Accounting for Partnership firms-Fundamental

1.Vinod and Mohan were partners in a firm. The partnership agreement provided that interest on drawings was to be charged @ 12% p.a. Vinod had withdrawn the following amounts during the year ended 31.12.2005

Date	Amount withdrawn (Rs)
~~01.01.2005~~	~~10,000~~
31.03.2005	16,000
01.07.2005	20,000
31.12.2005	4,000

Calculate interest on Vinod's drawings.

2. A and B entered into partnership on 1st April 2009 without any partnership deed. They introduced capitals of Rs 5, 00,000 and Rs. 3, 00,000 respectively. On 31st October 2009 A advanced Rs. 2, 00,000 by way of loan to the firm without any agreement as to interest.

The profit and the loss account for the year ended 31.03.2010 showed a profit Rs. 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. Pass a journal entry for the distribution of profit between the partners and prepare the capital A/cs of the partners and Loan Account of A.

3.On march 31,2005 after the close of accounts, the capital accounts of A,B and C stood at Rs.24,000;Rs.20,000 and Rs.12,000 respectively. The profits for the year RS.36, 000 was distributed equally. Subsequently it was discovered that interest on capital @ 5% p.a. had been omitted. The profit sharing ratio was 2:2:1.Pass journal entry

4. Sunflower and roses started a partnership business on April 01, 2006 with capital of Rs.2, 50,000 and Rs.1, 50,000 respectively. On October 01, 2006, they decided that their capitals should be Rs.2,00,000 each. The necessary adjustments in the capitals are made by introducing and withdrawing cash. Interest on capitals is to be allowed @ 10% p.a.Calculate interest on capital as on March 31, 2007.

5. Ram,Rahim and Raja are partners who shares profits and losses in the ratio of 3:2:1. According to partnership deed, the minimum profit of Raja will be Rs 10,000 p.a. The profit for half yearly ended on 31st March,2008 was Rs.24,000. Give journal entries for division of Profit and Loss Appropriation Account.

GOODWILL

1. A business has earned average profits of Rs 1,00,000 during the last few years and the normal rate of return is similar business is 10%. Find out the value of goodwill by :i) Capitalization of super profit method and ii) super profit method if the goodwill is valued at 3 years purchase of super profit.

   The assets of the business were Rs 10,00,000 and its external liabilities Rs 1,80,000.

2. Calculate the value of the goodwill on the basis of average profit of last 6 years. Profits /Losses are as follows

Years	Rs
Ist	60,000(Profit)
2^{nd}	40,000(Loss)
3^{rd}	30,000(Loss)
4^{th}	1,00,000(Profit)
5^{th}	1,70,000(Profit)
6^{th}	2,20,000(Profit)

3. A firms average profits are Rs 70,000. It includes abnormal profits of Rs 5,000. Capital invested in the business is Rs 5,50,000 and the normal rate of return is 10%. Calculate goodwill at 4 times the super profit.

4. A business has earned average profits of Rs 1,00,000 during the last three years and the normal rate of return in similar business is 10%. As certain the value of goodwill by capitalization of average profit methods, given that the value of net assets of the business is Rs 8,20,000 .

   Issue of Debentures

5. AB limited issued 5,00,000, 7% debentures of Rs 50 each. Pass necessary journal entries in the books of the company for the issue of debentures when debentures were:

   i) Issue at par redeemable at 8% premium

ii) Issued at 4% premium, redeemable at 5% premium.

iii) Issued at 5% premium, redeemable at par.

6. Pass necessary journal entries for the issue of 7% debentures in the following cases:

   i) 100 debentures of Rs 100 each issued at Rs 105 each repayable at Rs 100 each.

   ii) 100 debentures of Rs 100 each issued at Rs 100 each repayable at Rs 105 each.

7. Deepak limited purchased furniture Rs 2,20,000 from M/S furniture mart. 50% of the amount was payed to furniture mart by accepting a bill of exchange and for the balance the company issued 9% debentures of Rs 100 each at a premium of 10% in favor of furniture mart.

8. Sharma limited bought the business of Verma limited on 01-04-2007 and for the balance 6% debentures were issued at a premium of 20% on 05-04-2007. Pass necessary journal entries in the books of Sharma limited for the above mentioned transactions.

9. X limited obtained a loan of Rs 4,00,000 from IDBI bank. Company issued 5000, 9% debentures of Rs 100 each as a collateral security for the same. Show how these items will be presented in the balance sheet of the company.

Redemption of debentures

10. A company issued 1000, 15% debentures of Rs 100 each issued at a discount of 5%, Redeemable at 10% premium after 10 years. Give journal entries for the issue and redemption.

11. X limited had Rs 8,00,000, 9% debentures due to be redeemed out of profits on 01-10-2009 at a premium of 5%. The company had a debenture redemption preserve of Rs 4,14,000. Pass necessary journal entries at the time of redemption.

12. Mona limited has issued 20,000 9% debentures of Rs 100 each of which half the amount is due for redemption on 31-03-2008. The company has in its debenture redemption reserve account a balance of Rs 4,40,000. Record the necessary journal entries at the time of redemption of debentures.

13. On 01-04-2005 Radha limited issued 2000, 9% debentures of Rs 100 each. 30% of these debentures were redeemable at the end of 3rd year by converting them into equity shares of Rs 100 each issued at a premium of 50%. The remaining equity shares of Rs 100 each at par. Pass the necessary journal entries in the books of the company for the issue and redemption of debentures.

14. Pass necessary journal entries for the redemption of 10,000, 12% debentures of Rs 50 each issued at par to be redeemed as follows .

a) Redeemable at a premium of 10%, by conversion into equity share issued at par.

b) Redeemable at a premium of 10%, by conversion into 8% preference shares issued at a premium of 20 %.

c) 50 % of the redemption to be made in cash, and the balance to be redeemed at a premium of 20% through the issue of fresh 12% debentures.