Solution – SET A

COMMON EXAMINATION

TERM I (SEP – 2022)

Class 12 - Accountancy

Section A

1. **(d)** Opening capital

   Explanation: Calculation of interest on capital should be always done on the opening capital first and after that on additional capital introduced (if any) by the partner during the year. Interest on opening capital and additional capital should be shown in a combined manner as total interest on capital during the year.

   Interest on capital calculation = Amount of capital at the beginning $\times \frac{\text{Rate of interest}}{100}$ + amount of additional capital introduced $\times \frac{\text{Rate of interest}}{100} \times \frac{\text{period}}{12}$

2. **(b)** 10,000

   Explanation: Minimum guarantee of profit to a partner means, that partner will not get the less amount than the guarantee amount. If there is any deficiency, it will be borne by the existing partners who have given guarantee. But it does not mean that he will get only guarantee amount if his profit exceeds the limit of guaranteed amount, that will be paid to him. For example, in the above question guaranteed amount of C is Rs. 8,000 but he is getting Rs. 10,000 (Rs. 30,000 × $\frac{1}{3}$) as per the profit-sharing ratio. So he will get Rs. 10,000 instead of Rs. 8000.

3. **(d)** Current account

   Explanation: When capitals are fixed, we prepare two accounts (i) Partner’s fixed capital account and (ii) Partner's Current Account. In the capital account, only capitals are shown with additional capital and withdrawn of capital (if any). In current, all items are recorded except capitals i.e. Interest on capital, profit, drawings, interest on drawings, salary, commission, the share of profit etc.

4. **(a)** Rs.40,000

   Explanation: Follow these steps to calculate the value of goodwill:

   i. Calculation of Capital Employed: Total Assets - Liabilities = 2,40,000 - 80,000 = 1,60,000
   ii. Normal Profit = Capital Employed × $\frac{\text{NRR}}{100}$ = 1,60,000 × $\frac{10}{100}$ = 16,000
   iii. Super Profit = Average Profit - Normal Profit = 20,000 - 16,000 = 4,000
   iv. Goodwill = $\frac{\text{Super profit}}{\text{NRR}}$ × 100 = $\frac{4000}{10}$ × 100 = 40,000

5. Profit 28,000

6. **(a)** Rs.18000

   Explanation: Calculation of Super Profit:

   Actual Average profit = 68,000 – 8,000 (remuneration) = 60,000

   Normal profit = 3,50,000 × 12/100 = 42,000

   Super Profit = 60,000 – 42,000 = 18,000

7. **(b)** Poonam Nil; Pooja Gain $\frac{1}{30}$; Priya Sacrifice $\frac{1}{30}$

   Explanation: Sacrificing Ratio = Old ratio - New ratio.

8. **(b)** Debit A and Credit B with Rs. 5,000

   Explanation: In this case, the adjustment will be made as follows:

   i. Goodwill of the firm Rs.30,000 (given)
   ii. A’s Gain share in goodwill 30,000 × $\frac{1}{6}$ = 5,000
   iii. B’s Sacrifice share of goodwill 30,000 × $\frac{1}{6}$ = 5,000

   Now, Debit the gainer and credit the sacrificing partner.

Hence,

A's Capital Account	Dr.		5000	
To B's Capital A/c				5000

9. Rs. 10,00,000
10. **(d)** Nominal Account

    Explanation: Revaluation Account or profit & loss adjustment account is Nominal Account. Revaluation account is opened by the firm to record the gains and losses arising from the revaluation of assets and reassessment of liabilities at the time of reconstitution of the firm. Hence, the output is either a profit or a loss, so it is a nominal account.
11. **(b)** 19 : 11 : 10

    Explanation: Calculation of new profit sharing ratio

    Old ratio of X & Y = 3:2

    New partner Z's Share= $\frac{1}{4}$ which he acquires equally from X and Y= $\frac{1}{4} \times \frac{1}{2} = \frac{1}{8}$

    X's new share = $\frac{3}{5} - \frac{1}{8} = \frac{19}{40}$ Y's new share = $\frac{2}{5} - \frac{1}{8} = \frac{11}{40}$

    Z's Share = $\frac{10}{40}$

    19 : 11 : 10
12. **(d)** New Partner's Capital A/C OR Current A/C ... Dr.

    To Sacrificing Partner's Capital / current A/c

    Explanation: New partner's Capital A/c should be debited or (the current account should be debited in case of fixed capital method) if he is unable to bring his share of the premium for goodwill in cash. and Credited to sacrificing partners Capital or current A/c (in case of fixed capital A/c)
13. **(d)** Debited to Revaluation Account

    Explanation: Decrease in the value of assets or increase in the value of liabilities is debited to this account and increase in the value of assets and decrease in the value of liabilities is credited to this account and profit or loss is transferred to old partners capital account in their old profit sharing ratio.
14. **(c)** Retiring partner's share of goodwill only

    Explanation: The main purpose of the calculation of gaining ratio at the time of retirement of a partner is to adjust his share of goodwill. After calculating his share of goodwill, gaining a partner's capital account will be debited in their gaining ratio and outgoing partner's capital account will be credited.
15. **(c)** 75:45

    Explanation: Old ratio = 25 : 15 : 9

    New ratio = 15 : 9

    L's share = $\frac{25}{49}$

    M's gain = $\frac{15}{49} - \frac{15}{24} = \frac{375}{1176}$

    N's gain = $\frac{9}{49} - \frac{9}{24} = \frac{225}{1176}$

    Gain Ratio = 375 : 225 = 75:45
16. **(b)** Partner's Executor's Account

    Explanation: Amount due to deceased partner i.e. his capital balance, the share of the reserve, the share of profit, revaluation profit or loss etc. will be adjusted in deceased partner's capital account, and same will be transferred to the executor of the deceased partner. Such an account can be settle immediately or afterwards along with interest.
17. **(c)**

Realisation A/c	Dr.	9,000	
To Z's Capital A/c			9,000

Explanation: Partner is getting Rs.9,000 remuneration but expenses paid by him Rs.11,500. He is paying Rs.2,500 from his pocket. In simple words, excess 2,500 will be paid and borne by the partner so it should not be recorded. We record only 9,000 which is paid by the firm.

Entry will be :

Realisation A/c	Dr.	9,000	
To Z's Capital A/c			9,000

18. **(a)** not transferred to Realisation Account

    Explanation: A loan from a partner is not an external liability.

19. **(a)** No Entry is required

    Explanation: If an asset is taken over by the external liabilities for the full settlement of their due amount, in such a case no need to record any journal entry. Because Assets and Liabilities both are transferred already in Realisation A/c. Now no Entry will be passed.

20. Credited to Bank Account

Section B

21. **Calculation of Interest on Capitals :-**

Particulars	**₹**
Arun: From 1st April, 2015 to 30th September, 2015 = ₹4,80,000$\times \frac{6}{100} \times \frac{6}{12}$	14,400
From 1st Oct., 2015 to 31st March, 2016 = ₹ 5,20,000 $\times \frac{6}{100} \times \frac{6}{12}$	15,600
	30,000
Barun: From 1st April, 2015 to 30th September, 2015 = ₹ 5,40,000 $\times \frac{6}{100} \times \frac{6}{12}$	16,200
From 1st Oct., 2015 to 31st March, 2016 = ₹ 5,00,000 $\times \frac{6}{100} \times \frac{6}{12}$	15,000
	31,200

22.

In the books of Kabir and Farid

Journal

Date	**Particulars**	**L.F.**	**Dr. (₹)**	**Cr. (₹)**
2019 Apr.01	Premium for Goodwill A/c Dr.		56,000	
	To Kabir's Capital A/c			42,000
	To Farid's Capital A/c			14,000
	(Being share of goodwill credited to the existing partners in 3:1)			

Working Notes:

Average Profit for the last three years	$= \frac{90,000+1,30,000+(86,000+30,000)}{3}$ = ₹ 1,12,000
Goodwill of the firm	= Average Profits of the last three years $\times$ Number of Years' Purchase = ₹ (1,12,000 $\times$ 2) = ₹ 2,24,000
Manik's share of goodwill	= ₹ (2,24,000 $\times$ ¼) = ₹ 56,000
Sacrificing Ratio among the partners will be the same as the old ratio	= 3 : 1

Note: Loss due to fire has not been accounted for thus; the profits for the year 2018-19 is taken before deducting loss by fire.

Section C

23.

Ans.

In the books of Ankit, Bobby and Kartik

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
2019					
March 31	Ankit's Capital A/c	Dr.		32,000	
	Cash/Bank A/c	Dr.		52,000	
	To Realisation A/c				84,000
	(Stock costing ₹ 40,000 taken by Ankit at a discount of 20% and stock costing ₹ 40,000 sold at a profit of 30%)				
March 31	Realisation A/c	Dr.		69,000	
	To Bank/Cash A/c				69,000
	(Creditors settled)				
March 31	Realisation A/c	Dr.		22,000	
	To Bank/Cash A/c				22,000
	(Bobby's sister's loan paid off with interest)				
March 31	Kartik's Loan A/c	Dr.		12,000	
	Realisation A/c	Dr.		500	
	To Bank/Cash A/c				12,500
	(Kartik's loan settled)				

24. **Journal**

1.	Cash A/c....Dr.	Dr.	200000
	To Chetan's capital A/c		200000
	(Being capital bring by new partner in cash.)		
2.	Chetan's capital A/c...Dr.	Dr.	40000
	To Abhay's capital A/c		20000
	To Beena's capital A/c		20000
	(Being adjustment of goodwill made.)		

Working Note:

Hidden goodwill calculate

Hidden goodwill = new capital of the firm - capital employed

Capital employed = total assets (+ chetan capital) - outside liability

= 740000 - 100000 = 640000

New capital of the firm = chetan's capital × his opposite share

= 200000 $\times \frac{4}{1}$ = 800000

Hidden goodwill = 800000 - 640000 = 160000

Chetan's share of goodwill = 160000 $\times \frac{1}{4}$ = 40000

If no information is given old ratio is sacrificing ratio 1:1

25. (a) Calculation of new capitals of the existinging partners

Balance in Asha’s Capital (after all adjustments) = 1,60,000

Balance in Lata’s Capital = 80,000

Total Capital of the New Firm = 2,40,000

Based on the new profit sharing ratio of 3 : 1

Asha’s New Capital = ₹ 2,40,000 × $\frac{3}{4}$ = 1,80,000

Lata's New Capital = ₹ 2,40,000 × $\frac{1}{4}$ = 60,000

Note: The total capital of the new firm is based on the sum of the balance in the capital accounts of the continuing partners.

(b) Calculation of cash to be brought in or withdrawn by the continuing partners:

	Asha (₹)	**Lata (₹)**
New Capitals	1,80,000	60,000
Existing Capitals	1,60,000	80,000
c. Cash to be brought in on (paid off)	20,000	20,000

Books of Asha and Lata

Journal

Date	Particulars		L.F	Debit Amount (₹)	Credit Amount (₹)
	Bank A/c	Dr.		20,000	
	To Asha Capital A/c				20,000
	(Cash brought by Asha)				
	Lata's Capital A/c	Dr.		20,000	
	To Bank A/c				20,000
	(Surplus capital is withdrawn by Lata)				

26. **Journal of Ltd.**

Date	Particulars	Dr. (Rs.)	Cr. (Rs.)
1.	Gourav's Capital A/c.......Dr.	3,00,000	
	To Realisation A/c		3,00,000
	(Being machinery taken over by partner.)		
	No entry for Stock taken by Creditor		
2.	Bank A/c......Dr.	3,92,000	
	To Realisation A/c		3,92,000
	(Being Land and Building sold.)		
	Realisation A/c......Dr.	76,000	
	To Bank A/c		76,000
	(Being payment made to creditors)		
	Vaibhav's Capital A/c......Dr.	17,000	
	To Realisation A/c		17,000
	(Being assets taken over by partner.)		
	Realisation A/c	3,21,000	
	To Bank A/c		3,21,000
	(Being bank loan paid along with interest Rs. 21,000.)		

27. **Profit and Loss Appropriation Account**

Particulars	₹	Particulars		₹
To Profit and Loss A/c (Net Loss)	4,200	By Interest on Drawings A/c:		12600
(₹ 12,600-₹ 16,800)		Arun's Current A/c	150	
		Arora's Current AVc	300	
		Arora		450

		By Loss transferred to:		
		Arun's Current A/c	2,344	
		Arora's Current A/c	1,406	3300
	4,200			4,200

Notes:

Interest on Drawings:	Arun	Arora
Amount of Drawings	₹ 2,000	₹ 4,000
Rate of Interest	15% p.a.	15% p.a.
Interest on Drawings (for 6 Months)	₹ 150	₹ 300

Since the dates of drawings are not given, interest will be charged for average period of 6 months.

Interest on Capitals:	Arun	Arora
Opening Capital	₹ 60,000	₹ 80,000
Rate of Interest	12% p.a.	12% p.a.
Interest on Capital	₹ 60,000 $\times$ 12%	₹ 80,000 $\times$ 12%
	= ₹ 7,200	= ₹ 9,600

Total Interest on Capital = ₹ 16,800.

Interest on Capital is a charge against profit. Hence, will be debited to Profit and Loss Account.

Section D

28. Goodwill expresses the prudent value that a company can have beyond its assets, by way of a good reputation and a solid customer base, for example. Goodwill shows the value of a firm in terms of reputation thus calculated as follows:-

    1. **Capitalisation Method :**

       Total Capitalised Value of the Firm

       $=\frac{\text{Average Profit} \times 100}{\text{Normal Rate of Return}}$

       $=\frac{31,50,000 \times 100}{20}$

       = Rs 7,50,000

       Goodwill = Total Capitalised Value of Business - Capital Employed

       = Rs 7,50,000 - Rs 5,00,000 [i.e., Rs 3,00,000 (J) + Rs 2,00,000 (K)] Goodwill = Rs 2,50,000

    2. **Super Profit Method :**

       Normal Profit = Capital Employed x Normal Rate of Return

       = Rs 5,00,000 × 20/100 = Rs 1,00,000

       Average Profit = Rs 1,50,000

       Super Profit = Average Profit - Normal Profit

       = 1,50,000 - Rs 1,00,000 = Rs 50,000

       Goodwill = Super Profit x Number of Years' Purchase Goodwill =

       Rs 50,000 × 2 = Rs 1,00,000

29. **Working Notes:**

i. **Treatment of General Reserve:-**

General Reserve a/c	Dr.	60,000
To Ashok's Capital a/c		30,000
To Bhim's Capital a/c		20,000
To Chetan's Capital a/c		10,000

ii. **Treatment of Goodwill:-**

Old Ratio 3:2:1

New Ratio 1:1:1

Sacrifice = Old Share - New Share

Ashok's Sacrifice = 3/6 - 1/3 = 1/6

Bhim's Sacrifice = 2/6 - 1/3 = 0

Chetan's Sacrifice = 1/6 - 1/3 = -1/6 (Gain)

Entry for Goodwill:-

Chetan's Capital A/c	Dr.	50,000
To Ashok's Capital A/c		50,000

Revaluation A/c

Particulars		Amount	Particulars	Amount
To Building		6,000	By Land	60,000
To Revaluation Profit			By Creditors	12,000
Ashok	33,000			
Bhim	22,000			
Chetan	11,000	66,000		
		72,000		72,000

Capital A/c

Particulars	Ashok	Bhim	Chetan	Particulars	Ashok	Bhim	Chetan
To Ashok's Capital			50,000	By Bal b/d	2,00,000	1,00,000	50,000
To Bal. c/d	3,13,000	1,42,000	21,000	By Revaluation A/c	33,000	22,000	11,000
				By General Reserve	30,000	20,000	10,000
				By Chetan's Capital (WN2)	50,000		
	3,13,000	1,42,000	71,000		3,13,000	1,42,000	71,000

Balance Sheet

As At 1.4.2019

Liabilities		Amount	Assets	Amount
Creditors		88,000	Land	1,60,000
Bills payable		40,000	Building	94,000
Capital A/c			Plant	2,00,000
Ashok	3,13,000		Stock	80,000
Bhim	1,42,000		Debtors	60,000
Chetan	21,000	4,76,000	Bank	10,000
		6,04,000		6,04,000

30. **Revaluation Account**

Dr.				Cr.
Particulars	**Amount (₹)**	**Particulars**		**Amount (₹)**
To Bad debts	1,000	By Loss on Revaluation:		
		A's Capital A/c	750	
		B's Capital A/c	250	1,000 (b/f)
	1,000			**1,000**

Partners' Capital Accounts

Dr.							Cr.
Particulars	**A**	**B**	**C**	**Particulars**	**A**	**B**	**C**
To Revaluation	750	250		By Balance b/d	54,000	35,000	
To Goodwill	30,000	10,000		By Bank			23,200
To Balance c/d	39,450	30,150	23,200	By Premium for Goodwill	12,000	4,000	
				By Workmen Compensation Fund	3,000	1,000	
				By Investment Fluctuation Fund	1,200	400	
	70,200	**40,400**	**23,200**		**70,200**	**40,400**	**23,200**

WN1 Calculation of C's Capital

C's Capital = Total Adjusted Capital of A and B × Reciprocal of Combined Profit Share × C's Profit Share

A's Adjusted Capital = 54,000 + 12,000 + 3,000 + 1,200 − 750 − 30,000 = ₹39,450

B's Adjusted Capital = 35,000 + 4,000 + 1,000 + 400 − 250 − 10,000 = ₹30,150

C's Capital = (39,450 + 30,150) $\times \frac{4}{3} \times \frac{1}{4}$ = ₹23,200

Section E 31. **Revaluation Account**

Particulars		**Amount (Rs)**	**Particulars**	**Amount (Rs)**
To Machinery A/c		4,800	By Liability on Provident Fund	600
To Patent A/c		1,000	By Investment	5,800
To Profit Transferred to Capital A/c:				
Amit	300			
Balan	200			
Chander	100	600		
		6,400 ======		6,400 =======

Partner's Capital Account

Particulars	**Amit Amount (Rs)**	**Balan Amount (Rs)**	**Chander Amount (Rs)**	**Particulars**	**Amit Amount (Rs)**	**Balan Amount (Rs)**	**Chander Amount (Rs)**
To investment A/c			15,800	By Balance b/d	40,000	36,500	20,000
To Chander's Capital A/c	2,700	1,800		By Revaluation A/c (Profit)	300	200	100
To Chander's Loan A/c			10,300	By General Reserve	4,500	3,000	1,500
To Current A/c(Balancing figure)		5,900		By Amit's Capital A/c			2,700
To Balance c/d				By Balan's Capital A/c			1,800
	48,000	32,000		By Current A/c(Balancing figure)	5,900		
	50,700 ======	39,700 ======	26,100 ======		50,700 =======	39,700 =====	26,100 ======

Working Notes

One major change in the constitution of a partnership firm may occur if a partner undergoes retirement from the firm or in the event of his death. In both cases, the partner's account will have to be settled, and new ratios will have to be calculated. There is also the issue of treatment of goodwill.

Adjustment for Goodwill

Chander's share in goodwill = 27,000 $\times \frac{1}{6}$= Rs 4,500; to be contributed in gaining ratio i.e., 3 : 2

Amit will pay = 4,500$\times \frac{3}{5}$ = Rs 2,700

Balan will pay = 4,500$\times \frac{2}{5}$ = Rs 1,800

Adjustment for Capital

Combined capital ⇒Amit's adjusted capital= 42,100

Balan's adjusted capital= 37,900

Total= 80,000

New profit sharing ratio = 3:2

Amit's new capital = 80,000 $\times \frac{3}{5}$ = Rs 48,000

$\frac{2}{5}$

32.

			Realisation Account		Cr
Particulars		**Amt (Amt)**	**Particulars**		**Amt (Amt)**
To Sundry Assets A/c			By Sundry Liabilities A/c (Creditors)		1,20,000
Plant	80,000		By Kumar's Capital A/c (Plant taken over)		45,000
Furniture	45,000		By Shyam's Capital A/c (Motor van taken over)		30,000
Motor Van	25,000		By Cash A/c		
Stock	30,000		Plant	50,000	
Debtors	71,000	2,51,000	Furniture	40,000	
To Cash A/c (Creditors WN2)		1,00,000	Debtors (71,000 - 1,000)	70,000	1,60,000
To Cash A/c (Expenses)		5,000	By Loss on Realisation Transferred to (WN1)		
			Kumar's Capital A/c	500	
			Shyam's Capital A/c	300	
			Ratan's Capital A/c	200	1,000
		3,56,000			3,56,000

NOTE : In the absence of any information of realisation of an asset, it has been assumed that nothing is realised from that asset (e.g. stock in this case).

Dr				Partners' Capital Account			Cr
Particular	**Kumar (Rs.)**	**Shyam (Rs.)**	**Ratan (Rs.)**	**Particular**	**Kumar (Rs.)**	**Shyam (Rs.)**	**Ratan (Rs.)**
To Realisation A/c (Assets taken over)	45,000	30,000	---	By Balance b/d	68,000	50,000	27,000
To Realisation A/c (Loss on the realisation)	500	300	200				
To Cash A/c (Final Payment)	22,500	19,700	26,800				
	68,000	50,000	27,000		68,000	50,000	27,000

Dr.		Cash Account	Cr
Particulars	**Amt (Rs.)**	**Particulars**	**Amt (Rs.)**
To Balance b/d	14,000	By Realisation A/c (Creditors)	1,00,000
To Realisation A/c (Plant, Furniture and debtors realised)	1,60,000	By Realisation A/c (Expenses)	5,000
		By Kumar's Capital A/c (Final Payment)	22,500
		By Shyam's Capital A/c (Final Payment)	19,700

Chander's new capital = 80,000 × = Rs 32,000

		By Ratan's Capital A/c (Final Payment)	26,800
	1,74,000		1,74,000

working notes:

1. Loss on Realisation = 1,000

Loss on Realisation transferred to Kumar's capital account = 1,000×5/10 = 500

Loss on Realisation transferred to Shyam's capital account = 1,000 × 3/10 = 300

Loss on Realisation transferred to Ratan's capital account=1,000 × 2 = 200

2. Creditors = 1,20,000

Out of which 20,000 were untraceable

So the creditors were paid in full settlement amounting 1,20,000 - 20,000 = 1,00,000