OSF

Date : 07-03-2024 | **STD 12 Commerce Elements of Account** | **Total Marks : 50**

12th Account Practice Sheet Day 16 (Part 1 - Ch.5 to 7)

Section A

*** Choose The Right Answer From The Given Options. [8]**

1. Due to admission of a new partner, profit of old partners ....

(A) Increases (B) Decreases (C) Remains same (D) None of the above

Ans. :
(B) Decreases

2. In how many ways a partner can be entered in a partnership firm as per provision of partnership act.?

(A) One (B) Two (C) Three (D) Four

Ans. :
(B) Two

3. Old partner is also required to give his share in goodwill to other old partner, when ....

(A) his capital is less
(B) his new share in new profit-loss ratio is more than his old share
(C) his new share in new profit-loss ratio is less than his old share
(D) his new share in new profit-loss ratio is equal to old share

Ans. :
(B) his new share in new profit-loss ratio is more than his old share

4. Joint life insurance policy is .... type of account.

(A) Asset (B) Personal (C) Nominal (D) Traders

Ans. :
(A) Asset

5. At the time of retirement or death of a partner,.......is subtracted from the total outstanding amount.

(A) Loan advanced to firm (B) Interest on debit balance of current account (C) Interest on capital (D) Interest on loan advanced to firm

Ans. :
(B) Interest on debit balance of current account

6. At the time of dissolution, the Goodwill is Rs. 50,000 in Balance Sheet. No specification has been given regarding it. What will be the effect?

(A) Realisation A/c Cr. (B) Realisation A/c Dr. (C) Goodwill A/c Dr. (D) N0 effect

Ans. : (A) Realisation A/c Cr.

7. At the time of dissolution ? 20,000 for machinery is shown in Balance sheet. No specification regarding its realisation has been made. What will be its accounting effect?

(A) Partner's Capital A/c Cr. (B) No effect (C) Cash A/ C Cr. (D) Realisation A/c Cr.

Ans. : (D) Realisation A/c Cr.

8. At the time of dissolution furniture of ? 20,000 is shown in the balance sheet. There is no clarity for its realised value then from the following which effect is made?

(A) Credited to Realisation A/c (B) Credited to Cash/Bank No (C) Credited to Partners' capital A/c (D) No entry will be made

Ans. : (A) Credited to Realisation A/c

Section B

*** Answer The Following Questions In One Sentence.** **[5]**

9. When revaluation account is debited and credited?

Ans. : When there is gain/profit at the time of revaluation, revaluation A/c is credited and when there is loss at the time of revaluation, Revaluation A/c is debited.

10. To which account bad debts reserve amount is to be transferred when a new partner is admitted?

Ans. :

On the debit side of revaluation account, bad debts reserve amount is to be transferred when a new partner is admitted.

11. Why assets and liabilities are revalued at the time of the admission of a new partner?

Ans. : Due to revaluation of assets and liabilities net change can be adjusted in the old partners capital accounts, and accounting effect of profit/loss arising from revalued ants and liabilities can be given.

12. Explain the meaning of dissolution of partnership.

Ans. : When business is not closed (shut) down due to retirement, death or insolvency of a partner or due to any other reasons and remaining partners keep business continuous, it is a dissolution of partnership.

13. On which side of realisation A/c, the unrecorded expenditures given in adjustments are recorded?

Ans. : Unrecorded expenditures given in adjustments are recorded at the debit side or Realisation Account.

Section C

*** Answer The Following Questions.** **[9]**

14. A, B,C and D are the partners sharing profit and loss in the ratio of 4: 3: 2: 1, C retires. After the retirement of C A will maintain his old profit share

Ans. : PROFIT RATIO :

The loss ratio is 0.

The gain ratio for A is 28/60

The gain ratio for B is 9/60

The gain ratio for D is 2/60

profit ratio is A:B:D = 28:9:6

15. A, B and C are the partners sharing profit and loss in the ratio, $\frac{1}{3}$ and $\frac{1}{6}$ respectively.

(A) If A retires (B) If B retires (C) If C retires.

Ans. : The gaining ratio is:-

A)B: C= 1/3:1/6

B)A:C= ½:1/6

C)A:B=1/2:1/3

16. Pass journal entries for the following of firm in the case of firm's dissolution:

1. Income tax liability is now payable Rs. 30,000 it is not recorded in the book.
2. After making payment of all liabilities and loan of partners of firm, surplus of assets is Rs. 1,20,000. The profit and loss sharing ratio of partners A, B and C are 5:3:2.

Ans. :

Jounal entries of ..... firm

Date/ No.	Particular	L.F.	Debit(Rs.)	Credit(Rs.)
1.	Realisation A/C Dr.		30,000	
	To Cash/Bank A/C			30,000
	(Being firm is dissolved and unrecorded income for is paid)			
2.	Realisation A/C Dr.		1,20,000	
	To A's Capital/current A/c			60,000
	To B's Capital/current A/c			36,000
	To C's Capital/current A/c			24,000
	(Being surplus of assets is distributed to partners' capital/current A/c in the ratio of 5 3: 2)			

Section D

* **Answer The Following Questions With Necessary Calculations.** **[12]**

17. A, B and C are partners sharing profit and losses in the ratio of 3:2:1. They admitted D as a new partner. D brought 80,000 as capital and 60,000 as goodwill in cash. New profit

sharing ratio of A, B, C and D is decided at 4:3:2:3. Old partners withdrew 50% of their share of goodwill in cash. Pass necessary journal entries. Partners maintain their capital accounts by fixed capital method.

Ans. :

Journal Entries

Date/No.	Particulars	L.F.	Debit (₹)	Credit (₹)
(1)	Cash A/c Dr		1,40,000	
	To D's capital A/c			80,000
	To Premium for goodwill A/c			60,000
	[Being D brought his share of goodwill and capital in cash.]			
(2)	Premium for goodwill A/c Dr		60,000	
	To A's current A/c			40,000
	To B's current A/c			20,000
	[Being premium for goodwill is distributed between old partners in their sacrificing ratio.]			
(3)	A's current A/c Dr		20,000	
	B's current A/c Dr		10,000	
	To Cash A/c			30,000
	[Being 50 % goodwill withdrawn by old partners in cash.]			

18. P and Q are the partners sharing profit and loss in the ratio of 2:1. They decided to admit R as a new partner on 1-4-2016. All three partners' new profit-loss sharing ratio is decided at 3:1:2. The balance sheet of R and Q show the following balances:

General reserve	: 10,000
Profit-loss A/c	: 11,000
Workmen compensation reserve	: 14,000
Advertisement campaign expenditure	: 6000
Research and development expenditure	: 3000
Investment fluctuation reserve	: 10,000
Investment	: 15,000 (Market value 14,000)

The firm accepted claim of ₹ 5000 for workmen's compensation.

From the following situation pass necessary journal entries:

(1) When the partners decide to distribute all balance of reserves and accumulated profit and loss.

(2) When partners decide not to distribute all the balance of reserve and profit and loss. But without any change all reserve balance is to appear in the balance sheet.

Ans. :

Journal Entries

Date	Particulars	L.F.	Debit (₹)	Credit (₹)
1-4-2016	General reserve A/c Dr		10,000	
	Profit-loss A/c Dr		11,000	
	To P's capital A/c			14,000
	To Q's capital A/c			7000
	[Being balances of general reserve and profit and loss of the firm are distributed between old partners in their old profit sharing ratio.]			
1-4-2016	Workmen's compensation reserve A/c Dr		14,000	
	To Claim for workmen compensation A/c			5000
	To P's capital A/c			6000
	To Q's capital A/c			3000
	[Being after provision for the accepted claim of workmen compensation, surplus amount is distributed between partners P and Q in their old ratio.]			
1-4-2016	Investment fluctuation reserve A/c Dr		10,000	
	To Investment A/c			1000
	To P's capital A/c			6000
	To Q's capital A/c			3000
	[Being a loss due to fall in the value of investment is adjusted against investment fluctuation reserve and remaining surplus is distributed between old partners in old sharing ratio.]			
1-4-2016	P's capital A/c Dr		6000	
	Q's capital A/c Dr		3000	
	To Advertisement campaign exp. A/c			6000
	To Research and development exp. A/c			3000
	[Being balances of advertisement compaign exp. and research and development exp. are written off by debiting old partners' capital accounts in their old ratio.]			

19. A and B are the partners sharing profit and loss in the ratio of $3:2$. They admitted C as a new partner for $\frac{1}{5}$ th share of profit. C brings $80,000$ as his capital in cash. C gave his share of goodwill personally to A and B. There was a balance of goodwill ₹ 25,000 in the books of firm before C's admission.

Ans. :

Entries in the books of A, B and C's firm

Date	Particulars		L.F.	Debit (₹)	Credit (₹)
(1)	Cash A/c	Dr.		8,000	
	To C' Capital A/c				8,000
	(Being bring capital in cash)				
(2)	A's capital A/c	Dr.		15,000	
	B's capital A/c	Dr.		10,000	
	To Goodwill A/c				25,000
	(Being old goodwill amount distributed among old partners in their old profit-loss sharing ratio)				

Note : C gives his share in goodwill to A and B privately therefore no entry will be passed in the
books of the firm.

Section E

*** Answer The Following Questions In Detail. [16]**

20. E, M and I are partners sharing profit and loss in the ratio of 5:3:2. Balance sheet of their firm on 31-3-2017 was as under:

Balance sheet

Liabilities		Amt.(Rs.)	Assets		Amt.(Rs.)
Capital Accounts:			Building		1,20,000
E	60,000		Machinery		80,000
M	30,000		Stock		30,000
I	<u>50,000</u>	1,40,000	Debtors	40,000	
Reserve fund		50,000	- Bad debt reserve	<u>2,000</u>	38,000
Workmen profit sharing fund		30,000	Cash		22,000
Creditors		70,000			
		<u>2,90,000</u>			<u>2,90,000</u>

I retired on 31-3-2017. Creditors of retirement were as under:

(1) I's profit share will be gained by E and M in the ratio as 2:3.
(2) Goodwill of the firm is valued at Rs.1,00,000.
(3) Bad debt reserve on debtors is to be increased by 10%.
(4) Building is valued at l 10%.
(5) Value of machinery is to be reduced by 10 %.
(6) Annual insurance premium of Rs.24,000 is paid for the year ended on 30-6-2017.
(7) E and M will maintain total capital of the firm Rs.1,00,000 in their new profit and loss sharing ratio after retirement of I. Prepare necessary accounts and balance sheet after retirement.

Prepare necessary accounts and balance sheet after retirement.

Ans. :

Dr. Revaluation Account Cr.

Particulars	Amt.(Rs.)	Particulars	Amt.(Rs.)
To Bad debts reserve A/c	4,000	By prepaid insurance premium A/c	6,000

To Machine A/c	8,000	By Building A/c	12,000
To Profit Partners capital A/c			
E 4,200			
M 1,800			
I 1,200	6,000		
	18,000		18,000

Dr. **Partners Capital Account** Cr.

Particulars	E (Rs.)	M (Rs.)	I (Rs.)	Particulars	E (Rs.)	M (Rs.)	I (Rs.)
To I's Capital A/c	8,000	12,000		By Balance b/f	60,000	30,000	50,000
To Loan A/c			81,200	By Reserve Fund A/c	25,000	15,000	10,000
To Cash A/c	22,000			By Revaluation A/c	3,000	1,800	1,200
To Balance c/f	58,000	42,000		By E's Capital A/c (New goodwill)			8,000
				By M's Capital A/c (New goodwill)			12,000
				By Cash A/c		7,200	
	88,000	54,000	81,200		88,000	54,000	81,200

Dr. **Cash Account** Cr.

Particulars	Amt.(Rs.)	Particulars	Amt.(Rs.)
To Balance b/d	22,000	By E's Capital A/c	22,000
To M's Capital A/c	7,200	By Balance c/d	7,200
	29,200		29,200

Balance sheet as on 1-4-2017 after retirement

Liabilities		Amt. (Rs.)	Assets		Amt. (Rs.)
Capital Accounts :			Building	1,20,000	
E	58,000		+ Increase	12,000	1,32,000
M	42,000	1,00,000	Machine	80,000	
Workmen's profit sharing fund		30,000	- Decrease	8,000	72,000
Creditors		70,000	Stock		30,000
I's Loan A/c		81,200	Debtors	40,000	
			- B.D.R	6,000	34,000
			Cash balance		7,200
			Prepaid Insurance Premium		6,000
		2,81,200			2,81,200

21. A, B and C are the partners sharing profit and loss in the ratio of 5:3:1. 'A' retires on : 1-4-2017. The capital of A, B and C after all adjustments regarding loss of revaluation

account, reserves and goodwill stood at 60,000, 50,000 and 70,000 respectively. On that day balance of cash was 30,000. Partners decided as under:

(A) Amount due to A is to be paid in cash.

(B) The amount of cash to be paid or to be brought in by the remaining partners in such a way so as to make their capitals proportionate to their new profit-loss sharing ratio and minimum cash balance * 20,000 is to be maintained.

Give journal entries with necessary calculation and prepare partners' capital account and cash account:

Explanation (1) : Capital of B and C in new firm

Old profit and loss sharing ratio of A, B and C = 5:3:1

After the retirement of A, new profit and loss sharing ratio of B and C = 3:1

Share of cash to be brought in by B and C :

To make payment to A	= ₹ 60,000
Less : Available cash for payment to A =	₹ 10,000
(₹ 30,000 – ₹ 20,000 cash to be maintained)	
Cash brought in by B and C	₹ 50,000

Total capital of new firm of B and C :

B's capital =	₹ 50,000	
+ C's capital =	₹ 70,000	
+ Additional capital =	₹ 50,000	(Necessary cash balance to maintain minimum cash balance and to pay dhes of 'A')
Total capital of B and C =	₹ 1,70,000	

Ans. :

B's capital in new profit and loss sharing ratio = ₹ 1,70,000 × $\frac{3}{4}$ = ₹ 1,27,500 (As per new ratio)

C's capital in new profit and loss sharing ratio = ₹ 1,70,000 × $\frac{1}{4}$ = ₹ 42,500 (As per new ratio)

(2) : Cash to be brought in or paid off to B and C :

	B (₹)	C (₹)
New capital	1,27,500	42,500
Less : Capital after adjustment	50,000	70,000
Cash to be brought in as capital (or paid off)	77,500	(27,500)
	Capital brought	Capital paid

Journal Entries

Date/No.	Particulars	L.F.	Debit (₹)	Credit (₹)
1	A's capital A/c Dr		60,000	
	To Cash A/c			60,000
	[Being the due amount paid to A.]			
2	Cash A/c Dr		77,500	
	To B's capital A/c			77,500
	[Being required cash brought in by B as his capital.]			
3	C's capital A/c Dr		27,500	
	To Cash A/c			27,500
	[Being additional capital paid off to C.]			

Dr **Capital Accounts of Partners** Cr

Particulars	A (₹)	B (₹)	C (₹)	Particulars	A (₹)	B (₹)	C (₹)
To Cash A/c	60,000	–	–	By Balance b/d	60,000	50,000	70,000
To Cash A/c	–	–	27,500	By Cash A/c	–	77,500	–
To Balance c/f	–	1,27,500	42,500				
	60,000	**1,27,500**	**70,000**		**60,000**	**1,27,500**	**70,000**

Dr **Cash Account** Cr

Date	Particulars	Amt. (₹)	Date	Particulars	Amt. (₹)
1-4-17	To Balance b/d	30,000	1-4-17	By A's capital A/c	60,000
1-4-17	To B's capital A/c	77,500	1-4-17	By C's capital A/c	27,500
			1-4-17	By Balance c/f	20,000
		1,07,500			**1,07,500**

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