

OPEN STUDENT FOUNDATION

Date : 21-02-2024

STD 12 Commerce Elements of Account
12th Account Practice Sheet Day 5 (Part 1 - Ch.5)

Total Marks : 35

Section A

* Choose The Right Answer From The Given Options. [5]

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

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

Ans. :

(A) Nominal

2. In which account profit or loss of revaluation account is to be recorded?

- (A) Capital A/c in new ratio (B) Capital A/c in old ratio (C) Asset-receivable side of B/S (D) Capital-liabilities side of B/C

Ans. :

(B) Capital A/c in old ratio

3. 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

4. Revaluation account is type of account.

- (A) personal (B) nominal (C) real (D) temporary

Ans. :

(B) nominal

5. Internally generated goodwill should in the books of accounts.

- (A) Be shown (B) Not be shown (C) Be shown in capital ratio (D) Be shown in profit-loss ratio

Ans. :

(B) Not be shown

Section B

* Answer The Following Questions In One Sentence. [4]

6. How is a new partner admitted in a firm?

Ans. : Section 31 of the Indian partnership Act 1932, provides that a new partner shall not be admitted in the firm without the consent of all the existing partners, unless it has been agreed otherwise by the partners in the partnership agreement.

7. To which account profit or loss of Revaluation Account is to be recorded?

Ans. :

Profit or loss of revaluation account is to be recorded in partner's capital account in old profit and loss ratio.

8. When new partner brings his share of goodwill in cash, in which ratio it is to distributed among old partners?

Ans. :

When new partner brings his share of goodwill in cash in sacrifice ratio it is to be distributed among old partners.

9. What is sacrificing ratio? How it is calculated?

Ans. : At the time of admission of a new partner, old partners sacrifice some portion of profit in favour of new partner which is known as sacrifice ratio.

- Sacrifice of old partners = New partner's share x Sacrificing ratio of old partner.

Section C

* **Answer The Following Questions.**

[6]

10. A and B are the partners sharing profit and loss in the ratio of $\frac{4}{5}$ and $\frac{2}{10}$ They admitted C as a new partner for 20% profit of the firm.

Ans. : New Profit Sharing Ratio = 16 : 4 : 5

Sacrificing Ratio = 4 : 1

11. A, B and C are the partners of a firm. Their profit sharing ratio is $\frac{1}{2}$, $\frac{3}{10}$ and $\frac{1}{5}$ respectively. They admit D, as a new partner for $\frac{1}{6}$ th share. C would retain his original share after D's admission. Calculate new profit-loss sharing ratio.

Ans. :

$$\begin{aligned}\text{Old ratio of A, B and C} &= \frac{1}{2} : \frac{3}{10} : \frac{1}{5} \\ &= 5:3:2 \text{ (Making denominator equal)}\end{aligned}$$

$$\text{New partner D's share} = \frac{1}{6}$$

After admission of D, share of C = $\frac{1}{5}$ will be maintained

∴ Remaining share for A and B = Total share – C's share – D's share

$$\begin{aligned}\therefore \text{Remaining share for A and B} &= 1 - \frac{1}{5} - \frac{1}{6} \text{ or } 1 - \left(\frac{1}{5} + \frac{1}{6}\right) \\ &= \frac{30 - 6 - 5}{30} = \frac{19}{30} \text{ or } \frac{30 - (6 + 5)}{30} = \frac{19}{30}\end{aligned}$$

A and B will acquire remaining share $\frac{19}{30}$ in their relative ratio of 5:3.

$$\therefore \text{A's new share} = \frac{19}{30} \times \frac{5}{8} = \frac{95}{240}$$

$$\text{B's new share} = \frac{19}{30} \times \frac{3}{8} = \frac{57}{240} \text{ (Making denominator equal)}$$

$$\text{C's new share} = \frac{1}{5} = \frac{48}{240}$$

$$\text{D's new share} = \frac{1}{6} = \frac{40}{240}$$

∴ New ratio of profit and loss = 95 : 57 : 48 : 40

Section D

* Answer The Following Questions With Necessary Calculations.

[4]

12. Rutvi and Princy are partners sharing profit and loss in the ratio of 5: 3. The balance sheet of their firm as on 31-3-2017 was as under :

Balance Sheet			
Liabilities	Amt. (₹)	Assets	Amt. (₹)
Workmen's profit sharing fund	30,000	Bank	60,000
Creditors	1,20,000	Debtors	90,000
Workmen compensation reserve	60,000	Stock	60,000
Current account :		Building	4,50,000
Rutvi 1,50,000		Investments	1,05,000
Princy 1,95,000	3,45,000		
Capital account :			
Rutvi 1,20,000			
Princy 90,000	2,10,000		
	7,65,000		7,65,000

They admitted Manan as a partner on 1-4-2017 on the following terms:

- (1) Manan will bring his personal
- (2) niture RS.75,000 as capital. Out of creditors RS.60,000 are payable to Manan which is to be transferred to his capital account
- (3) Manan will be given $\frac{1}{5}$ th share in future.
- (4) Manan will bring RS.45,000 as goodwill in cash,
- (5) Goodwill of firm is valued at RS.3,00,000.
- (6) Credit purchase of RS.15,000 which was not recorded in creditors account and purchase account but it is included in closing stock.
- (7) Market value of stock of RS.45,000 is RS.36,000.
- (8) Liability of workmen compensation is RS.28,000.
- (9) Accrued interest on investment RS.24,000 is not recorded.

Prepare new balance sheet after admission.

Ans. : Balance Sheet:

BALANCE SHEET AS ON 1-04-2017 After admission			
Liabilites	Amount	Assets	Amount
Capital A/c		Furniture A/c	75,000
Rutvi-1,20,000		Stock A/c	51,000
Princy-90,000		Debtors A/c	90,000
Manan-1,35,000	3,45,000	Building A/c	4,50,000
Current A/c		Current a/c of Manan	15,000
Rutvi-2,07,500		Investment	1,05,000
Princy-2,29,500	4,37,000	Accrued intertest on inv.	24,000
Workmen's P.Sharing fund	30,000	Bank A/c (60,000+45,000)	1,05,000
Workmen compensation	28,000		
Creditors	75,000		
	9,15,000		9,15,000

Section E

* Answer The Following Questions In Detail.

[16]

13. 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	R	30,000	Goodwill	R	20,000
	s.			s.	
Land-Building	R	1,80,00	Machinery	R	60,000
	s.	0		s.	
Stock	R	35,000	Creditors	R	40,000
	s.			s.	

On C's admission, they decided that,

- Patents are to be written off fully.
- Value of land and building is to be increased by 20%.
- Value of machinery is to be decreased upto 60%.
- Stock was overvalued by Rs. 4,000 than its cost price.
- 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 D r. To Patent A/c To Machinery A/c To Stock A/c (Being decrease in the value of assets is transferred to Revaluation A/c)		58,000	30,000 24,000 4,000
2.	Land-Building A/c D r. Creditors A/c D r. To Revaluation A/c (Being increase in the value of assets is transferred to revaluation A/c)		36,000 6,000	42,000
3.	A's capital A/c D r. B's capital A/c D r. To Revaluation A/c (Being loss of revaluation A/c is distributed among old partners in old profit-loss ratio)		8,000 8,000	16,000
	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: <u>8,000</u>	16,000
	<u>58,000</u>		<u>58,000</u>

14. Aabha and Beena are partners in a firm sharing profit and loss in the ratio of 2:1. Their balance sheet as on 31-3-2017 was as under:

Balance sheet			
Liabilities	Amt.(Rs.)	Assets	Amt.(Rs.)
Capital account:		Goodwill	18,000
Aabha 80,000		Land-building	72,000
Beena <u>60,000</u>	1,40,000	Machinery	40,000
General reserve	18,000	Stock	36,000
Workmen compensation res.	4,500	Debtors 24,000	
Investment fluctuation res.	1,500	- Bad debt reserve <u>2,000</u>	22,000
Creditors	28,000	Investment	8,000
Bills payable	12,000	Cash-Bank	2,000
		Advertisement campaign expen.	6,000
	<u>2,04,000</u>		<u>2,04,000</u>

They admitted Rushil as a new partner from 1-4-2017 on the following conditions:

- (1) Rushil will bring Rs.1,00,000 as his capital and Rs.24,000 as goodwill in cash.
- (2) Value of land and building is to be increased by Rs.17,000.
- (3) Value of machinery is to be decreased upto Rs.32,000.
- (4) Provision for bad debt is to be kept at 10 % on debtors.
- (5) Provision for outstanding electricity bill is to be made at Rs.1,100.
- (6) New profit sharing ratio of all three partners is to be kept at 2:1:2. Pass necessary journal entries and prepare revaluation account, partners' capital account, cash-bank account and balance sheet after admission.

Ans. :

Date/No.	Particulars	L.F.	Debit (Rs.)	Credit (Rs.)
1.	General reserve A/c Dr.		18,000	
	To Aabha's capital A/c			12,000
	To Beena's capital A/c			6,000

	(Being general reserve distributed between old partners in their old profit-loss ratio)			
2.	Workmen compensation reserve A/c To Aabha's capital A/c To Beena's capital A/c (Being workmen compensation reserve distributed between old partners in their old profit-loss sharing ratio)	D r. 	4,500 	3,000 1,500
3.	Investment reserve A/c To Aabha's capital A/c To Beena's capital A/c (Being investment reserve distributed between old partners 1n their old profit-loss sharing ratio)	D r. 	1,500 	1,000 500
4.	Aabha's capital A/c Beena's capital A/c To Advertisement campaign exp. A/c (Being adv. campaign exp. written off between old partners in their old profit-loss sharing ratio)	D r. D r. 	4,000 2,000 	6,000
5.	Cash A/c To Rushi's capital A/c (Being capital brought by Rushil in cash)	D r. 	1,00,000 	1,00,000
6.	Aabha's capital A/c Beena's capital A/c To Goodwill A/c (Being old goodwill written-off between old partners in their old profit-loss sharing ratio)	D r. D r. 	12,000 6,000 	18,000
7.	Cash A/c To Premium for goodwill A/c (Being share in goodwill brought in cash by Rushil)	D r. 	24,000 	24,000
8.	Premium for goodwill A/c To Aabha's capital No To Beena's capital A/c (Being premium for goodwill distributed between old partners in their sacrificing ratio)	D r. 	24,000 	16,000 8,000
9.	Revaluation A/c	D r.	9,500	
[7]				

10.	To Machinery A/c To Bad debts reserve A/c To Outstanding electricity exp. A/c (Being decrease in machinery value, increase-in bad debts reserve and o/s electricity exp. debited to revaluation A/c)			8,000 400 1,100
	Land-Building A/c To Revaluation A/c (Being increase in land building credited to revaluation A/c)	D r.	17,000	17,000
11.	Revaluation A/c To Aabha's capital A/c To Beena's capital A/c (Being profit of revaluation account distributed among old partners in old ratio)	D r.	7,500	5,000 2,500
	Total		2,30,000	2,30,000

Debit		Revaluation Account		Credit	
Particulars	Amt.(Rs.)	Particulars	Amt.(Rs.)		
To Machinery A/c	8,000	By Land-building A/c	17,000		
To Bad debts reserve A/c	400				
To O/s electricity exp. A/c	1,100				
To Profit: Old Partners Capital A/c					
Aabha	5,000				
Beena	2,500				
	<u>7,500</u>				
	17,000				17,000

Debit		Partners Capital Account			Credit		
Particulars	Abha (Rs.)	Beena (Rs.)	Rushil (Rs.)	Particulars	Abha (Rs.)	Beena (Rs.)	Rushil (Rs.)
To Adv. campaign exp. A/c	4,000	2,000		By Balance b/f	80,000	60,000	
To Goodwill A/c	12,000	6,000		By Cash A/c			1,00,000
				By Premium for goodwill	16,000	8,000	
				By General res. A/c	12,000	6,000	
				By Workmen's			

				compensation reserve A/c	3,000	1,50 0	
To Balance c/f	1,01,0 00	70,5 00	1,00,0 00	By Investment reserve A/c	1,000	500	
				By Revaluation A/c	5,000	2,50 0	
	<u>1,17,0 00</u>	<u>78,5 00</u>	<u>1,00,0 00</u>		<u>1,17,0 00</u>	<u>78,5 00</u>	<u>1,00,0 00</u>

Debit		Cash/Bank Account		Credit	
Particulars	Amt.(Rs.)	Particulars	Amt.(Rs.)		
To Balance b/f	2,000	By Balance c/f	1,26,000		
To Rushil's capital A/c	1,00,000				
To Premium for goodwill A/c	24,000				
	<u>1,26,000</u>		<u>1,26,000</u>		

Balance sheet as on 1-4-2017 after admission

Liabilities		Amt.(Rs.)	Assets		Amt.(Rs.)
Capital:			Land-Building	72,000	
Aabha	1,01,00 0		+ Increase	<u>17,000</u>	89,000
Beena	70,000		Machinery	40,000	
Rushil	<u>1,00,00 0</u>	2,71,500	-Decrease	<u>8,000</u>	32,000
Creditors		28,000	Stock		36,000
Bills Payable		12,000	Debtors	24,000	
O/s electric exp.(bill)		1,100	- Bad debts reserve	<u>2,400</u>	21,600
			Investments		8,000
			Cash bank balance		1,26,000
		<u>3,12,600</u>			<u>3,12,600</u>
