

END OF SEMESTER EXAMINATIONS, APRIL / MAY - 2017  
PARTNERSHIP ACCOUNTS  
SUBJECT CODE : 12UACO13

MAJOR : B.COM  
TIME : 3 HOURS

SEMESTER : IV  
MAX. MARKS: 75

**SECTION A – ( 10 X 1 = 10 )**

**Answer ALL the Questions:**

1. Mention two clauses in partnership deed?
2. What is sacrificing ratio?
3. What is revaluation account?
4. Mention any two objectives of amalgamation of firms?
5. What do you understand by 'Garner vs Murray' rule?
6. What is realisation account?
7. What do you understand by 'maximum possible loss'?
8. Who is an insolvent partner?
9. Who are preferential creditors?
10. What is unsecured creditors?

**SECTION B – ( 5 X 4 = 20 )**

**Answer any FIVE Questions:**

11. From the following balance sheet of A and B, calculate interest on capital at 5% p.a. for the year ending 31<sup>st</sup> December 1996.

Balance sheet as on 31.12.1996

Particulars	Rs.	Particulars	Rs.
A's Capital	20,000	Sundry Assets	42,000
B's Capital	16,000	Drawings 'A'	2,000
Profit & Loss			
Appropriation A/c – 1996	8,000		
	44,000		44,000

During the year 1996, A's drawings were Rs. 2,000 and B's drawings Rs. 6,000. Profits during the year 1996 were Rs. 12,000.

12. A firm earned net profit during the last three years as follows

- I year – 36,000
- II year – 40,000
- III year – 44,000 (loss)

The capital investment of the firm is Rs. 1,20,000. A fair return on the capital having regard to the risk involved is 10%. Calculate the value of good-will on the basis of 3 years purchase of super profits. :

13. What are the types of mode of payment? -
14. How do you record amalgamation of firms in the books of the new firm?
15. The Balance sheet of a firm stood as follows on 31.12.1981.

Liabilities	Rs.	Assets	Rs.
Creditors	17,000	Cash at Bank	6,200
Bills Payable	1,200	Debtors 20,000	
Capital A/cs:		Less: Provision 1,000	19,000
Amir 20,000		Stock	22,000
Balu 20,000		Plant & Machinery	15,000
Cherian 10,000	50,000	Fixtures	1,500
		Goodwill	4,500
	68,200		68,200

It was decided to sell the business to Andawar Ltd. which agreed to allot 6,000 fully paid shares of Rs. 10 each in full satisfaction of the purchased consideration. The company assumed liabilities except bills payable and took over all the assets excepting the bank balance. The partners, Amir, Balu and Cherian shared profits and losses in proportions of  $\frac{1}{2}$ ,  $\frac{1}{3}$  and  $\frac{1}{6}$  respectively. Prepare Realisation account only.

16. A, B and C are partners sharing profits and losses in the ratio of 3:2:1 respectively. The firm was dissolved on 31.12.1995 on which date its Balance sheet was as follows.

Liabilities	Rs.	Assets	Rs.
Capital Accounts: A	45,000	Plant & Machinery	28,500
B	5,000	Stock	25,000
C	5,000	Sundry Debtors	25,000
A's Current A/c	750	Cash at Bank	1,500
Sundry Creditors	20,000	B's Current A/c	1,000
Bills Payable	3,500	C's Current A/c	2,500
A's loan	5,000	Profit & Loss A/c	750
	84,250		84,250

Plant & machinery realized for Rs. 20,000; Stock realised Rs. 15,000; Debtors realised Rs. 21,000; Goodwill was sold for Rs. 300. The dissolution expenses amounted to Rs. 600. C is insolvent and a dividend of 50 paise in the rupee is received from his private estate. Prepare Realisation account only.

17. A and B are in equal partnership. Their Balance Sheet stood as follows.

Liabilities	Rs.	Assets	Rs.
Capital A	600	Plant & Machinery	1,475
Sundry Creditors	3,900	Furniture	400
		Debtors	500
		Stock	625
		Bank	300
		B's capital	1,200
	4,500		4,500

The assets were realized as follows

Stock Rs. 350, Furniture Rs. 200, Debtors Rs. 500, and Plant & Machinery Rs. 700. The cost of collecting and distributing the estate amounted to Rs. 150. A's private estate is not sufficient even to pay his private liabilities, where as in B's private estate, there is a surplus of Rs. 50. Prepare Realization Account.

18. Prepare a specimen statement of affairs to provincial insolvency Act.

**SECTION C – (3 X 15 = 45)**

**Answer any THREE Questions:**

19. Enumerate the major points, which require attention in the case of retirement of a partner?  
 20. A, B and C were partners sharing profits in the ratio of 2:1:1 respectively. Their Balance Sheet on 31.12.90 was as follows.

Liabilities	Rs.	Assets	Rs.
Capital Accounts: A	3,00,000	Building	3,00,000
B	1,80,000	Loan to A	90,000
C	1,20,000	Stock	1,65,000
Sundry Creditors	1,20,000	Sundry Debtors	1,35,000
		Cash at Bank	30,000
	7,20,000		7,20,000

A died on 1.1.91 the firm had effected insurance for Rs. 3,00,000 on the joint lives of the three partners and the amount of policy was realised on 1.2.91 according to the partnership agreement, the goodwill was to be calculated at 2 years purchase on the average profit of 3 completed years preceding the death. The deceased partner's share of capital and goodwill etc. was paid in cash on 1.3.90 the available cash balance being supplemented by loan from the firm's bankers on the security of building.

The net profits were:

In 1988-Rs. 2,10,000; In 1989-Rs.2,00,000; In 1990-Rs. 1,30,000.

You are required to give journal entries. Capital A/c's and balance sheet of B and C as it would stand after A's share is paid out. (interest may be ignored and changes in assets and liabilities need not be considered for balance sheet, except bank loan and goodwill.

21. Describe the different modes or ways in which partnership firm may be dissolved.  
 22. P, Q and R are partners in a firm. They share profits and losses equally. Their Balance Sheet on 31.12.92 is given as under

Liabilities	Rs.	Assets	Rs.
Capitals: P	16,000	Machinery	40,000
R	12,000	Furniture	16,000
Reserve Fund	18,000	Debtors	40,000
Creditors	64,000	Cash at Bank	8,000
		Q, Capital	6,000
	1,10,000		1,10,000

The partnership is dissolved due to insolvency of Q who is unable to contribute anything in the payment of his dept to the firm. Machinery realised Rs. 30,000 and furniture Rs. 6,400. Only Rs. 24,000 was recovered from debtors. Creditors were paid at a discount of 5%. Prepare the necessary Ledger accounts.

23. Mr. X is insolvent. He supplies to you the following information as on 31.12.92

Particulars	Rs.
Cash in hand	1,000
Creditors for goods	5,25,000
Salary due to clerk	7,000
Taxes due to Government	21,000
Bank loan secured by lien on stock of the book value of Rs. 3,50,000	1,75,000
Furniture (Expected to realise Rs. 35,000)	70,000
Stock (Expected to realise 60%)	5,25,000
Book debts (good)	70,000
Book debts (doubtful, expected to realise 40%)	1,75,000
Bills receivable (Rs. 52,500 bad)	87,500
Bills discounted (Rs. 35,000 bad)	1,05,000
Loan from Mrs. 'X'	1,75,000

Mr. 'X' started business six years ago with a capital of Rs. 4,37,500. He drew Rs. 87,500 each year for private purpose but did not maintain proper books of accounts. Mrs. 'X' gave up her jewellery valued at Rs. 70,000 to the receiver. Prepare the statement of affairs and Deficiency account.