

**Q.1.** The following was the balance sheet of Om & co. in which X, Y, Z were partner sharing profit and losses in the ratio of 1:2:2 as on 31.03.2016. Mr. Z died on 31<sup>st</sup> December 2016. His Account has to be settled under the following terms:

Balance Sheet Om &amp; Co. as on 31.03.2016

Liabilities	Rs.	Rs.	Assets	Rs.
Trade payables		20,000	Goodwill	30,000
Bank Loan		50,000	Building	1,20,000
General reserve		30,000	Computers	80,000
Capital Account:			Inventories	20,000
X	40,000		Trade receivables	20,000
Y	80,000		Cash at Bank	20,000
Z	80,000	2,00,000	Investments	10,000
		3,00,000		3,00,000

Goodwill is to be calculated at the rate of two years purchases on the basis of average of three year's profit and losses. The profits and losses for the three years were detailed as below:

Year ending on	Profit / loss
31.03.2016	30,000
31.03.2015	20,000
31.03.2014	(10,000) loss

Profit for the period from 1.04.2016 to 31.12.2016 shall be ascertained proportionately on the basis of average profits and losses of the preceding three years.

During the year ending on 31.03.2016 a car costing Rs. 40,000 was purchased on 1.04.2015 and debited to traveling expenses account on which depreciation is to be calculated at 20% p.a. This asset is to be brought into account at the depreciated value.

Other value of assets were as follows:

Inventory at Rs. 16,000, Building at Rs. 1,40,000, computers at Rs. 50,000; Investments at rs. 6,000.

Trade receivables were considered good.

Required:

- 1) Calculate goodwill and Z's share in the profits of the firm for the period 1.04.2016 to 31.12.2016.
- 2) Prepare revaluation account assuming that other items of assets and liabilities remained the same.
- 3) prepare partner's capital; accounts and balance sheet of the firm Om & co. as on 31.12.2016

**Q.2.** The partnership agreement of a firm consisting of three partners A, B and C ( who share profits in proportion of  $\frac{1}{2}$ ,  $\frac{1}{4}$  and  $\frac{1}{4}$  and whose fixed capital are Rs. 10,000; rs. 6,000 and Rs. 4,000 respectively) provides as follows:

- a) That partners allowed interest at 10% p.a. on their fixed capital but no interest be allowed on undrawn profits or charged on drawings.
- b) That upon death of partners the goodwill of the firm be valued at two year's purchase of the average net profits (after charging interest on capital) for the three years to 31<sup>st</sup> December preceding the death of a partner.
- c) That an insurance policy of rs. 10,000 each to be taken in individual names of each partner, the premium is to be charged against the profit of the firm.
- d) Upon the death of partner he is to be credited with his share of the profits, interest on capitals etc. calculated upon 31<sup>st</sup> December following his death.
- e) That the share of a partnership policy and goodwill be credited to a deceased partner as on 31<sup>st</sup> December following his death.
- f) That the partnership books be closed annually on 31<sup>st</sup> December.

A died on 30<sup>th</sup> September 2016, the amount standing to the credit of his current account on 31<sup>st</sup> December 2015 was Rs. 450 and from that date to the date of death he had withdrawn Rs. 3,000 from the business.

An unrecorded liability of Rs. 2,000 was discovered on 30<sup>th</sup> September 2016. It was decided to record it and be immediately paid off.

The trading result of the firm (before charging interest on capital) had been as follows : 2013 profit Rs. 9,640 ; 2014 profit Rs. 6,720; 2015 loss Rs. 640; 2016 Profit Rs.3,670.

Assuming the surrender value of the policy to be 20% of the sum assured.

Required to prepare an account showing the amount due to A's legal representative as on 31<sup>st</sup> December 2016.

**Q.3.** The following is the balance sheet of M/s. ABC Bros as at 31<sup>st</sup> December 2015

Balance Sheet as at 31<sup>st</sup> December 2015

Liabilities	Rs.	Assets	Rs.	Rs.
Capital		Machinery		5,000
A	4,100	Furniture		2,800
B	4,100	Fixture		2,100
C	4,500	Cash		1,500
General Reserve	1,500	Inventories		950
Trade Payables	2,350	Trade Receivables	4,500	
		Less: provision for Doubtful Debts	300	4,200
	16,550			16,550

C died on 3<sup>rd</sup> January 2016 and the following agreement was to be put into effect.

- Assets were to be revalued: Machinery to Rs.5,850; Furniture to Rs. 2,300; Inventory To Rs. 750.
- Good will was valued at rs. 3,000 and was to be credited with his share, without using a Goodwill Account.
- Rs. 1,000 was to be paid away to the executors of the dead partner of the partner or 5<sup>th</sup> January 2016

**Required to show:**

- The journal entry for Goodwill adjustment.
- The Revaluation Account and Capital Accounts of the partners.
- Which account would be debited and which account credited if the provision for doubtful debts in the Balance Sheet was to be found unnecessary to maintain at the death of C.

**Q4.** B and N were partners. The partnership deed provides intra alia:

- That the account be balances on 31<sup>st</sup> December each year.
- That the profits be divided as follows:  
B: One-half; N: One-third and carried to reserve Account : One-sixth
- That in the event of death of a partner his executor will be entitled to the following:
  - The capital to his credit at the date of death;
  - His proportion of profit to date of death based on the average profits of the last three completed years.;
  - His share of goodwill based on three years purchases of the average profits for the three preceding completed years.

Trail balance on 31<sup>st</sup> December 2015

Particulars	Dr. Rs.	Cr. Rs.
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B's capital		90,000
N's Capital		60,000
Reserve		30,000
Bills receivables	50,000	
Investments	40,000	
Cash	1,10,000	
Trade Payables		20,000
Total	2,00,000	2,00,000

The profit for the three years were 2013: Rs. 42,000; 2014: Rs.39,000; and 2015: Rs. 45,000. N died on 1<sup>st</sup> May 2016. Show the calculation of N (i) Share of Profits; (ii) Share of Goodwill; (iii) Draw up N's executors Account as would appear in the firms ledger Transferring the amount to the Loan Account.