A's GR = 3/5 – 2/6 = (18 – 10)/30 = 8/30

B's GR = 2/5 – 3/6 = (12 – 15)/30 = –3/30

Dr. **Partner's Capital Accounts** Cr.

Particulars	A (₹)	B (₹)	C (₹)	*Particulars*	A (₹)	B (₹)	C (₹)
To B's Capital A/c	2,400			By Balance b/d	30,000	40,000	25,000
To C's Capital A/c	4,000			By Reserve Fund	5,333	8,000	2,667
To C's Loan A/c			32,125	By Rev. – Profits	917	1,375	458
To Balance c/d	29,850	51,775		By A's Capital A/c		2,400	4,000
	36,250	51,775	32,125		36,250	51,775	32,125

Balance Sheet

Liabilities		₹	*Assets*		₹
Sundry Creditors		25,000	Cash in Hand		8,500
Loan Payable		15,000	Debtors	18,000	
C's Loan		32,125	*Less*: Provisions	2,000	16,000
Capital Accounts			Stock (25,000 + 3,750)		28,750
A	29,850		Furniture (10,000 – 500)		9,500
B	51,775	81,625	Plant		36,000
			Factory Buildings (50,000+5,000)		55,000
		1,53,750			1,53,750

Q. 39. X, Y and Z were in partnership sharing profits and losses in the proportions of 3:2:1. On 1st April, 2018, Y retires from the firm. On that date, their Balance Sheet was :

Liabilities		₹	*Assets*	₹
Trade Creditors		**3,000**	**Cash in hand**	**1,500**
Bills Payable		**4,500**	**Cash at Bank**	**7,500**
Expenses Owing		**4,500**	**Debtors**	**15,000**
Reserve Fund		**13,500**	**Stock**	**12,000**
Capital A/cs :			**Factory Premises**	**22,500**
X	**15,000**		**Machinery**	**8,000**
Y	**15,000**		**Loose Tools**	**4,000**
Z	**15,000**	**45,000**		
		70,500		**70,500**

The terms were : (i) Goodwill of the firm was valued at ₹ 13,500 and adjustment in this respect was to be made in the continuing partners' capital accounts without raising Goodwill account. (ii) Expenses owing to be brought down to ₹ 3,750. (iii) Machinery and loose tools are to be valued @ 10% less than their book value. (iv) Factory premises are to be revalued at ₹ 24,300. Show Revaluation Account, Partners' Capital Accounts and prepare the Balance sheet of the firm after the retirement of Y.

Sol.

Dr. **Revaluation Account** Cr.

Particulars	₹	*Particulars*	₹
To Machinery (8,000 × 10%)	800	By Expenses Owing	
To Loose Tools (4,000 × 10%)	400	(4,500 – 3,750)	750
To Capital Accounts – Profits		By Factory Premises	
X = 1,350 × 3/6 = 675		(24,300 – 22,500)	1,800
Y = 1,350 × 2/6 = 450			
Z = 1,350 × 1/6 = 225	1,350		
	2,550		2,550

Dr. **Partner's Capital Account** Cr.

Particulars	X (₹)	Y (₹)	Z (₹)	*Particulars*	X (₹)	Y (₹)	Z (₹)
To Y Capital A/c	3,375		1,125	By Balance b/d	15,000	15,000	15,000
To Y's Loan A/c		24,450		By Reserve Fund	6,750	4,500	2,250
To Balance c/d	19,050		16,350	By X Capital A/c		3,375	
				By Z Capital A/c		1,125	
				By Rev. Profits	675	450	225
	22,425	24,450	17,475		22,425	24,450	17,475

Balance Sheet

Liabilities		₹	*Assets*	₹
Trade Creditors		3,000	Cash in hand	1,500
Bills Payable		4,500	Cash at Bank	7,500
Expenses Owing		3,750	Debtors	15,000
Y's Loan A/c		24,450	Stock	12,000
Capital Accounts			Factory Premises	24,300
X	19,050		Machinery (8,000 – 800)	7,200
Z	16,350	35,400	Loose Tools (4,000 – 400)	3,600
		71,100		71,100

Q. 40. Pankaj, Naresh and Saurabh are partners sharing profits in the ratio of 3 : 2 : 1. On 31st March, 2018, Naresh retired from the firm due to his illness. On that date, Balance Sheet of the firm was as follows—

Liabilities	₹	*Assets*		₹
General Reserve	12,000	Bank		7,600
Sundry Creditors	15,000	Debtors	6,000	
Bills Payable	12,000	*Less :* Provision for		
Outstanding Salary	2,200	Doubtful Debts	400	5,600
Provision for Legal Damages	6,000	Stock		9,000

Capital A/cs :			Furniture	41,000
Pankaj	46,000		Premises	80,000
Naresh	30,000			
Saurabh	20,000	96,000		
		1,43,200		1,43,200

Additional Information—

(a) Premises have appreciated by 20%, stock depreciated by 10% and provision for doubtful debts was to be made 5% on debtors. Further, provision for legal damages is to be made for ₹ 1,200 and furniture to be brought up to ₹ 45,000.

(b) Goodwill of the firm be valued at ₹ 42,000.

(c) ₹ 26,000 from Naresh's Capital Account be transferred to his Loan Account and balance be paid through bank : if required, necessary loan may be obtained from bank

(d) New profit-sharing ratio of Pankaj and Saurabh is decided to be 5 : 1.

Give the necessary Ledger Accounts and Balance Sheet of the firm after Naresh's retirement.

Sol. **Revaluation A/c**

Particulars		₹	*Particulars*	₹
To Stock A/c		900	By Premises A/c	16,000
To Prov. for Legal damage		1,200	By P.B.D. A/c	100
To Rev. Profit c/d [3 : 2 : 1]			By Furniture A/c	4,000
Pankaj	9,000			
Naresh	6,000			
Saurabh	3,000	18,000		
Total		**20,100**	**Total**	**20,100**

Working Note—

Gain/ Sac. to Pankaj = (3/6) – (5/6) = [(3 – 5)/6] = (– 2/6) Gain

to Saurabh = (1/6) – (1/6) = [(1 – 1)/6] = 0

Partners' Capital A/c

Particular	P	N	S	*Particular*	P	N	S
To Naresh's Cap. A/c	14,000	—	—	By Balance b/d	46,000	30,000	20,000
To Naresh's Loan A/c	—	26,000	—	By Rev. A/c	9,000	6,000	3,000
To Bank A/c	—	28,000	—	By Gen. Res. A/c	6,000	4,000	2,000
To Balance c/d	47,000	—	25,000	By Pankaj's Cap. A/c	—	14,000	—
Total	**61,000**	**54,000**	**25,000**	**Total**	**61,000**	**54,000**	**25,000**

Balance Sheet

Liabilities		₹	*Assets*		₹
Bank Loan A/c (W/Note)		20,400	Stock		8,100
Sundry Creditors		15,000	Furniture		45,000
Bills Payables		12,000	Premises		96,000
O/s Salary		2,200	Debtors	6,000	
Prov. for Legal damages		7,200	P.B.D.	300	5,700
Naresh's Loan A/c		26,000			
Capital A/cs :					
Pankaj	47,000				
Saurabh	25,000	72,000			
Total		1,54,800	**Total**		1,54,800

Working Note—

Bank A/c

Particulars	₹	*Particulars*	₹
To Balance b/d	7,600	By Naresh's Capital A/c	28,000
To Bank Loan (Bal. Fig.)	20,400		
Total	28,000	**Total**	28,000

Q. 41. X, Y and Z are partners sharing profits in the ratio of 4:3:2. Their Balance Sheet as at March 31, 2018 stood as follows.

Liabilities		₹	*Assets*		₹
Creditors		**24,140**	**Cash at Bank**		**3,300**
Capital A/cs :			**Sundry Debtors**	**3,045**	
X	**12,000**		***Less* : Provision for**		
Y	**9,000**		**Doubtful Debts**	**105**	**2,940**
Z	**6,000**	**27,000**	**Stock**		**4,800**
			Plant & Machinery		**5,100**
			Land & Building		**15,000**
			Y's Loan		**20,000**
		51,140			**51,140**

Y having given notice to retire from the firm, the following adjustments in the books of the firm were agreed upon.

(*a*) That the land and building to be appreciated by 10%.

(*b*) That the provision for Doubtful debts is no longer necessary. Since all the debtors are considered good.

(*c*) That the stock be appreciated by 20%.

(*d*) That the adjustment be made in the accounts to rectify a mistake previously committed whereby Y was Credited in excess by ₹ 810, while X and Z were debited in excess of ₹ 420, and ₹ 390 respectively.

(*e*) Goodwill of the firm be fixed at ₹ 5,400 and Y's share of the same be adjusted to that of X and Z who were going to share in the ratio of 2:1.

You are required to show Revaluation Account, Partners' Capital Accounts and Balance Sheet of the firm after Y's retirement.

Sol.

Revaluation Account

Dr. Particulars	₹	Particulars	Cr. ₹
To Capital A/c – Profits		By Land & Buildings (15,000 × 10%)	1,500
X = 2,565 × 4/9 = 1,140		By Stock (4,800 × 20%)	960
Y = 2,565 × 3/9 = 855		By Provision	105
Z = 2,565 × 2/9 = 570	2,565		
	2,565		2,565

Partner's Capital Accounts

Dr. Particulars	X (₹)	Y (₹)	Z (₹)	Particulars	X (₹)	Y (₹)	Cr. Z (₹)
To Excess Credit		810		By Balance B/d	12,000	9,000	6,000
To Y's A/c	1,200		600	By Rev. Profits	1,140	855	570
To Y's Loan A/c		20,000		By X's A/c		1,200	
To Balance c/d	12,360		6,360	By Z's A/c		600	
				By Bank A/c		9,155	
				By Excess Debit	420		390
	13,560	20,810	6,960		13,560	20,810	6,960

Balance sheet of Reconstituted firm

Liabilities		₹	Assets	₹
Creditors		24,140	Cash at Bank	12,455
Capital Accounts			Sundry Debtors	3,045
X	12,360		Stock (4800 + 960)	5,760
Z	6,360	18,720	Plant & Machinery	5,100
			Land & Buildings (15,000 + 1,500)	16,500
		42,860		42,860

Q. 42. A, B and C are partners sharing profits and losses in the ratio of 4:3:3 respectively. Their Balance Sheet as at March 31, 2018 is

Liabilities		₹	Assets		₹
Creditors		7,000	**Land and Building**		36,000
Bills Payable		3,000	**Plant and Machinery**		28,000
Reserves		20,000	**Electronic Typewriter**		8,000
Capital A/cs :			**Stock**		20,000
A	32,000		**Sundry Debtors**	14,000	
B	24,000		***Less:* Provision for**		
			Doubtful Debts	2,000	12,000
C	20,000	76,000	**Bank**		2,000
		1,06,000			1,06,000

On 1st April 2018, B retires from the firm on the following terms (a) Goodwill of the firm is to be valued at ₹ 14,000. (b) Stock, Land and Buildings are to be

appreciated by 10%. (c) Plant and Machinery and Electronic Typewriter are to be depreciated by 10%. (d) Sundry debtors are considered to be good. (e) There is a liability of ₹ 2,000 for the payment of outstanding salary to the employees of the firm. This liability has not been shown in the above Balance Sheet, but the same is to be recorded now. (f) Amount payable to B is to be transfered to his Loan Account. Prepare Revaluation Account, Partners' Capital Accounts and the Balance sheet of A and C after B's retirement.

Sol.

Dr. **Revaluation Account** *Cr.*

Particulars	₹	*Particulars*	₹
To Plant & Machinery (28,000 × 10%)	2,800	By Stock (20,000 × 10%)	2,000
To Electronic Typewriter (8,000 × 10%)	800	By Land & Building (36,000 × 10%)	3,600.
To O/s salaries	2,000	By Provision	2,000
To Capital A/c – Profit			
A = 2,000 × 4/10 = 800			
B = 2,000 × 3/10 = 600			
C = 2,000 × 3/10 = 600	2,000		
	7,600		7,600

Dr. **Partner's Capital Accounts** *Cr.*

Particulars	A (₹)	B (₹)	C (₹)	*Particulars*	A (₹)	B (₹)	C (₹)
To B's A/c (4,200 in 4:3)	2,400		1,800	By Balance B/d	32,000	24,000	20,000
To B's Loan		34,800		By Reserves	8,000	6,000	6,000
To Balance c/d	38,400		24,800	By A & C A/cs (14,000 × 3/10)		4,200	
				By Rev. Profit	800	600	600
	40,800	34,800	26,600		40,800	34,800	26,600

Balance Sheet of Reconstituted firm

Liabilities		₹	*Assets*	₹
Creditors		7,000	Land & Build.(36,000 + 3,600)	39,600
Bills Payable		3,000	Plant & Mac. (28,000 – 2,800)	25,200
B's Loan A/c		34,800	Electronic Type. (8,000 – 800)	7,200
O/s Salaries		2,000	Stock (20,000 + 2,000)	22,000
Capital Accounts			Sundry Debtors	14,000
A	38,400		Bank	2,000
C	24,800	63,200		
		1,10,000		1,10,000

Q. 43. Following is the Balance Sheet of X, Y and Z as at 31st March 2018. They shared Profits in the ratio of 3 : 3 : 2.

Liabilities	₹	*Assets*	₹
Sundry Creditors	2,50,000	Cash at bank	50,000
General Reserves	80,000	Bills Receivable	60,000

Partner's Loan A/c			Debtors	80,000	
X	50,000		*Less* : Provision for		
			Doubtful Debts	4,000	76,000
Y	40,000	90,000	Stock		1,24,000
Capital A/cs :			Fixed Assets		3,00,000
X	1,00,000		Advertisement Suspense A/c		16,000
Y	60,000		Profit and Loss A/c		4,000
Z	50,000	2,10,000			
		6,30,000			6,30,000

On 1st April 2018, Y decided to retire from the firm on the following terms (a) Stock to be depreciated by ₹ 12,000, (b) Advertisement Suspense Account to be written off, (c) Provision for doubtful debts to be increased to ₹ 6,000, (d) Fixed Assests be appreciated by 10%, (e) Goodwill of the firm, valued at 80,000 and the amount due to the retiring partner be adjusted in X's and Z's Capital Accounts. Prepare Revaluation Account, Partners Capital Accounts and the Balance Sheet to give effect to the above.

Sol.

Dr. **Revaluation Account** *Cr.*

Particulars	₹	*Particulars*	₹
To Stock	12,000	By Fixed Assets = (3,00,000 × 10%)	30,000
To Provision for D/D (6,000 – 4,000)	2,000		
To Capital A/c – Profit			
X = 16,000 × 3/8 = 6,000			
Y = 16,000 × 3/8 = 6,000			
Z = 16,000 × 2/8 = 4,000	16,000		
	30,000		30,000

Dr. **Partner's Capital Accounts** *Cr.*

Particulars	X (₹)	Y (₹)	Z (₹)	*Particulars*	X (₹)	Y (₹)	Z (₹)
To Profit/Loss	1,500	1,500	1,000	By Balance B/d	1,00,000	60,000	50,000
To Ad. Sus A/c	6,000	6,000	4,000	By Gen. Reserve	30,000	30,000	20,000
To Y's A/c-G/w				By Rev. A/c – Profit	6,000	6,000	4,000
(30,000 in 3:2)	18,000		12,000	By X & Z A/c-G/w			
To Y's Loan		1,18,500		(80,000 × 3/8)		30,000	
To Balance c/d	1,10,500		57,000				
	1,36,000	1,26,000	74,000		1,36,000	1,26,000	74,000

Balance sheet of Reconstituted firm

Liabilities	₹	*Assets*		₹
Sundry Creditors	2,50,000	Cash at Bank		50,000
Partners' Loan A/c		Bills Receivable		60,000
X	50,000	Debtors	80,000	
Y (40,000 + 1,18,500)	1,58,500	*Less* : Provision for B/D	6,000	74,000
		Stock (1,24,000 – 12,000)		1,12,000

Capital Accounts X	1,10,500	Fixed Assets (3,00,000 + 30,000)	3,30,000
Z	57,000		
	6,26,000		6,26,000

Q. 44. X, Y and Z are partners sharing profits and losses in the ratio of 3 : 2 : 1. The Balance Sheet of the firm as at 31st March, 2018 stood as follows :

Liabilities		₹	*Assets*		₹
Creditors		21,000	Cash /Bank		5,750
Workman Capital Reserve		12,000	Debtors	40,000	
Inv. fluctuation Reserve		6,000	*Less* : P.B.D	2,000	38,000
Capital A/cs :			Stock		30,000
X	68,000		Investment (M.V. ₹ 17,600)		15,000
Y	32,000		Patents		10,000
Z	21,000	1,21,000	Machinery		50,000
			Adv. Expendiure		5,250
			Goodwill		6,000
Total		1,60,000	Total		1,60,000

Z retired on the above date on the following terms :

(*a*) Goodwill of the firm is to be valued at ₹ 34,800.

(*b*) Value of Patents is to be reduced by 20% and that of machinery to 90%.

(*c*) Provision for doubtful debts is to be created @ 6% on debtors.

(*d*) Z took over the investment at market value.

(*e*) Liability for Workmen compensation to the extent of ₹ 750 is to be created.

(*f*) A liability of ₹ 4,000 included in creaditors is not likely to be paid.

(*g*) Amount due to Z to be settled on the following basis : ₹ 5,067 to be paid immediately 50% of the balance within one year and the balance by a Bill of Exchange (without interest) at 3 Months.

Give necessary Journal entries for the treatment of goodwill, prepare Revaluation Account, Capital Accounts and the Balance Sheet of the new firm.

Sol.

Journal

Date	*Particulars*		*LF*	*Dr.* (₹)	*Cr.* (₹)
(*i*)	x's Capital A/c	Dr.		3,000	
	y's Capital A/c	Dr.		2,000	
	z's Capital A/c	Dr.		1,000	
	To Goodwill A/c				6,000
	(Being old G/W A/c written off in old Ratio)				
(*ii*)	x's Capital A/c [5,800 × (3/5)]	Dr.		3,480	
	y's Capital A/c [5,800 × (2/5)]	Dr.		2,320	
	To z's Capital A/c [34,800 × 1/6]				5,800
	(Being share of z's G/W adjusted)				

Revaluation A/c

Particulars	₹	*Particulars*		₹
To Patents	2,000	By Investment		2,600
To Machinery	5,000	By Creditors		4,000
To P.B.D.	400	By Revaluation Loss		
		x	400	
		y	267	
		z	133	800
Total	7,400	Total		7,400

Partners' Capital A/c

Particulars	X (₹)	Y (₹)	Z (₹)	*Particulars*	X (₹)	Y (₹)	Z (₹)
To Goodwill	3,000	2,000	1,000	By Balance b/d	68,000	32,000	21,000
To Adv. Exp. A/c	2,625	1,750	875	By W.C.R. A/c	5,625	3,750	1,845
To Rev. A/c	400	267	133	By I.F.R. A/c	3,000	2,000	1,000
To Investment A/c	—	—	17,600	By x's Cap. A/c	—	—	3,480
To z's Cap. A/c	3,480	2,320	—	By y's Cap. A/c	—	—	2,320
To Bank A/c	—	—	5,067				
To z's Loan A/c	—	—	2,500				
To B/P			2,500				
To Balance c/d	67,120	31,413	—				
Total	76,625	37,750	29,675	Total	76,625	37,750	29,675

Balance Sheet

Liabilities		₹	*Assets*		₹
Creditors		17,000	Cash at Bank		683
W. Compen. Reserve		750	Debtors	40,000	
B/P to "Z"		2,500	*Less* : P.B.D.	2,400	37,600
Z's Loan A/c		2,500	Stock		30,000
Capital A/c			Patents		8,000
x	67,120		Machinery		45,000
y	31,413	98,533			
Total		1,21,283	Total		1,21,283

Q. 45. X, Y and Z partners in a firm sharing profits in the ratio of 3 : 2 : 1. On 1st April, 2009, Y retires from the firm. X and Z agree that the capital of the new firm shall be fixed at ₹ 2,10,000 in the profit-sharing ratio. The Capital Accounts of X and Z after all adjustments on the date of retirement showed balance of ₹ 1,45,000 and ₹ 63,000 respectively. State the amount of actual cash to be brought in or to be paid to the partners.

Sol. (*i*) Old Ratio of x : y : z = 3 : 2 : 1

(*ii*) New Ratio of x : z = 3 : 1

(*iii*) Capital of New firm = ₹ 2,10,000

(iv) So, New Capital of "x" = ₹ (2,10,000 × 3/4)
= ₹ 1,57,500

"Z" = ₹ (2,10,000 × 1/4) = ₹ 52,500

(v) x's brought cash = ₹ (1,57,500 – 1,45,000) = ₹ 12,500

Z's withdrawn cash = ₹ (63,000 – 52,500) = ₹ 10,500

Q. 46. On 31st March 2018, the Balance Sheet of A, B and C who were sharing profits and losses in proportion to their capitals stood as :

Liabilities		₹	*Assets*		₹
Creditors		**10,800**	**Cash at Bank**		**13,000**
Bills Payable		**5,000**	**Debtors**	**10,000**	
Capital A/cs :			*Less* **: Provision for**		
			Doubtful Debts	**200**	**9,800**
A	**45,000**		**Stock**		**9,000**
B	**30,000**		**Machinery**		**24,000**
C	**15,000**	**90,000**	**Freehold Premises**		**50,000**
		1,05,800			**1,05,800**

B retires and the following re-adjustments of assets and liabilities have been agreed upon before ascertainment of the amount payable to B.

(i) Out of the amount of insurance which was debited to Profit & Loss Account, ₹ 1,000 be carried forward for unexpired insurance.

(ii) Freehold Premises be appreciated by 10%.

(iii) Provision for Doutbful Debts are brought up to 5% on Debtors.

(iv) Machinery be depreciated by 5%.

(v) Liability for workmen's compensation to the extent of ₹ 1,500 would be created.

(vi) That the Goodwill of the entire firm be fixed at ₹ 18,000 and B's share of the same be adjusted into the accounts of A and C who are going to share future profits in the proportion of 3/4th and 1/4th respectively (no Goodwill Account being raised).

(vii) Total capital of the firm as newly constituted be fixed at ₹ 60,000 between A and C in the proportion of 3/4th and 1/4th after passing entries in their accounts for adjustments, i.e., actual cash to be paid or to be brought in by continuing partners as the case may be.

(viii) That B be paid ₹ 5,000 in cash and the balance be transferred to his Loan Account.

Prepare Capital Accounts of partners and the Balance Sheet of the firm of A and C.

Sol.

Dr. **Revaluation Account** *Cr.*

Particulars	₹	*Particulars*	₹
To Provision for D/D (10,000 × 5% – 200)	300	By Unexpired Insurance	1,000

To Machinery (24,000 × 5%)		1,200	By Freehold Premises	5,000
To Liab. for workmen comp.		1,500	(50,000 × 10%)	
To Capital Accounts – Profits				
A = 3,000 × 3/6 =	1,500			
B = 3,000 × 2/6 =	1,000			
C = 3,000 × 1/6 =	500	3,000		
		6,000		6,000

Dr. **Partner's Capital Accounts** Cr.

Particulars	*A* (₹)	*B* (₹)	*C* (₹)	*Particulars*	*A* (₹)	*B* (₹)	*C* (₹)
To B's A/c	4,500		1,500	By Balance B/d	45,000	30,000	15,000
To Bank A/c		5,000		By A's A/c		4,500	
To B's Loan A/c		32,000		By C's A/c		1,500	
To Balance c/d	45,000		15,000	By Rev. profits	1,500	1,000	500
				By Bank A/c	3,000		1,000
	49,500	37,000	16,500		49,500	37,000	16,500

BALANCE SHEET OF A & C

Liabilities		₹	*Assets*		₹
Creditors		10,800	Bank (13,000 + 3,000 + 1,000 – 5,000)		12,000
Liab. for workmen comp.		1,500	Debtors	10,000	
B's Loan A/c		32,000	*Less*: Provision	500	9,500
Capital Accounts:			Stock		9,000
A	45,000		Machinery (24,000 – 1,200)		22,800
C	15,000	60,000	Freehold Premises (50,000 + 5,000)		55,000
Bills Payable		5,000	Unexpired Insurance		1,000
		1,09,300			1,09,300

Working Notes :

A's gaining ratio = 3/4 – 1/2 = (3 – 2)/4 = 1/4 = 3/12

C's gaining ratio = 1/4 – 1/6 = (3 – 2)/12 = 1/12

GR = 3 : 1

Q. 47. Amit, Balan And Chander were partners in a firm sharing profits in the proportion of 1/2, 1/3 and 1/6 respectively. Chander retired on 1st April, 2014. The Balance Sheet of the firm on the date of Chander's retirement was as follows.

Liabilities			₹	*Assets*		₹
Sundry Creditors			**12,600**	**Bank**		**4,100**
Provident Fund			**3,000**	**Debtors**	**30,000**	
General Reserve			**9,000**	***Less*: Provision**	**1,000**	**29,000**
Capital A/cs: Amit		**40,000**		**Stock**		**25,000**
	Balan	**36,500**		**Investments**		**10,000**
	Chander	**20,000**	**96,500**	**Patents**		**5,000**
				Machinary		**48,000**
			1,21,100			**1,21,100**

It was agreed that :

(i) Goodwill will be valued at ₹ 27,000.

(ii) Depreciation of 10% was to be provided on Machinery.

(iii) Patents were to be reduced by 20%

(iv) Liability on account of Provident Fund was estimated at ₹ 2,400.

(v) Chander took over Investments for ₹ 15,800

(vi) Amit and Balan decided to adjust their capitals in proportion of their profit-sharing ratio by opening Current Accounts.

Prepare Revaluation Account and Partners' Capital Accounts on Chander's retirement. *(Delhi 2015)*

Sol. Working Note—

(i) Old Ratio of A : B : C = 1/2 : 1/3 : 1/6

= 3 : 2 : 1

(ii) New Ratio of A : B = 3 : 2

Revaluation A/c

Particulars		₹	*Particulars*	₹
To Machinery		4,800	By Provident Fund	600
To Patent		1,000	By Investments	5,800
To Rev. Profit c/d				
A (600 × 3/6)	300			
B (600 × 2/6)	200			
C (600 × 1/6)	100	600		
Total		6,400	**Total**	6,400

Partners' Capital A/c

Particulars	A	B	C	*Particulars*	A	B	C
To Investments	–	–	15,800	By Balance b/d	40,000	36,500	20,000
To C's Cap. A/c	2,700	1,800	–	By Gen. Res.	4,500	3000	1500
To C's Loan A/c	–	–	10,300	By A/s Capital	–	–	2,700
To Balance c/d	42,100	37,900	–	By B's Capital	–	–	1,800
				By Rev. Pt.	300	200	100
Total	44,800	39,700	26,100	**Total**	44,800	39,700	26,100
To B's curr.A/c	–	5,900	–	By Balance b/d	42,100	37,900	–
To Balance c/d	48,000	32,000	–	By A's curr.A/c	5,900	–	–
Total	48,000	37,900	–	**Total**	48,000	37,900	–

Working Nate—

(i) Total Capital of Amit (A) and Balan (B) in New Firm

= ₹ [42,100 + 37,900] = ₹ 80,000

(ii) New Adjusted Capital of

Amit (A) = ₹ 80,000 × (3/5) = ₹ 48,000

Balan (B) = ₹ 80,000 × (2/5) = ₹ 32,000

Opening Balance Sheet

Liabilities		₹	Assets		₹
Sundry Creditors		12,600	Bank		4,100
Prov. Fund		2,400	Debtors	30,000	
Capital Alcs :			Less : Prov.	1,000	29,000
Amit	48,000		Stock		25,000
Balan	32,000	80,000	Patents [5,000 – 20%]		4,000
Chander's Loan A/c		10,300	Machinery [48000 – 10%]		43,200
Balan's Current A/c		5,900	Amit's current A/c		5,900
Total		1,11,200	Total		1,11,200

Q. 48. J, H and K were partners in a firm sharing profits in the ratio of 5 : 3 : 2. On March, 2015 their Balance Sheet was as follows :

Liabilities			₹	Assets		₹
Creditors			**42,000**	**Land and Building**		**1,24,000**
Investement Fluctuation Fund			**20,000**	**Motor Vans**		**40,000**
Profit and Loss Account			**80,000**	**Investments**		**38,000**
Capital A/cs :	**J**	**1,00,000**		**Machinery**		**24,000**
	H	**80,000**		**Stock**		**30,000**
	K	**40,000**	**2,20,000**	**Debtors**	**80,000**	
				***Less* : Provision**	**6,000**	**74,000**
				Cash		**32,000**
			3,62,000			**3,62,000**

On the above date, H retired and J and K agreed to continue the business on the following terms :

(*i*) Goodwill of the firm was valued at ₹ 1,02,000.

(*ii*) There was a claim of ₹ 8,000 for workmen's compensation.

(*iii*) Provision for bad debts was to be reduced by ₹ 2,000.

(*iv*) H will be paid ₹ 14,000 in cash and the balance will be transferred in his Loan Account which will be paid in four equal yearly instalments together with interest @ 10% P.a.

(*v*) The new profit-sharing, ratio between J and K will be 3 : 2 and their capitals will be in their new profit sharing ratio. The capital adjustments will be done by opening Current Accounts.

Prepare Revaluation Account, partners' Capital Accounts and Balance Sheet of the new firm. *(AI 2016)*

Sol. Working Note—

(*i*) Old Ratio of J : H: K = 5 : 3 : 2

(*ii*) New Ratio of J : K = 3 : 2

(*iii*) Gain/Sac. Share of

J = (3/5) – (5/10) = (6 – 5) = 1/10 Gain

H = 0 – (3/10) = (0 – 3)/10 = –3/10 Sac.

K = (2/5) – (2/10) = (4 – 2)/10 = 2/10 Gain.

Revaluation A/c

Particulars	₹	Particulars	₹
To claim for W. comp.	8,000	By Prov. for B.D.	2,000
		By Rev. Loss c/d	
		J (6,000 × 5/10).	3,000
		H (6000 × 3/10)	1,800
		K (6,000 × 2/10)	1,200
Total	8,000	Total	8,000

Partners' Capital A/c

Particulars	J	H	K	Particulars	J	H	K
To H's Cap. A/c	10,200	–	20,400	By Balance b/d	1,00,000	80,000	40,000
To Rev. Loss	3,000	1,800	1,200	By Profit & Loss A/c	40,000	24,000	16,000
To Cash A/c	–	14,000	-	By I.F.F. A./c	10,000	6,000	4,000
To H's Loan A/c	–	1,24,800	–	By J's Cap. A/c	–	10,200	–
To Balance c/d	1,36,800	–	38,400	By K's Cap. A/c	–	20,400	–
Total	1,50,000	1,40,600	60,000	Total	1,50,000	1,40,600	60,000
To J's current A/c	31,680	–	–	By Balance b/d	1,36,800	–	38,400
To Balance c/d	1,05,120	–	70,080	By K's current A/c		–	31,680
Total	1,36,800	–	70,080	Total	136,800	–	70,080

Working Note—

(*i*) Total Capital of (Jand K) in new firm

= ₹ [1,36,800 + 38,400] = ₹ 175,200

(*ii*) Share of "J" = ₹ 175,200 × (3/5) = ₹ 1,05,120

"K" = ₹ 1,75,200 × (2/5) = ₹ 70,080

Opening Balance Sheet

Liabilities		₹	Assets		₹
Creditros		42,000	Land & Building		1,24,000
Claim for w. comp.		8,000	Motor vens		40,000
"H" Loan A/c		1,24,800	Investements		38,000
Capital A/cs:			Machinery		24,000
J	1,05,120		Stock		30,000
K	70,080	1,75,200	Debtors	80,000	
J's current A/c		31,680	*Less* : Prov.	4,000	76,000
			Cash		18,000
			K's current A/c		31,680
Total		3,81,680	Total		3,81,680

Q. 49. X, Y and Z are partners in a firm sharing profits in the ratio of 3 : 1 : 2. On 31st March 2018 their Balance Sheet was.

Liabilities		₹	Assets		₹
Bills Payable		12,000	Freehold Premises		40,000
Sundry Creditors		28,000	Machinery		30,000
General Reserve		12,000	Furniture		12,000
Capital Accounts			Stock		22,000
X	30,000		Sundry Debtors	20,000	
Y	20,000		*Less*: Provision for		
			Doubtful Debts	1,000	19,000
Z	28,000	78,000	Cash		7,000
		1,30,000			1,30,000

Z retires from the business and the partners agree to the following – (*a*) Freehold Premises and Stock are to be appreciated by 20% and 15% respectively, (*b*) Machinery and Furniture are to be depreciated by 10% and 7% respectively, (*c*) Provision for Doubtful Debts is to be increased to ₹ 1,500, (*d*) Goodwill of the firm is valued at ₹ 21,000 on Z's retirement and (*e*) The continuing partners have decided to adjust their capitals in their new profit-sharing ratio after retirement of Z. Surplus/Deficit, if any, in their capital accounts will be adjusted through current accounts. Prepare necessary Ledger Accounts and draw the Balance Sheet of the reconstituted firm.

Sol.

Dr. **Revaluation Account** *Cr.*

Particulars	₹	Particulars	₹
To Machinery (30,000 × 10%)	3,000	By Freeh. Prem. (40,000 × 20%)	8,000
To Furniture (12,000 × 7%)	840	By Stock (22,000 × 15%)	3,300
To Prov. for D/D (1,500 – 1,000)	500		
To Capital Accounts – Profits			
X = 6,960 × 3/6 = 3,480			
Y = 6,960 × 1/6 = 1,160			
Z = 6,960 × 2/6 = 2,320	6,960		
	11,300		11,300

Dr. **Partner's Capital Accounts** *Cr.*

Particulars	X (₹)	Y (₹)	Z (₹)	Particulars	X (₹)	Y (₹)	Z (₹)
To Z's A/c				By Balance B/d	30,000	20,000	28,000
(7,000 in 3 : 1)	5,250	1,750		By Gen. Reserve	6,000	2,000	4,000
To Z's Loan A/c			41,320	By Rev. Profits	3,480	1,160	2,320
To Current A/c		7,500		By X's & Y's A/c	—	—	7,000
To Balance c/d	41,730	13,910		(21,000 × 2/6)			
				By Current A/c	7,500	—	7,000
	46,980	23,160	41,320		46,980	23,160	41,320

Total capital of X & Y after adjustments = (X = 34,230) + (Y = 21,410) = ₹ 55,640
X's capital 55,640 × 3/4 = ₹ 41,730 and Y's capital = 55,640 × 1/4 = ₹ 13,910

New Balance Sheet

Liabilities		₹	*Assets*		₹
Bills Payable		12,000	Freehold Premises (40,000+8,000)		48,000
Sundry Creditors		28,000	Machinery (30,000 – 3,000)		27,000
Z's Loan A/c		41,320	Furniture (12,000 – 840)		11,160
Y's Current A/c		7,500	Stock (22,000 + 3,300)		25,300
Capital Accounts			Sundry Debtors	20,000	
X	41,730		*Less:* Provision for D/D	1,500	18,500
Y	13,910	55,640	Cash		7,000
			X's Current A/c		7,500
		1,44,460			1,44,460

Q. 50. X, Y and Z partners sharing profits in the ratio of 5 : 3 : 7. X retires from the the firm. Y and Z decided to share future profits in the ratio of 2 : 3. The adjusted Capital Accounts of Y and Z Showed balance of ₹ 49,500 and ₹ 1,05,750 respectively. The total amount to be paid to X is ₹ 1,35,750. This amount is to be paid by Y and Z in such a way that their capitals become proprtionate to their new profit sharing ratio Calculate the amount to be brought in or to be paid to partners.

Sol. (*i*) Total Capital of New firm = ₹ (49500 + 105750 + 135,750)

= ₹ 2,91,000

(*ii*) New P.S. Ratio of Y : Z = 2 : 3

(*iii*) New Adjusted Capital of

Y = 2,91,000 × (2/5) = ₹ 1,16,400

Z = 2,91,000 × (3/5) = ₹ 1,74,600

(*iv*) Amount brought In by

Y = ₹ 1,16,400 – 49,500 = ₹ 66,900

Z = ₹ 1,74,600 – 1,05,750 = ₹ 68,850

Q. 51. The Balance Sheet of X, Y and Z Who Shared profits in the ratio of 5 : 3 : 2, as on 31st March, 2018 was as Follow.

Liabilities		₹	*Assets*	₹
Sundry Creditors		**39,750**	**Bank (Minimum Balance)**	**15,000**
Employee's Provident Fund		**5,250**	**Debtors**	**97,500**
Workmen Compensation Res.		**22,500**	**Stock**	**82,500**
Capital A/cs:			**Fixed Assets**	**1,87,500**
X	**1,65,000**			
Y	**84,000**			
Z	**66,000**	**3,15,000**		
		3,82,500		**3,82,500**

Y retired on the above date and it was agreed that :

(*i*) Goodwill of firm is valued at ₹ 1,12,500 and Y's share of it be adjusted into the accounts of X and Y Who are going to share future profits in the ratio of 3 : 2.

(ii) **Fixed Assets be appreciated by 20%**

(iii) **Stock be reduced to ₹ 75,000**

(iv) **Y be paid amount broght in by X and Z in a way as to make their Capital proportionate to their new profit-sharing ratio.**

Prepare Revaluation Account, Capital Accounts of all partners and the Balance Sheet of the New Firm.

Sol. Working Note— (i) Old Ratio of x : y : z = 5 : 3 : 2

(ii) New Ratio of x : z = 3 : 2

(iii) Gain/Sac. Share of

x = (3/5) – (5/10) = (6 – 5)/10 = 1/10 Gain

z = (2/5) – (2/10) = (4 – 2)/10 = 2/10 Gain

(iv) Share of G/W to "Y" = 1,12,500 × (3/10) = ₹ 33,750

(v) Share of G/W borne by :

x = 33,750 × (1/3) = ₹ 11,250

z = 33,750 × (2/3) = ₹ 22,250

Revaluation A/c

Particlars		₹	*Particulars*	₹
To Stock		7,500	By Fixed Assets A/c	37,500
To Rev. Profit c/d				
x (30,000 × 5/10)	15,000			
y (30000 × 3/10)	9000			
z (30000 × 2/10)	6,000	30,000		
Total		**37,500**	**Total**	**37,500**

Partners Capital A/c

Particulars	*x*	*y*	*z*	*Particulars*	*x*	*y*	*z*
To *y*'s cap. A/c	11,250	–	22,250	By Balance b/d	1,65,000	84,000	66,000
To Balance c/d	1,80,000	1,33,500	54,000	By W.C.R. A/c	11,250	6,750	4,500
				By Rev. Pt.	15,000	9,000	6,000
				By x's cap. A/c	–	11,250	–
				By z's cap. A/c	–	22,250	–
Total	**1,91,250**	**1,33,500**	**76,500**	**Total**	**1,91,250**	**1,33,500**	**76,500**
To Bank A/c	–	1,33,500	–	By Balance b/d	1,80,000	1,33,500	54,000
To Balance c/d	2,20,500	–	1,47,000	By Bank A/c	40,500	–	93,000
Total	**2,20,500**	**1,33,500**	**1,47,000**	**Total**	**2,20,500**	**1,33,500**	**1,47,000**

Working Note—

(i) Total Capital of New Firm = [1,80,000 + 1,33,500 + 54,000]

= ₹ 3,67,500

(ii) New Capital of "x" = ₹ 3,67,500 × (3/5) = ₹ 2,20,500

of "z" = ₹ 3,67,500 × (2/5) = ₹ 1,47,000

(iii) Amount brought In by "x" = ₹ (2,20,500 – 180,000)

= ₹ 40,500

by "z" = ₹ (1,47,000 – 54,000) = ₹ 93,000

Opeining Balance Sheet

Liabilities		₹	*Assets*	₹
Sundry creditors		39,750	Bank (Min. Bal.)	15,000
Employee P. Fund		5,250	Debtors	97,500
Capital A./cs :			Stock	75,000
x	2,20,500		Fixed Assets	2,25,000
z	1,47,000	3,67,500		
Total		4,12,500	Total	4,12,500

Q. 52. X, Y and Z are partners sharing profits in the ratio of 5 : 3 : 2. Y retires on 1st April, 2018 from the firm, on which date capitals of X, Y and Z after all adjustment are ₹ 1,03,680 ₹ 87,840 and ₹ 26,880 respectively. The Cash and Bank Balance on that date was ₹ 9,600. Y is to be paid through amount brought in by X and Z in such a way as to make their capitals proportionate to their new profit-sharing ratio which will be X3/5 and Z2/5. Calculate the amount to be paid or to be brought in by the the continuing partners assuming that a minimum Cash and Bank balance of ₹ 7,200 was to be maintained and pass the necessary Journal entries.

Sol. (i) Old Ratio of x : y : z = 5 : 3 : 2

(ii) New Ratio of x : z = 3 : 2

(iii) Total Capital of (x and z) in new firm :

= ₹ [(1,03,680 + 87,840 + 26,880) – (9,600 - 7,200)]

= ₹ (2,18,400 – 2400) = ₹ 2,16,000

(iv) New Balance of Capital of :

"x" = 2,16,000 × (3/5) = ₹ 1,29,600

"z" = 2,16,000 × (2/5) = ₹ 86,400

(v) Amount will bring By :

"x" = ₹ 1,29,600 – 1,03,680 = ₹ 25,920

"z" = ₹ 86,400 – 26,880 = ₹ 59,520

Journal

Date	*Particulars*	*LF*	*Dr. (₹)*	*Cr. (₹)*
(i)	Bank A/c Dr.		85,440	
	To x's Capital A/c			25,920
	To z's Capital A/c			59,520
	(Being amount brought in by (x and z) for adjustment of capital)			
(ii)	Y's capital A/c Dr.		87,840	
	To Bank A/c			87,840
	(Being Amount paid to y's on his retirment)			

Q. 53. A, B and C are partners in a firm sharing profits and losses in the ratio of 3 : 2 : 1. Their Balance Sheet as at 31st March 2018 is

Liabilities		₹	*Assets*		₹
Creditors		30,000	Cash in Hand		18,000
Bills Payable		16,000	Debtors	25,000	
General Reserve		12,000	*Less* : Provision for		
			Doubtful Debts	3,000	22,000
Capitals A/cs:			Stock		18,000
A	40,000		Furniture		30,000
B	40,000		Machinery		70,000
C	30,000	1,10,000	Goodwill		10,000
		1,68,000			1,68,000

B retires on 1st April 2018 on following terms:

(*a*) Provision for Doubtful, Debts be raised by ₹ 1,000.

(*b*) Stock to be depreciated by 10% and Furniture by 5%.

(*c*) There is an outstanding claim of damages of ₹ 1,100 and it is to be provided for.

(*d*) Creditors will be written back by ₹ 6,000.

(*e*) Goodwill of the firm is valued at ₹ 22,000.

(*f*) B is paid in full with the cash brought in by A and C in such a manner that their capitals are in proportion to their profit sharing ratio and cash in hand remains at ₹ 10,000

Prepare Revaluation Account, Partners' Capital Accounts and the Balance Sheet of A and C.

Sol.

Dr. **Revaluation Account** *Cr.*

Particulars	₹	*Particulars*	₹
To Stock (18,000 ×10%)	1,800	By Creditors	6,000
To Furniture (30,000 × 5%)	1,500		
To Provisions for D/D	1,000		
To O/s Damage Charges	1,100		
To Capital Accounts – Profits			
A = 600 × 3/6 = 300			
B = 600 × 2/6 = 200			
C = 600 × 1/6 = 100	600		
	6,000		6,000

Dr. **Partner's Capital Accounts** *Cr.*

Particulars	A (₹)	B (₹)	C (₹)	*Particulars*	A (₹)	B (₹)	C (₹)
To Goodwill	5,000	3,333	1,667	By Balance b/d	40,000	40,000	30,000
To B's A/c	5,500		1,833	By A's A/c		5,500	

To Cash (Bal.)		48,200	2,450	By C's A/c		1,833	
To Balance c/d	78,450		26,150	By Gen. Reserve	6,000	4,000	2,000
				By Rev. Profits	300	200	100
				By Cash A/c (Bal.)	42,650		
	88,950	51,533	32,100		88,950	51,533	32,100

Balance of capitals after adjustments = (A = 35,800) + (B = 48,200) + (C = 28,600) = 1,12,600

Total capital of A & C = 1,12,600 + 10,000 – 18,000 = ₹ 1,04,600

A's capital = 1,04,600 × ¾ = 78,450 and C's capital = 1,04,600 × ¼ = 26,150

Balance Sheet

Liabilities		₹	***Assets***		₹
Creditors (30,000 – 6,000)		24,000	Cash in Hand		10,000
Bills Payable		16,000	Debtors	25,000	
O/s Damage Charges		1,100	*Less* : Provision for D/D	4,000	21,000
Capitals A/cs:			Stock (18,000 – 1,800)		16,200
A	78,450		Furniture (30,000 – 1,500)		28,500
C	26,150	1,04,600	Machinery		70,000
		1,45,700			1,45,700

Q. 54. Following is the Balance Sheet of Kusum, Sneh and Usha as on 31st March, 2018, who have agreed to share profits and losses in proportion of their capitals

Balance sheet of kusum, sneh and usha
as at 31st March, 2018

Liabilities		₹	***Assets***		₹
Capital A/cs :			**Land and Building**		**4,00,000**
Kusum	**4,00,000**		**Machinery**		**6,00,000**
Sneh	**6,00,000**		**Closing Stock**		**2,00,000**
Usha	**4,00,000**	**14,00,000**	**Sundry Debtors**	**2,20,000**	
Employee's Provident Fund		**70,000**	***Less* : Provision for Doubtful**		
Workmen's Compensation Reserve		**30,000**	**Debts**	**20,000**	**2,00,000**
Sundry Creditors		**1,00,000**	**Cash at Bank**		**2,00,000**
		16,00,000			**16,00,000**

On 31st March, 2018 Kusum retire from the firm and the remaining partners decided to carry on the business. It was agreed to revalue the assets and reassess the liabilities on that date, on the following basis.

(*a*) Land and Building be appreciated by 30%.

(*b*) Machinery be depreciated by 30%.

(*c*) There were Bad Debts of ₹ 35,000.

(*d*) The claim on account of Workmen's Compensation Fund was estimated at ₹ 15,000.

(e) Goodwill of the firm was valued at ₹ 2,80,000 and Kusum's share of goodwill was adjusted against the Capital Accounts of the continuing partners Sneh and Usha who have decided to share future profits in the ratio of 3 : 4 respectively.

(f) Capital of the new firm in total will be the same as before the retirement of Kusum and will be in the new profit-sharing ratio of the continuing partners.

(g) Amount due to Kusum be settled by paying ₹ 1,00,000 in cash and balance by transferring to her Loan Account which will be paid later on.

Prepare Revaluation Account, Capital Accounts of Partners and Balance Sheet of the new firm after Kusum's retirement.

Sol.

Dr. **Revaluation Account** *Cr.*

Particulars	₹	*Particulars*		₹
To Machinery	1,80,000	By Land & Building		1,20,000
To Bad Debts (35,000 – 20,000)	15,000	By Revaluation Loss :		
		Kusum	21,429	
		Sneh	32,142	
		Usha	21,429	75,000
	1,95,000			1,95,000

Dr. **Partner's Capital Accounts** *Cr.*

Particulars	*Kusum* (₹)	*Sneh* (₹)	*Usha* (₹)	*Particulars*	*Kusum* (₹)	*Sneh* (₹)	*Usha* (₹)
To Rev. – Loss	21,429	32,142	21,429	By Balance b/d	4,00,000	6,00,000	4,00,000
To Kusum's Cap. A/c	–	–	80,000	By Wor. Com. Fund	4,286	6,428	4,286
To Cash A/c	1,00,000			By Usha's Cap. A/c	80,000	–	–
To Kusum's Loan A/c	3,62,857			By Cash A/c (Bal. Fig.)	–	25,714	4,97,143
To Balance c/d	–	6,00,000	8,00,000				
	4,84,286	6,32,142	9,01,429		4,84,286	6,32,142	9,01,429

Working Note : Old Ratio = 2 : 3 : 2

New Ratio = 3 : 4

So, Sneh's Gain = 3/7 – 3/7 = (3 – 3)/7 = 0

Usha's Gain = 4/7 – 2/7 = (4 – 2)/7 = 2/7

Goodwill of the firm = 2,80,000

Kusum's Share of Goodwill = 2,80,000 × 2/7 = 80,000

Total Capital of New firm = 14,00,000

So, Sheh's Capital = 14,00,000 × 3/7 = 6,00,000

Usha's Capital = 14,00,000 × 4/7 = 8,00,000

Balance Sheet

Liabilities		₹	*Assets*	₹
Capital A/cs :			Land & Building	5,20,000
Sneh	6,00,000		Machinery	4,20,000
Usha	8,00,000	14,00,000	Closing Stock	2,00,000

Employee Prov. Fund	70,000	Sundry Debtors	1,85,000
Work. Comp. Fund	15,000	Cash Bank	9,000
Sundry Creditors	1,00,000	[2,00,000+25,714+4,97,143−1,00,000]	6,22,857
Kusum's Loan A/c	3,62,857		
	19,47,857		19,47,857

Q.55. The Balance Sheet of X, Y and Z who were sharing profits as 5 : 3 : 2 as at 31st March, 2018 is as follows :

Liabilities		₹	*Assets*	₹
Creditors		**50,000**	**Cash at Bank**	**40,000**
Employees' Provident Fund		**10,000**	**Sundry Debtors**	**1,00,000**
Profit and Loss A/c		**85,000**	**Stock**	**80,000**
Capital A/cs :			**Fixed Assets**	**60,000**
X	**40,000**			
Y	**62,000**			
Z	**33,000**	**1,35,000**		
		2,80,000		**2,80,000**

X retired on 31st March, 2018 and Y and Z decided to share profits in future in the ratio of 3 : 2 respectively.

The other terms on retirement were :

(*a*) Goodwill of the firm is to be valued at ₹ 80,000.

(*b*) Fixed Assets are to be depreciated to ₹ 57,500.

(*c*) Make a Provision for Doubtful Debts at 5% on Debtors.

(*d*) A liability for claim, included in Creditors for ₹ 10,000, is settled at ₹ 8,000.

The amount to be paid to X by Y and Z in such a way that their Capitals are proportionate to their profits-sharing ratio and leave a balance of ₹ 15,000 in the Bank Account.

Prepare the Profit and Loss Adjustment Account and Partners' Capital Accounts.

Sol.

Dr. **Profit & Loss Adjustment Account (Rev. A/c)** *Cr.*

Particulars	₹	*Particulars*		₹
To Fixed Assets [60,000 − 57,500]	2,500	By Creditors [50,000 − 48,000]		2,000
To P.B.D. [1,00,000 × 5%]	5,000	By Revaluation Loss :		
		X	2,750	
		Y	1,650	
		Z	1,100	5,500
	7,500			7,500

Working Notes : (*i*) Old Ratio = 5 : 3 : 2

New Ratio = 3 : 2

So, Y's Gain = 3/5 − 3/10 = (6 − 3)/10 = 3/10

Z's Gain = 2/5 − 2/10 = (4 − 2)/10 = 2/10 3 : 2

(ii) X's share of goodwill = 80,000 × 5/10 = 40,000

(iii) Calculation of Y and Z's New Capital :

Memorandum Balance sheet

Liabilities		₹	*Assets*	₹
Sundry Creditors [50,000−10,000]		40,000	Cash at Bank	15,000
Employee Provident Fund		10,000	Sundry Debt. [1,00,000−5,000]	95,000
Capital A/c (Bal. Fig.)			Stock	80,000
in the ratio 3 : 2			Fixed Assets [60,000 − 2,500]	57,500
Y	1,18,500			
Z	79,500	1,97,500		
		2,47,500		2,47,500

Dr. **Partner's Capital Accounts** Cr.

Particulars	X (₹)	Y (₹)	Z (₹)	*Particulars*	X (₹)	Y (₹)	Z (₹)
To Rev. Loss	2,750	1,650	1,100	By Balance b/d	40,000	62,000	33,000
To X's A/c (G/W)	–	24,000	16,000	By Profit & Loss A/c	42,500	25,500	17,000
To Cash A/c	1,19,750			By Y & Z's A/c	40,000	–	–
				By Cash A/c	–	56,650	46,100
To Balance c/d	–	1,18,500	79,000	(Bal. Fig.)			
	1,22,500	1,44,150	96,100		1,22,500	1,44,150	96,000

Q. 56. A, B and C are partners sharing profits in the ratio of 5 : 3 : 2. Their Balance Sheet as on 31st March, 2018 is given below—

Liabilities		₹	*Assets*	₹
Capital A/cs :			**Building**	**18,00,000**
A	**11,00,000**		**Investments**	**4,00,000**
B	**11,40,000**		**Stock**	**6,00,000**
C	**7,60,000**	**30,00,000**	**Debtors**	**10,00,000**
Workmen Compensation Reserve		**10,00,000**	**Cash and Bank**	**6,00,000**
Creditors		**2,00,000**		
Employees' Provident Fund		**2,00,000**		
		44,00,000		**44,00,000**

C retires on 30th June, 2018 and it was mutually agreed that—

(a) Building be valued at ₹ 22,00,000.

(b) Investments to be valued at ₹ 3,00,000.

(c) Stock be taken at ₹ 8,00,000.

(d) Goodwill of the firm be valued at two years' purchase of the average profit of the past five years.

(e) C's share of profits up to the date of retirement be calculated on the basis of average profit of the preceding three years.

The Profits of the preceding five years were as under :

Year	**2013-14**	**2014-15**	**2015-16**	**2016-17**	**2017-18**
Profit (₹)	**4,00,000**	**5,00,000**	**6,00,000**	**8,00,000**	**7,00,000**

(f) Amount payable to C to be transferred to his Loan Account carrying interest @ 10% p.a.

Prepare Revaluation Account, Partners' Capital Accounts and the Balance Sheet as at 30th June, 2018.

Sol. Working Note—

(i) Goodwill of firm = ₹ [30,00,000 × (2/5)] = ₹ 12,00,000

(ii) C's share of G/W = ₹ 12,00,000 × (1/10) = ₹ 2,40,000

(iii) C's share of profit = ₹ [21,00,000 × (3/12) × (1/3) × (2/10)] = ₹ 35,000

Revaluation A/c

Particulars	₹	*Particulars*	₹
To Investments	1,00,000	By Building A/c	4,00,000
To Rev. Profit		By Stock A/c	2,00,000
A (5,00,000 × 5/10)	2,50,000		
B (5,00,000 × 3/10)	1,50,000		
C (5,00,000 × 2/10)	1,00,000		
Total	**6,00,000**	**Total**	**6,00,000**

Dr. **Partner's Capital Accounts** *Cr.*

Particulars	X (₹)	Y (₹)	Z (₹)	*Particulars*	X (₹)	Y (₹)	Z (₹)
To C's Loa	—	—	13,35,000	By Balance b/d	11,00,000	11,40,000	7,60,000
To C's Capital A/c	1,50,000	90,000	—	By W.C. Res. A/c	5,00,000	3,00,000	2,00,000
To Balance c/d	17,00,000	15,00,000	—	By Rev. A/c	2,50,000	1,50,000	1,00,000
				By P & L Suspence	—	—	35,000
				By A's Capital A/c	—	—	1,50,000
				By B's Capital A/c	—	—	90,000
Total	18,50,000	15,90,000	13,35,000	Total	18,50,000	15,90,000	13,35,000

Balance Sheet
as on June 30, 2018

Liabilities		₹	*Assets*	₹
Creditors		2,00,000	Building	22,00,000
Employees's Provident Fund		2,00,000	Investments	3,00,000
C's Loan A/c		13,35,000	Stock	8,00,000
Capital A/c			Debtors	10,00,000
A	17,00,000		Cash and bank	6,00,000
B	15,00,000	32,00,000	P & L Suspence A/c	35,000
Total		**49,35,000**	**Total**	**49,35,000**

Q. 57. Kumar, Verma and Naresh were partners in a firm sharing Profit and Loss in the ratio of 3 : 2 : 2. On 23rd January, 2015 Verma died. Verma's share of profit till the date of his death was calculated at ₹ 2,350. Psss necessary Journal entry for the same in the books of the firm.

Sol. **Journal Entries**

Date	*Particulars*		*LF*	*Dr. (₹)*	*Cr. (₹)*
(*i*)	Profit & Loss Suspence A/c	Dr.		2,350	
	To Verma's Capital A/c				2,350
	(Being Verma's share of profit given)				

Q. 58. A, B and C were partners sharing profits and losses in the ratio of 2 : 2 : 1 C died on 30th June 2017. Profits and Sales for the year ended 31 March, 2018 were ₹ 1,00,000 and ₹ 10,00,000 respectively. Sales during April to June, 2018 were ₹ 1,50,000. You are required to calculate the share of profit of C up to the date of death.

Sol. Percentage of profit to sales =1,00,000 × 100 / 10,00,000 = 10%

Profit during April to June, 2018 = ₹ 1,50,000 × 10% = ₹ 15,000

C's share of profit =₹ 15,000 × 1/5 = ₹ 3,000

Q. 59. A, Band C are partners sharing profits and losses in the ratio of 3 : 2 : 1 B died on 30th June, 2018. For the year ended 31st March, 2019, proportionate profit of 2017 is to be taken into consideration. During the year ended 31st March, 2018, bad debts of ₹ 2,000 had to be adjusted. The profit for the year ended 31st March, 2018 was ₹ 14,000 before adjustment of bad debts. Calculate B's share of profit till his death.

Sol. B's share of profit = (Given pt. – B debts.) × Period × share.

$$= (14{,}000-2{,}000)\times\frac{3}{12}\times\frac{2}{6}$$

$$= 12{,}000\times\frac{3}{12}\times\frac{2}{6}=1{,}000$$

Q. 60. Ram, Manohar and Joshi were partners in a firm. Joshi died on 31st May, 2018. His share of profit from the closure of the last accounting year till the date of death was to be calculated on the basis of the average of three completed years of profits before death. Profits for the years ended 31st March, 2016, 2017 and 2018 were ₹ 7,000, ₹ 8,000 and ₹ 9,000 respectively. Calculate Joshi's share of profit till his death and pass necessary Journal entry for the same.

Sol. Average profits = $\frac{(7{,}000+8{,}000+9{,}000)}{3}$ = ₹ 8,000

Share of profit for 2 months = $8{,}000\times\frac{2}{12}$ = ₹ 1,333

Joshi's share of profit = $1{,}333\times\frac{1}{3}$ = ₹ 445

Journal Entries

Date	Particulars		LF	Dr. (₹)	Cr. (₹)
	Ram's Capital A/c (445 × 1/2)	Dr.		223	
	Manohar's Capital A/c (445 × 1/2)	Dr.		222	
	To Joshi's Capital A/c				445
	(Being profit adjusted in Joshi's capital A/c)				

Q. 61. X, Y and Z were partners sharing profits and losses in the ratio of 3 : 2 : 1 respectively. Y died on 30th June, 2018. The profit from 1st April, 2018 to 30th June, 2018 amounted to ₹ 3,60,000. X and Z decided to share the future profits in the ratio of 3 : 2 respectively with effect from 1st July 2018.

Pass the necessary Journal entries to record Y's share of profit up to the date of death.

Sol. Working Note—

(*i*) Old Ratio of $x : y : z = 3 : 2 : 1$

(*ii*) New Ratio of $x : z = 3 : 2$

(*iii*) Gain/Sac. to $x = (3/6) - (3/5) = [(15 - 18)/30] = (-3/30)$ Gain

$Z = (1/6) - (2/5) = [(5 - 12)/30] = (-7/30)$ Gain

So, $x : z = 3 : 7$

(*iv*) Share of Profit to y = 3,60,000 × (2/6) = ₹ 1,20,000

Journal

Date	Particulars		LF	Dr. (₹)	Cr. (₹)
(*i*)	x's Capital A/c [1,20,000 × (3/10)]	Dr.		36,000	
	z's Capital A/c [1,20,000 × (7/10)]	Dr.		84,000	
	To y's Capital A/c				1,20,000
	(Being share of y's Profit adjusted in gain ratio)				

Q. 62. X, Y and Z were partners in a firm. Z died on 31st May, 2018. His share of profit from the closure of the last accounting year till the date of death was to be calculated on the basis of the average of three completed years of profits before death. Profits for the year ended 31st March, 2016, 2017 and 2018 were ₹ 18,000; ₹ 19,000 and ₹ 17,000 respectively.

Calculate Z's share of profit till his death and pass necessary Journal entry for the same assuming—

(*a*) there is no change in profit-sharing ratio of remaining partners, and

(*b*) there is change in profit-sharing ratio of remaining partners, new ratio being 3 : 2.

Sol. Working Note—

(*i*) $\text{Average Profit} = \dfrac{₹\,[18{,}000+19{,}000+17{,}000]}{3} = ₹\ 18{,}000$

(*ii*) Z's Share of Profit = ₹ 18,000 × (2/12) × (1/3) = ₹ 1,000

(iii) Old Ratio of $x : y : z = 1 : 1 : 1$

New Ratio of $x : y =$ 3 : 2

(iv) Gain/Sac. to "x" = (1/3) – (3/5) = [(5 – 9)/15] = – 4/15 Gain

"y" = (1/3) – (2/5) = [(5 – 6)/15] = – 1/15 Gain

So, Gain Ratio of $x : y =$ 4 : 1

Journal

Date	*Particulars*		*LF*	*Dr.* (₹)	*Cr.* (₹)
	Case (*a*)				
	Profit and Loss Suspence A/c	Dr.		1,000	
	To Z's Capital A/c				1,000
	(Being Z's Share of Profit transferred to his A/c)				
	Case (*b*)				
	x's Capital A/c [1,000 × 4/5]	Dr.		800	
	y's Capital A/c [1,000 × (1/5)]	Dr.		200	
	To z's Capital A/c				1,000
	(Being z's share of profit adjusted in gain ratio)				

Q. 63. P, R and S are in partnership sharing profits 4/8, 3/8 and 1/8 respectively. It is provided in the partnership deed that on the death of any partner his share of goodwill is to be valued at one-half of the net profit credited to his account during the last four completed years.

R died on 1st January, 2018. The firm's profit for the last four years were as : 2014 – ₹ 1,20,000; 2015 – ₹ 80,000; 2016 – ₹ 40,000 and 2017 – ₹ 80,000).

(i) Determine the amount that should be credited to R in respect of his share of Goodwill.

(ii) Pass Journal entry without raising Goodwill account for its adjustment.

Sol. (*i*) Total Profits = ₹ (1,20,000 + 80,000 + 40,000 + 80,000) = ₹ 3,20,000

Profits Credited to R's A/c = ₹ 3,20,000 × 3/8 = ₹ 1,20,000

R's share of Goodwill = ₹ 1,20,000/2 = ₹ 60,000

(*ii*) **Journal Entries**

Date	*Particulars*		*LF*	*Dr.* (₹)	*Cr.* (₹)
	P's Capital Account (60,000 × 4/5)	Dr.		48,000	
	S's Capital Account (60,000 × 1/5)	Dr.		12,000	
	To R's Capital A/c				60,000
	(Being profit adjusted)				

Q. 64. X, Y and Z were partners in a firm sharing profit in 3 : 2 : 1 ratio. The firm closes its books on 31st March every year. Y died on 30th June, 2018. On Y's death the goodwill of the firm was valued at ₹ 60,000 Y's share in the profits of

the firm till the time of his death was to be calculated on the basis of previous year's profit which was ₹ 1,50,000.

Pass necessary Journal entries for the treament of goodwill and Y's share of profit at the time of his death.

Sol. **Journal Entries**

Date	*Particulars*		*LF*	*Dr. (₹)*	*Cr. (₹)*
(*i*)	x's Capital A/c (20,000 × 3/4)	Dr.		15,000	
	Z's Capital A/c (20,000 × 1/4)	Dr.		5,000	
	To y's Capital A/c (60,000 × 2/6)				20,000
	(Being y's share of G/W adjusted)				
(*ii*)	Profit & Loss Suspence A/c	Dr.		12,500	
	To y's Capital A/c (1,50,000 × 3/12 × 2/6)				12,500
	(Being Share of y's Profit transferred)				

Q. 65 X, Y and Z were partners in a firm sharing profits in the ratio of 4 : 3 : 1. The firm closes its books on 31st March every year. On 1st February, 2018 Y died and it was decided that the new profit-sharing ratio between X and Z will be equal. Partnership Deed provided for the following on the death of a partner :

(*a*) His share of goodwill be calculated on the basis of half of the profits credited to his account during the previous four completed years. The firm's profits for the last four years were.

Year	2013-14	2014-15	2015-16	2016-17
Profit (₹)	1,50,000	1,00,000	50,000	1,00,000

(*b*) His share of profit in the year of his death was to be computed on the basis of avereage profit of past two years.

Pass necessary Journal entries relating to goodwill and profit to be transferred to Y's Capital Account.

Sol. Working Note—

(*i*) Old Ratio [x : y : z] = 4 : 3 : 1

(*ii*) New Ratio of [x : z] = 1 : 1

(*iii*) Gain/ Sac. Share of

x = (1/2) – (4/8) = (4 - 4)/8 = 0

y = 0 – (3/8) = (0 – 3)/8 = -3/8 Sac.

z = (1/2) – (1/8) = (4 – 1)/8 = 3/8 Gain.

(*iv*) Share of Goodwill of "Y"

= [(1,50,000 + 1,00,000 + 50,000 + 100,000) × (3/8) × (1/2)]

= 4,00,000 × (3/8) × (1/2) = ₹ 75,000

(*v*) Share of Profit to "Y"

= [(50,000 + 1,00,000) × (1/2) × (10/12) × (3/8)]

= 1,50,000 × (1/2) × (10/12) × (3/8)

= ₹ 23,437.50 OR ₹ 23,438

Journal

Date	Particulars	LF	Dr. (₹)	Cr. (₹)
(i)	z's Capital A/c Dr.		75,000	
	To y's Capital A/c			75,000
	(Being amt. of y's share of G/w charged from z's capital)			
(ii)	z's Capital A/c Dr.		23,438	
	To y's Capital A/c			23,438
	(Being share of Profit in 2017-18 "Y" charged from gaining Partner "Z")			

Q. 66. X and Y are partners. The Partnership deed provides inter alia.

(a) That the Accounts be balanced on 31st March every year.

(b) That the profits be divided as X one-half, Y one third and carried to a reserve one-sixth.

(c) That in the event of the death of a partner, his Executors be entitled to be paid out.

(i) The Capital to his credit till the date of death.

(ii) His proportion of profits till the date of death based on the average profits of the last three completed years.

(iii) By way of Goodwill, his proportion of the total profits for the three preceding years.

Balance Sheet

As at 31st March, 2018

Liabilities	₹	Assets	₹
Capital A/cs : X	9,000	Sundry Assets	21,000
Y	6,000		
Reserve	3,000		
Creditors	3,000		
	21,000		21,000

The Profits for three years were : 2015-16 – ₹ 4,200; 2016-17 – ₹ 3,900; 2017-18 – ₹ 4,500. Y died on 1st August, 2018. Prepare the necessary accounts

Sol. Ratio = 1/2 : 1/3 : 1/6 = 3:2:1 X : Y = 3 : 2

Total Profits = ₹ 4,200 + 3,900 + 4,500 = ₹ 12,600

Y's share of Goodwill = ₹ 12,600 × 2/5 = ₹ 5,040

Average Profit = ₹ 12,600 /3 = ₹ 4,200

Y's share of Profits = ₹ 4,200 × 2/5 = ₹ 1680

Y's share of profits for 4 months = 1,680 × 4/12 = 560

Dr. Y's capital account Cr.

Particulars	₹	Particulars	₹
To Y's Executor's A/c (Bal. Figure)	12,800	By Bal. B/d	6,000
		By Reserve (3,000 × 2/5)	1,200

		By X's A/c (G/w)	5,040
		By P & L A/c	560
	12,800		12,800

Q. 67. P, Q and R were parnters in a firm sharing profits in 2:2:1 ratio. The partnership deed provided that on the death of a partner, his executors will be entitled to the following :

(a) Interest on capital @ 12% p.a. (b) Interest on drawings @ 18% p.a. (c) Salary of ₹ 12,000 p.a. (d) Share in the profit of the firm (up to the date of death) on the basis of previous year's profit. P died on 31st May 2018. His capital was ₹ 80,000. He had withdrawn ₹ 15,000 and interest on his drawings was calculated as ₹ 1,200. The profit of the firm for the previous year ended 31st March 2018 was ₹ 30,000.

Prepare P's Capital Account to be rendered to his executors.

Sol. Profit for 2 months = ₹ 30,000 × 2/12 = ₹ 5,000

P's share of profit = ₹ 5,000 × 2/5 = ₹ 2,000

Interest on P's capital for 2 months = ₹ 80,000 × 12% × 2/12 = ₹ 1,600

Dr. **P's Capital Account** *Cr.*

Particulars	₹	*Particulars*	₹
To Drawings	15,000	By Balance b/d	80,000
To Interest on drawings	1,200	By Salary (12,000 × 2/12)	2,000
To P's Executor's A/c (Bal. fig.)	69,400	By Interest on capital	1,600
		By P & L A/c	2,000
	85,600		85,600

Q. 68. Vikas, Gagan and Momita were partners in a firm sharing profits in the ratio of 2 : 2 : 1. The firm closes its books on 31st March every year. On 30th September, 2014 Momita died. According to the provisions of Partnership Deed the legal respresentatives of a deceased partner are entitled for the following in the event of his/her death—

(*a*) Capital as per the last Balance Sheet.

(*b*) Interest on capital at 6% per annum till the date of her death.

(*c*) Her share of profit to the date of death calculated on the basis of average profit of last four years.

(*d*) Her share of goodwill to be determined on the basis of three years' purchase of the average profit of last four years. The profits of last four years were—

Year	2010-11	2011-12	2012-13	2013-14
Profit (₹)	30,000	50,000	40,000	60,000

The balance in Momita's Capital Account on 31st March, 2014 was ₹ 60,000 and she had withdrawn ₹ 10,000 till date of her death. Interest on her drawings was ₹ 300.

Prepare Momita's Capital Account to be presented to her executors.

Sol. Working Note—

(*i*) Interest on Capital = ₹ [60,000 × (6/100) × (6/12)] = ₹ 1,800

(*ii*) Share of Profit = ₹ [1,80,000 × (1/4) × (6/12) × (1/5)] = ₹ 4,500

(*iii*) Share of Goodwill = ₹ [1,80,000 × (3/4) × (1/5)] = 27,000

Momita Capital A/c

Dr. | *Cr.*

Particulars	₹	*Particulars*	₹
To Drawings	10,000	By Balance b/d	60,000
To Interest on Drawing	300	By Interest on Capital	1,800
To Momita's Executors A/c	83,000	By P & L Suspence A/c	4,500
		By Vikas's Capital A/c	13,500
		By Gagan's Capital A/c	13,500
Total	**93,300**	**Total**	**93,300**

Q 69. Iqbal and Kapoor are in partnership sharing profits and losses 3 : 2. Kapoor died three months after the date of the last Balance Sheet. According to the partnership Deed, the legal personal representatives of Kapoor are entitled to the following payments:

(*a*) His capital as per the last Balance Sheet.

(*b*) Interest on above capital @ 3% P.a. till the date of death.

(*c*) His share of profits till the date of death calculated on the basis of last year's profits.

His drawings are to bear interest at an average rate of 2% on the amount irrespective of the period.

The net profits for the last three years, were ₹ 20,000, ₹ 25,000 and ₹ 30,000 respectively. Kapoor's capital as per Balance Sheet was ₹ 40,000 and his drawings till the date of death were ₹ 5,000. Draw Kapoor's Account to be rendered to his representatives.

Sol. Working Notes :

- Interest on Capital for 3 months = ₹ 40,000 × 3% × 3/12 = ₹ 300
- Interest on Drawings = ₹ 5,000 × 2% = ₹ 100
- Profits for 3 months = ₹ 30,000 × 3/12 = ₹ 7,500
- Kapoor's share = ₹ 7,500 × 2/5 = ₹ 3,000

Kapoor's capital account

Dr. | *Cr.*

Particulars	₹	*Particulars*	₹
To Drawings	5,000	By Balance b/d	40,000
To Interest on Drawings	100	By Profit & Loss A/c	3,000
To Representative's A/c	38,200	By Interest on Capital	300
	43,300		43,300

Q. 70. A, B and C were partners in a firm sharing profits in the ratio of 5 : 3 : 2. On 31st March, 2017, their Balance Sheet was as follows—

Liabilities		₹	Assets	₹
Creditors		11,000	Building	20,000
Reserves		6,000	Machinery	30,000
Capital A/cs :			Stock	10,000
A	30,000		Patents	11,000
B	25,000		Debtors	8,000
C	15,000	70,000	Cash	8,000
		87,000		87,000

A died on 1st October, 2017. It was agreed among his exceutors and the remaining partners that—

(i) Goodwill to be valued at 2½ years's purchase of the average profit of the previous 4 years, which were 2013-14; ₹ 13,000; 2014-15; ₹ 12,000; 2015-16; ₹ 20,000 and 2016-17; ₹ 15,000.

(ii) Patents be valued at ₹ 8,000; Machinery at ₹ 28,000; and Building at ₹ 25,000.

(iii) Profits for the year 2017-18 be taken as having accrued at the same rate as that of the previous year.

(iv) Interest on capital be provided @ 10% p.a.

(v) Half of the amount due to A to be paid immediately to the executors and the balance transferred to his (Executors) Loan Account.

Prepare A's Capital Account and A's Executors' Account as on 1st October, 2017.

Sol. Working Note—(*i*) Goodwill = Average Profit × 2.5

= [₹ (13,000 + 12,000 + 20,000 + 15,000) × (2.5/4)]

= 60,000 × (2.5/4) = ₹ 37,500

(*ii*) A's Share of G/w = ₹ 37,500 × (5/10) = ₹ 18,750

(*iii*) A's Share of Profit = ₹ 15,000 × (6/12) × (5/10) = ₹ 3,750

(*iv*) A's Share of Revaluation = [(3,000) + (20,000) + 5,000] = Nil

(*v*) A's interest on Capital = ₹ 30,000 × (10%) × (3/12) = ₹ 1,500

A's Capital A/c

Particulars	₹	*Particulars*	₹
To A's Executors A/c	57,000	By Balance b/d	30,000
		By Int. on Capital	1,500
		By Profit & Loss Susp. A/c	3,750
		By B's Capital (G/w)	11,250
		By C's Capital (G/w)	7,500
		By Reserve A/c [6,000 × 5/10]	3,000
Total	57,000	Total	57,000

A's Executor A/c

Particulars	₹	*Particulars*	₹
To Bank A/c [57,000 × (1/12)]	28,500	By A's Capital A/c	57,000
A's Executors Loan A/c	28,500		
Total	57,000	Total	57,000

Q. 71. Virad, Vished and Roma were partners in a firm sharing profits in the ratio of 5 : 3 : 2 respectively. On 31st March, 2013, their Balance Sheet was as under:

Liabilities		₹	*Assets*	₹
Capital A/c			**Buildings**	**2,00,000**
Virad	**3,00,000**		**Machinery**	**3,00,000**
Vished	**2,50,000**		**Patents**	**1,10,000**
Roma	**1,50,000**	**7,00,000**	**Stock**	**1,00,000**
Reserve Fund		**60,000**	**Debtors**	**80,000**
Creditors		**1,10,0000**	**Cash**	**80,000**
		8,70,000		**8,70,000**

Virad died on 1st October, 2013. It was agreed between his executes and the remaining partners that :

(i) Goodwill of the firm be valued at 2½ years purchase of average profits for the last three years. The average profits were ₹ 1,50,000.

(ii) Interest on capital be provided at 10% p.a.

(iii) Profit for the 2013-14 be taken as having acrued at the same rate as that of the previous year which was ₹ 1,50,000

Prepre Virad's Capital Account to be presented to his Executors as on 1st October, 2013. **(*Delhi 2014*)**

Sol. Working Note—

(i) Old Ratio of [Vi : Vis : R] = 5 : 3 : 2

(ii) Virad Share of = 5/10 = 1/2

(iii) Int. On Capital to virad = ₹ [3,00,000 × 10% × (6/12)]

= ₹ 15,000

(iii) Virad Share of Goodwill

= ₹ [1,50,000 × (2.5) × (5/10)] = ₹ 1,87,500

(v) Virad Share of Profit = ₹ [1,50,000 × (6/12) × (5/10)]

= ₹ 37,500

Virad's Capital A/c

Particulars	₹	*Particulars*	₹
To Virad 's Executors A/c	5,70,000	By Balance b/d	3,00,000
		By Int. On Cap.	15,000
		By P/L Suspence A/c	37,500

		By Res. Fund A/c	30,000
		By Vished's Cap. A/c	1,12,500
		By Roma's Cap. A/c	75,000
Total	5,70,000	Total	5,70,000

Q. 72. Kavita, Leena and Monica are partners in firm sharing profits in the ratio of 1 : 1 : 3 respectively. Their Capital Accounts showed the following balances on 31.3.2012. Kavita ₹ 70,000; Leena ₹ 65,000 and Monica ₹ 2,10,000. Firm closes its accounts every year on 31st March. Kavita died on 30 september, 2012. In the event of death of any partner, the Partnership Deed provides for the following.

(*a*) Interest on capital will be calculated at the rate of 6% p.a.

(*b*) The deceased-partner's share in the goodwill of the firm will be calculated on the basis of 2 years purchase of the average profit of last three years. The profits of the firm for the last three years were ₹ 90,000; ₹ 1,00,000 and ₹1,10,000 respectively.

(*c*) Her share in the Reserve Fund of the firm will be paid. The Reserve Fund of the firm was ₹ 60,000 at the time of Kavita's death.

(*d*) Her share of profit till the date of death will be calculated on the basis of sales. It is also specified that the sales during the year 2011 -12 were ₹ 20,00,000. The sales from 1 st April, 2012 to 30 Sep., 2012 were ₹ 4,00,000. The profit of the firm for the year ending 31st March, 2012 was ₹ 2,00,000.

Prepare Kavita's Capital Account to be presented to his legal representative

Sol.

Dr Kavita's Capital Account *Cr.*

Particulars	₹	*Particulars*	₹
To Kavita's Exe.A/c	1,32,100	By Balance b/d	70,000
		By Int. on capital $\left(70,000\times\frac{6}{100}\times\frac{6}{12}\right)$	2,100
		By R/fund $\left(60,000\times\frac{1}{5}\right)$	12,000
		By P/L suspense A/c	8,000
		By Leena's Capital A/c	10,000
		By Monica's Capital A/c	30,000
	1,32,100		1,32,100

Working Notes :

(*i*) Goodwill of firm = $\frac{90,000+1,00,000+1,10,000}{3}\times 2 = 2,00,000$

(*ii*) Kavita's share of profit = $\left(\frac{2,00,000}{20,00,000}\times 4,00,000\right)\times\frac{1}{5} = 8,000$

Q. 73. A, B and C are partners in a firm sharing profits in the proportion of 3 : 2 : 1. Their Balance Sheet as at 31st March, 2018 stood as follows—

Liabilities		₹	*Assets*	₹
Sundry Creditors		2,60,000	Cash in Hand	42,500
General Reserve		1,20,000	Cash at Bank	2,14,500
Capital A/cs :			Debtors	1,63,000
A	2,00,000		Stock	17,500
B	1,20,000		Investment	1,32,500
C	80,000	4,00,000	Building	2,10,000
		7,80,000		7,80,000

B Died on 30th June, 2018 and according to the deed of the said partnership his executors are entitled to be paid as under—

(*a*) The capital to his credit at the time of his death and interest there on @ 10% per annum.

(*b*) His proportionate share of general reserve.

(*c*) His share of profits for the intervening period will be based on the sales during that period. Sales from 1st April, 2018 to 30th June, 2018 were as ₹ 12,00,000. The rate of profit during past three year had been 10% on sales.

(*d*) Goodwill according to his share of profit to be calculated by taking twice the amount of profits of the last three years less 20%. The profit of the previous three years were : 1st Year : ₹ 82,000 : 2nd year ₹ 90,000, 3rd year ₹ 98,000.

(*e*) The investments were sold at par and his executors were paid out in full.

Prepare B's Capital Account and his Executor's Account.

Sol. Working Note—

(*i*) Interest on Capital = ₹ [1,20,000 × (10/100) × (3/12)] = ₹ 3,000

(*ii*) Share of Profit = ₹ [12,00,000 × (10/100) × (2/6)] = ₹ 40,000

(*iii*) Share of Goodwill = ₹ [2,70,000 × (2/6) × 2] – 20% = 1,44,000

Dr. **B's Capital A/c** *Cr.*

Particulars	₹	*Particulars*	₹
To B's Executors A/c	3,47,000	By Balance b/d	1,20,000
		By Interest on Capital	3,000
		By P & L Suspence A/c	40,000
		By A's Capital A/c	1,08,000
		By C's Capital A/c	36,000
		By General Reserve A/c	40,000
	3,47,000		3,47,000

Dr. **B's Executors A/c** *Cr.*

Particulars	₹	*Particulars*	₹
To Bank A/c	3,47,000	By B's Capital A/c	3,47,000
Total	3,47,000	Total	3,47,000

Q. 74. Babita, Chetan and David are partners in a firm sharing profits in the ratio of 2 :1 :1 respectively. Firm closes its accounts on 31st March every year. Chetan died on 30th September, 2012. There was a balance of ₹ 1,25,000 in Chetan's Capital Account in the beginning of the year. In the event of death of any partner, the Partnership Deed provides for the following:

(*a*) Interest on capital will be calculated at the rate of 6% p.a.

(*b*) The executor of deceased partner shall be paid ₹ 24,000 for his share of goodwill.

(*c*) His share of Reserve Fund of ₹ 12,000, shall be paid to his executor.

(*d*) His share of profit till the date of death will be calculated on the basis of sales. It is also specified that the sales during the year 2011-12 were ₹ 4,00,000. The sales from 1 st April, 2012 to 30th September, 2012 were ₹ 1,20,000. The profit of the firm for the year ending 31 st March, 2012 was ₹ 2,00,000.

Prepare Chetan's Capital Account to be presented to his executor.

Sol.

Dr. Chetan's Capital Account *Cr.*

Particulars	₹	*Particulars*	₹
To Chetan's Exe. A/c	1,79,750	By Balance b/d	1,25,000
		By Interest on capital [1,25,000 × 6/100 × 6/12]	3,750
		By Reserve Fund	12,000
		By Profit & Loss Suspence A/c	15,000
		By Babita's Capital A/c	16,000
		By David's Capital A/c	8,000
	1,79,750		1,79,750

Working Notes : (i) Share of Profit = (2,00,000/4,00,000 × 1,20,000) × 1/4 = ₹ 15,000

Q. 75. Sunny, Honey and Rupesh were partners in a firm. On 31st March, 2014, their Balance Sheet was as follows :

Liabilities		₹	*Assets*	₹
Creditors		**10,000**	**Plant and Machinery**	**40,000**
General Reserve		**30,000**	**Furniture**	**15,000**
Capital A/cs :			**Investments**	**20,000**
Sunny	**30,000**		**Debtors**	**20,000**
Honey	**30,000**		**Stock**	**25,000**
Rupesh	**20,000**	**80,000**		
		1,20,000		**1,20,000**

Honey died on 31st December, 2014. The Partnership Deed provides that the representatives of the deceased partner shall be entitled to :

(*a*) Balance in the Capital Account of the deceased partner.

(*b*) Interest on Capital @ 6% per annum up to the date of his death.

(*c*) His share in the undistributed profits or losses as per the Balance Sheet.

(d) His share in the profits of the firm till the date of his death, calculated on the basis of rate of net profit on sales of the previous year. The rate of net profit on sales of previous year was 20% sales of the firm during the year till 31st December, 2014 was ₹ 6,00,000.

Prepare Honey's Capital Account to be presented to his executors.

Sol. Working Note—

(i) Interest on Captial = ₹ [30,000 × (6/100) × (9/12)] = ₹ 1,350

(ii) Share of General Reserve = ₹ [30,000 × (1/3)] = ₹ 10,000

(iii) Share of Profit = ₹ [6,00,000 × (20/100) × (1/3)] = ₹ 40,000

Honey's Capital A/c

Particulars	₹	*Particulars*	₹
To Honey's Executors A/c	81,350	By Balance b/d	30,000
		By General Reserve A/c	10,000
		By Interest on Capital A/c	1,350
		By P & L Suspence A/c	40,000
Total	81,350	Total	81,350

Q. 76. R, S and T were partners sharing profits and losses in the ratio of 5:3:2 respectively. On 31st March, 2018, their Balance Sheet stood as under:

Liabilities		₹	*Assets*	₹
Sundry Creditors		40,000	Goodwill	25,000
Bills Payable		15,000	Leasehold	1,00,000
Workmen's Compensation Reserve		30,000	Patents	30,000
Capital A/cs :			Machinery	1,50,000
R	1,50,000		Stock	50,000
S	1,25,000		Debtors	40,000
T	75,000	3,50,000	Cash at Bank	40,000
		4,35,000		4,35,000

T died on 1st August, 2018. It was agreed that:

(a) Goodwill be valued at 2½ years' purchase of average of last 4 years' profits which were:

2014-15 ₹ 65,000, 2015-16 ₹ 60,000, 2016-17 ₹ 80,000 and 2017-18 ₹ 75,000

(b) Machinery be valued at ₹ 1,40,000; Patents be valued at ₹ 40,000; Leasehold be valued at ₹ 1,25,000 on 1st August 2018.

(c) For the purpose of calculating T's share in the profits of 2018-19, the profits in 2018-19 should be taken to have accrued on the same scale as in 2017-18.

(d) A sum of ₹ 21,000 to be paid immediately to Executors of T and the balance to be paid in four equal half-yearly instalments together with interest @ 10% p.a.

Pass necessary Journal entries to record the above transactions and T's executor's account.

Sol. Average Profits = ₹ (65,000 + 60,000 + 80,000 + 75,000)/4

= ₹ 2,80,000/4 = ₹ 70,000

Goodwill = ₹ 70,000 × 5/2 = ₹ 1,75,000

Journal Entries

Date	Particulars	LF	Dr. (₹)	Cr. (₹)
	R's Capital Account (25,000 × 5/10) Dr.		12,500	
	S's Capital Account (25,000 × 3/10) Dr.		7,500	
	T's Capital Account (25,000 × 2/10) Dr.		5,000	
	To Goodwill A/c			25,000
	(Being goowill transferred to partners capital A/c)			
	R's Capital Account (35,000 × 5/8) Dr.		21,875	
	S's Capital Account (35,000 × 3/8) Dr.		13,125	
	To T's Capital Account (G/w = 1,75,000 × 2/10)			35,000
	(Being amount of goodwill adjusted through partners capital A/c)			
	Workmen Compensation Reserve Dr.		30,000	
	To R's Capital Account (30,000 × 5/10)			15,000
	To S's Capital Account (30,000 × 3/10)			9,000
	To T's Capital Account (30,000 × 2/10)			6,000
	(Being workmen compensation fund transferred to partners' capital A/c)			
	Revaluation Account (1,50,000–1,40,000) Dr.		10,000	
	To Machinery A/c			10,000
	(Being revalued assets adjusted to revaluation A/c)			
	Leasehold (1,25,000 – 1,00,000) Dr.		25,000	
	Patents (40,000 – 30,000) Dr.		10,000	
	To Revaluation A/c			35,000
	(Being revalued assets adjusted to revaluation A/c)			
	Revaluation Account Dr.		25,000	
	To R's Capital A/c (25,000 × 5/10)			12,500
	To S's Capital A/c (25,000 × 3/10)			7,500
	To T's Capital A/c (25,000 × 2/10)			5,000
	(Being profit on revaluation transferred to partner capital A/c)			
	Profit & Loss A/c (75,000 × 4/12) Dr.		25,000	
	To R's Capital A/c (25,000 × 5/10)			12,500
	To S's Capital A/c (25,000 × 3/10)			7,500
	To T's Capital A/c (25,000 × 2/10)			5,000
	(Being profit transferred to partners capital A/c)			
	T's Capital Account Dr.		1,21,000	
	To T's Executor's A/c			1,21,000
	(Being amount due to T transferred to T's executor's A/c)			

☆	T's Executor's Account	Dr.	21,000	
	To Bank Account			21,000
	(Being cash paid to T's executor)			

T's Capital Account

Dr. Date	Particulars	₹	Date	Particulars	Cr. ₹
	To Goodwill	5,000		By Balance b/d	75,000
	To T's Executor's A/c	1,21,000		By R Capital A/c	21,875
				By S Capital A/c	13,125
				By W C Reserve	6,000
				By Rev. – Profits	5,000
				By P & L A/c	5,000
		1,26,000			1,26,000

T's Executor's Account

Dr. Date	Particulars	₹	Date	Particulars	Cr. ₹
	To Goodwill	5,000		By Balance b/d	75,000
	To Bank A/c	21,000		By T's Capital A/c	1,21,000
	To Bank A/c (25,000 + 5,000)	30,000		By Interest (1,00,000 × 10% × 6/12)	5,000
	To Balance c/d	75,000			
		1,26,000			1,26,000

Q. 77. Akhil, Nikhil and Sunil were partners sharing profits and losses equally. Following was their Balance Sheet as at 31st March, 2018.

Liabilities		₹	*Assets*	₹
Trade Creditors		**40,000**	**Building**	**2,00,000**
General Reserve		**45,000**	**Plant and Machinery**	**80,000**
Capital A/cs :			**Stock**	**35,000**
Akhil	**1,95,000**		**Debtors**	**80,000**
Nikhil	**1,20,000**		**Cash at Bank**	**85,000**
Sunil	**80,000**	**3,95,000**		
		4,80,000		**4,80,000**

Sunil died on 1st August, 2018. The Partnership Deed provided that the executor of a deceased partner was entitled to :

(*a*) Balance of Partners' Capital Account and his share of accumulated reserve.

(*b*) Share of profits from the closure of the last accounting year till the date of death on the basis of the profit of the preceding completed year before death.

(*c*) Share of goodwill calculated on the basis of three times the average profits of the last four years.

(*d*) Interest on deceased's partner capital @ 6% p.a.

(e) ₹ 50,000 to be paid to deceased's executor immediately and the balance to remain in his loan account.

Profit and Losses for the preceeding years were : 2014-15— ₹ 80,000 Profit; 2015-16— ₹ 1,00,000 Loss; 2016-17 — ₹ 1,20,000 Profit; 2017–18— ₹ 1,80,000 Profit.

Pass necessary Journal entries and prepare Sunil's Capital Account and Sunil's Executor's Account.

Sol. Average profits = $\frac{(80,000+(1,00,000)+1,20,000+1,80,000)}{4}$

= ₹ 70,000

Goodwill = Avg. profits × No. of year purchase

= ₹ 70,000 × 3 = ₹ 2,10,000

Sunil's share of G/W = $2,10,000 \times \frac{1}{3}$

= ₹ 70,000

Last year's profit = ₹ 1,80,000

Profit for 4 months (1/4/18 – 31/7/18) = $1,80,000 \times \frac{4}{12}$

= ₹ 60,000

Sunil's share of profit = $60,000 \times \frac{1}{3}$

= ₹ 20,000

Interest on Sunil's capital = 80,000 × 6% × 4/12

= ₹ 1,600

Journal Entries

Date	*Particulars*		*LF*	*Dr. (₹)*	*Cr. (₹)*
(i)	General Reserve	Dr.		45,000	
	To Akhil's capital A/c (45,000 × 1/3)				15,000
	To Nikhil's capital A/c (45,000 × 1/3)				15,000
	To Sunil's capital A/c (45,000 × 1/3)				15,000
	(Being general reserve transfer to partner capital A/c)				
(ii)	Akhil's capital A/c (70,000 × 1/2)	Dr.		35,000	
	Nikhil's capital A/c (70,000 × 1/2)	Dr.		35,000	
	To Sunil's capital A/c				70,000
	(Being amount of G/W adjusted)				
(iii)	P/L suspense A/c	Dr.		20,000	
	To Sunil's capital A/c				20,000
	(Being share of profit credited to Deceased partner)				
(iv)	Sunil's capital A/c	Dr.		1,86,600	
	To Sunil's executor A/c				1,86,600
	(Being amount transferred to executor A/c)				

(v)	Sunil's executor A/c To Bank A/c To Loan A/c (Being amount settled to executor)	Dr.	1,86,600	 50,000 1,36,600

Dr. **Sunil's Capital Account** Cr.

Date	*Particulars*	₹	*Date*	*Particulars*	₹
1.8.18	To Sunil's executor (Bal. Figure)	1,86,600	1.4.18	By Balance b/d	80,000
			1.8.18	By Ges. Reserse	15,000
			1.8.18	By Akhil's capital	35,000
			1.8.18	By Nikhil's capital	35,000
			1.8.18	By Interest on capital	1,600
			1.8.18	By P/L suspense A/c	20,000
		1,86,600			1,86,600

Dr. **Sunil's Executor's Account** Cr.

Date	*Particulars*	₹	*Date*	*Particulars*	₹
1.8.18	To Bank A/c	50,000	1.8.18	By Sunil's capital A/c	1,86,600
1.8.18	To Loan A/c	1,36,600			
		1,86,600			1,86,000

Q. 78. B, C and D were partners in a firm sharing profits in the ratio of 5 : 3 : 2. On 31st December, 2008, their Balance Sheet was as follows: ***(AI 2010 C)***

Liabilities		₹	*Assets*	₹
Creditors		**43,000**	**Cash**	**10,200**
Bills payable		**17,000**	**Stock**	**24,500**
General Reserve		**70,000**	**Debtors**	**27,300**
Capital A/cs:			**Land and Building**	**1,40,000**
B	**40,000**		**Profit and Loss A/c**	**70,000**
C	**50,000**			
D	**52,000**	**1,42,000**		
		2,72,000		**2,72,000**

B died on 31st March. 2009. The Partnership Deed provided for the following on the death of a partner:

(*a*) Goodwill of the firm was to be valued at 3 years purchase of the average profit of last 5 years. The profits for the years ended 31st December, 2007, 31st December 2006, 31st December, 2005, and 31st December, 2004 were ₹ 70,000; ₹ 60,000; ₹ 50,000 and ₹ 40,000 respectively.

(*b*) B's share of profit or loss till the date of his death was to be calculated on the basis of the profit or loss for the year ended 31st December, 2008.

You are required to calculate the following:

(*i*) Goodwill of the firm and B's share of goodwill at the time of his death.

(*ii*) B's share in the profit or loss of the firm till the date of his death.

(iii) Prepare B's Capital Account at the time of his death to be presented to his Executors.

Sol.

Dr. **B's Capital Account** Cr.

Particulars	₹	Particulars	₹
To P/L (70,000 × 5/10)	35,000	By Bal. b/d	40,000
To P/L Surplus	8,750	By C's capital A/c (45,000 × 3/5)	27,000
To B's executive A/c	76,250	By D's capital A/c (45,000 × 2/5)	18,000
		By General Reserve	35,000
	1,20,000		1,20,000

Profit of 2008 = 70,000 Loss

$$\text{B's Share of loss} = 70,000 \times \frac{5}{10} \times \frac{3}{12} = 8,750$$

$$\text{Goodwill} = \frac{(70,000) + 70,000 + 60,000 + 50,000 + 40,000}{5} \times 3$$

$$\text{Goodwill of B} = 90,000 \times \frac{5}{10} = 45,000$$

Q. 79. The Balance Sheet of X, Y and Z as on 31st March 2018 was

Liabilities		₹	Assets	₹
Bills Payable		2,000	**Cash at Bank**	5,800
Employees' Provident Fund		5,000	**Bills Receivable**	800
Workmen Compensation Reserve		6,000	**Stock**	9,000
General Reserve		6,000	**Sundry Debtors**	16,000
Loans		7,100	**Furniture**	2,000
Capitals A/cs:			**Plant and Machinery**	6,500
X	22,750		**Building**	30,000
Y	15,250		**Advertisement Suspense**	6,000
Z	12,000	50,000		
		76,100		76,100

The Profit sharing ratio was 3:2:1. Z died on 31st July, 2018. The Partnership Deed provides that (a) Goodwill is to be calculated on the basis of three years' purchase of the five years' average profits. The profits were : 2017-18 ₹ 24,000; 2016-17; ₹ 16,000; 2015-16 : ₹ 20,000, 2014-15; ₹ 10,000 and 2013-14 ; ₹ 5,000 (b) The deceased partner to be given share of profits till the date of death on the basis of profits for the previous year. (c) The assets have been revalued as under – Stock ₹ 10,000, Debtors ₹ 15,000, furniture ₹ 1,500, Plant and Machinery ₹ 5,000, Building ₹ 35,000. A bill Receivable for ₹ 600 was found worthless. (d) A sum of ₹ 12,233 was paid immediately to Z's Executors and the balance to be paid in two equal annual instalments together with interest at 10% p.a. on the amount outstanding.

Give Journal entries and show Z's Executor's Account till it is finally settled.

Sol. Average Profits = $(24,000 + 16,000 + 20,000 + 10,000 + 5,000)/5 =$ ₹ 15,000

Goodwill = ₹ 15,000 × 3 = ₹ 45,000

Profits for 4 months = ₹ 24,000 × 4/12 = ₹ 8,000

Journal Entry

Date	Particulars		LF	Dr. (₹)	Cr. (₹)
2018	General Reserve A/c	Dr.		6,000	
31 July	To X's A/c (6,000 × 3/6)				3,000
	To Y's A/c (6,000 × 2/6)				2,000
	To Z's A/c (6,000 × 1/6)				1,000
	(Being reserve fund transferred to partner capital A/c)				
	X's A/c (7,500 × 3/5)	Dr.		4,500	
	Y's A/c (7,500 × 2/5)	Dr.		3,000	
	To Z's A/c (G/w = 45,000 × 1/6)				7,500
	(Being amount of goodwill adjusted through partners capital A/c)				
	Revaluation A/c	Dr.		3,600	
	To Debtors (16,000 – 15,000)				1,000
	To Furniture (2,000 – 1,500)				500
	To Plant & Machinery (6,500 – 5,000)				1,500
	To Bills Receivable				600
	(Being revalued assets adjusted to revaluation A/c)				
	Stock (10,000 – 9,000)	Dr.		1,000	
	Buildings (35,000 – 30,000)	Dr.		5,000	
	To Revaluation A/c				6,000
	(Being revalued assets adjusted to revaluation A/c)				
	Revaluation A/c (6,000 – 3,600)	Dr.		2,400	
	To X's A/c (2,400 × 3/6)				1,200
	To Y's A/c (2,400 × 2/6)				800
	To Z's A/c (2,400 × 1/6)				400
	(Being profit on revaluation trnasferred to partner capital A/c)				
	P & L Suspense A/c	Dr.		8,000	
	To X's A/c (8,000 × 3/6)				4,000
	To Y's A/c (8,000 × 2/6)				2,667
	To Z's A/c (8,000 × 1/6)				1,333
	(Being profit & loss suspense A/c transferred to partner capital A/c)				
	Z's A/c	Dr.		22,333	
	To Z's Executor's A/c				22,333
	(Being amount due to Z transferred to Z's executor's A/c)				

	Z's Executor's A/c Dr. To Cash A/c (Being cash paid to Z's executor)		12,233	12,233

Dr. **Z's Executor's Account** Cr.

Date	Particulars	₹	Date	Particulars	₹
30.07.18	To Bank A/c	12,333	30.07.18	By Z's Capital A/c	22,333
30.07.19	To Bank A/c = 5,000 + 1,000	6,000	30.07.19	By Interest = 10,000 × 10%	1,000
	To Balance c/d	5,000			
		23,233			23,233
30.07.20	To Bank A/c = 5,000 + 500	5,500	30.07.19	By Balance b/d	5,000
			30.07.20	By Interest = 5,000 × 10%	500
		5,500			5,500

Q. 80. X, Y and Z were partners in a firm sharing profits and losses in the 5 : 4 : 3. Their Balance Sheet on 31st March, 2018 was as follows :

Liabilities		₹	Assets	₹
Creditors		**2,00,000**	**Building**	**2,00,000**
Employees' Provident Fund		**1,50,000**	**Machinery**	**3,00,000**
General Reserve		**36,000**	**Furniture**	**1,10,000**
Investment Fluctuation Reserve		**14,000**	**Investemen:**	
Capital A/c			**(Market Value ₹ 86,000)**	**1,00,000**
X	**3,00,000**		**Debtors**	**80,000**
Y	**2,50,000**		**Cash at Bank**	**1,90,000**
Z	**1,50,000**	**7,00,000**	**Advieritisement Suspense**	**1,20,000**
		11,00,000		**11,00,000**

X died on 1st October, 2018 and Y and Z decide to share future profits in the ratio of 7 : 5. It was agreed between his executors and the remaining partners that :

(*i*) Goodwill of the firm be valued at 2½ years' purchase of average of four completed years' profit which were :

Year	2014-15	2015-16	2016-17	2017-18
Profit (₹)	1,70,000	1,80,000	1,90,000	1,80,000

(*ii*) X's share of profit from the closure of last accounting year till date of death be calculated on the basis of last year's profit.

(*iii*) Building undervalued by ₹ 2,00,000; Machinery overvalued by ₹ 1,50,000 and Furniture overvalued by ₹ 46,000.

(*iv*) A provision of 5% be created on Debtors for Doubtful Debts.

(*v*) Interest on Capital to be provided at 10% P.A.

(*vi*) Half of the net amount payable to X's executor was paid immediately and the balance was transferred to his loan account which was to be paid later.

Prepare Revaluation Account, X's Capital Account and X's Executor's Account as on 1st October, 2018.

Note—Firm enjoys bank eoverdraft facility.

Sol. (*i*) Old Ratio of [x : y : z] = 5 : 4 : 3

(*ii*) New Ratio of [y : z] = 7 : 5

(*iii*) Gain/ Sac. Share of

x = 0 – (5/12) = (0 – 5)/12 = –5/12 Sac.

y = (7/12) – (4/12) = (7 – 4)/12 = 3/12 Gain.

z = (5/12) – (3/12) = (5 – 3) = 2/12 Gain.

(*iv*) X's Share of Goodwill = [1,70,000 + 180,000 + 190,000 + 180,000] × (1/4)

= ₹ 1,80,000 × (2.5) × (5/12) = ₹ 1,87,500

(*v*) x's Share of Profit = ₹ [1,80,000 × (6/12) × (5/12)]

= ₹ 37,500

Revaluation A/c

Particulars	₹	*Particulars*	₹
To Machinery	1,50,000	By Building A/c	2,00,000
To Funiture	46,000		
To P.B.D. (80,000 × 5%)	4000		
Total	**2,00,000**	**Total**	**2,00,000**

***x*'s Capital A/c**

Particulars	₹	*Particulars*	₹
To Adv. Susp. A/c		By Balance b/d	3,00,000
[1,20,000 × 5/12]	50,000	By Gen. Res. A/c	15,000
To x's Executors A/c	5,05,000	By y's Cap. A/c	1,12,500
		By z's Cap. A/c	75,000
		By y's Cap. A/c	22,500
		By z's Cap. A/c	15,000
		By Int. On Cap. A/c	15,000
Total	**5,55,000**	**Total**	**5,55,000**

x's Executors A/c

Particulars	₹	*Particulars*	₹
To Bank A/c	2,52,500	By x's Capital A/c	5,05,000
To Balanace c/d	2,52,500		
Total	5,05,000		**5,05,000**

Q. 81. X, Y and Z were partners in a firm sharing profits and losses in the ratio of 3 : 2 : 1. Z died on 30th June, 2018. The Balance Sheet of the firm as at that 31st March, 2018 is as Follows.

Liabilities		₹	*Assets*	₹
X's Capital A/c	**2,40,000**		**Machinery**	**2,40,000**
Y's Capital A/c	**1,60,000**		**Furniture**	**1,50,000**
Z's Capital A/c	**80,000**	4,80,000	**Investments**	**40,000**

X's Current A/c	16,000	Stock	64,000
Y's Current A/c	5,000	Sundry Debtors	50,000
Reserve	60,000	Bills Receivable	22,000
Bills Payable	34,000	Cash at Bank	37,000
Sundry Creditors	40,000	Cash in Hand	22,000
		Z's Current A/c	10,000
	6,35,000		6,35,000

The Following decisions were taken by the reamining partners :

(*a*) A provision of Doubtful Debts is to be raised at 5% on Debtors.

(*b*) While Machinery to be decreased by 10% Furniture and Stock are to be appreciated by 5% and 10% respectively.

(*c*) Adversting Expenses ₹ 4,200 are to be carried forward to the next accounting year and, therefore, it is to be adjusted through the Revaluation Account.

(*d*) Good will of the firm is valued at ₹ 60,000.

(*e*) X and Y are to share profits and losses equally in future.

(*f*) Profit for the year ended 31st March, 2018 was ₹ 8,16,000 and Z's share of profit till hte date of death is to be determined on the basis of profit for the year ended 31st March, 2018.

(*g*) The Fixed Capital Method is to be converted into the Fluctuating Capital Method by transferring the Current Account balances to the respective Partners' Capital Accounts.

Prepare the Revaluation Account, Partner's Capital Accounts and prepare C's Executor's Account to show that C's Executors were paid in two half- yearly instalments plus interest of 10% p.a. on the unpaid balance. The first instalment was paid on 31st Decemeber 2018.

Sol. (*i*) Share of z = 1/6

(*ii*) Share of Z's Profit upto (30/06/18)

= ₹ [8,16,000 × (3/12) × (1/6)] = ₹ 34,000

Revaluation A/c

Particulars	₹	Particulars		₹
To P. B. D. A/c	2,500	By Furniture A/c		7,500
To Machinery A/c	24,000	By Stock A/c		6,400
		By Adv. Exp. A/c		4,200
		By Rev. Loss c/d		
		x (8400 × 3/6)	4,200	
		y (8400 × 2/6)	2,800	
		z (8400 × 1/6)	1,400	8,400
Total	26,500	Total		26,500

Working Note—

(*i*) Old Ratio = 3 : 2 : 1

(*ii*) New Ratio = 1 : 1

(iii) Gain/ Sac. of : x = (1/2) – (3/6) = (3 - 3)/6 = 0

y = (1/2) – (2/6) = (3 – 2) = 1/6 Gain.

Partner 's Captial A/c

Parlticulars	*x*	*y*	*z*	*Particulars*	*x*	*y*	*z*
To current A/c	–	–	10,000	By Balance b/d	240,000	160,000	80,000
To Rev. Loss	4,200	2,800	1,400	By Current A/s	16,000	5,000	–
To z's Cap. A/c	–	10,000	–	By Reserve A/c	30,000	20,000	10,000
To z's Cap. A/c	–	34,000	–	By Y's cap. A/c	–	–	10,000
To z's Executer A/c	–	–	1,22,600	By y' Cap. A./c	–	–	34,000
To Balance c/d	2,81,800	1,38,200	–				
Total	**2,86,000**	**1,85,000**	**1,34,000**	**Total**	**2,86,000**	**1,85,000**	**1,34,000**

Z's Executors A/c

Date	*Particulars*	₹	*Date*	*Particulars*	₹
2018-19			2018-19		
31/12/18	To Bank A/c [(122,600/2) + 6,130]	67,430	30/6/18	By z's Capital A/c	1,22,600
			31/12/18	By Interest A/c [1,22,600 × 10% × (1/2)]	6,130
31/3/19	To Balance c/d	62,832.50			
			31/3/19	By O/s Int. A./c [61,300 × 10% × (3/12)]	1532.50
	Total	**1,30,262.50**		**Total**	**1,30,262.50**
2019-20			2019-20		
30/6/19	To Bank A/c [62832.50 + 1532.50]	64,365	1/4/19	By Balance b/d	62,832.50
			30/6/19	By Int. A/c [61,300 × 10% × (3/12)]	1532.50
	Total	**64,365**		**Total**	**64,365**

Q. 82. X, Y and Z are partners in a firm sharing profits and losses in the ratio of 5 : 3 : 2. Their Balance Sheet as at 31st March, 2018 was as follows.

Liabilities		₹	*Assets*		₹
Sundry Creditors		**18,000**	**Goodwill**		**12,000**
Investment Fluctuation Reserve		**7,000**	**Patents**		**52,000**
Workmen Compensation Reserve		**7,000**	**Machinery**		**62,400**
Capital A/c			**Investment**		**6,000**
X	**1,35,000**		**Stock**		**20,000**
Y	**95,000**		**Sundry Debtors**	**24,000**	
Z	**74,000**	**3,04,000**	***Less* : Provision for**		
			Doubtful Debts	**4,000**	**20,000**
			Loan to Z		**1,000**
			Cash at Bank		**600**
			Profit and Loss A/c		**1,50,000**
			Z's Drwings		**12,000**
		3,36,000			**3,36,000**

Z died on 1st April 2018 and X and Y decide to share future profits and losses in the proportion of three eighths and five eighths respectively. It was agreed that :

(i) Goodwill of the firm be valued 2½ years' purchase of average of four competed years' profits which were 2014-15 ₹ 1,00,000; 2015-16– ₹ 80,000; 2016-17– ₹ 82,000.

(ii) Stock undervalued by ₹ 14,000 and machinery overvalued by ₹ 13,600.

- All debtors are good. A debtor whose dues of ₹ 400 were witten off as bad debts paid 50% in full settlement.
- Out of the amount of insurance premium which was debited entirely to Profit and Loss Account, ₹ 2,200 be carried forward as an unexpired insurance premium.
- ₹ 1,000 included in Sudry Creditors in not likely to arise.
- A claim of ₹ 1,000 on account of Workmen Compensation to be provided for.

(iii) Investment be sold of ₹ 8,200 and a sum of ₹ 11,200 be paid to executors of Z immediately The balance to be paid in four equal half-yearly instalments together with interest @ 8% p.a. at half year rest.

Show Revaluation Account, Capital Accounts of Partners and the Balance Sheet of the new firm.

Note—Firm enjoys bank overdraft facility.

Sol. (i) Old Ratio of [x : y : z] = 5 : 3 : 2

(ii) New Ratio of [x ; Y] = 3 : 5

(iii) Gain/ Sac. to : x = (3/8) – (5/10) = (15-20)/40 = –5/40 sac.

y = (5/8) – (3/10) = (25 – 12)/40 = 13/40 Gain.

(iv) Goodwill of the New firm = ₹ [(150,000) + 82,000 + 80000 + 10000] × (1/4) × 2.5 = ₹ 70,000

(v) Share of Goodwill to

"x" = 70000 × (5/40) = ₹ 8,750 (Cr.)

"y" = 70000 × (13/40) = ₹ 22,750 (Dr.)

"z" = 70000 × (2/10) = ₹ 14,000 (Cr.)

Revaluation A/c

Particulars	₹	*Particulars*	₹
To Machinery	13,600	By Stock	14,000
To Rev. Profit c/d		By P.B.D	4,000
x [10,000 × (5/10)]	5,000	By Bank (B.D.R.)	200
y [10,000 × (3/10)]	3,000	By Adv. Ins. Prem.	2,200
z [10,000 × (2/10)]	2,000	By Creditors	1,000
		To Investment	2,200
Total	23,600	**Total**	23,600

Partners'Capital A/c

Particulars	x	y	z	Particulars	x	y	z
To Goodwill	6,000	3,600	2,400	By Balance b/d	1,35,000	95,000	74,000
To P/Loss A/c	75,000	45,000	30,000	By I.F.R A/c	3,500	2,100	1,400
To Drawings	–	–	12,000	By W.C.R. A/c	3,000	1,800	1,200
To Laon A/c	–	–	1,000	By Y's Cap. A.c	8,750	–	14,000
To x's Cap. A/c	–	8,750	–	By Rev. Profit	5,000	3,000	2,000
To Z's Cap A/c	–	14,000	–				
To Z's Executors	–	–	47,200				
To Balance c/d	74,250	30,550	–				
Total	1,55,250	1,01,900	92,600	Total	1,55,250	1,01,900	92,600

Balance Sheet of "x" and "Y" as on Apr. 1. 2018

Liabilities		₹	Assets	₹
Sundry Creditors		17,000	Patents	52,000
W. Comp. Claim		1,000	Machinery	48,800
z's Exeutors Loan		36,000	Stock	34,000
Bank overdraft (w. Note)		2,200	Sudry debtors	24,000
Capital A/cs :			Adv. Ins. Prem.	2,200
x	74,250			
y	30,550	1,04,800		
Total		1,61,000	Total	1,61,000

Working Note : Calculation of "Bank overdraft"

Cash at Bank A/c

Particulars	₹	Particulars	₹
To Balance b/d	600	By Z's Executors	11,200
To Investment Sold	8,200		
To Revaluation A/c	200		
To Bank overdraft (Bal Fig.)	2,200		
Total	11,200	Total	11,200

Q. 83. X, Y and Z were partners in a firm sharing profits in the ratio of 2 : 2 : 1. On 31st March, 2018, their Balance Sheet was as follows—

Liabilities		₹	Assets	₹
Trade Creditors		1,20,000	Cash at Bank	1,80,000
Bills Payable		80,000	Stock	1,40,000
General Reserve		60,000	Sundry Debtors	80,000
Capital A/cs :			Building	3,00,000
X	7,00,000		Advance to Y	7,00,000
Y	7,00,000		Profit and Loss A/c	3,20,000
Z	60,000	14,60,000		
		17,20,000		17,20,000

Y died on 30th June, 2018. The Partnership Deed provided for the following on the death of a partners—

(*i*) Goodwill of the business was to be calculated on the basis of 2 times the average profit of the past 5 years. The profits for the years ended 31st March, 2018, 31st March, 2017, 31st March, 2016, 31st March, 2015 and 31st March, 2014 were ₹ 3,20,000 (Loss); ₹ 1,00,000; ₹ 1,60,000; ₹ 2,20,000 and ₹ 4,40,000 respectively.

(*ii*) Y's share of profit or loss from 1st April, 2018 till his death was to be calculated on the basis of the profit or loss for the year ended 31st March, 2018.

You are required to calculate the following—

(*a*) Goodwill of the firm and Y's share of goodwill at the time of his death.

(*b*) Y's share in the profit or loss of the firm till the date of his death.

(*c*) Prepare Y's Capital Account at the time of his death to be presented to his executors.

Sol. Working Note—

(*i*) Average Profit = $\dfrac{₹\,[(3,20,000)+1,00,000+1,60,000+2,20,000+4,40,000]}{5}$

= ₹ 1,20,000

(*ii*) y's share of G/w = ₹ (1,20,000 × 2) × (2/5) = ₹ 96,000

(*iii*) y's share of Loss = ₹ (3,20,000) × (3/12) × (2/5) = ₹ (32,000)

Y's Capital A/c

Particulars	₹	*Particulars*	₹
To Profit & Loss A/c (3,20,000 × 2/5)	1,28,000	By Balance b/d	7,00,000
		By x's & z's Capital A/c (G/w Share)	96,000
To Profit & Loss Suspence A/c	32,000		
To y's Advance A/c	7,00,000	By General Reserve A/c	24,000
		By y's Executors A/c	40,000
Total	8,60,000	Total	8,60,000

CHAPTER - 6
DISSOLUTION OF PARTNERSHIP FIRM

SOLVED PRACTICAL PROBLEMS

Q. 1. What Journal entries would you pass in the following cases– (a) Expenses of Realisation ₹ 1,500 (b) Expenses of Realisation ₹ 600, but paid by Mohan, a partner, (c) Mohan, one of the partners of the firm, was asked to look into the dissolution of the firm for which he was allowed a commission of ₹ 2,000, (d) Motor car of book value ₹ 50,000 taken over by creditors of the book value of ₹ 40,000 in final settlement.

Sol. **Journal Entries**

Date	*Particulars*		*LF*	*Dr.* (₹)	*Cr.* (₹)
(*a*)	Realisation A/c	Dr.		1,500	
	To cash A/c				1,500
	(Being Realisation expense paid)				
(*b*)	Realisation A/c	Dr.		600	
	To Mohan's Capital A/c				600
	(Being Realisation expense paid by partner)				
(*c*)	Realisation Account	Dr.		2,000	
	To Mohan's Capital A/c				2,000
	(Being Realisation expense paid to Mohan)				
(*d*)	No Entry				

Q. 2. Pass Journal entries for the following:

(*a*) Realisation expenses of ₹ 15,000 were to be met by Rahul, a partner, but were paid by the firm.

(*b*) Ramesh, a partner, was paid remuneration of ₹ 25,000 and he was to meet all expenses.

(*c*) Anuj, a partner, was paid remuneration of ₹ 20,000 and he was to meet all expenses. Firm paid an expense of ₹ 5,000.

Sol. **Journal Entries**

Date	*Particulars*		*LF*	*Dr.* (₹)	*Cr.* (₹)
(*a*)	Rahul's Capital A/c	Dr.		15,000	
	To Bank A/c				15,000
	(Being Realisation Expenses payable by partner)				

(b)	Realisation A/c Dr.		25,000	
	To Ramesh Capital A/c			25,000
	(Being Remuneration paid to partner for meeting expenses)			
(c)	Realisation A/c Dr.		20,000	
	To Anuj's Capital A/c			15,000
	To Cash A/c			5,000
	(Being Remuneration paid to partner and realisation expenses paid)			

Q. 3. Pass Journal entries for the following:

(a) Realisation expenses amounted to ₹ 10,000 were paid by the firm on behalf of Alok, a partner, with whom it was agreed at ₹ 7,500.

(b) Realisation expenses amounted to ₹ 5,000. It was agreed that the firm will pay ₹ 2,000 and balance by Ravinder, a partner.

(c) Dissolution expenses amounted to ₹ 10,000 were paid by Amit, a partner, on behalf of the firm.

Sol. **Journal Entries**

Date	*Particulars*	*LF*	*Dr. (₹)*	*Cr. (₹)*
(a)	Alok Capital A/c Dr.		7,500	
	Realisation A/c Dr.		2,500	
	To Bank			10,000
	(Being Realisation exp. Paid)			
(b)	Realisation A/c Dr.		2,000	
	To Bank			2,000
	(Being Realisation exp. paid)			
(c)	Realisation A/c Dr.		10,000	
	To Amit Capital A/c			10,000
	(Being realisation exp. paid by partner)			

Q. 4. Record necessary Journal entries in the following cases :

(a) Creditors worth ₹ 85,000 accepted ₹ 40,000 as cash and Investment worth ₹ 43,000, in full settlement of their claim.

(b) Creditors were ₹ 16,000. They accepted Machinery valued at ₹ 18,000 in settlement of their claim.

(c) Creditors were ₹ 90,000. They accepted Building valued at ₹ 1,20,000 and paid to the firm ₹ 30,000 **(NCRT)**

Sol. **Journal**

Date	*Particulars*	*LF*	*Dr. (₹)*	*Cr. (₹)*
(a)	Realilation A/c Dr.		40,000	
	To Cash A/c			40,000
	(Being the Sett. of Claim)			

(b)	No Entry			
(c)	Cash A/c Dr. To Realisation A/c (Being the cash paid to the firm)		30,000	30,000

Q. 5. Pass Journal entries for the following at the time of dissolution of a firm : (a) Sale of Assets—₹ 50,000 (b) Payment of Liabilities—₹ 10,000 (c) A commission of 5% allowed to Mr. X a partner on sale of assets. (d) Realisation expenses amounted to ₹ 15,000. The firm had agreed with Amrit, a partner to reimburse him upto ₹ 10,000 (e) Z, an old customer whose account for ₹ 6,000 was written off as bad in the previous year, paid 60% of the amount written off (f) Investment (Book value ₹ 10,000) realised 150%.

Sol. **Journal Entries**

Date	*Particulars*	*LF*	*Dr.* (₹)	*Cr.* (₹)
(*a*)	Cash A/c Dr. To Realisation Account (Being the sale of assets)		50,000	50,000
(*b*)	Realisation A/c Dr. To Cash A/c (Being payment made to Liabilities)		10,000	10,000
(*c*)	Realisation A/c Dr. To Mr. X A/c (50,000 × 5%) (Being comm. allowed to partner)		2,500	2,500
(*d*)	Realisation A/c Dr. To Amit's Capital A/c (Being realisation expense reimbursed)		10,000	10,000
(*e*)	Bank A/c Dr. To Realisation A/c (Being Previously written off recover upto 60%)		3,600	3,600
(*f*)	Bank A/c Dr. To Realisation A/c (Being investment realised 150%)		15,000	15,000

Q. 6. Pass Journal entries for the following transactions at the time of dissolution of the firm.

(a) Loan of ₹ 10,000 advanced by a partner to the firm was refunded.

(*b*) X, a partner, takes over an unrecorded asset (Typewriter) at ₹ 300.

(*c*) Undistributed balance (Debit) of Profit and Loss Account ₹ 30,000. The firm has three partners X, Y and Z.

(*d*) Assets of the firm realised ₹ 1,25,000.

(*e*) Y who undertakes to carry out the dissolution proceedings is paid ₹ 2,000 for the same.

(*f*) Creditors are paid ₹ 28,000 in full settlement of their account of ₹ 30,000.

Sol. **Journal**

Date	Particulars		LF	Dr. (₹)	Cr. (₹)
(a)	Partner's Loan A/c	Dr.		10,000	
	To Bank A/c				10,000
	(Being Partner's Loan was regunded by firm)				
(b)	x's Capital A/c	Dr.		300	
	To Realisation A/c				300
	(Being Typewriter taken over by "x")				
(c)	x's capital A/c	Dr.		10,000	
	y's capital A/c	Dr.		10,000	
	z's capital A/c	Dr.		10,000	
	To Profit & Loss A/c				30,000
	(Being Dr. Balance of P/L distibuted b/w partners)				
(d)	Bank A/c	Dr.		1,25,000	
	To Realisation A/c				1,25,000
	(Being assets realised)				
(e)	Realisation A/c	Dr.		2,000	
	To y's capital A/c				2,000
	(Being dissolution charges paid to 'y')				
(f)	Realisation A/c	Dr.		28,000	
	To Bank A/c				28,000
	(Being ₹ 28,000 Paid to Creditors in full settlement)				

Q. 7. Pass necessary Journal entries for the following transactions on the dissolution of the firm of P and Q after the various assets (other than cash) and outside liabilities have been transferred to Realisation Account :

(a) Bank Loan ₹ 12,000 was paid.

(b) Stock worth ₹ 16,000 was taken over by partner Q.

(c) Partner P paid a creditor ₹ 4,000.

(d) An asset not appearing in the books of accounts realised ₹ 1,200.

(e) Expenses of realisation ₹ 2,000 were paid by partner Q.

(f) Profit on realisation ₹ 36,000 was distributed between P and Q in 5 : 4 ratio. ***(Delhi 2011)***

Sol. **Journal Entries**

Date	Particulars		LF	Dr. (₹)	Cr. (₹)
(a)	Realisation A/c	Dr.		12,000	
	To Bank A/c				12,000
	(Being Bank loan paid)				
(b)	Q's Captial A/c	Dr.		16,000	
	To Realisatlion A/c				16,000
	(Being Stock taken over by partner)				

(c)	Realisation A/c Dr.		4,000	
	To P's Capital A/c			4,000
	(Being creditor paid by partner)			
(d)	Bank A/c Dr.		1,200	
	To Realisation A/c			1,200
	(Being unrecorded asset realised)			
(e)	Realisation A/c Dr.		2,000	
	To Q's Capital A/c			2,000
	(Being the dissolution expenses paid by Q)			
(f)	Realisation A/c Dr.		36,000	
	To P's Capital A/c			20,000
	To Q's Capital A/c			16,000
	(Being realisation profit distributed between partners in the ratio of 5 : 4)			

Q. 8. X, Y and Z are partners in a firm sharing profits in the ratio of 3 : 2 :1 respectively. The firm was dissolved on 1.3.2013. After transferring assets (other than cash) and third party liabilities to the 'Realisation account' you are provided with the following information:

(a) There was a balance of ₹ 18,000 in the firm's Profit and Loss Account.

(b) There was an unrecorded bike of ₹ 50,000 which was taken over by X.

(c) Creditors of ₹ 5,000 were paid ₹ 4,000 in full settlement of accounts.

Pass necessary Journal entries for the above at the time of dissolution of firm.

Sol. **Journal Entries**

Date	*Particulars*	*LF*	*Dr.* (₹)	*Cr.* (₹)
(i)	Profit and Loss A/c Dr.		18,000	
	To X's capital A/c			9,000
	To Y's capital A/c			6,000
	To Z' capital A/c			3,000
	(Being Profit and Loss (cr.) Bal. Trans. tocapital A/c)			
(ii)	X's capital A/c Dr.		50,000	
	To Realisation A/c			50,000
	(Being Unrecorded bike taken over by " X")			
(iii)	Realisation A/c Dr.		4,000	
	To Bank A/c			4,000
	(Being Amount of creditors paid ₹ 4,000 in full settlement)			

Q. 9. Pass necessary Journal entries to record the following unrecorded assets and liabilities in the books of Paras and Priya.

(a) There was an old furniture in the firm which had been written off completely in the books. This was sold for ₹ 3,000.

(b) Ashish, an old customer whose account for ₹ 1,000 was written off as bad in the previous year, paid 60% of the amount.

(c) Paras agreed to takeover the firm's goodwill (not recorded in the books of the firm), at a valuation of ₹ 30,000.

(d) There was an old typewriter which had been written off completely from the books. It was estimated to realise ₹ 400. It was taken by Priya at an estimated price less 25%.

(e) There were 100 shares of ₹ 10 each in Star Limited acquired at a cost of ₹ 2,000 which had been written-off completely from the books. These shares are valued @ ₹ 6 each and divided among te partners in their profit-sharing ratio.

(NCERT)

Sol. Journal

Date	Particulars		LF	Dr. (₹)	Cr. (₹)
(a)	Bank A/c	Dr.		3,000	
	To Realisation A/c				3,000
	(Being Furr. written off sold)				
(b)	Bank A/c [1,000 × (60%)]	Dr.		600	
	To Bad debt Recovered A/c				600
	(Being Bad debts written off receive 60%)				
(c)	Paras's Capital A/c	Dr.		30,000	
	To Realisation A/c				30,000
	(Being goodwill taken over by Paras)				
(d)	Priya's Capital A/c [400 – 25%]	Dr.		300	
	To Realisation A/c				300
	(Being old Type wirter taken over by Priya)				
(e)	Paras's capital A/c	Dr.		300	
	Paiya's capital A/c	Dr.		300	
	To Realisation A/c				600
	(Being investment written off dist. in [1 : 1])				

Q. 10. Aman and Harsh were partners in a firm. They decided to dissolve their firm. Pass necesary Journal entires for the following after various assets (other than cash and Bank) and third party liabilities have been transferred to Realisation Account.

(a) There was furniture worth ₹ 50,000. Aman took over 50% of the furniture at 10% discount and the remaining furniture was sold at 30% profit on book value.

(b) Profit and Loss Account was showing a credit balance of ₹ 15,000 which was distributed between the partners.

(c) Harsh's loan of ₹ 6,000 was discharged at ₹ 6,200.

(d) The firm paid realisation expenses amounting to ₹ 5,000 on behalf of Harsh who had to bear these expenses.

(e) There was a bill for ₹ 1,200 under discount. The bill was received from Soham who proved insolvent and a first and final dividend of 25% was received from his estate.

(f) Creditors, to whom the firm owed ₹ 6,000, accepted stock of ₹ 5,000 at a discount of 5% and the balance in cash.

Sol. **Journal**

Date	Particulars		LF	Dr. (₹)	Cr. (₹)
(a)	Aman's Capital A/c [(50,000 × 50%) – 10%]	Dr.		22,500	
	Bank A/c [(50,000 × 50%) + 30%]	Dr.		32,500	
	To Realisation A/c				55,000
	(Being furniture taken over by Aman and Sold at Profit)				
(b)	Profit & Loss A/c	Dr.		15,000	
	To Aman's Capital A/c				7,500
	To Harsh's Capital A/c				7,500
	(Being Cr. balance of P/L distribute among the partners)				
(c)	Harsh Loan A/c	Dr.		6,000	
	Realisation A/c	Dr.		200	
	To Bank A/c				6,200
	(Being Harsh Loan of ₹ 6,000 Settle by ₹ 6,200)				
(d)	Harsh's Capital A/c	Dr.		5,000	
	To Bank A/c				5,000
	(Being dissolution exp. on behalf of Harsh Paid by firm)				
(e)	Realisation A/c	Dr.		900	
	To Bank A/c [(1200 – 25%)]				900
	(Being bill under discount met by firm)				
(f)	Realisation A/c	Dr.		1,250	
	To Bank A/c [6,000 – (5000 – 5%)]				1,250
	(Being amt. of creditors settle by stock and balance by cash)				

Q. 11. Rohit, Kunal and Sarthak are partners in a firm. They decided to dissolve their firm. Pass necessary Journal entries for the following after various assets (other then Cash and Bank) and the third party liability have been transferred to Realisation Account :

(a) Kunal agreed to pay off his wife's loan of ₹ 6,000.

(b) Total Creditors of the firm were ₹ 40,000. Creditors worth ₹ 10,000 were given a piece of furniture costing ₹ 8,000 in full and final settlement. Remaining Creditors allowed a discount of 10%.

(c) Rohit had given a loan of ₹ 70,000 to the firm which was duly paid.

(d) A machine which was not recorded in the books was taken over by Kunal at ₹ 3,000 whereas its expected value was ₹ 5,000.

(e) The firm had a debit balance of ₹ 15,000 in the Profit and Loss Account on the date of dissolution.

(f) Sarthak paid the realisation expenses of ₹ 16,000 out of his private funds, who was to get a remuneration of ₹ 15,000 for completing dissolution process and was responsible to bear all the realisation expenses.

Sol. **Journal Entries**

Date	*Particulars*		*LF*	*Dr.* (₹)	*Cr.* (₹)
(a)	Realisation A/c	Dr.		6,000	
	To Kunal's Capital A/c				6,000
	(Being Liabilities taken over by Kunal)				
(b)	Realisation A/c	Dr.		27,000	
	To Bank A/c				27,000
	(Being liabilities paid)				
(c)	Rohit's Loan A/c	Dr.		70,000	
	To Bank A/c				70,000
	(Being Partner's Loan paid)				
(d)	Kunal's Capital A/c	Dr.		3,000	
	To Realisation A/c				3,000
	(Being unrecorded Assets taken over by Kunal)				
(e)	Rohit's Capital A/c	Dr.		5,000	
	Kunal's Capital A/c	Dr.		5,000	
	Sarthak's Capital A/c	Dr.		5,000	
	To Profit & Loss A/c				15,000
	(Being P & L (Dr.) Bal. transferred)				
(f)	Realisation A/c	Dr.		15,000	
	To Sarthak Capital A/c				15,000
	Being realisation Expensen borne by Sarthak				

Q. 12. Book Value of assets (other than cash and bank) trnasferred to Relaisation Account is ₹ 1,00,000. 50% of the assets are taken over by a partner Atul, at a discount of 20%: 40% of the remaining assets are sold at a profit of 30% on cost; 5% of the balance being obsolete, realised nothing and remaining assets are handed over to a Creditor, in full settlement of his cliam.

You are required to record the Journal entries for realisation of assets.

(NCERT)

Sol. Journal

Date	Particulars		LF	Dr. (₹)	Cr. (₹)
(i)	Realisation A/c	Dr.		1,00,000	
	To Sundry Assets A/c				1,00,000
	(Being Sundry assets transferred.)				
(ii)	Atual's Capital A/c				
	[(1,00,000 × (50%) – (20%)]	Dr.		40,000	
	To Realisation A/c				40,000
	(Being 50% of S/Assets at 20% dis. takeover)				
(iii)	Bank A/c [(1,00,000 – 50%) × (40%) + 30%]	Dr.		26,000	
	To Realisation A/c				26,000
	(Being 40% of remaining sold at 30% Profit)				
(iv)	No Entry : (a) 5% of balance obsolete			—	—
	(b) remaining transfer to Creditor)				

Q. 13. Lal and Pal were partners in a firm sharing profits in the ratio of 3 : 7. On 1st April, 2015 their firm was dissolved. After transferring assets (other than cash) and outsider's liabilities to Realisation Account, you are given the following information—

(a) A creditor of ₹ 3,60,000 accepted machinery valued at ₹ 5,00,000 and paid to the firm ₹ 1,40,000.

(b) A second creditor for ₹ 50,000 accepted stock at ₹ 45,000 in full settlement of his claim.

(c) A third creditor amounting to ₹ 90,000 accepted ₹ 45,000 in cash and investments worth ₹ 43,000 in full settlement of his claim.

(d) Loss on dissolution was ₹ 15,000.

Pass necessary Journal entries for the above transactions in the books of firm assuming that all payments were made by cheque. *(AI 2016)*

Sol. Journal

Date	Particulars		LF	Dr. (₹)	Cr. (₹)
(a)	Bank A/c	Dr.		1,40,000	
	To Realisation A/c				1,40,000
	(Being creditors settled the A/c and paid back the surplus amount)				
(b)	No Entry				
(c)	Realisation A/c	Dr.		45,000	
	To Bank A/c				45,000
	(Being amount paid to creditor in cash ₹ 45,000)				
(d)	Lal's Capital A/c (15,000 × 3/10)	Dr.		4,500	
	Pal's Capital A/c (15,000 × 7/10)	Dr.		10,500	
	To Realisation A/c				15,000
	(Being Loss on dissolution transferred to parnters in 3 : 7)				

Q. 14. Pass the Journal entries for the following transactions on the dissolution of the firm of P and Q after various assets (other than cash) and outside libilities have been transferred to Realisation Account :

(*a*) Stock ₹ 2,00,000. 'P' took over 50% of stock at a discount of 10%. Remaining stock was sold at a profit of 25% on cost.

(*b*) Debtors ₹ 2,25,000. Provision for Doubtful Debts ₹ 25,000. ₹ 20,000 of the book debts proved bad.

(*c*) Land and Building (Book value ₹ 12,50,000) sold for ₹ 15,00,000 through a broker who charged 2% commission.

(d) Machinery (Book value ₹ 6,00,000) was handed over to a creditor at a discount of 10%.

(*e*) Investment (Book value ₹ 60,000) realised at 125%

(*f*) Goodwill of ₹ 75,000 and prepaid fire insurance of ₹ 10,000.

(*g*) There was an old furntiure in the firm which had been written off completely in the books. This was sold for ₹ 10,000.

(*h*) 'Z' an old customer whose account for ₹ 20,000 was written off as bad in the previous year, paid 60%.

(*i*) 'P' undertook to pay Mrs. P's loan of ₹ 50,000

(*j*) Trade creditors ₹ 1,60,000. Half of the trade creditors accepted Plant and Machinery at an agreed valuation of ₹ 54,000 and cash in full settlement of their claims after allowing a discount of ₹ 16,000 Remaining trade creditors were paid 90% in final settlement.

Sol. **Journal**

Date	*Particulars*		*LF*	*Dr. (₹)*	*Cr. (₹)*
(*a*)	P's Capital A/c [(2,00,000 × 50%) – 10%]	Dr.		90,000	
	Bank A/c [(2,00,000 × 50%) + 25%]	Dr.		1,25,000	
	To Realisation A/c				2,15,000
	(Being 50% stock taken over by "P" and reamaining sold at profit)				
(*b*)	Bank A/c	Dr.		2,05,000	
	To Realisation A/c [2,25,000 – 20,000]				2,05,000
	(Being amount of Sundry debtors receive after bad debts)				
(c)	Bank A/c	Dr.		14,70,000	
	To Realisation A/c [15,00,000 – 2%]				14,70,000
	(Being Land & Buil. Sold by broker at 2% commission)				
(*d*)	No Entry				
(*e*)	Bank A/c	Dr.		75,000	
	To Realisation A/c [60,000 × 125%]				75,000
	(Being investment realised at 125%)				

(f)	No Entry			
(g)	Bank A/c Dr. To Realisation A/c (Being old furniture Sold For ₹ 10,000)		10,000	10,000
(h)	Bank A/c Dr. To Realisation A/c (20,000 × 60%) (Being old Bad debt recevered at 60%)		12,000	12,000
(i)	Realisation A/c Dr. To P's Capital A/c (Being Mrs. P's Loan token over by P)		50,000	50,000
(j)	Realisation A/c Dr. To Bank A/c [(1,60,000 × 1/2) – 54,000] – 16,000] + [(160,000 × 1/2) × 90%] (Being amount of trade Creditors settle)		82,000	82,000

Q. 15. What Journal entries would be passed for discharge of following unrecorded liabilities on the dissolution of a firm of partners A and B.

(a) There was a contingent liability in respect of bills discounted but not matured of ₹ 18,500. An acceptor of one bill of ₹ 2,500 became insolvent and fifty paise in a rupee was recovered. The liability of the firm on account of this bill discounted and dishonoured has not so far been recorded.

(b) There was a contingent liability in respect of a claim for damages for ₹ 75,000, such liability was settled for ₹ 50,000 and paid by the partner A..

(c) Firm will have to pay ₹ 10,000 as cmpensation to an injured employee, which was a contingent liability not accepted by the firm.

(d) ₹ 5,000 for damages claimed by a customer has been disputed by the firm. It was settled at 70% by a compromise between the customer and the firm.

Sol. **Journal**

Date	*Particulars*	*LF*	*Dr.* (₹)	*Cr.* (₹)
(a)	Realisation A/c Dr. To Bank A/c [(18500 – 2500) + (2500 × 50%)] (Being amount of bill discounted and dishonoured Paid by firm)		17,250	17,250
(b)	Realisation A/c Dr. To A's Capital A/c (Being claim for damages paid by "A" recorded)		50,000	50,000
(c)	Realisation A/c Dr. To Bank A/c (Being Compensation to employee paid by firm)		10,000	10,000
(d)	Realisation A/c Dr. To Bank A/c [5,000 × 70%] (Being claim for damages to customer Paid By Firm)		3,500	3,500

Q. 16. Pass necessary Journal entries on the dissolution of a firm in the following case;

(a) Dharam, a partner, was appointed to look after the process of dissolution at a remuneration of ₹ 12,000 and he had to bear the dissolution expenses. Dissoultion expenses ₹ 11,000 were paid by Dharam.

(b) Jay, a partner, was appointed to look after the process of dissolution and was allowed a remuneration of ₹ 15,000. Jay agreed to bear dissolution expenses. Acutal dissolution expenses ₹ 16,000 were paid by Vijay, another partner on behalf of Jay.

(c) Deepa, a partner, was to look after the process of dissolution and for this work she was allowed a remuneration of ₹ 7,000. Deepa agreed to bear dissolution expenses. Actual dissolution expenses ₹ 6,000 were paid from the firm's bank account.

(d) Dev, a partner agreed to do the work of dissolution for ₹ 7,500. He took away stock of the same amount as his commission. The stock had already been transferred to Realisation Account.

(e) Jeev, a partner, agreed to do the work of dissolution for which he was allowed a commission of ₹ 10000. He agreed to bear the dissolution expenses. Actual dissolution expenses paid by Jeev were ₹12,000. These expenses were paid by Jeev by drawing cash from the firm.

(f) A debtor of ₹ 8,000 already transferred to Realisation Account agreed to pay the realisation expenses of ₹ 7,800 in full settlement of his account.

Sol. Journal

Date	*Particulars*	*LF*	*Dr.* (₹)	*Cr.* (₹)
(*i*)	Realisation A/c Dr.		12,000	
	To Dharam's Cap A/c			12,000
	(Being Disolution exp. paid.)			
(*b*)(*i*)	Relaisation A/c Dr.		15,000	
	To Jay's Cap A/c			15,000
	(Being the Dissolution expenses paid by partner)			
(*ii*)	Jay's cap A/c Dr.		16,000	
	To Vijay's Cap A/c			16,000
	(Being the exp. paid by a par. behalf of ano. Part.)			
(c)(*i*)	Realsisation A/c Dr.		7,000	
	To Deepa's Cap A/c			7,000
	(Being the Dis. exp. paid by the firm's bank A/c)			
(*ii*)	Deepa's Cap A/c Dr.		6,000	
	To Bank A/c			6,000
	(Being the Deepa's Exp. paid by bank)			
(*d*)(*i*)	Realisation A/c Dr.		7,500	
	To Dev's Cap A/c			7,500
	(Being Real. Exp. due to Dev.)			

(ii)	Dev's Cap A/c Dr.		7,500	
	To Realisation A/c			7,500
	(Being Stock taken over by Dev.)			
(e)(i)	Realisation A/c Dr.		10,000	
	To Jeev's Cap A/c			10,000
	(Being the Jeev's allow a comm.)			
(ii)	Jeev's cap A/c Dr.		12,000	
	To Cash A/c			12,000
	(Being the exp. paid by Jeev's)			
(f)	No Entry.			

Q. 17. Ramesh and Umesh were partners in a firm sharing profits in the ratio of their capitals. On 31st March, 2013, their Balance Sheet was as follows—

Liabilities		₹	*Assets*	₹
Creditors		1,70,000	Bank	1,10,000
Workmen Compensation Fund		2,10,000	Debtors	2,40,000
General Reserve		2,00,000	Stock	1,30,000
Ramesh's Current Account		80,000	Furniture	2,00,000
Capital A/cs :			Machinery	9,30,000
Ramesh	7,00,000		Umesh's Current Account	50,000
Umesh	3,00,000	10,00,000		
		16,60,000		16,60,000

On the above date the firm was dissolved.

(*a*) Ramesh took over 50% of stock at ₹ 10,000 less than book value. The remaining stock was sold at a loss of ₹ 15,000. Debtors were realised at a discount of 5%.

(*b*) Furniture was taken over by Umesh for ₹ 50,000 and machinery was sold for ₹ 4,50,000.

(*c*) Creditors were paid in full.

(*d*) There was an unrecorded bill for repairs for ₹ 1,60,000 which was settled at ₹ 1,40,000.

Prepare Realisation Account, **[*Foreign 2014*]**

Sol.

Realisation A/c

Particulars	₹	*Particulars*	₹
To Debtors	2,40,000	By Creditors	1,70,000
To Stock	1,30,000	By R's Current A/c	55,000
To Furniture	2,00,000	[(1,30,000 × 50%) – 10,000]	
To Machinery	9,30,000	By Bank Stock	50,000
To Bank (Creditor)	1,70,000	[(1,30,000 × 50%) – 15,000]	
To Bank (U. Bill)	1,40,000	By Bank (Debtor)	2,28,000
		[2,40,000 – 5%]	

		By Umesh c/c A/c (F)		50,000
		By Bank A/c (Machinery)		4,50,000
		By Realisation Loss :		
		Ramesh	5,64,900	
		Umesh	2,42,100	8,07,000
Total	18,10,000	Totol		18,10,000

Q.18. Balance Sheet of a firm as at 31st March 2018, when it was decided to dissolve the same, was

Liabilities		₹	*Assets*	₹
Sundry Creditors		**14,000**	**Machinery**	**10,580**
Reserve for Contingencies		**500**	**Stock**	**4,740**
Capital Accounts	**X**	**4,000**	**Debtors**	**5,540**
	Y	**3,000**	**Cash at Bank**	**640**
		21,500		**21,500**

₹ 19,500 were realised from all assets except Cash at Bank. The cost of winding up came to ₹ 440. X and Y shared profits in the ratio of 2 : 1 respectively.

Prepare the Realisation A/c and Capital Accounts of partners.

Sol.

Dr. **Realisation Account** *Cr.*

Particulars		₹	*Particulars*	₹
To Sundry Assets			By Sundry Creditors	14,000
Machinery	10,580		By Bank A/c (Assets Realised)	19,500
Stock	4,740		By Capital A/c –Loss	
Debtors	5,540	20,860	X = 1,800 × 2/3 = 1,200	
To Bank A/c (S.cr.)	14,000		Y = 1,800 × 1/3 = 600	1,800
Expenses	440	14,440		
		35,300		35,300

Dr. **Partner's Capital Accounts** *Cr.*

Particulars	*A* (₹)	*B* (₹)	*Particulars*	*A* (₹)	*B* (₹)
To Realisation –Loss	1,200	600	By Balance b/d	4,000	3000
To Bank A/c	3,133	2,567	By Reserve	333	167
	4,333	3,167		4,333	3,167

Dr. **Bank Account** *Cr.*

Particulars	₹	*Particulars*		₹
To Balance b/d	640	By Realisation A/c		14,440
To Realisation A/c	19,500	By Capital A/c		
		X	3,133	
		Y	2,567	5,700
	20,140			20,140

Q. 19. Achal and Vichal were partners in a firm sharing profits in the ratio of 3 : 5. On 31st March 2018, their Balance Sheet was as follows :

Balance sheet of Achal and vichal
as at 31st March, 2018

Liabilities		₹	*Assets*	₹
Capitals A/cs :			Land and Building	4,00,000
Achal	3,00,000		Machinery	3,00,000
Vichal	5,00,000	8,00,000	Debtors	2,22,000
Creditors		1,79,000	Cash at Bank	78,000
Employees' Provident Fund		21,000		
		10,00,000		10,00,000

The firm was dissolved on Ist April, 2018 and the Assets and Liabilities were settled as follows :

(*i*) land and Building realised ₹ 4,30,000;

(*ii*) Debtors realised ₹ 2,25,000 (with interest) and ₹ 1,000 were recovered for Bad Debts written off last year;

(*iii*) There was an Unrecorded Investment which was sold for ₹ 25,000.

(*iv*) Vichal tookover Machinery at ₹ 2,80,000 for cash;

(*v*) 50% of the Creditors were paid ₹ 4,000 less in full settlement and the remaining Creditors were paid full amount.

Pass Necessary Journal Entries for dissolution of the firm.

Sol. **Journal Entries**

Date	*Particulars*		*LF*	*Dr.* (₹)	*Cr.* (₹)
(*a*)	Realisation A/c	Dr.		9,22,000	
	To Land & Building A/c				4,00,000
	To Machinery A/c				3,00,000
	To Debtors A/c				2,22,000
	(Being Sundry Assets Transfer to Realisation A/c)				
(*b*)	Creditors A/c	Dr.		1,79,000	
	Employees Provident Fund	Dr.		21,000	
	To Realisation A/c				2,00,000
	(Being Sundry liabilities transfer to realisation A/c)				
(*c*)	Bank A/c	Dr.		6,81,000	
	To Realisation A/c				6,81,000
	(Being Assets Sold)				
(*d*)	Vichal's Capital A/c	Dr.		2,80,000	
	To Realisation A/c				2,80,000
	(Being machinery take over by Vichal)				
(*e*)	Realisation A/c	Dr.		1,96,000	
	To Bank A/c [1,75,000 + 21,000]				1,96,000
	(Being Sundry Liabilities paid)				

(f)	Realisation A/c	Dr.	43,000	
	To Achal's Capital A/c			16,125
	To Vichal's Capital A/c			26,875
	(Being Realisation profit distribute)			
(h)	Achual's Capital A/c	Dr.	3,16,125	
	Vichal's Capital A/c	Dr.	2,46,875	
	To Bank A/c			5,63,000
	(Being final settlement made)			

Q. 20. Bale and Yale are equal partners of a firm. They decide to dissolve their partnership on 31st March 2018 at which date their Balance Sheet stood as:

Liabilities		₹	*Assets*	₹
Capital Accounts :			**Building**	**45,000**
Bale	**50,000**		**Machinery**	**15,000**
Yale	**40,000**	**90,000**	**Furniture**	**12,000**
General Reserve		**8,000**	**Debtors**	**8,000**
Bale's Loan A/c		**3,000**	**Stock**	**24,000**
Creditors		**14,000**	**Bank**	**11,000**
		1,15,000		**1,15,000**

(a) The assets realised were : Stock ₹ 22,000; Debtors ₹ 7,500, Machinery ₹ 16,000; Building ₹ 35,000. (b) Yale took over the furniture at ₹ 9000. (c) Bale agreed to accept ₹ 2,500 in full settlement of his Loan Account. (d) Dissolution Expenses amounted to ₹ 2,500. Prepare the :

(a) Realisation Account **(b) Capital Accounts of Partners,**

(c) Bale's Loan Account **(d) Bank Account.**

Sol.

Dr. **Realisation Account** *Cr.*

Particulars		₹	*Particulars*		₹
To Sundry Assets :	₹		By Creditors		14,000
Building	45,000		By Bank A/c :	₹	
Machinery	15,000		Stock	22,000	
Furniture	12,000		Debtors	7,500	
Debtors	8,000		Machinery	16,000	
Stock	24,000	1,04,000	Building	35,000	80,500
To Bank A/c :			By Yale's A/c (Furniture)		9,000
Creditors	14,000		By Bale's Loan (3,000–2,500)		500
Expenses	2,500	16,500	By Capital A/c –Loss		
			Bale =	8,250	
			Yale =	8,250	16,500
		1,20,500			1,20,500

Partner's Capital Accounts

Dr. Particulars	Bale (₹)	Yale (₹)	Particulars	Bale (₹)	Yale (₹) Cr.
To Realisation A/c—Loss	8,250	8,250	By Bal. b/d	50,000	40,000
To Realisation A/c		9,000	By General Reserve	4,000	4,000
To Bank A/c	45,750	26,750			
	54,000	44,000		54,000	44,000

Bale's Loan Account

Dr. Particulars	₹	Particulars	₹ Cr.
To Bank A/c	2,500	By Balance b/d	3,000
To Realisation A/c	500		
	3,000		3,000

Bank Account

Dr. Particulars	₹	Particulars	₹ Cr.
To Balance b/d	11,000	By Realisation A/c	16,500
To Realisation A/c	80,500	By Bale's Loan A/c	2,500
		By Bales's A/c	45,750
		By Yale's A/c	26,750
	91,500		91,500

Q. 21. Shilpa, Meena and Nanda decided to dissolve their partnership on 31st Marach, 2018. Their profit-sharing ratio was 3 : 2 : 1 and their Balance Sheet was as under :

Liabilities		₹	*Assets*	₹
Capital A/C			Land	81,000
Shipa	80,000		Stock	56,760
Meena	40,000	1,20,000	Debtors	18,600
Bank Loan		20,000	Nanda's Capital	23,000
Creditors		37,000	Cash	10,840
Provision for Doubtful Debts		1,200		
General Reserve		12,000		
		1,90,200		1,90,200

It is agreed as follows :

The Stock of value of ₹ 41,660 are taken over by Shilpa for ₹ 35,000 and she agreed to discharge bank loan. The reamining stock was sold at ₹ 14,000 and debtors amounting to ₹ 10,000 realised ₹ 8,000. Land is sold for ₹ 1,10,000. The remaining debtors realised 50% at their book value. Cost of realisation amounted to ₹ 1,200. There was a typewriter not recorded in the books worth of ₹ 6,000 which were taken over by one of the Creditors at this value. Prepare Realisation Account, Partners' Capital Accounts, and Cash Account to Close the books of the firm. **(NCERT, Modifed)**

Sol. **Realisation A/c**

Particulars		₹	*Particulars*		₹
To Sundry Assets :			By Creditors		37,000
Land	81,000		By Bank Loan		20,000
Stock	56,760		By Cash A/c		
Debtors	18,600	1,56,360	Stock	14,000	
To Shilpa's Cap. A/c (B. Loan)		20,000	Debtors	8,000	
To Cash A/c			Debtros	4,300	
Real Exp.	1,200		Land	1,10,000	1,36,300
Creditors [37,000 - 6,000]			By Shilpa's Cap. A/c		
	31,000	32,200	(Stock)		35,000
To Realisation Profit : [3 : 2 : 1]			By Prov. for Bad Debts		1,200
Shilpa	10,470				
Meena	6,980				
Nanda	3,490	20,940			
Total		**2,29,500**	**Total**		**2,29,500**

Partners' Capital A/c

Particulars	*Shilpa*	*Meena*	*Nenda*	*Particulars*	*Shilpa*	*Meena*	*Nanda*
To Balance b/d	—	—	23,000	By Balance b/d	80,000	40,000	—
To Real A/c	35,000	—	—	By Gen. Res. A/c	6,000	4,000	2,000
To Cash A/c	81,470	50,980		By Real. Profit	10,470	6,980	3,490
(Bal. Fig.)				By Real. A/c	20,000	—	—
				By Cash A/c	—	—	17,510
				(Bal. Fig.)			
Total	**1,16,470**	**50,980**	**23,000**	**Total**	**1,16,470**	**50,980**	**23,000**

Cash A/c

Particulars	₹	*Particulars*	₹
To Balance b/d	10,840	By Realisation A/c	32,200
To Realisation A/c	1,36,300	By Shilpa's Cap. A/c	81,470
To Nanda's Capital A/c	17,510	By Meena's Cap. A/c	50,980
Total	**1,64,650**	**Total**	**1,64,650**

Q. 22. A and B are Partners in a Firm Sharing Profits and losses in the ratio of 3 : 2. On 31st March, 2018, their Balance Sheet was as follows—

Liabilities	₹	*Assets*	₹
Creditors	38,000	Cash at Bank	11,500
Mrs. A's Loan	10,000	Stock	6,000
B's Loan	15,000	Debtors	19,000
Reserve	5,000	Furniture	4,000
A's Capital	10,000	Plant	28,000
B's Capital	8,000	Investments	10,000
		Profits and Loss A/c	7,500
	86,000		**86,000**

The firm was dissolved on 31st March 2018 on both the partners agreeing to the following :

(a) A took investment at an agreed value of ₹ 8,000. He also agreed to settle Mrs. A's Loan (b) The other assets realised as under. Stock, ₹ 5,000, Debtors, ₹ 18,500, Furniture ₹ 4,500, Plant ₹ 25,000. (c) Expenses of Realisation came to ₹ 1,600 (d) The creditors agreed to accept ₹ 37,000 in full settlement of their claims. Prepare Realisation Account, Bank Account and Partners' Capital Accounts.

Sol.

Dr. **Realisation Account** *Cr.*

Particulars		₹	*Particulars*		₹
To Sundry Assets :			By Sundry Liabilities		
Debtors	19,000		Creditors	38,000	
Stock	6,000		Mrs. A's Loan	10,000	48,000
Furniture	4,000		By Bank A/c (Assets Realised)		
Plant	28,000		Stock	5,000	
Investment	10,000	67,000	Debtors	18,500	
To A's A/c (Mrs. A's Loan)		10,000	Furniture	4,500	
To Bank A/c :			Plant	25,000	53,000
Creditors	37,000		By A's A/c (Investments)		8,000
Expenses	1,600	38,600	By Capital A/cs—Loss		
			A = 6,600 × 3/5 =	3,960	
			B = 6,600 × 2/5 =	2,640	6,600
		1,15,600			**1,15,600**

Dr. **Partner's Capital Accounts** *Cr.*

Particulars	*A* (₹)	*B* (₹)	*Particulars*	*A* (₹)	*B* (₹)
To P & L A/c	4,500	3,000	By Balance b/d	10,000	8,000
To Realisation A/c	8,000		By Reserve	3,000	2,000
To Realisation Loss	3,960	2,640	By Realisation A/c	10,000	
To Bank A/c	6,540	4,360			
	23,000	**10,000**		**23,000**	**10,000**

Dr. **Bank Account** *Cr.*

Particulars	₹	*Particulars*		₹
To Balance b/d	11,500	By B's Loan		15,000
To Realisation A/c	53,000	By Realisation A/c		38,600
		By Capital A/c A	6,540	
		B	4,360	10,900
	64,500			**64,500**

Q. 23. The Balance Sheet of P, Q and R as at March 31, 2018 who were sharing profits in the ratio of 5 : 3 : 1 was

Liabilities		₹	Assets		₹
Bills Payable		40,000	Building		40,000
Loan from Bank		30,000	Plant and Machinery		40,000
Reserve Fund		9,000	Stock		19,000
Capitals A/cs :			Sundry Debtors	42,000	
P	44,000		*Less* : Provision for		
Q	36,000		Doubtful Debts	2,000	40,000
R	20,000	1,00,000	Cash at Bank		40,000
		1,79,000			1,79,000

The Partners dissolved the business. The assets realised-Stock ₹ 23,400. Debtors 50%, Fixed Assets 10% less than their book value. Bills Payable were settled for ₹ 32,000. There was an outstanding Bill of ₹ 800 which was paid off. Realisation expenses ₹ 1,250 were also paid.

Prepare Realisation Account, Bank Account and Partners Capital Accounts.

Sol.

Dr. **Realisation Account** *Cr.*

Particulars		₹	*Particulars*		₹
To Sundry Assets :			By Sundry Liabilities		
Buildings	40,000		Bills Payable	40,000	
Plant & Machinery	40,000		Provision	2,000	
Stock	19,000		Loan from Bank	30,000	72,000
Debtors	42,000	1,41,000	By Bank A/c (Assets Realised)		
To Bank A/c–			Stock	23,400	
Bills Payable	32,000		Debtors = 42,000 × 50% =	21,000	
O/s Bill	800		Buildings = 40,000 – 10% =	36,000	
R. Expenses	1,250		Plant=40,000 – 10% =	36,000	1,16,400
Loan from bank	30,000	64,050	By Capital A/cs—Loss		
			P = 16,650 × 5/9 =	9,250	
			Q = 16,650 × 3/9 =	5,550	
			R = 16,650 × 1/9 =	1,850	16,650
		2,05,050			2,05,050

Dr. **Partner's Capital Accounts** *Cr.*

Particulars	*P* (₹)	*Q* (₹)	*R* (₹)	*Particulars*	*P* (₹)	*Q* (₹)	*R* (₹)
To Real. Loss	9,250	5,550	1,850	By Balance b/d	44,000	36,000	20,000
To Bank A/c	39,750	33,450	19,150	By Res. Fund	5,000	3,000	1,000
	49,000	39,000	21,000		49,000	39,000	21,000

Dr. **Bank Account** *Cr.*

Particulars	₹	*Particulars*	₹
To Balance b/d	40,000	By Loan from Bank	30,000
To Realisation A/c	1,16,400	By Realisation A/c	34,050

		By Capital A/c P	39,750
		Q	33,450
		R	19,150
	1,56,400		1,56,400

Q. 24. Vinod, Vijay and Venkat are partners sharing profits and losses in the ratio of 3 : 2 : 1. They decided to dissolve their firm on 31st March. 2018 the date on which their Balance Sheet stood as

Liabilities		₹	*Assets*		₹
Creditors		**17,000**	**Bank**		**3,500**
Bills Payable		**12,000**	**Stock**		**19,800**
Vinod's Loan		**5,300**	**Debtors**	**15,000**	
General Reserves		**6,000**	*Less*:**Provision for D.Debts**	**1,000**	**14,000**
Capitals A/cs :Vinod	**25,000**		**Investments**		**4,000**
Vijay	**11,000**		**Furniture**		**10,000**
Venkat	**8,000**	**44,000**	**Machinery**		**33,000**
		84,300			**84,300**

The following additional information is given :

(a) The Investments are taken over by Vinod for ₹ 5,000.

(b) Assets realised as follows :

Stock	**₹ 17,500**	**Debtors**	**₹ 14,500**
Furniture	**₹ 6,800**	**Machinery**	**₹ 30, 300**

(c) Expenses on Realisation amounted to ` 2,000.

Close the books of the firm giving relevant ledger accounts.

Sol.

Dr. **Realisation Account** *Cr.*

Particulars		₹	*Particulars*		₹
To Sundry Assets			By Sundry Liabilities		
Debtors	15,000		Provision	1,000	
Stock	19,800		Creditors	17,000	
Investments	4,000		B/P	12,000	30,000
Furniture	10,000		By Vinod (Investments)		5,000
Machinery	33,000	81,800	By Bank A/c–(Assets Realised)		
To Bank A/c–			Stock	17,500	
Creditors	17,000		Debtors	14,500	
B/P	12,000		Furniture	6,800	
Expenses	2,000	31,000	Machinery	30,300	69,100
			By Capital A/cs Losses		
			Vinod 8,700 × 3/6 =	4,350	
			Vijay 8,700 × 2/6 =	2,900	
			Venkat 8,700 × 1/6 =	1,450	8, 700
	1,12,800				1,12,800

Dr. Particulars	Vinod (₹)	Vijay (₹)	Venkat (₹)	Particulars	Vinod (₹)	Vijay (₹)	Venkat Cr. (₹)
To Realisation A/c	5,000			By Balance b/d	25000	11000	8,000
To Real. Loss	4,350	2 900	1,450	By Gen. Reserve	3,000	2,000	1,000
To Bank A/c	18,650	10,100	7,550				
	28,000	13,300	9,000		28,000	13,000	9,000

Partner's Capital Accounts

Bank Account

Dr. Particulars	₹	Particulars		Cr. ₹
To Balance b/d	3,500	By Realisation A/c		31,000
To Realisation A/c	69,100	By Vinod's Loan		5,300
		By Capital A/c		
		Vinod	18,650	
		Vijay	10,100	
		Venkat	7,550	36,300
	72,600			72,600

Q. 25. P, Q and R were Partners in a firm sharing profits and losses in the ratio of 5 : 3 : 2. They agreed to dissolve their Partnership firm on 31st March 2018. P was deputed to realise the Assets and pay the liabilities. He was paid ₹ 1,000 as commission for his services. The financial position of the firm was

Liabilities		₹	Assets		₹
Creditors		10,000	Plant and Machinery		30,000
Bills Payable		3,700	Stock		5,500
Investment Fluctuation Reserve		4,500	Investments.		15,000
Capitals A/cs :			Debtors	7,100	
P	37,550		*Less* : Provision for		
			Doubtful debts	450	6,650
Q	15,000	52,550	Cash		5,600
			R's Capital A/c		8,000
		70,750			70,750

P took over Investments for ₹ 12,500, Stock and Debtors realised ₹ 11,500, Plant and Machinery were sold to Q for ₹ 22,500 for cash. Unrecorded assets realised for ₹ 1,500, Realisation expenses paid amounted to ₹ 900.

Prepare necessary Ledger Accounts to close the Books of the firm.

Sol.

Realisation Account

Dr. Particulars		₹	Particulars	Cr. ₹
To Sundry Assets			By Creditors	10,000
Plant & Machinery	30,000		By B/P	3,700
Stock	5,500		By Inv. Fluctuation Fund	4,500

Investments	15,000		By Provision	450
Debtors	7,100	57,600	By cash A/c (Assets Realised)	
To Cash A/c (Liabilities paid)			Stock & Debtors 11,500	
Creditors	10,000		Unrecorded Assets 1,500	
B/P	3,700		Plant & Machinery 22,500	35,500
R.Expenses	900	14,600	By P's A/c (Investments)	12,500
To P's A/c (Commission)		1,000	By Capital A/cs—Loss	
			P = 6,550 × 5/10 = 3,275	
			Q = 6,550 × 3/10 = 1,965	
			R = 6,550 × 2/10 = 1,310	6,550
		73,200		73,200

Dr. **Partner's Capital Accounts** *Cr.*

Particulars	P (₹)	Q (₹)	R (₹)	*Particulars*	P (₹)	Q (₹)	R (₹)
To Balance b/d			8,000	By Balance b/d	37,550	15,000	
To Real. Loss	3,275	1,965	1,310	By Real. A/c	1,000		
To Real. A/c	12,500			By Bank A/c (Bal.)			9,310
To Bank A/c	22,775	13,035					
	38,550	15,000	9,310		38,550	15,000	9,310

Dr. **Bank Account** *Cr.*

Particulars	₹	*Particulars*	₹
To Balance b/d	5,600	By Realisation A/c	14,600
To Realisation A/c	35,500	By Capital A/c P	22,775
To R's Capital A/c	9,310	Q	13,035
	50,410		50,410

Q. 26. Ashu and Harish are partners sharing profit and losses as 3 : 2. They decided to dissolve the firm on 31st March, 2018. Their Balance Sheet on the above date was :

Liabilities		₹	*Assets*	₹
Capital A/cs:			**Building**	**80,000**
Ashu	**1,08,000**		**Machinery**	**70,000**
Harish	**54,000**	**1,62,000**	**Furniture**	**14,000**
Creditors		**88,000**	**Stock**	**20,000**
Bank Overdraft		**50,000**	**Investments**	**60,000**
			Debtors	**48,000**
			Cash in Hand	**8,000**
		3,00,000		**3,00,000**

Ashu is to take over the building at ₹ 95,000 and Machinery and Furniture is taken over by Harish at value of ₹ 80,000. Ashu agreed to pay Creditor and Harish agreed to meet Bank overdraft. Stock and Investments are taken by both partner in profit-sharing ratio. Debtors realised for ₹ 46,000, expenses of realisation amounted to ₹ 3,000. Prepare necessary Ledger Accounts.

(NCERT, Modified)

Sol. **Revaluation A/c**

Particulars		Amt.(₹)	*Particulars*		Amt. (₹)
To Sundry Assets ;			By Creditors		88,000
Building	80,000		By Bank overdraft		50,000
Machinery	70,000		By Ashu Cap A/c (building)		95,000
Furniture	14,000		By Harish (Main and Full)		80,000
Stock	20,000		By Bank (Debtors)		46,000
Investment	60,000				
Debtors	48,000	2,92,000	By Ashu	48,000	
To Bank			By Harish	32,000	80,000
Exp.		3000	(Stock and Invest.)		
To Ashu Capital A/c (Cr.)		88,000			
To Harish Capital A/c (BOD)		50,000			
To Gain on Reali.					
Ashu's cap A/c	36,000				
Harish Cap A/c	24,000	6,000			
Total		**43,9000**	**Total**		**4,39,000**

Partners' Capital A/c

Particular	*Ashu*	*Harish*	*Particular*	*Ashu*	*Harish*
To Realisation A/c	95,000	80,000	By Balance A/c	1,08,000	54,000
To Realisation A/c	48,000	32,000	By Realisation A/c	88,000	50,000
To Cash A/c	56,600		By Realisation A/c	3,600	2,400
			By Cash A/c	—	5,600
Total	**1,99,600**	**1,12,000**	**Total**	**1,99,600**	**1,12,000**

Cash A/c

Particulars	₹	*Particulars*	₹
To Balance b/d	8,000	By Realisation A/c	3,000
To Realisation A/c	46,000	By Ashu's Cap. A/c	56,600
To Harish's Capital A/c	5,600		
Total	**59,600**	**Total**	**59,600**

Q. 27. A, B and C were equal partners. On 31st March 2016 their balance sheet stood as :

Liabilities	₹	*Assets*	₹
Creditors	**50,400**	**Cash**	**3,700**
Reserve	**12,000**	**Stock**	**20,100**
A's Capital A/c	**30,000**	**Debtors**	**62,600**
B's Capital A/c	**25,000**	**Investments**	**16,000**
C's Capital A/c	**15,000**	**Furniture**	**6,500**
		Building	**23,500**
	1,32,400		**1,32,400**

The firm was dissolved on the above date. For the purpose of dissolution Investments were valued at ₹ 18,000 and A took over the investments at this value. Fixed Assets realised ₹ 29,700 whereas Stock and Debtors realised ₹ 80,000. Expenses of Realisation amounted to ₹ 1,300. Creditors allowed a discount of ₹ 800. In addition, one bill receivable for ₹ 1,500 under discount was dishonoured as the acceptor had become insolvent and was unable to pay anything and hence the bill had to be met by the firm. Prepare the Realisation Account, Cash Account and Partners' Capital Accounts showing how the accounts would finally be settled among the partners.

Sol.

Dr. **Realisation Account** Cr.

Particulars		₹	*Particulars*		₹
To Sundry Assets			By Creditors		50,400
Buildings	23,500		By A (Investments)		18,000
Furniture	6,500		By Cash A/c (Assets Realised)		
Stock	20,100		Fixed Assets	29,700	
Debtors	62,600		Stock and Debtors	80,000	1,09,700
Investments	16,000	1,28,700	By Capital A/cs Losses		
To Cash A/c-			A = 3,000 × 1/3 =	1,000	
Creditors = (50,400–800)=	49,600		B = 3,000 × 1/3 =	1,000	
Bill dishonoured	1,500		C = 3,000 × 1/3 =	1,000	3,000
Expenses	1,300	52,400			
		1,81,100			1,81,100

Dr. **Partner's Capital Accounts** Cr.

Particulars	A (₹)	B (₹)	C (₹)	*Particulars*	A (₹)	B (₹)	C (₹)
To Real. A/c	18,000			By Balance b/d	30,000	25,000	15,000
To Real. Loss	1,000	1,000	1,000	By Reserves	4,000	4,000	4,000
To Cash A/c	15,000	28,000	18,000				
	34,000	29,000	19,000		34,000	29,000	19,000

Dr. **Cash Account** Cr.

Particulars	₹	*Particulars*		₹
To Balance b/d	3,700	By Realisation A/c		52,400
To Realisation A/c	1,09,700	By Capital A/c A	15,000	
		B	28,000	
		C	18,000	61,000
	1,13,400			1,13,400

Q. 28. A, B and C are in partnership sharing profits and losses in the proportions of 1/2, 1/3, and 1/6 respectively. On 31st March, 2018, they decide to dissolve the partnership and the position of the firm on this date is represented by the following Balance Sheet :

Liabilities		₹	Assets	₹
Creditors		40,000	Cash at Bank	3,000
Loan A/c			Stock	50,000
A		10,000	Sundery Debtors	50,000
Workman Compensation Reserve		21,000	Land and Building	57,000
Capital A/cs :			Profit and Loss A/c	15,000
A	60,000		Advertisement Suspense A/c	6,000
B	40,000			
C	10,000	1,10,000		
		1,81,000		1,81,000

During the course of realisation, a liability under a suit for damages is settled at ₹ 20,000 as against ₹ 5,000 only provided for in the books of the firm.

Land and Building were sold for ₹ 40,000 and the stock and Sundry Debtors realised ₹ 30,000 and ₹ 42,000 respectively. The expenses of relaisation amounted to ₹ 1,200.

There was a car in the firm, which was compeltely written off from the books. It was taken over by A for ₹ 20,000. He also agreed to pay outstading Salary of ₹ 20,000 not provided in books.

Prepare Realisation Account, Partners' Capital Accounts and Bank Account in the books of the firm.

Sol. **Revaluation A/c**

Particulars		₹	Particulars		₹
Sundry Assets A/c			By Creditors A/c		40,000
Stock		50,000	By Bank A/c		
Sundry Debtors		50,000	Land & Building	40,000	
Land & Building		57,000	Stock	30,000	
To Bank A/c			Sundry Debtors	42,000	1,12,000
Creditors [40,000 + 15,000]		55,000			
Expenses	1,200	21,200	By A's Capital A/c Car		20,000
D/s Salary	20,000	76,200	By Less HF to cap. A/c		
			A	30,600	
			B	20,400	
			C	10,200	61,200
Total		2,33,200	Total		2,33,200

Partner's Capital A/c

Particulars	A	B	C	Particulars	A	B	C
To Realisation A/c	30600	20,400	10,200	By Bal. Bld	60,000	40,000	10,000
To P & L A/c	7,500	5,000	2,500	By WCR. A/c	10,500	7,000	3,500
To Advertisment	3,000	2,000	1,000				

Suspense A/c							
To Bank A/c	29,400	19,600		By Bank A/c	—	—	200
Total	**70,500**	**47,900**	**13,700**	**Total**	**70,500**	**47,000**	**13,700**

Cash A/c

Particulars	₹	*Particulars*	₹
To Balance b/d	3,000	By Realisation A/c	55,000
To Realisation A/c	1,12,000	By Realisation A/c	1,200
To C's Cap. A/c	200	By Realisation A/c	20,000
		By A's Cap. A/c	29,400
		BY B's Cap. A/c	19,600
Total	**1,15,200**	**Total**	**1,15,200**

Q. 29. A and B are partners in a firm sharing profits and losses in the ratio of 2 : 1 On 31st March 2016, their Balance Sheet was

Liabilities	₹	*Assets*		₹
Bank overdraft	**30,000**	**Cash in Hand**		**6,000**
General Reserves	**56,000**	**Bank Balance**		**10,000**
Investments Fluctuation Reserve		**20,000 Sundry Debtors**		**26,000**
A's Loan	**34,000**	***Less*: Reserve for**		
A's Capital	**50,000**	**Doubtful Debts**	**2,000**	**24,000**
		Investments		**40,000**
		Stock		**10,000**
		Furniture		**10,000**
		Building		**60,000**
		B's Capital		**30,000**
	1,90,000			**1,90,000**

On that date the partners decide to dissolve the firm. A took over Investments at an agreed valuation of ₹ 35,000. Other assets were Realised as follows: Sundry Debtors : Full amount. The firm could Realise stock at 15% less and Furniture at 20% less than the book value. Building was sold at ₹ 1,00,000. Compensation to employees paid by the firm amounted to ₹ 10,000. This liability was not provided for in the Balance Sheet. You are required to close the books of the firm by preparing Realisation Account, Partners' Capital Accounts and Bank Account.

Sol.

Dr. **Realisation Account** *Cr.*

Particulars		₹	*Particulars*	₹
To Sundry Assets			By Provision	2,000
Stock	10,000		By Bank Overdraft	30,000
Debtors	26,000		By Investments Fluctuation Fund	20,000
Investments	40,000		By A (Investments)	35,000

Furniture	10,000		By Bank A/c—(Assets Realised)		
Buildings	60,000	1,46,000	Debtors	26,000	
To Bank A/c-			Stock (10,000–15%)	8,500	
Comp.to Employees	10,000		Furniture (10,000–20%)	8,000	
Bank Overdraft	30,000	40,000	Buildings	1,00,000	1,42,500
To Capital A/cs –Profits					
A = 43,500 × 2/3 =	29,000				
B = 43,500 × 1/3 =	14,500	43,500			
		2,29,500			2,29,500

Dr. **Partner's Capital Accounts** Cr.

Particulars	*A* (₹)	*B* (₹)	*Particulars*	*A* (₹)	*B* (₹)
To Balance b/d		30,000	By Balance b/d	50,000	
To Realisation A/c	35,000		By General Reserve	37,333	18,667
To Bank A/c	81,333	3,167	By Realisation Profits	29,000	14,500
	1,16,333	33,167		1,16,333	33,167

Dr. **Bank Account** Cr.

Particulars	₹	*Particulars*		₹
To Balance b/d	10,000	By A's Loan		34,000
To Cash A/c	6,000	By Realisation A/c		40,000
To Realisation A/c	1,42,500	By Capital A/c A	81,333	
		B	3,167	84,500
	1,58,500			1,58,500

Q. 30. Ashok, Babu and Chetan are in partnership sharing profit in the proportion of 1/2, 1/3, 1/6 respectively. They dissolve the partnership of the 31st March, 2018 when the Balance Sheet of the firm as under.

Liabilities		₹	*Assets*	₹
Sundry Credtiors		**20,000**	**Bank**	**7,500**
Bills Payable		**25,500**	**Sundry Debtors**	**58,000**
Babu's Loan		**30,000**	**Stock**	**39,500**
Capital A/cs:			**Machinery**	**48,000**
Ashok	**70,000**		**Investments**	**42,000**
Babu	**55,000**		**Freehold Property**	**50,500**
Chetan	**27,000**	**1,52,000**		
Current A/cs :				
Ashok	**10,000**			
Babu	**5,000**			
Chetan	**3,000**	**18,000**		
		2,45,500		**2,45,500**

The Machinery was taken over by Babu for ₹ 45,000, Ashok took over the Investment for ₹ 40,000 and Freehold property took over by Chetan at ₹ 55,000. The remaining Assets realised as follow:

Sundry Debtors ₹ 56,500 and Stock ₹ 36,500. Sundry Creditors were settled at discount of 7%. A office computer, not shown in the books of accounts realised ₹ 9,000. Relaisation expenses amounted to ₹ 3,000.

Prepare Realisation Account, Partners' Capital Accounts and Bank Account

(NCERT, Modified)

Revaluation A/c

Particulars		₹	*Particulars*		₹
To Sundry Assests			By Creditors	20,000	
Sundry Debtors	58,000		By Bills Payable	25,500	45,500
Stock	39,500		By Bank Assets realised		
Machinery	48,000		Sundry Debtors	56,500	
Investment	42,000		Stock	36,500	
Free hold property	50,500	2,38,000	Unrecorded Asset	9,000	1,02,000
To Bank A/c Liabitites paid			By Babu's Capital-Machinery		45,000
Sundry Creditors		18,600	By Ashok's Capital-Investment		40,000
To Bank A/c Realisation Exp.		3,000	By Chetan's Capital-		
To Bank A/c (B/P)		25,500	Freehold Property		55,000
To Realisation Profit [3 : 2 : 1]					
Ashok	1200				
Babu	800				
Chetan	400	2,400			
Total		**2,87,500**	**Total**		**2,87,500**

Partner's Capital A/c

Particulars	*Ashok*	*Babu*	*Chetan*	*Particulars*	*Ashok*	*Babu*	*Chetan*
To Realisation	40,000	–	–	By Bal. Bld	70,000	55,000	27,000
To Realisation	–	45,000	–	By Curr. A/c	10,000	5,000	3,000
To Realisation	–	–	55,000	By Real. A/c	1,200	800	400
To Bank A/c	41,200	15,800		By Bank A/c	–	–	24,600
Total	**81,200**	**60,800**	**55,000**	**Total**	**81,200**	**60,800**	**55,000**

Bank A/c

Particulars	₹	*Particulars*	₹
To Balance b/d	7,500	By Realisation A/c	18,600
To Realisation A/c	1,02,000	By Realisation Expense	3,000
To Chetan's Cap. A/c	24,600	By Realisation A/c (B/P)	25,500
		By Ashok's Capital A/c	41,200
		By Babu's Capital A/c	15,800
		By Babu's Loan A/c	30,000
Total	**1,34,100**	**Total**	**1,34,100**

Q. 31. X, Y and Z carrying on business as merchants and sharing profits and losses in the ratio of 2 : 2 : 1, dissolved their firm as at 31st March, 2018 on which date their Balance Sheet was as follows.

Liabilities		₹	*Assets*		₹
Sundry Creditors		41,500	Cash at Bank		22,500
Bills Payable		20,000	Stock		80,000
Bank Loan		40,000	Debtors	50,000	
General Reserve		50,000	*Less* : Provision for		
			Doubtful Debts	2,500	47,500
Investments Fluctuation Reserve		40,000	Investments		55,000
Capital A/cs			Premises		1,51,500
X	75,000				
Y	75,000				
Z	15,000	1,65,000			
		3,56,500			3,56,500

A bill for ₹ 5,000 received from Mohan discounted from bank is not met on maturity.

The assets except Cash at Bank and Investment were sold to a company which paid ₹ 3,25,000 in cash. The Investments were sold and ₹ 56,000 were received. Mohan proved insolvent and a dividend of 50% was recevied from his estate. Sundry Creditors (including Bills Payable) were paid ₹ 57,500 in full settlement. Realisation Expenses amounted to ₹ 15,000.

Prepare Realisation Account, Partners Capital Accounts and Bank Account.

Sol. **Realisation A/c**

Particulrs		₹	*Particulars*	₹
To Stock		80,000	By P.B.D.	2,500
To Debtors		50,000	By Sundry Creditors	41,500
To Investments		55,000	By Bills Payables	20,000
To Premises		1,51,500	By Bank Loan	40,000
To Bank A/c			By Inv. Fluc. Res.	40,000
S. cr. & B/P	57,500		By Bank A/c (A. Sold)	3,25,000
Bank Loan	40,000		By Bank A/c (Inv.)	56,500
Rel. Exp.	15,000		By Bank A/c (Mohan)	2,500
Bill dish.	5000	1,17,500		
To Real. Profit c/d				
x [74000 × 2/5]	29,600			
y [74000 × 2/5]	29,600			
z [74,000 × 1/5]	14,800	74,000		
Total		5,28,000	**Total**	5,28,000

Partners' Capital A/c

Particulars	X (₹)	Y (₹)	Z (₹)	Particulars	X (₹)	Y (₹)	Z (₹)
To Bank	1,24,600	124,600	39,800	By Balance b/d	75,000	75,000	15,000
				By Gen. Res.	20,000	20,000	10,000
				By Rel. Pro.	29,600	29,600	14,800
Total	1,24,600	1,24,600	39,800	Total	1,24,600	1,24,600	39,800

Bank A/c

Particulars	₹	Particulars	₹
To Balance b/d	22,500	By x's Capital A/c	1,24,600
To Realisation A/c	3,25,000	By Y's Capital A./c	1,24,600
To Realisation A/c	56,500	By z's Capital A/c	39,800
To Realisation A/c	2,500	By Realisation A/c	1,17,500
Total	4,06,500	Total	4,06,500

Q. 32. Mrs. Rita Chowdhary and Miss Sobha are partners in a firm. 'Fancy Garments Exports' sharing profits and losses equally. On Ist April, 2018, the Balance Sheet of the firm was

Liabilities	₹	Assets		₹
Sundry Creditors	75,000	Cash		6,000
Bills Payable	30,000	Bank		30,000
Mr. Chowdhary's Loan	15,000	Stock		75,000
Reserve Fund	24,000	Book Debts	66,000	
Mrs. Rita Chowdhary Capital	90,000	*Less* : Provision for		
		B. Debts	6,000	60,000
Miss. Sobha's Capital	30,000	Plant and Machinery		45,000
		Land and Building		48,000
	2,64,000			2,64,000

The firm was dissolved on the date given above. The following transactions took place : (i) Mrs. Rita Chowdhary undertook to pay Mr. Chowdhary's loan and took over 50% of the stock at a discount of 20%. (ii) Book debts Realised ₹ 54,000, balance of the stock was sold off at a profit of 30% on cost. (iii) Sundry Creditors were paid out at a discount of 10% Bills payable were paid in full (iv) Plant and Machinery Realised ₹ 75,000. Land and Buildings ₹ 1,20,000. Mrs. Rita Chowdhary took over the Goodwill of the firm at a valuation of ₹ 30,000. (v) Realisation expenses were ₹ 5,250. (vi) An Unrecorded asset of ₹ 6,900 was handed over to an unrecorded liability of ₹ 6,000 in full settlement. Show the Realisation Account, Bank Account and Partner's Capital Accounts in the books of the firm.

Sol.

Dr. Realisation Account *Cr.*

Particulars		₹	Particulars		₹
To Sundry Assets :			By Sundry Liabilities		
Stock	75,000		Provision	6,000	

Book Debts	66,000		Creditors	75,000	
L & B	48,000		B/P	30,000	
P & M	45,000	2,34,000	Mr. Chowdhary's Loan	15,000	1,26,000
To Mrs. Rita (Mr's Loan)		15,000	By Mrs. Rita		
To Bank A/c :			Stock = 75,000×50%	37,500	
Creditors			*Less* : 37,500 × 20%	7,500	
(75,000–10%)	67,500			30,000	
B/P	30,000		Goodwill	30,000	60,000
Expenses	5,250	1,02,750	By Bank A/c–(Assets Realised)		
To Capital A/c–Profits			Book Debts	54,000	
Rita = 1,32,000 × ½ =	66,000		Stock (37,500 +30%)	48,750	
Sobha = 1,32,000 × ½ =	66,000	1,32,000	P & M	75,000	
			L & B	1,20,000	2,97,750
		4,83,750			4,83,750

Dr. **Partner's Capital Accounts** *Cr.*

Particulars	*Rita* (₹)	*Sobha* (₹)	*Particulars*	*Rita* (₹)	*Sobha* (₹)
To Realisation A/c	60,000		By Balance b/d	90,000	30,000
To Bank A/c	1,23,000	1,08,000	By Reserve Fund	12,000	12,000
			By Realisation A/c	15,000	
			By Realisation Profits	66,000	66,000
	1,83,000	1,08,000		1,83,000	1,08,000

Dr. **Bank Account** *Cr.*

Particulars	₹	*Particulars*		₹
To Balance b/d	30,000	By Realisation A/c		1,02,750
To Cash A/c	6,000	By Capital A/c – Rita	1,23,000	
To Realisation A/c	2,97,750	Sobha	1,08,000	2,31,000
	3,33,750			3,33,750

Q. 33. Following is the Balance Sheet of Arvind and Balbir as at 31st March, 2018.

Liabilities	₹	*Assets*		₹
Trade Creditors	**45,000**	**Cash**		**750**
Bills Payable	**12,000**	**Bank**		**12,000**
Mrs. Arvind's Loan	**7,500**	**Stock**		**7,500**
Mrs. Balbir's Loan	**15,000**	**Investments**		**15,000**
Reserve Fund	**15,000**	**Book Debts**	**30,000**	
Investments Fluctuation Fund	**1,500**	***Less* : Provision for**		
		D.Debts	**3,000**	**27,000**
Capitals A/cs :		**Building**		**22,500**
Arvind	**15,000**	**Plant**		**30,000**
Balbir	**15,000**	**Goodwill**		**6,000**
		Profit & Loss A/c		**5,250**
	1,26,000			**1,26,000**

The firm was dissolved on the above date under the following arrangement: (i) Arvind promised to pay off Mrs. Arvind's loan and took stock at ₹ 6,000. (ii) Balbir took half the investment @ 10% discount. (iii) Book debts Realised ₹ 28,500, (iv) Trade Creditors and Bills Payable were due on average basis of one month after 31st March, but were paid immediately on 31st March, @ 2% discount per annum. (v) Plant Realised ₹ 37,500, Building ₹ 60,000 Goodwill ₹ 9,000 and remaining investment ₹ 6,750. (vi) An old Typewriter written off completely from the firm's books, now estimated to Realise ₹ 450. It was taken by Balbir at this estimated price, (vii) Realisation expenses were ₹ 1,500.

Show Realisation Account, Bank Account and Capital Accounts of partners.

Sol.

Dr. **Realisation Account** *Cr.*

Particulars		₹	*Particulars*		₹
To Sundry Assets :			By Sundry Liabilities		
Buildings	22,500		Provision	3,000	
Investments	15,000		Creditors	45,000	
Stock	7,500		B/P	12,000	
Book Debts	30,000		Mrs. Arvind's Loan	7,500	
Goodwill	6,000		Mrs. Balbir's Loan	15,000	
Plant	30,000	1,11,000	Invest Fluctuation Fund	1,500	84,000
To Bank A/c :			By Bank A/c		
Mrs. Balbir's Loan	15,000		Book Debts	28,500	
Creditors (45,000–2%/12)	=44,925		Plant	37,500	
B/P (12,000)–2%/12	11,980		Buildings	60,000	
Expenses	1,500	73,405	Goodwill	9,000	
To Arvind (Wife's Loan)		7,500	Investment	6,750	1,41,750
To Capital A/cs–Profits			By Arvind—(Stock)		6,000
Arvind = 47,045/2 =	23,523		By Balbir's A/c :		
Balbir = 47,045/2 =	23,522	47,045	Investment (7500-10%)	=6,750	
			Typewriter	450	7,200
		2,38,950			2,38,950

Dr. **Partner's Capital Accounts** *Cr.*

Particulars	*Arvind* (₹)	*Balbir* (₹)	*Particulars*	*Arvind* (₹)	*Balbir* (₹)
To Profit & Loss A/c	2,625	2,625	By Balance b/d	15,000	15,000
To Realisation A/c	6,000	7,200	By Reserve Fund	7,500	7,500
To Bank A/c	44,898	36,197	By Realisation A/c	7,500	
			By Realisation Profits	23,523	23,522
	53,523	46,022		53,523	46,022

Dr.	Bank Account			Cr.
Particulars	**₹**	**Particulars**		**₹**
To Balance b/d	12,000	By Realisation A/c		73,405
To Cash A/c	750	By Capital A/c :		
To Realisation A/c	1,41,750	Arvind	44,898	
		Balbir	36,197	81,095
	1,54,500			1,54,500

Q. 34. Anju, Manju and Sanju were partners in a firm sharing profits in the ratio of 2 : 2 : 1 . On 31st March 2018, their Balance Sheet was

Liabilities		₹	*Assets*	₹
Creditors		**50,000**	**Cash**	**60,000**
Bank Loan		**35,000**	**Debtors**	**75,000**
Empolyess' Provident Fund		**15,000**	**Stock**	**40,000**
Investment Fluctuation Fund		**10,000**	**Investments**	**20,000**
Commission Received in Advance		**8,000**	**Plant**	**50,000**
Capital Accounts :			**Profit and Loss A/c**	**3,000**
Anju	**50,000**			
Manju	**50,000**			
Sanju	**30,000**	**1,30,000**		
		2,48,000		**2,48,000**

On this date, the firm was dissolved. Anju was appointed to realise the assets Anju was to receive 5% commission on the sale of assets (except cash) and was to bear all expenses of realisation. Anju realised the assets as follows– Debtors ₹ 60,000; Stock ₹ 35,500; Investments ₹ 16,000; Plant 90% of the book value. Expenses of Realisation amounted to ₹ 7,500. Commission received in advance was returned to customers after deducting ₹ 3,000. Firm had to pay ₹ 8,500 for outstanding salary, not provided for earlier. Compensation paid to employees amounted to ₹ 17,000. This liability was not provided for in the above Balance Sheet. ₹ 20,000 had to be paid for provident fund. Prepare the Realisation A/c, Capital Accounts of Partners and Cash A/c.

Sol.

Dr.		Realisation Account			Cr.
Particulars		₹	*Particulars*		₹
To Sundry Assets :			By Creditors	50,000	
Debtors	75,000		By Provident Fund	15,000	
Stock	40,000		By I F Fund	10,000	
Investments	20,000		By Bank Loan	35,000	
Plant	50,000	1,85,000	By Commission in adv.	8,000	1,18,000
To Bank A/c—(liabilities paid)			By Bank A/c—(assets realised)		
Creditors	50,000		Debtors	60,000	
Commission recd in adv.	5,000		Stock	35,500	
O/s Salary	8,500		Investments	16,000	
Employee's Comp.	17,000		Plants = 50,000 × 90% = 45,000	45,000	1,56,500

Provident Fund 20,000		By Capital Accounts–Loss		
Bank Loan 35,000	1,35,500	Anju = 53,825 × 2/5 = 21,530		
To Anju's Capital A/c		Manju = 53,825 × 2/5 = 21,530		
Commission = 1,56,500 × 5%	7,825	Sanju = 53,825 × 1/5 = 10,765	53,825	
	2,93,325		2,93,325	

Dr. **Partner's Capital Accounts** Cr.

Particulars	*M* (₹)	*N* (₹)	*O* (₹)	*Particulars*	*M* (₹)	*N* (₹)	*O* (₹)
To P/L A/c	1,200	1,200	600	By Balance b/d	50,000	50,000	30,000
To Real—Loss	21,530	21,530	10,765	By Real A/c	7,825		
To Cash A/c	35,095	27,270	18,635				
	57,825	**50,000**	**30,000**		**57,825**	**50,000**	**30,000**

Dr. **Cash Account** Cr.

Particulars	₹	*Particulars*	₹
To Balance b/d	60,000	By Realisation A/c liabilities paid	1,35,500
To Realisation A/c assets realised	1,56,500	By Anju's Capital A/c	35,095
		By Manju's Capital A/c	27,270
		By Sanju's Capital A/c	18,635
	2,16,500		2,16,500

Q. 35. A, B and C were in partnership sharing profits at 7 : 2 : 1 and the Balance Sheet of the firm as at 31st March 2018 was

Liabilities	₹	*Assets*	₹
Capital Accounts :		**Building**	**20,000**
A	**12,410**	**Plant**	**31,220**
B	**8,650**	**Goodwill**	**10,000**
C	**80,620**	**100 shares in X Ltd (at cost)**	**2.400**
Creditors	**11,210**	**1,000 shares in Y Ltd. (at cost)**	**10,000**
Reserve for Dep. on Plant	**20,000**	**Stock**	**11,240**
		Debtors	**8,740**
		Bank	**1,210**
		Patents	**38,080**
	1,32,890		**1,32,890**

It was agreed to dissolve the partnership as on 31st March 2018, and the terms of dissolution were - (a) A to take over the Building at an agreed amount of ₹ 31,500, (b) B, who was to carry on the business to take over the goodwill, stock and debtors at book value, the Patents at ₹ 30,000 and Plant at ₹ 5,000. He was also to pay the creditors (c) C to take over shares in X Ltd. at ₹ 15 each and (d) The shares in Y Ltd. to be divided in the profit sharing ratio. Show the Ledger accounts recording the dissolution in the books of the firm.

Sol.

Realisation Account

Dr. Cr.

Particulars		₹	Particulars		₹
To Sundry Assets			By Creditors		11,210
Buildings	20,000		By Reserve for Depreciation		20,000
Plant	31,220		By A's Capital A/c :		
Goodwill	10,000		Building	31,500	
Shares in X Ltd.	2,400		Shares in Y Ltd. (1000 × 7/10)	7,000	38,500
Shares in Y Ltd.	10,000		By B's Capital A/c :		
Debtors	8,740		Shares in Y Ltd. (1000 × 2/10)	2,000	
Stock	11,240		Goodwill	10,000	
Patents	38,080	1,31,680	Stock	11,240	
To B's A/c (Creditors)		11,210	Debtors	8,740	
			Patent	30,000	
			Plant	5,000	66,980
			By C's Capital A/c :		
			Shares in X Ltd. (100 × 15) =	1,500	
			Shares in Y Ltd. (1000 × 1/10) =	1,000	2,500
			By Capital A/cs Losses		
			A = (370 × 7/10) =	2,590	
			B = (370 × 2/10) =	740	
			C = (370 × 1/10) =	370	3,700
		1,42,890			1,42,890

Partner's Capital Accounts

Dr. Cr.

Particulars	A (₹)	B (₹)	C (₹)	Particulars	A (₹)	B (₹)	C (₹)
To Realisation A/c	38,500	66,980	2,500	By Balance b/d	12,410	8,650	80,620
To Realisation–Loss	2,590	740	370	By Realisation A/c		11,210	
To Bank A/c (Bal.)			77,750	By Bank A/c (Bal.)	28,680	47,860	
	41,090	67,720	80,620		41,090	67,720	80,620

Bank Account

Dr. Cr.

Particulars	₹	Particulars	₹
To Balance b/d	1,210	By C's Capital A/c	77,750
To A's Capital A/c	28,680		
To B's Capital A/c	47,860		
	77,750		77,750

Q. 36. Following is the Balance Sheet of Vishnu, Sanjiv and Sudhir as at 31 st March, 2018.

Liabilities	₹	Assets		₹
Billy Payable	20,000	Cash		8,000
Creditors	18,000	Bills Recivable		12,000
Mrs. Vishnu's Loan	20,000	Stock		25,000
Outstanding Salary	5,000	Sundry Debtors	40,000	
Profit and Loss A/c	10,000	*Less* : Provision for		
Workmen Compensation Reserve	15,000	Doubtful Debts	4,000	36,000

Capital A/cs :				
Vishnu	40,000		Land and Building	50,000
Sanjiv	30,000		Furniture	10,000
Sundir	18,000	88,000	Computers	5,000
			Investments	30,000
		1,76,000		1,76,000

Profit-Sharing ratio of the partners is 5: 3 : 2. At the above date, the partners decided to dissolve the firm. The assets were realised as follows:

Bills Receivable were realised at a discount of 5%. All Debtors were good. Stock realised ₹ 22,000. Land and Building realised 40% higher than the book value. Furniture was sold for ₹ 8,000 by auction and auctioneer's commission amounted to ₹ 500.

Computers were taken by Vishnu for an agreed valuation of ₹ 3,000. Investments were sold in the open market at a price of ₹ 45,000, for which commission of ₹ 600 was paid to the broker.

Bills Payable were paid at full amount. Creditors however, agreed to accept 10% less. All other liabilities were paid off at their book value.

The firm retrenched their employees three months before the dissolution of the firm and firm had to pay ₹ 20,000 as compensation.

Prepare Realisation Account, Partner's Capital Accounts and Cash Account.

Sol. Revaluation A/c

Particulars		₹	*Particulars*		₹
To Sundry Assests :			By Sundry Liabilities :		
Bill Recei.	12,000		Prov. For B. Debts	4,000	
Stock	25,000		Bills Payable	20,000	
Sundry Debtors.	40,000		Creditors	18,000	
Land & Building	50,000		Outstand. Salary	5,000	47,000
Furniture	10,000		By Cash A/c		
Computers	5,000		Bill Recei.	11,400	
Investment	30,000	1,72,000	Debtors	40,000	
To Cash A/c :			Stock	22,000	
Bill Payable	20,000		Land & Building	70,000	
Creditors	16,200		Furniture	7,500	
O/s salary	5,000		Invest.	44,400	1,95,300
Compensation	20,000	61,200	By Vishnu's Cap. A/c (Comp.)		3,000
To Real. Profit c/d : [5 : 3 : 2]					
Vishnu	6,050				
Sanjeev	3,630				
Sudhir	2,420	12,100			
Total		2,45,300	Total		2,45,300

Partners' Capital A/c

Particulars	V	S	S	*Particulars*	V	S	S
To Realisation	3,000	—	—	By Bal. B/d	40,000	30,000	18,000
Cash A/c (Bal. Fig.)	55,550	41,130	25,420	By w. Comp. Res.	7,500	4,500	3,000
				By P & L A/c	5,000	3,000	2,000
				By Real. A/c	6,050	3,630	2,420
Total	58,550	41,130	25,420	Total	58,550	41,130	25,420

Bank A/c

Particulars	₹	Particulars	₹
To Balance b/d	8,000	By Realisation A/c	61,200
To Realisation A/c	1,95,300	By Vishnu's Loan A/c	20,000
		By Vishnu's Capital A/c	55,550
		By Sanjiv's Capital A/c	41,130
		By Sudhir's Capital A/c	25,420
Total	2,03,300	Total	2,03,300

Q. 37. A, B and C were partners sharing profits in the ratio of 2 : 2 : 1. They decided to dissolve their firm on 31st March 2018 when the Balance Sheet was

Liabilities		₹	*Assets*		₹
Creditors		**40,000**	**Cash**		**40,000**
Bills Payable		**46,000**	**Debtors**	**70,000**	
Employees Provident Fund		**32,000**	*Less*: **Provision for D/D**	**6,000**	**64,000**
Mrs. A's : Loan		**38,000**	**Stock**		**50,000**
C's Loan		**30,000**	**Investments**		**60,000**
Investments Fluctuation Fund		**16,000**	**Furniture**		**42,000**
Capital Accounts			**Machinery**		**1,36,000**
A	**1,20,000**		**Land**		**1,00,000**
B	**1,00,000**		**Goodwill**		**30,000**
C	**1,00,000**	**3,20,000**			
		5,22,000			**5,22,000**

Following transactions took place (a) A took over stock at ₹ 36,000. He also took over his wife's loan. (b) B took over half of debtors at ₹ 28,000. (c) C took over investments at ₹ 54,000 and half of creditors at their book value. (d) Remaining debtors realised 60% of their book value. Furniture sold for ₹ 30,000; Machinery ₹ 82,000 and Land ₹ 1,20,000. (e) An unrecorded assets was sold for ₹ 22,000. (e) Realisation expenses amounted to ₹ 4,000.

Prepare necessary ledger accounts to close the books of the firm.

Sol.

Dr. **Realisation Account** *Cr.*

Particulars		₹	*Particulars*		₹
To Sundry Assets			By Sundry Liabilities		
Debtors	70,000		Provision	6,000	
Stock	50,000		Creditors	40000	
Investments	60,000		Bills Payable	46,000	
Furniture	42,000		E P Fund	32,000	
Machinery	1,36,000		Mrs. A's Loan	38,000	
Land	1,00,000		I F Fund	16,000	1,78,000
Goodwill	30,000	4,88,000	By Cash A/c (assets realised)		

To A's A/c (Mrs. A's Loan)		38,000	Debtors=35000×60%=21000	
To C's A/c (Creditors)		20,000	Furniture 30,000	
To Cash A/c-(liabilities paid)			Machinery 82,000	
Creditors	20,000		Land 1,20,000	
Bills Payable	46,000		Un. Assets 22,000	2,75,000
E P Fund	32,000		By A's A/c (Stock)	36,000
R Expenses	4,000	1,02,000	By B's A/c (Half of Debtors)	28,000
			By C's A/c (Investments)	54,000
			By Capital Accounts—Loss	
			A = 77000 × 2/5 = 30,800	
			B = 77000 × 2/5 = 30,800	
			C = 77000 × 1/5 = 15,400	77,000
		6,48,000		6,48,000

Dr. **Partner's Capital Accounts** Cr.

Particulars	*A* (₹)	*B* (₹)	*C* (₹)	*Particulars*	*A* (₹)	*B* (₹)	*C* (₹)
To Real. A/c	36,000	28,000	54,000	By Balance b/d	1,20,000	1,00,000	1,00,000
To Real. – Loss	30,800	30,800	15,400	By Real A/c	38,000		20,000
To Cash A/c (Bal.)	91,200	41,200	50,600				
	1,58,000	1,00,000	1,20,000		1,58,000	1,00,000	1,20,000

Dr. **Cash Account** Cr.

Particulars	₹	*Particulars*	₹
To Balance b/d	40,000	By C's Loan	30,000
To Realisation A/c		By Realisation A/c–	
(assets realised)	2,75,000	(liabilities paid)	1,02,000
		By A's Capital A/c	91,200
		By B's Capital A/c	41,200
		By C's Capital A/c	50,600
	3,15,000		3,15,000

Q. 38. Krishna and Arjun are partners in a firm. They share profits and losses in the ratio of 4 : 1. They decide to dissolve the firm on 31st March, 2018 at which date their Balance Sheet stood as :

Liabilities		₹	*Assets*		
Bank Loan		**1,500**	**Trade Marks**		**1,200**
Creditors for goods		**8,000**	**Machinery**		**12,000**
Bills Payable		**500**	**Furniture**		**400**
Capital A/c			**Stock**		**6,000**
Krishna	**16,000**		**Debtors**	**9,000**	
Arjun	**6,000**	**22,000**	***Less* : Provision for D/D**	**400**	**8,600**
			Cash at Bank		**2,800**
			Advertisement Expenditure		**1,000**
		32,000			**32,000**

The Realisation shows the following results :

(*a*) Goodwill was sold for ₹ 1,000. (*b*) Debtors were realised at book value less 10% (*c*) Trade Marks were realised for ₹ 800. (*d*) Machinery and Stock in trade were taken over by Krishna for ₹ 14,400 and ₹ 3,600 respectively. (*e*) An unrecorded asset estimated at ₹ 500 was sold for ₹ 200 (*f*) Creditors for goods were settled at a discount of ₹ 80. The expenses on realisation were ₹ 800. Prepare the Realisation A/c, Bank A/c and partners' Capital Accounts.

Sol.

Dr. **Realisation Account** *Cr.*

Particulars		₹	*Particulars*		₹
To Sundry Assets			By Sundry Liabilities		
Trade Marks	1,200		Creditors for goods	8,000	
Machinery	12,000		Bills Payable	500	
Furniture	400		Provision for D/D	400	
Stock	6,000		Bank Loan	1,500	10,400
Debtors	9,000	28,600	By Bank A/c :		
To Bank A/c :			Goodwill	1,000	
Creditors=8,000–80=	7,920		Debtors = 9,000–10%=8,100		
Bills Payable	500		Trade Marks	800	
Realisation Expenses	400		Unrecorded asset	200	10,100
Bank Loan	1,500	10,320	By Krishna A/c :		
			Machinery	14,400	
			Stock	3,600	18,000
			By Capital A/c–Loss		
			Krishna = 420 × 4/5 =	336	
			Arjun = 420 × 1/5 =	84	420
		38,920			38,920

Dr. **Partner's Capital Account** *Cr.*

Particulars	K (₹)	A (₹)	*Particulars*	K (₹)	A (₹)
To Adv. Expenditure	800	200	By Balance b/d	16,000	6,000
To Realisation A/c	18,000	–	By Bank A/c (Bal.)	3,136	
To Realisation—Loss	336	84			
To Bank A/c (Bal.)		5,716			
	19,136	6,000		19,136	6,000

Dr. **Bank Account** *Cr.*

Particulars	₹	*Particulars*	₹
To Balance b/d	2,800		
To Realisation A/c	10,100	By Realisation A/c	10,320
To Krishna Capital A/c	3,136	By Arjun Capital A/c	5,716
	16,036		16,036

Q. 39. There are two partners X and Y in a firm and their capitals are ₹ 50,000 and ₹ 40,000. The creditors are ₹ 30,000. The assets of the firm realise ₹ 1,00,000. How much will X and Y receive?

Sol. **Memorandum Balance sheet**

Liabilities	₹	*Assets*	₹
X's Capital	50,000	Sundry Assets	1,20,000
Y's Capital	40,000	(Balancing Figure)	
Creditors	30,000		
	1,20,000		1,20,000

Dr. **Realisation Account** *Cr.*

Particulars	₹	*Particulars*	₹
To Sundry Assets	1,20,000	By Creditors	30,000
To Bank A/c (Creditors)	30,000	By Bank A/c (assets realised)	1,00,000
		By Capital A/cs–Losses	
		X = 20,000/2 = 10,000	
		Y = 20,000/2 = 10,000	20,000
	1,50,000		1,50,000

Dr. **Partner's Capital Accounts** *Cr.*

Particulars	X (₹)	Y (₹)	*Particulars*	X (₹)	Y (₹)
To Realisation –Loss	10,000	10,000	By Balance b/d	50,000	40,000
To Bank A/c (Bal.)	40,000	30,000			
	50,000	40,000		50,000	40,000

Dr. **Bank Account** *Cr.*

Particulars	₹	*Particulars*	₹
To Realisation A/c	1,00,000	By Realisation A/c	30,000
		By X's Capital A/c	40,000
		By Y's Capital A/c	30,000
	1,00,000		1,00,000

Q. 40. A, B and C were partners sharing profits in the ratio of 5 : 3 : 2. On 31st March, 2018, A's capital and B's capital were ₹ 30,000 and ₹ 20,000 respectively but C owed ₹ 5,000 to the firm. The liabilities were ₹ 20,000. The assets of the firm realised ₹ 50,000. Prepare the Realisation Account, Partners' Capital Accounts and Bank Account.

Sol. **Memorandum Balance sheet**

Liabilities	₹	*Assets*	₹
A's Capital	30,000	C's Capital	5,000
B's Capital	20,000	Sundry Assets (Balancing Fig.)	65,000
Liabilities	20,000		
	70,000		70,000

Dr.	Realisation Account		Cr.
Particulars	**₹**	**Particulars**	**₹**
To Sundry Assets	65,000	By Liabilities	20,000
To Bank A/c (Liabilities paid)	20,000	By Bank A/c (assets Realised)	50,000
		By Capital A/cs—Losses	
		A = 15,000 × 5/10 = 7,500	
		B = 15,000 × 3/10 = 4,500	
		C = 15,000 × 2/10 = 3,000	15,000
	85,000		85,000

Dr. **Partner's Capital Accounts** Cr.

Particulars	*A* (₹)	*B* (₹)	*C* (₹)	*Particulars*	*A* (₹)	*B* (₹)	*C* (₹)
To Balance b/d			5,000	By Balance b/d	30,000	20,000	
To Real. Loss	7,500	4,500	3,000	By Bank A/c			8,000
To Bank A/c (Bal.)	22,500	15,500					
	30,000	20,000	8,000		30,000	20,000	8,000

Dr. **Bank Account** Cr.

Particulars	₹	*Particulars*	₹
To Realisation A/c	50,000	By Realisation A/c	20,000
To C's Capital A/c	8,000	By A's Capital A/c	22,500
		By B's Capital A/c	15,500
	58,000		58,000

Q. 41. A and B were partners sharing profits and losses as to 7/11th to A and 4/11ths to B. They dissolved the partnership on 30th May 2018. As on the date their capitals were : A ₹ 7,000 and B ₹ 4,000. There were also due on Loan A/c to A ₹ 4,500 and to B ₹ 750. The other liabilities amounted to ₹ 5,000. The assets proved to have been undervalued in the last Balance Sheet and actually Realised ₹ 24,000. Prepare necessary accounts showing the final settlement between partners.

Sol. **Memorandum Balance sheet**

Liabilities	₹	*Assets*	₹
A' s Capital	7,000	Sundry Assets (Balancing Fig.)	21,250
B's Capital	4,000		
A's Loan	4,500		
B's Loan	750		
Other Liabilities	5,000		
	21,250		21,250

Dr. **Realisation Account** Cr.

Particulars		₹	Particulars	₹
To Sundry Assets		21,250	By other Liabilities	5,000
To Bank A/c			By Bank A/c	
(Other Liabilities Paid)		5,000	(Assets Realised)	24,000
To Capital A/cs–Profits				
A = 2,750 × 7/11 =	1,750			
B = 2,750 × 4 / 11=	1,000	2,750		
		29,000		29,000

Dr. **Partner's Capital Accounts** Cr.

Particulars	A (₹)	B (₹)	Particulars	A (₹)	B (₹)
To Bank A/c (Bal.)	8,750	5,000	By Balance b/d	7,000	4,000
			By Realisation Profits	1,750	1,000
	8,750	5,000		8,750	5,000

Dr. **Bank Account** Cr.

Particulars	₹	Particulars	₹
To Realisation A/c	24,000	By A's Loan	4,500
		By B's Loan	750
		By Realisation A/c	5,000
		By A's Capital A/c	8,750
		By B's Capital A/c	5,000
	24,000		24,000

Q. 42. A and B dissolve their partnership. Their position as at 31st March 2018 was : A's Capital ₹ 25,000, B's Capital ₹ 15,000 Sundry Creditors ₹ 20,000. Cash in Hand and Bank ₹ 750. The Balance of A's Loan Account to the firm stood at ₹ 10,000. The Realisation expenses amounted to ₹ 350. Stock Realised ₹ 20,000 and Debtors ₹ 25,000. B took a machine at the agreed valuation of ₹ 7,500. Other fixed assets Realised ₹ 20,000. You are required to close the books of the firm.

Sol. **Memorandum Balance sheet**

Liabilities	₹	Assets	₹
A's Capital	25,000	Cash in Hand & at Bank	750
B's Capital	15,000	Sundry Assets (Balancing Fig.)	69,250
Sundry Creditors	20,000		
A's Loan	10,000		
	70,000		70,000

Dr. **Realisation Account** Cr.

Particulars	₹	Particulars	₹
To Sundry Assets	69,250	By Sundry Creditors	20,000
To Cash A/c		By Cash A/c (assets Realised)	

Creditors	20,000		Stock	20,000	
Expenses	350	20,350	Debtors	25,000	
To Capital A/cs – Profits			Fixed assets	20,000	65,000
A = 2,900/2 = 1,450			By B's A/c (Machine)		7,500
B = 2,900/2 = 1,450		2,900			
		92,500			92,500

Dr. **Partner's Capital Accounts** Cr.

Particulars	*A* (₹)	*B* (₹)	*Particulars*	*A* (₹)	*B* (₹)
To Realisation A/c		7,500	By Balance b/d	25,000	15,000
To Cash A/c	26,450	8,950	By Realisation Profits	1,450	1,450
	26,450	16,450		26,450	16,450

Dr. **Cash Account** Cr.

Particulars	₹	*Particulars*	₹
To Balance b/d	750	By A's Loan	10,000
To Realisation A/c	65,000	By Realisation A/c	20,350
		By A's Capital A/c	26,450
		By B's Capital A/c	8,950
	65,750		65,750

Q. 43. Ashok and Kishore were in partnership sharing profits in the ratio of 3 : 1. They agreed to dissolve the firm. The assets (other than cash of ₹ 2,000) of the firm Realised ₹ 1,10,000. The liabilities and other particulars on that date were

Creditors	**₹ 40,000**	**Ashok's Capital**	**₹ 1,00,000**
Kishore's capital (Dr.)	**₹ 10,000**	**Profit and Loss A/c**	**₹ 8,000 (Dr. Balance)**
Realisation Expenses	**₹ 1,000**		

You are required to close the books of the firm.

Sol. **Memorandum Balance sheet**

Liabilities	₹	*Assets*	₹
Creditors	40,000	Cash	2,000
Ashok's Capital	1,00,000	Sundry Assets (Balancing Fig.)	1,20,000
		Profit & Loss A/c	8,000
		Kishore's Capital	10,000
	1,40,000		1,40,000

Dr. **Realisation Account** Cr.

Particulars		₹	*Particulars*	₹
To Sundry Assets		1,20,000	By Creditors	40,000
To Cash A/c			By Cash A/c (Assets Realised)	1,10,000
Creditors	40,000		By Capital A/cs Losses	
Expenses	1,000	41,000	Ashok 11,000 × 3/4 = 8,250	
			Kishore 11,000 × 1/4 = 2,750	11,000
		1,61,000		1,61,000

Dr. **Partner's Capital Accounts** Cr.

Particulars	K (₹)	A (₹)	*Particulars*	K (₹)	A (₹)
To Balance b/d		10,000	By Balance b/d	1,00,000	
To Profit & Loss A/c	6,000	2,000	By Cash A/c		14,750
To Realisation Loss	8,250	2,750			
To Cash A/c (Bal.)	85,750				
	1,00,000	14,750		1,00,000	14,750

Dr. **Cash Account** Cr.

Particulars	₹	*Particulars*	₹
To Balance b/d	2,000	By Realisation A/c	41,000
To Realisation A/c	1,10,000	By Ashok's A/c	85,750
To Kishore's A/c	14,750		
	1,26,750		1,26,750

Q. 44. X, Y and Z entered into a partnership and contributed ₹ 9,000, ₹ 6,000 and ₹ 3,000 respectively. They agreed to share profits and losses equally. The business lost heavily during the very first year and they decided to dissolve the firm. After realising all assets and paying off liabilities, there remained a cash balance of ₹ 6,000.

Prepare Realisation Account and Partner's Capital Accounts.

Sol. **Memorandum Balance sheet**

Liabilities	₹	*Assets*	₹
X's Capital	9,000	Cash	6,000
Y's Capital	6,000	Realisation A/c	12,000
Z's Capital	3,000		
	18,000		18,000

Dr. **Realisation Account** Cr.

Particulars	₹	*Particulars*	₹
To Bal. b/d	12,000	By Capital A/cs–Losses	
		X = 12,000/3 = 4,000	
		Y = 12,000/3 = 4,000	
		Z = 12,000/3 = 4,000	12,000
	12,000		12,000

Dr. **Partner's Capital Accounts** Cr.

Particulars	X (₹)	Y (₹)	Z (₹)	*Particulars*	X (₹)	Y (₹)	Z (₹)
To Realis. Losses	4,000	4,000	4,000	By Balance b/d	9,000	6,000	3,000
To Cash A/c (Bal.)	5,000	2,000		By Cash A/c			1,000
	9,000	6,000	4,000		9,000	6,000	4,000

Dr. **Cash Account** Cr.

Particulars	₹	Particulars	₹
To Balance b/d	6,000	By X's Capital A/c	5,000
To Z's Capital A/c	1,000	By Y's Capital A/c	2,000
	7,000		7,000

Q. 45. A, B and C started business on April 1, 2016 with capitals of ₹ 1,00,000, ₹ 80,000 and ₹ 60,000 respectively sharing profits (losses) in the ratio of 4 : 3 : 3. For the year ended 31st March, 2017, the firm suffered a loss of ₹ 50,000. Each of the partners withdrew ₹ 10,000 during the year.

On March 31, 2017 the firm was dissolved, the creditors of the firm stood at ₹ 24,000 on that date and cash in hand was ₹ 4,000. The assets realised ₹ 3,00,000 and creditors were paid ₹ 23,500 in full settlement of their claims.

Prepare Realisation Account and show your workings clearly.

Sol. **Memorandum Balance sheet**

Liabilities	₹	Assets	₹
A's Capital	1,00,000	Cash Balance	4,000
B's Capital	80,000	A's Drawing	10,000
C's Capital	60,000	B's Drawing	10,000
Creditors	24,000	C's Drawing	10,000
		Profit / Loss A/c	50,000
		Sundry Assets (Balancing Fig.)	1,80,000
	2,64,000		2,64,000

Dr. **Realisation Account** Cr.

Particulars	₹	Particulars	₹
To Sundry Assets	1,80,000	By Creditors	24,000
To Cash A/c–Creditors	23,500	By Cash A/c–Assets Realised	3,00,000
To Capital A/c–Profit			
A = 1,20,500 × 4/10 = 48,200			
B = 1,20,500 × 3/10 = 36,150			
C = 1,20,500 × 3/10 = 36,150	1,20,500		
	3,24,000		3,24,000

Dr. **Partner's Capital Accounts** Cr.

Particulars	A (₹)	B (₹)	C (₹)	Particulars	A (₹)	B (₹)	C (₹)
To Drawings	10,000	10,000	10,000	By Balance b/d	100,000	80,000	60,000
To P/L A/c	20,000	15,000	15,000	By Realis.Profit	48,200	36,150	36,150
To Bank A/c	118,200	91,150	71,150				
	1,48,200	1,16,150	96,150		1,48,200	1,16,150	96,150

Dr.	Bank Account		Cr.
Particulars	**₹**	**Particulars**	**₹**
To Balance b/d	4,000	By Realisation A/c	23,500
To Realisation A/c	3,00,000	By A's Capital A/c	1,18,200
		By B's Capital A/c	91,150
		By C's Capital A/c	71,150
	3,04,000		3,04,000

Q. 46. A, B and C were in partnership sharing profits and losses in the ratio of 2 : 1 : 1. They decided to dissolve the partnership. On that date of dissolution, sundry assets (including cash ₹ 5,000) amounted to ₹ 88,000; assets realised ₹ 80,000 (including an unrecorded asset which realised ₹ 4,000). A contingent liability on account of bills discounted ₹ 8,000 was paid by the firm. The capital accounts of A, B and C showed a balance of ₹ 20,000 each. Prepare Realisation A/c, Cash Account and Partners' Capital Accounts.

Sol. **Memorandum Balance sheet**

Liabilities		₹	Assets	₹
Creditors (Balancing Figure)		28,000	Cash	5,000
Capital Accounts			Sundry Assets (88,000–5,000)	83,000
A	20,000			
B	20,000			
C	20,000	60,000		
		88,000		88,000

Dr.		Realisation Account			Cr.
Particulars		**₹**	**Particulars**		**₹**
To Sundry Assets		83,000	By Creditors		28,000
To cash A/c			By Bank A/c (assets realised)		80,000
Creditors	28,000		By Capital Accounts–Loss		
Bills dishonoured	8,000	36,000	A = 11000 × 2/4 =	5,500	
			B = 11000 × 1/4 =	2,750	
			C = 11000 × 1/4 =	2,750	11,000
		1,19,000			1,19,000

Partner's Capital Accounts

Particulars	A (₹)	B (₹)	C (₹)	Particulars	A (₹)	B (₹)	C (₹)
To Real A/c	5,500	2,750	2,750	By Balance b/d	20,000	20,000	20,000
To Cash A/c (Bal.)	14,500	17,250	17,250				
	20,000	20,000	20,000		20,000	20,000	20,000

Dr.		Cash Account	Cr.
Particulars	**₹**	**Particulars**	**₹**
To Balance b/d	5,000	By Realisation A/c-(liab.paid)	36,000
To Realis. A/c – assets realised	80,000	By A's Capital A/c	14,500
		By B's Capital A/c	17,250
		By C's Capital A/c	17,250
	85,000		85,000

Q. 47. On 1st April 2017 A, B and C commenced business in partnership sharing profits and losses in proportion of 1/2, 1/3 and 1/6 respectively. They paid into their Bank A/c as their capital ₹ 22,000, ₹ 10,000 by A, ₹ 7,000 by B and ₹ 5,000 by C. During the year, they drew ₹ 5,000, being ₹ 1,900 by A, ₹ 1,700 by B and ₹ 1,400 by C. On 31st March 2018, they dissolve their partnership. A taking up stock at an agreed valuation of ₹ 5,000, B taking up furniture at ₹ 2,000 and C taking up debtors at ₹ 3,000. After paying up their creditors, there remained a balance of ₹ 1,000 at Bank. Prepare the necessary accounts showing the distribution of the cash at the Bank and of the further cash brought in by any partner or partners as the case required.

Sol. **Memorandum Balance sheet**

Liabilities	₹	*Assets*	₹
A's Capital	10,000	Bank Balance	1,000
B's Capital	7,000	A's Drawing	1,900
C's Capital	5,000	B's Drawing	1,700
		C's Drawing	1,400
		Sundry Assets (Balancing Fig.)	16,000
	22,000		22,000

Dr.		Realisation Account		Cr.
Particulars	₹	*Particulars*		₹
To Sundry Assets	16,000	By A A/c (Stock)		5,000
		By B A/c (Furniture)		2,000
		By C A/c (Debtors)		3,000
		By Capital A/c-Losses		
		A = 6,000/2 =	3,000	
		B = 6,000/3 =	2,000	
		C = 6,000/6 =	1,000	6,000
	16,000			16,000

Partner's Capital Accounts (Dr. / Cr.)

Particulars	A (₹)	B (₹)	C (₹)	*Particulars*	A (₹)	B (₹)	C (₹)
To Bank A/c	100	1,300					
To Drawing	1,900	1,700	1,400	By Balance b/d	10,000	7,000	5,000
To Realis. A/c	5,000	2,000	3,000	By Bank A/c			400
To Realis. Loss	3,000	2,000	1,000				
	10,000	7,000	5,400		10,000	7,000	5,400

Dr.	Bank Account		Cr.
Particulars	**₹**	**Particulars**	**₹**
To Balance b/d	1,000	By A's Capital A/c	100
To C's Capital A/c	400	By B's Capital A/c	1,300
	1,400		1,400

Q. 48. The partnership between A and B was dissolved on March 31, 2018. On that date the respective credits to the capitals were A ₹ 1,70,000 and B ₹ 30,000. ₹ 20,000 were owed by B to the firm; ₹ 1,00,000 were owed by the firm to A and ₹ 2,00,000 were due to the trade creditors. Profits and Losses were shared in the proportions of 2/3 to A, and 1/3 to B. The assets represented by the above stated net liabilities Realised ₹ 4,50,000 exclusive of ₹ 20,000 owed by B. The liabilities were settled at book figures. Prepare the Realisation Account, Cash Account and Partners' Capital Accounts showing the distribution to the partners.

Sol. **Memorandum Balance sheet**

Liabilities	₹	*Assets*	₹
A's Capital	1,70,000	Loan to B	20,000
B's Capital	30,000	Sundry Assets (Balancing Fig.)	4,80,000
A's Loan	1,00,000		
Trade Creditors	2,00,000		
	5,00,000		5,00,000

Dr.	Realisation Account		Cr.
Particulars	₹	*Particulars*	₹
To Sundry Assets	4,80,000	By Trade Creditors	2,00,000
To Cash A/c (Creditors paid)	2,00,000	By Cash A/c (Assets Realised)	4,50,000
		By Capital A/c–Losses	
		A = 30,000 × 2/3 = 20,000	
		B = 30,000 × 1/3 = 10,000	30,000
	6,80,000		6,80,000

Dr.	Partner's Capital Accounts				Cr.
Particulars	*A (₹)*	*B (₹)*	*Particulars*	*A (₹)*	*B (₹)*
To Realisation –Losses	20,000	10,000	By Balance b/d	1,70,000	30,000
To Cash A/c	1,50,000	20,000			
	1,70,000	30,000		1,70,000	30,000

Dr.	Cash Account		Cr.
Particulars	₹	*Particulars*	₹
To Loan to B	20,000	By A's Loan	1,00,000
To Realisation A/c	4,50,000	By Realisation A/c	2,00,000
		By A's Capital A/c	1,50,000
		By B's Capital A/c	20,000
	4,70,000		4,70,000

Q. 49. X and Y were partners sharing profits and losses in the ratio 3 : 2. They decided to dissolve the firm on 31st March 2018. On that date, their capitals were X ₹ 40,000 and Y ₹ 30,000 Creditors amounted to ₹ 24,000. Assets were Realised for ₹ 88,500. Creditors of ₹ 16,000 were taken over by X at ₹ 14,000. Remaining Creditors were paid at ₹ 7,500. The cost of Realisation came fo ₹ 500. Prepare the necessary accounts.

Sol. **Memorandum Balance sheet**

Liabilities	₹	*Assets*	₹
X's Capital	40,000	Sundry Assets (Balancing Fig.)	94,000
Y's Capital	30,000		
Creditors	24,000		
	94,000		94,000

Dr. **Realisation Account** *Cr.*

Particulars		₹	*Particulars*	₹
To Sundry Assets		94,000	By Creditors	24,000
To X A/c (Creditors Taken)		14,000	By Cash A/c (Assets Realised)	88,500
To Cash A/c			By Capital A/cs –Losses	
Creditors	7,500		X = 3,500 × 3/5 = 2,100	
Expenses	500	8,000	Y = 3,500 × 2/5 = 1,400	3,500
		1,16,000		1,16,000

Dr. **Partner's Capital Accounts** *Cr.*

Particulars	X (₹)	Y (₹)	*Particulars*	X (₹)	Y (₹)
To Realisation –Losses	2,100	1,400	By Balance b/d	40,000	30,000
To Cash A/c	51,900	28,600	By Realisation A/c	14,000	
	54,000	30,000		54,000	30,000

Dr. **Cash Account** *Cr.*

Particulars	₹	*Particulars*	₹
To Realisation A/c	88,500	By Realisation A/c	8,000
		ByX's Capital A/c	51,900
		By Y's Capital A/c	28,600
	88,500		88,500

Q. 50. P, Q and R are three partners sharing profits and losses in the ratio of 3 : 3 : 2 respectively. Their respective capitals are in their profit sharing proportions. On 1st April 2017, the total capital of the firm and the balance of General Reserve are ₹ 80,000 and ₹ 20,000 respectively. During the year 2017-18, the firm made a profit of ₹ 28,000 before charging interest on capital @ 5%. The drawings of the partners are P ₹ 8,000; Q ₹ 7,000 and R ₹ 5,000. On 31st March 2018 their liabilities were ₹ 18,000. On this date they decided to dissolve the firm. The assets Realised ₹ 1,08,600 and Realisation expenses amounted to ₹ 1,800. Prepare necessary ledger accounts to close the books of the firm.

Sol.

Dr. **Profit and loss appropriation account** Cr.

Particulars		₹	Particulars	₹
To Interest on Capital			By Profits during the year	28,000
P = 30,000 × 5% =	1,500			
Q = 30,000 × 5% =	1,500			
R = 20,000 × 5 % =	1,000	4,000		
To Capital A/c –Profits				
P = 24,000 × 3/8 =	9,000			
Q = 24,000 × 3/8 =	9,000			
R = 24,000 × 2/8 =	6,000	24,000		
		28,000		28,000

Dr. **Partner's Capital Accounts** Cr.

Particulars	P (₹)	Q (₹)	R (₹)	Particulars	P (₹)	Q (₹)	R (₹)
To Drawings	8,000	7,000	5,000	By Balance b/d	30,000	30,000	20,000
To Balance c/d	40,000	41,000	27,000	By G. Reserve	7,500	7,500	5,000
				By Interest	1,500	1,500	1,000
				By P/L Appr A/c	9,000	9,000	6,000
	48,000	48,000	32,000		48,000	48,000	32,000

Memorandum Balance sheet

Liabilities	₹	Assets	₹
P's Capital	40,000	Sundry Assets (Balancing Fig.)	1,26,000
Q's Capital	41,000		
R's Capital	27,000		
Sundry Liabilities	18,000		
	1,26,000		1,26,000

Dr. **Realisation Account** Cr.

Particulars		₹	Particulars		₹
To Sundry Assets		1,26,000	By Sundry Liabilities		18,000
To Cash A/c			By Cash A/c (Assets Realised)		1,08,600
Sundry Liabilities	18,000		By Capital A/cs–Losses		
Expenses	1,800	19,800	P = 19,200 × 3/8	= 7,200	
			Q = 19,200 × 3/8	= 7,200	
			R = 19,200 × 2/8	= 4,800	19,200
		1,45,800			1,45,800

Dr. **Partner's Capital Accounts** Cr.

Particulars	P (₹)	Q (₹)	R (₹)	Particulars	P (₹)	Q (₹)	R (₹)
To Realis. Losses	7,200	7,200	4,800	By Balance b/d	40,000	41,000	27,000
To Cash A/c	32,800	33,800	22,200				
	40,000	41,000	27,000		40,000	41,000	27,000

Dr.	Cash Account		Cr.
Particulars	**₹**	**Particulars**	**₹**
To Realisation A/c	1,08,600	By Realisation A/c	19,800
		By P's Capital A/c	32,800
		By Q's Capital A/c	33,800
		By R's Capital A/c	22,200
	1,08,600		1,08,600

Q. 51. X, Y and Z entered into partnership on 1st April, 2016. They contributed capital ₹ 40,000, ₹ 30,000 and ₹ 20,000 respectively and agreed to share profits in the ratio of 3 : 2 : 1. Interest on capital was to be allowed @ 15% p.a. and interest on drawings was to be charged at an average rate of 5%. During the two years ended 31st March, 2016, the firm made profit of ₹ 21,600 and ₹ 25,140 respectively before allowing or charging interest on capital and drawings. The drawings of each partner were ₹ 6,000 per year.

On 31st March, 2016, the partners decided to dissolve the partnership due to difference of opinion. On that date, the creditors amounted to ₹ 20,000. The assets, other than cash ₹ 2,000, realised ₹ 1,21,000. Expenses of dissolution amounted to ₹ 760.

Draw up necessary Ledger Accounts to close the books of the firm.

Sol. Working Note—

(i) Calculation and distribution of Net Profit of the year 2016-17

Dr.	Profit & Loss App. A/c		Cr.
Particulars	**₹**	**Particulars**	**₹**
To Interest on Capital		By Profit & Loss A/c	21,600
x (40,000 × 15%)	6,000	By Interest on Drawings	
y (30,000 × 15%)	4,500	x (6,000 × 5%)	300
z (20,000 × 15%)	3,000	y (6,000 × 5%)	300
To Net Profit transferred		z (6,000 × 5%)	300
x (9,000 × 3/6)	4,500		
y (9,000 × 2/6)	3,000		
z (9,000 × 1/6)	1,500		
Total	**22,500**	**Total**	**22,500**

(ii) Partners' Capital A/c (for 2016-17)

Particulars	X (₹)	Y (₹)	Z (₹)	Particulars	X (₹)	Y (₹)	Z (₹)
To Drawings	6,000	6,000	6,000	By Bank A/c	40,000	30,000	20,000
To Int. of Draw.	300	300	300	By Int. on Cap.	6,000	4,500	3,000
To Balance c/d	44,200	31,200	18,200	By P&L App. A/c	4,500	3,000	1,500
Total	**50,500**	**37,500**	**24,500**	**Total**	**50,500**	**37,500**	**24,500**

(iii) Profit & Loss App. A/c (for 2017-18)

Particulars	₹	Particulars	₹
To Interest on Capital	6,630	By P & L A/c	25,140
x (44,200 × 15%)	4,680	By Interest on Drawings	
y (31,200 × 15%)	2,730	x (6,000 × 5%)	300
z (18,200 × 15%)		y (6,000 × 5%)	300

To Net Profit transferred		z (6,000 × 5%)	300
x (12,000 × 3/6)	6,000		
y (12,000 × 2/6)	4,000		
z (12,000 × 1/6)	2,000		
Total	**26,040**	**Total**	**26,040**

(*iv*) **Partner's Capital A/c (for 2017-18)**

Particulars	X (₹)	Y (₹)	Z (₹)	*Particulars*	X (₹)	Y (₹)	Z (₹)
To Drawings	6,000	6,000	6,000	By Balance b/d	44,200	31,200	18,200
To Int on Draw. A/c	300	300	300	By Int. on Cap.	6,630	4,680	2,730
To Balance c/d	50,530	33,580	16,630	By P & L App. A/c	6,000	4,000	2,000
Total	**56,830**	**39,880**	**22,930**	**Total**	**56,830**	**39,880**	**22,930**

Memorandum Balance Sheet

Liabilities		₹	*Assets*	₹
Capital A/cs :			Cash	2,000
x	50,530		Sundry Assets	1,18,740
y	33,580		(Bal. Fig.)	
z	16,630	1,00,740		
Sundry Creditors		20,000		
Total		**1,20,740**	**Total**	**1,20,740**

Realisation A/c

Particulars		₹	*Particulars*	₹
To Sundry Assets		1,18,740	By Sundry Creditors	20,000
To Cash A/c (Cr. Paid)		20,000	By Cash A/c	1,21,000
To Cash A/c (R. Exp.)		760		
To Realisation Profit				
x	750			
y	500			
z	250	1,500		
Total		**1,41000**	**Total**	**1,41,000**

Partners' Capital A/c

Particulars	X (₹)	Y (₹)	Z (₹)	*Particulars*	X (₹)	Y (₹)	Z (₹)
To Cash A/c (final Payment)	51,280	34,080	16,880	By Balance b/d	50,530	33,580	16,630
				By Real. Pt.	750	500	250
Total	**51,280**	**34,080**	**16,880**	**Total**	**51,280**	**34,080**	**16,880**

Cash A/c

Particulars	₹	*Particulars*	₹
To Balance b/d	2,000	By Realisation A/c	20,000
To Realisation A/c	1,21,000	By Realisation A/c	760
		By x's Capital A/c	51,280
		By y's Capital A/c	34,080
		By z's Capital A/c	16,880
Total	**1,23,000**	**Total**	**1,23,000**