

Important Questions 2010
Class-XII (Accountancy)

Q. 1. Following is the information given in respect of certain items of a sports club . you are required to show them in the income and Expenditure Account and the balance sheet of the club as on 31st march, 2008 .

Sports Fund as on 1.4.2007	1,00,000
Sports Fund Investments	1,00,000
Interest on sports fund investments	10,000
Donation of sports Fund	40,000
Sports prizes awarded	30,000
Expenses on sports events	10,000
General fund	2,00,000
General fund investments	2,00,000
Interest on general fund investments	20,000

Q. 2. Subscriptions received during the year ended December 31,2007 are as follows:

	Rs.	Rs.
For 2006	400	
For 2007	21,100	
For 2008	800	22,300

There are 450 members, each paying an annual subscription of Rs.50. Rs.450 were in arrears for 2006 at the beginning of 2007. Calculate the subscription to be shown in the Income and Expenditure Account for the year ended December 31, 2007.

Q. 3. From the following extracts of the Receipts and Payments Account and the additional information, you are required to compute the income and subscriptions for the year 31st December 2007 and show the subscription item in the final Accounts of the club.

RECEIPTS AND PAYMENTS ACCOUNT
for the year ended 31ST December, 2007

Receipts	Rs.	Payments	Rs.
To Subscriptions:			
2006	18,000		

2007	1,00,000		
2008	25,000		

Additional Information:

- i. Subscriptions outstanding as on 31st December, 2006: Rs.20,000.
- ii. Subscriptions outstanding as on 31st December, 2007: Rs.30,000.
- iii. Subscriptions received in advance as on 31st December, 2006: Rs.20,000.

Q. 4. From the following, find out the amount of subscriptions to be included in the Income and Expenditure Account for the year ended 31st March 2008. Subscriptions were received during the year 2007-08 as follows:

For the year 2006-07 Rs.2,000

For the year 2007-08 Rs.30,000

For the year 2008-09 Rs.3,000

Subscriptions outstanding as on 31st March 2007 were Rs.3,500 out of which Rs.500 were considered to be irrecoverable. On the same date, subscriptions received in advance for 2007-08 were Rs.2,000. Subscriptions still outstanding as on 31st March, 2008 amounted to Rs.6,000.

Q. 5. on the basis of the following information, calculate the amount that will appear against the item, Stationery Account, in the Income and Expenditure Account for the year ended 31st March, 2007.

Rs.

Stock of stationery on April 1,2006	3,000
Creditors for stationery on April 1,2006	2,000
Amount paid for stationery during 2006-07	10,800
Stock of stationery on 31st March,2007	500
Creditors for stationery on 31st March,2007	1,300

Note: Also show the above items in the Income and Expenditure Account for the year ended March 31, 2007 and in the balance Sheet as on that date.

Q. 6. From the following Receipts and payments Account of Defence Club,____ from the information supplied, prepare the Income and Expenditure account for the year ended December 31st,2007 and the Balance Sheet as on December 31, 2007.

RECEIPTS AND PAYMENTS ACCOUNT
for the year ended 31ST December, 2007

Receipts	Rs.	Payments	Rs.
To balance as on January 1,2007	3,500	By Salaries	14,000
To Subscriptions:		By General Expenses	3,000
2006	2,500	By Electricity Charges	2,000
2007	10,000	By Books	5,000

2008	2,000	14,500	By Newspapers	4,000
To Rent Received from the use of Hall		7,000	By Balance(as on December 31, 2007)	2,000
To _____ from Entertainment		4,000		
To sale of old Newspapers		1,000		
		30,000		30,000

- The club has 50 members each paying an annual subscription of Rs.250. Subscriptions Outstanding on 31st December, 2006 were to value of Rs.3,000.
- On the 31st December, 2007 Salaries outstanding amounted to Rs.1,000. Salaries paid in 2007 included Rs.3,000 for the year 2006.
- On January 1,2007 the club owned buildings valued at Rs.1,00,000, Furniture worth Rs.10,000 and Books Rs.10,000.

Q. 8. A and B are partners with capitals of Rs.60,000 and Rs.20,000 respectively on 1st April, 2007. The trading profit (before taking into account the provisions of the Deed) for the year ended 31st March, 2008 was Rs.24,000. Interest on capitals is to be allowed at 6% p.a. B is entitled to a salary of Rs.6,000 per annum. The drawings of the partners were Rs.6,000 and Rs.4,000; the interest for A being Rs.200 and for B Rs.100. Show how the Profit will be divided between A and B and also show the Capital Accounts (i) if they are fluctuating and (ii) if they are fixed.

Q. 9. A,B and C are partners with capitals of Rs.40,000, Rs.30,000 and Rs.20,000 respectively. B and C are entitled to annual salaries of Rs.2,000 and Rs.3,000 respectively payable before division of profits. Interest on capital is allowed at 5% p.a., but interest is not charged on drawings. Of the first Rs.12,000 divisible as profits in any year, A is entitled to 50%, B to 30% and C to 20%. Annual profits in excess of Rs.12,000 are divisible equally. The profit for the year ended 31st March, 2008 was Rs.20,100 after debiting partner's salaries but before charging interest on capital. The partner's drawings for the year were—A Rs.8,000; B Rs.7,500 and C Rs.4,000. The balance on the partner's current accounts on 1st April, 2007 were – A Rs.3,000(credit); B Rs. 5,00(credit); C Rs.1,000(Debit).

Prepare the Profit and Loss Appropriation Account and the Partner's Current Accounts for the year ended 31st March, 2008.

Q. 10. From the following Trial Balance of Delhi Club, prepare an Income and Expenditure Account for the Year ended on 31st march,2008 and a balance sheet as on the date:

Heads of Account	Dr. (Rs.)	Cr. (Rs.)
Cash in Hand.....	40,000	...
Cash at Bank.....	60,000	...
Sundry Debtors.....	1,20,000	...
Sundry Creditors.....	...	1,00,000
General Fund.....	...	4,50,000
Furniture.....	2,50,000	
Club House.....	4,00,000	

Rent.....	40,000	
Taxes and Insurance.....	50,000	
Secretary Honorarium.....	20,000	
Annual Subscription.....	...	6,50,000
Repair and paint to Club House.....	30,000	...
Extension of Club House.....	1,00,000	...
Wages.....	1,20,000	...
Printing and Stationery.....	20,000	...
Law charges.....	10,000	...
Subscriptions Received in Advance for 2008-09.....		60,000
Total	12,60,000	12,60,000

Additional Information:

- Subscriptions for 2007-08 outstanding Rs.25,000.
- Write off depreciation @ 10% p.a. on furniture.
- Write off depreciation @ 2% p.a. on Club House including extension.

Q. 11. In a partnership, partners are charged interest on drawings at 15% p.a. During the year ended 31st December, 2008 a partner drew as follows:

	Rs.
February 1	2,000
May 1	5,000
June 30	2,000
October 31	6,000
December 31	2,000

What is interest chargeable to the partner?

Q. 12. X, Y and Z are in Partnership with capital of Rs.1,20,000(credit), 1,00,000 (credit) and Rs.8,000(debit) respectively on 1st April,2006. Their partnership deed provides for the following: Partners are to be only allowed interest on capital @ 5% p.a. and are to be charged interest on drawings @ 6%p.a.

X is entitled to a remuneration of 10% of the net profit for securing contacts from customers.

Y is also entitled to commission of 10% of the net profit after charging clause(ii) above.

Z is entitled to a rent of Rs.200 at the beginning of every month and Z Rs.400 at the end of every month.

The net profit of the firm for the year ended 31st March, 2007 before providing for any of the above clauses was Rs.1,11,000.

From the above statements, you are required to draft only the Profit and Loss Appropriation account for the year ended 31st March,2007. (All calculations are to be the nearest to the rupee.)

Q. 13. A, B, C and D are partners. Their capital accounts on 1st April, 2007: A Rs.3,000; B Rs.5,000; C Rs.8,000 and D Rs.10,000. After the accounts for the year ended March 31,2008 have been prepared, it is discovered that interest at 5 % p.a. as provided for in the partnership agreement has not been credited to the Partner's Capital Accounts before distributing profits. Instead of altering the signed Balance Sheet it is decided to make an adjustment entry at the beginning of the next year. Give the necessary Journal Entry.

Q. 14. On March 31,2005 capital accounts of E, M and A after making adjustments for profits, drawings, etc. were as E—Rs.8,00,000, M—Rs.6,00,000, and A—Rs.4,00,000. Subsequently, it was discovered that interest on capital and interest on drawings had been omitted. The partners were entitled to interest on capital @ 5% p.a. The drawings during the year were—Rs.2,00,000, M—Rs.1,50,000, and A—Rs.90,000. Interest on drawings chargeable to the partners was: E—Rs.5,000, M—Rs.3,600 and A—Rs.2,000. The net profit during the year amounted to Rs.12,00,000. The profit sharing ratio of the partners was 3:2:1.

Record the necessary adjustment entry(s) for rectifying the above errors of omission. Show your workings.

Q. 15. A, B and C are partners in a firm sharing profits and losses in the ratio of 2:2:1. Their capitals (fixed) are Rs.1,00,000, Rs.80,000 and Rs.70,000 respectively. For the year 2005, interest on capital was credited to them @9% p.a. instead of 12%. Give adjusting Journal entry.

Q. 16. A, B, C, and D are partners sharing profits and losses in the ratio of 4:3:2:1. Their capitals as on April 31,2005 were Rs.3,00,000; Rs.2,50,000; Rs.1,50,000 and Rs.1,00,000 respectively. ___'s share of profits excluding interest on capital has been guaranteed by the firm to be not less than Rs.2,50,000. C's share of profits including interest on capital and salary guaranteed by A is not less than Rs.2,60,000. The profits for the year ended March 31,2006 were Rs.9,00,000 before interest on capital @ 10% and salary to C @ Rs.10,000 per month. Prepare the Profit and Loss Appropriation Account and distribute the profits.

Q. 17. A and B are in partnership and decide to admit C, the manger, as third partner from April 1,2006. Interest is to be allowed at 5% p.a. on partner's capitals are: A—Rs.50,000, B—Rs.30,000, C—Rs.10,000.

C is credited with a salary of Rs.500 per month, Rs.200 of which are to be debited to A, Rs.100 to B and Rs.200 to the firm. After providing for interest on capital, the profits are to be distributed in the ratio of 5:3:2. The partners' drawings, on which no interest is to be charged, is Rs.600, Rs.500 per month of A, B and C respectively. The profits for the year ended March 31,2007, amount to Rs.50,000 before making any of the above adjustments.

Draw up the Current Account of the partners in the ledger, giving effect of the above adjustments and showing the amount of cash each partner is entitled to at the end of the year.

Q. 18. X, Y and Z are partners sharing profits and losses in the ratio of 5:3:2 respectively. Their capital on 1st April, 2007 showed credit balances of Rs.80,000, Rs.70,000 and Rs.50,000 respectively. They withdrew Rs.200 each on the first of every month. According to their partnership agreement, they are allowed interest on capital @ 5% and charged interest on drawings @ 6% per year. The profits for the year ended March 31,2008 as per the Profit and Loss Account amounted to Rs.1,05,500 out of which Rs.20,000 were transferred to the General Reserve Account for the first time. X and Y are entitled to a commission of 5% on the net division profit after charging such commission.

Prepare the Profit and Loss appropriation Account, the General reserve Account and the Capital

Account in the books of the Partners and show the working of how you calculate the commission for Z. Do not calculate any answer in the fraction of rupee.

Goodwill : Nature & Valuation

Q. 19. The average net profits expected in future by G. Lal and Co. are Rs.30,000 per year. The average capital employed in the business by the firm is Rs.2,00,000. The normal rate of return on the capital employed in a similar business @ 10%. Calculate goodwill of the firm by:

- Super Profit Method on the basis of two year's purchase, and
- Capitalisation Method.

Q. 20. From the following information, calculate the value of goodwill of M/s. Sharma and Gupta:

- At three years' purchase of Average profits.
- At three years' purchase of Super profits.
- On the basis of capitalisation of Super Profits.
- On the basis of capitalisation of Average Profits.

Information:

- Average capital employed in the business—Rs.7,00,000
- Net Trading results of the firm for the past years: Profit 2004—Rs.1,47,600; Loss 2005—Rs.1,48,100; Profit 2006—Rs.4,48,700.
- Rate of interest expected from capital having regard to the risk involved—18%.
- Remuneration to each partner for his service—Rs,500 per month.
- Assets (excluding goodwill) –Rs.7,54,762. Liabilities—Rs.31,329.

Change in Profit Sharing Ration Among the Existing Partners

Q. 21. Raju, Shashtri and Tanka are partners in a firm, sharing profits and losses in the ratio of 5:3:2 . Their Balance Sheet as at 31st March, 2007 stood as follows:

Balance Sheet:

Liabilities		Amount	Assets		Amount
Sundry Creditors		25,000	Cash at bank		10,000
General Reserve		20,000	Sundry Debtors		22,000
Shashtri's Loan A/c		15,000	Less: Reserve for bad		
Capital A/c			Debtors		2000
Raju	25,000	40,000	Furniture		
Shashtri	10,000		Plant & Machinery		
Tanka	5,000		Stock		

Q. 22. The following is the balance sheet of X,Y,Z, who share profits and losses in the ratio of 2:3:1 as

at 31st March , 2007:

Balance Sheet:

Liabilities	Amount	Assets	Amount
X's capital A/c	1,00,000	Goodwill	12,000
Y's capital A/c	2,00,000	Land & Building	3,50,000
Z's capital A/c	3,00,000	Investments(Market value (96,000)	1,00,000
Workmen compensation Reserve	30,000	Stock	80,000
Investment Fluctuation Reserve	10,000	Debtors	3,00,000
Creditors	5,00,000	Less: provision doubtful debts	2,90,000
		10,000	2,96,000
		Cash at bank	12,000
		Advertisement Suspense A/c	
	11,40,000		11,40,000

On the above date, the partners changed their profit- sharing ratio to 3:2:1 . the following issues are agreed upon :

- Goodwill is to be valued at 2 years purchase of average profits of last three completed years.
The profits were : 2003-04- Rs. 45,000; 2004-05 – Rs. 90,000; 2005-06- Rs. 1,35,000
- Land & Buildings was found undervalued by Rs. 25,000 and the stock was found overvalued by Rs. 8,000.
- Provision for doubtful debts is to be made equal to 5% of the debtors.
- Claim on account of workmen compensation is Rs. 18,000. Pass the necessary Journal entries and prepare the balance Sheet of the new firm .

Q. 23. Raju, Shashtri and Tanka are partners in a firm, sharing profits and losses in the ratio of 5:3:2 . Their Balance Sheet as at 31st March, 2007 stood as follows:

Balance Sheet

Liabilities	Amount	Assets	Amount
Sundry Creditors	25,000	Cash at bank	10,000
General Reserve	20,000	Sundry Debtors 0	22,00
Shashtri's Loan A/c	15,000	Less: Reserve for bad	
Capital A/c		Debtors	2000
Raju	25,000	Furniture	10,000

Sashtri	10,000		Plant & Machinery	35,000
Tanka	5,000		Stock	25,000
		1,00,000		1,00,000

From 1st April, 2007, the partners decided to change their profit – sharing ratio as 2:1:2 instead of their former ratio of 5:3:2 and for that purpose the following adjustments were agreed upon:

- The Reserve for bad debt was to be raised to 10%
- Furniture was to be appreciated by Rs. 5,200. They did not, however, want to alter the book values of the assets and Reserves but record the change by passing one single Journal entry.

The Profit and loss account of the firm for the year ended 31st March, 2008 showed a profit(before any interest) of Rs. 23,000.

You are required:

- To show the single Journal entry adjusting the Partners capitals as on 1st April, 2007; and
- (b) To prepare the profit and loss appropriation Account for the year ended 31st March, 2008 after taking into consideration the following adjustments:
 - Interest on capital at 5% per annum;
 - Interest on Sashtri's loan Rs.1000.
 - Transfer 25% of the divisible profits to the reserve fund after charging such reserve.

Q. 24. Find out the new profit sharing ratio:

- K,L and M are partners sharing in the ratio of 3:2:1. They admit N for 1/6th share. M would retain his original share.
- A,B and C are partners sharing profits and losses in the ratio of 3:2:5. They admit D and given him 1/4th share. This share is contributed by them in the ratio of 1:1:3

Q. 25. (when the premium is brought in cash) A and B are partners in a firm sharing profits in the ratio of 2:1. On 1st April, 2007, their capitals are of 4,00,000 and Rs. 200,000 respectively. On that date, they admitted C as a new partner for 1/5th share in the future profits. The new profit sharing ratio of A,B and C will be 3:1:1 C brought in Rs. 100,000 as his capital and Rs. 21,000 as his share of premium.

Draft the journal entries and show the capital accounts of all the partners.

Q. 26. (Calculation of investment to be made to become a partner) A commenced his business with a capital of a Rs. 5,00,000 on 1st January, 2002. during the five years ended 31st December, 2006, the results of his business were:

Year	Rs.
2002 Loss	10,000
2003 profit	26,000
2004	34,000

profit	
2005 profit	40,000
2006 profit	50,000

During this period, he withdrew Rs. 80,000 for his personal use. On 1st January, 2007, he admitted B in to partnership on the following terms:

- Goodwill is to be valued at 3 times the average profits of last five years
- B will have $\frac{1}{2}$ share of the future profits
- He will bring in his share of goodwill in cash
- He will bring in capital in cash equal to that of A after his admission. Calculate the amount to be brought in by B and make entries to record the transactions pertaining to admission

Q. 27. P and S were partners in a firm sharing profits in the ratio of 3:2. Their Balance Sheet as on 31st March, 2008 was as follows:

Balance Sheet

Liabilities	Amount	Assets	Amount
Bank overdraft	20,000	Cash in hand	8,000
Creditors	30,000	Debtors	30,000
Provisions for bad debts	1,000	Bills receivable	40,000
General reserve	15,000	Stock	50,000
V's loan	20,000	Buildings	90,000
Capital A/c		Land	1,48,000
P 1,00,000			
S 1,80,000	2,80,000		
	3,66,000		3,66,000

On 1st April, 2008, they admitted V as a new partner on the following conditions:

- V will get $\frac{1}{8}$ th share in the profits of the firm
- V's loan will be converted in to his capital.
- The goodwill of the firm was valued at Rs. 80,000 and V brought in his share of goodwill in cash.
- A provision for bad debts was to be made equal to 5% of the debtors.
- stock was to be depreciated by 5% (vi) Land was to be appreciated by 10%

Prepare the revaluation Account, the capital Accounts of P,S and V and the Balance Sheet of the new firm as on 1st April, 2008

Q. 28. X and Y sharing profits in the ratio of 3:2 had the following Balance Sheet as on March 31, 2008

Balance Sheet

Liabilities		Amount	Assets		Amount
Creditors		15,000	Cash in hand		5,000
General reserve		12,000	Debtors	20,000	
Capital A/c			Less provision for		
X	54,000		doubtful debts		19,200
Y	36,000	90,000	Patents	800	14,800
Current A/c			Investments		8,000
X	10,000		Machinery		72,000
Y	2,000	12,000	Goodwill		10,000
		1,29,000			1,29,000

On April 1, 2008, they decided to admit Z on the following terms:

- A provision of 5% is to be credited on debtors.
- Accrued income of Rs. 1500 does not appear in the books and Rs. 5000 are outstanding for salaries.
- The present market value of investments is Rs. 6,000. X takes over the investments at this value.
- The new profit-sharing ratio of partners will be 4:3:2.
- Z will bring in Rs. 20,000 as his capital.
- Z is to pay in cash an amount equal to his share in the firm's goodwill valued at twice the average profits of the last 3 years which were Rs. 25,000; Rs. 26,000 and Rs. 30,000 respectively
- Half the amount of goodwill is withdrawn by the old partners.

You are required to pass the journal entries. Prepare the Revaluation Account, the Partner's Capital Accounts, the Current Accounts and the opening Balance Sheet of the new firm.