

INDIAN SCHOOL MUSCAT

SECOND PERIODIC TEST



ACCOUNTANCY

CLASS: XII

Sub. Code: 055

Time Allotted: 50mts.

16.05.2023

Max .Marks: 20

GENERAL INSTRUCTIONS:

1. There are 8 questions in the question paper. All questions are compulsory.
2. Questions No. 1 to 4 carry 1 mark each.
3. Questions No. 5 and 6 carry 3 marks each.
4. Question No. 7 carries 4 marks.
5. Questions No. 8 carries 6 marks

1. A firm earns profit of ₹ 1,10,000. The normal rate of return is 10%. Assets of the firm are ₹ 11,00,000 and Liabilities of ₹ 1,00,000. Value of Goodwill by Capitalisation of Average Profit will be: 1
 (a) ₹ 2,00,000 (b) ₹ 10,000
 (c) ₹ 5,000 (d) ₹ 1,00,000
2. Assertion (A): At the time of Change in Profit Sharing Ratio, Gaining Partner brings his share of Goodwill to compensate the Sacrificing Partner. 1
 Reason (R): Goodwill may or may not be brought in cash by Gaining Partner to compensate the Sacrificing Partner for sacrificing his profit share.
 In the context of the above two statements, which of the following is correct?
 (a) Both Assertion (A) and Reason (R) are correct and Reason (R) is the correct explanation of Assertion (A).
 (b) Assertion (A) and Reason (R) are correct but the Reason (R) is not the correct explanation of Assertion (A).
 (c) Only Assertion (A) is correct but the Reason (R) is not correct.
 (d) Both Assertion (A) and Reason (R) are incorrect.
3. Revaluation of Assets at the time of reconstitution is necessary because their present value maybe different from their _____. 1
 (a) Market Value (b) Net Value
 (c) Cost of Assets (d) Book Value
4. Which of the following does not result into reconstitution of a firm? 1
 (a) Dissolution of Partnership Firm
 (b) Dissolution of Partnership
 (c) Change in Profit Sharing Ratio of Existing Partners
 (d) Death of a Partner

5. Average Profit earned by a firm is ₹ 2,50,000 which includes overvaluation of stock of ₹ 10,000 on average basis. Capital invested in the business is ₹ 14,00,000 and the normal rate of return is 15%. Calculate goodwill of the firm on the basis of 4 times the super profit. 3

6. X, Y and Z 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 1st April, 2023. They also decide to record the effect of the following accumulated profits, losses and reserves without affecting their book values by passing a single entry. 3

	₹
General Reserve	12,000
Profit and Loss A/c (Credit)	48,000
Advertisement Suspense A/c	24,000

Pass an adjustment entry. Show all workings clearly.

7. Raj purchased Ben's business with affect from 1st April, 2023. It was agreed that the firm's goodwill will be valued at two year's purchase of average normal profit of the last three years. Profit of Ben's business for last three years ended 31st March, were: 4
- 2021 ₹ 1,00,000 (including an abnormal gain of ₹ 10,000)
- 2022 ₹ 1,10,000 (after charging an abnormal loss of ₹ 20,000)
- 2022 ₹ 85,000 (including profit of ₹ 5,000 on sale of fixed assets)
- Calculate value of firm's goodwill. Show all workings clearly.

8. Ashok, Bhim and Chetan were partners in a firm sharing profits in the ratio of 3:2:1. Their Balance Sheet on 31st March, 2020 was as follows: 6

Balance Sheet of Ashok, Bhim and Chetan as at 31st March, 2020

Liabilities	₹	Assets	₹
Creditors	1,00,000	Land	1,00,000
Bills Payable	40,000	Building	1,00,000
General Reserve	60,000	Plant	2,00,000
Capitals:		Stock	80,000
Ashok 2,00,000		Debtors	60,000
Bhim 1,00,000		Bank	10,000
Chetan 50,000	3,50,000		
	5,50,000		5,50,000

Ashok, Bhim and Chetan decided to share future profits equally, w.e.f. 1st April, 2020. For this it was agreed that:

- (i) Goodwill of the firm be valued at ₹ 3,00,000.
- (ii) Land be revalued at ₹ 1,60,000 and building to be depreciated by 6%.
- (iii) Creditors of ₹ 12,000 were not likely to be claimed and hence written off.
- Prepare Revaluation Account and Partners' Capital Accounts.

END OF QUESTION PAPER

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2. Questions No. 1 to 4 carry 1 mark each.
3. Questions No. 5 and 6 carry 3 marks each.
4. Question No. 7 carries 4 marks.
5. Questions No. 8 carries 6 marks.

1. Which of the following does not result into reconstitution of a firm? 1
 - (a) Dissolution of Partnership Firm
 - (b) Dissolution of Partnership
 - (c) Change in Profit Sharing Ratio of Existing Partners
 - (d) Death of a Partner
2. A firm earned ₹ 60,000 as profit, the normal rate of return being 10%. Assets of the firm are ₹ 7,20,000 (excluding Goodwill) and Liabilities are ₹ 2,40,000. Find the value of Goodwill by Capitalisation of Average Profit Method. 1
 - (a) ₹ 2,40,000
 - (b) ₹ 1,80,000
 - (c) ₹ 1,20,000
 - (d) ₹ 60,000
3. Assertion (A): At the time of Change in Profit Sharing Ratio, Gaining Partner brings his share of Goodwill to compensate the Sacrificing Partner. 1
Reason (R): Goodwill may or may not be brought in cash by Gaining Partner to compensate the Sacrificing Partner for sacrificing his profit share.
In the context of the above two statements, which of the following is correct?
 - (a) Both Assertion (A) and Reason (R) are correct and Reason (R) is the correct explanation of Assertion (A).
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 - (c) Only Assertion (A) is correct but the Reason (R) is not correct.
 - (d) Both Assertion (A) and Reason (R) are incorrect.
4. Revaluation of Assets at the time of reconstitution is necessary because their present value maybe different from their _____. 1
 - (a) Market Value
 - (b) Net Value

(c) Cost of Assets

(d) Book Value

5. A, B and C are sharing profits and losses in the ratio of 3:2:1. They decided to share future profits and losses in the ratio of 2:3:5 with effect from 1st April, 2023. They also decide to record the effect of the following accumulated profits, losses and reserves without affecting their book values by passing a single entry. 3

	₹
Contingency Reserve	9,000
Profit and Loss A/c (Credit)	36,000
Advertisement Suspense A/c	18,000

Pass an adjustment entry. Show all workings clearly.

6. Average Profit earned by a firm is ₹ 2,50,000 which includes overvaluation of stock of ₹ 10,000 on average basis. Capital invested in the business is ₹ 14,00,000 and the normal rate of return is 15%. Calculate goodwill of the firm on the basis of 4 times the super profit. 3

7. Raj purchased Ben's business with affect from 1st April, 2023. It was agreed that the firm's goodwill will be valued at two year's purchase of average normal profit of the last three years. Profit of Ben's business for last three years ended 31st March, were: 4

2021 ₹ 1,00,000 (including an abnormal gain of ₹ 10,000)
2022 ₹ 1,10,000 (after charging an abnormal loss of ₹ 20,000)
2022 ₹ 85,000 (including profit of ₹ 5,000 on sale of fixed assets)

Calculate value of firm's goodwill. Show all workings clearly.

8. Ashok, Bhim and Chetan were partners in a firm sharing profits in the ratio of 3:2:1. Their Balance Sheet on 31st March, 2020 was as follows: 6

Balance Sheet of Ashok, Bhim and Chetan as at 31st March, 2020

Liabilities	₹	Assets	₹
Creditors	1,00,000	Land	1,00,000
Bills Payable	40,000	Building	1,00,000
General Reserve	60,000	Plant	2,00,000
Capitals:		Stock	80,000
Ashok 2,00,000		Debtors	60,000
Bhim 1,00,000		Bank	10,000
Chetan 50,000	3,50,000		
	5,50,000		5,50,000

Ashok, Bhim and Chetan decided to share future profits equally, w.e.f. 1st April, 2020. For this it was agreed that:

- (i) Goodwill of the firm be valued at ₹ 3,00,000.
(ii) Land be revalued at ₹ 1,60,000 and building to be depreciated by 6%.
(iii) Creditors of ₹ 12,000 were not likely to be claimed and hence written off.
Prepare Revaluation Account and Partners' Capital Accounts.

END OF QUESTION PAPER

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 (a) Market Value (b) Net Value
 (c) Cost of Assets (d) Book Value
2. Which of the following does not result into reconstitution of a firm?
 (a) Dissolution of Partnership Firm
 (b) Dissolution of Partnership
 (c) Change in Profit Sharing Ratio of Existing Partners
 (d) Death of a Partner
3. J and K are partners in a firm. Their Capitals are: J ₹ 3,00,000 and K ₹ 2,00,000. During the year ended 31st March, 2023, the firm earned a profit of ₹ 1,50,000. The normal rate of return is 20%. Calculate the value of Goodwill of the firm by Capitalisation Method.
 (a) ₹ 2,50,000 (b) ₹ 5,00,000
 (c) ₹ 3,50,000 (d) ₹ 2,00,000
4. Assertion (A): At the time of Change in Profit Sharing Ratio, Gaining Partner brings his share of Goodwill to compensate the Sacrificing Partner.
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6. P, Q and R are sharing profits and losses in the ratio of 5:3:2. They decided to share future profits and losses equally with effect from 1st April, 2023. They also decide to record the effect of the following accumulated profits, losses and reserves without affecting their book values by passing a single entry. 3

	₹
General Reserve	10,000
Workmen Compensation Reserve	40,000
Profit and Loss A/c (Debit)	20,000

Pass an adjustment entry. Show all workings clearly.

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Creditors	1,00,000	Land	1,00,000
Bills Payable	40,000	Building	1,00,000
General Reserve	60,000	Plant	2,00,000
Capitals:		Stock	80,000
Ashok 2,00,000		Debtors	60,000
Bhim 1,00,000		Bank	10,000
Chetan 50,000	3,50,000		
	5,50,000		5,50,000

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