

# OSF

Date : 07-03-2024

## STD 12 Commerce Elements of Account 12th Account Practice Sheet Day 22 (Part 1)

Total Marks : 100

### Section A

\* Choose The Right Answer From The Given Options. [20]

1. At the end of the year where will you transfer drawings accounts in fixed capital account method?  
(A) To capital account (B) To current account  
(C) To profit and loss account (D) To profit and loss appropriation account
2. Which of the following is shown on the debit side of profit and loss appropriation account?  
(A) Interest on drawings (B) Net profit  
(C) Interest on debit balance of current A/c (D) Amount to be transferred to general reserve A/c
3. What is the interest on drawings of partners for a partner?  
(A) An expense (B) Liability  
(C) An Income (D) Loss
4. What is the maximum limit of number of partners as per Rule 10 of the Companies (miscellaneous) Rules 2014?  
(A) 10 (B) 50 (C) 20 (D) 80
5. Who are the administrators of partnership concerns?  
(A) Owners (B) Creditors (C) Representatives (D) Debtors
6. Generally, which balance is maintained by current account?  
(A) debit (B) credit (C) debit or credit (D) None of the above
7. Where will you disclose the credit balance of profit and loss account which is shown in the trial balance ?  
(A) Trading A/c (B) Profit and loss A/c  
(C) Profit and loss appropriation A/c (D) Capital/current A/c
8. In which year partnership act was implemented in India?  
(A) 1923 (B) 1932 (C) 1947 (D) 1956
9. In the reconstruction of a partnership firm, gain ratio = ..... .  
(A) New profit-loss share - Old profit-loss share  
(B) Old profit-loss share - New profit-loss share  
(C) New capital ratio - Old capital ratio  
(D) Old capital ratio - New capital ratio
- 10.

When newly admitted partner is not able to bring his share of goodwill in cash ..... account is debited.

- (A) Cash (B) Goodwill  
(C) Premium for goodwill (D) His capital
11. Profit-loss adjustment account is ..... type of account.  
(A) Nominal (B) Personal (C) Real (D) Temporary
12. When a new partner brought his share of goodwill in cash, it will not be debited to ..... A/c.  
(A) Goodwill (B) Revaluation (C) Capital (D) Cash/Bank
13. As per accounting standard-26, ..... goodwill can not be shown in the books.  
(A) goodwill for which some amount is paid for consideration  
(B) internally generated  
(C) both (a) and (b)  
(D) neither of (a) and (b)
14. Profit or loss of revaluation account is transferred to ..... account in ..... ratio.  
(A) old partners', equal  
(B) all partners', new profit-loss sharing ratio  
(C) old partners', sacrificing ratio  
(D) old partners', old ratio
15. When only old profit-loss sharing ratio is given; sacrificing ratio of partners = .....  
(A) equal (B) old ratio  
(C) old share - new share (D) cannot be calculated
16. Workmen's profit sharing fund is ..... for business.  
(A) Dues (B) Debts  
(C) Accumulated profit (D) Accumulated loss
17. An active partner is required to give public notice for his retirement as it is .....  
(A) Legal (B) Compulsory (C) Advisable (D) Voluntary
18. Sweta, Geeta and Jyoti are equal partners. Gita retires. Gita's share is gained by Sweta and Jyoti equally. New profit and loss sharing ratio of Sweta and Jyoti will be .....  
(A) 3 : 1 (B) 2 : 1 (C) 1 : 2 (D) 1 : 1
19. At the time of retirement of a partner balance of accumulated profit or loss, distributed among partners in ..... ratio.  
(A) Old profit-loss ratio (B) New profit-loss ratio (C) Gain ratio (D) Sacrifice ratio
20. From the realisation of firm's assets after dissolution, which of the following liabilities is paid last?  
(A) Dissolution expenses (B) Payment to third party (C) Increase in capital (D) Wife's loan

### Section B

\* Answer The Following Questions In One Sentence.

[10]

21. Why it is necessary to open partners current account?
22. What is fluctuating capital account method?
23. Where will you disclose the following items given in a trial balance during the preparation of a final account of a partnership firm: Loan given to firm by a partner
24. What is meant by average profit value based on expected rate of return?
25. What is the base for the valuation of goodwill?
26. State under which circumstance weighted average profit method of valuation of goodwill is used?
27. What is reconstruction of a partnership?
28. What is revaluation account?
29. Write the names of methods for accounting effects related to goodwill at the time of admission of a new partner.
30. Explain the meaning of dissolution of partnership.

### Section C

\* Answer The Following Questions.

[15]

31. Ram, Rahim and Ishu are partners of a partnership firm. Their capital as on 1-4-16 was Rs. 60,000, Rs. 40,000 and Rs. 50,000 respectively. After the distribution of the profit of the Year, it was realized that charging of 6% interest on partners capital accounts was missed out. Write an entry for the rectification of error
32. Where will you disclose the effects of the following adjustments during the preparation of final accounts of a partnership firm : Prepaid expenses
33. Ram and Rahim are the partners of a partnership firm. Profit-loss sharing ratio between them is 4:3. The following are the balances in the books of the firm as on 31-3-2017.

Profit-loss A/c (debit balance)	14,000
Reserve fund	42,000
Workers' profit sharing fund	21,000
Workers' accident compensation fund	26,000

On the above date, Ram and Rahim decided on a new profit sharing ratio of 1:1. A claim of 5000 is outstanding against the workers' accident compensation fund. Pass journal entries showing distribution of accumulated profit or losses in the books of the firm.

34. Calculate new profit and loss sharing ratio and sacrificing ratio:

*A* and *B* are the partners sharing profit and loss in the ratio of 3 : 2. They admitted as a new partner for  $\frac{1}{4}$  the

35. Give accounting treatments for goodwill of different circumstances when firm goes for dissolution.

**Section D**

\* **Answer The Following Questions With Necessary Calculations.**

**[12]**

36. From the following information of Manoj and Harish's firm, determine the value of goodwill by capitalised average profit method.
37. Harpal, Rajesh and Jayesh's firm's information is as under :
- (1) Business assets: 10,00,000
  - (2) Business liabilities: \* 2,00,000
  - (3) Expected rate of return 10%
  - (4) Firm's last five years profit are as under:

Year	Profit (₹)
2012-13	90,000
2013-14	1,10,000
2014-15	1,20,000
2015-16	1,30,000
2016-17	1,40,000

From the above information, determine the value of goodwill of the firm.

- (1) Calculate the goodwill of the firm equal to five years average profit.
  - (2) On the basis of 3 years purchase of average profit.
  - (3) On the basis of 2 years purchase of weighted average profit.
  - (4) On the basis of 4 years purchase of super profit (Weighted average basis).
  - (5) As per capitalisation profit method. (Weighted average basis).
  - (6) As per capitalisation of super profit. (Weighted average basis).
38. P, Q and R are the partners sharing profit and loss in the ratio of 3 : 2 : 1. They maintain their capital account by fixed capital method. They admitted S as a new partner. S brought cash ₹ 50,000, Furniture ₹ 40,000 and Motor car ₹ 60,000 as his capital and share of goodwill. Goodwill is valued at ₹ 2,40,000. At the time of S's admission goodwill appeared in the books of the firm at ₹ 90,000. New profit-loss sharing ratio of all the partners is decided at 4 : 3 : 2 : 3. Old partners withdrew 50 % goodwill of their share in cash.

**Section E**

\* **Answer The Following Questions In Detail.**

**[32]**

39. Kanha and Kavisha are partners in a firm sharing profit-loss in the ratio of 2:3. Balance sheet of their firm as on 31-3-2016 was as under :

**Balance Sheet**

Liabilities	Amt. (₹)	Assets	Amt. (₹)
<b>Capital :</b>		Goodwill	14,000
Tarana                   1,90,000		Land-Building	1,00,000
Jineesha                1,21,000	3,11,000	Machinery	80,000
Workmens' compensation reserve	12,000	Investment	50,000
Investment fluctuation fund	4000	Debtors	70,000
Provident fund	16,000	Stock	36,000
Bad debt reserve	20,000	Cash	40,000
Creditors	30,000	Research and development expense	8000
Outstanding expense	15,000	Profit-loss A/c	10,000
	<b>4,08,000</b>		<b>4,08,000</b>

They admitted Palkhi as a new partner on 1-4-2016, on following terms:

- (1) Kanha sacrifices of her share and Kavisha sacrifices 4th of her share in favour of Palkhi.
- (2) Goodwill of the firm is valued 80,000.
- (3) Kanha and Kavisha will withdraw 50% of their share of goodwill.
- (4) Depreciation on machinery is to be provided at 10%.
- (5) Bad debt of 6000 is to be written off and provision for bad debt reserve is to be kept at 15% on debtors.
- (6) Market value of investment is 15,000.
- (7) Claim for workmen's compensation to be accepted 50,000.
- (8) 10% of creditors are not to be paid.
- (9) Palkhi will bring 1,20,000 as capital and her share of goodwill in cash.

40. Kanha and Kavisha are partners in a firm sharing profit-loss in the ratio of 2:3. Balance sheet of their firm as on 31-3-2016 was as under:

**Balance Sheet**

Liabilities	Amt. (₹)	Assets	Amt. (₹)
<b>Capital :</b>		Building	1,10,000
Kanha                   80,000		Machinery	50,000
Kavisha                1,00,000	1,80,000	Stock	30,000
Contingency reserve	15,000	Debtors	66,000
Workmen's compensation fund	40,000	Bank	14,000
Investment reserve	12,000	Investment	30,000
Creditors	50,000		
Bad debt reserve	3000		
	<b>3,00,000</b>		<b>3,00,000</b>

They admitted Palkhi as a new partner on 1-4-2016, on following terms:

- (1) Kanha sacrifices  $\frac{1}{2}$  of her share and Kavisha sacrifices  $\frac{1}{4}$ th of her share in favour of Palkhi.
- (2) Goodwill of the firm is valued ₹ 80,000.
- (3) Kanha and Kavisha will withdraw 50% of their share of goodwill.
- (4) Depreciation on machinery is to be provided at 10 %.
- (5) Bad debt of 6000 is to be written off and provision for bad debt reserve is to be kept at

15% on debtors.

(6) Market value of investment is ₹ 15,000.

(7) Claim for workmen's compensation to be accepted ₹ 50,000.

(8) 10% of creditors are not to be paid.

(9) Palkhi will bring ₹ 1,20,000 as capital and her share of goodwill in cash. Prepare necessary accounts and balance sheet of new firm.

41. A and B are the partners sharing profit and loss in equal proportion. They admitted C as a new partner for 1/4 th share. Following balances were appearing in the balance sheet of A and B at the time of the admission of C.

Patents	Rs.	30,000	Goodwill	Rs.	20,000
Land-Building	Rs.	1,80,000	Machinery	Rs.	60,000
Stock	Rs.	35,000	Creditors	Rs.	40,000

On C's admission, they decided that,

- (i) Patents are to be written off fully.
- (ii) Value of land and building is to be increased by 20%.
- (iii) Value of machinery is to be decreased upto 60%.
- (iv) Stock was overvalued by Rs. 4,000 than its cost price.
- (v) Creditors of Rs. 6,000 are not to be paid. Pass necessary journal entries and prepare the revaluation account.

42. A, B and C are the partners sharing profit and loss in the ratio of 3:2:1. The balance sheet of the firm as on 31-3-2016 was as under:

**Balance Sheet**

Liabilities	Amt. (₹)	Assets	Amt. (₹)
Creditors	10,000	Goodwill	30,000
Partners' loan :		Patents	25,000
A	12,000	Building	80,000
B	20,000	Furniture	60,000
General reserve	18,000	Stock	50,000
<b>Capital Accounts :</b>		Debtors	60,000
A	90,000	Cash	15,000
B	90,000		
C	80,000		
	<b>3,20,000</b>		<b>3,20,000</b>

B died on 30-6-2016. Under the partnership agreement, the executor of B is entitled to receive following:

- (1) Interest on his capital at 10% p.a.
- (2) Share in general reserve.
- (3) His loan and outstanding interest on loan.
- (4) Value of goodwill is decided at ₹ 30,000
- (5) Share of profit upto the date of death on the basis of last year's sales and profit. Sales

for the year 2015-16 was ₹ 12,00,000. First three months sales of current year was ₹ 4,50,000. Net profit for the year 2015-16 was ₹ 2,40,000.

(6) Patents are to be written off fully. Building is to be appreciated by 20%. Prepare the balance sheet as on 30-6-2016 after the death of B.

**Section F**

\* **Answer The Following Essay Type Questions.**

**[11]**

43. Dhara and Mira are partners sharing profit-loss in the proportion of 3:2. Final accounts of their partnership firm are as follows:

Trading Account and Profit and Loss Account of partnership firm of  
Dhara and Mira for year ending on 31-3-2017

Particulars	Amt.(Rs.)	Particulars	Amt.(Rs.)
To cost of goods sold	4,64,000	By sales	7,84,000
To office expense	80,000	By sundry income	7,000
To show-room rent	10,000	By bad debts returned	1,000
To packing expense	12,000		
To bad debts	8,000		
To adv. expense	14,000		
To selling-dist. exp.	20,000		
To financial exp.	6,000		
To sundry exp.	16,000		
To salary	8,000		
To tax-insurance	2,000		
Net profit:			
Dhara	91,200		
Mira	<u>60,800</u>		
	1,52,000		
	<u>7,92,000</u>		<u>7,92,000</u>

Balance Sheet of Partnership Firm of Dhara and Mira as on 31-3-2017

Liabilities	Amt. (Rs.)	Assets	Amt. (Rs.)
Dhara:		Non-current assets:	
Capital	1,60,000	Fixed assets:	
+ Net profit	<u>91,200</u>	Building	2,40,000
	2,51,200	Plant-Machinery	20,000
- Drawings	<u>48,000</u>	Furniture	20,000
	2,03,200	Investments	24,000
Mira:		Current assets:	
Capital	1,20,000	Cash balance	10,000
+ Net profit	<u>60,800</u>	Bank balance	25,000
	1,80,800	Bills receivable	5,000
- Drawings	<u>24,000</u>	Debtors	56,000
	1,56,800		
Creditors	32,000		

Bills payable	8,000	
	<u>4,00,000</u>	<u>4,00,000</u>

After preparation of annual accounts, it is found that:

1. 5% interest on capital is not calculated.
2. 10% depreciation on building is to be provided.
3. Prepaid salary is of Rs.400.
4. Interest on investments not received Rs.800.
5. Bad debts reserve of Rs.1,200 is to be maintained.
6. Credit purchase of Rs.1,600 is not recorded.

Prepare revised Trading account profit and loss A/c, Profit and loss appropriation a/c and Balance sheet.

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