

FIRST ASSIGNMENT-2021

Second Year PUC

Accountancy

Answer any One of the following:

1. Mr.Ashok and Mr.Babu were two sole proprietors' doing similar business. They were competing each other and in order to attract customers towards them, they indulged themselves in reducing price of their commodity. Consequently, their profit margin reduced and gradually were facing loss. One fine day they met each other and decided to do the business jointly as a partnership firm with the intention of avoiding competition and earn more profit.

The smooth and successful running of a partnership firm requires a clear understanding among its partners regarding the various policies governing their partnership. The partnership deed (agreement in writing) serves this purpose. The partnership deed brings clarity to the partners with regard to profit/loss sharing, salary, interest on capital, drawings, admission of a new partner, etc.

Though issuing a partnership deed is not mandatory, they both felt it is better to enter into a partnership deed to avoid any possible disputes and litigation among them in future. Hence, they approached an Auditor to draft a partnership deed for them.

Assuming you are an Auditor, draft a partnership deed for their partnership firm.

2. Case Study:

Read the following hypothetical text and answer the given questions:

Mahesh and Ramesh were partners in Hotel business sharing profit and losses in ratio 3:2. They sold food items across the counter and did home delivery too. Their initial **fixed capital** contribution was ₹1,00,000 and ₹75,000 respectively.

At the end of first year their profit was ₹1,10,000 before allowing the remuneration of ₹2,000 per quarter to Mahesh and ₹3,000 per half year to Ramesh. Such a huge profit in the very first year and along with increase in the demand for home delivery, encouraged them to expand their business.

They needed additional capital to meet the demand. Delivery van, few Scotties and an additional person was required to support. Six months

later from the beginning of accounting year they decided to admit Usha into partnership and offered her $\frac{1}{5}$ th share in profits along with monthly remuneration of ₹1,500. She was asked to introduce ₹1,20,000 for capital and ₹60,000 for goodwill. Besides this Usha was required to provide ₹80,000 as loan for two years. Usha readily accepted the offer. The terms of the offer were duly accepted and she was admitted as a partner.

Question 1:

Remuneration to Mahesh and Ramesh will be transferred to _____ Account.

- a. Capital
- b. Loan
- c. Current
- d. None of the above.

Question 2:

Usha will be entitled to a remuneration of _____ at the end of the year.

Question 3:

For the amount of loan that Usha has provided, is entitled to interest thereon at the rate of _____.

Question 4:

Upon the admission of Usha the sacrifice for providing her share of profits would be done:

- a. By Mahesh only
- b. By Ramesh only
- c. By Mahesh and Ramesh equally
- d. By Mahesh and Ramesh in the ratio 3:2.

Question 5:

There was no written agreement between the partners. Can Usha claim for Interest on Capital provided by her to the firm.

3. Arun, Varun and Tharun were partners in a firm. Due to some family issues, Varun was not in a position to continue as a partner and hence decided to retire from business on 30/03/2015. On his date of retirement ₹80,000 becomes due to him. The business had no sufficient cash balance to settle his account once for all. Hence, Arun and Tharun decided to pay him in five instalments every year at the end of the financial year with interest @12% p.a. Prepare Varun's loan account on the unpaid balance.