

FACULTY OF BUSINESS ADMINISTRATION AND MANAGEMENT

Year: BAM II Day. **Reg. No.** 28.17.9021.2651.3. **Name:** GANESH K. G... SIDDHARTH

- Write neatly and show workings where required.
- Attempt **all** questions in section A and choose **one** in section B

S/N	From the options given, choose the correct answer
1.	Current accounts of the partners should be opened when the capitals are: (A) Fluctuating (B) Fixed (C) Either fixed or fluctuating (D) None of these
2.	Any partner who invests in the business but does not take active part in the business is: (A) Secret partner (B) Sleeping partner (C) Active partner (D) Nominal partner
3.	In the revaluation account a decrease in the value of plant and machinery: (A) Appears on the debit side. (B) Appears on the credit side. (C) Appears on the debit side of good will account (D) Does not appear at all
4.	Where there is no partnership agreement between partners, what will be the profit sharing ratio between the partners? A. Equal B. It will depend on a partner's capital C. Unequal D. It will depend on the experience of a partner
5.	The written agreement of partnership is called: (A) Partnership deed (B) Articles of association (C) Memorandum of association (D) Certificate of incorporation
6.	A person who declares by word of mouth as a partner of the firm is called: (A) Active partner (B) Estoppel partner (C) Dormant partner (D) Nominal partner
7.	For the firm interest on drawing is: (A) Expense (B) Income (C) Liability (D) None of the above
8.	Balance of realization A/c is transferred to the capital A/c of the partners in: (A) Capital ratio (B) Profit sharing ratio (C) Interest ratio (D) Equally
9.	The accounting entries necessary to write-off existing Goodwill Account no longer required in the partnership books are: A. Dr. Goodwill Account; Cr. Realisation Account B. Dr. Goodwill Account; Cr. Partners' Capital Account C. Dr. Partners' Capital Account; Cr. Revaluation Account D. Dr. Partners' Capital Account; Cr. Goodwill Account

10.	Partnership type of business is formed by the mutual agreement of partners. What kind of agreement is it?
	A. Oral agreement B. Written agreement C. Oral or written agreement D. None of them
11.	Which of the following is NOT generally the characteristic of a partnership business?
	A. Limited Life B. Ease of formation C. Mutual agency D. Limited liability
12.	A&B are partners sharing profit or loss equally. A new partner enters in the partnership and invests a piece of land that had historical cost of \$50,000, book value = \$25,000 and current market value = \$30,000. By what amount should the new partner's account be increased?
	A. \$25,000 B. \$50,000 C. \$30,000 D. \$75,000
13.	Which of the following is known as the value addition to a business because of business reputation, customers' loyalty, brand name etc
	A. Assets B. Market capitalization C. Goodwill D. Revaluation
14.	Identify the correct double entry for realization profit at the time of dissolution of partnership
	A. Debit realization a/c and Credit bank a/c B. Debit bank a/c and Credit realization account C. Debit realization account and Credit partners' capital accounts D. None of the above
15.	Which of the following is a method of goodwill valuation?
	A. Average capital method B. Super capital method C. Capital intensity method D. Super profit method
16.	A and B share profit and loss in the ratio of 3/5 and 2/5 respectively and having capital account balances of \$100,000 each. At the time of revaluation, the firm's total asset book value was \$60,000 while they can only be sold for \$40,000. Which of the following is the balance of A's capital account after revaluation of firm's assets?
	A. \$100,000 B. \$112,000 C. \$88,000 D. \$72,000
17.	Allocation of premium paid on insurance of a building among the departments should be based on :
	A) Annual Sales B) Floor Area Occupied C) Annual Purchases D) None of the above
18.	In which of the following type of partnership is the liability of at least one partner unlimited and the liability of other partners limited?
	A. General partnership B. Particular partnership C. Partnership-at-will D. Limited partnership
Some of the statements below are true and others false. Put 'T' against true and 'F' against false statements.	
19.	Repairs to Machinery are allocated to different departments on the basis of the number of machines in each department;
20.	At the time of dissolution all accounts including cash and bank are transferred to realisation account.
21.	On dissolution of a firm, business operations of the firm are closed down.
22.	Amount realised from the sale of an unrecorded asset is recorded in Realisation Account.

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23.	Realisation expenses paid by the partners on behalf of the firm are recorded in realisation account and partners capital account.
24.	Departmental accounts assist the business in:
	a) Reducing trading losses
	b) Planning for product diversification

Section B (Choose one question)

25. Katy, Beam and Lucky were partners sharing profits and losses in the ratio of 1:1:3. Their statement of financial position as at 31 December 2017 was as follows:

Katy, Beam and Lucky
Statement of financial position
As at 31 December 2017

	Cost (\$'000)	Dep. (\$'000)	NBV (\$'000)
Non-current assets			
Premises	180,000	10,000	170,000
Motor vehicle	27,500	5,500	22,000
	<u>207,500</u>	<u>15,500</u>	192,000
Current assets			
Inventory		68,250	
Accounts receivable	172,500		
Less: provision for bad debt	<u>1,265</u>	<u>171,235</u>	
Bank		<u>26,065</u>	265,550
Total assets			<u>457,550</u>
Equity and Liabilities			
Capital			
Katy		100,000	
Beam		40,000	
Lucky		<u>160,000</u>	300,000
Current accounts			
Katy		30,000	
Beam		(10,000)	
Lucky		<u>70,000</u>	90,000
Equity			<u>390,000</u>
Non-Current liabilities			
Loan from Lucky			7,550
Current liabilities			
Accounts payable			<u>60,000</u>
			<u>457,550</u>

Assets and liabilities were disposed of as follows:

1. The premises were sold at £ 200,000
2. Lucky took over the stock and motor vehicles at book value
3. Except for £2,500, all debts were collected
4. The creditors were discharged at book value
5. Realization expenses of £10,000 were paid

Required:

- i. Realization account
- ii. Partner's current and capital accounts
- iii. Bank Account

26. The following list of balances relates to Danton enterprise, a business owned by Danton for the year ended 31st December 2016.

Details	Department X (£)	Department Y (£)	Debit (£)	Credit (£)
Capital				65,000
Machinery			15,000	
Inventory	25,000	19,000	44,000	
Purchases	46,480	22,050	68,530	
Wages (direct expenses)	11,600	5,360	16,960	
Departmental expenses	7,530	3,230	10,760	
Returns outwards	1,160	700		1,860
Sales	80,000	40,000		120,000
Rent			3,750	
Salaries			9,450	
Advertising			3,750	
Discount allowed			2,040	
General expenses			1,530	
Depreciation			750	
Accounts receivable			12,530	
Accounts payable				6,570
Bank			4,380	
			193,430	193,430

Additional information

- Inventory at hand on Dec. 31, 2016 was X £ 30,000 and Y £ 20,500.
- Create £420 provision for doubtful debts.
- Departmental expenses owing were (X £470 and Y £770)
- Apportion the joint expenses of the business on the basis of Sales.

Required

Prepare the statement of comprehensive income for the year ended 31st December 2016 and the statement of financial position as on that date.