INTERNATIONAL INDIAN SCHHOL, DAMMAM.
FIRST TERMINAL EXAMINATION- JUNE 2015.

SUBJECT : ACCOUNTANCY **TIME : 3 HOURS**
CLASS : XII **MARKS: 80**

SET A

1. P, Q and R are sharing profits and losses equally, R retires and the goodwill appearing in the books is ₹ 30,000. Goodwill of the firm is valued at ₹ 1,50,000. Calculate R share of goodwill to be credited. (1)

   (a) ₹ 60,000 (b) ₹ 50,000 (c) ₹ 10,000 (d) ₹ 30,000

2. Explain any two factors that affect the valuation of Goodwill? (1)

3. Name any two situation under which reconstitution of partnership takes place? (1)

4. A partnership deed provides for interest on capitals; but there was a loss instead of profits during the accounting year. At what rate interest on capital will be allowed?(1)

5. L, M & O are partners sharing profits and losses in the ratio 4: 3 : 2. L dies, new ratio is 5: 3. Calculate the gaining ratio. (1)

6. On the death of a partner the deceased partner's capital A/c will be credited with: (1)

   (A) Goodwill of the firm (B) share of goodwill of remaining partners
   (C) his share of goodwill (D) none of above

7. On retirement of a partner reserves should be transferred to the Capital A/c of: (1)

   (A) Retiring partner (B) continuing partners
   (C) All partners (D) none of these

8. A and B are partners with a profit sharing ratio of 2 : 1 and capitals of ₹ 3,00,000 and ₹ 2,00,000 respectively. They are allowed 6% pa interest on their capitals and are charged 10% pa interest on their drawings. Their drawings during the year were A ₹60,000 and B ₹ 40,000. B's Share of net profit as per profit and loss appropriation account amount to ₹ 40,000. Net Profit of the firm before any appropriations was : (1)

   (B) ₹ 1,22,000 (B) ₹ 1,13,000
   (C) ₹ 1,17,000 (D) ₹ 1,45,000

9. On April 1, 2012 an existing firm had assets of ₹ 3,00,000. The partner's capital accounts showed a balance of ₹2,40,000 and reserve constituted the rest. Liabilities were nil. If the normal rate of return is 10% and the goodwill of the firm is valued at ₹.96,000 at 4 year's purchase of super profits, find average profits of the firm. (3)

10. On 1st April 2013 Mohan and Sohan entered into partnership for doing business of dry fruits. Mohan introduced ₹ 1,00,000 as capital and Sohan introduced ₹ 50,000. Since Sohan could introduce only ₹ 50,000, it was further agreed that as and when there

will be a need Sohan will introduce further Capital. Sohan was allowed to withdraw from his capital when the need for the capital was less. During the year ended 31st Mar 2014, Sohan introduced and withdrew the following amounts of Capital: (3)

Date	Capital Introduced	Capital Withdrawn
01-May-2013	10,000	-
30-Jun-2013	-	5,000
30-Sep-2013	97,000	-
01-Feb-2014	-	87,000

The partnership deed provided for interest on Capital @ 6% per annum.

Calculate interest on capitals of the partners.

11. Three fashion designers Ritu, Ravi, and Manish formed a partnership. They agreed to share profit and losses in the ratio 3:2:1. They also agreed to the following;
    i) The firm guaranteed that Manish's share of profits will never be less than ₹ 75,000
    ii) Ravi guaranteed to the firm that the minimum amount earned by for the firm would be ₹ 1,25,000.

    The firm earned a profit of ₹3,75,000. The actual profits earned by Ravi for the form amounted to ₹80,000. Show the distribution of profits among the partners through P/L Appropriation account. (3)

12. (a) A, B, C are partners producing electronic goods and sharing profits and losses in the ratio of 2:2:4. They decided to share future profits and losses in the ratio 4:3:2. They also decided to record the effect of following without effecting their book values:

	₹
General Reserve	1,60,000
Profit and Loss A/c (Cr bal)	80,000
Advertisement Suspense A/c	60,000

You are required to give the necessary single journal entry.

(b) New electronics waste management and handling rules were implemented across the country on May 1, 2012. The new laws make it mandatory for producers of electronic goods to set up a mechanism for collection and disposal of e-waste. Hence the partners decided to spend 1% of their revenues for this purpose. Identify the two values which motivated them to make such a decision. (2+2=4)

13. A, B, C were partners in a firm sharing profits in 3:2:1 ratio. The firm closes its books on 31st March every year. B died on 12-6-2011. On B's death goodwill of the firm was valued at ₹ 3,00,000. B's share in the profits of the firm till the date of his death was to be calculated on the basis of previous year's profits which was ₹ 7,50,000. Calculate B's share in the profits of the firm. Pass necessary journal entries for the treatment of goodwill and B's share of profits at the time of his death. (4)

14. Chopra and Shah are partners sharing profits in the ratio 3:2. They admit Patel into the partnership. The new profit sharing ratio was 4:3:2. Patel was to bring ₹ 2,00,000 as his capital and was able to bring only ₹ 60,000 for premium out of his share of premium of ₹ 1,08,000. Goodwill account appearing in the books was at ₹ 3,00,000. Give necessary journal entries. (4)

15. Ashu, Babli and Chetan established a partnership business on 1st April 2014 sharing profit and loss in the ratio 3 : 2 : 1.

Their Capitals were ₹ 80,000, ₹ 60,000 and ₹ 40,000 respectively. According to the partnership agreement the partners are entitled to the following:

i) Interest on Capital @ 12%

ii) Salary Ashu @ ₹ 300 pm and Babli @ 600 pm

iii) Interest on drawings to be charged @ 10%, irrespective of the period. Partner's drawings amount to ₹ 8,000 for Ashu; ₹ 6,000 for Babli and ₹ 5,000 for Chetan.

iv) The profit earned by the firm after charging partner's salary but before charging interest on capitals and interest on drawings amounted to ₹ 44,000.

Prepare Profit and Loss Appropriation A/c. (4)

16. The Debt-Equity Ratio of a Company is 2:1, State which of the following would increase, decrease, or not change, giving proper reasons. (4)

i) Debentures redeemed for ₹ 40,000,

ii) Purchased a Fixed Asset for ₹ 50,000 on long term deferred payment basis.

iii) Issued new Equity Shares of ₹ 75,000.

iv) Goods purchased on credit ₹ 50,000.

17. (a) A, B and C are partners in a firm sharing profits in the ratio 5: 3: 2 respectively. B retires and his share is taken up by A and C in the ratio 2:1. Then immediately D is admitted for 25% share of profits, half of which was gifted by A and the remaining half was taken by D equally from A and C. Calculate the new profit sharing ratio after D's admission.

(b) L, M and O are partners sharing profits in the ratio 4:3:2. M retires and his capital after making adjustments for reserves and profit on revaluation stands at ₹ 1,39,200. L and O agreed to pay him ₹ 1,50,000 in full settlement of his claim. Record necessary Journal entry for adjustment of goodwill if the new profit sharing ratio is 5:3. (2+2=4)

18. Saqib and Sameer were partners in a firm supplying school uniform. They shared Profit and Loss in the ratio 7:3. Their fixed capital were Saqib ₹9,00,000 and Sameer ₹4,00,000.

Saqib suggested Sameer that they should start supplying low cost school uniforms to students who belonged to the lower income group and admitted to the private schools of the city as per the provisions of Rights to Education Act, 2009. Sameer immediately accepted the suggestion and implemented it.

The partnership deed provided for the following but the profit for the year was distributed without providing for the following adjustments

(i) Interest on capitals @ 9% pa.

(ii) Saqib's salary ₹ 50,000 per year and Sameer's Salary ₹ 3,000 per month

The Profit for the year ended 31.3.2014 was ₹ 2,78,000

The profits were divided equally without providing for the above adjustment.

Pass Adjustment Entry and list down any two values that the partners want to communicate to the society. (4+2=6)

19. A, B and C were in partnership Sharing profits in the proportion to their capitals. Their Balance Sheet as at 31-3-2015 was as follows:

Liabilities	₹	Assets		₹
Capital A/c		Cash		16,000
A 90,000		Debtors	20,000	
B 60,000		Less: Provision		
C 30,000	1,80,000	For doubtful debt	400	19,600
Reserves	6,000	Stock		18,000
Creditors	15,600	Machinery		48,000
		Buildings		1,00,000
	2,01,600			2,01,600

On the above date B retired.

Goodwill of the firm be valued at ₹36,000 and be adjusted into the Capital Accounts of A and C who will share profits in future in the ratio of 3:2.

Fill in the missing information in the Revaluation Account, Partners Capital Account and Balance Sheet of the new firm after B's retirement. (6)

REVALUATION ACCOUNT

Dr. Cr.

PARTICULARS		₹	PARTICULARS	₹
To Provision for Doubtful Debts		600	By Building	10,000
To Machinery		____	By Prepaid Insurance	____
To ________		____	By ________	____
To Profit Transferred to				
A's Capital A/c	____			
B's Capital A/c	____			
C's Capital A/c	____	____		
		____		____

PARTNERS CAPITAL ACCOUNTS

Dr. Cr.

Particulars	A	B	C	Particulars	A	B	C
To B's Capital A/c (Goodwill)	-		-	By Bal b/d	90,000	60,000	30,000
				By_____	-	-	-
				By_____	-	-	-
To Cash A/c		9,000		By A's Capital A/c			
To B's Loan A/c		-		(Goodwill)		-	
To Bal C/d	-		-	By C's Capital A/c			
				(Goodwill)		-	

BALANCE SHEET as at 31st March, 2015.

Liabilities	₹	Assets		₹
Capital A/c		Cash		-----
A ---		Debtors	20,000	
C -----	-----	Less: Provision for		
B's Loan A/c		doubtful debt	1000	19,000
Creditors	13,800	Stock		18,000
Provision for Repairs	3,000	Machinery		40,800
		Buildings		-----
		Prepaid Insurance		2,000

20. You are given the Balance Sheet of Som, Sudha and Surbhi sharing profits in the ratio of 2:2:1 as at March 31, 2007. (6)

Liabilities		₹	Assets	₹
Creditors		40,000	Goodwill	30,000
Reserve Fund		25,000	Fixed Assets	60,000
Capitals:			Stock	10,000
Som	30,000		Sundry Debtors	20,000
Sudha	25,000		Cash at Bank	15,000
Surbhi	15,000	70,000		
		1,35,000		1,35,000

Sudha died on June 30, 2007. According to the deed, her legal representatives are entitled to

(a) Balance in Capital Account,

(b) Share of goodwill valued on the basis of thrice the average of past 4 years' profits,

(c) Share in the profits up to the date of death based on the basis of average profits for the past 4 years

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

(e) Profits for the years ending on March 31 of 2004, 2005, 2006, 2007 respectively were ₹ 15,000, ₹ 17,000, ₹ 19,000, ₹ 13,000.
Sudha's legal representatives were to be paid ₹ 4,550 and the balance to be transferred to Executors loan A/c. Som and Surbhi continued the partnership by taking over Sudha's share equally.

Prepare Sudha's Capital A/c and Executor's A/c.

21. (a) A business has a current ratio of 3:1 and a quick ratio of 1.2 : 1 . If the working capital is ₹ 1,80,000, calculate current assets, current liability and value of inventory.

(b) From the given information calculate inventory turnover ratio: Revenue from operations ₹ 2,00,000; GP : 25% on revenue from operation; Inventory at the beginning is 1/3 of the inventory at the end which was 30% of revenue from operations. (2 x3=6)

22. Neha and Tara are partners in a firm sharing profits and losses in the ratio 3:2. Their balance sheet as at 31st March, 2012, stood as follows: (8)

Liabilities		₹	Assets		₹
Capital A/c			Plant & Machinery		1,20,000
Neha	80,000		Land and Building		1,40,000
Tara	1,00,000	1,80,000	Debtors	1,90,000	
General Reserve		1,20,000	Less: Provision for		
Workmen's Compensation		50,000	Doubtful debts	(40,000)	1,50,000
Fund			Stock		60,000
Creditors		1,50,000	Cash		30,000
		5,00,000			5,00,000

They agreed to admit Prachi into the partnership for 1/5th share of profits on 1st April, 2012 on the following terms:

(a) All debtors to be considered good.
(b) Value of land and building to be increased to ₹ 1,80,000.
(c) Value of plant and machinery to be reduced by ₹ 20,000.
(d) The liability against Workmen's Compensation Fund is determined at ₹ 20,000 which is to be paid later in the year.
(e) Prachi to bring in her share of Goodwill of ₹ 1,00,000 in cash.
(f) She will further bring in cash so as to make her capital equal to 20% of the total capital of the new firm;(show your workings clearly)

You are required to prepare:
Revaluation A/c, Partners' Capital A/cs and Balance Sheet.

OR

P and Q are in partnership sharing profits and losses in the ration of 3:2. Their balance sheet as at 31st March , 2008 was as under:

Liabilities	₹	Assets		₹
Creditors	1,50,000	Cash		50,000
General Reserve	1,20,000	Debtors	2,00,000	
Capital Accounts:		Less : Provision	8,000	1,92,000
P	6,00,000	Patients		1,48,000
Q	3,00,000	Investments		80,000
Current Accounts:		Fixed Assets		7,20,000
P	1,00,000	Goodwill		1,00,000
Q	20,000			
	12,90,000			12,90,000

They admit R on the following terms:

1) A provision of 5% is to be created on Debtors.
2) Accrued Income of ₹15,000 does not appear in the books and ₹50,000 are outstanding for salaries.
3) Present market value of Investments is ₹60,000. P takes over the Investments at this value.
4) New Profit sharing ration of partners will be 4:3:2 . R will bring in ₹2,00,000 as his capital.
5) R is to pay in cas an amount equal to his share in firm's goodwill valued at twice the average profits of the last 3 years which were ₹ 3,00,000; ₹ 2,60,000 and ₹ 2,50,000 respectively.
6) Half the amount of goodwill is withdrawn by old partners.
7) Transfer opening balances of current A/c to partner's capital A/cs.

You are required to prepare Revaluation A/c, Partners Capital A/c (Fluctuating) and Balance Sheet of the new Firm.

23. The Balance sheet of X,Y& Z who were sharing profits in the ratio 5:3:2 as at 31st March 2015 .

Liabilities		₹	Assets	₹
Creditors		50,000	Cash	40,000
Employees Provident Fund		10,000	Sundry Debtors	1,00,000
Profit and Loss A/c		85,000	Stock	80,000
Capital A/cs:			Fixed Assets	60,000
X	40,000			
Y	62,000			
Z	33,000	1,35,000		
		2,80,000		2,80,000

X retired on March 31st 2015 and Y & Z decided to share profits in the ratio of 2:3 respectively.

The other terms on retirement were as follows:

i. Goodwill of the firm is to be valued at ₹ 80,000.
ii. Fixed assets to be deprecated to ₹ 57,500.
iii. Make a provision for doubtful debts at 5% on debtors
iv. A liability for claim, included in creditors for ₹10,000 is settled at ₹ 8,000.

The amount to be paid to X by Y & Z should be brought in such a way that their capitals are proportionate to their profit sharing ratio and leave a balance of ₹ 15,000 in the bank A/c.

Prepare Revaluation A/c, Partners' Capital A/c and Balance Sheet. (8)