OSF

Date : 07-03-2024

STD 12 Commerce Elements of Account
12th Account Practice Sheet Day 22 (Part 1)

Total Marks : 100

Section A

*** Choose The Right Answer From The Given Options. [20]**

1. At the end of the year where will you transfer drawings accounts in fixed capital account method?
   (A) To capital account
   (B) To current account
   (C) To profit and loss account
   (D) To profit and loss appropriation account

   Ans. : (B) To current account

2. Which of the following is shown on the debit side of profit and loss appropriation account?
   (A) Interest on drawings
   (B) Net profit
   (C) Interest on debit balance of current A/c
   (D) Amount to be transferred to general reserve A/c

   Ans. : (D) Amount to be transferred to general reserve A/c

3. What is the interest on drawings of partners for a partner?
   (A) An expense
   (B) Liability
   (C) An Income
   (D) Loss

   Ans. : (A) An expense

4. What is the maximum limit of number of partners as per Rule 10 of the Companies (miscellaneous) Rules 2014?
   (A) 10 (B) 50 (C) 20 (D) 80

   Ans. : (B) 50

5. Who are the administrators of partnership concerns?
   (A) Owners (B) Creditors (C) Representatives (D) Debtors

   Ans. : (A) Owners

6. Generally, which balance is maintained by current account?
   (A) debit (B) credit (C) debit or credit (D) None of the above

   Ans. : debit or credit

7. Where will you disclose the credit balance of profit and loss account which is shown in the trial balance ?
   (A) Trading A/c
   (B) Profit and loss A/c
   (C) Profit and loss appropriation A/c
   (D) Capital/current A/c

   Ans. : Profit and loss appropriation A/c

8. In which year partnership act was implemented in India?

(A) 1923 (B) 1932 (C) 1947 (D) 1956

Ans. : 1932

9. In the reconstruction of a partnership firm, gain ratio = ...

(A) New profit-loss share - Old profit-loss share

(B) Old profit-loss share - New profit-loss share

(C) New capital ratio - Old capital ratio

(D) Old capital ratio - New capital ratio

Ans. : (A) New profit-loss share - Old profit-loss share

10. When newly admitted partner is not able to brings his share of goodwill in cash .... account is debited.

(A) Cash (B) Goodwill

(C) Premium for goodwill (D) His capital

Ans. :

(D) His capital

11. Profit -loss adjustment account is .... type of account.

(A) Nominal (B) Personal (C) Real (D) Temporary

Ans. :

(A) Nominal

12. When a new partner brought his share of goodwill in cash, it will not be debited to .... A/c.

(A) Goodwill (B) Revaluation (C) Capital (D) Cash/Bank

Ans. :

(B) Revaluation

13. As per accounting standard-26, ... goodwill can not be shown in the books.

(A) goodwill for which some amount is paid for consideration

(B) internally generated

(C) both (a) and (b)

(D) neither of and (a) and (b)

Ans. :

(B) internally generated

14. Profit or loss of revaluation account is transferred to .... account in .... ratio.

(A) old partners', equal

(B) all partners', new profit-loss sharing ratio

(C) old partners', sacrificing ratio

(D) old partners', old ratio

Ans. : (D) old partners', old ratio

15. When only old profit-loss sharing ratio is given; sacrificing ratio of partners = ...

(A) equal (B) old ratio

(C) old share - new share (D) cannot be calculated

Ans. :
(B) old ratio

16. Workmen's profit sharing find is .... for business.

(A) Dues
(B) Debts
(C) Accumulated profit
(D) Accumulated loss

Ans. :
(B) Debts

17. An active partner is require to give public notice for his retirement as it is .....

(A) Legal
(B) Compulsory
(C) Advisable
(D) Voluntary

Ans. :
(B) Compulsory

18. Sweta, Geeta and Jyoti are equal partners. Gita retires. Gita's share is gained by Sweta and Jyoti equally. New profit and loss sharing ratio of Sweta and Jyoti will be ....

(A) 3 : 1
(B) 2 : 1
(C) 1 : 2
(D) 1 : 1

Ans. : (D) 1 : 1

19. At the time of retirement of a partner balance of accumulated profit or loss, distributed among partners in ...... ratio.

(A) Old profit-loss ratio
(B) New profit-loss ratio
(C) Gain ratio
(D) Sacrifice ratio

Ans. :
(A) Old profit-loss ratio

20. From the realisation of firm's assets after dissolution, which of the following liabilities ia paid last?

(A) Dissolution expenses
(B) Payment to third party
(C) Increase in capital A/c
(D) Wife's loan

Ans. : (C) Increase in capital A/c

Section B

*** Answer The Following Questions In One Sentence. [10]**

21. Why it is necessary to open partners current account?

Ans. : When firm adopted fixed capital account method, to record the transactions of the partner with the partnership firm, other than permanent capital, it is necessary to open partners current account.

22. What is fluctuating capital account method?

Ans. : A method in which the opening balance of the capital account and the closing balance of the capital account of any partner is reported fluctuated (flexible) is known as fluctuating capital account method.

23.

Where will you disclose the following items given in a trial balance during the preparation of a final account of a partnership firm: Loan given to firm by a partner

Ans. : Under the head 'Liabilities' in the Balance Sheet.

24. What is meant by average profit value based on expected rate of return?

Ans. : Average profit value based on expected rate of return is known as capitalized profit.

25. What is the base for the valuation of goodwill?

Ans. : Profit earning capacity of the business is the main base for the valuation of goodwill.

26. State under which circumstance weighted average profit method of valuation of goodwill is used?

Ans. : When there is continuous increasing trend in profit, weighted average profit method of valuation of goodwill is used.

27. What is reconstruction of a partnership?

Ans. :
Reconstruction means changes in partnership due to several reasons.

28. What is revaluation account?

Ans. :
The book values of assets and liabilities recorded in the books of a partnership firm, When brought at present value, it is called revaluation of assets and liabilities.
A special 'account is opened to record the effects of the revaluation of assets and liabilities is known as 'Revaluation Account'.
Revaluation Account is also known as 'Profit and Loss Adjustment Account'.

29. Write the names of methods for accounting effects related to goodwill at the time of admission of a new partner.

Ans. : Following are the methods for accounting effects related to goodwill at the time of admission of a partner : (i) Premium method; (ii) Revaluation method.

30. 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.

Section C

*** Answer The Following Questions. [15]**

31. Ram, Rahim and Ishu are partners of a partnership firm. Their capital as on 1-4-16 was Rs. 60,000,
Rs. 40,000 and Rs. 50,000 respectively. After the distribution of the profit of the Year, it was realized that charging of 6% interest on partners capital accounts was missed out.Write an entry for the rectification of error

Ans. :

Particulars	Ram (Rs.)	Rahim (Rs.)	Ishu (Rs.)	Total (Rs.)
Capital of partners	60,000	40,000	50,000	
Interest on capital @ 6% (Amt. Receivable)	3,600	2,400	3,000	9,000
Total interest on capital Rs. 9,000				
Equally dist. Among partners (Amt. received)	3,000	3,000	3,000	9,000
Difference of amount	600	- 600	-	-

Rectification entry:

Journal Proper

Date	Particulars	L. F.	Debit (Rs.)	Credit (Rs.)
31-3-2017	Rahim's Capital/Current A/c Dr.		600	
	To Ram's Capital/Current A/c			600
	(Being interest on capital @ 6% is ommited, now rectified)			

32. Where will you disclose the effects of the following adjustments during the preparation of final accounts of a partnership firm : Prepaid expenses

Ans. : At first, prepaid consumptions are not covered by a pay proclamation.

All things being equal, prepaid uses are at first covered the monetary record, and afterward perceived on the pay articulation as the worth of the prepaid cost is acknowledged, or as the cost is brought about.

At the point when an organization prepays for an expense, it is enrolled on the monetary record as a prepaid resource, with a simultaneous passage that diminishes the organization's money (or installment account) by a similar sum.

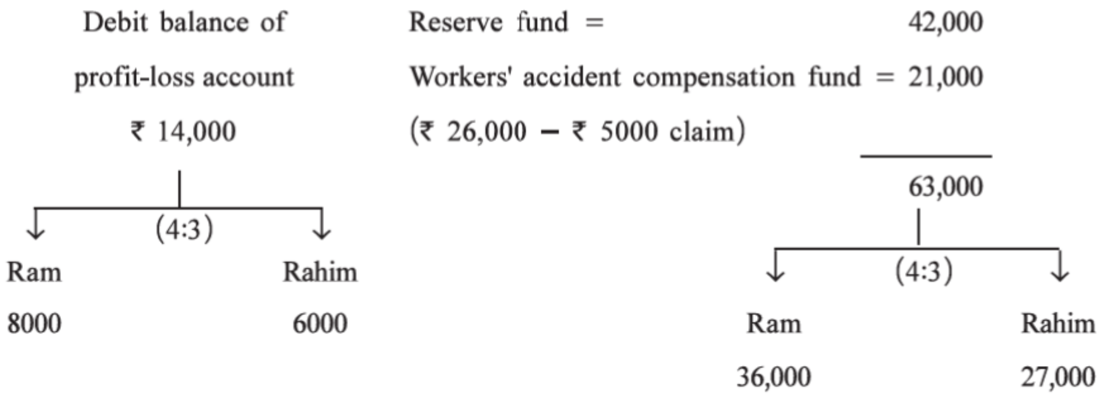
In the event that the expense isn't to be brought about until following a year, which is uncommon, most prepaid costs show up on the monetary record as a current resource.

33. Ram and Rahim are the partners of a partnership firm. Profit-loss sharing ratio between them is 4:3. The following are the balances in the books of the firm as on 31-3-2017.

Profit-loss A/c (debit balance)	14,000
Reserve fund	42,000
Workers' profit sharing fund	21,000
Workers' accident compensation fund	26,000

On the above date, Ram and Rahim decided on a new profit sharing ratio of 1.1. A claim of 5000 is outstanding against the workers' accident compensation fund. Pass journal entries showing distribution of accumulated profit or losses in the books of the firm.

Ans. :



34. Calculate new profit and loss sharing ratio and sacrificing ratio:
A and B are the partners sharing profit and loss in the ratio of $3:2$. They admitted as a new partner for $\frac{1}{4}$ the

Ans. : New Profit Sharing Ratio $= 9:6:5$

Sacrificing Ratio $= 3:2$

35. Give accounting treatments for goodwill of different circumstances when firm goes for dissolution.

Ans. :
Following are the accounting treatments for goodwill of different circumstances when firm goes for dissolution:

- (1) If the value of goodwill will be shown in the balance sheet then like other assets, goodwill will be shown as debit side of Realisation Account.
- (2) Amount realised from the sale of goodwill will be shown on credit side of Realisation Account.
- (3) If no information regarding realisation of goodwill is given then it is to be understood that nothing is realised.
- (4) At the time of dissolution of firm, if goodwill is not shown in the books of account, hence amount realised then it will be treated as profit and credited to Realisation Account.
- (5) When any partner purchase whole business (including goodwill) then
- (i) Capital account of business purchase partner is debited by amount of goodwill and

(ii) Realisation account is credited by amount of goodwill.

Section D

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

36. From the following information of Manoj and Harish's firm, determine the value of goodwill by capitalised average profit method.

Ans. :

Statement Showing Computation of Goodwill

Step No.	Particulars	Amount (₹)
(1)	Capital employed : Assets = 13,40,000 − Liabilities 3,40,000 Net assets / capital employed 10,00,000	10,00,000
(2)	Expected rate of return	10 %
(3)	Weighted average profit (As per note no. 1)	1,26,000
(4)	Capitalised profit $= \frac{\text{Average profit}}{\text{Expected rate of return}} \times 100$ $= \frac{1,26,000}{10} \times 100 = \mathbf{12,60,000}$	12,60,000
(5)	Goodwill = Capitalised profit − Capital employed = 12,60,000 − 10,00,000 **Goodwill = 2,60,000**	2,60,000

37. Harpal, Rajesh and Jayesh's firm's information is as under :

(1) Business assets: 10,00,000

(2) Business liabilities: * 2,00,000

(3) Expected rate of return 10%

(4) Firm's last five years profit are as under:

Year	Profit (₹)
2012-13	90,000
2013-14	1,10,000
2014-15	1,20,000
2015-16	1,30,000
2016-17	1,40,000

From the above information, determine the value of goodwill of the firm.

(1) Calculate the goodwill of the firm equal to five years average profit.

(2) On the basis of 3 years purchase of average profit.

(3) On the basis of 2 years purchase of weighted average profit.

(4) On the basis of 4 years purchase of super profit (Weighted average basis).

(5) As per capitalisation profit method. (Weighted average basis).

(6) As per capitalisation of super profit. (Weighted average basis).

Ans. :

(1) **As per last five years average profit method :**

Goodwill :

Year	Profit (₹)
2012-13	90,000
2013-14	1,10,000
2014-15	1,20,000
2015-16	1,30,000
2016-17	1,40,000
	5,90,000

$$\text{Average profit} = \frac{\text{Total profit}}{\text{No. of years}}$$

$$= \frac{5{,}90{,}000}{5}$$

Average profit $= 1{,}18{,}000$

Goodwill = Average profit

$\therefore$ $\boxed{\textbf{Goodwill} = \textbf{1,18,000}}$

(2) **Goodwill is equal to 3 years purchase of average profit :**

Average profit = 1,18,000 [5,90,000 / 5]

(As per previous calculation)

38. P, Q and R are the partners sharing profit and loss in the ratio of 3 : 2 : 1. They maintain their capital account by fixed capital method. They admitted S as a new partner. S brought cash ₹ 50,000, Furniture ₹ 40,000 and Motor car ₹ 60,000 as his capital and share of goodwill. Goodwill is valued at ₹ 2,40,000. At the time of S's admission goodwill appeared in the books of the firm at ₹ 90,000. New profit-loss sharing ratio of all the partners is decided at 4 : 3 : 2 : 3. Old partners withdrew 50 % goodwill of their share in cash.

Ans. :

Entries in the books of P, Q, R and S's Firm

Date	Particulars		L.F.	Debit (₹)	Credit (₹)
(1)	P's capital A/c	Dr.		45,000	
	Q's capital A/c	Dr.		30,000	
	R's capital A/c	Dr.		15,000	
	To Goodwill A/c				90,000
	(Being old goodwill amount distributed among old partners in their old profit-loss sharing ratio)				
(2)	Cash A/c	Dr.		50,000	
	Furniture A/c	Dr.		40,000	
	Motorcar	Dr.		60,000	
	To S's capital A/c				90,000
	To Premium for goodwill A/c				60,000
	(Being s brought his share of capital and goodwill in cash, and in form of furniture and motor car)				
(3)	Premium for goodwill A/c	Dr.		60,000	
	To P's capital A/c				40,000
	To Q's capital A/c				20,000
	(Being premium for goodwill distributed among old partners P and Q in their sacrifice ratio)				
(4)	P's current A/c	Dr.		20,000	
	Q's current A/c	Dr.		10,000	
	To Cash A/c				30,000
	(Being P and Q withdraws in cash 50% amount of goodwill which they received)				

Section E

*** Answer The Following Questions In Detail. [32]**

39. Kanha and Kavisha are partners in a firm sharing profit-loss in the ratio of 2:3. Balance sheet of their firm as on 31-3-2016 was as under :

Balance Sheet

Liabilities		Amt. (₹)	Assets	Amt. (₹)
Capital :			Goodwill	14,000
Tarana	1,90,000		Land-Building	1,00,000
Jineesha	1,21,000	3,11,000	Machinery	80,000
Workmens' compensation reserve		12,000	Investment	50,000
Investment fluctuation fund		4000	Debtors	70,000
Provident fund		16,000	Stock	36,000
Bad debt reserve		20,000	Cash	40,000
Creditors		30,000	Research and development expense	8000
Outstanding expense		15,000	Profit-loss A/c	10,000
		4,08,000		**4,08,000**

They admitted Palkhi as a new partner on 1-4-2016, on following terms:
(1) Kanha sacrifices of her share and Kavisha sacrifices 4th of her share in favour of Palkhi.
(2) Goodwill of the firm is valued 80,000.
(3) Kanha and Kavisha will withdraw 50% of their share of goodwill.
(4) Depreciation on machinery is to be provided at 10%.

(5) Bad debt of 6000 is to be written off and provision for bad debt reserve is to be kept at 15% on debtors.
(6) Market value of investment is 15,000.
(7) Claim for workmen's compensation to be accepted 50,000.
(8) 10% of creditors are not to be paid.
(9) Palkhi will bring 1,20,000 as capital and her share of goodwill in cash.

Ans. :

Revaluation Account

Dr | Cr

Particulars		Amt. (₹)	Particulars	Amt. (₹)
To Old partners' capital A/c (Profit)			By Outstanding interest A/c	6000
Tarana	21,500		By Land-Building A/c	25,000
Jineesha	21,500	43,000	By Prepaid insurance premium	12,000
		43,000		**43,000**

40. Kanha and Kavisha are partners in a firm sharing profit-loss in the ratio of 2:3. Balance sheet of their firm as on 31-3-2016 was as under:

Balance Sheet

Liabilities		Amt. (₹)	Assets	Amt. (₹)
Capital :			Building	1,10,000
Kanha	80,000		Machinery	50,000
Kavisha	1,00,000	1,80,000	Stock	30,000
Contingency reserve		15,000	Debtors	66,000
Workmen's compensation fund		40,000	Bank	14,000
Investment reserve		12,000	Investment	30,000
Creditors		50,000		
Bad debt reserve		3000		
		3,00,000		**3,00,000**

They admitted Palkhi as a new partner on 1-4-2016, on following terms:
(1)Kanha sacrifices $\frac{1}{2}$ of her share and Kavisha sacrifices $\frac{1}{4}$th of her share in favour of Palkhi.
(2)Goodwill of the firm is valued ₹ 80,000.
(3) Kanha and Kavisha will withdraw 50% of their share of goodwill.
(4) Depreciation on machinery is to be provided at 10 %.
(5) Bad debt of 6000 is to be written off and provision for bad debt reserve is to be kept at 15% on debtors.

(6) Market value of investment is ₹ 15,000.
(7) Claim for workmen's compensation to be accepted ₹ 50,000.
(8) 10% of creditors are not to be paid.
(9) Palkhi will bring ₹ 1,20,000 as capital and her share of goodwill in cash.Prepare necessary accounts and balance sheet of new firm.

Ans. :

Dr **Revaluation Account** Cr

Particulars	Amt. (₹)	Particulars		Amt. (₹)
To Pro. for workmen's compensation	10,000	By Creditors A/c		5000
To Investment A/c	3000	By Loss transferred to old partners'		
To Machinery A/c	5000	capital A/c		
To Bad debt A/c	3000	Kanha	10,000	
To Bad debt reserve A/c	9000	Kavisha	15,000	25,000
	30,000			**30,000**

Dr **Partners' Capital Account** Cr

Particulars	Kanha (₹)	Kavisha (₹)	Palkhi (₹)	Particulars	Kanha (₹)	Kavisha (₹)	Palkhi (₹)
To Bank A/c (Goodwill)	8000	6000	–	By Balance b/d	80,000	1,00,000	–
To Revaluation A/c	10,000	15,000	–	By Contigency reserve A/c	6000	9000	–
To Balance c/d	84,000	1,00,000	1,20,000	By Bank A/c	–	–	1,20,000
				By Premium for goodwill A/c	16,000	12,000	–
	1,02,000	**1,21,000**	**1,20,000**		**1,02,000**	**1,21,000**	**1,20,000**

Dr **Bank Account** Cr

Particulars	Amt. (₹)	Particulars	Amt. (₹)
To Balance b/d	14,000	By Kanha's capital A/c	8000
To Palkhi's capital A/c	1,20,000	By Kavisha's capital A/c	6000
To Premium for goodwill A/c	28,000	By Balance c/d	1,48,000
	1,62,000		**1,62,000**

Balance Sheet as on 1-4-2016 After Admission

Liabilities		Amt. (₹)	Assets		Amt. (₹)
Capital :			Building		1,10,000
Kanha	84,000		Machinery		45,000
Kavisha	1,00,000		Stock		30,000
Rihan	1,20,000	3,04,000	Debtors	66,000	

Explanation (1) Sacrificing ratio :
Old ratio of Kanha and Kavisha $= 2 : 3$
Kanha sacrificed $\frac{1}{2}$ of his share.

$\therefore$ Sacrifice of Kanha $= \frac{2}{5} \times \frac{1}{2} = \frac{2}{10}$

Kavisha sacrificed $\frac{1}{4}$ th of her share.

$\therefore$ Sacrifice of Kavisha $= \frac{3}{5} \times \frac{1}{4} = \frac{3}{20}$

$\therefore$ Sacrificing ratio of Kanha and Kavisha $= \frac{2}{10} : \frac{3}{20} = 4 : 3$ (Making denominator equal)

$\therefore$ Goodwill will be distributed to both the partners in $4 : 3$ ratio.

(2) : Goodwill brought by Palkhi :

$$\begin{aligned} \text{Share of Palkhi in new firm } &= \text{ Sacrifice of Kanha } + \text{ Sacrifice of Kavisha} \\ &= \frac{2}{10} + \frac{3}{20} \\ &= \frac{4+3}{20} = \frac{7}{20} \end{aligned}$$

Goodwill brought by Palkhi $=$ ₹$80,000 \times \frac{7}{20} =$ ₹$28,000$

Goodwill brought by Palkhi will be distributed between Kanha and Kavisha in their sacrificing ratio.

Journal :

(1) Bank A/c...Dr	28,000	
$\quad$ To premium for goodwill A/c		$28,000$
(2) premium for goodwill A/c...Dr		
$\quad$ To Kanha's capital A/c	16,000	
$\quad$ To Kavisha's capital A/c	12,000	

(3) (1) Claim for workmen's compensation accepted is ₹ 50,000 against the provision for workmen's compensation ₹$40,000$. Therefore additional claim of ₹$10,000$ is debited to the revaluation account. (2) Decrease value of investment is ₹$15,000$ while investment fluctuation reserve is only ₹$12,000$. Therefore additional loss is debited to the revaluation account.

41. A and B are the partners sharing profit and loss in equal proportion. They admitted C as a new partner for 1/4 th share. Following balances were appearing in the balance sheet of A and B at the time of the admission of C.

Patents	Rs.	30,000	Goodwill	Rs.	20,000
Land-Building	Rs.	1,80,000	Machinery	Rs.	60,000
Stock	Rs.	35,000	Creditors	Rs.	40,000

On C's admission, they decided that,

(i) Patents are to be written off fully.

(ii) Value of land and building is to be increased by 20%.

(iii) Value of machinery is to be decreased upto 60%.

(iv) Stock was overvalued by Rs. 4,000 than its cost price.

(v) Creditors of Rs. 6,000 are not to be paid. Pass necessary journal entries and prepare the revaluation account.

Ans. :

Date/ No.	Particulars	L.F.	Debit(Rs.)	Credit(Rs.)
1.	Revaluation A/c Dr.		58,000	
	To Patent A/c			30,000
	To Machinery A/c			24,000
	To Stock A/c			4,000
	(Being decrease in the value of assets is transferred to Revaluation A/c)			
2.	Land-Building A/c Dr.		36,000	
	Creditors A/c Dr.		6,000	
	To Revaluation A/c			42,000
	(Being increase in the value of assets is transferred to revaluation A/c)			
3.	A's capital A/c Dr.		8,000	
	B's capital A/c Dr.		8,000	
	To Revaluation A/c			16,000
	(Being loss of revaluation A/c is distributed among old partners in old profit-loss ratio)			
	Total		**1,16,000**	**1,16,000**

Debit **Revaluation Account** **Credit**

Particulars	Amt.(Rs.)	Particulars		Amt.(Rs.)
To Patent A/c	30,000	By Land-Building A/c		36,000
To Machinery A/c	24,000	By Creditors A/c		6,000
To Stock A/c	4,000	By Loss transferred to old partners		
		A:	8,000	
		B:	8,000	16,000
	58,000			**58,000**

42. A, B and C are the partners sharing profit and loss in the ratio of 3:2:1. The balance sheet of the firm as on 31-3-2016 was as under:

Balance Sheet

Liabilities		Amt. (₹)	Assets	Amt. (₹)
Creditors		10,000	Goodwill	30,000
Partners' loan :			Patents	25,000
A	12,000		Building	80,000
B	20,000	32,000	Furniture	60,000
General reserve		18,000	Stock	50,000
Capital Accounts :			Debtors	60,000
A	90,000		Cash	15,000
B	90,000			
C	80,000	2,60,000		
		3,20,000		**3,20,000**

B died on 30-6-2016. Under the partnership agreement, the executor of B is entitled to receive following:
(1) Interest on his capital at 10% p.a.
(2) Share in general reserve.
(3) His loan and outstanding interest on loan.
(4) Value of goodwill is decided at ₹ 30,000
(5) Share of profit upto the date of death on the basis of last year's sales and profit. Sales for the year 2015-16 was ₹ 12,00,000. First three months sales of current year was ₹ 4,50,000. Net profit for the year 2015-16 was ₹ 2,40,000.
(6) Patents are to be written off fully. Building is to be appreciated by 20%. Prepare the balance sheet as on 30-6-2016 after the death of B.

Ans. :

Balance Sheet

Liabilities		Amt. (₹)	Assets	Amt. (₹)
Creditors		10,000	Building	96,000
A's loan		12,000	Furniture	60,000
B's executor's A/c		1,45,550	Stock	50,000
Capital Accounts :			Debtors	60,000
A	72,000		Cash	15,000
C	74,000	1,46,000	Profit and loss suspense A/c (30,000 profit + 2250 Interest on capital + 300 interest on loan)	32,550
		3,13,550		**3,13,550**

Section F

*** Answer The Following Essay Type Questions.** **[11]**

43. Dhara and Mira are partners sharing profit-loss in the proportion of 3:2. Final accounts of their partnership firm are as follows:

Trading Account and Profit and Loss Account of partnership firm of

Dhara and Mira for year ending on 31-3-2017

Particulars		Amt.(Rs.)	Particulars	Amt.(Rs.)
To cost of goods sold		4,64,000	By sales	7,84,000
To office expense		80,000	By sundry income	7,000
To show-room rent		10,000	By bad debts returned	1,000
To packing expense		12,000		
To bad debts		8,000		
To adv. expense		14,000		
To selling-dist. exp.		20,000		
To financial exp.		6,000		
To sundry exp.		16,000		
To salary		8,000		
To tax-insurance		2,000		
Net profit:				
Dhara	91,200			
Mira	60,800	1,52,000		
		7,92,000		7,92,000

Balance Sheet of Partnership Firm of Dhara and Mira as on 31-3-2017

Liabilities		Amt. (Rs.)	Assets	Amt. (Rs.)
Dhara:			Non-current assets:	
Capital	1,60,000		Fixed assets:	
+ Net profit	91,200		Building	2,40,000
	2,51,200		Plant-Machinery	20,000
- Drawings	48,000	2,03,200	Furniture	20,000
Mira:			Investments	24,000
Capital	1,20,000		Current assets:	
+ Net profit	60,800		Cash balance	10,000
	1,80,800		Bank balance	25,000
- Drawings	24,000	1,56,800	Bills receivable	5,000
Creditors		32,000	Debtors	56,000
Bills payable		8,000		
		4,00, 000		4,00,000

After preparation of annual accounts, it is found that:

1. 5% interest on capital is not calculated.
2. 10% depreciation on building is to be provided.
3. Prepaid salary is of Rs.400.
4. Interest on investments not received Rs.800.
5. Bad debts reserve of Rs.1,200 is to be maintained.
6. Credit purchase of Rs.1,600 is not recorded.

Prepare revised Trading account profit and loss A/c, Profit and loss appropriation ale and Balance sheet.

Ans. :

Dr. **Revised Trading Account of partnership firm of Dhara and Mira for the year ending on 31-3-2017** **Cr.**

Particulars		Amt.(Rs.)	Particulars	Amt.(Rs.)
To Cost of goods sold	4,64,000		By Sales	7,84,000
+ Unrecorded purchase	1,600	4,65,600		
To Profit and Loss A/c Gross Profit		3,18,400		
		7,84,000		7,84,000

Dr. **Profit Trading Account of Partnership firm of Dhara and Mira for the year ending on 31-3-2017** **Cr.**

Particulars		Amt.(Rs.)	Particulars	Amt.(Rs.)
Administrative expense:			By Trading A/c (Gross profit)	3,18,400
To Office expenses		80,000	By Bad debts recovered	1,000
To Salary	8,000		By Sundry income	7,000
+ Prepaid salary	400	7,600	By Int. on investments	800
To Tax-Insurance		2,000		
To Sundry expense		16,000		
Selling-Dist. expense:		20,000		
To Adv. expense		14,000		
To Packing expense		12,000		
To Showroom rent		10,000		
Financial expenses:		6,000		
Other expenses losses:				
To Bad debts (TB)	8,000			
+ B.D.R.(A)	1,200	9,200		
To Depn. Building		24,000		
To P. and l. Appro A/c		1,26,400		

(Net profit)			
	3,27,200		3,27,200

Dr. **Profit and Loss Appropriation Account of Partnership firm of Dhara and Mira for the year ending on 31-3-2017** Cr.

Particulars		Amt. (Rs.)	Particulars	Amt. (Rs.)
To Interest on capital			By Profit and Loss A/c	
Dhara	8,000	14,000	(Net profit)	1,26,400
Mira	6,000			
To Capital A/c (Divisible profit)				
Dhara	67,440			
Mira	44,960	1,12,400		
		1,26,400		1,26,400

Dr. **Partners Capital Account** Cr.

Date	Particulars	Dhara (Rs.)	Mira (Rs.)	Date	Particulars	Dhara (Rs.)	Mira (Rs.)
	To Draw. A/c	48,000	24,000	1-04-16	By Bal. b/d	1,60,000	1,20,000
31-3-17	To Bal. c/d	1,87,440	1,46,960	31-3-17	By Int.on Cap.A/c	8,000	6,000
				31-3-17	By P. and L. Appro. A/c (Divisible profit)	67,440	44,960
		2,35,440	1,70,960			2,35,440	1,70,960

Balance sheet of Partnership firm of Dhara and Mira as on 31-3-2017

Liabilities		Amt.(Rs.)	Assets		Amt.(Rs.)
Capital Accounts:			**Non-current Assets:**		
Dhara	1,87,440		**Fixed Assets:**		
Mira	1,46,960	3,34,400	Building	2,40,000	
Current Liabilities:			- depr.	24,000	2,16,000
Creditors	32,000		Plant-Machinery		20,000
+ unrec. purchase	1,600	33,600	Furniture		20,000
Bills payable		8,000	Investments		24,000
			Current Assets:		
			Cash balance		10,000
			Bank balance		25,000

		Debtors	56,000	
		- B.D.R. (A)	1,200	54,800
		Prepaid salary		400
		Receivable int. on investments		800
-	**3,76,000**			**3,76,000**

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