INDIAN SCHOOL MUSCAT

Class : XII

HALF YEARLY EXAMINATION- 2017

12/09/ 2017

ACCOUNTANCY (055)

Maximum Marks:90

Time allowed: 3 hrs

PART A - ACCOUNTING FOR PARTNERSHIP FIRMS

1	Akshit, Aakash and Aman are partners. They do have a partnership deed. Akshit and Aakash devoted full time to manage the business and therefore, they want salary of ₹20000 per month but Aman does not agree to it. Is the claim of Akshit and Aakash justified?	1
2	If the amount of super profit is negative, what does it indicate?	1
3	State the ratio in which the partners share profits and losses on revaluation of assets and liabilities, when there is a change in profit sharing ratio amongst existing partners?	1
4	P, Q and R are partners sharing profits and losses in the ratio of 5:3:2. Calculate the new profit sharing ratio and sacrificing ratio if R acquires $1/10^{th}$ share equally from P and Q.	1
5	Rahul is admitted as a partner in M/S ABC & Co. Rahul was to bring ₹1,00,000 as goodwill. But he is not in a position to bring in the goodwill. The accountant has recorded an entry in the books of accounts by debiting goodwill account and crediting sacrificing partners' capital account. Do you think the accountant has recorded the entry correctly? Give reasons	1
6	How will you treat accumulated profit/losses at the time of dissolution of the firm?	1
7	After doing their graduation Shabir suggested to his classmate David to form a partnership to sell low cost school uniforms to the students belonging to low income group who have been admitted to the private schools of the city as per provisions of Right to Education Act. David agreed to the proposal and requested to admit his friend Charu, a visually handicapped unemployed person also to be a member of the proposed firm. All of them agreed to form a partnership firm but they were not having enough capital to invest. Shabir therefore persuaded a rich friend of his, Rafiq, who hailed from Assam to be a partner and contributed the required	3

capital. All of them formed a partnership on the following terms:

a) Shabir will contribute ₹1,00,000, David ₹50,000, Rafiq ₹10,00,000 and Charu will be a partner without capital

b) Profits will be shared equally

c) Interest on capital will be allowed @ 5% p.a.

The profits of the firm for the year ended 31.3.2016 were ₹1,50,000

a) Indentify any two values which according to you motivated them to form the partnership firm

b) Prepare profit and loss appropriation account of the firm for the year ending 31.3.2016

8 N, J and R are partners sharing profits in the ratio of 4:3:2. On 1.4.2016, J gave a notice to retire from the firm. N and R decided to share future profits in the ratio of 1:1. The capital accounts of N and R after all adjustments showed a balance of ₹43000 and ₹80500 respectively. The total amount to be paid to John was ₹95500. This amount was to be paid by N and R in such a way that their capitals become proportionate to their new profit sharing ratio. Calculate the amount to be brought in or paid off by N and R by the showing the workings clearly. 3

9 Parul, Payal and Priyanka are partners. They decided to dissolve the firm. Pass the necessary journal entries for the following after the various assets (other than cash and bank) and outside liabilities have been transferred to realization account. 3

a) There were total debtors of ₹76000. A provision for bad and doubtful debts also stood in the books at ₹6,000. ₹12000 debtors proved bad and rest paid the amount due.

b) Parul agreed to pay off her husband's loan of ₹7000 at a discount of 5%.

c) A contingent liability(not provided for) of ₹ 4000 was also discharged

10 Abhay and Bijoy are partners in a firm. They admit Chetan as a partner with one-fourth share in the profits of the firm. Chetan brings ₹2, 00,000 as his share of capital. The value of the total assets of the firm is ₹540000 and outside liabilities are valued at ₹1, 00,000 on that date. Give the necessary entry to record goodwill at the time of Chetan's admission. Also show your working notes. 4

11 On 1.4.2016, an existing firm had assets of ₹7500 including cash ₹500. Its creditors amounted to ₹500 on that date. The partners capital account showed a balance of ₹6000 and the reserve constituted the rest. If the normal rate of return is 10% and the goodwill of the firm is valued at ₹2400 at 4 years purchase of super profit, find the average profits per year of the existing firm. 4

12 K, S and A are partners sharing profits and losses as 25%, 35%, 40% respectively. K decided to retire with the consent of other partners and sold her share to S. Goodwill was valued at two and a half year purchase of the average profits of three years. Profits of these three years were ₹150000, ₹170000 and ₹160000. Reserve fund stood in the balance sheet at ₹130000 at the time of retirement. You are required to record necessary journal entries regarding above adjustment on K's retirement. Also prepare K's capital account to find out the amount due to K when K's capital balance in the balance sheet was ₹125000 before any of the above adjustment. 6

13 A , B and C were partners sharing profits and losses in the ratio of 5:3:2.Their Balance Sheet as on 31st December 2011 was as follows: 6

Balance Sheet As 31st December 2011

Liabilities		Amount ₹	Assets	Amount ₹
Capital Accounts:			Investments	10,000
A	30,000		Goodwill	5,000
B	30,000		Premises	20,000
C	20,000	80,000	Patents	6,000
Reserve fund		6,000	Machinery	30,000
Creditors		14,000	Stock	13,000
			Debtors	8,000
			Bank	8,000
		1,00,000		1,00,000

C died on 1st may 2012. The agreement between the executors of C and the partners stated that:

a) Goodwill of the firm is valued at 2 ½ times the average profits of last four years. The profits of last four years were: ₹ 13,000 in 2008, ₹ 12,000 in 2009, ₹ 16,000 in 2010 and ₹ 15,000 in 2011.
b) The Patents be valued at ₹ 8,000, Machinery at ₹ 25,000 and Premises at ₹ 25,000.
c) The share of profits of M should be calculated on the basis of the profit of 2011
d) ₹ 4,200 should be paid immediately and the balance should be paid in 4 equal half-yearly installments carrying interest @ 10%.

Prepare Revaluation account and C's Capital account.

14 L, R and S are sharing profits and losses in the ratio of 5:3:2. They decided to share future profits and losses in the ratio of 2:3:5 with effect from 1.4.2016. They also decided to record the effect of the following revaluations without effecting the book value of the assets and liabilities by passing a single adjusting entry 6

Items	Book Figure ₹	Revised Figure ₹
Building	10,00,000	11,00,000
Machinery	5,00,000	4,80,000
Creditors	1,20,000	1,10,000
Outstanding expenses	1,20,000	1,50,000

Pass the necessary single adjusting entry by showing the workings clearly

15 A and B is partners in firm sharing profits in the ratio of 2:1.Following is the balance sheet of the firm as on 31st December 2016. 6

Balance sheet

Liabilities	Amount ₹	Assets	Amount ₹
A's Capital	2,00,000	Drawings	
B's Capital	70,000	A	20,000
Creditors	100,000	B	10,000
		Sundry Assets	3,40,000
	3,70,000		3,70,000

Profit for the year 2016 ₹ 60,000 was divided between the partners in the agreed ratio, but interest on capital at 9%p.a. and on drawings at 12%p.a. was inadvertently ignored. Interest on drawings may be calculated on an average basis for 6 months. Pass an adjusting entry.

16 Ajith and Sujith who were sharing profit in the ratio of 5:3 admit Geojit as a partner with 1/5 share in profits. He had to contribute proportionate capital. The financial position was as under: 8

Balance Sheet as on 31.12.2012

Liabilities	Amount ₹	Assets	Amount ₹
Creditors	19,000	Goodwill	10,000
Bills Payable	8,000	Land & Building	25,000

Capital:		Plant & Machinery	35,000
Ajith 55,000 Sujith 30,000	85,000	Stock	20,000
		Debtors	25,000
General Reserve	16,000	Investments	14,000
Provision for Bad Debts	1,500	Bank	2,400
Outstanding Rent	2,400	Unexpired Insurance	500
	1,31,900		1,31,900

They agreed to admit Geojith, a new partner on the following terms:

a) Geojjith brings in ₹ 26, 000 as his share of goodwill out of the total goodwill of ₹ 40, 000. Half the amount of goodwill is withdrawn by the old partners.

b) Land & Building and Plant & Machinery were to be valued at ₹ 38, 000 and ₹ 30, 000 respectively.

c) The provision for doubtful debts was to be maintained up to ₹ 1, 000.

d) A liability for ₹ 1, 200 included in Sundry creditors were not likely to arise.

e) ₹ 10, 000 of investments were taken over by old partners.

f) Sujith is to withdraw ₹ 2, 400 in cash.

g) An amount of ₹ 100 is outstanding for repairs.

h) The capitals of the partners were to be adjusted in profit sharing ratios by opening current accounts.

Prepare Revaluation account, Partners capital account and the new Balance sheet on the admission of Geojith.

17 A, B and C were partners sharing profits in the ratio of 3:1:1. Their balance sheet as on 31.3.2016, the date on which they dissolve their firm, was as follows:- 8

Liabilities	Amount ₹	Assets	Amount ₹
A's capital	27,500	Sundry assets	17,000
B's capital	10,000	Stock	7,800
C's capital	7,000	Debtors 24200	
Loan	1,500	Less: provision 1,200	23,000
Creditors	6,000	Bills Receivables	1000

		Cash	3,200
	52,000		52,000

It was agreed that:

a) A to take over Bill receivable at ₹ 800, debtors amounting to ₹20000 at 17,200 and the creditors of ₹ 6000 were to be paid by him at this figure.

b) B is to take over all stock for ₹ 7000 and some sundry assets at ₹ 7200 (being 10% less than the book value)

c) C is to take over remaining sundry assets at 90% of the book value and assume the responsibility of discharge of loan together with accrued interest of ₹ 300

d) The expenses of realization were ₹ 270. The remaining debtors were sold to a debt collecting agency at 50% of the book value.

Prepare Realisation account, Capital accounts and Cash account

PART B – ANALYSIS OF FINANCIAL STATMENTS

18 Give two examples for short term provisions 1

19 What is meant by contingent liabilities? 1

20 Under what major and sub headings will you show the following items: 3

a) Unclaimed dividend

b) Loans repayable on demand

c) Tax reserve

d) Interest on calls in advance

e) Mining rights

f) Encashment of employees earned leave payable on retirement

21 Explain briefly the limitations of analysis of financial statements. 4

22 Prepare a comparative statement of profit and loss with the help of the following information: 4

Particular	31.03.2015	31.03.2016
Revenue from operations	₹ 5,00,000	₹ 8,00,000
Cost of materials consumed	90% of revenue	70% of revenue
Indirect expenses	₹ 15,000	₹ 25,000
Rate of income tax	50%	50%

23 Prepare the Common Size Balance sheet of Star Ltd. as on 31.3.2016 from the following information: **4**

Particulars	Note No.	31.03.2016 (₹)
I. Equity and Liabilities		
1. Shareholders' funds		
(a) Share capital		30,00,000
(b) Reserves and Surplus		4,00,000
2. Non-Current Liabilities		
long term borrowings		10,00,000
3. Current Liabilities		
Trade payables		6,00,000
TOTAL		50,00,000
II. ASSETS		
(1) Non-Current Assets		
(a) Fixed Assets		
(i) Tangible assets		30,00,000
(ii) Intangible assets		6,00,000
(2) CURRENT ASSETS		
(a) Inventories		10,00,000
(b) Cash and cash equivalents		4,00,000
TOTAL		50,00,000

End of the Question Paper