



RANI CHANNAMMA UNIVERSITY

B.Com – 2nd Semester**Financial Accounting – II**

UNIT – 4: LIMITED LIABILITY OF PARTNERSHIP

Introduction:

Any country is developed where business is to be grown. The government of India since 1990's introducing the LPG to increase its economy strength. The companies act of 1956 was passed, and the Indian partnership act 1932 was also passed to develop trade and commerce. Recently some disadvantages of companies act and partnership act were found and hence a hybrid form of partnership called "limited liability partnership" act of 2008 was passed to overcome the demerits of old act. The act came in force from 1.04.2009

Meaning of LLP:

It is a body corporate having a separate entity from its partners and it has a perpetual succession

In case of LLP, minimum 2 partners but no limit on number of partners. And also, LLP has unlimited corporate capacity for the companies act 1956. A partnership can be converted into limited liability partnership (LLP) by transferring of the properties, assets, interest, privileges, liabilities to the whole undertaking in accordance with schedule

Designated Partners:

Designated partners are those partners who shall be individuals and at least one of the designated partner shall be a resident of India. Indian resident means a person who has stayed in India for a period of not less than 182 days. Then central government will issue DPIN (Designated partner Identification Number) to identify a particular person

Mergers & Amalgamation of LLP:

Under sec 60 to 62 of LLP acts provides the manner in which compromises or arrangement including mergers & amalgamation shall be made

Winding up to LLP:

The LLP may be closed/wound up either voluntarily or by the National company law tribunal (NCLT)

Statement of account & audit:

The limited liability partnership has to prepare the statement of account as prescribed in part B of form 8 of rule 24

1] statement of assets and liabilities

2] statement of income & expenditure

Such statement should be prepared only in vertical form and not in the horizontal form

Part B
Statement of assets & liabilities as on

SL NO	Particulars	Amt	Total
A	Contribution of liabilities		
	1] partners fund capital	Xxx	
	2] reserve and surplus	Xxx	Xxx
	3] liabilities		
	A] secured loans	Xxx	
	B] unsecured loans	Xxx	
	C] short terms borrowing	Xxx	Xxx
	D] trade payables	Xxx	
	E] advance from customer	Xxx	Xxx
	4] other liabilities		Xxx
	5] provisions		
	A] taxation	Xxx	
	B] contingency's	Xxx	
	C] insurance	Xxx	
	D] other provisions	Xxx	Xxx
B	Total liabilities		Xxxx
	Assets		
	A] fixed assets		Xxx
	B] investment		Xxx
	C] loans and advances		Xxx
	D] inventories		Xxx
	E] debtors		
	Trade receivables	Xxx	
	Advance to suppliers	xxx	Xxx
	F] cash and cash equivalents		Xxx
	G] other asset (if any)		Xxx
	Total		xxxx

Statement of income and expenditure for the year ending 31\03\20....

Sl no	Particular	Amt	Total
1	Income :		
	A] sales		Xxx
	B] other income		Xxx
	C] increase in stock		Xxx
2	Gross income		Xxxx
	Expenses	Xxx	
	A] purchases	Xxx	
	B] personal expenses	Xxx	
	C] administrative expenses	Xxx	
	D] selling expenses	Xxx	
	E] depreciation	Xxx	
	F] interest	xxx	
	G] other expenses		Xxxx
	Profit before tax		Xxxx
	H] provision for taxes		Xxx
	Profit after tax		xxxx

Illustrations based on 5 marks**Problem no:1**

From the following information calculate partners contribution of Laila & majanu opening contribution

Laila	800000
Majanu	600000
Drawings	
Laila	40000
Manaju	60000
Interest on capital	10%
Profit after tax	280000
Profit sharing ratio	equal

Solution

Calculation of contribution

Particular	Rs	Rs
1]Laila opening balance	800000	
ADD: 10% interest	80000	
	880000	
ADD: profit	140000	
	1020000	
LESS: drawing	40000	
	980000	980000
2]manaju opening balance	600000	
ADD: 10% interest	60000	

ADD: profit	660000	
	140000	
	800000	
Less : drawing	60000	
	740000	740000
		1720000

Problem no 2

From the following information prepare statement of contribution as on 31.12.19 the profit loss in the ratio of equal

Particular	debit	Credit
Kalu capital		900000
Balu capital		500000
Drawing of kalu	100000	
Drawing of balu	50000	
Building	1250000	
	1400000	1400000

Adjustment

A] allow for interest on capital at 6%

B] kalu is entitled to a salary of Rs 100000 p.a

C] profit before tax Rs 500000

D] provision for income tax at 30% of profit

Solution:

Particular	Amt	Total
A] contribution & liabilities		
Kalu capital	900000	
ADD: 6% interest	54000	
ADD: Salary	100000	
	1054000	
ADD: 1\2 share of profit	250000	
	1304000	
LESS: drawing	100000	
	1204000	1204000
Balu capital	500000	
ADD: 6% interest	30000	
ADD: 1\2 share of profit	250000	
	780000	
LESS: drawings	50000	
	730000	730000
TOTAL		1934000

Problems on 15 marks**Problem no 1**

From the following trial balance of x co a limited liability partnership and the other information given below prepare the statement of income and expenditure for the year ending 31.03.2016 and the statement of assets and liabilities as on 31.03.2016

No	Name of Accounts	dr	Cr
1	Partner contribution		1000000
2	General reserve		120000
3	Mortgage loan from bank on building		80000
4	Unsecured loan		60000
5	Trade payable		84000
6	Turnover (sale)		2460000
7	Excise duty on turnover	60000	
8	Interest from bank & on investment		30000
9	Opening stock (on 1.04.2015)	200000	
10	Purchases	1310000	
11	Purchases returns		30000
12	Salaries and wages	364000	
13	Rent and rates	148000	
14	Printing and stationery	6000	
15	Postage and telephone charges	12000	
16	Light charges	24000	
17	Advertisement	20000	
18	Carriage on sales	8000	
19	Interest on loans	58000	
20	Building	600000	
21	Furniture and fitting	240000	
22	Investments in govt securities	140000	
23	Trade receivable	160000	
24	Cash in hand	94000	
25	Cash at bank	420000	
		3864000	3864000

Other information

A] closing stock on 31.03.2016 was valued at RS 250000

B] unpaid salaries and wages were RS 4000 and outstanding interest amounted to RS 12000

C] Depreciate building by 5% and furniture and fittings by 10%

D] make provision for bad and doubtful debts at RS 10000

E] make provision for income tax RS 80000

(RCUB May 2016)

Solution :

Statement of Income and Expenditure
For the year ending 31.03.2016

Particular	RS	RS
1 income:		
A] turnover (sale)	2460000	
Less : Excise duty	60000	2400000
B] other income :		
Interest from bank & investments		30000
C] increase in closing stock (i.e. closing stock 250000- 200000 opening stock)		50000
GROSS INCOME		2480000
2 Expenses:		
A] purchases 13100000	1280000	
Less: Returns 30000		
B] personal expenses;		
Salaries & wages 364000	368000	
ADD: unpaid amount 4000		
C] Administrative expenses;	148000	
Rent & rates	6000	
Printing & stationary	12000	
Postage & telephone charges	24000	
Light charges		
D] selling expenses	20000	
Advertisement	8000	
Carriage on sales		
E] depreciation on:		
Building (i.e. 5% on 600000) 30000	54000	
Furniture & fitting (i.e. 10%) 24000		
F] interest on loans 58000	70000	
ADD: outstanding 12000		
G] other expenses:		
Provision for bad & doubtful debts	10000	2000000
PROFIT BEFORE TAX		480000
H] provision for income tax		(-)80000
PROFIT AFTER TAX		400000
I] Profit taken to statement of asset and liabilities		400000
Balance		NIL

Statement of assets and liabilities
Of X & co LLP as at 31.03.2016

Particular	RS	RS
1] contribution & Liabilities		
A] Partners funds		
As per last Balance sheet		1000000
B] general reserve		
As par last balance sheet		120000
Profit during the year		400000
2] liabilities		
A] secured loans		
From bank		80000
B] unsecured loans		
From others		60000
C] trade payables		84000
D] other liabilities		
Interest on loan outstanding	12000	
Unpaid salary and wages	4000	16000
E] other liabilities		
F] provision for income tax		80000
TOTAL		1840000
ASSETS		
A] fixed assets		
Building	600000	
Less: dept (at 5%-	30000	580000
Furniture and fittings	240000	
Less : dept (10%)	24000	260000
B] investment		140000
C] loans and advance		
D] inventories (closing stock)		250000
E] trade receivables	160000	
Less: provision for bad and doubtful debts	10000	150000
F] cash and cash equivalents		
Cash in hand	94000	
Cash at bank	420000	514000
G] other assets		
TOTAL		1840000

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