

TOPICS : Dissolution of Partnership firm, Piecemeal Distribution, & Conversion of Partnership firm

NOTES: (1) WORKING NOTES SHOULD FORM PART OF ANSWERS.

(2) NEW QUESTION SHOULD BE ON NEW PAGE

QUESTION NO.1

(15 MARKS)

A B, C and D are sharing Profits and Losses in the ratio 5: 5:4: 2. Frauds committed by C during the year were found out, and it was decided to dissolve the Partnership on 31st March when their Balance Sheet was as under:

Capital and Liabilities	Rs.	Properties and Assets	Rs.
Capital Accounts:		Building	1,20,000
- A	90,000	Stock	85,500
- B	90,000	Investments	29,000
- D	35,000	Debtors	42,000
General Reserve	24,000	Cash	14,500
Trade Creditors	47,000	C's Capital Account	15,000
Bills Payable	20,000		
Total	3,06,000	Total	3,06,000

Following information is given to you.

- A cheque for Rs. 4,300 received from a Debtor was not recorded in the books and was misappropriated by C.
- Investments costing Rs. 5,400 were sold by C at Rs. 7,900 and the funds transferred to his personal account. This Sale was omitted from the Firm's books.
- A Creditor agreed to take over Investments of the Book Value of Rs. 5,400 at Rs. 8,400. The rest of the Creditors were paid off at a discount of 2%.
- The other assets realised as follows -
 - Building: 105% of Book Value, Investments: Rest of Investments were sold at a Profit of Rs. 4,800
 - Stock Rs. 78,000, Debtors: Rest of the Debtors were realised at a discount of 12%.
- Bills Payable were settled at a discount of Rs. 400. Expenses of Dissolution amounted to Rs.4,900.
- It was found out that realisation from C's Private Assets would only be Rs.4,000.

You are required to prepare the necessary Ledger Accounts.

QUESTION NO.2**(15 MARKS)**

Amar, Akbar and Antony are in Partnership. The following is their Balance Sheet as on 31st March on which date they dissolve partnership. They share Profit in the ratio of 5: 3 : 2.

Capital and Liabilities	Rs.	Properties and Assets	Rs.
Creditors	80,000	Plant and Machinery	60,000
Loan A/c - Amar	20,000	Premises	80,000
Capital A/c		Stock	60,000
- Amar	1,00,000	Debtors	1,20,000
- Akbar	30,000		
- Antony	90,000		
Total	3,20,000	Total	3,20,000

It was agreed to repay the amounts due to the Partners as and when the Assets were realised, viz.

15th April Rs. 60,000 1st May Rs. 1,46,000 31st May Rs. 94,000

Prepare a statement showing how the distribution should be made under Maximum Loss Method and write up the Cash Account and Partner's Capital Account.

QUESTION NO.3**(20 MARKS)**

The following is the Balance Sheet of M/s Red and Black as on 31st March, 2018:

Liabilities		(Rs.)	Assets	(Rs.)
Red's Capital	80,000	1,80,000	Building	1,00,000
Black's Capital	1,00,000		Closing	60,000
Red's Loan		20,000	Stock Sundry	40,000
General		20,000	Debtors	40,000
Reserve Sundry		40,000	Investment	
Creditors			(6% Debentures in Cool	20,000
		2,60,000	Ltd.) Cash	2,60,000

It was agreed that Mr. White is to be admitted for a fifth share in the future profits from 1st April, 2018. He is required to contribute cash towards goodwill and Rs. 20,000 towards capital.

(a) The following further information is furnished:

- The partners Red and Black shared the profits in the ratio of 3 : 2.
- Mr. Red was receiving a salary of Rs. 1,000 p.m. from the very inception of the firm in addition to the share of profit.
- The future profit ratio between Red, Black and White will be 3 : 1 : 1. Mr. Red will not get any salary after the admission of Mr. White.
- The goodwill of the firm should be determined on the basis of 2 years' purchase of the average profits from business of the last 5 years. The particulars of profits/losses are as under :

Year Ended	(Rs.)	Profit/Loss
31.3.2014	40,000	Profit
31.3.2015	20,000	Loss
31.3.2016	40,000	Profit
31.3.2017	50,000	Profit
31.3.2018	60,000	Profit

The above profits and losses are after charging the salary of Mr. Red. The profit of the year ended 31st March, 2014 included an extraneous profit of Rs. 60,000 and the loss for the year ended 31st March, 2015 was on account of loss by strike to the extent of Rs. 40,000.

- (v) It was agreed that the value of the goodwill should not appear in the books of the firm.
- (b) Trading profit for the year ended 31st March, 2019 was Rs. 80,000 (Before charging depreciation)
- (c) Each partner had drawn Rs. 2,000 per month as drawing during the year 2018-19.
- (d) On 31st March, 2019 the following balances appeared in the books:
- | | |
|--------------------------------|--------------|
| Building (Before Depreciation) | Rs. 1,20,000 |
| Closing Stock | Rs. 80,000 |
| Sundry Debtors | Nil |
| Sundry Creditors | Nil |
| Investment | Rs. 40,000 |
- (e) Interest was @ 6% per annum on Red's loan was not paid during the year.
- (f) Interest on Debenture was received during the year.
- (g) Depreciation is to be provided @ 5% on Closing Balance of Building.
- (h) Partners applied for conversion of the firm into a private Limited Company i.e. RBW Private Limited. Certificate received on 1.4.2019.

They decided to convert Capital accounts of the partners into share capital, in the ratio of 3: 1: 1 (on the basis of total Capital as on 31.3.2019). If necessary, partners have to subscribe to fresh capital or withdraw.

You are required to prepare :

- Profit & Loss Account for the year ended 31st March, 2019 in the books of M/s Red and Black.
- Balance Sheet as on 1st April, 2019 in the books of RBW Private Limited.