Case (*iv*) : Old ratio of X, Y and Z = 3 : 2 : 1

After W joining,

X sacrifice for W = 1/6 × 3/5 = 3/30

Y sacrifice for W = 1/6 × 2/5 = 2/30

Sacrificing Ratio = 3 : 2

X's New share = $\frac{3}{6}-\frac{3}{30}$ = (15 – 3)/30 = 12/30

Y's New share = 2/6 – 2/30 = (10 – 2)/30 = 8/30

Z's New share = 1/6 × 5/5 = 5/30

W's share = 1/6 × 5/5 = 5/30

New Ratio = 12 : 8 : 5 : 5

Case (*v*) : Old Ratio of A and B = 1 : 1

C and D admits into partnership for 1/5 and 1/6 share

Let share of profit = 1

C and D's share = 1/5 + 1/6 = (6 + 5)/30 = 11/30

Remaining share = 1 – 11/30 = (30 – 11)/30 = 19/30

A's New share = 19/30 × 1/2 = 19/60

B's New share = 19/30 × 1/2 = 19/60

C's share = 1/5 × 12/12 = 12/60

D's share = 1/6 × 10/10 = 10/60

New Ratio = 19 : 19 : 12 : 10

Case (*vi*) : Old Ratio of A and B = 3 : 2

C's share = 1/4

Let share of profit = 1

C's share = 1/4

Remaining share = 1 – 1/4 = (4 – 1)/4 = 3/4

A's New share = 3/4 × 1/2 = 3/8

B's New Share = 3/4 × 1/2 = 3/8

C's share = 1/4 × 2/2 = 2/8

New Ratio = 3 : 3 : 2

Q. 10. X and Y were partners sharing profits in the ratio of 3 : 2. They admitted P and Q as new partners. X surrendered 1/3rd of his share in favour of P and Y surrendered 1/4th of his share in favour of Q. Calculate new profit sharing ratio of X, Y, P and Q.

Sol. X's SR = P's ratio = 3/5 × 1/3 = 3/15 = 12/60

Y's SR = Q's ratio = 2/5 × 1/4 = 2/20 = 6/60

X's NR = 3/5 – 3/15 = (9 – 3)/15 = 6/15 = 24/60

Y's NR = 2/5 – 2/20 = (8 – 2)/20 = 6/20 = 18/60

Thus, NR of X : Y : P : Q = 24 : 18 : 12 : 6 = 4 : 3 : 2 : 1

Q. 11. Rakesh and Suresh are sharing profits in the ratio of 4 : 3. Zaheer joins and the new ratio among Rakesh, Suresh and Zaheer is 7 : 4 : 3. Find out the sacrificing ratio.

Sol. Sacrificing Ratio = Old Ratio – New Ratio

Rakesh = 4/7 – 7/14 = (8 – 7)/14 = 1/14

Suresh = 3/7 – 4/14 = (6 – 4)/14 = 2/14

Sacrificing Ratio of Rakesh and Suresh = **1 : 2**

Q. 12. A, B and C are partners sharing profits in the ratio of 4 : 3 : 2. D is admitted for 1/3rd share in future profits. What is the sacrificing ratio?

Sol. Let, total profit is 1

D's Share = 1/3

Therefore, Remaining Share = 1 – 1/3 = 2/3

A's New Share = 2/3 × 4/9 = 8/27

B's New Share = 2/3 × 3/9 = 6/27

C's New share = 2/3 × 2/9 = 4/27

Sacrificing Ratio = Old Ratio – New Ratio

A = 4/9 – 8/27 = (12 – 8)/ 27 = 4/27

B = 3/9 – 6/27 = (9 – 6)/27 = 3/27

C= 2/9 – 4/27 = (6 – 4)/27 = 2/27

Therefore, Sacrificing Ratio = **4 : 3 : 2**

Q. 13. A and B are partners sharing profits in the ratio of 3 : 2. C is admitted as a partner. The new profit- sharing ratio among A, B and C is 4 : 3 : 2. Find out the sacrificing ratio. (*Delhi 1996*)

Sol. A : B = 3 : 2 = 3/5 : 2/5 & A : B : C = 4 : 3 : 2 = 4/9 : 3/9 : 2/9

Sacrificing Ratio = Old Ratio – New Ratio

A's Sacrificing Ratio = 3/5 – 4/9 = (27 – 20) / 45 = 7/ 45

B's Sacrificing Ratio = 2/5 – 3/9 = (18 – 15) / 45 = 3/45

Therefore, Sacrificing Ratio of A : B = 7 : 3

Q. 14. A, B, C and D are in partnership sharing profits and losses in the ratio of 36 : 24 : 20 : 20 respectively. *E* joins the partnership for 20% share, and A B, C and D in future would share profits among themselves as 3/10 : 4/10 : 2/10 : 1/10. Calculate the new profit sharing ratio after E's admission.

Sol. Let, total profit be 1

E's Share = 20%	= 20/100	= 1/5
Therefore, Remaining Share	= 1 – 1/5	= 4/5
A's New Share	= 4/5 × 3/10	= 12/50
B's New Share	= 4/5 × 4/10	= 16/50
C's New Share	= 4/5 × 2/10	= 8/50
D's New Share	= 4/5 × 1/10	= 4/50
E	= 1/5 × 10/10	= 10/50

New Ratio = **12 : 16 : 8 : 4 : 10 = 6 : 8 : 4 : 2 : 5**

Q. 15. X and Y are partners sharing profits and losses in the ratio of 3 : 2. They admit Z into partnership. X gives 1/3rd of his share while Y gives 1/10th from his share to Z. Calculate new profit-sharing ratio and sacrificing ratio.

Sol. Old Ratio of $x : y = 3 : 2$

Z Gets = $(x \times 1/3) + 1/10$

= $(3/5 \times 1/3) + 1/10$

= $1/5 + 1/10\ (2 + 1)/10 = 3/10$

x's New Share = $3/5 - 1/5 = (3 - 1)/5 = 2/5$

y's New Share = $2/5 - 1/10 = (4 - 1)/10 = 3/10$

So, New Ratio of $x : y : z$ = $2/5 : 3/10 : 3/10 = 4 : 3 : 3$

Sacrificing Radio of $x : y$ = $1/5 : 1/10$

= $2 : 1$

Q. 16. A, B and C are partners sharing profits in the ratio of 2 : 2 : 1. D is admitted as a new partner for 1/6th share. C will retain his original share. Calculate the new profit-sharing ratio and sacrificing ratio.

Sol. Old P/S Ratio of A : B : C = 2 : 2 : 1

New partner D's share = 1/6

C's retain his share = 1/5

Let Total Share = 1

Remaining Share = $1 - (1/6 + 1/5) = 1 - (5 + 6/30) = 1 - 11/30$

= $19/30$

So, A's New Share = $19/30 \times 2/4 = 19/60$

B's New Share = $19/30 \times 2/4 = 19/60$

C's New Share = $1/5 \times 12/12 = 12/60$

D's New Share = $1/6 \times 10/10 = 10/60$

So, A : B : C : D (New P/S Ratio) = 19 : 19 : 12 : 10

and Sacrifice share of A and B = Old Ratio between A : B

= 2 : 2 = 1 : 1

Q. 17. A and B are in a partnership sharing profits and losses as 3 : 2. C is admitted for 1/4th share. Afterwards D enters for 20 paise in the rupee. Compute the profit-sharing ratio of A, B, C and D after D's admission.

Sol. When C is admitted

Let, total profit = 1

C's Share = 1/4

Therefore, Remaining Share = $1 - 1/4 = 3/4$

A's New Share = $3/5 \times 3/4 = 9/20$

B's New Share = $2/5 \times 3/4 = 6/20$

C = $1/4 \times 5/5 = 5/20$

New Ratio of A, B, C = 9 : 6 : 5

When D is admitted

Let total Profit = 1

D's Share = 20% = 1/5

Remaining Share = $1 - 1/5 = 4/5$

A's New Share = $4/5 \times 9/20 = 9/25$

B's New Share = $4/5 \times 6/20 = 6/25$

C's New Share = $4/5 \times 5/20 = 5/25$

D $= 1/5 \times 5/5 = 5/25$

New Ratio of A, B, C, D = **9 : 6 : 5 : 5**

Q. 18. P and Q are partners sharing profits in the ratio of 3 : 2. They admit R, a new partner who acquires 1/5th of his share from P and 4/25th share from Q. Calculate New Profit sharing Ratio and Sacrificing Ratio.

Sol. Old P.S. Ratio of P : Q = 3 : 2

R admitted for = $1/5$

P Sacrifice = $1/5 \times 1/5 = 1/25$

Q Sacrifice = $4/25$

P's New Share = $3/5 - (1/25) = (15 - 1)/25$

$= 14/25$

Q's New Share = $2/5 - (4/25) = (10 - 4)/25$

$= 6/25$

R's New Share = $1/5$

So, New Ratio of P : Q : R = $\frac{14}{25} \frac{6}{25} \frac{1}{5}$

$= \frac{14:6:5}{25}$

$= 14 : 6 : 5$

Note—There may be some printing error in the given question. So, we use the given value 2 times.

for Ist time = R admitted for 1/5

for IInd time = P Sacrifice 1/5 of R's Share

Q. 19. A and B are partners sharing profits and losses in the ratio of 2 : 1. They take C as a partner for 1/5th share. The Goodwill account appears in the books at its full value ₹ 15,000. C is to pay proportionate amount as premium for goodwill which he pays to A and B privately. Pass the necessary entries.

Sol. **Journal Entries**

Date	*Particulars*		*LF*	*Dr.* (₹)	*Cr.* (₹)
	A's Capital A/c	Dr.		10,000	
	B's Capital A/c	Dr.		5,000	
	To Goodwill A/c				15,000
	(Being old G/W A/c written off)				

Q. 20. A and B are partners sharing profits and losses in the ratio of 2 : 5. They admit C on the condition that he will bring ₹ 14,000 as his share of goodwill in cash to be distributed between A and B, C's share in the future profits or losses will be 1/4th. What will be the new profit-sharing ratio and what amount of goodwill brought in by C will be received by A and B?

Sol. Let, total profit be 1 C's Share = $1/4$

Remaining Share = $1 - 1/4 = 3/4$ A's Share = $3/4 \times 2/7 = 6/28$

B's Share = $3/4 \times 5/7 = 15/28$ C = $1/4 \times 7/7 = 7/28$

Therefore, New Ratio = **6 : 15 : 7**

Distribution of Amount of G/W brought in by C

A will get ₹ 14, 000 × 2/7 = ₹ 4,000

B will get ₹ 14, 000 × 5/7 = ₹ 10,000

Q. 21. A and B are partners in a firm sharing profits and losses in the ratio of 3 : 2. A new partner C is admitted. A surrenders 1/5th of his share and B 2/5th of his share in favour of C. For the purpose of C's admission, goodwill of the firm is valued at ₹ 75, 000 and C brings in his share of goodwill in cash which is retained in the firm's books. Journalise the above transactions.

Sol. A's SR = 3/5 × 1/5 = 3/25, B's SR = 2/5 × 2/5 = 4/25 and SR of A and B = 3 : 4

C's ratio = 3/25 + 4/25 = 7/25

C will bring in cash for goodwill = ₹ 75,000 × 7/25 = ₹ 21,000

Journal Entries

Date	*Particulars*	*LF*	*Dr. (₹)*	*Cr. (₹)*
	Cash A/c Dr.		21,000	
	To Premium for Goodwill A/c			21,000
	(Being the amount brought in by C for his share of goodwill)			
	Premium for goodwill A/c Dr.		21,000	
	To A's Capital A/c (21, 000 × 3/7)			9,000
	To B's Capital A/c (21,000 × 4/7)			12.000
	(Being the share of C's Goodwill credited to A and B in their sacrificing ratio.)			

Q. 22. Give journal entries to record the following arrangements in the books of the firm:

(*a*) B and C are partners sharing profits in the ratio of 3:2. D is admitted paying a premium (Goodwill) of ₹ 2,000 for 1/4th share of the profits, shares of P and C remain as before.

(*b*) B and C are partners sharing profits in the ratio of 3:2. D is admitted paying a premium of ₹ 2, 100 for 1/4th share of profits which he acquires 1/6th from B and 1/12th from C.

Sol.

Journal Entries

Date	*Particulars*	*LF*	*Dr. (₹)*	*Cr. (₹)*
(*a*)	Cash A/c Dr.		2,000	
	To Premium for goodwill A/c			2,000
	(Being amount for G/W brought in by new partner)			
	Premium for goodwill A/c Dr.		2,000	
	To B's Capital A/c (2,000 × 3/5)			1,200
	To C's Capital A/c (2,000 × 2/5)			800
	(Being G/W amount shared by old partners in Sacrificing Ratio)			

(b)	Cash A/c Dr. To Premium for G/W A/c (Being Amount for G/W brought in by new partner)		2,100	 2,100
	Premium A/c Dr To B's Capital A/c (2, 100 × 2/3) To C's Capital A/c (2,100 × 1/3) (Being G/W amount shared by old partners in Sacrificing Ratio)		2,100	 1,400 700

Q. 23. B and C are in partnership sharing profits and losses as 3 : 1. They admit D into the firm, D paying a premium of ₹ 15,000 for one-third share of the profits. As between themselves, B and C agree to share future profits and losses equally. Draft the journal entries showing appropriations of the premium money.

Sol. Old Ratio = B : C = 3 : 1

New Ratio = A : B : C = 1 : 1 : 1

B's Sacrificing Ratio = 3/4 – 1/3 = (9 – 4)/12 = 5/12

C's Sacrificing Ratio = 1/4 – 1/3 = (3 – 4)/12 = – 1/12

C will also bring as goodwill = 15,000 × 3/1 × 1/12 = ₹ 3, 750

Journal Entries

Date	Particulars	LF	Dr. (₹)	Cr. (₹)
(a)	Cash A/c Dr. To Premium for goodwill A/c (Being the amount Brought in By D for his share of G/W)		15,000	 15,000
	Premium for goodwill A/c Dr. C's Capital A/c Dr. To B's Capital A/c (Being the G/W credited into Partner's capital A/c into their sacrificing Ratio)		15,000 3,750	 18,750

Q. 24. M and J are partners in a firm sharing profits in the ratio of 3 : 2. They admit R as a new partner. The new profit sharing ratio between M, J and R will be 5 : 3 : 2. R brought in ₹ 25,000 for his share of premium for goodwill. Pass the necessary Journal entries for the treatment of goodwill.

Sol.

Journal Entries

Date	Particulars	LF	Dr. (₹)	Cr. (₹)
	Cash A/c Dr. To Premium for goodwill A/c (Being the share of G/W brought into by R)		25,000	 25,000
	Premium for goodwill A/c Dr. To M's Capital A/c (25,000 × 1/2) To J's Capital A/c (25,000 × 1/2) (Being the G/W credited into Partner's capital A/c into their sacrificing Ratio)		25,000	 12,500 12,500
	M's SR = 3/5 – 5/10 = 1/10 and J's SR = 2/5 – 3/10 = 1/10			

Q. 25. A and B are in partnership sharing profits and losses in the ratio of 5 : 3. C is admitted as a partner who pays ₹ 40,000 as capital and the necessary amount of goodwill which is valued at ₹ 60,000 for the firm. His share of profits will be 1/5th which he takes 1/10th from A and 1/10th from B. Give journal entries and also calculate the future profit-sharing ratio of the partners.

Sol. **Journal Entries**

Date	*Particulars*	*LF*	*Dr.* (₹)	*Cr.* (₹)
	Cash Account Dr.		52,000	
	To C's Capital A/c			40,000
	To Premium for Goodwill A/c (60, 000 × 1/5)			12,000
	(Being the share of G/W and capital brought into by C)			
	Premium for Goodwill A/c Dr.		12,000	
	To A's Capital Account (12,000 × 1/2)			6,000
	To B's Capital Account (12,000 × 1/2)			6,000
	(Being the G/W credited into partner's capital A/c into their sacrificing Ratio)			

Calculation of Future Profit Sharing Ratio

A's New Share = 5/8 – 1/10 = (25 – 4)/40 = 21/40

B's New Share = 3/8 – 1/10 = (15 – 4)40 = 11/40

C = 1/5 × 8/8 = 8/40

New Ratio = **21 : 11 : 8**

Q. 26. A an.l B are partners sharing profits and losses in the proportion of 7 : 5. They agree to admit C, their manager into partnership who is get 1/6th share in the business. C brings in ₹ 10,000 for his capital and ₹ 3,600 for the 1/6th share of goodwill which he acquires 1/24th from A and 1/8th from B. The profit for the first year of the new partnership amounts to ₹ 24,000. Pass necessary Journal entries in connection with C's admission and apportion the profit between the partners.

Sol. **Journal Entries**

Date	*Particulars*	*LF*	*Dr.* (₹)	*Cr.* (₹)
	Cash Account Dr.		13,600	
	To C's Capital A/c			10,000
	To Premium for goodwill A/c			3,600
	(Being the share of G/W and capital brought into by C)			
	Premium for Goodwill A/c Dr.		3,600	
	To A's Capital Account (3, 600 × 1/4)			900
	To B's Capital Account (3,600 × 3/4)			2,700
	(Being the G/W credited into partner's capital. A/c into their sacrificing ratio)			

Calculation of Future Profit Sharing Ratio

A's New Share $= 7/12 - 1/24 = (14 - 1)/24 = 13/24$

B's New Share $= 5/12 - 1/8 = (10 - 3)/24 = 7/24$

C $= 1/6 \times 4/4 = 4/24$

New Ratio = 13 : 7 : 4

Distribution of profit

A's share = ₹ 24,000 × 13/24 = ₹ 13,000

B's share = ₹ 24,000 × 7/24 = ₹ 7,000

C's share = ₹ 24,000 × 4/24 = ₹ 4,000

Q. 27. X and Y are partners sharing profits in the ratio of 3 : 1. Z is admitted as a partner for which he pays ₹ 30,000 for goodwill in cash. X, Y and Z decided to share the future profits in equal proportion. You are required to pass a single Journal entry to give effect to the above arrangement.

Sol. Journal Entries

Date	Particulars		LF	Dr. (₹)	Cr. (₹)
	Cash Account	Dr.		30,000	
	Y's Capital Account (30,000 × 3/1 × 1/12)	Dr.		7,500	
	To X's Capital Account				37,500
	(Being amount of G/W adjusted into Partner's capital A/c)				
	X's SR = 3/4 – 1/3 = 5/12, Y's SR = 1/4 –1/3 = – 1/12				

Q. 28. A and B are partners in a firm sharing profits and losses in the ratio of 3 : 2. They admit C into partnership for 1/5th share. C brings in ₹ 30, 000 as capital and ₹ 10.000 as goodwill. At the time of admission of C, goodwill appears in the balance sheet of A and B at ₹ 3,000. The new profit sharing ratio of the partners will be 5 : 3 : 2. Pass necessary entries.

Sol. Journal Entries

Date	Particulars		LF	Dr. (₹)	Cr. (₹)
	Cash A/c	Dr.		40,000	
	To C's Capital A/c	Dr.			30, 000
	To Premium for Goodwill A/c				10, 000
	(Being the amount brought in by C for his share of goodwill and capital)				
	Premium for Goodwill A/c	Dr.		10,000	
	To A's Capital A/c (10,000 × 1/2)				5,000
	To B's Capital A/c (10,000 × 1/2)				5,000
	A's SR = 3/5 – 5/10 = 1/10 and B's SR = 2/5 – 3/10 = 1/10				
	(Being the share of C in Goodwill credited to A and B in their sacrificing ratio, i.e. 1 : 1)				
	A's Capital A/c (3, 000 × 3/5)	Dr.		1,800	
	B's Capital A/c (3,000 × 2/5)	Dr.		1,200	
	To Goodwill A/c				3,000
	(Being old Goodwill written off)				

Q. 29. Anu and Bhagwan were partners in a firm sharing profits in the ratio of 3 : 1. Goodwill appeared in the books at ₹ 4,40,000. Raja was admitted to the partnership. The new profit-sharing ratio among Anu, Bhagwan and Raja was 2 : 2 : 1.

Raja brought ₹ 1,00,000 for his capital and necessary cash for his goodwill premium. The goodwill of the firm was valued at ₹ 2,50,000.

Record necessary Journal entries in the books of the firm for the above transactions.

Sol. (*i*) Sacrifice by Anu = $3/4 - 2/5 = (15-8)/20 = 7/20$ Sacrifice

by Bhagwan = $1/4 - 2/5 = (5-8)/20 = -3/20$ Gain

(*ii*) Raja's share of G/W = ₹ 2,50,000 × 1/5 = 50,000

Journal

Date	*Particulars*		LF	*Dr.* (₹)	*Cr.* (₹)
(*i*)	Anu's Capital A/c	Dr.		3,30,000	
	Bhagwan's Capital A/c	Dr.		1,10,000	
	To Goodwill A/c				4,40,000
	(Being G/W A/c Written off)				
(*ii*)	Cash A/c	Dr.		1,50,000	
	To Raja's Capital A/c				1,00,000
	To Premium for G/W A/c				50,000
	(Being amount of capital and Premium paid)				
(*iii*)	Premium for G/W A/c	Dr.		50,000	
	Bhagwan's Capital A/c [2,50,000 × 3/20]	Dr.		37,500	
	To Anu's Capital A/c [2,50,000 × (7/20)]				87,500
	(Being amount of G/W adjustment in capital A/c)				

Q. 30. X and Y are partners in a firm sharing profits in the ratio of 3 : 2. On April 1, 2018 they admit Z as a new partner for 1/4th share in the profits. Z contributed the following assets towards his capital and for his share of goodwill: Stock ₹ 60,000, Debtors ₹ 80,000, Land ₹ 1,00,000, Plant and Machinery ₹ 40,000. On the date of admission of Z, the goodwill of the firm was valued at ₹ 6,00,000. Pass necessary Journal entries in the books of the firm on Z's admission.

Sol. Journal Entries

Date	*Particulars*		LF	*Dr.* (₹)	*Cr.* (₹)
	Stock Account	Dr.		60,000	
	Debtors Account	Dr.		80,000	
	Land Account	Dr.		1,00,000	
	Plant and Machinery Account	Dr.		40,000	
	To Z's Capital Account				1,30,000
	To Premium for goodwill A/c (6,00,000 × 1/4)				1,50,000
	(Being assets contributed by Z as his share of G/W and capital)				

	Premium for goodwill Account Dr.		150,000	
	To X's Capital Account (150,000 × 3/5)			90,000
	To Y's Capital Account (150,000 × 2/5)			60,000
	(Being amount of G/W adjusted into old partner's capital A/c into their sacrificing ratio) X's SR = 1/4×3/5 = 3/20, Y's SR = 1/4 × 2/5 = 2/20			

Q. 31. A and B are partners in a business sharing profits and losses in the ratio of 1/3 and 2/3. On Ist April 2018 their capitals are ₹ 8,000 and ₹ 10,000 respectively. On that date, they admit C in partnership and give him one-fourth share in future profits. C brings in ₹ 8,000 as his capital and ₹ 6,000 as goodwill. The amount of goodwill is immediately withdrawn by the old partners in cash. Draft the Journal entries and show the capital A/c of all the partners. Calculate proportion in which partners would share profits and losses in future.

Sol. **Journal Entries**

Date	*Particulars*	*LF*	*Dr. (₹)*	*Cr. (₹)*
	Cash A/c Dr.		14,000	
	To C's Capital A/c			8,000
	To Premium for Goodwill A/c			6,000
	(Being Amount for Capital and G/W brought in by new partner)			
	Premium for Goodwill A/c Dr.		6,000	
	To A's Capital A/c (6,000 × 1/3)			2,000
	To B's Capital A/c (6,000 × 2/3)			4,000
	(Being G/W amount share by old partners in Sacrificing Ratio)			
	A's Capital A/c Dr.		2,000	
	B's Capital A/c Dr.		4,000	
	To Cash A/c			6,000
	(Being G/W amount withdrawn by old partners)			

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

Particulars	*A (₹)*	*B (₹)*	*C (₹)*	*Particulars*	*A (₹)*	*B (₹)*	*C (₹)*
To Cash A/c	2,000	4,000		By Balance b/d	8,000	10,000	
To Balance c/d	8,000	10,000	8,000	By Cash A/c			8,000
				By Premium A/c	2,000	4,000	
	10,000	14,000	8,000		10,000	14,000	8,000

Let, Total Profit be 1 and given, C's Share = 1/4 Remaining Share = 1 – 1/4 = 3/4

A's Share = 3/4 × 1/3 = 1/4 B's Share = 3/4 × 2/3 = 2/4

C = 1/4 New Ratio = **1 : 2 : 1**

Q. 32. A and B were partners in a firm sharing profits and losses in the ratio of 3 : 2. They admitted C as a new partner for 3/7 share in the profit and the new profit sharing Ratio will be 2:2:3. C brought ₹ 2,00,000 as his capital and ₹ 1,50,000 as premium for goodwill. Half of their share of premium was withdrawn by A and B from the firm. Calculate sacrificing ratio and pass necessary Journal entries for the above transactions in the books of the firm.

Sol. Given, A : B = 3 : 2 and, A : B : C = 2 : 2 : 3

A's Sacrificing Ratio = 3/5 – 2/7 = 11/35 and B's Sacrificing Ratio = 2/5 – 2/7 = 4/35

Journal Entries

Date	*Particulars*		*LF*	*Dr. (₹)*	*Cr. (₹)*
	Cash Account	Dr.		4,50,000	
	To C's Capital A/c				3,00,000
	To Premium for goodwill A/c				1,50,000
	(Being cash brought into by C as his capital and share of G/W)				
	Premium for goodwill A/c	Dr.		1,50,000	
	To A's Capital A/c (1,50,000 × 11/15)				1,10,000
	To B's Capital A/c (150,000 × 4/15)				40,000
	(Being share of G/W credited to partner's capital A/c in Sacrificing Ratio)				
	A's Capital A/c	Dr.		55,000	
	B's Capital A/c	Dr.		20,000	
	To Cash A/c				75,000
	(Being amount of G/W withdrawn by partners)				

Q. 33. A and B are partners sharing profits in the ratio of 2:1. They admit C for 1/4th share in profits. C brings in ₹ 30,000 for his capital and ₹ 8,000 out of his share of ₹ 10,000 for goodwill. Before admission, goodwill appeared in books at ₹ 18,000. Give the Journal entries to give effect to the above arrangements.

Sol. **Journal Entries**

Date	*Particulars*		*LF*	*Dr. (₹)*	*Cr. (₹)*
	Cash Account	Dr.		38,000	
	To C's Capital A/c				30,000
	To Premium for Goodwill A/c				8,000
	(Being cash brought into by C as his share of G/W and capital A/c)				
	Premium for goodwill A/c	Dr.		8,000	
	To A's Capital A/c (8,000 × 2/3)				5,333
	To B's Capital A/c (8,000 × 1/3)				2,667
	(Being amount of G/W credited into partner's capital A/c into their Sacrificing Ratio)				

	C's Capital A/c (10,000 – 8,000) Dr.		2,000	
	To A's Capital A/c (2,000 × 2/3)			1,334
	To B's Capital A/c (2,000 × 1/3)			666
	(Being Balance share of G/W of C adjusted through his capital A/c)			
	A's Capital A/c (18,000 × 2/3) Dr.		12,000	
	B's Capital A/c (18,000 × 1/3) Dr.		6,000	
	To Goodwill A/c			18,000
	(Being old G/W write off)			

Q. 34. A and B are partners sharing profits and losses in the ratio of 3 : 2. They admit C into the firm for 1/4th share in profits which he takes 1/6th from A and 1/12th from B. C brings in only 60% of his share of firm's goodwill. Goodwill of the firm has been valued at ₹ 1,00,000. Pass necessary Journal entries to record this arrangement.

Sol. Working Note—

(*i*) C's share = 1/4

(*ii*) C's Share of Goodwill = ₹ 1,00,000 × (1/4) = ₹ 25,000

(*iii*) C's brings = ₹ 25,000 × 60% = ₹ 15,000

Journal

Date	*Particulars*	*LF*	*Dr.* (₹)	*Cr.* (₹)
(*i*)	Bank A/c Dr.		15,000	
	To Premium for G/W A/c			15,000
	(Being C's Share of goodwill receive in cash)			
(*ii*)	Premium for G/W A/c Dr.		15,000	
	To A's Capital A/c (15,000 × 2/3)			10,000
	To B's Capital A/c (15,000 × 1/3)			5,000
	(Being goodwill premium transferred to old partners)			
(*iii*)	C's Capital A/c [25,000 × 40%] Dr.		10,000	
	To A's Capital A/c [10,000 × 2/3]			6,667
	To B's Capital A/c [10,000 × 1/3]			3,333
	(Being balance share of C's goodwill charged from his capital)			

Note—(*i*) Sacrifice Ratio of A : B = 1/16 : 1/12 = 2 : 1

(*ii*) It is assumed that capital A/c are fluctuating

Q. 35. On the admission of Rao, it was agreed that the goodwill of Murty and Shah should be valued at ₹ 30,000. Rao is to get 1/4th share of profits. Previously Murty and Shah shared profits in the ratio of 3:2. Rao cannot bring any cash. Give Journal entries in the books of Murty and Shah when :

(*a*) There is no goodwill account;

(*b*) Goodwill appears in the books at ₹ 10,000.

Sol. **Journal Entries**

Date	Particulars		LF	Dr. (₹)	Cr. (₹)
(a)	Rao's Capital A/c (30,000 ×1/4)	Dr.		7,500	
	To Murty's Capital A/c (7,500 × 3/5)				4,500
	To Shah's Capital A/c (7,500 × 2/5)				3,000
	(Being the share of G/W of Rao adjusted through his capital A/c)				
(b)	Murty Capital A/c (10,000 × 3/5)	Dr.		6,000	
	Shah Capital A/c (10,000 × 2/5)	Dr.		4,000	
	To Goodwill A/c				10,000
	(Being G/W written off)				
	Rao's Capital A/c (30,000 × 1/4)	Dr.		7,500	
	To Murty's Capital A/c (7,500 × 3/5)				4,500
	To Shah's Capital A/c (7,500 × 2/5)				3,000
	(Being the share of G/W of Rao adjusted through his capital A/c)				

Q. 36. A and B are partners sharing profits in the ratio 3:2. Their books show goodwill at ₹ 2,000. C is admitted with 1/4th share of profits and brings in ₹ 10,000 as his capital but is not able to bring in cash for his share of goodwill ₹ 3,000. Draft the Journal entries.

Sol. **Journal Entries**

Date	Particulars		LF	Dr. (₹)	Cr. (₹)
	A's Capital A/c (2,000 × 3/5)	Dr.		1,200	
	B's Capital A/c (2,000 × 2/5)	Dr.		800	
	To Goodwill A/c				2,000
	(Being old G/W B written off)				
	Cash A/c	Dr.		10,000	
	To C's capital A/c				10,000
	(Being cash brought into by C)				
	C's Capital A/c	Dr.		3,000	
	To A's Capital A/c (3,000 × 3/5)				1,800
	To B's Capital A/c (3,000 × 2/5)				1,200
	(Being share of G/W of C adjusted through his capital A/c into old partner's capital A/c into Sacrificing Ratio)				

Q. 37. A, B and C are in partnership sharing profits and losses in the ratio of 5 : 4 : 1 respectively. Two new partners D and E are admitted. The profits are now to be shared in the ratio of 3 : 4 : 2 : 2 : 1 respectively D is to pay ₹ 90,000 for his share of Goodwill but E has insufficient cash to pay for Goodwill. Both the new partners introduced ₹ 1,20,000 each as their capital. You are required to pass necessary Journal entries.

Sol. Working Note—

(i) Old Ratio of A : B : C = 5 : 4 : 1

(ii) New Ratio of A : B : C : D : E = 3 : 4 : 2 : 2 : 1

(iii) A's Sacrifice/Gain = (5/10) – (3/12) = (30 – 15)/60 = 15/60 (Sacrifice)

B's Sacrifice/Gain = (4/10) – (4/12) = (24 – 20)/60 = 4/60 (Sacrifice)

C's Sacrifice/Gain = (1/10) – (2/12) = (6 – 10)/60 = – 4/60 Gain

(iv) Sacrifice Ratio of A : B = 15/60 : 4/60 = 15 : 4

(v) D's Pays = ₹ 90,000 for (2/12) share of G/W

Total G/W = ₹ 90,000 × 1/(2/12) = 90,000 × 12/2

= ₹ 5,40,000

E's Share of G/W = ₹ 5,40,000 × (1/12) = ₹ 45,000

C's Compensate for his Gain = ₹ 5,40,000 × (4/60)

= ₹ 36,000

Journal

Date	*Particulars*		LF	*Dr.* (₹)	*Cr.* (₹)
(i)	Bank A/c	Dr.		2,10,000	
	To D's Capital A/c				1,20,000
	To Premium for G/W A/c				90,000
	(Being D's Share of Cap. and Premium for G/W receive)				
(ii)	Bank A/c	Dr.		1,20,000	
	To E's Capital A/c				1,20,000
	(Being C's Share of Capital received)				
(iii)	Premium for G/W A/c	Dr.		90,000	
	E's Capital A/c $\left[90{,}000\times\frac{12}{2}\times\frac{1}{12}\right]$	Dr.		45,000	
	C's Capital A/c	Dr.		36,000	
	To A's Capital A/c [1,71,000 × (15/19)]				1,35,000
	To B's Capital A/c [1,71,000 × (4/19)]				36,000
	(Being amount of G/W receive, charged transferred to A and B)				

Q. 38. Mohan and Sohan were partners in a firm sharing profits and losses in the ratio of 3 : 2. They admitted Ram for 1/4th share on 1st April, 2018. It was agreed that goodwill of the firm will be valued at 3 years' purchase of the average profit of last 4 years which were ₹ 50,000 for 2014-15, ₹ 60,000 for 2015-16, ₹ 90,000 for 2016-17 and ₹ 70,000 for 2017-18. Ram did not bring his share of goodwill premium in cash. Record the necessary Journal entries in the books of the firm on Ram's admission when.

(a) Goodwill appears in the books at ₹ 2,02,500

(b) Goodwill appears in the books at ₹ 2,500

(c) Goodwill appears in the books at 2,05,000.

Sol. **Journal Entries**

Date	Particulars		LF	Dr. (₹)	Cr. (₹)
(a) (i)	Mohan's Capital A/c	Dr.		1,21,500	
	Sohan's Capital A/c	Dr.		81,000	
	To Goodwill A/c				2,02,500
	(Being old G/w A/c written off)				
(ii)	Ram's Capital A/c	Dr.		50,625	
	To Mohan's Capital A/c				30,375
	To Sohan's Capital A/c				20,250
	(Being Ram's Share of G/w adjusted)				
(b) (i)	Mohan Capital A/c	Dr.		1,500	
	Sohan Capital A/c	Dr.		1,000	
	To Goodwill A/c				2,500
	(Being old G/w A/c written off)				
(ii)	Ram's Capital A/c	Dr.		50,625	
	To Mohan Capital A/c				30,375
	To Sohan Capital A/c				20,250
	(Being Ram's Share of G/w adjusted)				
(c) (i)	Mohan's Capital A/c	Dr.		1,23,000	
	Sohan's Capital A/c	Dr.		82,000	
	To Goodwill A/c				2,05,000
	(Being old G/w A/c written off)				
(ii)	Ram Capital A/c	Dr.		50,625	
	To Mohan's Capital A/c				30,375
	To Sohan's Capital A/c				20,250
	(Being Ram's Share of G/w adjusted)				

Working Note—

Year

2014-15 = 50,000
2015-16 = 60,000
2016-17 = 90,000
2017-18 = 70,000
2,70,000

$$\text{Average profit} = \frac{\cancel{2,70,000}}{\cancel{4}} = 67,500$$

G/w of the firm = 67,500 × 3 = 2,02,500

$$\text{Ram Goodwill} = \cancel{2,02,500} \times \frac{1}{\cancel{4}} = 50,625$$

$$\text{Mohan G/w} = \cancel{50,625} \times \frac{3}{\cancel{5}} = 30,375$$

$$\text{Sohan G/w} = \cancel{50,625} \times \frac{2}{\cancel{5}} = 20,250$$

Q. 39. Anil and Sunil are partners in a firm with fixed capitals of ₹ 3,20,000 and ₹ 2, 40,000 respectively. They admitted Charu as a new partner for 1/4th share in the profits of the firm on 1st April 2012. Charu brought ₹ 3,20,000 as her share of capital.

Calculate value of goodwill and record necessary journal entries.

Sol. Calculation of Hidden Goodwill :

(i) Capitalise value of firm = $3,20,000 \times \frac{1}{1/4} = 3,20,000 \times \frac{4}{1} = ₹\,12,80,000$

(ii) Total Capital of firm = 3,20,000 + 2,40,000 + 3,20,000 = ₹ 8,80,000

So, Hidden Goodwill = (i) — (ii)

= 12,80,000 — 8,80,000 = ₹ 4,00,000

Charu's share of G/W = $4,00,000 \times \frac{1}{4}$ ₹ 1,00,000

Journal Entries

Date	*Particulars*		*LF*	*Dr. (₹)*	*Cr. (₹)*
(*i*)	Bank A/c	Dr.		3,20,000	
	To Charu's Capital A/c				3,20,000
	(Being capital brought in.)				
(*ii*)	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
	(Being Charu's share of G/W adjusted)				

Q. 40. A and B are partners in a firm with capital of ₹ 60, 000 and ₹ 1,20,000 respectively. They decide to admit C into partnership for ¼th share in the future profits. C is to bring in a sum of ₹ 70,000 as his capital. Calculate amount of Goodwill.

Sol. **Calculation of Hidden Goodwill**

Capitalized value of the firm = ₹ 70,000 × 4/1	= ₹ 2,80,000
Less : total capitals of A, B and C = ₹ 60,000 + 1,20,000 + 70,000	= ₹ 2,50,000
Goodwill	= **₹ 30,000**

Q. 41. Bhuwan and Shivam were partners in a firm sharing profits in the ratio of 3 : 2. Their capitals were ₹ 50,000 and ₹ 75,000 respectively. They admitted Atul on 1st April, 2018 as a new partner for 1/4th share in the future profits. Atul brought ₹ 75,000 as his capital. Calculate the value of goodwill of the firm and record necessary Journal entries for the above transactions on Atul's admission. (*Foreign 2014*).

Sol. Value of firm's G/W = $\left(\dfrac{\text{New Partners Capital}}{\text{New Partners Share}}\right)$ – (Total Capital of all partners)

$= (75{,}000 \times 1/{}^{1}/_{4}) - (50{,}000 + 75{,}000 + 75{,}000)$

$= 3{,}00{,}000 - 2{,}00{,}000 =$ ₹ 1,00,000

Atul share of G/W = $1{,}00{,}000 \times 1/4 = 25{,}000$

Journal

Date	*Particulars*		*LF*	*Dr.* (₹)	*Cr.* (₹)
(*a*)	Bank A/c	Dr.		75,000	
	To Atul's Capital A/c				75,000
	(Being capital brought In)				
(*b*)	Atul's Capital A/c	Dr.		25,000	
	To Bhuwan's Capital A/c				15,000
	To Shivam's Capital A/c				10,000
	(Being adjustment of Atul's shares of G/W)				

Q. 42. X and Y are partners with capitals of ₹ 50,000 each. They admit Z as a partner with 1/4th share in the profit of the firm Z brings in ₹ 80,000 as his share of capital. The Profit and Loss A/c showed a credit balance of ₹ 40,000 as on the date of admission of Z. Give necessary Journal entries to record goodwill.

Sol. Calculation of Hidden Goodwill

Capitalized value of the firm	= ₹ 80,000 × 4/1	= ₹ 3,20,000
Less : Total capitals of X, Y and Z	= ₹ 50,000 + 50,000 + 80,000	= ₹ 1,80,000
Less : Credit balance of Profit and Loss A/c		= ₹ 40,000
Goodwill		= ₹ 1,00,000

Z's Share of goodwill = ₹ 1,00 000 × 1/4 = ₹ 25,000

Journal Entries

Date	*Particulars*		*LF*	*Dr.* (₹)	*Cr.* (₹)
	Cash Account	Dr.		80,000	
	To Z's Capital A/c				80,000
	(Being cash brought into by Z as his capital)				
	Z's Capital A/c	Dr.		25,000	
	To X's Capital A/c (25,000 × 1/2)				12,500
	To Y's Capital A/c (25,000 × 1/2)				12,500
	(Being Z's G/W credited into partner's capital A/c into S.R.)				

Q. 43. Asin and shreyas are partners in a firm. They admit Ajay as a new partner with 1/5 th share in the profits of the firm. Ajay brings ₹ 5,00,000 as his share of capital. The value of the total assets of the firm was ₹ 15,00,000 and outside liabilities were valued at ₹ 5,00,000 on the date. Give necessary journal entry to record goodwill at the time of Ajay's admission. Also show your workings.

Sol. (*i*) Hidden G/W = Capitalise value – Actual Capital

$$= \left(5,00,000 \times \frac{1}{1/5}\right) - [(15,00,000 - 5,00,000) + 5,00,000]$$

$$= 25,00,000 - 15,00,000 = ₹\ 10,00,000$$

(*ii*) Ajay's share of G/W = $10,00,000 \times \frac{1}{5} = 2,00,000$

Journal Entries

Date	*Particulars*		*LF*	*Dr.* (₹)	*Cr.* (₹)
(*i*)	Bank A/c	Dr.		5,00,000	
	To Ajay's Capital A/c				5,00,000
	(Being amt. of capital brought in)				
(*ii*)	Ajay's Capital A/c	Dr.		2,00,000	
	To Asin's capital A/c				1,00,000
	To Shreya's capital A/c				1,00,000
	(Being Ajay's share of G/W adjusted)				

Q. 44. Verma and Sharma are partners in a firm sharing profits and losses in the ratio of 5 : 3. They admitted Ghosh as a new partner for 1/5th share of profits. Ghosh is to bring in ₹ 2 0,000 as capital and ₹ 4,000 as his share of goodwill premium. Give the necessary Journal entries.

(*a*) When the amount of goodwill is retained in the business.

(*b*) Wnen the amount of goodwill is fully withdrawn.

(*c*) When 50% of the amount of goodwill is withdrawn.

(*d*) When goodwill is paid privately.

Sol. Journal

Date	*Particulars*		*LF*	*Dr.* (₹)	*Cr.* (₹)
(*a*) (*i*)	Bank A/c	Dr.		24,000	
	To Ghosh Capital A/c				20,000
	To Premium for G/w A/c				4,000
	(Being amount of capital and G/w received)				
(*ii*)	Premium for G/w A/c	Dr.		4,000	
	To Verma Capital A/c				2,500
	To Sharma Capital A/c				1,500
	(Being amount of G/w dist. in sac. Ratio)				
(*b*) (*i*)	Bank A/c	Dr.		24,000	
	To Ghosh Capital A/c				20,000
	To Premium for G/w A/c				4,000
	(Being amount of Capital and G/w received)				

(ii)	Premium for G/w A/c Dr. To Verma's Capital A/c To Sharma's Capital A/c (Being amount of G/w dist. in Sac. ratio)		4,000	 2,500 1,500
(iii)	Verma's Capital A/c Dr. Sharma's Capital A/c Dr. To Cash (Being amount of G/w withdrawn)		2,500 1,500	 4,000
(c) (i)	Bank A/c Dr. To Ghosh Capital A/c To Premium for G/w A/c (Being amount of G/w received)		24,000	 20,000 4,000
(ii)	Premium for G/w A/c Dr. To Verma's Capital A/c To Sharma's Capital A/c (Being amount of G/w dist. in Sac. ratio)		4,000	 2,500 1,500
(iii)	Verma's Capital A/c Dr. Sharma's Capital A/c Dr. To Cash (Being 50% of amount of G/w withdrawn)		1,250 750	 2,000
(d)	No entry will passed			

Q. 45. Disha and Divya are partners in a firm sharing profits in the ratio of 3 : 2 respectively. The fixed capital of Disha is ₹ 4,80,000 and Divya is ₹ 3,00,000. On 1.4.2018 they admitted Hina as a new partners for 1/5 th share in future profits. Hina brought ₹ 3,00,000 as her capital. Calculate value of goodwill of the firm and record necessary journal entires on Hina's admisstion.

Sol. (*i*) Hidden G/W = Capitalise value – Actual Capital

$$= \left(3{,}00{,}000 \times \frac{1}{1/5}\right) - (4{,}80{,}000 + 3{,}00{,}000 + 3{,}00{,}000)$$

$$= 15{,}00{,}000 - 10{,}80{,}000 = 4{,}20{,}000$$

(*ii*) Hina's share of G/W $= 4{,}20{,}000 \times \frac{1}{5} =$ ₹ 84,000

Journal Entries

Date	*Particulars*	*LF*	*Dr.* (₹)	*Cr.* (₹)
(i)	Bank A/c Dr. To Hina's Capital A/c (Being amt. of capital brought in)		3,00,000	 3,00,000
(ii)	Hina's Current A/c Dr. To Disha's Current A/c To Divya's Current A/c (Being Hina's share of G/W adjuested)		84,000	 50,400 33,600

Q. 46. E and F were partners in a firm sharing profits in the ratio of 3 : 1. They admitted G as a new partner on 1st April, 2018 for 1/3rd share. It was decided that E, F and G will share future profits equally. G brought ₹ 50,000 in cash and machinery worth ₹ 70,000 for his share of profits as premium of goodwill.

Pass necessary Journal entries in the books of the firm.

Ans. Old Ratio of E and F = 3 : 1

Z Joins for 1/3rd share

New Ratio = 1 : 1 : 1

Sacrificing Ratio = Old Ratio – New Ratio

E = 3/4 – 1/3 = (9 – 4)/12 = 5/12

F = 1/4 – 1/3 = (3 – 4)/12 = – 1/12

E sacrifices = 5/12 and F Gains = 1/12

Z's share of goodwill = 50,000 + 70,000 = ₹ 1,20,000

F's share of goodwill = 1,20,000 × 3/1 × 1/12 = ₹ 30,000

Journal Entries

Date	*Particulars*		*LF*	*Dr.* (₹)	*Cr.* (₹)
(*i*)	Cash A/c	Dr.		50,000	
	Machinery A/c	Dr.		70,000	
	To premium for goodwill A/c				1,20,000
	(Being Z contributed cash and maching for his share of G/W)				
(*ii*)	Premium for Goodwill A/c	Dr.		1,20,000	
	F's capital A/c	Dr.		30,000	
	To E's capital A/c				1,50,000
	(Being G/W shared by old partners)				

Q. 47. Mr. A commenced business with a capital of ₹ 2,50,000 on 1st April 2013. During the five year ended 31st March 2018, the following profits and losses were made—31st March 2014, loss ₹ 5,000; 31st March 2015, profit ₹ 13,000; 31st March 2016, profit ₹ 17,000; 31st March 2017, profit ₹ 20,000 and 31st March 2018, profit ₹ 25,000. During this period he had drawn ₹ 40,000 for his personal use. On Ist April 2018 he admitted B into partnership on the following terms – B to bring for his half share in the business, capital equal to A's capital : on 31st March 2018 and to pay for the one-half share of goodwill of the business on the basis of three times the average profits of the last five years. Prepare the statement showing what amount B should invest to become a partner and Pass entries to record the transactions pertaining to admission.

Sol. Total profits for the last five years = (13,000 + 17,000 + 20,000 + 25,000 – 5000)

= ₹ 70,000

A/s Capital on 31st March 2018 = 2,50,000 + 70,000 – 40,000 (Drawings)

= ₹ 2,80,000

Average profits for the last five years = ₹ 70,000 / 5 = ₹ 14,000

Goodwill = Average profits × 3 = ₹ 14,000 × 3

= ₹ 42,000

Capital brought in by B =Equal to A's capital = ₹ 2,80, 000

Premium for goodwill brought in by B = ₹ 42,000/2 = ₹ 21,000

Journal Entries

Date	Particulars	LF	Dr. (₹)	Cr. (₹)
(a)	Cash Account Dr.		3,01,000	
	To B's Capital A/c			2,80,000
	To Premium for Goodwill A/c			21,000
	(Being cash brought into by B as his capital and share of G/W)			
	Premium for Goodwill A/c Dr.		21,000	
	To A's Capital A/c			21,000
	(Being amount of G/W credited into A's capital A/c)			

Q. 48. Pass entries in the firm's Journal for the following on admission of a partner—

(i) Machinery be depreciated by ₹ 16,000 and Building be appreciated by ₹ 40,000.

(ii) A provision be created for Doubtful Debts @ 5% of Debtors amounting to ₹ 80,000.

(iii) Provision for warranty claims be increased by ₹ 12,000.

Sol. **Journal**

Date	Particulars	LF	Dr. (₹)	Cr. (₹)
(i) (a)	Reavaluation A/c Dr.		16,000	
	To Machinery A/c			16,000
	(Being value of machine decreased)			
(b)	Building A/c Dr.		40,000	
	To Revaluation A/c			40,000
	(Being value of Building appreciate)			
(ii)	Revaluation A/c [80,000 × 5%] Dr.		4,000	
	To Provision for Bad Debts A/c			4,000
	(Being amount of P.B.D. Charged)			
(iii)	Revaluation A/c Dr.		12,000	
	To Provision for Claims A/c			12,000
	(Being Provision for claims made)			

Q. 49. Pass entries in firm's Journal for the following on admission of a partner—

(i) Unrecorded Investments worth ₹ 20,000.

(ii) Unrecorded liability towards suppliers for ₹ 5,000.

(iii) An item of ₹ 1,600 included in Sundry Creditors is not likely to be claimed and hence should be written back.

Sol. **Journal**

Date	Particulars	LF	Dr. (₹)	Cr. (₹)
(i)	Investment A/c Dr.		20,000	
	To Revaluation A/c			20,000
	(Being unrecorded investment recorded)			

(ii)	Revaluation A/c Dr.		5,000	
	To Creditors A/c			5,000
	(Being unrecorded liability of suppliers recorded)			
(iii)	Sundry Creditors A/c Dr.		1,600	
	To Revaluation A/c			1,600
	(Being amount of Sundry Creditors written back)			

Q. 50. X and Y are partners in a firm sharing profits in the ratio of 3 : 2. They admitted Z as a new partners and fixed the new profit-sharing ratio as 3 : 2 : 1. At the time of admission of Z, Debtors and Provision for Doubtful Debts appeared at ₹ 50,000 and ₹ 5,000 respectively all debtors are good. Pass the necessary Journal entries.

Sol. **Journal**

Date	*Particulars*	*LF*	*Dr. (₹)*	*Cr. (₹)*
(i)	Provision for Bad Debts A/c Dr.		5,000	
	To Revaluation A/c			5,000
	(Being amount of P.B.D. written back)			
(ii)	Revaluation A/c Dr.		5,000	
	To *x*'s Capital A/c [5,000 × (3/5)]			3,000
	To *y*'s Capital A/c [5,000 × (2/5)]			2,000
	(Being amount of revaluation profit distribute in 3 : 2)			

Q. 51. X and Y partners in a firm sharing profits in the ratio of 3 : 2. They admitted Z as a new partners for 1/4th share. At the time of admission of Z, Stock (Book Value ₹ 1,00,000) is to be reduced by 40%. and Furniture (Book Value ₹ 60,000) is to be reduced to 40%. Pass the necessary Journal entries.

Sol. **Journal**

Date	*Particulars*	*LF*	*Dr. (₹)*	*Cr. (₹)*
(i)	Revaluation A/c Dr.		76,000	
	To Stock A/c [1,00,000 × 40%]			40,000
	To Furniture A/c [60,000 – (40%)]			36,000
	(Being value of stock and furniture decreased)			
(ii)	*x*'s Capital A/c [76,000 × (3/5)] Dr.		45,600	
	y's Capital A/c [76,000 × (3/5)] Dr.		30,400	
	To Revaluation A/c			76,000
	(Being loss on Revaluation transferred)			

Q. 52. X and Y are partners sharing profits in the ratio of 3 : 2. They admitted Z as a new partner for 1/4th share of profits. At the time of admission of Z, Investment appeared at ₹ 80,000. Half of the investments to be taken over by X and Y in their profit-sharing ratio at book value. Remaining investments were valued at ₹ 50,000. Pass the necessary journal entries.

Sol. **Journal**

Date	Particulars		LF	Dr. (₹)	Cr. (₹)
(i)	*x's* Capital A/c [40,000 × (3/5)]	Dr.		24,000	
	y's Capital A/c [40,000 × (2/5)]	Dr.		16,000	
	To Investments A/c [80,000 × 50%]				40,000
	(Being half of investment taken over by $x:y$ in 3:2)				
(ii)	Investments A/c	Dr.		10,000	
	To Revaluation A/c				10,000
	(Being remaining investment valued at ₹ 50,000)				
(iii)	Revaluation A/c	Dr.		10,000	
	To *x's* Capital A/c [10,000 × (3/5)]				6,000
	To *y's* Capital A/c [10,000 × (2/5)]				4,000
	(Being profit on revaluation transferred to parnters)				

Q. 53. X and Y are partners in a firm sharing profits in the ratio of 3 : 2. They admitted Z as a new partner for 1/4th share of profits. At the time of admission of Z, Debtors and Provision for Doubtful Debts appeared at ₹ 76,000 and ₹ 8,000 respectively. ₹ 6,000 of the debtors proved bad. A provision of 5% is to be created on Sundry Debtors for doubtful debts. Pass the necessary Journal entries.

Sol. **Journal**

Date	Particulars		LF	Dr. (₹)	Cr. (₹)
(i)	Bad Debts A/c	Dr.		6,000	
	To Sundry Debtors A/c				6,000
	(Being amount of Bad debts written off)				
(ii)	Provision for B. Debts A/c	Dr.		6,000	
	To Bad Debts A/c				6,000
	(Being amount of bad debts transferred to P.B.D.)				
(iii)	Revaluation A/c (W. Note)	Dr.		1,500	
	To P.B.D. A/c				1,500
	(Being amount of new Provision for bad debts adjusted)				
	[(76,000 – 6,000) × 5%] – [8,000 – 6,000]				
(iv)	*x's* Capital A/c [1,500 × (3/5)]	Dr.		900	
	y's Capital A/c [1,500 × (2/5)]	Dr.		600	
	To Revaluation A/c				1,500
	(Being loss on revaluation transferred to partners)				

Q. 54. X, Y and Z are partners sharing profits and losses in the ratio of 6 : 3 : 1. They decide to take W into partnership with effect from 1st April, 2018. The new profit-sharing ratio between X, Y, Z and W will be 3 : 3 : 3 : 1. They also decide to record the effect of following revaluations without affecting the book values of the assets and liabilities by passing a single adjustment entry—

	Book Value (₹)	Revised Value (₹)
Plant and Machinery	3,50,000	3,40,000
Land and Building	5,00,000	5,50,000

Trade Creditors	1,00,000	90,000
Outstanding Expenses	85,000	1,00,000

Pass necessary adjustment entry.

Sol. (i) Old Ratio of $x : y : z = 6 : 3 : 1$

(ii) New Ratio of $x : y : z : w = 3 : 3 : 3 : 1$

(iii) Sac./Gain to x : = (6/10) – (3/10) = [(6 – 3)/10] = (3/10) Sac.

y = (3/10) – (3/10) = [(3 – 3)/10] Nil

z = (1/10) – (3/10) = [(1 – 3)/10] = (– 2/10) Gain

w = 0 – (1/10) = [(0 – 1)/10] = (– 1/10) Gain

Statement Showing Revaluation of Sundry Assets & Liabilities

S.No.	*Name of Assets/Liabilities*	*Book Value*	*Revised Value*	*Net Increse (Decrease)*
(i)	Plant and Machinery	3,50,000	3,40,000	(10,000)
(ii)	Land and Building	5,50,000	5,50,000	50,000
(iii)	Trade Creditors	1,00,000	90,000	10,000
(iv)	Outstanding Expenses	85,000	1,00,000	(15,000)
	Net Profit on Revaluation			35,000

Share of x : ₹ [35,000 × (3/10)] = ₹ 10,500 (Cr.)

y : Nil

z : ₹ [35,000 × (– 2/10)] = ₹ 7,000 (Dr.)

w : ₹ [35,000 × (– 1/10)] = ₹ 3,500 (Dr.)

Adjustment Entry

Date	*Particulars*		*LF*	*Dr.* (₹)	*Cr.* (₹)
(i)	Z's Capital A/c	Dr.		7,000	
	W's Capital A/c	Dr.		3,500	
	To x's Capital A/c				10,500
	(Being adjustment of profit on revaluation)				

Q 55. At the time of admission of a new partner the assets and liabilities of A and B were revalued as follows. The following revaluations were made :

(i) A provision for doubtful debts @ 10% was made on Sundry Debtors. (Sundry Debtors ₹ 50,000).

(ii) Creditors were written back ₹ 5,000.

(iii) Building was appreciated by 20% (Book value of building ₹ 2, 00,000).

(iv) Unrecorded investment were worth ₹ 15,000.

(v) A Provision of ₹ 2,000 was made for an outstanding bill for repairs.

(vi) Unrecorded liability towards suppliers was ₹ 3,000.

Pass necessary Journal entries.

Sol. **Journal Entries**

Date	*Particulars*		*LF*	*Dr.* (₹)	*Cr.* (₹)
(i)	Revaluation A/c (50,000 × 10%)	Dr.		5,000	
	To Provision for D/D				5,000
	(Being provision for D/D made)				

(ii)	Creditors A/c Dr. To Revaluation A/c (Being creditors were written back)		5,000	5,000
(iii)	Building A/c (2,00,000 × 20%) Dr. To Revaluation A/c (Being building revalued)		40,000	40,000
(iv)	Unrecorded Investments A/c Dr. To Revaluation A/c (Being unrecorded investment ₹ 15,000)		15,000	15,000
(v)	Revaluation A/c Dr. To Outstanding Bill for repairs (Being reserve for an o/s bills was made)		2,000	2,000
(vi)	Revaluation A/c Dr. To Unrecorded Liability (Being unrecorded liability towards suppliers was ₹ 3,000)		3,000	3,000

Q. 56. X and Y are partners in a firm sharing profits and losses in the ratio of 3 : 2. On 1st April, 2018, they admit Z as a new partner for 1/5th share in profits. On that date, there was a balance of ₹ 1,50,000 in General Reserve and a debit balance of ₹ 20,000 in the Profit and Loss Account of the firm. Pass necessary Journal entries regarding adjustment of reserve and accumulated profit/loss.

Sol. Journal

Date	*Particulars*	*LF*	*Dr.* (₹)	*Cr.* (₹)
(i)	General Reserve A/c Dr. To *x*'s Capital A/c To *y*'s Capital A/c (Being amount of General Reserve distribute)		1,50,000	 90,000 60,000
(ii)	*x*'s Capital A/c Dr. *y*'s Capital A/c Dr. To Profit & Loss A/c (Being amount of P&l (Dr. Balance) transferred)		12,000 8,000	 20,000

Q. 57. X and Y were partners in firm sharing profits and losses in the ratio of 2 : 1. Z was admitted for 1/3rd share in the profits. On the date of Z's admission, the Balance Sheet of X and Y showed General Reserve of ₹ 2,50,000 and a credit balance of ₹ 50,000 in Profit and Loss Account. Pass necessary Journal entries on the treatment of these items on Z's admission.

Sol. Journal

Date	*Particulars*	*LF*	*Dr.* (₹)	*Cr.* (₹)
(i)	General Reserve A/c Dr. Profit & Loss A/c Dr. To *x*'s Capital A/c [3,00,000 × 2/3] To *y*'s Capital A/c [3,00,000 × 1/3] (Being amount of G/R and P&L distribute in old Radio to old partners		2,50,000 50,000	 2,00,000 1,00,000

Q. 58. (*a*) X, Y and Z are partners sharing profits and losses in the ratio of 5 : 3 : 2. They decide to admit W for 1/6th share. The following items appear in the Balance Sheet on the date of admission.

	₹
General Reserve	36,000
Contingency Reserve	6,000
Profit and Loss A/c (Cr.)	18,000
Advertisement Suspense A/c (Dr.)	24,000

Pass necessary Journal entries.

(*b*) A and B were partners in a firm sharing profits in 4 : 3 ratio. On 1st April, 2018, they admitted C as a new partner. On the date of C's admission, the Balance Sheet of A and B showed a General Reserve of ₹ 84,000 and a debit balance of ₹ 8,400 in the 'Profit and Loss Account'. Pass necessary Journal entries for the treatment of these items on C's admission.

(*c*) Give the Journal entry to distribute 'Workmen Compensation Reserve' of ₹ 72,000 at the time of admission of Z, when there is no claim against it. The firm has two partners X and Y.

(*d*) Give the Journal entry to distribute 'Workmen Compensation Reserve' of ₹ 72,000 at the time of admission of Z, when there is claim ₹ 48,000 against it. The firm has two partners X and Y.

(*e*) Give the Journal entry to distribute 'Investment Fluctuation Reserve' of ₹ 24,000 at the time of admission of Z, when Investment (Market Value ₹ 1,10,000) appears at ₹ 1,20,000. The firm has two parnters X and Y.

(*f*) Give the Journal entry to distribute 'General Reserve' of ₹ 4,800 at the time of admission of Z, when 20% of General Reserve is to be transferred to Investment Fluctuation Reserve. The firm has two parnters X and Y.

(*g*) A, B and C were partners sharing profits and losses in the ratio of 6 : 3 :1. They decide to take D into partnership with effect from 1st April, 2018. The new profit-sharing ratio between A, B, C and D will be 3 : 3 : 3 : 1. They also decide to record the effect of the following without affecting their book figures, by passing a single adjustment entry—

	Book Figure (₹)
General Reserve	1,50,000
Contingency Reserve	60,000
Profit and Loss A/c (Cr.)	90,000
Advertisement Suspense A/c (Dr.)	1,20,000

Pass the necessary single adjustment entry, through the Partner's Current Account.

Sol. Case (*a*)

Journal

Date	*Particulars*		*LF*	*Dr.* (₹)	*Cr.* (₹)
(*i*)	General Reserve A/c	Dr.		36,000	
	Contin. Reserve A/c	Dr.		6,000	
	Profit & Loss A/c	Dr.		18,000	
	To *x*'s Capital A/c [60,000 × (5/10)]				30,000
	To *y*'s Capital A/c [60,000 × (3/10)]				18,000
	To *z*'s Capital A/c [60,000 × (2/10)]				12,000
	(Being amount of G/R, P&L A/c transferred to partners)				

(ii)	x's Capital A/c [24,000 × (5/10)] Dr.		12,000	
	y's Capital A/c [24,000 × (3/10)] Dr.		7,200	
	z's Capital A/c [24,000 × (2/10)] Dr.		4,800	
	To Advertisement Suspense A/c			24,000
	(Being Loss of Adver. Suspense transferred to parnters)			

Case (*b*)

Date	*Particulars*	*LF*	*Dr.* (₹)	*Cr.* (₹)
(*i*)	General Reserve A/c Dr.		84,000	
	To A's Capital A/c [84,000 × 4/7]			48,000
	To B's Capital A/c [84,000 × 3/7]			36,000
	(Being balance of G/R transferred to partners in 4 : 3)			
(*ii*)	A's Capital A/c [8,400 × 4/7] Dr.		4,800	
	B's Capital A/c [8,400 × (3/7)] Dr.		3,600	
	To Profit and Loss A/c			8,400
	(Being debit balance of P & L transferred to parnters in 4 : 3)			

Case (*c*),

Date	*Particulars*	*LF*	*Dr.* (₹)	*Cr.* (₹)
(*i*)	Workmen Comp. Reserve A/c Dr.		72,000	
	x's Capital A/c [72,000 × (1/2)]			36,000
	y's Capital A/c [72,000 × (1/2)]			36,000
	(Being balance of W.C.R. transferred to painters in 1 : 1)			

Case (*d*)

Date	*Particulars*	*LF*	*Dr.* (₹)	*Cr.* (₹)
(*i*)	Workmen Comp. Reserve A/c Dr.		72,000	
	To Workmen Comp. Claim A/c			48,000
	To *x*'s Capital A/c [72,000 – 48,000 × (1/2)]			12,000
	To *y*'s Capital A/c [72,000 – 48,000 × (1/2)]			12,000
	(Being Provision for W. C. claim made and balance transferred)			

Case (*e*)

Date	*Particulars*	*LF*	*Dr.* (₹)	*Cr.* (₹)
(*i*)	Investment Fluc. Reserve A/c Dr.		24,000	
	To Investment A/c			10,000
	To *x*'s Capital A/c [24,000 – 10,000 × (1/2)]			7,000
	To *y*'s Capital A/c [24,000 – 10,000 × (1/2)]			7,000
	(Being value of investment decreased and balance transferred)			

Case (f)

Date	Particulars		LF	Dr. (₹)	Cr. (₹)
(i)	General Reserve A/c	Dr.		4,800	
	To Invest. fluc. Res. A/c [4,800 × 20%]				960
	To x's Capital A/c [4,800 – 960 × (1/2)]				1,920
	To y's Capital A/c [4,800 – 960 × (1/2)]				1,920
	(Being 20% of G/R transferred to I.F.R. and balance to partners)				

Case (g) Working Note—

(i) Old P.S. Ratio of A : B : C = 6 : 3 : 1

(ii) New P.S. Ratio of A : B : C : D = 3 : 3 : 3 : 1

Sacrifice/Gain to—

A = (6/10) – (3/10) = (6 – 3)/10 = 3/10 Sacrifice

B = (3/10) – (3/10) = (3 – 3)/10 = 0

C = (1/10) – (3/10) = (1 – 3)/10 = – 2/10 Gain

(iii) Total Value of Adjustment = ₹ (1,50,000 + 60,000 + 90,000 – 1,20,000)

= ₹ 1,80,000

Journal

Date	Particulars		LF	Dr. (₹)	Cr. (₹)
(i)	C's current A/c [1,80,000 × (2/10)]	Dr.		36,000	
	D's Current A/c [1,80,000 × (1/10)]	Dr.		18,000	
	To A's Current A/c [1,80,000 × (3/10)]				54,000
	(Being adjustment of Reserve & Losses made at admission)				

Q. 59. A and B, carrying on business in partnership and sharing profits and losses in the ratio of 3:2, require a partner, when their balance sheet stood as:

Liabilities	₹	Assets	₹
Creditors	**11,800**	**Cash**	**1,500**
A's Capital	**51,450**	**Stock**	**28,000**
B's Capital	**36.750**	**Debtors**	**19,500**
		Furniture	**2,500**
		Machinery	**48,500**
	1,00,000		**1,00,000**

They admit C into partnership and give him 1/8th share in the future profits on the following terms: (a) Goodwill of the firm be valued at twice the average of the last three year's profits, which amounted to ₹ 21,000, ₹ 24,000 and ₹ 25,560. (b) C is to bring in cash for the amount of his share of goodwill. (c) C is to bring in cash ₹ 15,000 as his capital. Pass Journal entries recording these transactions, draw out the Balance Sheet of the New firm and state new profit-sharing ratio.

Sol. **Calculation of profit sharing ratio**

Let total profit = 1, and given C's share = 1/8

A's share = 7/8 × 3/5 = 21/40

B's share = 7/8 × 2/5 = 14/40

C's share = 1/8 × 5/5 = 5/40

New profit sharing ratio = A : B : C = 21 : 14 : 5

Journal Entries

Date	*Particulars*	*LF*	*Dr. (₹)*	*Cr. (₹)*
	Cash A/c Dr.		20,880	
	To C's Capital A/c			15,000
	To Premium (Goodwill) A/c			5,880
	(Being cash brought into by C as his capital and share of G/W)			
	Premium A/c Dr.		5,880	
	To A's Capital Account (5,880 × 3/5)			3,528
	To B's Capital Account (5,880 × 2/5)			2,352
	(Being amount of G/W credited to A and B in S.R.)			

Average Profits = (21, 000 + 24, 000 + 25,560)/3 = ₹ 70,560 / 3 = ₹ 23,520

Goodwill = ₹ 23,520 × 2 = ₹ 47,040

C's share of goodwill = ₹ 47,040 / 8 = ₹ 5,880

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

Particulars	*A (₹)*	*B (₹)*	*C (₹)*	*Particulars*	*A (₹)*	*B (₹)*	*C (₹)*
To Balance c/d	54,978	39,102	15,000	By Balance b/d	51,450	36,750	
				By Cash A/c			15,000
				By Premium A/c	3,528	2,352	
	54,978	**39,102**	**15,000**		**54,978**	**39,102**	**15,000**

Balance sheet after c's admission

Liabilities		₹	*Assets*	₹
Creditors		11,800	Cash (1,500 + 15,000 + 5,880)	22,380
Capitals			Stock	28,000
A	54,978		Debtors	19,500
B	39,102		Machinery	48,500
C	15,000	1,09,080	Furniture	2,500
		1,20,880		1,20,880

Q. 60. X, Y and Z are equal partners with capitals of ₹ 1,500, ₹ 1,750 and ₹ 2,000 respectively. They agree to admit W into equal partnership upon payment in cash of ₹ 1,500 for 1/4th share of the goodwill and ₹ 1,800 as his capital, both sums to remain in the business. The liabilities of the old firm amounted to ₹ 3,000 and the assets, apart from cash, consists of Motors ₹ 1,200, Furniture ₹ 400, Stock ₹ 2,650 and Debtors ₹ 3,780. The Motors and Furniture were revalued at ₹ 950 and ₹ 380 respectively. Pass Journal entries to give effect to the above arrangement and also show the initial Balance Sheet of the new firm.

Sol. **Journal Entries**

Date	Particulars	LF	Dr. (₹)	Cr. (₹)
	Cash A/c Dr.		3,300	
	To W's Capital A/c			1,800
	To Premium for Goodwill A/c			1,500
	(Being cash brought into by W as his capital and share of G/W)			
	Premium for Goodwill A/c Dr.		1,500	
	To X's Capital A/c			500
	To Y's Capital A/c			500
	To Z's Capital A/c			500
	(Being amount of G/W credited to X, Y and Z in sacrificing ratio)			

Dr. **Revaluation Account** Cr.

Particulars	₹	Particulars	₹
To Motors (1,200 – 950)	250	By Capital A/c – loss	
To Furniture (400 – 380)	20	X = 270 × 1/3 = 90	
		Y = 270 × 1/3 = 90	
		Z = 270 × 1/3 = 90	270
	270		270

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

Particulars	X (₹)	Y (₹)	Z (₹)	W (₹)	Particulars	X (₹)	Y (₹)	Z (₹)	W (₹)
To Rev. Loss	90	90	90	—	By Balance b/d	1,500	1,750	2,000	–
To Balance c/d	1,910	2,160	2,410	1,800	By Cash A/c	—	—	—	1,800
					By Premium A/c	500	500	500	—
	2,000	2,250	2,500	1,800		2,000	2,250	2,500	1,800

Balance Sheet of the New Firm

Liabilities		₹	Assets	₹
Liabilities		3,000	Motors	950
Capitals X	1,910		Furniture	380
Y	2,160		Stock	2,650
Z	2,410		Debtors	3,780
W	1,800	8,280	Cash (220 + 3,300)	3,520
		11,280		11,280

Working Note :

Opening Balance sheet

Liabilities		₹	Assets	₹
Liabilities		3,000	Motors	1,200
Capitals			Furniture	400
X	1,500		Stock	2,650
Y	1,750		Debtors	3,780
Z	2,000	5,250	Cash (Balance)	220
		8,250		8,250

Q. 61. Following was the Balance Sheet of A and B who were sharing profit 2 : 1 as at 31st March, 2016.

Liabilities	₹	*Assets*	₹
Capital Account		Building	25,000
A	15,000	Plant and Machinery	17,500
B	10,000	Stock	10,000
Sundry Creditors	32,950	Sundry Debtors	4,850
		Cash in Hand	600
	57,950		57,950

They agree to admit C into the partnership on the following terms:

(*a*) C was to bring in ₹ 7,500 as his capital and ₹ 3,000 as Goodwill for one-fourth share in the firm.

(*b*) Values of the Stock and Plant and Machinery were to be reduced by 5%.

(*c*) Provision for Doubtful Debts was to be created in respect of Sundry Debtors ₹ 375.

(*d*) Building Account was to be appreciated by 10%.

(*e*) Pass necessary Journal entries to give effect to the above arrangements, prepare Profit and Loss Adjustment Account, (OR Revaluation Account) Capital Accounts and a Balance Sheet of the new firm.

Sol. **Journal Entries**

Date	*Particulars*		*LF*	*Dr.* (₹)	*Cr.* (₹)
	Cash Account	Dr.		10,500	
	To C's Capital A/c				7,500
	To Premium for Goodwill A/c				3,000
	(Being cash brought into by C as his capital and share of G/W)				
	Premium for Goodwill A/c	Dr.		3,000	
	To A's Capital A/c (3,000 × 2/3)				2,000
	To B's Capital A/c (3,000 × 1/3)				1,000
	(Being share of G/W transferred to A and B's capital A/c)				
	Revaluation Account	Dr.		1,750	
	To Stock (10,000 × 5%)				500
	To Machinery (17,500 × 5%)				875
	To Reserve for Debtors				375
	(Being Assets revalued)				
	Buildings (25,000 × 10%)	Dr.		2,500	
	To Revaluation Account				2,500
	(Being Building revalued)				
	Revaluation Account	Dr.		750	
	To A's Capital A/c (750 × 2/3)				500
	To B's Capital A/c (750 × 1/3)				250
	(Being revaluation profit transferred to old partners)				

Dr. **Profit and loss adjustment (Revaluation) Account** Cr.

Particulars		₹	*Particulars*	₹
To Stock		500	By Building	2,500
To Machinery		875		
To Reserve for Debtors		375		
To Capital A/c : Profits				
A	500			
B	250	750		
		2,500		2,500

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

Particulars	*A* (₹)	*B* (₹)	*C* (₹)	*Particulars*	*A* (₹)	*B* (₹)	*C* (₹)
To Balance c/d	17,500	11,250	7,500	By Balance b/d	15,000	10,000	
				By Cash A/c			7,500
				By Premium A/c	2,000	1,000	
				By Rev A/c- Profit	500	250	
	17,500	11,250	7,500		17,500	11,250	7,500

Balance sheet after C's admission

Liabilities		₹	*Assets*		₹
Capital Accounts			Buildings (25,000 + 2,500)		27,500
A	17,500		Plant and Machinery (17,500 – 875)		16,625
B	11,250		Stock (10,000 – 500)		9,500
C	7,500	36,250	Sundry Debtors	4,850	
Sundry Creditors		32,950	*Less*: Reserve	375	4,475
			Cash in Hand (600 + 10,500)		11,100
		69,200			69,200

Q. 62. Given below is the Balance Sheet of A and B, who are carrying on partnership business on 31st March, 2018. A and B share profits and losses in the ratio of 2 : 1.

Balance Sheet of A and B
as at 31st March, 2018

Liabilities		₹	*Assets*	₹
Bills Payable		**10,000**	**Cash in Hand**	**10,000**
Creditors		**58,000**	**Cash at Bank**	**40,000**
Outstanding Expenses		**2,000**	**Sundry Debtors**	**60,000**
Capital A/cs :			**Stock**	**40,000**
A	**1,80,000**		**Plant**	**1,00,000**
B	**1,50,000**	**3,30,000**	**Building**	**1,50,000**
Total		**4,00,000**	**Total**	**4,00,000**

C is admitted as a partner on the date of the Balance Sheet on the following terms :

(a) C will bring in ₹ 1,00,000 as his capital and ₹ 60,000 as his share of goodwill for 1/4th share in the profits.

(b) Plant is to be appreciated to ₹ 1,20,000 and the value of building is to be appreciated by 10%.

(c) Stock is found overvalued by ₹ 4,000.

(d) A provision for doubtful debts is to be created at 5% of sundry debtors.

(e) Creditors were unrecorded to the extent of ₹ 1,000.

Pass the necessary Jouranal entries, prepare the Revaluation Account and Partners' Capital Accounts, and show the Balance Sheet after the admission of C.

Sol. **Revaluation A/c**

Particulars		₹	*Particulars*	₹
To Stock		4,000	By Plant	20,000
To P.B.d.		3,000	By Land & Building	15,000
To Creditors		1,000		
To Rev. Profit				
A	18,000			
B	9,000	27,000		
Total		35,000	Total	35,000

Partners Capital A/c

Particular	A	B	C	*Particular*	A	B	C
To bal. c/d	2,38,000	1,79,000	1,00,000	By Bal. b/d	1,80,000	1,50,000	–
				By Rev.	18,000	9,000	–
				By Bank	–	–	1,00,000
				By Premium for G/w	40,000	20,000	–
Total	2,38,000	1,79,000	1,00,000	Total	2,38,000	1,79,000,	1,00,000

Balance Sheet

Liabilities		₹	*Assets*		₹
B/P		10,000	Cash in hand		1,70,000
Creditors		59,000	Cash at Bank		40,000
Outstanding Exp.		20,000	Sundy Deb.	60,000	
Capital A/c			*Less* : P.B.D.	– 3,000	57,000
A	2,38,000		Stock		36,000
B	1,79,000		Plant		1,20,000
C	1,00,000	5,17,000	Building		1,65,000
Total		5,88,000	Total		5,88,000

Q. 63. Balance Sheet of J and K who share profits in the ratio of 3 : 2 is as following :

Balance sheet
as on 31st March 2018

Liabilities	₹	*Assets*	₹
J's Capital	1,00,000	Cash	2,00,000
K's Capital	1,50,000	Other Assets	1,50,000
Reserve	1,00,000		
	3,50,000		3,50,000

M joins the firm from 1st April, 2018 for a half share in the future profits. He is to pay ₹ 1,00,000 for goodwill and ₹ 3,00,000 for capital. Draft the Journal entries and prepare Balance Sheet in each of the following cases :

(*a*) If M acquires his share of profit from the firm in the Profit sharing ratios of the partners.

(*b*) If M acquires his share of profits from the firm in equal proportions from the original partners.

(*c*) If M acquires his share of profit in the ratio of 3 : 1 from the original partners, ascertain the future profit-sharing ratio of the partners in each case.

Ans. Case (*a*) :

Let share of profit = 1

M's share = 1/2

Remaining share = 1/2

J's New share = 1/2 × 3/5 = 3/10

K's New share = 1/2 × 2/5 = 2/10

M's New share = 1/2 × 5/5 = 5/10

New Ratio = 3 : 2 : 5

Journal Entries

Date	*Particulars*	*LF*	*Dr.* (₹)	*Cr.* (₹)
(*i*)	Cash A/c Dr.		4,00,000	
	To M's capital A/c			3,00,000
	To Premium for goodwill A/c			1,00,000
	(Being M brought cash and G/W for his share)			
(*ii*)	Premium for Goodwill A/c Dr.		1,00,000	
	To J's Capital A/c			60,000
	To K's Capital A/c			40,000
	(Being G/W shared among the old partners)			

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

Particulars	*J* (₹)	*K* (₹)	*M* (₹)	*Particulars*	*J* (₹)	*K* (₹)	*M* (₹)
To Balance c/d	2,20,000	2,30,000	3,00,000	By Bal. b/d	1,00,000	1,50,000	—
				By Cash A/c	—	—	3,00,000
				By Premium	60,000	40,000	—
				By Reserve	60,000	40,000	—
	2,20,000	2,30,000	3,00,000		2,20,000	2,30,000	3,00,000

Balance Sheet

Liabilities	₹	Assets	₹
J's Capital	2,20,000	Cash (2,00,000 + 4,00,000)	6,00,000
K's Capital	2,30,000	Other Assets	1,50,000
M's Capital	3,00,000		
	7,50,000		7,50,000

Case (*b*) :

Old Ratio = 3 : 2

Let Total Share of profit = 1

M's share = 1/2

J sacrifice for M = 1/2 × 1/2 = 1/4

K sacrifice for M = 1/2 × 1/2 = 1/4

Sacrificing Ratio = 1 : 1

New Ratio = Old Ratio – Sacrificing Ratio

J's New share = 3/5 – 1/4 = (12 – 5)/20 = 7/20

K's New share = 2/5 – 1/4 = (8 – 5)/20 = 3/20

M's Share = 1/2 × 10/10 = 10/20

New Ratio = 7 : 3 : 10

Journal Entries

Date	Particulars	LF	Dr. (₹)	Cr. (₹)
(*i*)	Cash A/c Dr.		4,00,000	
	To M's capital A/c			3,00,000
	To Premium for goodwill A/c			1,00,000
	(Being M brought cash and G/W for his share)			
(*ii*)	Premium for Goodwill A/c Dr.		1,00,000	
	To J's Capital A/c (1,00,000 × 1/2)			50,000
	To K's Capital A/c (1,00,000 × 1/2)			50,000
	(Being G/W shared among the old partners)			

Dr. Partner's Capital Accounts Cr.

Particulars	J (₹)	K (₹)	M (₹)	Particulars	J (₹)	K (₹)	M (₹)
To Balance c/d	2,10,000	2,40,000	3,00,000	By Bal. b/d	1,00,000	1,50,000	–
				By Cash A/c	–	–	3,00,000
				By Premium	50,000	50,000	–
				By Reserve	60,000	40,000	–
	2,10,000	2,40,000	3,00,000		2,10,000	2,40,000	3,00,000

Balance Sheet

Liabilities	₹	Assets	₹
J's Capital	2,10,000	Cash (2,00,000 + 4,00,000)	6,00,000
K's Capital	2,40,000	Other Assets	1,50,000
M's Capital	3,00,000		
	7,50,000		7,50,000

Case (*c*) :

Old Ratio = 3 : 2

Let Total Share of profit = 1

M's share = 1/2

J sacrifice for M = $1/2 \times 3/4 = 3/8$

K sacrifice for M = $1/2 \times 1/4 = 1/8$

Sacrificing Ratio = 3 : 1

New Ratio = Old Ratio – Sacrificing Ratio

J's New share = $3/5 - 3/8 = (24 - 15)/40 = 9/40$

K's New share = $2/5 - 1/8 = (16 - 5)/40 = 11/40$

M's Share = $1/2 \times 20/20 = 20/40$

New Ratio = 9 : 11 : 20

Journal Entries

Date	*Particulars*		*LF*	*Dr.* (₹)	*Cr.* (₹)
(*i*)	Cash A/c	Dr.		4,00,000	
	To M's capital A/c				3,00,000
	To Premium for goodwill A/c				1,00,000
	(Being M brought cash and G/W for his share)				
(*ii*)	Premium for Goodwill A/c	Dr.		1,00,000	
	To J's Capital A/c (1,00,000 × 3/4)				75,000
	To K's Capital A/c (1,00,000 × 1/4)				25,000
	(Being G/W shared among the old partners)				

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

Particulars	*J* (₹)	*K* (₹)	*M* (₹)	*Particulars*	*J* (₹)	*K* (₹)	*M* (₹)
To Balance c/d	2,35,000	2,15,000	3,00,000	By Bal. b/d	1,00,000	1,50,000	–
				By Cash A/c	–	–	3,00,000
				By Premium	75,000	25,000	–
				By Reserve	60,000	40,000	–
	2,35,000	2,15,000	3,00,000		2,35,000	2,15,000	3,00,000

Balance Sheet

Liabilities	₹	*Assets*	₹
J's Capital	2,35,000	Cash (2,00,000 + 4,00,000)	6,00,000
K's Capital	2,15,000	Other Assets	1,50,000
M's Capital	3,00,000		
	7,50,000		7,50,000

Q. 64. The Balance Sheet of Madhu and Vidhi who are sharing profits in the ratio of 2 : 3 as at 31st March, 2016 is given below.—

Liabilities	₹	*Assets*		₹
Madhu's Capital	5,20,000	Land and Building		3,00,000
Vidhi's Capital	3,00,000	Machinery		2,80,000
General Reserve	30,000	Stock		80,000
Bills Payable	1,50,000	Debtors	3,00,000	
		Less : Provision	10,000	2,90,000
		Bank		50,000
	10,00,000			10,00,000

Madhu and Vidhi decided to admit Gayatri as a new partner from 1st April, 2016 and their new profit-sharing ratio will be 2 : 3 : 5. Gayatri brought ₹ 4,00,000 as her capital and her share of goodwill premium in cash.

(*a*) Goodwill of the firm was valued at ₹ 3,00,000.

(*b*) Land and Building was found undervalued by ₹ 26,000.

(*c*) Provision for doubtful debts was to be made equal to 5% of the debtors.

(*d*) There was a claim of ₹ 6,000 on account of workmen compensation.

Prepare Revaluation Account, Partners' Capital Accounts and the Balance Sheet of the reconstituted firm.

Sol.

Revaluation A/c

Particulars		₹	*Particulars*	₹
To P.B.d		5,000	By Land & Building	26,000
To Claim		6,000		
To Rev. Profit				
Madhu's Capital	6,000			
Vidhi Capital	9,000	15,000		
Total		**26,000**	**Total**	**26,000**

Partners Capital A/c

Particular	*Mabhu*	*Vidhi*	*Gayatri*	*Particular*	*Madhu*	*Vidhi*	*Gayatri*
To bal. c/d	598,000	417,000	400,000	By Bal. b/d	520,000	300,000	—
				By General Rs	12,000	18,000	—
				By Rev. A/c	6,000	9,000	—
				By Bank	—	—	400,000
				By Prem. G/w	60,000	90,000	—
Total	**598,000**	**417,000**	**400,000**	**Total**	**598,000**	**417,000**	**400,000**

Balance Sheet

Liabilities		₹	*Assets*		₹
Capital A/c			Land & Building		3,26,000
Madhu	5,98,000		Machinery		2,80,000
Vidhi	4,17,000		Stock		80,000
Gayatri	400,000	14,15,000	Debtors	3,00,000	
Bill Payable		1,50,000		− 15,000	2,85,000
Wolkmen compensation		6,000	Bank		6,00,000
Total		**15,71,000**	**Total**		**15,71,000**

Q. 65. Shyamlal and Sanjay were in partnership business sharing profits and losses in the ratio of 2 : 3 respectively. Their Balance Sheet as at 31st March 2017 was—

Liabilities	₹	*Assets*	₹
Sundry Creditors	12,435	Cash in Hand	710
Capital A/cs:		Cash at Bank	11,925
Shyamlal	34,050	Sundry Debtor	5,500
Sanjay	34,050	Stock	18,000
		Furniture	4,400
		Building	40,000
	80,535		80,535

On Ist April, 2018, they admitted Shanker into partnership for 1/3 share in the future profits on the following terms:

(*a*) Shanker is to bring in ₹ 30,000 as his capital and ₹ 20,000 as goodwill, which is to remain in the business.

(*b*) Stock and furniture are to be reduced in value by 10%

(*c*) Building is to be appreciated by ₹ 15,000.

(*d*) Provision of 5% is to be made on Sundry Debtors for doubtful debts.

(*e*) Unaccounted Accured Income of ₹ 2,400 to be provided for. A debtor, whose dues of ₹ 4,800 were written off as bad debts, paid 50% in full settlement.

(*f*) Outstanding Rent amounted to ₹ 4,800.

Show the Profit and Loss Adjustment Account (Revaluation Account) Capital Accounts of partners and the opening Balance Sheet of the new firm.

Sol.

Dr. **Profit and loss Adjustment Account (Revaluation A/c)** Cr.

Particulars	₹	*Particulars*	₹
To Stock (18,000 × 10%)	1,800	By Building	15,000
To Furniture (4,400 × 10%)	440	By Accured Income	2,400
To Provision for D/D	275	By Cash A/c [4,800 × 50%]	2,400
To O/S Rent	4,800		
To Capital A/c's – Profits			
Shyamlal 12,485 × 2/5 = 4,994			
Sanjay 12,485 × 3/5 = 7,491	12,485		
	19,800		19,800

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

Particulars	*Shyamlal* (₹)	*Sanjay* (₹)	*Shanker* (₹)	*Particulars*	*Shyamlal* (₹)	*Sanjay* (₹)	*Shanker* (₹)
To Balance c/d	47,044	53,541	30,000	By Balance b/d	34,050	34,050	
				By Bank A/c			30,000
				By Premium	8,000	12,000	
				By Rev – Profit	4,994	7,491	
	47,044	53,541	30,000		47,044	53,541	30,000

Balance Sheet

Liabilities		₹	Assets		₹
Sundry Creditors		12,435	Cash in Hand [710 + 2,400]		3,110
Capital			Cash at Bank		
			(11,925 + 30,000 + 20,000)		61,925
Shyamlal	47,044		Debtors	5,500	
Sanjay	53,541		*Less*: Reserve	275	5,225
Shanker	30,000	1,30,585	Stock (18,000 – 1,800)		16,200
To O/s Rent		4,800	Furniture (4,400 – 440)		3,960
			Buildings		55,000
			Accured Income		2,400
		1,47,820			1,47,820

Q. 66. A, B and C are partners sharing profits and losses in the ratio of 3 : 2 : 1 respectively. Their Balance Sheet as at 31st March, 2018 is as follows :

Balance Sheet

Liabilities	₹	Assets	₹
Capital A/cs :		**Land and Building**	**50,000**
A	**60,000**	**Plant and Machinery**	**40,000**
B	**60,000**	**Furniture**	**30,000**
C	**40,000**	**Stock**	**20,000**
Creditors	**30,000**	**Debtors**	**30,000**
Bills Payable	**10,000**	**Bills Receivable**	**20,000**
		Bank	**10,000**
	2,00,000		**2,00,000**

D is admitted as a new partner on 1st April, 2018 for an equal share and is to pay ₹ 50,000 as capital.

Following are the required adjustments on D's admission :

(*a*) Out of the Creditors, a sum of ₹ 10,000 is due to D which will be transferred to his capital Account.

(*b*) Advertisement Expenses of ₹ 1,200 are to be carried forward to next accounting period as Prepaid Expenses.

(*c*) Expenses debited in the Profit and Loss Account includes a sum of ₹ 2,000 paid for B's personal expenses.

(*d*) A Bill of Exchange of ₹ 4,000, which was previously discounted with the banker, was dishonoured on 31st March, 2018 but no entry has been passed for that.

(*e*) A Provision for Doubtful Debts @ 5% is to be created against Debtors.

(*f*) Expenses on revaluation amounted to ₹ 2,100 is paid by A.

Prepare necessary Ledger Accounts and Balance Sheet after D's admission.

Sol.

Dr. **Revaluation Account** Cr.

Particulars	₹	Particulars		₹
To Provision on Deb. (34,000 × 5%)	1,700	By Prepaid adv. Expenses		1,200
To A's Capital A/c		By B's capital A/c (Personal Exp.)		2,000
(Exps on Revaluation)	2,100	By Partner's capital A/c Loss		
		A (600 × 3/6)	300	
		B (600 × 2/6)	200	
		C (600 × 1/6)	100	600
	3,800			3,800

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

Particulars	A (₹)	B (₹)	C (₹)	D (₹)	Particulars	A (₹)	B (₹)	C (₹)	D (₹)
					By Bal. b/d	60,000	60,000	40,000	—
To Revaluation A/c					By Creditors A/c	—	—	—	10,000
(Personal Exp.)	—	2,000	—	—	By Bank A/c	—	—	—	40,000
To Rev. Loss	300	200	100	—	By Rev. Exps.	2,100			
To Bal. c/d	61,800	57,800	39,900	50,000					
	62,100	60,000	40,000	50,000		62,100	60,000	40,000	50,000

Balance Sheet

Liabilities		₹	Assets	₹
Capital A/c :			Land and Building	50,000
A	61,800		Plant and Machinery	40,000
B	57,800		Furniture	30,000
C	39,900		Stock	20,000
D	50,000	2,09,500	Debtors (30,000 + 4,000 – 1,700)	32,300
Creditors (30,000 – 10,000)		20,000	Bills Receivable	20,000
Bills payable		10,000	Bank (10,000 + 40,000 – 4,000)	46,000
			Prepaid Advertisement Exps.	1,200
		2,39,500		2,39,500

Q. 67. X and Y share profits in the ratio of 5 : 3. Their Balance Sheet as at 31st March 2018 was

Liabilities		₹	Assets		₹
Creditors		15,000	Land and Building		5,000
Employee's Provident Fund		10,000	Sundry Debtors	20,000	
Workmen's Com. Reserve		5,800	*Less* : Provision for D/D	600	19,400
Capital A/cs :			Stock		25,000
X	70,000		Fixed Assets		80,000
Y	31,000	1,01,000	Profit and Loss A/c		2,400
		1,31,800			1,31,800

They admit Z into partnership with 1/8th share in profits on this date. Z brings ₹ 20,000 as his capital and ₹ 12,000 for goodwill in cash. Z acquires his share entirely from X. Following revalutions are also made :

(a) Empolyee provident fund is to be increased by ₹ 5,000.

(b) All Debtors are good. Therefore, no provision is required on debtors.

(c) Stock includes ₹ 3,000 for obsolete items.

(d) Creditors are to be paid ₹ 1,000 more.

(e) Fixed Assets are to be revalued, at ₹ 70,000.

Prepare Journal entries, necessary accounts and new balance sheet. Also calculate the new profit sharing ratio.

Sol. X's NR= 5/8 – 1/8 = 4/8, Y = 3/8, Z=1/8, NR = 4:3:1

Journal Entries

Date	*Particulars*		*LF*	*Dr.* (₹)	*Cr.* (₹)
	Cash Account	Dr.		32,000	
	To Z's Capital A/c				20,000
	To Premium A/c				12,000
	(Being cash brought into by Z as his capital and share of premium)				
	Premium A/c	Dr.		12,000	
	To X's Capital A/c				12,000
	(Being share of premium transferred to X's capital A/c)				
	Workmen's Compensation Fund	Dr.		5,800	
	To X's Capital A/c (5,800 × 5/8)				3,625
	To Y's Capital A/c (5,800 × 3/8)				2,175
	(Being workmen compensation fund transferred to old partners)				
	X's Capital A/c (2,400 × 5/8)	Dr.		1,500	
	Y's Capital A/c (2,400 × 3/8)	Dr.		900	
	To Profit/Loss A/c				2,400
	(Being profit/loss A/c (Dr. Baiance) adjusted through old partner's capital A/c)				
	Revaluation Account	Dr.		19,000	
	To Provident Fund				5,000
	To Stock				3,000
	To Creditors				1000
	To Fixed Assets (80,000 – 70,000)				10,000
	(Being asset adjusted)				
	Provision for D/D	Dr.		600	
	To Revaluation Account				600
	(Being No Need of provision for D/D)				
	X's Capital A/c (18,400 × 5/8)	Dr.		11,500	
	Y's Capital A/c (18,400 × 3/8)	Dr.		6,900	
	To Revaluation Account (19,000 –600)				18,400
	(Being revaluation loss adjusted through old partner's capital A/c)				

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

Particulars	X (₹)	Y (₹)	Z (₹)	*Particulars*	X (₹)	Y (₹)	Z (₹)
To P/L A/c	1,500	900	—	By balance b/d	70,000	31,000	—
To Rev – Loss	11,500	6,900	—	By Cash A/c	—	—	20,000
To Balance c/d	72,625	25,375	20,000	By W C Fund	3,625	2,175	—
				By Premium A/c	12,000	—	—
	85,625	33,175	20,000		85,625	33,175	20,000
				By Balance b/d	72,625	25,375	20,000

Balance Sheet

Liabilities		₹	*Assets*	₹
Creditors (15,000 + 1,000)		16,000	Land and Building	5,000
Provident Fund (10,000 + 5,000)		15,000	Sundry Debtors	20,000
Capital X	72,625		Stock (25,000 – 3,000)	22,000
Y	25,375		Fixed Assets	70,000
Z	20,000	1,18,000	Cash (20,000 + 12,000)	32,000
		1,49,000		1,49,000

Q. 68. Balance Sheet of Ram and Shyam who share profit in proportion to their capital, as at 31st March 2018 is

Liabilities		₹	*Assets*	₹
Sundry Creditors		**19,000**	**Freehold Premises**	**20,000**
Bills Payable		**16,000**	**Plant and Machinery**	**13,500**
Capital Accounts			**Fixtures and Fittings**	**1,750**
Ram	**30,000**		**Vehicles**	**1,350**
Shyam	**25,000**	**55,000**	**Stock**	**14,100**
Current Account			**Bills Receivable**	**13,060**
Ram	**2,000**		**Debtors**	**27,500**
Shyam	**1,800**	**3,800**	**Bank**	**1,590**
			Cash	**950**
		93,800		**93,800**

On 1st April 2018, they admitted Arjun into partnership on the following terms:

(*a*) Arjun to bring in ₹ 20,000 as capital and ₹ 6,600 for goodwill, which is to be left in the business, and he is to receive one-fourth share of the profits.

(*b*) Reserve to be raised equal to 2% on Debtors as provision for Doubtful debts.

(*c*) Value of stock to be written down by 5%.

(*d*) Freehold premises are to be taken at valuation of ₹ 22,400; Plant and Machinery, ₹ 11,800; Fixture and Fittings, ₹ 1,540 and Motor Lorries, ₹ 800.

You are required to make the necessary adjusting entries in the firm give Balance Sheet of the new firm as at 1st April, 2018 and also give the proportions in which the partners will share profits, there being no change in the proportions of Ram and Shyam.

Sol. **Journal Entries**

Date	Particulars		LF	Dr. (₹)	Cr. (₹)
	Bank A/c	Dr.		26,600	
	To Arjun's Capital Account				20,000
	To Premium Account				6,600
	(Being amount brought into By Arjun as his capital and share of premium)				
	Premium A/c	Dr.		6,600	
	To Ram's Current Account (6,600 × 6/11)				3,600
	To Shyam's Current Account (6,600 × 5/11)				3,000
	(Being amount of premium transferred to partner's current A/c)				
	Revaluation Account	Dr.		3,715	
	To Stock (14,100 × 5%)				705
	To Provision for Doubtful Debts (27,500 × 2%)				550
	To Plant and Machinery (13,500 – 11,800)				1,700
	To Fixture and Fittings (1,750 – 1,540)				210
	To Motor Lorries (1,350 – 800)				550
	(Being assets revalued)				
	Freehold Premises (22,400 – 20,000)	Dr.		2,400	
	To Revaluation Account				2,400
	(Being freehold premises revalued)				
	Ram's current A/c (1,315 × 6/11)	Dr.		717	
	Shyam's current A/c (1,315 × 5/11)	Dr.		598	
	To Revaluation Account (3,715–2,400)				1,315
	(Being revaluation loss adjusted through old partners)				

Profit Sharing Ratio = 30,000 : 25,000 = **6 : 5**

Let total profit be 1 and given, C = ¼ Remaining share = 1 – ¼ = ¾

A's new share = ¾ × 6/11 = 18/44 B's new share = ¾ × 5/11 = 15/44

C = ¼ × 11/11 = 11/44 Thus, New Ratio = **18 : 15 : 11**

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

Particulars	Ram (₹)	Shyam (₹)	Arjun (₹)	Particulars	Ram (₹)	Shyam (₹)	Arjun (₹)
To Balance c/d	30,000	25,000	20,000	By balance b/d	30,000	25,000	
				By Bank A/c			20,000
	30,000	25,000	20,000		30,000	25,000	20,000

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

Particulars	Ram (₹)	Shyam (₹)	Particulars	Ram (₹)	Shyam (₹)
To Rev.– Loss	717	598	By Balance b/d	2,000	1,800
To Balance c/d	4,883	4,202	By Premium A/c	3,600	3,000
	5,600	4,800		5,600	4,800

Balance sheet of Ram, Shyam and Arjun

Liabilities		₹	*Assets*		₹
Sundry Creditors		19,000	Freehold Premises (20,000 + 2,400)		22,400
Bills Payable		16,000	Plant & Machinery (13,500 – 1,700)		11,800
Capital accounts			Fixtures and Fittings (1,750 – 210)		1,540
Ram	30,000		Motor Lorries (1,350 – 550)		800
Shyam	25,000		Stock (14,100 – 705)		13,395
Arjun	20,000	75,000	Bills Receivable		13,060
Current Accounts			Debtors	27,500	
Ram	4,883		*Less:* Provision	550	26,950
Shyam	4,202	9,085	Bank (1,590 + 6,600 + 20,000)		28,190
			Cash		950
		1,19,085			1,19,085

Q. 69. X and Y are partners in a firm sharing profits in the ratio of 3 : 2. Their Balance Sheet as at 31st March, 2018 was as follows—

Liabilities		₹	*Assets*		₹
Outstanding Rent		**13,000**	**Cash**		**10,000**
Creditors		**20,000**	**Sundry Debtors**	**80,000**	
Workmen Compensation Res.		**5,600**	***Less :* Provision for**		
			Doubtful Debts	**4,000**	**76,000**
Capital A/cs X	**50,000**		**Stock**		**20,000**
Y	**60,000**	**1,10,000**	**Profit and Loss A/c**		**4,000**
			Machinery		**38,600**
		1,48,600			**1,48,600**

On Ist April, 2018, they admitted Z as a partner for 1/6th share on the following terms—

(*i*) Z brings in ₹ 40,000 as his share of Capital but he is unable to bring any amount for Goodwill.

(*ii*) Claim on account of Workmen Compensation is ₹ 3,000

(*iii*) To write off Bad Debts amounted to ₹ 6,000

(*iv*) Creditors are to be paid ₹ 2,000 more.

(*v*) There being a claim against the firm for damages, liabilities to the extent of ₹ 2,000 should be Created.

(*vi*) Outstanding Rent be brought down to ₹ 11,200.

(*vii*) Goodwill is valued at 1½ years' purchase of the average profits of last 3 years, less 12,000. Profits for the last 3 years amounted to ₹ 10,000, ₹ 20,000 and ₹ 30,000.

Pass Journal entries, prepare Capital Accounts and opening Balance Sheet.

Sol. Working Note—

(*i*) Goodwill = ₹ (10,000 + 20,000 + 30,000) × (1.5/3)

= ₹ 30,000 – Less ₹ 12,000 = ₹ 18,000

Journal

Date	Particulars		LF	Dr. (₹)	Cr. (₹)
(i)	Workmen Compensation Reserve	Dr.		5,600	
	To Workmen Compensation Claim A/c				3,000
	To x's Capital A/c [(5,600 – 3,000) × (3/5)]				1,560
	To y's Capital A/c [(5,000 – 3,000) × (2/5)]				1,040
	(Being adjustment of W.C. R made)				
(ii)	x's Capital A/c [4,000 × (3/5)]	Dr.		2,400	
	y's Capital A/c [4,000 × (2/5)]	Dr.		1,600	
	To Profit & Loss A/c				4,000
	(Being balance of P & L transferred to partners in 3 : 2)				
(iii)	Provision for Bad Debts A/c	Dr.		4,000	
	Revaluation A/c	Dr.		2,000	
	To Bad Debts				6,000
	(Being amount of Bad debts written off)				
(iv)	Revaluation A/c	Dr.		4,000	
	To Sundry Creditors A/c				2,000
	To Claim for damages A/c				2,000
	(Being losses charged and liabilities increased)				
(v)	Outstanding Rent A/c [13,000 – 11,200]	Dr.		1,800	
	To Revaluation A/c				1,800
	(Being amount of o/s rent decreased upto 11,200)				
(vi)	x's Capital A/c [4,200 × 3/5]	Dr.		2,520	
	y's Capital A/c [4,200 × 2/5]	Dr.		1,680	
	To Revaluation A/c				4,200
	(Being loss on revaluation transferred to partners)				
(vii)	Cash A/c	Dr.		40,000	
	To Z's Capital A/c				40,000
	(Being amount of Z's Capital brought in)				
(viii)	Z's Current A/c [18,000 × (1/6)]	Dr.		3,000	
	To x's Capital A/c [3,000 × 3/5]				1,800
	To y's Capital A/c [3,000 × (2/5)]				1,200
	(Being amounted of Z's share of G/W adjusted through current A/c)				

Partners Capital A/c

Particulars	x	y	z	Particulars	x	y	z
To P/L A/c	2,400	1,600	—	By Balance b/d	50,000	60,000	—
To Reserve A/c	2,520	1,680	—	By W.C.R. A/c	1,560	1,040	—
To Balance c/d	48,440	58,960	40,000	By Cash A/c	—	—	40,000
				By Z's Current A/c	1,800	1,200	—
Total	53,360	62,240	40,000	Total	53,360	62,240	40,000

Opening Balance Sheet

Liabilities		₹	*Assets*		₹
Outstanding Rent		11,200	Cash [10,000 + 40,000]		50,000
Creditors		22,000			
Capital A/cs :			Sundry Deb.	80,000	
X	48,440		*Less* : B. Debt.	6,000	74,000
Y	58,960		Stock		20,000
Z	40,000	1,47,400	Machinery		38,600
Workmen Compensation Claim		3,000	Z's Current A/c.		3,000
Liabilities for damages		2,000			
Total		**1,85,600**	**Total**		**1,85,600**

Q. 70. Following is the Balance Sheet of X and Y as at 31st March, 2017 who are partners in a firm sharing profits and losses in the ratio of 3 : 2 respectively :

Liabilities		₹	*Assets*		₹
Creditors		45,000	Cash at Bank		15,000
General Reserve		36,000	Debtors	60,000	
Capital A/cs;			*Less* : Provision for		
			Doubtful Debts	2,400	57,600
X	1,80,000		Patents		44,400
Y	90,000	2,70,000	Investments		24,000
Current A/cs :			Fixed Assets		2,16,000
X	30,000		Goodwill		30,000
Y	6,000	36,000			
		3,87,000			3,87,000

Z is admitted as a new partner on 1st April, 2018 on the following terms :

(*a*) Provision for doubtful debts is to be maintained at 5% on Debtors.

(*b*) Outstanding rent amounted to ₹ 15,000.

(*c*) An Accrued income of ₹ 4,500 does not appear in the books of the firm. It is now to be recorded.

(*d*) X takes over the Investments at an agreed value of ₹ 18,000.

(*e*) New Profit-sharing ratio of partners will be 4 : 3 : 2.

(*f*) Z will bring in ₹ 60,000 as his capital by cheque.

(*g*) Z is to pay an amount equal to his share in firm's goodwill valued at twice the average profits of the last three years which were ₹ 90,000; ₹ 78,000 and ₹ 75,000 respectively.

(*h*) Half of the amount of goodwill is to be withdrawn by X and Y.

You are required to pass Journal entries, prepare Revaluation Account, Partner's Capital and Current Accounts, and the Balance Sheet of the new firm.

Sol. Working Notes

(i) Sacrifice by $x : 3/5 - 4/9 = (27-20)/45 = 7/45$

$y : 2/5 - 3/9 = (18-15)/45 = 3/45$

Z's share = 2/9

(ii) G/W of firm = ₹ (90,000 + 78,000 + 75,000) × (2/3)

= ₹ 1,62,000

(iii) Z's Share of G/W = ₹ 1,62,000 × 2/9 = 36,000

Journal

Date	*Particulars*		*LF*	*Dr.* (₹)	*Cr.* (₹)
(i)	Revaluation A/c	Dr.		15,600	
	To P.B.D. A/c [(60,000 × 5%) – 2,400]				600
	To out/S Rent A/c				15,000
	(Being loss on Revaluation adjustement in Rev. A/c)				
(ii)	Accured Income A/c	Dr.		4,500	
	To Revaluation A/c				4,500
	(Being unrecorded Accured Income Shown)				
(iii)	*x*'s Current A/c	Dr.		18,000	
	Revaluation A/c	Dr.		6,000	
	To Investment A/c				24,000
	(Being Investment revalued and '*x*' takes over)				
(iv)	*x*'s Current A/c	Dr.		10,260	
	y's Current A/c	Dr.		6,840	
	To Revaluation A/c				17,100
	(Being Loss on Revaluation transferred)				
(v)	General Reserve A/c	Dr.		36,000	
	To *x*'s Current A/c				21,600
	To *y*'s Current A/c				14,[illegible]0
	(Being amount of G/R transferred)				
(vi)	*x*'s Current A/c	Dr.		18,000	
	y's Current A/c	Dr.		12,000	
	To Goodwill A/c				30,000
	(Being amount of old G/W written off)				
(vii)	Bank A/c	Dr.		96,000	
	To Z's Capital A/c				60,000
	To Premium for G/W A/c				36,000
	(Being amount of Capital & G/W receive by firm)				
(viii)	Premium for G/W A/c	Dr.		36,000	
	To *x*'s Current A/c (36,000 × 7/10)				25,200
	To *y*'s Current A/c (36,000 × 3/10)				10,800
	(Being amount of G/W distribute in Sac. Ratio)				

(ix)	x's Current A/c	Dr.	12,600	
	y's Current A/c	Dr.	5,400	
	To Bank A/c			18,000
	(Being 1/2 of G/W withdrawn by partners)			

Bank A/c

Particulars	₹	Particulars	₹
To Balance b/d	15,000	By x's Current A/c	12,600
To Z's Capital A/c	60,000	By y's Current A/c	5,400
To Premium for G/W A/c	36,000	By Balance c/d	93,000
Total	**1,11,000**	**Total**	**1,11,000**

Revaluation A/c

Particulars	₹	Particulars	₹
To Provision for B. Debts	600	By Accured Income A/c	4,500
To out/S Rent A/c	15,000	By x's Current A/c	10,260
To Investment A/c	6,000	By y's Current A/c	6,840
Total	**21,600**	**Total**	**21,600**

Partners' Current A/c

Particulars	X	Y	Particulars	X	Y
To Investment A/c	18,000	–	By Balance b/d	30,000	6,000
To Revaluation	10,260	6,840	By General Reserve A/c	21,600	14,400
To Goodwill A/c	18,000	12,000	By Premium for G/W	25,200	10,800
To Bank A/c	12,600	5,400			
To Balance c/d	17,940	6,960			
Total	**76,800**	**31,200**	**Total**	**76,800**	**31,200**

Partner's Capital A/c

Particulars	X	Y	Z	Particulars	X	Y	Z
To Balance c/d	1,80,000	90,000	60,000	By Balance b/d	1,80,000	90,000	–
				By Bank A/c	–	–	60,000
Total	**1,80,000**	**90,000**	**60,000**	**Total**	**1,80,000**	**90,000**	**60,000**

Balance Sheet

Liabilities		₹	Assets		₹
Creditors		45,000	Cash at Bank (W. Note)		93,000
Out/S Rent		15,000	Debtors	60,000	
Current A/c			*Less* : P.B.D	3,000	57,000
X	17,940		Patents		44,400
Y	6,960	24,900	Fixed Assets		2,16,000

Capital A/c			Accured Income	4,500
X	1,80,000			
Y	90,000			
Z	60,000	3,30,000		
Total		4,14,9000	Total	4,14,900

Q. 71. X and Y are partners sharing profits and losses equally. Their Balance Sheet as on 31st March, 2018 is given below :

Liabilities		₹	*Assets*		₹
Capital A/cs :			**Land and Building**		**1,50,000**
X	**1,50,000**		**Plant and Machinery**		**1,00,000**
Y	**1,00,000**	**2,50,000**	**Furniture and Fittings**		**25,000**
Current A/cs :			**Stock**		**75,000**
X	**40,000**		**Debtors**	**75,000**	
Y	**30,000**	**70,000**	***Less :* Provision for**		
			Doubtful Debts	**5,000**	**70,000**
Creditors		**1,30,000**	**Bills Receivables**		**30,000**
Bills Payable		**50,000**	**Bank**		**50,000**
		5,00,000			**5,00,000**

Z is admitted as a new partner for 1/4th share under the following terms :

(*a*) Z is to introduce 1,25,000 as capital.

(*b*) Goodwill of the firm was valued at nil.

(*c*) It is found that the creditors included a sum of ₹ 7,500 which was not to be paid. But it was also found that there was a liability for Compensation to Workmen amounting to ₹ 10,000.

(*d*) Provision for doubtful debts is to be created @ 10% on debtors.

(*e*) In regard to the Parnter's Capital Accounts, present fixed capital metho is to be converted into fluctuating capital method.

(*f*) Bills of ₹ 20,000 accepted from creditors were not recorded in the books.

(*g*) X provides ₹ 50,000 loan to the business carrying interest @ 10% p.a.

You are required to prepare Revaluation Account, Partners' Capital Accounts, Bank Account and the Balance Sheet of the new firm.

Sol. Revaluation A/c

Particulars	₹	*Particulars*	₹
To P.B.D.	2,500	By Creditors	7,500
To Workman's Comp.	10,000	By Revaluation Loss :	
		x's Current A/c	2,500
		y's Current A/c	2,500
Total	12,500	Total	12,500

Partners' Current A/c

Particulars	X	Y	Particulars	X	Y
To Revaluation A/c	2,500	2,500	By Balance b/d	40,000	30,000
To Capital A/c	37,500	27,500			
Total	40,000	30,000	Total	40,000	30,000

Partner's Capital A/c

Particulars	X	Y	Z	Particulars	X	Y	Z
To Balance c/d	1,87,500	1,27,500	1,25,000	By Balance b/d	1,50,000	1,00,000	—
				By Bank A/c	—	—	1,25,000
				By Current A/c	37,500	27,500	—
Total	1,87,500	1,27,500	1,25,000	Total	1,87,500	1,27,500	1,25,000

Balance Sheet

Liabilities		₹	Assets		₹
Capital A/c			Land & Building		1,50,000
X	1,87,500		Plant & Machinery		1,00,000
Y	1,27,500		Furniture & Fittings		25,000
Z	1,25,000	4,40,000	Stock		75,000
x's Loan A/c (@ 10% p.a.)		50,000	Debtors	75,000	
Workman Compensation		10,000	*Less* : P.B.D.	7,500	67,500
Creditors [1,30,000 – 20,000 – 7,500]		1,02,500	Bills Receivable		30,000
			Bank		2,25,000
Bills Payable [50,000 + 20,000]		70,000			
Total		6,72,500	Total		6,72,500

Bank A/c

Particulars	₹	Particulars	₹
To Balance c/d	2,25,000	By Balance b/d	50,000
		By Z's Capital A/c	1,25,000
		By X's Loan A/c	50,000
Total	2,25,000	Total	2,25,000

Q. 72. Rajesh and Ravi are partners sharing profits in the ratio of 3:2. Their Balance Sheet at March 31, 2018 stood as.

Liabilities		₹	Assets		₹
Creditors		38,500	Cash		2,000
Outstanding Rent		4,000	Stock		15,000
Capital A/cs			Prepaid Insurance		1,500
Rajesh	29,000		Debtors	9,400	
Ravi	15,000	44,000	*Less:* Provision for D/D	400	9,000
			Machinery		19,000
			Building		35,000
			Furniture		5,000
		86,500			86,500

Raman is admitted as a new partner introducing a capital of ₹ 16,000. The new profit sharing ratio is decided as 5 : 3: 2. Raman is unable to bring in any cash for Goodwill. So it is decided to value the goodwill on the basis of Raman's share in the profits and the capital contributed by him. Following revaluations are made:

(a) Stock to depreciate by 5%

(b) Provision for doubtful debts is to be ₹ 500.

(c) Furniture to depreciate by 10%.

(d) Building is valued at ₹ 40,000.

Show necessary Ledger Accounts and the Balance Sheet of the new firm.

Sol. Raman's capital/his share in the profits = $16,000 \times 10/2 = 80,000$

Less : Capital of Rajesh, Ravi & Raman = $29,000 + 15,000 + 16,000 = 60,000$

Revaluation profit = 3,650

Goodwill = 16,350 [80,000 – (60,000 + 3,650)]

Raman's share of G/w = $16,350 \times 2/10$ = ₹ 3,270

Rajesh' SR = $3/5 - 5/10 = 1/10$,

Ravi's SR = $2/5 - 3/10 = 1/10$, SR = 1 : 1

Dr. **Revaluation Account** Cr.

Particulars	₹	Particulars	₹
To Furniture (5,000 × 10%)	500	By Building (40,000 – 35,000)	5,000
To Stock (15,000 × 5%)	750		
To Provision for Bad Debts (500–400)	100		
To Capital A/c – Profit			
Rajesh = 3,650 × 3/5 = 2,190			
Ravi = 3,650 × 2/5 = 1,460	3,650		
	5,000		**5,000**

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

Particulars	Rajesh (₹)	Ravi (₹)	Raman (₹)	Particulars	Rajesh (₹)	Ravi (₹)	Raman (₹)
To Rajesh's A/c			1,635	By Balance b/d	29,000	15,000	
To Ravi's A/c			1,635	By Rev.–Profit	2,190	1,460	
To Balance c/d	32,825	18,095	12,730	By Cash A/c			16,000
				By Raman's A/c (G/w)	1,635	1,635	
	32,825	**18,095**	**16,000**		**32,825**	**18,095**	**16,000**

Balance Sheet

Liabilities		₹	Assets		₹
Creditors		38,500	Cash (2,000 + 16,000)		18,000
Outstanding Rent		4,000	Stock (15,000 – 750)		14,250
Capital			Prepaid Insurance		1,500
Rajesh	32,825		Debtors	9,400	
Ravi	18,095		*Less* : Provision	500	8,900
Raman	12,730	63,650	Machinery		19,000
			Buildings		40,000
			Furniture		4,500
		1,06,150			**1,06,150**

Q. 73. A and B are partners in a firm sharing profits in the ratio of 3:2. They admit C as a partner on IstApril 2018 on which date the Balance Sheet of the firm was

Liabilities		₹	*Assets*	₹
Capital Accounts			Building	50,000
A	60,000		Plant and Machinery	30,000
B	40,000	1,00,000	Stock	20,000
Creditors		20,000	Debtors	10,000
			Bank	10,000
		1,20,000		1,20,000

You are required to prepare the Revaluation A/c, Partners' capital Accounts and the Balance Sheet of the new firm after considering the following :

(*a*) C brings in ₹ 30,000 as capital for 1/4th share. He also brings ₹ 10,000 for his share of goodwill.

(*b*) Part of the stock which had been included at cost of ₹ 2,000 had been badly damaged in storage and could only expected to realise ₹ 400.

(*c*) Bank charge had been overlooked and amounted to ₹ 200 for the year 2017-18.

(*d*) Depreciation on Building of ₹ 3,000 had been omitted for the year 2017–2018.

(*e*) A credit for goods ₹ 800 had been omitted from both purchases and creditors although the goods had been correctly included in stock.

(*f*) A charge of ₹ 1,200 for insurance premium was debited in the profit and Loss A/c of 2017-18, but ₹ 600 of this applied to the period after 31st March 2018.

Sol.

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

Particulars	₹	*Particulars*	₹
To Stock (2,000 – 400)	1,600	By Prepaid Insurance	600
To Bank Charges	200	By Capital A/c – loss	
To Depreciation on Building	3,000	A = 5000 × 3/5 = 3,000	
To Creditors A/c	800	B = 5000 × 2/5 = 2,000	5,000
	5,600		5,600

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

Particulars	*A* (₹)	*B* (₹)	*C* (₹)	*Particulars*	*A* (₹)	*B* (₹)	*C* (₹)
To Rev. – loss	3,000	2,000		By Balance b/d	60,000	40,000	
To Balance c/d	63,000	42,000	30,000	By Premium A/c	6,000	4,000	
				By Bank A/c			30,000
	66,000	44,000	30,000		66,000	44,000	30,000

Balance sheet

Liabilities		₹	*Assets*	₹
Capital Accounts			Buildings [50,000 – 3,000]	47,000
A	63,000		Plant and Machinery	30,000
B	42,000		Stock (20,000 – 2,000)	18,000
C	30,000	1,35,000	Debtors	10,000
Creditors (20,000 + 800)		20,800	Bank (10,000 + 30,000 + 10,000 + 400 – 200)	50,200
			Prepaid Insurance	600
		1,55,800		1,55,800

Q. 74. A and B are partners in a firm. The net profit of the firm is divided as follows : 1/2 to A, 1/3 to B and 1/6 carried to Reserve A/c. They admit C as a partner on 1st April 2018on which date, the Balance Sheet of the firm was

Liabilities		₹	*Assets*	₹
Capital A/cs A	**50,000**		**Building**	**50,000**
B	**40,000**	**90,000**	**Plant and Machinery**	**30,000**
Reserve		**10,000**	**Stock**	**18,000**
Creditors		**20,000**	**Debtors**	**22,000**
O/s Expenses		**5,000**	**Bank**	**5,000**
		1,25,000		**1,25,000**

Following are the required adjustments on the admission of C

(a) C bring in ₹ 25,000 towards his capital

(b) C also brings in ₹ 5,000 for 1/5th share of goodwill.

(c) Stock is undervalued by 10%.

(d) Creditors include a contingent liability of ₹ 4,000 which has been decided by the court at ₹ 3,200.

(e) In regard to the debtors, the following debts proved bad or doubtful–

₹ 2,000 due from X– bad to the full extent.

₹ 4,000 due from Y – insolvent, estate expected to pay only 50%.

You are required to prepare the Revaluation Account, Partners' Capital Accounts and the Balance Sheet of the new firm.

Sol.

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

Particulars	₹	*Particulars*	₹
To Debtors A/c (2,000 + 4,000 × 50%)	4,000	By Creditors A/c (4,000–3,200)	800
		By Stock (18,000 × 10 / 90)	2,000
		By Capital A/c – loss A = 1,200 × 3/5 = 720 B = 1200 × 2/5 = 480	1,200
	4,000		4,000

Dr.				Partner's Capital Accounts			Cr.
Particulars	*A* (₹)	*B* (₹)	*C* (₹)	*Particulars*	*A* (₹)	*B* (₹)	*C* (₹)
To Rev. – loss	720	480		By Balance b/d	50,000	40,000	
To Balance c/d	58,280	45,520	25,000	By Reserve	6,000	4,000	
				By Premium A/c	3,000	2,000	
				By Bank A/c			25,000
	59,000	46,000	25,000		59,000	46,000	25,000

New Balance Sheet

Liabilities		₹	*Assets*	₹
Capital A/cs A	58,280		Buildings	50,000
B	45,520		Plant & Machinery	30,000
C	25,000	1,28,800	Stock (18,000 × 100/90)	20,000
Creditors (20,000 – 800)		19,200	Debtors (22,000 – 4,000)	18,000
O/s Expenses		5,000	Bank (5,000 + 25,000 + 5000)	35,000
		1,53,000		1,53,000

Q. 75. Following is the Balance Sheet of the firm, Ashirvad, owned by A, B, and C who share profits and losses of the business in the ratio of 3 : 2 : 1.

Liabilities		₹	*Assets*	₹
Capital Accounts			**Furniture**	**95,000**
A	**1,20,000**		**Business Premises**	**2,05,000**
B	**1,20,000**		**Stock in Trade**	**40,000**
C	**1,20,000**	**3,60,000**	**Debtors**	**28,000**
Sundry Creditors		**20,000**	**Cash at Bank**	**15,000**
C/o Salaries and Wages		**7,200**	**Cash in Hand**	**4,200**
		3,87,200		**3,87,200**

On 1st April 2018, they admit D as a partner on the following conditions:

(*a*) D will bring ₹ 1,20,000 as his capital and also ₹ 30,000 as goodwill premium for a quarter of the share in the future profit/loss of the firm.

(*b*) The values of the fixed assets of the firm will be increased by 10% before the admission of D.

(*c*) Mohan, an old customer whose account was written off as bad debts, has promised to pay ₹ 3,000 in full settlement of his dues.

(*d*) The future profits and losses of the firm will be shared equally by all the partners.

Pass the necessary Journal entries and prepare Revaluation Account, Partners' Capital Accounts and opening Balance Sheet of the new firm.

Sol.

Journal Entries

Date	Particulars		LF	Dr. (₹)	Cr. (₹)
	Bank A/c	Dr.		1,50,000	
	To D's Capital A/c				1,20,000
	To Premium Account				30,000
	(Being amount brought into By D as his capital and share of premium)				
	Premium A/c	Dr.		30,000	
	C's Capital A/c	Dr.		10,000	
	To A's Capital A/c				30,000
	To B's Capital A/c				10,000
	(Being share of premium credited into partner's capital A/c who are sacrificing)				
	Business Premises A/c (2,05,000 × 10%)	Dr.		20,500	
	Furniture A/c (95,000 × 10 %)	Dr.		9,500	
	To Revaluation Account				30,000
	(Being assets revalued)				
	Revaluation Account (Profit)	Dr.		30,000	
	To A's Capital A/c (30,000 × 3/6)				15,000
	To B's Capital A/c (30,000 × 2/6)				10,000
	To C's Capital A/c (30,000 × 1/6)				5,000
	(Being revalutaion profit transferred to old partners capital A/c)				

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

Particulars		₹	Particulars	₹
To Capital A/c's – Profits			By Business Premises (2,05,000 × 10%)	20,500
A = 30,000 × 3/6 =	15,000		By Furniture (95,000 × 10%)	9,500
B = 30,000 × 2/6 =	10,000			
C = 30,000 × 1/6 =	5,000	30,000		
		30,000		30,000

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

Particulars	A (₹)	B (₹)	C (₹)	D (₹)	Particulars	A (₹)	B (₹)	C (₹)	D (₹)
To A's A/c			7,500		By Balance b/d	1,20,000	1,20,000	1,20,000	
To B's A/c			2,500		By Bank A/c				1,20,000
					By C's A/c (3:1)	7,500	2,500		
					By Premium A/c	22,500	7,500		
To Bal. c/d	1,65,000	1,40,000	1,15,000	1,20,000	By Rev – Profit	15,000	10,000	5,000	
	1,65,000	1,40,000	1,25,000	1,20,000		1,65,000	1,40,000	1,25,000	1,20,000

A's Sacrificing Ratio = $3/6 - 1/4 = (6-3)/12 = 3/12$

B's Sacrificing Ratio = $2/6 - 1/4 = (4-3)/12 = 1/12$

C's Sacrificing Ratio = $1/6 - 1/4 = (2-3)/12 = -1/12$

Thus C will also bring Goodwill = $30{,}000 \times 4/1 \times 1/12 = 10{,}000$

Balance sheet A, B, C and D

Liabilities		₹	*Assets*	₹
Capital Accounts			Furniture (95,000 + 9,500)	1,04,500
A	1,65,000		Business Premises	
			(2,05,000 + 20,500)	2,25,500
B	1,40,000		Stock	40,000
C	1,15,000		Debtors	28,000
D	1,20,000	5,40,000	Cash at Bank	
			(15,000 + 1,50,000)	1,65,000
Sundry Creditors		20,000	Cash in Hand	4,200
O/s Salaries and Wages		7,200		
		5,67,200		5,67,200

Q. 76. A and B are partners in a firm sharing profits and losses in the ratio of 3:2. Following is their Balance Sheet as at 31st March 2018.

Liabilities		₹	*Assets*	₹
Capital Accounts			Building	35,000
A	50,000		Machinery	25,000
B	30,000	80,000	Stock	15,000
Creditors		20,000	Debtors	15,000
			Investments	5,000
			Bank	5,000
		1,00,000		1,00,000

C is admitted as a partner on 1st April 2018 on the following terms :

(*a*) C is to pay ₹ 20,000 as capital for 1/4th share. He also pays ₹ 5,000 as premium for goodwill.

(*b*) Debtors amounted to ₹ 3,000 is to be written off as bad and a provision of 10% is created against doubtful debts on the remaining amount.

(*c*) No entry has been made in respect of a debt of ₹ 300 recovered by A from a customer, which was previously written off as bad in previous year. The amount is to be paid by A.

(*d*) Investments are taken over by B at their market value of ₹ 4,900 against cash payment.

You are required to prepare Revaluation Account, Partners Capital Accounts and new Balance Sheet.

Sol.

Dr. **Revaluation Account** Cr.

Particulars	₹	Particulars		₹
To Bad Debts	3,000	By A's Capital A/c – debt recovered		300
To Provision for D/D $(15,000-3,000)\times 10\%$	1,200	By Capital Accounts – Loss		
To Investments (5,000 – 4,900)	100	$A = 4000 \times 3/5 =$	2400	
		$B = 4000 \times 2/5 =$	1600	4,000
	4,300			4,300

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

Particulars	A (₹)	B (₹)	C (₹)	Particulars	A (₹)	B (₹)	C (₹)
To Rev. A/c	300			By Balance b/d	50,000	30,000	
To Investments		4,900		By Bank A/c	300	4,900	20,000
To Rev. A/c–loss	2,400	1,600		By Premium A/c	3,000	2,000	
To Balance c/d	50,600	30,400	20,000				
	53,300	36,900	20,000		53,300	36,900	20,000

New Balance Sheet

Liabilities		₹	Assets	₹
Capital Accounts			Buildings	35,000
A	50,600		Plant and Machinery	25,000
B	30,400	1,01,000	Stock	15,000
C	20,000		Debtors (15,000–3,000–1,200)	10,800
Creditors		20,000	Bank (5,000 + 20,000 + 5,000 + 300 + 4,900)	35,200
		1,21,000		1,21,000

Q. 77. X and Y are partners sharing profits and losses in the ratio of 3/4 and 1/4. Their Balance Sheet as at March 31, 2018 is

Liabilities		₹	Assets	₹
Capital Accounts			Land and Building	1,25,000
X	1,50,000		Furniture	5,000
Y	80,000	2,30,000	Stock	1,00,000
Workmen's Comp.Reserve		20,000	Sundry Debtors	80,000
Sundry Creditors		1,50,000	Bills Receivable	15,000
Bills Payable		37,500	Cash at Bank	1,00,000
			Cash in Hand	12,500
		4,37,500		4,37,500

They admit Z into partnership on April 1, 2018, on the following terms :

(a) Goodwill is to be valued at ₹ 1,00,000.

(b) Stock and furniture to be reduced by 10%.

(c) A provision for doubtful debts is to be create d @ 5% on sundry debtors.

(d) The value of land and building is to be appreciated by 20%.

(e) Z pays ₹ 50,000 as his capital for one-fifth share in the future profits.

You are required to sh :w Revaluation A/c, Partners' Capital Accounts and Balance Sheet of the new firm.

Sol.

Dr. **Revaluation Account** Cr.

Particulars		₹	*Particulars*	₹
To Stock (1,00,000 × 10%)		10,000	Land & Buildings	25,000
To Furniture (5,000 × 10%)		500	(1,25,000 × 20%)	
To Prov.on debtors (80,000 × 5%)		4,000		
To Capital A/c – profits				
X = 10,500 × ¾ =	7,875			
Y = 10,500 × ¼ =	2,625	10,500		
		25,000		25,000

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

Particulars	X (₹)	Y (₹)	Z (₹)	*Particulars*	X (₹)	Y (₹)	Z (₹)
To X's A/c			15,000	By Balance b/d	1,50,000	80,000	
To Y's A/c			5,000	By W.c Fund	15,000	5,000	
To Balance c/d	1,87,875	92,625	30,000	By Rev. Profits	7,875	2,625	
				By Z's A/c	15,000	5,000	
				By Bank A/c			50,000
	1,87,875	92,625	50,000		1,87,875	92,625	50,000

New Balance Sheet

Liabilities		₹	*Assets*		₹
Capital Accounts			Land & Buildings		
			(1,25,000 + 25,000)		1,50,000
X	1,87,875		Office Furniture (5,000 – 500)		4,500
Y	92,625		Stock (1,00,000 – 10,000)		90,000
Z	30,000	3,10,500	Sundry Debtors	80,000	
Sundry Creditors		1,50,000	*Less* : Provision	4,000	76,000
Bills Payable		37,500	Bills Receivable		15,000
			Cash at Bank (1,00,000 + 50,000)		1,50,000
			Cash in hand		12,500
		4,98,000			4,98,000

Q. 78. Deepika and Rajshree are partners in a firm sharing profits and losses in the ratio of 3:2 on 31st March 2018, their Balance Sheet was

Liabilities		₹	Assets		₹
Sundry Creditors		16,000	Cash in Hand		1,200
Public Deposits		61,000	Cash at Bank		2,800
Bank Overdraft		6,000	Stock		32,000
Outstanding Liabilities		2,000	Prepaid Insurance		1,000
Capital Accounts:			Sundry Debtors	28,800	
Deepika	48,000		*Less*: Provision for		
			Doubtful Debts	800	28,000
Rajshree	40,000	88,000	Plant and Machinery		48,000
			Land and Building		50,000
			Furniture		10,000
		1,73,000			1,73,000

On the above date, the partners decided to admit Anshu as a partner on the following terms:

(*a*) The new profit-sharing ratio of Deepika, Rajshree and Anshu will be 5:3:2, respectively.

(*b*) Anshu shall bring in ₹ 32,000 as his capital.

(*c*) Anshu is unable to bring in any cash for his share of goodwill. Partners, therefore, decide to calculate goodwill on the basis of Anshu's share in the profits and the capital contribution made by her to the firm.

(*d*) Plant and Machinery is to be valued at ₹ 60,000, Stock at ₹ 40,000 and the Provision for Doubtful Debts is to be maintained at ₹ 4,000. Value of Land and Building has appreciated by 20% Furniture been depreciated by 10%.

(*e*) There is an additional liability of ₹ 8,000 being outstanding salary payable to employees of the firm. This liability is not included in the outstanding liabilities, stated in the above. Balance Sheet. Partners decided to show this liability in the books of the accounts of the reconstituted firm.

Prepare Revaluation Account, Partners' Capital Accounts and Balance Sheet of Deepika, Rajshree and Anshu.

Sol.

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

Particulars	₹	Particulars	₹
To Provision for D/D (4,000 – 800)	3,200	By Plant & Machinery	
To Furniture (10,000 × 10%)	1,000	(60,000 – 48,000)	12,000
To O/s Salary	8,000	By Stock (40,000 – 32,000)	8,000
To Capital A/c's – Profits		By Land & Building	
Deepika = 17,800 × 3/5 = 10,680		(50,000 × 20%)	10,000
Rajshree = 17,800 × 2/5 = 7,120	17,800		
	30,000		30,000

Calculation of Goodwill

Capitalized Value of the firm = ₹ 32,000 X 10/2 = ₹ 1,60,000

Less : Total Capitals of Deepika & Rajshree & Anshu

= ₹ 48,000 + 48,000 + 32,000 = ₹ 1,20,000

Relvaluation Profit = ₹ 17,800

Goodwill = ₹ 22,200

Anshu' share in G/w = 22,200 × 2/10 = ₹ 4,440

Deepika's SR = 3/5 – 5/10 = 1/10, Rajshree's SR = 2/5 – 3/10 = 1/10, SR = 1:1

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

Particulars	*Deepika* (₹)	*Rajshree* (₹)	*Anshu* (₹)	*Particulars*	*Deepika* (₹)	*Rajshree* (₹)	*Anshu* (₹)
To Deepika A/c			2,220	By Balance b/d	48,000	40,000	
To Rajshree			2,220	By Bank A/c			32,000
To Balance c/d	60,900	49,340	27,560	By Rev. – Profits	10,680	7,120	
				By Anshu's A/c	2,220	2,220	
	60,900	49,340	32,000		60,900	49,340	32,000

New Balance Sheet

Liabilities		₹	*Assets*		₹
Sundry Creditors		16,000	Cash in Hand		1,200
Public Deposits		61,000	Bank – O/D		
			(2,800 + 32,000 – 6,000)		28,800
Outstanding Liabilities			Stock		40,000
(2,000 + 8,000)		10,000	Prepaid Insurance		1,000
Capital Accounts			Sundry Debtors	28,800	
Deepika	60,900		*Less* : Reserve for		
			Doubtful Debts	4,000	24,800
Rajshree	49,340		Plant and Machinery		60,000
Anshu	27,560	1,37,800	Land and Building		
			(50,000 + 10,000)		60,000
			Furniture (10,000 – 1,000)		9,000
		2,24,800			2,24,800

Q. 79. X and Y are partners sharing profit in the ratio of 2:1. Their Balance Sheet as at 31st March 2018 was

Liabilities		₹	*Assets*	₹
Sundry Creditors		**25,000**	**Cash/Bank**	**5,000**
General Reserve		**18,000**	**Sundry Debtors**	**15,000**
Capitals:			**Stock**	**10,000**
X	**75,000**		**Investments**	**8,000**
Y	**62,000**	**1,37,000**	**Typewriter**	**5,000**
			Fixed Assets	**1,37,000**
		1,80,000		**1,80,000**

They admit Z into partnership on the same date on the following terms:

(a) Z brings in ₹ 40,000 as his capital and he is given 1/4 share in profits.

(b) Z brings in ₹ 15,000 for goodwill, half of which is withdrawn by old partners.

(c) Investments are valued at ₹ 10,000. X takes over Investments at this value.

(d) Typewriter is to be depreciated by 20% and fixed Assets by 10%.

(e) An unrecorded stock of stationery on 31st Mrach, 2018 is ₹ 1,000.

(f) By bringing in or withdrawing cash, the Capitals of X and Y are to be made proportionate to that of Z on their profit sharing basis. Pass Journal entries. Prepare Revaluation Account Capital Accounts and new Balance Sheet of the firm.

Sol. Journal Entries

Date	*Particulars*		*LF*	*Dr.* (₹)	*Cr.* (₹)
(1)	Bank Account	Dr.		55,000	
	To Z's Capital Account				40,000
	To Premium for Goodwill Account				15,000
	(Being amount brought into by Z as his capital and share of G/W)				
(2)	Premium for Goodwill A/c	Dr.		15,000	
	To X's Capital A/c (15,000 × 2/3)				10,000
	To Y's Capital A/c (15,000 × 1/3)				5,000
	(Being share of premium credited into X & Y's capital A/c)				
(3)	X's Capital	Dr.		5,000	
	Y's Capital	Dr.		2,500	
	To Cash A/c				7,500
	(Being amount of G/W withdrawn)				
(4)	Investments (10,000 – 8,000)	Dr.		2,000	
	Stock of Stationery	Dr.		1,000	
	To Revaluation A/c				3,000
	(Being Assets Revalued)				
(5)	Revaluation Account	Dr.		14,700	
	To Typewriter (5,000 × 20%)				1,000
	To Fixed Assets (1,37,000 × 10%)				13,700
	(Being Assets Revalued)				
(6)	X's Capital A/c (11,700 × 2/3)	Dr.		7,800	
	Y's Capital A/c (11,700 × 1/3)	Dr.		3,900	
	To Revaluation A/c (14700 – 3000)				11,700
	(Being loss on revaluation adjusted through partners capital A/c)				
(7)	X's Capital A/c	Dr.		10,000	
	To Investments A/c				10,000
	(Being investments adjusted)				

(8)	Reserve Fund A/c	Dr.	18,000	
	To X's capital A/c (18,000 × 2/3)			12,000
	To Y's Capital A/c (18,000 × 1/3)			6,000
	(Being reserve fund transferred to old partners capital A/c)			
(9)	Cash A/c	Dr.	5,800	
	To X's Capital A/c			5,800
	(Being cash Brought in by X)			
(10)	Y's Capital A/c	Dr.	26,600	
	To Cash A/c			26,600
	(Being cash withdrawn By Y)			

Let total Profit be = 1

and given to Z = 1/4

Remaining Share = 1 – 1/4 = 3/4

X's New Share = 3/4 × 2/3 = 6/12

Y's New Share = 3/4 × 1/3 = 3/12

Z's New Share = 1/4 × 3/3 = 3/12

So, New Ratio = 6 : 3 : 3

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

Particulars	X (₹)	Y (₹)	Z (₹)	*Particulars*	X (₹)	Y (₹)	Z (₹)
To Rev – Loss	7,800	3,900		By Balance b/d	75,000	62,000	
To Cash A/c	5,000	2,500		By Cash A/c			40,000
To Investments	10,000			By Reserve Fund	12,000	6,000	
To Cash A/c		26,600		By Premium A/c	10,000	5,000	
To Balance c/d	80,000	40,000	40,000	By Cash A/c	5,800		
	1,02,800	73,000	40,000		1,02,800	73,000	40,000

Dr. **Cash Account** Cr.

Particulars	₹	*Particulars*	₹
To Balance b/d	5,000	By X's A/c	5,000
To Z's A/c	40,000	By Y's A/c (2,500 + 26,600)	29,100
To Premium A/c	15,000	By Balance c/d	31,700
To X's A/c	5,800		
	65,800		65,800

Balance Sheet after Z's Admission

Liabilities		₹	*Assets*	₹
Sundry Creditors		25,000	Cash	31,700
Capitals:			Sundry Debtors	15,000
X	80,000		Stock of Stationery	1,000
Y	40,000		Stock	10,000
Z	40,000	1,60,000	Typewriter (5,000 – 1,000)	4,000
			Fixed Assets (1,37,000 – 13,700)	1,23,300
		1,85,000		1,85,000

Q. 80. A and B are in partnership sharing profits and losses in the proportion of two-thirds and one-third respectively. Their Balance Sheet at 31st March 2018 was : Cash ₹ 1,000; Sundry Debtors ₹ 15,000; Stock ₹ 22,000; Plant and Machinery ₹ 4,000; Sundry Creditors ₹ 2,000; Bank Overdraft ₹ 15,000; A's Capital ₹ 15,000; B's Capital ₹ 10,000. On Ist April 2018 they admitted C into partnership on the following terms:

(*a*) C to purchase one-quarter of the Goodwill for ₹ 3,000 and provide ₹ 10,000 as capital C brings in necessary cash for goodwill and capital

(*b*) Profits and losses are to be shared in the proportion of one-half to A, one-quarter to B, and one-quarter to C.

(*c*) Plant and Machinery is to be reduced by 10% and ₹ 500 are to be provided for estimated bad debts. Stock is to be taken at a valuation of ₹ 24,940.

(*d*) By bringing in or withdrawing cash the capital of A and B are to be made proportionate to that of C on their profit-sharing basis.

Prepare necessary ledger accounts in the books of the firm relating to the above arrangement and submit the opening Balance Sheet of the new firm.

Sol.

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

Particulars		₹	*Particulars*	₹
To Plant & Machinery (4,000 × 10%)		400	By Stock (24,940 – 22,000)	2,940
To Provision for b/d		500		
To Capital Accounts – Profits				
A = 2,040 × 2/3 =	1,360			
B = 2,040 × 1/3 =	680	2,040		
		2,940		2,940

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

Particulars	*A* (₹)	*B* (₹)	*C* (₹)	*Particulars*	*A* (₹)	*B* (₹)	*C* (₹)
To Cash A/c		1,680		By Balance b/d	15,000	10,000	
To Balance c/d	20,000	10,000	10,000	By Cash A/c	1,640		10,000
				By Premium A/c	2,000	1,000	
				By Rev. – Profits	1,360	680	
	20,000	11,680	10,000		20,000	11,680	10,000

C's share = 1/4. Hence, Remaining share for A and B = 1 – 1/4 = 3/4

A's new share = 2/3 X 3/4 = 6/12 = 1/2

B's new share = 1/3 X 3/4 = 3/12 = 1/4

A's Sacrificing Ratio = 2/3 – 1/2 = (4 – 3)/6 = 1/6 = 2/12

B's Sacrificing Ratio = 1/3 – 1/4 = (4 – 3)/12 = 1/12

Partners	A	B	C
New Ratio	1/2	1/4	1/4
Capitals	₹ 20,000	₹ 10,000	₹ 10,000

Balance Sheet

Liabilities		₹	Assets		₹
Sundry Creditors		2,000	Cash (1,000 + 13,000 + 1,640 – 1,680)		13,960
Bank Overdraft		15,000	Debtors	15,000	
Capital Accounts A	20,000		*Less*: Provision	500	14,500
B	10,000		Stock	(22,000 + 2,940)	24,940
C	10,000		Plant & Machinery (4,000 – 400)		3,600
		57,000			57,000

Q. 81. A and B were partners in a firm sharing profits in 3:1 ratio. They admitted C as a partner for 1/4th share in the future profit. C was to bring ₹ 60,000 for his capital. The Balance Sheet of A and B at Ist April 2018, the date on which C was admitted, was as follows :

Liabilities		₹	Assets		₹
Creditors		**70,000**	**Land & Buildings**		**40,000**
Capital Accounts			**Plant and Machinery**		**70,000**
A	**50,000**		**Stock**		**30,000**
B	**80,000**	**1,30,000**	**Debtors**	**35,000**	
General Reserve		**10,000**	***Less:* Provision for D/D**	**1,000**	**34,000**
			Investments		**26,000**
			Cash		**10,000**
		2,10,000			**2,10,000**

The other terms agreed upon were – (a) Goodwill of the firm was valued at ₹ 24,000, (b) Land and Building were valued at ₹ 65,000 and Plant and Machinery at ₹ 60,000, (c) Provision for doubtful debts was found in excess by ₹ 400 (d) A liability of ₹ 1,200 included in Sundry Creditors was not likely to arise (e) The capitals of the partners be adjusted on the basis of C's contribution of capital to the firm, (f) Excess or shortfall, if any, be transferred to Current Accounts. Prepare Revaluation A/c, Partners Capital Accounts and the Balance Sheet of the new firm.

Sol.

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

Particulars		₹	Particulars	₹
To Plant & Machinery (70,000 – 60,000)		10,000	By Land and Building (65000 – 40000)	25,000
To Capital Accounts – Profits			By Provision for D/D	400
A = 16,600 × 3/4 =	12,450		By Unclaimed Liability (creditors)	1,200
B = 16,600 × 1/4 =	4,150	16,600		
		26,600		26,600

Dr.				Partner's Capital Accounts			Cr.
Particulars	*A* (₹)	*B* (₹)	*C* (₹)	*Particulars*	*A* (₹)	*B* (₹)	*C* (₹)
To B's Current A/c		43,150		By Balance b/d	50,000	80,000	
To Balance c/d	1,35,000	45,000	60,000	By G Reserve	7,500	2,500	
				By Premium A/c	4,500	1,500	
				By Rev. – Profits	12,450	4,150	
				By Cash A/c			60,000
				By A's Current A/c	60,550		
	1,35,000	88,150	60,000		1,35,000	88,150	60,000

C's share = 1/4. Hence, Remaining share for A and B = 1 – 1/4 = 3/4

A's new share = $3/4 \times 3/4 = 9/16$

B's new share = $1/4 \times 3/4 = 3/16$

A's Sacrificing Ratio = $3/4 - 9/16 = (12-9)/16 = 3/16$

B's Sacrificing Ratio = $1/4 - 3/16 = (4-3)/16 = 1/16$

Partners	A	B	C
New Ratio	9/16	3/16	4/16
Capitals	₹ 1,35,000	₹ 45,000	₹ 60,000

Balance Sheet of A, B and C

Liabilities		₹	*Assets*		₹
Creditors (70,000–1,200)		68,800	Land & Buildings		65,000
Capital Accounts			Plant and Machinery		60,000
A	1,35,000		Stock		30,000
B	45,000		Debtors	35,000	
C	60,000	2,40,000	*Less* : Provision for D/D	600	34,400
B's Current A/c		43,150	Investments		26,000
			Cash (10,000 + 60,000 + 6,000)		76,000
			A's Current A/c		60,550
		3,51,950			3,51,950

Q. 82. The Balance Sheet of X, Y and Z who share profits and losses in the ratio of 3 : 2 : 1, as on 1st April, 2018 is as follows :

Liabilities		₹	*Assets*	₹
Capital A/cs :			**Y's Current Acount**	**7,000**
X	**1,75,000**		**Land and Building**	**1,75,000**
Y	**1,50,000**		**Plant and Machinery**	**67,500**
Z	**1,25,000**	**4,50,000**	**Furniture**	**80,000**
Current A/cs :			**Investment**	**36,500**
X	**4,000**		**Bills Receivable**	**17,000**
Z	**6,000**	**10,000**	**Sundry Debtors**	**43,500**
General Reserve		**15,000**	**Stock**	**1,37,000**
Profit and Loss A/c		**7,000**	**Bank**	**43,500**
Creditors	**80,000**			
Bills Payable	**45,000**	**1,25,000**		
		6,07,000		**6,07,000**

On the above date, W is admitted as a partner on the following terms :

(a) W will bring ₹ 50,000 as his capital and get 1/6th share in the profits.

(b) He will bring necessary amount for his share of goodwill premium. Goodwill of the firm is valued at ₹ 90,000.

(c) New profit-sharing ratio will be 2 : 2 : 1 : 1.

(d) A liability of ₹ 7,004 will be created against bills receivable discounted earlier but now dishonoured.

(e) The value of stock, furniture and investments is reduced by 20%, whereas the value of Land and Building and Plant and Machinery will be appreciated by 20% and 10% respectively.

(f) Capital Account of the parnters will be adjusted on the basis of W's Capital through their Current Accounts.

Prepare Revaluation Account, Partners' Current Accounts and Capital Accounts.

Sol.

Dr. **Revaluation A/c** *Cr.*

Particulars	₹	*Particulars*	₹
To Stock	27,400	By Land & Building	35,000
To Furniture	16,000	By Plant & Machine	6,750
To Investment	7,300	By Revaluation Loss	
To Bills discounted	7,004	x's Current A/c	7,977
		y's Current A/c	5,318
		z's Current A/c	2,659
Total	57,704	Total	57,704

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

Particulars	X	Y	Z	*Particulars*	X	Y	Z
To Balance b/d	—	7,000	—	By Balance b/d	4,000	—	6,000
To Revaluation	7,977	5,318	2,659	By Gen. Res. A/c	7,500	5,000	2,500
To Bal. c/d	97,023	45,015	82,008	By Profit & Loss A/c	3,500	2,333	1,167
				By Prem. for G/W A/c	15,000	—	—
				By Capital A/c	75,000	50,000	75,000
Total	1,05,000	57,333	84,667	Total	1,05,000	57,333	84,667

Working Note—

(i) Total Capital of firm = ₹ 50,000 × 1/1/6 = ₹ 3,00,000

(ii) New Capital of "x" = ₹ 3,00,000 × 2/6 = ₹ 1,00,000

"y" = ₹ 3,00,000 × 2/6 = ₹ 1,00,000

"z" = ₹ 3,00,000 × 1/6 = ₹ 50,000

Partner's Capital A/c

Particulars	X	Y	Z	W	*Particulars*	X	Y	Z	W
To Current A/c	75,000	50,000	75,000	—	By Bal. b/d	1,75,000	1,50,000	1,25,000	
To Bal. c/d	1,00,000	1,00,000	50,000	50,000	By Bank A/c	—	—	—	50,000
Total	1,75,000	1,50,000	1,25,000	50,000	Total	1,75,000	1,50,000	1,25,000	50,000

Q. 83. Shikhar and Rohit were partners in a firm sharing profits in the ratio of 7 : 3. On 1st April, 2013, they admitted Kavi as a new partner for 1/4 share in profits of the firm. Kavi brought ₹ 4,30,000 as his capital and ₹ 25,000 for his share of goodwill premium. Balance Sheet of Shikhar and Rohit as on 1st April, 2013 was as follows :

Liabilities		₹	*Assets*		₹
Capital A/cs :			Land and Building		3,50,000
Shikhar	8,00,000		Machinery		4,50,000
Rohit	3,50,000	11,50,000	Debtors	2,20,000	
General Reserve		1,00,000	*Less :* Provision	20,000	2,00,000
Workmen's Compensation Fund		1,00,000	Stock		3,50,000
Creditors		1,50,000	Cash		1,50,000
		15,00,000			15,00,000

It was agreed that

(*a*) the value of Land and Building will be appreciated by 20%.

(*b*) the value of Machinery will be depreciated by 10%.

(*c*) the liabilities of Workmen's Compensation Fund were determined at ₹ 50,000.

(*d*) Capital of Shikhar and Rohit will be adjusted on the basis of Kavi's capital and actual cash to be brought in or to be paid off as the case may be.

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

Sol.

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

Particulars	₹	*Particulars*	₹
To Machinery	45,000	By Land & Building	70,000
To Revaluation Profit			
Shikhar (25,000 × 7/10)	17,500		
Rohit (25,000 × 3/10)	7,500		
Total	70,000	Total	70,000

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

Particulars	*Shikhar* (₹)	*Rohit* (₹)	*Kavi* (₹)	*Particulars*	*Shikhar* (₹)	*Rohit* (₹)	*Kavi* (₹)
To Cash (Bal. fig.)	37,000	23,000	–	By Balance b/d	8,00,000	3,50,000	–
To Balance c/d	9,03,000	3,87,000	4,30,000	By Cash A/c	–	–	4,30,000
				By Pre. for G/W	17,500	7,500	–
				By Rev. Profit	17,500	7,500	–
				By W.C.F.	35,000	15,000	–
				By G/R	70,000	30,000	–
	9,40,000	4,10,000	4,30,000		9,40,000	4,10,000	4,30,000

Dr.	Balance Sheet of New Firm		Cr.
Liabilities	**₹**	**Assets**	**₹**
Capital A/cs :		Land & Building [3,50,000 + 20%]	4,20,000
Shikhar 9,03,000		Machinery [4,50,000 – 10%]	4,05,000
Rohit 3,87,000		Debtors 2,20,000	
Kavi 4,30,000	17,20,000	*Less* : Provision 20,000	2,00,000
Sundry Creditors	1,50,000	Stock	3,50,000
Workman Comp. Fund	50,000	Cash [1,50,000 + 4,30,000 + 35,000 – 37,000 – 23,000]	5,45,000
	19,20,000		19,20,000

(a) Total Capital of New Firm = $4,30,000 \times \frac{1}{1/4} = 17,20,000$

Q. 84. Raghu and Rishu are partners sharing profits in the ratio 3 : 2. Their Balance Sheet as at 31st March 2009 was as follows:

Balance Sheet of Raghu and Rishu
as at 31 st March, 2009

Liabilities	**₹**	**Assets**	**₹**
Creditors	**86,000**	**Cash in hand**	**77,000**
Employees provident fund	**10,000**	**Debtors 42,000**	
Investment Fluction Reserve	**4,000**	***Less* : Provision for**	
		Doubtful Debts 7,000	**35,000**
Capital A/c		**Investment**	**21,000**
Raghu 1,19,000		**Buildings**	**98,000**
Rishu 1,12,000	**2,31,000**	**Plant and Machinery**	**1,00,000**
	3,31,000		**3,31,000**

Rishabh was admitted on that date for 1/4th share of profit on the following terms;

(*a*) Rishabh will bring ₹ 50,000 as his share of capital.

(*b*) Goodwill of the firm is valued at ₹ 42,000 and Rishabh will bring his share of goodwill in cash.

(*c*) Buildings were appreciated by 20%

(*d*) All Debtors were good.

(*e*) There was a liability of ₹ 10,800 included in Creditors which was not likely to arise.

(*f*) New profit sharing ratio will be 2 : 1 : 1.

(*g*) Capital of Radhu and Rishu will be adjusted on the basis of Rishabh's share of capital and any excess of Raghu and Rishu will be made by withdrawing or bringing in cash by the concerned partners as the case may be.

Prepare Revalution Account, Partner's Capital Accounts and the Balance Sheet of the new firm. ***(AI. 2012 C.)***

Sol.

Dr. **Revaluation Account** Cr.

Particulars	₹	*Particulars*	₹
To Rev. profit:		By Building	19,600
Raghu	22,440	By P..B.D	7,000
Rishu	14,960	By S. creditors	10,800
	37,400		37,400

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

Particulars	*Raghu*	*Rishu*	*Rishabh*	*Particulars*	*Raghu*	*Rishu*	*Rishabh*
To Cash (Balance fig.)	48,040	84,860	—	By Balance b/d	1,19,000	1,12,000	—
				By I.F. Res.	2,400	1,600	—
To Balance c/d (New Capital)	1,00,000	50,000	50,000	By Rev. A/c	22,440	14,960	—
				By Cash A/c	—	—	50,000
				By Premium	4,200	6,300	—
	1,48,040	1,34,860	50,000		1,48,040	1,34,860	50,000

Working Note:

(*i*) Sac. Share of Raghu $= \frac{3}{5} - \frac{2}{4} = \frac{12-10}{20} = \frac{2}{20}$

Rishu $= \frac{2}{5} - \frac{1}{4} = \frac{8-5}{20} = \frac{3}{20}$

(*ii*) Total Capital of new firm $= 50{,}000 \times \frac{1}{1/4}$ = ₹ 2,00,000

So, new capital of Raghu $= 2{,}00{,}000 \times \frac{2}{4}$ = ₹ 1,00,000

Rishu $= 2{,}00{,}000 \times \frac{1}{4}$ = ₹ 50,000

Balance sheet of new firm
as at March 31, 2009

Liabilities		₹	*Assets*	₹
Creditors (86,000– 10,800)		75,200	Cash in hand	4,600
Employ. Provi. Fund		10,000	(77,000 + 50,000 + 10,500	
Capital A/cs			– 48,040 – 84,860)	
Raghu	1,00,000		Debtors	42,000
Rishu	50,000		Investments	21,000
Rishabh	50,000	2,00,000	Building (98,000 + 19,600)	1,17,600
			Plant and machinery	1,00,000
Total		2,85,200		2,85,200

Q. 85. Following is the Balance Sheet of Abha and Binay as at 31st March, 2014 :

Liabilities		₹	*Assets*		₹
Creditors		13,000	Bank		15,000
Employees' Provident Fund		8,000	Debtors	22,000	
Workmen's Comp. Fund		15,000	*Less* : Provision for		
			Doubtful Debts	1,000	21,000
Capital A/cs :			Stock		10,000
Abha	55,000		Plant and Machinery		60,000
Binay	30,000	85,000	Goodwill		10,000
			Profit and Loss		5,000
		1,21,000			1,21,000

Chitra was admitted as a partner for 1/4 share is the profits of the firm. It was decided thaf :

(*a*) Bad Debts amounted to ₹ 1,500 will be written off.

(*b*) Stock worth ₹ 8,000 was taken over by Abha and Binay at Book Value in their profit-sharing ratio. The remaining stock was valued at ₹ 2,500.

(*c*) Plant and Machinery and Goodwill were valued at ₹ 32,000 and ₹ 20,000 respectively.

(*d*) Chitra brought her share of goodwill in cash.

(*e*) Chitra will bring proportionate capital and the capitals of Abha and Binay will be adjusted in their profit-sharing ratio by bringing in or paying off cash as the case may be.

Prepare Revaluation Account and Partner's Capital Accounts.

Sol.

Dr. **Revaluation A/c** *Cr.*

Particulars	₹	*Particulars*		₹
To Bad Debts (1500 – 1000)	500	By Stock (2,500 – 2,000)		500
To P/ Machinery	28,000	By Revaluation Loss		
		Abha	14,000	
		Binay	14,000	28,000
Total	28,500	Total		28,500

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

Particulars	*Abha*	*Binay*	*Chitra*	*Particulars*	*Abha*	*Biney*	*Chitra*
To Goodwill	5,000	5,000	—	By Balance b/d	55,000	30,000	—
To Profit & Loss	2,500	2,500	—	By W.C. Fund	7,500	7,500	—
To Revaluation	14,000	14,000	—	By Premium for G/W	2,500	2,500	—
To Stock A/c	4,000	4,000		By Bank A/c (W.Note)	—	—	18,500
To Balance c/d	39,500	14,500	18,000				
	65,000	40,000	18,000		65,000	40,000	18,000
To Bank A/c	12,500			By Balance b/d	39,500	14,500	18,000
To Balance c/d	27,000	27,000	18,000	By Bank (Bal. Fig.)	—	12,500	—
	39,500	27,000	18,000		39,500	27,000	18,000

Working Note—

(i) Combind Capital of Abha & Binay

$= ₹ (39,500 + 14,500) = ₹ 54,000$

(ii) Chitra's Capital $= 54,000 \times 1/(1 - 1/4) \times 1/4$

$= 54,000 \times (1/3/4) \times 1/4 = 54,000 \times 4/3 \times 1/4$

$= ₹ 18,000$

(iii) New Share of Abha $= (1 - 1/4) \times 1/2 = 3/8$

Binay $= (1 - 1/4) \times 1/2 = 3/8$ — 3 : 3 : 2

Chitra $= 1/4 \times 2/2 = 2/8$

(iv) Abha New Capital $= ₹ 54,000 \times 4/3 \times 3/8 = ₹ 27,000$

Binay New Capital $= ₹ 54,000 \times 4/3 \times 3/8 = ₹ 27,000$

Q. 86. L, M and N were partners in a firm sharing profits in the ratio of 3 : 2 : 1. Their Balance Sheet on 31st March, 2015 was as follows—

Liabilities		₹	*Assets*	₹
Creditors		1,68,000	Bank	34,000
General Reserve		42,000	Debtors	46,000
Capital A/cs : L	1,20,000		Stock	2,20,000
M	80,000		Investments	60,000
N	40,000	2,40,000	Furniture	20,000
			Machinery	70,000
		4,50,000		4,50,000

On the above date, O was admitted as a new partner and it was decided that—

(i) The new profit-sharing ratio between L, M, N and O will be 2 : 2 : 1 : 1.

(ii) Goodwill of the firm was valued at ₹ 1,80,000 and O brought his share of goodwill premium in cash.

(iii) The market value of investments was ₹ 36,000.

(iv) Machinery will be reduced to ₹ 58,000.

(v) A creditor of ₹ 6,000 was not likely to claim the amount and hence was to be written off,.

(vi) O will bring proportionate capital so as to give him 1/6th share in the profits of the firm.

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

Sol. Revaluation A/c

Particulars	₹	*Particulars*		₹
To Investment A/c	24,000	By Creditors A/c		6,000
To Machinery A/c	12,000	By Res. Loss c/d		
		L	15,000	
		M	10,000	
		N	5,000	30,000
Total	36,000	Total		36,000

Partner's Capital A/c

Particulars	L	M	N	O	Particulars	L	M	N	O
To Rev. Loss	15,000	10,000	5,000	–	By Balance b/d	1,20,000	80,000	40,000	–
To Balance c/d	1,56,000	84,000	42,000	56,400	By General Res.	21,000	14,000	7,000	–
					By Prem. for G/w	30,000	–	–	–
					By Bank A/c	–	–	–	56,400
Total	1,71,000	94,000	47,000	56,400	Total	1,71,000	94,000	47,000	56,400

Working Note—

(i) Sacrifice made by "L" = (3/6) – (2/6) = 1/6

(ii) O's share of Capital = Comb. Capital × $\frac{1}{1-\text{N.P.S}}$ × N.P.S.

= [1,56,000 + 84,000 + 42,000] × 1/(1– 1/6) × (1/6)

= 2,82,000 × (6/5) × (1/6) = ₹ 56,400

Opening Balance Sheet

Liabilities		₹	*Assets*	₹
Creditors		1,62,000	Machinery	58,000
Capital A/cs :			Furniture	20,000
L	1,56,000		Investments	36,000
M	84,000		Stock	2,20,000
N	42,000		Debtors	46,000
O	56,400	3,38,400	Bank [34,000 + 56,400 + 30,000]	1,20,000
Total		5,00,400	Total	5,00,400

Q. 87. A and B are partners in a firm sharing profits and losses in the ratio 3 : 1. They admit C for 1/4th share on 31st March, 2014 when their Balance Sheet was as follows :

Liabilities	₹	*Assets*		₹
Employees' Provident Fund	**17,000**	**Cash**		**6,100**
Workmen Compensation Reserve	**6,000**	**Stock**		**15,000**
Investment Fluctuation Reserve	**4,100**	**Debtors**	**50,000**	
Capital A/cs : A	**54,000**	***Less :* Provision for**		
		Doubtful Debts	**2,000**	**48,000**
B	**35,000**	**Investments**		**7,000**
		Goodwill		**40,000**
	1,16,100			**1,16,100**

The following adjustments were agreed upon :

(a) C brings in ₹ 16,000 as goodwill and proportionate capital.

(b) Bad debts amounted to ₹ 3,000.

(c) Market value of investments is ₹ 4,500.

(d) Liability on account of workmen compensation reserve amounted to ₹ 2,000.

Prepare Revaluation A/c and Partner's Capital Accounts.

Sol.

Dr. **Revaluation Account** Cr.

Particulars	₹	*Particulars*		₹
To Bad Bebts (3,000 – 2,000)	1,000	By Revaluation Loss		
		A	750	
		B	250	1,000
Total	**1,000**	**Total**		**1,000**

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

Particulars	*A*	*B*	*C*	*Particulars*	*A*	*B*	*C*
To Goodwill	30,000	10,000	—	By Balance b/d	54,000	35,000	—
To Rev. A/c	750	250	—	By W.C Res. A/c	3,000	1,000	—
To Balance c/d	39,450	30,150	23,200	By Inv. f. Res.	1,200	400	—
				By Prem. f. G/W	12,000	4,000	—
				By Cash A/c	—	—	23,200
Total	**70,200**	**40,400**	**23,200**	**Total**	**70,200**	**40,400**	**23,200**

Working Note—

(*i*) Combind Capital of A and B

= ₹ (39,450 + 30,150) = ₹ 69,600

(*ii*) C's Capital = ₹ (69,600 × 1/1 – (1/4) × 1/4)

= ₹ 69,600 × 1 (3/4) × 1/4 = 69,600 × 4/3 × 1/4

= ₹ 23,200

Q. 88. Pradeep and Dhanraj were partners in a firm sharing profits in the ratio of 3:1. Their Balance Sheet on 31st March 2018 was :

Liabilities		₹	*Assets*		₹
Creditors		30,000	**Debtors**	50,000	
Bills Payable		1,000	***Less*: Provision**	5,000	45,000
Reserve Fund		16,000	**Stock**		30,000
Outstanding Salary		3,000	**Bills receivable**		10,000
Capital A/cs:			**Patents**		1,000
Pradeep	60,000		**Machinery**		40,000
Dhanraj	20,000	80,000	**Cash**		4,000
		1,30,000			1,30,000

They admitted Leander as a new partner on this date. New profit sharing ratio is agreed as 3:2:3. Leander brings in proportionate capital after the following adjustment:

(*a*) Leander brings ₹ 16,000 as his share of goodwill.

(*b*) Provision for doubtful debts is to be reduced by ₹ 2,000.

(*c*) There is an old typewriter valued at ₹ 2,400. It does not appear in the books of firm. It is now to be recorded.

(*d*) Patents are valueless.

Prepare Revaluation Account, Capital Accounts and opening Balance Sheet of Pradeep, Dhanraj and Leander.

Sol.

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

Particulars	₹	*Particulars*	₹
To Patents	1,000	By Provision for D/D	2,000
To Capital A/c – Profit		By Typewriter	2,400
Pradeep = 3,400 × ¾ = 2,550			
Dhanraj = 3,400 × ¼ = 850	3,400		
	4,400		4,400

Pradeep's Sacrificing Ratio = 3/4 – 3/8 = (6 – 3) / 8 = 3/8

Dhanraj's Sacrificing Ratio = 1/4 – 2/8 = (2 – 2) / 8 = 0

Capitals of Pradeep and Dhanraj = ₹ 90,550 + 24,850 = ₹ 1,15,400

Capitals brought in by Leander = ₹ 1,15,400 × 8/5 × 3/8 = ₹ 69,240

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

Particulars	*Pradeep* (₹)	*Dhanraj* (₹)	*Leander* (₹)	*Particulars*	*Pradeep* (₹)	*Dhanraj* (₹)	*Leander* (₹)
To Bal. c/d	90,550	24,850	69,240	By Bal. b/d	60,000	20,000	—
				By Reserve	12,000	4,000	—
				By Rev – Profit	2,550	850	—
				By Cash			69,240
				By Premium	16,000		
	90,550	24,850	69,240		90,550	24,850	69,240

New Balance sheet

Liabilities	₹	*Assets*		₹
Creditors	30,000	Cash (4,000 + 85,240)		89,240
Bill payable	1,000	Debtors	50,000	
Outstanding Salary	3,000	*Less* : Provision	3,000	47,000
Capitals		Stock		30,000
Pradeep	90,550	Bill Receivable		10,000
Dhanraj	24,850	Machinery		40,000
Leander	69,240	Typewriter		2,400
	2,18,640			2,18,640

Q. 89. Mohan and Sohan are in a partnership sharing profits in the proportion of 3/5th and 2/5th respectively. Their Balance Sheet as at 31st March 2018 was :

Liabilities	₹	*Assets*		₹
Mohan's Capital	2,000	Cash		650
Sohan's Capital	1,000	Debtors	1,000	
Creditors	400	*Less* : Provision for D/D	400	600
		Stock		1,500
		Plant		650
	3,400			3,400

They decided to admit Rohan to a one-third share upon the terms that he is to pay into the business ₹ 1,000 as Goodwill & sufficient capital to give him a 1/3rd share of the total capital of the new firm. It was agreed that the Provision for D/D be reduced to ₹ 100, and the stock be revalued at ₹ 2,000 and that the plant be reduced to ₹ 500. You are required to record the above in the ledger of the firm and show the Balance Sheet of the new partnership.

Sol.

Dr. **Revaluation Account** Cr.

Particulars	₹	Particulars	₹
To Plant (650 – 500)	150	By Provision for B/D (400 – 100)	300
To Capital Accounts–Profit		By Stock (2,000 – 1,500)	500
Mohan = 650 × 3/5 = 390			
Sohan = 650 × 2/5 = 260	650		
	800		800

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

Particulars	Mohan (₹)	Sohan (₹)	Rohan (₹)	Particulars	Mohan (₹)	Sohan (₹)	Rohan (₹)
To Bal. C/d	2,990	1,660	2,325	By Bal. B/d	2,000	1,000	
				By Cash A/c			2,325
				By Premium A/c	600	400	
				By Rev – Profits	390	260	
	2,990	1,660	2,325		2,990	1,660	2,325

Balance Sheet of New Firm

Liabilities		₹	Assets		₹
Capital Accounts			Cash (650 + 3,325)		3,975
Mohan	2,990		Stock		2,000
Sohan	1,660		Debtors	1,000	
Rohan	2,325	6,975	*Less* : Provisions	100	900
Creditors		400	Plant		500
		7,375			7,375

Working Notes :

Capital of A = ₹ 2,990

Capital of B = ₹ 1,660

Total Capital of A & B = ₹ 4,650

Remaining Ratio for A & B = 1 – 1/3 = 2/3

Total Capital of the firm = ₹ 4,650 × 3/2 = ₹ 6,975

C's Share of Capital = ₹ 6,975 × 1/3 = ₹ 2,325

Q. 90. Following is the Balance Sheet of X and Y as at 31st March 2018, Z is admitted as a partner on that date when the position of X and Y was :

Liabilities	₹	Assets	₹
X's Capital	10,000	Cash in hand	9,000
Y's Capital	8,000	Debtors	11,000
Creditors	12,000	Stock	12,000
General Reserve	16,000	Building	8,000
Workmen's Comp. Fund	4,000	Machinery	10,000
	50,000		50,000

X and Y share profit in the ratio of 3:2. The following terms of admission are agreed upon (i) Revaluation of assets: Building ₹ 18,000; Stock ₹ 16,000. (ii) The liability on Workmen's compensation Reserve is determined at ₹ 2,000. (iii) Z brought in as his share of goodwill ₹ 10,000 in cash. (iv) Z was to bring further cash as would make his capital equal to 20% of the combined capital of X and Y after above revaluation and adjustments are carried out. (v) The future profit sharing proportions were : X 2/5ths, Y 2/5ths and Z 1/5ths.

Prepare new Balance Sheet of the firm and the capital accounts of the partners.

Sol.

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

Particulars	₹	Particulars	₹
To Capital Accounts – Profits		By Buildings (18,000 – 8,000)	10,000
X = 14,000 × 3/5 = 8,400		By Stock (16,000 – 12,000)	4,000
Y = 14,000 × 2/5 = 5,600	14,000		
	14,000		14,000

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

Particulars	X (₹)	Y (₹)	Z (₹)	Particulars	X (₹)	Y (₹)	Z (₹)
To Balance c/d	39,200	20,800	12,000	By Balance b/d	10,000	8,000	
				By General Reserve	9,600	6,400	
				By W. C. Fund	1,200	800	
				By Rev – Profits	8,400	5,600	
				By Cash A/c			12,000
				By Premium A/c	10,000		
	39,200	20,800	12,000		39,200	20,800	12,000

Balance Sheet of X, Y and Z

Liabilities	₹	Assets	₹
Sundry Creditors	12,000	Cash (9,000 + 12,000 + 10,000)	31,000
Workmen's Comp. Fund	2,000	Debtors	11,000
Capital Accounts X	39,200	Stock	16,000
Y	20,800	Building	18,000
Z	12,000	Machinery	10,000
	86,000		86,000

Working Notes :

X's Sacrificing Ratio = 3/5 –2/5 = 1/5, Y's Sacrificing Ratio = 2/5 – 2/5 = 0

Capital Adjustment X's Capital = ₹ 39,200

Y's Capital = ₹ 20,800

Capital of X & Y = ₹ 60,000

Z's Capital = ₹ 60,000 × 1/5 = ₹ 12,000

Amount brought in by Z = 12,000 + 10,000 = ₹ 22,000

Q. 91. A and B are partners sharing profits in the ratio of 3 : 2. They admit C as a new partner from 1st April 2018. They have decided to share future profits in the ratio of 4 : 3 : 3. The Balance Sheet as at 31st March, 2018 is given below—

Liabilities		₹	*Assets*		₹
A's Capital	1,76,000		Goodwill		34,000
B's Capital	2,54,000	4,30,000	Land and Building		60,000
Workmen Compensation Res.		20,000	Investment (Market value ₹ 45,000)		50,000
Investment Fluctuation Res.		10,000	Debtors	1,00,000	
Employees' Provident Fund		34,000	*Less :* Provision for Doubtful Debts	10,000	90,000
C's Loan		3,00,000	Stock		3,00,000
			Bank Balance		2,50,000
			Advertisement Suspense A/c		10,000
		7,94,000			7,94,000

Terms of C's admission are as follows—

(i) C contributes proportionate capital and 60% of his share of goodwill in cash.

(ii) Goodwill is to be valued at 2 years' purchase of super profit of last three completed years. Profits for the years ended 31st March were—

2016—₹ 4,80,000; 2017—₹ 9,30,000; 2018—₹ 13,80,000 The normal profit is ₹ 5,30,000 with same amount of capital invested in similar indus.

(iii) Land and Building was found undervalued by ₹ 1,00,000.

(iv) Stock was found overvalued by ₹ 31,000.

(v) Provision for Doubtful Debts is to be made equal to 5% of the debtors.

(vi) Claim on account of Workmen Compensation is ₹ 11,000.

Prepare Revaluation Account, Partners' Capital Accounts and Balance Sheet.

Sol.

Dr. **Revaluation A/c** *Cr.*

Particulars	₹	*Particulars*	₹
To Stock	31,000	By Land & Building	1,00,000
To Revaluation Profit c/d		To Provision for B.Debts	5,000
A [74,000 × 3/5]	44,400		
B [74,000 × 2/5]	29,600		
Total	**1,05,000**	**Total**	**1,05,000**

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

Particulars	*A*	*B*	*C*	*Particulars*	*A*	*B*	*C*
To Goodwill	20,400	13,600	—	By Balance b/d	1,76,000	2,54,000	—
To Adv. Sus. A/c	6,000	4,000	—	By W.C.R. A/c	5,400	3,600	—
To Balance c/d	3,62,400	3,51,600	3,06,000	By I.F.R.A/c	3,000	2,000	—
				By Rev. Profit	44,400	29,600	—
				By C'Current A/c	64,000	32,000	—
				By Prem. for G/W	96,000	48,000	—
				By Bank A/c	—	—	3,06,000
	3,88,800	3,69,200	3,06,000		3,88,800	3,69,200	3,06,000

Working Note—

(*i*) Value of Goodwill = 2 [(4,80,000 + 9,30,000 + 13,80,000)/3 – 5,30,000]
= ₹ 8,00,000

(*ii*) C's Share of G/W Receive = ₹ 8,00,000 × (3/10) × 60%
= ₹ 1,44,000

(*iii*) C's Share of Capital = Comb. Capital × $\frac{1}{1-\text{N.P.S.}}$ × N.P.S.

$$= [3,62,400 + 3,51,600] \times \frac{1}{1-(3/10)} \times 3/10$$

= 7,14,000 × (10/7) × (3/10)
= 3,06,000

Q. 92. Kalpana and Kanika were partners in a firm sharing profits in the ratio of 3 : 2. On 1st April, 2018, they admitted Karuna as a new partner for 1/5 share in the profits of the firm. The Balance Sheet of Kalpana and Kanika as on 1st April, 2018 was as follows :

Balance Sheet of Kalpana and Kanika as on 1st April, 2018

Liabilities		₹	*Assets*		₹
Capital A/cs :			**Land and Building**		**2,10,000**
Kalpana	**4,80,000**		**Plant**		**2,70,000**
Kanika	**2,10,000**	**6,90,000**	**Stock**		**2,10,000**
General Reserve		**60,000**	**Debtors**	**1,32,000**	
Wokmen's Compensations Fund		**1,00,000**	***Less :* Provision**	**12,000**	**1,20,000**
Creditors		**90,000**	**Cash**		**1,30,000**
		9,40,000			**9,40,000**

It was agreed that

(*a*) the value of Land and Building will be appreciated by 20%.

(*b*) the value of plant be increased by ₹ 60,000.

(*c*) Karuna will bring ₹ 80,000 for her share of goodwill premium.

(*d*) the liabilities of Workmen's Compensation Fund were determined at ₹ 60,000.

(*e*) Karuna will bring in cash as capital to the extent of 1/5th share of the total capital of the new firm.

Prepare Revaluation Account, Partners' Capital Accounts and Balance Sheet of the new firm. (*Foreign 2014*)

Sol.

Revaluation A/c

Particulars	₹	*Particulars*	₹
To Revaluation Pt.		By Land & Building	42,000
Kalpana (1,02,000 × 3/5)	61,200	By Plant	60,000
Kanika (1,02,000 × 2/5)	40,800		
	1,02,000		1,02,000

Partners' Capital A/c

Particulars	*Kalpana* (₹)	*Kanika* (₹)	*Karuna* (₹)	*Particulars*	*Kalpana* (₹)	*Kanika* (₹)	*Karuna* (₹)
To Balance c/d	6,49,200	3,22,800	2,43,000	By Balance b/d	4,80,000	2,10,000	–
				By Revaluation Pt.	61,200	40,800	–
				By General Res.	36,000	24,000	–
				By W. C. Fund	24,000	16,000	–
				By Premium	48,000	32,000	–
				By Bank A/c	–	–	2,43,000
Total	6,49,200	3,22,800	2,43,000	Total	6,49,200	3,22,800	2,43,000

$$\text{Karuna's Capital} = \text{Kalpana Capital} + \text{Kanika's Capital} = \frac{1}{1-1/5} \times \frac{1}{5}$$

$$= 9{,}72{,}000 \times 5/4 \times 1/5 = 2{,}43{,}000$$

Combind Capital = Kalpana Capital + Kanika's Capital = 6,49,200 + 3,22,800

= ₹ 9,72,000

Cash/Bank A/c

Particulars	₹	*Particulars*	₹
To Balance b/d	1,30,000	By Balance c/d	4,53,000
To Premium of G/W	80,000		
To Karuna's Capital A/c	2,43,000		
Total	4,53,000	Total	4,53,000

Balance Sheet of New Firm
as on April 1, 2018

Liabilities		₹	*Assets*		₹
Capital A/cs :			Land & Building	2,10,000	
Kalpana	6,49,200		+ App.	42,000	2,52,000
Kanika	3,22,800		Plant	2,70,000	
Karuna	4,43,000	12,15,000	+ App.	60,000	3,30,000
Workman C. Fund		60,000	Stock		2,10,000
Creditors		90,000	Debtors	1,32,000	
			Less : Prov.	12,000	1,20,000
			Cash		4,53,000
		13,65,000			13,65,000

CHAPTER - 5
RETIREMENT/ DEATH OF A PARTNER

SOLVED PRACTICAL PROBLEMS

Q. 1. A, B and C were partners sharing profits in the ratio of 1/2, 2/5 and 1/10. Find the new ratio of the remaining partners if C retires.

Sol. Old Ratio of A, B and C = 1/2 : 2/5 : 1/10 = 5/10 : 4/10 : 1/10 = 5 : 4 : 1, and C retires

A's gaining ratio = 1/10 × 5/9 = 5/90

B's gaining ratio = 1/10 × 4/9 = 4/90

New Ratio = Old Ratio + Gaining Ratio

A's N. R. = 5/10 + 5/90 = (45 + 5)/90 = 50/90

B's N. R. = 4/10 + 4/90 = (36 + 4)/90 = 40/90

Thus, New Ratio of A and B = 50 : 40 = 5 : 4

Q. 2. Ram, Mohan and Sohan were partners sharing profits in the ratio of 1/5, 1/3 and 7/15 respectively. Sohan retires and his share was taken up by Ram and Mohan in the ratio of 3 : 2. Find out the new ratio.

Sol. Old Ratio = 1/5 : 1/3 : 7/15 = 3/15 : 5/15 : 7/15

Ram's gaining ratio = 7/15 × 3/5 = 21/75

Mohan's gaining ratio = 7/15 × 2/5 = 14/75

New Ratio = Old Ratio + Gaining Ratio

Ram's N. R. = 3/15 + 21/75 = (15 + 21)/75 = 36/75

Mohan's N. R. = 5/15 + 14/75 = (25 + 14)/75 = 39/75

Thus New Ratio = 36 : 39 = 12 : 13.

Q. 3. From the following particulars, calculate the new profit-sharing ratio of the partners:

(a) Shiv, Mohan and Hari were partners in a firm sharing profits in the ratio of 5 : 5 : 4. Mohan retired and his share was divided equally between Shiv and Hari.

(b) P, Q and R were partners sharing profits in the ratio of 5 : 4 : 1. P retires from the firm.

Sol. (a) Old Ratio = 5: 5: 4, and Mohan retires

Shiv's gaining ratio = 5/14 × 1/2 = 5/28

Hari's gaining ratio = 5/14 × 1/2 = 5/28

New Ratio = Old Ratio + Gaining Ratio

Shiv's New Ratio = 5/14 + 5/28 = 15/28

Hari's New Ratio = 4/14 + 5/28 = 13/28

Thus New Ratio of Shiv and Hari = 15 : 13.

(b) Old Ratio of P, Q and R = 5 : 4 : 1, and P retires

Q's gaining ratio = 5/10 × 4/5 = 4/10

R's gaining ratio = 5/10 × 1/5 = 1/10

New Ratio = Old Ratio + Gaining Ratio

Q's N R = 4/10 + 4/10 = 8/10

R's N R = 1/10 + 1/10 = 2/10

Thus new ratio = 8 : 2 = 4 : 1.

Q. 4. Sita, Geeta and Meeta were partners in a firm sharing profits in the ratio of 7 : 6 : 7. Geeta retired and her share was divided equally between Sita and Meeta. Calculate the new profit sharing ratio of Sita and Meeta.

Sol. Sita's GR = Meeta's GR = 6/20 × 1/2 = 3/20

Sita's NR = Meeta's NR = 7/20 + 3/20 = 10/20 = 1/2

Hence, **NR = 1 : 1**

Q. 5. R, S and M are partners sharing profits in the ratio of 2/5, 2/5 and 1/5. M decides to retire from the business and his share is taken by R and S in the ratio of 1 : 2. Calculate the new profit-sharing ratio.

Sol. Old Ratio = 2 : 2 : 1

M's share = 1/5

Gain Ratio of R and S = 1 : 2

So, R's Gain = 1/5 × 1/3 = 1/15

S's Gain = 1/5 × 2/3 = 2/15

So, New share of R = 2/5 + 1/15 = (6 + 1)/15 = 7/15 .

S = 2/5 + 2/15 = (6 + 2)/15 = 8/15

So, New Ratio of R : S = 7 : 8

Q. 6. A, B and C were partners sharing profits in the ratio of 4:3:2. A retires, assuming B and C will share profits in the ratio of 2 : 1. Determine the gaining ratio.

Sol. (*i*) Old P/S Ratio of :

A : B : C = 4 : 3 : 2

(*ii*) New P/S Ratio of :

B : C = 2 : 1

(*iii*) Gain Share of :

B = (2/3) – (3/9) = (6 – 3)/9 = 3/9

C = (1/3) – (2/9) = (3 – 2)/9 = 1/9

(*iv*) Gaining Ratio of :

B : C = 3 : 1

Q. 7. Kangli, Mangli and Sanvali are partners sharing profits in the ratio of 4 : 3 : 2. Kangli retires. Assuming Mangli and Sanvali will share profits in future in the ratio of 5 : 3, determine the gaining ratio.

Ans. Old Ratio = 4 : 3 : 2

After Kangli Retires,

New Ratio of Mangali and Sanvali = 5 : 3

Gaining Ratio = New Ratio – Old Ratio

Mangali = 5/8 – 3/9 = (45 – 24) / 72 = 21/72

Sanvali = 3/8 – 2/9 = (27 – 16)/72 = 11/72

Gaining Ratio = 21 :11

Q. 8. X, Y and Z are partners sharing profits in the ratio of 1/2, 3/10, and 1/5. Calculate the gaining ratio of remaining partners when Y retires from the firm. **[*Foreign 2014*]**

Sol. Old P/S Ratio of x_1 y_1 z = 1/2 : 3/10 : 1/5

= 5 : 3 : 2

if "y" retires then New ratio of $x : z$ = 5 : 2

and Gaining ratio of $x : z$ = 5 : 2

Q. 9. (*a*) W, X, Y and Z are partners sharing profits and losses in the ratio of 1/3, 1/6, 1/3 and 1/6 respectively. Y retires and W, X and Z decide to share the profits and losses equally in future. Calculate the gaining ratio.

Sol. (*a*)

Old Share	New Share
W's = $\frac{1}{3}$	W = $\frac{1}{3}$
X = $\frac{1}{6}$	X = $\frac{1}{3}$
Y = $\frac{1}{3}$	Z = $\frac{1}{3}$
Z = $\frac{1}{6}$	

Gaining Ratio of W = $\frac{1}{3} - \frac{1}{3} = 0$

Gaining Ratio of X = $\frac{1}{3} - \frac{1}{6} = \frac{+1}{6}$

Gaining Ratio of Z = $\frac{1}{3} - \frac{1}{6} = \frac{+1}{6}$

Gaining Ratio = 0 : 1 : 1

Q. 9. (*b*) A, B and C are partners sharing profits and losses in the ratio of 4 : 3 : 2. C retires from the business. A is acquiring 4/9 of C's share and balance is acquired by B. Calculate the new profit-sharing ratio and gaining ratio.

Sol. (*b*) Old Ratio of A, B and C = 4 : 3 : 2

After C Retires,

A acquired from C = $\frac{2}{9} \times \frac{4}{9} = \frac{8}{81}$

B acquired from C = $\frac{2}{9} - \frac{8}{81} = \frac{18-8}{81} = \frac{10}{81}$

Gaining Ratio = 8 : 10 or 4 : 5

New Ratio = Old Ratio + Gaining Ratio

$$A = \frac{4}{9}+\frac{8}{81}=\frac{36+8}{81}=\frac{44}{81}$$

$$B = \frac{3}{9}+\frac{10}{81}=\frac{27+10}{81}=\frac{37}{81}$$

New Ratio = 44 : 37

Q. 10. Kumar, Lakshya, Manoj and Naresh are partners sharing profits in the ratio of 3 : 2 : 1 : 4. Kumar retires and his share is acquired by Lakshya and Manoj in the ratio of 3 : 2. Calculate new profit-sharing ratio and gaining ratio of the remaining partners.

Sol. (*i*) Old Ratio of K : L : M : N = 3 : 2 : 1 : 4

(*ii*) Kumar Retires, So his share = 3/10

(*iii*) Taken by Lak : Man. in Ratio = 3 : 2

So, Lak's Gain = (3/10) × (3/5) = 9/50

Man's Gain = (3/10) × (2/5) = 6/50

(*iv*) New Share of Lak's = (2/10) + (9/50) = [(10 + 9/50)] = 19/50

of Man's = (1/10) + (6/50) = [(5 + 6)/50] = 11/50

(*v*) New Ratio of L : M : N = 19/50 : 11/50 : 4/10

= 19/50 : 11/50 : 20/10

= 19 : 11 : 20

Q. 11. A, B, C and D were partners in a firm sharing profits in 5 : 3 : 2 : 2 ratio. B and C retired from the firm. B's share was acqpired by D and C's share was acquired by A. Calculate the new profit-sharing ratio of A and D.

Ans. Old Ratio of A, B, C and D = 5 : 3 : 2 : 2

After B and C retires,

A acquires C's share = $\frac{2}{12}$

D acquires B's share = $\frac{3}{12}$

Therefore,

$$\text{A's New share} = \frac{5}{12}+\frac{2}{12}=\frac{5+2}{12}=\frac{7}{12}$$

$$\text{D's New share} = \frac{2}{12}+\frac{3}{12}=\frac{2+3}{12}=\frac{5}{12}$$

New Ratio = 7 : 5

Q. 12. A, B and C were partners a firm sharing profits in the ratio of 8 : 4 : 3. B retires and his share is taken up equally by A and C. Find the new profit-sharing ratio.

Sol. Old Ratio = 8 : 4 : 3

B's share = 4/15

Gain Ratio of A and C = 1 : 1

So, A's Gain = 4/15 × 1/2 = 2/15

C's Gain = 4/15 × 1/2 = 2/15

New share of A = 8/15 + 2/15 = (8 + 2)/15 = 10/15

C = 3/15 + 2/15 = (3 + 2)/15 = 5/15

So, New Ratio of A : C = 10: 5 = 2 : 1

Q. 13. A, B and C are partners sharing profits in the ratio of 5 : 3 : 2. C retires and his share is taken by A. Calculate new profit-sharing ratio of A and B.

Sol. Old Ratio = 5 : 3 : 2

C's Shares = 2/10 taken by A

So, A's New Shares = 5/10 + 2/10 = (5 + 2)/10 = 7/10

B's New Shares = 3/10

So, New Ratio of A : B = 7/10 : 3/10 = 7 : 3

Q. 14. P,Q and R are partners sharing in the ratio of 7:5:3. P retires and it is decided that profit-Sharing ratio between Q and R will be same as exsiting between P and Q. Calculate New Profit-sharing ratio and Gaining Ratio.

Sol. Old P.S. Ratio of P : Q : R = 7 : 5 : 3

if "P" retires then

New ratio b/w Q : R = 7 : 5

Now the Gain/ Sac Share of

Q = (7/12) – (5/15) = (35-20)/60 = 15/60 Gain.

R = (5/12) – (3/15) = (25-12)/60 = 13/60 Gain.

So, Gain Ratio of Q : R = 15/60 : 13/60

= 15 : 13

Q. 15. Murli, Naveen and Omprakash are partners sharing profits in the ratio of 3/8, 1/2 and 1/8. Murli retires and surrenders 2/3rd of his share in favour of Naveen and remaining share in favour of Omprakash. Calculate new profit-sharing ratio and gaining ratio of the remaining partners.

Sol. (*i*) Old Ratio of M : N : O = 3/8 : 1/2 : 1/8 = 3 : 4 : 1

(*ii*) Murli Retires, and his Share = 3/8

(*iii*) Naveen Gain = (3/8) × (2/3) = 2/8

(*iv*) Omprakash Gain = (3/8) – (2/8) = (1/8)

(*v*) So, New Share of Naveen = (4/8) + (2/8) = [(4 + 2)/8] = 6/8

Omprakash = (1/8) + (1/8) = [(1 + 1)/8] = 2/8

So, N : O = 6/8 : 2/8 = 6 : 2 = 3 : 1

(*vi*) Gaining Ratio of N : O = 2/8 : 1/8 = 2 : 1

Q. 16. A, B and C are partners in a firm sharing profits and losses in the ratio of 4:3:2. B decides to retire from the firm. Calculate new profit sharing ratio of A and C in the following circumstances – (a) If B gives his share to A and C in the original ratio of A and C, (b) If B gives his share to A and C in equal proportion, (c) If B gives his share to A and C in the ratio of 3 : 1 and, (d) If B gives his share to A only.

Sol. (a) New Ratio = Old Ratio + Gaining Ratio

A's New Ratio = 4/9 + 3/9 × 4/6 = 4/9 + 4/18 = 12/18

B's New Ratio = 2/9 + 3/9 × 2/6 = 2/9 + 2/18 = 6/18

New Ratio of A and C = 12 : 6 = 2 : 1

(b) New Ratio = Old Ratio + Gaining Ratio

A's New Ratio = 4/9 + 3/9 × 1/2 = 4/9 + 3/18 = 11/18

B's New Ratio = 2/9 + 3/9 × 1/2 = 2/9 + 3/18 = 7/18

New Ratio of A and C = 11 : 7

(c) New Ratio = Old Ratio + Gaining Ratio

A's New Ratio = 4/9 + 3/9 × 3/4 = 4/9 + 9/36 = 25/36

B's New Ratio = 2/9 + 3/9 × 1/4 = 2/9 + 3/36 = 11/36

New Ratio of A and C = 25 : 11

(d) New Ratio = Old Ratio + Gaining Ratio

A's New Ratio = 4/9 + 3/9 = 7/9

B's New Ratio = 2/9

New Ratio of A and C = 7 : 2

Q. 17. L, M and O are partners sharing profits and losses in the ratio of 4 : 3 : 2. M retires and the goodwill is valued at ₹ 72,000. Calculate M's share of goodwill and pass the necessary Journal entry for goodwill. L and O decided to share future profits and losses in the ratio of 5:3.

Sol. L's GR = 5/8 – 4/9 = 13/72 and O's GR = 3/8 – 2/9 = 11/72, GR = 13 : 11

M's share of goodwill = 72,000 × 3/9 = ₹ 24,000

Journal Entry

Date	*Particulars*		*LF*	*Dr.* (₹)	*Cr.* (₹)
	L's Capital A/c (24,000 × 13/24)	Dr.		13,000	
	O's Capital A/c (24,000 × 11/24)	Dr.		11,000	
	To M's Capital A/c				24,000
	(Being Goodwill adjusted)				

Q. 18. P, Q, R and S were partners in a firm sharing profits in the ratio of 5 : 3 : 1 : 1. On 1st January, 2017, S retired from the firm. On S's retirement the goodwill of the firm was valued at ₹ 4,20,000. The new profit-sharing ratio between P, Q and R will be 4 : 3 : 3.

Showing your working notes clearly, pass necessary Journal entry for the treatment of goodwill in the books of the firm on S's retirement.

Sol. Working Note—

(i) Old Ratio of P : Q : R : S = 5 : 3 : 1 : 1

(ii) New Ratio of P : Q : R = 4 : 3 : 3

(iii) Gain/Sac. to P = (5/10) – (4/10) = 1/10 Sac.

Q = (3/10) – (3/10) = Nil

R = (1/10) – (3/10) = (– 2/10) Gain

S = (1/10) – Nil = 1/10 Sac.

(iv) Share of Goodwill to S = ₹ 4,20,000 × (1/10) = ₹ 42,000 (Cr.)
R = ₹ 4,20,000 × (2/10) = ₹ 84,000 (Dr.)
P = ₹ 4,20,000 × (1/10) = ₹ 42,000 (Cr.)

Journal

Date	Particulars	LF	Dr. (₹)	Cr. (₹)
(i)	R's Capital A/c Dr.		84,000	
	To P's Capital A/c			42,000
	To S's Capital A/c			42,000
	(Being amount of goodwill adjusted among Partners)			

Q. 19. Aparna, Manisha and Sonia are partners sharing profits in the ratio of 3 : 2 : 1. Manisha retires and goodwill of the firm is valued at ₹ 1,80,000. Aparna and Sonia decided to share future profits in the ratio of 3 : 2. Pass necessary Journal entries.

Sol. Working Note—

(i) Old ratio of A : M : S = 3 : 2 : 1

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

(iii) Gain/Sac. to A = (3/6) – (3/5) = [(15 – 18)/30] = (– 3/30) Gain
M = (2/6) – 0 = Nil = (2/6) Sac.
S = (1/6) – (2/5) = [(5 – 12)/30] = (– 7/30) Gain

(iv) Gain Ratio of A : S = 3 : 7

Journal

Date	Particulars	LF	Dr. (₹)	Cr. (₹)
(i)	Aparna's Capital A/c [60,000 × (3/10)] Dr.		18,000	
	Sonia's Capital A/c [60,000 × (7/10)] Dr.		42,000	
	To Manisha's Capital A/c [1,80,000 × (2/6)]			60,000
	(Being Manisha's Share of G/w adjusted in 3 : 7)			

Q. 20. Hanny, Pammy and Sunny are partners sharing profits in the ratio of 3 : 2 : 1. Goodwill is appearing in the books at a value of ₹ 60,000. Pammy retires and at the time of Pammy's retirement, goodwill is valued at ₹ 84,000. Hanny and Sunny decided to share future profits in the ratio of 2 : 1. Record the necessary Journal entries.

Sol. Working Note—

(i) Old Ratio of H : P : S = 3 : 2 : 1

(ii) New Ratio of H : S = 2 : 1

(iii) Gain/Sac. to H = (3/6) – (2/3) = [(3 – 4)/6] = (– 1/6) Gain
P = (2/6) – Nil = (2/6) Sac.
S = (1/6) – (1/3) = [(1 – 2)/6] = (– 1/6) Gain

So, Gain Ratio toH : S = 1 : 1

Journal

Date	Particulars		LF	Dr. (₹)	Cr. (₹)
(i)	H's Capital A/c	Dr.		30,000	
	P's Capital A/c	Dr.		20,000	
	S's Capital A/c	Dr.		10,000	
	To Goodwill (old) A/c				60,000
	(Being old G/w A/c written off in 3 : 2 : 1)				
(ii)	H's Capital A/c [28,000 × (1/2)]	Dr.		14,000	
	S's Capital A/c [28,000 × (1/2)]	Dr.		14,000	
	To P's Capital A/c [84,000 × (2/6)]				28,000
	(Being P's Share of G/w adjusted in 1 : 1)				

Q. 21. A, B and C are partners sharing profits in the ratio of 3 : 2 : 1. B retired and the new profit sharing ratio between A and C was 2 : 1. On B's retirement, the goodwill of the firm was valued at ₹ 90,000. Pass necessary journal entry for the treatment of goodwill on B's retirement.

Sol. A's GR = 2/3 – 3/6 = 1/6, C's GR = 1/3 – 1/6 = 1/6 , **GR = 1 : 1**

Journal Entries

Date	Particulars		LF	Dr. (₹)	Cr. (₹)
	A's Capital Account (30,000 × ½)	Dr.		15,000	
	C's Capital Account (30,000 × ½)	Dr.		15,000	
	To B's Capital A/c (90,000 × 2/6)				30,000
	(Being Goodwill adjusted)				

Q. 22. X, Y and Z are partners sharing profits in the ratio of 3 : 2 : 1. Goodwill is appearing in the books at a value of ₹ 60,000. Y retires and at the time of Y's retirement, goodwill is valued at ₹ 84,000. X and Z decided to share future profits in the ratio of 2 : 1. Pass the necessary Journal entries through Goodwill Account.

Sol. Working Note—

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

(ii) New Ratio of x : z = 2 : 1

(iii) Gain/ Sac. Share of

x = (2/3) – (3/6) = (4 – 3)/6 = 1/6 Gain

z = (1/3) – (1/6) = (2-1)/6 = 1/6 Gain 1 : 1

Journal

Date	Particulars		LF	Dr. (₹)	Cr. (₹)
(i)	x's Capital A/c [60,000 × (3/6)]	Dr.		30,000	
	y's Capital A/c [60,000 × (2/6)]	Dr.		20,000	
	z's Capital A/c [60,000 × (1/6)]	Dr.		10,000	
	To Goodwill A/c				60,000
	(Being Value of old G/W A/c Written off)				
(ii)	Goodwill A/c	Dr.		84,000	
	To x's Capital A/c				42,000
	To y's Capital A/c				28,000
	To z's Capital A/c				14,000
	(Being G/w A/c raised in old Ratio)				

(iii)	x's Capital A/c	Dr.		56,000	
	z's Capital A/c	Dr.		28,000	
	To Goodwill A/c				84,000
	(Being G/w A/c written off in new ratio)				

Q. 23. A, B and C are partners sharing profits in the ratio of 4/9 : 3/9 : 2/9. B retires and his capital after making adjustments for reserves and profit on revaluation stands at ₹ 1,39,200. A and C agreed to pay him ₹ 1,50,000 in full settlement of his claim. Record necessary journal entry for adjustment of goodwill if the new profit sharing ratio is decided at 5 : 3.

Sol. (i) Old P/S Ratio = 4 : 3 : 2

New P/S Ratio of A : C = 5 : 3

So, A's gain = 5/8 – 4/9 = (45 – 32)/72 = 13/72

C's gain = 3/8 – 2/9 = (27 – 16)/72 = 11/72

(ii) Hidden Goodwill

= Amt. Payable – Amt. stands Credited

= 1,50,000 – 1,39,200 = 10,800

(iii) A's share = 10,800 × 13/24 = 5,850

C's share = 10,800 × 11/24 = 4,950

Journal Entry

Date	*Particulars*		*LF*	*Dr. (₹)*	*Cr. (₹)*
	A's Capital A/c	Dr.		5,850	
	C's Capital A/c	Dr.		4,950	
	To B's Capital A/c				10.800
	(Being amt. of B's goodwill adjusted)				

Q. 24. M. N and O are partners in a firm sharing profits in the ratio 3 : 2 : 1 Goodwill has been valued at ₹ 60,000. On N's retirement, M and O agree to share profits equally. Pass the necessary Journal entry for treatment of N's share of Goodwill.

Sol. Working Note—

(i) Old Ratio of M : N : O = 3 : 2 : 1

(ii) New ratio of M : O = 1 : 1

So, Gain/ Sac. Share of

M = (1/2) – (3/6) = (3 - 3)/6 = 0

Q = (1/2) – (1/6) = (3-1)/6 = 2/6 Gain.

Journal

Date	*Particulars*		*LF*	*Dr. (₹)*	*Cr. (₹)*
(i)	Q's Capital A/c	Dr.		20,000	
	To N's Capital A/c [60,000 × (2/6)]				20,000
	(Being N'share of G/w Charged from Q)				

Q. 24. A, B, C and D are partners in a firm sharing profits, in the ratio of 2 : 1 : 2 : 1. On the retirement of C, Goodwill was valued ₹ 1,80,000. A, B and D decide to share future profits equally. Pass the necessary Journal entry for the treatment of goodwill.

Sol. Working Note—

(i) Old Ratio of A : B : C : D = 2 : 1 : 2 : 1

(ii) New Ratio of A : B : D = 1 : 1 : 1

So, Gain/Sec Share of

$A = (1/3) - (2/6) = (2-2)/6 = 0$

$B = (1/3) - (1/6) = (2-1)/6 = 1/6$ Gain

$D = (1/3) - (1/6) = (2-1)/6 = 1/6$ Gain

$C = O - (2/6) = (0-2)/6 = -2/6$ Sac.

Jounral

Date	*Particulars*	*LF*	*Dr. (₹)*	*Cr. (₹)*
(i)	B's Capital A/c [60,000 × (1/2)] Dr.		30,000	
	D's Capital A/c [60,000 × (1/2)] Dr.		30,000	
	To C's Capital A/c [1,80,000 × (2/6)]			60,000
	(Being C's Share of G/W adjusted to ganining Partenr in 1 : 1)			

Q. 26. A, B and C were partners in a firm sharing profits in the ratio of 6 : 5 : 4 . Their capitals were A-₹ 1,00,000; B-₹ 80,000 and C-₹ 60,000 respectively. On 1st April, 2009, A retired from the firm and the new profit sharing ratio between B and C was decided as 1 : 4. On A's retirement, the goodwill of the firm was valued at ₹ 1,80,000. Showing your calculations clearly, pass the necessary Journal entry for the treatment of goodwill on A's retirement. (Foreign 2010)

Sol. Working Note—

(*i*) Old Ratio of A : B : C = 6 : 5 : 4

(*ii*) New Ratio of B : C = 1 : 4

So, Gain/ Sac. Share of :

$A = 0 - (6/15) = -6/15$ Sac.

$B = (1/5) - (5/15) = (3-5)/15 = -2/15$ Sac.

$C = (4/5) - (4/15) = (12-4)/15 = 8/15$ Gain.

Journal

Date	*Particulars*	*LF*	*Dr. (₹)*	*Cr. (₹)*
(*i*)	C's Capital A/c [1,80,000 × (8/15)] Dr.		96,000	
	To A's Capital A/c [96,000 × (6/8)]			72,000
	To B's Capital A/c [96,000 × (2/8)]			24,000
	(Being amount of G/W adjusted in Gain/ Sac ratio of Parters)			

Q. 27. X, Y and Z are partners sharing profits and losses in the ratio of 5 : 3 : 2. Z retires and on the date of his retirement, the following adjustments were agreed upon :

(*a*) The value of Furniture is to be increased by ₹ 12,000.

(*b*) The value of stock to be decreased by ₹ 10,000.

(*c*) Machinery of the book value of ₹ 50,000 is to be depreciated by 10%.

(*d*) A Provision for Doubtful Debts @ 5% is to be created on debtors of book value of ₹ 40,000.

(*e*) Unrecorded investement worth ₹ 10,000.

(*f*) An item of ₹ 1,000 included in bills payable is not likely to be claimed, hence should be written back.

Pass necessary Journal entires

Sol. **Journal**

Date	Particulars		LF	Dr. (₹)	Cr. (₹)
(i)	Furniture A/c	Dr.		12,000	
	Investment A/c	Dr.		10,000	
	B/P A/c	Dr.		1,000	
	To Revaluation A/c				23,000
	(Being Revaluation of assets and Liabilities made)				
(ii)	Revaluation A/c	Dr.		17,000	
	To Stock A/c				10,000
	To Machinery A/c				5,000
	To P.B.D. A/c				2,000
	(Being Revaluation assets made to A/c)				
(iii)	Revaluation A/c	Dr.		6,000	
	To x's Capital A/c				3,000
	To y's Capital A/c				1,800
	To z's Capital A/c				1,200
	(Being Profit on Revaluation transferred)				

Q. 28. A, B and C were partners sharing profits and losses in 2:2:1. B decides to retire on March 31, 2018. On the date of his retirement, some of the assets and liabilities appeared in the books as follows – Creditors ₹ 70,000, Building ₹ 1,00,000, plant and machinery ₹ 40,000, stock of Raw materials ₹ 20,000, stock of finished goods ₹ 30,000 and debtors ₹ 20,000. The following was agreed among the partners on B's retirement—(*a*) Building to be appreciated by 20%, (*b*) Plant and machinery to be depreciated by 10%, (*c*) A provision of 5% on Debtors to be created for doubtful debts, (d) Stock of Raw materials to be valued at ₹ 18,000 and Finished Goods at ₹ 35,000, (*e*) An old computer previously written off was sold for ₹ 2,000 as scrap (*f*) Firm had to pay ₹ 5,000 to the family of an injured employee. Pass necessary journal entries to record the above adjustment and prepare the Revaluation A/c.

Sol. **Journal Entries**

Date	Particulars		LF	Dr. (₹)	Cr. (₹)
	Buildings (1,00,000 × 20%)	Dr.		20,000	
	Stock of finished goods (35,000 – 30,000)	Dr.		5,000	
	Sale of old computer	Dr.		2,000	
	To Revaluation A/c				27,000
	(Being revalued assets adjusted to revaluation A/c)				
	Revaluation A/c	Dr.		12,000	
	To Plant and machinery A/c (40,000 × 10%)				4,000
	To Provision for D/D (20,000 × 5%)				1,000
	To Stock of raw materials (20,000 – 18,000)				2,000
	To Family of an employee				5,000
	(Being revalued assets adjusted to revaluation A/c and Creation of Provision for D/D)				

	Revaluation A/c (profit = 27,000 – 12,000) Dr.		15,000	
	To A's Capital A/c (15,000 × 2/5)			6,000
	To B's Capital A/c (15,000 × 2/5)			6,000
	To C's Capital A/c (15,000 × 1/5)			3,000
	(Being profit transferred to partners capital A/c)			

Dr. **Revaluation Account** Cr.

Particulars		₹	*Particulars*	₹
To Plant and machinery A/c		4,000	By Buildings	20,000
To Provision for D/D		1,000	By Stock of finished goods	5,000
To Stock of raw materials		2,000	By Sale of old computer	2,000
To family of an employee		5,000		
To Capital Accounts – Profit				
A	6,000			
B	6,000			
C	3,000	15,000		
		27,000		27,000

Q. 29. Ramesh wants to retire from the firm. The gain (profit) on revaluation on that date was ₹ 12,000. Mohan and Rahul want to share this in their new profit sharing ratio of 3 : 2. Ramesh wants this to be shared equally. How are the profit to be shared? Give reasons.

Sol. In absence of Partnership Deed, profit on revaluation shall be shared among all partners equally as per the provision of the Indian Partnership Act. Hence, Mohan, Ramesh and Rahul each will get 12,000 × 1/3 = ₹ 4,000.

Q. 30. X, Y and Z are partners in a firm sharing profits and losses in the ratio of 3 : 2 : 1. Z retires from the firm on 31st March, 2018. On the date of Z's retirement, the following balances appeared in the books of the firm—

General Reserve ₹ 1,80,000

Profit and Loss Account (Dr.) ₹ 30,000

Workmen Compensation Reserve ₹ 24,000 which was no more required

Employees' Provident Fund ₹ 20,000.

Pass necessary Journal entries for the adjustment of these items on Z's retirement.

Sol. **Journal**

Date	*Particulars*	*LF*	*Dr. (₹)*	*Cr. (₹)*
(i)	General Reserve A/c Dr.		1,80,000	
	Working Compensation Reserve A/c Dr.		24,000	
	To x's Capital A/c [2,04,000 × (3/6)]			1,02,000
	To y's Capital A/c [2,04,000 × (2/6)]			68,000
	To z's Capital A/c [2,04,000 × (1/6)]			34,000
	(Being distribution of G/R and W/C/R in 3 : 2 : 1)			

(ii)	x's Capital A/c [30,000 × (3/6)] Dr.		15,000	
	y's Capital A/c [30,000 × (2/6)] Dr.		10,000	
	z's Capital A/c [30,000 × (1/6)] Dr.		5,000	
	To Profit & Loss A/c			30,000
	(Being distribution of old P & l A/c (Dr.) in 3 : 2 : 1)			

Q. 31. Asha, Naveen and Shalini were partners in a fir sharing profits in the ratio of 5 : 3 : 2. Goodwill appeared in their books at a value of ₹ 80,000 and General Reserve at ₹ 40,000. Naveen decided to retire from the firm. On the date of his retirement, goodwill of the firm was valued at ₹ 1,20,000. The new profit ratio decided among Asha and Shalini is 2 : 3.

Record necessary Journal entries on Naveen's retirement.

Sol. Working Notes—

(i) Old Ratio of A : N : S = 5 : 3 : 2

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

So, A's Gain = 2/5 – 5/10 = (4 – 5)/10 = – 1/10 Sacrifice

S's Gain = 3/5 – 2/10 = (6 – 2)/10 = 4/10 Gain

Journal

Date	*Particulars*	*LF*	*Dr. (₹)*	*Cr. (₹)*
(i)	Asha's Capital A/c Dr.		40,000	
	Naveen's Capital A/c Dr.		24,000	
	Shalini's Capital A/c Dr.		16,000	
	To Goodwill A/c			80,000
	(Being old G/W A/c written off)			
(ii)	General Reserve A/c Dr.		40,000	
	To Asha's Capital A/c			20,000
	To Naveen's Capital A/c			12,000
	To Shalini's Capital A/c			8,000
	(Being balance of G/R transferred to partners)			
(iii)	Shalini's Capital A/c [1,20,000 × (4/10)] Dr.		48,000	
	To Asha's Capital A/c [1,20,000 × (1/10)]			12,000
	To Naveen's Capital A/c [1,20,000 × (3/10)]			36,000
	(Being amount to G/W Adjusted in sacrifice or Gain Share)			

Q. 32. Ram, Laxman and Bharat are parnters sharing profits in the ratio of 3 : 2 : 1. Goodwill is appearing in the Books at a value of ₹ 1,80,000. Laxman retires and at the time of his retirement, goodwill is valued at ₹ 2,52,000. Ram and Bharat decided to share future profits in the ratio of 2 : 1. The Profit for the first year after Laxman's retirment amount ₹ 1,20,000. Give the necessary Journal entries to record goodwill and to distribute the profit. Show your calculation's clearly.

Sol. Working Note—

(*i*) Old Ratio of R : L : B = 3 : 2 : 1

(*ii*) New Ratio of R : B = 2 : 1

So, Gain/Sec Share of :

R = (2/3) – (3/6) = (4 – 3)/6 = 1/6 Gain.

L = 0 – (2/6) = (0 – 2)/6 = -2/6 Sac.

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

Journal

Date	Particulars		LF	Dr. (₹)	Cr. (₹)
(*i*)	Ram's Capital A/c [1,80,000 × 3/6]	Dr.		90,000	
	Laxman's Captial A/c [1,80,000 × 2/6]	Dr.		60,000	
	Bharat's Capital A/c [180,000 × (1/6)]	Dr.		30,000	
	To Goodwill A/c				1,80,000
	(Being amount of old G/W A./c written off)				
(*ii*)	Ram's capital A/c [84,000 × (1/2)]	Dr.		42,000	
	Bharat's Capital A/c [84,000 × (1/2)]	Dr.		42,000	
	To Laxman's Capital A/c [2,52,000 × (2/6)]				84,000
	(Being amt. of L's Share of G/W adjusted)				
(*iii*)	Profit & Loss App. A/c	Dr.		1,20,000	
	To Ram's Capital A/c [1,20,000 × (2/3)]				80,000
	To Bharat's Capital A/c [120,000 × (1/3)]				40,000
	(Being amt. of Ist Year. profit distritute b/w R : B in 2 : 1)				

Q. 33. The partnership deed of C and D, who are equal partners, has a clause that any partner may retire from the firm on the following terms by giving a six month notice in writing. The retiring partner shall be paid :

(*a*) The amount standing to the credit of his Capital Account and Current Account.

(*b*) His share of Profits to the date of retirement, calculated on the basis of the average profits of the three preceding completed years.

(*c*) Half the amount of the goodwill of the firm calculated at 1½ times the average profits of the three preceding completed years.

C gave a notice on 31st March 2017, to retire on 30th September 2017, when the balance of his capital account was ₹ 6,000 and his Current Account (Dr.) ₹ 500. The profits for the three preceding completed years were: years ended 31st March 2015 ₹ 2,800; year ended 31st March 2016 ₹ 2,200 and year ended 31st March 2017 ₹ 1,600. What amount is due to C in accordance with the partnership agreement?

Sol. Average Profits = ₹ (2,800 + 2,200 + 1,600)/3

= ₹ 6,600/3 = ₹ 2,200

Goodwill = ₹ 2,200 × 3/2= ₹ 3,300

Profits for April, 2017 to September 2017 = ₹ 2,200 × 6/12 = 1,100

Calculation of Amount due to C

Particulars	₹
Capital Balance	6,000
Less : Current A/c – Dr. Balance	500
	5,500
Add : Share of Profits (1100 × ½)	550
Add : Share of G/W (3300 × ½)	1,650
Amount due to C	7,700

Q. 34. X, Y and Z were partners in a firm sharing profits in the ratio of 2 : 2 : 1. Their Balance Sheet as at 31st March 2018 was :

Liabilities		₹	*Assets*	₹
Creditors		49,000	Cash	8,000
Reserve		18,500	Debtors	19,000
Capital Accounts			Stock	42,000
X	82,000		Building	2,07,000
Y	60,000		Patents	9,000
Z	75,500	2,17,500		
		2,85,000		2,85,000

Y retired on 1st April, 2018 on the following terms (*a*) Goodwill of the firm was valued at ₹ 70,000 and was not to appear in the books. (*b*) Bad debts amounted to ₹ 2,000 were to be written off (*c*) Patents were considered as valueless. Prepare Revaluation Account, Partners' Capital Accounts and the Balance Sheet of X and Z after Y's retirement.

Sol.

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

Particulars	₹	*Particulars*	₹
To Bad Debts	2,000	By Capital Accounts – Loss	
To Patents	9,000	X = 11000 × 2/5 = 4400	
		Y = 11000 × 2/5 = 4400	
		Z = 11000 × 1/5 = 2200	11,000
	11,000		11,000

Y's share of goodwill = ₹ 70,000 × 2/5 = ₹ 28,000

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

Particulars	X (₹)	Y (₹)	Z (₹)	*Particulars*	X (₹)	Y (₹)	Z (₹)
To Y's Capital	18,667		9,333	By Balance b/d	82,000	60,000	75,500
To Rev – Loss	4,400	4,400	2,200	By Reserve	7,400	7,400	3,700
To Y's Loan A/c		91,000		By X's Capital		18,667	
To Balance c/d	66,333		67,667	By Z's Capital		9,333	
	89,400	95,400	79,200		89,400	95,400	79,200

Balance sheet after Y's retirement

Liabilities		₹	Assets		₹
Creditors		49,000	Cash		8,000
Y's Loan A/c		91,000	Debtors	19,000	
Capital Accounts			*Less* : Bad Debts w/o	2000	17,000
X	66,333		Stock		42,000
Z	67,667	1,34,000	Building		2,07,000
		2,74,000			2,74,000

Q. 35. Kanika, Disha and Kabir were partners sharing profits in the ratio in of 2 : 1 : 1. On 31st March, 2016, their Balance Sheet was as under—

Liabilities	₹	Assets	₹
Trade Creditors	53,000	**Bank**	60,000
Employees's Provident Fund	47,000	**Debtors**	60,000
Kanika's Capital	2,00,000	**Stock**	1,00,000
Disha's Capital	1,00,000	**Fixed Assets**	2,40,000
Kabir's Capital	80,000	**Profit and Loss A/c**	20,000
	4,80,000		4,80,000

Kanika retired on 1st April, 2016. For this purpose, the following adjustments were agreed upon—

(*a*) Goodwill of the firm was valued at 2 year's purchase of average profits of three completed years preceding the date of retirement. The profits for the year. 2013-14 were ₹ 1,00,000 and for 2014-15 were ₹ 1,30,000.

(*b*) Fixed Assets were to be increased to ₹ 3,00,000.

(*c*) Stock was to be valued at 120%.

(*d*) The amount payable to Kanika was transferred to her Loan Account.

Prepare Revaluation Account, Capital Accounts of the partners and the Balance Sheet at the reconstituted firm.

Sol. (*i*) Value of Goodwill = ₹ [1,00,000 + 1,30,000 + (20,000)] × $\frac{2}{3}$

= ₹ 1,40,000

(*ii*) Share of Kanika = ₹ 1,40,000 × (2/4) = ₹ 70,000

Revaluation A/c

Particulars	₹	Particulars	₹
To Revaluation Profit c/d [2 : 1 : 1]		By Fixed Assets A/c	60,000
Kanika	40,000	By Stock A/c	20,000
Disha	20,000		
Kabir	20,000		
Total	80,000	**Total**	80,000

Partners' Capital A/c

Particular	K	D	Kab.	Particular	K	D	Kab.
Kanika's Cap. A/c	—	35,000	35,000	By Balance b/d	200,000	100,000	80,000
Profit & Loss A/c	10,000	5,000	5,000	By D's Cap. A/c	35,000	—	—
Kanika' Loan A/c	300,000			By Kab's Cap. A/c	35,000	—	—
Balance c/d	—	80,000	60,000	By Rev. A/c	40,000	20,000	20,000
Total	310,000	120,000	100,000	Total	310,000	120,000	100,000

Balance Sheet (After Retirement)

Liabilities		₹	*Assets*	₹
Trade Creditors		53,000	Bank	60,000
Employee's Prov. Fund		47,000	Debtors	60,000
Kanika's Loan A/c		3,00,000	Stock	1,20,000
Capital A/cs :			Fixed Assets	3,00,000
Disha	80,000			
Kabir	60,000	1,40,000		
Total		5,40,000	Total	5,40,000

Q. 36. The Balance Sheet of X, Y and Z who were sharing profits in proportion to their capitals stood as follows at 31st March 2018.

Liabilities		₹	*Assets*		₹
Sundry Creditors		13,800	Cash at Bank		11,000
Capital A/cs :			Sundry Debtors	10,000	
X	45,000		*Less* : Provision for		
Y	30,000		Doubtful Debts	200	9,800
Z	15,000	90,000	Stock		16,000
			Plant & Machinery		17,000
			Land & Building		50,000
		1,03,800			1,03,800

Y retires on 1 April, 2018 and the following re-adjustments were agreed upon (a) Out of insurance which was debited to profit and Loss A/c ₹ 1,500 be carried forward as unexpired insurance. (b) The provision for Doubtful Debts be brought up to 5% of Debtors. (c) The Land and Building be appreciated by 20% (d) A provision of ₹ 4,000 be made in respect of outstanding bills for repairs. (e) The Goodwill of the entire firm be fixed at ₹ 21,600. Y's share of goodwill be adjusted to that of X and Z who are going to share in future Profit in the ratio 3 :1. Pass necessary Journal entries and give the Balance Sheet after Y's retirement.

Sol. Journal Entries

Date	*Particulars*		*LF*	*Dr.* (₹)	*Cr.* (₹)
	Unexpired Insurance	Dr.		1,500	
	Buildings (50,000 × 20%)	Dr.		10,000	
	To Revaluation A/c				11,500
	(Being revalued assets adjusted to revaluation A/c)				

Revaluation Account Dr.		4,300	
To Provision for D/D			300
To O/s Bills for Repairs			4,000
(Being creation of provision for Doubtful Debts and O/s Bills for repairs.)			
Revaluation Account Dr.		7,200	
To X's Capital A/c			3,600
To Y's Capital A/c			2,400
To Z's Capital A/c			1,200
(Being revaluation account profit transfer to partner capital A/c)			
X's Capital A/c (7,200 × 3/4) Dr.		5,400	
Z's Capital A/c (7,200 × 1/4) Dr.		1,800	
To Y's Capital A/c (21,600 × 2/6)			7,200
(Being amount of goodwill adjusted through partners capital A/c) (X's GR = 3/4 – 3/6 = 3/12, Z's GR = 1/4 – 1/6 = 1/12)			
Y's Capital Account Dr.		39,600	
To Y's Loan A/c			39,600
(Being amount due to Y raise to him loan A/c)			

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

Particulars	X (₹)	Y (₹)	Z (₹)	*Particulars*	X (₹)	Y (₹)	Z (₹)
To Y Capital A/c	5,400		1,800	By Balance b/d	45,000	30,000	15,000
To Y's Loan A/c		39,600		By X Capital A/c		5,400	
To Balance c/d	43,200		14,400	By Z Capital A/c		1,800	
				By Rev. Profits	3,600	2,400	1,200
	48,600	39,600	16,200		48,600	39,600	16,200

Balance Sheet of X & Z

Liabilities		₹	*Assets*		₹
Sundry Creditors		13,800	Cash at Bank		11,000
O/S Repair Bills		4,000	Sundry Debtors	10,000	
Y's Loan		39,600	*Less:* Provisions	500	9,500
Capital Accounts			Stock		16,000
X	43,200		Plant & Machinery		17,000
Y	14,400	57,600	Land & Building		
			(50,000 + 10,000)		60,000
			Unexpired Insurance		1,500
		1,15,000			1,15,000

Q. 37. N, S and G were partners in a firm sharing profits and losses in the ratio of 2 : 3 : 5. On 31st March, 2016 their Balance Sheet was as under—

Liabilities		₹	Assets		₹
Creditors		1,65,000	Cash		1,20,000
General Reserve		90,000	Debtors	1,35,000	
Capitals :			*Less* : Provision	15,000	1,20,000
N	2,25,000		Stock		1,50,000
S	3,75,000		Machinery		4,50,000
G	4,50,000	10,50,000	Patents		90,000
			Building		3,00,000
			Profit and Loss Account		75,000
		13,05,000			13,05,000

G retired on the above date and it was agreed that—

(*a*) Debtors of ₹ 6,000 will be written off as bad debts and a provision of 5% on debtors for bad and doubtful debts will be maintained.

(*b*) Patents will be completely written off and stock, machinery and building will be depreciated by 5%.

(*c*) An unrecorded creditor of ₹ 30,000 will be taken into account.

(*d*) N and S will share the future profits in 2 : 3 ratio.

(*e*) Goodwill of the firm on G's retirement was valued at ₹ 90,000.

Pass necessary Journal entries for the above transactions in the books of the firm on G's retirement.

Sol. Journal

Date	Particulars		LF	Dr. (₹)	Cr. (₹)
(*i*)	Prov. for Bad Debts. A/c	Dr.		15,000	
	To Bad Debts A/c				6,000
	To New P.B.D. A/c [(1,35,000 − 6,000) × (5%)]				6,450
	To Revaluation A/c				2,550
	(Being adjustment of old P.B.D. A/c)				
(*ii*)	Revaluation A/c	Dr.		1,65,000	
	To Patents A/c				90,000
	To Stock A/c [1,50,000 × (5%)]				7,500
	To Machinery A/c [4,50,000 × (5%)]				22,500
	To Building A/c [3,00,000 × (5%)]				15,000
	To Un. Creditors A/c				30,000
	(Being revaluation of assets & Liab. made)				
(*iii*)	N's Capital A/c	Dr.		32,490	
	S's Capital A/c	Dr.		48,735	
	G's Capital A/c	Dr.		81,225	
	To Revaluation A/c				1,62,450
	(Being Loss on revaluation transferred)				

(iv)	N's Capital A/c [45,000 × (2/5)]	Dr.	18,000	
	S's Capital A/c [45,000 × (3/5)]	Dr.	27,000	
	To G's Capital A/c [90,000 × (5/10)]			45,000
	(Being adjustment of G/w in gainning ratio)			
(v)	General Reserve A/c	Dr.	90,000	
	To N's Capital A/c			18,000
	To S's Capital A/c			27,000
	To G's Capital A/c			45,000
	(Being transfer of G/R in 2 : 3 : 5)			
(vi)	N's Capital A/c	Dr.	15,000	
	S's Capital A/c	Dr.	22,500	
	G's Capital A/c	Dr.	37,500	
	To Profit & Loss A/c			75,000
	(Being distribution of old P & L in 2 : 3 : 5)			
(vii)	G's Capital A/c	Dr.	4,21,275	
	To G's Loan A/c			4,21,275
	(Being Bal. of G's Capital trans. to his Loan A/c)			

Q. 38. A, B and C are partners in a firm, sharing profits and losses as A 1/3, B 1/2, and C 1/6 respectively. The Balance Sheet of the firm as at 31st March, 2018 was :

Liabilities		₹	***Assets***		₹
Sundry Creditors		**25,000**	**Factory Building**		**50,000**
Loan Payable		**15,000**	**Plant and Machinery**		**40,000**
General Reserve		**16,000**	**Furniture**		**10,000**
Capital A/cs :			**Stock**		**25,000**
A	**30,000**		**Debtors**	**18,000**	
B	**40,000**		***Less* : Provision for**		
C	**25,000**	**95,000**	**Doubtful Debts**	**500**	**17,500**
			Cash in hand		**8,500**
		1,51,000			**1,51,000**

C retires on 1st April, 2018, subject to the following adjustments: (a) Goodwill of the firm be valued at ₹ 24,000. C's share of goodwill be adjusted into the accounts of A and B who are going to share in future in the ratio of 3 : 2, (b) Plant and Machinery to be depreciated by 10% and Furniture by 5%. (c) Stock to be appreciated by 15% and Factory Building by 10%. (d) Provision for Doubtful Debts to be raised to ₹ 2,000.

You are required to pass Journal entries to record the above transactions in the books of the firm and show the Profit and Loss Adjustment Account, Capital Account of C and the Balance Sheet of the firm after C's retirement.

Sol. **Journal Entries**

Date	Particulars		LF	Dr. (₹)	Cr. (₹)
	P/L Adjustment A/c	Dr.		6,000	
	To Plant & Machinery (40,000 × 10%)				4,000
	To Furniture (10,000 × 5%)				500
	To Provision for D/D (2,000 – 500)				1,500
	(Being revalued assets adjusted and creation of provision for doubtful debts)				
	Stock (25,000 × 15%)	Dr.		3,750	
	Factory Buildings (50,000 × 10%)	Dr.		5,000	
	To P/L Adjustment A/c				8,750
	(Being revalued assets adjusted)				
	Profit & Loss Adjustment A/c	Dr.		2,750	
	To A's Capital A/c (2,750 × 1/3)				917
	To B's Capital A/c (2,750 × 1/2)				1,375
	To C's Capital A/c (2,750 × 1/6)				458
	(Being profit on revaluation transferred to partner capital A/c)				
	A's Capital A/c	Dr.		6,400	
	To B's Capital A/c (24,000 × 3/30)				2,400
	To C's Capital A/c (24,000 × 1/6)				4,000
	(Being amount of goodwill adjusted through partners capital A/c)				
	General Reserve	Dr.		16,000	
	To A's Capital A/c (16,000 × 1/3)				5,333
	To B's Capital A/c (16,000 × 1/2)				8,000
	To C's Capital A/c (16,000 × 1/6)				2,667
	(Being reserve fund transferred to partner capital A/c)				
	C's Capital Account (Transfer)	Dr.		39,250	
	To C's Loan A/c				39,250
	(Being amount due to C raise to him loan A/c)				

Dr. **Profit and losss adjustment Account** Cr.

Particulars		₹	Particulars	₹
To Plant & Machinery (40,000×10%)		4,000	By Stock (25,000 × 15%)	3,750
To Furniture (10,000 × 5%)		500	By Factory Buildings (50,000 × 10%)	5,000
To Provision for D/D (2,000 – 500)		1,500		
To Capital Accounts – Profits				
A = 2,750 × 1/3 =	917			
B = 2,750 × 1/2 =	1375			
C = 2,750 × 1/6 =	458	2,750		
		8,750		8,750