BRAIN INTERNATIONAL SCHOOL

SESSION 2024-25

CLASS: XII **TERM 1 REVISION SHEET** **SUBJECT: ACCOUNTANCY**

Chapter 1: FUNDAMENTALS OF PARTNERSHIP

Q1.X, Y and Z are partners. On April 1, 2020, their capitals are ₹2,50,000; ₹1,50,000 and ₹2,00,000 respectively. On October 1, 2020, they decided that their capitals should be ₹2,00,000 each. The necessary adjustments in the capitals were made. As per the partnership deed interest on capital is allowed to all the partners. Z got interest on his capital ₹16,000. How much interest on capital is to be allowed to X?

a) ₹20,000
b) ₹18,000
c) ₹16,000
d) None of these

Q2.On 1st April 2020, X, Y and Z entered a partnership with fixed capitals of ₹60,000, ₹50,000 and ₹30,000 respectively. On 1st October 2020, X gave a loan of ₹12,000 to the firm. The partnership deed contained the following clauses: (a) Interest on drawings to be charged @4% p.a. (b) X to be entitled to a rent of ₹2,000 p.a. for allowing the firm to carry on the business in his premises. Y withdrew ₹1,000 at the end of the month for the first six months. Net Profit of the firm for the year ending 31st March 2021 (before any interest but after rent of X's premises) was ₹1,21,000. The interest on Y's drawings will be:

a) ₹340
b) ₹220
c) ₹50
d) None of these

Q3.V and R are partners sharing profits and losses in the ratio of 5:3. The balances in their capital accounts on April 1, 2021, were ₹4,00,000 and ₹3,00,000 and in current accounts ₹70,000 and ₹50,000.
The partnership deed provides that V is to be paid salary of ₹2,000 per month whereas R is to get a Commission of ₹15,000 for the year. Interest on capital is to be provided at the rate of 5% per annum. Drawings of V and R during the year were ₹20,000 and ₹30,000. Interest on drawings to be charged at the rate of 10% per annum. V will be given commission @10% of divisible profits after charging such commission. The net profit before the above adjustments was ₹1,67,500 for the year ending 31st March 2022. Prepare Profit and Loss Appropriation Account. Show your workings clearly.

Q4. Ram and Mohan are equal partners. As per partnership deed interest on drawings was to be charged at the rate of 10% p.a. but it was noticed that only 6% p.a. interest was charged on drawings. Drawings of the partners were Ram drew ₹2,000 in the beginning of each month for last six months and Mohan ₹5,000 at the end of each quarter. Pass an adjustment entry.

Q5. A and B are partners in the ratio 3:2. The firm maintains fluctuating capital accounts and the balance of the same as on 31st March, 2024 amounted to ₹3,20,000 and ₹2,80,000 for A and B respectively. Their drawings during the year were ₹60,000 each.
As per the Partnership Deed, interest on capital @10% p.a. on opening capital had been provided to them. Calculate opening capitals of partners given that their profit was ₹1,80,000. Show your workings clearly.

Q6. A and B started a partnership business on 1st April 2019. Their capital contributions were ₹3,00,000 and ₹ 2,00,000 respectively. The partnership deed provided:

a) Interest on capitals @5% p.a.
b) A to get a salary of ₹ 15,000 p.a. and B ₹1,000 monthly.
c) Commission to B @10% of profits after charging interest on capital, salary and such commission.
d) Profits are to be shared in the ratio of 3:2.

The profits for the year ended 31st March 2020 before making above appropriations were ₹3,00,000. A's drawing during the year were ₹5,000 and for B it was ₹7,000. Prepare Profit and Loss Appropriation Account and Partners Capital Accounts for the year ended March 31, 2020.

CHAPTER 2: GOODWILL: NATURE AND VALUATION

Q1. Capital invested in a firm is ₹5,00,000. Normal rate of return is 10%. Average profits of the firm are ₹64,000 (after an abnormal loss of ₹4,000). Value of goodwill at four times the super profits will be: **1**

a) ₹72,000
b) ₹40,000
c) ₹2,40,000
d) None of these

Q2. Tangible Assets of the firm are ₹14,00,000 and Outside liabilities are ₹4,00,000. Profit of the firm is ₹1,50,000 and normal rate of return is 10%. Calculate capital employed.

a) ₹10,00,000
b) ₹1,00,000
c) ₹50,000
d) ₹20,000

Q3. Calculate goodwill using:

a) Capitalisation of Average Profits
b) Capitalisation of Super Profits

- Actual Average Profits- ₹72,000
- Normal Rate of Return- 10%
- Assets- ₹9,70,000
- Liabilities- ₹4,00,000

Q4. Assertion(A): Two factors affecting goodwill are efficient management, repeated customer leading to higher sales and profit; thus, it leads to higher value of goodwill.
Reason (R): Management is efficient leads to higher profit and thus, increase in the value of goodwill. Similarly repeated customer' leads to increased sale and thus higher profits increase in value of goodwill.

a) Both R and A are correct.
b) Both R and A are not correct.
c) A is correct but R is not correct.
d) R is correct but A is not correct.

Q5. Luv and Kush are partners sharing profits equally. They admit Shubh into partnership for equal share. Goodwill was agreed to be valued at two years' purchase of average profit of last four years. Profits for the last four years were:

Year Ended	Normal Profit/ (Loss) (₹)
31st March, 2019	70,000;
31st March, 2020	1,00,000;
31st March, 2021	55,000 (Loss);
31st March, 2022	1,44,000.

The books of account of the firm were perused and following was noticed:

1. Firm had profit on sale of building (abnormal gain) of ₹10,000 during the year ended 31st March, 2019.
2. Firm incurred loss on sale of computers (abnormal loss) of ₹20,000 during the year ended 31st March, 2020.
3. Repairs to car of ₹50,000 was wrongly debited to Vehicles Account on 1st June, 2020. Depreciation was charged on vehicles @ 12% p.a. on Straight Line Method. Calculate the value of Goodwill.

Q6. The average net profits of a firm are ₹ 1,80,000 per year. Average capital employed by the firm is ₹7,00,000. The normal rate of return from capital invested in this type of business is 10%. Remuneration of the partners is expected to be ₹ 20,000 p.a. Find out the value of goodwill on the basis of two years purchase of super profits.

CHAPTER 3: CHANGE IN PROFIT RATIO AMONGST EXISTING PARTNERS

Q1. A and B were partners in a firm sharing profit or loss equally. With effect from 1st April 2019, they agreed to share profits in the ratio of 4:3. Due to change in profit sharing ratio, A's gain or sacrifice will be:
a. Gain 1/14 b. Sacrifice 1/14 c. Gain 4/7 d. Sacrifice 3/7

Q2. A, B and C are partners sharing profits in the ratio of 4:3:2 decided to share profits equally. Goodwill of the firm is valued at Rs.10,800. In adjustment entry for goodwill:

a) A's Capital A/c Cr. by Rs.4,800; B's Capital A/c Cr. by Rs.3,600; C's Capital A/c Cr. by Rs.2,400.
b) A's Capital A/c Cr. by Rs.3,600; B's Capital A/c Cr. by Rs.3,600; C's Capital A/c Cr. by Rs.3,600.
c) A's Capital A/c Dr. by Rs.1,200; C's Capital A/c Cr. by Rs.1,200.
d) A's Capital A/c Cr. by Rs.1,200; C's Capital A/c Dr. by Rs.1,200.

Q3. A, B and C are partner sharing profits in the ratio of 1:2:3. On 1-4-2019 they decided to share the profits equally. On the date there was a credit balance of Rs.1,20,000 in their Profit and Loss Account and a balance of Rs.1,80,000 in General Reserve Account. Instead of closing the General Reserve Account and Profit and Loss Account, it is decided to record an adjustment entry for the same. In the necessary adjustment entry to give effect to the above arrangement: **1**

a) Dr. A by Rs.50,000; Cr. B by Rs.50,000
b) Cr. A by Rs.50,000; Dr. B by Rs.50,000
c) Dr. A by Rs.50,000; Cr. C by Rs.50,000
d) Cr. A by Rs.50,000; Dr. C by Rs.50,000

Q4. Vinod and Swami are partners in a firm sharing profits in the ratio 2:3. The balance sheet of the firm as on 31 March 2015 is given below:

Balance Sheet

Liabilities		**Amount** `	**Assets**	**Amount** `
Sundry Creditors		3,10,000	Land	5,00,000
Outstanding Expenses		70,000	Building	7,20,000
Capitals:			Plant	8,00,000
Vinod	8,00,000		Furniture	1,20,000
Swami	12,00,000	20,00,000	Stock	1,80,000
General Reserve		1,20,000	Sundry Debtors	1,50,000
			Cash in hand	30,000

	25,00,000		25,00,000

The partners decided to share profits in equal ratio w.e.f. 1 April 2015. The following adjustments were agreed upon:

a. Goodwill of the firm was valued at Rs.4,00,000, but it was not to appear in the books.
b. They decided to show the General Reserve in the new Balance Sheet without affecting its book value.
c. Land was valued at `8,00,000, Plant at Rs.7,20,000 and Furniture at Rs.1,00,000 and were to appear at revalued amounts in the balance sheet. Pass necessary journal entries to give effect to the above and prepare the Balance Sheet.

Q5. A, B and C are partners sharing profits and losses in the ratio of 5:3:2. Their position on 31st March 2018 was as follows:

Liabilities	**Amount**	**Assets**	**Amount**
Bills Payable	22,000	Cash in hand	4,000
General Reserve	10,000	Cash at bank	11,000
Capital: A	1,40,000	Debtors 28,000 Less: Provision for Doubtful Debts (3,000)	25,000
B	1,40,000	Stock	1,40,000
C	50,000	Machinery	77,000
		Building	1,00,000
		P & L A/c	5,000
	3,62,000		**3,62,000**

It was decided that with effect from 1st April 2018 profit and loss sharing ratio will be 3:3:1. They agreed on the following terms:

i. Goodwill of the firm be valued at Rs.42,000
ii. Machinery be valued at Rs.61,500

Partners do not want to record the altered values of assets and liabilities in the books and general reserve. Pass an entry to give effect to the above.

CHAPTER 4: ADMISSION OF A PARTNER

Q1. How can a new partner be admitted?

Q2.What is a Revaluation Account?

Q3. A and B who shared profits in the ratio of 3:1 admit C as partner for 1/5th share in profits, which he acquires equally from old partners. What will be the new profit-sharing ratio?

Q4. A and B sharing profits and losses in the ratio of 3:2decide to admit C for 1/3rd share. On this date, their balance sheet disclosed the following items:

Investment Fluctuation Reserve ₹40,000
Investments (at cost) ₹3,00,000

Show the accounting treatment in the following cases:

a) If the market value of investments is ₹2,90,000.
b) If the market value of investments is ₹2,45,000.
c) If the market value of investments is ₹3,00,000.
d) If the market value of investments is ₹3,25,000.

Q5. Bashir and Charlie were together running a garments business. They were sharing profits in the ratio of 3:2. Their Balance Sheet as on 31st March 2018 was as follows:

Liabilities	Amount	Assets	Amount
Creditors	60,000	Cash in hand	16,000
Capital: Bashir	60,000	Furniture	10,000
Charlie	40,000	Debtors 25,000 Less: Provision for Doubtful Debt (1,000)	24,000
		Machinery	20,000
		Building	80,000
		Profit and loss a/c	10,000
	1,60,000		**1,60,000**

Deepak was admitted to the partnership for 1/5th share in the profits on the following terms:

i. The new profit-sharing ratio was decided as 2:2:1.
ii. Deepak will bring ₹30,000 as his capital and ₹15,000 for his share of goodwill.
iii. Half the goodwill amount was withdrawn by the partner who sacrificed his share of profit in favour of Deepak.
iv. A provision of 5% for bad and doubtful debts was to be maintained.
v. An item of ₹500 included in the Sundry Creditors was not likely to be paid.
vi. A provision of ₹800 was to be made for claims for damages against the firm.

After making the above adjustments the capital accounts of 'Bashir' and 'Charlie' were to be adjusted on the basis of Deepak's capital. Actual cash was to be brought in or to be paid off.

Prepare Revaluation A/c, Partners capital accounts and the Balance Sheet of the newly constituted firm.

CHAPTER 5: RETIREMENT OF A PARTNER

Q1. A, B and C were partners in a firm sharing profits in the ratio of 4:3:3. On 1st April 2021, C decided to retire from the firm and his share was taken by A and B in the ratio of 2:1. Investment Fluctuation Reserve of ₹10,000 was available at the time of retirement of C, when current investment (realisable value ₹55,000) appears at ₹60,000. Give the journal entry for the treatment of Investment Fluctuation Reserve on C's retirement from the firm.

Q2. A, B and C were partners in a firm sharing profits in 3:2:1 ratio. On 31st March 2020, B retired. On the date of his retirement, the balance in his Capital Account was ₹3,50,000. The other assets and liabilities of the firm on that date were as follows:

Cash ₹1,50,000; Building ₹10,00,000; Plant and Machinery ₹4,00,000; Stock ₹2,00,000; Debtors ₹2,00,000; and Furniture ₹3,00,000, Investment ₹1,00,000, Investment Fluctuation Reserve ₹10,000.

Following was agreed among the partners on B's retirement:

(a) Building to be appreciated by 20%.
(b) Plant and Machinery to be depreciated by 10%.
(c) A provision of 5% on debtors to be created for doubtful debts.
(d) Stock was to be valued at ₹1,80,000 and Furniture at ₹3,50,000.
(e) An old photocopier previously written off was sold for ₹20,000.
(f) Partners had to pay ₹50,000 to the family of an employee who died in an accident.
(g) Market value of Investments ₹85,000.
(h) B was paid ₹1,00,000 in cash.

Pass the necessary Journal entries to record the above adjustments. The firm closes its books on 31st March every year.

Q3. A, B and C were partners in a firm sharing profits and losses in the ratio of 3:2:3. On 31^{st} March 2021, C decided to retire from the firm and his share was taken by A and B in the ratio of 1:2. Workmen compensation reserve of ₹50,000 was available at the time of retirement of C. There was a claim of ₹30,000 on account of workmen compensation which was accepted by the firm. Journalise for the treatment of workmen compensation reserve at the time of C's retirement.

Q4. A, B and C were partners in a firm sharing profits in the ratio of 8:4:3. B retires and his share is taken up equally by A and C. Find the new profit-sharing ratio.

Q5. Gautam, Yashika, Asma are partners sharing profits and losses in the ratio of 4/9:1/3:2/9. Yashika retires and gives $1/9^{th}$ of her share to Gautam and the remaining to Asma. Calculate the new profit-sharing ratio and gaining ratio.

Q6.M, N and G were partners in a firm sharing profits and losses in the ratio of 5:3:2. On 31-3-2019, there Balance Sheet was as under:

Balance Sheet of M, N and G
as on 31-3-2019

Liabilities		(₹)	Assets		(₹)
Creditors		55,000	Cash		40,000
General Reserve		30,000	Debtors	45,000	
Capitals:			Less: Provision	5,000	40,000
M	1,50,000		Stock		50,000
N	1,25,000		Machinery		1,50,000
G	75,000	3,50,000	Patents		30,000
			Building		1,00,000
			Profit and Loss A/c		25,000
		4,35,000			4,35,000

M retired on the above date and it was agreed that:

(i) Debtors of ₹2,000 will be written off as bad debts and a provision of 5% on debtors for bad and doubtful debts will be maintained.
(ii) Patents will be completely written off and stock, machinery and building will be depreciated by 5%.
(iii) An unrecorded creditor of ₹10,000 will be taken into account.
(iv) N and G will share the future profits in the ratio of 2:3.
(v) Goodwill of the firm on M's retirement was valued at ₹3,00,000.

Prepare Revaluation Account, Partners Capital Account and Balance Sheet.

CHAPTER 6: DEATH OF A PARTNER

Q1. In the case of death of a partner, the whole amount standing to the credit of his capital account is transferred to ____________.

Q2. At the time of Harsh's death, the total amount payable to him was ₹2,50,000. He took over a machinery of ₹25,000 a computer of ₹18,000 and a vehicle of ₹45,000 and remaining amount will be paid after 2 years. Give journal entry at the time of death of the partner.

Q3. Why are retiring/heirs of deceased partner entitled to share of goodwill of the firm?

Q4. Anita, Sunita and Rinita were partners in a firm sharing profits and losses in the ratio 2:2:1. Sunita died on 30th June 2021, her share of profit from the close of the last accounting year till the date of death was to be calculated on the basis of the average of 3 completed years profits before death less 10%. Profit for 2018-19, 2019-20 and 2020-21 were ₹2,10,000, ₹2,40,000 and ₹2,70,000 respectively. The firm closes its books on 31st March every year.

- **a)** Calculate Sunita's share of profit till the date of death.
- **b)** Pass necessary journal entry to record Sunita's share of profit.

Q5. A, B and C were partners in a firm sharing profits and losses in the ratio of 3:2:3. On 31st March 2021, C died and his share was taken by A and B in the ratio of 1:2. Workmen compensation reserve of ₹50,000 and Investment Fluctuation Reserve of Rs.20,000 was available at the time of death of C. There was a claim of ₹30,000 on account of workmen compensation which was accepted by the firm. The value of investments declined by Rs.30,000 at the time of C's death. Journalise for the above at the time of C's death.

CHAPTER: 1& 2 FINANCIAL STATEMENTS & ANALYSIS OF FINANCIAL STATEMENTS

Q1. Current assets include only those assets which are expected to be realized within __.

Q2.Calls in Arrears appear in a Company's Balance Sheet under __________.

- **a)** Reserve & Surplus
- **b)** Shareholder's Funds
- **c)** Contingent Liabilities
- **d)** Short-term Borrowings

Q3.Assertion (A): When financial statements of several years are compared against a chosen base year, it is called dynamic analysis.

Reason (R): Horizontal analysis is made to review and analyse the financial statements for a number of years, and it is also known as time series analysis.

Choose the correct option:

- **a)** Both Assertion and Reason are correct, and Reason is the correct explanation of the Assertion.
- **b)** Both Assertion and Reason are correct, but Reason is not the correct explanation.
- **c)** Only Assertion is correct.
- **d)** Only Reason is correct.

Q4. Classify the following items into their respective heads and sub heads as per Schedule III of Companies Act, 2013.

- **a)** Debentures
- **b)** Prepaid Rent
- **c)** Investment in shares of HUL
- **d)** Contingency Reserve
- **e)** Loose Tools
- **f)** Provision for Doubtful Debts
- **g)** Building
- **h)** Loan from bank

Q5. Which of the following is not the limitation of financial statements?

- **a)** Ignore qualitative aspects.
- **b)** Personal biasness.
- **c)** Ignore price level change.
- **d)** Provide information about the profitability of the business.

CHAPTER: 3 RATIO ANALYSIS

Q1. Assertion (A): If current ratio is 2:1. Redemption of debentures in the current year, will increase the current ratio.

Reason (R): Current assets will decrease and there is no impact on current liabilities.

Choose the correct option:

- **a)** Both Assertion and Reason are correct, and Reason is the correct explanation of the Assertion.
- **b)** Both Assertion and Reason are correct, but Reason is not the correct explanation.
- **c)** Only Assertion is correct.
- **d)** Only Reason is correct.

Q2. Inventory turnover ratio 4 times; Cost of revenue from operation is ₹2,00,000; closing inventory was three times more than that in the beginning; Opening inventory will be:

- **a)** ₹50,000
- **b)** ₹1,00,000
- **c)** ₹20,000
- **d)** None of these

Q3. Net profit after tax ₹1,20,000, tax rate 40%, salary ₹10,000, wages ₹25,000, carriage outward ₹30,000. Gross profit will be:

- **a)** ₹2,40,000
- **b)** ₹4,15,000
- **c)** ₹4,35,000
- **d)** None of these

Q4.Current ratio of XYZ Ltd. is 2:1. State giving reasons whether the ratio will improve, decline or no change in the following cases:

a) Purchase of goods on credit ₹50,000.

b) Sale of machinery costing ₹1,00,000 for ₹1,20,000.

c) Redemption of debentures ₹50,000.

Q5. From the following details, calculate Opening inventory: Closing inventory ₹ 60,000; Total Revenue from operations ₹ 5,00,000 (including cash revenue from operations ₹ 1,00,000); Total purchases ₹ 3,00,000 (Including credit purchases ₹ 60,000). Goods are sold at a profit of 25% on cost.

CHAPTER: 3 COMPARITIVE AND COMMON SIZE STSTEMENTS

Q1. Prepare Comparative Statement of Income of Motilal & Co. Ltd., from the following Statement of Profit and Loss:

Particulars	**Note No.**	**31st March 2019 (₹)**	**31st March 2018 (₹)**
1. Revenue from Operations		12,00,000	10,00,000
2. Expenses:			
Purchase of Stock-in-Trade		8,00,000	6,00,000
Change in Inventories of Stock-in-Trade		(30,000)	50,000
Employees Benefit Expenses		1,20,000	1,10,000
Other Expenses		90,000	80,000
Total Expenses		9,80,000	8,40,000
3. Profit before Tax (1 – 2)		2,20,000	1,60,000

Q2. Prepare Common Size Income Statement of Star Ltd., from the following Statement of Profit and Loss for the year ended 31st March, 2019:

Particulars	Note No.	31st March 2019 (₹)
I. Revenue from Operations (Net Sales)		12,00,000
II. Other Income : Interest		60,000
III. Total Revenue (I – II)		12,60,000
IV. Expenses:		
Purchase of Stock-in Trade		6,50,000
Changes in Investments of Stock-in Trade		50,000
Employees Benefit Expenses		2,00,000
Other Expenses		1,00,000
Total Expenses		10,00,000
V. Profit before Tax (III – IV)		2,60,000

Q3. Prepare Comparative Income Statement from the following information for the year’s ended March 31, 2018 and 2019:

Particulars	31.03.2019 (₹)	31.03.2018(₹)
Net Sales	4,00,000	2,00,000
Cost of Goods Sold	50% of Sales	50% of Sales

Indirect Expenses	50,000	20,000
Income Tax Rate	50%	50%

Q4. Prepare Comparative Income Statement from the following information:

Particulars	**2018 (₹)**	**2019 (₹)**
Revenue from operation	10,00,000	12,00,000
Cost of revenue from operation	5,00,000	6,00,000
Finance Cost	30,000	50,000
Operating expenses	50,000	60,000
Income tax	50%	50%