

ST. GEORGE'S SCHOOL, ALAKNANDA
MID TERM EXAMINATION (2017-18)
SUBJECT: ACCOUNTANCY
Class XII

DATE: 23.9.17
TIME ALLOWED: 3 HRS.

MAX. MARKS: 100
NO. OF PAGES: 6

GENERAL INSTRUCTIONS:-

- (i) This question paper contains two parts A and B.
- (ii) All parts of the question should be attempted at one place.

PART A: ACCOUNTING FOR PARTNERSHIP FIRMS

1. What is meant by 'Fixed Capital' of a partner? (1)
2. Abha and Bharat were partners. They shared profits and losses equally. On 1st April, 2014, their capital accounts showed balances of ₹3,00,000 and ₹2,00,000 respectively. Calculate the amount of profit to be distributed between the partners if the partnership deed provided for interest on capital @10% p.a. and the firm earned a profit of ₹50,000 for the year ended 31st March, 2015. (1)
3. Under what circumstances premium for goodwill paid by the incoming partner would never be recorded in the books of account? (1)
4. On dissolution of a firm, in what order, the money received from sale of assets is applied for payment. (1)
5. Bharti and Astha were partners sharing profits in the ratio of 3:2. They admitted Dinkar as a new partner for 1/5th share in the future profits of the firm which he got equally from Bharti and Astha. Calculate the new profit sharing ratio of Bharti, Astha and Dinkar. (1)
6. A group of 60 persons want to form a partnership business in India. Can they do so? Give reason in support of your answer. (1)
7. A and B are partners sharing profits in the ratio of 3:2 in a firm, which provides technical services to the industrial firms. They admitted C into the firm for 1/5th share in the profits. C, an MBA, would help them to expand their business. C is given a guarantee that his share of profits in any year will not be less than ₹ 5, 00,000. Deficiency, if any, would be borne by A and B equally. Loss for the current year ended on 31st March, 2016, amounted to ₹25,00,000. Pass necessary Journal entries in the books of the firm. (3)
8. A, B, C and D were partners sharing profits in the ratio of 1:2:3:4. D retired and his share was

acquired by A and B equally. Goodwill was valued at 3 years' purchase of average profits of last 4 years. Average profits were ₹40,000. General Reserve showed a balance of ₹1,30,000 and D's capital in the Balance Sheet was ₹3,00,000 at the time of D's retirement. You are required to record necessary journal entries in the books of the firm. (4)

9. Kavita, Meenakshi and Gauri are partners doing a paper business in Ludhiana. After the accounts of partnership have been drawn up and closed, it was discovered that for the years ending 31st March 2013 and 2014, interest on capitals has been allowed to partners @6% p.a. although there is no provision for interest on capital in the partnership deed. Their fixed capitals were ₹2,00,000 and ₹1,60,000 and ₹1,20,000 respectively. During the last two years, they had shared the profits as under:

Year	Ratio
31 st March, 2013	3:2:1
31 st March, 2014	5:3:2

You are required to give necessary adjusting entry on April, 2014. (4)

10. Akshaya and Ritika were partners in a firm supplying school stationery. They share profits in the ratio of 4 : 1. Their capitals as on 1st April 2012 were ₹ 2,00,000 and ₹ 1,00,000 respectively. On this date Ritika suggested Akshaya to start supplying low cost stationery also to the students who belong to low income group and have been admitted to the private schools of the city as per the provisions of Rights to Education Act 2009. Akshaya agreed and requested to admit her friend Sunil, a physically handicapped unemployed person into the firm, however Sunil will not contribute any capital. Akshaya surrenders 1/4th of her share and Ritika surrenders 1/2 of her share in favour of Sunil, a new partner.

- Identify any four values which according to you motivated them to form the partnership firm.
- Calculate Sacrificing ratio.
- Calculate new ratio.

(4)

11. X, Y and Z are partners. Their fixed capitals as on 1st April, 2016 were: X- ₹ 5,00,000; Y- ₹10,00,000 and Z- ₹ 15,00,000. Profit for the year 2015-16 amounting to ₹ 3,00,000 was distributed in the ratio of capitals after providing for the following:

- X's salary ₹1,20,000 p.a. and Y's commission of ₹40,000.
- Interest on capitals: X - ₹ 50,000; Y- ₹ 1,00,000 ; Z- ₹1,50,000 .
- Interest on Drawings: X- ₹ 30,000; Y- ₹50,000; Z- ₹ 80,000.

The partnership deed was silent as to sharing of profits and losses, interest on capital, interest on Drawings and Partners' salary and commission.

Pass the necessary single adjustment entry. (4)

(4)

12. Abhay and Beena are partners in a firm. They admit Chetan as a partner with 1/4th share in the profits of the firm. Chetan brings ₹2,00,000 as his share of capital. The value of the total assets of the firm is ₹5,40,000 and outside liabilities are valued at ₹1,00,000 on that date. Give necessary entry to record goodwill at the time of Chetan's admission. Also show your working notes.

Lal and Pal were partners in a firm sharing profits in the ratio of 3:7. On 1-4-2015, their firm was dissolved. After transferring Assets (other than cash) and outsider's liabilities to realization account, you are given the following information:

- A creditor of ₹3,60,000 accepted machinery valued at ₹5,00,000 and paid to the firm the balance.
- A second creditor for ₹50,000 accepted stock at ₹45,000 in full settlement of his claim.
- A third creditor amounting to ₹ 90,000 accepted ₹45,000 in cash and investment worth ₹43,000 in full settlement of his claim.
- Loss on dissolution was ₹15,000.

Pass journal entries for the above transactions.

(6)

14. X, Y, and Z are partners with fixed capitals of ₹ 1,50,000, ₹ 1,20,000 and ₹ 1,00,000 respectively. The Balance of current accounts on 1st January, 2011 were X ₹ 8,000 (Cr.); Y ₹ 3,000 (Cr.) and Z ₹ 2,000 (Dr.). X advanced ₹ 20,000 on July 1, 2011. The partnership deed provided for the following:

- Interest on Capital at 5% p. a.
- Interest on drawings at 6% p. a. Each partner drew ₹ 10,000 on July 1, 2011.
- ₹ 20,000 is to be transferred to a Reserve Account.
- Profit and Loss to be shared in the proportion of 3: 2: 1 upto ₹ 60,000 and above ₹ 60,000 equally.

Net profit of the firm before above adjustments was ₹ 1, 15,400 as on 31st December 2011. From the above information, prepare Profit and Loss Appropriation Account, Capital and Current Accounts of the partners.

(6)

15. On 31st March, 2015, the Balance Sheet of Punit, Rahul and Seema was as follows:

Balance Sheet

As at 31st March, 2015

Liabilities	₹	Assets	₹
Capitals:		Buildings	40,000
Punit 60,000		Machinery	60,000
Rahul 50,000		Patents	12,000
Seema <u>30,000</u>	1,40,000	Stock	20,000
Reserves	20,000	Cash	42,000
Creditors	14,000		
	1,74,000		1,74,000

They were sharing Profit and Loss in the ratio 5:3:2.

Seema died on October 1, 2015. It was agreed between her executors and the remaining partners that:

- Goodwill will be valued at 2 years' purchase of the average profits of the previous five years, which were: 2010-11: ₹30,000; 2011-12: ₹26,000; 2012-13: ₹24,000; 2013-14: ₹30,000 and 2014-15: ₹40,000.
- Patents be valued at ₹16,000; Machinery at ₹56,000; Buildings at ₹60,000.

(iii) Profit for the year 2015-16 be taken as having been accrued at the same rate as that in the previous year.

(iv) A sum of ₹15,500 was paid to her executors immediately.

Prepare Revaluation A/c, Seema's Capital account and Seema's Executors A/c.

(8)

16. A and B are partners in a firm sharing profits and losses in the ratio of 3 : 2. On 31st March, 2012, their Balance Sheet was as under:

Liabilities		₹	Assets		₹
Creditors		70,000	Bank		40,000
Capital A/cs:			Debtors		1,20,000
A	1,50,000		Stock		60,000
B	<u>80,000</u>	2,30,000	Furniture		50,000
			Goodwill		30,000
		<u>3,00,000</u>			<u>3,00,000</u>

On the above date C is admitted as a partner. A surrendered 1/6th of his share and B 1/3rd of his share in favour of C. Goodwill is valued at ₹ 1,20,000. C brings in only 1/2 of his share of goodwill in cash and ₹ 1,00,000 as his capital. Following adjustments are agreed upon:

- Stock is to be reduced to ₹ 56,000 and furniture by ₹ 5,000.
- There is an unrecorded asset worth ₹ 20,000.
- One month's rent of ₹ 15,000 is outstanding.
- A creditor for goods purchased for ₹ 10,000 had been omitted to be recorded although the goods had been correctly included in stock.
- Insurance premium amounting to ₹ 8,000 was debited to P & L A/c, of which ₹ 2,000 is related to the period after 31st March, 2012.

You are required to prepare Revaluation Account, Partner's Capital Accounts and the Balance Sheet of the new firm.

(8)

17. On 1st January, 2011, X, Y and Z started business sharing profit and losses in the ratio of 3 : 2 : 1 respectively. They contributed ₹ 1,00,000, ₹ 80,000 and ₹ 40,000 respectively as their Capitals which was deposited into Bank. Each Partner withdrew ₹ 15,000 during the year. The firm was dissolved on 31st December, 2011. X took up the stock at an agreed price of ₹ 25,000. Y took up furniture at ₹ 5,000 and Z took up debtors at ₹ 18,500. Creditors were paid off and then remained a balanced of ₹ 14,000 in the Bank Account.

Prepare the necessary accounts to show the result of winding up and to close the books of the firm.

(8)

PART B- ANALYSIS OF FINANCIAL STATEMENTS

18. Distinguish between Inter firm and Intra firm Analysis.

(1)

19. Give one transaction that does not appear in cash flow statement with reasons.

(1)

20. Define cash & cash equivalents.

- (a) How will you disclose purchase of goodwill in Cash Flow Statement?
 (b) Under what heads and subheads the following items will appear in the Balance Sheet of a company.
 (i) Brands (ii) Discount on issue of debentures (iii) Matured Debentures.
 (iv) Excess Application money refundable (v) Livestock (vi) Computer software
 (vii) Interest accrued and due (viii) Interest on calls in advance (ix) Share forfeiture A/c. (1+9)

22. (a) On the basis of the following information, calculate :-
 (i) Debt-Equity Ratio, and (ii) Working Capital Turnover Ratio (iii) Current ratio

Particulars	₹
Net Sales	60,00,000
Cost of Goods Sold	45,00,000
Other Current Assets -	11,00,000
Current Liabilities	4,00,000
Paid-up Share Capital	6,00,000
6% Debentures	3,00,000
9% Loan	1,00,000
Debenture Redemption Reserve (DRR)	2,00,000
Closing Stock	1,00,000

- (b) Interpret "Too high Debt Equity ratio".

(6)

23. Prepare Comparative Income Statement from the following:

Particulars	31 st March, 2011	31 st March, 2012
	₹	₹
Revenue from operation	10,00,000	12,50,000
Cost of material consumed	6,00,000	7,50,000
Expenses (Wages)	40,000	50,000

Interest on Investments ₹ 50,000 and Taxes Payable @ 50%.

(4)

24. From the following information prepare Statement of Profit & Loss as per schedule III part II of Companies act 2013:

Revenue from operations	1,00,000
Return inwards	5,000
Carriage inward	2,000
Bank charges	1,000
Interest received	3,000
Purchase of Stock in trade	7,000
Purchase of raw material	2,000
Opening stock of raw material	500
Amortisation expenses	1,500

(6)

25. From the following information, prepare Cash Flow statement of A&Co. Ltd.:

BALANCE SHEET
 As at 31st March, 2016 and 2015

PARTICULARS	31-3-2016(₹)	31-3-2015(₹)
I. EQUITY AND LIABILITIES		
1. Shareholders' Funds		
(a) Share capital	4,00,000	3,00,000
(b) Reserves & Surplus	(5,000)	35,000
2. Non Current liabilities		
Long term borrowings	1,20,000	1,40,000
3. Current liabilities		
	45,000	25,000
Total	5,60,000	5,00,000
II. ASSETS		
1. Non- Current assets		
(a) Fixed assets - Tangible (Net)	3,00,000	2,70,000
(b) Noncurrent Investments	1,05,000	1,10,000
2. Current Assets		
(a) Trade receivables	1,20,000	80,000
(b) Cash & cash equivalents	30,000	30,000
(c) Other Current assets	5,000	10,000
Total	5,60,000	5,00,000

Notes to Accounts:

Particulars	31-3-2016	31-3-2015
1. Reserves & Surplus		
Securities Premium Reserve	10,000	-
Surplus	(15,000)	35,000
	(5,000)	35,000
2. Long term borrowings		
10% Debentures	1,20,000	1,40,000
3. Current liabilities		
Bank overdraft	-	10,000
Trade Payables	45,000	15,000
	45,000	25,000

Additional Information:

- (i) Debentures were redeemed on 1st April, 2015.
- (ii) During the year, a machine included in Fixed assets ₹60,000 was purchased and another machine having book value of ₹18,000 was sold at a loss of ₹2,000. (6)

(6)

45
- 15

30