

UNIT-1

Accounting for Non-profit organization

Concerns are may be divided into two categories namely.

(a)Trading concerns

(b)Non-Trading concern.

The main motto of business concern is to earn profit where as motive of Non-Trading concern is to render valuable services to the society (clubs &hospitals)

Business concern prepares their final accounts for the year ending consisting.

* Trading A/C

* Profit &loss A/C

* Balance sheet.

In order to avoid misappropriation of members money is essential to maintain proper books such as cash book and journal proper. They prepare the following at the end of the financial year.

* Receipts and payment account

* Income and expenditure account

* Balance sheet

(1) Receipts and payments account:-

Receipts and payments account is a real account. Debit what comes in and credit what goes out (or increase in an asset is debited and decrease in an asset is created) is the basic rule of double entry which is followed while preparing this account. it is a summary of cash book and it is different form the cash book as an item of expenses is written in the cash book as many times as it is paid (say rent,if paid monthly will be written 12 times) but in receiptsand payments account, it is written only oncei. e., in summary form.

Proforma of receipts and payments account :-

Receipts	Amount	Payments	Amount
To Balance b/d:- Cash Bank	xxx	By Balance b/d:-(overdraft)	xxx
To Subscriptions :- For Previous Year For Current Year For Next Year	xxx	ByAnnual sports expenses	xxx
To Entrance Fees	xxx	By Salaries& wages	xxx
To Donations Capital Asset e.g., buildings	xxx	By Rent, Rates & taxes	xxx
To Donations :- General Specific	xxx	By Insurance	xxx
To Life Membership Fees	xxx	By purchase and fixed assets e.g:- furniture, Investments, sports equipments etc.	xxx
To Legacies	xxx	By books& periodicals	xxx

To Grant from Government.	xxx	By audit fees	xxx
To Contribution For Annual Dinner.	xxx	By printing and stationery	xxx
To Dividend And Interest	xxx	By Honorarium	xxx
To Rent	xxx	By Bank charges	xxx
To Receipt on Annual Sports	xxx	By Postage and telegram	xxx
To sale of old Magazines	xxx	By water and electricity	xxx
To Sale of Old Sports Material	xxx	By Conveyance& Travelling	xxx
To Sundry Receipts	xxx	By Repairs And Maintenance	xxx
To balance c/d (overdraft)	xxx	By Sundry Expenses	xxx
		By Annual Dinner Expenses By Balance c/d Cash Bank.	

(2) Income and Expenditure Account:-

Income and expenditure account is a nominal account. Debit all losses and expenses and credit all incomes and gains (or expenses decrease the equality and income increase the equality) will be followed while preparing this account. It is prepared in nonprofit organization in lieu of profit and loss account. Incomes are shown on the credit side and expenses on the debit side. These are no opening balance but closing balance will show either surplus i.e., excess of income over expenditure or deficit i.e., excess of Expenditure over income.

Proforma of Income and Expenditure Account :-

Expenditure	Amount	Income	Amount
To Salaries	xxx	By Subscriptions	xxx
To Rent, Rates And Taxes.	xxx	By Entrance Fees (It's Not Capitalized)	xxx
To Printing & Stationery	xxx	By General Donations (Small Amount)	xxx
To General Expenses	xxx	By Rent of Hall	xxx
To Charities	xxx	By Sale of Newspaper	xxx
To Wages of Ground Man	xxx	By Grants From Government. or Local Authorities	xxx
To Honorarium	xxx	By Interest Received	xxx
To Postage&Telegram	xxx	By Advertisement in Year Book	xxx
To Bank Charges	xxx	By Profit on Sale of Assets	xxx
To Telephone Expenses	xxx	By Proceeds of Concerts	xxx

To Upkeep of Ground	xxx	By Fees From Not For Members	xxx	
To Newspaper and Periodicals	xxx	By Dividend Received	xxx	
To Entertainment Tickets	xxx	By Annual Dinner Contributions	xxx	
To Repairs	xxx	By Lockers Rent	xxx	
To Convenience	xxx	By Income from Refreshments.	xxx	
To Electricity Charges	xxx	By Sports Fees	xxx	
To Car Expenses	xxx	By Miscellaneous Receipts or Sundry Income	xxx	
To Audit Trees	xxx	By deficit i.e., excess of Expenditure over income	xxx	
To Refreshment Expenses	xxx		xxx	

(3) Balance Sheet:-

Balance sheet in Non-profit organization is prepared in the usual way and contains particulars of Assets and liabilities on the date on which it is prepared. Excess of assets over liabilities is called as capital(or general) fund and is made up of surplus of income over expenditure and certain items which are capitalized. Separate accounts are to be maintained for fund raised for specific purpose. If beginning capital fund is not given in the question then balance sheet at the beginning of the period is to be made in order to calculate this fund. Following is the specimen of balance sheet of such concerns.

Proforma of balance sheet:-

Liabilities	Amount	Assets	Amount
*Income received in advance outstanding expenses bank overdraft.	xxx	* cash in hand	xxx
*General donations (huge amount)	xxx	* cash at Bank	xxx
* specific donations (e.g. Donations for building)	xxx	* fixed deposits	xxx
* Special funds (such as government funds etc.)	xxx	* outstanding subscriptions	xxx
* <u>Less:</u> expenses (if any legacies.)	xxx	* interest outstanding	xxx
* life membership fees (capital fund)	xxx	* prepaid expenses	xxx
<u>Add:-</u> (excess of income over expenditure		* Investments	xxx
<u>Less:-</u> excess of Expenditure over income.		* type writers	xxx
		* stock of stamps	xxx
		* stock of sports materials	xxx
		* stock of medicines	xxx
		* books	xxx
		* furniture	xxx
		* land and buildings	xxx
		* grounds	xxx
		* stock of stationery	xxx
		* medical equipment and Investments	xxx
		Less:- depreciation(if any) government securities, rent, receivable, electric installations, crackers deficiency.	

Distinction between Profitable and Non Profitable Organizations :-

Basis of distinction	Profitable organizations	Non- profitable organizations
1.Motive	The main motive is to earn profit	The main motive is to render services to members and Society
2.Funds	Funds are represented by capital contributed by proprietors and accumulated Reserves.	Funds are presented by capital fund comprising in the form of donations, subscriptions&surplus
3.Financial statements	This includes manufacturing account, trading account,profit& loss account and balance sheet.	They include receipts payments account, income and expenditure, account and balance sheet
4.Surplus/ profit	The balance of the profit & loss account is either net profit or net loss	The balance of the income and expenditure account is a their surplus or deficit

Distinction between Receipts and Payments Account and Income and Expenditure Account

Basis of Distinction	Receipts& Payments Account	Income& Expenditure Account
Type of Account	It is real account	It is a nominal account
In Lieu of	It is prepared in non profit organizations in Lieu of cash book	It is prepared in non profit organizations in Lieu of profit and loss account
Slides	Receipts are shown on the debit side and payments on the credit side	Incomes(receipts) are shown on the credit side and expenditure(payments) on debit side
Opening Balance	There can be opening balance which represents cash in hand or at Bank	There is no opening balance
Closing Balance	This shows cash in hand or at Bank at the end of the accounting year	There is no closing balance but the difference is between the sides shows either surplus or deficit

Capital & Revenue Items	All items whether of capital or revenue nature are shown in this account	Only revenue items are taken into consideration while preparing this account i.e., capital items are totally excluded
Period	All receipts and payments whether relating to the current periods, succeeding or preceding periods are taken into consideration	Only current periods income and expenditures are taken into consideration while preparing this accounts i.e., incomes and expenditure relating to succeeding or proceeding periods are excluded
Balance Sheet	It is not necessary to prepare balance sheet along with this account	The balance sheet must or prepared in order to accumulate real and personal accounts along with this account
Adjustments	No adjustments are required to be made at the end of the year	In order to find out the true income or expenditure of the current year all adjustments are made at the end of the year
Non Cost Items	It does not record non cost items e.g., depreciation	It records non cost items
Basis of Accountancy	It is prepared on cost basis of accountancy	It is prepared on all bases of accountancy

1.Revenue income:- Subscriptions,Entrance Fees, General Donations, Municipal Grants, Sale of Old Newspapers, Lockers Rent, Sale of Entertainment Tickets, Salaries, Wages,Printing &Stationery,Postage, Etc..

2.Revenue expenditures:-

SubscriptionstoNewspapersAndMagazines,HonorariumPaid,Etc...,

3.Capital Incomes :-

Entrance Fees,Special Donations, Special Municipal Grants (Or) Government Grants,Special Funds Like Tournament Fund, Building Fund, Legacies, Sale of Assets, LifeMembershipFee,Etc...,

4.capital expenditures:-

Low Purchase of Assets Like Furniture, Machinery, Lands & Building Etc..., Purchase ofGoods...etc.

PROBLEMS

1. from the following information prepare Receipts& payments A/c I.P.L cricket club for the year ending 31.3.2019.

Particulars	Rs.
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Cash Balance	1,200
Bank Balance	1,800
Subscriptions Received	2,500
Lockers' Rent	1,000
Postage	500
Printing & Stationary	600
Wages to Ground staff	1,000
Cricket bat & balls	800
Sale of old bat`s	300
Entrance free	500
Life membership fee	2,000
Electricity & Lighting changes	750
Purchases of furniture	2,800

Solution:

IPL Cricket club Receipts & payments A/C at the end of 31-03-2019.

Receipt	Rs.	Payment	Rs.
Cash	1,200	By Postage	5,000
Bank	1,800	By Printing& Stationary	600
To S00000000subscriptions	2,500	By Wages to Ground staff	1,000
To Lockers' Rent	1,000	By Cricket bat & balls	800
To sale of old bats	300	By Electricity & Lighting changes	750
To Entrance free	500	By furniture	2,800
To Life Membership	2,000	By Balance c/d	2,850
	9,300		9,300

2. The following is the Receipts & payments A/c of Jain charitable trust prepare incomes expenditure A/c for the year ending 2019.

Receipt & payment`s A/c

Receipt	Rs.	Payments	Rs.
To Balance b/d	2,200	By Books	2,500
To Subscription		By Insurance	900
2018	1,500		1,000
2019	9,100	By Salaries	1,800
2020	1,000	By Repairs	10,000
To sale of old News papers	500	By Investments	800
To Tournament fund	3,000	By Tournament Expenditure	1,500
To donations	1,800	By Balance c/d	600
	19,100		19,100

Adustments:-

1. Outstanding stationary Bill Rs.200
2. Outstanding Salaries Rs.500

3. Prepaid Insurance Rs.400
4. Subscriptions outstanding for the year 2019. Rs.900

Solution:-

Income & expenditure A/c of gain charitable trust for the year ended 31-03-2019

Expenditure	Rs.	Income	Rs.
To Insurance 900	500	By Subscriptions 9,100	10,000
(-) prepaid insurance 400		(+) outstanding 900	
To salaries 1000		By sale of old news papers	500
(+) outstanding salaries 500	1,500	By Donations	1,800
To Repairs	1,800		
To Stationary 200	7,500		
(+) outstanding 200			
To excess of income over expenditure			
	12,300		12,300

Exercises

Receipts&paymentsaccount(problems):-

- 1) From the following information prepare receipts & payments account of IPL cricket club for the year ending 31-3-2019.

Particulars	Rs.
Cash balance	1,200
Bank balance	1,800
Subscriptions received	2,500
Lockers rent	1,000
Postage	500
Printing &stationery	600
Wages for groundstaff	1,000
Cricketbats&balls	800
Sale of oldbats	300
Entrance fees	500
Life membership Fees	2,000
Electricity and lighting Charges	750
Purchase of furniture	2,800

- 2)prepare receipts & payments account of Mother Teresa Charitable Trust from thefollowingparticulars.

Particulars	Rs.
Cashinhand	3,500
Bankbalance	6,500
Donationforbuilding	15,000
Saleofentertainmenttickets	9,000
Entertainmentexpenses	3,000
Printing&stationery	1,500
Dispensaryexpenses	1,200
Legacies	6,000
Saleofoldnewspapers	2,000
Repairsto building	1,000
Scholarshiptopoorestudents	2,500
Officeexpenses	2,000
PurchaseofInvestments	10,000
Closing balanceofcash	5,000

3. from the following particulars prepare Receipts & payments account.

Particulars	Rs
Cash in hand	1,000
Cash at Bank	3,000
Subscriptions	1,500
Donations received	1,200
Furniture purchased	800
General expenses	500
Postage	200
Stationery	300
Lockers rent	900
Office expenses	400
Closing balance of cash	3,500

4. prepare receipts and payments account of Nizam Educational Society for the year ending 31-3-2019.

Particulars	Rs
Balance of Cash	1,700
Bank Balance	2,300
Subscriptions received	(2018) 3,000
Subscriptions received	(2019) 5,000
Donations received	4,000
Salaries paid	3,000
Outstanding salaries	1,000
Membership fee	1,000
Honorarium paid	500
Government securities Purchased	1,500
Rent paid (2017-18) (Previous year)	1,000
Rent paid	2,200
Outstanding rent	(2018-19) 500
Building fund received	4,000
Tournament expenses	800
Postage & Stationary	500
Purchase of books	5,000

5..PrepareReciepts&Paymentsaccount.

Particulars	Rs
Balance of Cash	800
Bank Balance	4,200
Internet charges paid	350
Subscription Received(for previous year)	1,000
Subscription Received (For Current year)	2,000
Postage & stationary	300
Honorarium paid	800
Rent paid(Included rupees 500 of last year)	2,500
Outstanding Rent	900
Investments purchased	750
Grant received from government	2,000
Scholarships paid	1,500
Officeexpenses	500
Saleofoldnewspapers	300
InterestonBankdeposits	800
Purchaseofgoods	400
Lockerrentreceived	650

6.prepareReciepts&paymentsaccountofHyderabadSportsClubfortheyear ending31-3-2017.

Particulars	Rs
Balance of Cash	4,500
Bank Balance	1,500
Sports materials purchases	3,000
Ground maintenances charges	500
Tournament fund received	2,000
Tournament expenses	900
Printing & stationery	500
Subscriptions received	6,000
Purchase of prize and maintenance	2,800
Sports day function expenses	1,000
Sales of entertainment tickets	1,200
Entertainment expenses	800

7) prepare Receipts & payments account. From the following particulars.

Particulars	Rs.
Cash balance	1,100
Bank overdraft	600
Subscriptions received (including 300 relating to the previous year)	3,300
Legacies	1,000
Building fund received	2,000
Salaries paid	1,200
Outstanding salaries	800
Sale of old furniture	200
Sale of old bats	1,500
Flood relief expenses	1,000
General expenses	3,000
Donations received	2,500

8) From the following details prepare receipts & payments account For the year ending 31-12-2014.

Particulars	Rs
Entrance fees	2,500
Subscription received	19,800
Miscellaneous received	600
Expenses paid	27,250
Bare expenses	7,500
Wages for secretary	1,500
Cash in hand (1-1-2014)	2,350
Lockers rent	500
Purchase of investment	1,100
Opening cash in hand	500
Cash at Bank	4,800
Subscriptions received	11,000

9.From the following details Prepare Receipts & Payments Account.

Particulars	Rs
Entrance fees	1,000
Salaries	3,000
Rent	1,200
Purchase of furniture	2,000
Entertainment expenses	1,500
Tournament expenses	3,000
Magazines	200
Miscellaneous expenses	300
Closing balance of cash in hand	800

10. from the following details prepare Receipts & payments account for the year ending 31-3-2015.

Particulars	Rs.
Cash balance (01-01-2015)	16,500
Subscriptions received (2014-500) 2016-100 Included)	25,000
Donations	10,000
Salaries paid Rs.1500 for 2016) included.	11,500
Entrance fees	2,500
Wages paid	1,800
Purchase of furniture	1,000
Family members subscriptions	2,000
Insurance	800
Tournament fund received	5,000
Tournament expenses	2,800
Office expenses	500
Sale of old newspapers	100
Subscription to magazines	600
Purchase of sports items	5,000

ADDITIONAL INFORMATION:-

1. Outstanding Subscriptions Rs.2,000.
2. Provide 5% Depreciation On Furniture.
3. Outstanding Salaries Rs.200
4. Prepaid Insurance RS.50

INCOME & EXPENDITURE ACCOUNTS

EXCERCISE PROBLEMS

1.The Following Is The Receipts And Payments Account Of Krishna Sports Club Hyderabad ForTheYearEnding 31-3-2018 PrepareIncome & Expenditure Account.

Receipts	Rs	Payments	Rs
To balance	2,000	ByrentBywag	1,600
b/dCash-800		esByrepairs	2,000
Bank-1200		BY Purchaseofbats	600
To	11,000	and ballsBy	1,500
subscriptionsTo	1,500	purchase	
donations	800	offurniture	3,000
To lockersrent		By Office	
		expensesByNewspaper	2,200
		s	300
		Bybalancec/d	4,100
	<hr/>		<hr/>
	15,300		15,300

Adjustments :-

1. Subscriptions amount included Rs.1,000 of previous year,
2. Outstandingsubscriptionforthecurrent year Rs.1,500.
3. Capitalisehalfofthedonationsreceived.
4. Outstandingexpenses₹300.

2)From The following receipts & payments account of Ambedkar welfare society prepareincome& expenditure account fortheyear31-3-2010.

Receipts and payments account:-

Reciepts	Rs	Payments	Rs
TobalanceB/d:-		By furniture	5,000
Cash- 2500	4,200	By salaries	4,300
Bank-		By scholarships	4,500
1700To		Byrent&taxes	3,200
subscriptionsToi	20,000	Bypurchaseofstamps	700
ntereston	2,200	ByofficeexpensesBy	
deposits		10%Investments(purchas	1,400
Todonations	6,000	ed on	2,000
To entrance	2,000	1-10-2009)	
feesTolegacies	3,000	Byrepairs	
To	4,000	Bystationery	2,200
lifemembershi		BySportsexpenses	850
pfees	1,600		1,100
To sale of			
furniture(500	By balance c/d	
Furniturevalue		Cash	1,000
2000)		Bank	1,450
Tosaleofgrass			
	43,500		43,500

Adjustments:-

1. SubscriptionsrupeesRs.1500for2010-
11isincludedinsubscriptionsandoutstandingsubscriptionsfortheyear2009-10 for2000Rs.
2. Entrancefeesshouldbecapitalized.
3. Stockofstationeryinthebeginningwas250Rs.andattheendof400.
4. Valueofstandsinthebeginningof100Rs.andattheendRs.300.
5. Prepaid taxis200.
6. DepreciationonfurnitureRs.175.

Prepare income and expenditure account for the year ended 31-3-2019.

Receipts	Rs.	Payments	Rs.
To opening balanceCash 850 Bank750	1,600	By salaries By office expensesBypurcha	1,200 500
To subscriptionsTosaleofoldnewspapersTointerestondepositsTosaleofentertainment tickets To life membershipfees	5,500 350 850 400 1,000	seof books By printing andstationery By Entertainment expenses Byhallrent. By sundry expenses	750 900 1,100 650 300
	9,700		9,700

- 1) subscriptions includedRs.1500receivedfor2017-18.
- 2) outstanding salariesfor theyear ended2018-19Rs.300.

4) From The Following Reception Payments Account Nethaji Sports Club. Prepare IncomeAndExpenditureAccount 2018-19

Receipts and payments account

Received	Rs.	Payments	Rs.
To balance(1-4-2018)	2,100	By postage	875
To subscriptions	6,400	By office	400
To donations	2,500	By ground mans	1,200
To legacies	3,500	wages	
To sale of old	1,100	By sports	1,000
furniture	1,500	material purchase	
To locker rent	5,000	By	2,500
To Tournament fund		Tournament expense	
		s	750
		By ground	10,000
		repairs	
		By Investments	5,375
		By balance C/D	
	22,100		22,100

Adjustments:-

1. Subscriptions amount included 499Rs. for the year 2017-18 and outstanding subscriptions for the current year ₹1500. subscription received for the year 2019-20. ₹750.
2. Capital share of the donations amount 1250.
3. Outstanding office expenses ₹225.
4. Outstanding interest in investments ₹500.

5. From The Following Particulars Prepare Income And Expenditure Account.

Receipts and payments account

Receipts	Rs.	Payments	Rs.
To fee corrected (Including 300 on account of last year) To Fees for the year To standing salaries paid (28,000	By meetinge xpenses	1,000 800
including 300 on account of last year)	5,000	By travelling and conveyan ce	3,000
To salaries out standing	2,400	By purchase of books and periodicals (
To	400	include in 2000 for purchase of book rent)	1,200
entertainmente xpenses	500	By rent	1,700
To	1,000	By postage telephone charges	500
Tournament expenses		By printing and stationery.	800
		By donations rece ived	
	<hr/> 37,300		<hr/> 37,300

6. from the following information prepare income and expenditure account for 2012

Receipts and payments account

Reciepts	Rs.	Payments	Rs.
To opening balance		By salaries	4,800
Cash-200	1,800	By rent	500
Bank - 1600		By stationery and postage	200
To subscriptions		By bicycle purchase	300
2011-500	9,400	By National Savings certificate.	3,000
2012-8300	2,000	By help to needy students.	2,000
2013-600	300	By balance	
To sale of investments		Cash-300	2,700
To sale old furniture (Book value 400)		Bank-2,400	
	<hr/> 13,500		<hr/> 13,500

Adjustments:-

Subscriptions for 2012 still received were ₹700, interest due on savings certificates ₹100.

7. from the following prepare income and expenditure account Bombay Sports Club for the year ended 31-3-2012.

Receipts and payments account:-

Receipts	R	Payments	
To balance b/d	300	By rent	5,200
To entrance fees	550	By stationery expenses	3,068
To subscriptions	200	By wages	5,330
2011	16,900	By bills payable	3,900
2012	300	By repairs	806
2018	500	By interest	1,500
To lockers rent		By balance c/d	2,396
To special subscriptions			
per governor's party	3,450		
	<hr/> 22,200		<hr/> 22,200

Adjustments:-

Lockers rent Rs.60, pertained to 2011 & ₹90 still owing
 Rent Rs.1300. Pertained to 2011 & 1300 is still due;
 stationery expenses Rs.312 related to 2011 and Rs.364 still remaining
 subscriptions are paid for 2012 - Rs.468.

8. From the following information prepare Income and Expenditure Account.

Receipts and payments account

Receipts	Rs.	Payments	Rs.
To cash	500	By salaries	4,000
balance To bank	4,500	By grass	2,000
balance To	13,500	cutting machine	900
subscriptions To	5,000	By rent	7,000
Tournament Fund	3,000	By games expenses	2,000
To life membership fees	500	By office expenses	4,500
To entrance fees	8,000	By office expenses	3,000
To donation for building	400	By purchase of sports materials	12,000
To sale of grass		By balance	
		Cash in hand - 1500	
		Bank balance - 10,500	
	<hr/> 35,400		<hr/> 35,400

Other information:-

- (a) Outstanding Subscriptions As On 1-1-2006 and 31-12-2006 Were Rs.2,100 And Rs.500.
 (b) Provide 200 Depreciation On Grass Cutting Machine.
 (c) Sports Material Opening Balance ₹2,000 Balance ₹2,500.

9. In the following receipts and payments account of Bhagat Singh Youth Society prepare income and expenditure account.

Reception & payment account:-

Reciepts	Rs.	Payments	Rs.
To balance(1-1-2013)	3,455	By books	6,050
To entrance fees	650	By printing and stationery	465
To donations	6,000	By newspapers	1,110
To subscriptions	6,865	By sports goods	5,000
To interest	1,900	By repairs	620
To Investments	685	By Investments	2,000
To sale of furniture (Furniture value 1000)	465	By furniture	1,000
To Sale of old newspaper	865	By salaries	1,500
To Receipt from entertainment show	125	By balance c/d	3,165
To Sundry Reciepts	21,040		
			21,040

Adjustments:-

1. Capitalise Subscriptions And Donations all.
2. value of stock of goods on 31-12-2013 Rs. 4000.

10.prepare income and expenditure account of Visakha club, for the year ended on 31-3-2016.

Receipts and payments account

Reciepts	Rs.	Payments	Rs.
To balance(1-4-2015)	2,400	By salaries	13,000
To subscriptions (Including 800 of the last year)	12,800	By rent	2,400
To interest on Investments	5,000	By stationery	360
To bank interest	100	By postage	100
To sale of furniture	1,000	By purchase of bicycle	1,600
		By Government Bonds	2,000
		By balance C/D(31-3-2016)	1,840
	21,300		21,300

Adjustments:-

1. Subscriptions received for the current year ₹200.
2. Outstanding salaries ₹500.
3. Outstanding rent of last year ₹100 included in the rent paid.
4. book value of furniture sold ₹1200.

11. from the following prepare income and expenditure account and balance sheet from the following balance sheet and receipts and payments account.

Balance sheet

Liabilities	Rs.	Assets	Rs.
Capital fund.	33,620	Buildings	30,000
Subscriptions received in advance.	600	Outstanding Subscriptions	380
Outstanding expenses	1,400	Outstanding locker rent	240
loan	5,000	cash	10,000
	<hr/>		<hr/>
	40,620		40,620

Receipts and payments account for 2012:-

Receipts	Rs.	Payments	Rs.
To balance (1-1-2012)	10,000	By expenses 2011	1,200
To		2012	2,000
subscriptions 2012	2,100	By and By interest	4,000
2013	100	By miss expenses	400
To entrance fees (Revenue income)	800	By balance c/d	2,000
To lockers rent	700	31-12-2012.	8,300
To Misc. income	4,000		
	<hr/>		<hr/>
	17,900		17,900

UNIT-II

SINGLE ENTRY SYSTEM

Single entry system is a crude remote bookkeeping under which only personal accounts are maintained besides the cash account. Separate accounts are not maintained for assets and for expenses and incomes. Under this system is not possible to record the two fold aspects of each transaction. In many cases only one aspect is recorded i.e., why this system is called the single entry system.

Single entry system is not a recognized system of accounting. It is simply a memorandum a/c for reference purpose. How much amount is payable to any individual or concern. Since only one aspect of the transaction is recorded mathematical accuracy can't be ensured.

Definitions :-

- (1) **R.N. Carter**:- define single entry as
“Preparation of accounts from incomplete records”
- (2) **Kohler**:-
“ A system of bookkeeping in which a rule only record of cash and personal accounts are maintained, it is always incomplete double entry varying with the circumstances.”
- (3) **Hrishikesh Chakraborty** :-
“A mixture of double entry, single entry and no entries.”

Single entry system can be classified into the following three categories.

***Pure single entry:-**

Under this type of single entry only personal accounts of debtors and creditors are kept.

***Simple Single entry system:-**

Under this system personal accounts and casual commented.

*** Quasi single entry system :-**

under this system personal accounts, cash book and some subsidiary books are also maintained.

Salient features of single entry system:-

- *It is very common to keep only personal accounts.
- *It avoids real and nominal accounts.
- *It is very common to keep a cash book to record all cash receipts and cash payments.
- *The system lack of uniformity as it differs from firm to firm.
- *It is mostly suitable and used by sole traders and partnership concerns.

Advantages of single entry system :-

- * Single entry is simple method of recording transactions.
- *It is less expensive when compared to double entry system of bookkeeping.
- *It is suitable to small business concerns with Limited number of transactions.
- *It is very easy to follow a person without any advocate knowledge of Principles of accounting can also understand it.
- *Ascertainment of profit or loss is very easy.

Disadvantages of single entry system :-

- *It is an unscientific method.
- *Trial balance cannot be prepared.
- *Trading account and profit and loss account can't be prepared.
- *It is unable to ascertain the true financial position of the business.
- *Difficult to find and rectify the errors.
- *There is a scope for misappropriation and fraud.
- *It is not suitable for planning and sound decision making.

Differences between Single entry system and Double entry system :-

<u>Single entry system</u>	<u>Double entry system</u>
<ol style="list-style-type: none">1. It is an incomplete system of book keeping.2. Only one aspect of the transactions is recorded.3. Only personal accounts are maintained besides the cash book.4. Since the trial balance can't be prepared.5. Errors can be detected and rectified easily.	<ol style="list-style-type: none">1. It is a perfect and complete system of bookkeeping2. Two fold aspects of transactions are recorded.3. Personal, real, nominal accounts are maintained in the lectures.4. Trial balance can be easily prepared.5. Errors can be easily detected and rectified.

Ascertainment of profit or loss of Business:-

Under the single entry system of bookkeeping it is not possible to prepare trading and profit and loss account. However the net profit can be calculated by any two of the following methods.

- (i) Statement of affairs method.
- (ii) Conversion method.

*** procedure:-**

1. Open statement of affairs (opening balance sheet).
2. Closing statement of affairs (closing balance sheet).
3. Statement of profit /loss.

Proforma of profit or loss statement :-

Closing capital	XXX
Add:- drawings	XXX
Interest on drawings	<u>XXX</u>
	XXX
Less:- interest on capital	XXX
Interest on additional capital	XXX
Additional capital Introduced	XXX

Adjustment capital	XXX
Less:- opening capital	XXX

Net profit / loss	XXX

1)

Statement of affairs at the beginning of the Year:-

Liabilities	Rs.	Assets	Rs.
Creditors	30,000	Debtors	40,000
Outstanding expenses:-	3,000	Stock	50,000
B/P	6,000	Prepaid expenses	1,000
Capital (?)	70,800	B/R	4000
		Cash	800
		Bank	3,000
		Furniture	1,000
		Missionary	10,000
			<hr/>
			1,09,800
			<hr/>
	<hr/> 1,09,800 <hr/>		

Statement of affairs at the end of the year 31-3-2019:-

Liabilities	Rs.	Assets	Rs.
Creditors	35,000	Debtors	60,000
Outstanding	4,000	Stock	45,000
expenses:-		Prepaid expenses	500
B/P	8,000	Cash	200
		Bank	2,000
		Furniture 1500	
		(-) Depreciation 100	1,400
		Machinery 12,000	
		(-) Depreciation1000	11,000
	1,20,100		1,20,100

Statement of profit and loss:-

Particulars	Rs	Rs.
-------------	----	-----

Capital as on 31-3-2019		73,100
(+) Drawings	10,000	10,000
		<hr/>
(-) additional capital introduced	30,000	83,100
		3,000
		<hr/>
Adjusted capital		80,100
(-) opening capital as on 1-1-2018	70,800	70,800
		<hr/>
Profit---		9,300
		<hr/>

Single entry system (partners):-

1)

Statement of affairs as on 31-12-2008.

Liabilities	Rs.	Assets	Rs.
B/P	595	Cash in hand	40
Creditors	2,147	Cash at Bank	584
Capital(?)		B/P	684
X- $15588 \times 1 \div 2 = 7794$		Debtors	5,629
Y- $15588 \times 1 \div 2 = 7794$	15,588	Stock	3,673
		Plant - 8018	
		(-) dep @ 10% 801	7,217
		Furniture 520	
		(-) Dep @ 5% 27	503
	18,330		18,330

Statement of profit and loss:-

Particulars	Rs.	Rs.
Closing capital		15,588
(+) drawings (450+450)	900	900
(-) interest on capital		16,488
($14,680 \times 5 \div 100$)=367+367	734	734
Adjusted capital		15,754
(-) opening capital		14,680
Profit.		1,074

Profit sharing to partners:-

$$X = 1,074 \times 1 \div 2 = 537$$

$$Y = 1,074 \times 1 \div 2 = 537$$

X- capital account:-

Particulars	Rs.	Particulars	Rs.
To Drawings	450	By balance B/D	7,340
To balance C/D	7,794	By interest on capital	367
		By net profit	537
	<hr/>		<hr/>
	8,244		8,244
	<hr/>		<hr/>

Y- capital account:-

Particulars	Rs.	Particulars	Rs.
To Drawings	450	By balance B/D	7,340
To balance C/D	7,794	By interest on capital	367
		By net profit	537
	<hr/>		<hr/>
	8,244		8,244
	<hr/>		<hr/>

Revised of statement of affairs:-

Liabilities	Rs.	Assets	Rs.
B/P	595	Cash in hand	40
Creditors	2,147	Cash at Bank	584
Capitals:-		B/P	684
X- 7794		Debtors	5,629
Y- 7794	15,588	Plant 8018	
		(-)Dep 801	7,217
		Furniture 530	
		(-) Dep 27	503
	<hr/>		<hr/>
	18,330		18,330
	<hr/>		<hr/>

Hire purchase
system

Model entries in the books of (purchaser):-

Date	Particulars	L/ f	Rs.	Rs.
	*) when an asset is purchased on hire purchase system:- Asset A/C -Dr To Hire vendor account (Being asset brought on H.P)		XXXX	XXX X
	*) for cash down payment on delivery:- Hire venderA/C -Dr To cash/ BankA/C (Bring down payment is made)		XXXX	XXX X
	*) for interest due at the end of the year:- Interest A/C -Dr To Hire vendor A/C (Being interest included in 1st installment)		XXXX	XXX X
	*) for the payment of first installment:- Hire vendorA/C -Dr To Bank A/C (Being first installment is paid)		XXXX	XXX X
	*) for depreciation charge:- DepreciationA/C -Dr To asset A/C (Being depreciation charged)		XXXX	XXX X

1.From the following particulars prepare statement of profit or loss for the year ending 31-03-2019 and a statement of affairs as on that day.

Particulars	OpeningBalance	ClosingBalance
-------------	----------------	----------------

	40,000	60,000
Debtors	30,000	35,000
Creditors	50,000	45,000
Stock	1,000	500
Prepaid exps	3,000	4,000
Outstanding exps	6,000	8,000
Bill's payables	4,000	-
Bill's receivables	800	200
Cash	3,000	2,000
Bank	1,000	1,500
Furniture	10,000	12,000
Machinery		

Drawing amounted to Rs.10,000 ;Rs.3,000 as fresh capital was introduced during the year. Depreciate Furniture and Machinery by 10%

2. "X" keeps his books According to Single Entry System. Find out profit for the year ending 31-12-2012

PARTICULARS	1-1-2012	31-12-2012
Creditors	1,700	3,700
Bank	800	1,200
debtors	3,500	5,500
Stock	4,000	6,000
furniture	1,000	2,000

3.Smt. Lakshmi Was Not Maintained Proper Books of a/c. She Furniture . From the following Information Prepare Statement of P&L For the Year Ended 31-3-2009.

particulars	1-4-2008	31-3-2009
Cash in hand	5,350	3,400
Bank overdraft	45,000	49,000
Stock	39,350	62,300
Sundry creditors	38,600	37,200
Sundry debtors	30,200	29,900
B&P	42,400	40,800
Land & buildings	53,000	53,000
Furniture	46,000	4,600
B/P	62,000	58,000

Drawings during the year Rs. 6,400, depreciate land & buildings by 4% & provide Reserve for doubtful debts on debtors @ 5%.

4.Ramya Keep's her Books by Single Entry Method. His Position On 1-4-2017 And 31-3-2018 Was as follows.

particulars	1-4-2017	31-3-2018
Cash in hand	9,000	6,000
Cash at bank	75,000	84,000
Debtors	54,000	25,000
Prepaid insurance	-----	1,200
Stock	87,000	93,000
Furniture	15,000	18,000
Machinery	15,000	15,000
Outstanding exps	4,500	-----
Creditors	54,000	75,000

- i. On 1-10-2008 ramya introduced Rs .15,000 as further capital in the business and withdrawn on the same day Rs.6,000 for personal use
- ii. Depreciation is to be calculated on machinery @ 10%
- iii. Provide provision for doubtful debts at the rate of 5%
- iv. Goods taken for personal use amounted to Rs.4,500.
- v. Provide interest on capital @ 10% for year.

Prepare a statement of profit & loss for the year ending 31-3-2018.

5. From the following information ascertain profit for the year ending assuming that the books are maintained under single entry system.

Particulars	1-4-2015	31-3-2016
Cash in hand	25,000	32,000
Cash at bank	15,000	2,000 (od)
Stock	27,000	38,000
Debtors	38,000	36,000
B/R	10,000	12,000
B/P	12,000	15,000
Outstanding exps.	5,000	8,000
Prepaid exps.	4,000	7,000
Furniture	30,000	40,000
Buildings	79,000	10,000

Adjustments:

1. Additional capital is to be introduced on 1-10-2015 was Rs.15,000.

He has been withdrawn Rs. 2,000 per month for personal use.

2. Charge depreciation on furniture @ 10% and on buildings @ 5%

3. Charge interest on additional capital @ 12% per month.

4. Healsotaken goods worth of Rs.5000 for his own from the business.

5. Provide bad debts Rs 1000 and reserve for doubtful debts @ 5%

6. The following details are taken from Mr. Gupta who has been maintaining his books of accounts under single entry system.

particulars	Opening balance	Closing balance
Cash in hand	30,000	35,000
Cash at bank	40,000	53,000
Land & buildings	1,20,000	1,20,000
Furniture	60,000	60,000
10% govt. securities	10,000	1,00,000
Book debtors	60,000	50,000
Stock	70,000	80,000
Bill's Receivables	20,000	30,000
Bill's payables	15,900	20,000
Sundry creditors	37,000	30,000
Loan from bank	49,000	20,000

Adjustments:

- vi. The trader has withdrawn Rs. 2,000 per month from the business for his own.
- vii. He has taken stock worth of Rs. 10,000 from the business for personal use.
- viii. Interest on securities is due for 6 months @ 10%.
- ix. He decided to provide depreciation on land & building @ 10% and on furniture @ 15%
- x. He also provides reserve for doubtful debts on debtors and bill's receivables @ 5%
- xi. In the middle of the year he has introduced Rs. 15,000 in the business as additional capital. Ascertain profit or loss made by Mr. Gupta.

7. Mr. Vishwa a small trader who has been maintaining the books of accounts under single entry system for the year ended 2019-20.

particulars	1-4-2019	31-3-2020
Cash in hand	8,000	14,000
Furniture	20,000	25,000
Plant & machinery	30,000	39,000
Stock	10,000	13,000
Cash at bank	6,000	2,000
B/R	10,000	14,000
B/P	8,000	4,000
Salaries payable	3,000	-
Interest receivable	-	6,000

Adjustments:

- Depreciate plant & machinery 10% and 5% respectively
- Provide reserve on debtors and Bills receivables @ 2%
- Additional capital introduced Rs. 15,000
- Drawings in cash Rs. 3,000 and stock for personal use Rs. 7,000

- Interest on capital Rs. 3,000 and drawing Rs. 5,000

8. from the following particulars prepare statement of profit loss for the year ending 31-3-2019. And the statement of affairs as on that date.

Particulars	1-4-2008	31-3-2009
Debtors	40,000	60,000
Creditors	39,000	35,000
Stock	50,000	45,000
Prepaid exps.	1,000	5,000
Outstanding exps.	3,000	4,000
B/P	6,000	8,000
B/R	4,000	-
Cash	800	200
Bank	3,000	2,000
Furniture	1,000	1,500
Machinery	10,000	12,000

- Drawing amounted to Rs 10,000
- Rs. 3,000 introduced as fresh capital
- Depreciate furniture & machinery @ 10%

Single entry (partners)

9. X and Y are equal partners in a business in which the books are kept by single entry system. The position of affairs as on 1-1-2008 was as under

Liabilities	Rs	Assets	Rs
B/P	646	Cash in hand	27,000
Sundry creditors	2,029	Cash at bank	220
Capital		Bills receivable	407
X- 7340	14,680	Sundry debtors	4,868
Y- 7340		Stock	3,285
		Plant	8,018
		Furniture	530
			<u>17,355</u>
	17,355		

The following were the statement of affairs as on 31-12-2008

Cash in hand	40
Cash at bank	584
Debtors	5,629
Bills receivable	684
Stock	3,673
Creditors	2,147
B/P	595

The partners had withdrawn Rs. 450 each and further entitled to interest on their capital @ 5% per annum. It was agreed to depreciate plant @ 10% and furniture @ 5%. Prepare necessary statement of profit and loss a/c during the year.

10. Neel and Giri are equal partners in a business which are maintain accounts under single entry system. The position of affairs on 1-4-2018.

Liabilities	Rs	assets	Rs
B/P	6,200	Cash in hand	270
Sundry creditors	20,000	Cash at bank	13,880
Capital A/c		B/R	4,600
Neel 80,000		Sundry debtors	33,800
Giri 80,000		Stock	48,650
		Plant	80,000
		Furniture	5,000
	1,86,200		1,86,200

On 31-3-2019 the following worth statement of affairs

Cash in hand	400
Cash at bank	15,800
Sundry creditors	9,200
Stock	66,700
Sundry debtors	39,300
B/P	6,600
B/R	8,800

- Plant & furniture are to be depreciated by 10%
- Ascertain the profit for the year ended and draw the statement of affairs as on that year showing the accounts of partners consuming Neel withdraw Rs .10,000 and Giri withdrawn Rs.8,000 during the year.

[illegible]

Debtors	8,000
Creditors	8,500
Loan	1,600
Cash	800
Stock	4,200
B/R	1,400

Depreciate plant&machinery@5%furniture@10%.

findoutprofitor loss andprepareastatementofaffairs.

12.prakash, Prasad,pramodh are equal partners maintaining their books of accountsundersingleentrysystem.Theirbalancesheet ason31-12-2016wayasfollows.

Liabilities	Rs	Assets	Rs
Creditors	19,000	Cash atbank	2,500
B/P	12,000	B/R	6,500
Capitals		Debtors	21,000
Prakash-24,000		Stock	15,000
Prasadh-24,000	68,000	Plant&machinery	20,000
Promodh-20,000		Buildings	25,000
	9,000		90,000

On31-12-2017theirtransactionsware.

Cash atbank	5,000
Debtors	25,000
Creditors	24,000
B/R	6,000
Stock	20,000
B/P	10,000

- TheywithdrawndrawingsRs .10,000;6000;4000respectively.
 - Depreciateplant&machinery@5%
 - Buildings@2%
 - Provideinterestoncapital@5%perannum.
- findoutprofitor loss andprepareastatementofaffairs.

3.A and B, C are partners maintaining their books of accounts under single entry system
their position as on 1-1-2009 was

Liabilities	Rs	Assets	Rs
Creditors	5,500	Cash in hand	2,400
Capitals		Debtors	3,600
A - 4500		Stock	6,500
B - 3000	9,000	Machinery	1,440
C - 1500		Fixtures&fitting	600
		Advance payments	35
Current account		Current account	
A	145	C	170
B	100		
	14,745		14,745

- The partners drawings during the year A-1400, B-1000, C-1500
- "A" introduced Rs.1500 as additional capital on 1-7-2019
- On 31-12-2009 their transactions were

Debtors	4,025
Cash	3,200
Stock	5,900
Advance payments	25
Creditors	4,540

Adjustments:

- ❖ Machinery, fixtures & fittings are to be depreciated by 10% and 7½% respectively.
- ❖ Interest on capital is to be allowed @ 5%
- ❖ No interest is to be charged on drawings.
- ❖ The partnership profits in the ratio of 3:2:1 between the partners together with the balances sheet on 31-12-2009.

find out profit or loss and prepare a statement of affairs.

14. The following is the balance sheet for x, y, z on 1-1-2010.

Liabilities	Rs	Assets	Rs.
Sundry creditors B/P	14,200	Cash in hand	400
	12,800	Cash at Bank	3,800
Capital accounts:-		Sundry debtors	400
X- 15,000		Stock	16,700
Y- 10,000	30,000	Furniture and fittings	12,000
Z- 5,000	510	Machinery and plant	16,000
Current account:-	340	Current account:-	
X		Z	550
Y			
	57,850		57,850

Partners profit sharing ratio is 3:2:1, charging 12% interest on capital drawings of X is 800 per month why is 600 per month that is 500 per month

Quantity for 32011 the various assets were:-

Cash in hand	300
Sundry debtors	8,600
Stock	18,250
Furniture and fittings	10,800
Plant and machinery	28,000
Liabilities were:-	
Sundry creditors	13,400
B/p	12,400
Bank overdraft	6,000

Ascertain profit or loss made by the firm during the year and prepare statement of affairs.

15. Anand, Bharat, Chandra partners in a firm sharing profit in the ratio 3:2:1 maintain their books of accounts under single entry system. Statement of affairs 1-4-2006 was as follows.

[illegible]

Calculate 6% interest on capital during the year partner's drawings were Anand 210, Bharat 1575, Chandra 1350 statement of affairs as on 31-3-2007 was as follows.

Cash	1,505
Stock	53,550
Plant	1,31,250
Creditors	17,050
B/P	12,600
Debtors	1,50,400
Furniture	9,450
BankO/D	31,500

Findoutprofitpreparedstatementofaffairs.

UNIT-III

Hire purchase System

Hire purchase System:

When goods can be sold on credit also where ownership and possession of goods passes immediately from Seller to the buyer the payment is deferred that is made after sometime. Another way of selling goods is either an installment purchase or hire purchase system.

Installment purchase system:-

Under installment purchase system the position of ownership of goods immediately passes from the seller to the buyer but the payment of the total price will be made in installments.

Hire purchase system :-

Under hire purchase system the buyer acquires the possession of the goods immediately and agrees to pay the total purchase price in installments each installment is treated as hire charges until the payment of the last installment . when ownership of the goods passes from the seller to the buyer.

Features of hire purchase system :-

1. There is an agreement between the seller and the purchaser.
2. The position of goods immediately passes from the seller to the buyer on signing in the agreement.
3. The buyer will made payment in installments over a period of time.
4. The ownership of the goods will remind with the seller and passes to the buyer on the payment of last installment.
5. Each installment is treated as hire charges till the last installment is paid.
6. The buyer has an option to return the goods to the seller and can terminate the agreement if he doesn't want to pay the rest of the installments.
7. If there is any default in payment of any installment the seller has a right repose the goods sold on hire purchase and for forfeit the amount already received either as doubt payment are in installments

Hire purchase price = cash price +interest

It is essential to split the total hire purchase price into two parts that is

*Payment goes cash prize to be treated as capital expenditure for the Purchase of an asset.

*Interest is to be charged to profit and loss account and treated as revenue Expenditure.

Terms used in hire purchase transactions:-

***Hire purchaser or Hirer:-**

He is the buyer of the goods.

*** Hire vendor:-**

He is the seller of the goods.

***Cash price:-**

It is the price on which purchaser can buy the goods for cash. It is the value of goods to be recorded in the books of accounts.

***Hire purchase price:-**

It is the total amount which the hire purchaser is required to pay the hire vendor. Hire purchase price is the aggregate of cash price and interest is outstanding amount.

***Down payment:-**

It is the amount which is paid by the hire purchaser to the vendor at the time of agreement and taking the possession of the goods.

***Goods repossession:-**

It means goods taken back by the hire vendor from the hire purchaser in case he makes any default in the payment of any installments.

***Interest:-**

Interest is the cost borrowed fund by the Asset. It is the excess of hire purchase price over cash price.

***Installments:-**

There are convenient amount in which hire purchaser is split.

***Stock with customer:-**

It is the value of goods with the hire purchaser for which instruments will become due in the subsequent accounting periods.

***Installments due:-**

There are installments which are due in the accounting period but not paid by the hire purchaser.

***Accounting records:-**

There are two parties in the purchase agreement that is buyer and seller

**Hire purchase
system**

Model entries in the books of (purchaser):-

Date	Particulars	L/ f	Rs.	Rs.
------	-------------	---------	-----	-----

	*) when an asset is purchased on hire purchase system:- Asset A/C -Dr To Hire vendor account (Being asset brought on H.P)		XXXX	XXX X
	*) for cash down payment on delivery:- Hire venderA/C -Dr To cash/ BankA/C (Bring down payment is made)		XXXX	XXX X
	*) for interest due at the end of the year:- Interest A/C -Dr To Hire vendor A/C (Being interest included in 1st installment)		XXXX	XXX X
	*) for the payment of first installment:- Hire vendorA/C -Dr To Bank A/C (Being first installment is paid)		XXXX	XXX X
	*) for depreciation charge:- DepreciationA/C -Dr To asset A/C (Being depreciation charged)		XXXX	XXX X

Hire purchase system

1)M/S Nobel manufacturer acquired a machine from M/S XL industry on hire purchase system on 1-1-2018 paying cash Rs.20,000 as down payment and further three instruments

20,000 payable each on 31st December each year. Hire Vendor charges 5% interest per annum .M/S global manufacturer decides write off 10% on the written down value system. The cash price of the machine is Rs. 75,000.journalise the transactions in the books of the Hire Purchaser and Hire vender.

2) on 1-1-2016 A acquired an asset on hire purchase system from B for Rs.16000 payable Rs.5,000 as down payment and three further equal installments of Rs .4000 each on 31st December every year. Interest is charged at 4% per annum .Depreciation is charged at 10% per annum on the reducing balance method. Journalize the transactions in the books of A and B and prepare ledger accounts.

3) Ajay purchased printing machinery on hire purchase system from A &co., on 1-1-2017. the cash price of the Asset is 31, 960/- payable Rs.8,000 as down payment & 3 further installments of Rs.12,000 and Rs.10,000 , Rs.14000 payable at the end of the first, second,third year respectively. Interest is to be charged at 5% per annum .Ajay depreciates the machinery at 10% per annum on reducing balance method. we required to prepare ledger accounts in the books of Ajay.

4) on 1-1-2016 X-purchased a machine on Hire purchase system From Y. The cash price of machine was 1,00,000 the payment was to be made 20,000 as down payment and the balance payable through installments of 20,000 each for year together with interested 5% X-depreciates the asset at 15%p. a. on Straight line method. You are required to prepare necessary ledger A/C's in the books of `X`.

5) on1-1-2017 Bharath company acquire a machine on Hire purchase system from Sumanth company. The cash price of the machine is Rs.1,80,000. Hire purchase price payable Rs.80,000 as down payment and balance in three equal instalments of Rs. 40,000 each on 31st December every year. Buyer depreciate the asset @10%p. a. On Reducing Balance Method. Calculate the amount of interest included in each instalments and open necessary ledger a/c's in the books of Bharath company.

6)Eswar industry obtained some machines costing Rs.89,000on Hire Purchase System from Lakshmi industry on 1-1-2018.on the date of signing on agreement Rs.20, 000 was paid as down payment &it was agreed to pay the balance as Rs.30,000,Rs. 24000,Rs.18,000 Respectively as 1&2&3 instalments. Esver decides to write of 20% depreciation on asset under the Reducing Balance method. Prepare necessary ledger A/C's in the books of Hire Purchaser a/c.

7) X and co., purchased an assets from Y and co., on 1-1-2019 on Hire Purchase SystemRs.15,000 paid immediately at the time of signing the agreement and agree to pay the balance amount in four equal installments Rs. 20,000 each on 31-December every year.vendor company charges 5% rate of interest. Buyer decides to depreciate the asset

@10% p.a. on straight line method. Write up important ledger a/c's in the books of Hire Purchaser.

8) The Hyderabad transport company purchased a Truck from Ashok industry on hire purchase on 1-1-2017 for Rs. 7,450. paying cash Rs. 2000 as down payment and balance payable in three equal installments of Rs. 2000 each on 31-December every year. The Transport Company writes off 10% depreciation on Reducing Balance System. Ashok industries charges 5% interest p.a. to the unpaid amount. You are required to pass ledgers a/c's in the books of Hire Purchaser.

9) Sravanthi purchased a delivery van on 1-1-2013 from kranthi on hire purchase the cash price of the asset is Rs.68,000. according to the agreement Rs. 16,000 should be paid immediately on delivery van and the balance in installments of Rs. 19,200 each. Kranthi limited will charge interest @6%. p. a. Sravanthi decides writes off depreciation on the asset @15% p.a. on straight line method. Write down necessary ledger a/c's in the books of sravanthi.

10) Surya purchased motor cycle from Bajaj company on hire purchase system. on 1-1-2018 the cash price of the motor cycle is 40,770 interest is charged @ 8% per annum the payment was to be made at 15000 down payment and the balance in the three equal installments of 10,000 each payable during the year ending pass necessary ledger accounts in the books of surya.

S.no	Date	Opening balance of Cash price	Amount of Instalment	Amount of Interest included in instalments	Cash price included in instalments	Closing balance of cash price	Depreciation		
							O.B	%	C.B
D.P	1Jan2018	75,000	20,000	-----	20,000	55,000	75,000	----	75,000
1	31 Dec2018	55,000	20,000	2,750	17,250	37,750	75,000	7,500	67,500
2	31 Dec2019	37,750	20,000	1,888	18,112	19,638	67,500	6,750	60,750
3	31 Dec2020	19,638	20,000	362	19,638	-----	60,750	6,075	54,675

Hire purchase
system

Model entries in the books of (purchaser):-

Particulars	L.F	Rs.	Rs.
*) when an asset is purchased on hire purchase system:- Asset a/c Dr To Hire vendor a/c (Being asset brought on H.P)		XXXX	XXXX
*) for cash down payment on delivery:- Hire vendora/c Dr To cash/ Bank a/c (Bring down payment is made)		XXXX	XXXX
*) for interest due at the end of the year:- Interest a/c Dr To Hire vendor a/c (Being interest included in 1st installment)		XXXX	XXXX
*) for the payment of first installment:- Hire vendor a/c Dr To Bank a/c (Being first installment is paid)		XXXX	XXXX
*) for depreciation charge:- Depreciation a/c Dr To asset a/c (Being depreciation charged)		XXXX	XXXX
*) for transfer of interest&depreciation to profit &loss account:- Profit & loss a/c Dr To interest a/c To depreciation a/c (Being interest and depreciation transferred to profit & loss account)		XXXX	XXXX

PARTNERSHIP ACCOUNTS/BASICS

The Indian partnership act 1932 contains the main provisions which are applicable to partnership firms working in India.

Definitions:- According to section 4 of the Indian partnership act 1932 defines a partnership has

“A Relation between persons who have agree to share profit of a business carried on by all or any of them for all”.

Individually the persons who agree to join the business are known as “partners”. The partners are collectively called “firm”. The names with which they were collectively called the firm's name.

Essential features of a partnership:-

1.Number of persons:-

In order to constitutes a partnership firm there must be at least two persons. The number of partner should not exceed 10 in the case of concerns doing banking business and twenty in the case of firms doing any other business.

2.Agreement:-

There must be an agreement between the partners.

3.Sharing of profits or losses:-

It is one of the important and to constitutes a partnership firm without sharing of profits or losses it cannot be called a partnership.

4.Business:-

There must be a business they must agree to carry on a business which is not prohibited by the government the business may be any trade profession or occupation.

5.Management:-

The business may be manners by all the partners or any of them acting on behalf of all the partners.

6.Unlimited liability:-

The liability of a partner in a partnership is not only unlimited but also joint and several.

7.Partnership deed:-

A Written agreement avoids the disputes at later stages such written agreement among the partners is known as partnership deed. Partnership deed contains the rights and responsibilities of a partner as among themselves.

Generally, partnership deed contains:

1. Name of the firm
2. Objects and nature of the business proposed to be carried on by them
3. Duration of the partnership business in the firm
4. The names and addresses of the partners in the firm
5. The amount of capital to be contributed by each partner
6. Division of the profits among the partners etc.

Main points to be considered in preparation of partnership accounts:

1. Capital:-

At the time of entering into partnership business the partners will decide the amount of capital to be contributed each one of them. Partners may contribute equally for an equally a separate capital account should be open of each partner.

Bank or cash a/c

Dr

To partners capital a/c

(Being the amount brought by the partners to host their capital)

2. Interest on capital:-

In absence of a partnership date no partner is allowed to take interest on capital when there is any agreement they are entitled to receive interest on their capitals.

Interest a/c	Dr
--------------	----

To partners capital a/c

(Being the interest credited capital a/c`s)

3. Drawings:-

Generally partnership deed contents 1 laws regarding the amount which each partner can withdrawn by the way of drawings in anticipation of his share of profits.

Drawings a/c	Dr
--------------	----

To Bank or cash a/c

(Being the partners withdrawn money for their personal use)

4. Interest on drawings:-

Interest on drawings a charge in order to discourage the partners from withdrawing larger amounts from the business.

Partners Capital`s a/c Dr

To Interest a/c

(Being the Interest charged on drawings)

5. Salaries of partners:-

In the Absence of any agreement among the partners, no partner is entitled to claim any salary from the business. Generally in partnership concerns some people contribute their share of capital and take a little interest in the business.

Partners Salary a/c Dr

To Partners Capital`s a/c

(Being salary allowed to partners)

6. Division of profits:-

If the partnership business results in profit it should be distributed among the partners according to their profit sharing ratio by means of the following entry.

Profit & Loss a/c Dr

To Partners Capital`s a/c

(Being the profit distributed to partners)

7. Profit and loss appropriation account:-

The profits or losses after partnership are divisible equally or in any other manner agreed upon by the partners. In case of partnership accounting it is usual that adjustments relating to interest on capital interest on drawing salary commission share of profit ect., To be made through the profit and loss appropriation account.

Methods of maintaining capital accounts of partners:-

Capital accounts of partners may be maintained under two methods.

1. Fixed capital accounts:-

When the partners agree that the the amount of capital contributed by them shall remain fixed and shall not be reduce or increase during the the term of partnership. The capital accounts of the partners are said to be fixed. Under this method capital account shows the same balance after a year. Capital account shows only the amount broughtht in by the partner at the time of joining of the firm.

2. Fluctuating capital accounts:-

Under this method a separate capital account is opened in the name of each partner and is credited with the amount of capital contributed by him at the time of joining. A separate drawing account is open in the name of each partner to record his drawings. All the adjustments such as interest on capital interest on drawings salary commission profits etc. Made in the capital account itself.

PROBLEMS

1. Amar ,Bharath and chandra are Partners with capitals of Rs. 50,000, Rs. 40,000, Rs. 30,000 respectively . They were sharing profit & losses in the ratio of 6:5:3 as per the partnership deed. The partners allowed interest on capital @ 6% p.a. Bharath allowed a salary of Rs.4000 p.a. which he did not withdrawn during the year . The partners withdraw Rs. 5000, Rs. 4000, Rs.3000 respectively. The profit for the year prior to calculation of interest after charging the salary of partner Rs. 30,000. Show partners a/c`s and also prepare profit & loss Appropriation a/c.
 - a) When the capitals are fixed .
 - b) When the capitals are fluctuating .

Solution:-

Dr		Profit & loss Appropriation a/c.		Cr	
	Particulars	Amount		Particulars	Amount

<u>To Interest on capital :-</u> Amar – $50,000 \times 6/100 = 3000$ Bharath – $40,000 \times 6/100 = 2400$ Chandra - $30,000 \times 6/100 = \underline{1800}$	7200	By balance b/d(profit)	30,000
<u>To Net profit</u> Amar – $22,800 \times 6/14 = 9771$ Bharath- $22,800 \times 5/14 = 8143$ Chandra- $22,800 \times 3/14 = \underline{4886}$	22,800		
	30,000		30,000

a) When the capitals are fixed:-

Dr		Amar`s capital a/c		Cr	
Particulars	Amount	Particulars	Amount		
To balance c/d	50,000	By balance b/d	50,000		
	50,000		50,000		
		By balance b/d	50,000		

Dr		Bharath`s capital a/c		Cr	
Particulars	Amount	Particulars	Amount		
To balance c/d	40,000	By balance b/d	40,000		
	40,000		40,000		
		By balance b/d	40,000		

Dr		Chandra`s capital a/c		Cr	
Particulars	Amount	Particulars	Amount		
To balance c/d	30,000	By balance b/d	30,000		
	30,000		30,000		
		By balance b/d	30,000		

Dr Amar`s current a/c Cr

Particulars	Amount	Particulars	Amount
To Drawings	5,000	By Interest on capital	3,000
To balance c/d	7,771	By Net profit	9,771
	12,771		12,771
		By balance b/d	7,771

Dr Bharath's current a/c

Cr

Particulars	Amount	Particulars	Amount
To Drawings	4,000	By Interest on capital	2,400
To balance c/d	10,543	By salary	4,000
	14,543	By Net profit	8,143
			14,543
		By balance b/d	10,543

Dr Chandra's current a/c

Cr

Particulars	Amount	Particulars	Amount
To Drawings	3,000	By Interest on capital	1,800
To balance c/d	3,686	By Net profit	4,886
	6,686		6,686
		By balance b/d	3,686

b) When the capital are fluctuating :-

Dr Amar's capital's a/c

Cr

Particulars	Amount	Particulars	Amount
To Drawings	5,000	By balance b/d	50,000
To balance c/d	57,771	By Interest on capital	3,000
	62,771	By Net profit	9,771
			62,771
		By balance b/d	57,771

Bharath's current a/c

Dr

Cr

Particulars	Amount	Particulars	Amount
To Drawings	4,000	By balance b/d	40,000
To balance c/d	50,543	By Interest on capital	2,400
		By salary	4,000
		By Net profit	8,143
	54,543		54,543
		By balance b/d	50,543

Dr

Chandra's current a/c

Cr

Particulars	Amount	Particulars	Amount
To Drawings	3,000	By balance b/d	30,000
To balance c/d	33,686	By Interest on capital	1,800
		By Net profit	4,886
	36,686		36,686
		By balance b/d	33,686

Exercise problems:-

1. X and Y Started Business with capitals of Rs. 50,000, Rs. 40,000 . Y Made further contribution of Rs.15,000 towards his capital.Drawings during the year X- Rs.3,200 and y-Rs.5000 .8% Interest is to be charged on Capitals.Y is allowed a salary of Rs.6000p.a.The profit for the year comes Rs.35000 before charging salary and interest on capital.Show the profit&loss a/c under fixed capital method and fluctuating capital method.

2.A and B Started Business with capitals of Rs. 15,000, Rs. 10,000 .A Introduced further capital of Rs.5,000 towards his capital.Drawings during the year Rs.3,000 and Rs.2000

Respectively .5%Interest is to be charged on Capitals. 'B' is allowed a salary of Rs.7200p.a.The profit for the year comes Rs.20,000 before charging salary and interest on capital.prepare partner's a/c's under fixed capital method and fluctuating capital method.

3.A ,Band C Started Business with capitals of Rs. 60,000, Rs. 50,000 and Rs.40,000 Respectively. They were sharing profit & losses in the ratio of 6:5:4 as per the partnership deed. The partners allowed interest on capital @ 6% p.a. B was allowed a salary of Rs.6000p.a. which he didn't withdrawn during the year.The partner's Drawings during the year Rs.5,000;4,000 and Rs.3000 Respectively .The profit for the year prior calculation of interest but after charging the salary of the partner amounted to Rs.24,000.prepare partner's a/c's under fixed capital method and fluctuating capital method.

ARTNERSHIP ACCOUNTS

Admission of a Partner:

Quite often partnership firm decides to admit a new partner because it may need more capital influence Or special skills when a partner is admitted into the partnership form he acquires the following rights by virtue of his position as partner.

1. The right to share in the Assets of the partnership.
2. The right to share in the profit of the business.

When the new partner brings in the capital and Goodwill the following entry is to be passed:-

Bank /cash a/c Dr

To New Partners Capital a/c

To Good Will a/c

(Being the new partner brings in goodwill and capital)

Main points to be considered at the time of Admission of a Partner:-

- *Treatment of good will
- *Adjustment of undistributed profits.
- *Revaluation of asset and liability.
- *Calculate of new profit sharing also.
- *Adjustment of capital in order to bring these in proportion to profit sharing ratio.

I. Treatment of goodwill :-

a. When the amount of goodwill is paid by the new partner to old partners privately;

This is master and scientific method signs it helps to create black money in the hands of old partners.

b. when the new partner bring good will in cash and is immediately withdrawn by the old partners:

Then the Goodwill will be shared by the old partners in their profit sharing ratio and withdrawn immediately

1. When the goodwill is brought into business by the new partner:

Bank or cash a/c Dr

To goodwill a/c

(Being the goodwill brought into business by the new partners)

2. When the goodwill is shared by old partners;

Goodwill a/c Dr

To old partners capital's a/c

(Being the goodwill shared by old partners in their profit sharing ratio)

3. When the old partners withdraw goodwill Amount :

Old partners capital a/c Dr

To bank /cash a/c

(Being the withdrawn of cash by old partner)

C. When the goodwill is brought into business by the new partner in cash and is retained in the books of the firm:

Under this method , Goodwill that is what into business by the new partner will be credited to old partners in their profit sharing ratio.

1. When the Goodwill is brought into business by the new partner:

Bank /cash a/c Dr

To Goodwill a/c

(Being the Goodwill brought into business by the new partner)

2. When the Goodwill is shared by the old partner:

Goodwill a/c Dr

To old Partners Capital's a/c

(Being the shared by the old partners in their profit sharing ratio.

D. When Goodwill is created or raised in the books at full value:

The goodwill account must be raised and credited to old partner's capital account in their profit sharing ratio

1. When Goodwill is created or raised in the books at full value:

Goodwill a/c Dr

To old partner's capital a/c

(Being the goodwill credited to partners capital's a/c)

Important points regarding goodwill:

- when the new partners brings goodwill and sharing by old partners. Goodwill a/c becomes closed. hence it does not appear in the balance sheet.
- when the goodwill accounts is Raised, it appears on the assets side of balance sheet.

II. Adjusted of undistributed profit and losses:

1..If undistributed profit or general reserve appears in the balance sheet, the same should be divided among the partners in their profit sharing ratio before admission of a new partner by the following entry.

General Reserve/profit and loss a/c Dr

To old partners Capital's a/c

(Being the general reserve/profit credited to old partners capital a/c)

2..If there is a debit balance of profit and loss accounts appearing on the asset side of balance sheet

Old partners capital's a/c Dr

To profit and loss a/c

(Being the debit balance of profit and loss)

III. Revaluation of Assets:-

The change in the value of asset and liability are there is a profit due to Revaluation of assets and liabilities adjustment a/c.

1. If the value of asset are Decreased :

Profit and loss adjustment a/c Dr

To Name of the Asset's a/c

(Being the decrease in the value of asset recorded)

2. If the value of asset are increase :

Name of the asset's a/c Dr

To profit and loss adjustment a/c

(Being the value appropriation in the value of asset recorded)

3. If the value of liabilities are decreased :

Liabilities a/c Dr

Y 's new profit sharing ratio = $2/5 - 1/10 = 3/10$
 Z 's new profit sharing ratio = $2/10 + 1/10 = 3/10$
 X,Y,Z new profit sharing ratio = $4/10:3/10:3/10$
 $= 4:3:3$

3rd MODEL:

3. X and Y sharing profit and losses in the ratio of 3:2 .Z was admitted as a new partner X surrendered $1/3$ rd and Y surrendered $1/2$ in favour of Z calculate the new profit sharing ratio.

Ans:

Old partners X and Y profit sharing ratio = 3:2
 $= 3/5:2/5$

X surrendered $1/3$ in favour of Z

Y surrendered $1/2$ in favour of Z

So, X surrendered in favour of = $3/5 \times 1/3 = 3/15 = 1/5$

Y surrendered in favour of = $2/5 \times 1/2 = 2/10 = 1/5$

So, X new profit sharing ratio = $3/5 - 2/5 = 1/5$

Y new profit sharing ratio = $2/5 - 1/5 = 1/5$

Z new profit sharing ratio = $1/5 + 1/5 = 2/5$

New profit sharing ratio of x,y,z = $1/5:1/5:2/5$
 $= 1:1:2$

4th MODEL:

4. Hari and Giri sharing profit and losses in the ratio of 3:2. They agreed Suri as a new partner. The new profit sharing ratio of the partners 5:3:2. calculate the sacrificing ratio (loosing ratio)

Ans:

Old partners hari and giri profit sharing ratio = 3:2
 $= 3/5:2/5$

They admitted suri as a new partner

New partners profit sharing ratio = 5:3:2

Sacrificing ratio = old ratio - new ratio

So, Hari's sacrificing ratio = $3/5 - 5/10 = 6/10 - 5/10 = 1/10$

Giri sacrificing ratio = $2/5 - 3/10 = 4/10 - 3/10 = 1/10$

Sacrificing ratio of Hari And Giri = $1/10:1/10$
 $= 1:1$

Exercises

4. Hari and giri partners sharing profit in the ratio 4:3. they agreed to take suri as a new partner and offered him $1/5$ th share in the future profits. compute new profit sharing ratio of all partners.

5. Sita and geetha are partners sharing profit and losses equally.They agreed to admit Anitha as a new partner offered her $\frac{1}{5}$ th share in the future profits.find out new profit sharing ratio of all the partners?
6. X and Y are partners sharing profit and losses in the ratio of 2:1.They agreed to admit Z as a new partners and give him $\frac{1}{6}$ th share in future profits . Find out new profit sharing ratio.
- 7.A and B are partners .sharing profit and losses in ratio of 3:1.They admit C as a new partner and give him $\frac{1}{8}$ th share in future profits . Compute new profit sharing ratio.
8. A and B partners sharing profit and losses in ratio of 4:3.they admit C as a new partners. C obtained $\frac{2}{5}$ th share in the new partnership firm . He obtained $\frac{1}{5}$ th from A , $\frac{1}{5}$ th from B.calculate new profit sharing ratio of all the partners.
- 9.P and Q are partners sharing profit and losses in the proportion of 3:2.R was admited as a new partner . P,surroundered $\frac{1}{7}$ th of of his share ,Q surrounded $\frac{1}{3}$ rd of his share . Compute new profit sharing ratio .
10. X and Y are partners sharing profit and losses in the proportion of 2:3 they agreed to admit X as a new partner .He acquired $\frac{1}{2}$ from X and $\frac{1}{2}$ from Y.compute new profit sharing ratio.

Partnership Accounts

Retirement of A Partner

When a partner retires, the amount due to him should be calculated by taking into consideration the following:-

- (a) Retiring partner capital on the date of last balance sheet.
- (b) His share of goodwill.
- (c) His share in the profit and loss on revaluation of Assets and liabilities of the firm.
- (d) His share in the accumulated profit or Reserve of the firm.
- (e) His share in the accumulated losses (if appeared on the Assets side of balance sheet).
- (f) His share in profit or loss of the firm from the date of last balance sheet to the date of retirement.
- (g) Interest on capital of the retiring partner from the date of last balance sheet to the date of retirement.

As explained above, the continuing partners should calculate the amount payable to retiring partner. If lump sum amount is paid by the continuing partners to the retiring partner, it may sometimes affect the financial position of the concern. Hence continuing partners may request the retiring partner to accept to pay certain amount immediately after retirement and the balance in installments with agreed rate of interest. Till the amount is paid completely to the retiring partner, the amount payable to him appears as a Loan on the liabilities side of balance sheet of continuing partners.

The main points which require attention in case of retirement of partners are:-

- 1. Treatment of goodwill.
- 2. Revaluation of assets and liabilities.
- 3. Adjustment of undistributed profits or losses.
- 4. Calculation of gaining ratio (new profit sharing ratio).

Treatment of goodwill

Goodwill will be valued as per the provisions of the partnership deed. The following cases may be adopted.

1. When the Goodwill is raised in the firm's books at full value:-

Goodwill account Dr.

To all partners capital accounts ...

(Being the Goodwill raised credit to all partners capital account in their profit ratio)

Note: Goodwill account will appear on the Assets side of balance sheet.

2. When Goodwill is raised in the books and immediately written off:-

(1) For raising Goodwill amount:-

Goodwill account Dr.

To all partner's capital's a/c

(Being the Goodwill raised credited to all partners capital accounts in their profit ratio)

(2) For writing off the goodwill:-

Continuing partner's capital accounts Dr.

To Goodwill account

(Being Goodwill debited to continuing partners capital accounts in new profit sharing ratio)

Note :- Goodwill account will not appear on the Asset side of balance sheet, since it was written off.

3. When Goodwill account is raised only for the share of retiring partner in the books and then writing off in the gaining ratio:-

* **When Goodwill account is raised:-**

Goodwill account Dr.

To retiring partner's capital account

(Being Goodwill credited to retiring partners capital account)

* **When Goodwill account is written off:-**

Continuing partner capital account Dr.

Goodwill account

(Being the Goodwill account written off in gaining ratio).

Note :- Goodwill account will not appear on the Asset side of balance sheet. Instead of above two entries the following one entry may also be passed.

Continuing partner capital account Dr.

To Retiring partners capital account

(Being Goodwill credited to retiring partners capital account debited to continuing partners capital accounts in new profit sharing ratio).

Revaluation of assets and liabilities:-

Just like in the case of admission of a partner, Assets and liabilities must be revalued even in the case of retirement of a partner. The profit or loss ascertained on account of revaluation of Assets and liabilities ,must be distributed among all the partners(including retiring partner).

Adjustment of undistributed profits, Reserves:

Accumulated profits, reserves appear on the liabilities side of balance sheet. These are the past profits set aside to strengthen the financial position of the firm. The retiring partner has a share in the undistributed profits. It is up to the continuing partners, to decide whether to close the profit and loss account (Cr), general reserve of Giving credit to the retiring partner (his share) and show the remaining balance on the liabilities side of balance sheet.

(1) If profit and loss account balance (Cr), general reserve account closed:-

Profit and loss account Dr.

Or

General reserve account Dr.

 To all partners capital accounts

(Being accumulated profit / general reserve credited to partners capital accounts).

Note :- since the profit and loss account / general reserve account closed, they will not appear in the balance sheet.

(2) If the continuing partners decide to give credit only to the retiring partner:-

Profit and loss account Dr.

Or

General reserve account Dr.

 To retiring partners capital account

(Being profit / general reserve credited to retiring partner).

Note :- The balance standing in the profit and loss account, general reserve (after deducting retiring partner share) appears on the liabilities side of balance sheet.

Undistributed losses :-

Undistributed losses appears on the Assets side of balance sheet. It should be closed by passing the following entry.

All partners capital accounts Dr.

 To profit and loss account

(Being the Debit balance of profit and loss account written off)

Note :-

If there is any change in the profit sharing ratio among the continuing partners after the retirement of a partner, profit and loss account (Cr), general reserve account must be closed to giving credit to all partners.

Calculating of gearing ratio:-

When your partner retires from a firm this ratio is to be calculated. If new ratio is not given it is presumed that the remaining partners will continue to share in the old ratio even after retirement of a partner i.e, they gain in old ratio.

Ex:- A, B and C are partners sharing profits and losses in the ratio 3 : 2 : 1. C retired from the business. Find out the new ratio of A and B.

Solution :-

Profit sharing ratio of A, B and C = 3:2:1 ($\frac{3}{6}:\frac{2}{6}:\frac{1}{6}$)

After c's retirement :

A's share = $\frac{3}{6} \times \frac{1}{6} = \frac{3}{36}$

B's share = $\frac{2}{6} \times \frac{1}{6} = \frac{2}{36}$

= $\frac{3}{36}:\frac{2}{36} = 3:2$

A and B's profit sharing ratio = 3/5 : 2/5

Admission of a partner

problem no. 1:-

A and B are partners India farm sharing profit and losses 60% and 40% respectively. Their balance sheet has on 31/12/2018 was as follows :

Liabilities	Amount In Rs.	Assets	Amount in Rs.
Creditors	40,000	Cash at bank	2,000
Capitals :		Sundry debtors	25,000
A 40,000		Stock	40,000
B 30,000	70,000	Plant and machinery	43,000
			<hr/>
	<hr/>		1,15,900
	1,15,900		

The partners agree to take C as a partner on the following term:-

- (A). That C will pay Rs.20,000 as capital for 40% of future profits of the firm.
- (B). That the assets are to be revalued before his admission. The stock be reduced to Rs.35,000 and the plant and Machinery be depreciated by 10%.
- (C). That a provision of 2 1/2 % be created against debtors.
- (D). As the new partner is unable to pay anything for Goodwill, a goodwill account be raised in the books of the firm for Rs. 30,000.

Show necessary journal entries, profit and loss adjustment account and the balance sheet of the new firm

Problem no 2:-

A&B are partners in a firm sharing profits and losses as 5 : 3. The position of the firm as on 31st March, 2018 was as follows:

Liabilities	Amount in Rs.	Assets	Amount in Rs.
Capitals :		Cash at bank	7,500
A 30,000		Sundry debtors	20,000
B 20,000	50,000	Stock	30,000
Sundry creditors	15,000	Plant and machinery	40,000
Bank overdraft	42,000	Bills receivable	10,000
	<hr/>		<hr/>
	1,07,500		1,07,500

C now joins them on condition that he will share $\frac{3}{4}$ th of the future profits, the balance of profits being shared by A and B as 5:3. He introduced Rs.40,000 by way of capital and further Rs.4,000 by way of premium of good will. He also provides loan to the firm to pay off bank overdraft. A and B agree to depreciate plant by 10% and to raise a provision for doubtful debts against Sundry debtors @5%.

You are asked to journalise the entries in the books of the firm and show the resultant balance sheet. How will the partners share future profits?

problem no :-3

A and B sharing profits in the proportion of $\frac{3}{5}$ th and $\frac{2}{5}$ th showed the following as their balance sheet on 31st December 2008.

Liabilities	Amount in Rs.	Assets	Amount in Rs.
Creditors	52,000	cash at bank	5,000
Reserve fund	10,000	Sundry debtors	45,000
Capitals		Stock	20,500
A 35,000		Plant & machinery	35,000
B 35,000	70,000	Land & Buildings	25,000
		Furniture & fixtures	1,500
	<hr/>		<hr/>
	1,32,000		1,32,000

They take C into partnership on 1st January 2019, the terms being that he shall pay Rs.5,000 as his share of the Goodwill, the amount to be retained in the business and that he shall bring in Rs. 15,000 as capital for a one-fourth share in the future profits. For the purpose of C's admission, the firm's assets were agreed to be valued as under
Land & building to be taken at Rs.30,000 plant and machinery to be reduced by 10% and a provision of 5% on debtors is to be made for doubtful debts. The stock is to be taken at a value of Rs.25,000.

Show out the necessary journal entries there valuation account, the capital accounts of the partners and the opening balance sheet of the new firm.

Problem no :- 4

Sanjay and Vijay were partners sharing profits in the ratio of 3:2. They admitted Rajiv as a partner with one-fourth share in future profits on first Jan 2009. Their balance sheet as on 31st December 2018 was as follows :

Liabilities	Amount in Rs.	Assets	Amount in Rs.
Creditors	30,000	Cash	14,000
Capitals:		Sundry debtors	36,000
Sanjay 60,000		Stock	40,000
Vijay 50,000	1,10,000	Furniture	20,000
Reserve fund	30,000	Building	60,000
	<hr/>		<hr/>
	1,70,000		1,70,000

Rajiv is admitted on the following terms :

- He will pay Rs.20,000 as Goodwill.
 - He will bring Rs.20,000 as capital and the capitals of the others partners be adjusted in the profit sharing ratio and for this purpose current accounts are to be opened.
 - The value of the building is taken as Rs.64,000 and that of stock Rs.36,000.
 - Provision for bad and doubtful debts be created at the rate of 5% on sundry debtors.
- Journalise the above transactions and prepare the balance sheet after admission of the new partner.

Problem no :-5

Dilip and Amitabh share profits in the ratio of 3:1. Their balance sheet has on 01 Jan 2019 was as under :

Liabilities	Amount in Rs.	Assets	Amount in Rs.
Bills payable	14,000	cash at bank	4,600
Sundry creditors	16,000	Sundry Debtors 20,000	
Capitals:		Less : provision 600	19,400
Dilip 50,000		Stock	15,000
Amitabh 25,000	75,000	Plant & machinery	35,000
	<hr/>	Land & Building	25,000
	1,05,000	Patents	6,000
			<hr/>
			1,05,000

Jitender is admitted into partnership on the following terms:

- The new profit sharing ratio will be Dilip 5, Amitabh 3, and Jitender 2
 - Jeetendr will pay Rs. 20,000 as capital and the capitals of the partners will be in the same ratio as the profit sharing ratio. (Actual cash is to be brought or withdrawn for this purpose).
 - Goodwill of the firm is valued at Rs.20,000 but no account for goodwill should remain in books.
 - Plant and machinery is to be depreciated by 20%. Provision for doubtful debts is to be increased by Rs. 900 and land and buildings is to be appreciated by Rs.5,000.
- Journalise the transactions and give the adjusted balance sheet.

Problem no :-6

The following is the balance sheet of Amar and Sunil who share profits and losses in the ratio of 3/5th and 2/5th.

Liabilities	Amount in Rs.	Assets	Amount in Rs.
Amar capital	10,000	Cash at bank	9,000
Sunil capital	8,000	Sundry debtors	11,000
Creditors	12,000	Stock	12,000
Genereal Reserve	16,000	Plant	10,000
Workmen Compensation Reserve	4,000	Buildings	8,000
	<hr/> 50,000		<hr/> 50,000

They agreed to admit vimal on the following terms :

- The value of buildings to be increased to Rs.18,000.
- The value of stock to be increased to Rs.16,000.
- There is a liability on workman's compensation fund which was determined at Rs.20,000.
- Vimal has to bring further cash as would make her capital equal to 20% of the combined capital of Amar and Sunil after all adjustments.

Show the necessary ledger accounts in the books of the firm and new balance sheet after the admission of vimal.

Problem No:-7

A and B are partners sharing profit and losses in the ratio of 3:1. Their balance sheet as on 31-3-2019 was as below :

Liabilities	Amount in Rs.	Assets	Amount in Rs.
Creditors	37,500	Cash at Bank	22,500
General reserve	4,000	Bills receivable	3,000
Capitals :		Sundry debtors	16,000
A 30,000		Stock	20,000
B 16,000	46,000	Furniture	1,000
		Building	25,000
	<hr/> 87,500		<hr/> 87,500

On 1st April 2019 they admit C on the following terms :

- (a). That he pays Rs. 10,000 as his capital for 5th share in profits.
- (b). That Goodwill account be raised in the books at Rs.20,000.
- (c). That stock and furniture be reduced by 10% and a provision of 5% be made for doubtful debts.
- (d). That the value of the building be appreciated by 20%.
- (e). That the capital accounts of all partners be readjusted on the basis of new ratio of profit sharing and for this purpose current accounts are to be opened.

Prepare revaluation account, partners account and balance sheet of the new firm.

Problem No :- 8

The following is the balance sheet of A and B who were sharing profits and losses two-thirds and one third on 31st December 2018.

Liabilities	Amount in Rs.	Assets	Amount in Rs.
Creditors	65,900	Cash at Bank	1,200
Capitals :		Sundry debtors	9,700
A 30,000		Stock	20,000
B 20,000	50,000	Plant & machinery	35,000
		Building	50,000
	<hr/>		<hr/>
	1,15,900		1,15,900

They agreed to admit C into partnership on the following terms :

- (a). C was to be given one- third share in profit, and was to bring Rs. 15,000 as capital.
- (b). That the value of stock and the plant were to be reduced by 10%.
- (c). That a provision of 5% was to be created for doubtful debts.
- (d). That the building account was to be appreciated by Rs.9,500.
- (e). Investment worth Rs. 400 (not mentioned in the balance sheet) were taken into account.
- (f). That the value of liabilities and assets other than cash are not to be altered.

Prepare memorandum revaluation account, capital accounts and opening balance sheet of the firm as newly constituted.

Problem no:- 9

The following is the balance sheet of Kavita and Vanita who were sharing profits and losses two-thirds and one third on 31st December, 2018

Liabilities	Amount in Rs.	Assets	Amount in Rs.
Creditors	45,000	Cash at bank	13,000
Revenue fund	12,000	Sundry debtors	20,000
Profit & loss Account	6,000	Stock	20,000
Capitals :		Plant & Machinery	40,000
kavitha 50,000		Building	50,000
Vanitha 30,000	80,000		
	<hr/>		<hr/>
	1,43,000		1,43,000

They agreed to admit Lalita into partnership on the following terms :

- (g). Lalitha was to be given one - third share in profit, and was to bring Rs.15,000 as capital. Has to bring Rs.12,000 towards her share of Goodwill. Half the amount of Goodwill will be withdrawn by the old partners immediately.
- (h). That the value of stock and plant were to be reduced by 10%.
- (i). That a provision of 5% was to be created for doubtful debts.
- (j). That the building account was to be appreciated by Rs.9,500.
- (k). contingent expenses payable Rs.3,000 and interest Receivable worth Rs.2,500. Forgotten to take into account with preparing their balance sheet.

Prepare revaluation account, capital accounts and opening balance sheet of the firm as newly constituted.

Problem No:- 10

The following is the balance sheet of kavya and soumya who were sharing profits and the losses equally on 31st December 2019.

Liabilities	Amount in Rs.	Assets	Amount in Rs.
Creditors	25,000	Cash at bank	10,000
Reserve fund	10,000	Sundry debtors	20,000
Capitals:		Stock	15,000
Kavya 50,000		Plant & machinery	30,000
Soumya 30,000	80,000	Building	35,000
	<hr/>	Profit & loss account	5,000
	1,15,000		<hr/>
			1,15,000

They agreed to admit Ramya into partnership on the following terms:

- (l). Ramya was to be given $\frac{1}{4}$ share in profit, and was to bring Rs. 20,000 as capital. Ramya has to bring Rs. 10,000 towards her share of Goodwill. The amount of good will will be withdrawn by the old partners immediately.

- (m). That the value of stock and plant were to be reduced by 20%.
- (n). That a provision of 5% was to be created for doubtful debts.
- (o). That the building account was to be appreciated by Rs.10,000.
- (p). Wages payable Rs. 2,000 and commission receivable worth Rs. 1,500 were forgotten to take into account while preparing the above balance sheet.

Prepare revaluation account, capital account and opening balance sheet of the firm as newly constituted.

Dissolution of partnership firm

Problem no:-1

X and Y were partner sharing profits and losses in the ratio of 3:2. On 31- 7-2019 they have decided to dissolve the firm. On the date, their balance sheet has shown the following financial position.

Liabilities	Amount in Rs.	Assets	Amount in Rs.
Creditors	31,680	Cash at bank	21,780
General reserve	30,000	Investments	1,24,800
bank overdraft	60,000	Stock	52,500
X's capital A/c	3,60,000	Dobtors	1,17,600
Y's capital A/c	1,20,000	Furniture	15,000
	6,01,680	Building	2,70,000
			6,01,680

Assets, Except cash and investment were sold on 14-8-2009 for Rs.4,14,000. The investments were taken by X at an agreed value of Rs. 1,32,000. Y accepted to discharge the bank

Off at Rs. 30,180. The dissolution process was completed on 15-12- 2009. Give general entries and open necessary ledger accounts and close the books of the firm.

problem no :- 2

The following is the balance sheet of Kumar and Pasha as on 31-3-2009.

Liabilities		Assets	Rs
-------------	--	--------	----

Sundry creditors	1,20,000	Cash at bank	34,000
Bills payable	32,000	Stock	20,000
Mrs. Kumar's lone	20,000	Investments	40,000
Pasha's lone	40,000	Sundry debtors 80,00	
General reserve	40,000	Less : R. D. D 8,000	72,000
Investment fund	4,000	Plant & Machinery	1,40,000
Kumar's capital a/c	60,000	Good will	16,000
Pasha's capital a/c	20,000	Profit loss a/c	14,000
	<hr/>		<hr/>
	3,36,000		3,36,000

Partners are sharing profit and losses in the ratio of 2:1 and decided the dissolve the firm on the above date. Following are the accounting arrangements in this regard.

- Kumar agreed to take half of the investment at an agreed value of Rs.19,200 and the remaining investments realized Rs.18,000.
- Moreover Kumar agreed to take over Mrs.Kumar's loan at this actual value and stock for Rs.16,000.
- Sundry debtors, plant and machinery and good will realized Rs. 3, 60,000.
- Creditors and bills payable were settled in full at Rs. 1,51,240.
- Expenses on realization amount to Rs. 4,000.

Draft necessary entries and close the books of the firm.

Problem no :- 3

A, J, K are partners in a firm sharing profits and losses equally. They have decided to dissolve the partnership firm on 1-9-2019. Following is their balance sheet as on that date.

Liabilities	Amount in Rs.	Assets	Amount in Rs.
Sundry creditors	40,520	Cash at bank	1,160
Bank lone	10,240	Sundry debtors	31,600
Reserve fund	12,000	Stock	16,840
A's capital a/c	40,000	Buildings	51,300
J's capital a/c	24,000	Plant	21,600
		Bills receivable	1,700
		K's capital a/c	2,560
	<hr/>		<hr/>
	1,26,760		1,26,760

All assets, except cash at bank, realized Rs. 1,06,700. Sundry creditors were paid off at a discount of Rs. 520. Expenses of realization amounted to Rs. 1,000.

Problem no :- 4

Ram and Bheem are running a partnership business and sharing profit in the ratio of 5:3. They decided to dissolve the firm on 14-8-2019. On the day their financial position is under.

Other information : The assets realized the following accounts : stock Rs. 32,500, Debtors Rs. 17,500, patents Rs. 12,000, Machinery Rs. 16,000, Furniture Rs. 14,000. Sundry creditors paid off completely for Rs. 11,500. Sri Devi accepted to take mortgage loan. Dissolution expenses amounted Rs. 600. Prepare necessary ledger accounts and close the books of the firm.

Problem no :- 8

X, Y, Z sharing profits in the proportion of 3:2:1 decided to dissolve partnership on 31- 12- 2019 on which data their balance sheet was as under :

Liabilities	Rs.	Assets	Rs.
X capital a/c	30,000	Goodwill	20,000
Y capital a/c	10,000	Leasehold buildings	12,500
Z capital a/c	10,000	Machinery	30,520
Bank lone	11,500	Stock in trade	7,556
Leasehold redemption fund	6,000	Investments	6,330
Life policy fund	12,000	Joint life policy	12,000
Sundry creditors	16,206	Sundry debtors 5,800	
		Less :RDD 500	5,300
	95,706	Cash at Bank	1,500
			95,706

The life policy is surrendered for Rs. 10,000. The investments are taken over by Y for Rs. 8,000. X agreed to discharge the bank loan. The remaining assets are sold for Rs. 86,706. The expenses of realization amount to Rs. 850.

Show the Necessary ledger accounts including the final accounts of the partners.

Problem no :-9

Ram and Rahim were in partnership sharing profits in the ratio of 3:1. They agreed to dissolve the firm. The assets realized Rs. 1,50,000. The liabilities of the firm were as follows: Creditors Rs. 90,000 loan from Ram Rs. 40,000, Ram's capital Rs. 20,000 and Rahims capital Ra. 30,000 show by means of accounts the distribution of cash realized.

problem no :- 10

A, B, C commenced business on 1-1 2008, with capitals of Rs. 50,000, Rs. 40,000. And Rs. 30,000. Respectively. Profits and losses were shared in the ratio of 4:3:3. During 2008 and 2009 they made profits of Rs. 20,000 and Rs. 25,000 respectively. Each partner withdraw Rs. 5 5,000 per year. On 31-12-2009, the firm was dissolved, creditors and cash on

1)

Liabilities	Rs.	Assets	Rs.
Creditors	30,000	Debtors	40,000
Outstanding expenses:-	3,000	Stock	50,000
B/P	6,000	Prepaid expenses	1,000
Capital (?)	70,800	B/R	4000
		Cash	800
		Bank	3,000
		Furniture	1,000
		Missionary	10,000
			<hr/>
			1,09,800
			<hr/>
	<hr/> 1,09,800 <hr/>		

Liabilities	Rs.	Assets	Rs.
Creditors	35,000	Debtors	60,000
Outstanding	4,000	Stock	45,000
expenses:-		Prepaid expenses	500
B/P	8,000	Cash	200
		Bank	2,000
		Furniture 1500	
		(-) Depreciation 100	1,400
		Machinery 12,000	
		(-) Depreciation 1000	11,000
	<hr/>		<hr/>
	1,20,100		1,20,100
	<hr/>		<hr/>

Statement of profit and loss:-

Particulars	Rs	Rs.
Capital as on 31-3-2019		73,100
(+) Drawings	10,000	10,000
(-) additional capital introduced	30,000	83,100
		3,000
Adjusted capital		80,100
(-) opening capital as on 1-1-2018	70,800	70,800
		9,300
Profit---		

Single entry system (partners):-

1)

Statement of affairs as on 31-12-2008.

Liabilities	Rs.	Assets	Rs.
B/P	595	Cash in hand	40
Creditors	2,147	Cash at Bank	584
Capital(?)		B/P	684
X- $15588 \times 1 \div 2 = 7794$		Debtors	5,629
Y- $15588 \times 1 \div 2 = 7794$	15,588	Stock	3,673
		Plant - 8018	
		(-) dep @ 10% 801	7,217
		Furniture 520	
		(-) Dep @ 5% 27	503
	<hr/> 18,330 <hr/>		<hr/> 18,330 <hr/>

Statement of profit and loss:-

Particulars	Rs.	Rs.
Closing capital		15,588
(+) drawings (450+450)	900	900
		<hr/>
(-) interest on capital		16,488
($14,680 \times 5 \div 100$) = 367 + 367	734	734
		<hr/>
Adjusted capital		15,754
(-) opening capital		14,680
		<hr/>
Profit.		1,074

Profit sharing to partners:-

$$X = 1,074 \times 1 \div 2 = 537$$

$$Y = 1,074 \times 1 \div 2 = 537$$

X- capital account:-

Particulars	Rs.	Particulars	Rs.
To Drawings	450	By balance B/D	7,340
To balance C/D	7,794	By interest on capital	367
		By net profit	537
	<hr/>		<hr/>
	8,244		8,244
	<hr/>		<hr/>

Y- capital account:-

Particulars	Rs.	Particulars	Rs.
To Drawings	450	By balance B/D	7,340
To balance C/D	7,794	By interest on capital	367
		By net profit	537
	<hr/>		<hr/>
	8,244		8,244
	<hr/>		<hr/>

Revised of statement of affairs:-

Liabilities	Rs.	Assets	Rs.
B/P	595	Cash in hand	40
Creditors	2,147	Cash at Bank	584
Capitals:-		B/P	684
X- 7794		Debtors	5,629
Y- 7794	15,588	Plant 8018	
		(-)Dep 801	7,217
		Furniture 530	
		(-) Dep 27	503
	<hr/>		<hr/>
	18,330		18,330
	<hr/>		<hr/>

Hire purchase
system

Model entries in the books of (purchaser):-

Date	Particulars	L/ f	Rs.	Rs.
	*) when an asset is purchased on hire purchase system:- Asset A/C -Dr To Hire vendor account (Being asset brought on H.P)		XXXX	XXX X
	*) for cash down payment on delivery:- Hire venderA/C -Dr To cash/ BankA/C (Bring down payment is made)		XXXX	XXX X
	*) for interest due at the end of the year:- Interest A/C -Dr To Hire vendor A/C (Being interest included in 1st installment)		XXXX	XXX X
	*) for the payment of first installment:- Hire vendorA/C -Dr To Bank A/C (Being first installment is paid)		XXXX	XXX X
	*) for depreciation charge:- DepreciationA/C -Dr To asset A/C (Being depreciation charged)		XXXX	XXX X

	<p>*) for transfer of interest&depreciation to profit &loss account:-</p> <p>Profit & loss A/C -Dr</p> <p> To interest A/C</p> <p> To depreciation A/C</p> <p>(Being interest and depreciation transferred to profit & loss account)</p>		XXXX	<p>XXX</p> <p>X</p>
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Retirement of a partner

Problem no :- 1

A,B, C are partners in a firm sharing profits and losses as 5:3:2. The position of the firm as on 31st march,2019 was as follows :

Liabilities	Amount in Rs.	Assets	Amount in Rs.
capitals :		Cash at Bank	10,500
A 30,000		Sundry debtors	20,000
B 20,000		Stock	15,000
C <u>15,000</u>	65,000	plant & machinery	25,000
Reserve fund	12,000	Buildings	30,000
profit & loss account	8,000	Bill's receivable	12,000
Sundry creditors	15,000		
Bank overdraft	12,500		
	<hr/>		<hr/>
	1,12,500		1,12,500

On 01-04-2009 B retired on the following terms :

- (a). Plant & machinery to be depreciated by 2,000.
- (b). Provision for doubtful debts to be made at 5%.
- (c). Goodwill off the firm to be valued at Rs. 10,000 for his retirement.
- (d). Rs. 10,000 to be paid to B and the balance to be taken as loan 10% interest. Show the balance sheet after B's retirement.

Problem no :- 2

Ganesh, Rakesh, and Mukesh are partners in a firm sharing profits and losses in the ratio of 1/2, 1/3, 1/6. The position of their firm as on 31 march 2019 was as follows :

Liabilities	Amount	Assets	Amount
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capitals :		Cash at bank	20,000
Ganesh 20,000		Sundry debtors 30,000	
Rakesh 20,000		less: prov. D. D 2,000	28,000
Mukesh 20,000	60,000	Stock	15,000
Reserve fund	18,000	Plant and machinery	25,000
Bills payable	18,000	Buildings	30,000
Sundry creditors	12,000	Bills receivable	17,000
Loan from HDFC Bank	15,000		
Bank overdraft	12,000		
	<hr/>		<hr/>
	1,35,000		1,35,000

On 01-10-2009 Mukesh retired on the following terms:

- Plant and machinery to be depreciated by 20%.
- provision for doubtful debts to be made at 5%.
- Goodwill of the firm to be valued at Rs.12,000 for the retirement.
- Rs. 10,000 to be paid to Mukesh and the balance to be taken as loan @ 12% interest.
- Mukesh's share of profit till to the date of his retirement maybe calculated basing the average profit of the last five years. Last five year's profits are Rs.23,000 ,Rs.28,000, Rs.32,000, Rs.25,000, Rs. 17,000.

Show the Balance sheet after Mukesh's retirement.

Problem no :- 3.

X, Y, Z are partner's In a firm sharing profits and losses as 2:2:1. The position of the firm as on 31st march 2019 was as follows :

Liabilities	Amount	Assets	Amount
Capitals:		Cash At Bank	15,000
X 30,000		Sundry debtors	20,000
Y 30,000		Stock	15,000
Z 30,000	90,000	Plant and machinery	30,000
Reserve fund	10,000	Buildings	40,000
Profit and loss account	8,000	Bills receivable	13,000
Sundry Creditors	15,000		
Bank overdraft	10,000		
	<hr/>		<hr/>
	1,33,000		1,33,000

On 01-04-2019 X retired on the following terms :

- Plant and machinery to be depreciated by 2,500.
- provision for doubtful debts to be made at 5%.
- Goodwill of the firm to be valued at 2 years purchase of average profits of last 5 years. Profits of the last 5 years:Rs. 22,000, Rs.25,000, Rs. 28,000, Rs.25,000, Rs.30,000.
- The balance available in X's account shall be taken as loan@ 9% interest. Should the balance sheet after x 's retirement.

Problem No :- 4

Harish, Nagesh and Rajesh are partners in a firm sharing profits and losses in the ratio of $\frac{1}{2}, \frac{1}{3}, \frac{1}{6}$. The position of their firm as on 31st March 2019 was as follows :

Liabilities	Amount	Assets	Amount
Capitals :		Cash at Bank	15,000
Harish 25,000		Sundry debtors 20,000	
Nagesh 23,000		Les : prov. D. D 2,000	18,000
Rajesh 22,000	70,000	Stock	15,000
Reserve fund	12,000	Plant and machinery	30,000
Bills payable	15,000	Buildings	34,000
Sundry creditors	20,000	Bills receivable	10,000
Loan from Andhra Bank	10,000	Profit and loss account	5,000
	<hr/> 1,27,000		<hr/> 1,27,000

On 01-10-2009 Rajesh retired on the following terms :

- Plant and machinery to be depreciated by 10%.
 - Provision for doubtful debts to be made at 5%. Buildings may be appreciated by 10%.
 - Goodwill of the firm to be valued at Rs.12,000 for his retirement.
 - It is expected that the firm may earn a profit of Rs.30,000 during that year.
- show the balance sheet after Rajesh's retirement.

Problem no :- 5

Kavya, Ramya and Sowmya are the partners in a firm sharing profits and losses in the ratio 5 : 3 : 2. The position of their firm as on 31st March 2009 was as follows :

Liabilities	Amount in Rs	Assets	Amount in Rs.
Capitals :		Cash at Bank	10,000
Kavya 35,000		Sundry debtors 25,000	
Ramya 25,000		Les : prov. D. D 2,000	23,000
Sowmya 20,000	80,000	Stock	17,000
Reserve fund	10,000	Plant and machinery	30,000
Profit and loss account	5,000	Buildings	45,000
Bills payable	15,000	Bills receivable	5,000
Sundry creditors	20,000		
	<hr/> 1,30,000		<hr/> 1,30,000

On 01-01-2010 Ramya retired from the partnership firm on the following terms :

- Plant and machinery to be depreciated by 5%.
- Provision for doubtful debts to be made at 5%, buildings may be appreciated by 20%.
- Outstanding salaries Rs. 2,000 and prepaid expenses Rs.3,000 are to be considered.
- Goodwill of the firm to be valued at Rs.12,000. Moreover continuing partners to maintain Goodwill account in the books. Kavya and Soumya share future profits in the ratio of 3:2.

(e). It is expected that the firm may earn a profit of Rs.12,000 during that year.
Show the balance sheet after Ramya retirement.

Problem no:- 6

Haritha, Namitha and Kavita are partners in a firm sharing profits and losses in the ratio of 4:3:3. The position of their firm as on 31st March, 2009 was as follows :

Liabilities	Amount in Rs	Assets	Amount in Rs
Capitals :		Cash at Bank	15,000
Haritha 40,000		Sundry debtors 20,000	
Namitha 35,000		Less:prov. D. D <u>2,000</u>	18,000
Kavitha 30,000	1,05,000	Stock	25,000
Reserve fund	12,000	Plant and machinery	40,000
Bills payable	15,000	Buildings	54,000
Sundry creditors	20,000	Bills receivable	10,000
Loan from Andhra Bank	10,000		
	<hr/>		<hr/>
	1,62,000		1,62,000

On 01-04-2009 Haritha retired on the following terms :

- Plant & machinery to be depreciated by 10%.
 - Provision for doubtful debts to be made at 5%.
 - Stock and buildings are valued at Rs. 30,000 and Rs. 60,000 respectively
 - Goodwill of the firm to be valued at Rs.12,000.They decided to create goodwill to the extent of the share of the retiring partner.
- Show the balance sheet after retirement.

Problem no :- 7

Malini, Nalini and Shalini are partners in a firm sharing profits and losses in the ratio of 5:3:2.The position of their firm as on 31st March 2019 was as follows :

Liabilities	Amount in Rs	Assets	Amount in Rs.
Capitals :		Cash at Bank	10,000
Malini 30,000		Sundry debtors 20,000	
Nalini 25,000		Less prov. D. D 500	19,500
Shalini 20,000	75,000	Stock	15,000
Bills payable	15,000	Plant and machinery	25,000
Sundry creditors	20,000	Buildings	30,000
		Bills receivable	10,500
	<hr/>		<hr/>
	1,10,000		1,10,000

On 01-08-2009 Shalini retired on the following terms :

- (a). Plant and machinery to be reduced by Rs.5,000.
 (b). Provision for doubtful debts to be made at 5%, buildings may be revalued at Rs. 36,000.
 (c). Goodwill of the firm to be valued to the extent of retiring partners share at Ra.3,000.
 (d). It is expected that the firm may earn a profit ofRs. 30,000 during that year.

Show the balance sheet after shalini's retirement.

Problem No :- 8

Krishna,Ramana and Surya are partners in a firm sharing profits and losses in the ratio of their capitals the position of their form as on 31st March 2019 was as follows :

Liabilities	Amount in Rs	Assets	Amount in Rs
Capitals :		Cash at Bank	15,000
Krishna 40,000		Sundry debtors 25,000	
Ramana 30,000		Less:Prov. D. D. 2,000	23,000
Surya 20,000	90,000	Stock	17,000
Reserve fund	10,000	Plant and machinery	25,000
Profit and loss account	5,000	Buildings	50,000
Bills payable	15,000	Bills receivable	10,000
Sundry creditors	20,000		
	<hr/>		<hr/>
	1,40,000		1,40,000

On 01-04-2019 Ramana retired from the partnership firm on the following terms :

- (a). Plant and machinery to be depreciated by 10%
 (b). Provision for doubtful debts to be made at 10%, Buildings may be appreciated by 20%.
 (c). Outstanding salariesRs. 2,500 and prepaid expenses Rs.3,500 are to be considered.
 (d). Goodwill of the firm was valued at Rs.21,600.Krishna and Surya share future profits in the ratio of 5:3.They further decided not to open Goodwill account in the firm's books on the retirement of Ramana.

show the balance sheet after Ramana's retirement.

Problem no :- 9

Hari,Ravi and Kavi are partners in firm sharing profits and losses in the ratio of 4:3:3. The position of their firm has on 31st march 2019 was as follows :

Liabilities	Amount in Rs	Assets	Amount in Rs
-------------	--------------	--------	--------------

Capitals :		Cash at Bank	25,000
Hari 40,000		Sundry debtors 22,000	
Ravi 40,000		Less: prov. D. D. 2,000	20,000
Kavi 20,000	1,00,000	Stock	25,000
Reserve fund	10,000	Plant and machinery	35,000
Bills payable	15,000	Buildings	40,000
Sundry creditors	25,000	Bills receivable	10,000
Profit and loss account	5,000		
	<hr/>		<hr/>
	1,55,000		1,55,000

On 01-04-2019 Kavi retired on the following terms :

- Plant and machinery be depreciated by 10%.
 - Provision for doubtful debts to be made at 5%.
 - Stock and buildings are revalued at Rs.30,000 and Rs.50,000 respectively.
 - Goodwill of the firm be fixed at Rs.12,000 and share of the same be adjusted into the accounts of Hari and Ravi who are going to share in future in the proportion of $\frac{3}{4}$ and $\frac{1}{4}$ respectively.
 - That the entire capital of the firm as newly constituted be fixed at 1,20,000 as between Hari and Ravi in the proportion of 3 : 1 for which actual cash to be paid off are to be brought in by the continuing partners as the case may be.
- show the balance sheet after kavi's retirement.

Problem No :- 10

SriHari, Narahari and Murahari are partners in a firm sharing profits and losses in the ratio of 5:3:2. The position of their firm as on 31st March 2019 was as follows:

Liabilities	Amount in Rs	Assets	Amount in Rs
Capitals :		Cash at Bank	15,000
Srihari 40,000		Sundry debtors 20,000	
Narahari 40,000		Less :Prov. D. D. 2,000	18,000
Murahari 40,000	1,20,000	Stock	25,000
Bills payable	12,000	Plant and machinery	40,000
Sundry creditors	30,000	Buildings	54,000
		Bills receivable	10,000
	<hr/>		<hr/>
	1,62,000		1,62,000

On 01-04-2019 shrihari retired on the following terms :

- Plant and machinery to be depreciated by 10% stock is valued at Rs. 30,000.
- Provision for doubtful debts to be made at 5%. Buildings may be appreciated by 10%.
- Goodwill of the firm to be valued at Rs.12,000. They decided to create goodwill to the extent of the share of the retiring partner.

(d). Srihari was to be paid in cash which his brought in by Narahari and Murahari in their new profit sharing ratio of 1:1.
show the balance sheet after Srihari's retirement....

Model entries in the books of (vendor):-

Date	Particulars	L/ f	Rs.	Rs.
	*) when goods are sold on the Hire Purchase system:- Hire purchase A/C -Dr To hire sales A/C (Being goods sold on H.P system)		XXXXXX	XXXXXX
	*) for cash received on delivery:- cash/bank A/C -Dr To hire purchase A/C (Being down payment is received)		XXXXXX	XXXX
	*) for interest due installment at the end of the year:- Hire purchase A/C -Dr To interest A/C (Being interest included in first installment)		XXXXXX	XXXXXX
	*) for the receipt of amount of instalment:- Cash A/C -Dr To hire purchaser A/C (Bank first installment is received)		XXXXXX	XXXXXX
	N.E.			

	*) for transferring the balance of interest to profit and loss account:- Interest A/C -Dr To profit & loss A/C (Buying interest transferred to profit & loss account)		XXXXX	XXXXX
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The following was the balancesheet of A,B,C as on 1-1-2016.

liabilities	Rs.	assets	Rs
Bills payable	3,300	Cash	600
creditors	6,000	Debtors	10,800
<u>Capitals:</u>		Stock	11,400
A	16,800	Furniture	2,400
B	12,600	Buildings	19,500
C	6,000		
	44,700		44,700

They agreed to admit “X” into partnership on following terms.

- “X” should bring Rs.15,000 as capital and Rs.9,000 for Goodwill.
- That Goodwill amount shouldn’t be left in the business.
- The stock and furniture to be depreciated by 10%
- That reserve of 5% on Debtors be created for Doubtful Debts.
- That the value of the Buildings should be raised upto 27,000.

Prepare Necessary ledger a/c’s to show the opening balance sheet of the firm as newly constructed.

Profit&loss adjustment a/c

particulars	.	particulars	.
Stock	1,140	Buildings	7,500
Furniture	240		
Reserve for doubtful debts	540		
Profit:	5’860		
A-1,860	7,500		7,500
B-1,860			
C-1,860			

A's Capital a/c

particulars	.	particulars	.
Bank a/c		Balance b/d	16,800
1000		Goodwill a/c	3,000
Balance c/d		P&l Adjustment a/c	1,860
1,660			
	21,660		21,660
		Balance b/d	18,660

B's Capital a/c

particulars	.	particulars	.
Bank a/c		Balance b/d	12,600
1000		Goodwill a/c	3,000
Balance c/d		P&l Adjustment a/c	1,860
14,460			
	1,660		17,460
		Balance b/d	14,660

C's Capital a/c

particulars	.	particulars	.
Bank a/c		Balance b/d	6,000
3,000		Goodwill a/c	3,000
Balance c/d		P&l Adjustment a/c	1,860
7,860			
	10,860		10,860
		Balance b/d	7,860

X's Capital a/c

particulars	.	particulars	.
Balance c/d	15,000	Balance b/d	15,000
	15,000		15,000
		Balance b/d	15,000

Bank a/c

particulars	.	particulars	.
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X's capital a/c	15,000	A's capital a/c	000
cash a/c	600	B's capital a/c	000
Goodwill a/c	9,000	C's capital a/c	000
	24,600		24,600
Balance b/d	15,600		

Goodwill a/c			
Particulars		Particulars	
A's capital a/c	15,000	Bank a/c	3,000
B's capital a/c	600		3,000
C's capital a/c	9,000		3,000
	9,000		9,000

Newbalancesheet of A,B,C&X as on 1-1-2016.

liabilities	Rs.	assets	Rs
Bills payable	3,300	Bank	15,600
creditors	6,000	Debtors 10,800	
<u>Capitals:</u>	18,660	(-)reserve 540	10,260
A	14,460	Stock 11,400	
B	7,860	(-) Dep 1,140	10,260
C		Furniture 2,400	
		(-)Dep 240	2,160
		Buildings 19,500	
		(+) Appr. 7,500	27,000
	65,280		65,280

2.C,D,E were partners sharing profits in the proportion of 1/2, 1/3 and 1/6th respectively. The Balance sheet of the firm on 31-12-2016 was as follows

liabilities	Rs.	assets	Rs
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Bills payable	19,000	Cash at Bank	2,500
Creditors	5,000	Debtors 16,000	
Reserve fund	12,000	(-)reserve 500	15,500
<u>Capitals:</u>		Stock	25,000
C	40,000		10,260
D	30,000	Motor van	8,000
E	25,000		2,160
		Buildings	45,000
		Plant& machinery	35,000
	1,31,000		1,31,000

D retires on that date subject to the following adjustments.

- The Goodwill of the firm to be valued @Rs.18,000
- Plant&machinery to be depreciated by 10%&motor van by 15%
- Stock is to be depreciated by 20%&buildings by 10%
- The reserve for doubtful debts increased by Rs.1950.

Show necessary ledger a/c's &balancesheet after D's retirement.

revaluation a/c

Particulars	Rs.	Particulars	Rs
To Plant&machinery a/c	3,500	By Stock	5,000
To Motor van	1,200	By Buildings	4,500
To reserve for doubtful debts	1,950		
	9,500		9,500

C's capital a/c

Particulars	Rs.	Particulars	Rs.
To Balance c/d	50,425	Goodwill a/c	9,000
		Revaluation a/c(Net profit)	1,425
		Balance b/d	40,000
	50,425		425
		Balance b/d	50,425

D's capital a/c

Particulars	.	Particulars	.
loan a/c	40,950	Goodwill a/c	6,000
		Revaluation a/c(Net profit)	950
		Reserve fund	4,000
		Balance b/d	30,000
	,950		40,950

E's capital a/c

Particulars	.	Particulars	.
Balance c/d	28,475	Goodwill a/c	3,000
		Revaluation a/c(Net profit)	475
		Balance b/d	25,000
	,475		,475
		Balance b/d	,475

balancesheet of C and E

liabilities	Rs.	assets	Rs
Bills payable	5,000	Cash at Bank	2,500
Creditors	19,000	Debtors 15,500	
Reservefund 12,000		(-)reserve 1,950	13,550
(-) D's reserve4,000	8,000	Stock 25,000	
D's loan a/c	40,950	(+) Appr. 5,000	30,000
<u>Capitals:</u>		Pla&mach 35,000	
C	50,425	(-)Dep3,500	31,500
E	28,475	Buildings 45,000	
		(+) Appr. 4,500	49,500
		Motor van 8,000	
		(-)Dep1,200	6,800
		Goodwill	18,000
	1,51,850		1,51,850

Krishna and Kishore are equal partners in a business. They agreed to dissolve the partnership on 31 Dec 2016 on which date their Balance sheet was as follows.

liabilities	Rs.	assets	Rs
Creditors	2,850	Cash at Bank	1,500
<u>Capitals:</u>		Sundry Debtors	2,775
Krishna-7,500		Stock	7,575
Kishore - <u>6,000</u>	13,500	Furniture	1,500
		Premises	3,000
	16,350		16,350

The assets realized as follows:

Premises Rs.3,180,furniture Rs.1,650 and Stock Rs.6,900.The debtors realized Rs.2,700.

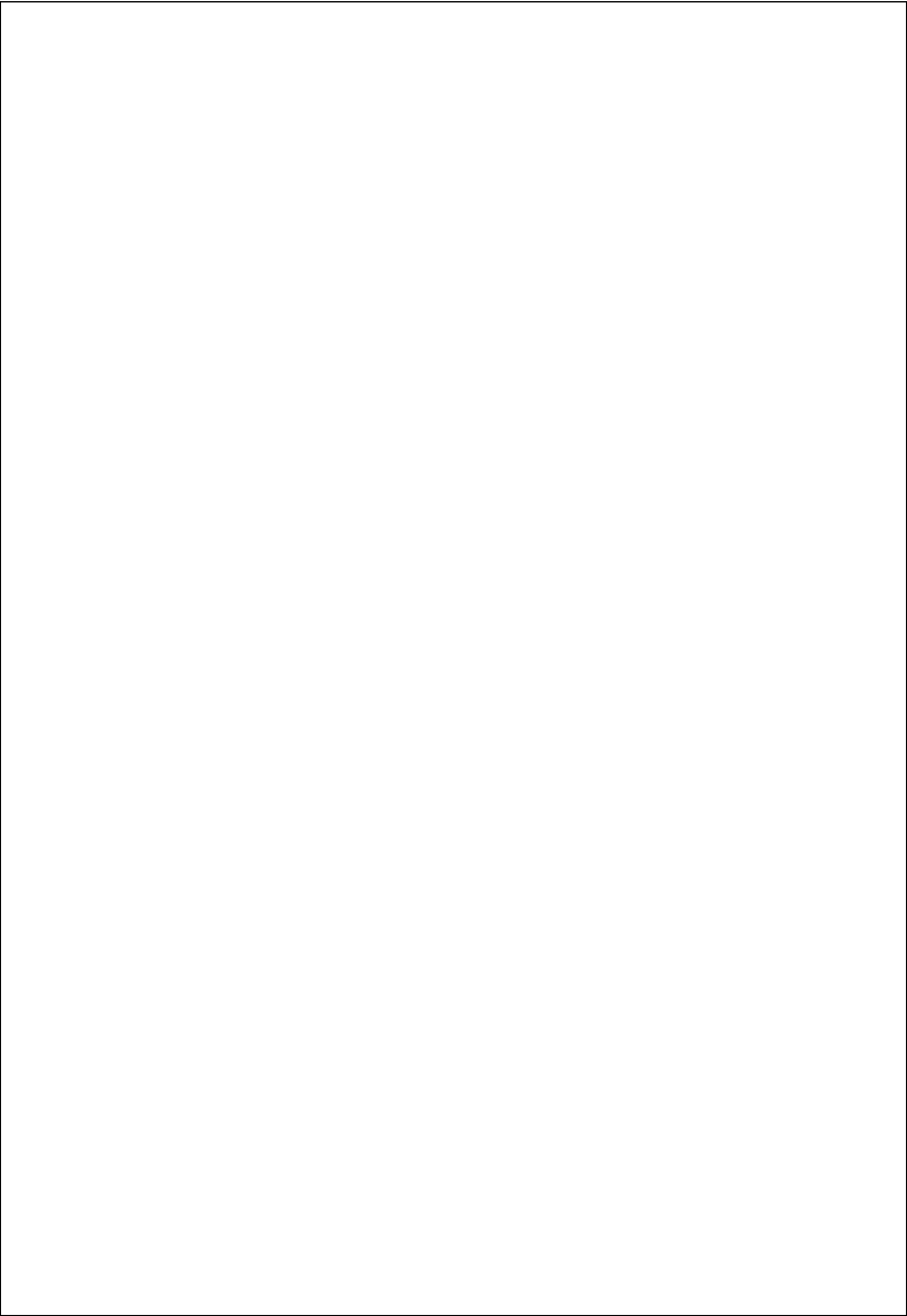
The creditors were paid Rs. 2,800 in full settlement.

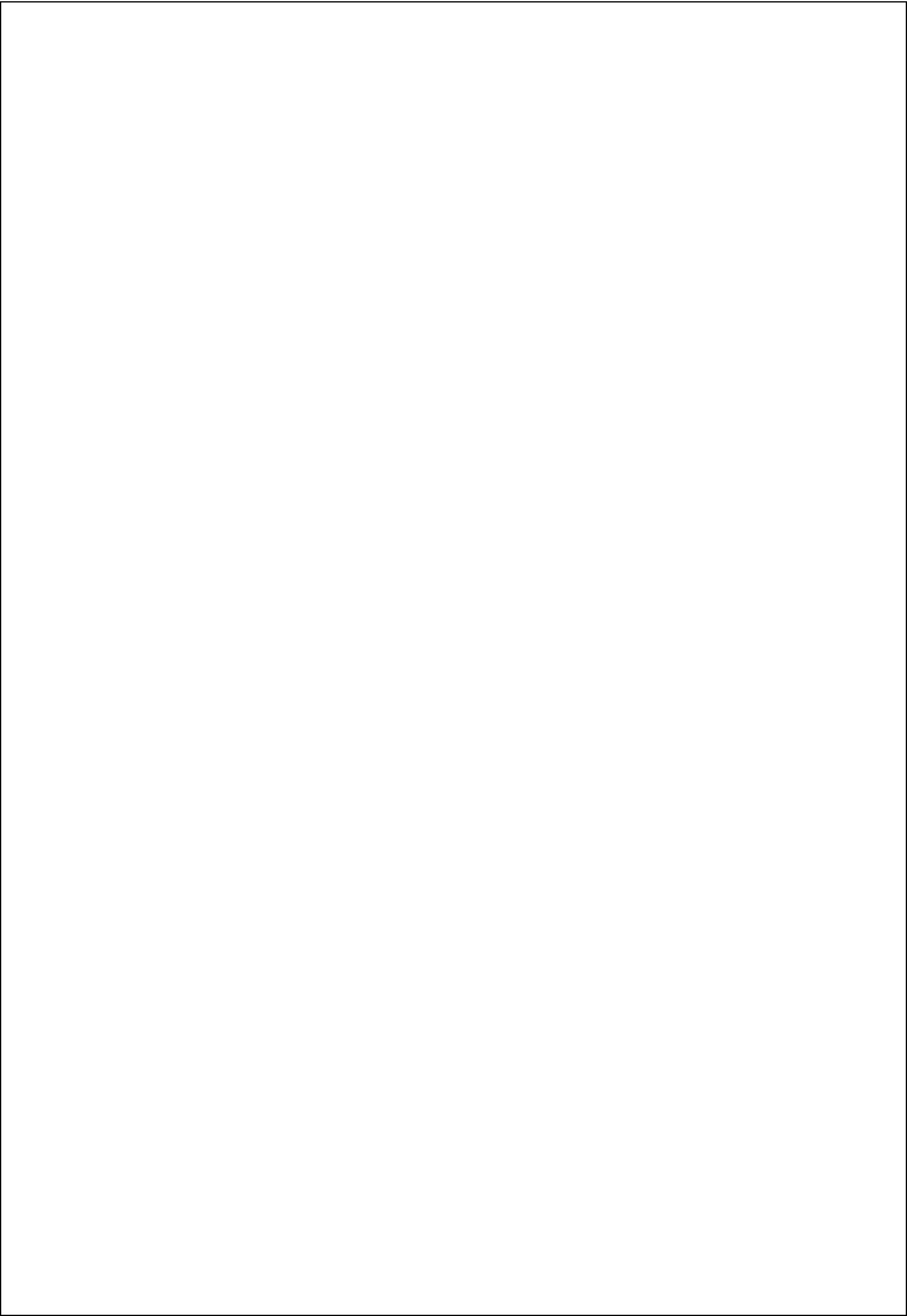
The realization expenses amounted to Rs.300.

Show the realization a/c, Bank a/c and partners capital a/c's.

Solution :-

Dr		Realisation a/c		Cr	
Particulars		Amount	Particulars		Amount
To sundry debtors a/c		2,775	By Sundry creditors		2,850
To stock a/c		7,575	By Bank a/c(assets realized)		14,430
To furniture a/c		1,500	By Loss(transferred to capital		670
To premises a/c		3,000	a/c's)		
To Bank a/c(exp)		300	Krishna- 335		
To Bank a/c(liabilities)		2,800	Kishore- 335		
		17,950			17,950





Partnership accounts

Dissolution of partnership firm

The partnership deed generally indicates the circumstances under which partnership is to be dissolved. Dissolution of partnership is of two types namely :-

- (1) Dissolution of partnership firm and
- (2) Dissolution of partnership.

Dissolution of partnership between all the partners of the firm is called dissolution of partnership firm. It implies complete breakdown of the relation of partnership between all the partners.

In dissolution of partnership the partners may by agreement provide for continuance of the firm after its dissolution by death, insolvency or retirement of a partner.

The dissolution of partnership does not necessarily involve dissolution of firm, whereas dissolution of firm does involve dissolution of partnership.

A dissolution of partnership may take place due to any of the following causes :-

- (1). By mutual agreement between the partners to dissolve.
- (2). By the expiry of the term for which it was formed.
- (3). By the completion of the venture or undertaking for which it was entered into
- (4). By the death of a partner
- (5). By the insolvency of a partner
- (6). By the retirement of a partner

A partnership firm dissolve in the following cases:-

- 1. When all the partners agree for dissolution
- 2. When all the partners except one becomes insolvent

3. When the business becomes illegal
4. When a partner gives notice of dissolution in case of partnership at will
5. When the court orders dissolution.

Realization account :-

In a dissolution a separate account is to be opened to liquidate the assets and liabilities of the firm is known as 'Realization account '.

Dissolution entries :-

1. When assets are transferred to realization account at book values:-

Realization account Dr.

 To sundry assets account

(Being the assets transferred to realization account at book values).

Note :-

Cash on hand, cash at Bank, accumulated losses, partner's drawing accounts and debit balances of partners capital accounts should not be transferred to realization account.

2. When liabilities are transferred to realization account at their book values:-

Sundry liabilities account Dr.

 To realization account

(Being and liabilities is transferred to realization account)

Note :- capital account, currents accounts accumulated profits, reserve fund and other funds should not be transferred to realization account.

3. When the assets are sold:-

Bank account Dr.

 To realization account

(Being the amount realised on sale of assets)

4. When any expenses paid in connection with the realization.

Realization account Dr.

 To bank account

(Being the expenses paid).

5. When any partner takes an asset at agreed valuation.

Partners capital account Dr.

 To realization account (Being the Asset taken over by the partner)

6. When liabilities are paid

Realization account Dr.

To bank account
(Being the liabilities discharged)

7. When any partner accepts to assume responsibility on any liability.

Realization account Dr.
To partner's capital account
(Being the liability agreed to the discharged by a partner)

8. If the result of realization is profit.

Realization account Dr.
To partner's capital accounts
(Being the profit on realization transferred to partners capital accounts)

9. If the result of realization is loss.

Partners capital accounts Dr.
To realization account
(Being the loss transferred to partners capital accounts)

10. To close the accumulated profits like reserve fund, profit and loss account (Cr) etc.

Reserve fund account Dr.
Profit and loss account Dr.
To partners capital accounts
(Being the accumulated profits closed by transferring to Capital accounts).

11. To close the accumulated losses like profit and loss account (Dr. balance)

Partner's capital accounts Dr.
To profit and loss account
(Being the accumulated loss transferred to partners capital accounts)

12. When loan of any partner is discharge

Partner's loan account Dr.
To bank account
(Being the loan discharged)

13. When the partners capital accounts are closed.

Partner's capital account Dr.
To bank account
(Being the balance due to partners paid)

14. When the partner brings in any amount from his private estate.

Bank account Dr.
To partner's capital account

(Being the amount brought in by the partners)

Explanation to cash balance :-

1. If there is any cash balance at the date of dissolution the same should be transferred to the bank account by passing the following entry

Bank account	Dr.
To cash account	

(Being the cash balance deposited into Bank).