INDIAN SCHOOL MUSCAT

FIRST TERM EXAMINATION

APRIL/MAY 2018

CLASS XII

Marking Scheme – ACCOUNTANCY [THEORY]

General Instructions:
1. All questions are compulsory.
2. Please write question number before attempting a question.
3. Attempt all parts of a question at one place.
4. Use of calculators or any other calculating device not allowed.
5. Show clearly working notes wherever necessary.

1	Ans : Besides a minor and an insolvent person, a person of unsound mind cannot be admitted as partner.	1
2	Ans : Interest on Partner's Loan= 50,000 x 6/100 x 9/12 = Rs.2,250	1
3	Ans : Number of years' purchase means the years for which the purchaser of Goodwill expects that the profits are likely to be earned in future.	1
4	No, change in profit sharing ratio does not result in dissolution of partnership firm. It results in change in partnership meaning in Reconstitution of a firm.	1
5	Ans : Q and R are sacrificing in 1/40 each, however P is gaining 2/40	1
6	Ans : Journal	1

Date	Particulars	L.F	Dr.(Rs.)	Cr. (Rs.)
	General Reserve a/c Dr		20,000	
	To Workmen Compensation Reserve a/c			5,000
	To X's Capital a/c			7,500
	To Y's Capital a/c			7,500
	(Being 25% of General Reserve is transferred to Workmen Compensation Reserve and balance transferred to Old Partners' Capital a/c in their old ratio)			

7	Ans : Z's Capital = 25/100 x (Rs.2,40,000 + Rs.1,60,000) = Rs.1,00,000	1
8	Ans : A's share = 3/8 – 2/7 = 21 – 16/56 = 5/56 B's share = 3/8 – 1/7 = 21 – 8/56 = 13/56 C's share = 2/8 – 1/7 = 14 – 8/56 = 6/56 D's share = 4/7 Thus NPSR = 5 : 13 : 6 : 32	1

9 Ans : Profit & Loss Appropriation A/ for the year ended 31st March, 2016 — 3

Dr. Cr.

Particulars	Rs.	Particulars	Rs.
To Profit transferred to Capital A/cs		By Profit & Loss A/c	80,000
K(40,000-5,000 to M)	35,000		
L	20,000		
M(20,000 + 5,000 from K)	25,000		
	80,000		**80,000**

10 Ans : (i)Goodwill (Capitalisation of Super Profit) — 3

= Super Profit x 100/Normal Return = Rs.36,000 x 100/10 = Rs.3,60,000

(ii)Goodwill (Super Profit Method) = Super Profit x No. of years' purchase

= Rs.36,000 x 3 = Rs.1,08,000

W.N Normal Profit = Capital Employed x NRR

= (20,00,000 – 3,60,000) x 10/100 = Rs.1,64,000

Super Profit = Average Profit – Normal Profit

= 2,00,000 – 1,64,000 = Rs.36,000

11 Ans : — 3

Date	Particulars	J.F	Dr. Rs.	Cr. Rs.
	A's Capital a/c Dr		20,000	
	B's Capital A/c Dr		12,000	
	C's Capital A/c Dr		8,000	
	To Goodwill A/c			40,000
	(Being existing Goodwill written off)			
	B's Capital A/c Dr		3,000	
	C's Capital A/c Dr		12,000	
	To A's Capital A/c			15,000
	(Being A's sacrificed share of Goodwill debited to B's and C's Capital Accounts in gaining ratio)			

Gain/Sacrifice : A's sacrifice =5/30 ; B's Gain = 1/30 ; C's Gain =4/30; Gaining Ratio=1:4

12 Ans : A's sacrifice (1/6th of his own share of 3/5) = 1/6 x 3/5 = 3/30 or 1/10 — 3

B's sacrifice 91/8 from his share) = 1/8

Hence, sacrificing ratio of A and B = 1/10 : 1/8 or 4/40 : 5/40 or 4:5

A's new share (Old Share – Sacrifice) = 3/5 – 1/10 = 5/10 or 20/40

B's new share (Old Share – sacrifice) = 2/5 – 1/8 = 11/40

C's Share = 1/10 + 1/8 = 4+5/40 = 9/40

Hence, NPSR of A, B and C = 20/40 : 11/40 : 9/40 = 20 : 11 : 9

13 Ans : Calculation of Interest on Drawings : — 4

Date	Amount	No of months upto 31st March, 2017	Product

1st April	20,000	12	2,40,000
1st June	18,000	10	1,80,000
1st Nov	28,000	5	1,40,000
1st Dec	10,000	4	40,000
			6,00,000

Interest on X's Drawings = Rs.6,00,000 x 6/100 x 1/12 = Rs.3,000

Calculation of Interest on Y's Drawings :
Total Drawings during the year = Rs.30,000 x 4 = Rs.1,20,000
Interest on Y's Drawings = Total Drawings x Rate/100 x 7.5/12
= Rs.1,20,000 x 6/100 x 7.5/12 = Rs.4,500

Accounting treatment of Interest on drawings : As Interest on Drawings is a gain to the firm, it is credited to Profit & Loss Appropriation A/c and debited to Partners' Capital A/c (or Current A/c in case of Fixed Capitals)

(b)Rent paid to Y is debited to Profit & Loss A/c since it is a charge against the profit and not an appropriation of profit.

14 Ans : Goodwill = Super Profit x 3 years' purchase (4)
36,000 = Super Profit x 3
Super Profit = 36,000/3 = Rs.12,000

Capital Employed = Assets – Creditors
= 2,00,000 – 10,000 = Rs.1,90,000
Normal Profits = Capt. Employed x NRR
= 1,90,000 x 15/100 = Rs.28,500
Super Profit = Average Profit – Normal Profits
Hence Average Profit = Super Profit + Normal Profits
= 12,000 + 28,500 = Rs.40,500

15 Ans: Journal (4)

Date	Particulars	L.F	Dr. Rs.	Cr. Rs.
2017 April 1	Revaluation A/c Dr		28,100	
	To Stock a/c			10,000
	To Machinery a/c			15,900
	To Provision for Doubtful Debts a/c			2,200
	(Decrease in value of assets and PBDD)			
	Building a/c Dr		40,000	
	Sundry Creditors a/c Dr		2,500	
	To Revaluation a/c			42,500
	(Increase in value of building and decrease in creditors)			
	Revaluation a/c Dr		14,400	
	To A's Capital a/c			5,400
	To B's Capital a/c			5,400
	To C's Capital a/c			3,600

		(The transfer of profit on Revaluation to the capital accounts of partners in OPSR)			
		A's Capital a/c Dr To B's Capital a/c To C's Capital a/c (The adjustment for General reserve on change in profit sharing ratio)		2,500	 1,500 1,000

Sacrifice/ Gain : A = 3/8 – 4/9 = -5/72 Gain
B = 3/8 – 3/9 = 3/72 Sacrifice
C = 2/8 – 2/9 = 2/72 (Sacrifice)

16 Ans : Journal 4

Date	Particulars	L.F	Dr. Rs.	Cr. Rs.
2016 April 1	IFR a/c Dr To Investments a/c (Value of investment brought down to market value)		4,000	 4,000
	WCR a/c Dr To Provision for WC Claim a/c (Provision made for WC Claim)		10,000	 10,000
	Contingency Reserve a/c Dr Profit & Loss a/c Dr WCR a/c (18,000 – 10,000) Dr IFR a/c (25,000 – 4,000) Dr To X's Capital a/c To Y's Capital a/c (Transfer of accumulated profits to old partners in opsr)		30,000 45,000 8,000 21,000	 62,000 41,600
	X's Capital a/c Dr Y's Capital a/c Dr To Advertisement Expenditure a/c (Transfer of accumulated loss to old partners in OPSR)		12,000 8,000	 20,000

17 Ans : Journal (Marks: 4)

Date	Particulars	L.F	Dr. Rs.	Cr. Rs.
2017 April 1	A's Capital a/c Dr B's Capital a/c Dr To Goodwill a/c (Being existing G/w written off)		30,000 20,000	 50,000
	Bank a/c Dr To C's Capital a/c To Premium for Goodwill a/c (Being amount brought in by C for his share of goodwill and capital)		10,90,000	 10,00,000 90,000
	Premium for Goodwill a/c Dr C's Current a/c Dr To A's Capital a/c To B's Capital a/c (Being C's share of goodwill credited to A and B in their sacrificing ratio)		90,000 60,000	 60,000 90,000
	A's Capital a/c Dr B's Capital a/c Dr To Bank a/c (Being 50% of the amount of goodwill credited to A and B withdrawn by them)		30,000 45,000	 75,000

18 Ans: (a)Neha will not be entitled to the following as partner (Marks: 6)

Salary @ Rs.1,000 p.m for 4 years (i.e Rs.1,000 x 12 x 4) = Rs.48,000

Excess interest received on deposit @ 2% p.a (2% on Rs.30,000 for 4 years = 2,400

Total money to be returned by her to firm = **50,400**

Total Profit of New Firm when Neha becomes Partner

	Rs.
Profit of 2012	60,000
Profit of 2014	80,000
Profit of 2015	89,600
	2,29,600
Less : Loss of 2013	10,000
	2,19,000
Add: Increase in profit during 4 years if Neha becomes partner from 2012 as she will return	50,400
	2,70,000

Neha's share of profit of 4 years = 1/5 of Rs.2,70,000 = Rs.54,000

Less : She is already in receipt of money as manager = Rs.50,400

Neha will get more as partner = **Rs. 3,600**

	Journal	

Date	Particulars	L.F	Dr. Rs.	Cr. Rs.
	Neha's Loan a/c Dr To Neha's Capital a/c (Being Neha's loan transferred to Neha's Capital a/c)		30,000	 30,000
	Amit's Capital a/c Dr Sumit's Capital a/c Dr To Neha's Capital a/c (Being excess amount due to Neha is borne by old partners)		2,160 1,440	 3,600

(b)Following are the values
(i)Promotion of women entrepreneurship
(ii)Promotion of women empowerment

19 Ans: Calculation of Goodwill 6

Calculation of Adjusted Profits	2013	2014	2015	2016	2017
Profit before adjustment (-)Insurance Premium	32,000 (5,000)	21,000 (5,000)	28,000 (5,000)	26,000 (5,000)	25,000 (5,000)
	27,000	16,000	23,000	21,000	20,000
(+)Capt. Expd. Which has been charged to Revenue	-	-	-	-	40,000
	27,000	16,000	23,000	21,000	60,000
(-)Unprovided Depreciation	-	-	-	-	(1,000)
	27,000	16,000	23,000	21,000	59,000
(+)Undervaluation of Closing Stock	-	-	-	3,000	-
	27,000	16,000	23,000	24,000	59,000
(-)Undervaluation of Opening Stock	-	-	-	-	(3,000)
Adjusted Profit	**27,000**	**16,000**	**23,000**	**24,000**	**56,000**

Calculation of Weighted Average Profit

Years	Profits	Weights	Product
2013	27,000	1	27,000
2014	16,000	2	32,000
2015	23,000	3	69,000
2016	24,000	4	96,000
2017	56,000	5	2,80,000
	Total	**15**	**5,04,000**

Weighted Average Profits = Rs.5,04,000 / 15 = Rs.33,600

Goodwill = Rs.33,600 x 3 = **Rs.1,00,800**

20 Ans : 6

Dr Revaluation A/c Cr

Particulars	Rs.	Particulars		Rs.
To Provision for WC Claim	5,000	By Loss transferred to		
To Fixed Assets	25,000	A's Capital a/c	9,000	
		B's Capital a/c	6,000	
		C's Capital a/c	9,000	
		D's Capital a/c	6,000	30,000
	30,000			**30,000**

Dr Partners' Capital Account Cr

	A	B	C	D		A	B	C	D
To Revaluation	9,000	6,000	9,000	6,000	By bal b/d	2,00,000	2,50,000	2,50,000	3,10,000
To C's Capital	13,500	13,500	-	-	By A's Capital	-	-	13,500	13,500
To D's Capital	13,500	13,500	-	-	By B's Capital	-	-	13,500	13,500
To Partners' Current a/c	-	-	72,000	2,33,000	By Partners' Current a/c	2,28,000	77,000	-	-
To bal c/d	3,92,000	2,94,000	1,96,000	98,000					
	4,28,000	**3,27,00**	**2,77,000**	**3,37,000**		**4,28,000**	**3,27,000**	**2,77,000**	**3,37,000**

Balance Sheet of Reconstituted Firm
as on 1st April, 2016

Liabilities		Rs.	Assets		Rs.
Sundry Creditors		90,000	Fixed Assets		8,00,000
Provision for WC Claim		30,000	Current Assets		3,00,000
C's Current a/c	72,000		A's Current a/c	2,28,000	
D's Current a/c	2,33,000	3,05,000	B's Current a/c	77,000	3,05,000
Capital a/c s					
A	3,92,000				
B	2,94,000				
C	1,96,000				
D	98,000	9,80,000			
		14,05,000			**14,05,000**

A's Gain = 1/10; B's Gain = 1/10; C's Sacrifice = 1/10; D's Sacrifice = 1/10

Total Capital of New firm = Rs.9,80,000

21 Ans : 6

Dr Revaluation A/C Cr

Particulars	Rs.	Particulars	Rs.
To Stock a/c	2,000	By Building a/c	10,000
To Plant & Machinery a/c	3,500	By Investments a/c	1,400

To PBDD a/c	485		
To Profit transferred to			
Anu's Capital a/c 3,610			
Bhuvan's Capital a/c 1,805	5,415		
	11,400		**11,400**

Dr Partners' Capitl A/C Cr

Particulars	Anu	Bhuvan	MoniKa	Particulars	Anu	Bhuvan	Monika
To Cash	4,000	2,000	-	By balance b/d	30,000	20,000	-
To balance c/d	33,610	21,805	15,000	By Revaluation a/c	3,610	1,805	-
				By Cash	-	-	15,000
				By Premium for Goodwill a/c	4,000	2,000	-
	37,610	**23,805**	**15,000**		**37,610**	**23,805**	**15,000**

22 Dr Profit & Loss Appropriation A/c for the year ending --- Cr 8

Particulars	Rs.	Rs.	Particulars	Rs.	Rs.
To C's Commission(5/105 x 84,000)		4,000	By Net Profit	99,000	
To IOC			Less : Int. on A's Loan	(3,000)	
A	10,000		Less: Rent to B	(12,000)	84,000
B	7,500				
C	5,000	22,500	By IOD		
To Profit transferred to Current a/c			A	600	
A 16,000 + 7,766	23,766		B	600	
B 12,000 + 7,766	19,767		C	600	1,800
C 8,000 + 7,766	15,767	59,300			
		85,800			**85,800**

Dr Partners' Capital Accounts Cr

Particulars	A	B	C	Particulars	A	B	C
To Balance c/d	2,00,000	1,50,000	1,00,000	By Balance b/d	2,00,000	1,50,000	1,00,000

Dr Partners' Current Accounts Cr

Particulars	A	B	C	Particulars	A	B	C
To Balance b/d	-	-	3,000	By Balance b/d	5,000	4,000	-
To Drawings a/c	20,000	20,000	20,000	By IOC	10,000	7,500	5,000
To IOD	600	600	600	By Rent a/c	-	12,000	-
To Balance c/d	18,166	22,667	1,167	By Commission a/c	-	-	4,000
				By P & L App a/c	23,766	19,767	15,767
	38,766	**43,267**	**24,767**		**38,766**	**43,267**	**24,767**

23 Ans : 8

Dr Revaluation A/C Cr

Particulars	Rs.	Particulars	Rs.
To PBDD (Rs.7,500-Rs2,500)	5,000	By Sundry Creditors a/c	12,000
To Provision for Claim for Damages	15,000	By Loss transferred to :	
To O/S Electric Charges	13,000	X's Capital a/c 14,000	
		Y's Capital a/c 7,000	21,000
	33,000		**33,000**

Dr Partners' Capital Accounts Cr

Particulars	X	Y	Z	Particulars	X	Y	Z
To P&L a/c	60,000	30,000	-	By Balance b/d	2,70,000	1,80,000	-

To Revaluation a/c	14,000	7,000	-	By Z's Loan	-	-	1,50,000
To Bank a/c (G/W)	20,000	10,000	-	By Premium for Goodwill	40,000	20,000	-
To Bank a/c (bal fig)	-	3,000	-	By Bank a/c (Bal fig)	84,000	-	-
To Balance c/d	3,00,000	1,50,000	1,50,000				
	3,94,000	**2,00,000**	**1,50,000**		**3,94,000**	**2,00,000**	**1,50,000**

Balance Sheet of the New Firm as at 1st April, 2017

Liabilities		Rs.	Assets		Rs.
Sundry Creditors (Rs.5,90,000 – Rs.12,000)		5,78,000	Cash at Bank (WN)		4,43,500
O/S Electric Charges		13,000	Debtors Less PBDD	1,50,000 7,500	1,42,500
Provision for Claim for Damages		15,000	Stock		3,20,000
Capital A/Cs			Land & Building		3,00,000
X	3,00,000				
Y	1,50,000				
Z	1,50,000	6,00,000			
		12,06,000			**12,06,000**

1.NPSR of X, Y and Z = 2:1:1

2.Total Capital of New Firm on the basis of capital of new partner = 1,50,000 x 4/1
= Rs.6,00,000

Dr Bank A/c Cr

Particulars	Rs	Particulars	Rs.
To Balance b/d	3,32,000	By X's Capital a/c	20,000
To Premium for Goodwill a/c	60,000	By Y's Capital a/c	10,000
To X's Capital a/c	84,000	By Y's Capital a/c	3,000
		By Balance c/d	4,43,500
	4,76,000		**4,76,000**

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