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# Accounting

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## Special Revision Kit

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### ✓ Accounting for Partnership Business

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# 33 - ACCOUNTING

New Syllabus

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G.C.E A/L Examination

# 33 - Accounting

New Syllabus

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Questionbank.lk (Pvt) Ltd

No - 11

Mayura Road

Bellanvila

Borelasgamuwa

T: P – 077 3125364

Email – Questionbank.lk@gmail.com

### Supervision

#### Dhanushka Maduranga

*ACA, BSc. Accounting (Sp) J'pura*

#### Namal Dayarathne

*BSc. Administration (Sp) J'pura*

#### Dimuthu Madusanka

*CBA, BSc. Accounting (Sp) J'pura*

#### Ashan Chandimal

*BSc. Accounting (Sp) J'pura*

#### Lahiru Bandara

*BSc. Finance (Sp) J'pura*

### Designed & Created By

#### Gayan Rukantha

*Dip in Graphic Design*

## PREFACE

This paper has been created according to the prototype paper structure which has been issued by the department of examination of Sri Lanka in 2019 and the G.C.E Advanced level examination paper in 2020. We are expecting to maintain high-level quality in this paper by getting supervision of chartered accountants. The intention of this project is to ensure the equal rights of the education to all the students by providing high quality study materials in free of charge, and also eliminating the traditional barriers to the education by giving support to the teachers.

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## Partnership Business Accounting

**01.** The total loss shares of shareholders of the partnership carried out by A and B in the year 2021 was Rs. 70,000. The amount of capital interest received by the partners was Rs. 200,000. Partners did not entitle to a salary and the total value of drawings taken during the year 2021 was Rs. 100,000. What is the disposable profit for the year 2021?

- 1) Rs. 130,000                      2) Rs. 370,000                      3) Rs. 70,000  
4) Rs. 30,000                      5) Rs. 300,000

**02.** Re-examination of draft profit and loss account of the partnership revealed the following.

- Salaries of partners Rs. 500,000 has been debited to the profit and loss account.
- Capital interest paid to the managing partner of Rs. 175,000 had not been recorded.
- The interest amount of Rs. 150,000 on loans taken from partners had not been recorded.

The disposable profit of the partnership,

- 1) Increase by Rs. 250,000.              2) Decrease by Rs. 125,000.              3) Decrease by Rs. 350,000.  
4) Decrease by Rs. 250,000.              5) None of the above.

**03.** In a partnership, ACCA and QB partners share profits and losses equally. As at 01.01.2021, the balances in their capital accounts were Rs. 1,750,000 and Rs. 1,500,000 respectively. Achievers were added as a new partner on that day. They agreed to divide the profits and losses among themselves at a ratio of 3: 2: 1. The goodwill as at that date was estimated as Rs. 750,000. Achievers should bring an amount of Rs. 1,250,000 as capital and how much did each old partner receive for goodwill?

- 1) Rs. 137,500 each.  
2) Rs. 145,000 for ACCA and Rs. 130,000 for QB.  
3) Rs. 1,225,000 for ACCA and Rs. 1,225,000 for QB.  
4) Rs. 125,000 for QB.  
5) None of the above.

**04.** A and B are partners sharing profits to a ratio of 5:3 respectively. C joined the partnership to a profit share of 1/8. Total goodwill as at that date was estimated as Rs. 1,280,000 and C agreed to bring his goodwill portion in cash. Out of the goodwill portion of C, what is the amount that A and B are entitled to be received?

- 1) Rs. 100,000, Rs. 60,000              2) Rs. 80,000, Rs. 80,000              3) Rs. 1,000,000, Rs. 50,000  
4) Rs. 60,000, Rs. 60,000              5) Rs. 640,000, Rs. 640,000

**05.** All partners in the Sanga, Mahela, Dilshan partnership did goods drawings of Rs. 2,000 on beginning of each month starting from 01<sup>st</sup> of July. These drawings were not recorded in the books. Due to the above error, what is the impact on disposable income and current account balances of partners,

	Disposable income	Current account balances of partners
1)	Underestimate by Rs. 36,000.	No change
2)	Overestimate by Rs. 36,000.	Underestimate by Rs. 36,000.
3)	No change	No change
4)	Overestimate by Rs. 6,000.	Overestimate by Rs. 36,000.
5)	Underestimate by Rs. 6,000.	Underestimate by Rs. 36,000.

**06.** Abdul and Tharanga who are partners in a partnership shared profits equally. Nathan was admitted to the business as a new partner on that day. Abdul and Tharanga each devoted 1/10 of their profits in admitting Nathan to the business. What is the new profit sharing ratio of Abdul, Tharanga and Nathan partnership?

- |              |              |              |
|--------------|--------------|--------------|
| 1) 2 : 2 : 1 | 2) 2 : 3 : 1 | 3) 3 : 2 : 2 |
| 4) 3 : 2 : 1 | 5) 4 : 1 : 2 |              |

**07.** As the partnership between Amal and Kamal became unsustainable, all its assets could be sold for Rs. 800,000 only. On that day, all the liabilities of the business were Rs. 650,000. The partnership still had a balance of Rs. 180,000 that could not be recovered even after settling the all liabilities. If Amal and Kamal invested capital in a ratio of 2: 1, what is the equity amount of Amal would be?

- |                |                |                |
|----------------|----------------|----------------|
| 1) Rs. 330,000 | 2) Rs. 190,000 | 3) Rs. 222,000 |
| 4) Rs. 220,000 | 5) Rs. 110,000 |                |

**08.** Uvini and Nepuli are partners sharing profit and losses at a ratio of 3: 1. Uvini guarantees that Nepuli receives a minimum annual profit from the partnership. The table below shows how the profit for the year 2021 was divided according to this agreement.

Net profit of the year			1,200,000
Profit shares	Uvini	800,000	
	Nepuli	400,000	(1,200,000)
			0

According to the profit guaranteed by Uvini to Nepuli, what is the profit that Uvini dedicated?

- |                |                  |                |
|----------------|------------------|----------------|
| 1) Rs. 400,000 | 2) Rs. 300,000   | 3) Rs. 100,000 |
| 4) Rs. 150,000 | 5) Rs. 1,200,000 |                |

**09.** Following information are relevant to Kasun and Dimithu partnership business.

	As at 31.12.2021 (Rs.)	As at 01.01. 2021 (Rs.)
Total Assets	1,150,000	910,000
Total liabilities	840,000	750,000

During the year, drawings of Kasun and Dimuthu were Rs. 50,000 and Rs. 100,000. Assets at 31.12.2021 was included goods worth of Rs. 50,000 sold to customers but not yet handed over to them. Kasun and Dimuthu jointly invested Rs. 300,000 of additional capital. Profit or loss of the partnership for the year ended 31.12.2021 is,

- 1) Profit of Rs. 200,000.
- 2) Profit of Rs. 100,000.
- 3) Profit of Rs. 50,000.
- 4) Loss of Rs. 50,000.
- 5) None of the above.

10. Aruni and Kasuni, partners in the ACCA partnership shared profits equally. As at 01.01.2021, their capital accounts balances were Rs. 750,000 and Rs. 500,000 respectively. Piumi joined as a new partner on that day. They agreed to divide the profits among themselves at a ratio of 3: 2: 1. The goodwill of the business as at that date was estimated as Rs. 450,000. At the time of admission, Piumi had to bring Rs. 250,000 as capital and the equity balance of Piyumi after the goodwill adjustment is,

- |                |                       |                |
|----------------|-----------------------|----------------|
| 1) Rs. 175,000 | 2) Rs. 250,000        | 3) Rs. 100,000 |
| 4) Rs. 75,000  | 5) None of the above. |                |

11. POR partnership shares profit and losses at a ratio 3:1:1 respectively. According to the agreement,

- Paying 10% interest on opening capital.
- Partners are not entitled to a salary.
- Disposable income Rs. 200,000.
- Opening equity balances and the current account balances of the year is as follows.

<b>Total Equity</b>	<b>Current A/C balances</b>
P - Rs. 600,000	P - Rs. 100,000
Q - Rs. 200,000	Q - Rs. 50,000
R - Rs. 200,000	R - Dr - Rs. (100,000)

At the end of the year, P and R's current account balances are respectively,

- |                                   |                                    |                                |
|-----------------------------------|------------------------------------|--------------------------------|
| 1) Rs. 213,000 and Rs.(49,000) Dr | 2) Rs. 213,000 and Rs. (86,000) Dr | 3) Rs. 213,000 and Rs. 151,000 |
| 4) Rs. 49,000 and Rs. 213,000     | 5) Rs. 86,000 and Rs. 213,000      |                                |

12. Janaka, Sisitha and Nishmi carried out a partnership business sharing profits in the ratio of 5: 3: 2. Beginning of the year Sisitha retired from the business. Janaka and Nishmi continued the partnership sharing Sisitha's profits at a rate of 3: 2. The new profit or loss sharing ratio is,

- |         |                       |          |
|---------|-----------------------|----------|
| 1) 17:8 | 2) 2:1                | 3) 34:17 |
| 4) 5:3  | 5) None of the above. |          |

13. C joined as a new partner to the A and B partnership which had a profit sharing ratio of 3: 2. It was decided to give 1/3 share of the profits to C. The new profit sharing ratio of A, B and C is,







20. Singithi, Panchi and Kekuli carried out a partnership business. On 31.03.2021, Singithi retired from the business. It was agreed to transfer the her ownership to a loan account under a 15% annual interest rate. Following information has been provided in relation to it.

<b>Capital A/C as at 01.04.2020</b>	<b>(Rs.000)</b>
Singithi	1,000
Panchi	800
Kekuli	600

<b>Current A/C as at 01.04.2020</b>	<b>(Rs. 000)</b>
Singithi	400
Panchi	300
Kekuli	200

<b>Cash drawings 2020/21</b>	<b>(Rs. 000)</b>
Singithi	76
Kekuli	80

Loan provided by Panchi 01.10.2020	1,000
------------------------------------	-------

- I. Conditions of partnership agreement.
  - Capital interest rate is 12% per annum.
  - Each partner is entitled to a mothly salary of Rs. 18,000.
  - Loan provided by partners is entitled to a interest rate of 15% per annum.
  - Profit and losses are shared among Singithi, Panchi and Kekuli at a ratio of 5:3:2 respectively.
- II. On the day of Singithi's retirement (as at 31.03.2021), Singithi's goodwill portion of the partnership was estimated as Rs. 750,000 and the remaining partners agreed to continue the partnership by sharing profits and losses equally.
- III. A building belonging to Panchi has been provided to the partnership on a rental basis from 01.04.2020 and its monthly rent of Rs. 20,000 will be credited to the current account and paid in next month. From 01.01.2021 onwards, it was agreed to increase the rent upto Rs. 25,000.
- IV. It was calculated that net profit earned for the year ended 31.03.2021 was Rs. 3,200,000. Following errors were identified after calculating the above profit.
  - Interest had not been recorded on panchi's loan amount.
  - Interest on capital is paid for 6 months and the cash paid has been recorded as an expense.
  - Rent has been paid as agreed on the buildings provided by Panchi but has not been adjusted in calculating profit.
  - Rs. 198,000 worth of goods provided by kekuli personally to the business has not been recorded.
  - Goods drawings of Kekuli of Rs. 100,000 has not been recorded.
  - Personal income tax of Kekuli of Rs. 20,000 has been paid by the business and has been recorded as an business expense.

**Required,**

1. Profit correction statement of the business for the year ended 31.03.2021.
2. Profit or loss distribution statement for the year ended 31.03.2021.

3. Capital and Current A/Cs of partners for the year ended 31.03.2021.
4. Singithi's loan A/C as at 31.03.2021.

**21.** The financial position statement of Pawan and Ruwan partnership as at 31.03.2020, which shares profits at a ratio of 3: 2 respectively is as follows.

	Note	Rs. 000	Rs. 000
Non-current assets			2,700
Property plant and equipments	1		
Current assets			
Stocks		250	
Debtors	2	475	
Cash		50	775
			3,475
Equity and Liabilities			
Partners equity			
- Pawan		1,000	
Ruwan		800	1,880
Non-current liabilities			
Bank loan			955
Current liabilities			
Creditors		530	
Accrued expenses	3	110	640
			3,475

#### Notes

	Cost	Depreciation	Rs. 000 Carrying value
1 Land	200		200
Buildings	800	150	650
Motor vehicle	1,800	200	1,600
Furniture and equipment	300	50	250

	Rs. 000
2 Debtors	500
Provision for doubtful debts	(25)
	<u>475</u>

3 Rs. 50,000 payable to EPF is included in the accrued expenses.

#### Additional Information :

- I. On 01.04.2020, Nuwan joined as a new partner and partners agreed to the following.
  - Nuwan to bring Rs. 500,000 to the business as capital.
  - Agreed to share profit and losses among Pawan, Ruwan and Nuwan at a ratio of 2:2:1.

- Goodwill as at 01.04.2020 was estimated as Rs. 150,000 and adjusts the impact of it through the capital accounts.
- Pay interest to partners at 10% per annum on adjusted capital balances.
- Initial Partners have contributed to capital by investing Rs. 600,000 each and at the beginning of the partnership. On 01.04.2020, Pawan and Ruwan have invested Rs. 210,000 and Rs. 140,000 respectively as additional capital.

II. Profit of the business for the year ended 31.03.2021 was Rs. 580,000 and following have been omitted while calculating the above profit.

- Unrecorded accrued operating expenses as at 31.03.2021 were Rs. 100,000.
- A 5% provision for doubtful debts on the debtor balance as at 31.03.2021.
- All the PPE except land should be depreciated at a rate of 10% on cost and depreciation relevant for this year was not recorded.
- Other income not recorded as at 31.03.2021 was Rs. 200,000.

III. On 01.10.2020, Motor vehicle cost of Rs. 100,000 has been sold for Rs. 90,000 and the cash proceeds from the sale have been added to the net profit. Carrying value of these MV as at 31.03.2020 was Rs. 90,000.

IV. During the year Pawan, Ruwan and Nuwan have taken cash drawings worth of Rs. 70,000, Rs. 22,000 and Rs. 25,000 respectively.

### Required,

1. A statement showing the correct profit to be distributed for the year ended 31.03.2021.
2. Profit distribution statement of the business for the year ended 31.03.2021.
3. Capital A/Cs of the partners as at 31.03.2021.

22. On 01.04.2020, Madhuri joined the partnership business carried out by Sarani and Waruni by sharing profit and losses equally. Current accounts of the partnership for the year ended 31.03.2021 is as follows.

	Sarani	Waruni	Madhuri		Sarani	Waruni	Madhuri
Drawings	200	220	140	Balance B/F	500	300	-
Balance C/D	580	280	95	Salaries	-	-	175
				Capital interest	100	80	-
				Profit shares	180	120	60
	780	500	235		780	500	235

### Additional information,

- I. Madhuri brought cash of Rs. 550,000 on the day of joining to the partnership and Rs. 50,000 out of it is relevant for goodwill. All transactions relevant for the goodwill adjustments should be done through capital accounts of partners.
- II. Annual capital interest rate is 10%. Capital interest is calculated only on opening capital balances.
- III. On 01.01.2021, madhuri has provided a loan to the business worth of Rs. 400,000. There was no agreement regarding the interest and therefore loan interest has not been recorded.

IV. During the year sarani, waruni and madhuri have taken goods drawings worth of Rs. 20,000 each. No record was kept related to it.

**Required,**

1. Correct profit distribution statement for the year ended 31.03.2021.
2. Current accounts and capital accounts as at 31.03.2021 by considering the above additional information.

23. The following is an extract of the trail balance from the books of the Gold, Silver and Pearl partnership which shares profits and losses in the ratio of 2: 2: 1, for the year ended 31.03.2021. According to the partnership agreement, only silver is entitled to an annual salary of Rs. 48,000 and all the partners are entitled to 5% capital interest.

	<b>Dr</b>	<b>Cr</b>
Gross profit		600,000
Administration expenses	80,000	
Sales and distribution expenses	70,000	
Current A/cs - Gold		40,000
Silver		30,000
Pearl		20,000
Capital A/cs - Gold		200,000
Silver		240,000
Pearl		320,000
Debtors / Creditors	80,000	30,000
Fixed Assets	640,000	
Cash and cash equivalents	100,000	
Closing stock	70,000	
Bank loan		100,000
Receivable interest	10,000	
Fixed deposits	530,000	
	<b>1,580,000</b>	<b>1,580,000</b>

Following additional information has been provided to you.

- I. On 31.03.2021 Muthu decided to retire from the partnership and agreed to pay 50% of her ownership in cash on that day. After her departure, the remaining partners will share the profits equally and the goodwill as at that date was estimated to be Rs. 80,000 and agreed to adjust it through capital accounts.
- II. Goods drawings of Rs. 20,000 made by Gold has been omitted in the books of accounts and the closing stock of the business as at 31.03.2021 was Rs. 70,000. Net realizable value of it was Rs. 60,000.
- III. Gold had borrowed a loan of Rs. 50,000 from pearl. On the date on retirement of Pearl, she has requested it from gold. Therefore, an asset purchased by the business on 01.04.2017 for Rs. 160,000 was acquired by gold and then transferred it to Pearl in order to offset the loan amount.

This was not recorded in the books. Fixed assets are depreciated at 10% on cost. Depreciation relevant for this year was not yet recorded.

IV. Summary of fixed assets except the acquired motor vehicle asset (Additional Info III) is as follows.

<b>Purchased date</b>	<b>Net realizable value as at</b>
	<b>01.04.2020</b>
01.04.2016	360,000
01.04.2018	168,000

V. Following omissions had not been accounted yet as at 31.03.2021.

- Profit shares had been distributed without distributing partnership salary to Ridee in the previous year.
- Sales invoice of Rs. 20,000 has been omitted from the books.
- Rs. 10,000 of a purchase invoice had been accounted as a sales invoice.

**Required,**

1. Profit correction statement of the business and profit distribution account for the year ended 31.03.2021.
2. Capital A/cs and current A/cs of partners as at 31.03.2021.

24. Amal, Bimal and Chamal partnership engage in manufacturing business. Following information has been extracted from the financial position statement as at 31.03.2022.

<b>Stock</b>	<b>Rs. '000</b>
Raw material	600
WIP	
(Valued at production cost)	800
FG	1,200
<b>Capital A/Cs</b>	
Amal	10,000
Bimal	6,000
Chamal	4,000
<b>Current A/Cs</b>	
Amal	1,200
Bimal	1,000
Chamal	600
Loan A/C- Amal	4,000

**Additional information**

I. Terms of partnership agreement is as follows.

- ❖ Amal, Bimal and Chamal shares profit and losses at a ratio of 5:3:2 respectively.

- ❖ Partners receive a 10% interest on opening capital account balances.
- ❖ Partners are entitled to a 12% annual interest on the loans provided by them to the business.

II. Following information is provided to you for the year ended 31.03.2021.

	Rs. '000
Raw material purchase	1,400
Direct wages	700
Administration and distribution expenses	2,350
Finance expenses	350
Sales	9,700
Production overhead costs	300
 <b>Stocks as at 31.03.2021:</b>	
Raw material	1,000
WIP (valued at production cost)	600
Finished Goods (FG)	1,500

III. Loan interest of Amal has not been paid and no record was kept in this regard.

IV. Chamal was paid Rs. 10,000 of a monthly salary for working as the Factory Manager. The salary paid to Chamal for 10 months is included in the production overhead cost. Salary for the remaining period has not been paid or accounted.

V. Depreciation for the current year is Rs. 1,400,000 and it is recorded under administrative and distribution expenses. This value should be evenly distributed between the factory and the administrative office.

VI. Bimal retired from the partnership on 31.03.2021 due to a health problem. His goodwill portion as at that date was estimated as Rs. 2,100,000 and adjusted it in the capital account (does not maintain a goodwill account in the books). Out of the amount due to him of Rs. 3,000,000 was paid for medical treatment at retirement and the balance was transferred to a loan account. Amal and Chamal agreed to continue the partnership by sharing profits at a ratio of 5: 2 respectively.

**Required:**

1. Income statement of Amal, Bimal and Chamal partnership for the year ended 31.03.2021 (including the profit distribution to partners).
2. Capital and current A/C s of partners as at 31.03.2021.

25. Amal and Vimal engaged in a business sharing profits and losses equally. Following information are relevant for the year ended 31.03.2021.

- I. As at 31 March 2020, current account and capital account balances of the partners were as follows.

	<b>Amal (Rs)</b>	<b>Vimal (Rs)</b>
Capital A/Cs	600,000	500,000
Current A/Cs	250,000 (Cr)	100,000 (Dr)

- II. On 01.04.2020, Vimal retired from the business and on the same day Kamal joined the business with a 2/5 profit share. At the time of Vimal's retirement, the total amount payable to vimal was agreed as Rs. 500,000. As a part settlement of vimal's balance, kamal paid Rs. 300,000 from his personal money on behalf of the partnership and that amount is considered as an additional capital invested by him. In addition, kamal brought Rs. 200,000 worth of office equipments as a contribution to his capital portion. It was agreed to pay the vimal's balance in two equal annual installments. The accrued interest payable to him should be paid with the last installment. First installment was paid on 31.03.2021.
- III. Difference between Vimal's equity reported as at 01st April 2020 and the amount agreed upon above of Rs. 500,000 should be considered as Vimal's goodwill portion of the partnership. A goodwill account is not maintained in the books of accounts and all adjustments related to goodwill are made through the partners' capital accounts.
- IV. New partnership agreement consist of followings.
- Amal and Kamal should share profit and losses at a ratio of 3:2 respectively.
  - Kamal is entitled to a monthly salary of Rs. 10,000.
  - Partners receive a 10% interest rate annually on their capital account balances after goodwill adjustments.
  - Partners receive a 15% annual interest rate on loans and advances provided to the partnership by them.
  - Adjustments related to asset revaluation should be accounted through partners capital accounts.
- V. A building owned by Amal, which was being used as a warehouse by the partnership for a rent of Rs.10,000 was returned to him on 31<sup>st</sup> December 2020 upon his request. On the same day the warehouse was moved to a new place for a rent of Rs. 12,000 monthly. An annual rent was paid on 01<sup>st</sup> January 2021, as a two-year refundable deposit for the new location and the monthly rent is paid on the first day of the following month.
- VI. On 31.03.2021, the MV was revalued for Rs. 900,000 and it generated a revaluation surplus of Rs. 100,000.
- VII. MV and office equipment is depreciated at a rate of 10% on cost annually.
- VIII. Cash drawings of Amal and Kamal during the year was Rs. 80,000 and Rs. 60,000 respectively. Amal has taken goods worth of Rs. 8,000 for his peronal use from the partnership and this has not been accounted when calculating the profit for the year. All the ownerships receivable to the partners from the partnership can only be taken through drawings.
- IX. On 30 september 2020, Amal provided a loan to the partnership of Rs. 80,000.

Summarized income statement prepared for the year ended 31.03.2021 is shown below.



	Rs.
Sales	4,000,000
Cost of sales	(2,525,000)
Gross profit	<u>1,475,000</u>
Distribution expenses	(810,000)
Administration expenses	(500,000)
Finance expenses	(1,000)
Profit for the year	<u><u>174,000</u></u>

X. MV and office equipment depreciation, warehouse rent and interest are not taken into consideration in calculating profit for the year.

Required,

1. Income statement for the year ended 31.03.2021 including necessary adjustments (Profit distribution is not required).
2. Current A/Cs of partners for the year ended 31.03.2021.
3. Capital A/Cs of partners for the year ended 31.03.2021.
4. An extract of financial position statement of the business as at 31.03.2021.

26. Given below is a trial balance prepared by the partnership business of Kumara and Bhanuka as at 31.03.2020, sharing profits and losses at a ratio of 3:2.

	Dr (Rs.000)	Cr (Rs. 000)
Trade receivables and Trade payables	450	260
Pre-paid office expenses relevant to the year 2020/21	70	-
Trading stock	300	-
Bank loan (Interest free Loan)	-	150
20% Investments	200	-
Capital A/Cs - Kumara	-	700
Bhanuka	-	800
Current A/Cs - Kumara	40	-
Bhanuka	-	100
MV (net)	300	-
Office equipments	650	-
	<u>2,010</u>	<u>2,010</u>

On 01.04.2020, Prasanna joined to the business for a profit share of 1/5. Goodwill calculated as at that date was Rs. 500,000. Old partners shared the remaining profit equally after distributing the profit share relevant for the new partner.

#### **Additional Information,**

- I. Summary of bank transactions for the year ended 31.03.2021.

Office expenses	Rs. 280,000
Receipts from debtors	Rs. 750,000
Payment for creditors (Discount allowed Rs. 10,000)	Rs. 370,000
Investment interest	Rs. 15,000
Cash from MV sale	Rs. 290,000
Cash brought by prasanna	Rs. 500,000

- II. All the sales and purchases are done in credit basis.
- III. All the MV were sold on 30.09.2020. Depreciation is accounted annually at a rate of 10% on MV carrying value and 20% on office equipment carrying value.
- IV. Information relevant for the change in working capital as at 31.03.2021.

Item	Increase / (Decrease) (Rs.)
Trading stock	80,000
Debtors	120,000
Creditors	(10,000)
Bank	?

- V. Partners have agreed upon the following on 01.04.2020.
- To pay an annual interest rate of 10% on opening capital balances.
  - Pay a monthly salary to Kumara, Bhanuka and prasanna of Rs. 10,000, Rs. 15,000 and Rs. 10,000 respectively.
- VI. Payable business expenses as at 31.03.2021 was Rs. 20,000.

**Required,**

- Profit or loss statement of the business for the year ended 31.03.2021 (including the partners profit distribution).
- Partners capital A/Cs and Current A/Cs as at 31.03.2021
- Extracts of Current assets and Current liabilities to be shown in the financial position statement as at 31.03.2021.

# Suggested Answers

- |       |       |       |       |
|-------|-------|-------|-------|
| 01. 1 | 02. 3 | 03. 4 | 04. 1 |
| 05. 1 | 06. 1 | 07. 4 | 08. 3 |
| 09. 4 | 10. 1 | 11. 1 | 12. 1 |
| 13. 4 | 14. 4 | 15. 3 | 16. 2 |
| 17. 5 | 18. 2 |       |       |

(19)

01.

**ABC partnership  
Production cost statement  
for the year ended 31.03.2021**

Opening raw material	100,000	
Raw material purchases	3,000,000	
Closing raw material	(225,000)	
		2,875,000
Direct wages	122,500	
Direct other (royalty)	49,000	
Change in WIP	(72,100)	
		99,400
Prime cost		2,974,400
Production overhead costs		240,000
Total production costs		3,214,400

02.

**ABC partnership  
Income and profit distribution statement  
for the year ended 31.03.2021**

Sales		5,000,000
Opening stock	30,000	
Production cost	3,214,400	
Closing stock	(25,000)	
Gross profit		1,780,600
Other income		100,000
Loan interests		(27,000)
Overhead expenses		(120,000)
Net profit		1,733,600
<u>Profit distribution</u>		
Salary - A	20,000	
B	20,000	40,000

Profit shares	A	677,440	
	B	677,440	
	C	338,720	1,693,600
			-

03.

**Current accounts**

	A	B	C		A	B	C
B/F Drawings	300,000	60,000	60,000	B/F Salary	20,000	800,000	750,000
				Profit shares	677,440	677,440	338,720
C/D	397,440	1,437,440	1,028,720				
	697,440	1,497,440	1,088,720		697,440	1,497,440	1,088,720

(20)

**Singithi, Panchi and Kekuli partnership Business**

01.

**Profit correction statement (,000)**

Draft profit		3,200
(+) Capital interests	144	
Goods drawings	100	
Income tax	20	264
(-) loan interests – Panchi	75	
Building rent	255	
Goods supply	198	-528
Net profit		2,936

02.

**Singithi, Panchi and Kekuli partnership**

**Profit & Loss distribution statement**

**For the year ended 31.03.2021 (,000)**

Net profit		2,936
Capital interest S	120	
P	96	
K	72	(288)
Salary S		2,648
P	216	
K	216	
	216	(648)
Profit shares S	1,000	2,000
P	600	
K	400	(2,000)
		-

03.

**Capital Account**

**(,000)**

	S	P	K		S	P	K
Goodwill		375	375	B/F	1,000	800	600

Loan account	1,750			Goodwill	750		
		425	225				
C/D	1,750	800	600		1,750	800	600

**Current account (,000)**

	S	P	K		S	P	K
Capital interest	60	48	36	B/F	400	300	200
Building rent		255		Loan interests		75	
Goods drawings	100			Building rent		255	
Income tax			20	Goods			198
Loan A/C	1,576			Supplied			
				Capital	120	96	72
				interests			
				Salary	216	216	216
				Profit shares	1,000	600	400
C/D		1,239	1030				
	1,736	1,542	1,086		1,736	1,542	1,086

**04. Loan A/C – Singithi**

		Current A/C	1,576
		Capital A/C	1,750
C/D	3,326		
	<u>3,326</u>		<u>3,326</u>

**(21) Pawan, Ruwan and Nuwan partnership**

**01. Profit correction statement**

Drafted profit		580,000
(+) Provision for D.D	10,000	
Gains from asset sales	5,000	
Other income	200,000	215,000
		<u>795,000</u>
(-) MV depreciation	175,000	
Accrued expenses	100,000	
Building depreciation	80,000	
Furniture and equipment	30,000	
Assets disposal profit	90,000	(475,000)
		<u>320,000</u>

**02. Pawan, Ruwan and Nuwan partnership**

**Profit distribution statement**

**for the year ended 31.03.2021**

Net profit		320,000
Capital Interests -P	78,000	
- R	70,000	

- N	47,000	(195,000)
Profit shares -P	50,000	125,000
-R	50,000	
-N	25,000	(125,000)
		0

03.

**Capital A/Cs**

	P	R	N		P	R	N
Goodwill	60	60	30	Balance	600	600	
				Capital			500
				Additional capital	210	140	
				Goodwill	90	60	
C/D	840	740	470				
	900	800	500		900	800	500

(22)

01.

**Sarani, Waruni and Madhuri partnership**

**Profit correction statement (,000)**

Drafted profit		715
+ Goods drawings	60	
- Loan interests	-5	
Correct profit		770

**Sarani, Waruni and Madhuri partnership**

**Profit and loss distribution statement**

**for the year ended 31.03.2021 (,000)**

Profit		770
Capital Interests S	100	
W	80	(180)
		590
Salary -M	175	(175)
		415
Profit shares S	208	
W	138	
M	69	(415)
		-

02.

**Current A/Cs**

**(,000)**

	S	W	M		S	W	M
Drawings	200	220	140	B/F	500	300	
Drawings	20	20	20	Capital interest	100	80	
				Salary			175
				Profit shares	208	138	69
C/D	588	278	89	Loan interest			5
	808	518	249		808	518	249

Capital A/Cs				(,000)			
	S	W	M		S	W	M
Goodwill			50	B/F	1,000	800	
				Capital			550
C/D	1,025	825	500	Goodwill	25	25	
	1,025	825	550		1,025	825	550

(23)

01.

**Gold, Silver and Pearl partnership**

**Profit correction statement (,000)**

Draft profit		450
(+) Goods drawings	20	
Sales	20	40
(-) Stock written off	10	
Loss from acquired asset	46	
Depreciation	97	
Purchase invoice	20	(173)
Correct profit		317

**Gold, Silver and Pearl partnership**

**Profit and loss distribution statement**

**For the year ended 31.03.2021 (,000)**

Net profit		317
Capital Interest G	10	
S	12	
P	16	(38)
Salary G	48	280
		(48)
Profit shares G	93	232
S	93	
P	46	
		(232)
		-

02.

**Capital A/Cs**

**(,000)**

	G	S	P		G	S	P
Goodwill	40	40		B/F	200	240	310
Loan A/C			326	Goodwill	32	32	16
C/D	192	232			232	272	326
	232	272	326				

**Current A/Cs**

**(,000)**

	G	S	P		G	S	P
Drawings	20			B/F	40	30	20
				Capital interests	10	12	15.5

Acquired assets	50			Ommitted salary		48	
Ommitted salary	19.2	19.2	9.6	Profit shares	92.6	92.6	26.3
Loan A/C			72.2	Salary		48	
	53.4	211.4					
C/D	142.6	230.6	81.8		142.6	230.6	81.8

24.

**Amal, Bimal and Chamal partnership**  
**Income statement**  
**for the year ended 31.03.2021 Rs. '000**

01.

Sales		9,700
Cost of sales (workings)		(2,800)
Gross profit		6,900
Administration and depreciation expenses	1,650	
Finance expenses	350	
Loan Account of Amal	480	(2,480)
Profit for the period		4,420
Capital interests		
Amal	1,000	
Bimal	600	
Chamal	400	(2,000)
Salary Chamal	120	(120)
Profit shares		
Amal	1,150	
Bimal	690	
Chamal	460	(2,300)
		-

02.

**Capital A/Cs (Rs.'000)**

	A	B	C		A	B	C
Goodwill	1,500		600	B/F	10,000	6,000	4,000
Cash		3,000		Loan A/C- B		2,380	
Loan A/C- B		7,480		Goodwill		2,100	
C/D	8,500		3,400				
	10,000	10,480	4,000		10,000	10,480	4,000



**Current A/Cs**

	A	B	C		A	B	C
Salary paid		-	100	B/F	1,200	1,000	600
Capital A/C -B		2,380		Capital Interest	1,000	600	400
				Profit shares	1,300	780	520
				Loan interests	480		
Balance C/D	3,980	-	1,540	Manager's salary			120
	3,980	2,380	1,640		3,980	2,380	1,640

**Workings**

**Production cost for the year ended 31.03.2021**

Description	Cost	Rs.'000
RM stock as at 01.04.2020	600	
RM purchases	1,400	2,000
RM stock as at 31.03.2021		(1,000)
Cost of RM consumption		1,000
Direct wages		700
Prime cost		1,700
Production overhead cost		
Depreciation	700	
Salary	200	900
Production overhead costs		2,600
(+) WIP as at 01.04.2020	800	
(-) WIP as at 31.03.2021	(600)	200
Total production cost		2,800

(25)

01.

**Amal and Kamal partnership**

**Income statement for the year ended 31.03.2021**

		Rs.000
Sales		4,000
Cost of sales		(2,517)
Gross profit		1,483
Distribution expenses	900	
Administration expenses	646	
Finance expenses	17	(1,563)
Loss for the year		(80)

02.

**Current A/Cs**

**(,000)**

	A	V	K		A	V	K
B/F	-	100	-	B/F	250	-	-
Drawings-cash	80	-	60	capital/ loan A/C	-	100	-
Drawings-goods	8	-	-	Salary	-	-	120

Loss shares	180	-	120	Loan interests	6	-	-
				Capital interests	58	-	42
				Warehouse rent	90	-	-
C/D	136	-	-	C/D			18
	404	100	180		404	100	180
B/B/F			18	B/C/F	136	-	-

03.

**Capital A/Cs (,000)**

	A	V	K		A	V	K
Current A/Cs	-	100	-	B/BF	600	500	-
Kamal	-	300	-				
Goodwill	120	-	80	Vimal	-	-	300
Loan A/C - Vimal	-	200	-	Office equipment	-	-	200
				Goodwill	100	100	-
B/C/D	640	-	460	MV revaluation profit	60	-	40
	760	600	540		760	600	540
				B/C/D	640	-	460

04.

**Amal and Kamal partnership**

**Draft Financial position statement as at 31.03.2021 Rs.000**

<b>Non current assets</b>		
Motor vehicle		900
Equipment (200-20)		180
<b>Current assets</b>		
Rent advance		144
<b>Equity</b>		
Capital A/Cs – Amal	640	
Kamal	460	
Current A/Cs - Amal	136	1,100
Kamal	-18	
Non current liabilities- Amal		-118
<b>Current Liabilities</b>		
Loan A/C	80	
Acc. warehouse rent	12	
Acc loan interest – Vimal	10	
Loan A/C – Vimal	100	

(26)

01.

**Kumara, Bhanuka and Prasanna partnership**

**Profit or loss statement**

**For the year ended 31.03.2021 Rs. 000**

Sales		870
Opening stock	300	
Purchases	370	
Closing stock	(380)	(290)
Gross profit		580
Other income		55
Business expenses	370	
MV Dep	15	
Office equipment Dep	130	(515)
Net profit		120
Capital Interest K	80	
B	80	
P	40	(200)
Salary K	120	
B	180	
P	120	(420)
Profit shares K	(200)	
B	(200)	
P	(100)	(500)
		-

02.

**Capital A/Cs**

**(,000)**

	<b>K</b>	<b>B</b>	<b>P</b>		<b>K</b>	<b>B</b>	<b>P</b>
Goodwill	200	200	100	B/F	700	800	
				Goodwill	300	200	
C/D	800	800	400	Capital			500
	1,000	1,000	500		1,000	1,000	500

**Current A/Cs**

**(,000)**

	<b>K</b>	<b>B</b>	<b>P</b>		<b>K</b>	<b>B</b>	<b>P</b>
B/F	40			B/F		100	
Loss shares	200	200	100	Capital interests	80	80	40
				Salary	120	180	120
C/D		160	60	C/D	40		
	240	360	160		240	360	160

**03.**

**Current assets**

Closing stock 380

Receivable investment 25

income

Cash 755

Debtors 570

**Current Liabilities**

Creditors 250

Payable Expenses 20

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