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Principles & Practice of Accounting

Partnership Accounts

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CHAPTER-8
PATNERSHIP ACCOUNT

INTRODUCTION

An individual i.e., a sole proprietor may not be in a position to cope with the financial and managerial demands of the present day business world. As a result, two or more individuals may decide to pool their financial and non-financial resources to carry on a business. The preparation of final accounts of sole proprietors have already been discussed in chapter 6. The final accounts of partnership firms including basic concepts of accounting for admission of a partner, retirement and death of a partner have been discussed in succeeding units of this chapter.

As per **Section 4** of the Partnership Act, 1932:

"Partnership is the relation between persons who have agreed to share the profit of a business carried on by all or any of them acting for all."

➲ Features of a partnership :

(i) **Existence of an agreement: As per section 5 of the Indian Partnership Act, 1932.** The relation of partnership arises from contract between parties and not from status as it happens in case of HUF (Hindu Undivided Family). **A formal or written agreement is not necessary to create a partnership.**

(ii) **Business:** A partnership can exist only in business. Thus, it is not the agreement alone which creates a partnership. A partnership comes into existence only when partners begin to carry on business in accordance with their agreement. **Section 2 (b)of Indian Partnership Act, 1932 only states that business includes every trade, occupation and profession.**

(iii) **Sharing of profit :** The persons concerned must agree to **share the profits of the business.** Because no person is a partner unless he or she has the right to share the profits of the business. **Section 4 of Indian Partnership Act, 1932** does not insist upon sharing of losses. Thus, a provision for sharing of loss is not necessary.

(iv) **Mutual agency:** It means that the business is to be carried on by all or any of them acting for all. Thus, if the person carrying on the business acts not only for himself but for others also so that they stand in the positions of principals and agents, they are partners.

Number of Partners: Minimum Partners: Two

Maximum Partners: Section 464 of the Companies Act, 2013, no association or partnership consisting of more than 100 number of persons as may be prescribed shall be formed for the purpose of carrying on any business. Rule 10 of Companies (incorporation) Rules 2014 specifies the limit as 50 .Thus, maximum number of members in a partnership -firm are 50.

DISTINCTION BETWEEN AN ORDINARY PARTNERSHIP FIRM AND AN LLP

	Key Elements	Partnerships	LLPs
1	Applicable Law	Indian Partnership Act 1932	The Limited Liability Partnerships Act, 2008
2	Registration	Optional	Compulsory with ROC
3	Creation	Created by an Agreement	Created by Law
4	Body Corporate	No	Yes
5	Separate Legal Entity	No	Yes
6	Perpetual Succession	Partnerships do not have perpetual succession	It has perpetual succession and individual partners may come and go
7	Number of Partners	Minimum 2 and Maximum 50	Minimum 2 but no maximum limit
8	Ownership of Assets	Firm cannot own any assets. The partners own the assets of the rm	The LLP as an independent entity can own assets
9	Liability of Partners / Members	Unlimited: Partners are severally and jointly liable for actions of other partners and the rm and their liability extends to personal assets	Limited to the extent of their contribution towards LLP except in case of intentional fraud or wrongful act of omission or commission by a partner.
10	Principal Agent Relationship	Partners are the agents of the firm and of each other	Partners are agents of the rm only and not of other partners

➲ MAIN CLAUSES IN A PARTNERSHIP DEED :

The relation between the partners is governed by mutual agreement known as partnership deed. It should be comprehensive to avoid disputes later on. It is usual therefore, to and the following clauses in a Partnership Deed which may or may not be registered.

1. Name of the -firm and the partners;
2. Commencement and duration of business;
3. Amount of capital to be contributed by each partner;
4. Amount to be allowed to each partner as drawings and the timings of such drawings;
5. Rate of interest to be allowed to each partner on his capital and on his loan to the -firm, and to be charged on his drawings;
6. The ratio in which profits or losses are to be shared;
7. Whether a partner will be allowed to draw any salary;
8. Any variations in the mutual rights and duties of partners;

9. Method of valuing goodwill on the occasions of changes in the constitution of the fi-rm;
10. Procedure by which a partner may retire and the method of payment of his dues;
11. Basis of the determination of the executors of a deceased partner and the method of payment;
12. Treatment of losses arising out of the insolvency of a partner;
13. Procedure to be allowed for settlement of disputes among partners;
14. Preparation of accounts and their audit.

Registration of the firm is not compulsory, but non-registration restricts the partners or the firm from taking any legal action. Often there is no written Partnership Deed or, if there is one, it may be silent on a particular point. In that case the relevant sections of the Partnership Act will apply. If on any point the Partnership Deed contains a clause, it will hold good; otherwise the provisions of the Act relating to the questions will apply.

➲ Rules in the absence of Partnership Deed

In the absence of any agreement to the contrary;

1. No partner has the right to a salary,
2. No interest is to be allowed on capital,
3. No interest is to be charged on the drawings,
4. Interest at the rate of 6%.p.a is to be allowed on a partner’s loan to the firm, and
5. Profits and losses are to be shared equally.

Note: In the absence of an agreement, the interest and salary payable to a partner will be paid only if there is profit.

PRACTICAL

(A) Interest on drawings:

(1) Calculate the interest on drawings of X @ 10% p.a. for the year ending 31/03/2017 in following cases:

a) If his drawings during the year were Rs. 24000.

b) If he withdrew Rs.2000 p.m. in the beginning of every month.

c) If he withdrew Rs.2000 p.m. at the end of every month.

d) If he withdrew Rs. 2000 p.m.

e) If he withdrew the following amounts:
Jan-31 – Rs.6000, Mar-31- Rs.4000, July 1st – Rs. 8000
Sept-30-Rs.3000, Nov-1st - Rs 5000.

f) If he withdrew Rs.6000 in the beginning of every quarter.

g) If he withdrew Rs.6000 in the end of every quarter.

h) If he withdrew Rs.6000 in the middle of every month.

(2) X and Y started business on 1/7/2016, Calculate the interest on drawings of X @ 10% p.a. for the year ending 31/03/2017 in following cases:

a) If his drawings during the year were Rs. 18000.

b) If he withdrew Rs.2000 p.m. in the beginning of every month.

c) If he withdrew Rs.2000 p.m. at the end of every month.

d) If he withdrew Rs. 2000 p.m.

e) If he withdrew Rs.6000 in the beginning of every quarter.

f) If he withdrew Rs.6000 in the end of every quarter..

g) If he withdrew Rs. 6000 per quarter.

(3) X and Y started business on 1/7/2016 with the capital of Rs.500000 and Rs. 300000 respectively. Calculate the interest on drawings of X @ 10% p.a. for year ended 31/3/2017 if he withdrew as follows:

a) During the first three months he withdrew Rs. 2000 in the beginning of every month.

b) During the next three months he withdrew Rs. 2000 at the end of every month.

c) During the remaining months he withdrew Rs. 2000 p.m.

(4) Calculate the interest on X's drawings @ 10% if he withdrew Rs.24000 during the year.

(B) Interest on capital

(5) X and Y started business on 1/4/2016 with the capitals of Rs. 500000 and Rs. 300000 respectively. There is no withdrawal or addition of capital during the year. Calculate the interests on capital @12% p.a. if the books of accounts are closed on a) 31st march b) 31st December.

(6) X and Y started business on 1/4/2016 with the capitals of Rs. 500000 and Rs. 300000 respectively. On 1/5/16 X introduced an additional capital of Rs. 100000 and Y withdrew Rs. 50000 from his capital. On 1/10/2016, X withdrew Rs. 200000 from his capital and Y introduced Rs. 250000. Interest on capital is allowed @6% p.a. calculate the interest on capital for the year ending 31/3/2017.

(7) X and Y started business on 1/4/2016 with capitals of Rs. 250000 and 150000 respectively. On 1/10/2016 they decided that their capitals should be Rs. 200000 each. The necessary adj. in the capitals was made by introducing or withdrawing cash. Interest on capital is allowed at 8% p.a. calculate the interest on capital for the year ending 31/3/17.

(C) Profit Distribution

(8) X and Y are partners sharing the profits and losses in the ratio of 2:3 with capitals of Rs. 20000 and Rs. 10000 respectively. Show the distribution of profit/losses for the year 31/3/2017 by preparing relevant accounts (abstract only)

a) If the partnership deed is silent as to the interest on capital and the trading profits for the year are RS. 1500.

b) If the partnership deed provides for interest on capital @6% p.a. and trading losses for the year are Rs. 1500.

c) If the partnership deed provides for interest on capital @6% p.a. and trading profits for the year are Rs. 2100.

d) If the partnership deed provides for interest on capital @6% p.a. and trading profits for the year are Rs. 1500.

e) If the partnership deed provides for interest on capital @6% p.a. even if it involves the firm in loss and the trading profits for the year are Rs. 1500.

(9) X and Y are partners sharing the profits and losses in the ratio of 2:3 with capitals of Rs. 20000 and Rs. 10000 respectively. On 1/7/2016 X and Y granted loans of Rs. 40000 and Rs. 20000 respectively to the firm. Show the distribution of profits/losses for the year ending on 31/3/2017 in following cases:

a) If the profits before any interest for the year amounted to Rs. 2100.

b) If the profits before any interest for the year amounted to Rs. 1500.

c) If the losses before any interest for the year amounted to Rs 1500.

(D) Past Adjustments:

(10) X and Y are partners in a firm sharing profits and losses equally. Their capital accounts as on 31/3/2016 showed a balance of Rs. 70000 and Rs. 60000 respectively. The drawings of X and Y during the year 16-17 were Rs. 8000 and Rs. 6000 respectively. After taking into accounts the profits of the year 31/03/2017.

which amounted to Rs. 40000. It was subsequently found that the following items have been left out while preparing the final accounts of the year ended 31/03/2017.

1) The partners were entitled interest on capital @ 6% p.a.

2) The interest on drawings was also to be charged @ 5% p.a.

3) X was entitled to salary of Rs. 10000 and Y a commission of Rs. 4000 for the whole year.

It was decided to make the necessary adjustments to record the above omissions. Pass journal entry to record the above adjustments.

(11) X, Y and Z are partners. Their fixed capitals as on 31/03/2016 were X-50000, Y-100000 and Z-150000. Profits for the year 16-17 amounting to Rs. 60000 were distributed. Give journal entries in following cases.

a) Interest on capital was credited @10% p.a. though there was no such provision in the partnership deed.

b) Interest on capital was not credited @10% p.a. though there was such provision in the partnership deed.

c) Interest on capital was credited @ 10% p.a. instead of 12% p.a.

d) Interest on capital was credited @ 12% p.a. instead of 10% p.a.

(E) Goodwill :

(i) Simple Average:

(12) Calculate the value of goodwill as on 1/1/2017 on the basis of three years of purchase of the average profits of last five years.

Profits are as under.

2011- 30000	2013-92000	2015-70000
2012- loss 40000	2014-55000	2016-90000

(13) If in Ques-13 profit on sale of fixed asset during 2012 amounted to Rs.2000, during 2014 amounted to Rs.5000, loss on sale of a fixed assets during 2016 amounted to Rs. 5000. Calculate the value of goodwill.

(14) The following were the profits of a firm for last three years.

Year	Profits	
2011	500000	(including an abnormal gain of Rs. 150000)
2012	400000	(After charging abnormal loss of Rs. 200000)
2013	600000	(excluding Rs. 200000 payable on the insurance)

Calculate the value of goodwill on the basis of four years purchase of the average profits for the last three years.

(ii) Weighted Average Method:

(15) The profits of a firm for the year ended 31st march for the last five years were as follows:

Year	**Profits**
2011	20000
2012	30000
2013	40000
2014	50000
2015	55000

Calculate the value of goodwill on the basis of three years purchase of weighted average.

(16) Calculate goodwill of a firm on the basis of three years purchase of the weighted average profits of last four years. The profits of last four years are as under.

2011-25000	2013-46900
2012-27000	2014-53810

Following other information is given:

1) On 1/1/2012 a major plant repair was undertaken for Rs. 10000 which was charged to revenue. The said sum is to be capitalized for goodwill calculation subject to adjustment of 10% depreciation on WDV method.
2) The closing stock for the year 2012 and 2013 were overvalued by Rs. 1000 and Rs. 2000 respectively
3) To cover management cost an annual charge of Rs. 5000 should be made for the purpose of goodwill valuation.

(iii) Super profit method:

(17) The profits and losses for the last years are –

2011-10000	2013-50000
2012- loss 17000	2014-75000

The Average capital employed in the business is Rs. 200000. The rate of interest expected from capital invested is 10%. The remuneration of partners is estimated to be Rs. 6000 p.a. calculate the value of goodwill on the basis of 2 years purchase of super profit based on the average of 3 years.

(18) On 1/4/11 an existing firm had assets of Rs. 75000 including cash of Rs. 5000. Its creditors amounted to Rs. 5000 on that date. The firm had a reserve fund of Rs. 10000 while partner's capital accounts showed a balance of Rs. 60000. If the normal rate of return is 20% and the goodwill of the firm is valued at Rs. 24000 at four years purchase of super profits, find the average profits per year, of the existing firm.

(iv) Present value of Super profit/ Annuity method

(19) The expected profits of a firm for the next 5 years are as under.

Year	1	2	3	4	5
Profits	100000	200000	300000	400000	500000

The total assets of the firm are Rs. 2000000 and outside liabilities are Rs. 1100000. The present value factors at 10% are as follows.

Year	1	2	3	4	5
PVIF	0.9091	0.8264	0.7513	0.6830	0.6209

Calculate amount of goodwill.

(v) Capitalization of super profit method

(20) A firm earns profits of Rs. 100000. The normal rate of return in similar types of business is 10%. The value of total assets (Other than goodwill) and total outside liabilities as on the date of valuation of goodwill are Rs. 1100000 and Rs. 280000 respectively. Calculate the value of goodwill according to capitalization of super profit method.

(vi) Capitalization of average profits:

(21) Calculate the value of goodwill according to capitalization of average profit method in Ques-21.

(VII) Change in profit sharing ratio

1) X and Y are partners sharing profits and losses in the ratio of 7:5. They admit Z a new partner, who acquires his share as 1/12th from X and 1/8th from Y. calculate the new profit sharing ratio and sacrificing ratio.

2) X and Y are partners sharing profits and losses in the ratio of 3:2. Z is admitted as partner with 1/4th share in profits. Z acquires his share from X and Y in the ratio of 2:1. Calculate the new profit sharing ratio.

3) X and Y are partners sharing profits and losses in the ratio of 3:2. Z is admitted as partner with 1/5th share in profits. Calculate the new profit sharing ratio and sacrificing ratio.

4) X and Y are partners sharing profits and losses in the ratio of 7:3. X surrenders 1/7th **of** his share and Y surrenders 1/3rd **of** his share in favour of Z, a new partner. Calculate the new profit sharing ratio and the sacrificing ratio.

5) X and Y are partners sharing profits and losses in the ratio 7:3. X surrenders 1/7th **from** his share and

Y surrenders 1/3rd **of** his share in favour of Z, a new partner. Calculate the new profit sharing ratio and sacrificing ratio.

6) X and Y are partners sharing profits and losses in the ratio of 4:3. Z joins the firm as a new partner. The new profit sharing ratio of X,Y & Z is agreed at 7:4:3 respectively. Calculate the sacrificing ratio and the share of incoming partner.

7) X and Y are partners in a firm sharing profits and losses in the ratio of 3:2. Z is admitted with 1/8th share in profits. It is decided that X and Y will share profits and losses in the future in the ratio of 4:3. Calculate the new profit sharing ratio and sacrificing ratio.

8) X, Y and Z are partners in the ratio of 3:2:1. W is admitted with 1/6th share in profits. Z would retain his original share. Find out new profit sharing ratio.

9) X and Y are partners sharing profit and losses in the ratio of 3:2. Z is admitted for 1/4th share. Thereafter W enters for 20 paise in a rupee. Compute the profit sharing ratio of X, Y, Z and W after W's admission.

10) A and B are partners sharing profits in the ratio of 3:2. They admit C for 1/5th share in the profits. C acquires 1/5th of his share from A. calculate the new profit sharing ratio.

11) X, Y and Z are partners sharing profits and losses in the ratio of 1/5, 1/3 and 7/15 respectively. Z retires and his share is taken up by X and Y in the ratio of 3:2. Calculate the new profit sharing ratio and the gaining ratio.

12) W, X, Y & Z are partners sharing profit and losses in the ratio of 1/3, 1/6, 1/3 and 1/6 respectively. Y retires and W, X & Z decide to share the profits and losses equally in the future. Calculate the gaining ratio.

13) X, Y and Z are partners sharing profits and losses in the ratio of 2/5, 2/5 and 1/5 respectively. Z retires and X & Y decide to share the future profits and losses in the ratio of 2:1 respectively. Calculate the gaining ratio.

14) X, Y and Z are partners sharing profit and losses in the ratio of 4/9:1/3:2/9. Y retires and surrenders 1/9th of his share in favour of X and the remaining in favour of Z. calculate the new profit sharing ratio and the gaining ratio.

(F) Joint Life Policy (JLP)

(22) A and B sharing profits and losses in the ratio of 2:3 took out a joint life policy on 1/1/2011 for Rs. 10000 for 10years. The premium for the whole year is Rs.1000. B died on 1/3/2014 and policy amount was received on 1/5/2014. Prepare necessary accounts as per

1. JLP expense method
2. JLP surrender value method
3. JLP reserve method

Surrender Values are as under :

1st year	= Nil
2nd year	= 200
3rd year	= 600

(G) Application of Sec.37 of Partnership Act 1932

(23) A, B and C were partners sharing profits and losses in the ratio of 2:2:1. C retired on 1/7/2012 on which date the capital of A, B and C after all necessary adjustments stood at Rs. 73875, Rs. 63875 and 42250 respectively. A and B continued to carry on the business for 6 months without settling accounts of C. during the period of 6 months from 1/7/2012 a profit of Rs. 20500 is earned. State which two options are available u/s. 37 of partnership act 1932 for C.

(H) Goodwill Valuation Admission of partner:

(i) When new partner brings his share of goodwill in cash.

1) X and y are patners in a firm sharing profits and losses in the ratio of 3:2 They admit Z as a partner for 1/5th share. Z acquires his share from X and y in the ratio of 2:3 .The goodwill of the firm has been valued are Rs. 25,000. Z brings in the necessary amount in cash as his share of firm's goodwill and Rs.1,00,000 as his capital. Pass the necessary journal entries under each of the following alternative cases:

   Case (a) : When no goodwill appears in the books and the amount of goodwill is retained in the firm

   Case (b) : When no goodwill appears in the books and the amount of goodwill is withdrawn by the concerned partners to the extent of 30% of what is credited to them.

   Case (c) : When goodwill appears in the books at the Rs.20,000

(ii) When new partner brings his share of goodwill in kind:

X and Y are patners in a firm sharing profits in the ratio of 3:2 On April 1,2007 they admit Z as a new partner for 3/13 share in the profits The new ratio will be 5:5:3. Z contributed the following assets towards his capital and for his share of goodwill: Rs. 90,000 Record necessary journal entires in the books of the firm on Z admission .

(iii) When new partner brings in only part of his share of goodwill in cash:

X and Y are partners in a firm sharing profits and losses in the ratio of 3:2 .They admit Z as a partner for 1/5th share, Z acquires his share from X and Y in the ratio of 2:3. The goodwill of the firm has been valued at Rs.25,000. Z brings in only 60% of the requisite share of firm 's goodwill and Rs.1,00,000 ass Capital in cash. Pass the necessary journal entries under each of the following alternative Cases:

Case(a) : When no goodwill appears in the books and the amount of goodwill brought in is retained in the firm.

Case(b) : When no goodwill appears in the books and the amount of goodwill brought in cash is withdrawn by the concerned partners to the extent of 30% of what is credited to them.

Case(c) : When goodwill appears in the books at 20,000.

(iv) Hidden Goodwill:

A and B are patners with capitals of Rs. 5,000 each. They admit C as a partner with 1/4th share in the profits of the firm. C brings Rs. 8,000 as his share of capital.

The Profit and Loss Account showed a credit balance of Rs.4,000 as on date of admission of C. Give the necessary journal entry to record goodwill.

CLASS WORK

UNIT - 1

Q-1 Weak, Able and Lazy are in partnership sharing profits and losses in the ratio of 2:1:1. It is agreed that interest on capital will be allowed @ 10% per annum and interest on drawings will be charged @ 8 % per annum. (No interest will be charged/allowed on Current Accounts).

The following are the particulars of the Capital and Drawings Accounts of the partners:

	Weak	**Able**	**Lazy**
	`	`	`
Capital (1.1.2016)	75,000	40,000	30,000
Current Account (1.1.2016)	10,000	5,000	(Dr.) 5,000
Drawings	15,000	10,000	10,000

The draft accounts for 2016 showed a net profit of ` 60,000 before taking into account interest on capitals and drawings and subject to following rectification of errors:

(a) Life Insurance premium of Weak amounting to ` 750 paid by the firm on 30th June, 2016 has been charged to Miscellaneous Expenditure A/c.

(b) Repairs of Machinery amounting to ` 10,000 has been debited to Plant Account and depreciation thereon charged @ 20%.

(c) Travelling expenses of ` 3,000 of Able for a pleasure trip to U.K. paid by the firm on 30th June, 2016 has been debited to Travelling Expenses Account.

You are required to prepare the Profit and Loss Appropriation Account, Current Accounts of partners Weak, Able and Lazy for the year ended 31st December, 2016.

Q-2 Ram and Rahim are in partnership sharing profits and losses in the ratio of 3:2. As Ram, on account of his advancing years, feels he cannot work as hard as before, the chief clerk of the firm, Ratan, is admitted as a partner with effect from 1st January, 2016, and becomes entitled to 1/10 th of the net profits and nothing else, the mutual ratio between Ram and Rahim remaining unaltered.

Before becoming a partner, Ratan was getting a salary of ` 500 p.m. together with a commission of 4% on the net profits after deducting his salary and commission.

It is provided in the partnership deed that the share of Ratan's profits as a partner in excess of the amount to which he would have been entitled if he had continued as the chief clerk, should be taken out of Ram's share of profits.

The net profit for the year ended December 31, 2016 is ` 1,10,000. Show the distribution of net profit amongst the partners.

Q-3 X and Y are partners. As per terms of agreement interest is allowed on capital at 8% p.a. and charge on drawing at 10% p.a. X withdrew Rs.40,000 pm at the end of each month and Y withdrew Rs. 120,000 at the end of each quarter. You are required to fill the missing figures in following accounts:

Profit and Loss Appropriation Account for the year ended March 31, 2017

Particulars		`	**Particulars**		`
To ...?			By Profit and Loss A/c (Net profit)		?
To Interest on Capital A/c			By Intrested on Drawings A/c		
X	160,000		X	?	
Y	?	288,000	Y	?	?
To profit transferred to Capital A/c					
X (2/3)	?				
Y (1/3)	280,000	?			
		?			?

Partner's Capital Accounts

Particulars	X	Y	**Particulars**	X	Y
To ...?	?	?	By .....?	?	?
To ...?	?	?	By Salary A/c	3,60,000	?
To ...?	?	?	By .....?	?	?
	?	?	By .....?	?	?

UNIT - 2

Q-4 Wise, Clever and Dull were trading in partnership sharing profits and losses 4:3:3 respectively. The accounts of the firm are made upto 31st December every year. The partnership provided, interalia, that: On the death of a partner the goodwill was to be valued at three years' purchase of average profits of the three years upto the date of the death after deducting interest @8 percent on capital employed and a fair remuneration of each partner. The profits are assumed to be earned evenly throughout the year. On 30th June, 2016, Wise died and it was agreed on his death to adjust goodwill in the capital accounts without showing any amount of goodwill in the Balance Sheet. It was agreed for the purpose of valuation of goodwill that the fair remuneration for work done by each partner would be `15,000 per annum and that the capital employed would be `1,56,000. Clever and Dull were to continue the partnership, sharing profits and losses equally after the death of Wise. The following were the amounts of profits of earlier years before charging interest on capital employed.

	`
2013	67,200
2014	75,600
2015	72,000
2016	62,400

You are required to compute the value of goodwill and show the adjustment there of in the books of the firm.

UNIT - 3

Q-5 The following was the balance sheet of A, B and C who were equal partners on January 1, 2017

Liabilities	`	**Assets**	`
Bills Payable	3,000	Cash	1,000
Creditors	6,000	Debtors	10,000
Capital Accounts : Stock	12,000	Stock	12,000
A	20,000	Furniture	5,000
B	15,000	Buildings	25,000
C	10,000	Bills Receivable	1,000
	54,000		54,000

They agree to take D into partnership and give him a 1/4 share in the profits on the following terms:

(1) that D should bring in ` 6,000 for goodwill and ` 10,000 as capital;

(2) that one-half of the goodwill shall be withdrawn by old partners;

(3) that stock and furniture be depreciated by 10%.

(4) that a liability of ` 1,300 be created against bills discounted; (5) that the building be valued at ` 40,000;

(6) that the values of liabilities and assets other than cash are not to be altered.

Give the necessary entries to give effect to the above arrangement; prepare revaluation account and opening balance sheet of the firm as newly constituted.

Q-6 Gopal and Govind are partners sharing profits and losses in the ratio 60:40. The firms' balance sheet as on 31.03.2016 was as follows:

Liabilities	`	**Assets**	`
Capital accounts:			
Gopal	1,20,000	Fixed assets	3,00,000
Govind	80,000	Investments	50,000
Long term loan	2,00,000	Current assets	2,00,000
Current liabilities	2,50,000	Loans and advances	1,00,000
	6,50,000		**6,50,000**

Due to financial difficulties, they have decided to admit

Guru as partner in the firm from 01.04.2016 on the following terms:

Guru will be paid 40% of the profits.

Guru will bring in cash ` 1,00,000 as capital. It is agreed that goodwill of the firm will be valued at 2 years' purchase of 3 years' normal average profits of the firm and Guru will bring in cash his share of goodwill. It was also decided that the partners will not withdraw their share of goodwill nor will the goodwill appear in the books of account.

The profits of the previous three years were as follows:

For the year ended 31.3.2014: profit ` 20,000 (includes insurance claim received of ` 40,000).

For the year ended 31.3.2015: loss ` 80,000 (includes voluntary retirement compensation paid `1,10,000).
For the year ended 31.3.2016: profit of ` 1,05,000 (includes a profit of ` 25,000 on the sale of assets).

It was decided to revalue the assets on 31.03.2016 as follows:

	`
Fixed assets (net)	4,00,000
Investments	Nil
Current assets	1,80,000
Loans and advances	1,00,000

The new profit sharing ratio after the admission of Guru was 35:25:40.

Pass journal entries on admission, show goodwill calculation and prepare revaluation account, partners' capital accounts and balance sheet as on 01.04.2016 after the admission of Guru.

Q-7 A, B and C were in partnership, sharing prots and losses as to A one-half, B one- third and C one- sixth. As from 1st January, 2016 they admitted D into partnership on the following terms:

D to have a one –sixth share which he purchased entirely from A paying A `8,000 for that share of goodwill. Of this amount, A had withdrawn `6,000 and put the balance in the rm as additional capital. As a condition to admission of D as a partner, D also brought `5,000 capital into the rm. It was further agreed that the investments should be valued at its market value of `3,600 and plant be valued at` 5,800.

The balance sheet of the old rm on 31.12.2015 was as follows:

Cash at bank `8,000; debtors`12,000; stock `10,000; investments at cost `6,000; furniture` 2,000; plant `7,000; creditors `21,000; capital: A `12,000; B `8,000 and C `4,000.

The prots for the year 2016 were` 12,000 and the drawings were A `6,000, B` `6,000, C `3,000 and D ` 3,000. You are required to journalise the opening adjustments, prepare the opening balance sheet of the new rm as on 1st January, 2016 and give the capital account of each partner as on 31st December, 2016.

UNIT - 4

Q-8 On 31st March, 2016, the balance sheet of M/s Ram, Rahul and Rohit sharing prots and losses in proportion to their capital, stood as follows:

	`	`		`
Capital accounts:			Land & building	2,00,000
Ram	3,00,000		Machinery	2,00,000
Rahul	2,00,000		Closing stock	1,00,000
Rohit	1,00,000	6,00,000	Sundry debtors	2,00,000
Sundry creditors		2,00,000	Cash and bank balances	1,00,000
		8,00,000		**8,00,000**

On 31st March, 2016, Ram desired to retire from the firm and the remaining partners decided to carry on. It was agreed to revalue the assets and liabilities on that date on the following basis:-

1. Land and buildings be appreciated by 30%.
2. Machinery be depreciated by 20%.
3. Closing stock to be valued at ` 80,000.
4. Provision for bad debts be made at 5%.
5. Old credit balances of sundry creditors ` 10,000 be written back.
6. Joint life policy of the partners surrendered and cash obtained ` 60,000.
7. Goodwill of the entire firm be valued at `1,80,000 and Ram's share of the goodwill be adjusted in the accounts of Rahul and Rohit who share the future profits equally. No goodwill account being raised.
8. The total capital of the firm is to be the same as before retirement. Individual capital be in their profit sharing ratio.
9. Amount due to Ram is to be settled on the following basis:-

   50% on retirement and the balance 50% within one year

Prepare revaluation account, capital account of partners: Rahul & Rohit, loan account of Ram, cash account and balance sheet as on 1.4.2016 of M/s Rahul and Rohit.

Q-9 A,B,C were in partnership sharing profits and losses in the ratio of 3:2:1. The balance sheet of the firm as on 31.2.2016 was as under:

Liabilities	`		**Assets**	`
Capital accounts:			Goodwill	40,000
A	1,50,000		Fixtures	30,000
B	1,00,000		Stock	1,70,000
C	50,000	3,00,000	Sundry debtors	90,000
Sundry creditors		40,000	Cash	10,000
		3,40,000		**3,40,000**

A, on account of ill-health, gave notice that he wished to retire from the firm. A retirement agreement was, therefore, entered as on 31.3.2016, the terms of which were as follows:

(a) The profit and loss account for the year ended 31.3.2016, which showed a net profit of ` 42,000 was to be reopened. B was to be credited with ` 6,000 as bonus, in consideration of the extra work, which had devolved upon him during the year. The profit sharing basis was to be revised and the revised ratio is to be 2:3:1 as and from 1st April 2015.

(b) Goodwill was to be valued at two years' purchase of the average profits of five years. Profits for these five years ending on 31st March were as under:

	`
31.3.2012	15,000
31.3.2013	23,000
31.3.2014	25,000
31.3.2015	35,000
31.3.2016	42,000

(c) Fixtures are to be valued at ` 39,800 and a provision of 2% was to be made for doubtful debts and the remaining assets were to be taken at their book value.

(d) That the amount payable to A shall be paid by B.

B and C agreed, as between themselves, to continue the business, sharing profits and losses in the ratio of 3:1 and decided to eliminate goodwill from balance sheet, to retain fixtures in the books at the revised value and increase the provision for doubtful debts to 6 %. Total capital of the firm will be `3 lakhs as before to be maintained in the new ratio as between B and C.

You are required to give the necessary entries to give effect to the above arrangements. Prepare capital accounts of partners, cash account and balance sheet of B and C after giving effect to the above arrangements on the retirement of A.

UNIT - 5

Q-10 The Balance Sheet of Seed, Plant and Flower as at 31st December, 2016 was as under :

Liabilities		`	**Assets**	`
Trade payables		20,000	Fixed Assets	40,000
General Reserve		5,000	Debtors	10,000
Capital:			Bills Receivable	4,000
Seed	25,000		Inventories	16,000
Plant	15,000		Cash at Bank	10,000
Flower	15,000	55,000		
		80,000		**80,000**

The profit sharing ratio was: Seed 5/10, Plant 3/10 and Flower 2/10. On 1st May, 2016 Plant died. It was agreed that:

(a) Goodwill should be valued at 3 years purchase of the average profits for 4 years. The profits were:

2012	` 10,000	2014	` 12,000
2013	` 13,000	2015	` 15,000

(b) The deceased partner to be given share of profits up to the date of death on the basis of the previous year.

(c) Fixed Assets were to be depreciated by 10%. A bill for ` 1,000 was found to be worthless. These are not to affect goodwill.

(d) A sum of ` 7,750 was to be paid immediately, the balance was to remain as a loan with the firm at 9% p.a. as interest.

Seed and Flower agreed to share profits and losses in future in the ratio of 3: 2.

Give necessary journal entries.

Q-11 Peter, Paul and Prince were partners sharing profits and losses in the ratio 2:1:1. It was provided in the partnership deed that in the event of retirement /death of a partner he/his legal representatives would be paid:-

(i) The balance in the capital Account

(ii) His share of goodwill of the firm valued at two years purchase of normal average profits (after charging interest on xed capital) for the last three years to 31st December preceding the retirement or death.

(iii) His share of profits from the beginning of the accounting year of to the date of retirement or death, which shall be taken on proportionate basis of profits of the previous year as increased by 25%

(iv) Interest on xed capital at 10% p.a. though payable to the partners will not be payable in the year of death or retirement.

(v) All the asset are to be revalued on the date of retirement or death and the profit and loss be debited/ credited to the Capital Accounts in the profit sharing ratio.

Peter died on 30th September, 2016. The books of Account are closed on calendar yea basis form 1st January to 31st December.

The balance in the Fixed Capital Accounts as on 1st January, 2016 were Peter ` 10,000, Paul ` 5,000 and Prince ` 5,000. The balance in the Current Account as on 1st January, 2016 were Peter ` 20,000, Paul ` 10,000 and Prince ` 7,000. Drawings of Peter till 30th September, 2016 were ` 10,000. The profits of the firm before charging interest on capital for the calendar years 2013, 2014 and 2015 were ` 1,00,000, ` 1,20,000 and ` 1,50,000 respectively. The profits include the following abnormal items of credit:-

	2013	**2014**	**2015**
	`	`	`
Profit on sale of assets	5,000	7,000	10,000
Insurance claim received	3,000	-	12,000

The Firm has taken out a Joint Life Policy for `1,00,000. Besides the partners had severally insured their lives for ` 50,000 each, the premium in respect thereof being charged to the Profit and Loss account. The surrender value of the Policies were 30% of the face value. On 30th June, 2016 the firm received notice from the insurance company that the insurance premium in respect of fire policy had been undercharged to the extent of ` 6,000 in the year 2015 and the firm has to pay immediately. The revaluation of the assets indicates an upward revision in value of assets to the extent of ` 20,000. Prepare an account showing the amount due to Peter's Legal representatives as on 30th September, 2016 along with necessary workings.

MULTIPLE CHOICE QUESTIONS

1 If a firm prefers Partners' Capital Accounts to be shown at the amount introduced by the partners as capital in firm then entries for salary, interest, drawings, interest on capital and drawings and profits are made in

(a) Trading Account (b) Profit and Loss Account (c) Partners' Current Account

2 In the absence of any agreement, partners are liable to receive interest on their Loans @

(a) 12% p.a. (b) 10% p.a. (c) 6% p.a.

3 The relationship between persons who have agreed to share the profit of a business carried on by all or any of them acting for all is known as ....

(a) Partnership. (b) Joint Venture.

(c) Association of Persons.

4 Firm has earned exceptionally high profits from a contract which will not be renewed. In such a case the profit from this contract will not be included in ....

(a) Profit sharing of the partners. (b) Calculation of the goodwill. (c) Both.

5 In the absence of an agreement, partners are entitled to

(a) Interest on Loan and Advances. (b) Commission. (c) Salary

6 Partners are supposed to pay interest on drawings only when .... by the ....

(a) Provided, Agreement. (b) Agreed, Partners

(c) Both (a) & (b) above.

7 When a partner is given a guarantee by the other partner, loss on such guarantee will be borne by

(a) Partner who gave the guarantee (b) All the other partners.

(c) Partnership firm.

8 Goodwill brought in by incoming partner in cash for joining in a partnership firm is taken away by the old partners in their………ratio.

(a) Capital. (b) New Profit Sharing. (c) Sacricing.

9 A & B are partners sharing profits and losses in the ratio 5:3. On admission, C brings `70,000 cash and `48,000 against goodwill. New profit sharing ratio between A, B and C are 7:5:4. Find the sacricing ratio of A:B.

(a) 3:1. (b) 4:7. (c) 5:4.

10 Following are the factors affecting goodwill except:

(a) Nature of business.

(b) Efficiency of management.

(c) Location of the customers.

11 Weighted average method of calculating goodwill should be followed when:

(a) Profits has increasing trend.

(b) Profits has decreasing trend.

(c) Either 'a' or 'b'.

12 In the absence of any provision in the partnership agreement, profits and losses are shared

(a) In the ratio of capitals.

(b) Equally.

(c) In the ratio of loans given by them to the partnership firm.

13 A and B are partners sharing profits and losses in the ratio 5:3. They admitted C and agreed to give him 3/10th of the profit. What is the new ratio after C's admission?

(a) 35:42:17. (b) 35:21:24. (c) 49:22:29.

14 A and B are partners sharing profits in the ratio 5:3, they admitted C giving him 3/10th share of profit. If C acquires 1/5 from A and 1/10 from B, new profit sharing ratio will be:

(a) 5:6:3. (b) 2:4:6. (c) 17:11:12

15 C was admitted in a firm with 1/4th share of the profits of the firm. C contributes `15,000 as his capital, A and B are other partners with the profit sharing ratio as 3:2. Find the required capital of A and B, if capital should be in profit sharing ratio taking C's as base capital:

(a) `27,000 and `16,000 for A and B respectively.

(b) `27,000 and `18,000 for A and B respectively.

(c) `32,000 and `21,000 for A and B respectively.

16 A, B and C are partners sharing profits and losses in the ratio 6:3:3, they agreed to take D into partnership for 1/8th share of profits. Find the new profit sharing ratio.

(a) 12:27:36:42. (b) 14:7:7:4. (c) 1:2:3:4.

17 A and B are partners sharing profits and losses in the ratio of 3:2 (A's Capital is ` 30,000 and B's Capital is `15,000). They admitted C and agreed to give 1/5th share of profits to him. How much C should bring in towards his capital?

(a) `9,000. (b) `12,000. (c) `11,250

18 A and B are partners sharing the profit in the ratio of 3:2. They take C as the new partner, who brings in `25,000 against capital and `10,000 against goodwill. New profit sharing ratio is 1:1:1. In what ratio will this amount will be shared among the old partners A & B.

(a) `8,000: `2,000. (b) `5,000: `5,000.

(c) Old partners will not get any share in the goodwill brought in by C.A and B are partners sharing the profit in the ratio of 3:2. They take C as the new partner, who is supposed to bring `25,000 against capital and `10,000 against goodwill. New profit sharing ratio is 7 1:1:1. C brought cash for his share of Capital and agreed to compensate to A and B outside the firm. How this will be treated in the books of the firm.

(a) Cash brought in by C will only be credited to his capital account.

(b) Goodwill will be raised to full value in old ratio.

(c) Goodwill will be raised to full value in new ratio.

19 X and Y are partners sharing profits in the ratio of 3: 1. They admit Z as a partner who pays `4,000 as Goodwill the new profit sharing ratio being 2:1: 1 among X, Y and Z respectively. The amount of goodwill will be credited to:

(a) X and Y as `3,000 and `1,000 respectively.

(b) X only

(c) Y only

20. A and B are partners sharing profits and losses in the ratio 5:3. They admitted C and agreed to give him 3/10th of the profit. What is the new ratio after C's admission?

(a) 35:42:17. (b) 35:21:24. (c) 49:22:29.

21. C, D and E are partners sharing profits and losses in the proportion of ½, 1/3 and 1/6. D retired and the new profit sharing ratio between C and E is 3:2 and the Reserve of ` 12,000 is divided among the partners in the ratio:

(a) ` 2,000: ` 4,000: ` 6,000.

(b) ` 5,000: ` 5,000: ` 2,000.

(c) ` 6,000: ` 4,000: ` 2,000.

22. A, B and C takes a Joint Life Policy, after five years B retires from the firm. Old profit sharing ratio is 2:2:1. After retirement A and C decides to share profits equally. They had taken a Joint Life Policy of `2,50,000 with the surrender value ` 50,000. What will be the treatment in the partner's capital account on receiving the JLP amount if joint life policy premium is fully charged to revenue as and when paid?

(a) ` 50,000 credited to all the partners in old ratio.

(b) `2,50,000 credited to all the partners in old ratio.

(c) `2,00,000 credited to all the partners in old ratio.

23. A, B and C takes a Joint Life Policy, after five years, B retires from the firm. Old profit sharing ratio is 2:2:1. After retirement A and C decides to share profits equally. They had taken a Joint Life Policy of `2,50,000 with the surrender value ` 50,000. What will be the treatment in the partner's capital account on receiving the JLP amount if joint life policy is maintained at the surrender value?

(a) ` 50,000 credited to all the partners in old ratio.

(b) `2,50,000 credited to all the partners in old ratio.

(c) No treatment is required.

24. A, B and C are partners sharing profits in the ratio 2:2:1. On retirement of B, goodwill was valued as ` 30,000. Find the contribution of A and C to compensate B.

(a) ` 20,000 and ` 10,000.

(b) ` 8,000 and ` 4,000.

(c) They will not contribute anything.

25. A, B and C were partners in a firm sharing profits and losses in the ratio of 2:2:1 respectively with the capital balance of ` 50,000 for A and B, for C ` 25,000. B declared to retire from the firm and balance in reserve on the date was ` 15,000. If goodwill of the firm was valued as ` 30,000 and profit on revaluation was ` 7,050 then what amount will be transferred to the loan account of B.

(a) ` 70,820. (b) ` 50,820. (c) ` 25,820.

26. A, B and C are partners sharing profits and losses in the ratio of 3:2:1. C retires on a decided date and Goodwill of the firm is to be valued at ` 60,000. Find the amount payable to retiring partner on account of goodwill.

(a) ` 30,000. (b) ` 20,000. (c) ` 10,000.

27. A, B and C were partners sharing profits and losses in the ratio of 3:2:1. A retired and Goodwill of the firm is to be valued at ` 24,000. What will be the treatment for goodwill?

(a) Credited to Revaluation Account at ` 24,000.
(b) Adjusted through partners' capital accounts in gaining/sacricing ratio.
(c) Only A's capital account credited with ` 12,000.

28. Balances of A, B and C sharing profits and losses in proportionate to their capitals, stood as A - `2,00,000; B - `3,00,000 and C - `2,00,000. A desired to retire from the firm, B and C share the future profits equally, Goodwill of the entire firm be valued at `1,40,000 and no Goodwill account being raised.

(a) Credit Partner's Capital Account with old profit sharing ratio for `1,40,000.
(b) Credit Partner's Capital Account with new profit sharing ratio for `1,40,000.
(c) Credit A's Account with ` 40,000 and debit B's Capital Account with ` 10,000 and C's Capital Account with ` 30,000.

29. In the absence of proper agreement, representative of the deceased partner is entitled to the Dead partner's share in

(a) Profits till date, goodwill, joint life policy, share in revalued assets and liabilities.
(b) Capital, goodwill, joint life policy, interest on capital, share in revalued assets and liabilities.
(c) Capital, profits till date, goodwill, joint life policy, share in revalued assets and liabilities.

30 A, B and C are the partners sharing profits and losses in the ratio 2:1:1. Firm has a joint life policy of `1,20,000 and in the balance sheet it is appearing at the surrender value i.e. ` 20,000. On the death of A, how this JLP will be shared among the partners.

(a) ` 50,000: ` 25,000: ` 25,000.
(b) ` 60,000: ` 30,000: ` 30,000.
(c) ` 40,000: ` 35,000: ` 25,000.

31 R, J and D are the partners sharing profits in the ratio 7:5:4. D died on 30th June 2011. It was decided to value the goodwill on the basis of three year's purchase of last five years average profits. If the profits are ` 29,600; ` 28,700; ` 28,900; ` 24,000 and ` 26,800. What will be D's share of goodwill?

(a) ` 20,700. (b) ` 27,600. (c) ` 82,800.

32 R, J and D are the partners sharing profits in the ratio 7:5:4. D died on 30th June 2011 and profits for the accounting year 2010-2011 were ` 24,000. How much share in prots for the period 1st April 2011 to 30th June 2011 will be credited to D's Account.

(a) ` 6,000. (b) ` 1,500. (c) ` 2,000.

UNIT - 1

Q-1 A and B start business on 1st January, 2016, with capitals of ` 30,000 and ` 20,000. According to the Partnership Deed, B is entitled to a salary of ` 500 per month and interest is to be allowed on capitals at 6% per annum. The remaining profits are to be distributed amongst the partners in the ratio of 5:3. During 2016 the firm earned a profit, before charging salary to B and interest on capital amounting to ` 25,000. During the year A withdrew ` 8,000 and B withdrew ` 10,000 for domestic purposes. Give journal entries relating to division of profit.

Q-2 *Ram, Rahim and Karim are partners in a firm. They have no agreement in respect of profit-sharing ratio, interest on capital, interest on loan advanced by partners and remuneration payable to partners. In the matter of distribution of profits they have put forward the following claims:*

(i) Ram, who has contributed maximum capital demands interest on capital at 10% p.a. and share of profit in the capital ratio. But Rahim and Karim do not agree.

(ii) Rahim has devoted full time for running the business and demands salary at the rate of ` 500 p.m. But Ram and Karim do not agree.

(iii) Karim demands interest on loan of ` 2,000 advanced by him at the market rate of interest which is 12% p.a.

How shall you settle the dispute and prepare Profit and Loss Appropriation Account after transferring 10% of the divisible profit to Reserve. Net profit before taking into account any of the above claims amounted to ` 45,000 at the end of the first year of their business.

Q-3 A and B start business on 1st January, 2016, with capitals of ` 30,000 and ` 20,000. According to the Partnership Deed, B is entitled to a salary of ` 500 per month and interest is to be allowed on opening capitals at 6% per annum. The remaining profits are to be distributed amongst the partners in the ratio of 5:3. During 2016 the firm earned a profit, before charging salary to B and interest on capital amounting to ` 25,000. During the year A withdrew ` 8,000 and B withdrew ` 10,000 for domestic purposes.

Prepare Profit and Loss Appropriation Account.

Q-4 A and B start business on 1st January, 2016, with capitals of ` 30,000 and ` 20,000. According to the Partnership Deed, B is entitled to a salary of ` 500 per month and interest is to be allowed on opening capitals at 6% per annum. The remaining profits are to be distributed amongst the partners in the ratio of 5:3. During 2016, the firm earned a profit, before charging salary to B and interest on capital amounting to ` 25,000. During t*he year A withdrew ` 8,000 and B withdrew ` 10,000 for domestic purposes.*

Prepare Capital Accounts of Partners A and B.

Q-5 A and B are partners sharing profits and losses in the ratio of their effective capital. They had ` 1,00,000 and ` 60,000 respectively in their Capital Accounts as on 1st January, 2016.

A introduced a further capital of ` 10,000 on 1st April, 2016 and another ` 5,000 on 1st July, 2016. On 30th September, 2016 A withdrew ` 40,000.

On 1st July, 2016, B introduced further capital of ` 30,000.

The partners drew the following amounts in anticipation of profit.

A drew ` 1,000 per month at the end of each month beginning from January, 2016. B drew ` 1,000 on 30th June, and ` 5,000 on 30th September, 2016.

12% p.a. interest on capital is allowable and 10% p.a. interest on drawings is chargeable. Date of closing 31.12.2016. Calculate: (a) Profit-sharing ratio; (b) Interest on capital; and (c) Interest on drawings.

Q-6 *R*am and Rahim start business with capital of ` 50,000 and ` 30,000 on 1st January, 2016. Rahim is entitled to a salary of ` 400 per month. Interest is allowed on capitals and is charged on drawings at 6% per annum. Profits are to be distributed equally after the above noted adjustments. During the year, Ram withdrew ` 8,000 and Rahim withdrew ` 10,000. The profit for the year before allowing for the terms of the Partnership Deed came to ` 30,000. Assuming the capitals to be xed, prepare the Profit and Loss Appropriation Account and the Capital and Current Accounts relating to the partners.

Q-7 With the help of same information given in illustration 6, let us prepare the Capital and Current Accounts of Ram and Rahim.

Q-8 and guaranteed that his share of profits will not be less than ` 250,00,000. Total profits of the firm for the year ended 31st March, 2017 were ` 900,00,000. Calculate share of profits for each partner when:

1. Guarantee is given by firm.
2. Guarantee is given by A
3. Guarantee is given by A and B equally.

UNIT - 2

Q-9 Lee and Lawson are in equal partnership. They agreed to take Hicks as one-fourth partner. For this it was decided to find out the value of goodwill. M/s. Lee and Lawson earned profits during 2013-2016 as follows:

Year	**Profits**
	`
2013	1,20,000
2014	1,25,000
2015	1,30,000
2016	1,50,000

On 31.12.2016 capital employed by M/s. Lee and Lawson was ` 5,00,000. Rate of normal profit is 20%.

Required

Find out the value of goodwill following various methods.

Q-10 The following particulars are available in respect of the business carried on by Rathore

			`
(1)	Capital Invested 1,50,000		
(2)	Trading Results:		
	2013	Profit	40,000
	2014	Profit	36,000
	2015	Loss	6,000
	2016	Profit	50,000
(3)	Market Rate of interest on investment	10%	
(4)	Rate of risk return on capital invested in business	2%	
(5)	Remuneration from alternative employment of the proprietor (if not engaged in business).	` 6,000 per annum	

You are required to compute the value of goodwill on the basis of 5 years purchase of super profit of the business calculated on the average profits of the last four years.

Q-11 The following is the Balance Sheet of Yellow and Green as at 31st December, 2016:

Liabilities	`	**Assets**	`
Trade payables	20,000	Cash at Bank	10,000

Capital:		Sundry Assets	55,000
Yellow	25,000		
Green	20,000		
	65,000		65,000

The partners shared profits and losses in the ratio 3:2. On the above date, Black was admitted as partner on the condition that he would pay ` 20,000 as Capital. Goodwill was to be valued at 3 years' purchase of the average of

four years' profits which were:

	`		`
2012	9,000	2014	12,000
2013	14,000	2015	13,000

The new profit sharing ratio is 6:5:5.

Give journal entries and Balance Sheet if goodwill is adjusted through partners' capital accounts.

Q-12 With the information given in illustration 3, let us give journal entries and prepare balance sheet assuming that goodwill is brought in cash.

Q-13 Continuing with the same illustration 3, let us give journal entries and prepare balance sheet assuming that goodwill is brought in cash, but withdrawn.

Q-14 On the basis of information given in illustration 3, let us give journal entries and prepare balance sheet assuming that goodwill is paid privately.

Q-15 A, B & C are equal partners. They wanted to change the profit sharing ratio into 4:3:2. Make the necessary journal entries. Goodwill of the firm is valued at ` 90,000.

Q-16 A, B and C are in partnership sharing profits and losses in the ratio of 4:3:3. They decided to change the profit sharing ratio to 7:7:6. Goodwill of the firm is valued at ` 20,000. Calculate the sacrifice / gain by the partners and make the necessary journal entry

Q-17 A, B, C and D are in partnership sharing profits and losses equally. They mutually agreed to change the profit sharing ratio to 3:3:2:2. Give necessary journal entry.

UNIT - 3

Q-18 The following is the Balance Sheet of Ram and Mohan, who share profits in the ratio of 3:2 as on 1st January,

2016:

Liabilities	`	Assets	`
Trade payables	15,000	Buildings	18,000
Ram's Capital	20,000	Plant and Machinery	15,000
Mohan's Capital	25,000	Inventories	12,000
		Trade receivables	10,000
		Bank	5,000
	60,000		**60,000**

On this date Shyam was admitted on the following:

1. He is to pay ` 25,000 as his capital and ` 10,000 as his share of goodwill for one fifth share in profits.
2. The new profits sharing ratio will be 5:3:2.

3. The assets are to be revalued as under:

	`
Building	25,000
Plant and Machinery	12,000
Inventories	12,000
Trade receivables (because of doubtful debts)	9,500

4. It was found that there was a liability for `1,500 for goods received but not recorded in books.

Give journal entries to record the above. Also, give the Balance Sheet of the partnership firm after Shyam's admission.

Q-19 A and B are partners sharing profits and losses in the ratio of 3:2. Their Balance Sheet as on 31.3.2016 is given below:

Liabilities	`	Assets	`
Trade payables	50,000	Freehold premises	2,00,000
Capital Accounts:		Plant	40,000
A	2,00,000	Furniture	20,000
B	1,00,000	Office equipment	25,000
		Inventories	30,000
		Trade receivables	25,000
		Bank	10,000
	3,50,000		3,50,000

On 1.4.2016 they admit C on the following terms:

(1) C will bring ` 50,000 as a capital and ` 10,000 for goodwill for 1/5 share;

(2) Provision for doubtful debts is to be made on Trade receivables @ 2%

(3) Inventory to be written down by 10%.

(4) Freehold premises is to be revalued at `2,40,000, plant at ` 35,000, furniture ` 25,000 and office equipment ` 27,500.

(5) Partners agreed that the values of the assets and liabilities remain the same and, as such, there should not be

any change in their book values as a result of the above mentioned adjustments.

You are required to make necessary adjustment in the Capital Accounts of the partners and show the Balance Sheet of the New Firm.

Q-20 A and B are partners in a firm, sharing profits and losses in the ratio of 3:2. The Balance Sheet of A and B as on 1.1.2016 was as follows:

Liabilities	`	Amount `	Assets	`	Amount `
Trade payables		17,000	Building		26,000
Furniture		5,800			
Bank overdraft		9,000	Inventories		21,400
Capital accounts:			Trade receivables	35,000	
A	44,000		Less: Provision	(200)	34,800
B	36,000	80,000	Investment		2,500
			Cash		15,500
		1,06,000			**1,06,000**

`C' was admitted to the firm on the above date on the following terms:

(i) C is admitted for 1/6 share in the future profits and to introduce a capital of `25,000.

(ii) The new profit sharing ratio of A, B and C will be 3:2:1 respectively.

(iii) `C' is unable to bring in cash for his share of goodwill, they decide to calculate goodwill on the basis of C's share in the profits and the capital contribution made by him to the firm.

(iv) Furniture is to be written down by `870 and Inventory to be depreciated by 5%. A provision is required for trade receivables @ 5% for bad debts. A provision would also be made for outstanding wages for `1,560. The value of buildings having appreciated be brought up to `29,200. The value of investments is increased by `450.

(v) It is found that the trade payables included a sum of `1,400, which is not to be paid off Prepare the following:

(i) Revaluation account. (ii) Partners' capital accounts.

Q-21 *Dalal, Banerji and Mallick are partners in a firm sharing profits and losses in the ratio 2:2:1. Their Balance Sheet as on 31st March, 2016 is as below:*

Liabilities	`		Assets	`
Trade payables		12,850	Land and Buildings	25,000
Outstanding Liabilities		1,500	Furniture 6,500	
General Reserve		6,500	Inventory of goods	11,750
Capital Account :			Trade receivables	5,500
Mr. Dalal	12,000		Cash in hand	140
Mr. Banerji	12,000		Cash at Bank	960
Mr. Mallick	5,000	29,000		
		49,850		**49,850**

The partners have agreed to take Mr. Mistri as a partner with eff ect from 1st April, 2016 on the following terms :

(1) Mr. Mistri shall bring `5,000 towards his capital.

(2) The value of Inventory should be increased by `2,500 and Furniture should be depreciated by 10%.

(3) Reserve for bad and doubtful debts should be provided at 10% of the Trade receivables.

(4) The value of land and buildings should be enhanced by 20% and the value of the goodwill be fixed at `15,000.

(5) The value of the goodwill be fixed at `15,000.

(6) General Reserve will be transferred to the Partners' Capital Accounts.

(7) The new profit sharing ratio shall be: Mr. Dalal 5/15, Mr. Banerji 5/15, Mr. Mallick 3/15 and Mr.. Mistri 2/15. The outstanding liabilities include `1,000 due to Mr. Sen which has been paid by Mr. Dalal. Necessary entries were not made in the books.

Prepare (i) Revaluation Account, (ii) The Capital Accounts of the partners, (iii) Balance Sheet of the firm after admission of Mr. Mistri.

Q-22 *A* and B are in partnership sharing profits and losses at the ratio 3:2. They take C as a new partner. Calculate the new profit sharing ratio if -

(i) C purchases 1/10 share from A

(ii) A and B agree to sacrifice 1/10th share to C in the ratio of 2: 3

(iii) Simply gets 1/10th share of profit.

Q-23 A and B are in the partnership sharing profits and losses in the proportion of three-fourth and one-fourth respectively. Their balance sheet as on 31st March, 2016 was as follows:

Cash `1,000; trade receivables `25,000; Inventory `22,000; plant and machinery `4,000; trade payables `12,000; bank overdraft `15,000; A's capital `15,000; B's capital `10,000.

On 1st April, 2016, they admitted C into partnership on the following terms:

(i) C to purchase one–third of the goodwill for `2,000 and provide `10,000 as capital. Goodwill not to appear in books.

(ii) Further profits and losses are to be shared by A, B and C equally.

(iii) Plant and machinery is to be reduced by 10% and `500 is to be provided for estimated bad debts. Inventory is to be taken at a valuation of `24,940.

(iv) By bringing in or withdrawing cash and capitals of A and B are to be made proportionate to that of C on their profit-sharing basis.

Set out entries to the above arrangement in the firm's journal and give the partners' capital accounts in tabular form.

Q-24 A and B are partners of X & Co. sharing profits and losses in 3:2 ratio between themselves. On 31st March, 2016, the balance sheet of the firm was as follows:

Balance Sheet of X & Co. as at 31.3.2016

Liabilities	`	`	Assets	`
Capital accounts:			Plant and machinery	20,000
A	37,000		Furniture and fittings 5,000	
B	28,000			
		65,000	Inventories	15,000
Trade payables		5,000	Trade receivables	20,000
			Cash in hand	10,000
		70,000		**70,000**

X agrees to join the business on the following conditions as and from 1.4.2016:

(a) He will introduce `25,000 as his capital and pay `15,000 to the partners as premium for goodwill for 1/3rd share of the future profits of the firm.

(b) A revaluation of assets of the firm will be made by reducing the value of plant and machinery to `15,000, Inventory by 10%, furniture and fitting by `1,000 and by making a provision of bad and doubtful debts at `750 on trade receivables.

Prepare profit and loss adjustment account, capital accounts of partners including the incoming partner X assuming that the relative ratios of the old partners will be in equal proportion after admission.

Q-25 A and B are partners with capitals of `7,000 each. They admit C as a partner with 1/4th share in the profits of the firm. C brings `8,000 as his share of capital. Give the necessary journal entry to record goodwill.

Q-26 A and B are in partnership sharing profits and losses equally. The Balance Sheet M/s. A and B as on 31.12.2016, was as follows:

Liabilities	`	**Assets**	`
Capital A/cs		Sundry Fixed Assets	60,000
A	45,000	Inventories	30,000
B	45,000	Bank	20,000
Trade payables	20,000		
	1,10,000		1,10,000

On 1.1.2017 they agreed to take C as 1/3rd partner to increase the capital base to `1,35,000.

C agrees to pay `60,000. Show the necessary journal entries and prepare partners' capital accounts.

UNIT - 4

Q-27 A and B are partners in a business sharing profit and losses as A-3/5th and B-2/5th. Their balance sheet as on 1st January, 2015 is given below:

Liabilities		`	**Assets**	`
Capital Accounts			Plant and Machinery	20,000
A	20,000		Inventories	16,000
B	15,000	35,000	Trade receivables	15,000
Reserve Account		15,000	Balance at Bank	6,000
Trade payables		7,500	Cash in hand	500
		57,500		**57,500**

B retires from the business owing to illness and A takes it over. The following revaluation was made:

(1) The goodwill of the firm is valued at `25,000.

(2) Depreciate Plant & Machinery by 7.5% and Inventories by 15%.

(3) Doubtful debts provision is raised against trade receivables at 5% and a discount reserve against trade payables at 2%.

Required:

Journalize the above transactions in the books of the firm and close the Partners' Accounts as on 1st January 2015. Give also the opening Balance Sheet of A.

Q-28 F, G and K were partners sharing profits and losses at the 2:2: 1. K wants to retire on 31.12.2015. Given below is the Balance Sheet of the partnership as well as other information:

Balance Sheet as on 31.12.2015

Liabilities	`	Assets	`
Capital A/cs	1,20,000	Sundry Fixed Assets	1,50,000
F	80,000	Inventories	50,000
G	60,000	Trade receivables	70,000
K	10,000	(Including Bills Receivable 20,000)	
Reserve	50,000	Bank	50,000
Trade payables	**3,20,000**		**3,20,000**

F and G agree to share profits and losses at the ratio of 3: 2 in future. Value of Goodwill is taken to be ` 50,000. Sundry Fixed Assets are revalued upward by `30,000 and Inventories by `10,000. Bills Receivable dishonoured `5,000 on 31.12.2015 but not recorded in the books. Dishonour of bill was due to insolvency of the customer. F and G agree to bring sufficient cash to discharge claim of K and to make their capital proportionate. Also they wanted to maintain `75,000 bank balance for working capital.

Required:

Pass necessary journal entries and draft the Balance Sheet of M/s F & G. Also prepare capital accounts of partners and draft the Balance Sheet of Ms/ F & G after K's retirement.

Q-29 A, B & C were in partnership sharing profits in the proportions of 5:4:3. The balance sheet of the firm as on 31st March, 2015 was as under:

Liabilities	`	**Assets**	`
Capital accounts:		Goodwill	40,000
A	1,35,930	Fixtures	8,200
B	95,120	Inventories	1,57,300
C	61,170	Trade receivables	93,500
Trade payables	41,690	Cash	34,910
	3,33,910		**3,33,910**

A had been suffering from ill-health and gave notice that he wished to retire. An agreement was, therefore, entered into as on 31st March, 2015, the terms of which were as follows:

(i) The profit and loss account for the year ended 31st March, 2015 which showed a net profit of `48,000 was to be reopened. B was to be credited with `4,000 as bonus, in consideration of the extra work which had devolved upon him during the year. The profit sharing was to be revised from 1st April, 2014, as 3:4:4.

(ii) Goodwill was to be valued at two years' purchase of the average profits of the preceding five years. The fixtures were to be valued by an independent valuer. A provision of 2% was to be made for doubtful debts and the remaining assets were to be taken at their book values.

The valuations arising out of the above agreement were goodwill `56,800 and fixtures `10,980. B and C agreed, as between themselves, to continue the business, sharing profits in the ratio of 3:2 and decided to eliminate goodwill from the balance sheet, to retain the fixtures on the books at the revised value, and to increase the provision for doubtful debts to 6%.

Required:

Submit the journal entries necessary to give effect to the above arrangements and to draw up the capital account of the partners after carrying out all adjusting entries as stated above.

Q-30 K, L & M are partners sharing profits and losses in the ratio 5:3:2. Due to illness, L wanted to retire from the firm on 31.3.2015 and admit his son N in his place.

Balance Sheet of K, L and M as on 31.3.2015

Liabilities	`	`	Assets	`
Capital:			Goodwill	30,000
K	40,000		Furniture	20,000
L	60,000		Trade receivables	50,000
M	30,000	1,30,000	Inventory in Trade	50,000
Reserve		50,000	Cash and Bank balances	50,000
Trade payables		20,000		
		2,00,000		**2,00,000**

On retirement of L assets were revalued: Goodwill `50,000, furniture `10,000 and Inventory in trade `30,000.

50% of the amount due to L was paid off in cash and the balance was retained in the firm as capital of N. On admission of the new partner, goodwill has been written off. M is paid o his extra balance to make capital proportionate.

You are required to give:

(i) Necessary journal entries; (ii) balance sheet of M/s K, M and N as on 1.4.2015; (iii) capital accounts of partners.

Q-31 Dowell & Co. is a partnership firm with partners Mr. A, Mr. B and Mr., C, sharing profits and losses in the ratio of 10:6:4. The balance sheet of the firm as at 31st March, 2015 is as under:

Liabilities		`	Assets	`
Capitals :			Land	10,000
Mr. A	80,000		Buildings	2,00,000
Mr. B	20,000		Plant and Machinery	1,30,000
Mr. C	30,000	1,30,000	Furniture 43,000	
Reserves			Investments	12,000
(unappropriated profit)		20,000	Inventories	1,30,000
Long Term Debt		3,00,000	Trade receivables	1,39,000
Bank Overdraft		44,000		
Trade payables		1,70,000		
		6,64,000		**6,64,000**

It was mutually agreed that Mr. B will retire from partnership and in his place Mr. D will be admitted as a partner with effect from 1st April, 2015. For this purpose, the following adjustments are to be made:

(a) Goodwill is to be valued at `1 lakh but the same will not appear as an asset in the books of the reconstituted firm.

(b) Buildings and plant and machinery are to be depreciated by 5% and 20% respectively. Investments are to be taken over by the retiring partner at `15,000. Provision of 20% is to be made on Trade receivables to cover doubtful debts.

(c) In the reconstituted firm, the total capital will be `2 lakhs which will be contributed by

Mr. A, Mr. C and Mr. D in their new profit sharing ratio, which is 2:2:1.

(i) The surplus funds, if any, will be used for repaying bank overdraft.

(ii) The amount due to retiring partner shall be transferred to his loan account.

Required:

Prepare

(a) Revaluation account;

(b) Partners' capital accounts;

(c) Bank account; and

(d) Balance sheet of the reconstituted firm as on 1st April, 2015.

Q-32 M/s X and Co. is a partnership firm with the partners A, B and C sharing profits and losses in the ratio of 3:2:5. The balance sheet of the firm as on 30th June 2015, was as under:

Balance Sheet of X and Co. as on 30.06.2015

Liabilities	`	**Assets**	`
A's Capital A/c	1,04,000	Land	1,00,000
B's Capital A/c	76,000	Building	2,00,000
C's Capital A/c	1,40,000	Plant and Machinery	3,80,000
Long Term Loan	4,00,000	Investments	22,000
Bank Overdraft	44,000	Inventories	1,16,000
Trade payables	1,93,000	Trade receivables	1,39,000
	9,57,000		9,57,000

It was mutually agreed that B will retire from partnership and in his place D will be admitted as a partner with effect from 1st July, 2015. For this purpose, the following adjustments are to be made:

(a) Goodwill of the firm is to be valued at `2 lakhs due to the firm's locational advantage but the same will not appear as an asset in the books of the reconstituted firm.

(b) Buildings and plant and machinery are to be valued at 90% and 85% of the respective balance sheet values. Investments are to be taken over by the retiring partner at `25,000. Trade receivables are considered good only up to 90% of balance sheet figure. Balance be considered bad.

(c) In the reconstituted firm, the total capital will be `3 lakhs, which will be contributed by A, C and D in their new profit sharing ratio, which is 3:4:3.

(d) The amount due to retiring partner shall be transferred to his loan account.

Required:

Prepare Revaluation Account and Partners' Capital Accounts.

Q-33 Red, White and Black shared profits and losses in the ratio of 5:3:2. They took out a joint life Policy in 2011 for `50,000, a premium of `3,000 being paid annually on 10th June. The surrender value of the policy on 31st December of various years was as follows: 2011 nil; 2012 ` 900; 2013 ` 2,000; 2014 ` 3,600.

Black retires on 15th April, 2015.

Required

Prepare ledger accounts assuming no Joint Life Policy Account is maintained.

Q-34 Red, White and Black shared profits and losses in the ratio of 5: 3: 2. They took out a Joint Life Policy in 2007 for `50,000, a premium of ` 3,000 being paid annually on 10th June. The surrender value of the policy on 31st December of various years was as follows: 2011 nil; 2012 ` 900: 2013 ` 2,000; 2014 ` 3,600. Black retires on 15th April, 2015.

Required:

Prepare ledger accounts assuming Joint Life Policy Account is maintained on surrender value basis.

Q-35 A, B and C are in partnership sharing profits and losses at the ratio of 5:3: 2. The balance sheet of the firm on 31.12.2015 was as follows:

Balance Sheet

Liabilities	`	Assets	`
Capital A/cs:		Sundry Fixed Assets	80,000
A	50,000	Inventories	50,000
B	40,000	Trade receivables	30,000
C	30,000	Joint Life Policy	20,000
Bank Loan	40,000	Bank	10,000
Trade payables	30,000		
	1,90,000		**1,90,000**

On 1.1.2016, A wants to retire, B and C agreed to continue at 2:1. Joint Life Policy was taken on 1.1.2010 for ` 1,00,000 and its surrender value as on 31.12.2015 was ` 25,000. For the purpose of A's retirement goodwill was raised for ` 1,00,000. Sundry Fixed Assets was revalued for ` 1,10,000. But B and C did not prefer to show such increase in assets in the Balance Sheet. Also they agreed to bring necessary cash to discharge 50% of the A's claim, to make the bank balance ` 25,000 and to make their capital proportionate.

Required:

Prepare necessary journal entries.

UNIT - 5

Q-36 The following was the Balance Sheet of Om & Co. in which X, Y, Z were partners sharing profits and losses in the ratio of 1:2:2 as on 31.3.2016. Mr. Z died on 31st December, 2016. His account has to be settled under the following terms.

Balance Sheet of Om & Co. as on 31.3.2016

Liabilities	`	`	Assets	`
Trade payables	20,000		Goodwill	30,000
Bank loan		50,000	Building	1,20,000
General reserve		30,000	Computers	80,000
Capital accounts:			Inventories	20,000
X	40,000		Trade receivables	20,000
Y	80,000		Cash at bank	20,000
Z	80,000	2,00,000	Investments	10,000
		3,00,000		**3,00,000**

Goodwill is to be calculated at the rate of two years purchase on the basis of average of three years' profits and losses. The profits and losses for the three years were detailed as below:

Year ending on	profit/loss
31.3.2016	30,000
31.3.2015	20,000
31.3.2014	(10,000) Loss

Profit for the period from 1.4.2016 to 31.12.2016 shall be ascertained proportionately on the basis of average profits and losses of the preceding three years.

During the year ending on 31.3.2016 a car costing `40,000 was purchased on 1.4.2015 and debited to traveling expenses account on which depreciation is to be calculated at 20% p.a. This asset is to be brought into account

at the depreciated value.

Other values of assets were agreed as follows:

Inventory at `16,000, building at `1,40,000, computers at `50,000; investments at `6,000. Trade receivables were considered good.

Required:

(i) Calculate goodwill and Z's share in the profits of the firm for the period 1.4.2016 to 31.12.2016.

(ii) Prepare revaluation account assuming that other items of assets and liabilities remained the same.

(iii) Prepare partners' capital accounts and balance sheet of the firm Om & Co. as on 31.12.2016

Q-37 The partnership agreement of a firm consisting of three partners - A, B and C (who share profits in proportion of ½, ¼ and ¼ and whose xed capitals are `10,000; `6,000 and `4,000 respectively) provides as follows:

(a) That partners be allowed interest at 10 per cent per annum on their xed capitals, but no interest be allowed on undrawn profits or charged on drawings.

(b) `That upon the death of a partner, the goodwill of the firm be valued at two years' purchase of the average net profits (after charging interest on capital) for the three years to 31st December preceding the death of a partner.

(c) That an insurance policy of `10,000 each to be taken in individual names of each partner, the premium is to be charged against the profit of the firm.

(d) Upon the death of a partner, he is to be credited with his share of the profits, interest on capitals etc. calculated upon 31st December following his death.

(e) That the share of the partnership policy and goodwill be credited to a deceased partner as on 31st December following his death.

(f) That the partnership books be closed annually on 31st December.

A died on 30th September 2016, the amount standing to the credit of his current account on 31st December, 2015 was `450 and from that date to the date of death he had withdrawn `3,000 from the business.

An unrecorded liability of `2,000 was discovered on 30th September, 2016. It was decided to record it and be immediately paid off .

The trading result of the firm (before charging interest on capital) had been as follows: 2013 Profit `9,640; 2014 Profit `6,720; 2015 Loss `640; 2016 Profit `3,670.

Assuming the surrender value of the policy to be 20 percent of the sum assured.

Required

Prepare an account showing the amount due to A's legal representative as on 31st December, 2016.

Q-38 The following is the Balance Sheet of M/s. ABC Bros as at 31st December, 2015.

Balance Sheet as at 31st December, 2015

Liabilities	`	**Assets**		`
Capital		Machinery		5,000
A	4,100	Furniture		2,800
B	4,100	Fixture		2,100
C	4,500	Cash		1,500
General Reserve	1,500	Inventories		950
Trade payables	2,350	Trade receivables	4,500	
		Less: Provision for Doubtful debts	300	4,200
	16,550			**16,550**

C died on 3rd January, 2016 and the following agreement was to be put into effect.

(a) Assets were to be revalued: Machinery to ` 5,850; Furniture to ` 2,300; Inventory to ` 750.

(b) Goodwill was valued at ` 3,000 and was to be credited with his share, without using a Goodwill Account

(c) ` 1,000 was to be paid away to the executors of the dead partner on 5th January, 2016.

Required to show:

(i) The Journal Entry for Goodwill adjustment.

(ii) The Revaluation Account and Capital Accounts of the partners.

(iii) Which account would be debited and which account credited if the provision for doubtful debts in the Balance Sheet was to be found unnecessary to maintain at the death of C.

Q-39 B and N were partners. The partnership deed provides inter alia:

(i) That the accounts be balanced on 31st December each year.

(ii) That the profits be divided as follows:
B: One-half; N: One-third; and carried to Reserve Account: One-sixth

(iii) That in the event of death of a partner, his executor will be entitled to the following:

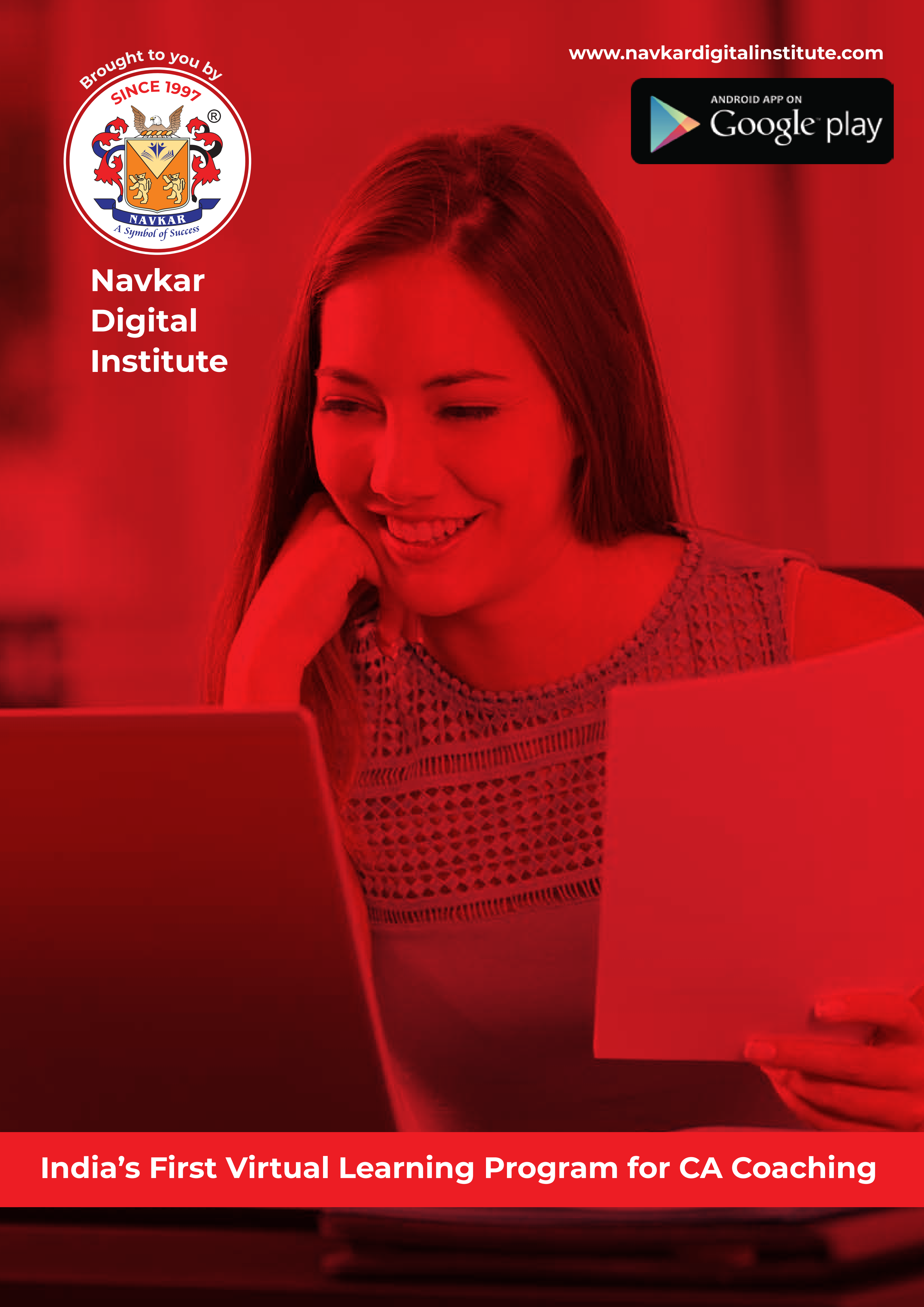
(a) the capital to his credit at the date of death; (b) his proportion of profit to date of death based on the average profits of the last three completed years; (c) his share of goodwill based on three years' purchases of the average profits for the three preceding completed years.

Trial Balance on 31st December, 2015

Particulars	**Dr. (`)**	**Cr. (`)**
B's Capital		90,000
N's Capital		60,000
Reserve		30,000
Bills receivable	50,000	
Investments	40,000	
Cash	1,10,000	
Trade payables		20,000
Total	2,00,000	2,00,000

The profits for the three years were 2013: ` 42,000; 2014: ` 39,000 and 2015: ` 45,000. N died on 1st May, 2016. Show the calculation of N (i) Share of Prots; (ii) Share of Goodwill; (iii) Draw up N's Executors Account as would appear in the firm's ledger transferring the amount to the Loan Account.

❑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