Heritage International School

HOLIDAY HOMEWORK

Class 12 - Accountancy

1. Naman, Manik and Arpit are partners sharing profits and losses in the ratio of 5 : 3 : 2. The partnership deed provides for charging interest on drawing's @ 10% p.a. The drawings of Naman, Manik and Arpit during the year ending December 2004 amounted to Rs. 20,000, Rs. 15,000 and Rs. 10,000 respectively. After the final accounts have been prepared, it was discovered that interest on drawings has not been taken into consideration. Give necessary adjusting entry. **[1]**

a)

Manik A/c ... Dr	150	
Arpit A/c ... Dr	100	
To Naman A/c		250

b)

Naman A/c ... Dr	150	
Arpit A/c ... Dr	100	
To Manik A/c		250

c)

Naman A/c ... Dr	150	
Manik A/c ... Dr	100	
To Arpit A/c		250

d)

Aprit A/c ... Dr	75	
Manik A/c ... Dr	50	
To Naman A/c		125

2. X, Y and Z are partners in a firm who share profits in the ratio of 2:3:5. The firm earned a profit of Rs.1,50,000 for the year ended December 31, 2004. The profit by mistake was distributed among X, Y and Z in the ratio of 3:2:1 respectively. This error was noted only at the beginning of the next year. Pass necessary Journal entry to rectify the error. **[1]**

a)

X's capital A/c ... Dr.	45,000	
Y's capital A/c ... Dr.	5,000	
To Z's capital A/c		50,000

b)

Y's capital A/c ... Dr.	4,500	
X's capital A/c ... Dr.	5,000	
To Z's capital A/c		9,500

c) No mistake is made by partners

d)

Z's capital A/c ... Dr.	45,000	
Y's capital A/c ... Dr.	5,000	
To X's capital A/c		50,000

3. In a partnership firm, profits and losses are shared: **[1]**

a) None of these
b) As per Agreement
c) In the ratio of capitals
d) Equality

4. For transfer of Profit from Profit and Loss Appropriation account to Reserve account, which account to be credited **[1]**

a) Reserve A/c

b) Profit and Loss Appropriation account

c) Profit and Loss Adjustment Account

d) Profit and Loss account

5. Calculate interest on the drawing if Partner withdrew Rs. 6,000 at the end of each quarter. Rate of interest on drawings is 10% p.a. and the accounting period is 1st January to 31st December. **[1]**

a) Rs.900

b) Rs. 1,800

c) Rs. 975

d) Rs. 950

6. What balance does a partner's current account have? **[1]**

a) Debit balance

b) Both debit and credit balance

c) Credit balance

d) None of these

7. Interest on capital as a charge against profits in case of insufficient profit is **[1]**

a) Not allowed

b) All of these

c) Allowed in full irrespective of profit

d) Allowed to the extent of profit

8. X and Y are partners in a firm sharing profits in the ratio of 3 : 2. On 1-4-2017 they decide to admit Z for $\frac{1}{5}$th share in profits with a minimum guaranteed amount. Any deficiency arising on that account shall be met by X. Fill up the missing figures in the following Profit and Loss Appropriation Account: **[3]**

PROFIT AND LOSS APPROPRIATION ACCOUNT

for the year ended on 31st March, 2018

Dr.				**Cr.**
Particulars		**₹**	**Particulars**	**₹**
To X's Capital A/c (4,50,000 × ---)	---		By Profit & Loss A/c (Profit for the year)	4,50,000
Less: Transferred to Z	---	---		
To Y's Capital A/c (4,50,000 × ---)		---		
To Z's Capital A/c (4,50,000 × ---)				
Add: From X	---	1,20,000		
		4,50,000		**4,50,000**

9. A and B are partners in a business sharing profits and losses in the ratio of 3 : 2. Their capitals on 31st March, 2018, after the adjustment of net profits and drawings amounted to ₹2,00,000 and ₹1,50,000. respectively. Later on, it was discovered that interest on Capital at 8% per annum, as provided for in the partnership deed, had not been credited to the partner’s capital accounts before the distribution of profits. The year’s net profit amounted to ₹75,000 and the partners had withdrawn ₹24,000 each. Instead of altering the signed balance sheet, it was decided to make an adjustment entry at the beginning of the new year crediting or debiting the Partner’s Accounts. Give the necessary adjusting journal entry. **[3]**

10. X and Y are partners in a firm. They do not have any partnership deed. What should be done in the following cases:- **[3]**

i. X has invested ₹1,00,000 and Y only ₹50,000 as capital. X wants interest on capital @ 12% p.a.

ii. X spends twice the time that Y devotes to the business. He wants a salary of ₹2,000 per month for the extra time spent by him.

iii. X wants to introduce his son Rajesh into the business. Y objects it.

iv. X has given a loan of ₹20,000 to the firm. He wants interest on it @ 8% p.a.

11. X and Y are partners with capitals of ₹1,00,000 and ₹80,000 respectively on 1st April, 2016 and their profit sharing ratio is 2 : 1. Interest on capital is agreed @ 12% p.a. Y is to be allowed an annual salary of ₹6,000. The profit for the year ended 31st March, 2017 amounted to ₹50,000. Manager is entitled to a commission of 10% of the profits. **[3]**

Prepare Profit and Loss Appropriation Account and Capital Accounts.

12. In the absence of Partnership Deed, what are the accounting treatments of: **[3]**

i. Salaries of partners,
ii. Interest on partners' capitals,
iii. Interest on partner's loan,
iv. Division of profit, and
v. Interest on partners' drawings?

13. P, Q and R entered Into partnership on 1st April, 2015 to share profits and losses In the ratio of 12 : 8 : 5. It was provided that in no case R's share in profit be less than ₹ 30,000 p.a. The profits and losses for the period ended 31 st March were: 2015-16 Profit ₹ 1,20,000; 2016-17 Profit ₹ 1,80,000; 2017-18 Loss ₹ 1,20,000. Pass the necessary Journal entries in the books of the firm. **[4]**

14. From the following Balance Sheet of X and Y, calculate interest on capital @ 5% p.a. for the year ended 31st March, 2019: **[4]**

BALANCE SHEET

as at 31st March,2019

Liabilities	**₹**	**Assets**	**₹**
X's Capital A/c	90,000	Sundry Assets	2,10,000
Y's Capital A/c	80,000		
Reserve	40,000		
	2,10,000		2,10,000

During the year ended 31st March, 2019, X's drawings were ₹ 10,000 and Y's drawings were ₹ 30,000. Profit for the year ended 31st March, 2019 was ₹ 60,000. The amount of Reserve, i.e., ₹ 40,000 is transferred from Current Year's profit to strengthen the financial position of the firm.

15. A is a partner in a firm. During the year ended 31st March, 2018, A's drawings were: **[4]**

	₹
1st June	1,000
1st August	750
1st October	1,250
1st December	500
1st February	500

Interest on drawings is charged @ 10% per annum. Calculate interest on drawings of A for the year ended 31st March, 2018.

16. Tulsi and Kabir are partners sharing profits in proportion of 3 : 2 with capitals of ₹8,00,000 and ₹6,00,000 respectively. Interest on capitals is agreed at 6% p.a. Tulsi is to be allowed a salary of ₹6,000 per month. For the year ended 31st March, 2018, the profits prior to calculation of interest on capital but after charging Tulsi's salary amounted to ₹2,28,000. Manager is to be allowed a commission of 10% of the profits. **[4]**

Prepare an account showing the allocation of profits.

17. X, Y and Z are partners sharing profits and losses in the ratio of 3 : 2 : 1. After the final accounts have been prepared, it was discovered that interest on drawings @ 5% p.a. had not been taken into consideration. The drawings of the Partners were: X-₹1,50,000; Y-₹1,26,000; Z-₹1,20,000. Give the necessary adjusting journal entry. **[4]**

18. A, B and C are partners in a firm sharing profits and losses equally. On 1st April, 2018 their fixed capitals were ₹8,00,000, ₹6,00,000 and ₹6,00,000 respectively. On 1st October 2018, A advanced ₹1,00,000 to the firm whereas C took a loan of ₹1,50,000 from the firm on the same date. It was agreed among the partners that C will pay interest @ 10% p.a. **[6]**

Profit for the year ended 31st March, 2019 amounted to ₹4,20,000 before allowing or charging interest on loans. Pass journal entries for interest on loans and prepare Current Accounts of the partners.

Hint: Interest on A's Loan will not be credited to his Current Account. It will be credited to his Loan A/c.

19. Ahmad, Bheem and Daniel are partners in a firm. On 1st April, 2011, the balance in their capital accounts stood at ₹8,00,000, ₹6,00,000 and ₹4,00,000 respectively. They shared profits in the proportion of 5 : 3 : 2 respectively. Partners are entitled to interest on capital @ 5% per annum and salary to Bheem @ ₹3,000 per month and a commission of ₹12,000 to Daniel as per the provisions of the partnership deed. **[6]**

Ahmad's share of profit (excluding interest on capital) is guaranteed at not less than ₹25,000 per annum. Bheem's share of profit (including interest on capital but excluding salary) is guaranteed at not less than ₹55,000 per annum. Any deficiency arising on that account shall be met by Daniel. The profits of the firm for the year ended 31st March, 2012 amounted to ₹2,16,000. Prepare 'profit and loss appropriation account' for the year ended 31st March, 2012.

20. Three Chartered Accountants X, Y and Z form a partnership, sharing profits and losses in the ratio of 3 : 2 : 1 subject to the following conditions: **[6]**

    i. Z's share of profits is guaranteed to be not less than ₹ 30,000 p.a.
    ii. Y gives a guarantee to the effect that the gross fee earned by him for the firm shall not be less than the average gross fee earned by him during the preceding five years when he was carrying on the profession alone (the average of which works out at ₹ 50,000).

Profit for the first year (year ended 31st March 2019) of the partnership is ₹ 1,50,000. The gross fee earned by Y for the firm is ₹ 32,000. Prepare Profit and Loss Appropriation Account after giving effect to the above.

21. P and Q are partners in a firm sharing profits and losses in the ratio of 2 : 3. Their fixed capitals as on 1st April, 2018 were ₹6,00,000 and ₹8,00,000 respectively. As per partnership deed both partners are to get monthly salary of ₹25,000 each and interest on capital @ 8% p.a. They are to be charged interest on drawings @ 10% p.a. Drawings during the year ended 31st March 2019 were: P ₹10,000 per month and Q ₹1,20,000 during the year. Firm incurred a loss of ₹1,00,000 during the year before above adjustments. **[6]**

Pass journal entries and prepare an account showing the distribution of profit/loss.

22. **Assertion (A):** In order to compensate a partner for contributing capital to the firm in excess of the profit-sharing ratio, the firm pays such interest on Partners' Capital. **[1]**

Reason (R): Interest in Capital is treated as a charge against profits.

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

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

c) A is true but R is false.

d) A is false but R is true.

23. **Assertion (A):** Drawings are the amount withdrawn generally in cash for personal purposes. **[1]**

Reason (R): A Drawings Account is opened in the name of each partner and the drawings are credited to this account.

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

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

c) A is true but R is false.

d) A is false but R is true.

24. **Assertion (A):** Aman and Vikas are partners sharing profits and losses in the ratio of 3:2. They do not have Partnership Deed. At the end of the year, Vikas demanded interest on capital @ 10 p.a. **[1]**

Reason (R): In the absence of Partnership Deed, interest on capital is not allowed.

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

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

c) A is true but R is false.

d) A is false but R is true.

25. A, B and C are sharing profits and losses in the ratio 5:3:2 with effect from 01/04/2013 they decide to share profit and losses equally. Calculate B partner’s gain share **[1]**

a) $\frac{1}{20}$ share

b) $\frac{1}{25}$ share

c) $\frac{1}{30}$ share

d) $\frac{1}{10}$ share

26. Goodwill of the firm is 30,000. The gain of A is $\frac{1}{6}$ and Sacrifice of B is $\frac{1}{6}$. How will goodwill adjust? **[1]**

a) Debit Goodwill with Rs.10,000 and Credit A and B with Rs.5,000 each

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

c) Debit B and Credit A with Rs. 5,000

d) Debit A and B with Rs. 15,000 each and Credit Goodwill with Rs. 30,000

27. The ratio of gain of profit sharing ratio is called **[1]**

a) Gaining Ratio

b) Net Ratio

c) Old Ratio

d) None of these

28. A and B are partners in a firm sharing profits in the ratio of 4 : 3. They admit C as a new partner. New Ratio will be 2 : 3 : 1. Sacrificing ratio will be: **[1]**

a) Only B is Sacrificing

b) Only A is sacrificing

c) 4 : 3

d) 2 : 3

29. What accounting treatment of workmen compensation reserve appearing in the balance sheet on that date will be done if Raman, Shanu, and Dev are partners sharing profit in the ratio of 3:2:1 and they decide to share future profits equally. **[1]**

a) Distributed among partners in their capital ratio

b) Distributed among partners in their old profit sharing ratio

c) Distributed among partners in their new

d) Carry forward to new balance sheet

profit sharing ratio

30. The circumstances when a change in profit sharing ratio is needed: **[1]**

A. When existing partners decide
B. At the time of admission/retirement/death of a partner
C. To distribute the revaluation profit

a) (A)
b) Both (A) and (B)
c) (C)
d) (B)

31. Which of the following is not transferred to partners capital account? **[1]**

a) Retained Earnings
b) Employees Provident Fund
c) General Reserve
d) Contingency Reserve

32. A, B and C were partners sharing profits and losses in the ratio of 7 : 3 : 2. From 1st April 2015, they decided to share profits and losses in the ratio of 8 : 4 : 3. Goodwill is to be valued at the average of three year's profits preceding the date of change in profit sharing ratio. The profits for the years ending 31st March 2012, 2013, 2014 and 2015 were ₹ 52,000, ₹ 48,000, ₹ 60,000 and ₹ 90,000 respectively. Give the necessary journal entry. **[3]**

33. A and B were partners in the firm sharing profits and losses in the ratio of 2:1. With effect from 1st April, 2019 they agreed to share profits and losses equally. Calculate the individual partner's gain or sacrifice due to a change in ratio. **[3]**

34. A, B and C shared profits and losses in the ratio of 3 : 2 :1 respectively. With effect from 1st April, 2019, they agreed to share profits equally. The goodwill of the firm was valued at ₹18,000. Pass necessary Journal entries when **[3]**

a. Goodwill is adjusted through Partners' Capital Account; and
b. Goodwill is raised and written off.

35. Bhavya and Sakshi are partners in a firm, sharing profits and losses in the ratio of 3 : 2. On 31st March, 2018 their Balance Sheet was as under: **[3]**

BALANCE SHEET OF BHAVYA AND SAKSHI as at 31st March, 2018

Liabilities	₹	Assets	₹
Sundry Creditors	13,800	Furniture	16,000
General Reserve	23,400	Land and Building	56,000
Investment Fluctuation Fund	20,000	Investments	30,000
Bhavya's Capital	50,000	Trade Receivables	18,500
Sakshi's Capital	40,000	Cash in Hand	26,700
	1,47,200		1,47,200

The partners have decided to change their profit sharing ratio to 1 :1 with immediate effect. For the purpose, they decided that:

i. Investments to be valued at ₹20,000.
ii. Goodwill of the firm be valued at ₹24,000.
iii. General Reserve not to be distributed between the partners.

You are required to pass necessary Journal entries in the books of the firm. Show workings.

36. X, Y and Z are partners in firm sharing profits in 3 : 3 : 2 ratio. They decide to share profits equally w.e.f. April 1, 2019. On that date, the Profit and Loss Account shows a credit balance of ₹60,000. They decide that the Profit and Loss Account will remain as it is. You are required to fill up the following Journal entry: **[3]**

JOURNAL

Date	**Particulars**		**L.F.**	**Dr. (₹)**	**Cr. (₹)**
2019					
April 1	?	Dr.		?	
	To ?				?
	To ?				?
	(Being the adjustment made for credit balance of Profit and Loss Account due to change in profit-sharing ratio)				

37. X, Y and Z are partners sharing profits and losses in the ratio of 7 : 5 : 4. Their Balance Sheet as at 31st March, 2019 stood as- **[4]**

Liabilities		**₹**	**Assets**	**₹**
Capital A/cs :			Sundry Assets	7,00,000
X	2,10,000			
Y	1,50,000			
Z	1,20,000	4,80,000		
General Reserve		65,000		
Profit and Loss A/c		25,000		
Creditors		1,30,000		
Total		7,00,000	Total	7,00,000

Partners decided that with effect from 1st April, 2019, they will share profits and losses in the ratio of 3 : 2 : 1. For this purchase, goodwill of the firm was valued at ₹1,50,000. The partners neither want to record the goodwill nor want to distribute the General Reserve and profits.

Pass a Journal entry to record the change and prepare Balance Sheet of the Constituted firm.

38. A, B, C and D are partners in firm sharing profits and losses in the ratio of 2: 2: 1: 1. They decided to share profits in the future in the ratio of 4 : 3 : 2 : 1. For this purpose goodwill of the firm was valued at 80,000. There was also a reserve of ₹ 60,000 in the books of the firm. **[4]**

Find out the sacrifice and gaining ratio and pass necessary journal entry assuming that partners do not want to distribute the reserve.

39. A, B and C are partners sharing profits and losses in the ratio 3 : 2 : 1 . From 1st April, 2007 they decide to share future profits and losses equally. Calculate the sacrificing ratio. **[4]**

40. A, B and C who are presently sharing profits and losses in the ratio of 5 : 3 : 2 decide to share future profits and losses in the ratio of 2 : 3 : 5. Give the Journal entry to distribute Workmen Compensation Reserve of ₹1,20,000 **[4]**

at the time of change in profit-sharing ratio, when:

i. no information is given;
ii. there is no claim against it.

41. X, Y and Z are partners sharing profits and losses in the ratio of 7 : 5 : 4. Their balance sheet as at 31st March 2016 stood as follows: **[4]**

Liabilities		₹	**Assets**	₹
Capital Accounts:			Sundry Assets	6,00,000
X	2,00,000			
Y	1,50,000			
Z	1,20,000	4,70,000		
General Reserve		75,000		
Profit & Loss A/c (Profits)		15,000		
Creditors		40,000		
		6,00,000		6,00,000

Partners decided that with effect from 1st April 2016, they will share profits and losses in the ratio of 3 : 2 : 1. For this purpose goodwill of the firm was valued at ₹ 1,50,000. The partners do not want to distribute the general reserve and profits. Pass a single journal entry to record the change and prepare a revised balance sheet.

42. A, B and C are partners sharing profits and losses in the ratio of 3: 3: 2. Their balance sheet as at 31st March 2019 was as follows: **[6]**

Liabilities		₹	**Assets**	₹
Sundry Creditors		24,000	Cash at Bank	37,000
General Reserve		36,000	Sundry Debtors	44,000
Capital Accounts:			Stock	1,20,000
A	2,00,000		Machinery	1,59,000
B	1,50,000		Building	2,00,000
C	1,50,000	5,00,000		
		5,60,000		5,60,000

Partners decided that with effect from 1st April 2019, they would share profits and losses in the ratio of 4: 3: 2. It was agreed that:

i. Stock be valued at ₹ 1,10,000.
ii. Machinery is to be depreciated by 10%.
iii. A provision for doubtful debts is to be made on debtors @ 5%.
iv. Building to be appreciated by 20%.
v. A liability for ₹ 2,500 included in sundry creditors is not likely to arise.

partners agreed that the revised values of assets and liabilities are not to be recorded in the books and they also do not want to distribute the general reserve. You are required to record the change by passing a single journal entry with necessary working note. Also, prepare the revised balance sheet.

43. Brijesh, Charu and Dilip are partners sharing profits and losses in the ratio of 3: 2: 1. Their balance sheet as at 31st March, 2016 was as follows: **[6]**

Liabilities		₹	Assets		₹
Creditors		87,000	Cash		30,000
Reserve		42,000	Debtors	62,000	
Profit & Loss A/c (Profits)		21,000	Less: Provision for doubtful debs	2,000	60,000
Capital Accounts:			Stock		1,80,000
Brijesh	3,00,000		Furniture		30,000
Charu	3,00,000		Plant		2,00,000
Dilip	50,000	6,50,000	Building		3,00,000
		8,00,000			**8,00,000**

The partners agreed that from 1st April, 2016 they will share profits and losses in the ratio of 4: 4: 1. They agreed that:

i. Stock is to be valued at 20% less.
ii. Provision for doubtful debts to be increased by ₹ 1,500.
iii. Furniture is to be depreciated by 20% and plant by 15%.
iv. ₹ 3,500 are outstanding for salaries.
v. Building is to be valued at ₹ 3,50,000.
vi. Goodwill is valued at ₹ 45,000.

Partners do not want to record the altered values of assets and liabilities in the books and want to leave the reserves and profits undisturbed. You are required to pass a single journal entry to give effect to the above. Also, prepare the revised balance sheet.

44. A, B and C are partners sharing profits and losses in the ratio of 5 : 3 : 2. From 1st April, 2018, they dedide to share future profits and losses equally. Their Balance Sheet as at 31st March, 2018 stood as follows: **[6]**

Liabilities		₹	Assets		₹
Sundry Creditors		50,000	Land and Buildings		4,00,000
Salaries Payable		25,000	Computers		60,000
Outstanding Expenses		20,000	Stock		2,00,000
General Reserve		50,000	Sundry Debtors	3,00,000	
Workmen Compensation Reserve		70,000	Less: Provision for doubtful debts	25,000	2,75,000
A	4,00,000		Cash at Bank		30,000
B	2,50,000		Cash in Hand		10,000
C	1,50,000	8,00,000	Advertisement Suspense		40,000
		10,15,000			**10,15,000**

Partners agreed that:

i. Value of Land and Building be increased to ₹ 5,00,000 and stock be decreased by ₹ 20,000.
ii. Provision for doubtful debts to be written back, since all debtors are good.
iii. Out of salaries payable, ₹ 15,000 was not payable.
iv. Outstanding expenses are to be written back, being not payable.
v. A provision for Workmen Compensation Claim be made for ₹ 30,000.
vi. Goodwill is valued at ₹ 60,000.
vii. B was to carry out the work for reconstitution of the firm at a remuneration (including expenses) of ₹ 10,000. Expenses paid by B amounted to ₹ 4,000.

Pass journal entries and prepare Revaluation Account.

45. Purchased goodwill arises at the time of **[1]**

a) Purchase of business
b) Closure of business
c) Opening of a new business
d) All of these

46. Calculate goodwill at twice the weighted average profits of last four years' profits. The profits of the last four years were: **[1]**

2008	37000
2009	29000
2010	26000
2011	40000

a) Rs. 55000
b) Rs. 66600
c) Rs. 55500
d) Rs. 66000

47. Which of the following statement is correct? **[1]**

a) Goodwill is a current asset
b) Goodwill is an intangible asset
c) Goodwill is a wasting asset
d) Goodwill is a fictitious asset

48. An asset that is not fictitious but intangible in nature, having realizable value is: **[1]**

a) Machinery
b) Goodwill
c) Furniture
d) Building

49. ________ is the goodwill which is not purchased for consideration but is earned by the efforts of the management. **[1]**

a) Purchased Goodwill
b) None of these
c) Self-generated Goodwill
d) Profit and Loss

50. When a product plays important role in increasing the goodwill of the firm, what factor is mainly responsible for that? **[1]**

a) Efficiency of Management
b) Quality of product.
c) Favourable Contracts
d) Market Situation

51. Goodwill under Average Profit Method means **[1]**

a) None of these
b) Normal profit × Number of year's purchase
c) Super profit × Number of year's purchase
d) Average profit × Number of year's purchase

52. A and B are partners sharing profits and losses in the ratio of 5 : 3. On 1st April, 2019, C is admitted to the partnership for 1/4th share of profits. For this purpose, goodwill is to be valued at two years' purchase of last three years' profits (after allowing partners' remuneration). Profits to be weighted 1 : 2 : 3, the greatest weight being given to last year. Net profit before partners' remuneration were: 2016-17 : ₹ 2,00,000; 2017-18 : ₹ 2,30,000; 2018-19 : ₹ 2,50,000. The remuneration of the partners is estimated to be ₹ 90,000 p.a. Calculate amount of goodwill. **[3]**

53. Amrit Daily Needs acquired the business of Shri Shivam for a purchase consideration of ₹ 5,00,000 payable by cheque. The assets acquired and liabilities taken over are: **[3]**

Assets	**₹**	**Liabilities**	**₹**
Furniture	10,000	Creditors	5,20,000
Investory	7,50,000	Salaries Payable	75,000
Debtors	1,50,000	Outstanding Expenses	15,000

Pass the necessary Journal entries.

54. Rajan and Rajani are partners in a firm. Their capitals were Rajan ₹ 3,00,000; Rajani ₹ 2,00,000. During the year 2015, the firm earned a profit of ₹ 1,50,000. Calculate the value of goodwill of the firm by capitalisation method assuming that the normal rate of return is 10%? **[3]**

55. M/s Hi-Tech India has an asset of ₹ 5,00,000 whereas liabilities are Partner's Capital - ₹ 3,50,000, General Reserve - ₹ 60,000 and Sundry Creditors - ₹ 90,000. If the normal rate of return is 10% and goodwill of the firm is valued at ₹ 90,000 at 2 years purchase of super profit, find the average profit of the firm. **[4]**

56. Profit of a firm for the last five years were: **[4]**

Year Ended	31st March 2015	31st March 2016	31st March 2017	31st March 2018	31st March 2019
Profits (₹)	40,000	48,000	60,000	50,000	36,000

Calculate the value of goodwill on the basis of three years' purchase of the weighted average profit after assigning weights 1, 2, 3, 4 and 5 respectively to the profits for years ended 31st March, 2015, 2016, 2017, 2018 and 2019.

57. Yash and Karan were partners in an interior designer firm. Their fixed capitals were ₹6,00,000 and ₹4,00,000 respectively. Their current account balances are ₹4,00,000 and ₹5,00,000 respectively. The firm had a balance of ₹1,00,000 in the General Reserve. The firm did not have any liability. They admitted Radhika into a partnership for 1/4th share in the profits of the firm. The average profits of the firm for the last five years were ₹5,00,000. Calculate the value of goodwill of the firm by the capitalization of the average profits method. The normal rate of return of the business is 10%. **[4]**

58. J and K are partners in a firm. Their capitals are : J : Rs 3,00,000 and K : Rs 2,00,000. During the year ended 31st March, 2010 the firm earned a profit of Rs 1,50,000. Assuming that the normal rate of return is 20%, calculate the value of goodwill of the firm : **[6]**

   i. By Capitalisation Method; and
   ii. By Super Profit Method if the goodwill is valued at 2 years' purchase of super profit.

59. A, B and C are partners sharing profits and losses equally. They agree to admit D for equal share. For this **[6]**

purpose, the value of goodwill is to be calculated on the basis of four years' purchase of average profit of last five years. These profits were :

Year	**2010**	**2011**	**2012**	**2013**	**2014**
Profit/Loss	70,000 (Profit)	30,000 (Profit)	1,00,000 (Profit)	1,40,000 (Profit)	1,20,000 (Loss)

On 1st January 2014, a scooter costing Rs 20,000 was purchased and debited to travelling expenses account, on which depreciation is to be charged @ 25%. Calculate the value of goodwill after adjusting the above.

60. **Assertion (A):** Goodwill is considered as an intangible asset but not a fictitious asset. **[1]**

Reason (R): Goodwill can neither be seen and touched nor it can be purchased or sold with any other asset.

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

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

c) A is true but R is false.

d) A is false but R is true.

61. **Assertion (A):** Self-generated goodwill is internally generated or hard-earned goodwill. **[1]**

Reason (R): It arises due to the continued hard work of the organization, its better quality products, etc.

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

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

c) A is true but R is false.

d) A is false but R is true.

62. **Assertion (A):** The factors which affect profits, also affect goodwill. **[1]**

Reason (R): Profits are directly related to goodwill.

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

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

c) A is true but R is false.

d) A is false but R is true.