

OSF

Date : 07-03-2024

STD 12 Commerce Elements of Account 12th Account Practice Sheet Day 23 (Part 1)

Total Marks : 100

Section A

* Choose The Right Answer From The Given Options. [20]

1. In partnership firm every partner is for other partner.

- (A) representative (B) creditor (C) officer (D) debtor

Ans. : (A) representative

2. How many methods are there to keep capital accounts in a partnership firm?

- (A) One (B) Two (C) Three (D) Four

Ans. : (B) Two

3. If nothing is mentioned in partnership, what is the rate of interest on loan given by partner to the firm?

- (A) 6 (B) 12
(C) 10 (D) Interest will not be calculated

Ans. : (A) 6

4. Goods returned credit means

- (A) purchase return (B) sales return (C) purchase (D) sales

Ans. : sales return

5. Goods returned debit means

- (A) purchase (B) purchase return (C) sales (D) sales return

Ans. : purchase return

6. In which proportion profit-loss will be shared between the partners if no provision is made in the partnership deed ?

- (A) Capital proportion (B) Gaining ratio (C) Sacrificing ratio (D) Equal proportion

Ans. : Equal proportion

7. Goodwill depends on which aspect?

- (A) On employee of business enterprise (B) On management of business enterprise
(C) On assets of business enterprise (D) On future maintainable profit

Ans. : (D) On future maintainable profit

8. At the time of revaluation of goodwill, with which capitalized profit is compared?

- (A) Capital invested in (B) Debts of business (C) Assets of business (D) None of the given the business

Ans. : (A) Capital invested in the business

9. During reconstruction, if there is increase in the value of debts then it will be -

- | | | | |
|---|--|---|--|
| (A) Debited to revaluation account and added to the debts account | (B) Credited to revaluation account and deduct it from debts account | (C) Debited to revaluation account and deduct if from debts account | (D) Credited to revaluation account and added to the debts account |
|---|--|---|--|

Ans. :

(A) Debited to revaluation account and added to the debts account

10. Revaluation account is prepared when-
- (A) Partnership firm starts
 - (B) Partnership firm closed down
 - (C) Status of partnership firm changed
 - (D) Reconstruction of partnership firm takes place

Ans. :

(D) Reconstruction of partnership firm takes place

11. At the time of reconstruction of partnership firm, stock of goods is shown at in the balance sheet after revaluation.

(A) Market price (B) Cost price (C) M.R.P. (D) None of the given

Ans. :

(A) Market price

12. When new partner brings his share of goodwill in cash, account is credited.

(A) cash (B) premium for goodwill (C) goodwill (D) his capital account

Ans. :

(B) premium for goodwill

13. When newly admitted partner is not able to bring his share of goodwill in cash account is debited.

(A) Cash (B) Goodwill
(C) Premium for goodwill (D) His capital

Ans. :

(D) His capital

14. Due to admission of a new partner, profit of old partners

(A) Increases (B) Decreases (C) Remains same (D) None of the above

Ans. :

(B) Decreases

15. method is useful, when a new partner is not able to bring his share of goodwill in cash.

(A) Premium (B) Discount (C) Revaluation (D) Simple average

Ans. :

(C) Revaluation

16. In which ratio profit and loss incurred due to revaluation of assets and liabilities transfers to partners accounts?

(A) In capital ratio (B) In old profit-loss ratio (C) In gain ratio (D) In sacrifice ratio

Ans. :

(B) In old profit-loss ratio

17. At the time of retirement of a partner, credit balance of profit and loss account shown in balance sheet is shown in.....

(A) Capital accounts of all partners, on credit side, in old profit and loss ratio	(B) Capital accounts of all partners, on debit side, in old profit and loss ratio.	(C) Capital account of retiring partner, on credit side	(D) Capital account of continuing partners on debit side, in their gain ratio.
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Ans. :

(A) Capital accounts of all partners, on credit side, in old profit and loss ratio

18. At the time of dissolution a motor car of Rs. 30,000 is taken by a partner Axay which is not shown in the books of account. On which account amount of motor-car is debited?
(A) Motor-car A/c (B) Realisation A/c (C) Cash/Bank No (D) Capital Me of Axay

Ans. : (D) Capital Me of Axay

19. Which is the first payment made from the realisation of assets, at the time of the dissolution of a firm ?
(A) Dissolution expense (B) Loan of partner's wife
(C) Liabilities towards third parties (D) Partner's loan

Ans. : (A) Dissolution expense

20. From the following which account is prepared for giving effect and showing accounting procedure of dissolution of partnership firms.

(A) Goodwill A/c (B) Profit-loss A/c (C) Profit-loss Apph. (D) Cash /Bank A/c A/c

Ans. : (D) Cash /Bank A/c

Section B

* **Answer The Following Questions In One Sentence.**

[10]

21. What is the other name of fixed capital account method?

Ans. : Fixed capital account method is also known as permanent capital account method.

22. Where would you show debit balance of partner's current account in the balance sheet?

Ans. : On the asset receivable side of balance sheet, debit balance of partners current account will be shown.

23. A partner has right to receive salary as shown in the partnership deed though business suffers a loss True or false?

Ans. : It is true that a partner has right to receive salary as shown in the partnership deed, though business suffers a loss.^[3]

24. What is the base for the valuation of goodwill?

Ans. : Profit earning capacity of the business is the main base for the valuation of goodwill.

25. Which kind of business have goodwill value?

Ans. : A business unit having its own reputation in the market, having special kind of contacts or having good stable man of customers or having more profit earning capacity then other business units have good goodwill value.

26. What is reconstruction of partnership?

Ans. : Due to different reasons when changes takes place in partnership it is known as reconstruction of partnership.

27. In which account revaluation account's profit-loss is transferred?

Ans. :

In partner's capital accounts or in current accounts, revaluation account's profit-loss is transferred.

28. As per Indian Partnership Act 1932, what is the provision for unpaid amount I loan amount to the retiring partner?

Ans. :

As per Indian Partnership Act 1932, 6% interest is payable on unpaid amount /loan amount to the retiring partner.

29. Which balances are credited to all partners' capital accounts in their old profit-loss sharing ratio?

Ans. :

Following balances are credited to all partners' capital accounts:

- (i) Opening balance of capital account and credit balance of current account on the date of retirement.
- (ii) Share in reserves, undistributed profit, profit of the revaluation account etc.
- (iii) Share in profit of the firm from the date of last balance sheet to the date of retirement.
- (iv) Salary, interest on capital, commission, interest on loan given to the firm from the date of last balance sheet to the date of retirement.

30. How would you deal with bad debts return, which is written off earlier?

Ans. : At the time of dissolution, bad debts return which is written off earlier would be recorded on credit side of Realisation Account.

Section C

* **Answer The Following Questions.**

[15]

31. Rajesh, Pushpa and Pratibha are the partners of a "Shreenathji Traders" partnership firm. Their profit-loss sharing ratio is 2: 3: 1 . Their firms' balance sheet as on 31-3-2017 is as under :

[4]

Shreenathji Traders' Balance Sheet as on 31-3-2017

Liabilities	Amt. (₹)	Assets	Amt. (₹)
Capital : Rajesh	2,00,000	Non-current assets : Land	1,80,000
Pushpa	1,00,000	Building	3,00,000
Pratibha	2,00,000	Machinery	1,20,000
Non-current liabilities :	5,00,000	Investments	40,000
10 % bank loan	80,000	Current assets :	
Current liabilities : Creditors	1,70,000	Debtors	50,000
Bills payable	40,000	Bills receivables	10,000
Workers' profit sharing fund	29,000	Closing stock	35,000
Outstanding expenses	10,000	Bank balance	60,000
		Cash balance	30,000
		Income receivables	4000
	8,29,000		8,29,000

As on above date of the balance sheet, partners decided to change profit-loss sharing ratio to 1:1:1. On this date they decided to revalue the assets and liabilities for which

information is as under: (1) The value of land is to be increased upto 2.50,000 and building value is to be increased by 50,000.

(2) The value of machinery is to be decreased upto 80,000.

(3) The value of investments is to be reduced 30%

(4) Provision for bad debt reserve at 20 % and discount reserve of 5% is to be made on debtors.

(5) The stock value of 15,000 is to be reduced by 20 %.

(6) An amount of 20,000 is not to be paid to creditors. 360

(7) * 3000 for outstanding expenses and 2000 for income receivable are not recorded in the books. Form the above information, write journal entries in the books of the partnership firm and also prepare the revaluation account

Ans. :

Revaluation Account:

Revaluation Account as on 31.03.2001			
Particulars	Amount	Particulars	Amount
To Machinery A/c	40,000	By land A/c	70,000
To Investment A/c	12,000	By Building A/c	50,000
To Bad-debts reserve A/c	10,000	By Creditors A/c	20,000
To Discount reserve on debtors A/c	2,000	By Receivable income A/c	2,000
To Stock A/c	3,000		
To Outstanding expenses	3,000		
To capital account(2:3:1)			
Rajesh - 24,000			
Pushpa- 36,000			
Pratibha- 12,000	72,000		
	1,42,000		1,42,000

32. A and B are the partners sharing profit and loss in the ratio of 5: 3 . They admitted C as a new partner. A sacrifices 30% his share and 'B' sacrifices 20% of his share in favour of C.

Ans. : The final answer given is A and B are partner ratio =5:3 C is admitted in the firm

New Profit-Sharing Ratio = 7:4:5 Sacrificing Ratio = 3:2

33. X and Y are the partners of a firm. They admitted Z as a new partner on 1 April, 2016. X sacrificed $\frac{1}{2}$ of his share and Y sacrificed $\frac{3}{4}$ th of his share in favour of Z . X and Z maintain their accounts as per fixed capital method. Z brought in ₹ 60,000 for his capital and ₹ 20,000 for his share of premium for goodwill in cash. Goodwill appeared in the books of the firm at ₹ 30,000 as on 31-3-2016. Give necessary journal entries at the time of Z 's admission.

Ans. :

Ans. :

Journal Entries

Date/No.	Particulars	L.F.	Debit (₹)	Credit (₹)
(1)	X's current A/c Dr Y's current A/c Dr To Goodwill A/c [Being old goodwill written off among old partners in their old profit-loss ratio.]		15,000 15,000	30,000
(2)	Cash A/c [6]Dr To Z's capital A/c To Premium for Goodwill A/c [Being Z brought cash as goodwill and capital.]		80,000	60,000 20,000
(3)	Premium for goodwill A/c Dr To X's current A/c To Y's current A/c [Being premium for goodwill distributed between X and Y in their sacrificing ratio.]		20,000	8000 12,000

34. M , N and C are the partners sharing profit and loss in the ratio of $\frac{1}{3}$, $\frac{1}{2}$ and $\frac{1}{6}$. C retires and his share is taken up by M . Calculate the new ratio of profit and loss sharing of M and N .

Ans. :

$$\begin{aligned}\text{Old sharing ratio of M, N and C} &= \frac{1}{3} : \frac{1}{2} : \frac{1}{6} \\ &= \frac{2}{6} : \frac{3}{6} : \frac{1}{6}\end{aligned}$$

C retires and his $\frac{1}{6}$ share is taken by M .

$$\therefore \text{M's Gain} = \frac{1}{6} \text{ and N's Gain} = \text{zero}$$

$$\text{New share} = \text{Old share} + \text{Gain}$$

$$\therefore \text{M's new share} = \frac{2}{6} + \frac{1}{6} = \frac{3}{6}$$

$$\text{N's new share} = \frac{3}{6} + 0 = \frac{3}{6}$$

$$\therefore \text{New profit and loss sharing ratio of M and N} = 3:3 \text{ means } 1:1$$

35. Explain in brief, legal provisions of accounting settlement for partnership firm dissolution.

Ans. :

The main legal provisions with regards to dissolution a of partnership firms are as follows:

(1) Legal provision for loss of firm:

- Here, from the profits of the firm and if profits is not sufficient the loss of the firm is written off against the capital of the partners. If capitals are insufficient, the loss will be borne by the partners in their profit and loss ratio and will be paid by selling of their own assets.
- (2) Legal provision for the payment of liabilities of the firm and partners:
- The partners have unlimited liabilities and liabilities of the firm are to be paid off by assets of the firm but because of unlimited liabilities of the partners, firm's

remaining liabilities are to be paid of from their personal assets.

- (3) Payment of loan to the firm by the partners:
- First of all liabilities of the firm will be paid by realising the assets of the firm. After paying the external liabilities of the firm, loan of partner's will be paid. If more than one partner has loaned to the firm and if the partners are not in a position to make up deficit, the loans are to be paid proportionately.
- (4) Payment of loan given by the partners' wife:
- Wife's loan to the firm will be repaid like payment to a third party.
- But if wife of a partner has given it from the fund of her husband, it will be treated as loan of that partner.
- (5) Payment of liabilities of a partner:
- Liabilities of the partners are unlimited and if any of partners is declared insolvent on dissolution, the solvent partners are liable to pay the liabilities of the firm as the insolvent partner/s will not be able to meet his/ their share
- (6) Legal provision for distribution of the realised assets of the firm:
- The payment for the liability from the realisation of assets will be made in following manner.
- First pay the dissolution expenses.
- After that, liabilities of third parties will be paid.
- Then, the loan of partner/s is to be paid.
- Payment towards partners capital and current accounts.

If any surplus, it will be distributed among the partners in the profit-loss sharing ratio.

Section D

* Answer The Following Questions With Necessary Calculations.

[12]

36. Partnership deed

Ans. : Partnership Deed for a firm means the formal agreement among the partners of the firm in writing. It is not mandatory but advisable to have a partnership deed as it provides the key terms and conditions for the firm according to which the day-to-day operations of the firm shall take place and proves to be helpful in avoiding the disputes and conflicts among the partners that may happen in the future over some provision.

37. Rajesh and Harish are partners of a partnership firm. On the basis of their partnership firm's profit and other information, determine the value of goodwill on the basis of two years purchase of super profit. .

(1) Capital employed: Rs.8,00,000

(2) Expected rate of return: 12 %

(3) Previous year's profit:

Year	2014-15	2015-16	2016-17
Profit (Rs.)	1,20,000	90,000	1,50,000

Ans. :

Statement showing computation of Goodwill

Step No.	Particulars	Amount (Rs.)
(1)	Capital employed	8,00,000
(2)	Expected rate of return	12%
(3)	Expected profit = Capital employed x Expected rate of return = Rs.8,00,000 x 12% = Rs.96,000	96,000
(4)	Average profit:	

	<table><tr><th>Year</th><th>Profit (Rs.)</th></tr><tr><td>2014-15</td><td>1,20,000</td></tr><tr><td>2015-16</td><td>90,000</td></tr><tr><td>2016-17</td><td>1,50,000</td></tr><tr><td>Total</td><td>7,00,00</td></tr></table>	Year	Profit (Rs.)	2014-15	1,20,000	2015-16	90,000	2016-17	1,50,000	Total	7,00,00		
Year	Profit (Rs.)												
2014-15	1,20,000												
2015-16	90,000												
2016-17	1,50,000												
Total	7,00,00												
	<p>Average profit = $\frac{\text{Total Profit}}{\text{No. of years}}$</p> <p>$= \frac{3,60,000}{3}$</p> <p>= Rs.1,20,000</p>	1,20,000											
(5)	<p>Super profit = Average profit - Expected profit</p> <p>= Rs.1,20,000 - Rs.96,000 = Rs.24,000</p>	24,000											
(6)	<p>Goodwill = Super profit x No. of purchase</p> <p>= Rs.24,000 x 2 = Rs.48,000</p>		48,000										

38. Give accounting treatments for goodwill of different circumstances when firm goes for dissolution.

Ans. : Following are the accounting treatments for goodwill of different circumstances when firm goes for dissolution :

(1) If the value of goodwill will be shown in the balance sheet then like other assets, goodwill will be shown as debit side of Realisation Account. (2) Amount realised from the sale of goodwill will be shown on credit side of Realisation Account. (3) If no information regarding realisation of goodwill is given then it is to be understood that nothing is realised. (4) At the time of dissolution of firm, if goodwill is not shown in the books of account, hence amount realised • then it will be treated as profit and credited to Realisation Account. (5) When any partner purchase whole business (including goodwill) then (i) Capital account of business purchase partner is debited by amount of goodwill and (ii) Realisation account is credited by amount of goodwill.

Section E

* **Answer The Following Questions In Detail.**

[32]

39. Kanha and Kavisha are partners in a firm sharing profit-loss in the ratio of 2:3. Balance sheet of their firm as on 31-3-2016 was as under :

Balance Sheet

Liabilities	Amt. (₹)	Assets	Amt. (₹)
Capital :		Goodwill	14,000
Tarana 1,90,000		Land-Building	1,00,000
Jineesha 1,21,000	3,11,000	Machinery	80,000
Workmens' compensation reserve	12,000	Investment	50,000
Investment fluctuation fund	4000	Debtors	70,000
Provident fund	16,000	Stock	36,000
Bad debt reserve	20,000	Cash	40,000
Creditors	30,000	Research and development expense	8000
Outstanding expense	15,000	Profit-loss A/c	10,000
	4,08,000		4,08,000

They admitted Palkhi as a new partner on 1-4-2016, on following terms:

- (1) Kanha sacrifices of her share and Kavisha sacrifices 4th of her share in favour of Palkhi.
- (2) Goodwill of the firm is valued 80,000.
- (3) Kanha and Kavisha will withdraw 50% of their share of goodwill.
- (4) Depreciation on machinery is to be provided at 10%.
- (5) Bad debt of 6000 is to be written off and provision for bad debt reserve is to be kept at 15% on debtors.
- (6) Market value of investment is 15,000.
- (7) Claim for workmen's compensation to be accepted 50,000.
- (8) 10% of creditors are not to be paid.
- (9) Palkhi will bring 1,20,000 as capital and her share of goodwill in cash.

Ans. :

Revaluation Account

Dr		Cr	
Particulars	Amt. (₹)	Particulars	Amt. (₹)
To Old partners' capital A/c (Profit)		By Outstanding interest A/c	6000
Tarana 21,500		By Land-Building A/c	25,000
Jineesha 21,500	43,000	By Prepaid insurance premium	12,000
	43,000		43,000

[10]

40. C, S and T are the partners of a firm sharing profit and loss in the ratio of 2:1:2. Balance sheet of their firm on 31-3-2017 was as under:

Balance Sheet

Liabilities	Amt.(Rs.)	Assets	Amt.(Rs.)
Capital:		Land-building	1,40,000
C 80,000		Investments	70,000
S 70,000		Stock	50,000
T 1,00,000	2,50,000	Debtors	25,000
Workmen accident compensation fund	10,000	Cash	20,000
		Advertisement suspense A/C	

T's loan	25,000	15,000
Creditors	35,000	
	<u>3,20,000</u>	<u>3,20,000</u>

T died on 30-6-2017. As per partnership deed, following accounting treatments are necessary to be given at the time of death of a partner:

- (1) Interest on capital is to be allowed at 6% per annum.
- (2) Interest on drawings is to be charged at 12% p.a. T withdrew Rs.20,000 on 1-5-2017.
- (3) Goodwill is to be valued at two times the average profit of last three years: Profit of last three years was as under: 2014-15 Rs.80,000; 2015-16 Rs.75,000 and 2016-17 Rs.85,000
- (4) Profit share to be given on the basis of profit of previous year. Prepare Ts executor's account.

Ans. :

T's Administrative Account			
Dr.			Cr.
Particulars	Amt.(Rs.)	Particulars	Amt.(Rs.)
To Interest on drawings A/c	400	By Balance c/d	1,00,000
To Advertisement Suspense A/c	6,000	By Workmen's accident compensation fund A/c	4,000
To Drawings A/c	20,000	By Interest on loan A/c	375
To T's administrator's loan A/c	1,76,975	By Interest on capital A/c	1,500
		By Goodwill A/c New	64,000
		By Profit-loss A/c Profit	8,500
		By T's loan A/c	25,000
	<u>2,03,375</u>		<u>2,03,375</u>

41. Dhaval, Kamal and Naval are the partners sharing profit and loss in the ratio of 2:2:1. Naval retires on 31-3-2016. Balance sheet of the firm as on 31-3-2016 was as under:

Balance Sheet

Liabilities	Amt.(Rs.)	Assets	Amt.(Rs.)
Capital Accounts:		Goodwill	10,000
Dhaval 30,000		Machinery	20,000
Kamal 20,000		Investments	1,00,000
Naval <u>10,000</u>	60,000	Debtors	30,000
General reserve	5,000	Stock	10,000
Investment fluctuation fund	2,500	Cash-bank	5,000
Bad debt reserve	2,000		
Creditors	15,500		
	<u>85,000</u>		<u>85,000</u>

Following adjustments are agreed at the time of retirement:

- (1) Value of machinery is Rs.25,000 and Value of stock is Rs.5,000.
- (2) Value of investments is Rs.8,000, which is taken by Naval at this price.
- (3) An amount of Rs.5,000 included in creditors is no longer payable.
- (4) The provision for workmen compensation to be credited at Rs.2,000.
- (5) The provision for doubtful debts is to be kept at 10% on debtors.
- (6) Goodwill of the firm is valued at Rs.40,000.

Pass journal entries. Prepare necessary accounts and the balance sheet of the firm after Naval's retirement.

Ans. :

Journal Entry

Date/No.	Particulars	L.F.	Debit(Rs.)	Credit(Rs.)
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1.	General Reserve A/c	Dr	5,000	
	Investment fluctuation fund A/c	Dr	500	
	To Dhaval's capital A/c	.		2,200
	To Kamal's capital A/c	.		2,200
	To Naval's capital A/c	.		1,100
	(Being balance of general reserve and IFF distributed among old partners in old profit-loss ratio)			
2.	Machine A/c	Dr	5,000	
	Creditors A/c	Dr	5,000	
	To Revaluation A/c	.		10,000
	(Being gain on machines and creditors transferred to the Revaluation A/c)			
3.	Naval's Capital A/c	Dr	8,000	
	To Investments A/c	.		8,000
	(Being loss on stock, WAC and Gen. res. transferred to the Revaluation A/c)			
4.	Revaluation A/c	Dr	8,000	
	To Stock A/c	.		5,000
	To Prov. for workmen's compensation A/c	.		2,000
	To General reserve A/c	.		1,000
	(Being Naval took away inv; from the business)			
5.	Dhaval's Capital A/c	Dr	4,000	
	Kamal's Capital A/c	Dr	4,000	
	Naval's Capital A/c	Dr	2,000	
	To Goodwill A/c	.		10,000
	(Being goodwill amount distributed among old partners in old profit-loss ratio)			
6.	Revaluation A/c	Dr	2,000	
	To Dhaval's Capital A/c	.		800
	To Kamal's Capital A/c	.		800
	To Naval's Capital A/c	.		400
	(Being Profit of Revaluation NC is transferred to partners capital A/c)			
7.	Dhaval's Capital A/c	Dr	4,000	
	Kamal's Capital A/c	Dr	4,000	
	To Naval's Capital A/c	.		8,000
	(Being goodwill amount of Naval's share, paid by remaining partners in their gain ratio)			
8.	Naval's Capital A/c	Dr	9,500	
	To Naval's loan A/c	.		9,500

(Being amount payable to Naval transferred to his loan account)			
Total		61,000	61,000

Dr. Revaluation Account		Cr.	
Particulars	Amt.(Rs.)	Particulars	Amt.(Rs.)
To Stock A/c	5,000	By Machinery A/c	5,000
To Workmen's compensation fund No	2,000	By Creditors A/c	5,000
To General reserve A/c (New : Rs.3,000 -Old : Rs.2,000)	1,000		
To Profit: Partners Capital A/c			
Dhaval	800		
Kamal	800		
Naval	400		
	2,000		
	10,000		10,000

[13]

Dr. Partners Capital Account				Cr.			
Particulars	Dhaval (Rs.)	Kamal (Rs.)	Naval (Rs.)	Particulars	Dhaval (Rs.)	Kamal (Rs.)	Naval (Rs.)
To Goodwill A/c (old)	4,000	4,000	2,000	By Balance old	30,000	20,000	10,000
To Naval's capital A/c (New goodwill)	4,000	4,000		By General res. A/c	2,000	2,000	1,000
To Investments A/c			8,000	By Investment fluctuation fund A/c	200	200	100
To Loan A/c			9,500	By Revaluation A/c - Profit	800	800	400
To Balance c/d	25,000	15,000		By Dhaval's capital A/c (New goodwill)			4,000
				By Kamal's capital A/c (New goodwill)			4,000
	33,000	23,000	19,500		33,000	23,000	19,500

Balance sheet as on 1-4-2016 after retirement

Capital-Liabilities		Amt.(Rs.)	Assets		Amt.(Rs.)
Capital Accounts :			Machines	20,000	
Dhaval	25,000		Investments	<u>5,000</u>	25,000
Kamal	<u>15,000</u>	40,000	+ Increase	10,000	
O/s Workmen/s		2,000	- loss	2,000	
Compensation claim			- Taken away by Naval	<u>8,000</u>	
Creditors	15,500		Debtors	30,000	
- Amt. not to pay	<u>5,000</u>	10,500	- B.D.R.	<u>3,000</u>	27,000
Naval's loan		9,500	Stock	10,000	
			- Decrease	<u>5,000</u>	5,000
			Cash-Bank		5,000
		62,000			62,000

42. A, B and C are the partners sharing profit and loss in the ratio of 3:2:1. The balance sheet of the firm as on 31-3-2016 was as under:

Balance Sheet			
Liabilities	Amt. (₹)	Assets	Amt. (₹)
Creditors	10,000	Goodwill	30,000
Partners' loan :		Patents	25,000
A 12,000		Building	80,000
B 20,000	32,000	Furniture	60,000
General reserve	18,000	Stock	50,000
Capital Accounts :		Debtors	60,000
A 90,000		Cash	15,000
B 90,000			
C 80,000	2,60,000		
	3,20,000		3,20,000

B died on 30-6-2016. Under the partnership agreement, the executor of B is entitled to receive following:

- (1) Interest on his capital at 10% p.a.
- (2) Share in general reserve.
- (3) His loan and outstanding interest on loan.
- (4) Value of goodwill is decided at ₹ 30,000
- (5) Share of profit upto the date of death on the basis of last year's sales and profit. Sales for the year 2015-16 was ₹ 12,00,000. First three months sales of current year was ₹ 4,50,000. Net profit for the year 2015-16 was ₹ 2,40,000.
- (6) Patents are to be written off fully. Building is to be appreciated by 20%. Prepare the balance sheet as on 30-6-2016 after the death of B.

Ans. :

Balance Sheet			
Liabilities	Amt. (₹)	Assets	Amt. (₹)
Creditors	10,000	Building	96,000
A's loan	12,000	Furniture	60,000
B's executor's A/c	1,45,550	Stock	50,000
Capital Accounts :		Debtors	60,000
A 72,000		Cash	15,000
C 74,000	1,46,000	Profit and loss suspense A/c	
		(30,000 profit + 2250 Interest on capital + 300 interest on loan)	32,550
	3,13,550		3,13,550

Section F

* Answer The Following Essay Type Questions.

[11]

43. Neela and Sheela are partners of partnership firm sharing profit-loss in capital proportion. From the following trial balance and adjustments prepare final accounts of the firm.

Trial balance of Partnership Firm of Neela and Sheela as on 31-3-17

Name of Accounts	Debit Balance(Rs)	Credit Balance(Rs)
Neela's capital and drawings	20,000	1,00,000
Sheela's capital and drawings	14,000	50,000

Suppliers and customers		90,000	60,000
Goods returned	[15]	2,000	3,000
Bills		15,000	20,800
Cash and Bank		1,000	14,000
Bad debts and bad debts reserve		400	1,300
Purchase and sales		1,40,000	2,60,500
Wages and outstanding wages		35,000	2,000
Machinery		36,500	
Depreciation on machinery		3,500	
Furniture		12,000	
Opening stock		46,100	
Prepaid insurance		200	
Salary		23,000	
Insurance premium		2,000	
Rent-taxes		12,000	
Advertisement expenses		2,900	
Goodwill		72,000	
Leasehold building (from 1-10-14 for 5 years)		14,000	
8% Leela's loan (1-11-16)			30,000
Total		<u>5,41,600</u>	<u>5,41,600</u>

Adjustments:

1. Closing stock Rs.1,10,000 and having market value 20% more than book value.
2. Per annum 6% interest is payable on Partners' capital.
3. Interest on drawings recoverable from partners . Neela Rs.900, Sheela Rs.600.
4. Provide 5% bad debt reserve on debtors.
5. Outstanding expenses at the end of accounting year: rent Rs.300 and salary Rs.950.
6. Provide depreciation: 10% on machinery and 5% on furniture.

Ans. :

Dr. **Trading Account of partnership firm of** Cr.
Neela and Sheela for the year ending on 31-3-2017

Particulars	Amt.(Rs.)	Particulars	Amt.(Rs.)
To Opening stock	46,100	By Sales	2,60,500
Purchase	1,40,000	Goods returns	<u>2,000</u>
- Goods return	<u>3,000</u>	By Closing stock	1,10,000
To wages	35,000		
To P. and I. A/c (Gross profit)	1,50,400		
	<u>3,68,500</u>		<u>3,68,500</u>

Dr. **Profit and Loss Account of partnership firm of** Cr.
Neela and Sheela for the year ending on 31-3-2017

Particulars	Amt.(Rs.)	Particulars	Amt.(Rs.)
Admin. Exp.:		By Trading A/c (Gross profit)	1,50,400
To Salary	23,000		
+ Unpaid	<u>950</u>		
	23,950		
To Rent and Taxes	12,000		
+ O/s rent	<u>300</u>		
	12,300		
To Insurance premium	2,000		
S. & dis. Exp. :			
To Adv. expense	2,900		
Financial expense :			

To Int. on loan of Leela		1,000		
Other exp. and losses:				
To Bad debts (TB)	400			
+BDR'(A)	<u>4,500</u>			
	4,950			
-BDR (TB)	<u>1,300</u>	3,600		
To Depreciation :				
Machinery	4,000			
Furniture	<u>600</u>	4,600		
To w.off		4,000		
leasehold building				
To P. and I. A. A/c		96,050		
(Net Profit)				
		<u>1,50,400</u>		<u>1,50,400</u>

Dr. Profit and Loss Appropriation Account of partnership firm of Neela and Sheela for the year ending on 31-3-2017 Cr.

Particulars	Amt.(Rs.)	Particulars	Amt.(Rs.)
To Interest on capital :		By Profit and loss A/c	96,050
Neela	6,000	(Net profit)	
Sheela	<u>3,000</u>	By Int.on draw. A/c :	
	9,000	Neela	900
To Partners Cap. A/c :		Sheela	<u>600</u>
(Divisible profit)			1,500
Neela	59,033		
Sheela	<u>29,517</u>		
	88,550		
	<u>97,550</u>		<u>97,550</u>

Dr. Partners Capital Accounts Cr.

Date	Particulars	Neela (Rs.)	Sheela (Rs.)	Date	Particulars	Neela (Rs.)	Sheela (Rs.)
	To Draw. A/c	20,000	14,000	01-4-16	By Bal. b/d	1,00,000	50,000
31-3-17	To Int. on Draw. A/c	900	600	31-3-17	By Int. on on cap. A/c	6,000	3,000
31-3-17	To Bal. c/d	1,44,133	67,917	31-3-17	By P. and I. Appro. A/c (Divisible profit)	59,033	29,517
		<u>1,65,033</u>	<u>82,517</u>			<u>1,65,033</u>	<u>82,517</u>

Balance sheet of partnership firm of Neela and Sheela as on 31-3-2017

Capital-Liabilities	Amt.(Rs.)	Assets-Receivables	Amt.(Rs.)
Capital Accounts:		Non-current Assets :	
Neela	1,44,133	Fixed Assets :	
	3		

Sheela	<u>67,917</u>	2,12,050	Leasehold building	14,000	
Non-current liab.:			- Written off	<u>4,000</u>	10,000
8% Leela's loan		30,000	Machinery	36,500	
Current Liab. :			+Depr. (TB)	<u>3,500</u>	
Creditors		60,000		40,000	
Bills payable		20,800	- Depr. (A)	<u>4,000</u>	36,000
Bank overdraft		14,000	Furniture	12,000	
O/s wages		2,000	Dept.	<u>600</u>	11,400
O/s int. on Leela's loan		1,000	Intangible Assets :		
O/s Salary		950	Goodwill		72,000
O/s Rent		300	Current Assets :		
			Debtors.	90,000	
			- BDR (A)	<u>4,500</u>	88,500
			Closing stock		1,10,000
			Bills receivable		15,000
			Cash balance		1,000
			Prepaid insurance		200
		<u>3,41,100</u>			<u>3,41,100</u>
