

IDEAL / e-LIVE / I.P.C.C. / ACCOUNTS

Q.2. A, B and C were partners sharing profits and losses in the ratio of 5 : 3 : 2 On 31st December, 2004 their Balance Sheet was as follows :

Liabilities	Rs.	Assets	Rs.
Sundry Creditors	12,000	Goodwill	5,000
Joint Life Policy Reserve	1,000	Joint Life Policy (representing 10% of Sum Assured)	1,000
General Reserve	6,000	Leasehold Premises	20,000
Capital Accounts:		Patents	6,000
A	30,000	Machinery	31,200
B	25,000	Investments	3,000
C	16,000	Stock	10,000
		Sundry Debtors	8,000
		Loan to C	1,000
		Cash at Bank	4,800
	90,000		90,000

C died on 1st May, 2005. It was agreed between his executors and the remaining partners that :-

- (a) Goodwill be valued at 2 ½ years purchase of average of four completed years' profits which were :
- (b) Patents undervalued by Rs.2,000; Machinery overvalued by Rs.3,200 and Leasehold Premises undervalued by Rs.5,000.
- (c) C's share of profit from the closure of last accounting year till date of death be calculated on the basis of the average of three completed years' Profits before death.
- (d) Investments be sold for Rs.4,200 and a sum of Rs.6,200 be paid to C's Executors immediately. The remainder to be paid in four equal half-yearly instalments together with interest @ 10% p.a. at half-yearly rest.

You are required :

- (a) to give the necessary journal entries to be passed on C's death;
- (b) to prepare the Capital Accounts of all the partners;
- (c) to prepare the Balance Sheet of A and B immediately after C's death;
- (d) to prepare C's Executor's Account till it is finally settled.

