CA FOUNDATION ACCOUNTS

PARTNERSHIP

Q. 1. Good, Better and Best are in partnership sharing profits and losses in the ration 3:2:4. Their capital account balances as on 31st March, 2012 are as follows:

	₹
Good	1,70,000 (Cr.)
Better	1,10,000 (Cr.)
Best	1,22,000 (Cr.)

Following further information provided:

1) ₹ 22,240 is to be transferred to General Reserve.

2) Good, Better and Best are paid monthly salary in cash amounting ₹ 2,400, ₹ 1,600 and ₹1,800 respectively.

3) Partners are allowed interest on their closing balance @ 6% p.a. and are changed interest on drawings @ 8% p.a.

4) Good and Best are entitled to commission @ 8% and 10% respectively of the net profit before making any appropriation.

5) Better is entitled to commission @ 15% of the net profit before charging Interest on Drawings but after making all other appropriations.

6) During the year Good withdraw ₹ 2,000 at the beginning of every month, Better ₹ 1,750 at the end of every month and Best ₹ 1,250 at the middle of every month.

7) Firm's Accountant is entitled to a salary of ₹ 2,000 per month and a commission of 12% of net profit charging such commission.

   The Net Profit of the firm for the year ended on 31st March, 2012 before providing for any of the above adjustments was ₹ 2,76,000.

You are required to prepare Profit and Loss Appropriation Account for the year ended on 31st March, 2012.

Q. 2. A and B are partners sharing profits and losses in the ratio of 3:2. Their Balance Sheet as on 31.3.2016 is given below:

Liabilities	₹	Assets	₹
Trade payables	50,000	Freehold premises	2,00,000
Capital Accounts:		Plant	40,000
A	2,00,000	Furniture	20,000
B	1,00,000	Office equipment	25,000
		Inventories	30,000
		Trade receivables	25,000
		Bank	10,000
	3,50,000		**3,50,000**

On 1.4.2016 they admit C on the following terms:

1) C will bring ₹50,000 as a capital and ₹10,000 for goodwill for 1/5 share;

2) Provision for doubtful debts is to be made on Trade receivables @2%.

3) Inventory to be written down by 10%.

4) Freehold premises is to be revalued at ₹2,40,000, plant at ₹35,000, furniture ₹25,000 and office equipment ₹27,500.

5) Partners agreed that the values of the assets and liabilities remain the same and, as such, there should not be any change in their book values as a result of the above mentioned adjustments.

You are required to make necessary adjustment in the Capital Accounts of the partners and show the Balance Sheet of the New Firm.

Q. 3. M/s X and Co. is a partnership firm with the partners A, B and C sharing profits and losses in the ratio of 3:2:5. The Balance Sheet of the firm as on 30th June 2011, was as under:

Balance Sheet of X and Co. as on 30.6.2011

Liabilities	₹	Assets	₹
A's capital A/c	1,04,000	Land	1,00,000
B's capital A/c	76,000	Building	2,00,000
C's capital A/c	1,40,000	Plant and Machinery	3,80,000
Long term Loan	4,00,000	Investments	22,000
Bank Overdraft	44,000	Inventories	1,16,000
Trade Payables	1,93,000	Trade Receivables	1,39,000
	9,57,000		**9,57,000**

It was mutually agreed that B will retire from partnership and his place D will be admitted as a partner with effect from 1st July, 2011. For this purpose, the following adjustments are to be made:

(a). Goodwill of the firm is to valued at ₹2 lakhs due to the firm's locational advantage but the same will not appear as an asset in the books of the reconstituted firm.

(b). Building and plant and machinery are to be valued at 90% and 85% of the respective balance sheet values. Investments are to be taken over by the retiring partner at ₹25,000. Trade receivables are considered good only up to 90% of balance sheet figure. Balance be considered bad.

(c). In the reconstituted firm, the total capital will be ₹3 lakhs, which will be contributed by A, C and D in their new profit sharing ratio, which is 3:4:3.

(d). The amount due to retiring partner shall be transferred to his loan account.

You are required to prepare Revaluation Account and Partner's Capital Accounts.

Q. 4. The Balance Sheet of seed, plant and flower as at 31st December, 2010 was as under:

Liabilities		₹	Assets	₹
Trade Payables		20,000	Fixed Assets	40,000
General Reserve		5,000	Trade Receivables	10,000
Capital:			Bills Receivable	4,000
Seed	25,000		Inventories	16,000
Plant	15,000		Cash at Bank	10,000
Flower	15,000	55,000		
		80,000		**80,000**

The profit sharing ratio was: seed 5/10. Plant 3/10 and flower 2/10. On 1st May, 2011 plant died. It was agreed that:

(a). Goodwill should be valued at 3 years purchase of the average profit for 4 years. The profit were:

2007	₹10,000	2009	₹12,000
2008	₹ 13,000	2010	₹ 15,000

(b). The deceased partner to be given share of profit up to the date of death on the basis of the previous year.

(c). Fixed assets were to be depreciated by 10%. A bill for ₹1000 was found to be worthless. These are not to affect goodwill.

(d). A sum of ₹7,750 was to be paid immediately, the balance was to remain as a loan with the firm at 9% p.a. as interest.

Seed and flower agreed to share profit and losses in future in the ratio of 3:2. Give necessary journal entries.

MUST DO QUESTIONS FROM ICAI MODULE BEFORE EXAM

QUESTION NUMBER	ICAI MODULE PAGE NUMBER
ILLUSTRATION 5	8.16
ILLUSTRATION 9	8.20
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