INDIAN SCHOOL SOHAR
TERM I EXAMINATION (2022-23)
ACCOUNTANCY (O55)

Class: XII **Max. Marks: 80**
Date: 19/09/2022 **Time: 3 hours**

General Instructions:

1. All questions are compulsory.

2. Provide working notes wherever necessary.

3. Attempt all the parts of a question at one place.

4. Question nos. 1 to 16 are very short answer type questions carrying 1 mark each.

5. Question nos. 17 and 18 are short answer type–I questions carrying 3 marks each.

6. Question nos. 19 to 24 are short answer type–II questions carrying 4 marks each.

7. Question nos. 25 to 27 are long answer type–I questions carrying 6 marks each.

8. Question nos. 28 to 31 are long answer type–II questions carrying 8 marks each.

9. An internal choice has been provided in 2 questions of eight marks.

Q1. What do meant by Sweat Equity? **(1)**

Q2. **(1)**
Read the following statements: Assertion (A) and Reason (R). Choose one of the correct alternatives given below:
Assertion (A) The fixed capital balance of a partner may change due to additional capital introduced or capital withdrawn or both, during the year.
Reason(R) Under fixed capital method, the partner's capital account balance always remains same.
Alternatives:
(a) Both (A) and (R) are correct. R is not the correct explanation of (A)
(b) (A) and (R) are correct. R is the correct explanation of (A).
(c) Assertion (A) is correct and but the Reason (R) is not correct
(d) Both Assertion (A) and Reason (R) are not correct.

Q3. If fixed amount of ₹ 2,000 is withdrawn on the last day of every month and interest on drawing are charged @ 10% p.a. then, Calculate the interest on drawing. **(1)**

Q4. Chander and Suman are partners in a firm. Chander advanced a loan of ₹ 50,000 and claims interest @ 12% p.a on loan. State the reason whether the claim is valid. **(1)**

Q5. If the amount of super profit is negative what does it indicate? **(1)**

Q6. Rent paid to partner is debited to : **(1)**

(a)Partner's Capital A/c (b)Profit and Loss A/c

(c)Profit and Loss Appropriation A/c (d)Partner's Current A/c

Q7. What do you mean by Pro-rata allotment of shares? **(1)**

Q8. Vanya Ltd forfeited 20,000 shares of ₹ 100 each for nonpayment of first and final call ₹ 40 per share. The maximum amount of discount at which these shares can be reissued will be __________. **(1)**

Q9. What is meant by 'Hidden Goodwill'? Write the formula to calculate 'Hidden Goodwill'. **(1)**

Q10. Read the following statements: Assertion (A) and Reason (R). Choose one of the correct alternatives given below: **(1)**

Assertion (A): At the time of a partner, value of the firm is determined because new partner compensates the sacrificing partner or partners.

Reason (R): Goodwill of the firm is valued at the time of admission of partner because the new partner is the gaining partner and he will compensate the sacrificing Partner or Partner's.

Alternatives: (i) Both (A) and (R) are correct. R is not the correct explanation of (A)

(ii) Both (A) and (R) are correct. R is the correct explanation of (A).

(iii) Assertion (A) is correct and but the Reason (R) is not correct.

(vi) Both Assertion (A) and Reason (R) are not correct.

Q11. A company forfeited 4,000 shares of 10 each on which application money of ₹ 3 has been paid. Out of these 2,000 shares were reissued as fully paid up and ₹ 4,000 has been transferred to capital reserve. Calculate the rate at which these shares were reissued? **(1)**

Q12. D Ltd invited applications for issuing 10,00,000 equity shares of ₹ 10 each. The public applied for 8,55,000 shares. Can the company proceed for the allotment of shares? **(1)**

Give reason in support of your answer.

Q13. Calculate the amount of Second and Final call when Apaar Ltd., issues Equity shares of ₹ 10 each at a premium of 40%, payable on Application ₹ 3, on Allotment ₹ 5, on First call ₹ 2. **(1)**

Q14. Differentiate between 'Called-up Share Capital' and 'Paid- up Share Capital'. **(1)**

Q15. P, Q and R are partners sharing profits in the ratio of 3:3:2. As per the partnership agreement P is to get a minimum amount of 80,000 as his share of profits every year and any deficiency on this account is to be personally borne by Q. The net profit for the year ended 31st March, 2020 amounted to 3,12,000. Calculate the amount of deficiency to be borne by Q. **(1)**

Q16. **(1)**

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

Assertion (A): A company can issue its share either at par, at a premium, or even at a discount.

Reason (R): Amount in excess of the nominal value of the share is termed as premium and such amount of premium is credited to Securities Premium Account or Securities premium Reserve Account.

Alternatives: a) Both (A) and (R) are true and (R) is the correct explanation of (A).

b) Both (A) and (R) are true and (R) is not the correct explanation of (A).

c) Assertion (A) is true but Reason (R) is False.

d) Assertion (A) is False but Reason (R) is True.

Q17. (i) Give the journal entry to distribute 'Investment Fluctuation Reserve' of ₹ 44,000 at the time of admission of partner Z. When investment (Market Value ₹ 1,00,000) exist at ₹ 1,25,000. The firm has two partners X and Y with profit sharing ratio is 1:1. **(3)**

(ii) What is the purpose of calculating Sacrificing Ratio?

Q18. **(3)**

Seema and Teena are partners in a firm sharing profits and losses in the ratio of 3:2. They agree to admit Reena into partnership for 1/5th share of the profits on 1st April, 2021. On that date workmen's compensation fund stood in the balance sheet at ₹ 50,000. Write the journal entries for the treatment of workmen compensation fund on the admission of new partner Reena, under the following alternative cases.

(i) When the liability against workmen's compensation fund is determined at ₹ 20,000 which is to be paid later in the year.

(ii) When there is no claim on account of workmen's compensation fund.

Q19. **(4)**

Anjana purchased Sanjana's business on 1st April 2018.It was agreed to value goodwill at three years purchase of average normal profit of the last four years.

The profits of Sanjana's business for the last four years were 2015- 90,000; 2016 - 160,000; 2017 - 180,000; and 2018- 2, 20,000.

The following adjustments to be considered:

(i) During the year ended 31st March 2015, an asset was sold at a gain of 10,000.

(ii) During the year ended 31st March 2016, a machine got destroyed in accident and 30,000 were written off as loss in profit and loss account.

(iii)During the year ended 31st March 2017 an asset is sold at a profit of 10,000.

Calculate the value of goodwill.

Q20. Calculate the New Profit Sharing Ratio for the below cases: **(4)**

(i) Rajeev and Sanjeev are partners in a firm sharing profits in the ratio of 3:2 respectively. They admit Vijay as a new partner. Rajeev surrenders ¼ of his share and Sanjeev surrenders 1/3rd of his share in favor of Vijay. Calculate the new profit sharing ratio of Rajeev, Sanjeev and Vijay.

(ii) Kamal and Vimal are partners in a firm sharing profits and losses in the ratio of 7:3. Kamal surrenders 2/10th from his share and Vimal surrenders 1/10th from his share in favor of Nirmal; the new partner. Calculate the new profit sharing ratio and sacrifice ratio.

Q21. (i) Pass necessary journal entries for the following transactions in the books of Gopal Ltd., where It purchased a running business from Aman Ltd. for a sum of ₹ 15, 00,000. The payment of **(4)**

₹ 12,00,000 was made by issue of fully paid equity shares of ₹ 10 each and balance by a bank draft. The assets and liabilities consisted of the following: plant ₹ 3, 50,000; stock ₹ 4,50,000; land and building ₹ 6,00,000; sundry creditors ₹ 1,00,000.

(ii) Dukes Ltd issued 5,000 shares of ₹ 10 each credited as fully paid to the underwriters for their underwriting services. Pass the necessary journal entry in the books of Dukes Ltd.

Q22. Sun Pharma Ltd forfeited 90 shares of ₹ 10 each, ₹ 8 called up issued at a premium of ₹ 2 per share to Poonam for non-payment of allotment money of ₹ 5 per share (including premium). Out of these, 80 shares were reissued to Sanjay as ₹ 8 called up for ₹ 10 per share. **(4)**

Q23. On 1st April 2017, Beena Ltd., a pharmaceutical company was formed registered with an Authorized capital of ₹ 40,00,000 divided into equity shares of ₹ 10 each. The company issued prospectus inviting applications for the issue of 2,00,000 shares. Applications for 1,90,000 shares were received. All calls were made and were duly received except the final call of ₹ 2 per share on 6,000 shares. These shares were forfeited after the final call and later, half of these shares were reissued at ₹ 15,000 as fully paid. **(4)**

Show the following:

(i) Share Capital that will appear in the Balance Sheet of Beena Ltd. As per Schedule III Part I of the Companies Act, 2013.

(ii) Also prepare 'Notes to Accounts 'for the same.

Q24. Answer the following questions: (4)

(a) On 31st March, 2018 after the close of books accounts, the capital accounts of A and B stood at ₹ 60,000 and ₹ 80,000 respectively. The profits for the year ₹ 36,000 were distributed equally. The drawings made by A and B were ₹ 2,000 and by B ₹ 4,000 during the year. As per partnership deed, interest on capital was entitled @ 10% p.a. Calculate the interest on capital of A and B.

(b)Distinguish between Fixed Capital Account and Fluctuating Capital Account on the basis of Balance and Frequency of Change.

(c) Amar, Akbar and Anthony entered were partners in a stationery business. They supplied stationery in many schools across the city and over the counter too. Partnership deed entitled: on 1st April 2019 their capital were ₹ 3,00,000, ₹ 2,00,000 and ₹ 1,00,000 respectively. In addition to capital Anthony has advanced a loan of ₹ 1,00,000. Since they had no agreement to guide them, they faced following issues during and at the end of the year.

1. Amar wanted interest on capital to be provided @8% pa but Akbar and Anthony did not agree.

2. Anthony withdrew ₹ 10,000 from the firm for his personal use. Amar and Akbar demand that interest on drawings be charged @ 10% pa.

3. Amar and Akbar demanded to share profits in the ratio of their capital contribution; Anthony is not in agreement with this proposal.

4. Akbar, being working partner, demands a lump sum payment of 40,000 as remuneration for which other others partners are not in agreement.

You are required to suggest and help them resolve these issues. (In the absence of Partnership Deed).

Q25. A, B and C are partners in a firm. On 1st April 2021, their capital accounts stood at ₹ 4, 00,000, ₹ 3,00,000 and ₹ 2,00,000 respectively. They shared profits and losses in the ratio of 5:3:2 respectively. Partners are entitled to interest on capital @ 10% per annum and salary to B and C @ ₹ 2,000 per month and ₹ 3,000 per quarter respectively as per the provisions of the partnership deed. B share of profit (excluding interest on capital but including salary) is guaranteed at a minimum of ₹ 50,000 per annum. Any deficiency arising on that account shall be met by C. The profits of the firm for the year ended 31st March, 2022 amount to ₹ 2, 00,000. Prepare profit and loss appropriation account for the year ended on 31st March, 2022. **(6)**

Q26. Sterling Enterprises is a partnership business with Riya, Neetha and Dia as partners engaged in production and sales of electrical items and equipment. On 31st March, 2019, the balances in the Capital Accounts of Riya, Neetha and Dia after making adjustments for profits and drawings were ₹ 1,00,000, ₹ 1,25,000 and ₹ 75,000 respectively. Subsequently, it was discovered that interest on capital and interest on drawings has been omitted. **(6)**

The partners were entitled to interest on capital @ 10% p.a. Interest on drawings was also to be charged @ 10% p.a. The drawings during the year were: Riya ₹ 40,000, Neetha, ₹ 50,000 and Dia ₹ 20,000. The net profit for the year ending 31st March, 2019 amounted to ₹ 1,20,000. The profit sharing ratio was 2:2:1.

Show your workings clearly; pass necessary adjustment entry in the books of the firm

Q27 **(6)**

Prem, Param and Priya were partners in a firm, Their fixed capitals were Prem ₹ 2, 00,000; Param ₹ 3,00,000 and Priya ₹ 5,00,000. They were sharing profits in the ratio of their capitals. The firm was engaged in the sale of ready-to-eat food packets at three different locations in the City, each being managed by Prem, Param and Priya. The outlet managed by Prem was doing more work in operating business than the work done by Param and Priya.

Prem asked Param and Priya for a higher share in the profits of the firm which Param and Priya accepted. It was decided that the new profit sharing ratio will be 2:1:2.

On that date revaluation of assets and reassessment of liabilities was carried out that resulted into a gain of ₹ 12,000. On that date the goodwill of the firm was valued at ₹ 1,20,000. It was also decided that the total fixed capital of the firm will remain the same as before, which will be adjusted among partners in their profit sharing ratio. For this, cash will brought in or withdrawn by partners.

Based on the above information you are required to answer the following question:

1) Sacrifice/Gain in profit sharing by partners is:

(a) Prem gains by 2/10 and Priya sacrifices by 2/10.

(b) Prem gains by 2/10 and Param and Priya each sacrifice by 1/10 .

(c) Param gains by 1/10 and Priya sacrifices by 1/10.

(d) Param and Priya each gain by 1/10 and Prem sacrifices by 2/10.

2) Profit on revaluation will be distributed between partners in their

(a) New Profit sharing ratio   (b) Old Profit Sharing ratio

(c) Sacrificing Ratio   (d) Equal

3) Journal entry for treatment of goodwill is:

(a) Debit Param's Current A/c and Credit Prem's Current A/c by ₹ 12,000.

(b) Debit Prem's Current A/c by 1,20,000 and Credit Param's Current A/c and Priya's Current A/c by ₹ 60,000 each.

(C)Debit Goodwill A/c by ₹ 1,20,000 and Credit Prem's Current A/c by ₹ 24,000; Param by ₹ 36,000 and Priya's Current A/c by ₹ 60,000 .

(d) Debit Prem's Current A/c by ₹ 24,000 and Credit Param's Current A/c and Priya's Current: A/c by ₹ 12,000 each.

4) After adjusting capital, the cash withdrew or bring by partners will be:

(a) Prem will bring ₹ 2,00,000 and Param and Priya will withdrew ₹ 1,00,000 each.

(b) Prem will bring ₹ 1, 00,000 and Priya will withdrew ₹ 1,00,000.

(c) Param and Priya will bring ₹ 1,00,000 each and Prem will withdrew ₹ 1,00, 000.

(d) Prem will bring ₹ 1,00,000 and Param and Priya will withdrew ₹ 2,00,000 each.

Q28.

Sargam Ltd., invited applications for issuing 2,00,000 equity shares of ₹ 10 each, amount was as follows (8)

On application	2.50
On allotment	5.00
On first and final call	2.50

Applications for 3,50,000 shares were received and allotment was made as follows:

Category	Shares Applied	Shares Allotted
I	50,000	40,000
II	1,00,000	60,000
III	2,00,000	1,00,000

All the shares were allotted on pro-rata basis and excess application money was adjusted towards sums due on allotment.

Madhu who belongs to category I and to whom 800 shares were allotted failed to pay the allotment money. Her shares were forfeited immediately after allotment. Pooja who belonged to category III and who applied for 400 shares failed to pay the final call. Her shares were forfeited after the final call.

Out of the forfeited shares 80% shares were reissued as fully paid up @ ₹ 9 per share. The reissued shares included all the forfeited shares of Pooja.

Based on the above information you are required to answer the following questions:

1) What will be the amount transferred from Share Application A/c to Share Allotment A/c.

(a) ₹ 2,50,000 (b) ₹ 3,50,000

(c) ₹ 3,75,000 (d) ₹ 4,25,000

2) Number of shares allotted to Pooja is _______________

(a) 400 shares (b) 800 shares

(b) 200 shares (c) 500 share

3) Gain on reissue of shares is transferred to ______________.

4) What is the total number of shares subscribed by the public?

(a) 2,00,000 shares (b) 1,99,000 shares

(c) 1,99,800 shares (d) 3,50,000 shares

5) What amount is received at the time of share allotment?
   (a) ₹ 10,00,000 (b) ₹ 6,25,000
   (c) ₹ 6,21,500 (d) ₹ 6,18,400
6) Journal entry for the transfer of gain on reissue of shares:
   (a) Debit share capital A/c and Credit Share Forfeiture A/c ₹ 2,575.
   (b) Debit Share Forfeiture A/c and Credit Capital Reserve A/c ₹ 2,575.
   (c) Debit share capital A/c and Credit Share Forfeiture A/c ₹ 2,245.
   (d) Debit Share Forfeiture A/c and Credit Capital Reserve A/c ₹ 2,245.
7) State whether the following statement is true or false:

At the time of share forfeited, share capital account will be credited with paid up amount of shares.

OR (**8**)

Vikas Ltd was incorporated on 1st April 2021 with registered office in Mumbai. The Company wants to expand their operation, Since some large investments were required for building and machinery, the company invited applications for issuing 2,00,000 equity shares of ₹ 10 each at a premium of ₹ 3 per share. The amount was payable as follows:

On Applications - ₹ 4 per share

On Allotment - ₹ 6 per share (including premium ₹ 3)

On First and Final Call - Balance

Applications were received for 3,00,000 shares and allotment was made on pro-rata basis to all the applicants. Money overpaid on applications was utilized towards sums due on allotment. Sanjiv who applied for 6,000 shares failed to pay the allotment money while Ram holding 2,000 shares paid the first and final call money with allotment. Sanjiv's shares were forfeited immediately after allotment. There after first and final call was made and was duly received. Half of the forfeited shares were reissued to Vinay as fully paid for ₹ 9 per share.

Pass the necessary journal entries in the books of Vikas Ltd.

Q29. Alfa and Beta were partners sharing profits in the ratio of 3:2 respectively**.** (**8**)

On 31stMarch,2021, their Balance sheet will be as follows:

BALANCE SHEET as at 31st March, 2021

Liabilities		Amount (₹)	Assets		Amount (₹)
Creditors		17,500	Cash		2,500
Investment Fluctuation Fund		4,000	Debtors:	1 0,000	
Bank loan		10,000	(-) Provision for Doubtful debts:	350	9,650
			Stock		12,500
			Plant		17,500
Capital A/cs:			Patents		10,350
Alfa:	20,000		Investments		10,000
Beta:	15,000	35,000	Goodwill		4,000
		66,500			66,500

Gama was admitted as a new partner on the following conditions:

(i) Gama will get 4/15th share of profits; Gama had to bring ₹ 15,000 as his capital.
(ii) Gama would pay cash for his share of goodwill based on 2.5 years purchase of average profit of last 4 years
(iii) The profits of the years ending 31st March, 2018, 2019, 2020, 2021 were ₹ 10,000,
(iv) ₹ 7,000, ₹ 8,500 and ₹ 7,500 respectively
(v) Stock was valued at ₹ 10,000 and provision for doubtful debt was raised up to ₹ 500.
(vi) Plant was revalued at ₹ 20,000

Prepare Revaluation account, Partners' capital account and the balance sheet of the new firm.

OR **(8)**

Ajay and Sujay were partners in a fast-food corner sharing profits equally. They sold fast food items across the counter and did home delivery too. They decided to expand the area of operations. For this purpose, they needed a delivery van, a few Scotties and an additional person to support. So they decided to admit Vijay as a new partner .Their balance sheet as on 31st March 2021 was as under.

BALANCE SHEET

Liabilities	Amount	Assets	Amount
Creditors	1,00,000	Cash in hand	24,000
		Cash at Bank	30,000
Bills Payable	30,000	Sundry debtors 40,000	
Outstanding expenses	6,000	Less: Provision 1,000	39,000
		Stock	40,000
Capital accounts:		Furniture	20,000
Ajay	1,20,000	Plant and Machinery	36,000
Sujay	80,000	Land and building	1,47,000
TOTAL	3,36,000	TOTAL	3,36,000

Vijay was admitted as a partner from 1st April, 2021 on the following terms:

(i) Vijay will get 1/5th share in profits and will bring in ₹ 75,000 as his capital and ₹ 40,000 as share of goodwill.
(ii) The provision for doubtful debts should bring up to 5% on debtor.
(iii) Machinery is depreciated by ₹ 4,000 and furniture by 10%.
(iv) Stock to be valued at ₹ 46,000, Land and building be appreciated by 20%.
(vi) Investments of ₹ 4,000 which did not appear in books should be duly recorded.
(vii) Half of the goodwill is withdrawn by the partners.

On the basis of above information answer the following:

1) The new profit sharing ratio of Ajay, Sujay and Vijay will be

   (a) 2:1:2 (b) 1:2:2 (c) 2:2:1 (d) 2:1:1

2) What will be the journal entry for revaluation of stock?

   (a) Debit the Revaluation A/c and Credit stock A/c by 6,000,
   (b) Debit stock A/c and Credit Revaluation A/c by 6,000
   (c) Debit the Revaluation A/c and Credit stock A/c by 46,000
   (d) Debit stock A/c and Credit Revaluation A/c by 40,000

3) Write the journal entry for the treatment of goodwill.

4) What is the net result of revaluation?

5) What will be the proportionate closing capital of Ajay, Sujay and Vijay?