TERM END EXAMINATION - DECEMBER, 2018
DIPLOMA IN ACCOUNTING
(DIA)
DIA-04: PARTNERSHIP ACCOUNTING

DIA-04

Total Marks: 100 **Time: 3 Hrs.**

(Instructions: Answer all the questions from Group A, answer any four questions from Group B & any four from Group C and any two questions from Group D)

Group A

Q.1 Multiple-Choice Questions- **(Marks: 1×10=10)**

i. What is the minimum number of partners required to commence a partnership business?
   a. 20 b. 10
   c. 2 d. 4

ii. In the general form of partnership, liabilities of partners are:
   a. limited b. unlimited
   c. limited to the business capital

iii. Can a partner transfer his/her share of business to a third party without other partners consent?
   a. No b. Yes

iv. Interest on drawings is:
   a. Debited to partner's current a/c b. Credited to partner's current a/c
   c. Not shown in current account

v. Where there is no partnership agreement exists between partners, what will be the profit sharing ratio between the partners?
   a. Equal b. Unequal
   c. It will depend on a partner's capital d. It will depend on the experience of a partner

vi. New investment by any partner in the partnership type of business is _______ to the partner's capital account
   a. Debited b. Credited

vii. Which of the following is NOT generally the characteristic of a partnership business?
   a. Limited life b. Ease of formation
   c. Mutual agency d. Limited liability

viii. In which of the following types of partnership there is no agreement regarding the duration of partnership?
   a. General partnership b. Partnership-at-will
   c. Limited partnership d. Registered partnership

ix. Which of following is the correct double entry for revaluation surplus
   a. Revaluation = Debit and Partners capital accounts = Credit b. Partners capital accounts = Debit and Revaluation surplus = Credit

x. Identify the correct double entry for realization profit at time dissolution of partnership
  a. Debit realization a/c and Credit bank a/c
  b. Debit bank a/c and Credit realization account
  c. Debit realization account and Credit partners' capital accounts

Group B

Q.2 Answer any 4 within 50 words each. **(Marks: 5×4=20)**

a. Why the Profit and Loss Appropriation Account is prepared?
b. X and Y are partners sharing profits and losses in proportion of 3 : 1. They admit a new partner Z whom they give 1/4th share in profits. Calculate new profit sharing ratio.
c. A and B are in partnership sharing-profits in the ratio of 3 : 2 respectively. C is admitted into the partnership. The new profit sharing ratio will be A 5, B 3 and C 2. Calculate sacrificing ratio.
d. John and Mike were partners in a firm sharing profits in 3:1 ratio. They admitted Wahid as a new partner for 1/6th share in the profits of the firm. Wahid acquired his share from John and Mike in the ratio 2 : 1. Calculate the new profit sharing ratio of John, Mike and Wahid.
e. A, B and C were partners in a firm sharing profit in the ratio of 7 : 6 : 7. B retired and his share was divided equally between A and C. Calculate the new profit sharing ratio of A and C.
f. Explain Garner vs. Murray rule.

Group C

Q.3 Answer any 4 within in 200 words each- **(Marks: 10×4= 40**

a. Pass the necessary entries for preparing profit and loss appropriation account.
b. Explain 'Revaluation Account'. Why assets and liabilities are revalued at the time of admission of a new partner?
c. Illustrate the adjustment of partner's capital on the basis of new Partner's Capital and his profit sharing ratio.
d. The partnership deed generally contains the details about all the aspects affecting the relationship. Discuss.
e. Write a short note on accounting treatment of goodwill on dissolution.
f. A, B and C were partners in a firm. A retired from business on 31st December; 2004 His total claim against the firm on his retirement works out to be Rs.59,500. It is agreed amongst the partners that the total amount payable to the retired partner should be transferred to his loan account carrying interest @ 12.5% p.a. It is also agreed that a sum of Rs.9,500 be paid to the retiring partner immediately on 1st January, 2005 and balance in five equal annual installments payable at the end of each of the next five years on 31st December, plus interest !he first of such payment to be made on 31st December, 2005. Show the Retired Partner's Loan Account for the five years from 2005 to 2009.

Group D

Q.4 Answer any 2 within 250 words each – **(15×2= 30)**

a. Accounting treatment in the event of death of the partner is on the same lines as that of the retirement of a partner except a few. What are those exceptions?

b. Pass the necessary journal entries for the settlement of executor's A/c.

c. M, N and C are in partnership, sharing profit in the proportion of 2/3, 1/6 and 1/6 respectively. To clear the dues of deceased's partner an assurance was effected on their lives jointly for Rs.10,000 without profit, at an annual premium of Rs.650 to provide liquidity to the firm. C died on June 30, 2002, three months after the annual accounts had been prepared. In accordance with the partnership agreement, his share of the profits to the date of death was estimated on the basis of the profits for the preceding year. The agreement also provided for interest on capital at 10% per annum and also for goodwill, which was to be brought into account at two years' purchase of the average profits for the last three years, prior to charging the abovementioned insurance premiums, but after charging interest on capital. C' capital on March 31, 2002, stood at Rs.10,000 and drawings from then to the date of death amounted to Rs.2,000. The net profits of the business for the three preceding years amounted Rs.3,350, Rs.4,150 and Rs.4,050, respectively, after charging interest on capital and insurance premiums. The premiums paid on policy are written off to Profit and Loss Account. You are instructed to prepare C's capital account as at the date of death and also prepare C's Executor's account.

d. A, B, C and D are partners sharing 4 : 3 : 2 : 1. Their position statement was as follows:
Bank Loan Rs.20,000, Stock Rs.60,000, Cash Rs.10,500, Creditors Rs.40,000, Building Rs.44,000, A's Capital Rs.30,000, B's Capital Rs.20,000, C's Capital Rs.3,500, D's Capital Rs.1,000,
The firm is dissolved
All assets realized Rs.82,000, All outside liabilities paid, Rs.58,500 in full satisfaction, Outstanding creditors are also paid Rs.500.
The expenses of, dissolution are Rs.600, D becomes insolvent and C paid only Rs.3,000
Prepare ledger accounts, to close the books of the firm.