

Assignment 1

Class 12

Subject – Accountancy

Q.1 Discuss the meaning and object of Partnership Deed. Discuss the subject matter of Partnership Deed regarding general matter.

Ans. The document prepared in order to mention rules and regulation of partnership is called as partnership deed. It can be oral or written.

Object of partnership deed

1. What will be the profit-sharing ratio of the partners?
2. Whether interest on capital and drawings will be charged and paid at what rate ?
3. Whether the partners be paid salary or commission for operating the business and how much?
4. What will be duties, rights and liabilities of each partner?

Following points are mentioned in it:

(i) Name and address of firm. (ii) Name and address of partners. (iii) Capital contribution of every partner. (iv) Profit sharing ratio of the firm. (v) Amount of drawing limit (vi) Interest on capital. (vii) Loan by partner and interest on it. (viii) Loan to firm by partner and interest on it. (ix) Admission, retirement and death related accounting.

Q. 2 Explain the methods of calculating goodwill.

Ans. Valuation of goodwill is a difficult task. Generally, its valuation is done in the following ways;

1. Average profit method: Under this method, the average profit of last years is found out at first. Then this average is multiplied with the number of years (purchase price). The resulting figure should be the amount of goodwill.

2. Super profit method : Under this method, super profit is found out at first. Then this figure is multiplied with the number of years (purchase price). The resulting amount should be the goodwill.

3. Capitalization method : Under this method, it is assumed that the capital invested in the business brings profit. If the invested capital brings super profit or extra profit, it is treated as the goodwill of the firm.

4. Annuity method: Under this method, it calculates that how many years the firm will earn super profit. Then this super profit (extra profit) is multiplied with annual interest (rate).

i.e., $\text{Goodwill} = \text{Super profit} \times \text{Annual rate}.$

Q. 3. Basant and Vishnu are partners in a firm. Their capitals on 1st January, 2017 were 25,000/- and 20,000/- respectively. They are allowed interest on capital @ 8% per annum and interest on drawings charged @ 12% per annum, Basant gave 10,000/- to the firm as a loan on 1st July, 2017. Vishnu is entitled to an annual Salary of 5,000/- Interest Charged on drawings were 600/- and 500/- respectively. The profit for the year ended 31st December, 2017 before making above adjustments was 25,000/ Prepare Profit and loss Appropriation account for 2017.

Profit & Loss Appropriation A/c
(For the year ended 31st December, 2017)

Particular	Amount (Rs.)	Particular	Amount (Rs.)
To Interest on Capital A/c		By Balance b/d	25,000
Basant 2000			
Vishnu <u>1600</u>	3,600	By Interest on drawings	
		Basant 6000	
To Interest on Basant's loan	300	Vishnu <u>500</u>	1,100
$1000 \times \frac{6}{100} \times \frac{6}{12}$			
To Salary (Vishnu)	5,000		
To Capital A/c			
Basant 8,600			
Vishnu <u>8,600</u>	17,200		
	26,100		26,100

Note: (1) Since no agreement is there regarding interest on loan, hence it has been calculated @ 6% p.a.

(2) Since no agreement is there regarding distribution of profit, hence it has been distributed equally.

Q. 4. A firm is expected to earn profit worth 68,000/- per annum, The capital Invested 3,50,000/- and the rate of return estimated to be 12% in similar business. The remuneration payable to partners is estimated at 8,000/- per annum. The goodwill is calculated at two year's purchase of super profit, Find out the amount of goodwill.

Solution : - Calculation of goodwill by Super profit method.

Actual average profit of the firm = 68,000 – 8,000 = Rs. 60,000

Expected Profit on capital = $3,50,000 \times \frac{12}{100} = \text{Rs. } 42,000$

Super profit = Actual Average profit – Expected profit

$$= 60,000 - 42,000 = 18,000$$

Goodwill = Superprofit $\times 2 = 18,000 \times 2 = \text{Rs. } 36,000$ **Ans.**