Mar Thoma Residential School, Tiruvalla

First Term Assessment Examination

ACCOUNTS

Class: XII **Time: 1hour**

Marks: 40

Question: 1 **(6)**

i. Why is goodwill considered to be an intangible assets and not a fictitious asset?

ii. How will a firm deal with a situation, when its partnership deed provides for interest on capital but profit earned by it not enough to do so?

iii. What is the accounting treatment of rent payable to a partner? Give adjusting and closing entries.

Question: 2

i. 'A' and 'B' shares profit in the ratio of 3:2 had capital of Rs.2,00,000 and Rs.1,50,000 respectively. 'C' is admitted for 1/3rd shares on 1st April 2020 on the following terms.

a. 'C' brings capital Rs. 2,00,000

b. Goodwill of the firm is valued at Rs. 1,50,000, which 'C' is not able to bring his share in cash.

Pass necessary journal entries. **(3)**

ii. 'A','B' and'C' are partners sharing profits in the ratio of 1:2:3. 'C' retires and his capital after making adjustments for reserves, profit on reservation is Rs. 3, 20,000. 'A' and 'B' agreed to pay him and Rs. 3,50,000 in full settlement.

Pass journal entry for treatment of goodwill. **(2)**

iii. A firm earned Rs.60,000 as profit. The normal rate of return being 10%. Assets of the firm are Rs.7,20,000 (excluding goodwill) and liabilities are Rs. 2,40,000. Find the value of goodwill by capitalisation of average profit method. **(3)**

Question: 3

i. X and Y shares profit and losses in the ratio of 2:1. From 1st April 2019, they admit 'Z', who gets 1/10 share of profit with a minimum guarantee of Rs.16,000. The profit for the year ended 31st March, 2020 was Rs. 1,00,000. Prepare profit and loss appropriation account. **(3)**

ii. 'P', 'Q' and 'R' are partners having fixed capitals of Rs. 4,00,000, Rs. 3,20,000 and Rs. 2,40,000 respectively. They share profits in the ratio of 3:1:1. The partnership deed provided for the following, which were not accounted in the books.

a. Interest on capital @ 5% P.A

b. Salary to 'P' Rs. 3,000 per month and to 'R' Rs.2,000 per month.

c. Transfer Rs.20,000 to general reserve. Net profit for the year ended was Rs.2,00,000.

Pass necessary rectifying journal entry. **(5)**

Question: 4

i. 'A' and 'B' are partners sharing profits in the ratio of 2:3. 'M' admitted as a new partner. Give journal entries on the admission of 'M'.

a. Stock is overvalued by 10% (Book value Rs.22,000).

b. One third of the machinery was taken by 'B' for Rs.30,000 and balance is revalued at Rs.67,600.(Book value of machinery is Rs.72,000).

c. Value of the building has to be brought up to 120% of its value. (Book value is Rs. 70,000)

d. A debtor whose dues of Rs.14,000 were written off as bad debts last year, paid Rs. 10,000 in full settlement. **(4)**

ii. Amar, Akbar and Antony were partners sharing profits and losses in the ratio of 5:3:2. Amar retired on 1st April 2020. On that date capitals of Amar, Akbar and Antony after all adjustments stood at Rs.43,200, Rs. 36,600 and Rs.11,200 respectively. Cash balance amounted to Rs.4,000. Amar was to be paid through cash brought in by Akbar and Antony in a manner, so that their capitals are proportionate to their new profit sharing ratio. Calculate the amount to be paid or to be brought in by the continuing partners, assuming that a minimum cash balance of Rs.3,000 was to be maintained. **(4)**

Question: 5

'A','B' and 'C' are partners in a firm with capital Rs.50,000,Rs.40,000 and Rs.30,000 respectively. Their partnership agreement provides the following:

a. Interest on capital @10% p.a.
b. Interest on drawings @ 10% p.a.
c. 'B' and 'C' are each to be paid salary @ 500 per month.
d. 'A' is to be paid a commission on 5% of the net profit.
e. The remaining profits are divided equally among the partners after transferring 10% to reserve account.

The net profit for the year ended 31st December 2019 was Rs.50,000. ‘A’ withdrew Rs. 1,000 per month at the beginning of each month, ‘B’ withdrew Rs.1,000 per month in the middle of the month and ‘C’ withdrew Rs.1,000 at the end of each month.

Prepare profit and loss appropriation account and the capital accounts of the partners.

(**10)**