BRAIN INTERNATIONAL SCHOOL

SUBJECT: ACCOUNTANCY CLASS XII JULY'18

Chapter -1: Accounting For Partnership Firms: Fundamentals

1. A and B are partners sharing profits and losses in the ratio of 3:2. Their capitals are Rs.5,00,000 and Rs.1,00,000 respectively. A is entitled to interest on capital @10% p.a. and B is entitled to salary @Rs.5,000 per month. The net profit before providing for interest on capital and partner's salary for the year ended 31st December, 2014 was Rs.77,000. Show the distribution of profits.

2. During the year ended 31st December, 2014, Ravi, a partner made the following drawings:
January 31: Rs.5,000
April 1: Rs.7,000
July 31: Rs.8,000
Calculate interest on drawings when it is charged @10%

3. Calculate interest on capital @10% and prepare Profit & Loss Appropriation A/c for the year ended 31st December 2014 in the following cases;
a) A and B share profits and losses equally. They invested capitals of Rs.2,00,000 and Rs.1,00,000 respectively. The profits earned by them(before interest on capitals) during 2014 is Rs.50,000. Interest on capital is to be provided as a charge against profits.

b) R and S are partners sharing profits and losses equally. They have capitals of Rs.5,00,000 and Rs.4,00,000 respectively. The profits earned by them during 2014 are Rs. 27,000.

c) X and Y are partners sharing profits and losses in the ratio of 3:1. They invested capitals of Rs.2,00,000 and Rs.1,00,000 respectively. They suffered losses of Rs.40,000 during 2014.

4. The partners of a firm distributed the profits for the year ended 31st March, 2013 Rs.1,40,000 in the ratio of 2:2:1 without providing for the following adjustments:
a) A and B were entitled to a salary of Rs.1,500 per quarter.
b) C was entitled to a commission of Rs.8,000
c) A and C had guaranteed a minimum profit of Rs.50,000p.a.to B
d) 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.

5. A and B were partners sharing profits in the ratio of 3:2. Their capitals as on 1st January 2014 were Rs.1,00,000 and Rs.2,00,000 respectively. On 1st July, 2014, they admitted C as a partner for ¼ th share. C introduced Rs.1,20,000 as capital and was given a guarantee that his share in firm's profits will not be less than Rs.60,000 p.a. Profit for the year ended 31st December, 2014 was Rs. 2,00,000 and 50% of this profit relates to first half of the year. Prepare Profit & Loss Appropriation A/c

6. List any two circumstances under which the fixed capital of partners may change.

7. A, B and C are partners in a firm. A withdrew Rs. 1000 in the beginning of each month of the year. Calculate interest on A's drawing @ 6% p.a

8. Where would you record 'interest on drawings' when capitals are fluctuating?

9. X, Y, and Z are partners sharing profits and losses in the ratio of 3:2:1. After the final accounts have been prepared it was discovered that interest on drawings @ 5 % had not been taken into consideration. The drawings of the partner were X Rs. 15000, Y Rs. 12,600, Z Rs. 12,000. Give the necessary adjusting Journal entry

10. Ravi and Mohan were partner in a firm sharing profits in the ratio of 7:5. Their respective fixed capitals were Ravi Rs. 10,00,000 and Mohan Rs. 7,00,000. The partnership deed provided for the following:-

(i) Interest on capital @ 12% p.a.

(ii) Ravi's salary Rs. 6000 per month and Mohan's salary Rs. 60000 per year.

The profit for the year ended 31-03-2007 was Rs. 5,04,000 which was distributed equally without providing for the above. Pass an adjustment Entry.

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Chapter -2: Goodwill : Nature And Valuation

1. What do you understand by purchased goodwill and self generated goodwill?

2. What is meant by :-
(i) Super profit (ii) Capital employed

3. The goodwill of a firm is estimated at two years' purchase of the average profit of the last 5 years. If goodwill of the firm is determined at Rs.47,200 and profits or losses of last 4 years is given as:

Year	Profit (Rs.)
2010	25,000
2011	?
2012	27,000(loss)
2013	35,000
2014	40,000

Calculate profit or loss earned by the firm in the year 2011.

4. X and Y are partners sharing profits and losses in the ratio of 4:3. They agreed to admit Z as a partner for $1/5^{th}$ share. For this purpose, the goodwill of the firm is to be calculated on the basis of 3 years' purchase of last 4 years average profits. The profits for the last four years were:

Years	Profits(Rs.)
2009	70,000 (after allowing interest on investment of Rs.5,000)
2010	25,000(after charging loss of Rs.6,995 on sale of plant)
2011	61,000
2012	45,000

The following additional information is provided:
a) On 1.7.10, the firm had purchased a computer for Rs.30,000 and it was debited to stationery expenses. Depreciation is to be charged on computer @10% on diminishing balance method.
b) The closing stocks of 2010 and 2011 were overvalued by Rs.3,000 and Rs.2,000 respectively.
c) To cover the operating cost, an annual charge of Rs.4,500 should be made for the purpose of goodwill valuation.
Calculate goodwill of the firm.

5. A and B are partners sharing profits and losses equally. They decide to admit C for an equal share. For this purpose, the goodwill is to be valued on the basis of capitalization of super profit. The firm had assets of Rs.5,00,000 including cash of Rs.20,000. The firm also had a reserve fund ofRs.90,000 and partners' capital accounts showed a balance of Rs.3,80,000. The creditors are of Rs.30,000. Average maintainable profit of the firm is Rs.65,000. The normal rate of return expected is 10%p.a. Calculate the value of goodwill.