Q.1. A and B are partners in a business sharing profit and losses as 3:2. There balance sheet as on 1st January 2015 is given below.

Liabilities	Rs.	Rs.	Assets	Rs.
Capital Accounts:			Plant and Machinery	20,000
A	20,000		Inventories	16,000
B	15,000	35,000	Trade Receivables	15,000
Reserve Account		15,000	Balance at Bank	6,000
Trade Payables		7,500	Cash in Hand	500
		57,500		57,500

B retires from the business owing to illness and A takes it over. The following revaluation was made:
1) The goodwill of the firm is valued at Rs. 25,000.
2) Depreciate plant & Machinery by 7.5% and Inventories by 15%.
3) Doubtful debts provision is raised against trade receivables at 5% and a discount reserve against trade payable at 2%.
You are required to Journalise the above transactions in the books of the firm and close the partner's account as on 1st January 2015. Give also the opening Balance Sheet of A.

Q.2. F, G and K were partners sharing profits and losses at the 2:2:1. K wants to retire on 31.12.2015. Given below is the Balance Sheet of the partnership as well as other information:
Balance Sheet as on 31.12.2015

Liabilities	Rs.	Assets	Rs.
Capital account		Sundry fixed Assets	1,50,000
F	1,20,000	Inventories	50,000
G	80,000	Trade Receivables	70,000
K	60,000	(Including Bills Receivable 20,000)	
Reserve	10,000	Bank	50,000
Trade Payables	50,000		
	3,20,000		3,20,000

F and G agree to share profits and losses at the ration of 3:2 in future. Value of Goodwill is taken to be Rs. 50,000. Sundry fixed assets are revalued upward by rs. 30,000 and Inventories by Rs. 10,000. Bills receivable Dishonored Rs. 5,000 on 31.12.2015 but not recorded in the books. Dishonor of bill was due to insolvency of the customer. F and G agree to bring sufficient cash to discharge claim of K and to make their capital proportionate. Also they wanted to maintain Rs. 75,000 bank balance for working capital. You are required pass necessary journal entries and draft the balance sheet of M/s F&G after K's retirement.

Q.3. A, B & C were in partnership sharing profits in the proportions of 5:4:3. The balance sheet of the firm as on 31st march, 2015 was as under:

Liabilities	Rs.	Assets	Rs.
Capital accounts:		Goodwill	40,000
A	1,35,930	Fixtures	8,200
B	95,120	Inventories	1,57,300
C	61,170	Trade receivables	93,500
Trade payables	41,690	Cash	34,910
	333,910		3,33,910

A had been suffering from ill-health and gave notice that he wished to retire. An agreement was, therefore, entered into as on 31st March, 2015, the term of which were as follows:
1) The profit and loss account for the year ended 31st March, 2015 which showed a net profit of Rs. 48,000 was to be re-opened. B was to be credited with Rs. 4,000 as bonus, in consideration of the extra work which had devolved upon him during the year. The profit sharing was to be revised from 1st April2014, as 3:4:4.

2) Goodwill was to be valued at two years purchase of the average profit of the preceding five years. The fixture were to be valued by an independent valuer. A provision of 2% was to be made for doubtful debts and the remaining assets were to be taken at their book values.
The valuation arising out of the above agreement were goodwill Rs. 56,800 and fixtures rs. 10,980. B and C agreed, as between themselves, to continue the business, sharing profit in the ratio of
3:2 and decided to eliminate goodwill from the balance sheet to remain the fixtures on the books at the revised value, and to increase the provision for doubtful debts to 6%.
Submit the journal entries necessary to give effect to the above arrangement and to draw up the capital account of the partners after carrying out all adjusting entries as stated above.

Q.4. K, L & M are partners sharing profits and losses in thee ratio 5:3:2. Due to illness, L wanted to retire from the firm on 31.03.2015 and admit his son N in his place.

Balance Sheet of K,L and M as on 31st march 2015

Liabilities	Rs.	Rs.	Assets	Rs.
Capital			Goodwill	30,000
K	40,000		Furniture	20,000
L	60,000		Trade receivables	50,000
M	30,000	1,30,000	Inventory in Trade	50,000
Reserve		50,000	Cash and Bank Balances	50,000
Trade Payables		20,000		
		2,00,000		2,00,000

On retirement of L assets were revalued: goodwill Rs. 50,000, furniture Rs. 10,000 and Inventory in trade Rs. 30,000. 50% of the amount due to L was paid off in cash and the balance was retained in the firm as capital of N. On admission of a new partner, goodwill has been written off. M is paid off his extra balance to make capital proportionate.
You are required to given 1) Necessary journal entries 2) Balance sheet of M/s K, M and N as on 01.04.2015 3) Capital accounts of partners

Q.5. Dowell & Co. is a partnership firm with partners Mr. A, Mr. B and Mr. C sharing profit and losses in the ratio of 10:6:4. The balance sheet of the firm as at 31st March, 2015 is as under:

Liabilities	Rs.	Rs.	Assets	Rs.
Capitals:			Land	10,000
Mr. A	80,000		Buildings	2,00,000
Mr. B	20,000		Plant and Machinery	1,30,000
Mr. C	30,000	1,30,000	Furniture	43,000
Reserves (un-appropriate Profit)		20,000	Investments	12,000
			Inventories	1,30,000
Long term Debt		3,00,000	Trade receivables	1,39,000
Bank Overdraft		44,000		
Trade Payables		1,70,000		
		6,64,000		6,64,000

It was mutually agreed that Mr. B will retire from partnership and his place Mr. D will be admitted as a partner with effect from 1st April, 2015. For this purpose, the following adjustments are to be made:
1) Good will is to be valued at Rs. 1 lakh but the same will not appear as an asset in the books of the reconstituted firm.
2) Building and plant and machinery are to be depreciated by 5% and 20% respectively. Investment are to be taken over by the retiring partner at Rs. 15,000. Provision of 20% is to be made on trade receivables to cover doubtful debts.
3) In the reconstituted firm, the total capital will be Rs. 2 lakh which will be contributed by Mr. A, Mr. C and Mr. D in their new profit sharing ratio, which is 2:2:1.

I. The surplus funds, if any, will be used for repaying bank overdraft.
II. The amount due to retiring partner shall be transferred to his loan account.

Prepare Revaluation Account, partner's Capital account, bank Account, and balance Sheet of the reconstituted firm as on 1st April 2015

Q.6. M/s X is a partnership firm with the partner A,B and C sharing profits and losses in the ratio of 3:2:5. The balance sheet of the firm as on 30th June 2015, was as under:

Balance sheet of M/s X as on 30.06.2015

Liabilities	Rs.	Assets	Rs.
A's Capital A/c	1,04,000	Land	1,00,000
B's Capital A/c	76,000	Building	2,00,000
C's Capital A/c	1,40,000	Plant and machinery	3,80,000
Long term loan	4,00,000	Investment	22,000
Bank overdraft	44,000	Inventories	1,16,000
Trade payables	1,93,000	Trade receivables	1,39,000
	9,57,000		9,57,000

It was mutually agreed that B will retire from partnership and in his place D will be admitted as a partner with effect from 1st July, 2015. For this purpose, the following adjustment are to be made.

1) Goodwill of the firm is to be valued at Rs. 2 lakh due to the firm's locational advantage but the same will not appear as an asset in the books of reconstituted firm.
2) Buildings and plant and machinery are to be valued at 90% and 85% of the respective balance sheet values. Investment are to be taken over by the retiring partner at Rs. 25,000. Trade receivables are considered good only up to 90% of balance sheet figure. Balance be considered bad.
3) In the reconstituted firm, the total capital will be Rs. 3 lakhs, which will be contributed by A, C and D in their new profit sharing ratio, which is 3:4:3.
4) The amount due to retiring partner shall be transferred to his loan account.

Prepare Revaluation Account and partner's Capital Accounts.

Q.7. Red, White and black shared profits and losses in the ratio of 5:3:2. They took out a joint life policy in 2011 for Rs. 50,000 a premium of Rs. 3,000 being paid annually on 10th June. The surrender value of the policy on 31st December of various years was as follows: 2011 nil, 2012 Rs. 900, 2013 Rs. 2,000, 2014 Rs. 3,600. Black retire on 15th April, 2015. Prepare ledger accounts assuming no joint Life Policy Account is maintained.

Q.8. Red, White and black shared profits and losses in the ratio of 5:3:2. They took out a joint life policy in 2011 for Rs. 50,000 a premium of Rs. 3,000 being paid annually on 10th June. The surrender value of the policy on 31st December of various years was as follows: 2011 nil, 2012 Rs. 900, 2013 Rs. 2,000, 2014 Rs. 3,600. Black retire on 15th April, 2015. Prepare ledger accounts assuming joint Life Policy Account is maintained on surrender value basis.

Q.9. A,B and C are in partnership sharing profit and losses at the ratio of 5:3:2. The balance sheet of the firm on 31.12.2015 was as follows:

Balance sheet

Liabilities	Rs.	Assets	Rs.
Capital A/c's:		Sundry Fixed assets	80,000
A	50,000	Inventories	50,000
B	40,000	Trade receivables	30,000
C	30,000	Joint Life Policy	20,000
Bank Loan	40,000	Bank	10,000
Trade Payables	30,000		

	1,90,000		1,90,000

On 1.12016, A wants to retire, B and C agreed to continue at 2:1. Joint Life Policy was taken on 1.1.2010 for Rs. 1,00,000 and its surrender value as on 31.12.2015 was Rs. 25,000. For the purpose of A's retirement goodwill was raised for Rs. 1,00,000. Sundry fixed assets was revalued for Rs. 1,10,000. But B and C did not prefer to show such increase in assets in the balance sheet. Also they agreed to bring necessary cash to discharge 50% of the A's claim, to make the bank balance Rs. 25,000 and to make their capital proportionate. Pass necessary Journal entries.