IJ12ACZ

TIME : 2 hrs. **MARKS : 50**

Instructions :

1) Q.1 carries 14 Marks while the remaining questions carry 12 Marks each.
2) Q. 1 and Q. 2 are Compulsory.
3) Q. 3 has internal option, i.e. Question No. 3 or 3.
4) Similarly Question No. 4 has internal option, i.e. Question No. 4 or 4.
5) In all, four questions are to be attempted as indicated above.

Q. 1 A and B were partners sharing profits and losses in the ratio of 2:3 The balance sheet of their firm as on 31/3/2009 was as follows L-

Balance Sheet of M/s AB & Co. as on 31/3/2009

Liabilities	**Rs.**	**Assets**	**Rs.**
A's Capital	1,20,000	Machinery	1,80,000
B's Capital	1,50,000	Furniture	15,000
General Reserve	50,000	Stock	90,000
Bank Loan	80,000	Debtors	1,10,000
Creditors	60,000	Advertisement Exp.	5,000
Outstanding Expenses	10,000	Cash	23,000
		Bank	47,000
	4,70,000		**4,70,000**

On 1st April 2009, they decided to admit C as a partner in the firm to be renamed as M/s ABC & Co. The following were the terms and conditions agreed upon by A, B, and C.

a) A, B, and C will share profits and losses in the ratio of 2:3:1.

b) C agreed to bring in Rs. 1,00,000/- in cash towards his capital.

c) C also agreed to bring in cash Rs. 10,000 towards his share of goodwill of the firm

d) The assets and liabilities were to be revalued as follows :-

i) Machinery and Furniture are to be depreciated by 10%.

ii)Stock was found overvalued by Rs. 10,000. The same is to be revalued at its correct value.

iii)A provision of Rs. 10,000 is to be created for doubtful debts.

iv)Advertisement expenditure is to be written off fully.

v)Creditors amounting to Rs. 4,500 are no longer payable and so are to be written back.

e) In view of increase in the business A and B agreed to raise their capital contributions to be in proportion to their profit-shares based on capital of C. A and B paid the required amount by cheque.

All the above transactions were duly completed.

You are required to prepare the following :

a) Partner's Capital Accounts

b) Profit & Loss Adjustment Account

c) Balance Sheet of the firm M/s ABC & Co. after all the above

Q.2 Objective

In each of the following cases, state whether the given statement is TRUE OR FALSE (Reasons need not be given.)

a) If the credit balance in a Retiring Partner's Capital Account is not repaid immediately on retirement, then such balance is carried forward in his Capital Account.

b) In piecemeal distribution, the excess capital of a partner is paid first even before payment of outside liabilities,

c) Preferential creditors are also called secured creditors.

d) In case of dissolution of a firm, sundry assets except cash are transferred to the debit of Realisation Account at book values.

e) Goodwill is a fictitious asset.

f) Sacrifice ratio is also a profit-sharing ratio.

g) If furniture is found to be over-valued, there will be profit on revaluation of the same.

h) Advertisement expenses should be apportioned in Sales Ratio.

i) Loss on realisation should be shared by partners in capital ratio.

j) Balance due to a deceased partner need not be repaid to any one as the partner is no longer alive.

k) If a new partner is admitted on 28/2/2009 during the year ended 31/3/2009, then the Time Ratio will be 5:1.

l) In India, partnership firms with unlimited liability are governed by the provisions of the Indian Partnership Act, 1932.

Q.3 L,M and N were in partnership sharing profits and losses in the ratio of 3:2:1 respectively. Their balance sheet as on 31/3/2009 was as follows :-

Balancesheet of M/s LMN & Co. as on 31/3/2009

Liabilities	**Rs.**	**Assets**	**Rs.**
Capitals : L 1,00,000		Goodwill	30,000
M 60,000		Machinery	1,02,000
N 40,000	2,00,000	Furniture	20,000
Reserve	60,000	Stock	60,000
Creditors	40,000	Debtors	90,000
Bills Payable	20,000	Cash	18,000
	3,20,000		**3,20,000**

On the above date, N retired from the firm on the following terms :-

a) It was agreed that goodwill has been correctly valued, and that it should continued to appear in the books at the full value of Rs. 30,000.

b) Machinery was to be revalued at Rs. 90,000.

c) Stock was to be revalued at Rs. 80,000.

d) Provision for doubtful debts to be made at Rs. 2000.

e) Profit-sharing ratio of continuing partners L and M will remain unchanged at 3:2.

f) Capital balance of retiring partner N after all the above adjustments shall

i) Rs. 6,000 to be used from the cash in hand for repaying N.

ii) Balance amount required shall be brought in cash by L and M in such a way that their final capitals will be in profit-sharing ratio of 3:2

All the above transactions were duly completed. You are required to prepare the following :-

a) Partner's Capital Accounts

b) Profit & Loss Adjustment A/c

c) Revised Balance sheet after all the above transactions.

OR

Q.3 P and Q were in partnership sharing profits and losses in the ratio of 2:1. Their balance sheet as on 31/3/2009 was as follows :-

Balance Sheet as on 31/3/2009

Liabilities	**Rs.**	**Assets**	**Rs.**
P's Capital	40,000	Building	30,000
Q's Capital	30,000	Machinery	20,000
General Reserve	30,000	Furniture	14,000
Creditors	20,000	Stock	26,000
Bills Payable	5,000	Debtors	29,000
		Cash	6,000
	1,25,000		**1,25,000**

On the above date, the partner decided to dissolve the firm. It was also decided that piecemeal distribution of cash in hand and amounts realised would be arrange as per Excess Capital Method at the end of each month, starting from April 2009.

The details of dissolution were as follows :

a) The month-wise realisation from various assets and the realisation expenses were as follows:

Realisation from (2009)	April	May	June (last)
Buidling	–	40,000	38,000
Machinery	–	10,000	5,000
Furniture	–	10,000	2,000
Stock	6,000	7,000	8,000
Debtors	3,600	14,400	8,000
Total realised	9,600	81,400	61,000
Realisation Expenses paid	600	1,400	1,000

b) All payments were made in due order as agreed.

You are required to prepare : -

i) Statement of Excess Capital

ii) Statement of Piecemeal Distribution of Cash.

iii) Also state the total profit or loss on realisation, and how the same is shared by partner's P & Q.

Q.4 A and B were in partnership sharing profits and losses in the ratio of 3:2.

31/3/2009. The new Profit-sharing ratio of A, B and C was agreed at 3:2:1.

The trading and profit and loss account of M/s ABC & Co. for the year ended 31/3/2009 was as follows :

Trading and Profit & Loss Account for the year ended 31/3/2009

To Opening Stock	86,000	By Sales	9,10,000
To Purchases	5,40,000	By Closing Stock	80,000
To Gross Profit C/d	3,64,000		
	9,90,000		9,90,000
To Salaries	84,000	By Gross Profit b/d	3,64,000
To Depreciation	21,000		
To Rent	42,000		
To Advertisement	31,500		
To Carriage Outward	10,500		
To Interest on Bank Loan	12,000		
To Net Profit	1,63,000		
	3,64,000		3,64,000

The following additional information is available :-

		A	B	C
a)	Salary to partners	Rs. 1000p.m.	1000 p.m.	1000 p.m. (from 1/12/08)
b)	Opening Capital	3,00,000	2,00,000	1,00,000
c)	Interest on Capital @ 12% p.a.	?	?	?
d)	Interest on Drawings	4,000	3,000	2,000
e)	Drawings	48,000	38,000	28,000

f) Sales for the pre-admission period were Rs.5,20,000.

Prepare Columnar Profit and Loss Account and Columnar P & L Appropriation A/c apportioning the various items on suitable basis between the pre-admission and post-admission periods.

Balance sheet as on 31/3/2009 is not required.

OR

Q.4 **D and E were in partnership sharing profits and losses in the ratio of 2:1. Their balance sheet as on 31/3/2009 was as follows :-**

Balance Sheet as on 31/3/2009

Liabilities	**Rs.**	**Assets**	**Rs.**
D's Capital	40,000	Building	30,000
E's Capital	30,000	Machinery	20,000
General Reserve	30,000	Furniture	14,000
Creditors	20,000	Stock	26,000
Outstanding Wages	5,000	Debtors	29,000
		Cash	6,000

On the above date, the partner decided to dissolve the firm. The details of the dissolution were as follows :-

a) Realisation Expenses amounted to Rs. 3000.

b) The various assets realised the following amounts :-

Building	Rs. 78,000
Machinery	15,000
Furniture	12,000
Stock	21,000
Debtors	26,000
Total	**1,52,000**

c) Creditors and outstanding wages were paid in full .

d) Subsequently, capital balances were repaid to the partners.

You are required to prepare the following :

i) Partner's Capital Accounts

ii) Realisation Account

iii) Cash Account

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