UNIT I

1. The Limited Liability Partnership Act, 2008 (6 of 2009) is an Act to make provisions for the

(a) formulation and regulation of General Partnership Firms and Limited Liability formed under Indian Partnership Act, 1932
(b) formulation and regulation of Joint Ventures with unlimited liability formed under Indian Contract Act, 1872
(c) formulation and regulation of Chit Funds Organisations with unlimited liability formed under the Chit Funds Act, 1982
(d) formation and regulation of Limited Liability Partnership with limited liability formed under the Limited Liability Partnership Act, 2008.

2. Foreign Limited Liability Partnership (FLLP) under the Limited Liability Partnership Act, 2008 means

(a) a Limited Liability Partnership formed, incorporated or registered in that country to which the partners belong
(b) a Limited Liability Partnership formed, incorporated or registered under Economic Council of UNO
(c) a Limited Liability Partnership formed, incorporated or registered in Indian territory
(d) a Limited Liability Partnership formed, incorporated or registered outside India which establishes a place of business within India.

3. Every Limited Liability Partnership as per the Limited Liability Partnership Act, 2008 shall have at least two Designated Partners (DPs) who are individuals and

(a) at least one among them shall be resident in India
(b) both of them shall belong to one family residing in India
(c) both of them should be non-resident Indians (NRIs)
(d) both of them should belong to a single country outside India.

4. Prior to the Indian Partnership Act, 1932 which came into force from 1 October, 1932 except section 69 which came into force from 1 October, 1933, the law of partnership was provided in

(a) Sale of Goods Act, 1930
(b) Indian Contract Act, 1872
(c) Transfer of Property Act, 1908
(d) English Partnership Act, 1890.

5. Unilateral dissolution of partnership by partner who is minority shareholder is
(a) not permissible
(b) permissible
(c) permissible if all minority share-holders agree
(d) permissible if Memorandum of Association prescribes.

6. An act, to be called on ‘act of a firm’, within the meaning of section 2(a) of the Indian Partnership Act, 1932 is

(a) every act of the partners
(b) only such acts which give rise to a right enforceable by or against the firm
(c) such acts which do not give rise to a right enforceable by or against the firm
(d) either (a) or (b) or (c).

7. Any act or omission, to be an act of a firm, within the meaning of section 2(a) of the Indian Partnership Act, 1932 must be act or omission of

(a) all the partners
(b) any of the partner
(c) agent of the firm
(d) either (a) or (b)

8. Whether an act of a partner or agent can be regarded as an 'act of the firm' is a

(a) question of fact
(b) question of law
(c) mixed question of fact & law
(d) either (a) or (c).

9. The term 'business' has been defined under

(a) section 2(a)
(b) section 2(b)
(c) section 2(d)
(d) section 2(e).

10. Under section 2(b) of the Indian Partnership Act, business includes

(a) every trade and occupation
(b) every occupation and profession
(c) every trade, occupation and profession
(d) every trade and profession.

<u>UNIT II</u>

11. The historic case laying down the test for determining the existence of a partnership is

(a) Grace v. Smith
(b) Waugh v. Carver
(c) Bloream v. Pell
(d) Cox v. Hickman.

12. The mode of determining the existence of partnership has been laid down in

(a) section 6
(b) section 5
(c) section 9
(d) section 10.

13. Which of the following in itself is not sufficient to constitute a partnership

(a) the sharing of profits by persons having a joint or common interest
(b) the receipt by a person of a share of the profits
(c) the receipt by a person of a payment varying with the profits earned by business
(d) all the above.

14. Which of the following is a valid partnership?

(a) partnership between two partnership firm
(b) partnership between one partnership firm and an individual
(c) partnership between individual mental of one firm and the individual members oil another firm
(d) neither (a) nor (b) nor (c).

15. A partnership firm is entitled to enter into a partnership with

(a) Another firm
(b) Hindu undivided family
(c) an individual
(d) neither (a) nor (b) nor (c).

16. Mutual agency among the partner is

(a) a test to determine the existence of a partnership
(b) a legal incidence of partnership
(c) both (a) and (b)
(d) neither (a) nor (b).

17. A Hindu undivided family is entitled to enter into an agreement of partnership with

(a) another joint Hindu family
(b) another partnership firm
(c) an individual
(d) neither (a) nor (b) nor (c).

18. Which of the following is a valid partnership?

(a) partnership between the Karta of a joint Hindu family in his representative capacity and an individual co-partner of the same family
(b) partnership between two Hindu joint families
(c) partnership between a Hindu joint family and a partnership firm
(d) all the above.

19. Section 5 of the Indian Partnership Act, 1932 does not apply to

(a) Muslim Trading Family
(b) Christian Trading Family
(c) Burmese Buddhist husband and wife carrying on the business
(d) all the above.

20. Section 5 of the Indian Partnership Act, 1932 does not apply to

(a) Muslim Trading Family
(b) Christian Trading Family
(c) both (a) and (b)
(d) None of the above

UNIT III

21. The test to determine whether the given partnership is a 'partnership at will' and 'whether the partnership could be dissolved by a single partner', has been laid down in

(a) Crawshay v. Maule
(b) Abbot v.Abbot
(c) Cuffe v. Murtagh
(d) Kurumuthu T. Chettiar v. EM. Mutliappa Chettiar.

22. For constituting a partnership within the meaning of section 4 of the Indian Partnership Act, 1932

(a) the business has to be of permanent nature
(b) the business can be of temporary nature
(c) it is immaterial as to whether the business is of temporary or permanent nature
(d) only (a) and not (b).

23. The principles governing partners' mutual relations have been laid down in

(a) Chapter II of the Indian Partnership Act
(b) Chapter III of the Indian Partnership Act
(c) Chapter IV of the Indian Partnership Act
(d) Chapter V of the Indian Partnership Act.

24. General duties of partners have been laid down in

(a) section 9 of the Act
(b) section 10 of the Act
(c) section 11 of the Act
(d) section 13 of the Act.

25. Under section 9 of the Indian Partnership Act, 1932, in doing best for the common body

(a) a partner is regarded as a kind of trustee for the other partners
(b) a partner is liable to render the accounts to other partners in a fiduciary capacity
(c) both (a) and (b)
(d) neither (a) nor (b).

26. Under section 10 of the Indian Partnership Act, every partner is under a duty

(a) to indemnify the firm for any loss caused to it by his fraud in the conduct of the business of the firm

(b) to render true accounts and full information
(c) not to carry on any business other than that of the firm
(d) to be just and faithful to each other.

27. The rights and duties of partners inter se can be regulated and varied by the consent of the partners by virtue of

(a) section 14 of the Act
(b) section 13 of the Act
(c) section 12 of the Act
(d) section 11 of the Act.

28. Under section 11 of the Indian Partnership Act, 1932, in case of any conflict between the provision of the Act and the articles of the agreement, the articles of the agreement with it, will be

(a) valid
(b) invalid
(c) voidable at the instance of any of the partner
(d) voidable at the instance of a third party.

29. An agreement in restraint of trade in a partnership under section 11 of the Act is

(a) valid
(b) voidable
(c) void
(d) invalid.

30. Section 12 of the Indian Partnership Act, 1932 is

(a) a statement of rights of the partners in reference to the conduct of business
(b) a statement of duties of the partners in the conduct of the business
(c) a mixed statement of rights and duties of partners in reference to the conduct of the business
(d) none of the above.

UNIT IV

31. For a banking business, the maximum number of partners in a partnership, under section 11 of the Indian Companies Act, 1956, can be

(a) ten
(b) fifteen
(c) twenty
(d) twenty-five.

32. A partnership in which the number of partners exceeds than that allowed under section 11 of the Indian Companies Act, shall be

(a) valid
(b) voidable at the instance of any of the partners

(c) voidable at the instance of third parties
(d) illegal.

33. An illegal partnership

(a) can sue
(b) can be sued
(c) cannot be sued
(d) can sue and be sued.

34. The members of an illegal partnership

(a) have a remedy against each other for the partnership dealings and transactions
(**b) have no remedy against each other for the partnership dealings and transactions**
(c) have a remedy against each other for the partnership dealings and transaction only with the permission of the court
(d) either (a) or (c).

35. If the partners are equally divided on a issue, the rule is: ‘in re comtnuni potiorest conditio prohibentis’, which means

(a) those who forbid a change must have their way
(b) those who do not forbid i.e., in favour of the change, must have their way
(c) the discussion on the issue be deferred for another day
(d) opinion on the issue be taken from an expert.

36. A partner has a right to have access to all the books of accounts etc., of the firm

(a) during the subsistence of the partnership
(b) during the proceedings for the dissolution of the firm
(c) after the dissolution of the firm
(d) all the above.

37. A partner has a right to examine the account books etc., of the firm

(a) himself
(b) through legal representatives
(c) through agent
(d) either (a) or (b) or (c).

38. A partner can examine the books etc., of the partnership firm

(a) as many number of times without any restriction
(b) once a year
(c) once a month
(d) once a week.

39. Section 13 of the Indian Partnership Act, 1932 is

(a) a mixed statement of rights and duties of the partners
(b) a mixed statement of duties and liabilities of the partners
(c) a mixed statement of rights and liabilities of the partners
(d) a mixed statement of rights, duties and liabilities of the partners.

40. The rate of interest prescribed under section 13, where a partner, advances money beyond the amount of capital, for the business of the partnership, is

(a) six percent
(b) nine percent
(c) twelve percent
(d) fifteen percent.

UNIT V

41. The right to indemnity is lost on

(a) the dissolution of the partnership
(b) the death of the partner
(c) the retirement of the partner
(d) neither (a) nor (b) nor (c).

42. Section 13(f) of the Indian Partnership Act, 1932 provides for

(a) indemnity in favour of the partner against the firm
(b) indemnity in favour of the firm against a partner
(c) indemnity in favour of the third parties against the firm
(d) all the above.

43. An action for indemnity against a partner can be brought by

(a) the firm only
(b) an individual partner
(c) either (a) or (b)
(d) neither (a) nor (b).

44. What constitutes the property of the firm has been dealt with in

(a) section 16
(b) section 15
(c) section 14
(d) section 13.

45. Section 14 of the Indian Partnership Act, 1932 is

(a) exhaustive
(b) inclusive
(c) conclusive
(d) both (a) and (c).

46. Under section 14 of the Indian Partnership Act, 1932, the property thrown into the common stock at the commencement of the business

(a) becomes the property of the firm
(b) remains the individual property of the partners in the shares contributed by them
(c) becomes the individual property of the partners in equal shares irrespective of their contributions and profit sharing ratio
(d) either (a) or (c).

47. A property belonging to partners an entering into a partnership and used for the purposes of partnership

(a) becomes the property of the firm
(b) remains the property of that partner
(c) becomes the property of the partner having highest share of capital contribution
(d) becomes the property of the partners in their profit sharing ratio.

48. All the benefits and liabilities arising out of a contract made on behalf of a partnership do not

(a) belong to the partnership if the contract has been performed before the dissolution of the firm
(b) belong to the partnership if the contract has been performed before the retirement of the firm
(c) belong to the partnership if the contract has been performed after the dissolution of the firm or retirement of a partner
(d) none of the above.

49. The property of the firm includes all property

(a) acquired by or for the firm
(b) for the purpose or in the course of business of the firm
(c) property purchase with money belonging to the firm
(d) all the above.

50. When the property is purchased out of the partnership funds but in the name of an individual partner, it

(a) becomes an estate of the partner
(b) becomes a joint estate
(c) is a question of fact to be determined with reference to the intention of the partners
(d) is a question of law to be decided on legal principles.

UNIT I

1. The term ‘partnership’ has been defined under

(a) section 3
(b) section 4
(c) section 5
(d) section 6.

2. Under section 4 of the Indian Partnership Act, partnership is a

(a) compulsory legal relation
(b) creation of the choice and voluntarily agreement between the concerned parties
(c) a relation arising from status
(d) either (a) or (b) or (c).

3. Which of the following enactments insist for a written agreement of partnership?

(a) the Indian Partnership Act, 1932
(b) the Indian Contract Act, 1872
(c) the Indian Registration Act, 1908
(d) neither (a) nor (b) nor (c).

4. A partnership can be

(a) a general partnership
(b) a particular partnership
(c) either (a) or (b)
(d) only (a) and not (b).

5. Section 8 of the Indian Partnership Act, 1932 provides for

(a) a particular partnership
(b) a general partnership
(c) a partnership at will
(d) all the above.

6. The relation of partnership arises from contract and not from status, has been prescribed under

(a) section 4
(b) section 5
(c) section 6
(d) section 7.

7. Section 7 of the provides for

(a) partnership in undertaking
(b) general partnership
(c) partnership at will
(d) all the above.

8. A partnership firm is

(a) a distinct legal entity from its partners
(b) not a distinct legal entity from its partners
(c) a juristic person
(d) either (a) or (c).

9. For the purposes of income-tax, a partnership firm

(a) can be assessed as an entity distinct and separate from its partners
(b) cannot be assessed as an entity separate and distinct from its partners
(c) can be assessed as an entity distinct and separate from its partners only with the permission of the court
(d) can be assessed as an entity distinct and separate from its partners only if all the partners agree for the same.

10. A partnership cannot be constituted by

(a) two individuals
(b) two Hindu joint families
(c) both (a) and (b)
(d) neither (a) or (b).

UNIT II

11. The concept of partnership commence-rate with

(a) principal and agent
(b) co-owners of property
(c) joint owners of property
(d) all the above.

12. A right to participate in profits, although strong but not a conclusive test of partnership. It was so held in

(a) Tellis v. Saldanha
(b) Cox v. Hickman
(c) Re: Stanton Iron Co.
(d) Grace v. Smith.

13. Which of the following is not an essential requisite for creating a partnership as per section 4

(a) an agreement to carry on a business
(b) sharing of profits
(c) sharing of losses
(**d) business to be carried by all or any of them acting for all.**

14. A person who has lent money to a person or firm engaged in a business and has agreed to take a proportion of the profits of the business in addition to or in lieu of his interest, does not by that reason alone becomes a partner, in the business, has been laid down in

(a) Badeley v. Consolidated Bank
(b) Janes v. Whitbread
(c) Marconis Wireless Telegraph Co. v. Newman
(d) Price v. Groom.

15. The Indian Partnership Act, 1932 provides for and recognises

(a) partnerships for a specified and fixed period
(b) partnerships for a specified and fixed venture
(c) both (a) and (b)
(d) only (a) and not (b).

16. A partnership for which no period or duration is fixed, under the Indian Partnership Act, 1932 is known as

(a) general partnership
(b) partnership at will
(c) particular partnership
(d) co-ownership.

17. Under section 7 of the Indian Partnership Act, 1932, partnership at will is subject to

(a) one exception
(b) two exceptions
(c) three exceptions
(d) five exceptions.

18. Which of the following is an exception to the partnership at will, as provided under section 7 of the Indian Partnership Act, 1932

(a) where there is a provision for the duration of the partnership
(b) where there is a provision for determination of the partnership
(c) both (a) and (b)
(d) only (a) and not (b).

19. Where a partnership firm is constituted for a fixed period and after the expiration of that term, the firm continues to carry on business, without any new agreement,

(a) the partnership stands extended till the new agreement is made
(b) the partnership becomes partnership at will
(c) the partnership becomes illegal
(d) the partnership stands dissolved on the date of expiry of the term and no partnership can be said to be in existence.

20. In a partnership at will

(a) a partner of a firm can retire from the firm at any time by giving a notice of his intention to retire to his co-partners
(b) a partner of a firm can dissolve the firm at any time by giving a notice of his intention to dissolve the firm to his co partners

(c) either (a) or (b)
(d) only (b) and not (a).

UNIT III

21. Section 12(c) of the Indian Partnership Act provides for a

(a) rule of majority
(b) rule of unanimity
(c) both (a) and (b)

22. The rule of majority contained in section 12(c) of the Indian Partnership Act, 1932 is applicable in

(a) trivial matters
(b) ordinary matters
(c) fundamental matters
(d) all the above.

23. The rule of unanimity contained in section 12(c) of the Indian Partnership Act, 1932 has a reference to

(a) fundamental matters
(b) ordinary matters
(c) trivial matters
(d) all the above.

24. The rights and duties of a partner contained in section 12 of the Indian Partnership Act, 1932 are

(a) **subject to the provision of the Indian Partnership Act, 1932**
(b) subject to a contrary arrangement between the partners
(c) subject to the provisions of the Indian Contract Act, 1872
(d) subject to the provisions of the Indian Trusts Act, 1882.

25. An agreement to carry on business in partnership in the future creates a partnership

(a) immediately on the agreement
(b) on the date mentioned in the agreement irrespective of whether the business has commenced or not on that date
(c) only on the date when the business is actually commenced
(d) never creates a partnership and any such agreement is void.

26. Whether a partnership exists or not is a

(a) question of fact
(b) question of law
(c) mixed question of fact and law
(d) either (a) or (c).

27. The maxim ‘socii mei socius meu socius non est’ means

(a) my partner’s partner is not necessarily my partner
(b) my partner’s partner is necessarily my partner
(c) the partnership has become illegal
(d) the partnerships stands dissolved by the ‘act of God’.

28. The minimum number of persons required for a partnership is

(a) two
(b) five
(c) ten
(d) twenty.

29. The maximum number of partners in a partnership, has been provided under

(a) the Indian Partnership Act, 1932
(b) the Indian Companies Act, 1956
(c) the Indian Contract Act, 1872
(d) the Indian Trusts Act, 1882.

30. Under section 11 of the Indian Companies Act, 1956 for a non-banking business, the minimum number of partners can be

(a) ten
(b) twenty
(c) twenty-five
(d) thirty.

<u>UNIT IV</u>

31. Where a partner is entitled to interest on the capital subscribed, such interest is payable

(a) out of profits only
(b) out of capital if no profits
(c) out of capital if losses
(d) either (a) or (b) or (c).

32. Section 13(a) of the Indian Partnership Act, 1932 provides for

(a) payment of remuneration to a partner as a matter of right
(b) payment of remuneration to a partner only when there is an agreement to that effect between the partners
(c) non-payment of remuneration to a partner only when there is an agreement to that effect between the parties
(d) both (a) and (c).

13. Under section 13(b) of the Indian Partnership Act, 1932 all the partners are entitled to

(a) share the profits and losses in the ratio of their capital contributions
(b) share the profits and losses equally irrespective of any agreement between them to the contrary
(c) share the profits and losses equally in the absence of any agreement to the contrary between them
(d) share the profits and losses in the ratio of their personal efforts input.

34. Where a change occurs in the constitution of a firm and no new agreement is made

(a) the ratio of profit sharing shall become equal for all the partners
(b) the ratio of profit sharing shall remain the same to the extent to which it is consistent with the altered composition of the firm
(c) the ratio of profit sharing shall change in the ratio of capital contributions
(d) the ratio of profit sharing shall change in the ratio of personal efforts/labour input of the partners.

35. As a general rule, by virtue of section 13 of the Indian Partnership Act, 1932

(a) partner is not entitled to interest on the capital subscribed by him I
(b) partner is not entitled to interest on the| advance made over and above the share a capital
(c) both (a) and (b)
(d) neither (a) nor (b).

36. As regards the capital contribution in the partnership business, the status of a partner is that of

(a) a creditor of the firm
(b) a partner of the firm
(c) an employee of the firm
(d) all the above.

37. The status of a partner, making advances to the firm for its business, over and above the capital subscribed, is that of

(a) a partner of the firm
(b) a creditor of the firm
(c) an employee of the firm
(d) both (a) and (b).

38.On the dissolution of the partnership

(a) the interest on capital ceases run whereas interest of advances keeping running upto the date of payment
(b) the interest on capital and the interest on advances cease to run
(c) the interest on capital keeps running upto the date of payment whereas interest on advances cease to run
(d) the interest on capital as well as on advances keeps running upto the date of payment.

39. Ordinarily, on the over drawings by the partners from the firm

(a) no interest is chargeable
(b) interest is chargeable @ 6% p.a.
(c) interest is chargeable @ 9% p.a.
(d) interest is chargeable @ 12% p.a.

40. A partner has a right to indemnity for the acts done in

(a) the ordinary & proper conduct of the business
(b) an emergency
(c) both (a) and (b)
(d) only (b) and not (a).

<u>UNIT V</u>

41. When the personal property of a partner is being used in the business of the firm, it

(a) is a question of fact to be determined with reference to the partner's intention whether it has become the property of the firm
(b) becomes the joint estate
(c) remains an estate of the partner
(d) is a question of law to be decided on legal principles.

42. Under section 14 of the Indian Partnership Act, 1932, goodwill of the business is

(a) property of the firm
(b) property of the managing partner
(c) property of the partner having the highest share in the profits
(d) property of the partner having the lowest share in the profits.

43. Since the partnership property vests in all the partners and every partner has an interest in the property of the partnership, during the subsistence of partnership

(a) a partner can deal with the property as his own
(**b) a partner can deal with a portion of the property upto his share in the partnership, as his own**
(c) a partner can deal with a specific item of the partnership property as his own
(d) a partner cannot deal with any particular property or any portion of the property as his own.

44. In a partnership property, a partner has

(a) something in the nature of personal ownership
(b) only certain rights
(c) both (a) and (b)
(d) either (a) or (b).

45. If a partner chooses to use any assets of the partnership for his own purpose, it gives rise to

(a) a civil liability of that partner
(b) a criminal liability of that partner

(c) both (a) and (b)
(d) either (a) or (b).

46. Where a partner is authorised to recover dues of the partnership & spend the same for the business of the partnership and if he does not deposit the money so collected in the bank the partner is

(a) guilty of criminal breach of trust
(b) accountable civilly to the other
(c) both (a) and (b)
(d) either (a) or (b).

47. Goodwill of the partnership business is the property of the partnership

(a) under section 14
(b) under section 15
(c) under section 16
(d) under section 17(b).

48. The term 'goodwill' is a thing very to describe but very difficult to define, is stated by

(a) Lord Herschell
(b) Lord Haldane
(c) Lord MacNaughten
(d) Lord Eldon.

49. Section 15 of the Indian Partnership Act provides that

(a) the property of the firm shall be held and used by the partners exclusively for the purposes of the business of the firm
(b) the property of the firm can be used by the partners for any of his/their personal use
(c) the property of the firm can be used by the partners for the personal use of all the partners
(d) both (a) and (c).

50. Section 15 of the Indian Partnership Act is a statement of a

(a) right of the partners
(b) duty of the partners
(c) privilege of the partners
(d) liability of the partners.

UNIT I

1. Describe the essential features of partnership?
2. Meena and Seetha are partners with capital of Rs. 60,000 and Rs. 20,000 respectively on 1st Jan, 2015. The trading profit (before taking into account the provisions of the deed) for the year ended 31st Dec, 2015 was Rs. 24,000. Interest on capital is to be allowed at 6% p.a. Seetha is entitled to a salary of Rs. 6,000 p.a. The drawings of the partners were Rs. 6,000 and Rs. 4,000, the interest for Meena being Rs. 200 and for Seetha Rs. 100. Prepare the profit & loss appropriation A/c and partners capital account.
3. X and Y contribute Rs. 80,000 and Rs. 40,000 respectively by way of capital on which they agree to allow interest at 6% p.a. Their respective share of profit is 2:3 and the business profit (before interest) for the year is Rs. 6,000. Show the relevant account to allocate interest capitals.
   (i) When partnership deed is silent in treating interest as a charge or an appropriation.
   (ii) When partners contracted to allow interest irrespective of profit.
4. X and Y are partners sharing profits and losses in the ratio of 3:2. They admit Z into the firm for 1/4th share in profits which he takes 1/6th from X and 1/12th from Y. Z brings Rs. 9,000 as goodwill out of his share of goodwill of Rs. 15,000. No goodwill account appears in the books of the firm. Pass journal entries to record this arrangement.

5. The following were the profits earned by Bertha and Lam for the past four years. 2012 – Rs.60,000; 2013 – Rs. 80,000; 2014 – Rs. 1,00,000; 2015 – Rs. 1,40,000. You are required to value the goodwill on the basis of 3 years purchase of weighted average profits, assigning weights of 1, 2, 3 and 4 respectively for the four years.

6. A Firm earned net profits during the last 3 years are Rs. 36,000; Rs. 40,000 &Rs. 44,000. The capital investment of the firm is Rs. 1,20,000. A fair return on the capital having regard to the risk involved is 10%. Calculate the value of goodwill on the basis of 3 year purchase of super profit.

7. The following was the balance sheet of D, E and F who were equal partners on 01.06.2016.

Liabilities	Rs.	Assets	Rs.
Bills payable	3,300	Cash	600
Creditors	6,000	Debtors	10,800
Capital Accounts:		Stock	11,400
D	16,800	Furniture	2,400
E	12,600	Buildings	19,500
F	6,000		
	44,700		44,700

They agreed to take H into partnership and give him a fourth share in the profits on the following terms:

i) He should bring in Rs. 9,000 for goodwill and Rs. 15,000 as capital.
ii) One half of the goodwill shall be withdrawn by the old partners.
iii) Stock and furniture be depreciated by 10%.
iv) A provision of 5% on debtors be created for doubtful debts.
v) A liability of Rs. 1,080 be created against bill discounted.
vi) Buildings to be valued at Rs. 27,000.
vii) Value of assets other than cash and liabilities are not to be altered.

Prepare Memorandum Revaluation Account.

8. Define goodwill? How it is treated at the time of admission of a new partner under AS-10?

9. Bim, Gim and Nim are partners sharing profits in the ratio of 2:3:5. Goodwill appears in their books at a value of Rs. 60,000. Bim retires and on the day of Bim's retirement goodwill is valued at Rs. 30,000. Gim and Nim decided to share the futures profits equally. Pass the necessary journal for goodwill.

10. Distinguish between Sacrificing ratio and Gaining ratio.

<u>UNIT II</u>

11. X, Y amd Z are partners sharing profits in the ratio of 1:2:3. Z retires and his capital, after making adjustments for reserves and profits on revaluation stands at Rs. 44,000. X and Y agreed to pay him Rs. 50,000 in full settlement of his claim. Give journal entry for goodwill if the new profit sharing ratio is decided at 1:3.

12. Sunil, Devan and Ravi are equal partners in a firm and their balance sheet as on 31.12.2010 is given below:

Liabilities	Rs.	Assets	Rs.
Capital:		Machinery	43,500
Sunil	15,000	Furniture	1,500
Devan	12,000	Debtors	30,000
Ravi	18,000	Stock	15,000
Reserve	4,500		
Creditors	40,500		
	90,000		90,000

Ravi retired on 31.12.2010 and assets were valued as under:
Machinery Rs. 51,000; Furniture Rs. 1,200; Debtors Rs. 28,500; Stock Rs. 14,700. Goodwill of the firm is valued at Rs.9,000 and Ravi's share of goodwill is to be adjusted to continuing capital accounts.

Prepare necessary ledger accounts and new balance sheet.

13. A, B, and C were partners sharing profits in the ratio of 3:2:1. Their Balance Sheet on 31.12.2013 was as follows:

Liabilities	Rs.	Assets	Rs.
Creditors	30,000	Cash at bank	1,10,000
Capitals:		Machinery	1,20,000
A	1,40,000	Goodwill	1,00,000
B	1,00,000		
C	60,000		
	3,30,000		3,30,000

The following steps were taken on 1.1.2014:

i) C retired and his interest in the firm was valued at Rs.80,000. It was purchased by A and B from their private resources in their profit sharing proportion.

ii) D was admitted and became entitled to $1/6^{th}$ share of profits on the condition that A and B should be credited proportionately for goodwill amounting to Rs.60,000 to be brought in cash by D and he should bring in capita equal to $1/4^{th}$ of the combined capital of A and B after adjustments.

Prepare partners' capital accounts and show the opening balance sheet of the reconstituted firm as on 1.1.2014

14. A, B and C are in partnership sharing profits in the ratio of 4:3:1 respectively. It is provided in the partnership deed that on the death of any partner, his share of good will is to be valued at half of the profits credited to his account during the previous 4 completed years.

B died on 1^{st} April 2016. The firm's profit or ;losses for the last 4 yrs ended 31^{st} March 2013 Rs. 24,000; 2014 Rs. 12,000; 2015 Rs.4,000(loss); 2016 Rs. 16,000.

(i) Determine the amount that should be credited to B in respect of his share of goodwill.

(ii) Pass journal entry for adjustment of goodwill assuming that profit sharing ratio between A and C in future will be 3:2.

15. Discuss the various mode of payment on retirement.

16. What are the different modes of dissolution?

17. Ram, Rahim and Suresh share profits in the ratio 3:2:1. On 31.12.2016, their balance sheet was as follows:

Liabilities	Rs.	Assets	Rs.
Capital:		Machinery	25,000
Ram	20,000	Stock	11,000
Rahim	15,000	Debtors	9,500
Suresh	10,000	Goodwill	13,000
General reserve	3,000	Cash	1,500
Creditors	12,000		
	60,000		**60,000**

On the above date, the firm was dissolved. The assets except cash realized Rs. 60,000. The creditors were settled at Rs. 11,500. Dissolution expenses amounted to Rs. 800. Give necessary ledger A/cs.

18. Discuss the Garner Vs. Murray rule.

19. Give the objectives of the amalgamation of partnership firms.

20. State the accounting procedures for amalgamation of partnership firms.

UNIT III

21. Briefly explain methods of dealing with goodwill on admission.

22. A, D and G are partners sharing profits and losses in the ratio of 4:3:1 respectively. D retires, selling his share of profit to A and G for Rs. 16,200, Rs. 7,200 being paid by A and Rs. 9,000 by G. The profit of the firm after D's retirement is Rs. 21,000. Distribute the above profit between A and G, showing how you arrive at the same.

23. In a partnership, partners charged interest on drawings at 12% p.a. During the year ended 31^{st} Dec. 2015, a partner drew as follows:

Feb 1	Rs. 1,500
May 1	Rs. 5,500
June 30	Rs. 1,500
October 31	Rs. 6,500
December 31	Rs. 2,000

What is the interest chargeable to the partner?

24. Show how the following items will appear in the capital accounts of the partners, Babu and Gopu when their capitals are fluctuating:

	Babu Rs.	Gopu Rs.
Capital on 1.1.2008	8,00,000	7,00,000
Drawings during 2008	1,60,000	1,40,000
Interest @ 5% on drawings	4,000	2,000
Shares of profit for 2008	84,000	66,000
Interest on capital @ 6%	48,000	42,000
Salary	72,000	Nil

25. A firm earned net profits during the last 3 years as follows:

I year - Rs. 36,000

II years - Rs. 40,000

III year - Rs. 44,000

The capital investment of the firm is Rs. 1,20,000. A fair return on the capital having regard to the risk involved is 10%. Calculate the value of goodwill on the basis of 3 years purchase of super profit.

26. H and M are partners in a firm sharing profits in the ratio of 3:2. On 1st April 2011, they admit R as a new partner for 3/13th share in the profits. The new ratio will be 5:5:3. R contributed the following assets towards his capital and for his share of goodwill.

Stock Rs. 50,000; Debtors Rs. 70,000; Land Rs. 1,10,000; Plant & Machinery Rs. 75,000.

On the date of admission of R, the goodwill of the firm was valued at Rs. 5,20,000. Pass necessary journal entries.

27. Ramu and Gopu are partners sharing profits in the ratio of 2:1. Following is the Balance sheet of the firm as on 31.3.2015.

Liabilities	**Rs.**	**Assets**		**Rs.**
Wages due	5,000	Cash in hand		22,000
Sundry Creditors	48,000	Cash at bank		2,000
Capital A/c:		Debtors	30,000	
Ramu	60,000	*Less:* Provision	2,000	28,000
Gopu	35,000	Bills receivable		12,000
		Stock		18,000

		Investment Furniture Buildings	12,000 4,000 50,000
	1,48,000		1,48,000

On 1.4.2015 Somu was admitted as a partner. Somu brings in Rs. 25,000 as capital for 1/4th share in profits.

i. Provision for doubtful debts be increased to Rs. 3,500
ii. Furniture be reduced to Rs. 3,500
iii. Building be increased by Rs. 10,000
iv. An investment of Rs. 1,500 not recorded in the books, now brought into account.
v. A contingent liability of Rs. 800 has become a certain liability. It has been agreed among the partners that assets and liabilities are to be shown at old values.

28. Explain partnership deed? List out its content.

29. B & S are partners sharing profits and losses equally with capitals of Rs.60,000 and Rs. 40,000 respectively. Their drawings during the year are as follows:

Balus drawings on :	31.03.2013	Rs. 1000
	30.04.2013	Rs. 1200
	01.07.2013	Rs. 900
	01.12.2013	Rs. 2800

Seenu drew Rs. 400 at the end of each month. The deed provides interest on capital and drawings at 6%. Calculate interest on capital and drawings.

30. The following were the profits earned by Arun and Ram for the past 4 yrs.

2010	Rs. 60,000
2011	Rs. 80,000
2012	Rs. 1,00,000
2013	Rs. 1,40,000

You are required to value the goodwill on the basis of 3 yrs purchase of weighted average profit, assigning weights of 1, 2, 3 and 4 respectively for the 4yrs.

UNIT IV

31. (a) Ram, Rahim and Suresh share profits in the ratio 3:2:1. On 31.12.2016, their balance sheet was as follows:

Liabilities	Rs.	Assets	Rs.
Capital:		Machinery	25,000
Ram	20,000	Stock	11,000
Rahim	15,000	Debtors	9,500
Suresh	10,000	Goodwill	13,000
General reserve	3,000	Cash	1,500
Creditors	12,000		
	60,000		**60,000**

On the above date, the firm was dissolved. The assets except cash realized Rs. 60,000. The creditors were settled at Rs. 11,500. Dissolution expenses amounted to Rs. 800. Give necessary ledger A/cs.

32. Explain reason for Human Resource Accounting.

33. Explain the limitations of Historical Accounting?

34. A and B contribute 4,00,000 and 2,00,000 respectively as capital on which they agree to pay interest @ 6% p.a. They are to share profit in the ratio of 2 : 3. Business profit (before interest) for the year is ` 30,000. Show the relevant account to allocate interest on capitals:

(i) if Partnership Deed is silent about the treatment of interest on capital, and

(ii) if interest is a charge as per Partnership Deed.

35. Soumya and Bimal are partners in a firm Sharing profits and losses in the ratio of 3:2. The balance in their capital and current accounts as on April 01, 2006 were as under:

Items	Soumya (₹)	Bimal (₹)
Capital Accounts	3,00,000	2,00,000
Current Accounts (Cr)	1,00,000	80,000

The partnership deed provides that Soumya is to be paid salary @ Rs, 500 per month where as Bimal is to get a commission of Rs. 40,000 for the year. Interest on capital is to be credited at 6% p.a. The drawings of Soumya and Bimal for the year were Rs. 30,000 and Rs. 10,000 respectively. The net profit of the firm before making these adjustment was Rs, 2,49,000. Interest on Soumya's drawings was Rs. 750 and Bimal's drawings, Rs. 250. Prepare Profit and Loss Appropriation Account and Partner's Capital and Current Accounts.

36. Soniya, Charu and Smita started a partnership firm on April 1, 2006. They contributed Rs, 5,00,000, Rs. 4,00,000 and Rs. 3,00,000 respectively as their capitals and decided to share profits and losses in the ratio of 3:2:1.The partnership provides that Soniya is to be paid a salary of Rs. 10,000 per
month and Charu a commission of Rs. 50,000. It also provides that interest on capital be allowed @6% p.a. The drawings for the year were Soniya Rs. 60,000, Charu Rs. 40,000 and Smita Rs. 20,000. Interest on drawings was charged as Rs. 2,700 on Soniya's drawings, Rs. 1,800 on Charu's drawings and Rs. 900 on Smita's drawings. The net amount of profit as per Profit and Loss Account for the year 2006-07 was Rs. 3,56,600.
(i) Record necessary journal entries.
(ii) Prepare profit and loss appropriation account
(iii) Show capital accounts of the partners.

37. Reena and Raman are partners with capitals of Rs. 3,00,000 and Rs. 1,00,000 respectively. The profit (as per Profit and Loss Account) for the year ended March 31, 2007 was Rs. 1,20,000. Interest on capital is to be allowed at 6% p.a. Raman was entitled to a salary of Rs. 30,000 p.a. The drawings of partners were Rs. 30,000 and 20,000. The interest on drawings to be charged to Reena was Rs. 1,000 and to Raman, Rs. 500.
Assuming that Reena and Raman are equal partners. State their share of profit after necessary appropriations.

38. Rani and Suman are in partnership with capitals of Rs, 80,000 and Rs. 60,000, respectively. During the year 2006-2007, Rani withdrew Rs. 10,000 from her capital and Suman Rs. 15,000. Profits before charging interest on capital was Rs. 50,000. Ravi and Suman shared profits in the ratio of 3:2. Calculate the amounts of interest on their capitals @ 12% p.a. for the year ended March 31, 2007.

39. Govind is a partner in a firm. He withdrew the following amounts during the year 2006-07:

DATE	(Rs.)
April 30, 2006	6,000
June 30, 2006	4,000
Sept. 30, 2006	8,000
Dec. 31, 2006	3,000
Jan. 31, 2007	5,000

he interest on drawings is to be charged @ 6% p.a. The books are closed on March 31, every year.

40. Verma and Kaul are partners in a firm. The partnership agreement provides that interest on drawings should be charged @ 6% p.a. Verma withdraws Rs. 2,000 per month starting from April 01, 2006 to March 31, 2007. Kaul withdrew Rs, 3,000 per quarter, starting from April 01, 2006. Calculate interest on partner's drawings.

UNIT V

41. List the items which may be debited or credited in capital accounts of the partners when
(i) Capitals are fixed
(ii) Capitals are fluctuating

42. Explain the reason for the preparation of Profit and Loss Adjustment Account

43. Illustrate how interest on drawings will be calculated under various situations

44. Triphati and Chauhan are partners in a firm sharing profits and losses in the ratio of 3:2. Their capitals were Rs.60,000 and Rs.40,000 as on January 01, 2005. During the year they earned a profit of Rs. 30,000. According to the partnership deed both the partners are entitled to Rs. 1,000 per month as Salary and 5% interest on their capital. They are also to be charged an interest of 5% on their drawings, irrespective of the period, which is Rs. 12,000 for Tripathi, Rs. 8,000 for Chauhan. Prepare Partner's Accounts when, capitals are fixed.

45. Rakhi and Shikha are partners in a firm, with capitals of Rs. 2,00,000 and Rs, 3,00,000 respectively. The profit of the firm, for the year ended 2006-07 is Rs. 23,200. As per the Partnership agreement, they share the profit in their capital ratio, after allowing a salary of Rs. 5,000 per month to Shikha and interest on Partner's capital at the rate of 10% p.a. During the year Rakhi withdrew Rs. 7,000 and Shikha Rs. 10,000 for their personal use. You are required to prepare Profit and Loss Appropriation Account and Partner's Capital Accounts.

46. Ryan and Smith were the main competitors in the shoe industry. Due to unhealthy competition between them, On May 15, 2014, they decided to form a new partnership entity with the name of RS & Co by merging out their businesses. On 15th May, 2014, their accounts balances are as follows:

	Mr Ryan	**Mr Smith**
Cash	16,000	24,000
Account receivable	80,000	96,000
Inventory	64,000	40,000
Machinery – cost	120,000	96,000

Factory equipment – cost	56,000	64,000
Accumulated depreciation – machinery	64,000	32,000
Accumulated depreciation – factory equipment	24,000	40,000
Allowance for doubtful debts	5,600	3200
Accounts payable	64,000	76,000

In order to complete the formation of a new partnership, the following valuations were agreed upon between Ryan and Smith as follows:

Ryan:

Accounts receivable: $ 51,000, inventory at: $ 56,000 & machinery at: 30,000.

Smith:

Accounts receivable: $16,000, factory equipment: $10,000

You are required to:

1. Record the journal entries to form the new partnership,
2. Make initial balance sheet of the newly established firm.

47. .Lokesh and Azad are partners sharing profits in the ratio 3:2, with capitals of Rs. 50,000 and 30,000, respectively. Interest on capital is agreed to be paid @ 6% p.a. Azad is allowed a salary of Rs. 2,500 p.a. During 2006, the profits prior to the calculation of interest on capital but after charging Azad's salary amounted to Rs. 12,500. A provision of 5% of profits is to be made in respect of manager's commission. Prepare accounts showing the allocation of profits and partner's capital accounts

48. Sukesh and Vanita were partners in a firm. Their partnership agreement provides that:

(i) Profits would be shared by Sukesh and Vanita in the ratio of 3:2;

(ii) 5% interest is to be allowed on capital;

(iii) Vanita should be paid a monthly salary of Rs. 600.

The following balances are extracted from the books of the firm, on December 31, 2006.

Items	Sukesh (₹)	Vanita (₹)
Capital Accounts	40,000	40,000
Current Accounts	(Cr) 7,200	(Cr) 2,800
Drawings	10,850	8,150

Net profit for the year, before charging interest on capital and after charging partner's salary was Rs. 9,500. Prepare the Profit and Loss Appropriation Account and the Partner's Current Accounts.

49. Rishi is a partner in a firm. He withdrew the following amounts during the year ended March 31, 2007.

May 01, 2006 Rs. 12,000

July 31, 2006 Rs. 6,000

September 30, 2006 Rs. 9,000

November 30, 2006 Rs. 12,000

January 01, 2007 Rs. 8,000

March 31, 2007 Rs. 7,000

Interest on drawings is charged @ 9% p.a. Calculate interest on drawings

50. Arun, Boby and Chintu are partners in a firm sharing profit in the ratio or 2:2:1. According to the terms of the partnership agreement, Chintu has to get a minimum of Rs. 60,000, irrespective of the profits of the firm. Any Deficiency to Chintu on Account of such guarantee shall be borne by Arun. Prepare the profit and loss appropriation account showing distribution of profits among partners in case the profits for year 2006 are: (i) Rs. 2,50,000; (ii) 3,60,000.

UNIT I

1. On 1st Jan, 2011, Kavitha and Sumathi entered into partnership and contributed Rs. 80,000 and Rs. 60,000 respectively. They share profits and losses in the ratio of 3:2. Sumathi is to be allowed a salary of Rs. 16,000 per year. Interest on capitals is to be allowed at 5% p.a. 5% interest is to be charged on drawings. During the year, Kavitha withdrew Rs. 12,000 and Sumathi Rs. 24,000. Interest being Kavitha Rs. 280 and Sumathi Rs. 200. Profit in 2011 before between the partners and prepare capital accounts (i) When they are fluctuating and (ii) When they are fixed.

2. Smith, Pallav and Raji were equal partners. Their balance sheet as on 1st January, 2016 was as follows:

Liabilities	**Rs.**	**Assets**	**Rs.**
Capital accounts:		Building	39,000
Smith	43,400	Furniture	4,800
Pallav	33,200	Goodwill	23,800
Raji	18,000	Stock	22,800
Creditors	6,600	Debtors	21,600
Bills payable	12,000	Cash	1,200
	1,13,200		**1,13,200**

On the above mentioned date, they agreed to take Kali as equal partner on the following terms:

(a) Kali should bring in Rs. 30,000 as his capital and goodwill. His share of goodwill was evaluated at Rs. 10,000.
(b) The goodwill account in balance sheet is to be written off before admission.
(c) The value of building was to be taken at Rs. 60,000.
(d) Provision for loss on stock and provision for debtors was to be made at 10% and 5% respectively.
(e) The total capital of the new firm was fixed at Rs. 80,000 and the partners accounts to be in their profit sharing ratios, any excess is to be transferred to current a/c or deficit to be introduced in cash.

You are required to prepare the Revaluation a/c, capital a/c and the balance sheet of the new firm.

3. The balance sheet of Vinod and Abbas who shared profits in the ratio of 3:2 was as follows on 31.12.2017.

Liabilities	**Rs.**	**Assets**	**Rs.**
Capital Accounts:		Plant & Machinery	70,000
Vinod	80,000	Patents	11,400
Abbas	60,000	Stock	40,000
Bills Payable	15,000	Debtors 40,000	

Creditors	25,000	(-) Provision 1,400	38,600
		Bills receivable	10,000
		Cash in hand	10,000
	1,80,000		**1,80,000**

On 1st Jan, 2017, Siva was admitted as a partner on the following terms:

i) He was to get 4/15th of profit.
ii) He was to introduce Rs. 50,000 as capital.
iii) He would pay cash for goodwill which would be based on 2 ½ years purchase of past four years' profits.
iv) Vinod and Abbas would withdraw half of the goodwill in cash.
v) Assets would be revaluedd as under:
Plant and Machinery at Rs. 80,000; Patents at Rs. 24,000; Stock at Rs. 30,000 and Debtors at book value less a provision of 10%.
vi) Sundry creditors were proved at Rs. 46,000, one bill for goods purchased having been omitted from books.
vii) The profits for the preceding 4 years were Rs. 20,000; Rs. 28,000; Rs. 50,000 and Rs. 34,000 respectively.

Give Journal entries and Ledger accounts to record the above and the Balance Sheet on Siva's admission. What will be the new profit sharing ratio?

4. Sunil, Devan and Ravi are equal partners in a firm and their balance sheet as 31.12.2010 is given below:

Liabilities	**Rs.**	**Assets**	**Rs.**
Capital:		Machinery	43,500
Sunil	15,000	Furniture	1,500
Devan	12,000	Debtors	30,000
Ravi	18,000	Stock	15,000
Reserve	4,500		
Creditors	40,500		
	90,000		**90,000**

Ravi retired on 31.12.2010 and assets were revalued as under:

Machinery Rs. 51,000; Furniture Rs. 1,200; Debtors Rs. 28,500; Stock Rs. 14,700. Goodwill of the firm is valued at Rs. 9,000 and Ravis's share of goodwill is to be adjusted to continuing partners capital accounts.

Give journal entries, prepare necessary ledger accounts and new balance sheet.

5. K, L and M are partners sharing profits in the ratio of 4:3:2. Their balance sheet as on 31.03.2015 was:

Liabilities	Rs.	Assets	Rs.
Creditors	26,400	Cash in hand	4,000
General reserve	21,600	Cash at bank	4,000
Capital A/c:		Debtors	12,000
K	56,000	Stock	24,000
L	36,000	Machinery	40,000
M	24,000	Land & Buildings	80,000
	1,64,000		**1,64,000**

The firm had a joint life policy for Rs. 32,000. The surrender value of the policy was Rs. 10,800 as on 31.03.2015. L retires on the above date on the following terms:

(i) A provision of Rs. 1200 is made in respect of ledger charges.
(ii) Goodwill is to be valued at Rs. 14,400.
(iii) Machinery is written down by 10% and stock by 5%.
(iv) Land & buildings be appreciated by 20%.
(v) A provision for doubtful debts of 55 to be created.
(vi) L to be paid Rs. 2,000 by cheque and Rs. 2,000 by cash at the time of retirement and balance is transferred to his loan account.

Prepare revaluation A/c, Partners' capital A/cs and balance sheet of K and M.

UNIT II

6. A, B and C are equal partners in a firm and on 31.12.2016, their balance sheet stood as follows:

Liabilities	Rs.	Assets	Rs.
Creditors	10,000	Bank	200
Bills payable	3,200	Debtors	16,000
General reserve	9,000	Stock	25,000
Capital Accounts:		Bills payable	5,000
A	21,000	Machinery	15,000
B	13,000		
C	5,000		
	61,200		**61,200**

C became insolvent and his private estate could pay only Rs. 100. The firm was dissolved. Asset realized Rs. 31,000. Realisation expenses came to Rs. 600. Prepare necessary ledger A/c to close the books of the firm.

7. L and H were carrying on business as equal partners. It was agreed that L should retire from the firm and his son C should join the firm on the same date for 1/3rd of the profits of the business. The Balance Sheet of the firm as on 31.03.2001 was as follows:

Liabilities	Rs.	Assets	Rs.
Creditors	9,800	Bank	11,000
Capital:		Debtors	16,100
L	34,000	Furniture	14,200
H	28,200	Buildings	20,700
		Goodwill	10,000
	72,000		**72,000**

On 31.03.2001, goodwill was valued at Rs. 27,000 and building at Rs. 24,000. It was agreed that enough money should be introduced to enable L to be paid out and leave Rs. 10,000 by way of working capital. H and C were to provide such sums as would make their capital proportionate to their share of profits. L agreed to provide half of the capital which C had to provide.

Give necessary journal entries. Prepare necessary accounts and the balance sheet of H and C.

8. X, Y, Z were partners sharing profits equally. Z died on 31.3.2011. the balance sheet of the firm as at 31.12.2010 was as under:

Liabilities	Rs.	Assets		Rs.
Capital Accounts:		Goodwill		40,500
X	90,000	Buildings		90,000
Y	75,000	Investment (at cost)		24,000
Z	63,000	Debtors	54,000	
		Less: Provision	5,400	48,600
Reserve fund	18,000	Stock		84,000
Investment fluctuation fund	6,300	Cash at bank		12,000
Creditors	46,800			
	2,99,100			**2,99,100**

On the date of death it was found that:

(i) Debtors were all good.

(ii) Investments were valued at Rs. 22,500 and were taken over by X at that value.

(iii) Stocks were valued at Rs. 75,000.

(iv) Buildings was valued at Rs. 1,71,000.

(v) A liability for workmen's compensation for Rs. 9,000 was to be provided for.

(vi) Goodwill was to be valued at one years purchase of average profits of last 5 years.

(vii) Z's share of profit upto the date of death was to be calculated on the basis of last years's profit.

The profits of the last 5 years were as under:

2006 – Rs. 34,500; 2007 – Rs. 37,500; 2008 – Rs. 24,000; 2009 – Rs. 30,000; 2010 – Rs. 36,000.

Prepare revaluation account, capital account and balance sheet of the remaining partners.

9. The following was the balance sheet of A and B on 31.12.2013.

Liabilities	Rs.	Assets	Rs.
Sundry creditors	38,000	Cash in bank	11,500
Mrs. A's loan	10,000	Stock	6,000
B's loan	15,000	Debtors 20,000 Less: Provision 1,000	19,000
Reserve fund	5,000	Fixtures & fittings	4,000
A's capital	10,000	Plant & Machinery	28,000
B's capital	8,000	Investments	10,000
		P & L A/c	7,500
	86,000		**86,000**

The firm was dissolved on 31.12.2013 and the following was the result:

(i) A took over the investment at an agreed value of Rs. 8,000 and agreed to pay off the loan of Mrs. A.

(ii) The Asset realized as follows:
Stock Rs. 5,000; Debtors Rs. 18,500; Fixtures & fittings Rs. 4,500 and Plant & Machinery Rs. 25,000.

(iii) The expenses were Rs. 1,100.

(iv) The sundry creditors were paid off less 2 ½ % discount.

A and B shared profits & losses in the ratio of 3:2. Journalize the entries to be made on dissolution.

10. K, L and M are partners sharing profits in the ratio of 4:3:2. Their balance sheet as on 31.03.2015 was:

Liabilities	Rs.	Assets	Rs.
Creditors	26,400	Cash in hand	4,000
General reserve	21,600	Cash at bank	4,000
Capital A/c:		Debtors	12,000
K	56,000	Stock	24,000
L	36,000	Machinery	40,000
M	24,000	Land & Buildings	80,000
	1,64,000		**1,64,000**

The firm had a joint life policy for Rs. 32,000. The surrender value of the policy was Rs. 10,800 as on 31.03.2015. L retires on the above date on the following terms:

(vii) A provision of Rs. 1200 is made in respect of ledger charges.

(viii) Goodwill is to be valued at Rs. 14,400.

(ix) Machinery is written down by 10% and stock by 5%.

(x) Land & buildings be appreciated by 20%.

(xi) A provision for doubtful debts of 55 to be created.

(xii) L to be paid Rs. 2,000 by cheque and Rs. 2,000 by cash at the time of retirement and balance is transferred to his loan account.

Prepare revaluation A/c, Partners' capital A/cs and balance sheet of K and M.

UNIT III

11. A, B and C are equal partners in a firm and on 31.12.2016, their balance sheet stood as follows:

Liabilities	Rs.	Assets	Rs.
Creditors	10,000	Bank	200
Bills payable	3,200	Debtors	16,000
General reserve	9,000	Stock	25,000
Capital Accounts:		Bills payable	5,000
A	21,000	Machinery	15,000
B	13,000		
C	5,000		
	61,200		**61,200**

C became insolvent and his private estate could pay only Rs. 100. The firm was dissolved. Asset realized Rs. 31,000. Realisation expenses came to Rs. 600. Prepare necessary ledger A/c to close the books of the firm.

12. L and H were carrying on business as equal partners. It was agreed that L should retire from the firm and his son C should join the firm on the same date for 1/3rd of the profits of the business. The Balance Sheet of the firm as on 31.03.2001 was as follows:

Liabilities	Rs.	Assets	Rs.
Creditors	9,800	Bank	11,000
Capital:		Debtors	16,100
L	34,000	Furniture	14,200
H	28,200	Buildings	20,700
		Goodwill	10,000
	72,000		**72,000**

On 31.03.2001, goodwill was valued at Rs. 27,000 and building at Rs. 24,000. It was agreed that enough money should be introduced to enable L to be paid out and leave Rs. 10,000 by way of working capital. H and C were to provide such sums as would make their capital proportionate to their share of profits. L agreed to provide half of the capital which C had to provide.

Give necessary journal entries. Prepare necessary accounts and the balance sheet of H and C.

13. X, Y, Z were partners sharing profits equally. Z died on 31.3.2011. the balance sheet of the firm as at 31.12.2010 was as under:

Liabilities	Rs.	Assets	Rs.
Capital Accounts: X Y Z	 90,000 75,000 63,000	Goodwill	40,500
		Buildings	90,000
		Investment (at cost)	24,000
		Debtors 54,000 Less: Provision 5,400	 48,600
Reserve fund	18,000	Stock	84,000
Investment fluctuation fund	6,300	Cash at bank	12,000
Creditors	46,800		
	2,99,100		**2,99,100**

On the date of death it was found that:

(viii) Debtors were all good.

(ix) Investments were valued at Rs. 22,500 and were taken over by X at that value.

(x) Stocks were valued at Rs. 75,000.

(xi) Buildings was valued at Rs. 1,71,000.

(xii) A liability for workmen's compensation for Rs. 9,000 was to be provided for.

(xiii) Goodwill was to be valued at one years purchase of average profits of last 5 years.

(xiv) Z's share of profit upto the date of death was to be calculated on the basis of last years's profit.

The profits of the last 5 years were as under:

2006 – Rs. 34,500; 2007 – Rs. 37,500; 2008 – Rs. 24,000; 2009 – Rs. 30,000; 2010 – Rs. 36,000.

Prepare revaluation account, capital account and balance sheet of the remaining partners.

14. The following was the balance sheet of A and B on 31.12.2013.

Liabilities	Rs.	Assets	Rs.
Sundry creditors	38,000	Cash in bank	11,500
Mrs. A's loan	10,000	Stock	6,000
B's loan	15,000	Debtors 20,000 Less: Provision 1,000	 19,000
Reserve fund	5,000	Fixtures & fittings	4,000
A's capital	10,000	Plant & Machinery	28,000
B's capital	8,000	Investments	10,000
		P & L A/c	7,500
	86,000		**86,000**

The firm was dissolved on 31.12.2013 and the following was the result:

(v) A took over the investment at an agreed value of Rs. 8,000 and agreed to pay off the loan of Mrs. A.

(vi) The Asset realized as follows:

Stock Rs. 5,000; Debtors Rs. 18,500; Fixtures & fittings Rs. 4,500 and Plant & Machinery Rs. 25,000.

(vii) The expenses were Rs. 1,100.

(viii) The sundry creditors were paid off less 2 ½ % discount.

A and B shared profits & losses in the ratio of 3:2. Journalize the entries to be made on dissolution.

15. On 1st January 2011, K and S entered into partnership and contributed Rs. 80,000 an Rs. 60,000 respectively. They share profits and losses in the ratio of 3;2. S is to be allowed a salary of Rs. 16,000 p.a. Interest on capital is to be allowed at 5% p.a. 5% interest is to be charged on drawings. During the year, K withdrew Rs. 12,000 and S Rs. 200. Profit in 2011 before the above noted adjustments was Rs. 42,320. Show the distribution of profits between the partner and prepare capital accounts

i. When they are fluctuating and

ii. When they are fixed.

UNIT IV

16. Neenu and Beenu were partners sharing profits equally. The balance sheet as on 31st march 2011 was as under:

Liabilities	Rs.	Assets		Rs.
Creditors	1,00,000	Cash in hand		24,000
Bills payable	30,000	Cash at bank		30,000
Outstanding expenses	6,000	Debtors	40,000	
Capital A/c:		*Less:* PBDD	1,000	39,000
Neenu	1,20,000	Stock		40,000
Beenu	80,000	Furniture		20,000
		Machinery		36,000
		Land and buildings		1,47,000
	3,36,000			**3,36,000**

On that date, the agreed to admit Seenu as a partner on the following terms:

i. Seenu will get 1/5th share in profits and he will bring in Rs. 40,000 as his capital and Rs. 10,000 as his share of goodwill.

ii. Goodwill brought in by Seenu will be withdrawn by Neenu and Beenu.

iii. The provision for doubtful debts should be brought upto 5% on debtors.

iv. Machinery be depreciated by Rs. 4,000 and furniture by 12%.

v. Stock be valued at Rs. 46,000.

vi. Land & Buildings be appreciated by 20%.

vii. Investments of Rs. 4,000 which did not appear in books, should be duly recorded.

Pass journal entries. Prepare Ravaluation A/c, Capital A/cs and Balance sheet of new firm.

17. Smith, Pallav and Raji were equal partners. Their balance sheet as on 1st Jan 2016 was as follows:

Liabilities	**Rs.**	**Assets**	**Rs.**
Capital Accounts:		Buildings	39,000
Smith	43,400	Furniture	4,800
Palav	33,200	Goodwill	23,800
Raji	18,000	Stock	22,800
Creditors	6,600	Debtors	21,600
Bills payable	12,000	Cash	1,200
	1,13,000		**1,13,000**

On the above mentioned date, they agreed to take Kali as an equal partner on the following terms:

i. Kali should bring in Rs. 30,000 as his capital and goodwill. His share of goodwill was evaluated at Rs. 10,000.
ii. The goodwill account in Balance sheet is to be written off before admission.
iii. The value of building was to be taken at Rs. 60,000.
iv. Provision for loss on stock and provision for debtors was to be made at 10% and 5% respectively.
v. The total capital of the firm was fixed at Rs. 80,000 and the partners accounts to be in their profit sharing ratios, any excess is to be transferred to current A/c of deficit to be introduced in cash.

You are required to prepare the Revaluation account, Capital account and the balance sheet of the new firm.

18. A, B and C are partners in a firm sharing profits and losses in the ratio of 1/3:1/2:1/6 respectively. Their balance sheet as on 31.3.2016 was as follows:

Liabilities	**Rs.**	**Assets**		**Rs.**
Reserve fund	16,000	Buildings		50,000
Capital A/c:		Machinery		40,000
A	30,000	Furniture		10,000
B	40,000	Stock		25,000
C	25,000	Debtors	18,000	
Loan payable	15,000	*Less:* Provision	500	17,500
Sundry creditors	25,000	Cash		8,500
	1,51,000			**1,51,000**

'C' retires on 31.3.2016 subject to the following conditions:

i. Goodwill of the firm is valued at Rs. 24,000.
ii. Machinery to be depreciated by 10%
iii. Furniture to be depreciated by 5%
iv. Stock to be appreciated by 15% and buildings to be appreciated by 10%
v. Reserve for doubtful debts to be raised to Rs. 2,000.

Prepare necessary ledger accounts and show the Balance sheet of new firm.

19. X, Y and Z are partners sharing profits and losses in the proportion of X ½, Y 3/10 and Z 1/5 after providing for interest at 5% p.a. on their respective capitals viz., X Rs. 1,00,000, Y Rs. 60,000 and Z Rs. 40,000 and allowing Y and Z a salary of Rs. 10,000 each p.a. During the year 2012, X has drawn Rs. 20,000 and Y and Z in Addition to their salaries have drawn Rs. 5,000 and Rs. 2,000 respectively. The profit and loss A/c for the year ended 31st December 2012 showed a net profit of Rs. 90,000before charging (i) Interest on capital and (ii) Partners' salaries.

On 1st January 2012, the balances in the current A/c of the partners were X Rs. 9,000 (Cr) Y Rs. 3,000 (Cr) and Z Rs. 2,000 (Cr). Interest is not charged on drawings or current account balances.

Show the partners' capital and current accounts as on 31st December 2012, after division of profits in accordance with Partnership agreement.

20. What are the important aspects of HRA?

UNIT V

21. Vivek, Naman and Akash started their partnership firm on 1st April, 2015 sharing profits and losses in the ratio of 4 : 3 : 2. Their capital accounts are as follows since the firm was started: Vivek 8,00,000, Naman 6,00,000, and Akash 4,00,000. Balances in their Current Accounts in the beginning of the year were as follows: Vivek1,00,000, Naman 80,000, and Akash 60,000 (Debit). The Partnership Deed provides as under:

(i) Vivek will get annual salary of 60,000; Naman will get monthly salary of ` 4,000, while Akash will get commission @ 5% on net profit.

(ii) Interest on balances in current accounts will be charged/paid @ 10% p.a.

(iii) Interest on Capital will be allowed @ 6% p.a. whereas interest will be charged on drawings @ 10% p.a.

(iv) An amount equal to 10% of the net profit will be transferred to General Reserve.

(v) Interest on Loan to a partner will be charged at the rate of interest allowed on loan by the partner.

(vi) Akash was guaranteed minimum yearly profit of ` 2,00,000 by Vivek and Naman. Shortfall in share of profit was to borne by Vivek and Naman equally.

Additional Information:

(i) Naman had advanced a loan of ` 1,00,000 to the firm on 1st September, 2018.
(ii) Advance was given to Akash of ` 1,00,000 on 1st October, 2018.
(iii) Vivek has allowed the firm to use his property for business for a monthly rent of ` 10,000 payable at the end of the year.
(iv) Vivek withdrew ` 1,00,000 against capital on 1st December, 2018.
(v) Akash introduced further capital of ` 1,00,000 on 1st October, 2018.

(vi) Vivek withdrew regularly ` 5,000 per month in the beginning of each month; Naman withdrew regularly ` 5,000 per month in the middle of each month and Akash withdrew regularly ` 5,000 per month at the end of each month.

(vii) Divisible profit of the last year amounting to ` 7,20,000 was distributed equally among the partners before allowing interest on capital.

(viii) Profit for the year before the above adjustments was ` 12,60,000. Prepare Profit and Loss Appropriation Account for the year ended 31st March, 2019.

22. Karan, Hari and Ashish commenced business on 1st April, 2015 as partners with capitals 2,00,000; 6,00,000 and 3,00,000. They mutually agreed for:

(i) 10% p.a. interest on capitals;

(ii) 15% p.a. interest on drawings;

(iii) Karan will get 5% commission on sales;

(iv) Hari will get 25,000 per month as salary; and

(v) Balance of profit to be distributed in the ratio of 2 : 2 : 1.

Ashish also provided a loan of 1,00,000 @ 16% p.a. to the firm.

Total sales during the first year (i.e., year ended 31st March, 2016) was 40, 00,000 and the net profit at the end of the year was 10,86,250 (after providing interest on loan).

During the year, Karan introduced 6, 00,000 to the firm as additional capital on 30th September, 2015 but Hari withdrew 1,00,000 out of his capital on the same date.

Their drawings were:

Partners	On 30th Jun2015	On 30th Sept 2015	On 31st Dec., 2015
Karan	50,000	90,000	1,00,000
Hari	80,000	80,000	80,000
Ashish	90,000	30,000	60,000

You are required to prepare Profit and Loss Appropriation Account for the year ended 31st March, 2016 and Partners Capital and Current Accounts.

23. Rohan, Sohan and Mohan are partners sharing Profits and Losses in the ratio of 5 : 4 : 1. Their Balance Sheet as at 31st March, 2019 was as follows:

Liabilities	Rs	Assets	Rs
Sundry Creditors	2,50,000	Cash at Bank	4,20,000
Salaries Payable	60,000	Sundry Debtors	2,00,000
Outstanding Expenses	20,000	Less: Provision for Doubtful	20,000
General Reserve	1,80,000	Debts	
Workmen Compensation	2,00,000		1,80,000
Reserve	2,20,000		1,00,000

Investment Fluctuation Reserve Capital A/c Rohan 6,00,000 Sohan 3,00,000 Mohan 3,00,000	12,00,000	Stock Furniture Computers Advertisement Expenses Car Building	1,80,000 4,00,000 50,000 4,00,000 4,00,000
	21,30,000		21,30,000

Profit-sharing ratio on 1st April, 2019 was decided to be equal. It was agreed among the partners to carry out following adjustments:

(i) Stock to be reduced to 80,000.

(ii) All debtors are good.

(iii) Computers to be reduced by 40,000.

(iv) Out of the salaries payable 20,000 was not payable as the employee left without notice.

(v) Outstanding Expenses were not payable.

(vi) An unrecorded asset (Motor Cycle) valued at 20,000 to be accounted.

(vii) The average profit earned by the firm is 2,50,000 which includes overvaluation of stock of` 15,000 on an average basis. The capital invested in the business is 14,00,000 and the normal rate of return is 15%. Goodwill of the firm is valued on the basis of 2 times the super profit.

(viii) Workmen Compensation claim is estimated at 1,00,000.

(ix) Total capital of the firm 12,00,000 was to be in profit-sharing ratio, excess capital to be withdrawn and shortfall to be made good.

Prepare Revaluation Account, Partner's Capital Accounts and Balance Sheet of the new firm.

24. What is Partnership deed? What are its contents?
25. What are the powers does a partner has?