	i.e.. 1 : 4)			

Working Notes :

Calculation of Goodwill:

Average Profit = ₹(30,000 – 8,000 + 20,000 + 38,000) ÷ 4 = ₹20,000

Goodwill = ₹20.000 x 3/2 = ₹30,000

Z's share = ₹30,000 x 1/3 = ₹10,000

Calculation of Sacrificing Ratio:

Sacrificing Ratio = Old Ratio - New Ratio

Sacrifice made by X = 6/15 – 1/3 = (6 – 5)/15 =1/15

Sacrifice made by Y = 9/15 – 1/3 = (9 – 5)/15 =4/15

∴ Sacrificing Ratio =1 : 4

SOLUTION : 102.

JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c Dr.		84,000	
	To Premium for Goodwill A/c			84,000
	(Premium for goodwill brought in Cash)			
	Premium for Goodwill A/c Dr.		84,000	
	To Arun's Capital A/c			56,000
	To Varun's Capital A/c			28,000
	(Premium for goodwill credited to old partners in sacrificing ratio i.e.. 2:1)			

Working Notes:

Sacrificing Ratio = 1/6: 1/12 = (2: 1)/12 = 2:1

New Ratios:

Arun = 3/5 – 1/6 = (18 – 5)/30 = 13/30

Varun = 2/5 – 1/12 = (24 – 5)/60 = 19/60

Bhushan = 1/6 + 1/12 = (2 + 1)/12 = 3/12

Thus, New Ratio = 13/30: 19/60: 3/12 = (26: 19: 15)/60 = 26: 19: 15

SOLUTION : 103.

JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c Dr.		2,28,000	
	To O's Capital A/c			2,00,000
	To Premium for Goodwill A/c			28,000
	(₹2,00,000 for Capital and ₹28,000 for premium for goodwill i.e. 4/10 of ₹70,000 brought in cash)			
	Premium for Goodwill A/c Dr.		28,000	
	To L's Capital A/c			19,000
	To M's Capital A/c			9,000
	(Premium for goodwill credited to old partners in sacrificing			

	ratio i.e., 19:9)			

Working Notes:
Sacrificing Ratio = Old Ratio - New Ratio
Sacrifice made by L = 4/7 – 3/10 = (40 – 21)/70 = 19/70
Sacrifice made by M = 3/7 – 3/10 = (30 – 21)/70 = 9/70
Thus, Sacrificing Ratio = 19: 9

SOLUTION : 104.

JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c Dr. To		1,40,000	
	C's Capital A/c			1,00,000
	To Premium for Goodwill A/c			40,000
	(Amount of capital and premium for goodwill brought in cash)			
	Premium for Goodwill A/c Dr.		40,000	
	To A's Capital A/c			30,000
	To B's Capital A/c			10,000
	(Premium for goodwill credited to old partners in sacrificing ratio of 3 : 1)			

Working Notes:
New Ratios: A = 3/5 – 3/20 = (12 – 3)/20 = 9/20
B = 2/5 – 1/20 = (8 – 1)/20 = 7/20
C = 3/20 + 1/20 = (3 + 1)/20 = 4/20
Distribution of Profit:
A = 2,00,000 x 9/20 = ₹90,000;
B = 2,00,000 x 7/20 = ₹70,000;
C = 2,00,000 x 4/20 = ₹40,000;

SOLUTION : 105.

JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c Dr.		80,000	
	To R's Capital A/c			60,000
	To Premium for Goodwill A/c			20,000
	(Amount of capital and premium for goodwill brought in cash)			
	Premium for Goodwill A/c Dr.		20,000	
	To P's Capital A/c			15,000
	To Q's Capital A/c			5,000
	(Premium for goodwill credited to old partners in sacrificing ratio of 3 :1)			

Working Notes:

Calculation of Sacrificing Ratio:

Sacrificing Ratio - Old Ratio - New Ratio

Sacrifice made by P = 5/8 – 7/16 = (10 – 7)/16 = 3/16

Sacrifice made by Q = 3/8 – 5/16 = (6 – 5)/16 = 1/16

Thus, Sacrificing Ratio = 3: 1

SOLUTION : 199.

JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	A's Capital A/c Dr.		1,20,000	
	B's Capital A/c Dr.		80,000	
	To Goodwill A/c			2,00,000
	(Goodwill already appearing in the books, now written off in old ratio)			
	Bank A/c Dr.		60,000	
	To Premium for Goodwill A/c			60,000
	(Premium for goodwill brought in cash by New Partner)			
	Premium for Goodwill A/c Dr.		60,000	
	To A's Capital A/c			54,000
	To B's Capital A/c			6,000
	(Premium for goodwill transferred to old partners in sacrificing ratio i.e., 9 : 1)			

Working Note:

Calculation of Sacrificing Ratio:

Sacrificing Ratio = Old Ratio - New Ratio

Sacrifice made by A = 3/5 – 3/8 = (24 -15)/40 = 9/40

Sacrifice made by B = 2/5 – 3/8 = (16 – 15)/40 = 1/40

Thus, Sacrificing Ratio = 9: 1

SOLUTION : 107.

JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	A's Capital A/c Dr.		1,80,000	
	B's Capital A/c Dr.		1,20,000	
	To Goodwill A/c			3,00,000
	(Goodwill already appearing in the books, now written off in old ratio)			
	Bank A/c Dr.		1,00,000	
	To Premium for Goodwill A/c			1,00,000
	(Premium for goodwill brought in cash by New Partner)			
	Premium for Goodwill A/c Dr.		1,00,000	
	To A's Capital A/c			60,000
	To B's Capital A/c			40,000
	(Premium for goodwill transferred to old partners in sacrificing ratio i.e.. 3 :2)			

Working Notes:
Calculation of New Ratios:
C is given 1/4th share;
Remaining share = 1 – 1/4 = 3/4
A’s new ratio = 3/5 of 3/4 = 9/20
B's new ratio = 2/5 of 3/4 = 6/20
C’s ratio = 1/4 = 5/20
Calculation of Sacrificing Ratios:
Sacrificing Ratios = Old Ratio - New Ratio
Sacrifice made by A = 3/5 – 9/20 = (12 – 9)/20 =3/20
Sacrifice made by B = 2/5 – 6/20 = (8 – 6)/20 = 2/20
Thus, Sacrificing Ratio = 3: 2

SOLUTION : 108.

JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c Dr.		5,60,000	
	To D’s Capital A/c			5,00,000
	To Premium for Goodwill A/c			60,000
	(Capital and premium for goodwill brought in cash)			
	Premium for Goodwill A/c Dr.		60,000	
	To A’s Capital A/c			20,000
	To B’s Capital A/c			20,000
	To C’s Capital A/c			20,000
	(Premium for goodwill transferred to old partners in sacrificing ratio i.e., equally)			

When the New Partner does not bring his Share of Goodwill in Cash

SOLUTION: 109.

JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	E's Current A/c . Dr.		26,250	
	To C’s Capital A/c			15,750
	To D’s Capital A/c			10,500
	(Current of new partner debited from his share of goodwill and capital accounts of old partners credited in their sacrificing ratio i.e., 3 : 2)			

Working Note:
E’s share of Goodwill = 1,05,000 x 1/4 = ₹26,250.

SOLUTION : 110.

JOURNAL

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
	A's Capital A/c	Dr.		12,500	
	B's Capital A/c	Dr.		7,500	
	C's Capital A/c	Dr.		5,000	
	To Goodwill A/c				25,000
	(Goodwill written off to old partners in old ratio i.e., 5:3:2)				
	Bank A/c	Dr.		2,00,000	
	To D's Capital A/c				2,00,000
	(Amount introduced by D as Capital)				
	D's Current A/c	Dr.		8,000	
	To A's Capital A/c				4,000
	To B's Capital A/c				2,400
	To C's Capital A/c				1,600
	(Current account of new' partner debited from his share of goodwill and capital accounts of old partners credited in their sacrificing ratio of 5 : 3 : 2)				

Valuation of Goodwill:

Average Profit = (₹30,000 + ₹36,000 + ₹54,000) ÷ 3 = ₹40,000

Hence, Goodwill = ₹40,000

D's share of Goodwill = ₹40,000 x 1/5 = ₹8,000

SOLUTION : 111.

JOURNAL

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
	X's Capital A/c	Dr.		33,333	
	Y's Capital A/c	Dr.		16,667	
	To Goodwill A/c				50,000
	(Goodwill written off to old partners in old ratio i.e. 2:1)				
	Bank A/c	Dr.		7,50,000	
	To Z's Capital A/c				7,50,000
	(Amount introduced by Z as Capital)				
	Z's Current A/c Dr.			40,000	
	To X's Capital A/c				20,000
	To Y's Capital A/c				20,000
	(Z's share of goodwill credited to X and Y in sacrificing ratio i.e., equally)				

SOLUTION : 112.

JOURNAL

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
Case (a)	**No Entry**				
Case (b)	Bank A/c	Dr.		32,000	
	To Premium for Goodwill A/c				32,000
	(Premium for goodwill brought in cash)				
	Premium for Goodwill A/c	Dr:		32,000	
	To A's Capital A/c				20,000
	To B's Capital A/c				12,000
	(Premium for goodwill credited to old partners in sacrificing ratio i.e., 5:3)				
Case (c)	Bank A/c	Dr.		32,000	
	To Premium for Goodwill A/c				32,000
	(Premium for goodwill brought in cash)				
	Premium for Goodwill A/c	Dr.		32,000	
	To A's Capital A/c				20,000
	To B's Capital A/c				12,000
	(Premium for goodwill credited to old partners in sacrificing ratio i.e.. 5:3)				
	A's Capital A/c	Dr.		20,000	
	B's Capital A/c	Dr.		12,000	
	To Bank A/c				32,000
	(Premium for goodwill withdrawn by old partners)				
Case (d)	C's Current A/c	Dr.		32,000	
	To A's Capital A/c				20,000
	To B's Capital A/c				12,000
	(C’s share of goodwill credited to A and B in sacrificing ratio i.e., 5:3)				

SOLUTION : 113.

JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
Case (a)	Bank A/c Dr.		50,000	
	To C’s Capital A/c			50,000
	(Amount of Capital brought in cash)			
	Bank A/c Dr.		16,000	
	To Premium for Goodwill A/c			16,000
	(Premium for goodwill i.e., 2/9 of ₹72,000 brought in cash)			

Case (b)	Premium for Goodwill A/c Dr. To A's Capital A/c To B's Capital A/c **(Premium for goodwill credited to old partners in their sacrificing ratio, i.e.. 1:3)**		16,000	 4,000 12,000
	C's Current A/c Dr. To A's Capital A/c To B's Capital A/c **(C's share of goodwill credited to old partners in their sacrificing ratio, i.e., 1 : 3)**		16,000	 4,000 12,000

Working Notes:

(i) Valuation of Goodwill:

Average Profit = (₹30,000 + ₹35,000 + ₹43,000)/3= ₹36,000

Goodwill at 2 year's purchase = ₹36,000 x 2 = ₹72,000

(ii) Calculation of Sacrificing Ratio: Old Ratio - New Ratio

Sacrifice made by A = 1/2 – 4/9 = (9 – 8)/18 = 1/18

Sacrifice made by B = 1/2 – 3/9 = (9 – 6)/18 = 3/18

Thus, Sacrificing Ratio =1: 3

SOLUTION : 203.

JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	A's Capital A/c Dr. B's Capital A/c Dr. To Goodwill A/c **(Existing goodwill written off)**		12,000 6,000	 18,000
	Bank A/c Dr. To C's Capital A/c To Premium for Goodwill A/c **(Amount of Capital and part of his share of goodwill premium brought in by C)**		38,000	 30,000 8,000
	Premium for Goodwill A/c Dr. C's Current A/c Dr. To A's Capital A/c To B's Capital A/c **(Goodwill/premium credited to old partners in their sacrificing ratio, i.e., 2:1)**		8,000 2,000	 6,667 3,333

SOLUTION 115.

JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	V's Loan A/c Dr.		80,000	
	To J's Capital A/c			40,000
	To R's Capital A/c			40,000
	(V's share of goodwill debited to his Loan A/c due to his inability to pay goodwill in cash and credited to the Capital A/cs of J and R in sacrificing ratio i.e. equally)			

SOLUTION : 116.

JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Z's Current A/c Dr.		50,000	
	To X's Capital A/c			30,000
	To Y's Capital A/c			20,000
	(Z's share of Goodwill credited to old partners in their sacrificing ratio of 3 : 2)			

SOLUTION : 117.

JOURNAL ENTRIES

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2012 April 1	Reserve Fund A/c Dr.		40,000	
	To A's Capital A/c			30,000
	To B's Capital A/c			10,000
	(Transfer of Reserve Fund)			
	Revaluation A/c Dr.		40,500	
	To Stock A/e			20,000
	To Fixtures A/c			1,000
	To Provision for Doubtful Debts on B/R A/c			1,500
	To Provision for Doubtful Debts on Debtors A/c			8,000
	To Damages Payable A/c			10,000
	(Decrease in the value of assets and liability created for damages payable)			
	Land and Buildings A/c Dr.		50,000	
	Sundry Creditors A/c Dr.		6,500	
	To Revaluation A/c			56,500
	(Increase in the value of assets and decrease in Creditors)			
	Revaluation A/c Dr.		16,000	
	To A's Capital A/c			12,000
	To B's Capital A/c			4,000
	(Transfer of profit on revaluation)			

	Bank A/c Dr. To C's Capital A/c To Premium for Goodwill A/c **(Amount of Capital and Premium for Goodwill brought in cash by new partner)**		1,50,000	 1,00,000 50,000
	Premium for Goodwill A/c Dr. To A's Capital A/c To B's Capital A/c **(Premium for goodwill credited to old partners)**		50,000	 37,500 12,500
	A's Capital A/c Dr. B's Capital A/c Dr. To Bank A/c **(Half the premium for goodwill withdrawn by old partners)**		18,750 6,250	 25,000

Dr. **CAPITAL ACCOUNTS** **Cr.**

Particulars	A	B	C	Particulars	A	B	C
	₹	₹	₹		₹	₹	₹
To Bank A/c	18,750	6,250		By Balance b/d	3,00,000	1,60,000	
To Balance c/d	3,60,750	1,80,250	1,00,000	By Reserve Fund A/c	30,000	10,000	
				By Revaluation A/c	12,000	4,000	
				By Bank A/c			1,00,000
				By Premium for Goodwill A/c	37,500	12,500	
	3,79,500	**1,86,500**	**1,00,000**		**3,79,500**	**1,86,500**	**1,00,000**

BALANCE SHEET OF THE NEW FIRM as at April 1, 2012

Liabilities	₹	Assets	₹
Sundry Creditors	4,08,500	Cash at Bank	3,90,000
Damages Payable	10,000	Bills Receivable 30,000	
Capital Accounts :		**Less:** Provision 1,500	28,500
A 3,60,750			
B 1,80,250		Debtors 1,60,000	
C 1,00,000		**Less :** Provision 8,000	1,52,000
	6,41,000	Stock	1,80,000
		Fixtures	9,000
		Land and Buildings	3,00,000
	10,59,500		**10,59,500**

SOLUTION : 118.

Dr. **REVALUATION ACCOUNT** **Cr.**

Particulars	₹	Particulars	₹
To Investments A/c	5,000	By Loss transferred to Capital A/c :	
		A 3,750	
		B 1,250	5,000
	5,000		**5,000**

Dr. **CAPITAL ACCOUNTS** **Cr.**

Particulars	A	B	C	Particulars	A	B	C
	₹	₹	₹		₹	₹	₹
To Revaluation A/c	3,750	1,250		By Balance b/d	90,000	30,000	
To Goodwill A/c(,)	7,500	2,500		By Workmen's Compensation Reserve A/c	7,500	2,500	
To Balance c/d	1,01,250	33,750	80,000	By Bank A/c			80,000
				By Premium for Goodwill A/c	15,000	5,000	
	1,12,500	**37,500**	**80,000**		**1,12,500**	**37,500**	**80,000**

BALANCE SHEET OF THE NEW FIRM as at 31st March 2012

Liabilities		₹	Assets	₹
Creditors		20,000	Bank	1,10,000
Liability for Workmen's Compensation Claim		10,000	Debtors	60,000
Capital Accounts :			Stock	30,000
A	1,01,250		Investments	45,000
B	33,750			
C	80,000	2,15,000		
		2,45,000		**2,45,000**

Note (1) Goodwill already appearing in the assets will be written off between the old partners in their old ratio.

SOLUTION: 119.

Dr. **REVALUATION ACCOUNT** **Cr.**

Particulars		₹	Particulars	₹
To Provision for Doubtful Debts A/c		15,000	By Land & Building A/c	30,000
To Profit Transferred to Capital A/cs :			By Stock A/c	25,000
Shashi	24,000			
Ashu	16,000	40,000		
		55,000		**55,000**

Dr. **CAPITAL ACCOUNTS** Cr.

Particulars	Shashi	Ashu	Tanya	Particulars	Shashi	Ashu	Tanya
	₹	₹	₹		₹	₹	₹
To Bal. c/d	4,02,000	2,68,000	1,50,000	By Balance b/d	1,50,000	1,00,000	
				By General Reserve A/c	1,50,000	1,00,000	
				By Rev. A/c	24,000	16,000	
				By Workmen's Compensation Fund A/c	18,000	12,000	
				By Bank A/c			1,50,000
				By Premium for Goodwill A/c	60,000	40,000	
	4,02,000	**2,68,000**	**1,50,000**		**4,02,000**	**2,68,000**	**1,50,000**

BALANCE SHEET OF THE NEW FIRM as at

Liabilities		₹	Assets		₹
Creditors		1,80,000	Bank		4,60,000
Workmen's Compensation Fund		1,20,000	Debtors	2,20,000	
Capital Accounts :			**Less :** Provision for		
Shashi	4,02,000		Doubtful Debts	25,000	1,95,000
Ashu	2,68,000		Stock		1,35,000
Tanya	1,50,000	8,20,000	Plant & Machinery		1,20,000
			Land & Building		2,10,000
		11,20,000			**11,20,000**

SOLUTION : 120.

Dr. **REVALUATION ACCOUNT** Cr.

Particulars		₹	Particulars	₹
To Provision for Bad Debts A/c		500	By Land A/c	14,800
To Stock A/c		2,500		
To Profit transferred to Capital A/cs:				
P	7,080			
S	4,720	11,800		
		14,800		**14,800**

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

Particulars	P	S	V	Particulars	P	S	V
	₹	₹	₹		₹	₹	₹
To Balance c/d	1,22,080	1,94,720	20,000	By Balance b/d	1,00,000	1,80,000	
				By General Reserve A/c	9,000	6,000	
				By Rev. A/c	7,080	4,720	
				By Premium for Goodwill A/c	6,000	4,000	

				By V's Loan A/c			20,000
	1,22,080	**1,94,720**	**20,000**		**1,22,080**	**1,94,720**	**20,000**

BALANCE SHEET OF THE NEW FIRM as at 1st April, 2016

Liabilities		₹	Assets	₹
Bank Overdraft		20,000	Cash	18,000
Creditors		30,000	Bills Receivable	40,000
Provision for bad debts		1,500	Debtors	30,000
Capitals :			Stock	47,500
P	1,22,080		Building	90,000
S	1,94,720		Land	1,62,800
V	20,000	3,36,800		
		3,88,300		**3,88,300**

SOLUTION : 121.

Dr. REVALUATION ACCOUNT Cr.

Particulars		₹	Particulars	₹
To Stock A/c		20,000	By Furniture A/c	60,000
To Profit transferred to Capital A/cs:				
A	25,000			
B	15,000	40,000		
		60,000		**60,000**

Dr. CAPITAL ACCOUNTS Cr.

Particulars	A	B	C	Particulars	A	B	C
	₹	₹	₹		₹	₹	₹
To Bal. c/d	3,90,000	2,70,000	2,50,000	By Balance b/d	3,00,000	2,00,000	
				By Workmen's Compensation Reserve A/c	25,000	15,000	
				By Revaluation A/c	25,000	15,000	
				By Bank A/c			2,50,000
				By Premium for Goodwill A/c	40,000	40,000	
	3,90,000	**2,70,000**	**2,50,000**		**3,90,000**	**2,70,000**	**2,50,000**

OPENING BALANCE SHEET as at

Liabilities	₹	Assets	₹
Creditors	20,000	Bank	3,90,000
Bank Loan	1,20,000	Debtors	80,000
Capitals :		Stock	1,00,000

A	3,90,000		Furniture	2,20,000
B	2,70,000		Machinery	2,60,000
C	2,50,000	9,10,000		
		10,50,000		**10,50,000**

Working Note:

Calculation of Goodwill:

Super Profit = Average Profit – Normal Profit = 2,20,000 – 1,40,000 = ₹80,000

Goodwill of the firm at 4 year's purchase = 80,000 x 4 = ₹3,20,000

C's share = 3,20,000 x 1/4 = ₹80,000

SOLUTION : 122.

JOURNAL ENTRIES

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
2014					
April 1	Revaluation A/c	Dr.		5,000	
	To Plant and Machinery A/c				4,000
	To Provision for Doubtful Debts A/c				1,000
	(Decrease in the value of assets)				
	A's Capital A/c	Dr.		3,125	
	B's Capital A/c	Dr.		1,875	
	To Revaluation A/c				5,000
	(Transfer of loss on revaluation)				
	Bank A/c	Dr.		44,000	
	To C's Capital A/c				40,000
	To Premium for Goodwill A/c				4,000
	(Amount of Capital and Premium for Goodwill brought in cash by new partner)				
	Premium for Goodwill A/c	Dr.		4,000	
	To A's Capital A/c				2,500
	To B's Capital A/c				1,500
	(Premium for goodwill credited to old partners)				
	Bank Overdraft A/c	Dr.		42,500	
	To C's Loan A/c				42,500
	(Loan provided by C to pay off bank overdraft)				

Dr. **CAPITAL ACCOUNTS** **Cr.**

Particulars	A	B	C	Particulars	A	B	C
	₹	₹	₹		₹	₹	₹
To Revaluation A/c	3,125	1,875		By Balance b/d	30,000	20,000	
To Balance c/d	29,375	19,625	40,000	By Bank A/c			40,000
				By Premium for Goodwill A/c	2,500	1,500	
	32,500	**21,500**	**40,000**		**32,500**	**21,500**	**40,000**

BALANCE SHEET OF THE NEW FIRM
as at 1st April, 2014

Liabilities		₹	Assets		₹
Sundry Creditors		15,000	Cash at Bank		51,500
C's Loan		42,500	Bills Receivable		10,000
Capital Accounts:			Sundry Debtors	20,000	
A	29,375		**Less :** Provision	1,000	19,000
B	19,625		Stock		30,000
C	40,000	89,000	Plant and Machinery		36,000
		1,46,500			**1,46,500**

Calculation of New Profit Sharing Ratio:

Share given to C = 3/4

A s new share = 1/4 x 5/8 = 5/32

B s new share = 1/4 x 3/8 = 3/32

C's new share = 3/4 or 24/32

New Ratio : 5 : 3 : 24

SOLUTION : 123.

JOURNAL ENTRIES

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
2017					
April 1	General Reserve A/c	Dr.		1,40,000	
	To Rohit's Capital A/c				87,500
	To Bal's Capital A/c				52,500
	(Transfer of general reserve)				
	Revaluation A/c	Dr.		42,500	
	To Plant A/c				10,000
	To Provision for Doubtful Debts A/c				10,000
	To Furniture A/c				10,000
	To Bills Receivables A/c				12,500
	(Decrease in the value of assets)				
	Stock A/c	Dr.		52,500	
	Building A/c	Dr.		30,000	
	To Revaluation A/c				82,500
	(Increase in the value of assets)				
	Revaluation A/c	Dr.		40,000	
	To Rohit's Capital A/c				25,000
	To Bal's Capital A/c				15,000
	(Transfer of profit on revaluation)				
	Rohit's Capital A/c	Dr.		93,750	
	Bal's Capital A/c	Dr.		56,250	
	To Goodwill A/c				1,50,000
	(Goodwill written off in old ratio of 5 : 3)				
	Khosla's Current A/c**(1)**	Dr.		50,000	
	To Rohit's Capital A/c				31,250

	To Bal's Capital A/c **(Capital Accounts of old partners credited in their sacrificing ratio of 5 : 3 for Khosla's share of goodwill on his admission)**			18,750
	Bank A/c Dr. To Khosla's Capital A/c **(Capital introduced by new partner)**		2,50,000	 2,50,000

Dr. REVALUATION ACCOUNT Cr.

Particulars	₹	Particulars	₹
To Plant A/c	10,000	By Stock A/c	52,500
To Provision for Doubtful Debts A/c	10,000	By Building A/c	30,000
To Furniture A/c	10,000		
To Bills Receivable A/c	12,500		
To Profit transferred to :			
Rohit's Capital A/c	25,000		
Bal's Capital A/c	15,000		
	82,500		**82,500**

Note: (1)Khosla's Share of Goodwill: 2,50,000 x 1/5 = ₹50,000

SOLUTION : 124.

JOURNAL ENTRIES

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2012 April 1	Revaluation A/c Dr. To Stock A/c To Furniture A/c To Outstanding Repairs A/c **(Decrease in the value of assets and provision made for outstanding repairs)**		5,200	 3,000 900 1,300
	Land & Buildings A/c Dr. To Revaluation A/c **(Increase in the value of Land & Buildings)**		15,000	 15,000
	Revaluation A/c Dr. To Ajay's Capital A/c To Vijay's Capital A/c To Kamal's Capital A/c **(Transfer of profit on revaluation)**		9,800	 4,200 3,500 2,100
	Subodh's Current A/c Dr. To Ajay's Capital A/c To Vijay's Capital A/c To Kamal's Capital A/c **(Subodh's share of goodwill credited to old partners in their sacrificing ratio of 6 : 5 : 3)**		840	 360 300 180
	Cash A/c Dr. To Subodh's Capital A/c		14,000	 14,000

	(Capital introduced by the new partner)				

Dr. CAPITAL ACCOUNTS Cr.

Particulars	Ajay	Vijay	Kamal	Subodh	Particulars	Ajay	Vijay	Kamal	Subodh
	₹	₹	₹	₹	₹	₹	₹	₹	₹
To Ajay's Capital A/c					By Bal. b/d	40,000	33,500	25,000	
					By Rev. A/c	4,200	3,500	2,100	
To Bal. c/d	44,560	37,300	27,280	14,000	By Subodh's Current A/c	360	300	180	
					By Cash A/c				14,000
	44,560	**37,300**	**27,280**	**14,000**		**44,560**	**37,300**	**27,280**	**14,000**

BALANCE SHEET OF THE NEW FIRM as at 1st April, 2012

Liabilities		₹	Assets	₹
Bills Payable		6,000	Cash	15,500
Creditors		11,000	Debtors	26,500
Outstanding Repairs		1,300	Stock	27,000
Capital Accounts :			Furniture	6,600
Ajay	44,560		Land and Buildings	65,000
Vijay	37,300		Subodh's Current A/c	840
Kamal	27,280			
Subodh	14,000	1,23,140		
		1,41,440		**1,41,440**

SOLUTION : 125.

Dr. REVALUATION ACCOUNT Cr.

Particulars	₹	Particulars		₹
To Creditors	2,000	By Loss transferred to :		
To Provision for Discount**(1)**	1,520	A's Capital A/c	1,760	
		B's Capital A/c	1,760	3,520
	3,520			**3,520**

Dr. PARTNER'S CAPITAL ACCOUNTS Cr.

Particulars	A	B	C	Particulars	A	B	C
	₹	₹	₹		₹	₹	₹
To P & L A/c	2,000	2,000		By Balance b/d	50,000	60,000	
To Revaluation	1,760	1,760		By Insurance Fund	3,500	3,500	
To Balance c/d	51,040	63,040	40,000	By Workmen Compensation Reserve	1,300	1,300	
				By C's Current A/c (1/6 of 12,000)		2,000	

				By Cash			40,000
	54,800	**66,800**	**40,000**		**54,800**	**66,800**	**40,000**

BALANCE SHEET as at 1st April, 2012

Liabilities		₹	Assets	₹
Capitals :			Cash	50,000
A	51,040		Sundry Debtors	80,000
B	63,040		Stock	20,000
C	40,000	1,54,080	Fixed Assets	38,600
Creditors		17,000	C's Currenf A/c	2,000
Outstanding Expenses		3,000		
Provident Fund		1,000		
Employee's Saving Fund		5,000		
Workmen Profit Sharing Fund		2,000		
Liability for Workmen Compensation Claim		3,000		
Provision for Doubtful Debts		4,000		
Provision for Discount on Debtors		1,520		
		1,90,600		**1,90,600**

***Notes* (1):** Provision for Discount will be 2% on (₹80,000 – Provision for Doubtful Debts ₹4,000)

(2): New Profit Sharing Ratio:

C is admitted for 1/6th share.

Balance 5/6th will be shared by A and B in the ratio of 1½ : 1 OR 3 : 2

Hence, A's share: 5/6 x 3/5 = 3/6

B's share: 5/6 x 2/5 = 2/6

C's share: = 1/6

Sacrificing Ratio:

A: 1/2 – 3/6 = 0

B: 1/2 – 2/6 = 1/6

Hence, only B has sacrificed.

SOLUTION: 126.

Dr. REVALUATION ACCOUNT Cr.

Particulars	₹	Particulars	₹
To Profit transferred to :		By Machinery A/c	7,000
B's Capital A/c	5,000	By Stock A/c	1,000
C's Capital A/c	3,000		
	8,000		**8,000**

Dr. CAPITAL ACCOUNTS Cr.

Particulars	B	C	A	Particulars	B	C	A
	₹	₹	₹		₹	₹	₹

To Goodwill A/c (Goodwill written off)	5,000	3,000		By Balance b/d	32,000	34,000	
				By General Reserve A/c	5,000	3,000	
To Balance c/d	39,500	38,500	30,000	By Revaluation A/c	5,000	3,000	
				By A's Current A/c	2,500	1,500	
				By Bank A/c			30,000
	44,500	***41,500***	***30,000***		***44,500***	***41,500***	***30,000***

BALANCE SHEET OF THE NEW FIRM as at 1st April, 2012

Liabilities		₹	Assets	₹
Creditors		6,000	Bank	35,000
Bank Loan		6,000	Debtors	23,000
Capital Accounts:			Stock	8,000
B	39,500		Furniture	5,000
C	38,500		Machinery	45,000
A	30,000	1,08,000	A's Current A/c	4,000
		1,20,000		**1,20,000**

Working Note:

Goodwill = Average Profits x 2 Year's Purchase = ₹6,000 x2 = ₹12,000

A's Share of Goodwill = ₹12,000 x 1/3 = ₹4,000

SOLUTION: 127.

Dr. **REVALUATION ACCOUNT** **Cr.**

Particulars	**₹**	**Particulars**	**₹**
To Furniture A/c	300	By Loss transferred to :	
To Stock A/c	1,500	A's Capital A/c	1,200
		B's Capital A/c	600
	1,800		1,800

Dr. **CAPITAL ACCOUNTS** **Cr.**

Particulars	**A**	**B**	**P**	**Particulars**	**A**	**B**	**P**
	₹	**₹**	**₹**		**₹**	**₹**	**₹**
To Revaluation A/c	1,200	600		By Balance b/d	60,000	30,000	
				By General Res. A/c	8,000	4,000	
To Balance c/d	72,800	36,400	12,000	By Cash A/c			12,000
				By Premium for Goodwill A/c	6,000	3,000	
	74,000	**37,000**	**12,000**		**74,000**	**37,000**	**12,000**

BALANCE SHEET OF THE NEW FIRM as at 31st March, 2010

Liabilities		₹	Assets		₹
Creditors		16,000	Cash		33,000
Capital Accounts :			Debtors	80,000	
			Less :		
			Provision for		
A	72,800		Bad &		
B	36,400		Doubtful Debts	12,000	68,000
P	12,000	1,21,200	Stock		10,500
			Furniture		5,700
			Freehold Property		20,000
		1,37,200			**1,37,200**

Working Note:

Entry for General Reserve will be:

General Reserve A/c	Dr.	24,000	
To Provision for bad & doubtful debts A/c			12,000
To A's Capital A/c			8,000
To B's Capital A/c			4,000

SOLUTION : 128.

JOURNAL ENTRIES

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
2012	A's Capital A/c	Dr.		9,000	
April	B's Capital A/c	Dr.		6,000	
1	To Profit & Loss A/c				15,000
	(Transfer of Dr. Balance of Profit & Loss Account)				
	Revaluation A/c	Dr.		33,000	
	To Plant A/c				15,000
	To Stock A/c				10,000
	To Patents A/c				8,000
	(Decrease in the value of assets)				
	Workmen Compensation Reserve A/c	Dr.		4,000	
	Revaluation A/c	Dr.		2,000	6,000
	To Liability for Workmen Compensation Claim				
	(Increase in the liability for Workmen Compensation)				
	Investments A/c	Dr.		5,000	
	To Revaluation A/c				5,000
	(Recording of Investments)				
	A's Capital A/c	Dr.		18,000	
	B's Capital A/c	Dr.		12,000	30,000
	To Revaluation A/c				
	(Transfer of loss on revaluation)				
	A's Capital A/c	Dr.		9,000	

	B's Capital A/c Dr. To Goodwill A/c **(Goodwill written off in old ratio i.e. 3 : 2)**		6,000	15,000
	C's Current A/c Dr. To A's Capital A/c To B's Capital A/c **(C's share of goodwill credited to A and B in their sacrificing ratio of 2 : 1)**		12,000	8,000 4,000
	Cash A/c Dr. To C's Capital A/c **(Capital introduced by new partner)**		60,000	60,000
	B's Capital A/c Dr. To Cash A/c **(Amount withdrawn by B)**		20,000	20,000

Dr. CAPITAL ACCOUNTS Cr.

Particulars	A	B	c	Particulars	A	B	C
	₹	₹	₹		₹	₹	₹
To Profit & Loss A/c	9,000	6,000		By Balance b/d	1,00,000	1,20,000	
To Revaluation A/c	18,000	12,000		By C's Current A/c	8,000	4,000	
To Goodwill A/c	9,000	6,000		By Cash A/c			60,000
To Cash A/c		20,000					
To Balance c/d	72,000	80,000	60,000				
	1,08,000	**1,24,000**	**60,000**		**1,08,000**	**1,24,000**	**60,000**

BALANCE SHEET OF THE NEW FIRM as at April 1, 2012

Liabilities		₹	Assets	₹
Sundry Creditors		51,000	Cash	60,000
Liability for Workmen Compensation Claim		6,000	Debtors	62,000
			Stock	70,000
Capitals :			Investments	5,000
A	72,000		Plant	60,000
B	80,000		C's Current A/c	12,000
C	60,000	2,12,000		
		2,69,000		**2,69,000**

Working Notes :

(i) C's share of Goodwill = 40,000 x 3/10 = ₹12,000

(ii) Sacrificing Ratio = 1/5 : 1/10 = 2 : 1

SOLUTION : 129.

In this question the amount of goodwill is hidden, which will be calculated as follows: Based on Charu's share, the total capital of the new firm ought to be

			₹
Less:		₹3,20,000 x 4/1 =	12,80,000
	Capital of Anil	₹3,20,000	
	Capital of Sunil	₹2,40,000	
	Capital of Charu	₹3,20,000	8,80,000
		Value of Goodwill	**4,00,000**

Charu's share of Goodwill = 4,00,000 x 1/4 = ₹1,00,000

JOURNAL ENTRY

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2012 April 1	Bank A/c Dr.		3,20,000	
	To Charu's Capital A/c			3,20,000
	(Cash brought in by Charu as his capital)			
April 1	Charu's Current A/c Dr.		1,00,000	
	To Anil's Current A/c			50,000
	To Sunil's Current A/c			50,000
	(Credit given for goodwill to Anil and Sunil on Charu's admission)			

SOLUTION: 130.

In this question the amount of goodwill is hidden, which will be calculated as follows: Based on Vijay's Capital, the total capital of the new firm should be:

₹5,00,000 x 5/1		₹ 25,00,000
Less :		
Capital of Ashok	8,00,000	
Capital of Ramu	6,00,000	
Capital of Vijay	5,00,000	19,00,000
	Value of Firm's Goodwill	**6,00,000**

Vijay's share of Goodwill = 6,00,000 x 1/5 = 1,20,000

Vijay acquires his share of profit equally from Ashok and Ramu,

Hence Ashok's new share = 7/10 – 1/10 = 6/10

Ramu's new share = 3/10 – 1/10 = 2/10

Vijay's new share = 1/5 or 2/10

New Profit share = 6/10: 2/10: 2/10 or3: 1: 1

JOURNAL ENTRIES

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2014	Bank A/c Dr.		5,00,000	
Jan. 1	To Vijay's Capital A/c			5,00,000
	(Amount brought in by Vijay as his capital)			

	Vijay's Current A/c Dr. To Ashok's Capital A/c To Ramu's Capital A/c **(Goodwill credited to Ashok and Ramu's Capital Accounts in their sacrificing ratio)**	1,20,000	 60,000 60,000

SOLUTION : 131.

Dr. REVALUATION ACCOUNT Cr.

Particulars	₹	Particulars	₹
To Stock A/c	7,500	By Loss transferred to :	
To Furniture A/c	5,000	David's Capital A/c . (3/5) 8,100	
To Provision for Doubtful Debts A/c	1,000	Bimal's Capital A/c (2/5) 5,400	13,500
	13,500		**13,500**

Dr. PARTNER'S CAPITAL ACCOUNTS Cr.

Particulars	David	Bimal	Chander	Particulars	David	Bimal	Chander
	₹	₹	₹		₹	₹	₹
To Revaluation	8,100	5,400		By Bal. b/d	1,80,000	1,20,000	
To Bal. c/d	2,19,900	1,80,100	1,60,000	By Gen. Res.	18,000	12,000	
				By Sundry Creditors		23,500	
				By Chander's Current A/c**(1)**	30,000	30,000	
				By Bank A/c			1,60,000
	2,28,000	**1,85,500**	**1,60,000**		**2,28,000**	**1,85,500**	**1,60,000**

BALANCE SHEET as at 1st April. 2016

Liabilities	₹	Assets	₹
Sundry Creditors	7,96,500	Cash	3,20,000
Capital Accounts :		Bank	1,60,000
David 2,19,900		Stock	1,42,500
Bimal 1,80,100		Debtors 94,000	
Chander 1,60,000	5,60,000	**Less:** Provision for Doubtful Debts 5,000	89,000
		Building	5,50,000
		Furniture	35,000
		Chander's Current A/c	60,000
	13,56,500		**13,56,500**

Working Note:

1. Calculation of Hidden Goodwill: ₹

Based on Chander's share of profit, the total capital of the firm should be : ₹1,60,000 x 10/2 =		8,00,000
Less : Capital of David (₹1,80,000 + Gen. Res. ₹18,000 – Loss on Revaluation ₹8,100)	= 1,89,900	
Capital of Bimal : (₹1,20,000 + Gen. Res. 12,000 + Creditors 23,500 – Loss on Revaluation 5,400)	= 1,50,100	
Capital of Chander	1,60,000	5,00,000
Value of Firm's Goodwill		**3,00,000**

Chander's share of Goodwill = 3,00,000 x 2/10 = ₹60,000

Chander's Current A/c will be debited by his share of goodwill i.e. ₹60,000 and David and Bimal will be credited in their sacrificing ratio i.e. equally.

Sacrifice made by David = 3/5 – 5/10 = 1/10

Sacrifice made by Bimal = 2/5 – 3/10 = 1/10

Calculation of the Capital Introduced by the New Partner

SOLUTION : 132.

Dr. REVALUATION ACCOUNT Cr.

Particulars	₹	Particulars		₹
To Investments A/c	6,000	By Creditors A/c		3,000
To Machinery A/c	6,000	By Partners' Capital A/cs :		
		(Transfer of loss)		
		A	4,500	
		B	3,000	
		C	1,500	9,000
	12,000			**12,000**

Dr. PARTNER'S CAPITAL ACCOUNTS Cr.

Particulars	A	B	C	D	Particulars	A	B	C	D
	₹	₹	₹	₹		₹	₹	₹	₹
To Revaluation A/c	4,500	3,000	1,500	—	By Balance b/d	60,000	40,000	20,000	—
To Balance c/d	81,000	44,000	22,000	29,400	By General Reserve	10,500	7,000	3,500	—
					By Premium for Goodwill A/c**(1)**	15,000	—	—	—
					By Bank A/c**(2)**	—	—	—	29,400
	85,500	**47,000**	**23,500**	**29,400**		**85,500**	**47,000**	**23,500**	**29,400**

Balance Sheet of A, B, C and D
as at 31st March, 2015

Liabilities			Assets	
Creditors		81,000	Bank**(3)**	61,400
Partners' Capitals:			Debtors	23,000
A	81,000		Stock	1,10,000
B	44,000		Investments	24,000
C	22,000		Furniture & Fittings	10,000
D	29,400	1,76,400	Machinery	29,000
		2,57,400		**2,57,400**

Working Notes:
Sacrifice Ratio = Old Ratio - New Ratio
(1) A's Sacrifice = 3/6 – 2/6 = 1/6
B's Sacrifice = 2/6 – 2/6 = 0
C's Sacrifice = 1/6 – 1/6 = 0
D gets his 7th share from A.
The amount of goodwill (i.e., ₹90,000 x 1/6 = ₹15,000) brought in by D will be credited to A's Capital Account.

(2) Calculation of D's Share of Capital:

A's Capital after the adjustments	81,000
B's Capital after the adjustments	44,000
C's Capital after the adjustments	22,000
Capital of A, B and C for 5/6th share	**1,47,000**

Total Capital of the firm should be = 1,47,000 x 6/5 = ₹1,76,400
D's share of Capital = ₹1,76,400 x 1/6 = ₹29,400

(3) Bank Balance:	17,000
Add: Premium for Goodwill brought in by D	15,000
Add: Capital introduced by D	29,400
	61,400

SOLUTION : 133.

Dr. REVALUATION ACCOUNT Cr.

Particulars		₹	Particulars	₹
To Stock		10,000	By Plant A/c	14,000
To Profit transferred to :			By Creditors A/c	3,000
Sarthak's Capital A/c	8,000		By Investments A/c	
Vansh's Capital A/c	4,000	12,000	(25,000-20,000)	5,000
		22,000		**22,000**

Dr. PARTNER'S CAPITAL ACCOUNTS Cr.

Particulars	Sarthak	Vansh	Mansi	Particulars	Sarthak	Vansh	Mansi
	₹	₹	₹		₹	₹	₹
To Investments A/c	20,000			By Balance b/d	70,000	60,000	
				By General Reserve	12,000	6,000	
To Balance c/d	1,10,000	90,000	1,00,000	By Revaluation A/c (Profit)	8,000	4,000	
				By Premium for Goodwill	40,000	20,000	
				By Cash A/c **(Note 1)**			1,00,000
	1,30,000	**90,000**	**100,000**		**1,30,000**	**90,000**	**1,00,000**

BALANCE SHEET OF NEW FIRM
as at

Liabilities	₹	Assets	₹
Capital Accounts :		Plant	80,000
Sarthak 1,10,000		Furniture	30,000
Vansh 90,000		Investments	25,000
Mansi 1,00,000	3,00,000	Stock	36,000
Bank Loan	18,000	Debtors 38,000	
Creditors	69,000	**Less:** Provision for Bad Debts 4,000	34,000
		Cash **(Note 2)**	1,82,000
	3,87,000		**3,87,000**

Working Notes:
Valued being conveyed in the question — Friendship/Sympathy/Support. Working Notes:

1. Calculation of Mansi's Capital	₹
(a) Adjusted Capital of Sarthak	1,10,000
(b) Adjusted Capital of Vansh	90,000
Total adjusted capital of old partners for 2/3 share	**2,00,000**

(c) Total capital of the New Firm = 2,00,000 x 3/2 = ₹3,00,000
(d) Proportional Capital of Mansi in the New Firm = 3,00,000 x 1/3 = ₹1,00,000

2.

Dr. CASH ACCOUNT Cr.

Particulars	₹	Particulars	₹
To Balance b/d	22,000	By Balance c/d	1,82,000
To Premium for Goodwill	60,000		
To Mansi's Capital A/c	1,00,000		
	1,82,000		**1,82,000**

SOLUTION : 134.

Dr. REVALUATION ACCOUNT Cr.

Particulars	₹	Particulars	₹
To Patents A/c	1,000	By Provision for Doubtful Debts A/c	2,000
To Profit transferred to Capital A/cs:		By Typewriter A/c	2,400
Pappu 2,550			
Dhanraj 850	3,400		
	4,400		**4,400**

Dr. CAPITAL ACCOUNTS Cr.

Particulars	Pappu	Dhanraj	Leander	Particulars	Pappu	Dhanraj	Leander
	₹	₹	₹		₹	₹	₹
				By Bal. b/d	60,000	20,000	
				By Reserve Fund	12,000	4,000	
To Bal. c/d	90,550	24,850		By Revaluation	2,550	850	
				By Premium for Goodwill A/c	16,000		
	90,550	24,850			90,550	24,850	
To Bal. c/d	90,550	24,850	69,240	By Bal. b./d	90,550	24,850	
				By Cash			69,240
	90,550	**24,850**	**69,240**		**90,550**	**24,850**	**69,240**

OPENING BALANCE SHEET
as at 1st April, 2016

Liabilities		₹	Assets		₹
Bills Payable		1,000	Cash		89,240
Creditors		30,000	Bills Receivable		10,000
Outstanding Salary		3,000	Debtors	50,000	
Capitals :			**Less:** Provision	3,000	47,000
Pappu	90,550		Stock		30,000
Dhanraj	24,850		Typewriter		2,400
Leander	69,240	1,84,640	Machinery		40,000
		2,18,640			**2,18,640**

Working Notes:

(1) Calculation of Sacrifice Ratio: Old Ratio – New Ratio

Sacrifice by Pappu: 3/4 – 3/8 = 3/8

Sacrifice by Dhanraj: 1/4 – 2/8 = 0

Since Dhanraj has not made any sacrifice, the entire amount of premium for goodwill brought in by Leander will be credited to Pappu.

(2) Calculation of Leander's Capital:

Leander is given 3/8th share of profits. Balance 5/8th share is shared by Pappu and Dhanraj

Total Capital of Pappu and Dhanraj after all adjustments:

₹90,550 + ₹24,850 = ₹1,15,400

Thus for 5/8th share of profits the Capital = ₹1,15,400
Then the total Capital of the Firm = ₹1,15,400 x 8/5 = ₹1,84,640
∴ **Leander's Capital** for 3/8th share of profits = ₹1,84,640 x 3/8 = ₹69,240.

SOLUTION : 135.

JOURNAL ENTRIES

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
2012					
April 1	Reserve A/c	Dr.		30,000	
	To A's Capital A/c				24,000
	To B's Capital A/c				6,000
	(Transfer of Reserve)				
	Revaluation A/c	Dr.		40,000	
	To Plant A/c				15,000
	To Stock A/c				15,000
	To Debtors A/c				10,000
	(Decrease in the value of assets)				
	A's Capital A/c	Dr.		32,000	
	B's Capital A/c	Dr.		8,000	
	To Revaluation A/c				40,000
	(Transfer of loss on revaluation)				
	A's Capital A/c	Dr.		16,000	
	B's Capital A/c	Dr.		4,000	
	To Goodwill A/c				20,000
	(Goodwill written off in old ratio i.e., 4:1)				
	Cash A/c	Dr.		20,000	
	To Premium for Goodwill A/c				20,000
	(Premium for goodwill brought in cash by C)				
	Premium for Goodwill A/c	Dr.		20,000	
	To A's Capital A/c				10,000
	To B's Capital A/c				10,000
	(Premium for goodwill brought in by C credited to old partners in sacrifice ratio i.e. equally)				
	Cash A/c	Dr.		70,000	
	To C's Capital A/c				70,000
	(Capital introduced by new partner)				

Dr. CAPITAL ACCOUNTS Cr.

Particulars	A	B	C	Particulars	A	B	C
	₹	₹	₹		₹	₹	₹
To Revaluation A/c	32,000	8,000		By Balance b/d	1,15,000	35,000	
To Goodwill A/c	16,000	4,000		By Reserve A/c	24,000	6,000	
To Balance c/d	1,01,000	39,000	70,000	By Premium for Goodwill A/c	10,000	10,000	
				By Cash A/c			70,000

	1,49,000	**51,000**	**70,000**		**1,49,000**	**51,000**	**70,000**

OPENING BALANCE SHEET as at 1st April, 2012

Liabilities		₹	Assets	₹
Bills Payable		15,000	Cash	1,15,000
Sundry Creditors		65,000	Debtors	50,000
Capital Accounts :			Stock	65,000
A	1,01,000		Plant	60,000
B	39,000			
C	70,000	2,10,000		
		2,90,000		**2,90,000**

Working Note:

Calculation of New Profit Sharing Ratio:

C is allowed 1/5th share which he acquires equally i.e. 1/10th from A and 1/10th from B.

Hence, A's new share = 4/5 – 1/10 = 7/10

B's new share = 1/5 – 1/10 = 1/10

C's share = 1/5 or 2/10

Thus the new profit sharing ratio will be 7 : 1 : 2.

Calculation of C's Capital:

Combined capital of A and B after all adjustments : ₹1,01,000 + ₹39,000 = ₹1,40,000.

Hence, C's Capital = 1,40,000 x 50/100 = ₹70,000.

SOLUTION : 136.

JOURNAL ENTRIES

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
2017 April 1	A's Capital A/c Dr. B's Capital A/c Dr. To Profit & Loss A/c **(Transfer of Dr. Balance of P & L A/c appearing in the Balance Sheet)**			15,000 5,000	 20,000
	Workmen Compensation Reserve A/c To A's Capital A/c To B's Capital A/c **(Transfer of Workmen Compensation Reserve)**	Dr.		10,000	 7,500 2,500
	Revaluation A/c To Plant A/c To Provision for Doubtful Debts A/c **(Decrease in the value of assets)**	Dr.		21,000	 20,000 1,000
	Patents A/c Sundry Creditors A/c To Revaluation A/c **(Increase in Patents' and decrease in Creditors)**	Dr. Dr.		2,000 5,000	 7,000
	A's Capital A/c B's Capital A/c To Revaluation A/c **(Transfer of loss on revaluation)**	Dr. Dr.		10,500 3,500	 14,000

	A's Capital A/c	Dr.		15,000	
	B's Capital A/c	Dr.		5,000	
	To Goodwill A/c	e.			20,000
	(Goodwill written off to old partners in old ratio 3:1)				
	C's Current A/c Dr.			6,000	
	To A's Capital A/c				4,500
	To B's Capital A/c				1,500
	(C's share of goodwill credited to A and B in sacrifice ratio i.e., 3:1)				
	Cash A/c	Dr.		60,500	
	To C's Capital A/c				60,500
	(Total amount brought in by new partner)				

Dr. **CAPITAL ACCOUNTS** **Cr.**

Particulars	A	B	C	Particulars	A	B	C
	₹	₹	₹		₹	₹	₹
To Profit & Loss A/c	15,000	5,000		By Balance b/d	2,00,000	80,000	
To Revaluation A/c	10,500	3,500		By Workmen Compensation Reserve	7,500	2,500	
To Goodwill A/c	15,000	5,000		By C's Current A/c	4,500	1,500	
To Balance c/d	1,71,500	70,500	60,500	By Cash A/c			60,500
	2,12,000	**84,000**	**60,500**		**2,12,000**	**84,000**	**60,500**

NEW BALANCE SHEET OF THE FIRM as at 1st April, 2017

Liabilities		₹	Assets		₹
Sundry Creditors		65,000	Cash		78,500
Capital Accounts :			Sundry Debtors	50,000	
A	1,71,500		**Less:** Provision	1,000	49,000
B	70,500		Stock		1,42,000
C	60,500	3,02,500	Plant		80,000
			Patents		12,000
			C's Current A/c		6,000
		3,67,500			**3,67,500**

Working Notes:

(i) Goodwill = (20,000 + 30,000 + 30,000 + 40,000 + 60,000) ÷ 5 = ₹36,000

C's share of Goodwill = 36,000 x 1/6 = ₹6,000

(ii) Calculation of C's Capital:

Combined Capital of A and B after all adjustments:

₹1,71,500 + ₹70,500 = ₹2,42,000

Hence, C's Capital = 2,42,000 x 1/4 = ₹60,500.

(iii) C's share of goodwill has been debited to his Current A/c instead of his Capital A/c since his Capital should be 1/4 of the combined Capital of A and B.

Adjustment of Capitals of Old Partners

SOLUTION : 137.

Dr. REVALUATION ACCOUNT Cr.

Particulars	₹	Particulars		₹
To Stock A/c	20,000	By Loss transferred to :		
To Furniture A/c	18,000	Rajat's Capital A/c	26,600	
		Ravi's Capital A/c	11,400	38,000
	38,000			**38,000**

Dr. CAPITAL ACCOUNTS Cr.

Particulars	Rajat	Ravi	Rohan	Particulars	Rajat	Ravi	Rohan
	₹	₹	₹		₹	₹	₹
To Revaluation (**Loss**)	26,600	11,400		By Balance b/d	1,00,000	80,000	
To Balance c/d	87,400	74,600	60,000	By Reserve	7,000	3,000	
				By Premium for Good -will	7,000	3,000	
				By Cash A/c			60,000
	1,14,000	86,000	60,000		1,14,000	8.6,000	60,000
To Cash A/c (Bal. figure)		20,600		By Balance b/d	87,400	74,600	60,000
To Balance c/d	1,26,000	54,000	60,000	By Cash A/c (Bal. figure)	38,600		
	1,26,000	**74,600**	**60,000**		**1,26,000**	**74,600**	**60,000**

Dr. CASH ACCOUNT Cr.

Particulars	₹	Particulars	₹
To Balance b/d	36.000	By Ravi's Capital A/c	20,600
To Rohan's Capital A/c	10,000	By Balance c/d	1,24,000
To Premium for Goodwill A/c	38,600		
To Rajat's Capital A/c			
	1,44,600		**1,44,600**

Working Notes:

1) Cash brought in by Rohan as premium for goodwill = 40,000 x 1/4 = ₹10,000

2) Calculation of New Profit Sharing Ratios:

Share given to Rohan = 1/4 Remaining Share = 1 – 1/4 = 3/4

Rajat's New' Share = 3/4 x 7/10 = 21/40

Ravi's New Share = 3/4 x 3/10 = 9/40

Rohan's Share = 1/4

New Ratio of Rajat, Ravi and Rohan = 21/40: 9/40: 1/4 = 21 : 9 : 10

3) Based on Rohan's Capital, the total Capital of the new firm will be:

60,000 x 4/1 = ₹2,40,000

Rajat's Capital in the new firm = 2,40,000 x 21/40 = ₹1,26,000

Ravi's Capital in the new firm = 2,40,000 x 9/40 = ₹54,000

4)

	Rajat	Ravi
	₹	₹
Existing Capitals	87,400	74,600
Capitals in the new firm should be	1,26,000	54,000
Deficit capital brought in by Rajat in cash	**38,600**	
Surplus Capital returned to Ravi in cash		**20,600**

SOLUTION: 138.

Dr. REVALUATION ACCOUNT Cr.

Particulars	₹	Particulars	₹
To Furniture A/c	4,200	By Stock A/c	4,000
To Investments A/c	4,800	By Prepaid Salaries A/c	800
		By Loss transferred to Capital	
To Machinery A/c	5,100	A/cs :	
To Outstanding Rent A/c	1,800	Ramesh 2,220	
		Kumar 3,330	
		Pappu 5,550	11,100
	15,900		**15,900**

Dr. CAPITAL ACCOUNTS Cr.

Particulars	Ramesh	Kumar	Pappu	Shilpa	Particulars	Ramesh	Kumar	Pappu	Shilpa
	₹	₹	₹	₹		₹	₹	₹	₹
To Rev.	2,220	3,330	5,550		By Bal. b/d	36,000	44,000	52,000	
To Goodwill	4,000	6,000	10,000		By P & L A/c	2,800	4,200	7,000	
To Bal. c/d	37,780	46,670	56,450	32,000	By Premium for Goodwill	5,200	7,800	13,000	
					By Cash				32,000
	44,000	56,000	72,000	32,000		44,000	56,000	72,000	32,000
To Cash	5,780				By Bal. b/d	37,780	46,670	56,450	32,000
To Bal. c/d	32,000	48,000	80,000	32,000	By Cash		1,330	23,550	
	37,780	**48,000**	**80,000**	**32,000**		**37,780**	**48,000**	**80,000**	**32,000**

Dr. CASH ACCOUNT Cr.

Particulars	₹	Particulars	₹
To Balance b/d	18,000	By Ramesh's Capital A/c	5,780
To Premium for Goodwill	26,000	By Balance c/d	95,100
To Shilpa's Capital A/c	32,000		
To Kumar's Capital A/c	1,330		
To Pappu's Capital A/c	23,550		

	1,00,880		**1,00,880**

NEW BALANCE SHEET OF THE FIRM
as at 1st April, 2012

Liabilities		₹	Assets	₹
Bills Payable		32,000	Cash	95,100
Creditors		64,000	Bills Receivable	24,000
Outstanding Rent		1,800	Debtors	42,000
Capitals :			Stock	48,000
Ramesh	32,000		Prepaid Salaries	800
Kumar	48,000		Furniture	23,800
Pappu	80,000		Investments	27,200
Shilpa	32,000	1,92,000	Machinery	28,900
		2,89,800		**2,89,800**

Working Notes:

(1) New Profit Sharing Ratios:

Share given to Shilpa 1/6, Balance of Profits 1 – 1/6 = 5/6

Ramesh's new share = 5/6 x 2/10 = 2/12

Kumar's new share = 5/6 x 3/10 = 3/12

Pappu's new share = 5/6 x 5/10 = 5/12

Shilpa's share = 1/6 OR 2/12

(2) Shilpa brings in ₹32,000 as her capital for 1/6th share. Hence, the total capital of the new firm will be : 32,000 x 6/1 = ₹1,92,000.

∴Ramesh's Capital in the new firm = 1,92,000 x 2/12 = ₹32,000

Kumar's Capital in the new firm = 1,92,000 x 3/12 = ₹48,000

Pappu's Capital in the new firm = 1,92,000 x 5/12 = ₹80,000

Shilpa's Capital in the new firm = 1,92,000 x 2/12 = ₹32,000

Hence, **(i)** Ramesh's Capital in the new firm should be ₹32,000, whereas his existing capital is ₹37,780. Hence, his excess capital i.e. ₹37,780 – ₹32,000 = ₹5,780 will be refunded to him.

(ii) Kumar's Capital in the new firm should be ₹48,000, whereas his existing capital is only ₹46,670. Hence, he will bring in ₹48,000 – ₹46,670 = ₹1,330.

(iii) Pappu's Capital in the new firm should be ₹80,000, whereas his existing Capital is only ₹56,450. Hence, he will bring in ₹80,000 – ₹56,450 = ₹23,550.

SOLUTION : 139.

JOURNAL

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
2017					
April				12,000	
1	A's Capital A/c	Dr.			
	B's Capital A/c	Dr.		6,000	
	To P & L A/c				18,000
	(Transfer of Dr. Balance of P & L A/c appearing in the Balance Sheet)				
	Revaluation A/c	Dr.		9,000	

	To Provision for Doubtful Debts A/c			1,200
	To Stock A/c			5,000
	To Outstanding Expenses A/c			2,800
	(Decrease in assets and increase in liabilities)			
	A's Capital A/c Dr.		6,000	
	B's Capital A/c Dr.		3,000	
	To Revaluation A/c			9,000
	(Transfer of loss on revaluation)			
	C's Current A/c**(2)** Dr.		10,000	
	To A's Capital A/c			10,000
	(Full amount of C's share of goodwill credited to A as **he alone has sacrificed)**			
	Bank A/c Dr.		40,000	
	To C's Capital A/c			40,000
	(Capital introduced by C)			
	Bank A/c Dr.		57,000	
	To A's Capital A/c			28,000
	To B's Capital A/c			29,000
	(Deficit capital brought in by A and B)			

Dr. CAPITAL ACCOUNTS Cr.

Particulars	A	B	C	Particulars	A	B	C
	₹	₹	₹		₹	₹	₹
To P & L A/c	12,000	6,000		By Balance b/d	60,000	40,000	
To Revaluation A/c	6,000	3,000		By C's Current A/c	10,000		
To Balance c/d	52,000	31,000	40,000	By Bank A/c			40,000
	70,000	40,000	40,000		70,000	40,000	40,000
To Balance c/d	80,000	60,000	40,000	By Balance b/d	52,000	31,000	40,000
				By Bank A/c (Balancing Figure)	28,000	29,000	
	80,000	**60,000**	**40,000**		**80,000**	**60,000**	**40,000**

BALANCE SHEET OF NEW FIRM as at 1st April, 2017

Liabilities		₹	Assets	₹
Provision for Doubtful Debts		2,000	Cash at Bank	79,000
Sundry Creditors		25,200	Sundry Debtors	20,000
Outstanding Expenses		2,800	Stock	35,000
Capitals :			Building	66,000
A	80,000		C's Current A/c	10,000
B	60,000			
C	40,000	1,80,000		
		2,10,000		**2,10,000**

Working Notes :

(1) C's share of Goodwill = 45,000 x 2/9 = ₹10,000

Sacrifice Ratio = Old Ratio - New Ratio

Sacrifice made by A= 2/3 – 4/9 = 2/9

Sacrifice made by B = 1/3 – 3/9 = 0

Since A's alone has sacrificed he will be entitled to the lull amount of C's share of goodwill amounting to ₹10,000.

(2) C's share of goodwill has been debited to his Current Account instead of his Capital Account. This is because other partner's Capital Accounts are to be adjusted on the basis of C's Capital which is ₹40,000. The profit sharing ratio is 4 : 3 : 2. As such, based on C's Capital, the total Capital of the new firm will be ₹40,000 x 9/2 = ₹1,80,000.

Therefore, A's Capital in the new firm = ₹1,80,000 x 4/9 = ₹80,000

B's Capital in the new firm = ₹1,80,000 x 3/9 = ₹60,000

C's Capital in the new firm = ₹1,80,000 x 2/9 = ₹40,000

Hence, A will bring in ₹80,000 – ₹52,000 = ₹28,000

B will bring in ₹60,000 – ₹31,000 = ₹29,000

(3) Bank Balance =

₹6,000 + ₹40,000 + ₹28,000 + ₹29,000 – ₹24,000 (Bank Overdraft) = ₹79,000.

SOLUTION: 140.

C's share is 1/4th which he acquires equally from A and B, i.e., 1/8 from A and 1/8 from B.

A's new share = 3/4 - 1/8 = 5/8

B's new share = 1/4 – 1/8 = 1/8

C's share = 1/8 + 1/8 = 2/8

New Profit sharing ratio = 5: 1: 2.

On the basis of C's share, the total Capital of the new firm should be:

₹30,000 x 4/1 = ₹1,20,000.

Therefore, A's Capital in the new firm should be = 1,20,000 x 5/8 = ₹75,000

B's Capital in the new firm should be = 1,20,000 x 1/8 = ₹15,000

Hence, Cash to be brought in by A = ₹75,000 – ₹60,000 = ₹15,000

Cash to be paid off to B = ₹20,000 – ₹15,000 = ₹5,000.

SOLUTION : 230.

New Profit Sharing Ratios:

Share given to C = 2/9;   Balance of Profits 1 – 2/9 = 7/9

A's new share = 7/9 x 3/5 = 21/45

B s new share = 7/9 x 2/5 = 14/45

C's share = 2/9 OR 10/45

On the basis of C's share, the total Capital of the firm should be : ₹40,000 x 9/2= ₹1,80,000

A's Capital in the new firm should be = 1,80,000 x 21/45 = ₹84,000

B's Capital in the new firm should be = 1,80,000 x 14/45 = ₹56,000

Existing Capitals of A and B (before C's admission):	**A**	**B**
	(₹)	(₹)
Opening Capitals	1,00,000	45,000
(–) Loss on Revaluation	6,000	4,000
	94,000	**41,000**

Hence, Surplus of A's Capital to be transferred to the Cr. of his Current A/c:

₹94,000 – ₹84,000 = ₹10,000.

Deficit of B's Capital to be transferred to Dr. of his Current A/c:

₹56,000 – ₹41,000 = ₹15,000.

JOURNAL ENTRIES

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
	A's Capital A/c	Dr.		10,000	
	To A's Current A/c				10,000
	(Surplus capital credited to Current A/c)				
	B's Current A/c	Dr.		15,000	
	To B's Capital A/c				15,000
	(Shortage of capital debited to Current A/c)				

SOLUTION : 142.

Dr. **REVALUATION ACCOUNT** **Cr.**

Particulars	₹	Particulars			₹
To Provision for Doubtful Debts A/c	5,700	By Investments A/c			14,000
To Furniture A/c	2,000	By Loss transferred to Capital A/cs:			
To Stock A/c	5,500		X	1,600	
To Provident Fund	4,000		Y	1,600	3,200
	17,200				**17,200**

Dr. **CAPITAL ACCOUNTS** **Cr.**

Particulars	X	Y	Z	Particulars	X	Y	Z
	₹	₹	₹		₹	₹	₹
To P & L A/c	5,000	5,000		By Balance b/d	65,000	45,000	
To Rev. A/c	1,600	1,600		By Z's Current A/c	5,000	5,000	
To Balance c/d	63,400	43,400	60,000	By Cash A/c			60,000
	70,000	50,000	60,000		70,000	50,000	60,000
To Cash A/c	3,400			By Balance b/d	63,400	43,400	60,000
To Balance c/d	60,000	60,000	60,000	By Cash A/c		16,600	
	63,400	**60,000**	**60,000**		**63,400**	**60,000**	**60,000**

OPENING BALANCE SHEET as at 1st April, 2012

Liabilities	₹	Assets		₹
Bank Overdraft	56,800	Cash in Hand		76,200
Creditors	70,000	Debtors	1,14,000	
Provident Fund	17,200	**Less:** Provision	5,700	1,08,300
Capitals :		Stock		49,500
X	60,000	Furniture		6,000
Y	60,000	Investments		74,000
Z	60,000	Z's Current A/c		10,000

	3,24,000		**3,24,000**

Working Notes:

(1) New Profit Sharing Ratio: 1/3 : 1/3 : 1/3

(2) Z's share of goodwill will be debited to his Current Account instead of his Capital Account.

Based on Z's Capital, the total Capital of the new firm will be: 60,000 x 3/1 = ₹1,80,000.

Therefore, X's Capital in the new firm = 1,80,000 x 1/3 = ₹60,000

Y's Capital in the new firm = 1,80,000 x 1/3 = ₹60,000

Existing Capital of X is ₹63,400. Hence, he will be returned: 63,400 – 60,000 = ₹3,400

Existing Capital of Y is ₹43,400. Hence, he will bring in: 60,000 - 43,400 = ₹16,600

(3) Calculation of Cash Balance :	**₹**
Opening Balance	3,000
Add: Total amount brought in by Z	60,000
	63,000
Less : Surplus Capital paid off to X	3,400
	59,600
Add: Deficit Capital brought in by Y	16,600
Closing Cash Balance	**76,200**

SOLUTION: 143.

Dr. REVALUATION ACCOUNT Cr.

Particulars	₹	Particulars		₹
To Provision for Bad Debts A/c	300	By Plant & Machinery A/c		5,000
To Stock A/c	5,000	By Loss transferred to :		
		W's Capital A/c	180	
		R's Capital A/c	120	300
	5,300			**5,300**

Dr. PARTNERS' CAPITAL ACCOUNTS Cr.

Particulars	W	R	B	Particulars	W	R	B
	₹	₹	₹		₹	₹	₹
To Revaluation A/c 1 (Loss)	180	120	—	By Balance b/d	40,000	30,000	—
To Balance c/d	55,420	40,280		By Profit Loss A/c	9,000	6,000	—
				By Premium for Goodwill A/c	6,600	4,400	—
	55,600	40,400			55,600	40,400	
To Cash A/c	5,920	7,280		By Balance b/d	55,420	40,280	
To Balance c/d	49,500	33,000	30,000	By Cash A/c			30,000
	55,420	**40,280**	**30,000**		**55,420**	**40,280**	**30,000**

BALANCE SHEET OF THE NEW FIRM as at 1st April, 2010

Liabilities		₹	Assets		₹
Creditors		20,000	Cash (5,000 + 30,000 + 11,000 - 5,920 - 7,280)		32,800
Capital Accounts:			Sundry Debtors	20,000	
W	49,500		**Less :** Provision for Bad Debts	1,000	19,000
R	33,000		Stock		20,000
B	30,000	1,12,500	Plant & Machinery		40,000
			Patents		20,700
		1,32,500			**1,32,500**

Working Notes:

(1) Average Profits = (20,000 + 14,000 + 17,000 + 15,000 (Given in Balance Sheet)) ÷ 4 = ₹16,500

Value of Goodwill = ₹16,500 x 2½ = ₹41,250

B's Share in Goodwill = ₹41,250 x 4/15 = ₹11,000

(2) Calculation of New Profit Sharing Ratio:

B's share = 4/15th share

Remaining profit = 1 – 4/15 = 11/15

W's share = 11/15 x 3/5 = 33/75

R's share = 11/15 x 2/5 = 22/75

New Ratio of W: R: B= 33/75 : 22/75 : 4/15 or 33 : 22 : 20

(3) Adjustment of Capital:

For 4/15 share, B brought capital = ₹30,000

Therefore, total capital of the firm = ₹30,000 x 15/4 = ₹1,12,500

W's Capital = ₹1,12,500 x 33/75 = ₹49,500

R's Capital = ₹1,12,500 x 22/75 = ₹33,000

B's Capital = ₹1,12,500 x 20/75 = ₹30,000

SOLUTION: 144.

Dr. REVALUATION ACCOUNT Cr.

Particulars	₹	Particulars		₹
To Building A/c	15,000	By Loss transferred to :		
To Machinery A/c	2,000	A's Capital A/c	11,424	
To Provision for Doubtful Debts	2,040	B's Capital A/c	7,616	19,040
	19,040			**19,040**

Dr. PARTNER'S CAPITAL ACCOUNTS Cr.

Particulars	A	B	C	Particulars	A	B	C
	₹	₹	₹		₹	₹	₹
To Revaluation A/c (Loss)	11,424	7,616		By Bal. b/d	1,50,000	80,000	
To Bal. c/d	1,60,176	86,784		By Gen. Reserve	14,400	9,600	
				By Bank			40,000
				By Premium for Goodwill	7,200	4,800	

	1,71,600	94,400	40,000		1,71,600	94,400	40,000
To Current A/c (Bal. figure)	40,176	6,784		By Balance b/d	1,60,176	86,784	40,000
To Bal. c/d	1,20,000	80,000	40,000				
	1,60,176	**86,784**	**40,000**		**1,60,176**	**86,784**	**40,000**

BALANCE SHEET OF NEW FIRM as at 31st March, 2016

Liabilities		₹	Assets		₹
Creditors		36,000	Cash		10,000
Bills Payable		20,000	Bank		52,000
A's Current A/c		40,176	Debtors	34,000	
B's Current A/c		6,784	Less: Provision for		
Capital Accounts:			Doubtful Debts	2,040	31,960
A	1,20,000		Stock		24,000
B	80,000		Machinery		40,000
C	40,000	2,40,000	Building		1,85,000
		3,42,960			**3,42,960**

Working Notes:

(1) Calculation of New Profit Sharing Ratio:

Share given to C = 1/6; Remaining Share = 1 – 1/6 = 5/6

A's new share = 5/6 x 3/5 = 3/6

B's new share = 5/6 x 2/5 = 2/6

C's share = 1/6

(2) Based on C's Capital, the total Capital of the new firm will be:

40,000 x 6/1 = ₹2,40,000

A's Capital in the new firm = 2,40,000 x 3/6 = ₹1,20,000

B's Capital in the new firm = 2,40,000 x 2/6 = ₹80,000

(3)	**A**	**B**
Existing Capitals	1,60,176	86,784
Capitals in the new firm should be	1,20,000	80,000
Excess Capitals transferred to Current Accounts	**40,176**	**6,784**

SOLUTION : 145.

JOURNAL ENTRIES

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
2012	P&LA/c	Dr.		10,000	
April	To A's Capital A/c				4,000
1	To B's Capital A/c				6,000
	(Transfer of credit balance of P & L A/c)				
	Provision for Doubtful Debts A/c	Dr.		2,000	
	Building A/c	Dr.		20,000	
	To Revaluation A/c				22,000
	(Increase in the value of Assets)				

	Revaluation A/c Dr. To Furniture A/c To Damages Payable A/c **(Decrease in the value of Furniture and provision made for damages)**		7,000	 5,000 2,000
	Revaluation A/c Dr. To A's Capital A/c To B's Capital A/c **(Transfer of profit on revaluation)**		15,000	 6,000 9,000
	Bank A/c Dr. To C's Capital A/c To Premium for Goodwill A/c **(Amount for Capital and Premium for Goodwill brought in cash by C)**		84,000	 60,000 24,000
	Premium for Goodwill A/c Dr. To B's Capital A/c **(Whole of Premium for Goodwill credited to B's Capital Account)**		24,000	 24,000
	A's Current A/c Dr. To A's Capital A/c **(Shortage of capital debited to Current A/c)**		10,000	 10,000
	B's Capital A/c Dr. To B's Current A/c **(Excess capital credited to Current A/c)**		24,000	 24,000

Dr. CAPITAL ACCOUNTS Cr.

Particulars	A	B	C	Particulars	A	B	C
	₹	₹	₹		₹	₹	₹
To Balance c/d	1,10,000	1,44,000	60,000	By Balance b/d	1,00,000	1,05,000	
				By P & L A/c	4,000	6,000	
				By Revaluation A/c	6,000	9,000	
				By Bank A/c			60,000
				By Premium for Goodwill A/c		24,000	
	1,10,000	1,44,000	60,000		1,10,000	1,44,000	60,000
To Current A/c		24,000		By Balance b/d	1,10,000	1,44,000	60,000
To Balance c/d	1,20,000	1,20,000	60,000	By Current A/c	10,000		
	1,20,000	**1,44,000**	**60,000**		**1,20,000**	**1,44,000**	**60,000**

NEW BALANCE SHEET OF THE FIRM as at 1st April, 2012

Liabilities	₹	Assets	₹
Creditors	25,000	Cash in Hand	3,000
Damages Payable	2,000	Cash at Bank*	64,000
B's Current A/c	24,000	Debtors 40,000	
Capital Accounts :		**Less :** Provision for	
A 1,20,000		Doubtful Debts 3,000	37,000

B	1,20,000		Investments	2,000
C	60,000	3,00,000	Furniture	35,000
			Machinery	1,00,000
			Building	1,00,000
			A's Current A/c ,	10,000
		3,51,000		**3,51,000**

*** Bank Overdraft has been deducted from Cash at Bank.**

Notes:

(1) Calculation of New Profit Sharing Ratios :

(2) C brings in ₹60,000 as Capital for his 5/1th share of profit.

Hence, the total Capital of the new firm will be: 60,000 x 5/1 = ₹3,00,000

A's Capital in the new firm: 3,00,000 x 2/5 = ₹1,20,000

B's Capital in the new firm: 3,00,000 x 2/5 = ₹1,20,000

Hence, Shortage of Capital of A debited to his Current Account:

1,20,000 – 1,10,000 = ₹10,000

Excess Capital of B Credited to his Current Account:

1,44,000 – 1,20,000 = ₹24,000.

SOLUTION : 146.

Dr. REVALUATION ACCOUNT Cr.

Particulars	₹	Particulars	₹
To Machinery A/c	7,000	By Building A/c	10,000
To Provision for Doubtful Debts A/c	480		
To Profit transferred to Capital A/cs:			
Ram 1,680			
Shyam 840	2,520		
	10,000		**10,000**

Dr. CAPITAL ACCOUNTS Cr.

Particulars	Ram	Shyam	Mohan	Particulars	Ram	Shyam	Mohan
	₹	₹	₹		₹	₹	₹
To Goodwill A/c*	10,000	5,000		By Balance b/d	40,000	22,000	
				By General Reserve	14,000	7,000	
				By Revaluation A/c	1,680	840	
				By Cash A/c			30,000
To Balance c/d	53,680	32,840	30,000	By Premium for Goodwill A/c	8,000	8,000	
	63,680	37,840	30,000		63,680	37,840	30,000
To Current A/c		7,840		By Balance b/d	53,680	32,840	30,000
To Balance c/d	65,000	25,000	30,000	By Current A/c	11,320		
	65,000	**32,840**	**30,000**		**65,000**	**32,840**	**30,000**

*** Goodwill appearing in the balance sheet will be written off by old partners in their old ratio.**

NEW BALANCE SHEET OF THE FIRM as at 1st April, 2012

Liabilities		₹	Assets		₹
Sundry Creditors		17,000	Cash		48,000
Shyam's Current Account		7,840	Sundry Debtors	8,000	
Capitals :			**Less :** Provision	480	7,520
Ram	65,000		Stock		5,000
Shyam	25,000		Machinery		23,000
Mohan	30,000	1,20,000	Buildings		50,000
			Ram's Current Account		11,320
		1,44,840			**1,44,840**

Notes: (1) Calculation of New Profit Sharing Ratios:

Mohan is given 1/4th share which he acquires 1/8 from Ram and 1/8 from Shyam

Hence, Ram's new share = 2/3 – 1/8 = 13/24

Shyam's new share = 1/3 – 1/8 = 5/24

Mohan's share = 1/4 OR 6/24

(2) Mohan brings in ₹30,000 as Capital for his 1/4th share of profit. Hence, the total Capital of the new firm will be: 30,000 x 4/1 = ₹1,20,000.

∴Ram's Capital in the new firm: 1,20,000 x 13/24 = ₹65,000

Shyam's Capital in the new firm: 1,20,000 x 5/24 = ₹25,000

Hence, Shortage of Capital of Ram debited to his Current Account:

65,000 – 53,680 = ₹11,320

Excess Capital of Shyam Credited to his Current Account:

32,840 – 25,000 = ₹7,840.

SOLUTION : 147.

Dr. PARTNER'S CAPITAL ACCOUNTS Cr.

Particulars	Abha	Bimal	Chintu	Particulars	Abba	Bimal	Chintu
	₹	₹	₹		₹	₹	₹
To Balance c/d	1,51,200	1,25,800	80,000	By Bal. b/d	1,20,000	1,00,000	—
				By General Reserve A/c	12,000	8,000	—
				By Revaluation A/c (Profit)	4,200	2,800	—
				By Bank A/c	—	—	80,000
				By Premium for Goodwill A/c	15,000	15,000	—
	1,51,200	1,25,800	80,000		1,51,200	1,25,800	80,000
To Bank A/c (Bal. Fig.)		5,800		By Bal. b/d	1,51,200	1,25,800	80,000
				By Bank A/c			

To Bal. c/d **(Note 1)**	2,00,000	1,20,000	80,000	(Bal. Fig.)	48,800		
	2,00,000	**1,25,800**	**80,000**		**2,00,000**	**1,25,800**	**80,000**

Dr.	BANK ACCOUNT		Cr.
Particulars	**₹**	**Particulars**	**₹**
To Balance b/d	35,000	By Bimal's Capital A/c	5,800
To Chintu's Capital A/c	80,000	By Balance c/d	1,88,000
To Premium for Goodwill A/c	30,000		
To Abha's Capital A/c	48,800		
	1,93,800		**1,93,800**

Working Note (1):

Calculation of new capital of partners on the basis of Chintu's Capital:

Chintu's Capital = ₹80,000

Chintu's share of profit = 1/5

Total Capital of New Firm = ₹80,000 x 5/1 = ₹4,00,000

Abha's new capital = ₹4,00,000 x 5/10= ₹2,00,000

Bimal's new capital = ₹4,00,000 x 3/10 = ₹1,20,000