

Term End Examination : June - 2018
DIPLOMA IN ACCOUNTING
Partnership Accounting

Time: 3 hours

Full Marks: 100

Read the instructions carefully before attempting questions from each group.

GROUP – A

Q.No. 1. Answer all questions selecting the right options. [1 X 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 D) None of these
- iii. 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 D) None of these
- iv. Under fluctuation method of capital, what is the treatment of "interest on capital"?
 A) Credited to capital account B) Debited to capital account
 C) No treatment or adjustment needed D) Credited to current account
- v. In which of the following types of partnership the liability of at least one partner is unlimited whereas the liability of other partners is limited?
 A) General partnership B) Particular partnership
 C) Partnership-at-will D) Limited partnership
- vi. A&B are partners sharing profit or loss equally. A new partner enters in the partnership and invests a piece of land that had historical cost of Rs.50,000, book value = Rs.25000 and current market value = Rs.30,000. By what amount the new partner's account should be increased?
 A) Rs.25000 B) Rs.50,000 C) Rs.30,000 D) Rs.75000
- vii. Which one of the following double entries is correct regarding the cost of firm or partnership dissolution?
 A) Credit realization a/c and Debit partners capital a/c
 B) Credit realization a/c and Debit bank a/c
 C) Debit realization a/c and Credit bank/cash
 D) None of these
- viii. Partner 'A' took firm's vehicle worth \$5000 without payment at the time of firm's disbanding. Identify the correct adjustment in the capital account of partner 'A'
 A) \$5000 will be debited B) \$5000 will be credited
 C) No adjusted needed in capital a/c D) None of these

- ix. A and B are the partners in a small firm, their profit or loss sharing ratio is 6:4. A new partner C admitted in the firm that will share profit or loss at the ratio of 1/4. Which of the following is the new profit or loss sharing ratio among the partners A, B and C?
A) 6:4:1 B) 18:12:10 C) 10:12:18 D) 6:4:4
- x. Which one of the following is the method of goodwill valuation?
A) Average capital method B) Super capital method
C) Capital intensity method D) Super profit method

GROUP – B

Q.No. 2. Answer any 4 (four) questions each within 50 words. [5 X 4 = 20]

- What is partnership? State the characteristics of a partnership?
- State the advantages and disadvantages of partnership.
- Describe the differences between Appropriation of Profit and Charge against Profit.
- What are the differences between sacrificing and gaining ratio?
- What is the treatment of deceased partner's share of goodwill?
- Explain Settlement of Accounts dissolved

GROUP – C

Q.No.3. Answer any 4 (four) questions each within 200 words. [10 X 4 = 40]

- What do you mean by registration of partnership how is it done?
- What do you mean by dissolution of firm? How dissolution of partnership differs from dissolution of firm?
- Discuss the differences between profit & loss account and profit & loss appropriation account:
- What are the procedures for calculation of profit up to death of a partner?
- A and B are partners sharing profits as to A $\frac{3}{4}$ and B $\frac{1}{4}$. The capitals are A Rs 90,000 and B Rs 30,000. It is decided that with effect from 1st April, 2010 the profit-sharing ratio will be: A $\frac{5}{8}$ and B $\frac{3}{8}$. The partnership deed states that goodwill is to be valued at 2 years' purchase of three years' profits and those capitals of the two partners should be proportionate to the profit-sharing ratio. The profits for the years ended 31st March, 2008, 31st March, 2009 and 31st March, 2010 were Rs 39,000 and Rs 45,000 respectively. Make necessary journal entries.
- Arun, Tarun and Neha are partners sharing profits in the ratio of 3 : 2 : 1. Neha dies on 31st May 2006. Sales for the year 2005-2006 amounted to Rs.4,00,000 and the profit on sales is Rs.60,000. Accounts are closed on 31 March every year. Sales from 1st April 2006 to 31st May 2006 is Rs.1,00,000. Calculate the deceased partner's share in the profit upto the date of death.

GROUP – D

Q.No.4. Answer any 2 (two) questions each within 250 words.

[15 X 2 = 30]

- a) Briefly discuss the main Content of Partnership Deed:
b) State the treatment of goodwill on admission of a partner and also retirement of partner.
c) Bhanu and Etika are partners sharing profit and losses in the ratio of 3:2 respectively.

Their Balance Sheet as on March 31, 2017 was as under:

Balance Sheet of Bhanu and Etika as on December 31, 2017

| Particulars | Amount (Rs.) | Particulars | Amount (Rs.) |
|-----------------|--------------|--------------|--------------|
| Creditors | 28,000 | Cash in hand | 3,000 |
| Capitals: | | Cash at Bank | 23,000 |
| Bhanu Rs.70,000 | | Debtors | 19,000 |
| Etika Rs.70,000 | 1,40,000 | Buildings | 65,000 |
| | | Furniture | 15,000 |
| | | Machinery | 13,000 |
| | | Stock | 30,000 |
| Total | 1,68,000 | Total | 1,68,000 |

On that date, they admit Deepak into partnership for 1/3 share in future profit on the following terms: (i) Furniture and stock are to be depreciated by 10%. (ii) Building is appreciated by Rs.20,000. (iii) 5% provision is to be created on Debtors for doubtful debts. (iv) Deepak is to bring in Rs.50,000 as his capital and Rs.30,000 as goodwill. Make necessary ledger account and balance sheet of the new firm.

- d) Sachin, Sourav and Rahul were partners in a firm. Sourav died on 28th February, 2002. Sourav's share of profit from the closure of the last accounting year till the date of death was to be calculated on the basis of the average of three completed years profits before death. Profits for 2008, 2009 and 2010 were Rs.70,000, Rs.80,000 and Rs.90,000 respectively. The firm closes its books on 31st March every year. Calculate Sourav's share of profit till the date of her death. C died on 31st March, 2009. On this date surrender values are 20% of the amount of policy. Under the partnership deed, the executors of deceased partner were entitled to :

- i. His capital according to the last balance sheet ;
- ii. Interest on the above capital @9% p.a. till the date of death ;
- iii. His share of profit to the date of death, calculated on the basis of last year's profit;
- iv. His share of life insurance policies;
- v. Interest on drawings is to be charged at an average rate of 3%

C's capital as per balance sheet on 31st march, 2008 was Rs.60,000. During the year withdrew Rs.8,000 till his death.. Last year's profit was Rs.40,000. Prepare C's Capital Account.

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