

**B. K. BIRLA CENTRE FOR EDUCATION, PUNE
(SENIOR SECONDARY CO-ED DAY CUM RESIDENTIAL SCHOOL, AFFILIATED TO CBSE NEW DELHI)**



ANSWER KEY MID TERM EXAMINATION, 2023-24

SUBJECT: ACCOUNTANCY

CLASS XII – COMMERCE

PART A – ACCOUNTING FOR PARTNERSHIP FIRM

- 1 C Share of A in profit= 40,000 less Deficiency paid to C=5,000. So net amount received by A=35,000. (1)
- 2 D Time left after first drawing=10 months; Time left after last drawing=1 month; $(10+1)/2=5.5$ (1)
- 3 (a) ₹ 60,000 (1)
- 4 (d) ₹15,000 (1)
- 5 (a) Debit Y and credit X with Rs. 6,000 (1)
- 6 (a) After providing for claim of workmen if any (1)
- 7 (c) Old Partners Capital Account (1)
- 8 (b) ₹ 25,000 (1)
- 9 (d) Premium for Goodwill (1)
- 10 (c) 2 : 2 : 1 (1)
- 11 (d) 21 : 19 (1)
- 12 (a) Written off by the old partners (1)
- 13 (a) Gain Ratio (1)
- 14 (c) Debit side of Realisation A/c (1)
- 15 (a) No Entry in this case (1)
- 16 (d) Cash Account (1)
- 17
- | | | | |
|--------------------------------------|-----------------|--------|--------|
| April 1 | General Reserve | Dr. | 75,000 |
| Workmen Compensation Reserve Account | Dr. | | 12,500 |
| Profit and Loss Account | Dr. | | 37,500 |
| To X's Capital Account | | 62,500 | |
| To Y's Capital Account | | 37,500 | |
| To Z's Capital Account | | 25,000 | |
- (Being the transfer of Reserves and Profits to old partners in their old profit-sharing ratio) (2)
- | | | |
|-----------------------------------|-----|--------|
| X's Capital Account | Dr. | 25,000 |
| Y's Capital Account | Dr. | 15,000 |
| Z's Capital Account | Dr. | 10,000 |
| To Advertisement Suspense Account | | 50,000 |

(Being the transfer of balance of Advertisement Suspense Account to old partners in their old ratio) (1)

18. Apr 1 (3)

Gulab's Capital A/c Dr 8,000
 Khushbu's Capital A/c Dr 32,000
 To Anant's Capital A/c 40,000

(Being the adjustment of goodwill among partners on the change in profit-sharing ratio)

Working Note

Calculation of Sacrifice/gain of each partner Due to Change in Profit Sharing ratio

Sacrificing/(Gaining) Share = Old Share - New Share

Anant's Sacrifice /(Gain) = $5/10 - 1/3 = (15-10)/30 = 5/30$ Sacrifice

Gulab's Sacrifice /Gain) = $3/10 - 1/3 = (9-10)/30 = 1/30$ Gain

Khushbu's Sacrifice/(Gain) = $2/10 - 1/3 = (6-10)/30 = 4/30$ Gain

ii. Calculation of Share of Goodwill

Anant = 2, 40, 000 x $5/30$ = Rs.40,000

Gulab = 2, 40, 000 x $1/30$ = Rs.8,000

Khushbu = 240,000 x $4/30$ = Rs.32,000

iii. Gulab and Khushbu have gained, so they will be debited by 8,000 and 32,000 respectively and Anant has sacrificed so he will be credited by 40,000

19. Calculation of New Profit Sharing Ratio: Note Y's Share is $3/9$ or = $1/3$ (3)

| | X | Z |
|--|---------|---------|
| (a) Their existing shares | $4/9$ | $2/9$ |
| (b) Share surrendered by Y in favour of X: $1/3 \times 1/9 =$ | $1/27$ | |
| Share surrendered by Y in favour of Z: $1/3 \times 8/9$ or * | | $8/27$ |
| (y's share - his surrender share in favour of x i.e. $1/3 - 1/27 = 8/27$) | | |
| (c) New Share of X and Z(a + b): | $13/27$ | $14/27$ |
| (d) or New Share of X and Y = 13:14 | | |

Calculation of Gaining Ratio: as we know that Gaining ratio = new ratio - old ratio so

X gain = $13/27 - 4/9 - 1/27$ & y gain = $14/27 - 2/9 - 8/27$ so 1:8

or

Gaining Ratio = Share surrendered by Y: Share surrendered by Y in favour of X in favour of Z = $1/27: 8/27 = 1:8$

20. (I) Partner's capital A/c Dr. 20,000

To cash/Bank A/c 20,000

(Being the dissolution expenses paid by the firm on behalf of the partner debited to his capital account)

(II) Realisation A/c Dr. 30,000

To partner's Capital A/c 30,000

(Being the remuneration to partner credited to his capital account)

(III) Realisation A/c Dr. 12,000

Partner's Capital A/c Dr. 20,000

To cash/bank A/c 32,000

(Being the dissolution expenses paid by the firm. Firm's share of expenses debited to realization account and balance to partner's capital account) (3)

$$21. (23,000-8,000=15,000) + (40,000 +12,000=52,000)+ (38,000 +6,000=44,000) / 3 \times 2 = 1,11,000 / 3 \\ \times 2 = 37000 \times 2 = \text{Rs.}74,000 \quad (4)$$

22. Solution:

(a) Ajay will bring ₹ 5,000 (1/4 of ₹ 20,000) as his share of goodwill (Premium)

(b) Sacrificing Ratio is 2:3 as calculated below:

$$\text{Vijay old ratio is } \frac{3}{5} \text{ \& the new ratio is } \frac{2}{4}, \text{ hence, his sacrificing ratio is } = \frac{3}{5} - \frac{2}{4} = \frac{12}{20} - \frac{10}{20} = \frac{2}{20}$$

$$\text{Sanjay, old ratio is } \frac{2}{5} \text{ \& the new ratio is } \frac{1}{4}, \text{ hence, his sacrificing ratio is } = \frac{2}{5} - \frac{1}{4} = \frac{8}{20} - \frac{5}{20} = \frac{3}{20}$$

Books of Vijay and Sanjay

| Journal Date | Particulars | L.F | Dr. (₹) | Cr. (₹) |
|--------------|---|-------|---------|---------|
| (i) | Bank A/c Dr. | | 35,000 | |
| | To Ajay's Capital A/c | | | 30,000 |
| | To Premium for Goodwill A/c | | | 5,000 |
| | (The amount of capital and goodwill brought by Ajay) | | | |
| (ii) | Premium for Goodwill A/c Dr. | 5,000 | | |
| | To Vijay's Capital A/c | | | 2,000 |
| | To Sanjay's Capital A/c | | | 3,000 |
| | (The amount of goodwill brought by Ajay shared by Vijay & Sanjay) | | | |

23. Profit and Loss Appropriation Account for the year ended....

(6)

| Particulars | Amount | Particulars | Amount |
|--|----------|-------------------------------------|---------------|
| To Interest on Capital | | By Profit and Loss A/c (Profit) (-) | 4,26,800 |
| P 36,000 | |) Interest on P's Loan | <u>12,000</u> |
| Q 24,000 | 60,000 | | 4,14,800 |
| | | By Interest on Drawings | |
| To Q's Commission | 60,000 | P 3,200 | |
| To Reserve A/c | 30,000 | Q 2,000 | 5,200 |
| To profit Transferred to capital a/cs: | | | |
| P 135,000 | | | |
| Q 135,000 | 2,70,000 | | |
| | 4,20,000 | | 4,20,000 |

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i. Cash A/c Dr 1,20,000 To E's Capital A/c 1,00,000 To Premium for Goodwill A/c 20,000 (Being cash and premium for goodwill brought in by E)

ii. premium for Goodwill A/c Dr 20,000 To C's Capital A/c 16,000 To D's Capital A/c 4,000 (Being premium for goodwill shared by old partners in sacrificing ratio, i.e., 4: 1)

iii. C's Capital A/c Dr 8,000 D's Capital A/c Dr 2,000 To Cash A/c 10,000 (Being half the goodwill withdrawn by C and D)

- iv. General Reserve A/c Dr 10,000 To C's Capital A/c 8,000 To D's Capital A/c 2,000 (Being general reserve distributed among old partners in old ratio)
- v Revaluation A/c Dr 16,300 To Outstanding Repair Bill A/c 2,300 To Stock A/c 2,000 To Furniture A/c 4,000 To Plant and Machinery A/c (80,000 10%) 8,000 (Being the decrease in the value of assets and increase in the value of liabilities recorded)
- vi. Bad Debts A/c Dr 2,000 To Debtors A/c 2,000 (Being bad debts charged)
- vi. Provision for Doubtful Debts A/c Dr 2,000 To Bad debts A/c 2,000 (Being Bad debts written-off)
- vii Investment A/c Dr 7,000 Provision for Doubtful Debts A/c (WN) Dr 640 To Revaluation A/c 7,640 (Being decrease in the value of liabilities and increase in the value of assets recorded)
- viii C's Capital A/c Dr 6,928 D's Capital A/c Dr 1,732 To Revaluation A/c 8,660 (Being loss on revaluation transferred to old partners in old ratio)

Working Notes

- i. Distribution of Goodwill in Sacrificing Ratio C's share = D's Share = NOTE It has been assumed that the C and D sacrifice ratio is 4:1 as equal to old profit sharing ratio.
- ii. Loss of Revaluation It can be ascertained by preparing revaluation account in the following manner

| Dr | | Revaluation Account | | Cr | |
|--------------------------------|----------|---------------------------|-------|----------|--|
| Particulars | Amt (Rs) | Particulars | | Amt (Rs) | |
| To Outstanding Repair Bill A/c | 2,300 | By Investment A/c | | 7,000 | |
| To Stock A/c | 2,000 | By Provision for Doubtful | | | |
| To Furniture A/c | 4,000 | Debts A/c | | 640 | |
| To Plant and Machinery A/c | 8,000 | By Loss on Revaluation | | | |
| | | Transferred to | | | |
| | | C's Capital A/c | 6,928 | | |
| | | D's Capital A/c | 1,732 | 8,660 | |
| | 16,300 | | | 16,300 | |

iii. Provision for Bad Debts Debtors = 36,000

iv. (-) Bad debts = (2,000), which will be adjusted against the provision for bad debts Rs 34,000 New provision for doubtful debts @ 4% = 34,000 Existing provision after adjusting bad debts (4,000 - 2,000) = 2,000 (-) New provision = (1,360) Excess Provision = Rs 640

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| Particulars | L.F. | Dr.(₹) | Cr.(₹) |
|--|------|--------|--------|
| 2023 April 1 | | | |
| Prepaid Insurance A/c | Dr. | | 5,000 |
| Provision for Doubtful debts A/c | Dr. | 1,300 | |
| To Revaluation A/c | | 6,300 | |
| (Increase in the value of assets recorded through revaluation account) | | | |
| Revaluation A/c | Dr. | 12,000 | |
| To Land and Building A/c | | 12,000 | |
| (Decrease in the value of assets recorded through revaluation account) | | | |
| X's Capital A/c | Dr. | 2,850 | |
| Y's Capital A/c | Dr. | 1,900 | |
| Z's Capital A/c | Dr. | 950 | |
| To Revaluation A/c | | 5,700 | |
| (Loss on revaluation transferred to old partners capital account in old profitsharing ratio) | | | |
| X's Capital A/c | Dr. | 3,000 | |
| Y's Capital A/c | Dr. | 6,000 | |
| To Z's Capital A/c | | 9,000 | |
| (Goodwill adjusted in the gaining ratio 1:2) | | | |
| Z's Capital A/c | Dr. | 69,300 | |
| To Bank A/c | | 9,300 | |
| To Z's Loan A/c | | 60,000 | |
| (The balance of Z's Capital A/c transferred to his loan A/c) | | | |
| Bank A/c | Dr. | 2,100 | |
| To X's Capital A/c | | 2,100 | |
| (The amount brought in by X to raise his capital to profit sharing ratio) | | | |

Y's Capital A/c Dr. 2,100
 To Bank A/c 2,100
 (The amount withdrawn by Y to bring his capital to profit sharing ratio)

Dr. **PARTNER'S CAPITAL ACCOUNT** Cr.

| Particulars | X (₹) | Y (₹) | Z (₹) | Particulars | X (₹) | Y (₹) | Z (₹) |
|--------------------|---------------|---------------|---------------|--------------------|---------------|---------------|---------------|
| To Z's Capital A/c | 3,000 | 6,000 | - | By Balance b/d | 78,750 | 70,000 | 61,250 |
| To Revaluation A/c | 2,850 | 1,900 | 950 | By X's Capital a/c | | | 3,000 |
| To Bank | | | 9,300 | By Y's Capital a/c | | | 6,000 |
| To Z's Loan A/c | | | 60,000 | | | | |
| To Balance c/d | 72,900 | 62,100 | | | | | |
| | 78,750 | 70,000 | 70,250 | | 78,750 | 70,000 | 70,250 |
| To Bank A/c | | 2,100 | | By Balance b/d | 72,900 | 62,100 | - |
| To Balance c/d | 75,000 | 60,000 | | By Bank A/c | 2,100 | | |
| | 75,000 | 62,100 | | | 75,000 | 62,100 | |

NEW BALANCE SHEET as at 1st April, 2023

| Liabilities | ₹ | Assets | ₹ |
|---------------------------|-----------------|-----------------------------------|-----------------|
| Sundry Creditors | 15,000 | Cash at Bank (₹ 10,000 + ₹ 2,100) | 700 |
| Z's Loan | 60,000 | - ₹ 2,100 - ₹ 9,300) | |
| Capital account balances: | | Debtors | 16,000 |
| X | 75,000 | Stock | 20,300 |
| Y | 60,000 | Prepaid Insurance | 5,000 |
| | | Machinery | 60,000 |
| | | Land and Buildings | 1,08,000 |
| | 2,10,000 | | 2,10,000 |

W.N.: Calculation of Gaining Ratio = New Ratio - Old Ratio

Gain to X = $5/9 - 3/6 = 1/18$

Gain to Y = $4/9 - 2/6 = 2/18$ Hence, Gaining Ratio = 1:2

Adjustment of Capitals of X and Y according to new profit sharing ratio

= Total Capital of X and Y after all the adjustments = ₹ 72,900 + ₹ 62,100 = ₹ 1,35,000

This Capital should be in their profit sharing ratio, i.e., 5 : 4.

Therefore, the Capital of X in the new firm should be 5/9th of 1,35,000 = ₹ 75,000

But the existing Capital of X is = ₹ 72,900. Hence, X will bring in = ₹ 2,100

The Capital of Y in the new firm should be 4/9th of 1,35,000 = ₹ 60,000

But the existing Capital of Y is = ₹ 62,100 Hence, Y will withdraw = ₹ 2,100

Ans. 26

Realisation Account

| Particulars | Amount | Particulars | Amount |
|--------------------------|------------------|----------------------------------|------------------|
| To Sundry Assets A/c | | By Sundry Liabilities a/c | |
| Debtors 1,70,000 | | Creditors 60,000 | |
| Stock 1,50,000 | | Arnab's Brother Loan 95,000 | |
| Investment 2,50,000 | | Investment Fluctuation | |
| Building 3,00,000 | 8,70,000 | Fund 50,000 | 2,05,000 |
| To Arnab's Capital | | By provision for doubtful debts | 20,000 |
| (Brother's Loan) | 95,000 | By bank A/c (Assets Realised) | |
| To Bank A/c (creditor) | | Stock (75,000-20%) 60,000 | |
| (60,000-10%) | 54,000 | Investment 2,00,000 | |
| To dhrupad's Capital A/c | | Building | |
| (Expenses) | 3,000 | (3,55,000-5,000) 3,50,000 | 6,10,000 |
| | | By Ragini's capital A/c (stock) | |
| | | 50% (75,000-15000) | 60,000 |
| | | By Loss on realization | |
| | | transferred to partners' capital | |
| | | Arnab 76,200 | |
| | | Ragini 25,400 | |
| | | Dhrupad 25,400 | 1,27,000 |
| | 10,22,000 | | 10,22,000 |

(6)
(6)

Partners' Capital Account

| Particulars | Arnab | Ragini | Dhrupad | Particulars | Arnab | Ragini | Dhrupad |
|-----------------------------|-----------------|-----------------|-----------------|---------------------------|-----------------|-----------------|-----------------|
| To Profit and loss | 30,000 | 10,000 | 10,000 | By Balance b/d | 2,75,000 | 2,00,000 | 1,70,000 |
| To Realisation (Stock) | ----- | 60,000 | ----- | By Realization (Loan) | 95,000 | ----- | ----- |
| To Realisation (Loss) | 76,200 | 25,400 | 25,400 | By Realization (Expenses) | ---- | ----- | 3,000 |
| To Bank A/c (Final Payment) | 2,63,800 | 1,04,600 | 1,37,600 | | | | |
| | 3,70,000 | 2,00,000 | 1,73,000 | | 3,70,000 | 2,00,000 | 1,73,000 |

Bank Account

| Particulars | Amount | Particulars | Amount |
|---------------------------------|-----------------|-------------------------------|-----------------|
| To Balance b/d | 50,000 | By Arnab's capital A/c | 2,63,000 |
| To Realization A/c (Stock) | 60,000 | By Ragini's capital A/c | 1,04,000 |
| To Realization A/c (Investment) | 2,00,000 | By Dhrupad's Capital A/c | 1,37,600 |
| To Realization A/c (Building) | 3,50,000 | By Dhrupad Loan A/c | 1,00,000 |
| | | By Realisation A/c (Creditor) | 54,000 |
| | 6,60,000 | | 6,60,000 |

PART B – ANALYSIS OF FINANCIAL STATEMENTS

- 27 (d) Contingent Liability (1)
- 28 (d) Inventories (1)
- 29 (a) External analysis (1)
- 30 (b) To make comparative study within the firm and with other firms (1)
31. Comparative Statement of Profit and Loss for the year ended March 31st 2020 and 2021 (3)

| Particulars | 31.03.2020 | 31.03.2021 | Absolute Changes | Changes in % |
|--------------------------------|------------------|------------------|------------------|--------------|
| I. Revenue from Operation | 30,00,000 | 35,00,000 | 5,00,000 | 16.67 |
| II. Other Income | <u>3,00,000</u> | <u>4,50,000</u> | 1,50,000 | 50 |
| III. Total Revenue | <u>33,00,000</u> | <u>39,50,000</u> | 6,50,000 | 19.69 |
| Less: Expenses | | | | |
| III Cost of material consumed | 20,00,000 | 23,00,000 | 3,00,000 | 15 |
| IV. Other Expenses | <u>1,00,000</u> | <u>1,20,000</u> | 20,000 | 20 |
| Total Expenses | <u>21,00,000</u> | <u>24,20,000</u> | 3,20,000 | 15.24 |
| V. Profit before Tax (II – IV) | 12,00,000 | 15,30,000 | 3,30,000 | 27.50 |
| Less: Tax @ 40% | 4,80,000 | 6,12,000 | 1,32,000 | 27.50 |
| VI. Profit after Tax | 7,20,000 | 9,18,000 | 1,98,000 | 27.50 |

32. Common Size Statement of the Balance Sheet of R Ltd (as at 31st March, 2019 & 2020)

(3)

| Particulars | Note No. | Absolute | Absolute | Percentage of Balance Sheet Total | |
|---------------------------------|----------|-----------------|-----------------|-----------------------------------|------------|
| | | (₹) | (₹) | 31.03.2019 | 31.03.2020 |
| | | 31.03.2019 | 31.03.2020 | | |
| Equity & Liabilities | | | | | |
| (1) Shareholders Funds | | | | | |
| (a) Share Capital | | 2,00,000 | 2,50,000 | 66.67 | 62.5 |
| (b) Reserve & Surplus | | 60,000 | 80,000 | 20 | 20 |
| (3) Current Liabilities | | | | | |
| Trade Payables | | 40,000 | 70,000 | 13.33 | 17.5 |
| Total | | 3,00,000 | 4,00,000 | 100 | 100 |
| Assets | | | | | |
| (1) Non-Current Assets | | | | | |
| (a) Fixed Assets | | | | | |
| Tangible assets | | 1,20,000 | 1,60,000 | 40 | 40 |
| Intangible assets | | 30,000 | 20,000 | 10 | 5 |
| (2) Current Assets | | | | | |
| (a) Inventories | | 30,000 | 80,000 | 10 | 20 |
| (b) Trade Receivables | | 1,00,000 | 1,20,000 | 33.33 | 30 |
| (c) Cash & Cash Equivalents | | 20,000 | 20,000 | 6.67 | 5 |
| Total | | 3,00,000 | 4,00,000 | 100 | 100 |

% of share capital for (31.03.2019) = $(2,00,000 \times 100) / 3,00,000 = 66.67 \%$

% of share capital for (31.03.2020) = $(2,50,000 \times 100) / 4,00,000 = 62.5 \%$

33 (a) Debt Equity Ratio

(2+2=4)

= Debt = Total Debt – Current Liabilities

= Rs. 2,500,000-Rs. 80,000 = Rs. 1,70,000

Equity = Total Assets – Total Debts

= Rs. 3,50,000 – Rs. 2,50,000 = Rs. 1,00,000

Debt – Equity Ratio = = 1.7:1

(b) We know that Quick Ratio =Liquid Assets/Current Liabilities

Given that Quick Ratio=2:1 \Rightarrow Liquid Assets/Current Liabilities=2/1

\Rightarrow Current Liabilities=Liquid Assets/2 =₹ 24,00,000/2 =₹ 12,00,000

Now Current Assets=Liquid Assets + Inventories =₹ 24,00,000 + ₹ 6,00,000 =₹ 30,00,000 \therefore Current

Ratio=Current Assets/Current Liabilities =₹ 30,00,000/₹ 12,00,000 =5/2=2.5:1

Cash Flow Statement
as on 31st March 2017

| Particulars | Details | Amount |
|--|-------------------|-----------------|
| A. Cash Flow from Operating Activities | | |
| Profit as per Reserve & Surplus | 2,50,000 | |
| Add: Interest on long term borrowings | 36,000 | |
| Depreciation provided on fixed assets | <u>1,20,000</u> | |
| Less: Profit on sale of machinery | 4,06,000 | |
| | <u>14,000</u> | |
| Add: Decrease in current assets and increase in current liabilities | 3,92,000 | |
| | ----- | |
| Less: Increase in current assets and decrease in current liabilities | | |
| Trade Payables (Creditors) | | |
| Inventories (Stock) | 3,10,000 | |
| Trade Receivables (Debtors) | 1,00,000 | |
| | <u>80,000</u> | |
| Cash Used in Operating Activity | <u>(98,000)</u> | (98,000) |
| B. Cash Flow from Investing Activities | | |
| Sale of machinery | | |
| Purchase of machinery | 56,000 | |
| Cash Used in Investing Activity | <u>(4,62,000)</u> | (4,06,000) |
| | (4,06,000) | |
| C. Cash Flow from Financing Activities | | |
| Issue of Shares | | |
| Bank Loan raised | 3,00,000 | |
| Interest paid on Bank Loan | 2,10,000 | |
| Cash Generated from Financing Activity | (36,000) | <u>4,74,000</u> |
| Net Decrease in Cash and Cash Equivalents | 4,74,000 | (30,000) |
| Add: Opening Cash and Cash Equivalents | | 4,70,000 |
| Closing Cash and Cash Equivalents | | 4,30,000 |

Machinery A/c

| | | | | | |
|--|--------------------|------------------|--|--------------------|------------------|
| | To Opening Balance | 9,00,000 | | By Depreciation | 1,20,000 |
| | To P. & L. | 14,000 | | By Cash | 56,000 |
| | To Cash | 4,62,000 | | By Closing Balance | <u>12,00,000</u> |
| | | <u>13,76,000</u> | | | <u>13,76,000</u> |
| | | <u>0</u> | | | |