

ACCOUNTING FOR NOT-FOR-PROFIT ORGANISATIONS

1. The amount received by the Not-for Profit organisation as per the will of a deceased person is called.....

- (a) Honorarium (b) Subscription (c) Legacy (d) Specific grant

1 (March 2020) CA

2. Write any five differences between Receipts and Payments Account and Income and Expenditure Account.

5 (March 2020) CA



3. Which of the following is not a characteristic of Not-for-profit Organisation ?

- (a) Funds raised are credited to capital fund
(b) Excess of income over expenditure is distributed among the members.
(c) The activities are managed by Executive committee.
(d) They are organised as charitable trusts / societies.

1 (March 2020) AFS

4. Classify the following items into revenue receipts and capital receipts.

- (a) Legacies (b) Locker Rent
(c) Sale of old furniture (d) Subscription

2 (March 2020) AFS

5. Donation for tournament fund is an example of:

- (a) Revenue Receipt (b) Capital Receipt
(c) Revenue Expenditure (d) Capital Expenditure

1 (June 2019) CA

6. In the case of a not-for-profit organization, capital fund represents its excess of..... overThe excess of income over expenditure is called.....
and the closing balance of Receipts and Payments account represents.....

Fill in the above blanks with appropriate word(s).

7. Outstanding subscription of a club is its.....

- (a) liability
(b) asset
(c) asset or liability
(d) bad debts

1(June2016) CA

8. One of your friend wish to take membership in a cricket club. He does not know anything about Not-for-profit organizations. Can you explain him what it is and what are different accounting records maintained in such organization and steps for preparing final accounts ?

8 (March 2017) CA

9. Complete the series :

- (a) Receipts and Payments Account → Cash in hand and cash at bank
(b) Income and Expenditure Account →

1 (March 2018)

Show the treatment of the following items from a Not for profit organisation.

1. Legacies of small amount
2. Endowment fund
3. Sale of fixed asset



4. Sale of old newspaper
5. Grant for specific purpose

5 (March 2018) AFS

11. Any revenue expense for which a separate funds is available will be

- (a) Credited to the separate fund
- (b) Debited to Income and Expenditure Account
- (c) Capitalised and shown in the balance sheet.
- (d) Debited to the separate fund

1 (June 2016) CA

12. The subscription amount shown in the Income and Expenditure Account of Crazy Club is Rs. 62,500 on 31-12-2015.

Other information :

- (a) Subscription outstanding for the year : Rs.19,500
- (b) Subscription for 2015 received in advance in 2014 Rs.3,000

What is the amount of subscription received during the year 2015 Rs.

3 (June 2017) AFS

13. Show the following items in the Balance Sheet of Kolkata FC during the year 2016-17

Tournament Expenses	Rs.15,000
Receipts from Tournament	Rs.10,000
Foot Ball Tournament Fund	Rs.50,000
Donations to Tournament Fund	Rs.25,000
Tournament Fund Investment	Rs.70,000

3 (June 2017) CA

14. Anand sports club received Rs 1,75,000 as subscription for the year ended 31st March 2016.

Consider the following adjustments and mention whether we should add or deduct each items to find out subscription for the year.

- (a) Subscription outstanding on 31 st March 2016 Rs15,000.
- (b) Subscription outstanding on 1st April 2015 Rs 20,000.
- (c) Subscription received in advance as on 1st April 2015 Rs 16,000.
- (d) Subscription received in advance as on 31st March 2016 Rs 12,000.

2 (March 2017) CA

15. From the given information, compute the amount of subscription to be shown in the Income and Expenditure Account for the year ending 31-12-2015. Also show how they would appear in the Balance Sheet:

Subscription received for 2014	9,000
Subscription received for 2015	40,000
Subscription received for 2016	6,000
	55,000
Subscription outstanding on 31-12-2014	10,000
Total Subscription Outstanding on 31-12-2015	20,500
Subscription Received in advance on 31-12-2014	3,000

3 (March 2017)

16. During the year 2016-17, there was 1800 members in a sports club. The yearly subscription was fixed at Rs 40 per member. There was unearned subscription of Rs 2,000 at the beginning of the year. The unearned subscription at the end of the year was Rs 1,200. Show how the amount of subscription appears in the following financial statements of the club

- (a) Income and Expenditure Account.
- (b) Receipts and Payments Account.

3 (March 2018) CA

17. The Receipts and Payments Account of a club shows Rs 60,000 as the subscription received during 2016-17. Accrued subscription at the beginning of the year was Rs 4,200 and that at the end of the year was Rs 3,800. There was no unearned subscription on 01-04-2016. but that on 31-03-2017 was Rs 1,400.

Prepare a statement showing the amount of subscription to be credited to the Income and Expenditure Account for the year ending 31-03-2017.

3 (June 2018) CA

18. In the year 2015, the subscription received by Janani Sports Club was Rs1,00,000. There include Rs 4,000 for the year 2012 and Rs 8,000 for the year 2016. On Dec. 31-2015 the amount of subscription due was Rs 10,000. Calculate the amount of subscription to be shown in the Income and Expenditure A/c.

2 (June 2018) AFS

19. Calculate the amount of salary debited to the income and expenditure account in the year ended 31-12-2016.

	Rs
Salary paid during the year 2016	50,000
Salary outstanding as on 1-1-2016	2,000
Salary paid in advance as on 1-1-2016	4,000
Salary outstanding as on 31-12-2016	5,000
Salary paid in advance as on 31-12-2016	6,000



2 (March 2018) AFS

20(a) Show the following items in the Balance Sheet of a Volley Ball Club, for the year ended 31-03-2017.

Items	Rs
Tournament expenses	2,10,000
Tournament fund as on 1-4-2016	40,000
Interest on the fund investment	3,200
Donations for tournament	90,000
Sale of tournament pass tickets	1,10,000

(b) How the tournament fund will be shown in the financial statements of the club, if the tournament expenses was Rs 2,50,000 during the year 2016-17.

5 (June 2018) CA

21 From the following particulars of Deepam Arts Club, calculate the amount of salary to be debited to Income and Expenditure Account for the year ended 31st March, 2018.

- Total salary paid during the year 2017-18 Rs 87,000
- Salary paid in advance on 31-3-2017 Rs 19,000
- Salary paid in advance on 31-3-2018 Rs 8,000
- Outstanding salary as on 31-3-2017 Rs. 17,000
- Outstanding Salary as on 31-3-2018 Rs. 32,000

22. From the following information prepare Receipts and Payments Account of a Mumbai Fives Club during the year 2016-17 :

Items	Amount
Cash Balance on 1-4-2016	1,125
Subscription	2,900
Tournament Fund	750
Life Membership	1,000
Entrance Fees	100
Donation for Building	1,500
Sale of Newspapers	50
Newspaper Subscription	750
Rent paid	250
Salary paid	1,800
Office Expenses	1,200
Spoils Equipment purchased	1,150
Tournament expenses	450

5 (June 2017) CA

23. The Receipts and Payments Account of a Private School is given below :

Receipts and Payments Account (31-03-2017)

Receipts	Rs	Payments	Rs
Balance b/d (Cash at bank)		30,800	Furniture
Tuition Fees			
Admission Fees		32,000	Investments
Endowment Fund		50,200	Salaries
Donations		60,000	Stationery
Interest on Investment		24,000	Expenses
Sale of Periodicals		4,600	Advertisements
		500	Balance c/d
		2,02,100	(Cash at bank)
			2,02,100

The school has following assets and liabilities as on 01-04-2016 :

Land & Buildings Rs 4,50,000

Furniture Rs 1,85,000

School Bus Rs 1,15,000

Bank Loan Rs. 1,50,000

Prepare the Income and Expenditure Account for the year ended 31-03-2017 and the Balance Sheet as on that date by considering the following :

- Half of the donations should be treated as income.
- Advertisement expenses outstanding Rs1,200.
- Interest on Bank Loan Rs 14,600 due for payment.
- Accrued interest on investments Rs 2,400.

Prepare Income and Expenditure A/c for the year ended 31st March, 2014 from the following information and a Balance Sheet as on that date.

Receipts	Amount	Payments	Amount
	Balance b/d	39,000	Salaries & Wages :
	Subscriptions :		2012-13 6,200
	2012-13 6,400		2013-14 78,000
	2013-14 3,42,000		Sundry Expenses 34,000
	2014-15 11,000	3,59,400	Stationery 18,000
	Entrance Fee	12,000	Refreshment Expenses 41,500
	Revenue from refreshment	52,000	Telephone Charges 3,200
			Audit Fee 5,000
			Balance c/d 2,76,500
		4,62,400	4,62,400

The following additional information is given

- (1) There are 35000 members each paying an annual subscription of Rs.100, Rs. 9,000 were in arrears for 2012-13 as on April I, 2013.
- (2) Telephone charges outstanding on 31st March, 2014 was Rs.1,200.
- (3) Stock of Stationery as on March 31, 2013 was Rs.3,000; on March 31, 2014 was Rs. 4,200.
- (4) Buildings on 31-3-2013 was Rs. 4,50,000. Depreciation to be provided in 3% p.a.

5 (March 2017) AFS

25. The Receipts and Payment A/c of Thanal Cultural Society for the year ended March 31, 2016 is given below. Prepare Income and Expenditure A/c and Balance Sheet from the information.

Receipts and Payments A/c

Cash in hand	2,800	Rent	20,000
Entrance fees	3,000	Wages	10,000
Subscriptions	45,000	Interest	2,000
Locker rent	1,300	Postage	1,300
Donation for building	25,000	Billiards Table	15,000
Profit from entertainment	3,000	Salary	25,000
Life membership fees	8,000	Furniture	10,000
		Cash in hand	4,800
	88,100		88,100

Additional Information :

Subscription outstanding on March 31,2015 is Rs 1,300 and Rs 2,800 on March 31st 2016. Rent related to 2013 Rs 1,800 is still unpaid. The value of postage stamps on 01-04-2015 Rs 500 and on 31-03-2016 Rs 300. The Cultural Society owned a furniture for Rs 16,000 on 01-04-2015 and the value of furniture on 31-03-2016 is Rs 23,500.

8 (June 2018) AFS

Bright Charitable Society gives you their Receipts and Payments Account: Receipts
& Payments A/c. for the year ending Dec. 31, 2017

Receipts	Amount	Payments	Amount
Opening Balance:		Advertisements	5,700
Cash	15,000	Charity Expenses	4,000
Bank	12,500	Investments	32,000
Subscriptions	26,300	Computer	25,000
Donations for	60,000	Rent	6,000
Buildings	44,500	Stationery	1,200
Legacies	1,600	Printing	2,500
Interest on Investment	500	Closing Balance:	
Bank interest received		Bank	59,000
		Cash	25,000
	1,60,400		1,60,400

Prepare Income & Expenditure A/c. and the Balance Sheet for the year ended Dec.31,2017 by giving due attention for the following :

- On 1-1-2017 the society owned a building worth Rs 50,000 and Furniture worth Rs 20,000 and it had creditors of Rs 10,000.
- Donations and legacies are to be capitalised.
- Interest on investment accrued Rs 3,000.
- Outstanding rent Rs 1,000.

8 (March 2019) CA

27. Following is the Receipts and Payments Account of Madras Sports Club for the year ending 31st March 2019.

Receipts and Payments Account for the Year ending 31-3-2019

Receipts	Amount	Payments	Amount
Balance b/d		Salaries	88,000
Cash	7,300	Printing & Stationery	9,320
Bank	14,400	Sports Expenses	96,100
Subscription	3,53,900	Electricity charges	4,380
Donations	60,000	Rent	7,600
Entrance Fees	24,200	Entertainment	1,600
Locker rent	8,500	Expenses Investment	2,10,000
		(31-3-2019) Balance	9,300
		c/d Cash	42,000
	4,68,300	Bank	4,68,300

Additional Information :

- Subscription outstanding during 2018-19 amounted Rs.26,000.
- Salary outstanding for the year 2018-19 amounted Rs.8,000.



- Entrance fees and Donation should be capitalised.
- The stock of stationery as on 31-03-2019 is valued at Rs.800.
- Depreciation is to be charged @ 10% p.a. on Sports equipments.

On 1st April 2018 other balances were as under :

Land and Building Rs.1,20,000

Sports Equipments Rs.18,000

Library Books Rs.10,000

Prepare Income & Expenditure Account for the year ended 31st March 2019 and Balance Sheet as on that date.

8 (March 2020) CA

28. Following is the receipts and payments account of Tagore Library Arts and Sports Club for the year ended 31st March. 2018.

Receipts and Payments Account (31-3-2018)

Receipts	Amount	Payments	Amount
Balanced b/d	4,700	Rent	6,000
Subscriptions	21,500	Electricity Charges	4,800
Life Membership Fees	6,250	Lecturer's fees	2,000
Donation	12,500	Office expenses	1,350
Government Grants	10,000	Printing & Stationery	850
Sundry Receipts	1,150	Books (01-12-2017)	15,000
		Furniture (purchased on 01-10-2017)	12,000
		Cash in hand	5,900
		Cash at Bank	8,200
	56,100		56,100

You are required to prepare an Income and Expenditure Account after the following adjustments:

- Subscriptions still to be received are Rs 500. but subscriptions include Rs 800 for the year 2018-19.
- At the beginning of the year library has building Rs 50,000. furniture Rs 13,000 and books Rs 17,500.
- Provide depreciation @ 10% on furniture and 5% on buildings and books.

8 (June 2019) CA

29. The following details of Receipts and Payments of Prathiba Club for the year ending 31.12.2018.

Receipts	Amount	Payments	Amount
Subscription	7,200	Salaries and wages	5,250
Donation	10,000	Taxes	1,200
Life membership fees	1,000	Electricity charges	850
Legacy	10,000	Insurance premium	450
Interest received	500	Honorarium of	7,500
Sale of old newspaper	550	secretary	1,000
Entrance fees	700	Fuel	1,000
Entertainment programs	1,250	Sundry expenses	10,000
Revenue from refreshment	450	Furniture	2,500
		Rent	1,050
		Advertisement	850
	31,650	Printing & Stationery	31,650

Prepare the income and expenditure a/c of this club for the year ended 31.12.2018 and its balance sheet as on that date after taking into a/c the following information :

- Subscription outstanding as on 31.12.2018 @ Rs 300.
- Electricity charge outstanding at f 350.
- Depreciation on furniture @ 5% (p.a.)

- Salary prepaid on 31.12.2018 Rs 250.

30. The Receipts and Payment Account of Elite Club for the year ending 31st March, 2014 is given. Prepare the Income and Expenditure Account for the year ended 31st March, 2014 and the Balance Sheet on that date

Receipts	Amount	Payments	Amount
	Balance b/d	42,000	Salaries & Wages :
	Subscriptions :		2012-13 2,100
	2012-13 4,500		2013-14 33,000 35,100
	2013-14 64,300		Miscellaneous
	2014-15 2,200	71,000	Expenses 12,000
	Entrance Fee	3,100	Stationery 6,400
	Revenue from Match	18,000	Match Expenses 15,200
			Telephone 1,050
			Audit Fee 2,000
			62,350
		1,34,100	Balance c/d 134,100

Additional Information:

- (1) Total members of the club is 7,000 and annual subscription of a member is Rs 100. Rs 6,100 were in arrear for 2012-13 as on April 1, 2013.
- (2) Stock of stationery as on March 31, 2013 was Rs 650 and on March 31, 2014 was Rs 570.
- (3) Outstanding Telephone charge as on 31st March, 2013 was Rs 85 and on 31-03-2014 was Rs 95.
- (4) Book value of premises and building on 31-3-2013 was Rs 2,40,000. Provide depreciation @ 5% p.a.

5 (June 2017) AFS

31. The Receipts and Payments Account of Jubily Club for the year ended 31st December, 2018 is given below :

Receipts and Payments Account for the year ended 31st December, 2018

Receipts	Amount	Payments	Amount
	Balance b/d	12,000	Rent 3,000
	Subscriptions	32,000	Salaries 7,500
	Donation for building	25,000	Books 4,000
	Sale of old newspapers	1,500	Furniture 12,000
	Sundry receipts	1,000	Investment 30,000
			Balance c/d 15,000
		71,500	71,500

Other Information :

- (1) Subscriptions outstanding as on 31st December, 2017 Rs 2,000 and on 31st December, 2018 Rs 3,000.
 - (2) Salaries due Rs 2,500, Rent prepaid Rs 500.
 - (3) On 31st December, 2017, the Club had Furniture Rs 6,000 and Books Rs 3,000.
 - (4) Depreciate furniture by Rs 3,000.
- Prepare Income and Expenditure Account and Balance Sheet as on the above date.

Answers

1.(c) Legacy

2.

Receipts and Payments Account vs. income and Expenditure Account:			
No.	Basis	Receipts & Payments A/c	Income & Expenditure A/c
1	Opening Balance	Starts with opening balance of cash in hand and at bank.	No such opening balance.
2	Similarities	Similar to cash book of a business concern.	Similar to profit and loss account of a business concern.
3	Sides of account	Receipts on Debit side and Payments on Credit side.	Incomes on credit side and Expenditure on debit side.
4	Period	All receipts and payments relating to current year, succeeding or preceding year(s) are considered.	Revenue incomes and expenditure related to current year is only taken into account.
5	Capital items	All capital receipts and payments are included.	All capital receipts and payments are excluded.
6	Non-cash expenses	Non-cash expenses such as depreciation, provision for bad debt etc. not considered.	Non-cash expenses relating the current year included in the account.
7	Adjustments	No adjustments regarding outstanding expenses, accrued incomes, prepaid expenses and income received in advance.	All these items relating to the current year must be adjusted.

3. (b) Excess of income over expenditure is distributed among the members.

- 4.
- a) Revenue receipts
 - (b) Locker Rent
 - (d) Subscription
 - b) Capital receipts.
 - (a) Legacies
 - (c) Sale of old furniture
-

5.(b) Capital Receipt

6. Assets, Liabilities
Surplus
Cash in hand/ Cash at bank / Bank overdraft

7. Asset

Meaning of non-profit organisation -	2 score
Accounting records	
Receipts and payment a/c -	2 score
Income and expenditure a/c -	2 score
Balance sheet -	2 score

9. Surplus / Deficit /No Opening Balance

10. Legacies of small amount - Income side of Income and expenditure a/c or revenue item
 2. Endowment fund - Liability side of BS or Capital item.
 3. Sale of fixed asset - Deduct from concerned asset in BS or profit or loss on sale in income and expenditure a/c or capital item.
 4. Sale of old newspaper - Income side of income and expenditure or revenue item
 5. Grant for specific purpose - Liability side of B/S or capital item.

11.(d) Debited to the separate fund

12. Subscription shown in Income and Expenditure a/c	62500
Less: Subscription outstanding	<u>19500</u>
	43000
Less: Subscription received in advance	<u>3000</u>
Subscription received during the year	<u>40000</u>

13.

Balance sheet

Liabilities		Assets	
Tournament fund	50,000	Tournament fund investment	70000
Add. Donation	25000		
Add. Depreciation	<u>10000</u>		
	85000		
Less. Tournament exp.	<u>15000</u>		
	70000		
	70000		70000

14. a) Add 15,000
 b) Deduct (Less) 20,000
 c) Add 16,000
 d) Deduct (less) 12,000

15. Subscriptions received for 2015	40,000
Add : outstanding subscriptions on 31/12/15	19500
(20,500-1000)	19,500
Subscriptions received in advance	<u>3,000</u>
	<u>62,500</u>

- 16 a. Credited in income & Expenditure a/c - $1800 \times 40 = 72,000$
 b. Debited in Receipts & Payments a/c - Rs. 71,200
 Sub - 72,000; Add Rs. 1,200
 Less: Rs. 2,000

17. Subscription received	60000
Add : Subscription accrued at the end	<u>3800</u> 63800
Less : Subscription accrued at the beginning	4200
Subscription unearned at the end	<u>1400</u> 5600
Amount credited to Income & Expenditure A/c	58200

18.Subscription received during 2015	100000
Less: Subscripiion for 2012	<u>4000</u>
	96000
Less: Subscript ion received in advance	<u>8000</u>
	88000
Add: Subscription outstanding	<u>10000</u>
	<u>98000</u>

19.salary paid during the year 2016	50,000
Add. Salary O/S 31.12.16	5,000
Salary paid in advance 1.1.16	<u>4000</u>
	59,000
Less. Salary O/S 1.1.16	2,000
Salary paid in advance on 31.12.16	<u>6,000</u>
	<u>51,000</u>

20 a.Balance sheet as on 31 March 2017

Liabilities		Amount	Assets		Amount
Tournament fund	40000				
Add:Donation	90000				
Sale of pass	110000				
Interest	3200				
	243200				
Less:Tournament exp.	210000	33200			

b Income and Expenditure A/c

Expenditure	Amount
Tournament Expense	250000
Less: Tournament Fund	243200
	6800

21.	Total salary paid during the year 2017-18	Rs 87,000	
	Add: Salary paid in advance on 31 -3-2017	Rs 19,000	
	Add: Outstanding Salary as on 31 -3-2018	<u>Rs.32,000</u>	138000
	Less:Salary paid in advance on 31 -3-2018	Rs 8,000	
	Less:Outstanding salary as on 31-3-2017	<u>Rs.17,000</u>	<u>113000</u>

22. Receipts and Payment Account

Balance b/d	1125	News paper subscription	750
Subscription	2900	Rent	250
Tour fund	750	Salary	1800
Life membership	1000	Office exp.	1200
Entrance fee	100	Sports equipment	1150
Donation for building	1500	Tour exp.	450
Sale of Newspaper	50	balance c/d	1825
	<u>7425</u>		<u>7425</u>

Income and expenditure a/c for the year ended 31/03/ 017			
Salaries	74400	Tuition fee	32000
Stationery	2400	Admission fee	50200
Advertisement 4800		Donation(1/2part)	12000
Add. 0/s 1200	6000	Int. On invest. 4600	
		Add. Accrued 2400	7000
Int. On bank loan due	14600	Sale of periodicals	500
Surplus	4300		
	101700		101700

Balance Sheet as on 31/03/2017			
Bank loan	150000	cash at bank	42500
Interest due	14600	Land and Building	450000
o/s Advertising	1200	Furniture 185000	
Capital Fund 630800		Add addition 23000	208000
Add: Surplus 4300	635100	School bus	115000
Donation	12000	Investment	55000
Endowment fund	60000	Accrued interest	2400
	872900		872900

Balance Sheet as on 01/04/2016			
Bank loan	150000	Cash at bank	30800
Capital fund	630800	Land and building	450000
		Furniture	185000
		School bus	115000
	780800		780800

Income and Expenditure Account

Salaries and Wages	78000	Subscriptions	3500000
Sundry exp.	34000	Entrance fees	12000
Stationary		Revenue from refreshment	
(3000+ 18000-4200)	16800	(52000-41500)	10500
Telephone charges			
(3200+12000)	4400		
Audit fee	5000		
Depreciation for building	13500		
Surplus	3370800		
	3522500		3522500

INCOME & EXPENDITURE A/C			
Expenditure	Amount	Income	Amount
Rent	20000	Entrance fee	3000
Wages	10000	Subscriptions	45000
Interest	2000	Add: Closing O/S	2800
Postage 1300		Less: Opening O/s	1300
Add: O/S 500		Locker rent	1300
Less: C/S 300	1500	Profit from entertainment	3000
Salary	25000	Deficit	7200
Dep. On furniture	2500		
	61000		61000

Balance Sheet as on 01/04/2015			
Liability	Amount	Assets	Amount
Rent O/S	1800	Cash in hand	2800
		Subscription O/s	1300
		stock of postage	500
Capital fund	18800	Furniture	16000
	20600		20600

Balance Sheet as on 31/03/2016			
Liability	Amount	Assets	Amount
Building donation	25000	Cash in hand	4800
Life membership		Billiards table	15000
fee	8000	Furniture	23500
Rent O/S	1800	Subscription O/s	2800
Capital Fund 18800			
Less: deficit 7200	11600	stock of postage	300
	46400		46400

26.

Income and Expenditure Account for the year ended			
Advertisement.	5700	Subscription	26300
Charity	4000	Int. On invest	1600
Rent 6000	7000	Add: Accrued	3000
Add; o/s 1000	1200	Bank interest	500
Stationery	2500		
Printing	11000		
Surplus	31400		31400

Balance Sheet as on 1/1/2017

Liabilities		Assets	
Creditors	10000	Building	50000
		Furniture	20000
Capital	87500	Bank	12500
		Cash	15000
	97500		97500

Balance Sheet as on 31/12/2017

Liabilities		Assets	
Capital	87500	Building	50000
Add: Surplus	11000	Furniture	20000
Outstanding Rent	1000	Investment	32000
Creditors	10000	Interest Accrued	3000
Donation for Building	60000	Computer	25000
Legacy	44500	Bank	59000
		Cash	25000
	214000		214000

27.

Opening Balance Sheet as at 1-4-2018

Liabilities	Amount	Assets	Amount
Capital Fund (Balancing Figure)	1,69,700	Building	1,20,000
		Sports Equipments	18,000
		Library Books	10,000
		Cash	7,300
		Bank	14,400
	1,69,700		1,69,700

Income & Expenditure A/c For the year ended

31-03-2019

Expenditure	Amount	Income	Amount
Salary 88000		Subscription	353900
Add: Outstanding	96000	Add: Outstanding	379900
Salary 8000	8520	subscription	26000
Stationery 9320-800	96100	Locker rent	8500
Sports expenses	4380		
Electricity charges	7600		
Rent	1600		
Entertainment expenses	1800		
Depreciation on Sports	172400		
	388400		388400

Balance Sheet as at 31-03-2019			
Liabilities	Amount	Assets	Amount
Capital Fund			
1,69,700		3,42,100	Building
Add: Surplus		24,200	Sports Equipments
1,72,400		60,000	18,000
Entrance fee		8,000	Less: Depreciation
Donations			1,800
Salary outstanding			2,10,000
			Library Books
			Investment
			Stock of stationery
			Subscription
			outstanding
		4,34,300	Cash
			4,34,300

28. Income and Expenditure Account

Expenditure	Amount	Income	Amount
Rent		6,000	Subscription
Electricity		4,800	21,500
Lecture fee		2,000	Add 500
Office exp.		1,350	Less 800
Printing and		850	Sundry receipts
stationary		5525	Donation
Depreciation		14,325	
		34,850	34,850

Calculation of depreciation

Books	$17,500 \times 5/100$	<u>= 815</u>
	$15000 \times 5/100 \times 4/12$	<u>= 250</u>
		1125
Furniture	$13000 \times 10/100$	<u>= 1300</u>
	$12000 \times 10/100 \times 6/12$	<u>= 600</u>
		1900
Building	$50000 \times 5/100$	<u>= 2500</u>
		5525

29.

Expenditure	Amount	Income	Amount	
Salary & Wages			Subscription	7,200
5250		5,000	Add	300
Less: Pre-paid	250	1,200	Donation	10000
Taxes			Interest received	500
Electricity charges		1,200	Sale of old newspaper	550
850		450	Entertainment	1250
Add: O/S	350	7,500	programme Revenue	450
Insurance premium		1,000	from refreshment	700
Honorarium to		1,000	Entrance fees	1300
secretary		500	Deficit	
Fuel		2500		
Sundry exp.		1050		
Depreciation on		850		
furniture				
		22,250		22,250

Balance Sheet

O/S Electricity charges	350	Furniture	1,000	
Legacy	10000	Less: Dep.	500	9500
Life membership fee	1000	Subscription O/S		300
		Salary pre-paid		250
		Deficit		1300
	11350			11350

30

Income and Expenditure Account

Salaries and wages		33,000	Subscription	64,300	
Misc.exp		12,000	Add O/S	6,35,700	7,00,000
Stationary	6,400		Entrance fees		3,100
Add O.P outstanding	650		Revenue from matches		18,000
	7050				
Less Closing outstanding	570	6480			
Match exp		15,200			
Telephone	1050				
Add.Closing O/S	95				
less.O.P O/S	85	1060			
Audit fees		2,000			
Depreciation		12,000			
Surplus		6,39,360			
		7,21,100			7,21,100

Balance sheet

Liabilities			assets	
Capital fund	2,86,565		Cash	62,350
Add: Surplus	6,39,360	9,25,925	Stock of stationary	570
Telephone outstanding		95	Subscription O/S	6,37,300
Subscriptions received in advance		2,200	(6,35,700+1600)	
			Premises and buildings	2,28,000
		9,28,220		9,28,220

Opening Balance Sheet

Liabilities		Assets		
	Telephone O/S	85	Cash	42000
	Salaries O/S	2100	Stock of stationary	650
				6100
	Capital fund	286565	Subscription	240000
		288750	O/S	288750

31. Income and Expenditure a/c

Expenditure	Amount	Income	Amount
Rent:	3000	Subscri.	32000
Less: Prepaid	500	Les: O/s	2000
Salaries	7500		
Add: O/s	2500	Add; O/s	30000
Depreciation	3000		33000
Surplus	20000	Sale of News Paper	1500
		Sundry Receipts	1000
	35500		35500

Balance Sheet as on 31/12/2017

Liabilities		Assets	
Capital fund	23000	Books	3000
		Furniture	6000
		Subscription O/S	2000
		Cash	12000
	23000		23000

Balance Sheet as on 31/12/2018

Liabilities		Assets	
Capital fund	23000	Cash in hand	15000
Add: Surplus	20000	Book	3000
Donation for building	25000	Add Purchase	4000
Salaries O/S	2500	Furniture	6000
		Add Purchase	12000
		Less depreciation	3000
		Subscription O/S	3000
		Pre-paid rent	500
		Investment	30000
	70500		70500

ACCOUNTING FOR PARTNERSHIP: BASIC CONCEPTS

1. Partnership is an agreement between partners to share of a business.
 (a) Assets (b) Liabilities
 (c) Capital (d) Profit / loss *1 (March 2020) AFS*

2. Identify the name of account which is prepared to show, how the profits are distributed among partners.
 (a) Income & Expenditure A/c. (b) Profit & Loss A/c.
 (c) Profit & Loss Appropriation A/c. (d) None of these *1 (March 2019) CA*

3. When partnership agreement is silent, which of the following partner is entitle to get interest on capital ?
 (a) Active Partner (b) Partner who contributed largest amount of capital
 (c) Guaranteed partner (d) None *1 (June 2017) AFS*

4. When Partnership Deed is silent about salary, which one of the following partner will get salary ?
 (a) Sleeping Partner (b) Active Partner
 (c) Guaranteed Partner (d) None *1 (March 2017) AFS*

5. Under fixed capital method, the interest on drawings is :
 (a) credited to capital account (b) debited to capital account
 (c) credited to current account (d) debited to current account *1 (July 2019) CA*

6. If partners are entitled to interest on capital as per agreement, such interest is payable
 (a) only out of bank balance (b) only out of capital
 (c) only out of profits (d) only out of sales *1 (June 2016) CA*

7. Under fixed capital method interest on drawing should be shown in
 (a) Current A/c (b) Capital A/c
 (c) Revaluation A/c (d) Realisation A/c *1 (March 2018) AFS*

8. Partners capital account and current account are not maintained separately under method of maintaining capital account. *1 (March 2017) CA*

9. Under fixed capital method, interest on drawings is debited.....a/c *1 (March 2016) CA*

10. Firoz and Shahin are partners in a firm. The firm did not have any partnership deed. Specify how the following situations are treated
 (a) Sharing of profit and losses.
 (b) Interest on advance given by Firoz to the firm *1 (March 2017) CA*

11. Write journal entry to charge interest on capital to partner 'A', partner's capital being fluctuating. *1 (June 2017) AFS*

12. What is the journal entry to be passed for transferring partners salary to partner's capital account *1 (March 2016) CA*

13. List out any four items to be credited to a Partners Current Account, when capitals are fixed. *2 (March 2018) CA*

14. Nanda, a partner in a firm withdrew Rs 5,000 per month during the year 2018 from her capital for domestic purpose. Calculate interest on drawings at 9% p.a., if the withdrawals are made at the end of each month.

2(March 2020)AFS

15. Chaithanya and Sandra are partners in a firm, sharing profits and losses equally. During the financial year 2017-18, Sandra withdraw Rs 20,000 quarterly on the beginning of each quarter. Find out the interest on drawings @ 8% p.a.

2(March 2019)CA

16. Mohan is a partner in a firm. On 1st April, 2017 his capital account showed a balance of Rs.5,00,000. He had withdrawn Rs 50,000 from his capital on 1st July, 2017. Calculate the amount of interest on capital @ 6% p.a. for the year ending 31st March, 2018.

2 (July 2019) CA

17. Jayan and Sohan are partners in a firm. Jayan's capital in the firm showed Rs 2,00,000 on April-1-2015. He introduced an additional capital of Rs 50,000 on July-1-2015. Calculate the interest on capital of Jayan if the rate of interest is 8%. Assume the books of accounts are closed on 31st March every year.

2 (March 2018)AFS

18. Siva is a partner in United Tours and Travels. He withdraws Rs 4,000 per month regularly in the middle of every month during the year 2019. The rate of interest on drawings is 8%. Calculate Interest on drawings for the year 2019.

1 (March 2020) CA

19. Light and Shade share profits and losses in the ratio of 3 : 2. They admit Bright agreeing to give 1/6 share in future profits. Light personally guaranteed that Bright's share of profits, after charging interest on capital @ 10% p.a. would not be less than Rs 60,000 in any year. The capital contributed by Light, Shade and Bright are Rs 5,00,000; Rs 4,00,000 and Rs 3,00,000 respectively. The profit for the year amounted to Rs 3,00,000 before charging interest on capital. Show the profit and loss appropriation account. The new profit sharing ratio is 3 : 2 : 1.

3 (June 2017)AFS

20. Rejith is a partner in a firm. On 1st January 2017, his capital account balance was Rs 2,20,000. As per partnership agreement a partner is entitled to 6% interest per annum on his capital. Rejith introduced additional capital Rs 80,000 on 01-07-2017 and withdrew Rs 50,000 on 1-10-2017. Calculate the interest on capital for the year ending 31st December 2017.

3 (March 2020) CA

21. Anwar a partner in Akbar Travels withdraw money during the year ending 31st March 2016 from his capital account for his personal use. Calculate interest on drawings on the following situations if rate of interest is 9% p.a.

(a) If he withdrew Rs 2,500 per month at the beginning of the month.

(b) If the amount withdrawn were on 1-6-2015, Rs 7,500, on 31-8-15 Rs 3,000 and 30-9-15 Rs 6,500

3 (March 2017)CA

22. Priya is a partner in a firm, her capital at the end of the financial year 2016-17 was Rs 2,00,000. During the year she had withdrawn Rs 30,000. Her share of profit before charging interest on capital for the year was Rs 8,000. Calculate interest on capital @ 10% p.a.

5(March 2019)CA

23. Simi, Mini and Suni are partners in a firm sharing P & L in the ratio 2:2:1. Suni was guaranteed a minimum amount of Rs 20,000 as share of profit every year. Any deficiency shall be met by Simi and Mini. The profit for the year were Rs 60,000 prepare P & L Appropriation A/c.

3 (March 2018)AFS

24. Prasanth and Janish are partners. They do not have any partnership agreement. What should be done in the following cases ?

(i) Prasanth spends twice the time that Janish devotes to business. Prasanth claims that he should get a salary of Rs 3,000 per month for his extra time spent.

(ii) Prasanth wants to introduce his son Shenoi as a partner. Janish objects to it.

4 (June 2016)CA

25. What is a Partnership Deed ? Give any four items to be included in it.

3 (March 2016)CA

26. Gireesh and Ramees are equal partners in a firm and their capitals as on 01-04-2016 were Rs 80,000 and Rs 60,000 respectively. As per the partnership deed Gireesh is entitled to monthly salary of Rs 3,000. Ramees gets a commission of 10% on the Net Profits of the business, before charging such commission. They are also eligible for interest on capital @ 8% p.a. Interest on drawings is charged as 6% p.a. Gireesh withdrew Rs 2,000 at the beginning of every month for his personal purposes. Total drawings of Ramees during 2016-17 was Rs 20,000.

Prepare the Profit and Loss Appropriation Account, to show the distribution of profits among partners. The net profits of the business for the year ended 31-03-2017 was Rs 1,24,000 (before adjusting above items).

5 (March 2018)CA

27. Sreya, Prarthana and Sadika set up a partnership on 1st January, 2018 with capitals of Rs 25,000, Rs 20,000 and Rs 15,000 respectively. They share profits in the ratio of 2 : 1 : 3. Prarthana is to be paid a salary of Rs 2,000 per month and Sreya will get Commission of Rs 10,000.

As per the deed, the Partners are entitled to receive interest on capital at 6% p.a. The drawings made by the partners during the period were Sreya Rs 3,000, Prarthana Rs 2,000 and Sadika Rs 1,000. The firm charged interest on drawings at 6% p.a. The net profit of the firm for the year ending 31st December, 2018 was Rs 49,420. Prepare profit and Loss Appropriation A/c

5 (March 2020) AFS



Answers

1.(d) Profit / loss

2.(c) Profit & Loss Appropriation A/c.

3.(d) None

4.None

5.(d) debited to current account

6.only out of profits

7.(a) Current A/c

8.Fluctating capital method

9.Partner's Current A/C

10.a) Profit and losses shared equally
b) 6% interest is given to Firoz's loan

11. Int.on capital Dr
 A's Capital a/c

12. Partners Salary a/c Dr
 To Partners Capital a/c

13. (i) Commission
 (ii) Salary
 (iii) Interest on capital
 (iv) P/L App. a/c
 (v) General Reserve
 (vi) P/L credit balance

14. Interest on Drawings = Total Drawings*Rate/100*5.5/12
 Total Drawings = 5000*12 = 60,000
 Interest on Drawings = 60,000*9/100*5.5/12=**2475**

15. $80000 \times 8/100 \times 7.5/12 = \text{Rs.}4,000$

16.

Interest on opening Capital	= 5,00,000 x 6/100 x 3/12	= 7500
Interest on capital after withdrawal	= 4,50,000 x 6/100 x 9/12	= 20250
		<u>27750</u>

$$\begin{aligned}
 \text{17 Interest on Capital} &= 200000 \times 8/100 & 16000 \\
 &= 50000 \times 8/100 \times 9/12 & \underline{3000} \\
 & & \mathbf{19000}
 \end{aligned}$$

$$\begin{aligned}
 \text{18. Interest on Drawings} &= \text{Total Drawings} \times \text{Rate} / 100 \times 6/12 \\
 \text{Total Drawings} &= 4000 \times 12 = 48,000 \\
 \text{Interest on Drawings} &= 48,000 \times 8/100 \times 6/12 = \mathbf{1920}
 \end{aligned}$$

19 Profit and loss Appropriation A/C

Int.on Capital			Net profit	300000
Light	50000			
Shade	40000			
Bright	30000	120000		
Capital a/c				
Light	90000			
less.to bright	30000	60,000		
Shade		60000		
Bright	30000			
Add.from Light	30000	60000		
		<u>300000</u>		<u>300000</u>

$$\begin{aligned}
 \text{20. Interest on Capital} & & & \\
 & 2,20,000 \times 6/100 & = & 13200 \\
 \text{Add: } & 80,000 \times 6/100 \times 6/12 & = & \underline{2400} \\
 & & & 15600 \\
 \text{Less: } & 50,000 \times 6/100 \times 3/12 & = & \underline{750} \\
 & & & \mathbf{14850}
 \end{aligned}$$

$$\begin{aligned}
 \text{21. a) Interest on drawings} &= 30000 \times (6.5/12) \times (9/100) = 1462 & (2500 \times 12 = 30000) \\
 \text{b) } & 1012.5
 \end{aligned}$$

22.

CI. Capital balance	200000
Add: Drawings	30000
	<u>230000</u>
Less: Share of profit	8000
OP. Capital balance	<u>222000</u>
Interest on capital = 2.22,000 x 10/100 = ' Rs.22,200	

23.

Profit & Loss Appropriation A/c			
Particulars	Amount	Particulars	Amount
Partners Capital A/c	60000	Net Profit	60000
Simi 20000			
Mini 20000			
Suni 20000			
	<u>60000</u>		<u>60000</u>

24. 1) No salary will be paid to Prasanth
2) Shenoi will not be admitted as a partner

25.a. Written Agreement

- b. Any four relevant contents of partnership deed such as -
Profit sharing ratio.
Partners salary,
capital contribution,
address of the firm etc

26.

Profit & Loss Appropriation a/c			
Salary - Gireesh	36000	Profit & Loss a/c	124000
Commission - Ramees	12400	Int. On drawings	
Int. On capital		Gireesh	780
Gireesh	6400	Ramees	600
Ramees	4800		
Partners capital a/c	65780		
Gireesh 32890	125380		125380
Ramees 32890			

Int.On drawings:

$$\text{Gireesh} = 24000 \times \frac{6}{100} \times \frac{6.5}{12} = 780$$

$$\text{Ramees} = 20000 \times \frac{6}{100} \times \frac{6}{12} = 600$$

27.

Profit and Loss Appropriation Account

Particulars	Amount	Particulars	Amount
Prarthana's Salary	24,000	P&L Account (Net Profit)	49420
Sreya's Commission	10000	Int.on Drawings	
Interest on Capital		Sreya	90
Sreya	1500	Prarthana	60
Prarthana	120	Sadika	30
Sadika	0		180
Capital	90		
	0		
Sreya	4000		
Prarthana	2000		
Sadika	6000		

Chapter 3

ADMISSION OF A PARTNER

1. If an incoming partner brings the premium of goodwill in cash, it will be shared by the old partners in:

- (a) new profit sharing ratio
- (b) old profit sharing ratio
- (c) capital ratio
- (d) sacrificing ratio

1 (July 2019) CA

2. Goodwill brought in by the incoming partner in cash is credited to

- (a) Old Partners Capital Account in Sacrificing ratio
- (b) Old Partners Capital Account in new ratio
- (c) New Partners Capital Account in Gaining ratio
- (d) New Partners Capital Account in new ratio

1 (March 2020) CA

3. Excess of old share over the new share of old partners while admitting a new partner is.....

- a) Gaining
- b) Profit
- c) Sacrificing
- d) Loss

1 (March 2013) CA

4. Find the odd one

- a) Super profit
- b) Capitalization Method
- c) Average Profit
- d) Weighted Capitalization

1 (March 2014) CA

5. On admission of a partner, the Debit Balance of Profit and in the Balance Sheet of the firm, denotes

- (a) Accumulated Profit
- (b) Accumulated Loss
- (c) Revaluation Loss
- (d) General Reserve

1 (March 2018) CA

6. The ratio in which the old partners agree to sacrifice their share of profit in favour of incoming partner is

- (a) New ratio
- (b) Old ratio
- (c) Sacrificing ratio
- (d) Gaining ratio

1 (March 2018) CA

Complete the following Journal Entry :

..... A/c. Dr.

To Cash A/c.

(The amount of goodwill brought in by the new partner withdrawn by the existing partners.)

1 (March 2019) CA

8. Anu and Beena are partners in a firm sharing profits in 3 : 2 ratio. They admitted Bindu as a new partner. Anu surrendered $\frac{1}{3}$ of her share in favour of Bindu and Beena surrendered $\frac{1}{4}$ of her share in favour of Bindu. Calculate the new Profitsharing ratio.

2 (March 2018) CA

9. Prince and Queen are partners sharing profits in the ratio of 3 : 2. They admit Sun as a new partner for $\frac{1}{4}$ share in the profit. The new profit sharing ratio will be 2 : 1 : 1. Calculate the sacrificing ratio of Prince and Queen

2 (March 2017) AFS

10. R & S are Partners sharing profits in the ratio 5 : 3. They admit T for $\frac{1}{7}$ th share in the profits. Calculate sacrificing ratio.

2 (March 2016) CA

11. Menon and Varma are Partners in the ratio 2:3 They admit Jyothi for $\frac{2}{5}$ th Share which She acquired equally from Menon and varma. Calculate New Ratio and sacrificing ratio

2 (March 2013) CA

12. Consider the following information and ascertain the value of goodwill by super profit method

- a) Total Capital employed 1,00,000
- b) Normal rate of return 8%
- c) Average Profit for the last 5 Years Rs12000
- d) Remuneration to partners Rs 3000

Goodwill estimated at 3 years purchase of super profit

3 (March 2013) CA

13. Jithu and Muthu are partners in a firm sharing profits in the ratio of 3 : 2. On 20th June 2018, they admit Rithu as a new partner. On that date there was a balance of Rs 40,000 in reserve fund and a debit balance of Rs 20,000 in the profit and loss account of the firm. Pass journal entries regarding the treatment of these items

2 (March 2020) AFS

14. At the time of reconstitution of a firm the value of Building is found appreciated by 20%. What journal entry will be passed for above adjustment with regard to revaluation ?

2 (March 2020) CA

15. Briefly explain any two circumstances which need for valuation of goodwill in a Partnership firm.

2 (March 2020) CA

16. Enumerate any two rights acquired by a newly admitted partner of a firm.

2 (March 2020) CA

The profit for the last five years of a firm were as follows :

Year	Profit
2014	62,000
2015	58,000
2016	84,000
2017	78,000
2018	80,000

Capital employed in the firm is Rs 5,00,000. Calculate the value of goodwill on the basis of 3 years purchase of Super Profit, assuming that the normal rate of return on capital employed is 12%.

2 (March 2020) CA

18. Afnas and Sakariya are partners in a firm sharing profits and losses in the ratio of 3 : 2. Ukkash is admitted as a new partner for 1/4 share in profits. He should bring in Rs 50,000 as capital and his share of goodwill in cash. Firms goodwill is valued At Rs 80,000 at the time of his admission.

Give necessary Journal Entries, on the assumption that 50% of the premium amount is withdrawn by the old partners.

3 (March 2018) CA

19. A business has earned an average profit of Rs 1,00,000 during the last few years and the normal rate of return in similar type of business is 10%. Find out the value of goodwill by capitalization method, given that the value of net assets of the business is Rs 8,20,000.

3 (June 2012) CA

20. Tony and Sony are partners in a firm sharing profits and losses in the ratio of 3 : 2. They admitted Moni into Partnership for 1/4 share. Moni brings Rs 50,000 as his capital and Rs 10,000 for his share of goodwill. At the time of admission goodwill appears in the Balance Sheet at Rs 5,000. New profit sharing ratio of the partners shall be 2 : 1 : 1. Pass necessary journal entries.

3 (March 2015) AFS

21. Castro and Clinton are partners sharing profit and losses in the ratio of 2 : 1. Their Balance Sheet was as follows :

Liabilities	Amount	Assets	Amount
Creditors	10,000	Cash in Hand	7,000
Bills payable	7,000		
Capitals :		Investments	15,000
Castro 40,000		Debtors	26,000
Clinton 30,000	70,000	Building	20,000
		Machinery	13,000
		Stock	6,000
	87,000		87,000

Cathy is admitted as a partner and assets are revalued and liabilities are reassessed as follows:

- Create a provision for doubtful debt on debtors at Rs 800.
- Building and investment are appreciated by 10%.
- Machinery is depreciated at 5%.iv) Creditors were overestimated by Rs 500

Before the admission of Cathy, how will you treat revaluation of assets and liabilities and make necessary journal entries

8 (June 2017) CA

22 Sreshta and Esha are partners sharing profit and losses in the ratio of 3:2 respectively. Their Balance Sheet as on March 31, 2017 was under

Liabilities	Amount	Assets	Amount
Creditors	28,000	Cash in Hand	3,000
Capitals :			23,000
Sreshta 70,000		Cash at Bank	
Esha 70,000	1,40,000	Debtors	19,000
		Building	65,000
		Furniture	15,000
		Machinery	13,000
		Stock	30,000
	1,68,000		1,68,000

On that date they admit Nayomi into the partnership for $\frac{1}{4}$ share in future profit on the following terms :

- Furniture and stock are to be depreciated by 10%. (ii) Building is appreciated by Rs 20,000.
- 5% provision is to be created on Debtors for doubtful debts.
- Nayomi have to bring in Rs 50,000 as her capital and Rs 30,000 as goodwill.

Suppose you were an Accountant in this firm, how will you prepare Journal entries and ledger account and balance sheet ?

23. J and K are partners in a firm, sharing profit and losses in the ratio of 3:2. Balance Sheet of J & K as on 1 April, 2010

Liabilities	Amount	Asset	Amount
Sundry Creditors	15,000	Cash in hand	3,000
Capitals of :		Stock	12,000
J 25,000		Plant & Machinery	45,000
K 20,000	45,000		
	60,000		60,000

L is admitted on the following terms :

- L will bring Rs 15,000 as capital and Rs 5,000 as premium for goodwill for $\frac{1}{6}$ share.
- The value of stock is reduced by 10% and plant and machinery increased by 5%.
- Investment worth Rs 1,500 (not mentioned in the Balance Sheet) is to be taken into account.

Prepare revaluation account and capital account of partners.

6 (March 2017) CA

24. Anju and Manju were in partnership, who were sharing profits and losses equally. Their Balance Sheet as on 31-03-2012 was as follows:

Liabilities	Amount	Assets	Amount
Capital A/c's		Cash	3,000
Anju	30,000	Debtors	20,000
Manju	20,000	Stock	40,000
Creditors	30,000	Furniture	5,000
Bills Payable	3,000	Plant & Machinery	15,000
	83,000		83,000

Sanju is admitted as a partner on 31-03-2012 on the following terms.

- Sanju will bring in Rs 40,000 as his capital
- Plant & Machinery will be increased by Rs 5,000
- Furniture should be appreciated by 20%
- Stock should be reduced by Rs 3,000
- Creditors be reduced by Rs 1,000. Prepare Revaluation Account and Capital Accounts.

8 (May 2013) CA

25. Aneesh and Akhil were in partnership, who were sharing profits and losses equally. Their Balance Sheet as on 31-03-2013 was as follows:

Liabilities	Amount	Assets	Amount
Capital A/cs			
Aneesh	60,000	Cash	6,000
Akhil	40,000	Debtors	40,000
Creditors	60,000	Stock	80,000
Bills Payable	6,000	Furniture	10,000
	.	Plant & Machinery	30,000
	1,66,000		1,66,000

Ajith is admitted as a partner on the date of the Balance Sheet on the following terms:

1. Ajith will bring in Rs 80,000 as his capital
2. Plant & Machinery will be increased by Rs.10,000
3. Furniture should be appreciated by 20%
4. Stock should be reduced by Rs.6,000
5. A provision for bad and doubtful debts is to be created at 5% on debtors.
6. Creditors be reduced by Rs 2,000

Prepare Revaluation Account and Capital Accounts.

8 (March 2014) CA

26. The following is the Balance Sheet of X and Y sharing profits and losses in the ratio 3:2 as on 31st March 2001

Liabilities	Amount	Assets	Amount
Sundry creditors	45,000	Cash	3,000
Outstanding expenses	2,000	Sundry Assets	80,000
Capitals:			
X 17,000			
Y 19,000	36,000		
	83,000		83,000

They admit Z into partnership on 1st April 2001 on the following terms:

1. That Z pays Rs, 10,000 as capital and Rs. 5,000 as goodwill for 1/4 share in future profits.
2. Sundry assets be valued at Rs. 72,000
3. That the capital accounts of all partners be readjusted on the basis of their profit sharing arrangements by bringing in or paying off cash as the case may be.

Prepare ledger accounts and Balance Sheet immediately after Z's admission

27. Anil and Sunil are partners in a firm sharing profit and losses in the ratio of 3: 2. Kapil is admitted for 1/6 th share of profits, he is to bring in Rs 40,000 as capital and Rs 8000 as his share of goodwill.

Give necessary journal entries in the following cases :

1. When the amount goodwill is retained in the business.
2. When 50% of the amount of goodwill withdrawn by the partners.

28. Given below is the Balance Sheet of Amal and Midhun who share profits and losses in the ratio of 3 : 2.

Balance Sheet as on 01-01-2017

Liabilities	Amount	Assets	Amount	
Creditors		50,000	Cash at Bank	5,000
Partners Capital A/c.:		70,000	Sundry Debtors	20,000
Amal	40,000		Stock	20,000
Midhun	30,000		Machinery	50,000
			Furniture	25,000
		1,20,000		1,20,000

Mr. Faisal is admitted into the partnership on the following terms :

- New partner has to bring in 7 25,000 as capital and Rs 10,000 as goodwill for 1/6 share.
- A creditor of Rs 1,000 will not claim his amount.
- Furniture is revalued at Rs 20,000.
- Stock- reduced by Rs2,000.
- Depreciation on machinery @ 10% p.a.

Prepare the Revaluation A/c, Partners' Capital A/c and the Balance Sheet after admission.

8 (March 2019) CA

29. Sathy and Varsha are partners in a firm sharing profit and losses in the ratio of 3 : 1. Their Balance Sheet as on 1st January 2019 was as follows :

Balance Sheet of Sathv and Varsha as on 01-01-2019

Liabilities	Amount	Assets	Amount
Rent Outstanding	3,000	Cash in hand	12,000
Creditors	18,000	Investment	60,000
General Reserve	10,000	Stock	24,000
Capital: Sathy	2,00,000	Debtors	44,000
Varsha	60,000	Less : Prov	40,000
		Bad debts	
		Machinery	30,000
		Building	1,25,000
			2,91,000
		2,91,000	

Suma is admitted into the firm with 1/4 share in profits on the following terms :

- Market value of Investment are to be taken at Rs 70,000.
- Buildings were found undervalued by Rs 4,000.
- Stock is revalued at Rs 26,000.
- It was found that creditors included a sum of Rs 3,000 which was not to be paid.
- Machinery is to be depreciated by 10%.

Prepare Revaluation Account.

5 (March 2020) CA

30. Ram and Rahim are partners in a firm sharing profits in the ratio of 3 : 1. Their balance sheet as on 31st December, 2018 was as follows :

Liability	Amount	Assets	Amount
Sundry Creditors	29,000	Cash in hand	5,000
Bills payable	5,000	Cash at bank	20,000
Outstanding Salaries	1,000	Sundry debtors	30,000
Capital:		Stock	20,000
Ram	90,000	Plant & Machinery	50,000
Rahim	75,000	Buildings	75,000
	2,00,000		2,00,000

Roy is admitted into the firm on the following terms :

- (a) Roy will bring Rs 30,000 as his share of goodwill for $\frac{1}{4}$ th share in the profits and Rs 50,000 as capital.
- (b) Plant & Machinery is revalued at Rs 60,000. Building is to be appreciated by 10%.
- (c) Stock is found over valued by Rs 2,000.
- (d) Create a provision for doubtful debts at 5% on debtors.

Prepare Revaluation account, partner's capital account and balance sheet of new firm.



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7 (March 2020) AFS

Answers

1.(d) sacrificing ratio

2.(a) Old Partners Capital Account in Sacrificing ratio

3.c) Sacrificing

4.d) Weighted Capitalization

5.(b) Accumulated Loss

6.(c) Sacrificing ratio

7. Old Partners Capital A/c / Existing Partners
To Cash

8. Anu's share of sacrifice = $\frac{3}{5} \times \frac{1}{3} = \frac{3}{15}$
Anu's new share = $\frac{3}{5} - \frac{3}{15} = \frac{9}{15} - \frac{3}{15}$
= $\frac{6}{15}$
Beena's share of sacrifice = $\frac{2}{5} \times \frac{1}{4} = \frac{2}{20}$
Beena's new share = $\frac{2}{5} - \frac{2}{20} = \frac{8}{20} - \frac{2}{20}$
= $\frac{6}{20}$
Bindu's share = $\frac{3}{15} + \frac{2}{20} = \frac{3}{10}$
Therefore New ratio = $\frac{6}{15} : \frac{6}{20} : \frac{3}{10} = \mathbf{4:3:3}$

9. Prince's Sacrifice	= $\frac{3}{5} - \frac{2}{4}$	
	= $\frac{12}{20} - \frac{10}{20} = \mathbf{\frac{2}{20}}$	
Queen's Sacrifice	= $\frac{2}{5} - \frac{1}{4}$	
	= $\frac{8}{20} - \frac{5}{20} = \mathbf{\frac{3}{20}}$	
Sacrificing ratio	= $\frac{2}{20} : \frac{3}{20}$	= $\mathbf{2:3}$

10. New share of R = $\frac{6}{7}$ of $\frac{5}{8}$, = $\frac{6}{7} \times \frac{5}{8} = \frac{30}{56}$
R's Sacrifice = $\frac{5}{8} - \frac{30}{56} = \frac{35}{56} - \frac{30}{56} = \frac{5}{56}$
New share of S = $\frac{6}{7}$ of $\frac{3}{8}$, = $\frac{6}{7} \times \frac{3}{8} = \frac{18}{56}$
S's Sacrifice = $\frac{3}{8} - \frac{18}{56} = \frac{21}{56} - \frac{18}{56} = \frac{3}{56}$
Sacrificing ratio = $\frac{5}{56} : \frac{3}{56} = \mathbf{5:3}$

11. Jyothi's share = $\frac{2}{5}$

Acquired equally from Menon and varma = $\frac{1}{5} + \frac{1}{5} = \frac{2}{5}$
New share of Menon = $\frac{2}{5} - \frac{1}{5} = \frac{1}{5}$
Menon's Sacrifice = $\frac{2}{5} - \frac{1}{5} = \frac{1}{5}$
New share of Varma = $\frac{3}{5} - \frac{1}{5} = \frac{2}{5}$
Menon's Sacrifice = $\frac{3}{5} - \frac{2}{5} = \frac{1}{5}$
Sacrificing ratio = $\frac{1}{5} : \frac{1}{5} = \mathbf{1:1}$

12. Goodwill=Super profit x No.of purchasing years

Super profit=Average profit-Normal profit

Normal profit = Capital employed x NRR/100 =1,00,000 x 8/100 =8,000

Average profit = 12,000-3000 =9,000

Super profit = 9,000 – 8,000 =1,000

Goodwill = 1,000 x 3 = 3,000

13 (a) Reserve fund A/c Dr. 40,000

Jithu's Capital 24,000

Muthus's Capital 16,000

(b) Jithu's Capital Dr. 12,000

Muthus's Capital Dr. 8,000

P&L A/c 20,000

14. Building A/c Dr.

Revaluation

15. Change in the Profit sharing ratio

Admission of a Partner

Retirement & Death (any two)

16. Right to share the Assets of the firm

Right to share the Profit of the firm

17. Goodwill = Super profit*No.of years purchase

Super profit = Average profit-Normal profit

Average profit = $\frac{62,000+58,000+84,000+78,000+80,000}{5}$

= 72,400

Normal profit = CE*Rate/100

=5,00,000*12/100=60,000

Super profit = 72,400-60,000=12,400

Goodwill = 12,400*3=**37,200**

18.

Date	Particulars	L.F.	Debit (Rs.)	Credit (Rs.)
1	Cash A/c Dr. To Ukkash's Capital A/c To Anfas Capital A/c To Sakariya's Capital A/c		70,000	20,000 12,000 8,000
2	Anfas Capital A/c Dr. Sakariya's Capital A/c Dr. To Cash A/c (Cash withdrawn by old Partners)		6,000 4,000	10,000

19. Average profit = 1,00,000

Capitalised value of average profits = average profit x100/Normal Rate of return

= 1,00,000x100/10 = 10,00,000

Goodwill = Capitalised value - Net assets = 10,00,000 -8,20,000 =**1,80,000**

20.

Date	Particulars	.	Debit (Rs.)	Credit (Rs.)
	Cash A/c Dr. To Moni's Capital (Amount brought by Moni as capital)		50,000	50,000
	Goodwill A/c Dr. To Tony's Capital A/c To Sony's Capital A/c (Goodwill brought down to its agreed value)		5,000	3,000 2,000

21.

Revaluation A/c Dr. To Provision for D.D		800	800
Revaluation A/c Dr. To Machinery A/c		650	650
Building A/c Dr. Investment A/c To Revaluation A/c		2,000 1,500	3,500
Creditors A/c Dr. To Revaluation A/c		500	500
Revaluation A/c Dr. To Castro's Capital A/c To Clinton's Capital A/c (Profit on revaluation)		800	480 320

Revaluation Account

Particulars	Amount	Particulars	Amount
Provision for D.D	800	Building	2,000
Machinery	650	Creditors	500
Capitals :		Investment	1,500
Castro 1700			
Clinton 850	2,550		
	4,000		4,000

22.

Revaluation Account

Particulars	Amount	Particulars	Amount
Furniture	1,500	Building	20,000
Stock	30,000		
Provision	950		
Capitals :			
Sreshta 8,730			
Esha 5,820	14,550		
	20,000		20,000

Partner's Capital Accounts

Cr.

Particulars	Sreshta (Rs.)	Esha (Rs.)	Nayomi (Rs.)	Particulars	Sreshta (Rs.)	Esha (Rs.)	Nayomi (Rs.)
Balance c/d		96,730	87,820	50,000	Balance b/d	70,000	70,000
					Cash		50,000
					Goodwill	18,000	12,000
					Revaluation (Profit)	8,730	5,820
		96,730	87,820	50,000		96,730	87,820
							50,000

Balance sheet

Liabilities	Amount	Assets	Amount
Creditors	28,000	Cash in hand	3,000
Capitals :		Cash at Bank	1,03,000
Sreshta	96,730	Debtors	19,000
Esha	87,820	Less : provision	950
Nayomi	50,000	Building	65,000
		Add: Appreciation	20,000
		Furniture	15,000
		Less: Depreciation	1,500
	2,34,550	Machinery	13,000
		Stock	30,000
		Less : Depreciation	3,000
	2,62,550		27,000
			2,62,550

23.

Revaluation Account

Particulars	Amount	Particulars	Amount
Stock	1,200	Plant and Machinery	2,250
Capitals :		Investment	1,500
J	1530		
K	1020		
	2,550		
	3,750		3,750

Partner's Capital Accounts

Cr.

Particulars	J (Rs.)	K (Rs.)	L (Rs.)	Particulars	J (Rs.)	K (Rs.)	L (Rs.)
Balance c/d		29,530	23,020	15,000	Balance b/d	25,000	20,000
					Bank		15,000
					Goodwill	3,000	2,000
					Revaluation (Profit)	1,530	1,020
		29,530	23,020	15,000		29,530	23,020

Revaluation Account

Stock	3,000	Plant & Machinery	5,000
Partners' Capital		Furniture	1,000
Anju	2,000	Creditors	1,000
Manju	2,000		
	4,000		
	7,000		7,000

Capital Account

Particulars	Anju	Manju	Sanju	Particulars	Anju	Manju	Sanju
Balance c/d				Opening Balance Cash	30,000	20,000	40,000
		32,000	22,000	Revaluation	2,000	2,000	
		32,000	22,000				40,000
					32,000	22,000	

25..

Revaluation Account

Stock	6.000	Plant &	
Pro.for bad debt	2.000	Machinery	10.000
Aneesh's capital	3,000	Furniture	2.000
Akhil's capital	3.000	Creditors	2,000
	14,000		14,000

Capital Account

Particulars	Aneesh	Akhil	Ajith	Particulars	Aneesh	Akhil	Ajith
Balance c/d				Balance b/d	60.000	40.000	—
				Caah	—	—	80.000
				Revaluation	3.000	3.000	—
					63.000	43.000	80.000

26.

Dr.

Revaluation Account

Cr.

Particulars	Amount	Particulars	Amount
Sundry assets	8,000	Loss transferred to Capital	8,000
		X	4,800
		Y	3,200
	8,000		8,000

Capital Account

Particulars	X	Y	Z	Particulars	X	Y	z
Revaluation	4,800	3,200	10,000	Bal. b/d	17,000	19,000	10,000
Cash	18,000	5,800		Cash (Goodwill)	3,000	2,000	
Bal. c/d		12,000		Cash	2,800		
	22,800	21,000	10,000		22,800	21,000	10,000

Cash Account

Particulars	Amount	Particulars	Amount
Balance b/d	3,000	Y's capital	5,800
Z's capital	10,000	Balance c/d	15,000
X's capital - goodwill	3,000		
Y's capital - goodwill	2,000		
X's capital - deficiency brought	2,800		
	20,800		20,800

Balance sheet

Liabilities	Amount	Assets	Amount
Sundry creditors	45,000	Cash	15,000
Outstanding expenses	2,000	Sundry assets	72,000
Capitals:			
X	18,000		
Y	12,000		
Z	10,000		
	40,000		
	87,000		87,000

Working Notes

Old ratio = 3:2, New ratio = 9:6:5

Z's Capital for $\frac{1}{4}$ share = 10,000Total Capital of the firm = $10,000 \times \frac{4}{1} = 40,000$ X's Capital = $40,000 \times \frac{9}{20} = 18,000$ Y's capital = $40,000 \times \frac{6}{20} = 12,000$

27.1. When the amount of goodwill is retained in the business.

Date	Particulars	LR	Debit (Rs.)	Credit (Rs.)
1	Cash A/c Dr. To Anil's Capital A/c To Sunil's Capital A/c To Kapil's Capital A/c		48,000	4,800 3,200 40,000

2. When 50% of the amount of goodwill withdrawn by the partners

2	Anil's Capital A/c Dr. Sunil's Capital A/c Dr. To Cash A/c (Cash withdrawn by Sunil and Dalip equal to their share of goodwill)		2,400 1,600	4,000
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28. Revaluation a/c

Furniture	5000	Creditors	1000
Stock	2000	Partners Capital a/c	11000
Machinery	5000	Amal	6600
	12000	Midhun	4400
			12000

Capital Account

	Amal	Midh	Faisal		Amal	Midh	Faisal
Revaluation	6600	4400		Bal b/d	40000	30000	
Cash	39400	29600	25000	Cash	6000	4000	25000
	46000	34000	25000	Premium			
	46000	34000	25000		46000	34000	25000

Balance Sheet as on 01/01/2017

Liabilities		Assets	
Creditors	49000	Cash	40000
Partners Capital a/c	39400	Debtors	20000
Amal	29600	Stock	18000
Midhun	25000	Machinery	45000
Faisal		Furniture	20000
	143000		143000

29 Revaluation Account

Particulars	Amount	Particulars	Amount
Machinery	3,000	Investment	10,000
Capital:	16,000	Stock	2,000
Sathy 12,000		Creditors	3,000
Varsha 4,000		Buildings	4,000
	19,000		19,000

Note: Building Rs 4,000 debited to Revaluation Account also Correct answer.

30.

Revaluation Account

Particulars	Amount	Particulars	Amount
Stock	2000	Plant & Machinery	10000
Provision for DD	1500	Building	7500
Capital:			
Ram 10500			
Rahim 3500	14000		
	17500		17500

Capital Account

Particulars	Ram	Rahim	Roy	Particulars	Ram	Rahim	Roy
Balance c/d	23,000	86,000	50,000	Balance b/d	90,000	75,000	50,000
				Cash			
				Goodwill			
				(Premium)	22,500	7,500	
				Revaluation	10500	3500	
	1,23,000	86,000	50,000		1,23,000	86,000	50,000

Balance sheet

Liabilities	Amount	Assets	Amount
Creditors	29,000	Cash	85,000
B/P	5,000	Bank	20,000
Outstanding Salaries	1,000	Debtors	30,000
Capitals:		Less: Provision	1,500
Ram	1,23,000	Stock	20,000
Rahim	86,000	Less:	2,000
Roy	50,000	Plant & Machinery	60,000
		Building	75,000
		Add :	7500
	2,94,000		2,94,000

Chapter 4

Retirement and Death of a partner

1. As per the provisions of the Partnership Act, the relieving partner is entitled to receiveof interest on the amount due to him till the date of payment.

- (a) 6% (b) 5%
(c) 10% (d) 20%

1 (March 2020) AFS

2. Retirement of partner leads to..... of the partnership.

- (a) dissolution (b) amalgamation (c) reconstitution (d) merger

1 (March 2018) AFS

3. Profit or loss on revaluation at the time of retirement must be transferred to the partners in.....

- (a) Capital ratio (b) Old profit sharing ratio
(c) Equally (d) Gaining ratio

1 (June 2016) CA

4. In which ratio the continuing partners compensate the share of goodwill of partner when he retires

- (a) Profit Sharing Ratio (b) Sacrificing Ratio
(c) Gaining Ratio (d) Capital Ratio

1 (June 2017) CA

5. Agnes, Anila and Seena are partners sharing profits in the ratio of 5 : 3 : 2. What will be the new profit sharing ratio, if Agnes retires from the firm

1 (June 2018) CA

6. Abraham, Basheer and Chellappan are partners sharing profits in the ratio of 5 : 3 : 2. Basheer retires. Find out the gaining ratio of Abraham and Chellappan.

1 (June 2017) AFS

7. What is gaining ratio ?

1 (June 2017) AFS

8. Bhanu, Jinu and Tinu are partners in a firm sharing P & L in the ratio of 4 : 3 : 2. Tinu retires from the firm. Bhanu and Jinu decided to share profits in the ratio of 2:1. Calculate gaining ratio.

2 (March 2018) AFS

9. Najeeba, Sherin and Nasar are equal partners. Nasar decides to retire. On the date of his retirement the Balance Sheet of the firm showed a General Reserve of Rs 40,000 and Profit and Loss Account Rs 20,000 (Dr.)

Show the accounting treatment for the above.

2 (March 2019) CA

10. Sruthi, Aleena and Febina are partners in the ratio of 3 : 2 : 1. Sruthi retires and her share is acquired by the remaining partners in the ratio of 3 : 2. Calculate the new ratio.

2 (March 2019) CA

11. Tiji, Jiji and Mini are partners sharing profits in the ratio of 3:2:1. Tiji retires from the firm and her share is taken up by Jiji and Mini in the ratio of 3:2. Calculate the new profit sharing ratio.

2 (June 2018) CA

12. A. B. C and D are partners of a firm sharing profits in the ratio of 2 : 1 : 2 : 1. 'A' retires. The goodwill of the firm is valued at ₹ 48,000. B, C and D decided to share future profits equally. Show the necessary journal entry for the treatment of goodwill without opening Goodwill Account.

3 (June 2017) AFS

13. What is accumulated profit and accumulated loss? How these items will be treated at the time of retirement/death of a partner? Give journal entries about them.

3 (June 2017) AFS

14. Santha, Gayathri and Nisha are partners sharing profits in the ratio of 4 : 3 : 2. Gayathri retires and the Goodwill is valued at Rs 36,000 future profit sharing ratio between Santha and Nisha will be 5 : 3. They decided that the Goodwill is not to appear in the firm's books at all. Record necessary Journal Entry.

3 (June 2017) AFS

15. (a) How hidden Goodwill is found out at the time of retirement / death of a partner? Explain with example.
(b) How this Goodwill is accounted in the Capital Accounts of partners?

3 (June 2017) AFS

16. Write journal entry for recording unrecorded liability at the time of retirement of a partner.

1 (March 2017) CA

17. Priya, Priji and Viji are partners, sharing profit and losses in the ratio of 4:3:2. Priji retired and goodwill is valued at Rs 63,000. Priya and Viji are decided to share future profits and losses in the ratio of 5:3. Record necessary journal entry, when goodwill is raised at its full value and written off immediately.

2 (March 2017) CA

18. Renjith, Sumesh and Aneesh are partners in a firm. Sumesh retires from the firm. On the date of retirement of Sumesh, Rs 45,000 become due to him. Renjith and Aneesh promise to pay the amount in instalments. Prepare Sumesh's loan account, when they agree to pay three yearly instalments of Rs 15,000 including interest at 12% p.a. on the outstanding balance during the first 3 years and the balance including interest in fourth year.

4 (March 2017) CA

19. Ayisha, Anagha and Anjana are partners in a firm and Anagha decided to retire from the firm. Can you identify what are the different amounts to be transferred to her account?

3 (June 2018) AFS

20. Do you think that there is a need for the revaluation of assets and liabilities of a firm on the retirement of a partner? Justify your answer.

2 (March 2020) CA

21. List out the various adjustments required in the accounts of a firm on retirement of a partner. (6 Points)

3 (March 2020) CA

22. On death of a partner, his legal representatives were settled by paying Rs 1,20,000. As per his Capital Account, the amount due to him after all adjustments was Rs 1,05,000. Ascertain the deceased partner's share of goodwill from the firm. (Hint: Case of hidden goodwill)

1 (March 2018) CA

23. John, Thomas and David are partners in a firm. Thomas decides to retire from the firm. On the date of retirement Rs 80,000 becomes due to him. John and David promise him to pay the amount in four equal yearly instalments plus interest @ 12% per annum on the unpaid balance. Prepare Thomas's Loan A/c.

5 (June 2018) AFS

24. Akhil, Amal and Anand are partners in a firm. Akhil died on 1-1-2010. Rs 1,00,000 became due to him. Amal and Anand transfer this amount to Akhil's executors loan a/c and promise to pay four yearly installments of Rs 25,000 including interest @ 10% p.a. on the outstanding balance during the first four years and the balance including interest in the fifth year. Prepare Akhil's executors loan a/c.

5 (March 2018) AFS

25. A, B and C were in partnership, sharing profits equally. C agreed to retire from the partnership on 30th June, 2007. His share of profits to the date of retirement has to be calculated on the basis of the average profits of the preceding three accounting years. The books showed the profits of the last five accounting years (ending on 31st March) as follows :

2002- 03	=	Rs 12,650
2003- 04	=	Rs 15,400
2004- 05	=	Rs 9,900
2005- 06	=	Rs 8,800
2006- 07	=	Rs 11,000

Calculate C's share of profit.

3 (June 2016) CA

26. P, Q and R are partners in a firm. Q retires. On his date of retirement, Rs 60,000 becomes due to him. P and R promise to pay him in instalments every year at the end of the year. Prepare Q's Loan A/c. in the following cases :

- (a) When the payment is made four yearly instalments plus interest @ 12% p.a. on the unpaid balance.
- (b) When they agree to pay three yearly instalments of Rs 20,000 including interest @ 12% p.a. on the outstanding balance during the first three years and the balance including interest in the fourth year.

8 (March 2016) CA

27. Arun, Hari and Jaya are partners in a firm sharing profits and losses in the ratio of 5:3:2. Jaya retires from the firm and the continuing partners decided to share future profits in the ratio of 3 : 2 respectively. On her retirement, firm's goodwill valued at Rs.50,000. Record necessary journal entries for the treatment of goodwill, without opening the Goodwill Account.

3 (March 2018) CA

28. Mrs. Bhanumathi, a partner in a firm decided to retire from the firm on 31st March, 2017. The amount due to her from the firm is estimated as Rs 75,000. Pass journal entries if -

- (a) The amount is paid in cash immediately.
- (b) Rs 25,000 is paid in cash and balance treated as a loan.

2 (March 2020) AFS

29. Adam, Eve and Omar are partners in a firm sharing profits and losses in the ratio 3:2:1. They close accounts on March 31st every year. Omar wishes to retire on September 30th 2016. As per their partnership deed, the retiring partner's share of profit upto the date of retirement should be estimated on the basis of average profit of last 4 completed years. The profit of the firm for the last 4 years were Rs 25,000, Rs 30,000, Rs 35,000 and Rs 30,000 respectively. Calculate the share of profit of Omar upto the date of retirement.

3 (June 2017) CA

30. X, Y and Z were partners in a business sharing profits and losses in the ratio of 3: 2 :1. 'X' died on October 1, 2016. It was agreed between his executors and the remaining partners that :

- Goodwill to be valued at 2 years purchase of the average profits of previous '5' years. (Average profit of past 5 years is worked out as Rs 30,000)
- Machinery be depreciated by Rs 12,000 and Buildings be appreciated by Rs 24,000.
- Profits for the year 2016-17 be taken as having accrued at the same rate as that of the previous year. (The profits of 2015-16 was Rs 36,000)
- Interest on capital @ 12% p.a. (X's capital account has a credit balance of Rs 60,000 as on 01-04-2016)
- Accumulated profits or losses are to be shared among partners. (Balance Sheet of the firm as on 31-03-2016 shows a credit balance of Rs 24,000 in the Profit and Loss Account)

Workout the amount payable to X's legal representatives and show them in X's Capital Account.

5 (March 2018) CA

31. Neeraj, Nima and Aswin are partners sharing profits in the ratio of 4:3:2. Goodwill is appearing in the books at a value of Rs 45,000. Nima retires. On retirement, goodwill of the firm is valued at Rs 90,000. Neeraj and Aswin decided to share future profits in the ratio of 3:2 and also not to show goodwill in the books. Give journal entries

4 (June 2019) CA

32. Following is the Balance Sheet of Lekshmi, Priya and Deepa, who share profits and losses equally. 5

Liabilities	Amount	Assets	Amount
Creditors	12,000	Cash at Bank	26,600
Reserve fund	36,000	Sundry Debtors	26,000
Capital :-		Stock	18,000
Lekshmi	29,200	Fixed Assets	65,000
Priya	29,200		
Deepa	29,200		
	1,35,600		1,35,600

Lekshmi died on 31st May 2017. According to the Partnership deed her legal representatives are entitled to :

- Balance in the capital account and undistributed profit/loss.
- Share of Goodwill under average profit method.
- Share in the profit upto the date of death based on last year Profit.
- Interest on capital @ 6% p.a.

The goodwill of the firm under average profit method is Rs 42,000, and profit for the year 2016-17 Rs 21,600. Calculate the amount payable to Lekshmi's legal representatives. 5 (March 2020) CA

33. Sojan, a partner in a firm died on 1st July, 2019. As per agreement, his legal representatives are entitled to –

- His capital account balance as per last balance sheet, Rs 50,000.
- Share of goodwill based on 2 years purchase of last 4 years average profits.
- Share the profit up to the date of death on the basis of average profit of last 4 years.
- Interest on capital @ 6% p.a.

Profits for the last 4 years were Rs 23,000, Rs 24,000, Rs 22,000 and Rs 27,000 respectively. Sojan's share in the profits of the firm is 1/5.

Find out the amount payable to Sojan's legal representatives, assuming that the accounts of the firm are closed on 31st March every year. 5 (March 2020) AFS

Answers

1. (a) 6%

2.(c) reconstitution

3.(b) Old profit sharing ratio

4.Gainig ratio

5. 3:2

6.Gaining ratio 5:2

7.The ratio in which the continuing partners acquire the out going partners share is called a gaining ratio

8. Gainig ratio

$$\text{Binu} = 2/3 - 4/9 = 2/9$$

$$\text{Jinu} = 1/3 - 3/9 = 0$$

So Binu only gain

	Old ratio	New ratio
Binu	4/9	2/3
Jinu	3/9	1/3

9. a) General Reserve a/c Dr 40000
 To Najeeba Capital a/c 13,333
 To Sherin Capital a/c 13,333
 To Nasar Capital a/c 13,334

[GR distributed to partners in equal ratio]

[b] Najeeba Capital a/c Dr 6666

Sherin Capital a/c Dr 6666

Nasar Capital a/c Dr 6667

 To Profit and Loss a/c 20000

[Accumulated loss distributed to partners]

OR

Debit General Reserve,

Credit Nasar Capital a/c 13,334 and

Debit Nasar Capital a/c,

Credit P/L a/c 6,667

10. Share Acquired by Aleena $= 3/6 \times 3/5$
 $= 9/30$

Share Acquired by Febina $= 3/6 \times 2/5$
 $= 6/30$

New share of Aleena $= 2/6 + 9/30$

$= 19/30$

New share of Febin $= 1/6 + 6/30$

$= 11/30$

New Ratio $= 19:11$

11. Tiji's share taken by Jiji = $\frac{3}{6} \times \frac{3}{5} = \frac{9}{30}$

Tiji's share taken by Mini = $\frac{3}{6} \times \frac{2}{5} = \frac{6}{30}$

New ratio of Jiji = $\frac{2}{6} + \frac{9}{30} = \frac{10}{30} + \frac{9}{30} = \frac{19}{30}$

New ratio of Mini = $\frac{1}{6} + \frac{6}{30} = \frac{5}{30} + \frac{6}{30} = \frac{11}{30}$

New ratio = 19:11

12. A's share of goodwill 16,000

B's Capital a/c Dr. 8,000

D's Capital a/c Dr. 8,000

A's Capital a/c 16,000

Gaining ratio between B&D = 1:1

13. Explanation for accumulated profit and loss

If Profit

P & L a/c Dr

 All partner's capital

If loss

 All partners capital a/c Dr.

 P&L a/c

14. Santha Capital a/c Dr. 6500

Nisha Capital a/c Dr. 5500

 Gayathri Capital a/c 12000

Gaining ratio 13:11

15.a) Sometimes, a firm may agree to settle the retiring partner by making a lump sum payment. The amount paid may be more than what is due to him based on his capital account after making all adjustments. The excess paid shall be treated as his share of goodwill (known as hidden goodwill).

b) Remaining partners Capital a/c Dr

 Retiring partner's capital

16. Revaluation a/c Dr.

 Unrecorded liability

17. Goodwill a/c Dr 63,000

 Priya's capital a/c 28,000

 Priji's capital a/c 21,000

 Viji's capital a/c 14,000

Priya's capital a/c Dr 39,375

Viji's capital a/c Dr 23,625

 Goodwill a/c 63,000

OR

 For calculating gaining ratio = 13:11

Priya's capital a/c Dr 11,375

Viji's capital a/c Dr 9,625

 Priji's capital 21,000

18.

Sumeh's Loan a/c

Bank	15,000	Sumesh's capital	45,000
Balance c/d	35,400	Interest	5,400
	50,400		50,400
Bank	15,000	Balance b/d	35,400
Balance c/d	24,648	Interest	4,248
	39,648		39,648
Bank	15,000	Balance b/d	24,648
Balance c/d	12,606	Interest	2,958
	27,606		27,606
Bank	14,119	Balance b/d	12,606
		Interest	1,512
	14,119		14,119

19.a) credit balance of her capital A/c and Current A/c

b) Her share of goodwill

c) Her share of accumulated profits

d) Her share in the gain of revaluation of assets and liabilities

e) share of profits up to the date of retirement

f) Interest on his capital, Salary, Commission etc (Any three item)

20.(a) Yes

(b) To find out the appropriate share of retiring partner in the firm.

21. Ascertainment of new profit sharing ratio and gaining ratio;

2. Treatment of goodwill;

3. Revaluation of assets and liabilities;

4. Adjustment in respect of unrecorded assets and liabilities;

5. Distribution of accumulated profits and losses;

6. Ascertainment of share of profit or loss up to the date of retirement/death;

7. Adjustment of capital, if required;

8. Settlement of the amounts due to retired/deceased partner (any six)

22. Goodwill = 15,000

23.

Thomas Loan a/c

Year	Particulars	Amount	Year	Particulars	Amount	
	1	Cash	29600	1	Thomas Capital A/c	80000
		Balance C/d	60000		Interest	9600
			89600			89600
	2	Cash	27200	2	Balance b/d	60000
		Balance c/d	40000		Interest	7200
			67200			67200
	3	Cash	24800		Balance	40000
		Balance c/d	20000		b/d	4800
			44800		Interest	44800
	4	Cash	22400	4	Balance b/d	20000
					Interest	2400
			22400			22400

24.

Executors Loan a/c

Cash	25,000	Balance c/d	100,000
Balance c/d	85,000	Interest	10,000
	1,10,000		1,10,000
Cash	25,000	Balance b/d	85,000
Balance c/d	68,500	Interest	8,500
	93,500		93,500
Cash	25,000	Balance b/d	68,500
Balance c/d	50,350	Interest	6,850
	75,350		75,350
Cash	25,000	Balance b/d	50,350
Balance c/d	30,385	Interest	5035
	55,385		55,385
Cash	33,424	Balance c/d	30,385
		Interest	3039
	33,424		33,424

25.825

26.a)

Q's Loan a/c					
I Yr	To Cash [15000+ 72001	22200	I Yr	By Q's Capital a/c	60000
	To Balance c/d	45000		By Interest	7200
		67200			67200
II Yr	To Cash (15000+ 5400!	20400	II Yr	By Bal b/d	45000
	To Balance c/d	30000		Interest	5400
		50400			50400
III Yr	To Cash [15000 + 36001	18600	III Yr	By Bal b/d	30000
	To Balance c/d	15000		Interest	3600
		33600			33600
IV Yr	To Cash [15000 + 18001	16800	IV Yr	By Bal b/d	15000
		16800		Interest	1800
					16800

b)

Q's Loan a/c					
IYr	To Cash	20000	I Yr	By Q's Capital a/c	60000
	To Balance c/d	47200		By Interest	7200
		67200			67200
II Yr	To Cash	20000	II Yr	By Bal b/d	47200
	To Balance c/d	32864		Interest	5664
		52864			52864
III Yr	To Cash	20000	III Yr	By Bal b/d	32864
	To Balance c/d	16808		Interest	3944
		36808			36808
IV Yr	To Cash	18825	IV Yr	By Bal b/d	16808
		18825		Interest	2017
					18825

27. Arun's Capital a/c Or 5,000

Hari's Capital a/c Dr 5,000

To Jaya's Capital a/c 10,000

(Retiring partner's share of goodwill paid off in the gaining ratio 1:1]

28.(a) Bhanumathi's Capital A/c Dr.	75000
Cash	75000
(b) Bhanumathi's Capital A/c Dr.	75000
Cash	25000
Bhanumathi's Loan	50000

29. Calculation of average profit = $120000/4 = 30,000$
Profit up to the date of retirement = $30,000 \times 6/12 = 15,000$
Omar's share of profit = $15,000 \times 1/6 = 2500$
-

30.

X's Capital Account			
X's Executors a/c	120600	Bal b/d	60000
		Y's Capital (GW)	20000
		Z's Capital (GW)	10000
		Revaluation a/c	6000
		P/L Suspense a/c	9000
		Int. On Capital	3600
		Profit & Loss a/c	12000
	120600		120600

- a. Goodwill: Average Capital $30,000 \times 2 = 60,000$
 $60,000 \times 3/6 = 30,000$
b. Revaluation profit = 12,000. X's Share = $12,000 \times 3/6 = 6,000$
c. P/L Suspense a/c = $36,000 \times 6/12 \times 3/6 = 9,000$
d. Interest on Capital = $60,000 \times 12/100 \times 6/12 = 3,600$
e. P/L Credit bal = $24,000 \times 3/6 = 12,000$
-

31. Gaining ratio of Neeraj = $3/5 - 4/9$
= $7/15$

Gaining ratio of Aswin = $2/5 - 2/9$
= $8/45$
= $7:8$

Neeraj a/c	Dr	20,000
Nima a/c	Dr	15000
Aswin a/c	Dr	10000
Goodwill		45000

Neeraj's Capital a/c	Dr	14000
Aswin's Capital a/c	Dr	16000

Nima's capital a/c 30000

32.

Lakshmi's Capital Account			
Particulars	Amount	Particulars	Amount
Lakshmi's Executor's loan Account	56,692	Balance b/d	29,200
		Reserve fund	12,000
		Goodwill	14,000
		P&L (Suspense) (21600*2/12*1/3)	1,200
		Int.on capital (29200*6/100*6/12)	292
	56,692		56,692

33.

Sojan's Capital Account			
Particulars	Amount	Particulars	Amount
Sojan's Executor's	61,550	Balance b/d	50,000
		Goodwill	9,600
		P&L (Suspense) (24000*3/12*1/5)	1,200
		Int.on capital (50000*6/100*3/12)	750
	61,550		61,550

Chapter 5

DISSOLUTION OF PARTNERSHIP FIRM

1. At the time of dissolution of a firm, which of the following liability will be paid first ?

- (a) Outstanding Salary of Partners
- (b) Partners Loan
- (c) Partners Capital
- (d) Sundry Creditors

1(March 2020) CA

2. At the time of dissolution of a firm, the amount realised from assets are utilised first to pay

.....

- | | |
|-------------------------|--------------------|
| (a) Capital | (b) Partner's loan |
| (c) Outside Liabilities | (d) None of these |

1(March 2020) AFS

3. Identify the situation where partnership firm is not compulsorily dissolved

- (a) When partner gives a notice in writing.
- (b) When all partners except one become insolvent.
- (c) When a business become illegal.
- (d) When all partners except one become insane.

1 (June 2018) AFS

4. When realisation expenses are paid by a partner on behalf of the firm,A/C is debited

1 (March 2016) CA

5. The business of the firm is terminated when

- (a) Dissolution of Partnership
- (b) Retirement of a partner
- (c) Death of a partner
- (d) Dissolution of firm

1(March 2019)

6. An unrecorded asset realized at the time of dissolution should be credited to account.

- | | |
|-------------|-----------------|
| (a) cash | (b) realisation |
| (c) capital | (d) revaluation |

1 (June 2019)

7. Mention two situations in business takes place the 'Compulsory Dissolution' of a partnership

2 (March 2018) CA

8. Explain the order in which the amounts realised through the sale of assets are to be applied, at the time of dissolution of a partnership firm.

(March 2018) CA

9. Dissolution of a partnership in what order must the proceeds of the realization of assets be applied

(June 2016) CA

10. State any three differences between dissolution of partnership and dissolution of firm
3 (June 2018) AFS, 3 (March 2020) CA, AFS

11. Ashina, a Commerce student is in a dilemma that she has no clear idea about the differences between dissolution of partnership and dissolution of firm. Can you help her by giving three points of differences in this regard ?
3 (March 2019) CA

12. Distinguish between 'Dissolution of a partnership' and 'Dissolution of a firm' in accounting point of view.
3 (June 2018) CA

13. Differentiate Dissolution of Partnership from Dissolution of Firm on the basis of following grounds

Basis	Dissolution of Partnership	Dissolution of Firm
(1) Termination of Business
(2) Closure of Books of Account

2 (June 2017) CA

14. Pass Journal Entries for the treatment of 'Realisation expenses' spent by the firm, under the following situations:

(a) When realization expenses of Rs 6,500 are incurred and paid by the firm.

(b) When realization expenses of Rs 6,500 met by Mr. Luckose. one of the partners on behalf of the firm.

(March 2018) CA

15. Some journal entries concerned with dissolution of a firm are given below. Complete the journal entries.

Journal			
Date	Particulars	Debit	Credit
(a) Dr To Realisation A/c. (Assets Sold)	4,000	4,000
(b) Dr To Bank (Partner's Loan paid)	5,000	5,000
(c)	Realisation A/c. Dr. To..... (Liabilities Taken over by a Partner)	7,000	7,000

15. Pass necessary journal entries in the following cases at the time of dissolution of a firm.

(a) Rohit, a partner took over stock worth Rs7,500.

(b) Kiran, a partner paid realization expenses amounting to Rs 1,500 on behalf of the firm.

(c) Loss on realization of Rs 6,300 transferred to partner's capital account.

3 (June 2019)

Complete the worksheet based on the hint given below :

	Description	Journal Entry
Hint	Transfer of assets to Realisation A/c.	Realisation A/c. Dr. To Assets A/c. (individually)
(a)	Sale of Asset	?
(b)	?	Liabilities A/c. Dr. To Realisation A/c..

2(March 2019)

17. Rineesha and Arya are partners in the ratio of 3 : 2. Their Balance Sheet 31-03-2017 is given below:

Balance Sheet as on 31-03-2017

Liabilities	Amount	Assets	Amount
Partners' Capital A/c.:		Bank A/c.	50,000
Rineesha 22,000		Stock in Hand	10,000
Arya 25,000	47,000	Debtors	20,000
Creditors	60,000	Sundry Assets	53,000
Reserve Fund	26,000		
	1,33,000		133,000

The firm is dissolved on 31-3-2017. Prepare the Realisation Account by considering the following:

- (i) Stock realized Rs 9,000
- (ii) Sundry assets sold for Rs 45,000
- (iii) Realisation expenses met Rs 2,000
- (iv) Creditors paid in full

5(March 2019)

18. Manu and Manoj are partners, who share profit in the ratio of 2 : 1. Following is the Balance Sheet as on 31st March 2018.

Balance sheet

Liabilities	Amount	Assets	Amount
Sundry Creditors	48,000	Cash and Bank	40,000
General Reserve	30,000	Stock	60,000
Capital:		Sundry Debtors	78,000
Manu	1,40,000	Land and Building	1,00,000
Manoj	80,000	Furniture	20,000
	2,98,000		2,98,000

On a dispute between the partners they decided to dissolve the firm on the following terms :

- (1) Realisation expenses amounted to Rs 4,000.
- (2) Debtors realised at a discount of 5%.
- (3) Stock realised at Rs 50,000.
- (4) Fixed Assets realised – Land & Building Rs 1,40,000, Furniture Rs 18,000
- (5) There was an unrecorded assets of Rs 5,000, which was taken over by Manu.
- (6) Creditors are paid in full.

Prepare necessary ledger accounts to close the books of firm.

9 (March 2020)CA

What journal entries would you pass for the following transactions on the dissolution of the firm of partners X and Y ?

- (i) Dissolution expenses Rs 800 were paid by Y
- (ii) An unrecorded asset realized Rs 3,000.
- (iii) Stock Rs 5,000 already transferred to realization account was taken over by X
- (iv) Creditors already transferred to realization account were paid Rs 4,000.
- (v) Loss on realization Rs 3,000 was distributed among the partners X and Y in their profit sharing ratio 3 : 2.

6 (June 2016) CA

20. Prepare a Realisation Account from the following details, on dissolution of a firm : Balance Sheet as on 31-03-2017

Liabilities	Rs	Assets	Rs
Reserve Fund	8,000	Cash in hand	12,000
Creditors	22,000	Stock	28,000
Capitals:		Debtors	10,000
Sudha - 20,000		Furniture	20,000
Bindu - 20,000	40,000		
	70,000		70,000

On the date of the balance sheet, the firm was dissolved and all assets were sold out for Rs 68,000. Firm incurred Rs 1,000 as the realisation expenses.

(March 2018)CA

21. A, B & C are partners sharing profit and losses in the ratio of 5: 3:2. Their Balance Sheet as on 31st March 2015 was as follows :

Liabilities	Amount	Assets	Amount
Creditors	15,000	Buildings	1,78,000
Bills payable	15,000	Machinery	20,000
Provident Fund	60,000	Stock	65,000
Bank loan	1,00,000	Bills receivables	72,000
A's husband s' loan	65,000	Furniture	65,000
General Reserve	45,000	Cash at Bank	35,000
Capitals:			
A 35,000			
B 45,000			
C 55,000	1,35,000		
	4,35,000		4,35,000

The firm was dissolved on that date. Prepare realization account with the following information :

- (1) Building realized for Rs 1,20,000:
 - Bills receivables realized for Rs 70,000:
 - Stock realized for Rs 40,000 and
 - Machinery sold for Rs 33,000 and
 - furniture Rs 60,000.
- (2) Bank loan was settled for Rs 70,000;
 - Creditors and bills payable were settled at 10% discount.
- (3) Realisation expenses Rs 1,500.

4 (March 2017) CA

22. Rani, Preethi and Meera are partners sharing P & L in the ratio of 2:2:1. Their Balance Sheet as on March 31, 2017 as follows :

Liability	Amount	Assets	Amount
Sundry Creditors	3,000	Cash in hand	7,000
Reserve fund	3,500	Stock	3,500
Capital		Debtors	4,000
Rani	10,000	Furniture	8,000
Preethi	10,000	Plant & Machinery	9,000
Meera	5,000		
	31,500		31,500

They decided to dissolve the business. The assets are realized as follows :

Plant and Machinery Rs 10,000. Stock Rs 3,500. Debtors Rs 3,750. Furniture Rs 7,500. Realisation expense Rs 450 is met by Rani. Creditors were paid 5% less. There was an unrecorded assets of Rs 750 which were taken by Preethi at 500. Prepare Realization A/c.

8 (June 2018) AFS

23. Find out the amount of profit or loss to be shared among partners on dissolution of a firm, from the given details:

- Firm paid realisation expenses of Rs 2,000.
- The book value of assets other than cash and bank balance was Rs 84,000.
- External liabilities of Rs 20,000 are settled in full.
- Firm realised Rs 78,000 from the sale of assets.
- The partners Raju and Babu are equal partners in the firm

3 (June 2018) CA

24. From the given Balance Sheet of a partnership firm prepare Realisation Account Balance Sheet as on 31st March 2017

Liabilities	Amount	Assets	Amount
Creditors	1,52,000	Cash at bank	34,000
Mrs. Prithvi's Loan	20,000	Stock	20,000
Mrs. Nripan's Loan	40,000	Investments	40,000
investment Fluctuation Fund	4,000	Debtors	80,000
Reserve Fund	40,000	Less: Provision for doubtful debt	8,000
Capitals:			72,000
Prithvi	40,000	Buildings	1,40,000
Nripan	40,000	Goodwill	30,000
	3,36,000		
			3,36,000

The firm was dissolved on 31st March 2017- The following was agreed by partners :
Prithvi promised to pay Mrs. Prihtvi's loan and took away Stock for Rs 16000.
Nripan took away half of the investments at 10% less.

Debtors realised for Rs 76,000. Creditors were paid at less of Rs 760. Buildings realised for Rs 2,00,000. Goodwill Rs 24,000 and the remaining Investments were sold for Rs 18,000.

An old typewriter not recorded in the book was taken over by Nripan for Rs 1,200. Realisation expenses amounted to Rs 4,000.

8 (June 2017) CA

Green and Red sharing profits as 3 : 1 and they agree upon dissolution.

Balance Sheet as on 31-03-2014					
Liabilities		Amount	Assets		Amount
Loan			12,000	Cash at Bank	25,000
Creditors			18,000	Stock	45,000
Capitals:				Furniture	16,000
Green	1,10,000			Debtors	70,000
Red	68,000		1,78,000	Plant & Machinery	52,000
			2,08,000		2,08,000

Green took over plant and machinery at an agreed value of Rs 60,000. Stock and furniture were sold for Rs 42,000 and Rs 13,900 respectively. Debtors were taken over by Red at Rs 69,000. Creditors were paid at a discount of Rs 900. Green agreed to pay the loans. Realisation expenses were Rs 1,600. Prepare necessary Ledger A/cs. 7 (March 2016) CA

26. Saji, Stephen and Sunil were partners sharing profit and losses in the ratio of 1:2:2, their balance sheet as on 31st March 2012 was as follows

Liabilities	Rs	Assets	Rs
accounts payable	15000	cash at Bank	16000
bank overdraft	12000	Joint life policy	15000
Stephen's loan	18000	accounts receivable	18000
Joint life policy	15000	stock in trade	56000
capital		office equipment	8,000
Saji	20000	land and buildings	47000
	Stephen	40000	
	Sunil	40000	
		160000	160000

The partners agreed to dissolve the firm on the following terms

- Assets realised as land and buildings Rs 120000 stock Rs 40000 accounts receivable Rs. 15000
- expenses on dissolution RS 3000
- a creditor accept office equipments for Rs 7000 and the remaining creditors were paid in full by cheque
- The Joint life insurance policy was surrendered for Rs 9000

Prepare realisation account , capital accounts and bank account

8 (March 2014) CA

27 Anil, Basheer and Chandy are partners in a firm sharing profits in the ratio 2 : 2 : 1. On 31st December 2019, they decided to dissolve the firm. The value of assets and liabilities of the firm on that date was realised as follows.

Items	Book Value	Realised Value
Building	80,000	10% less
Furniture	24,000	26,000
Machinery	36,000	39,000
Land	1,00,000	10% More
Creditors	20,000	18,000
Bank Loan	32,000	30,000

Prepare Realisation Account.

6 (March 2020) AFS

Answers

1.d) Sundry Creditors

2.(c) Outside Liabilities

3.(a) When partner gives a notice in writing.

4.Realisation A/c

5.(d) Dissolution of firm

6.Realisation Account

A. firm is dissolved compulsorily in the following cases:

1.when all the partners or all but one partner, become insolvent, rendering them incompetent to sign a contract;

2.when the business of the firm becomes illegal; or

3.when some event has taken place which makes it unlawful for the partners to carry on the business of the firm in partnership

8. } Firstly-Paying outside debt

9. } Secondly-Paying to the partners due to them for advances

Thirdly-Partners Capital

Fourthly-if any balance divide among partners in profit sharing ratio

10.10.

11.11.

12. }

13. }

Basis	Dissolution of Partnership	Dissolution of Firm
1. Termination of business	The business is not terminated.	The business of the firm is closed.
2. Settlement of assets and liabilities	Assets and liabilities are revalued and new balance sheet is drawn.	Assets are sold and liabilities are paid-off.
3. Court's intervention	Court does not intervene because partnership is dissolved by mutual agreement.	A firm can be dissolved by the court's order.
4. Economic relationship	Economic relationship between the partners continues though in a changed form.	Economic relationship between the partners comes to an end.
5. Closure of books	Does not require because the business is not terminated.	The books of account are closed.
6. Other dissolution	It may or may not involve dissolution of the firm.	It necessarily involves dissolution of partnership.

14.a) Realisation A/c ..Dr 6500

ToBank A/c 6500

b) Realisation A/c ..Dr 6500

To Lukose Capital A/c 6500

15. (a) Cash/Bank Account
(b) Partner's Loan Account
(c) Partner's Capital Account

16 Rohit's Capital a/c Dr	7500	
Realisation a/c		7500
Realisation a/c Dr	1500	
Kiran's Capital a/c		1500
Realisation a/c Dr	6300	
Partner's capital a/c		6300

17. a. Cash a/c Dr
To Realisation a/c
b. Transfer of liabilities to realisation

18.

Realisaion a/c			
Stock in hand	10000	Creditors	60000
Debtors	20000	Cash	74000
Sundry Assets	53000		
Cash-Creditors	60000		
Cash - Exp	2000	Partners Capital a/c	11000
	145000	Rineesha 6600	145000
		Arya 4400	

Realisation Account

Particulars	Amount	Particulars	Amount
Stock	60,000	S.Creditors	48,000
S.Debtors	78,000	Bank(Assets)	2,82,100
Land & Building	1,00,000	Manu's Capital	
Furniture	20,000	(Unrecorded Asset)	5,000
Bank(Creditors)	48,000		
Bank(Expenses)	4,000		
Capital:			
Manu 16733			
Manoj 8367	25,100		
	3,35,100		3,35,100

Capital Accounts

Particulars	Manu	Manoj	Particulars	Manu	Manoj
Realisation	5,000		Balance b/d	1,40,000	80,000
			General Reserve	20,000	10,000
Bank	1,71,733	98,367	Realisation (Profit)	16,733	8367
	1,76,733	98,367		1,76,733	98,367

Bank Account

Particulars	Amount	Particulars	Amount
Balance b/d	40,000	Realisation (Creditors)	48,000
Realisation (Assets)	2,82,100	Realisation (Exp.)	4,000
		Manu's Capital	1,71,733
		Manoj's Capital	98,367
	3,22,100		3,22,100

- 19.
- | | | | |
|--------------------|-----|------|------|
| 1. Realisation a/c | Dr | 800 | |
| Y's Capital | | | 800 |
| 2. Cash a/c | Dr | 3000 | |
| Realisation | | | 3000 |
| 3. X's Capital | Dr | 5000 | |
| Realisation | | | 5000 |
| 4. Realisation a/c | Dr | 4000 | |
| Bank | | | 4000 |
| 5. X's Capital a/c | Dr | 1800 | |
| Y's Capital a/c | Dr. | 1200 | |
| Realisation | | | 3000 |

20. Realisation Account

Stock	28000	Creditors	22000
Debtors	10000	Cash (Assets)	68000
Furniture	20000		
Cash (Realisation exp)	1000		
Cash (Creditors)	22000		
Partners Capital			
Sudha - 4500			
Babu -4500	9000		
	90000		90000

21. Realisation Account

Building	178000	Creditors	15000
Machinery	20000	Bills payable	15000
Stock	65000	Bank loan	100000
Bills receivables	72000	P.F	60000
Furniture	65000	A's husband Loan	65000
Bank (Realisation exp)	1500	Bank:	323000
Bank (Bank loan)	70000	Partners Capital:	
Bank (Creditors)	13500	A 22750	
Bank (Bills payable)	13500	B 13650	
Bank (PF)	60000	C 9100	45500
Bank (A's husband loan)	65000		
	623500		623500

22.22.

Realization A/c			
Particulars	Amount	Particulars	Amount
Stock	3500	Sundry Creditors	3000
Debtors	4000	Bank	24750
Furniture	8000	Preethi Capital	500
Plant & Machinery	9000	(unrecorded	
Bank (Creditors)	2850	asset)	
Rani's Capital			
(Realization	450		
expense)			
Partners Capital			
Rani 180			
Preethi 180			
Meera 90	450		
	28250		28250

23.

Realisation Account

Particulars	Amount	Particulars	Amount
Bank /Cash (Exp)	2000	Liabilities	20000
Assets	84000	Bank/Cash	78000
Bank/Cash	20000	Partner's Capital A/c	
		Raju 4000	
		Babu 4000	8000
	106000		106000

24.

Realisation Account

Particulars	Amount	Particulars	Amount
Stock	20000	Provision for baddebt	8000
Debtors	80000	Bank	378000
Investment	40000	Creditors	152000
Building	140000	Mr.Pritivi's Loan	20000
Goodwill	30000	Mrs.Nirpan Loan	40000
Prithivi's a/c	20000	Investment fluctation	4000
Bank (creditors)	151240	Prithivi's	16000
Bank(expense)	4000	Nirpan	18000
Bank	40000	Nirpan's Capital	1200
Capital			
Prithivi 55980			
Nripan 55980	111960		
	637200		637200

25.25.

Realisation a/c			
SlOCK	45000	Loan	12000
Furniture	16000	Creditors	18000
Debtors	70000	Green's Capital	60000
Plant and Machinery	52000	Cash	55900
Cash	17100	Red's Capital	69000

Green's Capital a/c	12000		
Cash (Real. Expenses]	1600		
Partners Capital a/c	1200		
Green capital - 900			
Red Capital - 300			
	214900		214900

Capital Account					
Realisation a/c	60000	69000	Bal b/d	110000	68000
Cash	62900		Realisation a/c	12000	
			Realisation a/c	900	300
			Cash		700
	122900	69000		122900	69000

Cash Account			
Balance b/d	25000	Green's Capital	62900
Red's Capital	700	Realisation	1600
Realisation	55900	Realisation	17100
	81600		81600

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Realisation a/c			
JLP	15,000	Account payable	15,000
Account receivable	18,000	Bank OD	12,000
Stock	56,000	JIP Resserve	15,000
Office equipment	8,000	Cash	1,75,000
L&B	47,000	Cash	9,000
Cash/Bank	8,000		
Cash	12,000		
Cash	3,000		
Capital a/c	59,000		
	2,26,000		2,26,000

Capital Account									
	Saji	Stephen	Sunil		Saji	Stephen	Sunil		
					Bal c/d	20,000	40,000	40000	
Cash	31,800	63,600	63,600	63,600	Realisation a/c	11,300	23,600	23,600	
	31,800	63,600	63,600	63,600		31,800	63,600	63,600	

Cash Account			
Balance b/d	16,000	Stephen's loan	18,000
Realisation	1,75,000	Realisation	8,000
Realisation	9,000	Realisation	12,000
		Realisation	3,000
		Partner's capital	
		Saji	31,800
		Stephen	63,600
		Sunil	63,600
	2,00,000		2,00,000

27.

Realisation Account

Particulars	Amount	Particulars	Amount
Building	80,000	Creditors	20,000
Furniture	24,000	Bank Loan	32,000
Machinery	36,000	Bank (Assets)	2,47,000
Land	1,00,000		
Bank (Liabilities)	48,000		
Capital :	11,000		
Anil 4,400			
Basheer 4,400			
Chandy 2,200			
	2,99,000		2,99,000



+918891314091