PA-1 Sample Paper — Class 12 Accountancy 2026-27 (Ch 1-3)

Answer Key — PA-1 2026-27

Section A

• 1. [Ch 1] (b) 6% per annum — this is the default rate fixed under the Indian Partnership Act, 1932, applied only when there is no partnership deed or the deed is silent on this point.
• 2. [Ch 1] (b) Equally — in the absence of a deed, the Act presumes equal sharing regardless of capital contributed.
• 3. [Ch 2] (b) The share of goodwill to be compensated to the sacrificing partners — sacrificing ratio tells us how much profit share each old partner has given up, which decides how the incoming partner's goodwill contribution is divided among them.
• 4. [Ch 2] (c) Intangible asset — goodwill cannot be touched or seen but has real, verifiable value; it is not fictitious because it does represent a real earning advantage.
• 5. [Ch 3] (b) All old partners' Capital Accounts in the old profit-sharing ratio — accumulated reserves belong to the period before the new partner joined, so only the old partners are entitled to them.

Section B

6. [Ch 1] Any two of: (i) Under the Fixed Capital Method, capital accounts remain unchanged year to year, and interest, salary, drawings and profit-share are recorded in a separate Current Account; under the Fluctuating Capital Method, all such items are recorded directly in the Capital Account itself, so its balance changes every year. (ii) The Fixed Capital Method always shows a credit balance in the Capital Account and can show a debit or credit balance in the Current Account; the Fluctuating Capital Method can show a debit balance in the Capital Account itself if drawings and losses exceed credits.

7. [Ch 1] Interest on partner's loan (in the absence of a deed) = 6% per annum, allowed even if the firm has incurred a loss, and charged to the Profit and Loss Account (not the Appropriation Account) since it is a charge against profit, not an appropriation.
Interest = ■50,000 × 6% × 1 year = ■3,000.

8. [Ch 2] Any two of: (i) Location of the business — a firm in a prime, easily accessible location commands more goodwill. (ii) Efficiency of management — efficient management leads to higher profitability and customer trust, raising goodwill. (Other valid factors: nature of business, quality of products, market situation, capital required, risk involved.)

9. [Ch 3] Z's share = 1/5. Remaining share = 1 – 1/5 = 4/5, sacrificed equally by X and Y, so each sacrifices 1/2 × 1/5 = 1/10.
New share of X = 3/5 – 1/10 = 6/10 – 1/10 = 5/10.
New share of Y = 2/5 – 1/10 = 4/10 – 1/10 = 3/10.
New share of Z = 1/5 = 2/10.
New profit-sharing ratio of X : Y : Z = 5 : 3 : 2 (5/10 + 3/10 + 2/10 = 10/10, confirmed correct).

Section C

10. [Ch 1] Interest on capital: A = ■2,00,000 × 6% = ■12,000; B = ■1,00,000 × 6% = ■6,000. Total interest = ■18,000.
Profit remaining after interest = ■90,000 – ■18,000 = ■72,000, shared equally: ■36,000 each.

Profit and Loss Appropriation Account for the year ended 31 March 2026
Dr. side: To Interest on Capital — A ■12,000, B ■6,000 (total ■18,000); To Profit transferred to Capital Accounts — A ■36,000, B ■36,000 (total ■72,000). Total Dr. side = ■90,000.
Cr. side: By Profit and Loss Account (Net Profit b/d) = ■90,000.
Both sides tally at ■90,000, confirming the account balances correctly.

11. [Ch 2] Average profit = (■40,000 + ■50,000 + ■60,000) ÷ 3 = ■1,50,000 ÷ 3 = ■50,000.

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Goodwill = Average profit × number of years' purchase = ■50,000 × 2 = ■1,00,000.

12. [Ch 3] Journal entries:
(i) Building A/c Dr. ■20,000; To Revaluation A/c ■20,000 (appreciation recorded)
(ii) Revaluation A/c Dr. ■5,000; To Stock A/c ■5,000 (fall in stock value)
(iii) Revaluation A/c Dr. ■3,000; To Provision for Doubtful Debts A/c ■3,000 (increase in provision)
Net result on Revaluation Account: Gain of ■20,000 against losses of ■5,000 + ■3,000 = ■8,000, giving a net gain of ■20,000 – ■8,000 = ■12,000.
(iv) Revaluation A/c Dr. ■12,000; To A's Capital A/c ■7,200; To B's Capital A/c ■