

Q.1. A and B start business on 1st January 2016 with capital of Rs. 30,000 and Rs.20,000. According to the partnership Deed, B is entitled to a salary of Rs. 500 per month and interest is to be allowed on capital at 6% p.a. the remaining profits are to be distributed amongst the partners in the ratio of 5:3. During 2016 the firm earned a profit, before charging salary to B and interest on capital amounting to Rs. 25,000. During the year A withdrew Rs. 8,000 and B withdrew Rs. 10,000 for domestic purposes. Give general entries relating to division of profit.

Q.2. Ram, Rahim and Karim are partners in a firm. They have no agreement in respect of profit-sharing ratio, interest on capital, interest on loan advanced by partners and remuneration payable to partners. In the matters of distribution of profits they have put forward the following claims:

1. Ram who has contributed maximum capital demands interest on capital at 10% p.a. and share of profit in the capital ratio. But Rahim and Karim do not agree.
2. Rahim has devoted full time for running the business and demands salary at the rate of Rs. 500 p.m. But Ram and Karim do not agree.
3. Karim demands interest on loan of Rs. 2,000 advanced by him at the market rate of interest which is 12% p.a.

How shall you settled the dispute and prepare Profit and Loss Appropriation Account after transferring 10% of the divisible profit to reserve. Net profit before taking into account any of the above claims amounted to Rs. 45,000 at the end of the first year of their business.

Q.3. A and B start business on 1st January 2016 with capital of Rs. 30,000 and Rs. 20,000. According to the partnership Deed, B is entitled to a salary of Rs. 500 per month and interest is to be allowed on opening capital at 6% p.a. The remaining profit are to be distributed amongst the partners in the ratio of 5:3. During 2016 the firm earned a profit, before charging salary to B and interest on capital amounting to Rs. 25,000. During the year A withdrew Rs. 8,000 and B withdrew Rs. 10,000 for domestic purpose. Prepare Profit and Loss Appropriation Account.

Q.4. A and B start business on 1st January 2016 with capital of Rs. 30,000 and Rs.20,000. According to the partnership Deed, B is entitled to a salary of Rs. 500 per month and interest is to be allowed on capital at 6% p.a. the remaining profits are to be distributed amongst the partners in the ratio of 5:3. During 2016 the firm earned a profit, before charging salary to B and interest on capital amounting to Rs. 25,000. During the year A withdrew Rs. 8,000 and B withdrew Rs. 10,000 for domestic purposes. Prepare Capital Accounts of Partners A and B.

Q.5. A and B are partners sharing profits and losses in the ratio of their effective capital. They had Rs. 1,00,000 and Rs. 60,000 respectively in their Capital Accounts as on 1st January 2016.

A introduced further capital of Rs. 10,000 on 1st April 2016 and another Rs. 5,000 on 1st July 2016. On 30th September 2016 A withdrew Rs. 40,000.

On 1st July 2016 B introduced further capital of Rs. 30,000.

The partners drew the following amounts in anticipation of profit.

A drew Rs. 1,000 per month at the end of each month beginning from January 2016. B drew Rs. 1,000 on 30th June, and Rs. 5,000 on 30th September 2016.

12% p.a. interest on capital is allowable and 10% p.a. interest on drawing is chargeable. Date of closing 31.12.2016. Calculate: (a) Profit-sharing Ratio; (b) Interest on capital; and (c) Interest on Drawings.

Q.6. Ram and Rahim start business with capital of Rs. 50,000 and Rs. 30,000 on 1st January 2016. Rahim is entitled to a salary of Rs. 400 per month. Interest is allowed on capitals and is charged on drawings at 6% p.a. Profits are to be distributed equally after the above noted adjustments. During the

year ram withdrew rs. 8,000 and Rahim withdrew rs. 10,000. The profit for the year before allowing for the terms of the partnership deed came to Rs. 30,000. Assuming the capital to be fixed prepare the Profit and loss Appropriation Account and the capital and current Accounts relating to the partners.

Q.7. With the help of same information given in question no. 6 let us prepare the Capital and Current Accounts of Ram and Rahim.

Q.8. A and B were partners in a firm sharing profits and losses in the ratio of 3:2. They admit for $\frac{1}{6}$ th share in profits and guaranteed that his share of profits will not be less than Rs. 250,00,000. Total profits of the firm for the year ended 31st march 2017 were Rs. 900,00,000. Calculate share of profits for each partner when.

1. Guarantee is given by firm.
2. Guarantee is given by A
3. Guarantee is given By A and B equally.

Q.9. Lee and Lawson are in equal partnership. They agreed to take Hicks as one Fourth partner. For this it was decided to find out the value of goodwill. M/s Lee and Lawson earned profits during 2013-2016 as follows:

Year	Profits (Rs.)
2013	1,20,000
2014	1,25,000
2015	1,30,000
2016	1,50,000

On 31.12.2016 capital employed by M/s Lee and Lawson was Rs. 5,00,000. Rate of normal Profit is 20%.

Q.10. The following particulars are available in respect of the business carried on by Rathore

Particular	Rs.
1. Capital Invested	1,50,000
2. Trading Results:	
2013	Profit 40,000
2014	Profit 36,000
2015	Loss 6,000
2016	Profit 50,000
3. Market rate of interest on Investment	10%
4. Rate of Risk return on capital invested in business	5%
5. Remuneration from alternative employment of the proprietor (If not engaged in business.)	Rs. 6,000 p.a.

You are required to compute the value of goodwill on the basis of 5 year's purchase of super profit of the business calculate on the average profits of the last four years.

Q.11. The following is the Balance sheet of Yellow and Green as on 31st December 2016:

Liabilities	Rs.	Assets	Rs.
Trade payables	20,000	Cash at Bank	10,000
Capital:		Sundry Assets	55,000
Yellow	25,000		
Green	20,000		
	65,000		65,000

The Partners shared profits and losses in the ratio 3:2. On the above date, Black was admitted as partner on the condition that he would pay Rs. 20,000 as capital. Goodwill was to be valued at 3 years purchase of the average of four years profits which were:

Year	Rs.	Year	Rs.
2012	9,000	2014	12,000
2013	14,000	2015	13,000

The new profit sharing ratio 6:5:5.

Give journal entries and Balance sheet if goodwill is adjusted through partner's capital accounts.

Q.12. With the information given in question 11 let us give journal entries and prepare balance sheet assuming that goodwill is brought is cash.

Q.13. Continuing with the information given in question 11 let us give journal entries and prepare balance sheet assuming that goodwill is brought is cash, but withdrawn.

Q.14. On the basis of information given in question 11 let us give journal entries and prepare balance sheet assuming that goodwill is paid privately.

Q.15. A, B and C are equal partners. They wanted to change the profit sharing ratio into 4:3:2. Make the necessary journal entries. Goodwill of the firm is valued at Rs. 90,000.

Q.16. A, B and C are equal partners. They wanted to change the profit sharing ratio into 4:3:3. They decided to change the profit sharing ratio to 7:7:6. Goodwill of the firm is valued at Rs. 20,000. Calculate the sacrifice / Gain by the partners and make necessary journal entries.

Q.17. A, B, C and D are in partnership sharing profits and losses equally. They mutually agreed to change the profit sharing ratio to 3:3:2:2. Give necessary Journal entries.