C.A. IPCC (Gr. I)

Time 1.5 Hrs. ***Partnership*** ***Max.Marks: 40***

Q1. A,B and C are partners sharing profit and losses as to 1/2, 1/3 and 1/6 respectively. On 31st March 2009their Capital Account after including the profits for the year ended 31st March 2009 and dealing with drawings stood at Rs.26,000, Rs.20,000, and Rs.11,500 respectively. Subsequently they found out that interest on capital at 15 % p.a. and interest on drawings at the rate of 10% had been omitted. The profit for the year in arriving at the above figures of capital amounted to Rs.18,000.The drawings of A, B and C during the year had been Rs.3,000; Rs.1,000 and Rs.1,500 respectively. The interest on drawings works out to Rs.210 for A, Rs.120 for B& Rs.120 for C. ***Give*** the necessary journal entries for rectifying the above omission.Also **prepare** profit and loss App. a/c. (7)

Q2. X, Y & Z were partners with profit sharing ratio 2:1:1. Their balance sheet on 31.03.12 was as follows:

Liabilities	Amount	Assets	Amount
Creditors	30,000	Cash	12,400
Prov. For d/d	2,400	Stock	25,000
B/P	25,000	S. Debtors	40,000
General Reserve	20,000	Investments	15,000
Workmen's Compen-		(Market value 13,000)	
sation fund	10,000	Patents	10,000
Capitals:-		Building	70,000
X 45,000			
Y 30,000			
Z 30,000		Goodwill	20,000
	1,05,000		_______
	1,92,400		1,92,400

Z decided to retire on this date & W is to be admitted. The new ratio is agreed as 3:2:1 between X, Y & W. The following adjustments were agreed upon:-

i) Debtors are all good.
ii) Stock is to be reduced by 20%.
iii) Investments are now to be recorded at market value.
iv) Patents are valued at 40%.
v) Value of buildings is to be increased by 40%.
vi) Liability on account of workmen's compensation fund is estimated at Rs.12,000.
vii) Create a provision for discount against creditors and bills payable @ 4%.
viii) Goodwill of the firm valued at Rs.60,000 but no account for goodwill is to be opened.
ix) 60% of the amount payable to Z is to be paid immediately in cash & capital of the three partners to be in their profit sharing ratio. Firm also decided to maintain cash to the extent of Rs.10,000. The balance to Z will be paid in two half yearly instalments along with interest @ 10% p.a.

PrepareRevaluation A/c, Cash A/c, Partners Capital A/c, Z's loan A/c and the opening Balance sheet of X,Y& W. (12)

Q3.A and B are partners sharing profit and losses as 2:3. On 1st April 2007 they admit C as a partner for 1/5 share which he acquires from A & B equally and he fails to bring Rs.3,000 as goodwill out of required share of Rs.5,000. On 1st April 2008 Z is admitted as a partner for 1/4th share who brings Rs.6,000 as goodwill which is retained in the business. The final profit sharing ratio was agreed among the partners as 1:1:1:1. **Journalise** the above transactions in the books of the firm. (6)

Q4. Alpha Manufacturing P Ltd. is a company manufacturing articles. Beeta Marketing P Ltd. is a company engaged in marketing activities. The two companies enter in to a partnership on the following terms:

Alpha Manufacturing P Ltd. is to supply goods on credit of two months to the partnership firm. The partnership is to discharge the due to Alpha Manufacturing P Ltd. along with interest at 15% per annum regularly on due dates.Beeta marketing P Ltd. is to sell the goods.

Expenses of sales are to be met out of the partnership funds. Alpha Manufacturing P Ltd. and Beeta Marketing P Ltd. are to introduce capital of Rs. twenty lakhs each for meeting the above expenses and a working capital. They purchased machinery worth Rs.10 Lakhs on the same date. Interest at 12% per annum is payable on partner capital – payment being made every month. Accordingly the capitals are introduced on 1st April 2009. Profits and losses are to be dealt with as follows:

10% of the profits, if any, are to be credited to reserves for strengthening the working capital base;
Balance profits are to be shared equally by credit to current accounts.
Losses, if any, are to be borne equally by debit to capital accounts.
The firm name is to be AB Traders.

During the year ended 31st March, 2010 the following were the transactions:

Purchases Rs.180 lakhs of which Rs.40 Lakhs were in the first quarter; Rs.110 lakhs were in the next six months; the balance Rs.30 lakhs were in the last quarter. The purchases are evenly spread through the respective periods. Sales were Rs.250 lakhs, 20% of which is cash sales. Sales expenses were Rs.10 lakhs of which Rs.2 lakhs is outstanding. Machinery is to be depreciated @20% p.a. Discount allowed to customers amounted to Rs.4 lakhs. On 31st March, 2010, amounts due from customers were Rs.45 lakhs and unsold inventory was worth Rs.13 lakhs.

You are required to prepare final accounts of the firm. (15)