Roll Number		

SET NO. 2

INDIAN SCHOOL MUSCAT
FIRST TERM EXAMINATION
ACCOUNTANCY

CLASS: XII   Sub. Code: 055   Time Allotted: 3 Hrs

13.05.2018   Max.Marks: 80

General Instructions:

(i) All questions are compulsory.
(ii) Draw proper formats wherever necessary.

1	If the partner's capitals are fixed, where will you record interest on drawings and share of profit of a partner?	1
2	What is a Partnership Deed?	1
3	Name any two factors affecting goodwill of a partnership firm.	1
4	State any two occasions when reconstitution of a partnership firm takes place.	1
5	Arun, Aaron and Allen are partners sharing profits in the ratio of 5:3:2. Calculate the new profit sharing ratio if Allen acquires $1/5^{th}$ share from Arun and $1/6^{th}$ share from Aaron.	1
6	Asha and Usha are partners in a firm sharing profits and losses in the ratio of 3:2. They admitted Sushma as a partners for $1/4^{th}$ share. Sushma paid ₹.1,60,000 privately outside the business. Pass the necessary journal entry in the books of the firm.	1
7	State the two rights acquired by a newly admitted partner.	1
8	Reena and Raman are partners in a firm sharing profits in the ratio of 4: 3. They admitted Roma as a new partner. The new profit sharing ratio between Reena, Raman and Roma was 3: 2: 2. Raman surrendered $1/3^{rd}$ of his share in favour of Roma. Calculate Reena's sacrifice.	1
9	X, Y and Z entered into partnership on 1st July 2016 to share Profit and losses in the ratio of 3:2:1. X personally guaranteed that Z's share of profit after charging interest on capital @ 6%p.a would not be less than ₹.72,000p.a. The capital contributed by X- ₹.4,00,000 ; Y- ₹. 2,00,000 and Z- ₹.2,00,000. Profit for the year ended 31st March 2017 was ₹.2,76,000. Prepare Profit & Loss Appropriation a/c.	3
10	Average profit of the firm is ₹.3,00,000. Total tangible assets in the firm are ₹.28,00,000 and outside liabilities are ₹.8,00,000. In the same type of business, the normal rate of return is 10% of the capital employed. Calculate the value of goodwill by Capitalization of super profit method.	3

11 A, B and C were partners in a firm sharing profits and losses equally. The firm was engaged in the shortage and distribution of leather bags and its warehouse were located at three different places in the city. Each warehouse was being managed individually by A, B and C. Because of increase in business activities at the warehouse managed by B, he had to devote more time. B demanded that his share in the profits of the firm be increased, to which A and C agreed. The new profit sharing ratio was agreed to be 1:2:1. For this purpose goodwill of the firm was valued at 2 years purchase of the average profit of last 5 years. The profits of the last 5 years were as follows: 3

Year	1	2	3	4	5
Profit	8,00,000	9,60,000	14,66,000	66,000(loss)	4,40,000

You are required to:

a) Calculate the goodwill of the firm.
b) Pass necessary journal entry for the treatment of goodwill on change in profit sharing ratio of A, B and C.

12 L and M are partners in affirm sharing profits in the ratio of 5:3. They admit N and decide that the profit sharing ratio between M and N shall be same as existing between L and M. Calculate new profit sharing ratio and the sacrificing ratio. 3

13 Karishma and Grishma are partners doing a business in Amritsar sharing profits in the ratio 2:1 with capitals ₹.10,00,000 and ₹.8,00,000 respectively. Karishma withdrew the following amounts during the year to pay the expenses of her daughter: 4

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

Grishma withdrew ₹.30,000 on the 1st day of April, July and October and January to pay the electricity of her house. She also paid ₹.40,000 per month as rent for the office of partnership. Calculate interest on drawings @ 6%p.a.

14 M/s Info tech India had assets of ₹.10,00,000 whereas liabilities are: Partners capital - ₹.7,00,000, General Reserve ₹.1,20,000 and Sundry Creditors - ₹.1,80,000. If the normal rate of return is 10% and goodwill of the firm is valued at ₹.1,80,000 at 2 years purchase of Super profit, find average profit of the firm. 4

15 Rohan, Mohan and Sohan are sharing profits and losses in the ratio of 5:3:2. They decided to share profits and losses in the ratio of 2:3:5 with effect from 1st April 2018. They also decide to record the effect of the following without effecting their book values, by passing an adjustment entry: 4

General Reserve ₹.6,00,000
Contingency Reserve ₹.1,50,000
Profit and loss (Cr) ₹.3,00,000
Advertising Suspense account ₹.4,00,000

16 A, B and C are partners sharing profits and losses in the ratio of 4:3:2, decided to take D as a 4

partner for 1/5th share in the firm with effect from 1st April 2018. An extract of their Balance sheet as at 31st March 2018 is:

Liabilities	Amount	Assets	Amount
Workmen compensation reserve Investment fluctuation reserve	1,80,000 36,000	Investment(at cost)	4,00,000

Show the accounting treatment of Workmen Compensation Reserve and Investment Fluctuation Reserve on the admission of D under the following alternative cases:
a) If the claim on account of workmen compensation is estimated at ₹.90,000.
b) If the market value of investment is ₹.4,36,000.

17 Pankaj and Naresh were partners in a firm sharing profits in the ratio of 3:2. Their fixed capitals were ₹. 3,20,000 and ₹. 2,40,000 respectively. On 1.1.2017, Saurabh was admitted as a new partner for 1/4 th share in the profits. Saurabh brought ₹. 3, 00,000 as his capital which was to be kept fixed like the capitals of Pankaj and Naresh. Calculate the goodwill of the firm on Saurabh's admission and the new profit sharing ratio of Pankaj, Naresh and Saurabh. Also, pass necessary journal entry for the treatment of goodwill. 4

18 W and R are partners in a firm sharing profits in the ratio of 3:2. Their Balance Sheet as on 31st March, 2016 was as follows : 6

Balance Sheet of W and R as on 31-3-2016

Liabilities	Amount	Assets	Amount
Sundry Creditors	20,000	Cash	12,000
Provision for Bad Debts	2,000	Debtors	18,000
Outstanding salary	3,000	Stock	20,000
General reserve	5,000	Furniture	40,000
Capitals:		Plant & Machinery	40,000
W 60,000			
R 40,000	1,00,000		
	1,30,000		1,30,000

On the above date C was admitted for 1/6th share in the profits on the following terms :
(i) C will bring Rs.30,000 as his capital and Rs.10,000 for his share of goodwill premium, half of which will be withdrawn by W and R.
(ii) Debtors Rs.1,500 will be written off as bad debts and a provision of 5% will be created for bad and doubtful debts.
(iii) Outstanding salary will be paid off.
(iv) Stock will be depreciated by 10%, furniture by Rs.500 and Plant and machinery by 8%.
(v) Investments Rs.2,500 not mentioned in the balance sheet were to be taken into account.
(vi) A creditor of Rs.2,100 not recorded in the books was to be taken into account.
Pass necessary Journal Entries for the above transactions in the books of the firm on C's admission.

19 Manu, Hary, Ali and Reshma were partners in a firm sharing profits in the ratio of 2: 2: 1: 5. On 6

1.4.2016 their Balance Sheet was as follows :

Balance Sheet of Manu, Hary, Ali and Reshma as on 1.4.2016

Liabilities	Amount	Assets	Amount
Capitals:		Fixed assets	8,00,000
Manu 2,00,000		Current assets	2,40,000
Hary 2,50,000			
Ali 1,50,000			
Reshma 3,50,000	9,50,000		
Sundry creditors	45,000		
Workmen Compensation Reserve	45,000		
	10,40,000		10,40,000

From the above date partners decided to share future profits equally. For this purpose the goodwill of the firm was valued at ₹. 40,000. The partners also agreed for the following :

(i) Claim against Workmen Compensation Reserve was estimated at ₹.50,000. Fixed assets were to be depreciated by 10%.

(ii) Capitals of the partners were to be adjusted according to the new profit sharing ratio, for this necessary cash will be brought or paid.

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

20 Calculate the goodwill of the firm on the basis of three years purchase of the weighted average profits of the last four years. Profits for the last four years ended 31st March were : 6

Year ended	31st March 2012	31st March 2013	31st March 2014	31st March 2015
Profits	80,800	99,200	80,000	1,20,000

The weights assigned to each year ended 31st March are 2012- 1; 2013- 2; 2014- 3 and 2015 – 4

You are provided with e following additional information:

a) On 31st March 2014, a major plant repair was undertaken for ₹.24,000 which was charged to revenue. The said sum is to be capitalized for goodwill calculation subject to adjustment of depreciation of 10%p.a. on Reducing Balance method.
b) The Closing stock for the year ended 2013 was overvalued by ₹.9,600.
c) To cover management cost an annual charge of ₹.18,200 should be made for the purpose of goodwill valuation.

21 A and B are partners sharing profits and losses in the ratio of 3:2. They employed C as their manager to whom they paid a salary of ₹.15,000 per month. C had deposited ₹.4,00,000 on which interest was payable @ 9%p.a. At end of the accounting year (i.e.31st March 2018) 2017-2018 (after division of the year's profits), it was decided that C should be treated as a partner with effect from 1st April 2014 with 1/6th share of profits, his deposit being considered as capital carrying interest @6%p.a. like capitals of other partners. The firm's profits and losses after allowing interest on capitals were – 2014-2015: Profit ₹.11,80,000 ; 2015-2016: Profit ₹. 12,52,000 ; 2016-2017: Loss ₹. 80,000 and 2017-2018: Profit ₹. 15,60,000. Record necessary Journal entry to give effect to the above. Show the workings clearly. 6

22 X,Y and Z are partners with fixed capital of ₹. 1,50,000, ₹. 1,20,000 and ₹.1,00,000 respectively. The Balance of current account on 1st April 2015 were X- ₹.8,000 (Cr) ; Y- ₹. 3,000(Cr); Z- ₹.2,000 (Dr). X advanced ₹.20,000 on 1st October 2015. The partnership deed provided for the following: 8

a) Interest on capital at 5%p.a.
b) Interest on drawings at 6%p.a. Each partner drew ₹.10,000 on October 1.2015.
c) ₹.20,000 is to be transferred to Reserve account.
d) Profit and Loss to be shared in the proportion of 3:2:1 up to 60,000and above ₹.60,000 equally.

Net profit of the firm for the year ended 31st March 2016 before above adjustments was ₹.1,15,400. Prepare Profit & Loss Appropriation account, Partners Current account and Partners capital account.

23 The Balance sheet of Rohan and Sohan who share profits and losses in the ratio of 3:2 as at 31st March 2018 was as follows: 8

Liabilities		Amount	Assets		Amount
Creditors		56,000	Cash at Bank		20,000
Workmen compensation Reserve			Debtors	130000	
General Reserve		24,000	Less: PBDD	10000	1,20,000
Capitals:		40,000	Stock		60,000
Rohan	1,20,000		Investments		1,00,000
Sohan	80,000		Patents		20,000
		2,00,000			
		3,20,000			3,20,000

They decided to admit Mohan on 1st April 2018 for 1/4th share on the following terms:

a) Mohan shall bring ₹.50,000 as his share of premium for goodwill.
b) The Unaccounted Accrued Income of ₹.1,000 be provided for.
c) The market value of investments was ₹.90,000.
d) A Debtor whose dues of ₹.2,000 were written off as Bad Debts paid ₹.1,600 in full settlement.
e) A claim of ₹.4,000 on account of Workmen Compensation to be provided for.
f) Patents are undervalued by ₹.10,000
g) Mohan to bring in capital equal to 1/4th of the total capital of the new firm after all adjustments.

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

End of the Question Paper