

6 marks questions.

Q 1. A,B and C were partners in a firm having capitals of rs.60000,rs.60000 and rs.80000 respectively.their current account balance were A:rs.10000, B:rs.5000 and C:rs.2000(dr).according to partnership deed the partners were entitled to interest on capital @5% p.a.C being the working partner was also entitled to a salary of rs.6000 p.a.

The profits were to be divided as follows:

- (a).The first rs.20000 in proportion to their capitals.
- (b).Next rs.30000 in the ratio of 5:3:2.
- (c).Remainig profits to be shared equally.

The firm made a profit of rs.1,56,000 before charging any of the above items.prepare the profit and loss appropriation account and pass necessary journal entry for appropriation of profit.

Q 2.KUMAR and RAJA were partners in a firm sharing profits in the ratio of 7:3.their fixed capitals were:KUMAR Rs.90000 and RAJA Rs.40000.the partnership deed provided for the following but the profit for the year was distributed without providing for:

- (i) interest on capital @ 9% p.a.
- (ii) kumar's salary rs.50000 per year and raja's salary rs.3000 per month.

The profit for the year ended 31.3.2007 was rs.2,78,000.

Pass the adjustment entry.

Q 3.The partners A and B decided to appropriate profits on the following terms:

- (a).interest is payable on capital @ 5%p.a.
- (b).both A nd B will get remuneration at rs.2000 and rs.1000 respectively.
- (c).intrest is payable on loan contributed by A @6% p.a.
(A contributed loan of rs.2000 to the firm on 1.07.2004)
- (d). Interest on drawing of partners is 2% at an average rate (drawing of A and B during the year 2004-2005 were rs.6000 and rs.4000 respectively.

For the year ending 31.3.2005,the total net profit to the firm is shown at rs.70000.on 1.4.2004 the capital balance of A and B werers.50000 and rs.40000 respectively.

In the firm's book show the journal entries,profit and loss appropriation account,partners capital account and partner's loan account.

Q 4. A,B and C are three partners in a firm.according to partnership deed , the partners are entitled to draw rs.700 per month.on 1st day of every month A,B and C drew rs.700,rs.600 and 500 respectively. Interest on capital and interest on drawing are fixed at 8% and 10% respectively.Profit during the year 2004-2005 was rs.75,501.out of which rs.20,000 is to be transfer to general reserve. B and C are entitled to receive salary of rs.3,000 and rs.4,500 p.a.respectively. and A is entitled to receive commission on 10% on net distributable profit after charging such commission.on 1st april,2004 the balance of their capital accounts were rs.50,000, rs.40,000 and rs.35,000 respectively.

You are required to show profit and loss appropriation account for the year ended 31st march,2005 and capital accounts in the books of the firm.

Q 5.RAM and GOPAL were partners in a firm sharing profits in the ratio of 3:2.on 1.1.2007 their fixed capitals were rs.1,00,000 and rs.1,50,000 respectively.on 31.3.2007 they decided that their total capital(fixed) should be in their profit sharing ratio.accordingly they introduced or withdrew the necessary capital.the partnership deed provided the following:

(i) interest on capital @ 12% p.a.(ii) interest on drawing @18% p.a. and (iii) monthly salary to ram @ rs.2,000 per month and to gopal @ rs.3,000 per month.

The drawing of RAM and GOPAL during the year were as follows:

DATE	RAM	GOPAL
July 1,2007	rs.10,000	rs.12,000
Sept 30,2007	rs.15,000	rs.12,000

The profit earned by the firm for the year ended 31.12.2007 was rs.2,00,000. 10% of this profit was to be kept in a reserve.

You are require to prepare :(i) profit and loss appropriation account, (ii) capital accounts of RAM and GOPAL and ,(iii) current accounts of RAM and GOPAL.

Q 6.The partners of a firm distributed the profit for the year ended 31st march,2003 rs.75,000 in the ratio of 3:2:1.without providing for the following adjustments:

- (i). A and B were entitled to a salary of rs.3,000 each per annum.
- (ii). B was entitled to a commission of rs.5,000.
- (iii). B and c had guaranteed a minimum profit of rs.30,000 p.a to A .
- (iv). Profits were to be shared in the ratio of 3:3:2.

Pass the necessary journal entry for the above adjustments in the books of the firm.

Q 7.Given below is the balance sheet of KRISHNA and SURESH who are partners in a firm sharing profits in the ratio of 3:2.

Liabilities	Amount	Assets	Amount
Crediors	15,000	Plant and machinery	30,000
Reserves	5,000	Patents	5,000
Capita accounts:		Furniture	3,000
KRISHNA 30,000		Stock	16,000
SURESH 20,000	50,000	Debtor	15,000
		cash	1,000
	70,000		70,000

On that date MOHAN is admitted as a partner for 1/5th share on the following terms:

- (a) He is to contribute rs.14,000 as his share of capital which include his share of premium for goodwill.
- (b) Goodwill is valued at 2'years purchase the average profits of last 4 years,which were rs.10,000; rs.9,000;rs.8,000 and rs.13,000 respectively.
- (c) plants to be written down to rs.25,000 and patents written up by rs.8,000.
- (d) unrecordable investment rs.7,000.

Prepare the Revaluation account, Partner's capital account and the balance sheet of the new firm.

Q 8. A and B are partners sharing profits in the ratio of 4:3.their balance sheet on march 31st,2007 was as under:

Liabilities	Amount	Assets	Amount
Sundry creditors	25,000	Cash	1,800
Bills payable	5,000	Bank	13,000
Capital accounts:		Debtor	30,500
A	80,000	Less:provision for bad and	
B	60,000	doubtfull debt	(300)
	1,40,000	stock	25,000
		plant	40,000
		building	60,000
	1,70,000		1,70,000

They agreed to admit C into partnership with effect from april 1st ,2007 on the following terms:

- (a)C to bring capital equal to 1/8th of the capital of the new firm after all adjustments.
 - (b) building to be appreciated by rs.7,000 and plant to be depreciate by rs.3,500.
 - (c). the provision for doubtfull debt on debtor to be raised to rs.650.
 - (d). the goodwill of the firm to be valued at rs.28,000 and C to bring his share of premium in cash.
- Prepare revaluation account,partner's capital account and the balance sheet on C's admission.

Q 9. A and B are partners in a firm sharing profits in the ratio of 3:2.their balance sheet as at 31st dec,2004 are as under:

Liabilities	Amount	Assets	Amount
Capital accounts:		Machinery	33,000
A	35,000	Furniture	15,000
B	30,000	Investment	20,000
General reserve	10,000	Stock	23,000
Bank loan	9,000	Debtor	19,000
creditors	36,000	Less:provision for doubtfull	
		debt	(2,000)
		cash	12,000
	1,20,000		1,20,000

On that date they admitted C into partnership for 1/4th share in the profit on the following terms:

- (i) C brings capital proportionate his share.he brings rs.7,000 in cash as his share of goodwill.
- (ii) Debtor are all good.
- (iii)depreciation stock by 5% and furniture by 10%.
- (iv) an outstanding bills for repair rs.1,000 will be brought in the books.
- (v)half of the investment were to be taken over by A and B in their profit sharing ratio at their book value.
- (vi) bank loan is paid off.
- (vii)partners agreed to share future profits in the ratio of 3:3:2.

Prepare revaluation account,partners capital accounts and balance sheet after admission of C into partnership.

Q 10.RAO and REDDY were partners in a firm sharing profits in the ratio of 3:1.they admitted kutty new partner for 3/8th share in the profits.the new profit sharing ratio will be 3:2:3.kutty bought rs.2,00,000 for his capital and rs.50,000 as his share of premium for goodwill.on 31.3.2007,the date of kutty's admission ,the balance sheet of rao and reddy was as follows:

Liabilities	Amount	Assets	Amount
creditors	60,000	Cash	90,000
bills payable	20,000	Debtors	80,000
capitals:		Stock	1,50,000
Rao	4,00,000	Furniture	50,000
Reddy	1,00,000	Machinery	2,10,000
	5,00,000		
	5,80,000		5,80,000

It was decided that :

- (i) stock is valued at rs.2,00,000.
- (ii) machinery will be depreciated by 12%.
- (iii) furniture will be depreciated by rs.2,000.
- (iv) the capital accounts of all the partners were adjusted in the new profit sharing ratio after admission.for surplus or deficiency,the current accounts are to be opened.

Prepare the revaluation account,partner's capital accounts and the balance sheet of the new firm.

Q 11: X,Y and Z were partners in a firm sharing profits in the ratio of 2:2:1.on 31.3.2004 their balance sheet was as follows:

Liabilities	Amount	Assets	Amount
bills payable	98,000	Cash	30,000
creditors	1,02,000	Bill receivable	9,000
profit and loss a/c	75,000	Debtors	21,000
capitals:		Stock	40,000
X	80,000	Furniture	80,000
Y	80,000	Plant and Machinery	1,20,000
Z	65,000	building	2,00,000
	2,25,000		
	5,00,000		5,00,000

On 1.4.2004 x retired from the business.on x's retirement,the assets and liabilities were valued as follows:

- (i) stock was depreciated by 20% and plant and machinery by 5%.building was appreciated by 20%.
(ii) the goodwill of the firm was valued at rs.60,000
X was to be paid rs.19,600 in cash on retirement,the balance sheet as on 1.4.2004.

Q 12. P ,Q and R were partners in a firm sharing profits and loss in the ratio of 2:3:5.on 31.3.2004 their balance sheet was as follows:

Liabilities	Amount	Assets	Amount
creditors	70,000	Bank	80,000
capitals:		debtors	20,000
P	80,000	less:provision for doubtful debt	(500)
Q	70,000	stock	21,000
R	60,000	building	87,500
	2,10,000	profit & loss a/c.	2,00,000
	4,08,000		4,08,000

On Z's retirement it was agreed that:

- (i) land and building will be appreciated by 5% and furniture will be depreciated by 20%.
(ii) provision for doubtful debts will be made at 5% on debtors and provision for legal claims will be made rs.60,000.
(iii) goodwill of the firm was valued at rs.60,000.
(iv) rs.70,000 from z's capital account will be transferred to his loan account and the balance will be paid to him by cheque.

Prepare revaluation account,partner's capital account and balance sheet of x and y after z's retirement.

Q 13. P,Q and R were partners in a firm sharing profits In the ratio of 2:3:5.on 31.3.2004 their balance sheet was as follows:

Liabilities	Amount	Assets	Amount
creditors	70,000	Bank	45,000
capitals:		debtors	40,000
P	80,000	less:provision for	
Q	70,000	doubtfull debt	(5,000)
R	60,000	stock	50,000
	2,10,000	building	1,40,000
		profit & loss a/c.	10,000
	2,80,000		2,80,000

On the above date R retired from the firm due to his illness on the following terms:

- (i) building was to depreciated by rs.40,000.
(ii) provision for doubtful debt was to be maintained at 20% on debtors.
(iii) salary outstanding rs.5,000 was to be recorded and creditors rs.4,000 will not be claimed.
(iv) goodwill of the firm was valued at rs.72,000 and the same was to be treated without opening goodwill account.

(v) R was to be paid rs.15,000 in cash ,through bank and the balance was to be transferred to his loan account.

Prepare revaluation account,partner's capital accounts and the balance sheet of P and Q after R's retirement.

Q 14.A,B and C were partners in a firm sharing profits in the ratio of 3:2:1.their balance sheet as on 31 march,2006 was as follows:

Liabilities	Amount	Assets	Amount
Creditors	19,000	Building	80,000
Reserve fund	12,000	debtors	15,000
Bills payable	5,000	stock	25,000
capitals:		motor vans	8,000
A	40,000	machinery	35,000
B	30,000	cash at bank	3,000
C	25,000		
	1,31,000		1,31,000

B retired on that date subject to the following conditions:

(i) machinery and motor vans to be depreciated by 10%.

(ii) provision made for doubtful debts at rs.700 on debtors.

(iii) stock and buildings to be appreciated by 20%.

(iv)goodwill of the firm be valued at rs.18,000 and the retiring partners share to be adjusted through the capital accounts of the remaining partners.

(v) B's accounts was settled by means of a cheque.

Prepare revaluation account,partner's capital accounts and balance sheet to give effect to the above arrangements.

Q 15. Following is the balance sheet of raju ,bhanu and lallan as on 31 march ,2006.they shared profits in the ratio of their capitals:

Liabilities	Amount	Assets	Amount
Sundry creditors	9,200	Land and building	46,800
reserves	10,800	Plant and machinery	26,000
capitals:		stock	9,400
raju	80,000	sundry debtors	13,000
bhanu	70,000	cash at bank	11,200
lallan	60,000	cash in hand	9,600
	1,16,000		1,16,000

Bhanu died on 30th june,2006.under the terms of partnership,the executors of a decreased partners were entitled to :

(a) amount standing to the credit of the partner's capital account .

(b) interest on capital @12% per annum.

(c)share of goodwill on the basis of three years' purchase of last three years'average profits .

(d) share of profit from the closing of last financial year to the date of death on the basis of the last years profit. profit for the years ending on 31 march 2004,2005 and 2006 were rs.22000,rs.26,000 and rs.12,000 respectively.

Showing the full working of your calculations,pass necessary journal entries in the books of the firm for the above transactions ,on the death of bhanu.

Q 16.X ,Y and Z were partners sharing profits in the ratio 3:2:1.on 31 march,2008,their balance sheet stood as under:

Liabilities	Amount	Assets	Amount
capitals:		Cash at Bank	70,000
x	75,000	Investment	50,000
y	70,000	Patents	15,000
z	50,000	Stock	25,000
creditors	72,000	Debtors	20,000
general reserve	24,000	Building	75,000
		machinery	36,000
	2,91,000		2,91,000

Z died on may 31st 2008 it was agreed that:

(a) goodwill was valued at 3 years purchase of the average profits of the last five years ,which were, 2003:rs.40,000; 2004:rs.40,000; 2005:rs.30,000; 2006:rs.40,000 and 2007:rs.50,000.

(b) machinery was valued at rs.70,000,patents at rs.20,000 and buildings at rs.66,000.

(c) for the purpose of calculating Z's share of profits till the date of death ,it was agreed that the same be calculated based on the average profits of the last 2 years.

(d) the executor of the deceased partner is to be paid the entire amount due by means of a cheque. Prepare Z's capitals accounts to rendered to the executor and also a journal entry for the settlement of the amount due to Z's executors.

Q 17.ACHAL and VICHAL were partners in a firm sharing profits in the ratio of 3:1.3.2011 their balance sheet as on 31.3.2011 their balance sheet was as follows:

Liabilities	Amount	Assets	Amount
Capital		Land and building	4,00,000
Achal	3,00,000	Machinery	3,00,000
vichal	5,00,000	Debtors	2,22,000
creditors	1,79,000	Cash at bank	78,000
general reserve	21,000		
	10,00,000		10,00,000

The firm was dissolved on 1-04-2011 and the assets and liabilities were settled as follows:

(i) land and building realized rs.4,30,000;

Respectively.their profit sharing ratio was 3:3. During the year ended 31.3.2005 they earned a profit of rs.50,000.their drawing during the year were madhu rs.7,000 and garimr rs.5,000.on 31.3.2005 the firm was dissolved .creditors on that date were rs.37,000.the assets were realized for rs.2,80,000.the expenses of realization were rs.5,000.

Prepare realisation account,cash account and partner's capital account.

Q 21. On 1st January 2009 X,Y and Z started business sharing profit and losses in the ratio of 3:2:1. Respectively. they contributed rs.1,00,000 , rs.80,000 and rs.40,000 respectively as their capital which were deposited into bank .each partner withdrew rs.15,000 during the year .the partnership was dissolved on 31st dec,2009.x took up the stock at an agreed price of rs.25,000.y took up furniture at rs.5,000 and z took up the debtors at rs.18,500.creditors were paid off and then remained a balance of rs.14,000 in the bank account.

Prepare necessary accounts to show the distribution of cash at bank and of the required cash brought in by any of the partners.

PART B

From the following statement calculate the cash generated from the operating activities:

Statement of profit and loss
For the year ending March 31st,2012

Particulars	Amount(Rs)
Revenue from operations-Gross Profit i.e , Sales-cost of goods sold	80,000
Add: Other income	
Profit on sale of machinery	
10,000	
Dividend received	19,000
4,000	99,000
Interest received	
5,000	
Total Revenue	
Less: Expenses: Salaries i.e. Employee Benefit Expenses	
(15,000)	
Description	
(20,000)	(55,000)

Goodwill written off (10,000)	44,000 (10,000)
Other expenses : Rent (5,000)	34,000
Loss on sale of building (5,000)	10,000
	24,000
Profit before tax(PBT)	
LESS: Provision For tax	
Provision after tax(PAT)	
LESS: appropriation: proposed dividend	
Balance of profit carried for balance sheet	

