First Term Examination (23 September 2017)

Subject – ACCOUNTANCY

Class XII

(Set – B)

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. Name the account which is opened to credit the share of profit of the deceased partner, till the time of his death to his capital account. (1)

Q2. P, Q and R were partners in a firm sharing profits and losses in the ratio 3:2:1. At the time of admission of a partner S, the goodwill of the firm was valued at Rs. 4,00,000. The accountant of the firm passed the entry in the books of accounts and thereafter showed goodwill at Rs. 4,00,000 as an asset in the balance sheet. Was he correct in doing so? Why? (1)

Q3. The firm with R, S and T as partners earned a profit of Rs. 6,00,000 during the year ended Mar 31, 2015. 20% of this profit was transferred to Workmen's Compensation Reserve. Pass the necessary journal entry for the same. (1)

Q4. Give one difference between sacrificing ratio and gaining ratio. (1)

Q5. Which items on the liabilities side are to be paid last, in case of dissolution of a firm? (1)

Q6. A and B are partners sharing profits and losses in the ratio of 3:2. On April 1, 2015, they decided to admit C for $1/5^{th}$ share in the profits. They had a reserve of Rs. 50,000 which they wanted to show in their new balance sheet. C agreed and the necessary adjustments were made in the books. On Oct 1, 2015, A met with an accident and died. B and C decided to admit A's daughter F in their partnership, who agreed to bring Rs. 4,00,000 as capital. Calculate A's share in the reserve on the date of her death. (1)

Q7. How is interest on drawings calculated, if the drawings are made at regular intervals, as on the first day of each month? (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. P, Q and R are partners in a firm. They contributed Rs. 50,000 each as capital three years ago. At that time, R agreed to look after the business as P and Q were busy. The profits for the past three years were Rs. 15,000, Rs. 15,000 and Rs. 50,000 respectively. While going through the books of accounts, P noticed that the profit had been distributed in the ratio of 1:1:2. When she enquired from R about this, R answered that since she looked after the business, she should get more profit. P disagreed and it was decided to distribute profit equally retrospectively for the last three years. (3)

i) You are required to make necessary correction in the books of accounts of P, Q and R by passing an adjustment entry.
ii) Identify the value which was not practiced by R while distributing profits.

Q10. A, B and C are partner sharing profits and losses in the ratio 1/2:1/8:3/8 respectively. B retires and surrenders $1/9^{th}$ from his share in favour of A and the remaining in favour of C. Calculate the gaining ratio and the new profit sharing ratio. (3)

Q11. A, B and C are partners sharing profits in the ratio 4:3:1. It is provided under the partnership deed that on the death of any partner, his share of profit to the date of death is to be based on average profits of the last three completed years, plus 10% (books of accounts are closed on Dec 31). B died on March 14, 2015. The firm's profits for the last 4 calendar years were as follows: (3)

I (profits Rs. 1,20,000); II (profits Rs. 60,000); III (losses Rs. 20,000); IV (profits Rs. 80,000). Pass necessary journal entry for B's share of profit, when new profit sharing ratio of A and C will be 3:2.

Q12. 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)

Q13. 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 31^{st} 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)

Q14. Ashok, Babu and Chetan were partners in a firm sharing profits in the ratio of 4:3:3. The firm closes its book on 31^{st} March every year. On 31^{st} 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 31^{st} 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.

Q15. 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 $1/4^{th}$ 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)

Q16. 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)

Q17. 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 1^{st} 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.

Q18. 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)

Q19. Z, O and R entered into partnership with capitals of Rs. 1,60,000; Rs. 1,00,000 and Rs. 80,000 respectively. Each partner is entitled to interest on his capital @ 8% p.a. O is entitled to a salary of Rs. 16,000 p.a. and R a salary of Rs. 12,000 p.a. They decided to share profits and losses in the ratio 5:3:2. Z guaranteed that the firm would earn a profit of Rs. 1,20,000 before allowing interest on capital and partners' salaries. The actual profit for the year ending Mar 31, 2012 before interest and salaries amounted to Rs. 1,12,000. Prepare profit and loss appropriation A/c. (6)

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

a) Expenses of dissolution Rs. 500 were paid by John, a partner.
b) Joney, a partner, agreed to bear the dissolution expenses for a commission of Rs. 750. Actual dissolution expenses Rs. 650 were paid by Joney.
c) Bony, a partner, agreed to look after the dissolution work for a remuneration of Rs. 3,700. He also agreed to bear the dissolution expenses. Actual dissolution expenses Rs. 4,200 were paid by Bony from the firm's cash.
d) Sony, a partner, was appointed to look after the dissolution work for a remuneration of Rs. 10,000. Sony agreed to bear the dissolution expenses. Sony took away stock worth Rs. 10,000 as his remuneration. Stock had already been transferred to realization account.
e) Vikky, a partner, agreed to look after the dissolution work for a remuneration of Rs. 12,000. Vikky also agreed to bear the dissolution expenses. Actual dissolution expenses Rs. 12,500 were paid by another partner, Clive, on behalf of Vikky.
f) Dissolution expenses were Rs. 5,000.

Q21. Kapil, Mohit, Roshan and Rakesh were partners in a firm sharing profits in the ratio of 5:2:2:1. On 1.4.2016, their Balance Sheet was a follows: (6)

Liabilities	Amount (Rs.)	Assets	Amount (Rs.)
Capitals		Fixed Assets	8,00,000
Kapil - 3,50,000		Current Assets	4,00,000
Mohit - 3,00,000			
Roshan - 2,50,000			
Rakesh - 2,00,000	11,00,000		
Sundry Creditor	50,000		
Workmen Compensation Reserve	50,000		
	12,00,000		**12,00,000**

From the above date, the partner decided to share the future profits equally. For this purpose the goodwill of the firm was valued at Rs. 72,000. It was also agreed that:

a) Fixed assets will be depreciated by 10% and the claim against Workmen Compensation Reserve will be estimated at Rs. 70,000
b) The capitals of the partners will be adjusted according to their new profit sharing ratio. For this purpose, Partners' Current Account will be opened.
   Prepare Revaluation A/c, Partners' Capital A/c and the Balance Sheet of the reconstituted firm.

Q22. 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.

Q23. 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	
Ram 1,10,000		Less: Provision for bad debts 2,000	78,000
Shyam 90,000	2,00,000	Bank	12,000
	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 handled 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.