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Class XII
Subject-Accountancy

1 Partner's current accounts are opened when their capital accounts are

A. **Fixed**
B. Fluctuating
C. Both
D. None

Ans.1 A- **Fixed**

Explanation- Partners' Capital A/c can be maintained by two methods
Fixed capital method & **Fluctuating capital method** –
Fixed capital method -In fixed capital method two accounts are prepared apart from Profit & loss Appropriation Account

(a) partners' capital account (b) partners' current account

2 In a partnership firm, a partner withdrew Rs.5,000 per month on the first day of every month during the year for personal expenses. If interest on drawings is charged @6% p.a. the interest charged will be :

A. Rs.3,600
B. **Rs.1,950**
C. Rs.1,800
D. Rs.1,650

Ans.2 B- **Rs.1,950**

Explanation-Interest on Drawings= Drawings x Rate /100 x 6.5/12
Interest on Drawings= 60,000 x 6/100 x 6.5/12 = Rs.1,950

3 A and B are equal partners with fixed capital of Rs.2,00,000 and Rs.1,00,000 respectively. After closing the accounts for the year ending 31st March, 2021 it was discovered that interest on capital @8% p.a. was omitted to be provided. In the adjusting entry :

A. A will be credited by Rs.16,000 and B will be credited by Rs.8,000
B. A will be debited by Rs.16,000 and B will be debited by Rs.8,000
C. **A will be credited by Rs.4,000 and B will be debited by Rs.4,000**
D. A will be debited by Rs.4,000 and B will be credited by Rs.4,000

Ans.3 C- **A will be credited by Rs.4,000 and B will be debited by Rs.4,000**

Explanation- **Adjustment Table**

Particulars	'A' (Rs.)	'B' (Rs.)	Firm (Rs.)
Interest on Capitals	(+) 16,000	(+) 8,000	(-) 24,000
Loss Distributed (1:1)	(-) 12,000	(-)12,000	(+) 24,000
	(+) 4,000	(-) 4,000	Nil

Adjustment Entry

Date	Particulars	L.F.	Dr. (Rs.)	Cr. (Rs.)
2021 March31	B's Capital A/c Dr. To A's Capital A/c (Adjustment Entry for Interest on Capitals made)		4,000	 4,000

4 A,B and C share profits in the ratio of 4:3:2. C is given a guarantee that his share of profits will not be less than Rs.75,000. Deficiency if any, would be borne by A and B equally Firm's profit was Rs.2,70,000. B's share of profit will be :

A. Rs.90,000
B. **Rs.82,500**
C. Rs.97,500
D. Rs.75,000

Ans.4	B- **Rs.82,500** Explanation – Distribution of Profits- A's Share of Profit= 2,70,000 x 4/9 = 1,20,000 (-) C's Deficiency = 15,000 x ½ = (7,500) 1,12,500 B's Share of Profit= 2,70,000 x 3/9 = 90,000 (-) C's Deficiency = 15,000 x ½ = (7,500) 82,500 C's Share of Profit= 2,70,000 x 2/9 = 60,000 (+) C's Deficiency = 15,000 = 15,000 75,000
5	Pick the odd one out : A. Rent to Partner B. Manager's Commission C. interest on Partner's Loan **D. Interest on Partner's Capital**
Ans.5	**D, Interest on Partner's Capital** Explanation- Rent to Partner, Manager's Commission, interest on Partner's Loan all of these are charge against profit and reducing the profit. But **Interest on Partner's Capital is an appropriation of profit so it is different from all of the above three.**
6	Choose the correct sequence of the following transactions in context of Division of Profits. (i) Guarantee by Firm to Partners (ii) Guarantee by Partners to Firm (iii) Transfer of Profits to Profit and Loss Appropriation Account (iv) Guarantee by Partner to Partner A. (i); (iii); (iv); (ii) B. (iii); (i); (ii); (iv) **C. (iii); (ii); (i); (iv)** D. (ii); (iii); (iv); (i)
Ans.6	C. **(iii); (ii); (i); (iv)** Explanation – According to Indian partnership act 1932 we have to settle the expenses /losses orderly first (iii) Transfer of Profits to Profit and Loss Appropriation Account,(ii) Guarantee by Partners to Firm,(i) Guarantee by Firm to Partners, (iv) Guarantee by Partner to Partner
7	Assertion (A) : Fixed Capital Accounts of Partners always show credit balances even when the firm suffers losses year after year. Reason (R) : Current Accounts of Partners are maintained under fluctuating capital method. In the context of the above two statements, which of the following is correct? A. Both (A) and (R) are true, but (R) is not the correct explanation of (A). B. Both (A) and (R) are true and (R) is the correct explanation of (A) C. Both (A) and (R) are false. **D. Only (A) is true.**
Ans.7	**D.Only (A) is true.** Explanation- Assertion (A) :Fixed Capital Accounts of Partners always show credit balances even when the firm suffers losses year after year. **Fixed capital method** -In fixed capital method two accounts are prepared apart from Profit & loss Appropriation Account partners' capital account (b) partners' current account
8	Assertion (A) : Goodwill is an intangible asset and is recognised as an asset only when consideration is to be paid for it : Reason (R) : AS-26 Intangible Assets prescribes to recognise goodwill as an asset only when consideration has been paid for it.

	In the context of above two statements which of the following correct ? A. Assetion (A) and REason (R) are correct but the Reason (R) is not the correct explanation of Assertion (A). **B. Both Assertion (A) and Reason (R) are correct and Reason (R) is the correct explanation of Assertion (A).** C. Assertion (A) is correct but the REason (R) is not correct. D. Both Assertion (A) and Reason (R) are incorrect.
Ans.8	B. **Both Assertion (A) and Reason (R) are correct and Reason (R) is the correct** **Explanation of Assertion (A).** Explanation- Goodwill is an intangible asset and is recognised as an asset only when consideration is to be paid for it, According to AS-26 Intangible Assets prescribes to recognise goodwill as an asset only when consideration has been paid for it.
9	Average Profit of the firm is Rs.6,00,000. Total tangible Assets in the firm are Rs.28,00,000 and Outside Liabilities are Rs.8,00,000. In the same type of business, the normal rate of return is 20% of the capital employed. Calculate the value of goodwill by Capitalisation of Super Profit Method. **A. Rs.10,00,000** B. Rs.5,00,000 C. Rs.2,50,000 D. Rs.15,00,000
Ans.9	**A.Rs.10,00,000** **Explanation- Valuation of Goodwill by Capitalisation of Super profit Method** **Goodwill= Super Profit x 100/Normal Rate** **Normal Profit = Capital Employed x Normal Rate /100** **Capital Employed = Assets – Outside Liabilities** **Capital Employed = 28,00,000 – 8,00,000** **Capital Employed = 20,00,000** **Normal Profit = 20,00,000 x 20/100 = 4,00,000** **Super Profit = Average Profit – Normal Profit** **Super Profit = 6,00,000 – 4,00,000 = 2,00,000** **Goodwill = 2,00,000 x 100 /20 = Rs.10,00,000.**
10	Which of the following statement is correct ? A. Goodwill is a fictitious asset B. Goodwill is a current asset C. Goodwill is a tangible asset **D. Goodwill is an intangible asset**
Ans.10	**D.Goodwill is an intangible asset** Explanation-Intangible Assets: Intangible assets are those assets having no physical existence but their possession gives rise to some rights and benefits to the owner. They cannot be seen and touched. Goodwill, patents, trademarks, mining rights, copyrights are some of the examples of intangible assets.