First Term Examination (23 September 2017)

Subject – ACCOUNTANCY

Class XII

(Set – A)

Time: 3 hrs. **M.M.80**

General Instructions:

i) ***All questions are compulsory.***
ii) ***All parts of questions should be attempted at one place.***

Q1. A, B and C are partners in a firm sharing profits in the ratio of 5:3:2. One Jan 1, 2015, they admitted E as a new partner for $1/0^{th}$ share in the profits. On E's admission, the profit & loss account of the firm was showing a debit balance of Rs. 40,000 which was credited by the accountant of the firm to the capital accounts of A, B and C in their profit sharing ratio. Did the accountant give correct treatment? Give reasons in support of your answer. (1)

Q2. From the amount payable to the legal representative of the deceased partner, state any two deductions which need to be made. (1)

Q3. How will goodwill account appearing in the balance sheet be treated in case of dissolution of the firm? (1)

Q4. Accountant of the firm has debited interest on partner's loan to the profit & loss appropriation account and credited it to the partners capital account. Is the account correct in doing so? Give reason. (1)

Q5. State the ratio in which partners share profits or losses on revaluation of assets and liabilities, whom there is a change in profit sharing ratio among existing partners. (1)

Q6. Distinguish between 'dissolution of partnership' and 'dissolution of partnership firm' on the basis of 'economic relationship'. (1)

Q7. In case amount due to outgoing partner is taken as loan, is the outgoing partner entitled to interest? If yes, at what rate? (1)

Q8. A and B were partners in a firm sharing profits and losses in the ratio of 5:3. They admitted C as a new partner. The new profit sharing ratio between A, B and C was 3:2:3. A surrendered $1/5^{th}$ of his share in favour of C. Calculate B's sacrifice. (1)

Q9. Ram, Shyam, Ghanshyam and Radheshyam were partners sharing profits and losses in the ratio of 4:3:3:2. Their respective fixed capitals on Mar 31, 2015 were Rs. 1,20,000; Rs. 1,80,000; Rs. 2,40,000 and Rs. 1,80,000 respectively. After preparing the final accounts for the year ended Mar 31, 2015, it was discovered that interest on capital @ 12%p.a. was not allowed and interest on drawings amounting to Rs. 4,000; Rs. 5,000; Rs. 3,000 and Rs. 2,000 respectively was also not charged. Pass the necessary adjustment journal entry showing your working clearly. (3)

Q10. The amount of sundry assets transferred to realization account was Rs. 80,000. 60% of them have been sold at a profit of Rs. 2,000. 20% of the remaining were sold at a discount of 30% and remaining were taken over by Z (a partner) at book value. Journalise. (3)

Q11. K, L and Z are partners sharing profit in the ratio 4:3:2 respectively. L retired and surrendered 1/9th of his share of profit to K and remaining in favour of Z. Calculate the new profit sharing ratio of K and Z. Also calculate the gaining ratio. (3)

Q12. P, Q and R were partners sharing profits and losses in the ratio 3:2:1 respectively. Q died on Mar 31, 2015. The profit from Jan 1, 2015 to Mar 31, 2015 amounted to Rs. 4,500. P and R decided to share future profits in the ratio 3:2 respectively with effect from 1st April, 2015. Pass the necessary journal entry to record Q's share of profit to the date of death. (3)

Q13. Madhu and Neha were partners in a firm sharing profits and losses in the ratio of 3:5. Their fixed capitals were Rs. 4,00,000 and Rs. 6,00,000 respectively. On 1.1.2016, Tina was admitted as a new partner for 1/4th share in the profits. Tina acquired her share of profit from Neha. Tina brought Rs. 4,00,000 as her capital which was to be kept fixed like the capitals of Madhu and Neha. Calculate the goodwill of the firm on Tina's admission and the new profit sharing ratio of Madhu, Neha and Tina. Also, pass necessary journal entry for the treatment of goodwill on Tina's admission considering that Tina did not bring her share of goodwill premium in cash. (4)

Q14. A and B decided to start a partnership firm to manufacture low cost jute bags as plastic bags were creating many environment problems. They contributed capitals of Rs. 1,00,000 and Rs. 50,000 on 1st April, 2014 for this. A expressed his willingness to admit C as a partner without capital, who is specially abled but a very creative and intelligent friend of his. B agreed to this. The terms of the partnership were as follows: (4)

a) A, B and C will share profits in the ratio 2:2:1.
b) Interest on capital will be provided @ 6% p.a.

Due to shortage of capital, A contributed Rs. 25,000 on Sept. 30, 2014 and B contributed Rs. 10,000 on Jan 1, 2015, as additional capital. The profit of the firm for the year ended Mar 31, 2015 was Rs. 1,68,900.

i) Prepare Profit & Loss Appropriation A/c for the year ending mar 31, 2015.
ii) Identify any two values which the firm wants to communicate to the society.

Q15. Ashok, Babu and Chetan were partners in a firm sharing profits in the ratio of 4:3:3. The firm closes its book on 31st March every year. On 31st December, 2016 Ashok died. The partnership deed provided that on the death of a partner his executors will be entitled for the following: (4)

i) Balance in his capital account. On 1.4.2016, there was a balance of Rs. 90,000 in Ashok's Capital Account.
ii) Interest on capital @ 12% per annum.
iii) His share in the profits of the firm in the year of his death will be calculated on the basis of rate of net profit on sales of the previous year, which was 25%. The sales of the firm till 31st December, 2016 were Rs. 4,00,000.
iv) His share in the goodwill of the firm. The goodwill of the firm on Ashok's death was valued at Rs. 4,50,000.

The partnership deed also provided for the following deductions from the amount payable to the executor of the deceased partner:

i) His drawings in the year of his death. Ashok's drawings till 31.12.2016 were Rs. 15,000.
ii) Interest on drawings @ 12% per annum which was calculated as Rs. 1,500.

The accountant of the firm prepared Ashok's Capital Account to be presented to the executor of Ashok but in a hurry he left it incomplete. Ashok's Capital Account as prepared by the firm's accountant is given below:

Ashok's Capital Account

Dr. **Cr.**

Date	Particulars	Amount (Rs.)	Date	Particulars	Amount (Rs.)
2016			2016		
Dec 31	……………	15,000	April 1	………	90,000
Dec 31	……………	………	Dec 31	………	8,100
Dec 31	……………	………	Dec 31	………	40,000
			Dec 31	………	90,000
			Dec 31	………	90,000
		3,18,100			**3,18,100**

You are required to complete Ashok's Capital Account.

Q16. Q and R are partners, who share profits in the ratio of 3:2. From April 1, 2015, they decide to share profits equally. For the purpose of reconstitution, the partnership deed provides for valuation of goodwill at 2 years' purchase of super profits. The normal profits are estimated at Rs. 1,00,000, while actual average profits were Rs. 1,25,000. On 31st March, 2015, the debit balance of profit & Loss A/c stood at Rs. 80,000. The partners also decide to revalue buildings by appreciating its value by Rs. 20,000. You are required to give effect to the above adjustments by passing a single journal entry. (4)

Q17. Ram's Capital Rs. 60,000, advance to Shyam Rs. 40,000; loan from Ram Rs. 40,000; Profit & Loss A/c (debit) Rs. 1,60,000; Ram's current A/c (credit) Rs. 60,000; Shyam's capital Rs. 80,000; loan from Mrs. Ram Rs. 2,40,000; trade creditors Rs. 2,40,000; cash and bank balance Rs. 20,000. Prepare the balance sheet of the firm as on Mar 31, 2015 being the date of dissolution of a loss incurring firm. (4)

Q18. R, I and M are partners in a firm. On April 1, 2014, their capital accounts stood at Rs. 8,00,000; Rs. 6,00,000 and Rs. 4,00,000 respectively. They shared profits and losses in the proportion of 5:3:2. Partners are entitled to interest on capital@ 10% p.a. and salary to I and M @ Rs. 4,000 per month and Rs. 6,000 per quarter respectively as per the deed. I's share of profit (excluding interest on capital but including salary) is guaranteed a minimum of Rs. 1,00,000 per anuam. Any deficiency arising on that account shall be met by M. The profits of the firm for the year ended Mar 31, 2015 amount to Rs. 4,00,000. Prepare profit and loss appropriation a/c for year ended Mar 31, 2015. (6)

Q19. A, B, C and D were partners in a firm sharing profits in the ratio of 3 : 2 : 3 : 2. On 1.4.2016, their Balance Sheet was as follows : (6)

Balance Sheet of A, B, C and D as on 1.4.2016

Liabilities		Amount (Rs.)	Assets	Amount (Rs.)
Creditors			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 the 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:

a) The claim against Workmen Compensation Reserve has been estimated at Rs. 30,000 and fixed assets will be depreciated by Rs. 25,000.
b) 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 Account and the Balance Sheet of the reconstituted firm.

Q20. Pass necessary journal entries on the dissolution of a partnership firm in the following cases: (6)

a) Expenses of dissolution were Rs. 9,000.
b) Expenses of dissolution Rs. 3,400 were paid by a partner, Vishal.
c) Shiv, a partner, agreed to do the work of dissolution for a commission of Rs. 4,500. He also agreed to bear the dissolution expenses. Actual dissolution expenses Rs. 3,900 were paid from the firm's bank account.
d) Naveen, a partner, agreed to look after the dissolution work for which he was allowed a remuneration of Rs. 3,000. Naveen also agreed to bear the dissolution expenses. Actual expenses on dissolution Rs. 2,700 were paid by Naveen.
e) Vivek, a partner, was appointed to look after the dissolution work for a remuneration of Rs. 7,000. He agreed to bear the dissolution expenses. Actual dissolution expenses Rs. 6,500 were paid by Rishi, another partner, on behalf of Vivek.
f) Gaurav, a partner, was appointed to look after the work of dissolution for a commission of Rs. 12,500. He agreed to bear the dissolution expenses. Gaurav took over furniture of Rs. 12,500 as his commission. The furniture had already been transferred to realization account.

Q21. A, B and C were in partnership sharing profits and losses equally. C died on June 30, 2010, three months after the financial year started on April 1, 2010. The total amount due to the executors of C amounted to Rs. 8,000, which was to be paid in three equal instalments of 6 months starting from Dec 31, 2010 with interest @ 10%p.a. Prepare C's executors loan A/c till it is finally paid. (6)

Q22. Ram and Shyam were partners sharing profits and losses equally. On 31.03.2017, their Balance Sheet was as follows: (8)

Balance Sheet of Ram and Shyam as on 31.3.2017

Liabilities	Amount (Rs.)	Assets	Amount (Rs.)
Creditors	1,00,000	Investments	90,000
Bank Loan	50,000	Stock	60,000
Employee's Provident Fund	30,000	Machinery	1,10,000
Investment Fluctuation Fund	10,000	Land & Building	40,000
Capitals :		Debtors 80,000 Less: Provision for bad debts 2,000	78,000
Ram 1,10,000		Bank	12,000
Shyam 90,000	2,00,000		
	3,90,000		**3,90,000**

The firm was dissolved on the above date and the assets and liabilities were settled as follows:

a) Stock was sold at 25% less than book value and machinery realized 20% more than the book value.
b) Debtors of Rs. 10,000 proved bad and rest paid the amount due.
c) A typewriter, which was fully depreciated, is now valued at Rs. 3,000 and is taken over by Ram at this value.
d) Shyam took over 40% of investments at 15% discount and remaining investments were handed over to a creditor of Rs. 60,000. The balance payment of creditors was made in cash.
e) Ram was appointed to realize the assets and pay off the liabilities; for which he was to be paid a commission of Rs. 2,500.
f) Land and Buildings were valued at Rs. 70,000. Bank took it to settle off the loan of Rs. 50,000 and paid the balance amount of Rs. 20,000 to the firm.

Prepare Realisation Account, Partners' Capital Accounts and Bank A/c to close the books of the firm.

Q23. Samir, Yasmin and Saloni were partners in a firm sharing profits and losses in the ratio of 4:3:3. On 31.3.2016, their Balance Sheet was as follows: (8)

Balance Sheet of Sameer, Yasmin and Saloni as on 31.3.2016

Liabilities	Amount (Rs.)	Assets	Amount (Rs.)
Creditors	1,10,000	Cash	80,000
General Reserve	60,000	Debtors 90,000	
Capital A/cs:		Less: Provision 10,000	80,000
Samir 3,00,000		Stock	1,00,000
Yasmin 2,50,000		Machinery	3,00,000
Saloni 1,50,000	7,00,000	Building	2,00,000
		Patents	60,000
		Profit and Loss Account	50,000
	8,70,000		**8,70,000**

On the above date, Sameer retired and it was agreed that:

i) Debtors of Rs. 4,000 will be written off as bad debts and a provision of 5% on debtors for bad and doubtful debts will be maintained.
ii) An unrecorded creditor of Rs. 20,000 will be recorded.
iii) Patents will be completely written off and 5% depreciation will be charged on stock, machinery and building.
iv) Yasmin and Saloni will share future profits in the ratio of 3:2.
v) Goodwill of the firm on Sameer's retirement was valued at Rs. 5,40,000.

Pass necessary journal entries for the above transactions in the books of the firm on Sameer's retirement.