POLICE D.A.V. PUBLIC SCHOOL , LUDHIANA
HOLIDAYS HOMEWORK – CLASS 12
ACCOUNTANCY

I. SELECT THE BEST ALTERNATIVE:

1) Following are the essential elements of a particular firm except:

a) At least 2 persons

b) There is an agreement between all partners

c) Equal share of profits and losses

d) Partnership agreement is for some business.

2)The relation of partner with the firm is that of:

a) an owner b) an agent c) both a and b d) none of the above

3) A and B are partners in a firm . They are entitled to interest on their capitals but net profit was not sufficient for this interest, then the net profit will be distributed amongst the partners in :

a) agreed ratio b) profit sharing ratio c) Capital ratio d)Equally

4)The goodwill of the firm is NOT affected by :

a) Location b) reputation c) better customer service d) none

5) Sacrificing ratio is used to distribute ------------------ in case of admission of a partner :

a) reserves b) goodwill c) revaluation profit d) balance in profit and loss account

6) A, B ,C and D are partners . A and B share 2/3rd of the profits equally and C and D share remaining profitds in the ratio of 3:2. Find the profit sharing ratio of A, B ,C and D.

a) 5:5:3:2 b) 7:7:6:4 c) 2.5 : 2.5: 8: 6 d) 3:9:8:3

7) Goodwill of a firm of A and B is valued at Rs 30,000. It is appearing in the books at Rs 12,000. C is admitted for 1/4th share. What amount is he supposed to bring for goodwill?

a) Rs3,000 b) Rs4,500 c) Rs7,500 d) Rs10,500

8) P, Q and R have been sharing profits in the ratio of 8:5:3. P retires. Q takes 3/16th share from P and R takes 5/16th share from P. nEw profit sharing ratio will be :

a)1:1 b) 10:6 c) 9:7 d) 5:3

II. Answer the following questions :

1) Does partnership firm possess a separate legal entity ? Give reasons .

2)A partnership firm has 50 members. Al the partners have agreed to admit Mohan and Sohan as new partners .Can they be admitted ? Give reasons.

3)Is sleeping partner liable for the acts of other partners?

4) Kavita and laxmi run a charitable dispensary. Kavita wants to have a partnership deed. What is your opinion ?

5) Why is it advisable to have a partnership deed?

6) X has given a loan of Rs 50,000 to the firm. He claims 10 % p.a. interest. Is his claim valid if the deed is silent ?

7) Distinguish between super profits and average profits .

8) Why are reserves and surplus distributed at the time of reconstitution of the firm ?

9) Explain the accounting treatment of goodwill when new partner cant bring his share of goodwill in cash.

10) What is meant by hidden goodwill?

11) State the need for treatment of goodwill on admission of a partner.

12) What is meant by gaining ratio on retirement of a partner?

13) What will happen if retired or deceased partners' dues are not settled immediately?

14) A partnership deed provides for the payment of interest on capital but there was a loss instead of profit. At what rate shall the interest on capital be allowed?

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III. Attempt the following :

1)The average profit earned by a firm is Rs 75,000 which includes undervaluation of stock of Rs 5,000 on an average basis. The capital invested in the business is Rs 7,00,000 and the normal rate of return is 7%. Calculate goodwill of the firm on the basis of 5 times the super profit.

2) A, B, C and D are partners sharing profits and losses in the ratio of 4 : 3 : 3 : 2. Their respective fixed capitals on 31st March, 2010 were Rs 60,000, Rs 90,000, Rs 1,20,000 and Rs 90,000 respectively. After preparing the final accounts for the year ended 31st March, 2010, it was discovered that interest on capital @ 12% per annum was not allowed and interest on drawings amounting to Rs 2,000, Rs 2,500, Rs 1,500 and Rs 1,000 respectively was also not charged. Pass the necessary adjustment journal entry showing your working clearly.

3) A, B and C were partners. Their capitals were Rs 30,000, Rs 20,000 and Rs 10,000 respectively. According to the partnership deed, they were entitled to interest on capital @5% per annum. In addition, B was also entitled to draw a salary of Rs 500 per month. C was entitled to a commission of 5% on the profits after charging the interest on capitals but before charging the salary payable to B. The net profits for the year were Rs 30,000 distributed in the ratio of their capitals without providing for any of the above adjustments. The profits were to be shared in the ratio of 2: 2: 1. Pass the necessary adjustment entry showing the working clearly.

4) On 1st April, 2014 a firm had assets of Rs 1,00,000 excluding stock of Rs 20,000. Partners' capital accounts showed a balance of Rs 60,000. The current liabilities were Rs 10,000 and the balance constituted the reserve. If the normal rate of return is 8% the 'Goodwill' of the firm is valued at Rs 60,000 at four years' purchase of super profit, find the average profit of the firm.

5) Radha, Mary and Fatima are partners sharing profits in the ratio of 5:4:1. Fatima is given a guarantee that her share of profit, in any year will not be less than Rs 5,000. The profits for the

year ending March 31, 2017 amounts to Rs 35,000. Shortfall if any, in the profits guaranteed to Fatima is to be borne by Radha and Mary in the ratio of 3:2. Record necessary journal entry to show distribution of profit among partner.

6) Anwar, Biswas and Divya are partners in a firm. Their capital accounts stood at Rs 8,00,000, Rs 6,00,000 and Rs 4,00,000 respectively on 1st April, 2011. They shared profits and losses in the ratio of 3: 2: 1 respectively. Partners are entitled to interest on capital @ 6% per annum and salary to Biswas and Divya @ Rs 4,000 per month and Rs 6,000 per quarter respectively as per the provisions of partnership deed. Biswas's share of profit (including interest on capital but excluding salary) is guaranteed at a minimum of Rs 82,000 per annum. Any deficiency arising on that account shall be met by Divya. The profits for the year ended 31st March, 2012 amounted to Rs 3,12,000. Prepare profit and loss appropriation account for the year ended 31st March,2012.

7) Anubha and Kajal are partners of firm sharing profits and losses in the ratio of 2:1. Their capital, were Rs 90,000 and Rs 60,000. The profit during the year were Rs 45,000. According to partnership deed, both partners are allowed salary, Rs 700 per month to Anubha and Rs 500 per month to Kajal. Interest allowed on capital @ 5% p.a. The drawings at the end of the period were Rs 8,500 for Anubha and Rs 6,500 for Kajal. Interest is to be charged @ 5% p.a. on drawings. Prepare partners capital accounts, assuming that the capital account is fluctuating.

8) i. Rohan and Mohan are partners in a firm sharing profits in the ratio of 5 : 3 respectively. They admit Bhim as a partner for th share in the profit. The new profit sharing ratio will be 4:2:1. Calculate the sacrificing ratio of Rohan and Mohan.

ii. Amla and Kamla are partners in a firm sharing profits in the ratio of 4:1 respectively. They admitted Bimla as a new partner for th share in the profits, which she acquired wholly from Amla. Determine the new profit sharing ratio of the partners.

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9) Madhu and Neha were partners in a firm sharing profits and losses in the ratio of 3 : 5. Their fixed capitals were Rs 4,00,000 and Rs 6,00,000 respectively. On 1st January, 2016 Tina was admitted as a new partner for th share in the profits. Tina acquired her share of profit fully from Neha. Tina brought Rs4,00,000 as her capital which was to be kept fixed like the capitals of Madhu and Neha. Calculate the goodwill of the firm on Tina's admission and the new profit sharing ratio of Madhu, Neha and Tina. Also, pass necessary journal entry for the treatment of goodwill on Tina's admission considering that Tina did not bring her share of goodwill premium in cash.

10) On 1st April, 2010 Sahil and Charu entered into partnership for sharing profits in the ratio of 4 : 3. They admitted Tanu as a new partner on 1st April, 2012 for th share which she acquired equally from Sahil and Charu. Sahil, Charu and Tanu earned profits at a higher rate than the normal rate of return for the year ended 31st March, 2013. Therefore, they decided to expand their business. To meet the requirements of additional capital they admitted Puneet as a new partner on 1st April, 2013 for th share in profits which he acquired from Sahil and Charu in 7 : 3 ratio.

Calculate

i. New profit sharing ratio of Sahil, Charu and Tanu for the year 2012-13.
ii.
iii. ii. New profit sharing ratio of Sahil, Charu, Tanu and Puneet on Puneet's admission.

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11. Abha and Bimal are partners in a firm sharing profits and losses in the ratio of 3: 2. On 31st March, 2015 they admitted Chintu into partnership for 1/5th share in the profits of the firm. On that date their balance sheet stood as under

Balance Sheet

as at 31st March, 2015

Liabilities		Amt (Rs)	Assets	Amt (Rs)
General Reserve		20,000	Plant and Machinery	1,30,000
Sundry Creditors			Furniture	25,000
Capital A/c			Investments	1,00,000
Abha	1,20,000		Sundry Debtors	50,000
Bimal	1,00,000	2,20,000	Bank	35,000
		3,40,000		3,40,000

Chintu was admitted on the following terms

i. He will bring Rs 80,000 as capital and Rs 30,000 for his share of goodwill premium.
ii. Partners will share future profits in the ratio of 5 :3: 2.
iii. Profit on revaluation of assets and reassessment of liabilities was Rs 7,000.
iv. After making adjustments, the capital accounts of the partners will be in proportion to Chintu's capital.
v. Balance to be paid off or brought in by the old partners by cheque as the case may be. Prepare the capital accounts of the partners and bank account.

12) On 1st April, 2013 Mohan and Sohan entered into partnership for doing business of dry fruits. Mohan introduced Rs 1,00,000 as capital and Sohan introduced Rs 50,000. Since Sohan could introduce only Rs 50,000 it was further agreed that as and when there will be a need Sohan will introduce further capital. Sohan was also allowed to withdraw from his capital when the need for the capital was less. During the year ended 31st March, 2014, Sohan introduced and withdrew the following amounts of capital.

Date	Capital Introduced	Capital withdrawn
1st May, 2013	10,000	-
30th June, 2013	-	5,000
30th September, 2013	97,000	-
1st February, 2014	-	87,000

The partnership deed provided for interest on capital @ 6% per annum. Calculate interest on capitals of the partners.

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13) Alfa and Beta were partners in a firm. They were trading in artificial limbs. On 1st April, 2013 they admitted Gama, a good friend of Beta into the partnership, Gama lost his one hand in accident and Alfa and Beta decided to give one artificial hand free of cost to Gama. The balance sheet of Alfa and Beta as at 31st March, 2013 was as follows

Balance Sheet

as at 31st March, 2013

Liabilities	**Amount (Rs)**	**Assets**	**Amount (Rs)**
Provision for Doubtful Debts	40,000	Cash	1,00,000
Workmen's Compensation Fund	56,000	Sundry Debtors	8,00,000
Outstanding Expenses	30,000	Stock	2,00,000
Creditors	3,00,000	Machinery	3,86,000
Capital A/cs		Profit and Loss A/c	40,000
Alfa 5,00,000			
Beta 6,00,000	11,00,000		
	15,26,000 ========		15,26,000 =======

Gama was admitted in the firm on the following terms:

i. Gama will bring Rs 4,00,000 as his share of capital, but he was unable to bring any amount for goodwill.
ii. The new profit sharing ratio between Alfa, Beta and Gamma will be 3: 2: 1.
iii. Claim on account of workmen compensation was Rs 30,000.

iv. To write off bad debts amounted to Rs 40,000.

v. Creditors were paid Rs 20,000 more.

vi. Outstanding expenses be brought down to Rs 12,000.

vii. Rs 20,000 be provided for an unforeseen liability.

viii. Goodwill of the firm was valued at Rs 1,80,000.

ix. Prepare revaluation account, capital accounts of partners and the opening balance sheet of the new firm. Also, identify any one value which the partners wanted to communicate to the society.

ACCOUNTING = ACT + COUNT + THINK !

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14) 0, R and S were partners in a firm sharing profits in the ratio of 3:2:1. On 1st April, 2014 their balance sheet was as follows:

Balance Sheet

as on 1st April, 2014

Liabilities	Amount (Rs)	Assets	Amount (Rs)
General Reserve	15,000	R's Current A/c	7,000
Profit and Loss A/c	7,000;	Land and Building	1,75,000
Creditors	80,000	Plant and Machinery	67,500
Bills Payable	45,000	Furniture	80,000
Capital A/cs		Investments	36,500
O 1,75,000		Bills Receivable	17,000
R 1,50,000		Sundry Debtors	43,500
S 1,25,000	4,50,000	Stock	1,37,000
Current A/cs		Bank	43,500
O 4, 000			
S 6,000	10,000		
	6,07,000 =======		6,07,000 =======

On the above date H was admitted on the following terms

i. H will bring Rs 50,000 as his capital and will get 1/6th share in the profits.

ii. He will bring necessary cash for his share of goodwill premium. The goodwill of the firm was valued at Rs 90,000.
iii. The new profit sharing ratio will be 2: 2: 1: 1.
iv. A liability of Rs 7,004 will be created against bills receivables discounted.
v. The value of stock, furniture and investments is reduced by 20%, whereas the value of land and building and plant and machinery will be appreciated by 20% and 10% respectively.
vi. The capital accounts of the partners will be adjusted on the basis of H's capital through their current accounts. Prepare revaluation account and partners' current accounts and capital accounts.

15) A, B and C are partners in a firm. B retires from the firm on the Jan 2015. On the date of his retirement Rs. 66,000 were due to him. It was decided that the payment will be done in 3 equal yearly installments together with interest @ 10% p.a. on the unpaid balance, Prepare B's Loan A/c.

16) A, B, and C are partners sharing profits and losses in the ratio of 2: 3: 1. B retires and sells his share of profit to A and C for Rs. 8,100, being purchased by A for Rs 3,600 and by C for Rs. 4,500, The profit for the year after B's retirement was Rs. 10,500. You are required to give necessary journal entries to record the sale of B's share to A and C and distribution of profit among partners.

17) Arjun, Bheem and Nakul are partners sharing profits and losses in the ratio of 14: 5: 6 respectively. Bheem retires and surrenders his 5/25th share in favour of Arjun. The goodwill of the firm is valued at 2 years' purchase of super profits based on average profits of last 3 years.

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The profits of the last three years are Rs 50,000, Rs 55,000 and Rs 60,000 respectively. The normal profits of the similar firms are Rs 30,000. Goodwill already appears in the books of the firm at Rs 75,000. The profit for the first year after the Bheem's retirement was Rs 1,00,000. Give necessary journal entries to adjust goodwill and distribute profits showing your workings.

18) X, Y, and Z were partners sharing profits and losses in the ratio of 4: 3: 2 respectively. Y retired on 31st March 2012. On that date the capitals of X, Y. and Z after all necessary adjustments stood at Rs. 19,650; Rs. 19,800 and Rs. 9,150 respectively. The entire capital of the firm as newly constituted is fixed at Rs. 28,000 between X and Z in the proportion of 5/8th and 3/8th after passing entries in their accounts for adjustments. Calculate the actual cash to be paid or to be brought in by the continuing partners and pass the necessary journal entries.

19) Raman, Ratan and Rajan were partners sharing profits in the ratio of 4 : 2 : 1 respectively. Following was their balance sheet as at 31st March, 2013.

Balance Sheet as at 31st March, 2013

Liabilities		Amount (Rs.)	Assets	Amount (Rs.)
Creditors		30,000	Cash	14,000
Bills Payable		4,000	Stock	30,000
General Reserve		21,000	Debtors	22,000
Capitals A/cs			Building	40,000
Raman	60,000		Plant	53,000
Ratan	40,000		Motor Van	26,000
Rajan	30,000	1,30,000		
		1,85,000		1,85,000

On the above date, Raman retired and the following were agreed:

i. The assets and liabilities were valued as: Stock Rs. 24,000; Debtors Rs. 21,000; Building Rs. 45,200; Plant Rs. 50,000 and Creditors Rs. 28,000.

ii. Amount due to Raman will be transferred to Raman's loan account.

Prepare revaluation account and Raman's capital account.

20) Kushal, Kumar and Kavita were partners in a firm sharing profits in the ratio of 3 : 1 : 1. On 1st April, 2012 their balance sheet was as follows:

Balance Sheet

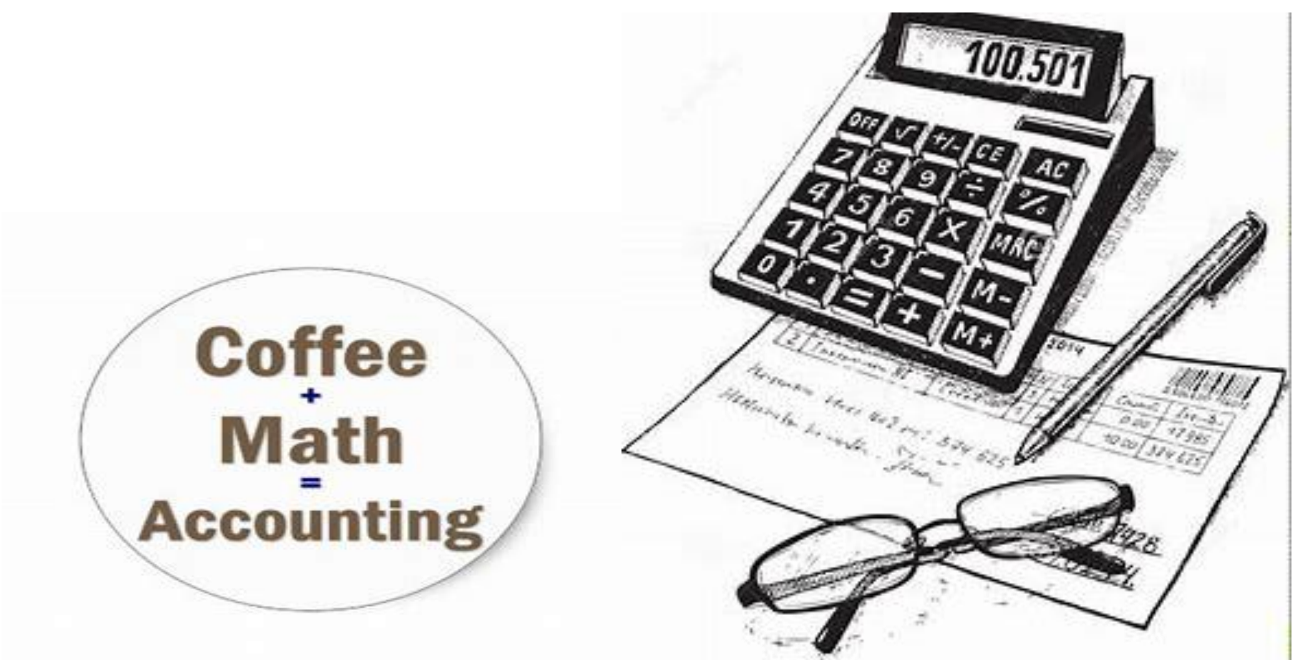
as on 1st April, 2012

Liabilities	**Amount (Rs)**	**Assets**	**Amount (Rs)**
Creditors	1,20,000	Cash	70,000
Bills Payable	1,80,000	Debtors 2,00,000	
General Reserve	1,20,000	(-) Provision 10,000	1,90,000
Capital A/cs		Stock	2,20,000
Kushal 3,00,000		Furniture	1,20,000
Kumar 2,80,000		Building	3,00,000
Kavlta 3,00,000	8,80,000	Land	4,00,000
	13,00,000 =======		13,00,000 =======

On the above date, Kavita retired and the following was agreed:

i. Goodwill of the firm was valued at Rs 40,000.
ii. Land was to be appreciated by 30% and building was to be depreciated by Rs 1,00,000.
iii. Value of furniture was to be reduced by Rs 20,000.
iv. Bad debts reserve is to be increased to Rs 15,000.
v. 10% of the amount payable to Kavita was paid in cash and the balance was transferred to her loan account.
vi. Capitals of Kushal and Kumar will be in proportion to their new profit sharing ratio. The surplus/deficit, if any in their capital accounts will be adjusted through current accounts.

Prepare revaluation account, partner's capital accounts and balance sheet of Kushal and Kumar after Kavita's retirement.



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21) Leena, Madan and Naresh were partners in a firm sharing profits and losses in the ratio of 2 : 2 : 3 . On 31st March, 2015 their balance sheet was as follows:

Balance Sheet

as on 31st March, 2015

Liabilities		**Amount (Rs)**	**Assets**	**Amount (Rs)**
Trade Creditors		1,60,000	Land and Building	10,00,000
Bank Overdraft		44,000	Machinery	5,00,000
Long-term Debts		4,00,000	Furniture	7,00,000
Employee's Provident Fund		76,000	Investments	2,00,000
Capital A/cs			Closing Stocks	8,00,000
Leena	12,50,000		Sundry Debtors	4,00,000
Madan	8,00,000		Bank	80,000
Naresh	10,50,000	31,00,000	Deferred Advertisement	1,00,000
		37,80,000 ========		**37,80,000** =========

On 31st March, 2015, Madan retired from the firm and the remaining partners decided to carry on the business. It was decided to revalue assets and liabilities as under

i. Land and building be appreciated by Rs 2,40,000 and machinery be depreciated by 10%.

ii. 50% of investments were taken over by the retiring partner at book value.

iii. An old customer Mohit whose account was written off as bad debt had promised to pay Rs 7,000 in settlement of his full debt of Rs 10,000.

iv. Provision for doubtful debts was to be made at 5% on debtors.

v. Closing stock will be valued at market price which is Rs 1,00,000 less than the book value.

vi. Goodwill of the firm be valued at Rs 5,60,000 and Madan’s share of goodwill be adjusted in the accounts of Leena and Naresh. Leena and Naresh decided to share future profits and losses in the ratio of 3: 2.

vii. The total capital of the new firm will be Rs 32,00,000 which will be in the proportion of the profit sharing ratio of Leena and Naresh.

viii. Amount due to Madan was settled by accepting a bill of exchange in his favour payable after 4 months .

Prepare revaluation account, partners’ capital accounts and balance sheet of the firm after Madan’s retirement.