# QUESTION BANK
## BBA - III SEM.
## HIGHER ACCOUNTING (304)

Q.1 What rules of partnership apply in the absence of partnership Deed.?

Q.2 Explain in brief the nature of Goodwill.

Q.3 Distinguish between sacrificing ratio and gaining Ratio.

Q.4 What is partnership? Explain the rights and duties of a partner.

Q.5 C and D are partners in a firm Sharing profits and losses in the ratio of 3:2. They have capitals of Rs. 40,000 and Rs. 25,000 respectively. According tothe partnership Deed, they are entitled to interest on capital @5% before dividing the profits. During the year the firm earned profitof Rs. 3,900 before allowing interest. State how the profits will be divided between partners and prepare capital Accoutns.

Q.6 The average net profits expected in the future by A,B,C firm are Rs. 36,000 per year . The average capital employed in the business by the firm is Rs. 2,00,000. The rate of interest expected from capital invested in this type of business is 10% The remuneration of the partners is estimated to Rs 6,000 per annum. Find out the value of goodwill on the basis of two years purchase of super profits.

Q.7 The following was the Balance Sheet of A and B who share profits and losses as 2/3 and 1/3 on 31st March 2005.

| Liabilities | | | Assets | |
|---|---|---|---|---|
| Capital A/Cs | Rs. | Rs. | Building | 25000 |
| A | 15000 | | Plant & Machinery | 17500 |
| B | 10000 | 25000 | Stock | 10850 |
| Sundry Creditors | | 32950 | Sundry Debtors | 4000 |
| | | | Cash at Bank | 600 |
| | | **57950** | | **57950** |

They agreed to admit C into partnership on the following terms on 1st April 2005:

(a) C is to be given 1/3 share in profits and is to bring Rs 7500 as his capital and Rs. 3000 as his share of goodwill.
(b) That the values of stock and plant and Machinery is to be reduced by5%
(c) That a reserve of 12.5% is to be created in respect of sundry debtors.
(d) The Building is to be depreciated by 10%

(e) The Goodwill is to be withdrawn by old partners.

Pass the necessary journal entries to give effect to the above arrange ments and prepare profit and loss adjustment Account and the opening Balance sheet of the new firm.

Q.8 A,B and C are equal partners in a firm . Their capitals on 1st January 2003 were Rs. 14,000 Rs. 16,000 and Rs. 18,000 respectively . After closing the accounts of 2003 it was discovered that according to the partnership Deed interest @ 5% per annum on partners Capital was not provided before distribution of profits. It was agreed amongst the partners to make the adjusting entry at the beginning of the next year rather than to alter the Balance Sheet. Pass the necessary Journal entry assuming that the capitals are not fixed.

Q.9 On 1 st January 2003 A and B entered in a partnership and contributed Rs. 40,000 and Rs. 30,000 respectively. They share profits and losses in the ratio of 3:2 B is to be allowed a salary of Rs. 8,000 per year. Interest on capitals is to be allowed at 5% per annum and 5% per annum interest is to be charged on drawing. During the year A withdrew Rs. 6,000 and B Rs. 12,000 on which interest in case of A being Rs. 140 and B Rs. 100 Profit in 2003 before the above noted adjustments was Rs. 21,160 Show the distribution of profits between the partners and prepare capital accounts when (a) Capitals are fluctuating. and (b) Capitals are fixed.

Q.10 What is goodwill? Explain in brief the methods of valuation of goodwill.