INDIAN SCHOOL MUSCAT

Senior Section

Department of Commerce and Humanities

Class : XII

Practice Worksheet-No 2 :
PARTNERSHIP FUNDAMENTALS:CHANGE IN PROFIT SHARING RATIO , VALUATION OF GOODWILL

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ACCOUNTANCY (055)

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Questions carrying 1mark each

1 State any two occasions when reconstitution of a partnership firm takes place. 1

2 The partnership deed is silent on payment of salary to partners. Amita a partner claim that she manages the business, she should get monthly salary of rupees 10,000. Is she entitled for the salary? Give reason. 1

3 Why value of goodwill is ascertained when a firm is reconstituted. 1

4 A partnership deed provides for interest on capital but there was loss instead of profit during the year 2019- 2020. At what rate will be the interest on capital be allowed. 1

5 What are super profits? 1

6. X, Y and Z are sharing profits and losses in the ratio of 5:3:2. With effect from 1st April, 2015 they decide to share the future profits and losses in the ratio of 5:2:3. Calculate each partners' gain or sacrifice due to change in the ratio. 1

7 Chander and Suman are partners in a firm. Without a partnership deed. Chander's capital is ₹ 10000 and Suman's capital is ₹ 14000. Chander has advanced the loan of ₹ 5000 and claims interest @ 12% p.a. on it. State with reason whether his claim is valid or not. 1

8 Give two circumstances under which fixed capital of the partner may change. 1

9 Interest on capital will be paid to the partners if provided for in the partnership deed but only out of 1

a) Profit

b) Reserves

c) Accumulated profits

d) Goodwill

10 A group of 40 people wants to form a partnership firm. They want your advice regarding the maximum number of persons that can be there in the partnership firm and the name of the act under whose provision it is given. 1

11 In the absence of a partnership deed, what is the ratio in which the profits of a firm are divided among the partners? 1

12 X and Y shared profits and losses in the ratio of 3:2. With effect from 1st April,2015 they agreed to share profits equally. The goodwill of the firm was valued at ₹ 60000 .The necessary single adjustment entry will be 1

(a) Dr. Y and Cr X with ₹ 6000 (b) Dr. X and Cr Y with ₹ 6000

(c) Dr X and Cr. Y with ₹ 600 (d) Dr. Y and Cr X with ₹ 600

13 A, B C were in the partnership sharing profit in the ratio of 4: 3 :1. The partners agreed-to share future profits in the ratio of 5:4:3. Calculate each partners gain or sacrifice due to change in ratio 1

14 The average profits of a firm is ₹48,000. The total assets of the firm are valued at ₹ 800,000. Value of other liabilities is ₹500,000. Average rate of return in the same business is 12%. Calculate goodwill from capitalisation of average profit method. 1

15 Interest on partners drawing under fluctuating capital account is debited to 1

(a) Partners capital account (b) Profit and loss account

(c) Drawing account (d) None of these

Questions carrying 3-4 marks each

1 P, Q and R are partners in a firm. Their capital accounts stood at ₹30,000, ₹15,000 and 3 ₹15,000 respectively on 1st April, 2015.

As per the provision of the deed: (1) R was to be allowed a remuneration of ₹3,000 per annum, (2) Interest @5% p.a. was to be provided on capital and Profits were to be divided in the ratio of 2:2:1. Ignoring the above terms, net profit of ₹18,000 for the year ended 31st March,2016 was divided among the three partners equally.

Pass an adjustment entry to rectify the error. Show the working clearly.

2 Mona, Nisha and Priyanka were partners sharing profits and losses equally. Their respective capitals were₹30,000, ₹20,000 and₹10,000. After closing the accounts for the year 2019. it was discovered that the interest on capital at the rate 6% p.a. was omitted before distributing the profits. Instead of changing the audited balance sheet it was decided to pass a 3

single adjusting entry in the beginning of the year, so that the accounts of the previous years can be rectified. Pass the journal entry and show the working notes.

3 Ram, Shyam, Ghanshyam and Radheshyam are partners sharing profits and losses on the ratio of 4:3:3:2. Their respective fixed capitals on 31st March, 2016 were ₹ 1,20,0001,80,000, 2,40,000 and ₹ 1,80,000 respectively. After preparing the final accounts for the year ended 31st March, 2016, it was discovered that interest on capital @ 12% per annum was not allowed and interest on drawings amounting to ₹. 4,000, ₹ 5,000, ₹ 3,000 and ₹ 2,400 respectively was also not charged. Pass the necessary adjustment journal entry showing your working clearly. 4

4. Ravi and Mohan were partner in a firm sharing profits in the ratio of 7:5. Their respective fixed capitals were Ravi ₹ 10,00,000 and Mohan ₹ 7,00,000. The partnership deed provided for the following:- 4

(i) Interest on capital @ 12% p.a.

(ii) Ravi's salary ₹ 6000 per month and Mohan's salary ₹ 60000 per year.

The profit for the year ended 31-03-2016 was ₹5,04,000 which was distributed equally without providing for the above. Pass an adjustment entry.

5 Sharma and Gupta decided to start a partnership firm to manufacture low cost jute bags as plastic bags were creating many environmental problems. They contributed capitals of ₹1,00,000 and ₹ 50,000 on 1st April, 2015 for this. Sharma expressed his willingness to admit Shakti as a partner without capital, who is specially abled but a very creative and intelligent friend of his. Gupta agreed to this. The terms of partnership were as follows : 3

Sharma, Gupta and Shakti will share profits in the ratio of 2 : 2 : 1.

Interest on capital will be provided @ 6% p.a.

Due to shortage of capital, Sharma contributed ₹ 25,000 on 30th September, 2015 and Gupta contributed 10,000 on 1st January, 2016 as additional capital. The profit of the firm for the year ended 31st March, 2016 was ₹ 1,68,900.

Prepare Profit and Loss Appropriation Account for the year

March, ending 31st 2016

~~6. A , and B are partners sharing profit in the ratio 3:2 with capitals of ₹ 5,00,000~~ and ₹ 3,00,000 respectively. Interest on capital is agreed @ 6% p.a. B is to be allowed an annual salary of ₹25,000. During 2015 the profits of the year prior to calculation of interest on capital but after charging B's salary amounted to ₹1,25,000 .A provision of 5% of the profits is to be made in respect of managers commission. Prepare Profit and loss Appropriation account.

7 A business has earned average profit of ₹ 100000. During the last few years and normal rate of return in similar business is 10%. Find out the value of Goodwill by: 4

(i) Capitalisation of super profit method

(ii) Super profit method if the goodwill is valued at 3 years purchase of super profit.

Assets of the business were ₹ 1000000 and its external liabilities ₹ 180000

8 Mona, Nisha and Priyanka are partners in affirm. They contributed ₹50,000 each as capital three years ago. At that time Priyanka agreed to look after the business as Mona and Nisha were busy. The profits for the past three years were ₹15,000, ₹25,000 and ₹50,000 respectively. While going through the books of accounts;Mona noticed that the profit had been distributed in the ratio of1:1:2, when she enquired from Priyanka about this, Priyanka answered and that since she looked after the business she should get more profit. Mona disagreed and it was decided to distribute profit equally respectively for the last three years. 4

You are required to make necessary corrections in the books of accounts of Mona, Nisha and Priyanka by passing an adjustment entry

4

9 A and B were partners sharing ratio 3:2.they admitted C for 1/5th share in firm C is guaranteed a minimum profit of 2,00,000 for the year any deficiency in C'S share is to be borne by A and B in the ratio of 4:1 .Loss for the year was 1,00,000. PASS NECESSARY JOURNAL ENTRIES.

10. A, B and C were partners in the ratio of 5:4:1. On 31st Dec. 2006 their balance sheet showed a reserve fund of ₹ 65,000, P&L A/C (Loss) of ₹ 45,000. On 1st January, 2007, the partners decided to change their profit sharing ratio to 9:6:5. For this purpose goodwill was valued at ₹ 1,50,000. The partners do not want to distribute reserves and losses and also do not want to record goodwill.

You are required to pass single journal entry for the above.

Questions carrying 6 marks each

11. Anwar, Bisvas and Divya are partners in a firm. Their capital accounts stood at ₹8,00,000,₹6,00,000 and₹4,00,000 respectively on 1st april,2015. They shared profits and losses in the ratio of 3:2:1 respectively. Partners are entitled to interest on Capital @ 6% per annum and salary to Bisvas and Divya @₹4,000 per month

and₹6,000 per quarter respectively as per the provisions of partnership deed. Biswas's share of profit including interest on capital but excluding salary is guaranteed at a minimum of ₹82,000 p.a. Any deficiency arising on that account shall be met by Divya. The profits for the year ended 31st March,2016 amounted to₹3,12,000. Prepare profit and loss appropriation account and journal entries for the year ended 31st March, 2016.

12 X, Y and Z were partners in a firm. Their capitals on 01.04.2015 were; X ₹ 2,00,000 , Y ₹ 2,50,000 and Z ₹ 3,00,000. the partnership deed provided for the following;

(i) they will share profits in the ratio of 2 : 3 : 3.

(ii) X will be allowed a salary of ₹ 12,000 p.a.

(iii) Interest on capital will be allowed @ 12% p.a.

During the year X withdrew ₹ 28,000 Y ₹ 30,000 and Z ₹ 18,000 for the year ended 31.3.2016 the firm earned a profit of ₹ 5,00,000.
Prepare profit and loss Appropriation account and partners' capital accounts.

13 ANIL, SANDHYA and NEETU are partners in a firm on 1st april 2015 the balance in their 6 capital accounts stood at ₹14,00,000, ₹6,00,000 and ₹4,00,000 respectively. They shared profits in the proportion of 7:3:2 respectively. Partners are entitled to interest on capital @ 6% p.a. and salary to Sandhya @ ₹50,000 p.a. and a commission of ₹3,000 per month to Neetu guaranteed at not less than ₹1,70,000 p.a. Neetu's shares of profit (including int. on capital but excluding salary) is guaranteed at not less than ₹ 1,50,000 p.a. any deficiency arising on that account shall be net by ANIL. The profit of firm for the year ended 31st March 2013 amounted to ₹9,50,000. Prepare profit and loss appropriation account and necessary journal entries for the year ended 31st March 2016.

14 Anand and Sonu were childhood friends and colleagues in a company who were thinking of starting something of their own someday. On 1st Jan, 2015 they thought of starting a stationery depot for the financially backward children of their area. They also admitted Manoj a differently abled educated youth who was unemployed as a partner of their firm without any capital contribution. Sonu also approached Rohit Kaul from Jammu, who was also eager to start something of this sort having lot of funds at his disposal, and persuaded him to join them.

The following terms where agreed upon:

- Anand, Sonu and Rohit will contribute 30,000; 50,000 and 400,000 respectively ascapital.
- Profit will be shared equally
- Interest on capital will be allowed @ 5% p.a.
- The Profits of the firm for the year ended 31st Dec 2015 were 50,000.

Prepare Profit & Loss Appropriation Account and capital account of the firm for the year

15 A,B and C were partners in a firm having capitals of ₹ 60,000, ₹60,000 and ₹ 80,000 respectively. Their current account balance were A: ₹ 10,000, B: ₹ 5,000 and C: ₹ 2,000(Dr). According to the partnership deed the partners were entitled to interest on capital @5% p.a. C being the working partner was also entitled to a salary of ₹ 6,000 p.a. The profits were to be divided as follows:

(a) The first ₹ 20,000 in proportion to their capital.

(b) Next₹ 30,000 in the ratio of 5:3:2.

(c) Remaining profits to be shared equally.

The firm made a profit of ₹ 1,56,000 before charging any of the above items. Prepare the profit and loss appropriation account and pass necessary journal entry.

16 (a) X, Y and Z were 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 1st April, 2015. They decided to record the effect of the following, without affecting their book values:

(i) Profit and Loss Account ₹24,000

(ii) Advertisement Suspense Account ₹12,000

Give adjustment entry for the above items.

b) On 1st April,2014 an existing firm had assets of ₹ 75000 including cash of ₹ 5000 The partners' capital account showed a balance of ₹60000 and the reserve constituted the rest. If the normal rate of return is 10% and goodwill of the firm is valued at ₹24000 at four years purchase of super profit find the average profit of the firm.

17 Fill in the missing figure in following accounts: 6

Profit & Loss Account For the year ended 31st March 2015

Dr.			Cr.
Particulars	₹	Particulars	₹
To Managers commission (10 %)	12,000	By profit for the year	....
To net profit transfer to:			
Profit & Loss Appropriation a/c	....		
	......		....

Profit & Loss Appropriation Account

For the year ended 31st March 2015

Dr.					Cr.
Particulars			₹	Particulars	₹
To Interest on Capital @ 8% p.a.				By P & L A/c	--------
A	24,000				
B	16,000		....		
To Salary to B			....		
To profit transfer to					
Capital Accounts:					
A	3/5	....			

B	2/5	20,000	……………	
			……………	----------

Partners' Capital Account					
Dr.	For the year ended 31st March 2015				Cr.
Particulars	(A)₹	(B)₹	Particulars	(A) ₹	(B)₹
To Balance	…..	……	By Balance b/d	……	………….
c/d			By Interest on Cap	…….	……………
			By Salary	………	……………
			By P&L		
	……	………	Appropriation a/c	……….	……………

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