

S. No.: 157

BATCH: 87-2014, 16.17

Reg. No.:

END OF SEMESTER EXAMINATIONS, APRIL / MAY - 2019

PARTNERSHIP ACCOUNTS

SUBJECT CODE: 16UAC013

MAJOR : B.COM

TIME : 3 HOURS

SEMESTER : IV

MAX. MARKS: 75

**SECTION - A ( 10 X 1 = 10 )****Answer ALL the questions:**

1. What is meant by Interest on Capital?
2. What is 'Super Profit'?
3. What is meant by 'Joint Life Policy'?
4. What is meant by 'Amalgamation of Firms'?
5. What is meant by Dissolution of a firm?
6. What do you mean by "Sale to a Company"?
7. What do you mean by piecemeal distribution of Cash?
8. Who is an Insolvent Partner?
9. Name the two acts that deal with insolvency affairs in India.
10. Who are partly secured creditors?

**SECTION - B ( 5 X 4 = 20 )****Answer any FIVE questions:**

11. State any four circumstances that necessitate the valuation of goodwill.
12. Arun and Balu are partners in a firm sharing profits and losses in the ratio of 4:1. On 1<sup>st</sup> January 2018, their Capitals were Rs.20,000 and Rs.10,000 respectively. The partnership deed specifies the following:
  - a) Interest on Capital is to be allowed at 5% per annum.
  - b) Interest on Drawings charged to Arun and Balu are Rs.200 and Rs.300 respectively.
  - c) The net profit of the firm before considering the above items amounted to Rs.18,000.
 You are required to prepare Profit and Loss appropriation account as on 31<sup>st</sup> December 2018 assuming that the capitals are fluctuating.
13. A, B and C were equal partners in a firm. "C" died on 28<sup>th</sup> February 2018. His share of profit from the closure of last accounting year till the date of death was to be calculated on the basis of the average profit of three completed years before death. Profits for 2015, 2016 and 2017 were Rs.70,000, Rs.74,000 and Rs.72,000 respectively. Accounts are closed by the firm on 31<sup>st</sup> December each year.  
Calculate C's share of profit until his death and pass the necessary Journal Entry for the same.
14. Bring out any four objectives of Amalgamation of firms.
15. P, Q and R share Profits and Losses in the ratio of 3:2:1. On the date of dissolution, their Balance Sheet was as follows:

Liabilities	Rs.	Assets	Rs.
Capital Accounts:		Sundry Assets	80,000
P	20,000		
Q	20,000		
R	12,000		
Sundry Creditors	28,000		
	80,000		80,000

The assets realised Rs.71,000. Creditors were paid in full. Realisation expenses amounted to Rs.3,000. Prepare Realisation Account.

16. Explain the 'Garner Vs. Murray Rule'.
17. A, B and C share profits and losses in the ratio of 2:1:1. On the date of dissolution, their balance sheet stood as follows:

Liabilities	Rs.	Assets	Rs.
Capital Accounts:		Sundry Assets	20,000
A	5,000		
B	5,000		
C	3,000		
Sundry Creditors	7,000		
	20,000		20,000

The Assets realised as follows:

- I Instalment Rs.7,000
- II Instalment Rs.5,000
- III Instalment Rs.5,000

Prepare a statement showing the piecemeal distribution of cash under Proportionate Capital Method.

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18. Find out the amount of preferential creditors from the following liabilities of Ramesh according to Presidency Towns Insolvency Act 1909:

	Rs.		Rs.
3 months' Salary for 10 Clerks	3,600	Wages	6,000
One month's Wages of 12 Labourers	1,600	Sales Tax	400
Wages of 4 Servants	1,400	Income Tax	1,000
3 months' Rent of Landlord	600	Salaries	1,000

**SECTION - C (3 X 15 = 45)**

**Answer any THREE questions:**

19. Arun and Varun are partner sharing Profits and Losses in the ratio of 3:1. Their balance sheet stood as under as on 31.12.2018:

Liabilities	Rs.	Assets	Rs.
Capital Accounts:		Furniture	6,000
Arun	30,000	Machinery	22,000
Varun	20,000	Buildings	30,000
Salary due	5,000	Stock	10,000
Sundry Creditors	40,000	Sundry Debtors	7,500
		Cash	18,500
		Prepaid Insurance	1,000
	95,000		95,000

"Tarun" is admitted as a new partner introducing a capital of Rs.20,000, for his one-fourth (1/4) share in future profits.

Following revaluations are made:

- Stock be depreciated by 5%
- Furniture be depreciated by 10%
- Building be revalued at Rs.45,000
- The provision for bad debts should be Rs.500

Prepare Revaluation Account, Partners' Capital Account and Balance Sheet after Tarun's admission.

20. Discuss the accounting treatment in the books of amalgamating firms and amalgamated firm.
21. The Balance Sheet of a firm as on 31<sup>st</sup> March 2018 was as follows:

Liabilities	Rs.	Assets	Rs.
Capital Accounts:		Freehold property	8,000
A	5,000	Investment	2,000
B	4,000	Debtors	1,000
C	3,000	Cash at Bank	3,000
Sundry Creditors	2,000		
	14,000		14,000

The firm was dissolved on the above date. The sundry creditors allowed a discount of 5%. A, B and C have agreed to take over the Freehold property, Investment and Debtors at agreed values of Rs.9,000, Rs.1,500 and Rs.600 respectively. The Realisation Expenses came to Rs.110. Prepare necessary Ledger Accounts to close the books of the firm.

22. The following is the Balance Sheet of X, Y and Z on 31.03.2018:

Liabilities	Rs.	Assets	Rs.
Capital Accounts:		Furniture	64,000
X	64,000	Machinery	1,60,000
Z	48,000	Sundry Debtors	1,60,000
Reserve Fund	72,000	Cash at Bank	32,000
Creditors	2,56,000	Y's Capital	24,000
	4,40,000		4,40,000

The firm is dissolved due to insolvency of Y who is unable to contribute anything in the payment of his debt to the firm. Machinery realised Rs.1,20,000 and Furniture Rs.25,600. Only Rs.96,000 was recovered from debtors. Creditors were paid at a discount of 5%.

Prepare the necessary accounts to close the books of the firm assuming that the capitals are fluctuating. Apply Garner Vs. Murray rule.

23. What is Statement of Affairs? How does it differ from Balance Sheet?

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