

Roll Number

SET A



INDIAN SCHOOL MUSCAT

SECOND PERIODIC TEST

CLASS: XII

ACCOUNTANCY (055)

Max. Marks: 20

Time Allotted: 50 Mins.

01.06.2022

GENERAL INSTRUCTIONS

1. There are 8 questions in the question paper. All questions are compulsory.
2. Question nos. 1 and 2 are short answer type questions carrying 1 mark each.
3. Question nos. 3 and 4 are short answer type-I questions carrying 2 marks each.
4. Question nos. 5 and 6 are short answer type-II questions carrying 3 marks each.
5. Question nos. 7 and 8 are long answer type questions carrying 4 marks each.

- 1 How does 'Efficient Management' affect Goodwill? 1
- 2 Rajan and Gagan were partners in a firm sharing profits and losses in the ratio 2:1. With effect from 1st January, 2021, they decided to share profits and losses equally. Individual partner's gain or sacrifice due to change in the ratio will be 1
 - (A) Gain by Rajan $\frac{1}{6}$, Sacrifice by Gagan $\frac{1}{6}$
 - (B) Sacrifice by Rajan $\frac{1}{6}$, Gain by Gagan $\frac{1}{6}$
 - (C) Gain by Rajan $\frac{1}{2}$, Sacrifice by Gagan $\frac{1}{2}$
 - (D) Sacrifice by Rajan $\frac{1}{2}$, Gain by Gagan $\frac{1}{2}$
- 3 Raja purchased Barun's business with effect from 1st April, 2021. It was agreed that the firm's Goodwill will be valued at two years' purchase of average normal profit of the last three years. Profits of Barun's business for last three years ended 31st March, were: 2
 - 2019 ₹ 1,00,000 (including an abnormal gain of ₹ 10,000)
 - 2020 ₹ 1,00,000 (after charging an abnormal loss of ₹ 20,000)
 - 2021 ₹ 85,000 (including non-business income of ₹ 5,000)Calculate value of the firm's Goodwill.

- 4 Manan, Vijay and Aman are partners sharing profits and losses in the ratio of 3:2:1. From 1st April, 2021, they decided to share profits equally. The goodwill of the firm is valued at ₹ 18,000. Pass necessary Journal Entry for treatment of Goodwill on change in profit sharing ratio. 2
- 5 Yatin and Kian were partners in an architectural firm. Their fixed capitals were ₹ 6,00,000 and ₹ 4,00,000 respectively. There were credit balances in their current accounts of ₹ 4,00,000 and ₹ 5,00,000 respectively. The firm had a balance of ₹ 1,00,000 in General Reserve. The firm did not have any liability. They admitted Raima into partnership for 1/4th share in the profits of the firm. The average profits of the firm for the last five years were ₹ 5,00,000. Calculate the value of goodwill of the firm by Capitalisation of Average Profits Method. The normal rate of return in the business is 10%. 3
- 6 P, Q and R are sharing profits and losses in the ratio of 5:3:2. They decide to share future profits and losses in the ratio of 2:3:5 with effect from 1st April 2022. They also decide to record the effect of the following accumulated profits, losses and reserves without affecting the book values by passing a single entry. 3

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

Pass a single adjustment entry and show workings clearly.

- 7 N, T and A are partners sharing profits equally and decide to share profits in the ratio of 2:2:1 w.e.f 1st April, 2022. The extract of their Balance Sheet as at 31st March, 2022 is as follows: 4

Liabilities	₹	Assets	₹
Investment Fluctuation Reserve	1,20,000	Investment (At Cost)	8,00,000

Pass the Journal Entries in each of the two situations:

- When its Market Value of Investment is ₹ 8,48,000.
- When its Market Value of Investment is ₹ 7,40,000.

- 8 A, B and C are partners sharing profits and losses in the ratio of 5:3:2. Their Balance Sheet as at 31st March, 2021 stood as follows: 4

Liabilities	₹	Assets	₹
Capital A/cs		Land and Building	2,60,000
A 3,50,000		Machinery	3,50,000
B 2,50,000		Stock	90,000
C 3,00,000	9,00,000	Bills Receivable	70,000
General Reserve	20,000	Sundry Debtors	1,00,000
Workmen Compensation Reserve	30,000	Cash in Hand	25,000
Sundry Creditors		Cash at Bank	1,05,000
	50,000		
	10,00,000		10,00,000

They decided to share profits and losses in the ratio of 2:2:1 with effect from 1st April, 2021. They agreed that:

- (i) Land and Building be appreciated by 10%.
- (ii) Machinery be reduced by 15%.
- (iii) Stock be increased to ₹ 1,00,000.
- (iv) Provision for Doubtful Debts be created @ 5% on Sundry Debtors.
- (v) A creditor of ₹ 5,000 is not to claim the dues. Hence it is to be written back.
- (vi) A claim on account of Workmen Compensation is ₹ 10,000.
- (vii) An expense of ₹ 2,000 was paid by the firm for getting the value of Land and Building certified from a Chartered Engineer.

Prepare Revaluation Account.

End of the Question Paper



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5. Question nos. 7 and 8 are long answer type questions carrying 4 marks each.

- 1 How does 'Favourable Location' affect Goodwill? 1

- 2 Ravi and Rajesh were partners in a firm sharing profits and losses in the ratio of 3:1. With effect from 1st January 2021, they agreed to share profits in the ratio of 2:1. Due to change in profit sharing ratio, Rajesh's gain or sacrifice will be 1
 - (A) Gain 1/12
 - (B) Sacrifice 1/12
 - (C) Gain 2/60
 - (D) Sacrifice 3/60

- 3 Ashish, Nitesh and Dhiraj are partners sharing profits and losses in the ratio of 3:2:1. From 1st April, 2021, they decided to share profits equally. The goodwill of the firm is valued at ₹ 36,000. Pass necessary Journal Entry for treatment of Goodwill on change in profit sharing ratio. 2

- 4 Raja purchased Barun's business with effect from 1st April, 2021. It was agreed that the firm's Goodwill will be valued at two years' purchase of average normal profit of the last three years. Profits of Barun's business for last three years ended 31st March, were: 2

2019	₹ 1,00,000 (including an abnormal gain of ₹ 10,000)
2020	₹ 1,00,000 (after charging an abnormal loss of ₹ 20,000)
2021	₹ 85,000 (including non-business income of ₹ 5,000)

Calculate value of the firm's Goodwill.

- 5 P, Q and R are sharing profits and losses in the ratio of 5:3:2. They decide to share future profits and losses in the ratio of 2:3:5 with effect from 1st April 2022. They also decide to record the effect of the following accumulated profits, losses and reserves without affecting the book values by passing a single entry. 3

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

Pass a single adjustment entry and show workings clearly.

- 6 Yatin and Kian were partners in an architectural firm. Their fixed capitals were ₹ 6,00,000 and ₹ 4,00,000 respectively. There were credit balances in their current accounts of ₹ 4,00,000 and ₹ 5,00,000 respectively. The firm had a balance of ₹ 1,00,000 in General Reserve. The firm did not have any liability. They admitted Raima into partnership for 1/4th share in the profits of the firm. The average profits of the firm for the last five years were ₹ 5,00,000. Calculate the value of goodwill of the firm by Capitalisation of Average Profits Method. The normal rate of return in the business is 10%. 3
- 7 A, B and C are partners sharing profits and losses in the ratio of 5:3:2. Their Balance Sheet as at 31st March, 2021 stood as follows: 4

Liabilities	₹	Assets	₹
Capital A/cs		Land and Building	2,60,000
A 3,50,000		Machinery	3,50,000
B 2,50,000		Stock	90,000
C 3,00,000	9,00,000	Bills Receivable	70,000
General Reserve	20,000	Sundry Debtors	1,00,000
Workmen Compensation Reserve	30,000	Cash in Hand	25,000
Sundry Creditors		Cash at Bank	1,05,000
	50,000		
	10,00,000		10,00,000

They decided to share profits and losses in the ratio of 2:2:1 with effect from 1st April, 2021. They agreed that:

- Land and Building be appreciated by 10%.
- Machinery be reduced by 15%.

- (iii.) Stock be increased to ₹ 1,00,000.
- (iv.) Provision for Doubtful Debts be created @ 5% on Sundry Debtors.
- (v.) A creditor of ₹ 5,000 is not to claim the dues. Hence it is to be written back.
- (vi.) A claim on account of Workmen Compensation is ₹ 10,000.
- (vii.) An expense of ₹ 2,000 was paid by the firm for getting the value of Land and Building certified from a Chartered Engineer.

Prepare Revaluation Account.

- 8 N, T and A are partners sharing profits equally and decide to share profits in the ratio of 2:2:1 4
w.e.f 1st April, 2022. The extract of their Balance Sheet as at 31st March, 2022 is as follows:

Liabilities	₹	Assets	₹
Investment Fluctuation	1,20,000	Investment (At Cost)	8,00,000
Reserve			

Pass the Journal Entries in each of the two situations:

- (i.) When its Market Value of Investment is ₹ 8,48,000.
- (ii.) When its Market Value of Investment is ₹ 7,40,000.

End of the Question Paper

Roll Number

SET C



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 4. Question nos. 5 and 6 are short answer type–II questions carrying 3 marks each.
 5. Question nos. 7 and 8 are long answer type questions carrying 4 marks each.
- 1 How does 'Access to Supplies' affect Goodwill? 1
- 2 Omar and Sam are sharing profits and losses equally. With effect from 1st April, 2021, they agree to share profits in the ratio 4:3. Calculate individual partner's gain or sacrifice due to change in the profit sharing ratio. 1
- (A) Omar sacrifices and Sam gains $\frac{1}{4}$ th share
- (B) Omar gains and Sam sacrifices $\frac{1}{4}$ th share
- (C) Omar sacrifices and Sam gains $\frac{1}{14}$ th share
- (D) Omar gains and Sam sacrifices $\frac{1}{14}$ th share
- 3 Raja purchased Barun's business with effect from 1st April, 2021. It was agreed that the firm's Goodwill will be valued at two years' purchase of average normal profit of the last three years. Profits of Barun's business for last three years ended 31st March, were: 2
- 2019 ₹ 1,00,000 (including an abnormal gain of ₹ 10,000)
- 2020 ₹ 1,00,000 (after charging an abnormal loss of ₹ 20,000)
- 2021 ₹ 85,000 (including non-business income of ₹ 5,000)
- Calculate value of the firm's Goodwill.

- 4 Payal, Rima and Sue are partners sharing profits and losses in the ratio of 3:2:1. From 1st April, 2021, they decided to share profits equally. The goodwill of the firm valued at ₹ 54,000. Pass necessary Journal Entry for treatment of Goodwill on change in profit sharing ratio. 2
- 5 Yatin and Kian were partners in an architectural firm. Their fixed capitals were ₹ 6,00,000 and ₹ 4,00,000 respectively. There were credit balances in their current accounts of ₹ 4,00,000 and ₹ 5,00,000 respectively. The firm had a balance of ₹ 1,00,000 in General Reserve. The firm did not have any liability. They admitted Raima into partnership for 1/4th share in the profits of the firm. The average profits of the firm for the last five years were ₹ 5,00,000. Calculate the value of goodwill of the firm by Capitalisation of Average Profits Method. The normal rate of return in the business is 10%. 3
- 6 P, Q and R are sharing profits and losses in the ratio of 5:3:2. They decide to share future profits and losses in the ratio of 2:3:5 with effect from 1st April 2022. They also decide to record the effect of the following accumulated profits, losses and reserves without affecting the book values by passing a single entry. 3

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

Pass a single adjustment entry and show workings clearly.

- 7 N, T and A are partners sharing profits equally and decide to share profits in the ratio of 2:2:1 w.e.f 1st April, 2022. The extract of their Balance Sheet as at 31st March, 2022 is as follows: 4

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Investment Fluctuation Reserve	1,20,000	Investment (At Cost)	8,00,000

Pass the Journal Entries in each of the two situations:

- (i) When its Market Value of Investment is ₹ 8,48,000.
(ii) When its Market Value of Investment is ₹ 7,40,000.

- 8 A, B and C are partners sharing profits and losses in the ratio of 5:3:2. Their Balance Sheet as at 31st March, 2021 stood as follows: 4

Liabilities	₹	Assets	₹
Capital A/cs		Land and Building	2,60,000
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Sundry Creditors		Cash at Bank	1,05,000
	50,000		
	10,00,000		10,00,000

They decided to share profits and losses in the ratio of 2:2:1 with effect from 1st April, 2021. They agreed that:

- Land and Building be appreciated by 10%.
- Machinery be reduced by 15%.
- Stock be increased to ₹ 1,00,000.
- Provision for Doubtful Debts be created @ 5% on Sundry Debtors.
- A creditor of ₹ 5,000 is not to claim the dues. Hence it is to be written back.
- A claim on account of Workmen Compensation is ₹ 10,000.
- An expense of ₹ 2,000 was paid by the firm for getting the value of Land and Building certified from a Chartered Engineer.

Prepare Revaluation Account.

End of the Question Paper