MARKING SCHEME
CLASS XII
MID TERM (2023- 24)
ACCOUNTANCY
SET B1 & B2

Time Allowed: 3 Hours **Max Marks :80**

GENERAL INSTRUCTIONS
This marking scheme consists of 18 printed pages.
There are 34 questions in the question paper. All questions are compulsory.
All parts of a question should be attempted at one place.
Write the serial number of the question before attempting it.

<table>
<tr><td>B1</td><td>B2</td><td>SUGGESTED ANSWER</td><td>MARKS</td></tr>
<tr><td>1</td><td>20</td><td>X, Y and Z shared profits of ₹1,50,000 in the ratio of 2:2:1. They subsequently found that the Partnership Deed was silent regarding the profit-sharing ratio. Which of the following is the necessary adjusting entry?
<table>
<tr><td>Date</td><td>Particulars</td><td>L.F.</td><td>Dr. Amt</td><td>Cr. Amt</td></tr>
<tr><td>a)</td><td>Z’s Capital A/c
To X’s Capital A/c
To Y’s Capital A/c</td><td></td><td>20,000</td><td>
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<tr><td>b)</td><td>X’s Capital A/c
Y’s Capital A/c
To Z’s Capital A/c</td><td></td><td>10,000
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<tr><td>c)</td><td>Y’s Capital A/c
To X’s Capital A/c
To Z’s Capital A/c</td><td></td><td>20,000</td><td>
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<tr><td>d)</td><td>X’s Capital A/c
To Y’s Capital A/c
To Z’s Capital A/c</td><td></td><td>20,000</td><td>
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<tr><td>Ans</td><td></td><td><table><tr><td>b)</td><td>X’s Capital A/c
Y’s Capital A/c
To Z’s Capital A/c</td><td></td><td>10,000
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20,000</td></tr></table></td><td></td></tr>
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2	19	Amay, Bina and Chander are partners in a firm with capital balances of ₹ 50,000, ₹ 70,000 and ₹ 80,000 respectively on 31st March, 2022. Amay decides to retire from the firm on 31st March, 2022. With the help of the information provided, calculate the amount to be paid to Amay on his retirement. There existed a general reserve of ₹ 7,500 in the balance sheet on that date. The goodwill of the firm was valued at ₹ 30,000. Gain on revaluation was ₹24,000. **a)** ₹ 88,500 — **b)** ₹ 90,500 **c)** ₹ 65,375 — **d)** ₹ 70,500	1
Ans		d)₹70,500	
3	18	Ram and Shyam are partners with the capital of ₹4,00,000 and ₹2,40,000 respectively. Interest payable on capital is 10% p.a. Determine Interest on Capital for both the partners when the profit earned by the firm is ₹ 48,000. a) ₹ 40,000 and ₹ 24,000 b) ₹ 30,000 and ₹ 18,000 c) No interest will be paid d) ₹ 32,000 and ₹ 16,000	1
Ans		b)30,000 and 18,000	
4		Assertion (A): Rent paid to a partner is debited to Profit & Loss Account. Reason (R): It is a charge against profit and not an appropriation. In the context of above two statements, which of the following is correct? (a) Assertion (A) is correct but Reason (R) is wrong. (b) Both Assertion (A) and Reason (R) are correct, but Reason (R) is not the correct explanation of Assertion (A) (c) Both Assertion (A) and Reason (R) are incorrect. (d) Both Assertion (A) and Reason (R) are correct, and Reason (R) is the correct explanation of Assertion (A).	1
Ans		(d) Both Assertion (A) and Reason (R) are correct, and Reason (R) is the correct explanation of Assertion (A).	
	17	Given below are two statements, one labelled as Assertion (A) and the other labelled as Reason (R): **Assertion(A):** Partners distribute profits and losses in their profit-sharing ratio and not in the ratio of their capitals. **Reason (R)**: The amount of appropriations, as per Partnership Deed are more than the amount of profit available for distribution, profit is distributed in the ratio of appropriations. In the context of above two statements, which of the following is correct? Codes: (a) (A) is correct but (R) is wrong (b) Both (A) and (R) are correct, and (R) is the correct explanation of (A) (c) (A) is wrong and (R) is correct (d) Both (A) and (R) are correct, but (R) is not the correct explanation of (A)	

	Ans	(d) Both (A) and (R) are correct, but (R) is not the correct explanation of (A)	
		Read the given extract and answer q.no. 5 & 6: Sometimes the existing partners decide to change their profit-sharing ratio. As a result of change in profit sharing ratio, one or more of the existing partners may acquire extra share in profits at the cost of one or more of other partners. In such a case, in order to maintain equity amongst the partners, itis necessary to make adjustments for goodwill, revaluation of assets and liabilities, reserves, accumulated profitsand losses etc.	
5	16	State the ratio in which the partners share profits or losses on revaluation of assets and liabilities, when there is a change in profit sharing ratio amongst existing partners. (a) Old Ratio (b) Gaining Ratio (c) New Ratio (d) Sacrificing Ratio	1
Ans		(a) Old Ratio	
6	15	Which of the following will implement a change in profit-sharing ratio? (a) Change of Capitals of the Firm (b) Change in Responsibilities of the partners (c) Mutual Agreement (d) Change in Profitability of a Firm	1
Ans		(c) Mutual Agreement	
7	14	Arrange the following steps involved for the Valuation of Goodwill by Average Profit Method: 1. Goodwill =Average Profit x No. of Years' Purchase. 2. Average Profit =Total Profits/No, of Years. 3. Calculate normal profit or loss for each of the past year, after adjusting any abnormalities. 4. Calculate total profits by adding each relevant year's past profits. (a) 4,2,3,1 (b) 1,3,4,2 (c) 2,3,1,4 (d) 3,4,2,1	1
Ans		(d) 3,4,2,1	
8	13	On the retirement of Hari from the firm of Hari, Ram and Sharma, the Balance Sheet showed a debit balance of ₹12,000 in the Profit & Loss A/c. For calculating the amount payable to Hari, this balance will be transferred: (a) to the credit of the Capital Accounts of Hari, Ram and Sharma equally. (b) to the debit of the Capital Accounts of Hari, Ram and Sharma equally (c) to the debit of the Capital Accounts of Ram and Sharma equally (d) to the credit of the Capital Accounts of Ram and Sharma equally	1
Ans		(b) to the debit of the Capital Accounts of Hari, Ram and Sharma equally	

9	12	State the order of payment of the following, in case of dissolution of partnership firm. (i) To each partner proportionately what is due to him/her from the firm for advances as distinguished from capital (i.e., Partner's Loan); (ii) To each partner proportionately what is due to him on account of capital; and (iii) For the debts of the firm to the outside parties. OPTIONS: (a) (i), (iii), (ii) (b) (ii), (iii), (i) (c) (i), (ii), (iii) (d) (iii), (i), (ii)	1
Ans		(d) (iii), (i), (ii)	
10	11	Keshav and Murari are partners in a firm. They admitted Yadav as a partner with 1/4th share in profits on 1st April ,2020. On that date the creditors stood at ₹ 60,000 and Bank Overdraft was ₹ 15,000. Their assets apart from Cash included Stock ₹ 10,000; Debtors ₹ 40,000; Plant andMachinery ₹ 80,000; Land and Building ₹ 2,00,000. It was agreed that Stock should be depreciated by ₹ 2,000; Plant and Machinery by 20%; ₹ 5,000 should be written off as BadDebts. Gain on Revaluation was ₹ 27,000. What is the revalued value of Land andBuilding? a) ₹2,20,000 b) ₹2,50,000 c) ₹ 1,50,000 d) ₹ 2,36,500	1
Ans		b) ₹2,50,000	
11	10	A, B and C are partners sharing profits in the ratio of 4: 3: 2. D is admitted for 2/9thshareof profits. He brings ₹ 30,000 as capital. New Profit-sharing Ratio is 3: 2: 2: 2. Goodwill amount will be credited in the capital account of: a) A only b) A, B and C (equally) c) A and B (equally) d) A and C (equally)	1
Ans		c) A and B equally	
12	9	X, Y and Z are partners in a firm sharing profits and losses in the ratio of 6: 4: 1. X guaranteed a profit of ₹ 30,000 to Z. The net profit for the year ending 31st March, 2022 was ₹ 1,10,000. X's share in the profit of the firm will be: a) ₹ 30,000 b) ₹ 15,000 c) ₹ 48,000 d) ₹ 40,000	1
Ans		d)40,000	

13	8	If Goodwill is ₹1,20,000, Average Profit is ₹60,000, Normal Rate of Return is 10% on CapitalEmployed ₹4,80,000. Calculate capitalized value of the firm: a) ₹6,00,000 b) ₹5,00,000 c) ₹4,00,000 d) ₹7,00,000	1
Ans		a) ₹6,00,000	
14	7	As per Section 52 of Companies Act 2013, Securities Premium cannot be utilized for: (a) Writing off capital losses. (b) Issue of fully paid bonus shares. (c) Writing off discount on issue of securities. (d) Writing off preliminary expenses.	1
Ans		(a) Writing off capital losses.	
15	6	Sarvesh, Sri Niketan and Srinivas are partners in the ratio of 5:3:2. If Sri Niketan's share of profit at the end of the year amounted to ₹1,50,000, what will be Sarvesh's share of profits? a) ₹5,00,000. b) ₹1,50,000. c)₹3,00,000. d)₹2,50,000	1
Ans		d)2,50,000	
16	5	Amit and Anil are partners sharing profits in the ratio of 5: 3 having Capitals of ₹ 2,50,000 and ₹ 2,00,000 respectively. Atul was admitted as partner for 1/5th share in profits who brings ₹ 50,000 as Capital and ₹ 16,000 as Goodwill. Capitals are to be in profit-sharing ratio based on Atul's share. Capitals of Amit, Anil and Atul respectively after admission of Atul will be: a) ₹1,25,000, ₹75,000, ₹50,000 b) ₹2,20,000, ₹1,82,000, ₹66,000 c) ₹2,92,500, ₹2,25,000, ₹50,000 d) ₹2,82,500, ₹2,19,500, ₹66,000	1
Ans		a) ₹1,25,000, ₹75,000, ₹50,000	
17	4	"A" one of the Partners was to bear all the Realisation Expenses for which he was given a commissionof 3% of net cash realised from Dissolution. Cash realized from Assets was ₹ 25,000. Amount paid forpaying off liabilities amounted to ₹ 5,000. The amount of commission will be: - (a) ₹ 750 (b) ₹ 150 (c) ₹ 800 (d) ₹ 600	1
Ans		(d)₹600	

18	3	A, B and C are partners. C expired on 18th December 2019 and as per agreement surviving partners A and B directed the accountant to prepare financial statements as on 18th December 2019 and accordingly the share of profits of C (deceased partner) was calculated as ₹12,00,000. Which account will be debited to transfer C's share of profits: a. Profit and Loss Suspense Account. b. Profit and loss Appropriation Account. c. Profit and loss Account. d. C's Capital Account	1
Ans		b. Profit and loss Appropriation account.	
19	2	A and B are partners sharing profits and losses in the ratio 5: 3. On admission, C brings by cheque ₹ 70,000 as Capital and ₹ 48,000 as Goodwill. New Profit-sharing Ratio among A, B and C is 7: 5: 4. Sacrificing ratio between A and B is: a) 3:1 b) 4:7 c) 5:4 d) 2:1	1
Ans		a) 3:1	
20	1	Reeta, Teena and Fatima are partners in a firm in the ratio of 5:3:2. As per their partnership agreement, the share of deceased partner is to be calculated on the basis of profits and turnover of previous accounting year. Teena expired on 31st December 2019. Turnover till the date of death was ₹18,00,000. Their profits and turnover for the year 2018-19 amounted to ₹4,00,000 and ₹20,00,000 respectively. Calculate the amount to be given to her executors as her share of profits till the date of death. a) ₹1,08,000 b) ₹1,20,000 c) ₹1,00,000 d) ₹98,000	1
Ans		a) ₹1,08,000	
21	26	A, B and C were partners in a firm. On 1st April, 2022 the balance in their capital accounts stood at ₹ 8,00,000, ₹ 6,00,000 and ₹ 4,00,000 respectively. As per the provisions of the partnership deed, partners were entitled to interest on capital @ 5% p.a., salary to B ₹ 3,000 per month and a commission of ₹ 12,000 to C. A's share of profit, excluding interest on capital, was guaranteed at ₹ 25,000 p.a. B's share of profit, including interest on capital but excluding salary was guaranteed at ₹ 55,000 p.a. Any deficiency arising on that account was to be met by C. The profits of the firm for the year ending 31st March, 2023 amounted to ₹ 2,16,000. Prepare Profit and Loss Appropriation Account for the year ending 31st March, 2023.	3

Sol			

Particulars	Amount (₹)	Particulars	Amount (₹)
To Interest on Capital A's Capital A/c 40,000 B's Capital A/c 30,000 C's Capital A/c 20,000	90,000	By Profit & Loss A/c	2,16,000
To B's Capital A/c- Salary	36,000		
To C's Capital A/c- Commission	12,000		
To Profit transferred to A's Capital A/c 26,000 B's Capital A/c 26,000 C's Capital A/c 26,000	78,000		
	2,16,000		2,16,000

22	25	Pass entries in firm's Journal for the following on admission of a partner: (a)Unrecorded Investments of ₹20,000 are to be accounted. (b)Unrecorded liability towards suppliers for ₹5,000 is to be accounted. (c) An item of ₹1,600 included in Sundry Creditors is not likely to be claimed and hence should be written back.	3
Sol			

JOURNAL ENTRIES

	Particulars		Dr. Amt	Cr. Amt
a	Investment A/c Dr. To Revaluation A/c		20,000	 20,000
b	Revaluation A/c Dr. To creditors A/c		5,000	 5,000
c	Creditors A/c Dr. To Revaluation A/c		1,600	 1,600

23	24	Aparna, Manisha and Sonia are partners sharing profits in the ratio of 3:2:1. Manisha retires and goodwill of the firm is valued at ₹1,20,000. Aparna and Sonia decided to share future in the ratio of 3:2. Pass necessary journal entry showing treatment of Goodwill. Show workings.	3

Ans

Date	Particulars		Dr. Amt	Cr. Amt
a	Aparna's Capital a/c Dr. Sonia's capital A/c Dr. To Manisha's capital A/c (Being the share of retiring partner's goodwill adjusted)		18,000 42,000	 60,000

(*i*) Old profit sharing ratio of Aparna, Manisha and Sonia = 3 : 2 : 1

New Profit sharing ratio of Aparna and Sonia = 3 : 2

Gaining share = New share – Old share

Aparna will gain $= \frac{3}{5} - \frac{3}{6} = \frac{18-15}{30} = \frac{3}{30}$

Sonia will gain $= \frac{2}{5} - \frac{1}{6} = \frac{12-5}{30} = \frac{7}{30}$

Gaining share $= \frac{3}{30} : \frac{7}{30}$

Gaining ratio = 3 : 7

(*ii*) Total goodwill of the firm = ₹ 1,80,000

Manisha's share in goodwill $= ₹\ 1{,}80{,}000 \times \frac{2}{6} = ₹\ 60{,}000$

24	23	A, B and C were in partnership sharing profits as: A 1/2, B 1/3 and C 1/6. D was admitted on the following terms: D to have 1/6th share, which he purchased entirely from A, paying ₹8,000 for the share of goodwill of this amount. A retained ₹6,000 and put the balance in the firm as additional capital. D also brought ₹50,000 as his capital into the firm. Give the necessary journal entries to give effect to this arrangement.	3

Ans

Date	Particulars	L.F.	Dr. ₹	Cr. ₹
	Bank A/c Dr. To D's Capital A/c To Premium for Goodwill A/c (Being capital and goodwill introduced.)		58,000	 50,000 8,000
	Premium for Goodwill A/c Dr. To A's Capital A/c (Being goodwill given to A for sacrificing his share of profit.)		8,000	 8,000
	A's Capital A/c Dr. To Bank A/c		2,000	 2,000

		(Being excess capital withdrawn from firm.)	
25		Zyntax Ltd. invited application for 40,000 shares of ₹ 10 each. The shares were issued at a premium of ₹ 5 per share. The amount was payable as follows: - On Application & Allotment : ₹ 10 per share (including premium ₹5) On First & Final Call : The balance amount The issue was fully subscribed. Journalise the transactions in the books of Zyntax Ltd. if the company maintains Cash Book.	3
Ans		Journal of Zyxtax Ltd. (see table below)	2+1=3

Journal of Zyxtax Ltd.

Date	Particulars	L.F.	Dr.(₹)	Cr. (₹)
	Share Application and Allotment A/c Dr. To Share capital A/c To Securities premium A/c (Amount received on application and allotment transferred to Share Capital A/c @ ₹ 5 per share to Securities premium A/c @ ₹ 5 per share.		400000	 200000 200000
	Share First & Final Call A/c …Dr To Share Capital A/c (Amount due on 40,000 Shares @ ₹5)		200000	 200000

	22	Fill in the missing figures in the following journal entries in the books of Sultanat Ltd.	

Journal

Date	Particulars	l.f.	Dr.₹	Cr.₹
2020 Apr1	Assets A/c Dr. To Liabilities A/c To ____________ To Roshan Ltd. (Being business purchased.)		2,70,000	 40,000 ________ ________
2020 Apr1	_____________Dr. To __________________________ To __________________________ To __________________________ (Being half of the purchase consideration paid by cheque and the balance settled by issuing ________ Equity Shares of ₹100 each at a premium of ₹10.)		1,98,000	 ________ ________ ________

	Ans	Journal	

Journal

Date	Particulars	l.f.	Dr.₹	Cr.₹
2020 Apr1	Assets A/c Dr. To Liabilities A/c **To Capital Reserve A/c** To Roshan Ltd. (Being business purchased.)		2,70,000	 40,000 **32,000** **1,98,000**
2020 Apr1	**Roshan Ltd.** Dr. **To Bank A/c** **To 12% Equity Share Capital A/c** **To Securities Premium A/c** (Being half of the purchase consideration paid by cheque and the balance settled by issuing **900** Equity Shares of ₹100 each at a premium of ₹10.)		1,98,000	 **99,000** **90,000** **9,000**

26 21 Krish, Vrish and Peter are partners sharing profits in the ratio of 3:2:1. Vrish retired from the firm. On that date the Balance Sheet of the firm was as follows: 3

Balance Sheet as on March 31, 2020

Liabilities	(₹)	Assets		(₹)
Creditors	15,000	Bank		7,600
General Reserve	12,000	Furniture		41,000
Bills Payable	12,000	Stock		9,000
Outstanding Salary	2,200	Premises		80,000
Prov. For Legal Damages	6,000	Debtors	6,000	
Capitals		Less: Provision for Doubtful Debts	400	5,600
Krish	46,000			
Vrish	30,000			
Peter	20,000			
	1,43,200			1,43,200

You are required to prepare Vrish's Capital account with the help of given information:

- Firm has made a profit on revaluation amounted to ₹18,000.
- Goodwill of the firm be valued at ₹42,000.
- ₹26,000 from Vrish's Capital account be transferred to her loan account and balance to be paid through bank; if required, necessary loan may be obtained from bank.
- New profit-sharing ratio of Krish and Peter is decided to be 5:1.

Ans		

Vrish's Capital Account

Particulars	Vrish	Particulars	Vrish
To Vrish's Loan A/c	26,000	By Balance b/d.	30,000
To Bank A/c	28,000	By General Reserve A/c	4,000
		By Revaluation A/c	6,000
		By Krish's Capital A/c	14,000
	54,000		54,000

27	28	Question	4

A, B and C are partners sharing profits and losses in the ratio of 3:2:1. With effect from 1st April, 2022 they agree to share profits equally. For this purpose, goodwill is to be valued at two year's purchase of the average profit of last four years which were as follows:

Year ending on 31st March,2019	₹ 50,000 (Profit)
Year ending on 31st March,2020	₹ 1,20,000 (Profit)
Year ending on 31st March,2021	₹ 1,80,000 (Profit)
Year ending on 31st March,2022	₹ 70,000 (Loss)

On 1st April, 2021 a Motor Bike costing ₹ 50,000 was purchased and debited to travelling expenses account, on which depreciation is to be charged @ 20% p.a by Straight Line Method. The firm also paid an annual insurance premium of ₹ 20,000 which had already been charged to Profit and Loss Account for all the years.

Journalise the transaction for goodwill along with the working notes.

Ans — 1+1+2 =4

JOURNAL ENTRY

Date	Particulars	LF	Dr. amt	Cr. amt
1.4.20	C's Capital A/c Dr.		26,667	
	To A's Capital a/c			26,667
	(Being goodwill adjusted)			

Workings:

(i) Calculation of gaining ratio and sacrificing ratio:

A's gain or sacrifice = 3/6-2/6= 1/6 (sacrifice)

B's gain or sacrifice = 2/6-2/6 =0

C's gain or sacrifice = 1/6 – 2/6 = -1/6 (gain)

(ii) Calculation of goodwill:

CALCULATIONOF NORMAL PROFIT

Year Ended	Profit/ Loss	Adjustments	Normal Profit
31st March,2019	50,000	----	50,000
31st March,2020	1,20,000	-----	1,20,000
31st March,2021	1,80,000	-----	1,80,000
31st March,2022	(70,000)	50,000-10,000	(30,000)
Total			3,20,000

Goodwill =Average Profits X No. of years Purchase

Average Profits = Total Normal Profits/Number of years

= 3,20,000/4 = 80,000

Goodwill= 80,000 X 2= ₹1,60,000

A's share of goodwill= 1,60,000 X 1/6= ₹26,667

28	29	Naveen retired from the firm on April 1, 2017. The amount due to him was determined at ₹90,000. It was decided to pay the due amount as follows: On the date of retirement- ₹30,000 Balance in three yearly instalments- First two instalments being of ₹26,000 each, including interest; and Balance amount as last instalment. Interest was payable @10% p.a. Prepare Naveen's Loan Account till it is finally closed. The firm closes its books on 31st March every year.	4
Ans		Naveen's Loan A/c	

Naveen's Loan A/c

Date	Particulars	₹	Date	Particulars	₹
2017-18			2017-1		
Apr 1	To Bank A/c	30,000	Apr 1	By Naveen's Capital A/c	90,000
Mar 31	To bal c/d	66,000	Mar 3	By Interest A/c	6,000
		96,000			96,000
2018-19			2019-2		
Apr 1	To Bank A/c	26,000	Apr 1	By bal b/d	66,000
Mar 31	To bal c/d	44,000	Mar 3	By Interest A/c	4,000
		70,000			70,000
2020-21			2020-2		
Apr 1	To Bank A/c	26,000	Apr 1	By bal b/d	44,000
Mar 31	To bal c/d	19,800	Mar 3	By Interest A/c	1,800
		45,800			45,800
2021-22			2021-2		
Apr 1	To Bank A/c	19,800	Apr 1	By bal b/d	19,800
		19,800			19,800

29	27	Dinesh, Alvin and Pramod are partners in a firm sharing profits and losses in the ratio of 5:3:2. Their Balance Sheet as at March 31, 2022 was as follows: -	4

Balance Sheet of Dinesh, Alvin and Pramod
As at 31st March, 2022

Liabilities	**Amount (₹)**	**Assets**	**Amount (₹)**
Sundry Creditors	50,000	Debtors	15,000
General Reserve	40,000	Fixed Assets	67,000
Bills Payable	10,000	Investments	40,000
Dinesh's Capital	30,000	Stock	25,500
Alvin's Capital	40,000	Cash in Hand	36,000
Pramod's Capital	30,000	Deferred Revenue Expenditure	14,000
		Dinesh's Loan Account	2,500
	2,00,000		**2,00,000**

Dinesh died on July 1, 2022. The executors of Dinesh are entitled to: -

i. His share of goodwill. The total goodwill of the firm valued at ₹50,000.
ii. His share of profit up to his date of death on the basis of actual sales till date of death. Sales for the year ended March 31, 2022 was ₹ 12, 00,000

and profit for the same year was ₹ 2,00,000. Sales shows a growth trend of 20% and percentage of profit earning remains the same.

iii. Investments were sold at par. Half of the amount due to Dinesh was paid to his executors and for the balance, they accepted a Bills Payable.

Prepare Dinesh's Capital account and Dinesh's Executors A/c.

Ans ½ X8=4

Dr — Dinesh's Capital A/c — Cr

Particulars	Amount (₹)	Particulars	Amount (₹)
To Deferred Revenue Expenditure 1/2	7,000	By Balance b/d	30,000
To Dinesh's Loan A/c 1/2	2,500	By General Reserve 1/2	20,000
To Dinesh's Executor's A/c	95,500	By Alwin's Capital A/c 1/2	15,000
		By Pramod's Capital A/c 1/2	10,000
		By Profit and Loss Suspense A/c 1/2	30,000
	1,05,000		**1,05,000**

Dr — Dinesh's Executor's A/c — Cr

Particulars	Amount (₹)	Particulars	Amount (₹)
To Cash A/c 1/2	47,750	By Dinesh's Capital A/c	95,500
To Bills payable A/c 1/2	47,750		
	95,500		**95,500**

Working Note :-

Share of Profit =₹ 3,60,000 X 1/6 X 5/10 = ₹ 30,000

30 34 Bhavya and Sakshi are partners in a firm, sharing profits and losses in the ratio of 3:2. On 31st March, 2018 their Balance Sheet was as under: **6**

Balance Sheet of Bhavya and Sakshi

As at 31st March, 2018

Liabilities	Amount (₹)	Assets	Amount (₹)
Sundry Creditors	13,800	Furniture	16,000
General Reserve	23,400	Land and Building	56,000
Investment Fluctuation Fund	20,000	Investments	30,000
Bhavya's Capital	50,000	Trade Receivables	18,500
Sakshi's Capital	40,000	Cash in Hand	26,700
	1,47,200		**1,47,200**

The partners have decided to change their profit-sharing ratio to 1: 1 with immediate effect. For the purpose, they decided that:

a. Investments to be valued at ₹ 20,000
b. Goodwill of the firm valued at ₹ 24,000
c. General Reserve not to be distributed between the partners.

You are required to pass necessary journal entries in the books of the firm. Prepare Balance Sheet of the reconstituted firm. Show workings.

Ans		(journal, workings and balance sheet below)	3+1+2 =6

JOURNAL

Date	Particulars	L.F.	Amount (₹)	Amount (₹)
31.3.18	Investment Fluctuation Fund A/c Dr		20,000	
	To Investment A/c			10,000
	To Bhavya's Capital A/c			6,000
	To Sakshi's Capital A/c			4,000
	(Being Investment Fluctuation Fund adjusted against the Fluctuations in market Value and balance was distributed amongst partners)			
31.3.18	Sakshi's Capital A/c Dr		2,400	
	To Bhavya's Capital A/c			2,400
	(Being adjustment of goodwill made between partners due to change in profit sharing ratio between partners)			
31.3.18	Sakshi's Capital A/c Dr		2,340	
	To Bhavya's Capital A/c			2,340
	(Being General Reserve adjusted among the partners without writing it off)			

Workings:
Sacrificing ratio = Old ratio – New Ratio
Bhavya = 3/5 – 1/2 = 1/10 Sacrifice
Sakshi = 2/5 – 1/2 = (1/10) Gain

BALANCE SHEET OF THE RECONSTITUTED FIRM

Liabilities	**Amount (₹)**	**Assets**	**Amount (₹)**
Sundry Creditors	13,800	Furniture	16,000
General Reserve	23,400	Land and Building	56,000
Bhavya's Capital	60,740	Investments	20,000
Sakshi's Capital	39,260	Trade Receivables	18,500
		Cash in Hand	26,700
	1,37,200		1,37,200

31	33	On 31st March, 2019 the balance sheet of Madan and Mohan who share profits and losses in the ratio 3:2 was as follows:	6

BALANCE SHEET
as at 31st March 2019

Particulars		₹	Particulars		₹
Creditors		28,000	Cash at bank		10,000
General reserve		10,000	Debtors	65,000	
Employee's provident fund		22,000	Less. Provision for doubtful debts	(5,000)	60,000
Capitals :			Stock		33,000
Madan	60,000		Patents		57,000
Mohan	40,000	1,00,000			
		1,60,000			1,60,000

They decided to admit Gopal on 1st April, 2019 for 1/5th share which Gopal acquired wholly from Mohan on the following terms:

(i) Gopal shall bring ₹ 10,000 as his share of premium for Goodwill.

(ii) A debtor whose dues of ₹ 3,000 were written off as bad debt paid ₹

		2,000 in full settlement. (iii) A claim of ₹ 5,000 on account of workmen's compensation was to be provided for. (iv) Patents were undervalued by ₹ 2,000. Stock in the books was valued 10% more than its market value. (v) Gopal was to bring in capital equal to 20% of the combined capitals of Madan and Mohan after all adjustments. Prepare Revaluation account and partner's capital accounts.	
Sol		see below	3+3=6

REVALUATION ACCOUNT

Particulars	₹	Particulars		₹
To Workmen's compensation claim a/c	5000	By Bad debts recovered		2000
To Stock a/c	3000	By Patents a/c		2000
		By Loss t/f to-		
		Madan's Cap a/c	2400	
		Mohan's Cap a/c	1600	4000
	8000			8000

PARTNERS' CAPITAL ACCOUNTS

Particulars	Madan	Mohan	Gopal	Particulars	Madan	Mohan	Gopal
To Revaluation a/c (loss)	2400	1600	-	By balance b/d	60000	40000	-
To balance c/d	63600	52400	23200	By general res.	6000	4000	-
				By PFG	-	10000	-
				By Bank a/c	-	-	23200
	66000	54000	23200		66000	54000	23200

32	32	Pradeep and Rajesh were partners in a firm sharing profits and losses in the ratio of 3:2. They decided to dissolve their partnership firm on 31st March, 2022. Pradeep was deputed to realize the assets and to pay off the liabilities. He was paid ₹ 1,000 as commission for his services. The financial position of the firm on 31st March, 2022 was as follows:	6 disso

Balance Sheet
As at March 31, 2022

Liabilities	Amount (₹)	Assets	Amount (₹)
Creditors	80,000	Building	1,20,000
Mrs. Pradeep's Loan	40,000	Investment	30,600
Rajesh's loan	24,000	Debtors 34,000 Less: Provision for Doubtful Debts 4,000	30,000
Investment Fluctuation Fund	8,000	Bills Receivable	37,400
		Bank	6,000
Capitals:		Profit and Loss A/c	8,000
Pradeep 42,000		Goodwill	4,000
Rajesh 42,000	84,000		
	2,36,000		**2,36,000**

Following terms and conditions were agreed upon:

i. Pradeep agreed to pay off his wife's loan.
ii. Half of the debtor's realized ₹ 12,000 and remaining debtors were used to pay off 25% of the creditors.

iii. Investment sold to Rajesh for ₹ 27,000
iv. Building realized ₹ 1,52,000
v. Remaining creditors were to be paid after two months, they were paid immediately at 10% p.a. discount
vi. Bill receivables were settled at a loss of ₹ 1,400
vii. Realization expenses amounted to ₹ 2,500

Prepare Realization Account.

Ans

Dr **Realization A/c** **Cr**

Particulars	Amount (₹)	Particulars	Amount (₹)
To Building	1,20,000	By Provision on Debtors	4,000
To Investment	30,600	By Creditors	80,000
To Debtors	34,000	By Mrs Pradeep's Loan	40,000
To Bills Receivable	37,400	By Investment Fluctuation Fund	8,000
To Goodwill	4,000	By Bank A/c 1 ½	
To Pradeep's Capital A/c 1/2	40,000	Debtors 12,000	
To Bank A/c (expenses) 1/2	2,500	Building 1,52,000	
To Bank A/c (creditors) 1/2	59,000	Bill Recievable 36,000	2,00,000
To Pradeep's Capital A/c 1/2	1,000	By Cash A/c 1/2	27,000
To Partner's Capital A/cs: 1 Pradeep 18,300 Rajesh 12,200	30,500		
	3,59,000		**3,59,000**

1

½

Working Notes :-

i) Payment to creditors = (₹80,000 - ₹ 20,000) - { ₹ 60,000 X (10/100) X (2/12)}
= ₹ 60,000 - ₹ 1,000
= ₹ 59,000

*½ mark each for transferring assets and liabilities to realization account

33

6

Mudit, Sudhir and Uday are partners in a firm sharing profits in the ratio of 3:1:1. Their fixed capital balances are ₹ 4,00,000, ₹ 1,60,000 and ₹1,20,000 respectively.Net profit for the year ended 31st March, 2018 distributed amongst the partners was ₹1,00,000, without taking into account the following adjustments:

a) Interest on capitals @ 2.5% p.a.;
b) Salary to Mudit ₹ 18,000 p.a. and commission to Uday ₹ 12,000
c) Mudit was allowed a commission of 6% of divisible profit after charging such commission.

Pass a rectifying journal entry in the books of the firm. Show workings clearly.

31

The partners of a firm, Alia, Bhanu and Chand distributed the profits for the year ended 31st March, 2017, ₹ 80,000 in the ratio of 3:3:2 without providing for the following adjustments:

a) Alia and Chand were entitled to a salary of ₹ 1,500 each p.a.
b) Bhanu was entitled for a commission of ₹ 4,000
c) Bhanu and Chand had guaranteed a minimum profit of ₹ 35,000 p.a. to Alia ,any deficiency to be borne equally by Bhanu and Chand.

		Pass the necessary Journal entry for the above adjustments in the books of the firm. Show workings clearly.	

SOL

Adjustment Table:

Firm's		Particular's	Mudit's		Sudhir's		Uday's		Marks
Dr	Cr		Dr	Cr	Dr	Cr	Dr	Cr	
	1,00,000	Profits Given	60,000		20,000		20,000		½
17,000		Interest on Capital		10,000		4,000		3,000	1 ½
18,000		Salary		18,000					½
15,000		Commission		3,000				12,000	1 ½
50,000		Profit to be credited		30,000		10,000		10,000	½
			60,000	**61,000**	**20,000**	**14,000**	**20,000**	**25,000**	

Mudit's Commission = (53,000 X 6/106) = 3,000

RECTIFYING JOURNAL ENTRY

Date	Particulars	L.F.	Amount (₹)	Amount (₹)	Marks
	Sudhir's Current A/c Dr To Mudit's Current A/c To Uday's Current A/c (Being interest on capital, salary and commission to partners missed in distributing profits, now adjusted)		6,000	 1,000 5,000	1 ½

SOL

Adjustment table:

Firm's		Particular's	Alia's		Bhanu's		Chand's		Marks
Dr	Cr		Dr	Cr	Dr	Cr	Dr	Cr	
	80,000	Profits Given	30,000		30,000		20,000		½
36,000		Salary		18,000				18,000	1
4,000		Commission				4,000			½
40,000		Profit to be credited		35,000		5,000			1 ½
			30,000	**53,000**	**30,000**	**9,000**	**20,000**	**18,000**	

Divisible profits = ₹ 80,000 – ₹ 36,000 – ₹ 4,000 = ₹ 40,000
Alia's Share = ₹ 15,000 + ₹ 20,000 = ₹ 35,000
Bhanu's share = ₹ 15,000 - ₹ 10,000 = ₹ 5,000 1
Chand's share ₹ 10,000 – ₹ 10,000 = nil

JOURNAL ENTRY

Date	Particulars	L.F.	Amount (₹)	Amount (₹)	Marks
	Bhanu's Capital A/c Dr Chand's Capital A/c Dr To Alia's Capital A/c (Being Salary, Commission to partners missed in distribution of profit, guarantee to Alia, now adjusted)		21,000 2,000	 23,000	1 ½

34	30	Pass necessary journal entries for the following transactions in the books of Gopal Ltd.: (i) Purchased furniture for ₹ 2,50,000 from M/s Furniture Mart. The payment to M/s Furniture Mart was made by issuing equity shares of ₹ 10 each at a premium of 25%. (ii) Purchased a running business from Aman Ltd. for a sum of ₹ 15,00,000. The payment of ₹ 12,00,000 was made by issue of fully paid equity shares of ₹ 10 each and balance by a bank draft. The assets and liabilities consisted of the following: Plant ₹ 3,50,000; Stock ₹ 4,50,000; Land and Building ₹ 6,00,000; Sundry creditors₹ 1,00,000.	6

Date	Particulars		₹	₹
(i)	Furniture A/c Dr… To M/s Furniture Mart (Furniture purchased from M/s Furniture Mart)		250,000	 250,000
	M/s Furniture Mart Dr… To Equity share capital a/c To Securities premium a/c (purchase consideration paid by issue of equity shares of ₹ 10 each at a premium of 25% i.e ₹ 2,50,000 / 12.50 = 20,000 shares)		250,000	 200,000 50,000
(ii)	Plant A/c Dr… Stock A/c Dr… Land and Building A/c Dr… Goodwill A/c (Bal. fig.) Dr… To Sundry Creditors A/c To Aman Ltd. (Business of Aman Ltd. purchased for ₹ 15,00,000)		350,000 450,000 600,000 200,000	 100,000 1500,000
	Aman Ltd. Dr… To Equity share capital a/c To bank a/c (purchase consideration paid by issue of fully paid ₹ 12,00,000 equity shares of ₹ 10 each and balance by bank draft)		1500,000	 1200,000 300,000