Brain International School
Vikas Puri, New Delhi

REVISION SHEET

SUBJECT: ACCOUNTANCY **CLASS-XII** **TERM 1**

One-Mark Questions

Q1. Financial Statements of a company, as per the Companies Act, 2013, include:
(A) Balance Sheet only
(B) Statement of Profit and Loss only
(C) Balance Sheet, Statement of Profit and Loss, Cash Flow Statement, and Notes to Accounts
(D) Only the Directors' Report

Q2. Under Schedule III of the Companies Act, 2013, 'Share Capital' is shown under which major head of the Balance Sheet?
(A) Non-Current Liabilities
(B) Current Liabilities
(C) Shareholders' Funds
(D) Non-Current Assets

Q3. Under which head/sub-head is 'Goodwill' shown in the Balance Sheet of a company as per Schedule III?
(A) Non-Current Assets — Fixed Assets — Intangible Assets
(B) Current Assets
(C) Non-Current Liabilities
(D) Shareholders' Funds

Q4. 'Trade Receivables' are classified under Schedule III as:
(A) Non-Current Assets
(B) Current Assets
(C) Current Liabilities
(D) Shareholders' Funds

Q5. Assertion (A): The Balance Sheet of a company shows its financial position at a particular point of time. Reason (R): It is prepared to show the profit or loss earned during the accounting period.
(A) Both A and R are true, and R is the correct explanation of A
(B) Both A and R are true, but R is not the correct explanation of A
(C) A is true, but R is false
(D) A is false, but R is true

Q6. The primary objective of financial statement analysis is to:
(A) Judge the profitability and financial soundness of a firm

(B) Prepare the Balance Sheet
(C) Calculate depreciation only
(D) Replace the audit function

Q7. Analysis of financial statements conducted by outsiders such as investors, creditors, and government agencies, based only on published information, is called:

(A) Internal Analysis
(B) External Analysis
(C) Horizontal Analysis
(D) Vertical Analysis

Q8. Which of the following is a limitation of financial statement analysis?

(A) It ignores qualitative aspects such as employee relations and management quality
(B) It is based on historical costs and ignores price-level (inflationary) changes
(C) It may be affected by the personal judgement/bias of the analyst
(D) All of the above

Q8. Which of the following is NOT a tool of financial statement analysis?

(A) Comparative Statements
(B) Common Size Statements
(C) Trial Balance
(D) Accounting Ratios

Q9. Comparative Statements are prepared to show:

(A) Absolute figures and percentage change over two or more periods
(B) Only percentages of a base figure within a single period
(C) Only ratios
(D) Only cash flows

Q10. In a Common Size Statement of Profit and Loss, each item of expense/income is expressed as a percentage of:

(A) Total Assets
(B) Revenue from Operations (Net Sales)
(C) Gross Profit
(D) Net Profit

Q11. In a Common Size Balance Sheet, each item is expressed as a percentage of:

(A) Net Sales
(B) Total Assets (or Total Equity and Liabilities)
(C) Gross Profit
(D) Net Profit

Q12. Revenue from Operations was ₹6,00,000 in the previous year and ₹7,50,000 in the current year. Calculate the percentage change as shown in a Comparative Statement of Profit and Loss.

(A) 20%
(B) 25%
(C) 12.5%
(D) 15%

Q13. In a Common Size Balance Sheet, Total Assets are ₹40,00,000 and Trade Receivables are ₹6,00,000. What percentage of Total Assets do Trade Receivables represent?

(A) 10%
(B) 12%
(C) 15%
(D) None of these

Q14. Current Assets = ₹6,00,000; Inventory = ₹1,00,000; Prepaid Expenses = ₹20,000; Current Liabilities = ₹2,40,000. Calculate the Quick Ratio.

(A) 2:1
(B) 2.5:1
(C) 2.4:1
(D) 2.08:1

Q15. A company has Long-term Debt of ₹12,00,000 and Shareholders' Funds of ₹6,00,000. Calculate the Debt-Equity Ratio.

(A) 0.5:1
(B) 1:1
(C) 2:1
(D) 3:1

Q16. Revenue from Operations = ₹15,00,000; Cost of Revenue from Operations = ₹10,50,000. Calculate the Gross Profit Ratio.

(A) 25%
(B) 30%
(C) 35%
(D) 70%

Q17. In the absence of a Partnership Deed, interest on loan advanced by a partner to the firm is allowed at:

(A) 6% p.a. simple interest
(B) 6% p.a. compound interest
(C) 12% p.a. simple interest
(D) No interest is allowed

Q18. X, Y and Z are partners sharing profits equally. X wants that the profit should be shared in the ratio of capitals, but Y and Z do not agree. As per the Partnership Act, in the absence of an agreement, profits will be shared:

(A) In the ratio of capitals
(B) Equally
(C) In the ratio of time devoted
(D) In the ratio decided by majority

Q19. A, B and C are partners without a partnership deed. A has given a loan of ₹2,00,000 to the firm. At the end of the year, the firm incurred a loss. What amount of interest on loan is A entitled to?

(A) Nil, since the firm is in loss
(B) ₹12,000 (6% p.a.), payable irrespective of profit or loss
(C) ₹24,000 (12% p.a.)
(D) Interest at bank rate

Q20. Assertion (A): A minor can be admitted to the benefits of a partnership. Reason (R): A minor can become a full-fledged partner with unlimited liability from the date of admission.

(A) Both A and R are true, and R is the correct explanation of A
(B) Both A and R are true, but R is not the correct explanation of A
(C) A is true, but R is false
(D) A is false, but R is true

Q21. Goodwill of a firm is NOT affected by:

(A) Favorable location of business
(B) Efficient management
(C) Quality of goods and customer relations
(D) Amount of capital invested by partners

Q22. Average Profit = ₹80,000; Normal Rate of Return = 10%; Capital Employed = ₹6,00,000. Calculate the Goodwill by the Capitalisation of Average Profit Method.

(A) ₹1,00,000
(B) ₹2,00,000
(C) ₹8,00,000
(D) ₹80,000

Q23. Under the Super Profit Method, if Average Profit is ₹1,20,000, Normal Profit is ₹90,000, and the goodwill is valued at 3 years' purchase of super profit, what is the value of goodwill?

(A) ₹90,000
(B) ₹30,000
(C) ₹1,20,000
(D) ₹3,60,000

Q24. Weighted Average Profit Method of goodwill valuation is used when:

(A) Profits are declining every year
(B) Profits show a clear increasing or decreasing trend
(C) Profits are constant every year
(D) There are abnormal losses only

Q25. While calculating average profit for goodwill valuation, which of the following should be added back to the profit of the relevant year?

(A) Loss on sale of a fixed asset (abnormal item)
(B) Normal business expenses
(C) Depreciation on machinery
(D) Salary paid to partners as per the deed

Q26. When there is a change in the profit-sharing ratio among existing partners, the partner whose share increases is called the:

(A) Sacrificing partner
(B) Gaining partner
(C) Retiring partner
(D) New partner

Q27. At the time of change in profit-sharing ratio, accumulated profits, reserves, and losses appearing in the

Balance Sheet are distributed among partners in their:

(A) New profit-sharing ratio
(B) Old profit-sharing ratio
(C) Sacrificing ratio
(D) Gaining ratio

Q28. A and B share profits in the ratio of 3:2. They decide to share future profits equally. Calculate B's gain (or sacrifice) in the ratio.

(A) B sacrifices 1/10
(B) B gains 1/10
(C) B sacrifices 1/5
(D) No change for B

Q29. At the time of change in profit-sharing ratio, assets and liabilities are revalued, and the resulting profit or loss is transferred to partners' capital accounts in their:

(A) New profit-sharing ratio
(B) Old profit-sharing ratio
(C) Equal ratio
(D) Sacrificing ratio

Q30. In a firm, P, Q and R share profits in the ratio 5:3:2. They decide to change the ratio to 2:3:5 with immediate effect. Which partner(s) is/are sacrificing?

(A) Only R
(B) P and Q
(C) Only P
(D) Q and R

Q31. Sacrificing Ratio is used to determine:

(A) The ratio in which the new partner will share future profits
(B) The ratio in which old partners surrender their share of profit in favor of the new partner
(C) The ratio in which goodwill is credited to old partners' accounts
(D) Both (b) and (c)

Q32. At the time of admission of a new partner, the balance in the Workmen Compensation Reserve, after meeting any claim against it, is transferred to:

(A) New partner's capital account
(B) Old partners' capital accounts in their old profit-sharing ratio
(C) Old partners' capital accounts in the new profit-sharing ratio
(D) Revaluation Account

Q33. A and B are partners sharing profits in the ratio 3:2. C is admitted for 1/5th share, which he acquires equally (i.e., 1/10th from each) from A and B. Calculate the new profit-sharing ratio of A, B and C.

(A) 5:3:2
(B) 10:6:4
(C) 13:7:2
(D) Both (a) and (b) are equivalent — new ratio is 5:3:2

Q34. Revaluation Account is prepared at the time of admission of a partner to record:

(A) Revaluation of assets and reassessment of liabilities of the firm
(B) The new partner's share of goodwill

(C) Distribution of accumulated reserves only
(D) Adjustment of partners' capital in the new ratio

Q35. If, at the time of admission, the new partner brings his share of goodwill in cash, this amount is shared by the old partners in their:

(A) New profit-sharing ratio
(B) Sacrificing ratio
(C) Old profit-sharing ratio
(D) Capital ratio

Q36. At the time of admission of a partner, an unrecorded liability, when brought into books, is:

(A) Credited to Revaluation Account
(B) Debited to Revaluation Account
(C) Credited to Partners' Capital Accounts
(D) Ignored, since it was unrecorded

Q37. A and B are partners sharing profits equally, with capitals of ₹4,00,000 and ₹3,00,000. C is admitted for 1/4th share and is required to bring proportionate capital. Total capital of the new firm is to be based on C's capital contribution corresponding to his share. If C brings ₹1,75,000 as capital, what is the total capital of the new firm?

(A) ₹7,00,000
(B) ₹8,75,000
(C) ₹7,75,000
(D) ₹1,75,000

Q38. On the retirement of a partner, the remaining partners who benefit from an increase in their share of profit are called:

(A) Sacrificing partners
(B) Gaining partners
(C) Retiring partners
(D) Outgoing partners

Q39. The amount due to a deceased partner is transferred to:

(A) His Capital Account
(B) His Executor's Account
(C) Revaluation Account
(D) All Partners' Capital Accounts

Q40. A, B and C share profits in the ratio 3:2:1. B retires, and his share is acquired by A and C equally. Calculate the new profit-sharing ratio of A and C.

(A) 4:2
(B) 10:5
(C) 2:1
(D) Both (a) and (c) are equivalent — new ratio is 2:1

Q41. On the death of a partner, the deceased partner's share of profit from the last balance sheet date till the date of death is calculated on the basis of:

(A) Last year's actual profit only
(B) Time basis or turnover basis, as per the partnership deed
(C) Average of last 5 years' losses

(D) Current year's budgeted profit only

Q42. At the time of retirement of a partner, the retiring partner's share of goodwill is compensated by:

(A) The new partner only
(B) The gaining partners in their gaining ratio
(C) All partners in the old ratio
(D) The firm's reserve fund compulsorily

Q43. X, Y and Z are partners sharing profits in the ratio 5:3:2. Z dies on 30th June. The firm closes its books on 31st March. As per the deed, Z's share of profit till death is to be calculated on the basis of the previous year's profit of ₹6,00,000. What is Z's share of profit for 3 months?

(A) ₹30,000
(B) ₹60,000
(C) ₹1,20,000
(D) ₹1,80,000

Q44. The total amount payable to a retiring/deceased partner, if not paid immediately, is transferred to:

(A) Retiring/Deceased Partner's Loan Account
(B) General Reserve
(C) Revaluation Account
(D) Remaining partners' Capital Accounts

Q45. Dissolution of a partnership firm means:

(A) Change in the profit-sharing ratio among partners
(B) Complete closure of the business and settlement of accounts of the firm
(C) Admission of a new partner
(D) Change in the name of the firm only

Q46. At the time of dissolution of a firm, which account is prepared to close the books and determine profit or loss on realisation of assets and settlement of liabilities?

(A) Revaluation Account
(B) Realisation Account
(C) Profit and Loss Appropriation Account
(D) Partners' Capital Account only

Q47. On dissolution of a firm, the balance of the Cash/Bank Account is finally used to:

(A) Pay off outside creditors first, then partners' loans, then partners' capital
(B) Pay off partners' capital first
(C) Pay off partners' loans first, then creditors
(D) Distributed equally regardless of claims

Q48. On dissolution, an asset taken over by a partner is recorded by:

(A) Debiting the partner's Capital Account and crediting Realisation Account
(B) Debiting Realisation Account and crediting the partner's Capital Account
(C) Debiting Cash Account and crediting Realisation Account
(D) No entry is required

Q49. On dissolution of a firm, an unrecorded asset, when realised in cash, is recorded by:

(A) Debiting Realisation Account and crediting Cash Account
(B) Debiting Cash Account and crediting Realisation Account

(C) Debiting Cash Account and crediting the Asset Account
(D) No entry, since it was unrecorded

Q50. Which of the following is NOT transferred to the Realisation Account at the time of dissolution?
(A) Sundry Assets (other than cash/bank and fictitious assets)
(B) External Liabilities (Sundry Creditors, Bills Payable)
(C) Partners' Capital Accounts balances
(D) Provision for Doubtful Debts

Q51. On dissolution of a firm, total assets realised ₹5,00,000 (book value ₹4,50,000). Realisation expenses of ₹10,000 were paid by the firm. Outside liabilities were ₹2,00,000, settled at ₹1,90,000. What is the profit on realisation?
(A) ₹40,000
(B) ₹50,000
(C) ₹60,000
(D) ₹1,00,000

Three Marks Questions

1. A company reports Current Assets ₹12,00,000, Current Liabilities ₹4,00,000 and Inventory ₹3,00,000. Calculate the Current Ratio and Quick Ratio. Interpret the liquidity position.
2. State any three provisions of the Indian Partnership Act, 1932 that apply in the absence of a Partnership Deed, relating to: (i) profit sharing, (ii) interest on capital, and (iii) interest on partner's loan.
3. From the following information, calculate the value of goodwill of a firm by applying the Capitalisation of Average Profit Method: Average Profit = ₹1,50,000; Normal Rate of Return = 15%; Net Assets (Capital Employed) = ₹8,00,000.
4. Pass journal entries for the following transactions at the time of dissolution of a firm: (i) Realisation expenses of ₹5,000 were paid by the firm. (ii) A partner, Ravi, agreed to take over an unrecorded asset (a typewriter) valued at ₹3,000. (iii) Creditors of ₹40,000 were paid at a discount of 5%.
5. P and Q share profits in the ratio of 7:3. R is admitted for 2/7th share in profits. Goodwill already appears in the balance sheet at ₹1,00,000. Pass necessary journal entries if (a) R cannot bring cash for his share of goodwill ₹80,000. (b) R brings in cash ₹40,000 out of his share of goodwill ₹80,000.
6. Hari, Ravi and Shri were partners in a firm sharing profits in the ratio of 3:2:1. They admitted Mihir as a new partner for 1/7th share in the profit. The new profit-sharing ratio will be 2:2:2:1 respectively. Mihir brought ₹3,00,000 for his Capital and ₹45,000 for his 1/7th share of goodwill. Pass necessary Journal entries in the books of the firm.
7. Rahul and Anurag are partners sharing profits in the ratio of 3:2. They decided to admit Bajaj as a new partner and to share future profits and losses equally. Bajaj brings in ₹50,000 as his capital. Goodwill of the firm is valued at ₹60,000. Pass necessary Journal entries (a) When no goodwill appears in books. (b) When goodwill appears at ₹50,000. (c) When goodwill appears at ₹1,00,000 and goodwill is raised and written off.
8. A, B, C are partners in a firm sharing profit in the ratio 5:3:2. They agreed to share profits losses equally w.e.f. 1stApril 2019. Goodwill if the firm is valued at ₹90,000 Pass necessary Journal entry.
9. P, Q & R are partners sharing Profits equally. they decided that in future R will get 1/5thshare in profit & remaining profit will be shared by P & Q equally. On the day of change, firm's goodwill is valued at

₹60,000. Deferred revenue expenditure was ₹4,000 & balance in profit & loss A/c (Dr) was ₹8,000. Give journal entries arising on account of change in profit sharing ratio without disturbing the balance sheet.

10. Keshav, Meenakshi & Mohit are partners sharing Profits & losses in the ratio of 1:2:2 have decided to share future profit equally w.e.f. 1stApril 2019. On that date, General Reserve Showed a balance of ₹2,40,000 Partners do not want to distribute the reserves pass necessary adjusting entry.

11. Average profit earned be a firm is ₹2,50,00 which includes overvaluation of stock of ₹10,000 on an average basis. Capital invested in the business is ₹14,00,000 & the normal rate of return is 15 %. Calculate goodwill of the firm on the basis of 4 times the Super Profit.

12. The Capital Employed in a firm is ₹10,00,000 & the market rate of interest is 15 %. Annual Salary of the partners is ₹80,000. the profit of the last 3 years were ₹3,00,000, ₹4,00,000 & ₹5,00,000 respectively. Calculate value of goodwill on the basis of 2 years purchase of average super profit of last 3 yea₹

13. On April 1, 2018, a firm has assets of ₹1,00,000 excluding stock of ₹20,000 . The current liabilities were ₹10,000 and the balance constituted partner's capital Accounts. If the normal rate of return is 8 %, the Goodwill of the firm is valued at ₹60,000 at four years purchase of super profit, find the actual profits of the firm.

14. On 1st April 2018, a firm had assets of ₹3,00,000 including Cash of ₹5,000. The Partner's Capital A/c showed a balance of ₹2,00,000 & the reserve Constituted the rest. If the normal rate of return of is 10 % & the goodwill of the firm is valued at ₹2,00,000 at four years purchase of Super Profit. Find the average Profit of the firm.

15. The average net profits expected of a firm expected in future are ₹68,000 per years and capital invested in the business by the firm is ₹3,50,000. The rate of interest expected from capital invested in this class of business is 12%. The renumeration of the partners is estimated to be ₹8,000 for the year. Calculate the value of goodwill on the basis of two years purchase of super profits.

16. Jagdeep and Kavita are partners sharing profits and losses in the ratio of 3:1. their capitals at the end of the financial yar 2018-2019 were ₹15,00,000 and ₹7,50,000. During the year 2018-2019, Jagdeep's drawings were ₹2,00,000 and the drawings of Kavita were ₹50,000, which had been duly debited to partner's capital accounts. Profit before charging interest on capital for the year was ₹1,60,000. The same has also been debited in their profit-sharing ratio. Kavita had brought additional capital of ₹1,60,000 on October 1, 2018. Calculate interest in capital @ 12% p.a. for the year 2018-2019

17. Sonia and Rajiv are partners sharing profits in the ration of 3:2 with capitals of ₹5,00,000 and ₹3,00,000 respectively. Interest on capital is agreed @ 6% p.a. Rajiv is to be allowed an annual salary of ₹25,000. During a year 2018-19 the profits prior to the calculation of interest on capital but after charging Rajiv's salary amounted to ₹1,25,000. A provision of 5% of the profit is to be made in respect of commission to the Manager. Prepare Profit and Loss Appropriation account showing the distribution of profit and the partner's capital accounts for the year ending March 31, 2019.

18. Arun and Ajay are partners sharing profits and losses in the ration of 3:2. Their capital accounts showed balance of ₹15,00,000 and ₹20,00,000 respectively on march 31, 2018. Show the treatment of interest on capital for the year ending march 31, 2019 in each of the following alternatives: (a) if the partnership deed is silent as to the payment of interest on capital and the profit for the year is ₹5,00,000. (b) if partnership deed provides for interest on capital @ 8% p.a. and the firm incurred a loss of ₹ 1,00,000 during the year. (c) If partnership deed provides for interest on capital @ 8% p.a. and the firm earned a profit of ₹5,00,000; during the year. (d) if the partnership deed provides for interest on capital @ 8% p.a. and the firm earned a profit of ₹1,40,000; during the year.

19. Priya, Deepa and Kashish are partner's sharing profits in the ration of 5:4:1 Kashish is given a guarantee that her share of profits in any given year would not be less than ₹50,000. Deficiency, if any would be borne by Priya and Deepa equally. Profits for the year amounted to ₹ 4,00,000. Record necessary journal

entries in the bools of the firm showing the distribution of profit.

20. Pass the journal entries entries to effect the followings (i) bank loan of ₹12000 is paid off. (ii) Deferred advertisement expenses A/c appeared in the books at ₹28,000. (iii) Creditors agreed to take over the machine in full settlement of their claim. (creditors ₹2,50,000 and machinery ₹2,25,000) (iv) Z, an old customer, whose account was written off as bad in the previous year, paid ₹500. (v) A contingent liability (not provided for) of ₹1,000 was also discharge. (vi) An unrecorded computer realized ₹7,000.

Four Marks Questions

1. A and B are partners in a firm without a Partnership Deed. A has contributed capital of ₹5,00,000 while B has contributed ₹3,00,000. In addition, A has advanced a loan of ₹1,00,000 to the firm. During the year ended 31st March 2024, the firm earned a profit of ₹43,000 (before any interest). Show how this profit will be distributed between A and B.

2. From the following information, calculate the value of goodwill of a firm by applying the Capitalisation of Average Profit Method: Average Profit = ₹1,50,000; Normal Rate of Return = 15%; Net Assets (Capital Employed) = ₹8,00,000.

3. The profits of a firm for the last 5 years were as follows: 2018–19: ₹1,20,000; 2019–20: ₹1,45,000; 2020–21: ₹1,00,000 (includes an abnormal loss of ₹40,000 due to fire); 2021–22: ₹1,60,000; 2022–23: ₹1,80,000 (includes an abnormal gain of ₹20,000 on sale of a fixed asset). Calculate the goodwill of the firm on the basis of 3 years' purchase of the average profit of the last 5 years, after adjusting for abnormal items.

4. P and Q are partners sharing profits in the ratio 3:2. With effect from 1st April 2024, they decide to share future profits equally. On that date, General Reserve appeared in the books at ₹50,000, and there was a debit balance of ₹10,000 in the Profit and Loss Account. Partners decided not to show the General Reserve and P&L balance in the new Balance Sheet. Pass the necessary journal entries.

5. A, B and C share profits in the ratio 5:3:2. They decide to change their profit-sharing ratio to 2:3:5 with effect from 1st April 2024. On that date, their Balance Sheet showed: General Reserve ₹40,000; Workmen Compensation Reserve ₹20,000 (no claim exists against it); Land and Building (book value ₹3,00,000) to be revalued at ₹3,60,000; and Stock (book value ₹80,000) to be revalued at ₹70,000. Pass the necessary journal entries and prepare the Revaluation Account.

6. X and Y are partners sharing profits in the ratio 2:1. They admit Z as a new partner for 1/4th share in profits. Z brings ₹50,000 as capital and ₹15,000 as his share of goodwill in cash. Pass the necessary journal entries in the books of the firm, assuming Z acquires his share equally from X and Y.

7. A and B are partners sharing profits in the ratio 3:2. Their Balance Sheet as at 31st March 2024 showed: Sundry Creditors ₹1,00,000; Capitals: A ₹4,00,000, B ₹3,00,000; Sundry Assets ₹8,00,000 (including Stock ₹1,00,000 and Debtors). They admit C for 1/4th share on the following terms: (i) C brings ₹2,00,000 as capital and ₹40,000 as premium for goodwill in cash (shared by A and B in their old ratio, as C acquires his share proportionately from both). (ii) Stock is to be reduced by ₹10,000. (iii) A Provision for Doubtful Debts of ₹5,000 is to be created on Debtor₹ Prepare the Revaluation Account and Partners' Capital Accounts.

8. A and B are partners sharing profits in the ratio 3:2. Their Balance Sheet as at 31st March 2024 showed: Sundry Creditors ₹1,00,000; Capitals: A ₹4,00,000, B ₹3,00,000; Sundry Assets ₹8,00,000 (including Stock ₹1,00,000 and Debtors). They admit C for 1/4th share on the following terms: (i) C brings ₹2,00,000 as capital and ₹40,000 as premium for goodwill in cash (shared by A and B in their old ratio, as C acquires his share proportionately from both). (ii) Stock is to be reduced by ₹10,000. (iii) A Provision for Doubtful Debts of ₹5,000 is to be created on Debtors. Prepare the Revaluation

Account and Partners' Capital Accounts.

9. A firm is dissolved. From the following information, prepare the Realisation Account: Sundry Assets transferred to Realisation Account ₹5,00,000; Sundry Liabilities transferred to Realisation Account ₹1,50,000; Assets realised ₹4,60,000 in cash; Liabilities paid off ₹1,45,000; Realisation expenses ₹8,000. Two partners share profit/loss equally.

10. A and B were partners sharing profits equally. Their Balance Sheet as at 31st March 2024, on which date the firm was dissolved, was as follows — Liabilities: Sundry Creditors ₹80,000; Bank Loan ₹40,000; Capitals: A ₹1,50,000, B ₹1,00,000 (Total ₹3,70,000). Assets: Cash ₹20,000; Sundry Assets ₹3,50,000 (Total ₹3,70,000). Sundry Assets realised ₹3,00,000. Creditors were paid ₹75,000 in full settlement. Bank Loan was paid in full. Realisation expenses of ₹5,000 were paid. Prepare the Realisation Account, Partners' Capital Accounts, and Bank Account.

11. Prasant and Nilesh are partners sharing profits and losses in the ratio of 3:2. Sumit was admitted as a partner for l/4th share. Goodwill valued at ₹80,000. The following assets were brought in by Sumit as his Capital and his share of Goodwill: Cash ₹15,000; Stock ₹24,000; Furniture ₹30,000 and Machinery ₹36,000. Give necessary entries in the books of the firm and new profit-sharing ratio of the firm

12. Sandeep, Praveen, and Tara are partners sharing profits in the ratio of 3:2:1. On 1st April 2012, Sandeep gave the notice to retire from the firm. Praveen and Tara decided to share future profits, in the ratio of 2: 3. The capital accounts of Praveen and Tara after all adjustments showed a balance of ₹64,000 and ₹1,00,000 respectively. The total amount to be paid to Sandeep was ₹1,23,000. This amount was to be paid by Praveen and Tara in such a way that their capitals become proportionate to their new profit-sharing ratio.
Pass necessary journal entries for the above transactions in the books of the firm.
Show your workings clearly.

13. The partners of a firm distributed the profits for the year ended 31-3-2003 ₹5,000 in the ratio 3:2:1 without providing for the following adjustments: a) A and B were entitled to a salary of ₹3,000 each p.a. b) B was entitled to a commission of ₹5,000 c) B and C have guaranteed a minimum profit of ₹3,000 p.a. to A. and any deficiency in profits will be borne by A and B equally Profits were to be shared in the ratio of 3:3:2. Pass necessary journal entry for the above adjustments in the books of the firm.

14. From the following information prepare Comparative Statement of Profit & Loss of Beta Ltd

Particulars	Note No.	2015-2016	2014-15
Revenue from operations		7,00,000	5,00,000
Expenses		4,50,000	3,75,000
Other Incomes		75,000	1,00,000

Rate of Income Tax was 50%

15. From the following Balance Sheet of XYZ Ltd. as at 31st March 2016 and 2015. Prepare a comparative Balance Sheet.

Particulars	Note No.	31-3-2016	31-3-2015
I. Equity & Liabilities:			
Shareholder's funds			
(a) Share Capital		20,00,000	10,00,000
(b) Reserves & Surplus		4,00,000	6,00,000
Non-current Liabilities			
Long term borrowings		16,00,000	10,00,000
Current liabilities			
Trade payables		8,00,000	4,00,000
Total		48,00,000	30,00,000
II. Assets:			
Non-current Assets			
Fixed Assets:			
i. Tangible Assets		28,00,000	16,00,000
ii. Intangible Assets		6,00,000	4,00,000
Current Assets			
(a) Inventories		10,00,000	8,00,000
(b) Cash & Cash equivalents		4,00,000	2,00,000
Total		48,00,000	30,00,000

16. Calculate:

a) Debt Equity Ratio

b) Proprietary Ratio

c) Interest Coverage ratio when Net Profit after tax is ₹50,400 and rate of income tax is 40%.

Particulars	Rs Amount
Equity share capital	2,00,000
10% preference share capital	1,80,000
capital reserve	40,000
profit & loss balance	1,00,000
12% Debenlures	50,000
10% Morlgage loan	1,50,000
Current Liabilities	4,20,000
Current Assets	300,000

17. Calculate Total Asset to Debt ratio

Capital Employed	16,20,000	Equity share capital	8,00,000
Current Liabilities	180,000	8% Debentures	3,00,000
Fixed Asset (Gross)	9,50,000	Capital Reserve	2,40,000
Accumlaled Depreciation	1,50,000	Surplus i.e., balance in Statement of P&L - dr.)	20,000
Non - Current Investment	700,000		
Trade Receivables	2,50,00	Cash & Cash Equiralents	50,000

18.

Calculate the values of opening & closing inventory from the foll. -
Total Sales Rs 200,,000
Sales Reluim Rs 12,500
Gros profit 1//4 on cost
Inventory Turnover ratio = 6 times
Inventory at thr beginning is 1:5 times more than the inventory at the end.

19. Kapil, a partner in a firm withdrew money during the year ending March, 31 2019, from his capital account, for his personal use. Calculate interest in drawings in each of the following alternative situations, if rate of interest is 9 percent per annum. (a) if he withdrew ₹30,000 per month at the beginning of the month. (b) if an amount of ₹30,000 per month was withdrawn by him at the end of each month. (c) if the amounts withdrawn were: ₹1,20,000 on June 01, 2018, ₹80,000; of August 31, ₹30,000; on September 30, 2018, ₹70,000, on November 30, 2018, and ₹60,000 on January 31, 2019. (d) if he withdrew ₹3,00,000 per quarter at the beginning of the quarter.

20. A, B and C are partners sharing profits in ratio 2:2:1 They have balance in their capital A/cs at the end of the year March 31st 2011 were ₹1,20,000, ₹85,000, and ₹95,000 respectively after distributing profits of the year which were ₹96,000 which they had divided equally without providing for the following as per their deed (a) A was entitled for salary ₹5,000 p.a. while B was entitled of salary of ₹250 p.m. (b) C was entitled to a commission of 10% of profit after making the adjustment of salaries of A and B. (c) Drawings made by the partners during the year as follows: A's drawings ₹1,500 per month at the beginning of each month. B's drawings were ₹6,000 at the beginning of each quarter. C's drawings were ₹20,000 during the year. Interest was to be charged on the drawings @ 10% p.a. Pass necessary adjustment entry for the above errors committed in the A/cs.

Six Marks Questions

1. X and Y are partners sharing profits and losses in the ratio 3:2. Their capitals as on 1st April 2023 were ₹6,00,000 and ₹4,00,000 respectively. As per the Partnership Deed: (i) Interest on capital is to be allowed @6% p.a. (ii) X is entitled to a salary of ₹2,000 per month. (iii) Y is entitled to a commission of ₹15,000. (iv) Interest on drawings: X ₹3,000; Y ₹2,000. Net profit for the year before the above adjustments was ₹2,50,000. Prepare the Profit and Loss Appropriation Account.

2. A, B and C are partners sharing profits in the ratio 2:2:1. Their Balance Sheet as at 31st March 2024 showed Capitals: A ₹3,00,000; B ₹3,00,000; C ₹1,50,000; and General Reserve ₹50,000. B retires on this date on the following terms: (i) Goodwill of the firm is valued at ₹1,00,000. (ii) General Reserve is to be distributed among the partners (iii) B is to be paid ₹50,000 in cash immediately, and the balance is to be transferred to his Loan Account. A and C will share future profits equally. Prepare B's Capital Account.

3. A, B, and C were partners in the firm sharing profits in the ratio of 2: 1: 1. Their Balance Sheet as on 31.3.2010 was as follows:

Liabilities		**Amt (₹)**	**Assets**	**Amt (₹)**
Capital Accounts:			Furniture	9,000
A	10,000		Stock	4,000
B	5,000		Debtors	6,000

C	5,000	20,000	Bills Receivable	2,000
General Reserve		3,200	Cash at Bank	5,000
Creditors		3,000	Cash in Hand	200
		26,200		26,200

On 30.6.2010, C died. Under the provisions of partnership deed, the executors of a deceased partner were entitled to the following:

i. The amount standing to the credit of partners' capital account.
ii. Interest on capital @ 5% p.a.
iii. The share of goodwill on the basis of two years purchase of the average profits of the last three yea₹
iv. Share of profit in the year of his death, till the date of his death on the basis of the last year's profit.

The profits of the firm during the previous three years were as follows:

Years	Profit (₹)
2007 – 2008	5,000
2008 – 2009	9,000
2009 – 2010	7,000

C's executors were paid ₹1,800 on 1.7.2010 and the balance in three equal installments of equal intervals of 6 months starting from 31.12.2010 with interest @ 10% per annum.

Pass necessary journal entries, at the time of C's death, prepare C's Capital Account and C's Executor's Account up to 31.12.2010.

4. Mohan and Mahesh were partners in a firm sharing profits in the ratio of 3: 2. On 1st April, 2012, they admitted Nusrat as a partner in the firm. The balance sheet of Mohan and Mahesh on that date was as under:

Balance Sheet as at 1st April, 2012

Liabilities		Amt(Rs)	Assets	Amt(Rs)
Creditors		2,10,000	Cash in Hand	1,40,000
Workmen's Compensation Fund		2,50,000	Debtors	1,60,000
General Reserve		1,60,000	Stock	1,20,000
Capital A/cs			Machinery	1,00,000
Mohan	1,00,000		Building	2,80,000
Mahesh	80,000	1,80,000		
		8,00,000		8, 001000

It was agreed that

i. The value of building and stock be appreciated to ₹3,80,000 and ₹1,60,000 respectively.

ii. The liabilities of workmen's compensation fund was determined at ₹2,30,000.

iii. Nusrat brought in her share of goodwill ₹1,00,000 in cash.

iv. Nusrat was to bring further cash as would make her capital equal to 20% of the combined capital of Mohan and Mahesh after above revaluation and adjustments are carried out.

v. The future profit-sharing ratio will be Mohan 2/5th, Mahesh 2/5th, Nusrat 1/5th. Prepare revaluation account, partners' capital accounts and balance sheet of the new firm. Also, show clearly the calculation of capital brought by Nusrat.

5. Following is the Balance Sheet of Shashi and Ashu sharing profit as 3: 2.

Liabilities	(Rs.)	Assets	(Rs.)
Creditors	18,000	Debtors 22,000 Less: Provision for DD 1,000	21,000
General reserve	25,000	Land and Building	18,000
Workmen's compensation fund	15,000	Plant and machinery	12,000
Capital : Shashi	15,000	Stock	11,000
Ashu	10,000	Bank	21,000
	83,000 ======		83,000 ======

On admission of Tanya for 1/6 the share in the profit it was decided that:

i. Provision for doubtful debts to be increased by ₹ 1,500.

ii. Value of land and building to be increased to ₹ 21,000.

iii. Value of stock to be increased by ₹ 2,500.

iv. The liability of workmen's compensation fund was determined to be ₹ 12,000.

v. Tanya brought in as her share of goodwill ₹ 10,000 in cash.

vi. Tanya was to bring further cash of ₹ 15,000 for her capital.

Prepare Revaluation A/c, Capital A/cs and the Balance Sheet of the new firm

6. M, N and O were partners in a firm sharing profits and losses equally. N died on 14th March, 2015. According to the Partnership Deed, executers of the deceased partner are entitling to: (i) Balance of partner's capital A/c (ii) Interest on capital @ 5% p.a. (ii) Share of goodwill calculated on the basis of twice the average of past three years' profits. (iv) Share of profits from the closure of the last accounting year till the date of death on the basis of twice the average of three completed year's profits before death. Profits for 2012, 2013 and 2014 were ₹ 80,000, ₹ 90,000, ₹ 1,00,000 respectively. Show the working for deceased partner's share of goodwill and profits till the date of his death. Pass the necessary journal entries and prepare N's Capital A/c to be rendered to his executers. Their Balance Sheet was as follows:

Liabilities		(Rs)	Assets	Rs.
Capitals:			Plant and machinery	60,000
M	70,000		Stock	30,000
N	70,000		Sundry Debtors	95,000
O	70,000	2,10,000	Cash at Bank	40,000
General Reserve		30,000	Cash in Hand	35,000
Creditors		20,000		
		2,60,000		2,60,000

7. Following is the Balance Sheet of X and Y, who share profits and losses in the ratio of 4:1, as at 31st March, 2015

Liabilities	Rs	Assets		Rs
Sundry Creditors	8,000	Bank		20,000
Bank Overdraft	6,000	Debtors	17,000	
X's Wife Loan	8,000	Less : Provision	(2,000)	15,000
Y's Loan	3,000	Stock		15,000
Investment Fluctuation fund	5,000	Investments		25,000
Capital		Buildings		25,000
X	50,000	Goodwill		10,000
Y	40,000	Profit and Loss A/c		10,000
	1,20,000			1,20,000

The firm dissolved on the above date and the following arrangement was decided upon: (i) X agreed to pay off his wife's loan. (ii) Debtors of ₹ 5,000 proved bad. (iii) Other assets realised-Investment 20% less; and Goodwill at 60% (iv) One of the creditors for ₹ 5,000 was paid only ₹3,000 (v) Buildings were auctioned for ₹ 30,000 and auctioneer's commission amounted to ₹ 1,000. (vi) Y took over part of Stock at ₹ 4,000 (being 20% less that the book value. Balance stock realised 50%. (vii) Realisation expenses amounted to ₹ 2,000. Prepare Realisation A/c, Partner's Capital A/cs and Bank A/c

8. Pass Journal entries for the following transactions in the book of the firm on its dissolution: A) Bills receivable of ₹ 20000 discounted with the bank is dishonoured as drawee was declared insolvent and 30% amount is received in cash from him. b) 100 shares of Bajaj Auto Ltd. acquired at a cost ₹ 3,600 had been written off from the books. These were valued at ₹ 12 per share, and were divided among partner's A and B in 2: 1. c) d) Mr. Verma, a creditor to whom ₹ 6,000 are due, accepted office equipment at ` 4,000 and the balance paid to him by cash. Debtors of ₹5,00,000 and provision for doubtful debts of ₹ 20,000 transferred to realisation account. On dissolution bad debts were ₹ 1,00,000 and remaining debtors realised at 30% discount.

9. The partners A, B and C distributed the profits for the year ended 31st March, 2017, ₹ 90,000 equally. On 31st May ,2018 the discovered that they have not followed the following provisions given in the partnership deed without providing for the following adjustments: i. Interest on capital @ 12% p.a., there capitals after distributing profits of the year were ₹ 2,00,000, 1,40,000 and ₹2,10,000 respectively ii. A and B were entitled to a salary of ₹ 1,500 each iii. a. III. B was entitled to a commission of ₹ 4,500. iv. B and C have guaranteed a minimum profit of ₹ 35,000 p.a. to A. v. Interest on drawings @ 6% p.a.

drawings were as follows A's Drawings ₹ 6,000 per quarter in the beginning, B's drawing at the end of quarter ₹ 5,000 and C's drawings ₹ 20,000 during the year. Pass necessary journal entry for the above adjustments in the books of the firm, and prepare partners' capital A/c from 1st April 2016 to 31st May 2018.

10. Sunil & Anil are partners sharing profit in the ratio 3:2. They admit Deepak into partnership. It was agreed to value goodwill at three years purchase on the basis of average profit of the past five years. The Profits for these 5 years were- Year Ended 31st March 2015, 31st March 2016, 31st March 2017, 31st March 2018, 31st March 2019 Profit ₹1,80,000, ₹1,60,000, ₹2, 50,000, ₹3,00,000, ₹3,50,000 Following additional Information is given (i) An abnormal gain of ₹20,000 was earned in the year ended 31st March 2016 (ii) Expenses of ₹50,000 incurred to overhaul a machine on 1st, April 2017 was debited to P&L A/c, instead of being debited to Machinery Account. Depreciation is charged on machinery @ 20 % on written down value method. (iii) The closing stock for the year ended 31st March, 2018 was undervalued by ₹20,000 (iv) To Cover management cost an annual charge of ₹9,600 should be made for the purpose of goodwill valuation.