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SET NO. 1



INDIAN SCHOOL MUSCAT FIRST TERM EXAMINATION ACCOUNTANCY

CLASS: XII
13.05.2018

Sub. Code: 055

Time Allotted: 3 Hrs
Max. Marks: 80

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 Ram and Mohan are partners in a firm. They want to admit one more partner in the firm. Besides a minor and insolvent, name a person who cannot be admitted as partner. 1
- 2 A partner has given a loan of Rs.50,000 to the firm on 1st July 2016. The Partnership Deed is silent as to the interest on Partner's Loan. How much amount of Interest on Partner's Loan will be allowed on 31st March 2017. 1
- 3 What is meant by number of years' purchase? 1
- 4 Does the change in profit sharing ratio result into dissolution of partnership firm? Give reason in support of your answer. 1
- 5 P, Q and R were partners sharing profits and losses in the ratio of 1:2:2. On 1st April 2015 it was decided that P will get $\frac{1}{4}$ of the total profit and remaining share will be taken by Q and R equally. Calculate sacrificing and gaining ratios. 1
- 6 Give the journal entry to distribute 'General Reserve' of Rs.20,000 at the time of admission of Z when 25% of General Reserve is transferred to Workmen Compensation Reserve. The firm has two partners X and Y. 1
- 7 X and Y who are in partnership sharing profits & losses in the ratio of 3:2 admit Z for $\frac{1}{5}$ th share in profits. The capitals of X and Y after adjustments are Rs.2,40,000 and Rs.1,60,000 respectively. Z is to bring in 25% of the total capital of X and Y. Calculate Z's capital. 1
- 8 A, B and C were partners in a firm sharing profits in 3:3:2 ratio. They admitted D as a new partner for $\frac{4}{7}$ profit. D acquired his share $\frac{2}{7}$ from A, $\frac{1}{7}$ from B and $\frac{1}{7}$ from C. Calculate new profit sharing ratio. 1

- 9 K, L and M were partners in a firm sharing profits in 2:1:1 ratio. M was guaranteed a profit of Rs.25,000. K agreed to meet the liability arising out of guaranteed amount to M. The firm earned a profit of Rs.80,000 for the year ended 31st March 2016. Prepare Profit & Loss Appropriation Account. 3
- 10 A business has earned average profit of Rs.2,00,000 during the last few years and the normal rate of return in similar business is 10%. Find the value of goodwill by 3
- (i) Capitalisation of Super Profit Method
- (ii) Super Profit Method if the goodwill is valued at 3 years' purchase of Super Profits.
- The assets of the business were Rs.20,00,000 and its external liabilities Rs.3,60,000.

- 11 A, B and C are partners sharing profits and losses in the ratio of 5:3:2. They now decide to share future profits and losses equally. Goodwill of the firm is valued at Rs.90,000. Goodwill is already appearing in the books at Rs.40,000. Pass necessary journal entries to adjust goodwill. 3

- 12 A and B are partners sharing profits in the ratio of 3:2. C is admitted as a new partner. A sacrificed 1/6th of his share and B sacrificed 1/8th from his share. Find new profit sharing ratio and sacrificing ratio. 3

- 13 X and Y are partners in a firm manufacturing solar cookers, sharing profits in the ratio of 2:1. They invested capitals of Rs.20,00,000 and Rs.10,00,000 respectively. X withdrew the following amounts during the year for his personal use: 4

Date	Rs.
1 st April	20,000
1 st June	18,000
1 st November	28,000
1 st December	10,000

Y withdrew Rs.30,000 in the beginning of each quarter (i.e. 1st day of each quarter) for household expenses of his family. The firm also paid Rs.10,000 per month as rent for the premises owned by Y used as office of partnership firm.

(a) Calculate Interest on Drawings @ 6% p.a. for the year 2016-17. Also explain the accounting treatment of Interest on drawings.

(b) State giving reason to which account rent paid for Y for use of his premises is debited.

- 14 On 1st April 2015 an existing firm had assets of Rs.2,00,000 including cash of Rs.4,000. Its creditors amounted to Rs.10,000 on that date. The partner's capital accounts showed a balance of Rs.1,60,000, while the reserve fund amounted to Rs.30,000. If the normal rate of return is 15% and the goodwill of the firm is valued at Rs.36,000 at 3 years' purchase of super profit, find the average profit of the firm. 4

- 15 A, B and C are partners sharing profits and losses in the ratio of 3:3:2. Their Balance Sheet as at 31st March 2017 was as follows: 4

Liabilities	Rs.	Assets	Rs.
Sundry Creditors	24,000	Cash at Bank	37,000
General reserve	36,000	Sundry Debtors	44,000
Capital A/Cs		Stock	1,20,000
A 2,00,000		Machinery	1,59,000
B 1,50,000		Building	2,00,000
C 1,50,000	5,00,000		
	5,60,000		5,60,000

Partners decided that with effect from 1st April 2017, they would share profits and losses in the ratio of 4:3:2. It was agreed that :

- (i) Stock be valued at Rs.1,10,000
- (ii) Machinery is to be depreciated by 10%
- (iii) A provision of doubtful debts is to be made on debtors @ 5%
- (iv) Building to be appreciated by 20%.
- (v) A liability for Rs.2,500 included in sundry creditors is not likely to arise.

Partners agreed that the revised values are to be recorded in the books. They do not, however want to distribute the General Reserve. You are required to prepare Journal entries.

- 16 X and Y are partners in a firm sharing profits and losses in the ratio of 3:2. Their Balance Sheet as at 31st March 2016 was as follows: 4

Liabilities	Rs.	Assets	Rs.
Creditors	42,000	Current Assets	2,00,000
Employees' Provident Fund	20,000	Investments	50,000
Contingency Reserve	30,000	Furniture	20,000
Profit & Loss Account	45,000	Machinery	90,000
Workmen Compensation Reserve	18,000	Advertisement Expenditure (Deferred Revenue Expd.)	20,000
Investment Fluctuation Reserve	25,000		
Capitals : X 1,20,000			
Y 80,000	2,00,000		
	3,80,000		3,80,000

They admit Z into partnership on 1st April 2016 and the new profit sharing ratio is agreed at 2:1. It is estimated that :

- (i) Claim on account of Workmen's Compensation is estimated at Rs.10,000
- (ii) Market value of Investments is Rs.46,000.

Give necessary journal entries to adjust accumulated profits and losses.

- 17 A and B are partners in a firm sharing profits and losses in the ratio of 3:2. They admit C as a partner with effect from 1st April, 2017 for 1/5th share. C acquires his share from A and B in the ratio of 2:3. Goodwill of the firm is valued at 5 years' purchase of Super Profits based on Average Profits of last year 3 years. Average Profit and Normal Profits are Rs.3,50,000 and Rs.2,00,000 respectively. Goodwill already appears in the books at Rs.50,000. C brings in only 60% of his share of firm's goodwill and Rs.10,00,000 as his capital by bank draft. 50% of the goodwill is withdrawn by the partners. 4
- Pass necessary journal entries.

- 18 Amit and Sumit are partners sharing profits and losses in the ratio of 3:2. Firm pays Rs.1,000 per month as salary to their manager, Neha who has deposited Rs.30,000 with the firm carrying interest at 8% p.a. On 1st January, 2016, it was decided to treat Neha as their partner w.e.f 1st January 2012 at 1/5th share in profit. It was decided to treat her deposit as capital carrying interest @ 6% p.a. like capital of other partners. The firm's profits and losses after above adjustments were as under : 6

Year	Rs.
2012 Profit	60,000
2013 Loss	10,000
2014 Profit	80,000
2015 Profit	89,600

- (a) Record the necessary journal entries.
- (b) Indicate values involved in this decision.

19 The profits of last five years were :

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Year	Rs.
2013	32,000
2014	21,000
2015	28,000
2016	26,000
2017	25,000

The weights assigned to each year are 2013 -1; 2014 -2 ; 2015 – 3; 2016 – 4; 2017 – 5

You are informed that :

- (i) On October 1, 2017 a scooter shed was constructed for Rs.40,000. The same was charged to revenue. Depreciation @ 10% p.a. was also not charged on this.
 - (ii) The closing stock for the year 2016 was undervalued by Rs.3,000.
 - (iii) Profit for the year 2015 was distributed to partners in the ratio of 2:2:1 instead of 3:2:1.
 - (iv) An annual Insurance Premium of Rs.5,000 has not been taken into account during any of the years. The same should be taken into consideration for the purpose of valuation of Goodwill.
- Calculate the Goodwill of a firm on the basis of three years' purchase of the weighted average profits of the last five years.

20 A, B, C and D were partners in a firm sharing profits in the ratio of 3:2:3:2. On 1st April 2016, their Balance Sheet was as follows:

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Balance Sheet of A, B, C and D
as on 1st April 2016

Liabilities	Rs.	Assets	Rs.
Capitals		Fixed Assets	8,25,000
A 2,00,000		Current Assets	3,00,000
B 2,50,000			
C 2,50,000			
D 3,10,000	10,10,000		
Sundry creditors	90,000		
Workmen Compensation Reserve	25,000		
	11,25,000		11,25,000

From the above date partners decided to share the future profits in the ratio of 4:3:2:1. For this purpose the goodwill of the firm was valued at Rs.2,70,000. It was also considered that:

(i) The claim against Workmen Compensation Reserve has been estimated at Rs.30,000 and fixed assets will be depreciated by Rs.25,000.

(ii) Adjust the capitals of the partners according to the new profit sharing ratio by opening Current Accounts of the partners.

Prepare Revaluation Account, Partners' Capital Accounts and the Balance Sheet of the reconstituted firm.

21 The following is the Balance Sheet of Anu and Bhuvan, who were sharing profits in the ratio of 2/3 and 1/3 as at 31st March 2017.

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Balance Sheet as at 31st March 2017

Liabilities	Rs.	Assets	Rs.
Creditors	65,900	Cash	1,200
Capitals :		Sundry Debtors	9,700
Anu	30,000	Stock	20,000
Bhuvan	20,000	Plant & Machinery	35,000
		Building	50,000
	1,15,900		1,15,900

On 1st April 2017 they agreed to admit Monika into partnership on the following terms.

- (a) Monika was to be given 1/3 share in profits, and was to bring Rs.15,000 as capital and Rs.6,000 as share of goodwill.
- (b) The value of stock and plant & machinery were to be reduced by 10%.
- (c) That a provision of 5% was to be created on doubtful debts.
- (d) That the building account was to be appreciated by 20%.
- (e) Investments worth Rs.1,400 (not mentioned in the Balance Sheet) were to be taken into account.
- (f) That the amount of goodwill was to be withdrawn by the old partners.

Prepare Revaluation Account and Capital Account of the New Firm.

- 22 A, B and C are partners with a fixed capital of Rs.2,00,000, Rs.1,50,000 and Rs.1,00,000 respectively. 8
They share profits upto Rs.36,000 in their capital ratio and rest in equal proportion. A advanced Rs.50,000 as loan. The partnership deed provided as under:

- (i) Interest on capital @ 5% p.a. and interest on drawings @ 3%.
- (ii) Drawings of partners were Rs.20,000 each.
- (iii) B was entitled to rent @ Rs.1,000 p.m. for providing his premises to the firm.
- (iv) C was entitled to commission of 5% on net profit after charging his commission.

The net profit before these adjustments for the year was Rs.99,000 assuming that current account balances of partners were : A- Rs.5,000 (Cr) ; B- Rs.4,000 (Cr) ; C – Rs.3,000 (Dr)

Prepare Profit and Loss Appropriation Account, Capital Account and Current Accounts of the partners.

- 23 X and Y were partners in a firm sharing profits in the ratio of 2:1. Their Balance Sheet as at 31st 8
March 2017 was as follows:

Balance Sheet of X and Y as at 31st March 2017

Liabilities	Rs.	Assets	Rs.
Sundry Creditors	5,90,000	Cash at Bank	3,32,500
Z's Loan	1,50,000	Debtors 1,50,000	
		Less Provision for Doubtful Debts 2,500	1,47,500
Capital Accounts:			
X 2,70,000		Stock	3,20,000
Y 1,80,000	4,50,000	Land & Building	3,00,000
		Profit and Loss Account	90,000
	11,90,000		11,90,000

Z was admitted to the partnership with effect from 1st April 2017 on the following terms:

- a) Z will get 1/4th share in the profits of the firm.
- b) Z's Loan will be converted into his capital.
- c) The goodwill of the firm was valued at Rs.2,40,000 and Z brought his share of goodwill

premium by cheque, half of which was withdrawn by X and Y.

- d) There is likely to be a claim against the firm for damages, a provision of Rs.15,000 was to be made for the same.
- e) A bill for Rs.13,000 for electric charges was omitted, now it is to be provided for.
- f) A provision for 5% on Debtors was to be created for doubtful debts.
- g) Included in Sundry Creditors was an item of Rs.12,000 which was not to be paid and, therefore, had to be written back.
- h) After making the above adjustments, the Capital Accounts of X and Y were to be adjusted on the basis of Z's capital. Shortfall was to be brought in and excess was to be paid.

Prepare Revaluation Account, Partners' Capital Accounts and Balance Sheet of the new firm.

End of the Question Paper