet as at 30.6.2015 was as follows:

Liabiliies	**Rs**	**Assets**	**Rs**
Creditors	4,000	Bank	5,000
Capitals R	10,000	Debtors	4,000
S	4,000	Stock	5,000
M	2,000	Furniture	2,000
Reserve fund	5,000	Machinery	9,000
	25,000		25,000

They decide to dissolve the business. The following are the amounts realised. Machinery Rs 8,500; Furniture Rs 1,500; Stock Rs 7,000; and Debtors Rs 3,700.Creditors allowed a discount of 2% and R agreed to bear all realisation expenses. For this service, R is paid Rs 120. Actual expenses amounted to Rs 900 which was withdrawn by him from the firm. There was an unrecorded asset of Rs 500 which was taken over by S at Rs 400.

Prepare revaluation account, capital account and bank account.

7. The following are the balance sheets of two firm M/s A&B and X&Y as on 31st March 2016.

Liabilities	**A&B**	**X&Y**	**Assets**	**A&B**	**X&Y**
Bills payable	30,000	--------	Cash	2,00,000	2,00,000
Creditors	15,000	1,25,000	Bank	50,000	75,000
Bank overdraft	-------	51,500	Debtors	1,00,000	1,50,000
Capital A	2,50,000		Stock	1,50,000	1,75,000
B	2,50,000		Buildings	25,000	1,00,000
X		2,62,500	Furniture	10,000	1,500
Z		2,62,500	Investments	10,000	-----------
	5,45,000	7,01,500		5,45,000	7,01,500

The partner of both the firms have decided to amalgamate their business into a new firm named as Antony's & Co. The following terms were agreed upon:

a) The buildings of both firms are to be taken over at 20% above their book values.

b) M/s X&Y should be credited with Rs 1, 00,000 for some valuable copyrights possessed by them, but not shown in their books.

c) All others assets were taken over at book values except the investments of M/s A&B.

d) Both firms to discharge their own liabilities.

Pass necessary journal entries to close the books of old firms.