INTERNATIONAL INDIAN SCHHOL, DAMMAM.
FIRST TERMINAL EXAMINATION- JULY 2017

SUBJECT : ACCOUNTANCY **TIME : 3 HOURS**

CLASS : XII **MARKS: 80**

SET A

1) A and B are partners sharing profit and losses in the ratio 3:2. A withdrew ₹ 15,000 at the end of each quarter and B withdrew ₹ 75,000 for the whole year. Calculate interest on drawings @ 10% pa. (1)

2) A partner has given a loan of ₹ 50,000 to the firm on 1st July 2016. The partnership Deed is silent as to the interest on Partner's Loan. How much amount of Interest on Partner's Loan will be allowed on 31st March, 2016. (1)

3) State any four circumstances where the need for valuation of goodwill arises? (1)

4) P, Q and R were partners in a firm sharing profits in the ratio 3 : 2 : 1. They admitted S as a new partner for 1/8th share in the profits which he acquired 1/16th from P and 1/16th from Q. Calculate the new profit sharing ratio. (1)

5) How is Gaining Ratio calculated? (1)

6) Why should assets and liabilities be revalued on the Retirement of a Partner? (1)

7) A, B and C are partners sharing profits and losses in the ratio of 1/2 : 2/5 : 1/10. B dies and his share is taken up by A and C in the ratio 1 : 5. Calculate New Profit sharing Ratio. (1)

8) Where is the Debit Balance of Profit and Loss A/c standing on the asset side of the Balance Sheet transferred on Death of a partner? (1)

9) P and Q were partners in a firm sharing profits and losses in the ratio 5 : 3. On April 1st, 2016 they admitted R as a new partner for 1/8th share in the profits with a guaranteed profit of ₹ 75,000. The new profit-sharing ratio between P and Q will remain the same but they agreed to bear any deficiency on account of guarantee to R in the ratio 3 : 2. The profit for the firm for the year ended 31st March, 2017 was ₹4,00,000. Prepare Profit and Loss Appropriation Account. (3)

10) A business has earned average profit of ₹ 2,00,000 during the last few years and the normal rate of return for similar business is 10%. Find out the value of goodwill by(3)
    a) Capitalisation of Super Profit method
    b) Super profit method if the goodwill is valued at 3 years purchase of Super profits.

    The assets of the business were ₹ 20,00,000 and its external liabilities ₹ 3,60,000.

11) X, Y, Z are partners sharing profits and losses in the ratio of 4:3:1 respectively. After all adjustments on X's retirement with respect to general reserve, goodwill and revaluation the balances in their capital accounts stood at ₹ 2,20,000; ₹ 2,00,000 and ₹ 1,00,000. It was decided that the amount to be paid to X will be brought in by Y and Z in such a manner that it makes their capitals proportionate to their profit sharing ratio. Calculate the amount to be brought in by Y and Z & record necessary journal entries for the same. (3)

12) A and B were partners in a firm sharing profits in the ratio of 4 : 1. On 1st April, 2016, they admitted C as a new partner for 1/3rd share in the profits of the firm. They fixed the new profit sharing ratio of 4 : 2 : 3.

On the date of admission, Advertisement Suspense A/c showed a balance of ₹ 32,000 and General Reserve ₹ 1,00,000. C is to bring ₹ 60,000 as his share of premium for goodwill. Pass necessary Journal entries. (3)

13) Vikas, Vishal and Vaibhav were partners in a firm sharing profits in the ratio 2:2:1. The firm closes its books on 31st March every year. On 31st December 2016 Vaibhav died. On that date his capital Account showed a credit balance of ₹ 3,80,000. And Goodwill of the firm was valued at ₹ 1,20,000. There was a debit balance of ₹ 1,50,000 in the Profit and loss Account. Vaibhav's share of profit in the year of his death was to be calculated based on the average profits of the last five years. The average profit of the last five years was ₹ 75,000. Pass necessary journal entries in the books of the firm on Vaibhav's death. (4)

14) Rekha, Kareena and Shraddha are partners in a firm. They decided to dissolve their firm. Pass necessary Journal entries for the following after various assets and third parties liabilities have been transferred to Realisation A/c: (4)

(a) Total Creditors of the firm were ₹ 40,000. Creditors worth ₹ 10,000 were given a piece of furniture costing ₹ 8,000 in full settlement. Remaining Creditors allowed a discount of 10%.

(b) Rekha had given a loan of ₹ 80,000 to the firm which was duly paid.

(c) A furniture which was not recorded in the books was taken over by Kareena at ₹ 5,000 whereas its expected value was ₹ 8,000.

(d) Shraddha paid Realisation expenses of ₹ 15,000 out of her pocket.

15) Reema, Seema and Veena are partners in a firm sharing profits and losses in the ratio 5 : 3 : 2. Their fixed capitals were ₹ 6,00,000 ; ₹ 4,00,000 and ₹ 2,00,000 respectively. For the year ended 31st March 2016 interest on capitals was credited to them @ 10% p.a. instead of 8% p.a.

Showing your working notes clearly, Pass necessary adjustment journal entry. (4)

16) From the following information prepare Comparative Statement of Profit and Loss (4)

Particulars	31st March 2017	31st March 2016
Revenue from Operations	150%	200%
Cost of Material Consumed	12,00,000	8,00,000
Other Expenses (% of Operating Revenue)	10%	10%
Tax Rate	50%	50%

17) From the following information prepare Common-size Balance Sheet: **(4)**

Particulars	31st March 2017	31st March 2016
I. **EQUITIES AND LIABILITES**		
1. **Shareholder's Funds**		
(A) Share Capital	8,00,000	6,00,000
(B) Reserves and Surplus	1,20,000	80,000
2. **Non- Current Liabilities**		
Long Term Borrowings	2,40,000	2,00,000
3. **Current Liabilities**		
Short Term Borrowings	40,000	1,20,000
Total	12,00,000	10,00,000
II. **ASSETS**		
1. **Non- Current Assets**		
Fixed Assets		
(i) Tangible Assets	8,00,000	6,00,000
(ii) Intangible Assets	40,000	1,20,000
2. **Current Assets**		
(a) Inventories	2,40,000	2,00,000
(b) Cash and Cash Equivalents	1,20,000	80,000
Total	12,00,000	10,00,000

18) X and Y entered into a partnership on 1st April 2016 for an architectural firm, They contributed ₹ 4,80,000 and ₹ 3,60,000 respectively as their capitals.

They decided to employ an architect. In response to an advertisement, one of the applicant, Miss. Anjana, who is physically challenged, is employed and based on her performance she will be made partner for 10% share in the partnership after three years.

Profit for the year ended 31st March 2017 was ₹ 11,20,000 . Drawings of X and Y were ₹ 2,40,000 and ₹ 3,00,000. The terms of partnership agreement are as follows:

(a) Interest on capital @ 12% and Interest on Drawings @10% pa.

(b) X to get a monthly salary of ₹ 20,000 and Y to get a salary of ₹ 54,000 per quarter.

(c) 10% of the profits to be transferred to general reserve.

(d) Profits and losses are to be shared in the ratio of capital contribution up to ₹ 4,20,000 and the balance to be shared equally. **(6)**

Prepare Profit and Loss Appropriation A/c and write appropriate values inculcated by the firm.

19) Arjun, Bhim and Nakul are partners sharing profits and losses in the ratio of 14:5:6 respectively. Bhim retires and surrenders his 5/25th share in favour of Arjun. Goodwill of the firm is valued at 2 years purchase of super profits based on average profits of last three years. Profits for the last 3 years are ₹ 50,000; ₹ 55,000 & ₹ 60,000 respectively. The normal profits for the similar firm are ₹ 30,000. Goodwill already appearing in the books of the firm is ₹ 75,000. The profit for the first year after Bhim's retirement was ₹ 1,00,000.

Give necessary journal entries to adjust Goodwill and Distribute Profits showing your workings. **(6)**

20) Ashok, Bhim and Chetan were partners in a firm sharing profits in the ratio 3:2:1. Their balance sheet as on 31st March, 2016 was as follows:

BALANCE SHEET as on 31st March 2016.

Liabilities		₹	Asset	₹
Creditors		1,00,000	Land	1,00,000
Bills Payable		40,000	Building	1,00,000
General Reserve		60,000	Plant	2,00,000
Capital A/cs:			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 the future profits equally, wef 1st April, 2016. For this it was agreed that:

a) Goodwill of the firm was valued at ₹ 3,00,000.

b) Land be revalued at ₹ 1,60,000.

c) Building be depreciated by 6%.

d) Creditors of ₹ 12,000 was not likely to be claimed and hence written off.

Prepare Revaluation Account, Partners Capital Accounts and Balance Sheet of the reconstituted firm. (6)

21) Ram Rahim and Robert were partners sharing profits and losses in the ratio 2 : 3 : 1. Robert died on 30th September, 2015. On 31st March 2015 their Balance sheet was as follows:

Liabilities		₹	Asset		₹
Creditors		3,60,000	Cash		14,000
Workmen's Compensation			Bank		2,96,000
Reserve		20,000	Stock		80,000
Capital A/cs:			Debtors	3,00,000	
Ram	1,00,000		Less: Provision for		
Rahim	2,00,000		Doubtfuldebts	10,000	2,90,000
Robert		6,00,000	Investments		50,000
3,00,000			Land		2,50,000
		9,80,000			9,80,000

On the date of Robert's death the following was agreed upon:

(i) Interest on capital @ 10%p.a.

(ii) Drawings during the period was ₹ 15,000 and Interest on drawings was ₹ 1,000.

(iii) Goodwill is to be valued at 2 years purchase of average profit of last three years. 2012-13 ₹ 45,000; 2013-14 ₹ 90,000; and 2014- 15 ₹ 1,35,000.

(iv) Robert's Share of profit up to the date of death was to be taken on the basis of average profits of last three years.

(v) Land was undervalued by ₹ 25,000 and Stock was overvalued by ₹ 8,000.

(vi) Provision for doubtful debts is to be made at 5% of debtors.

(vii) Claim of Worker's Compensation came to be at ₹ 5,000.

Prepare Revaluation A/c, Partners Capital A/c to be rendered to Executors. (6)

22) X and Y were partners in a firm sharing profits and Losses in the ratio 2 : 1. Their Balance Sheet as on 31st March 2016 was as follows: (8)

Liabilities		₹	Asset		₹
Sundry Creditors		29,000	Cash		18,250
Profit and Loss A/c		30,000	Debtors	15,000	
Capital A/c			Less: Provision for		
X	27,000		Doubtful debts	250	14,750
			Stock		32,000
Y	18,000	45,000	Land and Building		30,000
			Goodwill		9,000
		1,04,000			1,04,000

Z was admitted to the partnership with effect from 1st April, 2016 on the following terms:

(a) He will bring ₹ 15,000 as his capital for 1/4th Share and pay ₹ 6,000 for goodwill, half of which is withdrawn by X and Y.

(b) There is likely to be a claim against the firm for damages, a provision of ₹ 1,500 is to be made for the same.

(c) A bill of ₹ 1,300 for electric charges has been omitted, now it is to be provided for.

(d) A provision for 5% on debtors was to be created for doubtful debts.

(e) Included in Sundry Creditors was an item of ₹ 1,200, which was not to be paid and therefore had to be written back.

After making the above adjustments, the Capital Accounts of X and Y were to be adjusted on the basis of Z's capital. Actual cash was to be brought in or to be paid off as the case may be.

Revaluation Account, Capital Accounts of the partners and the Balance Sheet of the new firm.

OR

On 31st March, 2015 the Balance Sheet of Saman, Harish and Meeta who were sharing profits and losses in the ratio 2 : 3 : 2 stood as follows: (8)

Balance Sheet as on 31st March 2015

Liabilities		₹	Asset	₹
Capitals:			Land and Building	19,00,000
Saman	10,00,000		Machinery	5,00,000
Harish	15,00,000		Furniture	7,70,000
Meeta	10,00,000	35,00,000	Closing Stock	5,00,000
Workmen Compensation			Sundry Debtors	7,00,000
Fund		8,40,000	Cash	4,80,000
Sundry Creditors		5,10,000		
		48,50,000		48,50,000

On 31st March, 2015 Harish retired from the firm and the remaining partners decided to carry on the business. It was agreed to revalue the assets and liabilities as follows:

(i) Land and Building to be appreciated by 20%

(ii) Machinery to be depreciated by 20%

(iii) Closing stock to be valued at ₹ 4,50,000

(iv) Provision for doubtful debts be made at 5% on Debtors.

(v) Sundry Creditors of ₹ 65,000 be written off.

(vi) Goodwill of the firm be valued at ₹ 5,60,000 and Harish's share of the goodwill be adjusted in the accounts of Saman and Meeta who will share the future profits and losses in the ratio of 3 : 2.

(vii) The total capital of the newly constituted firm will be ₹ 35,00,000 which will be adjusted by opening Current Accounts.

(viii) Amount due to Harish was to be settled by accepting a bill of exchange in his favour payable after 4 months.

(ix) Prepare Revaluation A/c, Partners Capital A/c and Balance Sheet of the new firm.

23) Following is the Balance Sheet of Vishnu and Yogesh as on 31st March 2016.

BALANCE SHEET as on 31st March 2016.

Liabilities		₹	Asset		₹
Creditors		3,60,000	Bank		80,000
Mrs. Vishnu's Loan		60,000	Stock		70,000
Yogesh Loan		1,00,000	Investment		1,00,000
Investment Fluctuation Fund		30,000	Debtors	2,00,000	
Capitals:			(-)Provision for Doubtfuldebt:	20,000	1,80,000
Vishnu	2,00,000		Fixed Assets		3,80,000
Yogesh	1,00,000	3,00,000	Profit and Loss A/c		40,000
		8,50,000			8,50,000

The firm was dissolved on 31st March 2016. The assets were realized and the liabilities were paid as under:

a) Vishnu promised to pay off Mrs. Vishnu's Loan and took away stock at 20% discount.

b) Yogesh took away 90% of the investment at 10% discount.

c) Sunil, a debtor of ₹ 50,000 had to pay the amount due 3 months after the date of dissolution. He was allowed a discount of 5% for making payment immediately. The remaining debtors were collected in full.

d) Creditors were paid ₹3,50,000 in full settlement of their claim.

e) Fixed Assets realized ₹ 2,82,000 and remaining investment realized ₹ 7,500.

f) There has been an old furniture, which has been written off completely from the books. Yogesh took away the same for ₹ 4,000.

g) Realisation expenses ₹ 2,000 were paid by Vishnu.

Prepare Realisation A/c, Bank A/c and Partners' Capital A/cs. (8)

OR

Following is the Balance Sheet of a firm as on 31st March 2016. (8)

Liabilities		₹	Asset	₹
Creditors		2,00,000	Freehold Property	8,00,000
Profit and Loss A/c		1,50,000	Investments	2,00,000
Capitals:			Sundry Debtors	1,00,000
X's Capital	5,00,000		Stock	1,50,000
Y's Capital	4,00,000		Cash at Bank	3,00,000
Z's Capital	3,00,000	12,00,000		
		15,50,000		15,50,000

The partnership was dissolved on the above date :

(i) X took over investment at a value of ₹ 1,90,000.

(ii) Cash realized was Freehold property ₹ 9,00,000; Sundry Debtors ₹ 90,000 and Stock ₹ 1,40,000.

(iii) Creditors were paid at a discount of 5%.

(iv) Expense of Realisation came to ₹ 20,000.

Pass necessary journal entries.