विद्या सवर्थि साधिका

ANANDALAYA

PERIODIC TEST-2

Class : XII

Subject : Accountancy M.M : 80

Date : 21-09-2022 Time : 3 Hours

General Instructions:

1. This question paper contains two parts – A and B. There are 29 questions in the question paper and all the questions are compulsory.
2. Part A is compulsory for all candidates.
3. Part B has two options i.e. (1) Analysis of Financial Statements and (2) Computerized Accounting. You have to attempt only one of the given options.
4. Question No 1 to 9 and 20 to 26 are very short answer type questions carrying 1 mark each.
5. Question No 10 and 27 are short answer type- I questions carrying 3 marks each.
6. Question No 11 to 15 and 28 are short answer type-II question carrying 4 marks each.
7. Question No 16, 17 and 29 are Long Answer type-I question carrying 6 marks each.
8. Question No 18 to 19 long answer type-II question carrying 8 marks each.

Part A- Accounting for Partnership Firms and Companies

1. Read the following statements: Assertion (A) and Reason (R). Choose one of the correct alternatives given below: (1)

Assertion (A): Interest on capital to a partner is payable only out of profits.

Reason (R): Interest on capital is an appropriation of profits that is required to be provided irrespective of profits and loss.

Alternatives:

(A) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A).

(B) Both Assertion (A) and Reason (R) are true and Reason (R) is not the correct explanation of Assertion (A).

(C) Assertion (A) is true but Reason (R) is False

(D) Assertion (A) is false and Reason (R) is true

2. Interest on partner’s loan, when capitals are fixed, is credited to his ___________________. (1)

3. A and B are partners in partnership firm without any agreement. A has given a loan of ₹50,000 to the firm. At the end of year loss was incurred in the business. Following interest may be paid to A by the firm : (1)

(A) @5% Per Annum (B) @6% Per Annum

(C) @5% Per Month (D) Due to loss no interest on loan

4. Anuradha is a partner in a firm. She withdrew ₹6,000 in the beginning of each quarter during the year ended 31st March, 2019. Interest on her drawings @ 10% p.a. will be : (1)

(A) ₹900 (B) ₹1200 (C) ₹1500 (D) ₹600

5. If at the time of admission, Profit and Loss Account balance appears in the books, it will be transferred to__________________________. (1)

(A) Profit & Loss Adjustment Account (B) All partners’ Capital Accounts

(C) Old partners’ Capital Accounts (D) Revaluation Account

6. A, B and C are partners. A’s capital is ₹3,00,000 and B’s capital is ₹1,00,000. C has not invested any amount as capital but he alone manages the whole business. C wants ₹ 30,000 p.a. as salary. Firm earned a profit of ₹1,50,000. How much will be each partner’s share of profit: (1)

(A) A ₹60,000; B ₹60,000; C ₹Nil (B) A ₹90,000; B ₹30,000; C ₹Nil
(C) A ₹40,000; B ₹40,000 and C ₹40,000 (D) A ₹50,000; B ₹50,000 and C ₹50,000.

7. Give one points of difference between Profit and Loss A/c and Profit and Loss Appropriation A/c. (1)

8. Give two features of goodwill. (1)

9. Total capital employed by a partnership firm is ₹ 10,00,000 and its actual average profit is ₹ 2,50,000. Normal rate of return is 20% in similar firms working under similar conditions. The firm earns super profit of ___________________. (1)

10. A and B are partners in a firm sharing profit and losses in the ratio of 2:1. They decide to admit C as a new partner for 1/3 share on 01.04.2018. Goodwill of the firm is to be valued on the basis of two years purchases of the average profits for the last 3 years. The profits of the firm for the last three years were: (3)

Year ending	Profit/(Loss) (₹)
31st March 2016	3,00,000
31st March 2017	(1,00,000)
31st March 2018	2,50,000

Additional Information:
(i) There was an abnormal loss of ₹ 30,000 in the year 31st March, 2016.
(ii) Closing Stock as on 31st March, 2018 was overvalued by ₹ 30,000.
Calculate the value of Goodwill.

11. Ravi and Mohan were partners in a firm sharing profits in the ratio of 7:5. Their respective fixed capitals were Ravi ₹10,00,000 and Mohan ₹7,00,000. The partnership deed provided for the following: (4)
(i) Interest on Capital @ 12% pa.
(ii) Ravi's salary ₹6,000 per month and Mohan's salary ₹60,000 per year.
The profit till March 31-3-2019 was ₹5,04,000 which was distributed equally, without providing for the above. Record an adjustment entry.

12. Read the following text and answer Questions I to IV. (4)
Rohan and Mohan are two friends belonging middle class family. On 1st April, 2020 they started a business of Tyre manufacturing in the form of a partnership firm without any agreement and contribute ₹ 4,00,000 and ₹ 2,00,000 respectively as Capital. They know that the factory of Tyre manufacturing pollutes the environment. Therefore there are two options available before them:
(i) The factory can be opened in rural area where local residents are poor and illiterate.
(ii) An advanced pollution control plant can be installed in their factory to control the pollution.
They decided to choose the second option which involves an additional cost of ₹ 4,00,000. On 1st July 2020 to arrange this amount, the firm took a loan of ₹ 3,00,000 from ICICI Bank carrying interest @ 12% p.a. and rest ₹ 1,00,000 was provided by Rohan as a loan to the firm without any agreement.
During the year Rohan withdrew ₹ 4,000 at the end of each quarter and Mohan withdrew ₹ 12,000. Interest on drawing to be charged @ 6% p.a.
At the end of first year the firm earns a net profit of ₹ 1,50,000.

I. Drawing of Rohan will be shown on:
(A) Debit side of the Profit and Loss Appropriation A/c
(B) Debit side of the Rohan's capital A/c
(C) Credit side of the Profit and Loss Appropriation A/c
(D) Credit side of the Rohan's capital A/c

II. Interest on Rohan's loan will be:
(A) Nil (B) ₹12,000 (C) ₹ 4,500 (D) ₹ 9,000

III. State who is correct in the following case:
Rohan demands interest on capital@ 12% p.a. on ₹ 2,00,000 being his extra capital, Mohan does not agree.

IV. Interest on Mohan's Drawing will be:
(A) ₹720 (B) ₹360 (C) ₹240 (D) ₹120

13. Jay and Kiran are partners in a firm. Their capitals are Jay ₹3,00,000 and Kiran ₹2,00,000. During the year ended 30.3.2019 the firm earned a profit of ₹ 1,50,000. Assuming that the normal rate of return is 20%, calculate the value of goodwill of the firm. (4)
(i) By capitalisation of Average Profit method and
(ii) By super profit method if the goodwill is valued at 2 year's purchase of super profit.

14. Karan and Varun were partners in a firm sharing profits and losses in the ratio of 1 : 2. Their fixed capitals were ₹ 2,00,000 and ₹ 3,00,000 respectively. On 1st April, 2019 Kishore was admitted as a new partner for 1/4th share in the profits. Kishore brought ₹ 2,00,000 for his capital which was to be kept fixed like the capitals of Karan and Varun. Kishore acquired his share of profit from Varun. (4)
Calculate goodwill of the firm on Kishore's admission and the new profit sharing ratio of Karan, Varun and Kishore. Also, pass necessary Journal entry for the treatment of Goodwill on Kishore's admission considering that Kishore did not bring his share of goodwill premium in cash.

15. A, B and C sharing profits and losses in the ratio of 2:2:1. They decide to share profits and losses equally with effect from 1st April,2020. Following is the extract of their Balance Sheet as on 31st March,2020 (4)

Liabilities	Amount (₹)	Assets	Amount (₹)
Investment Fluctuation Fund	50000	Investment (at cost)	200000

Show the accounting treatment (Journal entry) under the following cases
Case (i) if the market value of the investment is ₹200000
Case (ii) if the market value of the investment is ₹180000
Case (iii) if the market value of the investment is ₹130000
Case (iv) if the market value of the investment is ₹275000

16. Geeta, Sita and Rita are partners in a firm sharing profits in the ratio of 3:2:1. On March 31, 2018, they decided to share profits equally. On that date the book of the firm shows following balances: (6)
• General reserve ₹30,000
• Profit and Loss account ₹10,000 (Dr.)
• Workmen compensation fund ₹10,000

Record necessary journal entries in the books of the firm under the following circumstances :
(i) When they want to transfer the reserve and other profit and loss in their capital accounts.
(ii) When they don't want to transfer the reserves and other profit and losses in their capital accounts but prefer to record an adjustment entry for the same.

17. The Partnership agreement between Maneesh and Girish provides that: (6)

(i) Profits will be shared equally;
(ii) Maneesh will be allowed a salary of ₹400 p.m;
(iii) Girish who manages the sales department will be allowed a commission equal to 10% of the net profits, after allowing Maneesh's salary;
(iv) 7% p.a. interest will be allowed on partner's fixed capital;
(v) 5% interest will be charged on partner's annual drawings;
(vi) The fixed capitals of Maneesh and Girish are ₹1,00,000 and ₹80,000 respectively. Their annual drawings are ₹16,000 and ₹14,000 respectively. The net profit for the year ending March 31, 2017 amounted to ₹40,000.

Prepare firm's Profit and Loss Appropriation Account.

18. Ajay, Binoy and Chirag were partners in a firm sharing profits and losses in the ratio of 3:2:1. On March 31, 2019, their Balance Sheet was as follows: (8)

Liabilities		₹	Assets	₹
Capital A/c			Fixed Assets	1,50,000
Ajay	50,000		Current Assets	65,000
Binoy	40,000			
Chirag	30,000	1,20,000		
Reserve Fund		18,000		
Creditors		27,000		
Employees Provident Fund		50,000		
		2,15,000		2,15,000

From April 1, 2019, they decided to share future profits and losses equally. For this purpose the following s were agreed upon:

(i) Goodwill of the firm was valued at ₹ 3,00,000.
(ii) Fixed Assets will be depreciated by 10%.
(iii) Expenses of ₹ 3,000 were paid by the firm for getting the value of fixed assets certified.
(iv) Capitals of the partners will be in proportion to their new profit sharing ratio. For this purpose Current Accounts will be opened.

Pass necessary Journal entries for the above transactions in the books of the firm.

19. Chander and Damini were partners in a firm sharing profits and losses equally. On 31st March, 2020 their Balance Sheet was as follows: (8)

Liabilities		₹	Assets	₹
Sundry Creditors		1,04,000	Cash at Bank	30,000
Capitals:			Bills Receivables	45,000
Chander	2,50,000		Debtors	75,000
Damini	2,16,000	4,66,000	Furniture	1,10,000
			Land and Building	3,10,000
		5,70,000		5,70,000

On 1.4.2020, they admitted Elina as a new partner for 1/3rd share in the profits on the following conditions:

(i) Elina will bring ₹ 3,00,000 as her capital and ₹ 50,000 as her share of goodwill premium, half of which will be withdrawn by Chander and Damini.
(ii) Debtors to the extent of ₹ 5,000 were unrecorded.
(iii) Furniture will be reduced by 10% and 5% provision for bad and doubtful debts will be created on bills receivables and debtors.
(iv) Value of land and building will be appreciated by 20%.
(v) There being a claim against the firm for damages, a liability to the extent of ₹ 8,000 will be created for the same.

Prepare Revaluation Account and Partners' Capital Accounts.

Part B - Analysis of Financial Statements

20. Read the following statements: Assertion and Reason. Choose one of the correct alternatives given below: (1)

Assertion (A): Inventory and prepaid expenses are current assets but not liquid assets.

Reason (R): liquid assets are those assets that are either in the form of cash or can be converted into cash in a short time. Inventory can not be converted into cash in a short time while prepaid expenses are not convertible into cash. Thus, they are excluded from Liquid Assets.

Alternatives:

(A) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A).

(B) Both Assertion (A) and Reason (R) are true and Reason (R) is not the correct explanation of Assertion (A)

(C) Assertion (A) is true but Reason (R) is False

(D) Assertion (A) is False and Reason (R) is True

21. Operating ratio is equal to____________________. (1)

(A) Cost of revenue from operations + Selling Expenses/Net revenue from operations

(B) Cost of production + Operating Expenses/Net revenue from operations

(C) Cost of revenue from operations + Operating Expenses/Net Revenue from Operations

(D) Cost of Production/Net revenue from operations.

22. If Operating cycle is 18 months and expected period of payment is 24 months, then under what heading and sub-heading will trade payables be shown? (1)

23. Equity Share Capital ₹20,00,000; Reserve 5,00,000; Debentures ₹10,00,000; Current Liabilities ₹8,00,000. Debt-equity ratio will be _____________. (1)

24. When can 'Receipt of Dividend' be classified as an operating activity ₹ State. Also give reason in support of your answer. (1)

25. How will you deal increase in the balance of 'Securities Premium Reserve' while preparing a Cash Flow Statement? (1)

(A) Cash Flow from Operating Activities

(B) Cash Flow from Investing Activities

(C) Cash Flow from Financing Activities

(D) Cash Equivalent

26. Name two sub-heads under the head 'Shareholders Funds' as per Schedule III Part 1 of the Balance Sheet. (1)

27. From the following details, calculate Return on Investment and Total Assets to Debt ratio: (3)

Fixed Assets ₹ 75,00,000; Current Assets ₹ 40,00,000; Current Liabilities ₹ 27,00,000; 12% Debentures ₹ 80,00,000; Net Profit after tax ₹ 2,94,000; Tax rate 40%.

28. From the following information calculate any two of the following ratios : (4)

(i) Gross Profit Ratio (ii) Working Capital Turnover Ratio (iii) Proprietary Ratio

Particular		₹
Share Capital		8,00,000
Current Assets		5,00,000
Credit Revenue from Operations		3,00,000
Cash Revenue from Operations	75% of credit RFO	
9% long term borrowings		3,40,000
Current liabilities		2,90,000
Cost of Revenue from Operations		6,80,000

29. You are required to prepare a Cash flow Statement (as per AS-3) for the year 2019-20 from the following Balance Sheets. (6)

Particulars	Note No.	31.3.2020	31.3.2019
I EQUITY AND LIABILITIES:			
1. Shareholders' Funds			
(a) Share Capital	1	10,00,000	6,00,000
(b) Reserves and Surplus	2	(20,000)	(1,50,000)
2. Non-Current Liabilities			
(a) Long –Term Borrowings (10% Debentures)		8,00,000	10,00,000
3. Current Liabilities			
(a) Short Term Borrowing (Bank overdraft)		5,00,000	3,00,000
(a) Trade Payables		70,000	50,000
(b) Short Term provisions	3	70,000	50,000
TOTAL		24,20,000	18,50,000
II ASSETS:			
1. Non -Current Assets			
(a) Fixed Assets -			
(i) Tangible Assets	4	8,20,000	10,40,000
(ii) Intangible Assets (Goodwill)		70,000	50,000
(b) Non Current Investments		13,20,000	5,00,000
2. Current Assets			
(a) Inventories		60,000	80,000
(b) Trade Receivables		80,000	90,000
(c) Current Investments		40,000	50,000
(d) Cash And Cash Equivalents		30,000	40,000
TOTAL		24,20,000	18,50,000

Notes to Accounts:

Particulars	Note No.	31.3.2020	31.3.2019
Share Capital	1		
Equity Share Capital		5,00,000	3,00,000
Preference Share Capital		5,00,000	3,00,000
Reserves and Surplus:	2		
Surplus i.e. Balance in Statement of P & L A/c		(1,00,000)	(2,00,000)
General Reserve		80,000	50,000
Short term provisions	3		
Provision for Taxation		70,000	50,000
Tangible Assets:	4		
Land and Building		5,00,000	8,00,000
Machinery		4,00,000	3,00,000
Less: Depreciation		(80,000)	(60,000)
		3,20,000	2,40,000

Additional Information:

i) Tax provided during the year ₹ 65,000.

ii) 10% Debentures were redeemed on 1st Oct.2019

iii) During the year Machinery costing ₹ 70,000 (Accumulated Depreciation ₹ 20,000) was sold at gain of 10% of book value.