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

COM/CME 2531/2421/CIT 2503/1402 **Maximum Marks: 75**

Partnership Accounting **Duration: 3 Hours**

Answer any FIVE of the following **(5X15=75)**

1. Explain the features of Partnership Firm.

2. The following is the Balance Sheet of S and R who share profits and losses in the ratio of 3:2 respectively.

Liabilities	**Rs.**	**Assets**		**Rs.**
Capital S R	 8,000 3,500	 Land and buildings		 3,500
Reserve fund	1,000	Plant		4,500
Sundry creditors	1,500	Stock		3,500
		Book debts Less: Provision	2,500 500	 2,000
		Cash at bank		500
	14,000			**14,000**

They agreed to admit T into partnership giving him a fifth share on the following terms:

a) The value of land and buildings is to be increased to Rs. 5,000
b) The value of stock to be increased by Rs. 2,200 and plant to be depreciated by 10%.
c) 10% increase provision for bad debt by Rs.750.
d) Good will is to be valued at Rs. 2,000.
e) T to bring in capital to the extent of 1/5th of the combined adjusted capital of S and R.

Prepare necessary ledger accounts and the new Balance Sheet after admission of T.

3. On 31st March 2011, the balance sheet of A, B and C sharing profits and losses in proportion to their capitals was as follows:

Liabilities	**Rs.**	**Assets**		**Rs.**
Creditors	1,08,000	Cash at Bank		80,000
Capitals:		Machinery		2,40,000
A	4,50,000	Stock		90,000
B	3,00,000	Debtors	1,00,000	
C	1,50,000	Less: Provision	2,000	98,000
		Buildings		5,00,000
	10,08,000			10,08,000

On that date B was retired from the firm on the following terms:
Following are the terms for his admission:

(a) That building be appreciated by 10%
(b) That machinery be depreciated by 5%
(c) That provision for doubtful debts be brought upto 5% on debtors.
(d) That the provision of Rs.15, 000 be made in respect of an outstanding bill for repairs.
(e) That out of the amount of insurance premium which was debited annually entirely to P& L a/c Rs.10,000 be carried forward for unexpired insurance on 31.03.2011.
(f) That the goodwill of the entire firm be fixed at Rs.1,80,000 and B's share of the same adjusted in the accounts of A and C who share future profits in the proportion of ¾ and ¼ respectively.
(g) B be paid Rs.50,000 and the balance be transferred to his loan a/c.
Prepare necessary ledger accounts and Balance sheet of A and C.

4. What do you understand by 'Piecemeal distribution'? Explain the different methods of making such distribution.

5. Ram, Rahim and Suresh share profits in the ratio 3:2:1. On 31.12.94, their Balance Sheet was as follows:

Liabilities	Rs.	Assets	Rs.
Creditors	12,000	Machinery	25,000
General reserve	3,000	Stock	11,000
Capital :		Debtors	9,500
Ram	20,000	Goodwill	13,000
Rahim	15,000	Cash	1,500
Suresh	10,000		
	60,000		60,000

On the above date, the firm was dissolved. The assets except cash realized Rs.60,000. The Creditors were settled at Rs.11,500. Dissolution expenses amounted to Rs.800. Give necessary ledger accounts.

6. The following are the balance sheets of two firm M/s R&S and M/s T&U as on 31st March 2001

Liabilities	**R&S**	**T&U**	**Assets**	**R&S**	**T&U**
Bills payable	30,000	--	Cash	2,00,000	2,00,000
Trade creditors	15,000	1,25,000	Bank	50,000	75,000
Bank OD		51,500	Debtors	1,00,000	1,50,000
Capital			Stock	1,50,000	1,75,000
R	2,50,000		Buildings	25,000	1,00,000
S	2,50,000		Furniture	10,000	1,500
T		2,62,500	Investments	10,000	--
U		2,62,500			
	5,45,000	**7,01,500**		**5,45,000**	**7,01,500**

The partners of both the firms have decided to amalgamate their business into a new firm, named as Revathi & 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 T & U should be credited with Rs. 1,00,000 for some valuable copy rights possessed by them, but not shown in their books.
c) All other assets were taken over at book values except the investments of M/s R&S.
d) Both firms to discharge their own liabilities

Prepare the necessary ledger accounts in the books of both the old firms.

7. A, B and C carry on business in partnership sharing profits and losses in the proportion of 4:3:1 respectively. On 31st March 2001, they agreed to sell their business to a limited company. Their position on that date was as follows:

Liabilities	**Rs.**	**Assets**	**Rs.**
A's Capital	40,000	Freehold property	48,000
B's Capital	30,000	Machinery	42,000
C's Capital	26,000	Book debts	15,000
Loan on mortgage	16,000	Stock	23,000
Sundry Creditors	18,000	Cash	2,000
	1,30,000		**1,30,000**

The company took the following assets except cash at the valuation shown below:

	Rs.
Freehold property	61,000
Machinery	31,800
Book debts	14,000
Stock	22,000
Goodwill	10,000

The company also agreed to pay the creditors, which was agreed at Rs. 17,700. The company paid Rs. 67,000 in fully paid shares of Rs. 10 each and the balance in cash. The expenses amounted to Rs. 1,500.

Prepare ledger accounts to close the books of the firm.

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