

**BBA Semester – II Examination***May - 2016***Principles & Practice of Accountancy – II****Paper No: 203****Subject Code: 2869****Time: 02:30****Total Marks: 70**

Q – 1 [A] What do you mean by partnership? Differentiate between fixed and fluctuating Capital Method [07]

Q – 1 [B] Explain types of partners [07]

**OR**

Q – 1 Write Short Note on: 1) Partners' Current A/c 2) Goodwill [14]

Q – 2 The balance sheet of Sita and Rita as on 31<sup>st</sup> March, 2014 is set out below; they share profits and loss in the ratio 2 : 1 [14]

Liabilities	Amt (Rs)	Assets	Amt (Rs)
<b>Capital :</b> Sita	40,000	Freehold property	20,000
Rita	30,000	Furniture	6,000
General Reserve	24,000	Stocks	12,000
Creditors	16,000	Debtors	60,000
		Cash	6,000
		P & L A/c	6,000
	<b><u>1,10,000</u></b>		<b><u>1,10,000</u></b>

They agree to admit Nita into the firm subject to the following term and conditions:

- Nita will bring in Rs. 23,000 in of which Rs. 9,000 is goodwill to be retained in the business
- She will be entitled to  $\frac{1}{4}$ th share of the profit in the firm
- 50% of the General Reserve is to remain as BDR
- Depreciation Rs. 300 on Furniture
- Stock is to be valued at Rs. 10500

**OR**

- Q – 2 A, B and C were partners sharing profit and losses in equal proportions. On 31-12-2014 when C decided to retire, balance sheet of the firm was under [14]

**Balance Sheet (as on 31-12-2014)**

Liabilities	Amt. (Rs)	Assets	Amt. (Rs)
<b>Capitals :</b>		Land & Building	50,000
A	40,000	Furniture	10,000
B	30,000	Stock	20,000
C	20,000	Debtors	28,000
General Reserve	3,000	Bills	6,000
Bank Loan	11,000	Bank	10,000
Creditors	18,000	Cash	6,000
Bills	7,600		
Outstanding Expense	400		
	<b>1,30,000</b>		<b>1,30,000</b>

Following decisions were taken at the time of C's retirement:

- 1) Land & Building appreciated by 10% and that of Stock and Furniture was to be depreciated by 5% and 10% respectively.
- 2) Outstanding expense in the balance sheet indicates unpaid rent at a rate of Rs. 200 per month's rent was unpaid. But it was discovered during the investigation of accounts that in fact 3 months' rent was unpaid. Moreover, it was also revealed that no adjustment was made for prepaid insurance of Rs. 200.
- 3) After C's retirement, A and B were to share their profits and losses in the ratio of 2:1.
- 4) Goodwill of the firm was estimated at Rs. 60,000. Entry was to pass for C's share only. Necessary cash to pay to C was to be brought in by A in such a manner that cash balance of the firm would not be affected.
- 5) A and B decided that their capitals in the new firm would be in proportion of their profit sharing ratio. It was also agreed that net assets of the firm would be Rs. 1, 20,000. Necessary adjustments to implement this decision were to be made in Partners' current A/c.

From the above particulars, prepare P&L Adjustment A/c, Capital A/c and Cash A/c at the time of retirement and Balance sheet of the new firm.

- Q – 3 K, B and V are partners sharing the profit and loss in the ration of 1 : 2 : 3. The balance sheet of their firm as on 31-12-2013 is given below: [14]

**Balance sheet**

Liabilities	AMT (Rs)	Assets	AMT (Rs)
<b>Capital :</b>		Land & Building	50,000
K	10,000	Plant	30,000
B	20,000	Stock	20,000
V	30,000	Debtors	10,000
General Reserve	20,000	Cash	10,000
V's loan (of 10%)	10,000		
Creditors	30,000		
	<b>1,20,000</b>		<b>1,20,000</b>

V died on 1-5-2014. The following conditions were agreed upon and are implemented:

- 1) Determine the goodwill at two year's purchase of super profit of three years average profit of the firm. The profit of last three years was Rs. 25,000, Rs. 28,000 and Rs. 25000 respectively.
- 2) Determine the share in profit till the date of death on the basis of time proportion of the last two years' average profit
- 3) Calculate 10% interest on capital. Interest on V's loan is outstanding till the date of death.

Prepare the account of V's legal representative (executor)

OR

Q – 3 Write note on: 1) Joint Life Policy in partnership 2) Death of Partner

Q – 4 [A] What do you mean by firm dissolution? Which circumstances leads firm to dissolution? [09]

Q – 4 [B] Give specimen (format) of Realisation Account [05]

OR

Q – 4 Explain Excess Capital Method and Maximum loss method with the help examples

Q – 5 What do you mean by Higher purchase and installment system? Differentiate between them? Also explain the terms down payments, Cash price and contract price [14]

OR

Q – 5 After paying off the outside liabilities the assets of P, Q and R firm realised as follows:

1 <sup>st</sup> Installment	Rs. 14,000	2 <sup>nd</sup> installment	Rs. 18,000
3 <sup>rd</sup> Installment	Rs. 30,000	4 <sup>th</sup> Installment	Rs. 30,000

The capital accounts of P, Q, And R showed credit balance of Rs. 10,000, Rs. 40,000 and Rs. 60,000 respectively. The partners shared the profit of the business in the ratio P  $\frac{1}{2}$ , Q  $\frac{1}{3}$  and R  $\frac{1}{6}$ . Show distribution of cash following maximum loss method