Accounting for Partnership Firms: Fundamentals

Solutions

Sol. 1. Interest on drawings = Annual drawings × Rate/100 × Average period/12

(i) Interest on drawings = (5,000 × 12) × 10/100 × 6.5/12 = ₹ 3,250
(ii) Interest on drawings = (5,000 × 12) × 10/100 × 5.5/12 = ₹ 2,750
(iii) Interest on drawings = (5,000 × 12) × 10/100 6/12 = ₹ 3,000
(iv) Interest on drawings = (5,000 × 6) × 10/100 × 3.5/12 = ₹ 875
(v) Interest on drawings = (5,000 × 6) × 10/100 3/12 = ₹ 750
(vi) Interest on drawings = (5,000 × 6) × 10/100 × 2.5/12 = ₹ 625
(vii) Interest on drawings = (5,000 × 9) × 10/100 × 5/12 = ₹ 1,875
(viii) Interest on drawings = (5,000 × 9) × 10/100 × 4/12 = ₹ 1,500
(ix) Interest on drawings = (5,000 × 9) × 10/100 × 4.5/12 = ₹ 1,687.5
(x) Interest on drawings = (5,000 × 4) × 10/100 7.5/12 = ₹ 1,250
(xi) Interest on drawings = (5,000 × 4) × 10/100 4.5/12 = ₹ 750
(xii) Interest on drawings = (5,000 × 4) × 10/100 6/12 = ₹ 1,000

Sol. 2.

(i) **Simple Method**

Calculation of Interest on Harish's Drawings

Date	Amt(₹)	Number of months upto 31st December	Interest @ 7.5%(₹)
1st February, 2017	4,000	11 months	275 [4,000 × 7.5/100 × 11/12]
1st May, 2017	10,000	8 months	500 [10,000 × 7.5/100 × 8/12
30th June, 2017	4,000	6 months	150 [4,000 × 7.5/100 × 6/12]
31st October 2017	12,000	2 months	150 [12,000 × 7.5/100 × 2/12]
31st December, 2017	4,000	0 month	0
Total	34,000		1,075

(ii) **Product Method**

Calculation of Interest on Harish's Drawings

Date	Amt(₹)	Period	Product(₹)
1st February, 2017	4,000	11 months	44,000
1st May, 2017	10,000	8 months	80,000

30th June, 2017 31st October, 2017 31st December, 2017	4,000 12,000 4,000	6 months 2 months 0 month	24,000 24,000 -
Total			1,72,000

Interest = 1,72,000 × 7.5/100 × 1/12 = ₹ 1,075

Sol. 3.

(i) Assuming that drawings were made evenly throughout the year, interest on drawings has been calculated for an average period of 6 months.
Interest on drawings = ₹ 90,000 × 10/100 × 6/12 = ₹ 4,500

(ii) Total drawings = ₹ 7,500 × 12 = ₹ 90,000
Interest on drawings = ₹ 90,000 × 10/100 × 6/12 = ₹ 4,500

Sol. 4. Interest on capital to be allowed to Vishal will be calculated as follows.

On ₹ 40,000 for full year = 40,000 × 6/100 = ₹ 2,400

On ₹ 5,000 for 5 months = 5,000 × 6/100 × 5/12 = ₹ 125

On ₹ 5,000 for 1½ months = 5,000 × 6/100 × 1.5/12 = 37.50

Total interest allowed to Vishal (2,400 + 125 + 37.50) = ₹ 2,562.50

Note Alternatively, students can calculate interest on capital with the help of product method.

Sol. 5 **Statement Showing Calculation of Capital at the Beginning**

Particulars	Josh(₹)	Krish(₹)
Capital at the End (+) Drawings During the Year	1,50,000 20,000	75,000 5,000
(-) Share of Profit (Credited)	1,70,000 (12,000)	80,000 (4,000)
 (-) Additional Capital	1,58,000 -	76,000 (16,000)
Capital in the Beginning	1,58,000	60,000

Interest on Josh's capital = 1,58,000 × 12/100 = ₹ 18,960

Interest on Krish's capital = (60,000 × 12/100) + (16,000 × 12/100 × 6/12) = 7,200 + 960 = ₹ 8,160

Sol. 6. Calculation of Interest on Capital

Sunflower = (2,50,000 × 10/100 × 6/12) + (2,00,000 × 10/100 × 6/12) = 12,500 + 10,000 = ₹ 22,500

Pink Rose = (1,50,000 × 10/100 × 6/12) + (2,00,000 × 10/100 × 6/12) = 7,500 + 10,000 = ₹ 17,500

Sol. 7. Calculation of Interest on Capital

For Saloni

	(₹)
Interest on ₹ 2,00,000 for full year = 2,00,000 × 8 × 1/100	= 16,000
(+) Interest on ₹ 50,000 for 9 months = 50,000 × 9 × 8/12 × 100	= 3, 000
	19,000
(-) Interest on ₹ 30,000 for 6 months 30,000 × 8 × 6/12 × 100	= (1,200)
	17,800

Alternatively, interest can be calculated on ₹ 2,00,000 for 3 months, on ₹ 2,50,000 for 3 months and on ₹ 2,20,000 for 6 months (₹ 4,000 + ₹ 5,000 + ₹ 8,800 = ₹ 17,800).

For Srishti

	(₹)
Interest on ₹ 3,00,000 for full year = 3,00,000 × 8 × 1/100	= 24,000
(+) Interest on ₹ 60,000 for 9 months = 60,000 x 8 × 9/100 × 12	= 3,600
	27,600
Interest on ₹ 15,000 for 3 months = 15000 × 8 × 3/100 × 12	= (300)
	27,300

Alternatively, interest can be charged on ₹ 3,00,000 for 3 months, on ₹ 3,60,000 for 6 months and on ₹ 3,45,000 for 3 months (₹ 6,000 + ₹ 14,400 + ₹ 6,900 = ₹ 27,300).

Sol. 8. Calculation of Interest on Capital

Mohan = 1,00,000 × 6/100 = ₹ 6,000

Sohan

Particulars	Capital Balances	Months Remaining	Product

From April 1 to April 30	50,000	1	50,000 × 6/100 × 1/12 = ₹ 250
From May 1 to June 30	60,000	2	60,000 × 6/100 × 2/12 = ₹ 600
From July 1 to September 30	55,000	3	55,000 × 6/100 × 3/12 = ₹ 825
From October 1 to January 31	1,52,000	4	1,52,000 × 6/100 × 4/12 = ₹ 3,040
From February 1 to March 31	65,000	2	65,000 × 6/100 × 2/12 = ₹ 650
Interest on Capital			**₹ 5,365**

Sol. 9.

Calculation of Interest on Dholu's Capital	(₹)
Dholu's capital as at 31st March, 2018	1,00,000
(-) Profit credited [1/2 (₹ 60,000 – ₹ 40,000)]	(10,000)
Capital as at 1st April, 2017	90,000
Interest on capital @ 5% per annum = ₹ 90,000 × 5/100 = ₹ 4,500	
Calculation of Interest on Bholu's Capital	(₹)
Bholu's capital as at 31st March, 2018	80,000
(+) Drawings made during the year	30,000
	1,10,000
(-) Profit added [1/2 (₹ 60,000 – ₹ 40,000)]	(10,000)
Capital as at 1st April, 2017	1,00,000
Interest on capital @ 5% per annum ₹ 1,00,000 × 5/100 = ₹ 5,000	

Note

- Capital in the beginning is calculated by adding drawings and deducting profit distributed. Since, Dholu's drawings appear in the balance sheet, it means, that capital account has not been adjusted so far. Hence, it has not been added back. But in Bholu's case, it has been added because it was already deducted.
- Profit during the year was ₹ 60,000 but ₹ 40,000 still appears in the balance sheet. Therefore, only ₹ 20,000 were distributed which have been deducted.
- In the absence of any profit sharing ratio, partners will share profits and losses equally.

Sol. 10.

(i) In the absence of a specific provision in the deed, no interest will be paid on the capital to the partners. The whole amount of profit will however be distributed among the partners in their profit sharing ratio.

(ii) As the firm has incurred losses during the accounting year, no interest on capital will be allowed to any partner. The firm's loss will however be shared by the partners in their profit sharing ratio.

(iii)

	Amt(₹)
Interest to Anupam @ 8% on ₹ 2,00,000 =	16,000
Interest to Abhishek @ 8% on ₹ 1,50,000 =	12,000
	28,000

As the profit is sufficient to pay interest at an agreed rate, the whole amount of interest on capital shall be allowed and the remaining profit amounting to ₹ 22,000 (50,000 - 28,000) shall be shared by the partners in their profit sharing ratio.

(iv) As the profit for the year is ₹ 14,000, which is less than the amount of interest on capital due to partners, i.e. ₹ 28,000 (₹ 12,000 for Anupam and ₹ 16,000 for Abhishek), interest will be paid to the extent of available profit, i.e. ₹ 14,000. Anupam and Abhishek will be credited with ₹ 6,000 and ₹ 8,000 respectively. Effectively, this amounts to sharing the firm's profit in the ratio of capital.

Sol. 11. Sonu's commission as percentage of net profit before charging such commission

= Net profit before commission × Rate of commission = 55,000 × 10/100 = 5,500

Rachit's commission as percentage of net profit after charging such commission

= Net profit before commission × Rate of commission/100 + Rate of commission

= (55,000 - 5,500) × 10/110 = 49,500 × 10/10 = ₹ 4,500

Sol. 12.

Profit and Loss Account

for the year ending on

Particulars	Amt (₹)	Particulars	Amt(₹)
To Rent A/c Arun 10,000 Varun (1,000 × 12) 12,000	22, 000	By Profit before any Interest	40,000
To Profit and Loss Appropriation A/c (Distributable profits)	18,000		
	40,000		40,000

Sol. 13. case 1

Profit and Loss Account

for the year ending on 31st March, 2018

Particulars		Amt(₹)	Particulars	Amt(₹)
To Interest on Loan A/c (WN)			By Profit before any Interest	6,300
A	3,600			
B	1,800	5,400		
To Profit and Loss Appropriation A/c				
(Being distributable profits)		900		
		6,300		6,300

Working Note

1. Interest on A's loan = 1,20,000 × 6/100 × 6/12 ₹ 3,600
2. Interest on B's loan 60,000 × 6/100 × 6/12 = 1,800

Sol. case 2

Profit and Loss Account

for the year ended on 31st March, 2018

Particulars		Amt(₹)	Particulars		Amt(₹)
To Interest on Loan A/c (WN)			By Profit before any Interest		5,000
A	3,600		By Net Loss Transferred to		
B	1,800	5,400	A's Capital A/c	160	
			B's Capital A/c	240	400
		5,400			5,400

Working Note

1. Interest on A's loan = 120,000 × 6/100 × 6/12 = ₹ 3,600
2. Interest on B's loan = 60,000 × 6/100 × 6/12 = ₹ 1,800

Sol. case 3

Profit and Loss Account

for the year ended on 31st March, 2018

Particulars		Amt (₹)	Particulars		Amt (₹)
To Loss before any Interest		4,500	By Net Loss Transferred to		
To Interest on Loan A/cs (WN)			A's Capital A/c	3,960	
A	3,600		B's Capital A/c	5,940	9,900
B	1,800	5,400			
		9,900			9,900

Working Note

1. Interest on A's loan = 1,20,000 × 6/100 × 6/12 = ₹ 3,600
2. Interest on B's loan = 60,000 × 6/100 × 6/12 ₹ 1,800

Note Losses are distributable through profit and loss account but profits can be distributed only through profit and loss appropriation account.

Sol. 14.

(i) **Fixed Capital Method**

Partners' Capital Account

Date	Particulars	LF	Sameer(₹)	Yasmin(₹)	Date	Particulars	LF	Sameer(₹)	Yasmin (₹)
	To Balance c/d		18,00,000	12,00,000		By Balance b/d		15,00,000	10,00,000
						By Bank A/c		3,00,000	2,00,000
						(Additional capital)			
			18,00,000	12,00,000				18,00,000	12,00,000

Partners' Current Account

Date	Particulars	LF	Sameer(₹)	Yasmin(₹)	Date	Particulars	LF	Sameer(₹)	Yasmin(₹)
	To Drawings A/c		30,000	20,000		By Interest on Capital A/c		82,500	55,000
	To Interest on Drawings A/c					By Partners' Salary A/c			

	To Profit and Loss		1,800	1,200		By Commission A/c		20,000	7,000
	Appropriation A/c (Loss)							10,000	-
	To Balance c/d		60,000	40,000					
			20,700	800					
			1,12,500	62,000				1,12,500	62,000

(ii) **Fluctuating Capital Method**

Partners' Capital Account

Date	Particulars	LF	Sameer(₹)	Yasmin(₹)	Date	Particulars	LF	Sameer(₹)	Yasmin(₹)
	To Drawings A/c		30,000	20,000		By Balance b/d		15,00,000	10,00,000
	To Interest on Drawings A/c		1,800	1,200		By Bank A/c (Additional capital)		3,00,000	2,00,000
	To Profit and Loss A/c		60,000	40,000		By Interest on Capital A/c			
	To Balance c/d		18,20,700	12,00,800		By Salary A/c		82 500	55,000
						By Commission A/c		20,000	7,000
								10,000	-
			19,12,500	12,62,000				19,12,500	12,82,000

Working Note

Calculation of Interest on Capital Amt(₹)

Sameer 5% on ₹ 15,00,000 for 1 year = 15,00,000 × 5/100 = 75, 000

5% on ₹ 3,00,000 for 6 months = 3,00,000 × 6/12 × 5/100 = 7,500

82,500

Yasmin	5% on ₹ 10,00,000 for 1 year = 10,00,000 × 5/100	= 50,000
	5% on ₹ 2,00,000 for 6 months = 2,00,000 × 6/12 × 5/100	= 5,000
		55,000

Sol. 15.

JOURNAL

Date	Particulars	LF	Amt (Dr)	Amt (Cr)
2018				
Mar 31	Profit and Loss Appropriation A/c Dr		27,500	
	To General Reserve A/c			27,500
	(Being 10% of profit transferred to general reserve account)			

Sol. 16.

Profit and Loss Appropriation Account

for the year ended 31st March, 2018

Particulars		Amt	Particulars		Amt
To Interest on Capital A/c			By Net Profit as per Profit and Loss A/c (3,37,800 - 3,600)		3,34,200
A	13,500		By Interest on Drawings		
B	6,300	19,800	A	1,250	
To Partners Salary			B	1,000	2,250
A (3,000 × 12)	36,000				
B (4,000 × 4)	16,000	52,000			
To General Reserve A/c		26,240			
To Profit Transferred to Capital A/c					
A	95,364				
B	95,364				
C	47,682				

	2,38,410		
	3,36,450		3,36,450

Working Note

1. **Calculation of Interest on Capital**
   A. On 2,00,000 = 2,00,000 × 6/100 = 12,000, On 50,000 = 50,000 × 6/100 × /12 = ₹ 1,500
   Total interest on A's capital 12,000 + 1,500 = ₹ 13,500
   B. On 1,00,000 = 1,00,000 × 6/100 = ₹ 6,000, On 20,000 = 20,000 × 6/100 × 3/12 = ₹ 300
   Total interest on B's capital = 6,000 + 300 = ₹ 6,300
2. **Calculation of Interest on Drawings** A = 50,000 × 5/100 × 6/12 = ₹ 1,250 B = 40,000 × 5/100 × 6/12 = ₹ 1,000
3. Transfer to reserve 10% of ₹ (3,34,200 - 19,800 - 52,000) = 26,240
4. Interest on loan = 1,20,000 × 6/100 × 6/12 = ₹ 3,600

Sol. 17.

Profit and Loss Appropriation Account

for the year ended 31st March, 2018

Particulars		Amt(₹)	Particulars		Amt (₹)
To Interest on Capital A/c			By Net Profit as per Profit and Loss A/c (7,74,000 - 24,000)		7,50,000
S (4,00,000 × 6/100)	24,000		By Interest on Drawings A/cs		
G (3,00,000 × 6/100)	18,000	42,000	S (80,000 × 6/100 × 6/12)	2,400	
To Reserve Fund A/c		71,220	G (60,000 × 6/100 × 6/12)	1,800	4,200
To Profit Transferred to Partners Capital A/cs					
S	3,20,490				
G	3,20,490	6,40,980			
		7,54,200			7,54,200

Note In the absence of date of drawings, interest on drawings has been calculated on an average basis for 6 months.

Working Note

Calculation of Amount Transferred to Reserve Fund

Distributable profits = Profit + Interest on drawings - Interest on capital

= 7,50,000 + 2,400 + 1,800 - 24,000 - 18,000 = ₹ 7,12,200

Amount transferred to reserve fund = 7,12,200 × 10/100 = ₹ 71,220

Sol. 18.

Profit and Loss Appropriation Account

for the year ended...

Particulars	Amt(₹)	Particulars	Amt(₹)
To Maneesh's Current A/c (Salary) (400 × 12) To Girish's Current A/c (Commission) (40,000 - 4,800) × (10/100) To Interest on Capital Maneesh's Current A/c (1,00 000 × 7/100) 7,000 Girish's Current A/c (80,000 × 7/100) 5,600 To Profit Transferred to Maneesh's Current A/c 10,290 Girish's Current A/c 10,290	4 800 3,520 12,600 20,580	By Net Profit as per Profit and Loss A/c By Interest on Drawings A/cs Maneesh's Current A/c (16,000 × 5/100) 800 Girish's Current A/c (14,000 × 5/100) 700	40,000 1,500
	41,500		41,500

Note As capitals are fixed, hence profit is transferred to current account.

Sol. 19.

Profit and Loss Appropriation Account

for the year ended 31st March, 2018

Particulars	Amt	Particulars	Amt
To Interest on Capital L's Current A/c 24,000		By Net Profit for the Year as per Profit and Loss A/c By Interest on Drawings	2,70,000

M's Current A/c	30,000		L's Current A/c	1,200	
N's Current A/c	36,000	90,000	M's Current A/c	720	
To Salary			N's Current A/c	450	
N's Current A/c		30,000			2,370
To Profit Transferred to					
L's Current A/c	38,092.50				
M's Current A/c	50,790.00				
N's Current A/c	63,487.50	1,52,370			
		2,72,370			2,72,370

Working Note

1. As capitals are fixed, therefore interest, salary and share of profit will be transferred to partners' current accounts.
2. **Calculation of Interest on Drawings**
   L = 10,000 × 12/100 = ₹ 1,200; M = 12,000 × 12/100 × 6/12 = ₹ 720; N = 15,000 × 12/100 = ₹ 450
3. **Interest on Capital**
   L = 4,00,000 × 6/100 = ₹ 24,000; M = 5,00,000 × 6/100 = ₹ 30,000; N = 6,00,000 × 6/100 = ₹ 36000

Sol. 20.

Profit and Loss Appropriation Account

for the year ended 31st March, 2018

Particulars		Amt	Particulars		Amt
To Soumya's Current A/c (Salary) (500 × 12)		6,000	By Profit and Loss A/c (Net profit)		2,49,00
To Bimal's Current A/c (Commission)		40,000	By Interest on Drawings		
To Interest on Capital			Soumya's Current A/c	750	
Soumya's Current A/c	18,000		Bimal's Current A/c	250	1,000
Bimal's Current A/c	12,000	30,000			
To Profit Transferred to					
Soumya's Current A/c	1,04,400				
Bimal's Current A/c	69,600	1,74,000			

	2,50,000		2,50,000

Partners' Capital Account

Particulars	Soumya(₹)	Bimal(₹)	Particulars	Soumya(₹)	Bimal(₹)
By Balance b/d	3,00,000	2,00,000	To Balance c/d	3,00,000	2,00,000
	3,00,000	2,00,000		3,00,000	2,00,000

Partners' Current Account

Particulars	Soumya(₹)	Bimal (₹)	Particulars	Soumya(₹)	Bimal (₹)
To Drawings A/c	30,000	10,000	By Balance b/d	1,00,000	80,000
To Interest on Drawings A/c	750	250	By Salary A/c	6,000	-
To Balance c/d	1,97,650	1,91,350	By Commission A/c	-	40,000
			By Interest on Capital A/c	18,000	12,000
			By Profit and Loss Appropriation Ac	1,04,400	69,600
	2,28,400	2,01,600		2,28,400	2,01 600

Working Note

Calculation of Interest on Capital

Soumya = 3,00,000 × 6/100 = ₹ 18,000; Bimal = 2,00,000 × 6/100 = ₹ 12,000

Sol. 21.

Profit and Loss Appropriation Account

for the year ended 31st March, 2018

Particulars	Amt(₹)	Particulars	Amt(₹)
To Prime Minister's Relief Fund	50,000	By Net Profit as per Profit and Loss A/c	5,00,000
To National Blind Relief Fund	25,000		
To Net Profit Transferred to			

X's Capital A/c 1,41,667 Y's Capital A/c 1,41,667 Z's Capital A/c 1,41,666	4,25,000		
	5,00,000		5,00,000

Sol. 22.

Profit and Loss Account

for the year ended 31st March, 2018

Particulars	Amt(₹)	Particulars	Amt(₹)
To Manager's Commission A/c (5% of 1,50,000) To Net Profit Transferred to Profit and Loss Appropriation A/c	7,500 1,42,500	By Profit A/c (1.20,000 +30,000)	1,50,000
	1,50,000		1,50,000

Profit and Loss Appropriation Account

for the year ended 31st March, 2018

Particulars	Amt(₹)	Particulars	Amt(₹)
To Partner's Salary A/c (Meera's capital A/c) To Interest on Capital A/c Swati 20,000 Meera 15,000 To Commission A/c Swati 12,000 Meera 3,119 To Profit Transferred to Swati's Capital A/c 37,429	30,000 35,000 15,119 62,381	By Net Profit as per Profit and Loss A/c	1,42,500

Meera's Capital A/c 24,952			
	1,42,500		1,42,500

Partners' Capital Account

Date	Particulars	Swati(₹)	Meera(₹)	Date	Particulars	Swati(₹)	Meera(₹)
2018				2017			
Mar 31	To Balance c/d	4,69,429	3,73,071	Apr 1	By Balance b/d	4,00,000	3,00,000
				2018			
				Mar 31	By Partner's Salary A/c	-	30,000
				Mar 31	By Interest on Capital A/c	20,000	15,000
				Mar 31	By Commission A/c	12,000	3,119
				Mar 31	By Profit and Loss Appropriation A/c	37,429	24,952
		4,69,429	3,73,071			4,69,429	3,73,071

Working Note

1. **Calculation of Interest on Capital**
   Swati = 4,00,000 × 5/100 = ₹ 20,000; Meera = 3,00,000 × 5/100 = ₹ 15,000
2. Commission payable to the manager is a charge against profit, Hence, it should be provided for before any appropriation (i.e. partner's salary, interest on capital)
   Calculation of Commission 2 = 12,000 100
   Swati = 6,00,000 × 2/100 = ₹ 12,000
   Meera = (1,42,500 - 30,000 - 35000 - 12,000) × 5/105 = ₹ 3,119

Sol. 23.

Profit and Loss Appropriation Account

for the year ended...

Particulars	Amt	Particulars	Amt
To Interest on Capital		By Net Profit as per Profit and Loss A/c	1,56,000

A's Current A/c 3,000 B's Current A/c 3,000 C's Current A/c 4,000 To Salary C's Current A/c To Profit Transferred to A's Current A/c 51,000 B's Current A/c 45,000 C's Current A/c 44,000	 10,000 6,000 1,40,000		
	1,56,000		1,56,000

JOURNAL

Date	Particulars	LF	Amt (Cr)	Amt (Dr)
	Profit and Loss Appropriation A/c Dr To A's Current A/c To B's Current A/c To C's Current A/c (Being profit distributed among the partners)		1,40,000	 51,000 45,000 44,000

Working Note

1. **Calculation of Interest on Capital**
   A = 60,000 × 5/100 = ₹ 3,000, B = 60,000 x 5/100 = ₹ 3,000; C = 80,000 × 5/100 = ₹ 4,000
2. Capital ratio of A, B and C = 60,000: 60,000: 80,000, i.e. 3: 3: 4.
3.

Profit ()	Ratio	A (₹)	B (₹)	C(₹)
20,000 30,000 90,000	3: 3: 4 5: 3: 2 1: 1: 1	6,000 15,000 30,000	6,000 9,000 30,000	8,000 6,000 30,000
1,40,000		51,000	45,000	44,000

Sol. 24.

Profit and loss Account

for the year ended 31st March, 2018

Particulars	Amt	Particulars	Amt
To Interest on Loan	1,250	By Profit	8,000
To Rent to Bablu (1,000 × 4)	4,000		
To Manager Commission	250		
To Profit Transferred			
to Profit and Loss Appropriation A/c	2,500		
	8,000		8,000

Profit and Loss Appropriation Account

for the year ended 31st March, 2018

Particulars		Amt(₹)	Particulars		Amt(₹)
To Interest on Capital A/c			By Profit b/d		2,500
Raju	8,000		By Interest on Drawings		
Bablu	6,000	14,000	Raju	75	
			Bablu	100	175
			By Loss Transferred to		
			Raju's Capital A/c	5,662	
			Bablu's Capital A/c	5,663	11,325
		14,000			14,000

Working Note

Interest on Loan = 50,000 × 10/100 × 3/12 = ₹ 1,250

Manager's Commission = (8,000 – 1250 - 4,000) × 10/110 = ₹ 250

Calculation of Interest on Capital

Raju = 3,00,000 × 8/100 × 4/12 = ₹ 8,000

Bablu = 2,25,000 × 8/100 × 4/12 = ₹ 6,000

Calculation of Interest on Drawings

Raju = (1,000+ 500) × 5/100 = ₹ 75

Bablu = 2,000 × 5/100 = ₹ 100

Sol. 25.

Profit and Loss Appropriation Account

for the year ended 31st March, 2018

Particulars		Amt(₹)	Particulars	Amt (₹)
To Interest on Capital A/c			By Net Profit as per Profit and Loss A/c	2,00,000
Brij	80,000			
Nandan	1,20,000	2,00,000		
		2,00,000		2,00,000

Working Note

Calculation of Interest on Capital

Brij = 10,00,000 × 12/100 = ₹ 1,20,000

Nandan = 15,00,000 × 12/100 = ₹ 1,80,000

₹ 3,00,000

But profit earned = ₹ 2,00,000

Brij will get 1,20,000/3,00,000 × 2,00,000 = ₹ 80,000

Nandan will get 1,80,000/3,00,000 × 2,00,000 = ₹ 1,20,000

Sol. 26.

Profit and Loss Adjustment Account

for the year ended 31st March, 2018

Particulars	Amt	Particulars	Amt
To Net Loss as per Profit and Loss A/c	5,000	By Net Loss Transferred to Partners' Capital A/c	
To Interest on Capital A/c		A6,500	
A5,000		B3,900	
B2,000		C2,600	13,000
C1,000	8,000		

	13,000		13,000

Sol. 27.

Profit and Loss Adjustment Account

for the year ended 31st March, 2018

Particulars		Amt	Particulars	Amt
To Interest on Capital			By Profit	20,000
Vikas	24,000		By Workmen Compensation on Reserve	40,000
Riyansh	19,200	43,200	By Riyansh's Capital A/c (Fine)	1,000
To Profit Transferred to Current A/cs			By General Reserve (Balancing Figure)	11,000
Vikas	14,400			
Riyansh	14,400	28,800		
		72,000		72,000

Working Note

Calculation of Interest on Capital

Vikas = 2,00,000 × 12/100 = ₹ 24,000, Riyansh = 1,60,000 × 12/100 = ₹ 19,200

Sol. 28.

Adjustment Table

Particulars	A(₹)	B(₹)	C(₹)
I. Amounts Already Recorded			
Share of Profit [₹ 1,20,000 in 1:2:3 ratio]	20,000	40,000	60,000
	20,000	40,000	60,000
II. Amounts which should have been Recorded			
Interest on Capital	10,000	20,000	30,000
Interest on Drawings	(6,000)	(10,000)	(16,000)
Salary [₹ 2,000 × 12]	24,000	-	-
Commission			
Share of Profit [₹ 60,000* 1: 1: 1 ratio]			

	- 20,000	8,000 20,000	- 20,000
	48,000	38,000	34,000
Difference (I – II)	28,000 (Cr)	2,000 (Dr)	26,000 (Dr)
	Sacrificing Partner	**Gaining Partner**	**Gaining Partner**

*Revised profits = 1,20,000 - 10,000 - 20,000 - 30,000 + 6000 + 10,000 + 16,000 - 24,000 - 8,000 = ₹ 60,000

JOURNAL

Date	Particulars	LF	Amt (Dr)	Amt (Cr)
	B's Capital A/c Dr C's Capital A/c Dr A's Capital A/c (Being the rectification entry passed)		2,000 26,000	 28,000

Note The method of computing the amount of adjustment relating to interest on capital, interest on drawings, salary commission is irrespective of the fact whether profits are given or not.

Sol. 29.

JOURNAL

Date	Particulars	LF	Amt (Dr)	Amt (Cr)
	Praveen's Current A/c Dr Sahil's Current A/c Dr To Riya's Current A/c To General Reserve A/c (Being the adjustment entry passed)		10,400 4,800	 5,200 10,000

Adjustment Table

Particulars	Praveen (₹)	Sahil (₹)	Riya (₹)	Total
I. **Amount Already Recorded**				

	Share of Profit, i.e. ₹ 1,00,000 in 3:1:1	60,000	20,000	20,000	1,00,000
II.	**Amount which should have been Recorded**				
	Interest on Capital	10,000	8,000	6,000	24,000
	Salary	18,000	-	12,000	30,000
	Share of Profit, i.e. 36,000 in 3:1:1	21,600	7,200	7,200	36,000
		49,600	15,200	25,200	90,000
	Net Effect [I-II]	10,400 (Dr)	4,800 (Dr)	5,200 (Cr)	10,000 (Cr)

Working Note

Calculation of Interest on Capital

Praveen = 2,00,000 × 5/100 = ₹ 10,000

Sahil = 1,60,000 × 5/100 = ₹ 8,000

Riya = 1,20,000 × 5/100 = ₹ 6,000

Salary Praveen (1,500 × 12) = ₹ 18,000, Riya (1,000 × 12) = ₹ 12,000

Calculation of Adjusted Profits

Adjusted profits = Given profit -Transfer to reserve - Interest on capital - Salary = 1,00,000 - 10,000 - 24,000 (10,000 + 8,000 + 6000) - 30,000 (18,000 + 12,000) = ₹ 36,000

Sol. 30.

JOURNAL

Date	Particulars	LF	Amt (Dr)	Amt (Cr)
	Ajay's Capital A/c Dr		6,400	
	Binay's Capital A/c Dr		2,000	
	To Chetan's Capital A/c			8,400
	(Being adjustment entry passed)			

Adjustment Table

Particulars	Ajay (₹)	Binay(₹)	Chetan (₹)	Total

I. Amount Already Recorded				
Share of Profit, i.e. ₹ 1,50,000 in 2:2:1	60,000	60,000	30,000	1,50,000
I. Amount which should have been Recorded				
Salary (2,000 × 4)	8,000	8,000	-	16,000
Commission	-	-	8,000	8,000
Guarantee to Binay	-	50,000	-	50,000
Share of Profit, i.e. ₹ 76,000 in 3:2	45,600	-	30,400	76,000
	53,600	58,000	38,400	1,50,000
Net Effect (I-II)	6,400 (Dr)	2,000 (Dr	8,400 (Cr)	Nil

Working Note

Calculation of Adjusted Profits

Adjusted profit = Given profit - Salary - Commission - Guarantee to Binay

= 1,50,000 - 16,000 (8,000 + 8000) - 8,000 - 50,000 = ₹ 76,000

Sol. 31.

Adjustment Table

Particulars	P(₹	Q(₹)	R(₹)
I. Amount Already Recorded			
Interest on Capital	5,000	10,000	15,000
Interest on Drawings	(3,000)	(5,000)	(8,000)
Salary [₹ 1000 × 12]	12,000	-	-
Commission	-	4,000	-
Share of Profit [₹ 30,000 in 1:2:3 ratio]	5,000	10,000	15,000
	19,000	19,000	22,000
II. Amount which should have been Recorded			
Share of Profit [₹ 60,000* in 1:1:1 ratio]	20,000	20,000	20,000

	20,000	20,000	20,000
Difference (I-II)	1,000 (Cr)	1,000 (Cr)	2,000 (Dr)
	Sacrificing Partner	**Sacrificing Partner**	**Gaining Partner**

*Revised profits = 30,000 + 5,000 + 10,000 + 15,000 – 3000 - 5,000 - 8000 + 12,000 + 4,000 = ₹ 60,000

JOURNAL

Date	Particulars	LF	Amt (Dr)	Amt (Cr)
	R's Current A/c Dr To P's Current A/c To Q's Current A/c (Being the rectification for adjustment of profits as per the Indian partnership Act)		2,000	 1, 000 1,000

Sol. 32.

JOURNAL

Date	Particulars	LF	Amt (Dr)	Amt (Cr)
	P's Current A/c Dr To Q's Current A/c (Being the adjustment entry passed)		6,000	 6,000

Adjustment Table

Particulars	P(₹)	Q(₹)	R(₹)
I. Amount to be Credited Interest on Capital @ 12%	24,000	36,000	60,000
II. Amount to be Debited Share of Profit (60,000 in 1:1)	30,000	30,000	60,000
Net Effect (I-II)	6,000 (Dr)	6,000 (Cr)	Nil

Sol. 33.

Calculation of Opening Capitals and Interest on Capitals

Particulars	Mohan (₹)	Vijay(₹)	Anil(₹)
A. Closing Capitals B. (+) Drawings C. (-) Share of Profits already Credited	30,000 5,000 (8,000)	25,000 4,000 (8,000)	20,000 3,000 (8,000)
D. Opening Capitals	27,000	21, 000	15,000
E. Interest @ 10%	2,700	2,100	1,500

Calculation of Revised Profits

Revised profits = Given profits + Interest on drawings - Interest on capitals

= 24,000 + (250 + 200 + 150) - (2,700 + 2,100 + 1,500) = 24,000 + 600 - 6,300 = ₹ 18,300

Adjustment Table

Particulars	Mohan ()	Vijay ()	Anil ()
I. **Amount Already Recorded**	8,000	8,000	8,000
II. Amount which should have been Recorded Interest on Capital Share of Profit (₹ 18,300 in 1:1:1) Interest on Drawings	2,700 6,100 (250)	2,100 6,100 (200)	1,500 6,100 (150)
	8,550	8,000	7,450
Amount to be Adjusted	550 (Cr)	Nil	550 (Dr)

JOURNAL

Date	Particulars	LF	Amt (Dr)	Amt (Cr)
	Anil's Capital A/c Dr		550	
	To Mohan's Capital A/c			550
	(Being the adjusting entry to correct the amounts of profit transferred to capital accounts)			

Sol. 34.

Adjustment Table

Particulars	A(₹)	B(₹)	C(₹)	Total
I. **Amount Already Recorded**				
Profit (1:1:1) 31st March, 2014	11,000	11,000	11,000	33,000
31st March, 2015	15,000	15,000	15,000	45,000
	26,000	26,000	26,000	78,000
II. **Amount which should have been Recorded**				
Salary 31st March, 2014	5,000	-	-	5,000
31st March, 2015	5,000	-	-	5,000
Interest on Capital 31st March, 2014	2,500	1,250	1,250	5,000
31st March, 2015	2,500	1,250	1,250	5,000
Profits (Capital ratio, i.e. 2: 1:1) 31st March, 2014	11,500	5,750	5,750	23,000
31st March, 2015	17,500	8,750	8,750	35,000
	44,000	17,000	17,000	78 000
Net Effect (I-II)	18,000 (Cr)	9,000 (Dr)	9,000 (Dr)	Nil

JOURNAL

Date	Particulars	LF	Amt (Dr)	Amt (Cr)
	B's Current A/c Dr		9,000	
	C's Current A/c Dr		9,000	
	To A's Current A/c			18,000
	(Being interest on capital and salary not provided previously and profit distributed wrongly, now adjusted)			

Working Note

Calculation of Adjusted Profit

31st March, 2014 → 33,000 - 5,000 (Salary) - 5,000 (Interest on capital) = ₹ 23,000

31st March, 2015 → 45,000 - 5,000 (Salary) - 5,000 (interest on capital) = ₹ 35,000

Sol. 35.

Adjustment Table

Particulars	A(₹)	B(₹)	C(₹)	Total
I. **Amount Already Recorded**				
Interest on Capital @ 10%	2,000	1,500	1,000	4,500
II. **Amount which should have been Recorded**				
Interest on Capital @ 9%	1,800	1,350	900	4,050
Share of Profit (4,500 - 4,050) in Ratio of 1:1:1	150	150	150	450
	1,950	1,500	1,050	4,500
Net Effect (I-II)	50 (Dr)	Nil	50 (Cr)	Nil

JOURNAL

Date	Particulars	LF	Amt (Dr)	Amt (Cr)
	A's Current A/c Dr		50	
	To C's Current A/c			50
	(Being interest on capital provided @10 % instead of 9%, now adjusted)			

Sol. 36.

Adjustment Table

Particulars	A(₹)	B(₹)	C(₹)	Total
I. **Amount Already Recorded**				
Interest on Capital @ 10%	5,000	10,000	15,000	30,000
Share of Profit (₹ 36,000 - ₹ 30,000) in Ratio of 1:1:1	2,000	2,000	2,000	6,000
	7,000	12,000	17,000	36,000
II. **Amount which should have been Recorded**				
Interest on Capital@ 12%				

	6,000	12,000	18,000	36,000
Net Effect (I-II)	1,000 (Dr)	Nil	1,000 (Cr)	Nil

JOURNAL

	Particulars	LF	Amt (Dr)	Amt (Cr)
Date	A's Current A/c Dr To C's Current A/c (Being the interest on capital wrongly provided, now adjusted)		1,000	 1,000

Sol. 37.

Adjustment Table

Particulars	P(₹)	Q(₹)	R(₹)	Total (₹)
I. **Amount to be Debited** Interest on Drawings	1,300	1,560	-	2,860
II. **Amount to be Credited** Profit of ₹ 2,860 Shared in Ratio of 5:3:2	1,430	858	572	2,860
Net Effect (I-II)	130 (Cr)	702 (Dr)	572 (Cr)	Nil

JOURNAL

Date	Particulars	LF	Amt (Dr)	Amt (Cr)
	Q's Capital A/c Dr To P's Capital A/c To R's Capital A/c (Being the adjustment entry passed)		702	 130 572

Working Note

Calculation of Interest on Drawings

P = 20,000 × 6/100 × 6.5/12 = ₹ 1,300; Q = 24,000 × 6/100 × 6.5/12 = ₹ 1,560

Sol. 38.

Profit and Loss Account

Particulars	Amt	Particulars	Amt
To Interest on Loan A/c To Profit Transferred to Profit and Loss Appropriation A/c	20,000 3,00,000	By Profit A/c	3, 20,000
	3,20,000		3,20,000

Profit distributed by the partners without providing interest on loan

X = 3,20,000 × 3/5 = ₹ 1,92,000

Y = 3,20,000 × 2/5 = ₹ 1,28,000

Correct distribution of profit

X = 3,00,000 × 3/5 = ₹ 1,80,000

Y = 3,00,000 × 2/5 = 1,20,000

Adjustment Table

Particulars		X(₹)	Y(₹)
I.	**Amount Already Recorded** Profit Already Distributed without Providing Interest on Loan	1,92,000	1,28,000
II.	**Amount which should have been Recorded** Correct Distribution of Profit	1,80,000	1,20,000
	Net Effect (I-II)	12,000 (Dr)	8,000 (Dr)

JOURNAL

Date	Particulars	LF	Amt (Dr)	Amt (Cr)
	X's Capital A/c Dr		12,000	
	Y's Capital A/c Dr		8,000	
	To X's Loan A/c			20,000

	(Being error rectified for interest on loan)			

Sol. 39.

Adjustment Table

Particulars		Preeti(₹)	Mona(₹)	Nisha(₹)
I.	**Amounts Already Recorded** (3,30,000 in 1:1:1)	1,10,000	1,10,000	1,10,000
II.	**Amounts which should have been Recorded** (3,30,000 in 3:2:1)	1,65,000	1,10,000	55,000
	Net Effect (I-II)	55,000 (Cr)	-	55,000 (Dr)

JOURNAL

Date	Particulars	LF	Amt (Dr)	Amt (Cr)
	Nisha's Capital A/c Dr		55,000	
	To Preeti's Capital A/c			55,000
	(Being the adjustment made for profit divided in wrong ratio)			

Sol. 40

Adjustment Table

Particulars		Prem(₹)	Param (₹)	Priya (₹)
I.	**Amount to be Debited** (Profit of past 4 years) (2,00,000 + 3,50,000 + 4,75,000 + 5,25,000) in 2:3:5	3,10,000	4,65,000	7,75,000
II.	**Amount to be Credited** (2,00,000 + 3,50 000 + 4,75,000 + 5,25,000) in 2:1:2	6,20,000	3,10,000	6,20,000
	Difference (I-II)	3,10,000 (Cr)	1,55,000 (Dr)	1,55,000 (Dr)

JOURNAL

Date	Particulars	LF	Amt (Dr)	Amt (Cr)

	Param's Current A/c Dr Priya's Current A/c Dr To Prem's Current A/c (Being adjustment of past 4 years profits made due to change in profit sharing ratio, now adjusted)		1,55,000 1,55,000	 3,10,000

Sol. 41.

JOURNAL

Date	Particulars	LF	Amt (Dr)	Amt (Cr)
	A's Capital A/c Dr To B's Capital A/c (Being adjusting entry passed)		8,000	 8,000

Adjustment Table

Particulars	A(₹)	B(₹)	Total(₹)
I. **Amount Already Recorded**			
Interest on capital	20,000	16,000	36,000
Salary	12,000	-	12,000
Commission	-	8,000	8,000
Profit	16,000	8,000	24,000
	48,000	32,000	80,000
II. Amount which should have been recorded			
Profit, i.e. 80,000 in 1:1	40,000	40,000	80,000
Difference (I-II)	8,000 (Dr)	8,000 (Cr.)	Nil

Sol. 42.

Adjustment Table

Particulars		Amt (₹)
I.	**Amount Already Credited to R**	
	Interest on Loan	21,600
	Salary	1,08,000
		1,29,600
II.	**Amount which should have been Credited to R**	
	Interest on Capital	14,400
	Share of Profit	1,17,000
		1,31,400
III.	**Difference** (Credit still to be given) (I-II)	1,800 (Cr)

JOURNAL

Date	Particulars	LF	Amt (Dr)	Amt (Cr
	R's Loan A/c Dr		60,000	
	To R's Capital A/c			60,000
	(Being R's loan converted into capital)			
	P's Capital A/c Dr		1,080	
	Q's Capital A/c Dr		720	
	To R's Capital A/c			1,800
	(Being the adjustment made on account of admission of R an existing manager, as a partner)			

Working Note

1. Interest on Loan = 60,000 × 9/100 × 4 = ₹ 21,600
2. Salary to R = (2,250 × 12 × 4) = ₹ 1,08,000
3. Interest on Capital = 60,000 × 6/100 × 4 = ₹ 14, 400
4. Share of Profit = 1/6 of (5,86,800 + 1,29,600 - 14,400) = 1/6 × (7,02,000) = ₹ 1,17,000

Sol. 43.

Calculate the Actual Share of Profit/loss of Guaranteed Partner

As per the given ratio, the share of guaranteed partner, i.e. Kanishka is 1,20,000 × 1/6 = ₹ 1,20,000

Calculate the Amount of Deficiency

Deficiency = Guaranteed amount - Actual share of profit = 25,000 - 20,000 = ₹ 5,000

Distribute the Deficiency among the Guaranteeing Partners in their Guaranteeing Ratio

Here, deficiency of ₹ 5,000 shall be borne by the guaranteeing partners Madhulika and Rakshita in their profit sharing ratio, which in this case is 2: 3.

Madhulika's share in deficiency = 5,000 × 2/5 = ₹ 2,000

Rakshita's share in deficiency = 5,000 × 3/5 = ₹ 3,000

Distribute the Actual Profits/losses among all the Partners in their Profit Sharing Ratio as if there is no Guarantee Arrangement

Actual profit of ₹ 1,20,000 distributed among the partners as follows

Madhulika = 1,20,000 × 2/6 = ₹ 40,000; Rakshita = 1,20,000 3/6 = ₹ 60,000

Kanishka = 1,20,000 × 1/6 = ₹ 20,000

Recover Share of Deficiency from the Guaranteeing Partners and give Credit for the Same to Guaranteed Partner

Madhulika will get = (40,000 – 2,000) = ₹ 38,000

Rakshita will get = (60,000 - 3,000) = ₹ 57,000

Kanishka will get =(20,000 + 2000 + 3,000) = ₹ 25,000

Profit and Loss Appropriation Account

for the year ended...

Particulars	Amt (₹)	Particulars	Amt (₹)
To Profit Transferred to		By Net Profit as per Profit and Loss A/c	1,20,000
Madhulika's Capital A/c (1,20,000 × 2/6) 40,000			
(-) Guarantee to Kanishka (2,000)	38,000		
Rakshita's Capital A/c (1,20,000 × ¾) 60,000			
(-) Guarantee to Kanishka 3,000	57,000		
Kanishka’s Capital A/c (1,20,000 × 1/6) 20,000			
(+) Deficiency recovered from			

Madhulika 2,000 (+) Deficiency recovered from Rakshita 3,000	25,000		
	1,20,000		1,20,000

Sol. 44.

Profit and Loss Appropriation Account

for the year ended on 31st March, 2015

Particulars	Amt (₹)	Particulars	Amt (₹)
To Reserve A/c	20,000	By Net Profit as per Profit and Loss A/c	2,00,000
To Profit Transferred to Rehman's Current A/c (7/10 × ₹ 1,80,000) 1,26,000 (-) Deficiency Borne (1/2 × ₹ 32,000) (16,000)	1,10,000		
Suleman's Current A/c (2/10 × ₹ 1,80,000) 36,000 (-) Deficiency Borne (1/2 × ₹ 32,000) (16,000)	20,000		
Hanuman's Current A/c (1/10 × ₹ 1,80,000) 18,000 (+) Deficiency Recovered from Rehman 16,000 Suleman 16,000	50,000		
	2,00,000		2,00,000

Working Note

Hanuman's actual share of profit = 1/10 of ₹ 1,80,000 = ₹ 18,000

Deficiency = Guaranteed amount - Actual share of profit = ₹ 50,000 - ₹ 18,000 = ₹ 32,000

Deficiency is to be borne by Rehman and Suleman in the ratio of 1:1 as follows

Deficiency to be borne by Rehman 1/2 × ₹ 32,000 = ₹ 16,000

Deficiency to be borne by Suleman 1/2 × ₹ 32,000 = ₹ 16,000

Sol. 45.

Profit and Loss Appropriation Account

for the year ended 31st March, 2015

Particulars		Amt(₹)	Particulars	Amt(₹)
To Profit Transferred to Capital A/c			By Net Profit as per Profit and Loss A/c	9,00,000
Vikas (9,00,000 – 1,12,500 × 3/5)	4,72,500			
(-) To Vandana	(22,500)	4,50,000		
Vivek (7,87,500 × 2/5)	3,15,000			
(-) To Vandana	(15,000)	3,00,000		
Vandana (9,00,000 × 1/8)	1,12,500			
(+) From Vikas	22,500			
(+) From Vivek	15,000	1,50,000		
		9,00,000		9,00 000

Working Note

Vandana's share in profit = 9,00.000 × 1/8 = ₹ 1,12,500

Minimum profit guaranteed to Vandana = ₹ 1,50,000

Deficiency = 37,500 (1,50,000 - 1,12,500) is to be borne by Vivek and Vikas in 2:3 ratio.

Deficiency to be borne by Vivek = 37,500 × 3/5 = ₹ 15,000

Deficiency to be borne by Vikas = 37,500 × 3/5 = ₹ 22,500

Sol. 46.

Profit and Loss Appropriation Account

for the year ended 31st March, 2015

Particulars		Amt(₹)	Particulars	Amt(₹)
To Interest on Capital A/c			By Net Profit as per Profit and Loss A/c	2,16,000
Ahmad	40,000			
Bheem	30,000			
Daniel	20,000	90,000		
To Bheem's Capital A/c (Salary) (3,000 × 12)		36,000		
To Daniel's Capital A/c (Commission)		12,000		
To Profit Transferred to				
Ahmad's Capital A/c		39,000		
Bheem's Capital A/c	23,400			
(+) From Daniel	1,600	25,000		
Daniel's Capital A/c	15,600			
(-) To Bheem	(1,600)	14,000		
		2,16,000		2,16,000

Working Note

Distributable profits = 2,16,000 – 90,000 - 36,000 - 12,000 = ₹ 78,000

Ahmad's share of profits excluding interest on capital = 78,000 × 5/10 = ₹ 39,000

Ahmad's share is already above the guaranteed amount. So, no adjustment is required.

Bheem's share of profits excluding interest on capital and salary = 78,000 × 3/10 = ₹ 23,400

Bheem's share of profits including interest on capital but excluding salary

= 23,400 + 30,000 (Interest on capital) = ₹ 53,400

Guarantee given by Daniel = ₹ 55,000

Deficiency to be borne by Daniel = 55,000 – 53,400 = ₹ 1,600

Sol. 47.

Profit and Loss Appropriation Account

for the year ended 31st March, 2017

Particulars	Amt(₹)	Particulars	Amt(₹)

To Profit Transferred to Capital A/c Abhay's Siddharth's 12,000 (-) Deficiency of Kusum (2,000) Kusum's Capital A/c 8,000 (+) Siddharth's Guarantee 2,000	 20,000 10,000 10,000	By Net Profit as per Profit and Loss A/c	40,000
	40,000		40,000

Profit and Loss Appropriation Account

for the year ended 31st March, 2018

Particulars	Amt(₹)	Particulars	Amt(₹)
To Profit Transferred to Capital A/c Abhay's 30,000 Siddharth's 18,000 Kusum's 12,000	 60,000	By Net Profit as per Profit and Loss A/c	60,000
	60,000		60,000

Note In the year ending on 31st March, 2018, the profit share of partner Kusum is already above guaranteed amount, thus there is no need of adjustment.

Sol. 48.

Profit and Loss Adjustment Account

for the year ended 31st December, 2018

Particulars	Amt(₹)	Particulars	Amt(₹)
To Profit and Loss A/c (Loss) To Interest on A's Loan A/c To C's Capital A/c (Guaranteed amount)	2,00,000 8,000 70,000	By Loss Transferred to A's Capital A/c 1,85,333 B's Capital A/c 92,667	 2,78,000
	2,78,000		2,78,000

Sol. 49.

Profit and Loss Appropriation Account

for the year ended 31st March, 2018

Particulars		Amt(₹)	Particulars	Amt(₹)
To Profit Transferred to			By Net Profit as per Profit and Loss A/c	88,80,000
Mohan's Capital A/c	48,00,000			
(-) Transferred to Rohan	(92,000)	47,08,000		
Sohan's Capital A/c	32,00,000			
Transferred to Rohan	(1,38,000)	30,62,000		
Rohan's Capital A/c	8,80,000			
(+) From Mohan	92,000			
Sohan	1,38,000	11 10,000		
		88,80,000		88,80,000

Working Note

1. Profits for the year = ₹ 88,80,000
   Rohan's share as partner (1/8 × ₹ 88,80,000) = ₹ 11,10,000
   (-) Amount payable to Rohan as employee
   Salary = ₹ 4,80,000
   Commission [5/105 × ₹ 88,80,000 – 4,80,000] = ₹ 4,00,000 ₹ (8,80,000)
   Deficiency ₹ 2,30,000
   Deficiency chargeable to Mohan and Sohan in the ratio of 2: 3.
   ∴ Mohan to bear = 2,30,000 × 2/5 ₹ 92,000; Sohan to bear = 2,30,000 × 3/5= ₹ 1,38,000
2. **Profits for the year available to Mohan and Sohan**
   (₹ 88,80,000 - Rohan's share as employee ₹ 8,80,000) = ₹ 80,00,000
   Mohan's Share = 80,00,000 × 3/5 = ₹ 48,00,000
   Mohan's share after adjusting deficiency = ₹ 48,00,000 - Share in deficiency
   = ₹ 48,00,000 – ₹ 92,000 = ₹ 47,08,000
   Sohan's share = 80,00 000 × 2/5 = ₹ 32,00,000
   Sohan's share after adjusting deficiency = ₹ 32,00,000 - Share in deficiency
   = ₹ 32,00,000 – ₹ 1,38,000 = ₹30,62,000

Sol. 50.

Profit and Loss Account

for the year ended 31st March, 2018

Particulars	Amt (₹)	Particulars	Amt (₹)
To Interest on C's Loan (12,00,000 × 6/100 × 6/12) To Manager's Salary (2,000 × 12) To Manager's Commission [(3,24,000 - 36,000 - 24,000) × 10/110] To Net Profit Transferred to Profit and Loss Appropriation A/c	36,000 24,000 24,000 2,40,000	By Net Profit before Adjustments	3,24,000
	3,24,000		3,24,000

Profit and Loss Appropriation Account

for the year ended on 31st March, 2018

Particulars	Amt (₹)	Particulars	Amt(₹)
To General Reserve [7.5% of 2,40, 000] To Interest on Capital A/c A 12,000 B 10,000 To C's Salary To A's Commission (10% of ₹ 2,40,000) To B's Commission [₹ (2,40,000 - 18,000 - 22,000 - 14,000 - 24,000) × 8/108] To Profit Transferred to Capital A/c A 50,720 B 50,720 C 50,720	18,000 22,000 14,000 24,000 12,000	By Net Profit By Interest on Drawings A/c A 780 B 720 C 660	2,40,000 2,160

	1,52,160		
	2,42,160		2,42,160

Working Note

1. **Calculation of interest of drawings**
   Interest on A's drawings = 24,000 × 6.5/12 × 6/100 = ₹ 780
   Interest on B's drawings = 24,000 × 6/12 × 6/100 = ₹ 720
   Interest on C's drawings = 24,000 × 5.5/12 × 6/100 = ₹ 660
2. Interest on partner's loan and manager's salary and commission are changes against the profits and not the appropriations out of profits. Hence, these items have been debited to profit and loss account and not profit and loss appropriation account.

Sol. 51.

Profit and Loss Appropriation Account

for the year ended...

Particulars		Amt(₹)	Particulars	Amt(₹)
To Profit Transferred to			By Net Profit as per Profit and Loss A/c	2,51,250
V's Current A/c (2,52,500 × 2/5)	1,01,000		By X's Current A/c	
(+) Deficiency from W	16,000			1,250
Deficiency from X	8,000	1,25,000	(Shortage of guarantee fees)	
W's Current Ac (2,52,500 × 2/5)	1,01,000			
(-) Guarantee to V	(16,000)	85,000		
X's Current A/c (2,52,500 × 1/5)	50,500			
(-) Guarantee to V	(8,000)	42,500		
		2,52,500		2,52,500

Working Note

1. Calculation of Shortage of Guarantee Fees by X
   Average fees of last four years = 40,000 + 60,000 + 30,000 + 35,000/4 = ₹ 41,250
   Shortage of fees = 41,250 – 40,000 = ₹ 1,250
2. Deficiency in V's guaranteed amount ₹ 24,000 shall be borne by W and X in their profit sharing ratio, i.e. 2: 1.

Sol. 52.

Profit and Loss Appropriation Account

for the year ended 31st March, 2018

Particulars		Amt(₹)	Particulars	Amt (₹)
To Interest on Capital A/c			By Net Profit as per Profit and Loss A/c	18,00,000
P	60,000			
Q	50,000			
R	30,000			
S	20,000	1,60,000		
To R's Salary A/c (₹ 20,000 × 12)		2,40,000		
To Share of Profit Transferred to Capital Ac				
(18,00,000 – 1,60,000 - 2,40,000 = 14,00,000)				
P's Capital A/c (4/10 of ₹ 14,00,000)	5,60 000			
(-) Firm's Deficiency Borne (WN1)	(1,60,000)			
(3,60,000 × 4/9)				
Deficiency Borne of R	(50,000)	3,50,000		
Q's Capital A/c (3/10 of 14,00,000)	4,20,000			
(-) Firm's Deficiency (3,60,000 × 3/9)	(1,20,000)	3,00,000		
R's Capital A/c 2/10 of ₹ 14,00,000)	2,80,000			
(-) Firm's Deficiency (3,60,000 × 2/9)	(80,000)			
	2,00,000			
(+) Deficiency Recovered from P (WN 2)	50,000	2,50,000		
(S's Capital A/c (1/10 of ₹ 14,00,000)	1,40,000			
(+) Deficiency Recovered from P. Q and R	3,60,000	5,00,000		
		18,00,000		18,00,000

Working Note

1. **Calculation of firm's deficiency** S's share of profit excluding interest on capital has been guaranteed by the firm	5,00,000

	(-) S's share of profits (14,00,000 × 1/10)		(1,40,000)
	Firm's deficiency borne by P, Q and R		3,60,000
2.	**Calculation of deficiency recovered by R from P**		
	R's share of profits (14,00,000 × 2/10)		
	(-) R's share in firm s deficiency (3,60,000 × 2/9)		2,80,000
			(80,000)
	(+) Interest on capital	30,000	2,00,000
	Salary	2,40,000	
	Deficiency recovered from (Balancing figure)		2,70,000
	R's share of profits including interest on capital arid salary is guaranteed by P		4,70,000
			50,000
			5,20,000

Calculation of Interest on Capital

P = 6,00,000 × 10/100 = ₹ 60,000; Q= 5,00,000 × 10/100 = ₹ 50,000;

R = 3,00,000 × 10/100 = ₹ 30,000; S = 2,00,000 × 10/100 = ₹ 20,000

Accounting for Partnership Firms: Goodwill

Solutions

Sol. 1. Goodwill = Average profit × Number of years’ purchase

Average profit of last 5 years

= 40,000 + 50,000 + 60,000 + 50,000 + 60,000/5

= 2,60,000/5 = ₹ 52,000

Goodwill = 52,000 × 4 = ₹ 2,08,000

Sol. 2. Calculation of Goodwill

Average Maintainable Profits	Amt (₹)
Profit for 1st Year (6,000 - 2,000)	4,000
Profit for 2nd Year (14,000 - 4,000)	10,000
Profit for 3rd Year (4,000 + 2,000)	6,000
Profit for 4th Year	6,000
	26,000
(-) Loss for 5th Year	(2,000)
Total profit for last five years	24,000

Average profits = Total profits / Number of years

= 24,000/5 = ₹ 4,800 11

Goodwill Average profits × Number of years' purchase

= 4,800 × 3 = ₹ 14,400

Sol. 3. Calculation of Average Profit

Year	**Amt (₹)**	
2013	60,000	(Profit)
2014	1,40,000	(Profit)
2015	2,00,000	(Profit)
2016	2,80,000	(Profit)
2017	(2,10,000)	(Loss) (Note)
Total Profit	4,70,000	

Average profit = ₹ 4,70,000/5 = ₹ 94,000

Goodwill = Average profit × Number of years' purchase

= ₹ 94,000 × 4 = ₹ 3,76,000

Note In 2017, a moped costing ₹ 40,000 was purchased but it was wrongly debited to travelling expenses account. After rectification, the loss of 2017 will be reduced by ₹ 40,000. The depreciation on moped ₹ 10,000 (25% of 40,000) was not charged to profit and loss account of 2017. Therefore, the final loss of 2017 will be = 2,40,000 - 40,000 + 10,000 = ₹ 2,10,000.

Sol. 4. Total profits

= ₹ 1,25,000 + ₹ 2,25,000 + ₹ 1,50,000 – ₹ 50,000 + ₹ 1,75,000

= ₹ 6,25,000 (Step 3)

Average profit = 6,25,000/5 = ₹ 1,25,000 (Step 2)

Goodwill = ₹ 1,25,000 × 2 = ₹ 2,50,000 (Step 1)

Working Note Total profit = Average profit × 5 = ₹ 6,25,000

Sol. 5.

Year (A)	Profit (₹) (B)	Weights (C)	Product (₹) (D = B × C)
2013	80,000	1	80,000
2014	96,000	2	1,92,000
2015	1,20,000	3	3,60,000
2016	1,00,000	4	4,00,000
2017	72,000	5	3,60,000
Total		15	13,92,000

Weights average profit = 13,92,000/15 = ₹ 92,800,

Goodwill = 92,800 × 3 = ₹ 2,78,400

Sol. 6. Calculation of Adjusted Profits

2014	₹
Profit	1,01,000
(-) Management Cost	(24,000)
	77,000
2015	

Profit	1,24,000
(-) Management Cost	(24,000)
(-) Overvaluation of Stock	(12,000)
	88,000
2016	
Profits	1,00,000
(-) Management Cost	(24,000)
(-) Unprovided Depreciation	(1,000)
(+) Capital Expenditure	30,000
(+) Overvaluation of Opening Stock	12,000
	1,17,000
2017	
Profits	1,50,000
(-) Management Cost	(24,000)
(-)Unprovided Depreciation	(2,900)
	1,23,100

Calculation of weighted average profits

Year	Profit ()	Weights	Product
2014	77,000	1	77,000
2015	88,000	2	1,76,000
2016	1,17,000	3	3,51,000
2017	1,23,100	4	4,92,400
Total		10	10,96,400

Weighted average profit = 10,96,400/10 = ₹ 1,09,640

Goodwill = 1,09,640 × 3 = ₹ 3,28,920

Working Note

1. Depreciation of 2016 for 4 months
   = 30,000 × 10/100 × 4/12 = ₹ 1,000
2. Depreciation of 2017
   = 10% of (30,000 - 1,000)
   = ₹ 2,900

Sol. 7. Average profit = 36,000 + 40,000 + 44,000/3 = ₹ 40,000

Normal profit = 1,20,000 × 10/100 = ₹ 12,000

Super profit = Average profit - Normal profit

= 40,000 - 12,000 = ₹ 28,000

Goodwill = Super profit × Number of years' purchase

= 28,000 × 3 = ₹ 84,000

Sol. 8. Normal profit = 2,00,000 × 15/100 = ₹ 30,000

Actual profit = ₹ 48,000

Super profit = Actual profit - Normal profit

= 48,000 - 30,000 = ₹ 18,000

Goodwill Super profit × Number of years' purchase

= 18,000 × 3 = ₹ 54,000

Sol. 9. Goodwill = Super profit × Number of years' purchase

2,400 = Super profit × 4

Super profit = ₹ 600

Normal profit = Capital employed × Normal rate/100

= 7,500 × 10/100 = ₹ 750

Super profit = Average profit - Normal profit

600 = Average profit -750

Average profit = ₹ 1,350

Sol. 10. Average annual profit		₹ 1,08,000
(-) Partners' remuneration	₹ 18,000	
Normal profit on capital		
employed (6,00,000 × 10/100)	₹ 60,000	₹ (78,000)
Annual super profit		₹ 30,000

Goodwill, being two years' purchase of super profit

= 30,000 × 2 = ₹ 60,000

Sol. 11. Total capitalised value of the firm

= Average profit/Normal rate of profits × 100

= 1,20,000/10 × 100 = ₹ 12,00,000

Net assets of the firm

= Total assets - Liabilities

= 14,40,000 - 4,80,000 = ₹ 9,60,000

Goodwill = Total capitalised value of business - Net assets

= 12,00,000 - 9,60,000 = ₹ 2,40,000

Sol. 12. Capital employed

= Total tangible assets - Outside liabilities

= 28,00,000 – 8,00,000

= ₹ 20,00,000

Normal profit = Capital employed × Normal rate of return

= 20,00,000 × 10/100 = ₹ 2,00,000

*Super profit = Average profit - Normal profit

= 3,00,000 - 2,00,000

= ₹ 1,00,000

Goodwill = Super profit*/Normal rate of return × 100

= 1,00,000/10 × 100

= ₹ 10,00,000

Sol. 13. Actual average profit = ₹ 1,00,000;

Normal rate of return = 10%

Total assets = ₹ 10,00,000

External liabilities = ₹ 1,80,000

Capital employed = Total assets - External liabilities

= 10,00,000 - 1,80,000 = ₹ 8,20,000

Normal profit = Capital employed × Normal rate of return/100

= 8,20,000 × 10/100 = ₹ 82,000

Super profit = Average profit - Normal profit

= 1,00,000 - 82,000 = ₹ 18,000

(i) Calculation of goodwill by capitalisation of super profit method
Goodwill = Super profit/Normal rate of return × 100
= 18,000 × 100/10 = ₹ 1,80,000

(ii) Calculation of goodwill by super profit method
Goodwill = Super profit × Number of years' purchase
= 18,000 × 3 = ₹ 54,000

Sol. 14. 3 years' total profit = 1,90,000 + 2,20,000 + 2,50,000

= ₹ 6,60,000

Average profit = 6,60,000/3 = ₹ 2,20,000

(-) Remuneration to partners = ₹ (1,00,000)

Actual average profit = ₹ 1,20,000

Capital employed = ₹ 4,00,000

Normal rate of return = 15%

Normal profit = 4,00,000 × 15/100

= ₹ 60,000

Super profit = Actual average profit - Normal profit

= 1,20,000 - 60,000

= ₹ 60,000

(i) Goodwill = Super profit × Number of years' purchase
= 60,000 × 2 = ₹ 1,20,000

(ii) Capitalised value of the firm
= Average profit/Normal rate of return × 100
= 1,20,000/15 × 100 = ₹ 8,00,000

Goodwill = Capitalised value - Capital employed

= 8,00,000 - 4,00,000

= ₹ 4,00,000

Sol. 15.

(i) Calculation of goodwill at three years' purchase of average profit
Average profit = 1,47,600 - 1,48,100 + 4,48,700/3 = 4,48,200/3 = ₹ 1,49,400
*Average profit for goodwill = 1,49,400 - Remuneration of partners

= 1,49,400 - (500 × 12 × 2)

= 1,49,400 - 12,000 = ₹ 1,37,400

Goodwill = Average profit* × Number of years' purchase

= 1,37,400 × 3 = ₹ 4,12,200

(ii) Calculation of goodwill at three years' purchase of super profit

Normal profit = Average capital employed × Normal rate of return

= 7,00,000 × 18/100 = ₹ 1,26,000

**Super profit = Average profit*- Normal profit

= 1,37,400 - 1,26,000 = ₹ 11,400

Goodwill = Super profit × Number of years' purchase

= 11,400 × 3 = ₹ 34,200

(iii) Calculation of goodwill under capitalisation of super profit

Goodwill = Super profit** × 100/Normal rate of return

= 11,400 × 100/18 = ₹ 63,33333

(iv) Calculation of goodwill under capitalisation of average profit

Goodwill = Total capitalised value of business - Net assets

Total capitalised value of the firm = Average profit* × 100/Normal rate of return

= 1,37,400 × 100/18 = ₹ 7,63,333

Net assets = Total assets (excluding goodwill) - Outsiders' liabilities

= 7,54,762 - 31,329 = ₹ 7,23,433

Goodwill = 7,63,333 - 7,23,433 = ₹ 39,900

Reconstitution of a Partnership Firm: Change in Profit Sharing Ratio

Solutions

Sol. 1. Sacrificing/(Gaining) share = Old share – New share

A = 8/16 – 5/16 = 8 – 5/16 = 3/16 Sacrifice

B = 5/16 – 6/16 = 5 – 6/16 = (1/16) Being negative result, it is a gain

C = 3/16 – 5/16 = 3 – 5/16 = (2/16) being negative result, it is a gain

() means minus

Sol. 2. Sacrifice/(Gaining) share = Old share – New share

X = 5/10 – 1/3 = 15 – 10/30 = 5/30 Sacrifice

Y = 3/10 – 1/3 = 9 – 10/30 = (1/30) Gain

Z = 2/10 – 1/3 = 6 – 10/30 = (4/30) Gain

Sol. 3.

(i) P's new share = 5/10
Q's new share = 3/10 – 1/10 = 3 – 1/10 = 2/10 10
R's new share = 3/10 + 1/10 = 2 + 1/10 1 = 3/10
∴ New profit sharing ratio = P: Q: R = 5: 2: 3
Sacrificing/(Gaining) share = Old share - New share
P = 5/10 – 5/10 = Nil
Q = 3/10 – 2/10 = 3 – 2/10 = 1/10 Sacrifice
R = 2/10 – 3/10 = 2 – 3/10 (1/10) Gain

(ii) P's new share = 5/10 – (1/10 × 1/2
= 5/10 – 1/10 = 10 – 1/20 = 9/20
Q's new share = 3/10 – (1/20 × ½)
= 3/10 – 1/20 = 6 – 1/20 = 5/20
R's new share = 2/10 + 1/10 = 2 + 1/10 = 3/10
New profit sharing ratio = P: Q: R
= 9/20: 5/20: 3/10 = 9: 5: 6
Sacrificing/(Gaining) share = Old share - New share
P = 5/10 – 9/20 = 10 – 9/20 = 1/20 Sacrifice
Q = 3/10 – 5/20 = 6 – 5/20 = 1/20 Sacrifice
R = 2/10 – 6/20 4 – 6/20 = (2/20)

(iii) P's new share = 5/10 – (5/10 × 1/3)
= 5/10 – 5/30 = 15 – 5/30 = 10/30
Q's new share = 3/10 – (3/10 × ¼)
= 3/10 – 3/40 = 12 – 3/40 = 9/40
R's new share = 2/10 + (5/10 × 1/3) + (3/10 × ¼)
= 2/10 + 5/30 + 3/40

= 24 + 20 + 9/120 = 53/120
∴ New profit sharing ratio = 10/30: 9/40: 53/120 or 40: 27: 53
Sacrificing/(Gaining) share = Old share – New share
P = 5/10 – 40/120 = 60 – 40/120 = 20/120 Sacrifice
Q = 3/10 – 53/120 = 24 – 23/120 = (29/120) Gain

(iv) Sacrificing /(Gaining) share = Old share – New share
P = 5/10 – 1/3 = 15 – 10/30 = 5/30 Sacrifice
Q = 3/10 – 1/3 = 9 – 10/30 = (1/30) Gain
R = 2/10 – 1/3 = 6 – 10/30 = (4/30) Gain

Sol. 4.

JOURNAL

Date	Particulars	LF	Amt (Dr)	Amt (Cr)
2015				
Apr 1	Gulab's Capital A/c Dr		8,000	
	Khushbu's Capital A/c Dr		32,000	
	To Anant's Capital A/c			40,000
	(Being share of goodwill adjusted on change in profit sharing ratio)			

Working Note

1. **Calculation of Sacrificing/(Gaining) Share**
   Sacrificing/(Gaining) share = old share - New share
   Anant = 5/10 – 1/3 = 15 – 10/30 = 5/30 Sacrifice
   Gulab = 3/10 – 1/3 = 9 - 10/30 = (1/30) Gain
   Khushbu = 2/10 – 1/3 = 6 – 10/30 = (4/30) Gain
2. **Share of Goodwill**
   Anant = 2,40,000 × 5/30 = ₹ 40,000
   Gulab = 2,40,000 × 1/30 = ₹ 8,000
   Khushbu = 2,40,000 × 4/30 = ₹ 32,000

Sol. 5.

JOURNAL

Date	Particulars	LF	Amt (Dr)	Amt (Cr)
2017				
Apr 1	A's Capital A/c (₹ 15,000 × 5/10) Dr		7,500	

	B's Capital A/c (₹ 15,000 × 3/10) Dr C's Capital A/c (₹ 15,000 × 2/10) Dr To Goodwill A/c (Being the existing goodwill written-off in old ratio on change in profit sharing ratio)		4,500 3,000	 15,000
	B's Capital A/c (₹ 90,000 × 1/30) Dr C's Capital A/c (₹ 90,000 × 4/30) Dr To A's Capital A/c (₹ 90,000 × 5/30) (Being the adjustment made for goodwill on change in the profit sharing ratio)		3,000 3,000	 15,000

Working Note

Calculation of Sacrificing/(Gaining) Share

Sacrificing/(Gaining) share = Old share - New share

A = 5/10 – 1/3 = 15-10/30 = 5/30 Sacrifice

B = 3/10 1/3 9 – 10/30 (1/30) Gain

C = 2/10 – 1/3 = 6 – 10/30 = (4/30) Gain

Compensation payable by B (Gaining partner) to A (Sacrificing partner) = 90,000 × 1/30 = ₹ 3,000

Compensation payable by C (Gaining partner) to A (Sacrificing partner) = 90,000 × 4/30 = ₹ 12,000

Sol. 6.

(i) **Calculation of Goodwill of the Firm**

Average profits
= 4,00,000 + 4,80,000 + 7,33,000 - 33,000 + 2,20,000
= 18,00,000/5 = ₹ 3,60,000
Goodwill = Average profits × Number of years' purchase
= 3,60,000 × 2 = ₹ 7,20,000

(ii)

JOURNAL

Date	Particulars	LF	Amt (Dr)	Amt (Cr)
	Gupta's Capital A/c Dr To Kumar's Capital A/c		1,20,000	 60,000 60,000

	To Kavita's Capital A/c (Being Gupta's share of goodwill recorded on change in profit sharing ratio)			

Working Note

Calculation of Sacrifice or Gain of each Partner

Sacrificing/(Gaining) share = Old share - New share

Kumar = 1/3 – 1/4 = 4 – 3/12 = 1/12 Sacrifice

Gupta = 1/3 – 2/4 = 4 – 6/12 = (2/12) Gain

Kavita = 1/3 – ¼ = 4 – 3/12 = 1/12 Sacrifice

Gupta will pay for goodwill = 7,20,000 × 2/12 = ₹ 1,20,000

Sol. 7.

JOURNAL

Date	Particulars	LF	Amt (Dr)	Amt (Cr)
2018 Apr 1	Bharati's Capital A/c Dr		**60,000**	
	Sudesh's Capital A/c Dr		50,000	
	Krishna's Capital A/c			**1,10,000**
	(Being adjustment of goodwill due to change in profit sharing ratio)			

Working Note

Old ratio = 3: 2: 3; New ratio = 2: 3: 4

Sacrificing/(Gaining) share = Old share - New share

Krishna = 3/8 – 2/9 = 27 – 16/72 = 11/72 Sacrifice

Bharati = 2/8 – 3/9 = 18 – 24/72 = (6/72) Gain

Sudesh = 3/8 – 4/9 = 27 – 32/72 = (5/72) Gain

Let Krishna's capital be

So, 5/11 x = 50,000

∴ x = 50,000 × 11/5 = ₹ 1,10,000

Bharati's share= 1,10,000 × 6/11 = ₹ 60,000

Sol. 8.

JOURNAL

Date	Particulars	LF	Amt (Dr)	Amt (Cr)
2018				
Apr 1	Land and Building A/c Dr		70,000	
	To Revaluation A/c			70,000
	(Being the increase in value of land and building recorded)			
	Revaluation A/c Dr		30,000	
	To Plant and Machinery A/c			30,000
	(Being the decrease in value of plant and machinery recorded)			
	Revaluation A/c Dr		76,000	
	To Stock A/c			76,000
	(Being the decrease in value of stock recorded)			
	Revaluation A/c (₹ 30,000 – ₹ 20,000) Dr		10,000	
	To Provision for Doubtful Debts A/c			10,000
	(Being the short provision now created)			
	Sundry Creditors A/c Dr		60,000	
	To Revaluation A/c			60,000
	(Being the decrease in the amount of creditors recorded)			
	Revaluation A/c Dr		8,000	
	To Outstanding Rent A/c			8,000
	(Being the outstanding rent recorded)			
	Prepaid Insurance A/c Dr		10,000	
	To Revaluation on A/c			10,000

	(Being the prepaid insurance recorded)			
	Revaluation A/c Dr To Commission Received in Advance A/c (Being the commission received in advance recorded)		6,000	 6,000
	Accrued Income A/c Dr To Revaluation A/c (Being the accrued income recorded)		2,000	 2,000
	Bad Debts Recovered A/c Dr To Revaluation A/c (Being the bad debts recovered recorded)		8,000	 8,000
	Revaluation A/c Dr To P’s Capital A/c To Q's Capital A/c To R's Capital A/c (Being the transfer of profit on revaluation to old partners' capital accounts in their old profit sharing ratio)		20,000	 10,000 6,000 4,000

Revaluation Account

Particulars	Amt(₹)	Particulars	Amt(₹)
To Plant and Machinery A/c	30,000	By Land and Building A/c	70,000
To Stock A/c	76,000	By Sundry Creditors A/c	60,000
To Provision for Doubtful Debts A/c	10,000	By Prepaid Insurance A/c	10,000
To Outstanding Rent A/c	8,000	By Accrued Income A/c	2,000
To Commission Received in Advance A/c	6, 000	By Bad Debts Recovered A/c	8,000
To Profit on Revaluation Transferred to P’s Capital A/c 10,000 Q's Capital A/c 6,000 R's Capital A/c 4,000	20,000		

	1,50,000		1,50,000

Sol. 9.

Revaluation Account

Particulars		Amt(₹)	Particulars	Amt(₹)
To Building A/c		3,000	By Land A/c	30,000
To Profit Transferred to Capital A/cs			By Creditors A/c	6,000
R	5,500			
S	11,000			
T	16,500	33,000		
		36,000		36,000

Partners' Capital Account

Particulars	R(₹)	S(₹)	T(₹)	Particulars	R(₹)	S(₹)	R(₹)
To T's Capital A/c	25,000	-	-	By Balance b/d	1,00,000	50,000	25,000
(Goodwill)				By Revaluation A/c	5,500	11,000	16,500
To Balance c/d	85,500	71,000	81,500	(Profit)			
				By R's Capital A/c	-	-	
				By General Reserve			25,000
				A/c	5,000	10,000	15,000
	1,10,500	71,000	81,500		1,10,500	71,000	81,500

Balance Sheet

as at...

Liabilities		Amt(₹)	Assets		Amt(₹)
Creditors	50,000		Land	50,000	
(-)Written off	(6,000)	44,000	(+) Appreciation	30,000	80,000
Bills Payable		20,000	Building	50,000	

Capital A/cs		(-) Depreciation (3,000)	47,000
R 85,500		Plant	1,00,000
S 71,000		Stock	40,000
T 81,500	2,38,000	Debtors	30,000
		Bank	5,000
	3,02,000		3,02,000

Working Note

Calculation of Sacrificing/(Gaining) Share

Sacrificing/(Gaining) share = Old share - New share

R = 1/6 – 1/3 = 1 – 2/6 = (1/6) Gain

S = 2/6 – 1/3 = 2 – 2/6 = Nil

T = 3/6 – 1/3 = 3 – 2/6 = 1/6 Sacrifice

Firm's goodwill = ₹ 1,50,000

R will pay for goodwill = 1,50,000 × 1/6 = ₹ 25,000

R's Capital A/c Dr	25,000	
To T's Capital A/c		25,000

Sol. 10.

Net Effect of Revaluation

Profit due to increase in the value of freehold premises	₹ 50,000
Profit due to decrease in the value of creditors	₹ 5,000
Loss due to fall in the value of stock, debtors and furniture	₹ 37,500
Profit on revaluation	
	₹ 17,500

Calculation of Sacrificing/(Gaining) Share

Old ratio = 1: 1: 1

New ratio = 2: 1: 1

Gain made by Richa = New share - Old share = 2/4 – 1/3 = 6 – 4/12 = 2/12 or 1/6

Sacrifice made by Megha = Old share - New share = 1/3 – 1/4 = 4 – 3/12 = 1/12

Sacrifice made by Samiksha = Old share - New share = 1/3 – 1/4 = 4 – 3/12 = 1/12

∴ Sacrificing ratio = 1: 1

Calculation of Proportionate Amount

Proportionate amount gained by Richa = 17,500 × 1/6 = ₹ 2,916

Proportionate amounts sacrificed by Megha and Samiksha each = 17,500 × 1/12 = ₹ 1,458

JOURNAL

Date	Particulars	LF	Amt (Dr)	Amt (Cr)
2018				
Apr 1	Richa's Capital/Current A/c Dr		2,916	
	To Megha's Capital/Current A/c			1,458
	To Samiksha's Capital/Current A/c			1,458
	(Being necessary adjustment entry passed)			

Sol. 11.

Calculation of Net Effect of Revaluation	**Amt(₹)**
Loss due to decrease in the value of stock	(72,000)
Loss due to increase in the value of provision for doubtful debts	(3,000)
Loss due to decrease in the value of furniture	(12,000)
Loss due to decrease in the value of plant and machinery	(60,000)
Loss due to unrecorded liability (i.e. outstanding salary)	(7,000)
	(1,54,000)
Profit due to increase in the value of land and buildings	1,00,000
Loss on revaluation	(54,000)
Adjustment for goodwill	90,000
	36,000

Calculation of Sacrificing/(Gaining) Share

Old ratio of Z, E and N = 3: 2: 1

New ratio of Z, E and N = 4: 4: 1

Sacrificing/(Gaining) share = Old share - New share

Z = 3/6 = 4/9 = 9 – 8/18 = 1/18 Sacrifice

E = 2/6 – 4/6 = 6 – 8/18 = (2/18) Gain

N = 1/6 – 1/9 = 3 – 2/18 = 1/8 Sacrifice

Calculation of the Proportionate Amount

For Z (Sacrificing partner) = 36,000 × 1/18 = ₹ 2000 (Cr)

For E (Gaining partner)= 36,000 × 2/18 = ₹ 4000

For N (Sacrificing partner) = 36,000 × 1/18 = ₹ 2000 (Cr)

JOURNAL

Date	Particulars	LF	Amt (Dr)	Amt (Cr)
2018				
Jan 1	E's Capital A/c Dr		4,000	
	To Z's Capital A/c			2,000
	To N's Capital A/c			2,000
	(Being the adjustment for revaluation of assets and liabilities and for reserves, profits and goodwill on change in profit sharing ratio)			

Note Increase in the value of assets and decrease in the value of liabilities are profit for the firm.

JOURNAL

Sol. 12.

Date	Particulars	LF	Amt (Dr)	Amt (Cr)
2018				
Apr 1				
(i)	Workmen Compensation Reserve A/c Dr		45,000	
	To Ram's Capital A/c			20,000
	To Raj's Capital A/c			15,000 10,000

	To Rohan's Capital A/c			
	(Being the transfer of workmen compensation reserve to partners' capital accounts in their old profit sharing ratio)			
(ii)	Workmen Compensation Reserve A/c Dr		45,000	
	To Provision for Workmen Compensation Claim A/c			22,500
	To Ram's Capital A/c			10,000
	To Raj's Capital A/c			7,500
	To Rohan's Capital A/c			5,000
	(Being the transfer of surplus workmen compensation reserve to partners' capital accounts in their old profit sharing ratio)			
(iii) (a)	Workmen Compensation Reserve A/c Dr		45,000	
	Revaluation A/c		4,500	
	To Provision for Workmen Compensation Claim A/c			49,500
	(Being the provision created and shortfall charged to revaluation account)			
(b)	Ram's Capital A/c Dr		2,000	
	Raj's Capital A/c		1,500	
	Rohan's Capital A/c		1,000	
	To Revaluation A/c			4,500
	(Being the transfer of loss on revaluation to partners capital accounts in their old profit sharing ratio)			
(iv)	Workmen Compensation Reserve A/c		45,000	
	To Provision for Workmen Compensation claim A/c			45,000
	(Being the provision made for workmen compensation claim)			

Sol. 13.

JOURNAL

Date	Particulars	LF	Amt (Dr)	Amt (Cr)
2018 Apr 1				
(i)	Investment Fluctuation Reserve A/c Dr		36,000	
	To Surajs Capital A/c			16,000
	To Mahesh's Capital A/c			12,000
	To Tarun's Capital A/c			8,000
	(Being the transfer of investment fluctuation reserve to partners capital accounts in their old profit sharing ratio)			
(ii)	Same solution as given in (i)			
(iii)	Investment Fluctuation Reserve A/c Dr		36,000	
	To Investments A/c [4,00,000 - 3,82,000]			18,000
	To Suraj's Capital A/c			8,000
	To Mahesh's Capital A/c			6,000
	To Tarun's Capital A/c			4,000
	(Being the transfer of excess investment fluctuation reserve to partners capital accounts in their old profit sharing ratio)			
(iv) (a)	Investment Fluctuation Reserve A/c Dr		36,000	
	To Suraj's Capital A/c			16,000
	To Mahesh's Capital A/c			12,000
	To Tarun 's Capital A/c			8,000
	(Being the transfer of investment fluctuation reserve to partners capital accounts in their old profit sharing ratio)			
(b)	Investments A/c [4,00,000 - 4,36,000] Dr		36,000	
	To Revaluation A/c			36,000
	(Being the value of investments brought up to market value)			

	(c)	Revaluation A/c Dr To Suraj's Capital A/c To Mahesh's Capital A/c To Tarun's Capital A/c (Being the transfer of excess investment fluctuation reserve and balance of revaluation to partners' capital accounts in their old profit sharing ratio)		36,000	16,000 12,000 8,000
(v)	(a)	Investment Fluctuation Reserve A/c Dr Revaluation A/c Dr To Investment A/c [4,00,000 - 3,46,000] (Being fall in the value of investments adjusted through investment fluctuation reserve and shortfall charged to revaluation account)		36,000 18,000	54,000
	(b)	Suraj's Capital A/c Dr Mahesh's Capital A/c Dr Tarun's Capital A/c Dr To Revaluation A/c (Being transfer of loss on revaluation to partner's capital account in their old profit sharing ratio)		8,000 6,000 4 000	18,000
(vi)		Investment Fluctuation Reserve A/c Dr To Investment A/c [4,00,000 - 3,64,000] (Being fall in the value of investment is equal to investment fluctuation reserve account)		36,000	36,000

Note In the absence of any information, it is assumed that the market value of investments equals its cost. It is assumed that market value of investments is ₹ 4,00,000.

Sol. 14.

JOURNAL

Date	Particulars	LF	Amt (Dr)	Amt (Cr)
2018				

Apr 1	Workmen Compensation Reserve A/c Dr To Provision for Workmen Compensation Claim A/c (Being the provision made for workmen compensation claim)		450	 450
	Workmen Compensation Reserve A/c Dr To Sun's Capital A/c To Moon's Capital A/c To Star's Capital A/c (Being the transfer of surplus workmen compensation reserve to partners capital accounts in their old profit sharing ratio)		3,150	 1,575 945 630
	Investment Fluctuation Reserve A/c Dr To Investment A/c (Being the value of investment brought up to market value)		3,000	 3,000
	Investment Fluctuation Reserve A/c Dr To Sun's Capital A/c To Moon's Capital A/c To Star's Capital A/c (Being the transfer of excess investment fluctuation reserve to partners capital accounts in their old profit sharing ratio)		1,500	 750 450 300
	General Reserve A/c Dr Contingencies Reserve A/c Dr Profit and Loss A/c Dr To Sun's Capital A/c To Moon's Capital A/c To Star's Capital A/c (Being the transfer of accumulated profits to all the partners in their old profit sharing ratio)		15,000 1,350 9,000	 12,675 7,605 5,070
	Sun's Capital A/c Dr		1,500	

	Moon's Capital A/c Dr Star's Capital A/c Dr To Advertisement Expenditure A/c (Being the transfer of accumulated losses to all the partners in their old profit sharing ratio)		900 600	 3,000

Note

- Excess investment fluctuation reserve account has been transferred directly to partners' capital accounts, after providing for an anticipated loss of ₹ 3,000 (i.e. ₹ 60,000 – ₹ 57,000) according to prudence (conservatism) concept.
- Excess workmen compensation reserve account has been transferred directly to partners' capital accounts.
- Machinery replacement fund has not been transferred, since it is in the nature of accumulated depreciation and not in nature of accumulated profits
- Employees' provident fund represents statutory liability due to employees towards provident fund and is not an accumulated profit and hence is not distributed among the partners.

Sol. 15. Calculation of Net Effect of Reserves and Accumulated Profits/Losses

	Amt (₹)
General reserve	80,000
(+) Profit and loss A/c	40,000
	1,20,000
(-) Advertisement suspense A/c	(30,000)
Net effect	90,000

Calculation of Sacrificing/(Gaining) Share of Partners

Old ratio 2: 3: 4, New ratio 4: 3: 2

Sacrificing/(Gaining) share - Old share - New share

Sanjeev = 2/9 – 4/9 = (2/9) Gain

Mohan = = 3/9 – 3/9 = 0

Ashish = 4/9 – 2/9 = 2/9 Sacrifice

Calculation of Share of Gaining and Sacrificing Partners in the Net Reserves and Accumulated Profits/Losses

For Sanjeev (Gaining partner) = 90,000 × 2/9 = ₹ 20,000

For Ashish (Sacrificing partner) = 90,000 × 2/9 = ₹ 20,000

JOURNAL

Date	Particulars	LF	Amt (Dr)	Amt (Cr)
	Sanjeev's Capital A/c Dr To Ashish's Capital A/c (Being the adjustment for general reserve, profit and loss account balance and advertisement suspense account on change in profit sharing ratio)		20,000	 20,000

Sol. 16.

Revaluation Account

Particulars	Amt(₹)	Particulars	Amt (₹)
To Depreciation on Fixed Assets A/c To Provision for Workmen Compensation Fund	25,000 5,000	By Loss on Revaluation Transferred to Capital A/cs A 9,000 B 6,000 C 9,000 D 6,000	 30,000
	30,000		30,000

Partners' Capital Account

Particulars	A(₹)	B(₹)	C(₹)	D(₹)	Particulars	A(₹)	B(₹)	C(₹)	D(₹)
To Revaluation A/c To C's Capital A/c To D's Capital A/c To Current	9,000 27,000 -	6,000 - 27,000	9,000 - -	6,000 - -	By Balance b/d By A's Capital A/c By B's Capital A/	2,00,000 - -	2,50,000 - -	2,50,000 27,000 -	3,10,000 - 27,000

A/c (Balancing Figure)	-	-	72,000	2,33,000	c By Current A/c (Balancing Figure)	2,28,000	77,000	-	-
To Balance c/d	3,92,000	2,94,000	1,96,000	98,000					
	4,28,000	3,27,000	2,77,000	3,37,000		4,28,000	3,27,000	2,77,000	3,37,000

Balance Sheet

as at...

Liabilities		Amt (₹)	Assets		Amt (₹)
Capital A/cs			Fixed Assets	8,25,000	
A	3,92,000		(-) Depreciation	(25,000)	8,00,000
B	2,94,000		Current Assets		3,00,000
C	1,96,000		Current A/cs		
D	98,000	9,80,000	C	72,000	
Current A/cs			D	2,33,000	3,05,000
A	2,28,000				
B	77,000	3,05,000			
Workman Compensation Reserve		30,000			
Sundry Creditors		90,000			
		14,05,000			14,05,000

Working Note

1. **Calculation of Sacrificing/(Gaining) Share**
   Sacrificing/(Gaining) Share = Old share - New share
   A = 3/10 – 4/10 = 3 – 4/10 = (1/10)
   Gain B = 2/10 – 3/10 = 2 – 3/10 (1/10)
   Gain C = 3/10 – 2/10 = 3 – 2/10 = 1/10

Sacrifice D = 2/10 – 1/10 = 2 – 1/10 = 1/10

2. **Calculation of Goodwill**
   A's share of goodwill = 2,70,000 × 1/10 = ₹ 27,000
   B's share of goodwill = 2,70,000 × 1/10 = ₹ 27,000
   C's share of goodwill = 2,70,000 × 1/10 = ₹ 27,000
   D's share of goodwill = 2,70,000 × 1/10 = ₹ 27,000
3. **Journal Entry Showing Adjustment for Goodwill**
   A's Capital A/c Dr 27,000
   B's Capital A/ Dr 27,000
   To C's Capital A/c 27,000
   To D's Capital A/c 27,000

While posting in ledger, it has been assumed that A pays to C and B pays to D

4. **Calculation of Adjusted Capitals**
   Adjusted capital of A = ₹ 1,64,000
   Adjusted capital of B = ₹ 2,17,000
   Adjusted capital of C = ₹ 2,68,000
   Adjusted capital of D = ₹ 3,31,000
   Total combined capital = 10 9,80,000
   New capital of A = 9,80,000 × 4/10 = ₹ 3,92.000
   New capital of B = 9,80,000 × 3/10 = ₹ 2,94,000
   New capital of C = 9,80,000 × 2/10 = ₹ 1,96,000
   New capital of D = 9,80,000 × 1/10 = ₹ 98,000

Sol. 17.

Revaluation Account

Particulars		Amt (₹)	Particulars	Amt(₹)
To Stock A/c		40,000	By Provision for Doubtful Debts A/c	40,000
To Computers A/c		80,000	By Salaries Payable A/c	40,000
To Gain (Profit) Transferred to			By Outstanding Expenses A/c	40,000
X's Capital A/c	20,000		By Motor Cycle A/c	40, 000
Y's Capital A/c	16,000			
Z's Capital A/c	4,000	40,000		
		1,60,000		1,60,000

Partners' Capital Account

Particulars	X(₹)	Y(₹)	Z(₹)	Particulars	X(₹)	Y(₹)	Z(₹)

To X's Capital A/c	-	-	33,333	By Balance b/d	12,00,000	6,00,000	6,00,000
To Y' Capital A/c	-	-	13,334	By Revaluation A/c	20,000	16,000	4,000
To Bank A/c	5,33,333	-	-	By Z's Capital A/c	33,333	13,334	-
To Balance c/d	8,00,000	8,00,000	8,00,000	By General Reserve A/c	80,000	64,000	16,000
				By Bank A/c	-	1,06,666	2,26,667
	13,33,333	8,00,000	8,46,668		13,33,333	8,00,000	8,46,668

Balance Sheet

as at 1st April, 2018

Liabilities		Amt (₹)	Assets	Amt (₹)
Creditors		4,40,000	Cash at Bank (WN 4)	6,40,000
Salaries Payable		80,000	Sundry Debtors	4,00,000
Capital A/cs			Stock	1,60,000
X	8,00,000		Furniture	1,60,000
Y	8,00, 000		Computers	7,20,000
Z	8,00,000	24,00,000	Car	8,00,000
			Motor Cycle	40,000
		29,20,000		29,20,000

Working Note

Calculation of Sacrificing/(Gaining) Share

Sacrificing/(Gaining) share = Old share - New share

X = 5/10 – 1/3 = 15 – 10/30 = 5/30 Sacrifice

Y = 4/10 – 1/3 = 12 – 10/30 = 2/10 Sacrifice

Z = 1/10 – 1/3 = 3 – 10/30 = (7/30) Gain

Bank Account

Particulars	Amt (₹)	Particulars	Amt(₹)
To Balance b/d To Y's Capital A/c To Z's Capital A/c	8,40,000 1,06,666 2,26,667	By X's Capital A/c By Balance c/d	5,33,333 6,40,000
	11,73,333		11,73,333

Sol. 18. Sacrificing ratio of Q = Old share - New share = 3/5 – 1/2 = 6 – 5/10 = 1/10

Gaining ratio of R = New share - Old share = ½ - 2/5 = 5 – 4/10 = 1/10

(At the time of reconstitution, due to change in existing ratio, the gain by one partner is equal to the sacrifice made by the other partner)

Net Effect of Amounts to be Adjusted

Particulars	Amt(₹)
Value of Goodwill [2 × (1,25,000 – 1,00,000)] **Add** General Reserve Appreciation in the Value of Building	50,000 80,000 20,000
	1,50,000

JOURNAL

Date	Particulars	LF	Amt (Dr)	Amt (Cr)
2018 Apr 1	 R's Capital/Current A/c Dr To Q's Capital/Current A/c (Being the necessary adjustment entry passed)		 15,000	 15,000

Sol. 19.

Revaluation Account

Particulars	Amt(₹)	Particulars	Amt(₹)
To Stock A/c	76,000	By Land and Building A/c	40,000

To Provision for Doubtful Debts A/c	10,000	By Sundry Creditors A/c	60,000
To Profit on Revaluation Transferred to		By Prepaid Insurance A/c	10,000
Raj's Capital A/c 8,000			
Rahul's Capital A/c 12,000			
Rohan's Capital A/c 4,000	24,000		
	1,10,000		1,10,000

Partners' Capital Account

Particulars	Raj(₹)	Rahul(₹)	Rohan(₹)	Particulars	Raj(₹)	Rahul(₹)	Rohan(₹)
To Goodwill A/c	8,000	12,000	4,000	By Balance b/d	2,00,000	4,00,000	6,00,000
To Rahul's Capital A/c	62,000	-	-	By Raj's Capital A/c	-	62,000	-
To Advertisement Suspense A/c	8,000	12,000	4,000	By Revaluation A/c	8,000	12,000	4,000
To Balance c/d	1,42,000	4,68,000	6,02,000	By Workmen Compensation Reserve A/c	8,000	12,000	4,000
				By Investment Fluctuation Reserve A/c	4,000	6,000	2,000
	2,20,000	4,92,000	6,10,000		2,20,000	4,92,000	6,10,000

Balance Sheet

as at 1st April, 2018

Liabilities	Amt (₹)	Assets	Amt (₹)
Capital A/cs		Land and Building	5,40,000
Raj 1,42,000		Investments	92,000

Rahul 4,68,000		Stock	84,000
Rohan 6,02,000	12,12,000	Debtors 6,00, 000	
Sundry Creditors	5,40,000	(Provision for Doubtful Debts(30,000)	5,70,000
Workmen Compensation Claim	16,000	Bank	5,92,000
Employees Provident Fund	1,20,000	Prepaid Insurance	10,000
	18,88,000		18,88,000

Working Note

1. **Calculation of Sacrificing/(Gaining) Share**
   Sacrificing (Gaining) share = Old share- New share
   Raj = 2/6 – 3/6 = 2 – 3/6 = (1/6) Gain
   Rahul = 3/6 – 2/6 = 3 – 2/6 = 1/6 Sacrifice
   Rohan = 1/6 – 1/6 = 1 – 1/6 = Nil
2. **Calculation of Goodwill**
   Average profits = 96,000 + 1,86,000 + 2,76,000/3 = ₹ 1,86,000
   Firm's goodwill = Average profit × Number of years' purchase
   = 1,86,000 × 2 = ₹ 3,72,000
   Raj's contribution = 3,72,000 × 1/6 = ₹ 62,000
   Rahul's share = 3,72,000 × 1/6 = ₹ 62,000

Reconstitution of a Partnership Firm: Admission of a Partner

Solutions

Sol. 1. Old ratio = 3: 2: 1, D’s share = 10% = 10/100 = 1/10

Total share = 1

Remaining share of A, B and C = 1 – 1/10 = 9/10

A's new share 9/10 × 3/6 = 27/60

B's new share = 9/10 × 2/6 = 18/60

C's new share = 1/10 × 1/6 = 9/60

D's share = 1/10 × 6/6 = 6/60

∴ New profit sharing ratio 27: 18: 9: 6

or 9: 6: 3: 2 and sacrificing ratio 3: 2: 1

Sol. 2. New share = Old share - Share sacrificed

∴ L's new share = 7/10 – 2/7 = 49 – 20/70 = 29/70

M's new share = 3/10 – 1/7 = 21 – 10/70 = 11/70

N's share = 3/7 × 10/10 = 30/70

∴ New profit sharing ratio = 29: 11: 30

Sacrificing ratio = L's sacrifice: M's sacrifice

= 2/7 : 1/7 = 2: 1

Sol. 3. Profit sharing ratio of P: Q: R = 3: 2: 1.

S is admitted for 1/8th share which he acquired 1/16th from P and 1/16th from Q.

P's new share = 3/6 1/16 = 16 – 3/48 = 13/48

Q's new share = 2/6 – 1/16 = 16 – 3/48 = 13/48

R's share = 1/6 × 8/8 = 8/48

S's share = 1/8 × 6/6 = 6/48

New profit sharing ratio of P: Q: R: S is 21: 13: 8: 6.

Sol. 4. Calculation of B’s sacrifice

B’s sacrifice = Old share – New share

= 3/8 – 2/8 = 3 – 2/8 = 1/8

Sol. 5. R's sacrifice wrong = 3/5 × ¼ = 3/20

T's sacrifice = 3/5 × 1/5 = 2/25

R's new share = 3/5 – 3/20 = 12 – 3/20 = 9/20

T's new share = 2/5 – 2/25 = 10 – 2/25 = 8/25

S's share = 3/20 + 2/25 = 15 + 8/100 = 23/100

New profit sharing ratio = 9/20: 8/25: 23/100 or 45: 32: 23

Sacrificing ratio = R's sacrifice: T's sacrifice

= 3/20: 2/25 or 15: 8

Sol. 6. Old ratio 2: 1

C's share = ¼ which he acquires in 3: 2 ratio, from A and B

∴ A's sacrifice = 1/4 × 3/5 = 3/20

B's sacrifice = ¼ × 2/5 = 2/20

Hence, A's new share = 2/3 – 3/20 = 40 – 9/60 = 31/60

B's new share = 1/3 – 2/20 = 20 – 6/60 = 14/60

C's share = 1/4 × 15/15 = 15/60

New profit sharing ratio of A: B: C = 31: 14: 15

Sacrificing ratio = A's sacrifice: B's sacrifice = 3/20: 2/20 = 3: 2.

Sol. 7. Old ratio 5: 4

C's share = 1/3, which he acquires in equal proportion from A and B.

∴ A's sacrifice = 1/3 × 1/2 = 1/6

B's sacrifice = 1/3 × ½ = 1/6

Hence, A's new share = 5/9 – 1/6 = 10 – 3/18 =7/18

B's new share = 4/9 – 1/6 = 8 – 3/18 = 5/18

C's share = 1/3 × 6/6 = 6/18

New profit sharing ratio of A, B and C = 7: 5: 6

Sacrificing ratio = A's sacrifice: B's sacrifice = 1/6: 1/6 = 1: 1

Sol. 8. A's new share = 2/5 – 1/8 = 16 – 5/40 = 11/40

B's share = 2/5; C's share = 1/5; D's share = 1/8

New profit sharing ratio = 11/40: 2/5: 1/5: 1/8 or 11: 16: 8: 5

Sol. 9. Remaining share left after Ravi's admission = 1 – 1/8 = 7/8

Rao's share in remaining profits = 7/8 × 4/7 = 4/8

Swami's share in remaining profits = 7/8 × 3/7 = 3/8

Ravi's share = 1/8

∴ New profit sharing ratio = 4: 3: 1

Sacrifice made by Rao = Old share - New share = 3/5 – 4/8 = 24 – 20/40 = 4/40

Sacrifice made by Swami = 2/5 – 3/8 = 16 – 15/40 = 1/40

∴ Sacrificing ratio = 4: 1

Sol. 10. Let the total share of the firm = 1

Share of C and D = 1/5 + 1/6 = 6 + 5/30 = 11/30

Remaining share = 1 - 11/30 = 19/30

New shares of A and B are calculated by dividing the remaining share in their profit sharing ratio i.e. 2: 2 or 1: 1 as under

A’s new share = 19/30 × 1/2 = 19/60; B's new share = 19/30 × 1/2 = 19/60

New profit sharing ratio of A, B, C and D =19/60: 19/60: 1/5: 1/6 = 19: 19: 12: 10

Sol. 11. Old ratio between A and C = 1: 1

New ratio between A, C and D = 5: 4: 3

Sacrifice made by A = Old share - New share

= ½ - 5/12 = 6 – 5/12 = 1/12

Sacrifice made by C = ½ - 4/12 = 6 – 4/12 = 2/12

∴ Sacrificing ratio = 1: 2

Sol. 12.

(i) **Calculation of New Profit Sharing Ratio of Sahil, Charu and Tanu for the Year 2014-15**
Tanu is admitted for 1/5th share.
Tanu acquired profit share from Sahil = 1/5 × 1/2 = 1/10
Tanu acquired profit share from Charu = 1/5 × 1/2 = 1/10
Sahil's new share = Old share - Sacrificed share = 4/7 – 1/10 = 40 – 7/70 = 33/70
Charu's new share = Old share - Sacrificed share = 3/7 – 1/10 = 30 – 7/70 = 23/70
New profit sharing ratio will be = 33/70: 23/70: 1/5 = 33: 23: 14/70 or 33: 23: 14

(ii) **Calculation of New Profit Sharing Ratio of Sahil, Charu, Tanu and Puneet**
Old ratio = 33: 23: 14
Puneet is admitted for 1/7th share, which he acquired from Sahil and Charu in 7:3 ratio.
Puneet acquired share from Sahil = 1/7 × 7/10 = 7/70

Puneet acquired share from Charu = 1/7 × 3/10 = 3/70
Sahil's new share = 33/70 – 7/70 = 26/70
Charu's new share = 23/70 – 3/70 = 20/70
New ratio = 26/70: 20/70: 14/70: 1/7 = 26/70: 20/70: 14/70: 10/70 or 13: 10: 7: 5

Sol. 13.

JOURNAL

Date	Particulars	LF	Amt (Dr)	Amt (Cr)
	Vinod's Capital A/c (30,000 × 2/3) Dr		20,000	
	Pramod's Capital A/c (30,000 × 1/3) Dr		10,000	
	To Goodwill A/c			30,000
	(Being existing goodwill written-off in old ratio)			
	Cash A/c Dr		1,50,000	
	To Subodh's Capital A/c			1,50,000
	(Being capital brought in by Subodh)			

Note No entry will be passed regarding goodwill, because it is paid privately.

Sol. 14.

JOURNAL

Date	Particulars	LF	Amt (Dr)	Amt (Cr)
	Arti's Capital A/c (5,000 × 3/5) Dr		3,000	
	Bharti's Capital A/c (5,000 × 2/5) Dr		2,000	
	To Goodwill A/c			5,000
	(Being the existing goodwill written-off in old ratio)			
	Bank A/c Dr		10,000	
	To Premium for Goodwill A/c			10,000
	(Being Sarthi's share of goodwill brought in)			
	Premium for Goodwill A/c Dr		10,000	
	To Arti's Capital A/c (10,000 × 2/5)			4,000
	To Bharti's Capital A/c (10,000 × 3/5)			6,000
	(Being the premium for goodwill shared by the old			

	partners on the basis of their sacrifice, i.e. 2: 3)			

Working Note

Old ratio = 3: 2; New ratio = 2: 1: 1

Sacrificing ratio = Old share - New share

Arti = 3/5 – 2/4 = 12 – 10/20 = 2/20

Bharti = 2/5 – 1/4 = 8 – 5/20 = 3/20

∴ Sacrificing ratio = 2: 3

Sol. 15.

JOURNAL

Date	Particulars	LF	Amt (Dr)	Amt (Cr)
	Bank A/c Dr To Guru's Capital A/c To Premium for Goodwill A/c (Being the capital and premium brought in by Guru)		3,45,000	 3,00,000 45,000
	Premium for Goodwill A/c Dr Kavi's Capital A/c Dr To Hari's Capital A/c (₹ 82,500 × 9/11) To Ravi's Capital A/c (₹ 82,500 × 2/11) (Being the premium adjusted through sacrificing partners' capital accounts)		45,000 37,500	67,500 15,000

Working Note

Old ratio = 3: 2: 1; New ratio = 2: 2: 2: 1

Sacrificing ratio = Old share - New share

Hari = 3/6 – 2/7 = 21 – 12/42 = 9/42

Ravi = 2/6 – 2/7 = 7 – 12/42 = (5/42) Gain

(Since the answer is negative, therefore it implies that Kavi stands to gain)

∴ Sacrificing ratio of Hari and Ravi = 9: 2

For 1/7th share, goodwill = ₹ 45,000

Goodwill of the firm = 45,000 × 7 = ₹ 3,15,000

Kavi would compensate to the extent = 3,15,000 × 5/42 = ₹ 37,500

Sol. 16.

JOURNAL

Date	Particulars	LF	Amt (Dr)	Amt (Cr)
	Dr Stock A/c Dr Debtors A/c Dr Land A/c Dr Plant and Machinery A/c Dr To Provision for Doubtful Debts A/c To Premium for Goodwill A/c (13,00,000 × 3/13) To T's Capital A/c (Balancing figure) (Being stock, debtors, land and plant and machinery contributed by T on his admission as his capital and his share of goodwill)		1,67,000 1,40,000 1,00,000 1,80,000	7,000 3,00,000 2,80,000
	Premium for Goodwill A/c Dr To R's Capital A/c (3,00,000 × 14/15) To S's Capital A/c (3,00,000 × 1/15) (Being the share of T in goodwill credited to sacrificing partners in their sacrificing ratio)		3,00,000	2,80,000 20,000

Working Note

Calculation of Sacrificing Ratio

Sacrificing ratio = Old share - New share

R = 3/5 – 5/13 = 39 – 25/65 = 14/65

S = 2/5 – 5/13 = 26 – 25/65 = 1/65

Sacrificing ratio = 14/65: 1/65 = 14: 1

Sol. 17.

JOURNAL

Date	Particulars	LF	Amt (Dr)	Amt (Cr)
	Cash A/c Dr		35,000	
	To C's Capital A/c			30,000
	To Premium for Goodwill A/c			5,000
	(Being C admitted and paid capital ₹ 30,000 and premium ₹ 5,000 for 1/4 share)			
	Premium for Goodwill A/c Dr		5,000	2,000
	To A's Capital A/c			3,000
	To B's Capital A/c			
	(Being premium distributed among old partners in sacrificing ratio, i.e. 2: 3)			
	A's Capital A/c Dr		2,000	
	B's Capital A/c Dr		3,000	
	To Cash A/c			5,000
	(Being share of goodwill withdrawn in cash)			

Working Note

Old ratio = 3: 2; New ratio = 2: 1: 1

Sacrificing ratio = Old share - New share

A = 3/5 – 2/4 = 12 – 10/20 2/20

B = 2/5 -1/4= 8 – 5/20 = 3/20

∴ Sacrificing ratio = 2: 3

C's share in goodwill = 20,000 × ¼ = ₹ 5,000

Sol. 18.

JOURNAL

Date	Particulars	LF	Amt (Dr)	Amt (Cr)
	Cash A/c Dr		60,000	
	To Christopher's Capital A/c			50,000

	To Premium for Goodwill A/c (Being cash ₹ 50,000 as capital and ₹ 10,000 as premium paid by Christopher)			10,000
	Premium for Goodwill A/c Dr Christopher's Capital A/c Dr To Aditya's Capital A/c To Balan's Capital A/c (Being premium ₹ 10,000 and remaining ₹ 5,000 unpaid adjusted from new partner's capital and distributed in sacrificing ratio)		10,000 5,000	 6,000 9,000

Note In case new partner does not give his full share of goodwill in cash, the balance will be adjusted from his capital account

Working Note

Old ratio = 3: 2 New ratio = 2: 1: 1 Sacrificing ratio = Old share - New share

Aditya = 3/5 – 2/4 = 12 – 10/20 2/20, Balan = 2/5 – ¼ = 8 – 5/20 = 3/20

∴ Sacrificing ratio = 2: 3

Sol. 19.

JOURNAL

Date	Particulars	LF	Amt (Dr)	Amt (Cr)
	Kanwar's Capital A/c Dr To Amar's Capital A/c To Samar's Capital A/c (Being goodwill adjusted through capital accounts in sacrificing ratio of 3: 1)		20,000	 15,000 5,000

Kanwar's share of goodwill = 80,000 × ¼ = ₹ 20,000

Sol. 20.

JOURNAL

Date	Particulars	LF	Amt (Dr)	Amt (Cr)

	Cash A/c Dr To Tina's Capital A/c (Being capital brought in by Tina)		4,00,000	 4,00,000
	Tina's Current A/c Dr To Neha's Current A/c (Being adjustment entry passed for goodwill)		50,000	 50,000

Calculation of New Profit Sharing Ratio

Madhu's share = 3/8 (same as before)

Neha's share = 5/8 – ¼ = 5-2/8 = 3/8

Tina's share = ¼ × 2/2 = 2/8

New profit sharing ratio of Madhu: Neha Tina = 3: 3: 2

Calculation of Goodwill of the Firm on Tina's Admission	**Amt** (₹)
Net worth of new firm on the basis of capital brought in by Tina (4,00,000 × 4/1)	16,00,000
(-) Net worth (excluding goodwill) of new firm	
[Adjusted capital of old partners +Incoming partners capital]	
[(4,00,000 + 6,00,000) + 4,00,000]	(14,00,000)
Hidden goodwill	2,00,000

Working Note

1. **Calculation of Sacrificing Ratio**
   Sacrificing Ratio = Old Share - New Share
   Madhu = 3/8 – 3/8 = 3 – 3/8 Nil Neha = 5/8 – 3/8 = 5 – 3/8 = 2/8
2. Tina's share of goodwill =2, 00,000 × ¼ = ₹ 50,000

Sol. 21.

JOURNAL

Date	Particulars	LF	Amt (Dr)	Amt (Cr)
	Ajay's Capital A/c Dr To Asin's Capital A/c To Shreyas's Capital A/c (Being adjustment entry passed tor goodwill)		2,00,000	 1,00,000 1,00,000

Working Note

1. **Calculation of Ajay's Share of Goodwill** **Amt(₹)**
   Net worth of new firm on the basis of capital brought in by Ajay (5,00000 × 5) = 25,00,000
   (-) Net worth (excluding goodwill) of new firm
   [Adjusted capitals of old partners + Incoming partner's capital]
   [(15,00,000 – 5,00,000) + 5,00,000] = (15,00,000)
   Value of goodwill = 10,00,000
   Ajay's share of goodwill = 10,00,000 × ½ = ₹ 2,00,000
2. Sacrificing ratio will be equal to old profit sharing ratio.

Sol. 22. Calculation of Z's Share of Goodwill	Amt(₹)
Net worth of new firm on the basis of capital brought in by Z (40,000 × 5/1)	2,00,000
(-) Net worth (excluding goodwill) of new firm [40,000 + 30,000 + 40,000]	(1,10,000)
Z's share in goodwill = 90,000 × 1/5 = ₹ 18,000	90,000

Note While calculating hidden goodwill, when capitals are fixed. Capitals will remain same (if no capital is withdrawn or introduced).

Sol. 23.

JOURNAL

Date	Particulars	LF	Amt (Dr)	Amt (Cr)
	General Reserve A/c Dr		16,000	
	To Leela's Capital A/c (16,000 × 5/8)			10,000
	To Meeta's Capital A/c (16,000 × 3/8)			6,000
	(Being general reserve distributed among old partners in old profit sharing ratio)			
	Profit and Loss A/c Dr		24,000	
	To Leela's Capital A/c (24,000 × 5/8)			15,000
	To Meeta's Capital A/c (24,000 × 3/8)			9,000
	(Being profit and loss account credit balance written-off among old partners in old profit sharing ratio)			

Sol. 24.

(i)

JOURNAL

Date	Particulars	LF	Amt (Dr)	Amt (Cr)
	Workmen Compensation Reserve A/c Dr To Rashmi's Capital A/c To Suman's Capital A/c (Being workmen compensation reserve distributed in old ratio)		80,000	 32,000 48,000

In the books of the new firm, workmen compensation reserve will not be shown.

(ii)

JOURNAL

Date	Particulars	LF	Amt (Dr)	Amt (Cr)
	Workmen Compensation Reserve A/c Dr To Provision for Workmen Compensation Claim A/c To Rashmi's Capital A/c To Suman's Capital A/c (Being 15,000 (80,000 65,000) distributed among old partners in old ratio)		80,000	 65,000 6,000 9,000

In the books of the new firm, workmen compensation reserve would appear at ₹ 65,000.

(iii)

JOURNAL

Date	Particulars	LF	Amt (Dr)	Amt (Cr)
	Workmen Compensation Reserve A/c Dr Revaluation A/c Dr To Provision for Workmen Compensation Claim A/c (Being provision made for workmen compensation claim and shortfall charged to revaluation account)		80,000 20,000	 1,00,000
	Rashmi's Capital A/c Dr Suman's Capital A/c Dr To Revaluation A/c (Being loss on revaluation debited to partners'		8,000 12,000	 20,000

	capital account in old ratio)			

In the books of the new firm, workmen compensation reserve would appear at ₹ 1,00,000.

(iv)

JOURNAL

Date	Particulars	LF	Amt (Dr)	Amt (Cr)
	Workmen Compensation Reserve A/c Dr		80,000	
	To Provision for Workmen Compensation Claim A/c			80,000
	(Being provision made for workmen compensation claim)			

In the books of the new firm, workmen compensation reserve would appear at ₹ 80,000.

Sol. 25.

(i)

JOURNAL

Date	Particulars	LF	Amt (Dr)	Amt (Cr)
	Investment Fluctuation Reserve A/c		13,500	
	To Kim's Capital/Current A/c			6,750
	To Manasi's Capital/Current A/c			4,050
	To Poorvi's Capital/Current A/c			2,700
	(Being investment fluctuation fund distributed among old partners in old ratio)			

In the balance sheet of the new firm, investments will be shown at ₹ 1,50,000.

Note In the absence of any information, it is assumed that the cost and the market value of the investments are one and the same.

(ii)

JOURNAL

Date	Particulars	LF	Amt (Dr)	Amt (Cr)

	Investment Fluctuation Reserve A/c Dr		13 500	
	To Investment A/c			3,000
	To Kim's Capital A/c			5,250
	To Manasi'sCepital A/c			3,150
	To Poorvi's Capital A/c			2,100
	(Being increase in the value of investment transferred to partners capital accounts)			

In the balance sheet of the new firm, investments will be shown at ₹ 1,50,000 and investment fluctuation reserve at ₹ 3,000.

Note The appearance of investment fluctuation fund at ₹ 13,500 indicates that the market value of investments at the time of creation of the fund was ₹ 1,36,500 (1,50,000 – 13,500) The market value is now ₹ 1,47,000 So, his signifies increase in the value of investments.

(iii)

JOURNAL

Date	Particulars	LF	Amt (Dr)	Amt (Cr)
	Investment Fluctuation Reserve A/c Dr		13,500	
	To Kim's Capital A/c			6,750
	To Manasi's Capital A/c			4,050
	To Poorvi's Capital A/c			2,700
	(Being investment fluctuation fund transferred to old partners capital accounts in old ratio)			
	Investments A/c Dr		2,000	
	To Revaluation A/c			2,000
	(Being the increase in the value of investments credited to revaluation account)			
	Revaluation A/c Dr		2,000	
	To Kim's Capital A/c			1,000
	To Manasi's Capital A/c			600
	To Poorvi's Capital A/c			400
	(Being profit on revaluation credited to partners			

	capital account)			

In this case, investment fluctuation reserve will not be shown in the books of the new firm and investments will appear at ₹ 1,52,000.

(iv) Same entry as given in (i).

(v)

JOURNAL

Date	Particulars	LF	Amt (Dr)	Amt(Cr)
	Investment Fluctuation Reserve A/c Dr		13,500	
	Revaluation A/c Dr		1,500	
	To Investment A/c			15,000
	(Being fall in the book value of investments credited to investment account and excess charged to revaluation account)			
	Kim's Capital A/c Dr		750	
	Manasi's Capital A/c Dr		450	
	Poorvi's Capital A/c Dr		300	
	To Revaluation A/c			1,500
	(Being loss on revaluation debited to partners capital account in their old profit sharing ratio)			

In the balance sheet of the new firm, investment fluctuation reserve will appear at ₹ 15,000 and investments will appear at ₹ 1,50,000.

(vi)

JOURNAL

Date	Particulars	LF	Amt (Dr)	Amt (Cr)
	Investment Fluctuation Reserve A/c Dr		13,500	
	To Investment A/c			13,500
	(Being investment fluctuation reserve credited to investment account)			

Sol. 26.

JOURNAL

Date	Particulars	LF	Amt (Dr)	Amt(Cr)
	Amit's Capital A/c Dr		30,000	
	Viney's Capital A/c Dr		10,000	
	To Profit and Loss A/c			40,000
	(Being debit balance of profit and loss account transferred to capital accounts of old partners)			

Sol. 27.

JOURNAL

Date	Particulars	LF	Amt (Dr)	Amt (Cr)
	General Reserve A/c Dr		15,000	
	Contingencies Reserve A/c Dr		1350	
	Profit and Loss A/c Dr		9,000	
	Investment Fluctuation Reserve A/c [4,500 - (60,000 – 57,000)] Dr		1,500	
	Workmen's Compensation Reserve A/c [₹ 3,600 - ₹ 450] Dr		3,150	
	To L's Capital A/c			18,000
	To M's Capital A/c			12,000
	(Being the transfer of accumulated profits to old partners in their old profit sharing ratio)			
	L's Gapital A/c Dr		1,800	
	M's Capital A/c Dr		1,200	
	To Advertisement Expenditure A/c			3,000
	(Being the transfer of deferred expenditure losses to old partners in their old profit sharing ratio)			

Working Note

1. Machinery replacement fund is in the nature of accumulated depreciation and not in nature of accumulated profits and hence is not distributed among the partners.
2. Employees provident fund represents statutory liability due to employees towards provident fund and is not an accumulated profits, hence it is not distributed among the partners.

Sol. 28.

JOURNAL

Date	Particulars	LF	Amt (Dr)	Amt (Cr)
	General Reserve A/c Dr		1,20,000	
	To Krishna's Capital A/c (120,000 × 3/4)			90,000
	To Suresh's Capital A/c (120,000 × 1/4)			30,000
	(Being general reserve distributed between old partners in old ratio)			
	Krishna's Capital A/c (60,000 × 3/4) Dr		45,000	
	Suresh's Capital A/c (60,000 × 1/4) Dr		15,000	
	To Profit and Loss A/c			60,000
	(Being debit balance of profit and loss distributed between old partners in old ratio)			
	Workmen Compensation Fund A/c Dr		1,50,000	
	Revaluation A/c Dr		20,000	
	To Claim for Workmen Compensation Fund A/c			1,70,000
	(Being claim against workmen compensation fund adjusted)			
	Krishna's Capital A/c (20,000 × 3/4) Dr		15,000	
	Suresh's Capital A/c (20000 × 1/4) Dr		5,000	
	To Revaluation A/c			20,000
	(Being loss on revaluation distributed among old partners in old ratio)			
	Cash A/c Dr		1,98,000	
	To Rahul's Capital A/c			1,50,000
	To Premium tor Goodwill A/c (2,40,000 × 1/5)			48,000
	(Being cash brought in by Rahul for capital and premium			

	for goodwill)			
	Premium for Goodwill A/c Dr To Krishna's Capital A/c (48,000 × 3/4) To Suresh's Capital A/c (48,000 × 1/4) (Being the premium for goodwill adjusted through sacrificing partners capital account)		48,000	 36,000 12,000

Working Note

Calculation of Sacrificing Ratio

Sacrificing Ratio = Old Share - New Share

Krishna = ¾ 3/5 = 15 – 12/20 = 3/20

Suresh = 1/4 – 1/5 = 5 – 4/20 = 1/20

Sacrificing ratio = 3: 1

Sol. 29.

JOURNAL

Date	Particulars	LF	Amt (Dr)	Amt (Cr)
	Cash A/c Dr To C's Capital A/c To Premium for Goodwill A/c (Being cash and premium for goodwill brought in by C)		40,000	 30,000 10,000
	Premium for Goodwill A/c Dr To W's Capital A/c To R's Capital A/c (Being premium for goodwill shared by old partners in sacrificing ratio)		10,000	 6,000 4,000
	W's Capital A/c Dr R's Capital A/c Dr To Cash A/c (Being half goodwill withdrawn by Wand R in old ratio)		3,000 2,000	 5,000

	General Reserve A/c Dr		5,000	
	To W's Capital A/c			3,000
	To R's Capital A/c			2,000
	(Being general reserve distributed among old partners in old ratio)			
	Outstanding Salary A/c Dr		3,000	
	To Cash A/c			3,000
	(Being outstanding salary paid)			
	Revaluation A/C Dr		8,125	
	To Provision for Doubtful Debts A/c			325
	To Stock A/c			2,000
	To Furniture A/c			500
	To Plant and Machinery A/c			3,200
	To Creditor A/c			2,100
	(Being the decrease in the value of assets and increase in value of liabilities recorded)			
	Investment A/c Dr		2,500	
	To Revaluation A/c			2,500
	(Being increase in the value of asset recorded)			
	W's Capital A/c (5,625 × 3/5) Dr		3,375	
	R's Capital A/c (5,625 × 2/5) Dr		2,250	
	To Revaluation A/c (			5,625
	Being lose on revaluation transferred to partners' capital accounts)			

Working Note

1. **Provision for Bad and Doubtful Debts**

	Amt (₹)
Debtor	18,000
(-) Bad debts, to be adjusted against provision for bad debts	(1,500)
	16,500
Provision for doubtful debts @ 5% on 16,500	825

(-) Existing provision after adjusting bad debts (2,000 - 1,500) (500)
Amount to be debited to revaluation account 325

2. **Loss on Revaluation**
Loss on revaluation can be ascertained by preparing revaluation account in the following manner

Revaluation Account

Particulars	Amt (₹)	Particulars	Amt (₹)
To Provision for Doubtful Debts A/c To Stock A/c To Furniture A/c To Plant and Machinery A/c To Creditors A/c	325 2,000 500 3,200 2,100	By Investment A/c By Loss on Revaluation Transferred to W 3,375 R 2,250	2,500 5,625
	8,125		8,125

Sol. 30.

Memorandum Revaluation Account

Particulars	Amt	Particulars	Amt
To Plant and Machinery A/c To Provision for Doubtful Debts A/c To Stock A/c To Reserve for Bills Discounted A/c To Profit on Revaluation Transferred to Tanuj's Capital A/c 10,500 Anuj'sGapital A/c 7,000	12,500 5,000 10,000 5,000 17,500	By Land and Building A/c	50,000
	50,000		50,000
To Land and Building	50,000	By Plant and Machinery A/c By Provision for Doubtful Debts A/c By Stock A/c By Reserve for Bills Discounted A/c By Loss on Revaluation Transferred to	12,500 5,000 10,000 5,000

		Tanu, s Capital A/c 7,000 Anuj's Capita A/c 7,000 Kavita's Capital A/c 3,500	17,500
	50,000		50,000

Sol. 31.

Revaluation Account

Particulars	Amt	Particulars	Amt
To Stock A/c	2,000	By Land and Buildings A/c	50,000
To Plant and Machinery A/c	16,000		
To Provision for Bad Debts A/c	5,000		
To Profit Transferred to			
Murari's Capital A/c 13,500			
Vohra's Capital A/c 13,500	27,000		
	50,000		50,000

Partners' Capital Account

Particulars	Murari(₹)	Vohra (₹)	Yadav (₹)	Particulars	Murari(₹)	Vohra(₹)	Yadav(₹)
To Balance c/d	1,78,500	2,18,500	2,00,000	By Balance b/d	1,20,000	1,60,000	-
				By Cash A/c	-	-	2,00,000
				By Premium for Goodwill A/c	45,000	45,000	-
				By Revaluation A/c (Profit)	13,500	13,500	-
	1,78,500	2,18,500	2,00,000		1,78,500	2,18,500	2,00,000

Balance Sheet

as at 1st April, 2015

Liabilities		Amt(₹)	Assets		Amt(₹)
Capital A/cs			Stock (10,000 - 2,000)		8,000
Murari	1,78,500		Plant and Machinery (80,000 - 16,000)		64,000
Vohra	2,18,500		Debtors	40,000	
Yadav	2,00,000	5,97,000	(-) Provision for Doubtful Debts	(5,000)	35,000
Creditors		60,000	Land and Buildings (2,00,000 + 50,000)		2,50,000
Bank Overdraft		15,000	Cash (WN)		3,15,000
		6,72,000			6,72,000

Working Note

Memorandum Balance Sheet

Liabilities		Amt (₹)	Assets	Amt (₹)
Capital A/cs			Stock	10,000
Murari	1,20,000		Debtors	40,000
Vohra	1,60,000	2,80,000	Plant and Machinery	80,000
Creditors		60,000	Land and Buildings	2,00,000
Bank Overdraft		15,000	Cash (Balancing figure)	25,000
		3,55,000		3,55,000

Cash Account

Particulars	Amt (₹)	Particulars	Amt (₹)
To Balance b/d	25,000	By Balance c/d	3,15,000
To Yadav's Capital A/c	2,00,000		
To Premium for Goodwill A/c	90,000		
	3,15,000		3,15,000

Sol. 32.

Revaluation Account

Particulars	Amt (₹)	Particulars		Amt (₹)
To Provision for Doubtful Debts A/c	2,000	By Accrued Income A/c		15,000
To Outstanding Salaries A/c	50,000	By Loss Transferred to		
To Investments A/c	20,000	P's Current A/c	34,200	
		Q's Current A/c	22,800	57,000
	72,000			72,000

Partners' Capital Account

Particulars	P(₹)	Q(₹)	R(₹)	Particulars	P(₹)	Q (₹)	R(₹)
To Balance c/d	5,40,000	3,60,000	2,00,000	By Balance b/d	5,40,000	3,60,000	-
				By Cash A/c	-	-	2,00,000
	5,40,000	3,60,000	2,00,000		5,40,000	3,60,000	2,00,000

Partners' Current Account

Particulars	P(₹)	Q(₹)	Particulars	P(₹)	Q(₹)
To Investments A/c	60,000	-	By Balance b/d	1,00,000	20,000
To Revaluation A/c	34,200	22,800	By General Reserve A/c	72,000	48,000
To Goodwill A/c	60,000	40,000	By Premium for Goodwill A/c	84,000	36,000
To Cash A/c	42,000	18,000			
To Balance c/d	59,800	23,200			
	2,56,000	1,04,000		2,56,000	1,04,000

Opening Balance Sheet (Balance sheet of the reconstituted firm)

as at 1st April, 2018

Liabilities	Amt (₹)	Assets	Amt (₹)

Creditors	1,50,000	Cash	3,10,000
Outstanding Salaries	50,000	Debtors2,00,000	
Capital A/cs		(-)Provision for Doubtful Debts (10,000)	1,90,000 15,000
P 5,40,000		Accrued Income	1,48,000
Q 3,60,000		Patents	7,20,000
R 2,00,000	11,00,000	Machinery	
Current A/cs			
P 59,800			
Q 23,200	83 000		
	13,83,000		13,83,000

Working Note

1. As there are current account balances appearing in the balance sheet, it means that the capital accounts are fixed. Hence, all transactions relating to the capital accounts will be passed through the current accounts.
2. Goodwill appearing in the balance sheet is written-off by the old partners in their old profit sharing ratio.
3. Calculation of Goodwill
   Average profit = 2,50,000 + 2,60,000 + 3,00,000/3 = ₹ 2,70,000
   Goodwill = 2,70,000 × 2 = ₹ 5,40,000
   R brings in his share of goodwill in cash.
   Therefore, the amount of goodwill brought in by R = 5,40,000 × ½ = ₹ 1,20,000
4. Sacrificing ratio: P = 3/5 – 4/9 = 27 – 20/45 = 7/45: Q = 2/5 – 3/9 = 18 – 15/45 = 3/45 or 7: 3

Sol. 33.

Revaluation Account

Particulars	Amt(₹)	Particulars	Amt (₹)
To Stock A/c	16,000	By Plant A/c	82,500
To Provision for Doubtful Debts A/c	13,000	By Land and Building A/c	17,500
To Creditors A/c	39,000		
To Profit on Revaluation Transferred to			
Mohit's Capital A/c 24,000			
Naman's Capital A/c 8,000	32,000		

	1,00,000		1,00,000

Partners' Capital Account

Particulars	Mohit(₹)	Naman(₹)	Omkar(₹)	Particulars	Mohit(₹)	Naman(₹)	Omkar(₹)
To Balance c/d	3,54,000	2,48,000	2,50,000	By Balance b/d	3,00,000	2,30,000	-
				By Revaluation A/c	24,000	8,000	-
				By Cash A/c			
				By Premium for	-	-	2,50,000
				Goodwill A/c			
					30,000	10,000	-
	3,54,000	2,48,000	2,50,000		3,54,000	2,48,000	2,50,000

Balance Sheet (After admission)

as at 1st January, 2018

Liabilities		Amt(₹)	Assets		Amt(₹)
Creditors		62,500	Cash (2,50,000 + 40,000)		2,90,000
Bills Payable		80,000	Debtors	60,000	
Outstanding Salary		14,000	Provision for Doubtful Debts	(13,000)	47,000
Capital A/cs			Stock		84,000
Mohit	3,54,000		Plant		3,30,000
Naman	2,48,000		Land and Building		2,57,500
Omkar	2,50,000	8,52,000			
		10,08,500			10,08,500

Sol. 34.

Partners' Capital Account

Particulars	Abha (₹)	Bimal(₹)	Chintu(₹)	Particulars	Abha(₹)	Bimal(₹)	Chintu(₹)
To Bank A/c	-	5,800	-	By Balance b/d	1,20,000	1,00,000	-
(Balancing Figure) To Balance c/d				By Revaluation A/c (Profit)	4,200	2,800	-
	2,00,000	1,20,000	80,000	By General Reserve A/c	12,000	8,000	-
				By Bank A/c	-	-	80,000
				By Premium for Goodwill A/c	15,000	15,000	-
				By Bank A/c (Balancing figure)	48,800		
	2,00,000	1,25,800	80,000		2,00,000	1,25,800	80,000

Bank Account

Particulars	Amt (₹)	Particulars	Amt (₹)
To Balance b/d	35,000	By Bimal's Capital A/c	5,800
To Chintu's Capital A/c	80,000	By Balance c/d	1,88,000
To Premium for Goodwill A/c	30,000		
To Abha's Capital A/c	48,800		
	1,93,800		1,93,800

Working Note

Calculation of Sacrificing Ratio

Sacrificing Ratio = Old Share - New Share

Abha = 3/5 – 5/10 = 6 – 5/10 = 1/10

Bimal = 2/5 – 3/10 = 4 – 3/10 = 1/10

Sacrificing ratio = 1: 1

Calculation of New Capitals

Chintu's share = 1/5

Capital brought in by chintu for 1/5th share = 80,000

Firm's capital 80,000 × 5/1 = ₹ 4,00,000

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

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

Chintu's capital 4,00,000 × 2/10 = ₹ 80,000

Sol. 35.

Revalustion Account

Particulars	Amt(₹)	Particulars		Amt(₹)
To Liability against Bills Receivable A/c	18,000	By Land and Building A/c		36,400
To Stock A/c	22,200	By Loss Transferred to		
To Furniture A/c	46,600	Om	25,200	
		Ram	16,800	
		Shanti	8,400	50,400
	86,800			86,800

Partners' Capital Account

Particulars	Om(₹)	Ram(₹)	Shanti(₹)	Hanunan(₹)	Particulars	Om(₹)	Ram(₹)	Shanti(₹)	Hanuman(₹)
To Revaluation A/c (Loss)	25,200	16,800	8,400	-	By Balance b/d	3,58,000	3,00,000	2,62,000	-
To Current A/c (Balancing figure)	-	9,200	1,16,600	-	By General Reserve A/c	24,000	16,000	8,000	-
To Balance c/d	4,50,000	3,00,000	1,50,000	1,00,000	By Cash A/c	-	-	-	1,00,000
					By Premium for				

					Goodwill A/c By Current A/c	15,000 78,200	10,000 -	5,000 -	- -
	4,75,200	3,26,000	2,75,000	1,00,000		4,75,200	3,26,000	2,75,000	1,00,000

Working Note

1. **Calculation of New Profit Sharing Ratio**

Let total profit be ₹ 1

Hanuman's share = 1/10 Remaining profit = 1 – 1/10 = 9/10

Om's new share = 9/10 × 3/6 = 27/60; Ram's new share = 9/10 × 2/6 = 18/60

Shanti's new share = 9/10 × 1/6 = 9/60 Hanuman's share = 1/10 × 6/6 = 6/60

New ratio = 9: 6: 3: 2

2. Hanuman's share of goodwill i.e. 3,00,000 × 1/10, to be credited to Om, Ram and Shanti in sacrificing ratio.
3. Calculation of New Capitals Hanuman's capital for 1/10 share = ₹ 1,00,000
   ∴ Total capital of new firm = 1,00,000 × 10/1 = ₹ 10,00,000
   Om's capital = 10,00,000 × 9/20 = ₹ 4,50,000
   Ram's capital = 10,00,000 × 6/20 = ₹ 3,00000
   Shanti's capital = 10,00,000 × 3/20 = ₹ 1,50,000
   Hanuman's capital = 10,00,000 × 2/20 = ₹ 1,00,000

Sol. 36.

Revaluation Account

Particulars	Amt(₹)	Particulars	Amt (₹)
To Investment A/c To Machinery A/c	24,000 12,000	By Creditors A/c By Loss Transferred to Capital A/cs L 15,000	6,000

		M 10,000 N 5,000	30,000
	36,000		36,000

Partners' Capital Account

Particulars	L(₹)	M(₹)	N(₹)	O(₹)	Particulars	L(₹)	M(₹)	N(₹)	O(₹)
To Revaluation A/c (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 Reserve A/c	21,000	14,000	7,000	-
					By Premium for Goodwill A/c	30,000	-	-	-
					By Cash A/c	-	-	-	56,400
	1,71,000	94,000	47,000	56,400		1,71,000	94,000	47,000	56,400

Balance Sheet

as at...

Liabilities		Amt (₹)	Assets		Amt (₹)
Creditors (1,68,000 - 6,000)		1,62,000	Debtors		46,000
Capital A/cs			Stock		2,20,000
L	1,56,000		Investments (60,000 - 24,000)		36,000
M	84,000		Furniture and Fittings		20,000
N	42,000	3,38,400	Machinery	70,000	
O	56,400		(-) Depreciation	(12,000)	58,000
			Bank		1,20,400
		5,00,400			5,00,400

Working Note

1. **Calculation of Sacrificing Ratio**
   Sacrificing Ratio = Old Share - New Share

L = 3/6 – 2/6 = 3 – 2/6 = 1/6
M = 2/6 – 2/6 = 2 – 2/6 = Nil
N = 1/6 – 1/6 = 1 – 1/6 = Nil

2. **Adjustment for Goodwill**
   Firm's goodwill = ₹ 1,80000
   O's share of goodwill = 1,80,000 × 1/6 = ₹ 30,000
   O's share of goodwill will be credited to L's capital account as he is the only sacrificing partner.
3. **Calculation of Adjustment of Capital**
   Adjusted capital of L = 1,56,000
   Adjusted capital of M = 84,000
   Adjusted capital of N = 42,000
   Total adjusted capital = ₹ 2,82,000
   For 5/6th share combined capital of L, M and N after adjustment is ₹ 2,82,000
   ∴ Total capital of the firm is 2,82,000 × 6/5 = 3,38,400
   ∴ O's share in capital 3,38,400 × 1/6 = ₹ 56,400 Br

Bank Account

Particulars	Amt (₹)	Particulars	Amt (₹)
To Balance b/d To Premium for Goodwill A/c To O's Capital A/c	34,000 30,000 56,400	By Balance c/d	1,20,400
	1,20,400		1,20,400

Sol. 37.

Revaluation Account

Particulars		Amt (₹)	Particulars	Amt (₹)
To Profit Transferred to Capital A/cs			By Building A/c	1,00,000
Mohan	84,000		By Stock A/c	40,000
Mahesh	56,000	1,40,000		
		1,40,000		1,40,000

Partners' Capital Account

Particulars	Mohan(₹)	Mahesh(₹)	Nusrat(₹)	Particulars	Mohan(₹)	Mahesh(₹)	Nusrat (₹)
To Balance	3,92,000	2,08,000	1,20,000	By Balance b/d	1,00,000	80,000	-

c/d				By Revaluation A/c	84,000	56,000	-
				By General Reserve A/c	96,000	64,000	-
				By Workmen's Compensation Fund A/c	12,000	8,000	-
				By Premium for Goodwill A/c	1,00,000	-	-
				By Cash A/c	-	-	1,20,000
	3,92,000	2,08,000	1,20,000		3,92,000	2,08,000	1,20,000

Balance Sheet

as at...

Liabilities		Amt (₹)	Assets		Amt (₹)
Creditors		2,10,000	Building	2,80,000	
			(+) Appreciation	1,00,000	3,80,000
Liabilities for Workmen's Compensation Fund		2,30,000	Stock	1,20,000	
			(+) Appreciation	40,000	1,60,000
Capital A/cs			Machinery		1,00,000
Mohan	3,92,000		Debtors		1,60,000
Mahesh	2,08,000		Cash in Hand		3,60,000
Nusrat	1,20,000	7,20,000			
		11,60,000			11,60,000

Working Note

(i) **Calculation of Sacrificing Ratio**

Sacrificing ratio = Old share - New share

Mohan= 3/5 - 2/5 = 3 – 2/5 = 1/5; Mahesh = 2/5 – 2/5 = 2 – 2/5 = 0/5

Here, the entire sacrifice has been made by Mohan.

(ii) **Calculation of Cash Brought in by Nusrat as her Capital**

Adjusted capital of Mohan = ₹ 3,92,000
Adjusted capital of Mahesh = ₹ 2,08,000
Total adjusted capital = ₹ 6,00,000
Nursrat's capital should be equal to 20% of the combined adjusted capital of Mohan and Mahesh i.e. 6,00,000 × 20% = ₹ 1,20,000

Sol. 38.

Revaluation Account

Particulars		Amt (₹)	Particulars	Amt(₹)
To Provision for Doubtful Debts A/c		2,000	By Land and Building A/c	10,000
			By Stock A/c	4,000
To Profit Transferred to				
A	7,200			
B	4,800	12,000		
		14,000		14,000

Partners' Capital Account

Particulars	A(₹)	B(₹)	C(₹)	Particulars	A(₹)	B(₹)	C(₹)
To Balance c/d	34,000	26,000	-	By Balance b/d	10,000	10,000	-
				By Revaluation A/c	7,200	4,800	-
				By Premium for Goodwill A/c	6,000	4,000	-
				By General Reserve A/c	9,000	6,000	-
				By Workmen Compensation Fund A/c	1,800	1,200	-
	34,000	26,000	-		34,000	26,000	-
To Cash A/c	-	2, 000	-	By Balance b/d	34,000	26,000	-
To Balance c/d	36,000	24,000	15,000	By Cash A/c	2,000	-	15,000
	36,000	26,000	15,000		36,000	26,000	15,000

Cash Account

Particulars	Amt(₹)	Particulars	Amt(₹)
To Balance b/d To C's Capital A/c To Premium for Goodwill A/c To A's Capital A/c	9,000 15,000 10,000 2,000	By B's Capital A/c By Balance c/d	2,000 34 000
	36,000		36,000

Balance Sheet

Liabilities		Amt (₹)	Assets		Amt(₹)
Capital A/cs			Cash		34,000
A	36,000		Debtors	12,000	
B	24,000		(-) Provision for Doubtful Debts	(3,000)	9,000
C	15,000	75,000	Plant and Machinery		10,000
Workmen's Compensation Fund		2,000	Land and Building		18,000
Creditors		10,000	Stock		16,000
		87,000			87,000

Working Note

1. **Calculation of New Profit Sharing Ratio**
   Let total share be = 1; C's share = 1/5
   Remaining share = 1 – 1/5 = 4/5 will be shared by A and B in their old profit sharing ratio
   A's share = 3/5 × 4/5 = 12/25; B's share = 2/5 × 4/5 = 8/25
   New profit sharing ratio = 12/25: 8/25: or 12: 8: 5
2. **Adjustment of Capital**
   Total capital of the firm = 34,000 + 26,000 = 60,000 × 5/4 = ₹ 75,000
   A's capital = ₹ 75,000 × 12/25 = ₹ 36,000
   B's capital = ₹ 75,000 × 8/25 = ₹ 24,000
   C's capital = ₹ 75,000 × 5/25 = ₹ 15,000
3. **Calculation of Actual Cash to be Paid off or Brought in by Old Partners**

	A (₹)	B (₹)

New capitals	36,000	24,000
(-) Adjusted old capitals	(34,000)	(26,000)
Shortage to be brought in (Surplus to be paid)	2,000	(2,000)

Sol. 39.

Revaluation Account

Particulars	Amt (₹)	Particulars		Amt (₹)
To Stock A/c	1,150	By Provision and Debtors A/c		2,000
To Furniture A/c	1,500	By Loss Transferred to		
To Outstanding Bill A/c	1,000	A	990	
		B	660	1,650
	3,650			3,650

Partners' Capital Account

Particulars	A(₹)	B(₹)	C(₹)	Particulars	A(₹)	B(₹)	C(₹)
To Revaluation A/c	990	660	-	By Balance b/d	35,000	30,000	-
To Investment A/c	6,000	4,000	-	By Cash A/c	-	4,000	40,000
To Balance c/d	40,310	30,040	40,000	By General Reserve A/c	6,000	700	-
				By Premium for Goodwill A/c	6,300		-
	47,300	34,700	40,000		47,300	34,700	40,000
To Balance c/d	60,000	60,000	40,000	By Balance b/d	40,310	30,040	40,000
				By Current A/c	19,690	29,960	
	60,000	60,000	40,000		60,000	60,000	40,000

Cash Account

as at...

Particulars	Amt(₹)	Particulars	Amt(₹)
To Balance b/d	12,000	By Bank Loan A/c	9,000
To C's Capital A/c	40,000	By Balance c/d	50,000

To Premium for Goodwill A/c	7,000		
	59,000		59,000

Balance Sheet

as at...

Liabilities	Amt(₹)	Assets	Amt(₹)
Capital A/cs		Machinery	33,000
A 60,000		Furniture (15,000 - 1,500)	13,500
B 60,000		Investment (20,000 - 10,000)	10,000
C 40,000	1,60,000	Debtors	19,000
Outstanding Bill for Repair	1,000	Stock (23,000 - 1,150)	21,850
Creditors	36,000	Cash	50,000
		A's Current A/c	19,690
		B's Current A/c	29,960
	1,97,000		1,97,000

Note

- Market value of machinery is ignored because all fixed tangible assets are recorded at their cost price.
- Some assets like closing stock and inventories are valued at their cost price or market price whichever is less.

Working Note

Total capital of the firm = ₹ 1,60,000 (Given)

A's new capital = ₹ 1,60,000 × 3/8 = ₹ 60,000

B's new capital = ₹ 1,60,000 × 3/8 = 60,000

C will bring cash for his capital = ₹ 1,60,000 × 2/8 = ₹ 40,000

Sol. 40.

Revaluation Account

Particulars	Amt(₹)	Particulars	Amt(₹)

To Stock A/c To Profit Transferred to A 10,200, B 6,800	4,000 17,000	By Land and Building A/c By Plant and Machinery A/c By Creditors A/c	10,000 10,000 1,000
	21,000		21,000

Partners' Capital Account

Particulars	A (₹)	B(₹)	C(₹)	Particulars	A(₹)	B(₹)	C(₹)
To Balance c/d	94,200	72,800	40,000	By Balance b/d	60,000	50,000	-
				By Cash A/c	-	-	40,000
				By Premium for Goodwill A/c	12,000	8,000	-
				By Revaluation A/c	10,200	6,800	-
				By Reserve A/c	12,000	8,000	-
	94,200	72,800	40,000		94,200	72,800	40,000
To Current A/c	1,050	10,700	-	By Balance b/d	94,200	72,800	40,000
To Balance c/d	93,150	62,100	51,750	By Current A/c	-	-	11,750
	94,200	72,800	51,750		94,200	72,800	51,750

Adjustment of Capital

Total capital of the firm = 94,200 + 72,800 + 40,000 = ₹ 2,07,000

New capitals of the partners A = ₹ 2,07,000 × 9/20 = ₹ 93,150

B = ₹ 2,07,000 × 6/20 = ₹ 62,100

C = ₹ 2,07,000 × 5/20 = ₹ 51,750

Balance Sheet

as at 31st December, 2017

Liabilities	Amt (₹)	Assets	Amt(₹)
Capital A/cs		Land and Building	90,000 50,000

A	93,150		Plant and Machinery	18,000
B	62,100		Stock	16,000
C	51,750	2,07,000	Sundry Debtors	64,000
Current A/cs			Cash (₹ 4,000 + ₹ 40,000 + ₹ 20,000)	11,750
A	1,050		C's Current A/c	
B	10,700	11,750		
Sundry Creditors		31,000		
		2,49,750		2,49,750

Sol. 41.

Revaluation Account

Particulars		Amt(₹)	Particulars		Amt(₹)
To Provision for Debtors A/c		750	By Premises A/c		3,000
To Fixtures A/c		2,000	By Loss Transferred to		
To Stock A/c		1,000	U's Capital A/c	300	
			V's Capital A/c	450	750
		3,750			3,750

Partners' Capital Account

Particulars	U(₹)	V(₹)	Z(₹)	Particulars	U(₹)	V(₹)	Z(₹)
To Revaluation A/c (Loss)	300	450	-	By Balance b/d	20,000	25,000	-
To U's Capital A/c	-	-	2,460	By General Reserve A/c	12,000	18,000	-
To V's Capital A/c	-	-	3,690	By Workmen Compensation Reserve A/c			
To Balance c/d	40,160	55,240	23,850	By Cash A/c	6,000	9,000	-
				By Z's Capital A/c	-	-	30,000
					2,460	3,690	-

	40,460	55,690	30,000		40,460	55,690	30,000

Balance Sheet

as at 1st April, 2018

Liabilities		Amt(₹)	Assets		Amt(₹)
Bills Payable		10,000	Cash		40,000
Capital A/cs			Debtors	15,000	
U	40,160		(-) Provision for Doubtful Debts	(750)	14,250
V	55,240		Bills Receivable		15,000
Z	23,850	1,19,250	Stock		9,000
			Fixtures		18,000
			Premises		33,000
		1,29,250			1,29,250

Working Note

Calculation of Hidden Goodwill	Amt (₹)
Z brings ₹ 30,000 as capital for 1/5 share	
Total capital of the firm (30,000 × 5/1)	1,50,000
(-) Adjusted capital of U	(37,700)
(-) Adjusted capital of V	(51,550)
	60,750
(-) Capital of Z	(30,000)
Goodwill	30,750

Z should compensate 1/5 of ₹ 30,750 = ₹ 6,150.

Sol. 42. Let total share be 1.

Gaurav's new share = 1/5, Share remaining for Ashoo and Rahul = 1 – 1/5 = 4/5

Total capital of old partners for 1/5 share = 45,000 + 35,000 = ₹ 80,000

Hence, total capital of firm = Total capital of old partners × Reciprocal of their share

= 80,000 × 5/4 = ₹ 1,00,000

Gaurav's capital = 1,00,000 × 1/5 = ₹ 20,000; Ashoo's new share = 4/5 × 5/8 = 20/40

Rahul's new share = 4/5 × 3/8 = 12/40 Gaurav's share = 1/5 × 8/8 = 8/40

New share of all partners = 20: 12: 8 = 5: 3: 2

JOURNAL

Date	Particulars	LF	Amt (Dr)	Amt (Cr)
	Cash A/c Dr To Gaurav's Capital A/c To Premium for Goodwill A/c (Being capital and goodwill paid in cash by new partner)		24,000	20,000 4,000
	Premium for Goodwill A/c Dr To Ashoo's Capital A/c To Rahul's Capital A/c (Being premium for goodwill distributed among old partners in sacrificing ratio)		4,000	2,500 1,500

Sol. 43.

Profit and Loss Appropriation Account

for the year ending 31st March, 2018

Particulars	1st Apr 2017 to 31st Dec 2017 (₹)	1st Jan 2018 to 31st March 2018 (₹)	Particulars	1st Apr 2017 to 31st Dec 2017(₹)	1st Jan 2018 to 31st March 2018(₹)
To Interest on Capital			By Profit	1,20,000	40,000
Nonu	18,000	9,720			
Monu	12,000	6,480			
Sonu	-	7,500			
To Commission to Nonu (5% of 40,000)		2,000			
To Net Profit Transferred to	-				

Nonu Monu Sonu	 54,000 36,000 -	 6,774 4,516 3,010			
	1,20,000	40,000		1,20,000	40,000

Working Note

1. **Calculation of Sacrificing Ratio**
   Sacrificing ratio = Old share - New share
   Nonu = 3/5 – 9/19 = 57 – 45/95 = 12/95
   Monu = 2/5 – 6/19 = 38 – 30/95 = 8/95
   Thus, sacrificing ratio = 12: 8 or 3: 2
2. **Calculation of Capital of Nonu and Monu as on the Date of Admission of a New Partner**

	Monu (₹)	Nonu (₹)
Opening capital	2,40,000	1,60,000
Share of goodwill credited	12,000	8,000
Interest on capital	18,000	12,000
Share of profit	54,000	36,000
Capital as on the date of admission of a new partner	3,24,000	2,16,000

Sol. 44.

Revaluation Account

Particulars	Amt(₹)	Particulars	Amt(₹)
To Plant and Machinery A/c To Stock A/c To Bad Debts A/c To Outstanding Repair Bill A/c To Profit on Revaluation Transferred to Rizwan 10,500 Rohit 15,750	10,000 5,000 3,750 5,000 26,250	By Building A/c	50,000
	50,000		50,000

Partners' Capital Account

Particulars	Rizwan	Rohit	Robert	Particulars	Rizwan	Rohit	Robert
To Goodwill A/c	4,000	6,000	-	By Balance b/d	2,00,000	1,50,000	-
To Preliminary Expenses A/c	4,000	6,000	-	By Cash/Bank A/c	-	-	1,50,000
To Balance c/d	2,35,000	2,02,500	1,50,000	By Premium for Goodwill A/c	12,500	18,750	-
				By Reserve Fund A/c	20,000	30,000	-
				By Revaluation A/c	10,500	15,750	-
	2,43,000	2,14,500	1,50 000		2,43,000	2,14,500	1,50,000
To Drawings A/c	7,500	7,500	7,500	By Balance b/d	2,35,000	2,02,500	1,50,000
To Balance c/d	2,72,500	2,62,500	1,80,000	By Profit and Loss Appropriation A/c	45,000	67,500	37,500
	2,80,000	2,70,000	1,87,500		2,80,000	2,70,000	1,87,500

Balance Sheet

as at 31st March, 2018

Liabilities		Amt(₹)	Assets	Amt (₹)
Capital A/cs			Building	1,75, 000
Rizwan	2,72,500		Plant and Machinery	90,000
Rohit	2,62,500		Stock	45,000
Robert	1,80,000	7,15,000	Sundry Debtors	71,250
Sundry Creditors		25,000	Bank Balance	35,000
Bills Payable		15,000	Cash in Hand	3,48,750
Outstanding Expenses		10,000		

	7,65,000		7,65,000

Working Note

1. Profit of 1,50,000 will be distributed among partners in the profit sharing ratio of 6: 9: 5.
2. Cash in hand can be ascertained by preparing cash account

Cash Account

Particulars	Amt	Particulars	Amt
To Balance b/d	40,000	By Drawings A/c (7,500 × 3)	22,500
To Robert's Capital A/c	1,50,000	By Balance c/d	3,48,750
To Premium for Goodwill A/c	31,250		
To Profits	1,50,000		
	3,71,250		3,71 250

Reconstitution of a Partnership Firm: Retirement/Death of a Partner

Solutions

Sol. 1 Old ratio = ½: 3/10: 1/5 or 5: 3: 2/10 = 5: 3: 2

After striking of the retiring partner's ratio/share,

remaining ratio will be new profit sharing ratio i.e. 3: 2.

New profit sharing ratio = Y: Z = 3: 2

Gaining ratio = New share - Old share

Y = 3/5 – 3/10 = 6 – 3/10 = 3/10

Z = 2/5 – 2/10 = 4 – 2/10 = 2/10

Note Students should note that in this case gaining ratio is always equal to new ratio.

Sol. 2 Old ratio between K, L and Z = 4: 3: 2

Share surrendered in favour of K by L = 3/9 × 1/9 = 3/81

Share surrendered in favour of Z by L

= 3/9 – 3/81 = 27 – 3/81 24/81

New share of K= 4/9 + 3/81 = 36 + 3/81 = 39/81

New share of Z = 2/9 + 24/81 = 18 + 24/81 = 42/81

∴ New ratio = 39: 42 or 13: 14

Gaining ratio = 3/81: 24/81 = 1: 8

Sol. 3 Old ratio of R, S and M = 2: 2: 1

M's share of profit = 1/5

which is to be taken by R and S in the ratio of 1: 2.

i.e. R takes = 1/5 × 1/3 = 1/15 Share

S takes = 1/5 × 2/3 = 2/15 Share

Therefore, the new share will be

R = 2/5 + 1/15 = 6 + 1/15 = 7/15

S= 2/5 + 2/15 = 6+ 2/15 = 8/15

New ratio of R and S will be 7: 8

Gaining ratio of R and S = 1: 2.

Sol. 4 Old ratio of Ashok, Anil and Ajay

= ½: 3/10: 1/5 = 5: 3: 2

New share of Ashok and Ajay = 3: 2

Gaining ratio = New ratio - Old ratio

Ashok's gain = 3/5 – 5/10 = 6 - 5 = 1/10

Ajay's gain = 1/5 – 2/10 = 4 – 2/10 = 2/10

Gaining ratio of Ashok and Ajay = 1: 2

Sol. 5 Share taken by W from V = 2/5

W's new share = Old share + Share taken from V

W's new share = 1/5 + 2/5 = 3/55

U's new share = 2/5 (unchanged)

New ratio of U and W = 2/5: 3/5 =2: 3

Sol. 6

JOURNAL

Date	Particulars	LF	Amt (Dr)	Amt (Cr)
	A's Capital A/c Dr C's Capital A/c Dr To B's Capital A/c (Being retiring partner's amount of goodwill adjusted)		4,000 2,000	 6,000

Working Note

Firm's goodwill = ₹ 18,000; B's share of goodwill = 18,000 × 3/9 = ₹ 6,000

To be contributed by A and C in their gaining ratio i.e. 4: 2 or 2: 1.

Sol. 7

JOURNAL

Date	Particulars	LF	Amt (Dr)	Amt (Cr)
	Kavi's Capital A/c To Ravi's Capital A/c		81,000	 18,000

	To Kumar’s Capital A/c To Guru's Capital A/c (Being amount of goodwill adjusted)			18,000 45,000

Working Notes

1. **Calculation of Gaining Ratio**
   Gaining ratio = New share - Old share
   Kavi = 3/5 – 3/8 = 24 – 15/40 = 9/40 Gain Ravi = 1/5 – 2/8 = 8 – 10/40 = (2/40) Sacrifice
   Kumar = 1/5 – 2/8 = 8 – 10/40 = (4/40) Sacrifice
2. **Calculation of Share of Goodwill**
   Guru's share of goodwill = 3,60,000 × (1/8) = ₹ 45,000
   Kavi gains = 3,60,000 × (9/40) = ₹ 81,000 Ravi sacrifices = 3,60,000 × 2/40 = ₹ 18,000
   Kumar sacrifices = 3,60,000 × (2/40) = ₹ 18,000

Sol. 8

JOURNAL

Date	Particulars	LF	Amt (Dr)	Amt (Cr)
	Arjun's Capital A/c (75,000 × 14/25) Dr Bhim's Capital A/c (75,000 × 5/25) Dr Nakul's Capital A/c (75,000 × 6/25) Dr To Goodwill A/c (Being amount of goodwill written-off in old ratio)		42,000 15,000 18,000	 75,000
	Arjun's Capital A/c Dr To Bhim's Capital A/c (Being amount of goodwill adjusted in gaining ratio)		10,000	 10,000
	Profit and Loss Appropriation A/c Dr To Arjun's Capital A/c (1,00,000 × 19/25) To Nakul's Capital A/c (1,00,000 × 6/25) (Being profit distributed among partners)		1,00,000	 76,000 24,000

Working Note

1. **Calculation of New Ratio and Gaining Ratio between Arjun and Nakul**

Old ratio of Arjun, Bhim and Nakul = 14: 5: 6
Bhim surrenders in favour of Arjun = 5/25 Share
Arjun's new share = 14/25 + 5/25 = 14 + 5/25 19/25
Nakul's share = 6/25
New ratio of Arjun and Nakul = 19: 6
Gaining ratio = New share - Old share
Arjun = 19/25 – 14/25 = 19 – 14/25 = 5/25
Nakul = 6/25 – 6/25 6 – 6/25 = 0

2. **Calculation of Bhim's Share of Goodwill**
   Actual average profit = 50,000 + 55,000 + 60,000/3 = ₹ 55,000
   Normal profit = ₹ 30,000
   Super profit = Average profit - Normal profit
   = 55,000 - 30,000 = ₹ 25,000
   Firm's goodwill = 25,000 × 2 = ₹ 50,000
   Bhim's share of goodwill = 50,000 × 5/25 = ₹ 10,000 (to be contributed by Arjun alone)

Sol. 9

JOURNAL

Date	Particulars	LF	Amt (Dr)	Amt (Cr)
	Riya's Capital A/c (60,000 × 1/6) Dr		10,000	
	Shreya's Capital A/c (60,000 × 5/6) Dr		50,000	
	To Niya's Capital A/c			60,000
	(Being Niya's share of goodwill adjusted to the capital accounts of Riya and Shreya in their gaining ratio of 1: 5)			

Working Note

1. **Calculation of Gaining Ratio**
   Gaining ratio = New share - Old share
   Riya = 1/4 – 1/6 = 3 – 2/12 = 1/12; Shreya = 3/4 – 2/6 = 9 – 4/12 = 5/12
   Gaining ratio = 1/12: 5/12 or 1: 5
2. **Calculation of Hidden Goodwill** Amt (₹)
   Amount agreed to be paid in full settlement 5,00,000
   (-) Niya s capital after all adjustments (4,40,000)
   Hidden goodwill 60,000

Sol. 10

Revaluation Account

Particulars	Amt (₹)	**Particulars**	Amt(₹)
To Bad Debts A/c (₹ 1,100 – ₹ 800)	300	By Land and Building A/c	11,000
To Stock A/c	1,055	By Sundry Creditors A/c	700
To Plant and Machinery A/c	1,000	By Bank A/c (Sale of old computer)	2,000
To Outstanding Repairs A/c	600		
To Provision for Doubtful Debts A/c	745		
To Gain (Profit) Transferred to			
P's Capital A/c 5,000			
Q's Capital A/c 3,000			
R's Capital A/c 2,000	10,000		
	13,700		13,700

Sol. 11

Memorandum Revaluation Account

Particulars	Amt (₹)	Particulars	Amt (₹)
To Bad Debts A/c (₹ 22,000 – ₹ 16,000)	6,000	By Land and Building A/c	2,20,000
To Stock A/c	21,000	By Sundry Creditors A/c	14,000
To Plant and Machinery A/c	20,000		
To Provision for Doubtful Debts A/c	14,900		
To Gain (Profit) Transferred to			
X's Capital A/c 86,050			
Y's Capital A/c 51,630			
Z's Capital A/c 34,420	1,72,100		
	2,34,000		2,34,000
To Land and Building A/c	2,20,000	By Bad Debts A/c	6,000
To Sundry Creditors A/c	14,000	By Stock A/c	21,00
		By Plant and Machinery A/c	20,000
		By Provision for Doubtful Debts A/c	14,900

		By Loss Transferred to X's Capital A/c 1,03,260 Z's Capital A/c 68,840	1,72,100
	2,34,000		2,34,000

Note *Provision for doubtful debts is created @ 5% on ₹ 2,98,000 i.e. ₹ 3,20,000 – ₹ 22,000.

Sol. 12

JOURNAL

Date	Particulars	LF	Amt (Dr)	Amt (Cr)
	Workmen Compensation Reserve A/c Dr		60,000	
	To Rajat's Capital A/c			20,000
	To Sajjan's Capital A/c			20,000
	To Kavita's Capital A/c			20,000
	(Being workmen compensation reserve distributed to old partners in old ratio)			

Note Since, the profit sharing ratio is not given, it is distributed equally.

Sol. 13

JOURNAL

Date	Particulars	LF	Amt (Dr)	Amt (Cr)
	Workmen Compensation Reserve A/c Dr		70,000	
	To Liability for Workmen Compensation Claim A/c			25,000
	To Raveena's Capital A/c			15,000
	To Neeti's Capital A/c			15,000
	To Rajat's Capital A/c			15,000
	(Being workmen compensation reserve distributed to old partners in old ratio)			

Note Since, the profit sharing ratio is not given, it is distributed equally.

Sol. 14

JOURNAL

Date	Particulars	LF	Amt (Dr)	Amt (Cr)
2018				
Mar 31	Contingency Reserve A/c Dr		30,000	
	Workmen's Compensation Reserve A/c Dr		40,000	28,000
	To A's Capital A/c (70,000 × 2/5)			28,000
	To B's Capital A/c (70,000 × 2/5)			14,000
	To C's Capital A/c (70,000 × 1/5)			
	(Being the contingency reserve and workmen's compensation reserve transferred to capital accounts on B's retirement)			
	A's Capital A/c (80,000 × 2/5) Dr		32,000	50,000
	B's Capital A/c (80,000 × 2/5) Dr		32,000	30,000
	C's Capital A/c (80,000 × 1/5)) Dr		16,000	
	To Advertisement Suspense A/c			
	To Loss in Business A/c			
	(Being the amount of advertisement suspense account and loss in business account transferred to capita accounts on B's retirement)			

Sol. 15

JOURNAL

Date	Particulars	LF	Amt (Dr)	Amt (Cr)
	Gene al Reserve A/c Dr		60,000	
	To Sameer's Capital A/c			24,000
	To Yasmin's Capital A/c			18,000
	To Saloni's Capital A/c			18,000
	(Being general reserve distributed among old partners in old ratio)			

	Sameer's Capital A/c Dr Yasmin's Capital A/c Dr Saloni's Capital A/c Dr To Profit and Loss A/c (Being balance of profit and loss account distributed among old partners in old ratio)		20,000 15,000 15,000	 50,000
	Yasmin's Capital A/c Dr Saloni's Capital A/c Dr To Sameer's Capital A/c (Being Sameer 's share of goodwill adjusted)		1,62,000 54,000	 2,16,000
	Revaluation A/c Dr To Patents A/c To Stack A/c (1,00,000 × 5 %) To Machinery A/c (3,00,000 × 5%) To Building A/c (2,00,000 x 5 %) To Creditors A/c (Being decrease in the value of assets and increase in the value of liabilities recorded)		1,10,000	 60,000 5,000 15,000 10,000 20,000
	Provision for Doubtful Debts A/c Dr To Revaluation A/c (Being decrease in the value of provision recorded)		1,700	 1,700
	Sameer's Capital A/c Dr Yasmin's Capital A/c Dr Saloni's Capital A/c Dr To Revaluation A/c (Being loss on revaluation distributed among old partners)		43,320 32,490 32,490	 1,08,300
	Sameer's Capital A/c To Sameer's loan A/c (Being amount cue to Sameer transferred to his		4,76,680	 4,76,680

	loan account)			

Working Note

1. **Calculation of Gaining Ratio**
   Gaining ratio = New share - Old share
   Yasmin = 3/5 – 3/10 = 6 – 3/10 = 3/10
   Saloni = 2/5 – 3/10 = 4 – 3/10 = 1/10
   Gaining ratio = 3: 1
2. **Provision for Bad Debts**

	Amt (₹)
Debtors	90,000
(-) Bad debts	(4000) which will be adjusted against provision for bad debts
	86,000

   Provision for doubtful debts @ 5% = (86,000 × 5/100) = ₹ 4,300
   Existing provision after adjusting bad debts (10,000 - 4000) = 6000
   (-) Now provision = 4300
   Excess provision = 1,700
3. **Calculation of Sameer's Share of Goodwill**
   Firm's goodwill = ₹ 5,40,000
   Sameer's share = 5,40,000 × 4/10 = ₹ 2,16,000
   To be contributed by Yasmin and Saloni in their gaining ratio i.e. 3: 1.
4. **Loss on Revaluation**
   It can be ascertained by preparing revaluation account in the following manner

Revaluation Account

Particulars	Amt (₹)	Particulars		Amt (₹)
To Patents A/c	60,000	By Provision for Doubtful Debts A/c		1,700
To Stock A/c	5,000	By Loss on Revaluation Transferred to		
To Machinery A/c	15,000	Sameer's Capital A/c	43,320	
To Building A/c	10,000	Yasmin's Capital A/c	32,490	
To Creditors A/c	20,000	Saloni's Capital A/c	32,490	1,08,300
	1,10,000			1,10,000

Sol. 16

Revaluation Account

Particulars	Amt (₹)	Particulars	Amt (₹)
To Stock A/c	1,000	By Building A/c	10,000
To Debtors A/c	4,000	By Creditors A/c	10,000

To Plant A/c To Profit on Revaluation Transferred to Sita's Capital A/c 2,000 Geeta's Capital A/c 2,000 Rita's Capital A/c 1,000	10,000 5,000		
	20,000		20,000

Sita's Capital Account

Particulars	Amt (₹)	Particulars	Amt (₹)
To Sita's Loan A/c	1,32,000	By Balance b/d By Profit and Loss A/c By Revaluation A/c (Profit)	1,20,000 10,000 2,000
	1,32,000		1,32,000

Working Note

Share in profit and loss = 25,000 2/5 = ₹ 10,000

Sol. 17

B's Loan Account

Date	Particulars	Amt(₹)	Date	Particulars	Amt (₹)
2016 Mar 31	To Bank A/c (₹ 40,000 + ₹ 6,000)	46,000	2015 Apr 1	By B's Capital A/c	1,20,000
Mar 31	To Balance c/d	80,000	2016 Mar 31	By Interest A/c (₹ 1,20,000 × 5/100)	6,000
		1,26,000			1,26,000
2017 Mar 31	To Bank A/c (40,000 + 4,000)	44,000	2016 Apr 1	By Balance b/d	80,000
Mar 31	To Balance c/d	40,000	2017	By Interest A/c (₹ 80,000 × 5/100)	4,000

			Mar 31		
		84,000			84,000
2018 Mar 31	To Bank A/c (₹ 40,000 + ₹ 2,000)	42,000	2017 Apr 1 2018 Mar 31	By Balance b/d By Interest A/c (₹ 40,000 × 5/100)	40,000 2,000
		42,000			42,000

Sol. 18

Revaluation Account

Particulars	Amt (₹)	Particulars	Amt (₹)
To Provision for Doubtful Debts	175	By Building A/c	3,175
To Profit Transferred to Capital A/cs			
A 1,500			
B 1,000			
C 500	3,000		
	3,175		3,175

Partner's Capital Account

Particulars	A ()	B ()	C ()	Particulars	A ()	B)	C)
To B's Capital A/c	1,125	-	375	By Balance b/d	10,000	3,750	6,250
To Bank A/c	-	2,500	-	By A's Capital A/c	-	1,125	-
To Loan A/c	-	3,750	-	By C's Capital A/c	-	375	-
To Balance c/d	10,375	-	6, 375	By Revaluation A/c	1,500	1,000	500
	11,500	6,750	6,250		11,500	6,750	6,250

Balance Sheet

as at 31st march, 2018

Liabilities		Amt (	Assets	Amt (
Sundry Creditors		8,000	Bank (3,000 - 2,500)	500
B's Loan		3,750	Debtors (3,500 - 175)	3,325
Capital A/cs			Stock	6,000
A	10,375		Patent	4,000
C	6,375	16,750	Building	14,675
		28,500		28,500

B's Loan Account

Date	Particulars	Amt (₹)	Date	Particulars	Amt (₹)
2015			2014		
Mar 31	To Bank A/c (750 + 375)	1,125	Apr 1	By Balance b/d	3,750
	To Balance c/d	3,000	2015		
			Mar 31	By Interest A/c	375
		4,125			4,125
2016			2015		
Mar 31	To Bank A/c (1,000 + 300)	1,300	Apr 1	By Balance b/d	3,000
	To Balance c/d	2,000	2016 Mar 31	By Interest A/c	300
		3,300			3,300
2017			2016		
Mar 31	To Bank A/c (1,500 + 200)	1,700	Apr 1	By Balance b/d	2,000
	To Balance c/d	500	2017		
			Mar 31	By Interest A/c	200
		2,200			2,200
2018			2017		
Mar 31	To Bank A/c (500 + 50)	550	Apr 1	By Balance b/d	500

			2018 Mar 31	By Interest A/c	50
		550			550

Sol. 19

Revaluation Account

Particulars	Amt(₹)	Particulars		Amt(₹)
To Stock A/c	2,300	By Loss Transferred to		
To Furniture A/c	500	A's Capital A/c	4,200	
To Plant and Machinery A/c	750	B's Capital A/c	2,800	
To Building A/c	4,000	C's Capital A/c	1,400	8,400
To Provision for Doubtful Debts A/c	850			
	8,400			8,400

Partners' Capital Account

Particulars	A(₹)	B(₹)	C(₹)	Particulars	A(₹)	B(₹)	C(₹)
To As Capital A/c	-	2,000	1,000	By Balance b/d	40,000	25,000	20,000
To Revaluation A/c (Loss)	4,200	2,800	1,400	By Profit and Loss A/c	2,250	1,500	750
				By B's Capital A/c	2,000	-	-
To Cash A/c	11,500	-	-	By C's Capital A/c	1,000	-	-
To A's Loan A/c	29,550	-	-				
To Balance c/d	-	21,700	18,350				
	45,250	26,500	20,750		45,250	26,500	20,750

A's Loan Account

Date	Particulars	Amt(₹)	Date	Particulars	Amt(₹)
2015 Mar 31	To Bank A/c (9,850 + 2,660)	12,510	2014 Apr 1 2015	By A's Capital A/c	29,550

Mar 31	To Balance c/d	19,700	Mar 31	By Interest A/c (29,550 × 9%)	2,660
		32,210			32,210
2016		2015	2015		
Mar 31	To Bank A/c (9,850 + 1,773)	11,623	Apr 1	By Balance b/d	19,700
Mar 31	To Balance c/d	9,850	2016 Mar 31	By Interest A/c (19,700 × 9%)	1,773
		21,473			21,473
2017			2016		
Mar 31	To Bank A/c (9,650 + 887)	10,737	Apr 1	By Balance b/d	9,850
			2017 Mar 31	By Interest A/c (9,850 × 9%)	887
		10,737			10,737

Working Note

1. Amount of each equal instalment without interest = 29,550/3 = ₹ 9,850
2. **Calculation of A's Share of Goodwill**
   Firm's goodwill = ₹ 6,000; As share of goodwill = ₹ 6,000 × ½ = ₹ 3,000
   To be contributed by B and C in their gaining ratio i.e. 2: 1
   B = 3,000 × 2/3 = ₹ 2,000; C = 3,000 × 1/3 = ₹ 1,000

Sol. 20

JOURNAL

Date	Particulars		LF	Amt (Dr)	Amt (Cr)
2018					
Apr 1	H's Capital A/c (12,000 × 3/6)	Dr		6,000	
	I's Capital A/c (12,000 × 2/6)	Dr		4,000	
	J's Capital A/c (12,000 × 1/6)	Dr		2,000	
	To Goodwill A/c				12,000
	(Being the existing goodwill written-off)				

	H's Capital A/c Dr		6,000	
	I's Capital A/c Dr		4,000	
	To J's Capital A/c			10,000
	(Being J's share of goodwill credited to him by debiting gaining partners' in their gaining ratio of 3: 2)			

Revaluation Account

Particulars	Amt (₹)	Particulars	Amt (₹)
To Patents A/c	4,000	By Investment A/c (₹ 35,200 – ₹ 30,000)	5,200
To Machinery A/c	10,000	By Employees' Provident Fund A/c	6,000
To Provision for Doubtful Debts A/c	800	By Loss on Revaluation Transferred to	
		H's Capital A/c 1,800	
		I's Capital A/c 1,200	
		J's Capital A/c 600	3,600
	14,800		14,800

Partners' Capital Account

Particulars	H(₹)	I(₹)	J(₹)	Particulars	H(₹)	I(₹)	J(₹)
To Goodwill A/c	6,000	4,000	2,000	By Balance b/d	1,36,000	64,000	42,000
To J's Capital A/c	6,000	4,000	-	By Workmen Compensation Reserve A/c (WN 3)	6,000	4,000	2,000
To Revaluation A/c (Loss)	1,800	1,200	600	By Investment Fluctuation Reserve A/c (WN 4)	6,000	4,000	2,000
To Advertisement Expenditure A/c	3,600	2,400	1,200	By H's Capital A/c	-	-	6,000
To Investments A/c	-	-	35,200	By I's Capital A/c	-	-	4,000
To Bank A/c (WN 2)	-	-	8,500				
To J's Loan A/c (WN 2)	-	-	4,250				
To Bills Payable A/c (WN 2)							

To Balance c/d	- 1,30,600	- 60,400	4,250 -				
	1,48,000	72,000	56,000		1,48,000	72,000	56,000

Balance Sheet

as at 1st April, 2018

Liabilities	Amt(₹)	Assets	Amt(₹)
Sundry Creditors Workmen Compensation Reserve Employees Provident Fund Bills Payable J's Loan Capital A/cs H 1,30,600 I 60,400	42,000 12,000 6,000 4,250 4,250 1,91,000	Cash at Bank (₹ 11,500 – ₹ 8,500) Debtors 80,000 (-) Provision for Doubtful Debts (4,800) Stock Patents Machinery	3,000 75,200 75,300 16,000 90,000
	2,59,500		2,59,500

Working Note

1. **Calculation of J's Share of Goodwill**
   Firm's goodwill = ₹ 60,000; J's share of goodwill 60,000 × 1/6 = ₹ 10,000
   To be contributed by H and I in their gaining ratio i.e. 3: 2.
   H = 10,000 × 3/5 = ₹ 6,000; I = 10,000 × 2/5 = ₹ 4,000
2. Amount due to J [(42,000 + 2,000 + 2,000 + 6,000 + 4,000) – (2,000 + 600 + 1,200 + 35,200)] = ₹ 17,000
   Amount paid on retirement = 50/100 × 17,000 = ₹ 8,500
   Within one year = 50/100 × 8,500 (17,000 – 8,500) = ₹ 4,250
   Bills payable = ₹ 4,250 (8500 – 4,250)
3. Workmen compensation reserve to the extent of liability (₹ 12,000) is credited to workmen compensation claim account and the balance is credited to partners' capital accounts.
4. Investment fluctuation reserve is a provision for fall in the price of the investment. At the time of retirement, if market value of investments is more than its book value, it is credited to all the partners in their profit sharing ratio.

Note Employees provident fund is a liability due to employees towards provident fund and is not an accumulated profit, hence t is not distributed among the partners.

Sol. 21

Revaluation Account

Particulars	Amt(₹)	Particulars		Amt(₹)
To Plant and Machinery A/c	48,000	By Furniture and Fixtures A/c		12,300
To Loose Tools A/c	11,500	By Sundry Creditors A/c		6,200
To Land and Buildings A/c	1,00,000	By Loss Transferred to		
		P's Capital A/c	70,500	
		Q's Capital A/c	47,000	
		R's Capital A/c	23,500	1,41,000
	1,59,500			1,59,500

Partners' Capital Account

Particulars	P(₹)	Q(₹)	R(₹)	Particulars	P(₹)	Q(₹)	R(₹)
To Revaluation A/c (Loss)	70,500	47,000	23,500	By Balance b/d	4,00,000	2,00,000	1,00,000
To Advertisement Suspense A/c	45,000	30,000	15,000	By Contingency Reserve A/c	60,000	40,000	20,000
To Q's Capital A/c	30,000	-	10,000	By Profit and Loss A/c	30,000	20,000	10,000
To Cash A/c	-	13,000	-	By P's Capital A/c	-	30,000	-
To Q's Loan A/c	-	2,10,000	-81,500	By R's Capital A/c	-	10,000	-
To Balance c/d	3,44,500	-					
	4,90,000	3,00,000	1,30,000		4,90,000	3,00,000	1,30,000

Balance Sheet

as at 31st March, 2018

Liabilities	Amt(₹)	Assets	Amt(₹)
Q's Loan @ 6% per annum	2,10,000	Cash in Hand (20,000 - 13,000)	7,000
Creditors	2,63,800	Cash at Bank	2,500
Bills Payable	1,80,000	Stock	1,18,000
Capital A/cs		Debtors	2,00,000
P 3,44,500		Land and Buildings	4,00,000
R 81,500	4,26,000	Plant and Machinery	1,92,000
		Loose Tools	46,000
		Furniture and Fixtures	94,300
		Trademarks	20,000
	10,79,800		10,79,800

Sol. 22

Calculation of Cash to be Brought in or Paid Out

Particulars	Y(₹)	Z(₹)
I. New Capital (₹ 2,10,000 in the ratio of 2: 1)	1,40,000	70,000
II. Capital after all Adjustments	1,45,000	63,000
III. Cash to be Brought in (Paid off) (I – II)	(5,000)	7,000

It means Y will take ₹ 5,000 and Z will bring ₹ 7,000 to make their capital in new ratio.

Sol. 23

Revaluation Account

Particulars	Amt (₹)	Particulars	Amt (₹)
To Provision for Doubtful Debts A/c	16,000	By Stock A/c	30,000
To Motor Car A/c (₹ 3,00,000 – ₹ 1,40,000)	1,60,000	By Building A/c	46,000
To Profit Transferred to		By Investments A/c (₹ 4,60,000 – ₹	

Golu's Capital A/c 80,000 Molu's Capital A/c 60,000 Tolu's Capital A/c 20,000	1,60,000	2,00,000)	2,60,000
	3,36,000		3,36,000

Partners' Capital Account

Particulars	Golu (₹)	Molu(₹)	Tolu (₹)	Particulars	Golu (₹)	Molu (₹)	Tolu(₹)
To Molu's Capital A/c (Win 2) To Cash A/c (50% of dues) To Molu's Loan A/c To Balance c/d	72,000 - - 4,96,000	- 4,44,000 4,44,000 -	90,000 - - 3,52,000	By Balance b/d By General Reserve A/c By Golu's Capital A/c By Tolu's Capital A/c By Revaluation A/c (Profit) By Workmen Compensation Reserve A/c (WN 4)	4,00,000 80,000 - - 80,000 8,000	6,00,000 60,000 72,000 90,000 60,000 6,000	4,00,000 20,000 - - 20,000 2,000
	5,68,000	8,88 000	4,42,000		5,68,000	8,88,000	4,42,000
To Balance c/d	8,00,000	-	4,00,000	By Balance b/d By Bank A/c (WN 3)	4,96,000 3,04,000	- -	3,52,000 48,000
	8,00,000	-	4,00,000		8,00,000		4,00,000

Working Note

1. **Calculation of New Profit Sharing Ratio**

Molu's share is 3/8 which he is surrendering in favour of Golu and Tolu in the ratio of 4: 5.
Therefore, Golu will get 4/5 of 3/8 = 1/6
and Tolu will get 5/9 of 3/8 = 5/24
Total share of Golu in the new firm will be 4/8 + 1/6 = 12/+ 4/24 = 16/24 or 2/3.
Total share of Tolu in the new firm will be 1/8 + 5/24 = 3 + 5/24 = 8/24 or 1/3.

2. Molu sold his share to Golu and Tolu in the ratio of 4: 5. The consideration of ₹ 72,000 + ₹ 90,000 will be credited to his capital account and the respective amount will be debited to Golu's capital and Tolu's capital account.
3. Total capital of the new firm is ₹ 12,00,000. New profit sharing ratio is 2: 1.
Golu's share of capital = ₹ 12,00,000 × 2/3 = ₹ 8,00,000
Tolu's share of capital = ₹ 12,00,000 × 1/3 = ₹ 4,00,000
After all adjustments, Golu's capital will be
(₹ 4,00,000 + ₹ 80,000 + ₹ 80,000 + ₹ 8,000 – ₹ 72,000) = ₹ 4,96,000
Therefore, Golu will bring in (₹ 8,00,000 – ₹ 4,96,000) = ₹ 3,04,000
Alter all adjustments, Tolu's capital will be (₹ 4,00,000 + ₹ 20,000 + ₹ 20,000 + ₹ 2,000 – ₹ 90,000) = ₹ 3,52,000
Therefore, Tolu will bring in (₹ 4,00,000 – ₹ 3,52,000) = ₹ 48,000
4. Balance of workmen compensation reserve (₹ 40,000 – ₹ 24,000) = ₹ 16,000 is credited to partners capital accounts in their old profit sharing ratio.

Sol. 24

Revaluation Account

Particulars		Amt (₹)	Particulars	Amt (₹)
To Machinery A/c		50,000	By Land and Building A/c	2,40,000
To Provision for Doubtful Debts A/c		20,000	By Debtors A/c	7,000
To Closing Stock A/c		1,00,000		
To Profit Transferred to Partners Capital A/c				
Leena	22,000			
Madan	22,000			
Naresh	33,000	77,000		
		2,47,000		2,47,000

Partners' Capital Account

Particulars	Leela	Madan	Naresh	Particulars	Leela	Madan	Naresh
To Investment	-	1,00,000	-	By Balance b/d	12,50,000	8,00,000	10,50,000

A/c				By Revaluation A/c (Profit)	22,000	22,000	33,000
To Deferred Advertisement Expenditure A/c	28,571	28,571	42,858	By Leena's Capital A/c	-	1,60,000	16,000
To Madan's Capitel A/c	1,60,000	-	-	By Bank A/c	8,52,571	-	2,23,858
To Naresh's Capital A/c	16,000	-	-				
To Bills Payable A/c	-	8,53,429	-				
To Balance c/d	19,20,000	-	12,80,000				
	21,24,571	9,82,000	13,22,858		21,24,571	9,82,000	13,22,858

Balance Sheet

as at 31st March, 2015

Liabilities		Amt (₹)	Assets		Amt (₹)
Creditors		1,60,000	Land and Building (10,00000 + 2,40000)		12,40,000
Bank Overdraft		44,000	Machinery (5,00000 – 50,000)		4,50,000
Long-term Debts		4,00,000	Furniture		7,00,000
Employees Provident Fund		76,000	Investments		1,00,000
Bills Payable		8,53,429	Closing Stock (8,00,000 - 1,00,000)		7,00,000
Capital A/cs			Debtors	4,07,000	
Leena	19,20,000		(-) Provision for Doubtful Debts	(20,000)	3,87,000
Naresh	12,80,000	32,00,000	Bank		11,56,429
		47,33,429			47,33,429

Working Note

1. **Calculation of Gaining Ratio**
   Gaining ratio = New share - Old share

Leena = 3/5 – 2/7 = 21 – 10/35 = 11/35
Naresn = 2/5 – 3/7 14 – 15/35 = (1/35) Sacrifice

2. **Calculation of Share of Goodwill**
   Madan's share of goodwill = 5,60,000 × 2/7 = ₹ 1,60,000 to be contributed by Leena alone. As she is the only gaining partner she will compensate to Naresh also.
3. **Calculation of Capital of Partners' in New Firm**
   New profit sharing ratio = 3: 2
   Leana's capital = 32,00,000 × 3/5 = ₹ 19,20,000
   Naresh's capital = 32,00,000 × 2/5 = ₹ 12,80,000
4.

Bank Account

Particulars	Amt (₹)	Particulars	Amt (₹)
To Balance c/d	80,000	By Balance c/d	11,56,429
To Leela's Capital A/c	8,52,571		
To Naresh's Capital A/c	2,23,858		
	11,56,429		11,56,429

5. It is mentioned in the question that an old customer Mohit had promised to pay ₹ 7,000 in settlement of his debt, since it is an oral promise it is not considered as a transaction, therefore mohit has been considered as the debtor of the firm.

Sol. 25

Revaluation Account

Particulars	Amt (₹)	Particulars		Amt (₹)
To Claim for Workmen Compensation Fund A/c	8,000	By Provision for Doubtful Debts A/c		2,000
		By Loss Transferred to Capital A/cs		
		J	3,000	
		H	1,800	
		K	1,200	6,000
	8,000			8,000

Partners' Capital Account

Particulars	J(₹)	H(₹)	K(₹)	Particulars	J(₹)	H(₹)	K(₹)

To Loss on Revaluation A/c	3,000	1,800	1,200	By Balance b/d	1,00,000	80,000	40,000
To H's Capital A/c	10,200	-	20,400	By Investment Fluctuation Fund A/c	10,000	6,000	4,000
To Cash A/c	-	14,000	-	By Profit and Loss A/c	40,000	24,000	16,000
To H's Loan A/c	-	1,24,800	-	By J's Capital Ac	-	10,200	-
To Current A/c (Balancing figure)	31,680	-	-	By K's Capital A/c	-	20,400	-
To Balance c/d	1,05,120	-	70,080	By Current A/c (Balancing figure)	-	-	31,680
	1,50,000	1,40,600	91,680		1,50,000	1,40,600	91,690

Balance Sheet

as at...

Liabilities		Amt(₹)	Assets		Amt(₹)
Creditors		42,000	Land and Building		1,24,000
J's Current A/c		31,680	Motor Van		40,000
Claim tor Workmen Compensation		8,000	Investments		38,000
H's Loan A/c		1,24,800	Machinery		24,000
Capital A/cs			Stock		30,000
J	1,05,120	1,75,200	Debtors	80,000	
K	70,080		(-) Provision for Doubtful Debts	(4,000)	76,000
			Cash (32,000 - 14000)		18,000
			K's Current A/c		31,680
		3,81,680			3,81,680

Working Note

1. **Calculation of Gaining Ratio**
   Gaining ratio = New share - Old share
   J = 3/5 – 5/10 = 6 – 5/10 = 1/10
   K = 2/5 – 2/10 = 4 – 2/10 = 2/10
   Gaining ratio = 1: 2

2. **Adjustment for Goodwill**
   Firm's goodwill = ₹ 1,02,000
   H's stare of goodwill = 1,02,000 × 3/10 = ₹ 30,600
   will be debited to gaining partners i.e. J and K in gaining ratio i.e. 1: 2
   J's share = 30,600 × 1/3 = ₹ 10,200
   K's share = 30,600 × 2/3 = ₹ 20,400
3. **Adjustment of Capital**
   J's capital after adjustment = 1,36,800
   K's capital after adjustment = 38,400
   Total capital of new firm = ₹ 1,75,200
   J's adjusted capital = 1,75,200 × 3/5 = ₹ 1,05,120
   K's adjusted capital = 1,75,200 × 2/5 ₹ 70,080

Sol. 26

Revaluation Account

Particulars	Amt(₹)	Particulars		Amt(₹)
To Machinery A/c	60,000	By Land and Building A/c		60,000
To Bad Debts A/c (WN1)	7,000	By Loss Transferred to		
		P's Capital A/c	2,000	
		Q's Capital A/c	3,000	
		R's Capital A/c	2,000	7,000
	67,000			67,000

Partners' Capital Account

Particulars	P(₹)	Q(₹)	R(₹)	Particulars	P(₹)	Q(₹)	R(₹)
To Revaluation A/c (Loss)	2,000	3,000	2,000	By Balance b/d	2,00,000	3,00,000	2,00,000
To P's Capital A/c (Goodwill) (WN 3)	-	20,000	20,000	By General Reserve A/c	10,000	15,000	10,000
To Bank A/c	50,000	-	-	By Workmen's Compensation Fund A/c (WN 2)	2,000	3,000	2,000
To P's Loan A/c	2,00,000	-	-	By Q's Capital A/c	20,000	-	-
To Balance c/d (WN 5)	-	4,00,000	3,00,000	By R's Capital A/c	20,000	-	-
				By Bank A/c			

				(Balancing figure)	-	1,05,000	1,10,000
	2,52,000	4,23,000	3,22,000		2,52,000	4,23,000	3,22,000

Balance Sheet

as at 31st March, 2015

Liabilities	Amt(₹)	Assets	Amt(₹)
Capital A/cs		Land and Building	2,60,000
Q 4,00,000		Machinery	2,40,000
R 3,00,000	7,00,000	Closing Stock	1,00,000
P's Loan	2,00,000	Sundry Debtors	93,000
Workmen's Compensation Claim	8,000	Cash at Bank (WN 4)	2,65,000
Sundry Creditors	50,000		
	9,58,000		9 58,000

Working Note

1. **Accounting Entries for Bad Debts**

JOURNAL

Date	Particulars		LF	Amt (Dr)	Amt (Cr)
2015					
Mar 31	Bad Debts A/c	Dr		17,000	
	To Sundry Debtors A/c				17,000
	Provision for Doubtful Debts A/c	Dr		10,000	
	Revaluation A/c	Dr		7,000	
	To Bad Debts A/c				17,000

2. Balance of workmen's compensation fund ₹ 7,000 (i.e. ₹ 15,000 – 8,000 claim) is credited to partners capital accounts in their old profit sharing ratio, i.e. 2: 3: 2.
3. P's share of goodwill = ₹ 1,40,000 × 2/7 = ₹ 40,000, which is contributed by Q and R in gaining ratio.

It is calculated as follows
Gaining ratio = New share - Old share
Q = 4/7 – 3/7 = 1/7; R = 3/7 – 2/7 = 1/7
Gaining ratio of Q and R = 1/7 : 1/7 or 1: 1
Q's contribution = 40,000 × ½ = ₹ 20,000
R's contribution = 40,000 × ½ = ₹ 20,000

Sol. 27

JOURNAL

Date	Particulars	LF	Amt (Dr)	Amt (Cr)
2015 Apr 1	Cash A/c Dr To Nandan's Capital A/c To Rosa's Capital A/c (Being cash to be paid to John brought in by Nandan and Rosa)		95,500	 66,500 29,000
Apr 1	John's Capital A/c Dr To Cash A/c (Being cash paid to John for his capital)		95,500	 95,500

Working Note

1. Adjusted Capitals of Nandan and Rosa (₹ 43,000 + 80,500) (+) Amount to be Paid to John	₹ 1,23,500 ₹ 95,500
Total Capital of New Firm	₹ 2,19,000

2. **Amount to be Brought in or Withdrawn**

Particulars	Nandan (₹)	Rosa (₹)
I. New Capital (₹ 2,19,000 in new ratio i.e. 1: 1) II. Existing Capitals	1,09,500 43,000	1,09,500 80,500
III. Cash to be Brought in (Paid off) (I - II)	66,500	29,000

Sol. 28

Revaluation Account

Particulars		Amt (	Particulars	Amt
To Profit Transferred to Capital A/cs			By Land and Building A/c	15,000
Xavier	11,400		By Provision for Doubtful Debts A/c	1,050
Yusuf	8,550		By Stock A/c	9,600
Zaman	5,700	25,650		
		25,650		25,650

Partners' Capital Account

Particulars	Xavier(₹)	Yusuf(₹)	Zaman(₹)	Particulars	Xavier(₹)	Yusuf(₹)	Zaman(₹)
To Yusuf's Capital A/c	12,000	-	6,000	By Balance b/d	1,20,000	90,000	60,000
To Yusuf's Loan A/c	-	1,16,550	-	By Revaluation A/c	11,400	8,550	5,700
To Balance c/d	1,97,100	-	98,550	By Xavier's Capital A/c	-	12,000	-
				By Zaman's Capital A/c	-	6,000	-
				By Cash A/c (Balancing figure)	77,700	-	38,850
	2,09,100	1,16,550	1,04,550		2,09,100	1,16,550	1,04,550

Working Note

1. **Adjustment of Goodwill**
   Yusuf's share of goodwill = 54,000 × 3/9 = ₹ 18,000, which is contributed by Xavier and Zaman in their gaining ratio.
   Gaining ratio = New share - Old share
   Xavier = 2/3 – 4/9 = 6 – 4/9 = 2/9, Zaman = 1/3 – 2/9 = 3 – 2/9 = 1/9
   Gaining ratio = 2: 1
   Xavier will pay = 18,000 × 2/3 = ₹ 12,000
   Zaman will pay = 18,000 × 1/3 = ₹ 6,000
2. **Calculation of New Capitals**

Particulars	Amt
Adjusted Capital of Xavier	1,19,400
Adjusted Capital of Zaman	59,700
Amount Due to Yusuf	1,16,550
Total Capital of New Firm	2,95,650

Xavier's new capital = 2,95,650 × 2/3 = ₹ 1,97,100
Zaman's new capital = 2,95,650 × 1/3 = ₹ 98,550

Sol. 29

Revaluation Account

Particulars		Amt(₹)	Particulars	Amt(₹)
To Furniture A/c		8,000	By Provision for Doubtful Debts A/c	500
To Outstanding Rent A/c		1,500	By Land and Building A/c	12,000
To Profit Transferred to				
P's Capital A/c	1,000			
Q's Capital A/c	1,000			
R's Capital A/c	1,000	3,000		
		12,500		12,500

Partners' Capital Account

Particulars	P(₹)	Q(₹)	R(₹)	Particulars	P(₹)	Q(₹)	R(₹)
To Q's Capital A/c				By Balance b/d	60,000	40,000	32,000
(Goodwill)	9,600	-	9,600	By General Reserve A/c	10,000	10,000	10,000
To Bank A/c	-	72,200	-	By Profit and Loss A/c	2,000	2,000	2,000
To Balance c/d (WN)	87,900	-	87,900	By P's Capital A/c	-	9,600	-
				By R's Capital A/c	-	9,600	-
				By Revaluation A/c (Profit)	1,000	1,000	1,000
				By Bank A/c (Balancing figure)			

					24,500	-	52,500
	97,500	72,200	97,500		97,500	72,200	97,500

Bank Account

Date	Particulars	Amt(₹)	Date	Particulars	Amt(₹)
2018			2018		
Apr 1	To Balance b/d	20,000	Apr 1	By Q's Capital A/c	72,200
Apr 1	To P's Capital A/c	24,800	Apr 1	By Balance c/d	24,500
Apr 1	To R's Capital A/c	52,500			
		97,000			97,000

Balance Sheet

as at 1st April, 2018

Liabilities		Amt (₹)	Assets		Amt (₹)
Capital A/cs			Land and Building		1,32,000
P	87,900		Furniture		20,000
R	87,900	1,75,800	Stock		20,000
Creditors		40,000	Debtors	45,000	
Bills Payable		20,000	(-) Provision for Doubtful Debts	(4,500)	40,500
Outstanding Rent		1,500	Bank		24,800
		2,37,300			2,37,300

Working Note

Capital of the new firm = Balance of P's capital account and R's capital account (₹ 6,3400 + ₹ 35,400) + Amount payable to Q (₹ 72,200) + Bank balance required (₹ 24,800) Existing bank balance (₹ 20,000) = ₹ 1,75,800 Alternatively,

Capital of P and R in the New Firm	Amt ()	Amt ()
Assets will remain as		
Land and Building	1,32,000	

Furniture Stock Debtors Bank (Required)	20,000 20,000 45,000 24,800	2,41,800
Less Creditors Bills Payable Outstanding Rent Provision for Doubtful Debts	(40,000) (20,000) (1,500) (4,500)	(66,000)
Capital of the New Firm		1,75,800

Capital of P and R in the new firm = ₹ 1,75,800 × 1/2 = ₹ 87,900

Sol. 30

Revaluation Account

Particulars	Amt	Particulars	Amt
To Investments A/c To Profit Transferred to Partners Capital A/cs Kavya 1,80,000 Nevya 1,80,000 Heena 90,000	50,000 4,50,000	By Land and Building A/c By Stock A/c	4,00,000 1,00,000
	5,00,000		5,00,000

Partners' Capital Account

Particulars	Kavya	Navya	Heena	Particulars	Kavya	Navya	Heena
To Heena's Capital A/c To Heena's Loan A/c To Balance c/d	1,06,800 -	1,06,800 -	- 12,93,600	By Balance b/d By Kavya's Capital A/c (WN 1)	12,00,000	12,00,000	8,00,000

	15, 93,200	15,93,200	-	By Navya's Capital A/c (WN 1)	-	-	1,06,800
				By General Reserve A/c	-	-	1,06,800
				By Revaluation A/c (Profit)	3,20,000	3,20,000	1,60,000
				By Profit and Loss Suspense A/c (WN 2)	1,80,000	1,80,000	90,000
					-	-	30,000
	17,00,000	17,00,000	12,93,000		17,00,000	17,00,000	12,93,600

Balance Sheet

as at 31st March, 2018

Liabilities		Amt(₹)	Assets	Amt(₹)
Capital A/cs			Land and Building	24,00,000
Kavya	15,93,200		Investments	2,00,000
Navya	15,93,200	31,86,400	Stock	6,00,000
Heena's Loan		12,93,600	Sundry Debtors	8,00,000
Sundry Creditors		2,00,000	Cast at Bank	4,50,000
			Cash in Hand	2,00,000
			Profit and Loss Suspense A/c	30,000
		46,80,000		46,80,000

Working Note

1. **Calculation of Goodwill**
   Average profit = 4,00,000 + 4,70,000 + 6,00,000 + 5,50,000 + 6,50,000/5 = ₹ 5,34,000

Goodwill = 2 years' purchase of average profit = 2 × ₹ 5,34,000 = ₹ 10,68,000
Heena's share of goodwill 10,68,000 × ½ = ₹ 2,13,600
This amount will be adjusted through capital accounts of Kavya and Navya in their gaining ratio i.e. equally.

2. **Calculation of Heena's Share of Profit**

(i) Average profit (Based on last three years)= 6,00,000 + 5,50,000 + 6,50,000 = ₹ 6,00,000
(ii) Profit (From 1st January 2018 to 31st March, 2018) = ₹ 6,00,000 × 3/12 = ₹ 1,50,000
(iii) Heena's share of profits = ₹ 1,50,000 × 1/5 = ₹ 30,000

Sol. 31

Partners' Capital Account

Particulars	A(₹)	B(₹)	C(₹)	Particulars	A(₹)	B(₹)	C(₹)
To A's Capital A/c	-	35,000	5000	By Balance b/d	1,20,000	96,000	72,000
To Revaluation A/c	4,238	4,238	2,119	By Machinery A/c	6,318	6,318	3,159
To Cash A/c	1,29,664	-	-	By Cash A/c	-	1,53,508	4,156
To A's Loan A/c	32,416	-	-	By B's Capital A/c	35,000	-	-
To Balance c/d	-	2,16,588	72,196	By C's Capital A/c	5,000	-	-
	1,66,318	2,55,826	79,315		1,66,318	2,55,826	79,315

Revaluation Account

Particulars	Amt (₹)	Particulars		Amt (₹)
To Provision for Doubtful Debts A/c	4,800	By Fixed Assets A/c		24,205
To Provision for Damages A/c	30,000	By Loss on Revaluation Transferred to		
		A's Capital A/c	4,238	
		B's Capital A/c	4,238	
		C's Capital A/c	2,119	10,595
	34,800			34,800

Cash Account

Particulars	Amt (₹)	Particulars	Amt(₹)
To Balance b/d	72,000	By A's Capital A/c	1,29,664
To B's Capital A/c	1,53,508	By Balance c/d	1,00,000

To C's Capital A/c	4,156		
	2,29,664		2,29,664

Balance Sheet

as at 1st April, 2018

Liabilities	Amt ()	Assets		Amt ()
B's Capital	2,16,588	Cash		1,00,000
C's Capital	72,196	Fixed Assets		2,20,000
A's Loan	32,416	Stock		60,000
Sundry Creditors	72,000	Debtors	48,000	
Provision for Damages	30,000	(-) Provision	(4,800)	43,200
	4,23,200			4,23,200

Working Note

1. Purchase of machinery on 1st January, 2016 has been wrongly entered in the purchase book. Therefore, written down value of machinery as on 31st March, 2018 will be calculated.

	Amt (₹)
Cost of Machinery on 1 Jan 2016	20,000
Less Depreciation for 3 months	(500)
(from 1.1.2016 to 31.3.16)	19,500
Less Depreciation for 2016-17	(1,950)
	17,550
Less Depreciation for 2017-18	(1,755)
	15,795

2. **Calculation of cash brought by B and C**

	Amt(₹)
Cash required for payment to	1,29,664
(-)Cash balance as per books	(72,000)
Therefore deficiency of cash to be brought by B and C	57,664
B's Capital after adjustment	1,38,080
C's Capital after adjustment	93,040

Cash to be brought by partners as calculated above	57,664
Total capital of B and C	2,88,784

B's Capital - 2,88,784 × 3/4 = 2,16,588
C's Capital - 2,88,784 × ¼ = 72,196
Amount to be brought by
B (2,16,588 - 1,38,080) = ₹ 78,508
Amount to be withdrawn by
C (93,040 - 72,196) = ₹ 20,844

3. It has been assumed that fixed assets have been revalued after taking into account unrecorded machinery.

Sol. 33 Total profits = 80,000 + 90,000 + 1,00,000 = ₹ 2,70,000

Average profits = 2,70,000/3 = ₹ 90,000

Estimated profits till the date of death = ₹ 90,000 × 2/12 = ₹ 5,000

(1st January, 2018 to 28th February, 2018)

R's share of estimated profits ₹ 15,000 × 1/3 = ₹ 5,000

Sol. 34 Percentage of profits to sales for the year ended 31st March, 2017 = ₹ 60,000/6,00,000 × 100 i.e. 10%.

Profits upto the death = 10 % of ₹ 2,00,000, i.e. ₹ 20,000

Y's share of profit will be = ₹ 20,000 × 2/5 = ₹ 8,000

Sol. 34

JOURNAL

Date	Particulars	LF	Amt (Dr)	Amt (Cr)
2018				
Mar 31	Profit and Loss Suspense A/c Dr		1,500	
	To Q's Capital A/c			1,500
	(Being Q's share of profits to the date of death adjusted)			

If in the above illustration, P and R decide to share future profits in the ratio of 3: 2, then the treatment would have been as follows

JOURNAL

Date	Particulars	LF	Amt (Dr)	Amt (Cr)
2018				
Mar 31	P's Capital A/c Dr		450	
	R's Capital A/c Dr		1,050	
	To Q's Capital A/c			1,500
	(Being Q's share of profit to the date of death adjusted in the capita accounts of P and R in their gaining ratio of 3: 7)			

Working Note

Q's share of profit = 4,500 × 2/6 = ₹ 1,500

Note In case of loss, the entry will be reversed

Sol. 35

JOURNAL

Date	Particulars	LF	Amt (Dr)	Amt (Cr)
2018				
Feb 28	Building A/c Dr		80,000	
	To Revaluation A/c			80,000
	(Being the increase in value of building brought into account)			
	Revaluation A/c Dr		80,000	
	To Sita's Capital A/c			40,000
	To Reeta's Capital A/c			30,000
	To Geeta's Capital A/c			10,000
	(Being the transfer of profit on revaluation to partners' capital accounts in their old profit sharing ratio)			
	Reeta's Capital A/c Dr		13,688	
	Geeta's Capital A/c Dr		41,062	
	To Sita's Capital A/c			54,750

	(Being Sita's share of goodwill adjusted in the capital accounts of gaining partners in their gaining ratio, i.e. 1: 3)			

Working Note

1. **Calculation of Gaining Ratio**
   Gaining ratio = New share - Old share
   Reeta = ½ - 3/8 = 4 – 3/8 = 1/8
   Geeta = ½ - 1/8 = 4 – 1/8 = 3/8
   Gaining ratio = 1: 3
2. **Calculation of Sita's Share of Goodwill**
   Total of last three years' profit = ₹ 1,05,000 + ₹ 30,000 + ₹ 84,000 = ₹ 2,19,000
   Sita's share in last three years' profit = ₹ 2,19,000 × 4/8 = ₹ 1,09,500
   Sita's share of goodwill = ₹ 1,09,500 × 50/100 = ₹ 54,750
   Sita's share of goodwill will be contributed by Reeta and Geeta in their gaining ratio.

Sol. 36

JOURNAL

Date	Particulars	LF	Amt (Dr)	Amt (Cr)
2018 Mar 14	 A's Capital A/c Dr C's Capital A/c Dr To B's Capital A/c (Being B's share of goodwill credited to B and debited to A and C in their gaining ratio of 4: 11)		 12,000 33,000	 45,000
	Profit and Loss Suspense A/c Dr To B's Capital A/c (Being B's share of profits to the date of death adjusted)		3,300	 3,300

Working Note

1. **Calculation of Gaining Ratio**
   A's gain = 3/5 – 4/8 = 24 – 20/40 = 4/40
   C's gain = 2/5 – 1/8 = 16 – 5/40 = 11/40
   Gaining ratio of A and C = 4/10: 11/40 = 4: 11

2. **Calculation of B's Share of Goodwill**
   Total profits = 1,20,000 + 60,000 - 20,000 + 80,000 = ₹ 2,40,000
   B's share of profits credited during 4 years = ₹ 2,40,000 × 3/8 = ₹ 90,000
   B's share of goodwill = ₹ 90,000 ½ = ₹ 45,000
3. **Calculation of B's Share of Profits**
   Average profits = [(₹ 60,000 – ₹ 20,000 + ₹ 80,000)/3] + 10%
   = ₹ 40,000 + 10 % of ₹ 40,000 = ₹ 44,000
   B's share of profits = ₹ 44,00 × 73/365 × 3/8 = ₹ 3,300

Sol. 37

JOURNAL

Date	Particulars	LF	Amt (Dr)	Amt (Cr)
	B's Capital A/c Dr		20,000	
	C's Capital A/c Dr		20,000	
	To D's Capital A/c			20,000
	To E's Capital A/c			10,000
	To A's Capital A/c			10,000
	(Being the goodwill adjusted by debiting gaining partners and crediting sacrificing partners)			

Working Note

Statement Showing the Required Adjustment for Goodwill

Particulars	A(₹)	B(₹)	C(₹)	D(₹)	E(₹)
Right of Goodwill before Death of D and E (5: 4: 3: 2: 1)	50,000	40,000	30,000	20,000	10,000
Right of Goodwill after Death of D and E (4: 6: 5)	40,000	60,000	50,000	-	-
Gain (+)/Sacrifice (-)	(-)10,000	(+) 20,000	(+)20,000	(-)20,000	(-) 10,000

Alternatively	A	B	C
A. Their New Shares	4/15	6/15	5/15
B. Their Old Shares	5/15	4/15	3/15
C. Difference being Gain/ Sacrifice (A- B)	(1/15) (Sacrifice)	2/15 (Gain)	2/15 (Gain)

Note In this case, A has also sacrificed his share to the extent of 1/15 in favour of B and C. They are required to compensate A for such sacrifice.

Sol. 38

JOURNAL

Date	Particulars	LF	Amt (Dr)	Amt (Cr)
	Vrinda's Capital A/c Dr		60,000	
	To Ghanshyam's Capital A/c			60,000
	(Being the amount of goodwill adjusted)			
	Vrinda's Capital A/c Dr		18,750	
	To Ghanshyam's Capital A/c			18,750
	(Being the share of profit adjusted)			

Working Note

1. **Calculation of Gaining Ratio**
   Gaining ratio New share - Old share
   Ram = 1/2 – 4/8 = 4 – 4/8 = Nil, Vrinda = ½ - 1/8 = 4 – 1/8 = 3/8
   Since Vrinda is the gaining partner, only she will contribute.
2. **Calculation of Share of Goodwill**
   Ghanshyam's share in goodwill = (1,20,000 + 80,000 + 40,000 + 80,000) × ½ × 3/8 = ₹ 60,000
3. Ghanshyam's share in profit [40,000 + 80,000/2] × 3/8 × 10/12 = ₹ 18,750

Sol. 39

JOURNAL

Date	Particulars	LF	Amt (Dr)	Amt (Cr)
	Nigam's Capital A/c (79,000 × 3/4) Dr		59,250	
	Shreya's Capital A/c (79,000 × 1/4) Dr		19,750	
	To Monu's Capital A/c			79,000
	(Being amount of goodwill transferred to Monu's capital account)			
	Profit and Loss Suspense A/c Dr		4,000	
	To Monu's Capital A/c			4,000
	(Being share of profit transferred to deceased partner's			

	capital account)			

Working Note

1. **Calculation of Share of Goodwill**
   Monu's share in goodwill = (97,000 + 1,05,000 + 30,000 + 84,000) × 50//100 × 4/8 = ₹ 79,000
2. **Calculation of Share in Profit**
   Monu's share in profit = 84,000/21,00,000 × 2,00,000 × 4/8 = ₹ 4,000

Sol. 40

JOURNAL

Date	Particulars	LF	Amt (Dr)	Amt (Cr)
	Manav's Capital A/c (1,90,000 × 1/2) Dr Narayan's Capital A/c (1,90,000 × 1/2) Dr To Nath's Capital A/c (Being Nath's share of goodwill adjusted in the capital accounts of gaining partners in gaining ratio)		95,000 95,000	 1,90,000
	Manav's Capital A/c (30,000 × 1/4) Dr Nath's Capital Ac (30,000 × 2/4) Dr Narayan's Capital A/c (30,000 × 1/4) Dr To Profit and Loss A/c (Being the transfer of profit to old partners in old ratio)		7,500 15,000 7,500	 30,000
	Profit and Loss Suspense A/c (90000 × 2/4 × 6/24) To Nath's Capital A/c (Being Nath's share of profit till the date of his death transferred to his capital account)		22,500	 22,500
	Nath's Capital A/c Dr To Nath's Executor A/c (Being the transfer of amount due to Nath's executor account)		1,92,500	 1,92,500

Working Note

1. **Calculation of Nath's Share of Goodwill**

Firm's goodwill = ₹ 3,80,000;

Nath's share of goodwill = 3,80,000 × 2/4 = ₹ 1,90,000

2. **Calculation of Amount Transferred to Nath's Executors Account**

Nath's Capital Account

Particulars	Amt(₹)	Particulars	Amt(₹)
To Balance b/d	5,000	By Manav's Capital A/c	95,000
To Profit and Loss A/c	15,000	By Narayan's Capital A/c	95,000
To Nath's Executor A/c	1,92,500	By Profit and Loss Suspense A/c	22,500
	2,12,500		2,12,500

Ashok's Capital Account

Date	Particulars	Amt)	Date	Particulars	Amt)
2016			2016		
Dec 31	To Drawings A/c	15,000	April 1	By Balance b/d	90,000
Dec 31	To Interest on Drawings A/c	1,500	Dec 31	By Interest on Capital A/c	8,100
Dec 31	To Ashok's Executor A/c	3,01,600	Dec 31	By Profit and Loss Suspense A/c	40,000
			Dec 31	By Babu's Capital A/c	90,000
			Dec 31	By Chetan's Capital A/c	90,000
		3,18,100			3,18,100

Working Note

1. Calculation of interest on capital = 90,000 × 9/12 = ₹ 8,100.
2. Calculation of Profit = 4,00,000 ×25/100 = 1,00,000 × 4/10 = ₹ 40,000
3. Calculation of Ashok's share of goodwill

   Ashok's share of goodwill = 4,50,000 × 4/10 = ₹ 1,80,000 to be contributed by Babu and Chetan in gaining ratio i.e. 1: 1.

Sol. 42

Karan's Capital Account

Particulars	Amt (₹)	Particulars	Amt (₹)
To Balance b/d	13,000	By Karan's Loan A/c	28,000

To Karan's Executor's A/c	2,00,430	By Arun's Capital A/c By Varun's Capital A/c By Profit and Loss Suspense A/c (Profit upto death) By Interest on Loan A/c (28,000 × 12/100 × 6/12)	90,000 67,500 26,250 1,680
	2,13,430		2,13,430

Working Note

1. **Calculation of Share of Goodwill**
   Average profit = 1,90,000 + 1,70,000 + 1,80,000 + 1,60,000/4 = ₹ 1,75,000
   Goodwill = Average profit × Number of years' purchase
   = 1,75,000 × 3 = ₹ 5,25,000
   Karan's share = 5,25,000 × 3/10 = ₹ 1,57,500
2. **Calculation of Profit upto Death**
   Average profit = ₹ 1,75,000; Karan's share of profit = 1,75,000 × 3/10 × 6/12 = ₹ 26,250

Note As there is no credit balance in capital account of Karan, he will not get interest on capital.

Sol.

Sindhu's Capital Account

Particulars	Amt(₹)	Particulars	Amt (₹)
To A's Loan A/c To A's Executor's A/c	10,000 87,950	By Balance b/d By General Reserve A/c By B's Capital A/c By C's Capital A/c By Profit and Loss Suspense A/c (Profits) By Interest on Capital A/c	60,000 1,500 10,285 13,715 11,250 1,200
	97,950		97,950

Working Note

1. **Calculation of A's Share of Goodwill**
   Average profit of last 3 years = ₹ 40,000

Firm's goodwill = ₹ 40,000 × 2 = ₹ 80,000
A's share = ₹ 80,000 × 3/10 = ₹ 24,000
Gaining ratio of B and C = 3: 4
B will contribute = 24,000 × 3/7 = ₹ 10,285
C will contribute = 24,000 × 4/7 = ₹ 13,715

2. **Calculation of A's Share of Profit of Current Year** (1st April, 2017 to 31st July 2017)
   Sales for the year ending on 31st March, 2017 =₹ 4,00,000
   Profit for the year ending on 31st March, 2017 = ₹ 1,00,000
   Percentage of profits = 1,00,000/4,00,000 × 100 = 25%
   Sales from 1st April, 2017 to 31st July, 2017 = ₹ 1,50,000
   Profit = 1,50,000 × 25/100 = ₹ 37,500
   A's share = 37,500 × 3/10 = ₹ 11,250
3. Interest on capital = 60,000 × 6/100 × 4/12 = ₹ 1,200
   The balance in A's capital account will be transferred to A's executor's account.

Sol.44

JOURNAL

Date	Particulars	LF	Amt (Dr)	Amt (Cr
2017				
Jun 12	Interest on Capital A/c Dr		240	
	General Reserve A/c Dr		4,000	
	Profit and Loss Suspense A/c Dr		3,333	
	To Bharti's Capital A/c			7,573
	(Being profit interest and general reserve are credited to Bhati's capital account)			
Jun 12	Arti's Capital A/c Dr		3,600	
	Seema's Capital A/c Dr		1,200	
	To Bharti's Capital A/c			4,800
	(Being Bharti's share of goodwill adjusted to Arti's and Seema's capital account in their gaining ratio 3: 1)			
Jun 12	Bharti's Capital A/c Dr		24,373	
	To Bharti's Executor's A/c			24,373
	(Being Bharti's capital account is transferred to her executor's account)			
Jun 12	Bank A/c Dr		16,200	

	To Investment A/c To Profit on Sale of Investment A/c (Being investment sold)			13,250 2,950
Jun 12	Bharti's Executor's A/c Dr To Bank A/c (Being Bharti executor paid)		24,373	 24,373

Bharti's Capital Account

Date	Particulars	Amt (₹)	Date	Particulars	Amt(₹)
2017 Jun 12	To Bharti's Executor's A/c	24,373	2017 Mar 31	By Balance b/d By Interest on Capital A/c By General Reserve A/c By Profit and Loss Suspense A/c By Arti's Capital A/c By Seema's Capital A/c	12,000 240 4,000 3,333 3,600 1,200
		24,373			24,373

Bharti's Executor's Account

Date	Particulars	Amt (₹)	Date	Particulars	Amt (₹)
2017 Jun 12	To Bank A/c	24,373	2017 Jun 12	By Bharti's Capital A/c	24,373
		24,373			24,373

Working Note

1. **Bharti's Share of Profit**
   Sales till the date of death = ₹ 1,00,000. As profit on sale is 10%.
   Hence profit till date of death = 1,00,000 × 10/100 = ₹ 10,000
   Bharti's share of profit = 10,000 × 2/6 = ₹ 3,333
2. **Bharti's Share of Goodwill**
   Average profit = 8,200 + 9,000 + 9,800/3 = 27,000/3 = 9,000-20% of average profit = 9,000 - 1,800 = ₹ 7,200

Goodwill of firm = Average profit × Number of years purchase = 7,200 × 2 = ₹ 14,400
Bharti's share of goodwill 14,400 × 2/6 = ₹ 4,800
To be contributed by remaining partners in gaining ratio i.e. 3: 1

3. Interest on capital of deceased partner till date of death = 12,000 × 10/100 × 73/365 = ₹ 240
Interest is calculated for 73 days i.e. 30 days of April + 31 Days of May and 12 days of June.

Sol. 45

Revaluation Account

Particulars		Amt (₹)	Particulars	Amt (₹)
To Machinery A/c		35,000	By Land and Building A/c	1,20,000
To Stock A/c		5,000		
To Provision for Doubtful Debts A/c		3,000		
To Profit Transferred to				
Khanna's Capital A/c	23,100			
Seth's Capital A/c	15,400			
Mehta's Capital A/c	38,500	77,000		
		1,20,000		1,20,000

Partners' Capital Account

Particulars	Khanna	Seth	Mehta	Particulars	Khanna	Seth	Mehta
To Goodwill A/c	90,000	60,000	1,50,000	By Balance b/d	3,00,000	2,00,000	5,00,000
To Profit and Loss A/c	18,000	12,000	30,000	By Revaluation A/c (Profit)	23,100	15,400	38,500
To Profit and Loss Suspense A/c	-	2,400	-	By General Reserve A/c	30,000	20,000	50,000
To Seth's Executor's A/c	-	1,61,000	-				
To Balance c/d	2,45,100	-	4,08,500				
	3,53,100	2,35,400	5,88,500		3,53,100	2,35,400	5,88,500

Balance Sheet

as at 14th March, 2015

Liabilities		Amt(₹)	Assets		Amt(₹)
Capital A/cs			Land and Building		6,20,000
Khanna	2,45,100		Machinery		1,35,000
Mehta	4,08,500	6,53,600	Stock		25,000
Creditors		75,000	Debtors	1,20,000	
Seth's Executor's Loan A/c		2,11,000	(-) Provision for Doubtful Debts	(3,000)	1,17,000
Profit and Loss Suspense A/c		2,400	Cash		45,000
		9,42,000			9,42,000

Seth's Executor's Account

Particulars	Amt	Particulars	Amt
To Seth's Executor's Loan A/c	2,11,000	By Seth's Capital A/c By Seth's Loan A/c	1,61,000 50,000
	2,11,000		2,11,000

Working Note

1. **Calculation of Seth's Share of Profit**
   Number of days Seth worked for = January + February + March
   = 31+ 28 + 14 = 73 days
   Share of Seth's profit = 60,000 × 73/365 × 2/10 = ₹ 2,400 (Loss)
2. **Calculation of Khanna's and Mehta's Capital**
   Khanna's capital after adjustments = ₹ 2,45,100
   Mehta's capital after adjustments SS = ₹ 4,08,500
   Total capital = ₹ 6,53,600
   Khanna's capital = 6,53,600 × 3/8 = ₹ 2,45,100
   Mehta's capital = 6,53,600 × 5/8 = ₹ 4,08,500

Sol. 46

JOURNAL

Date	Particulars	LF	Amt (Dr	Amt (Cr)
2011				

Mar 31	Interest on Capital A/c Dr To Sohan's Capital A/c (Being the interest credited to Sohan's capital account upto 31st March)		150	 150
Mar 31	Ram's Capital A/c Dr Mohan's Capital A/c Dr To Sohan's Capital A/c (Being Sohan's share of goodwill credited to his capital account)		2,500 2,500	 5,000
Mar 31	Profit and Loss Suspense A/c Dr To Sohan's Capital A/c (Being the share of profit credited)		750	 750
Mar 31	Workmen Compensation Reserve A/c Dr To Ram's Capital A/c To Mohan's Capital A/c To Sohan's Capital A/c (Being workmen compensation reserve credited to capital accounts)		7,500	 3,000 3,000 1,500
Mar 31	Sohan's Capital A/c Dr To Sohan's Executor's A/c (Being the transfer of balance in Sohan's capital account to Sohan s executor's account)		17,400	 17,400
Apr 1	Sohan's Executor's A/c Dr To Cash/Bank A/c (Being the amount paid to Sohan's executors)		1,400	 1,400

Sohan's Capital Account

Date	Particulars	Amt(₹)	Date	Particulars	Amr(₹)
2011 Mar 31	 To Sohan's Executor's A/c	 17,400	2011 Jan 1	 By Balance b/d	 10,000

			Mar 31	By Interest on Capital A/c	150
			Mar 31	By Ram's Capita A/c	2,500
			Mar 31	By Mohan 's Capital A/c	2,500
			Mar 31	By Profit and Loss Suspense A/c	750
			Mar 31	By Work Compensation Reserve A/c	1,500
		17,400			17,400

Sohan's Executor's Account

Date	Particulars	Amt(₹)	Date	Particulars	Amt(₹)
2011			2011		
Apr 1	To Bank A/c	1,400	Mar 31	By Sohan's Capital A/c	17,400
Dec 31	To Balance c/d	16,720	Dec 31	By Interest Ac [₹ 17,400 - ₹ 1,400) × 6/100 × 9/12]	720
		18,120			18,120
2012			2012		
Mar 31	To Cash A/c	4,960	Jan 1	By Balance b/d	16,720
	(₹ 4,000 + ₹ 720 + ₹ 240)		Mar 31	By Interest A/c	240
Dec 31	To Balance b/d	12,540		(₹ 16,000 × 6/100 × 3/12)	
			Dec 31	By interest A/c	540
				(₹ 12,000 × 6/100 × 9/12)	
		17,500			17,500
2013			2013		
Mar 31	To Cash A/c	4,720	Jan 1	By Balance b/d	12,540
	(₹ 4,000 + ₹ 540 + ₹ 180)		Mar 31	By Interest A/c	180
Dec 31	To Balance c/d	8,350		(₹ 12 000 × 6/100 × 3/12)	
			Dec 31	By Interest A/c	360

				(8,000 × 9/12 × 6/100)	
		13,080			13,080
2014 Mar 31	To Cash A/c (₹ 4,000 + ₹ 360 + ₹ 120)	4,480	2014 Jan 1	By Balance b/d	8,350
			Mar 31	By Interest A/c (₹ 8,000 × 3/12 × 6/100)	120
Dec 31	To Balance c/d	4,180	Dec 31	By Interest A/c (₹ 4,000 × 6/100 × 9/12)	180
		8,660			8,660
2015			2015	By Balance b/d	4,180
Mar 31	To Cash A/c (₹ 4,000 + ₹ 180 + ₹ 60)	4,240	Jan 1		
			Mar 31	By Interest A/c (₹ 4,000 × 6/100 × 3/12)	60
		4,240			4,240

Note

- The date of closing the account is 31st December and date of payment of instalment is 31st March.
- Total amount due to Sohan's executors ₹ 16,000 is payable in Four equal annual instalments. Therefore, yearly instaiment = 16,000/4 = ₹ 4,000 plus interest.

Dissolution of a Partnership firm

Solutions

Sol. 1

JOURNAL

Date	Particulars	LF	Amt (Dr)	Amt (Cr)
(i)	Cash A/c Dr		45,000	
	To Realisation A/c			45,000
	(Being amount realised from goodwill)			
(ii)	E's Capital A/c Dr		54,000	
	To Realisation A/c			54,000
	(Being goodwill taken over by E)			

Sol. 2

JOURNAL

Date	Particulars	LF	Amt (Dr)	Amt (Cr)
	Realisation A/c Dr		6,000	
	To Goodwill A/c			6,000
	(Being transfer of goodwill to realisation account)			
	Cash/Bank A/c Dr		9,000	
	To Realisation A/c			9,000
	(Being amount realised from sale of goodwill)			

Sol. 3

JOURNAL

Date	Particulars	LF	Amt (Dr)	Amt (Cr)
	Bank A/c Dr		54,480	
	To Realisation A/c			54,480
	(Being assets having book value of ₹ 48,000 were sold for			

	₹ 50,000 and assets having book value of ₹ 6,400 were sold for ₹ 4,480)			
	Z's Capital A/c Dr To Realisation A/c (Being assets having book value of ₹ 25,600 were taken over by Z at this value)		25,600	25,600

Working Note

1. **Calculation of Amount Realised from Assets** **Amt (₹)**

60% of ₹ 80,000	= 48,000
(+) Profit on sale	= 2,000
A	50,000
20% of the remaining assets i.e. (20/100) × (₹ 80,000 – ₹ 48,000)]	= 6,400
(-) 30% discount	= (1,920)
B	4,480

Total amount realised from assets (A + B) = 50,000 + 4,480 = ₹ 54,480

2. **Calculation of Value of Assets taken over by Z**

Total book value of assets	= 80,000
(-) Book value of assets sold (i.e. ₹ 48,000 + ₹ 6,400)	= (54,400)
	25,600

Sol. 4

JOURNAL

Date	Particulars	LF	Amt (Dr)	Amt (Cr)
(i)	Realisation A/c Dr To Cash A/c (Being creditors worth ₹ 85,000 settled with ₹ 40,000 cash and investment worth ₹ 43,000)		40,000	40,000
(ii)	No entry will be passed as liability is settled against asset without any cash/bank transaction.			
(iii)	Cash A/c Dr To Realisation A/c (Being creditors worth ₹ 90,000 accepted buildings worth ₹ 1,20,000 and paid back ₹ 30,000 in cash to firm after		30,000	30,000

	settlement of their claim)			

Sol. 5

JOURNAL

Date	Particulars	LF	Amt (Dr)	Amt (Cr)
(i)	Realisation A/c Dr To Cash/Bank A/c (Being the dissolution expenses paid)		40,000	 40,000
(ii)	Realisation A/c Dr To Partner's Capital A/c (Being the dissolution expenses paid by the partner credited to his capital account)		20,000	 20,000
(iii)	Partner's Capital A/c Dr To Cash/Bank A/c (Being the dissolution expenses paid by the firm on behalf of the partner debited to his capital account)		20,000	 20,000
(iv)	Realisation A/c Dr To Partner's Capital A/c (Being the remuneration to partner credited to his capital account)		30,000	 30,000
(v)	Realisation A/c Dr Partner's Capital A/c Dr To Cash/Bank A/c (Being the dissolution expenses paid by the firm, firm's share of expenses debited to realisation account and balance to partner's capital account)		12,000 20,000	 32,000
(vi)	Realisation A/c Dr To Partner's Capital A/c (Being the realization expenses paid by the partner credited to his capital account)		12,000	 12,000

(vii)		No entry is to be passed			
(viii)	(a)	Realisation A/c Dr		20,000	
		To Rohit's Capital A/c			20,000
		(Being the remuneration payable to Rohit for dissolution of the firm)			
(ix)	(a)	Realisation A/c Dr		32,000	
		To Cash/Bank A/c			32,000
		(Being the realisation expenses paid)			
	(b)	Realisation A/c Dr		4,000	
		To Rohit's Capital A/c			4,000
		(Being the remuneration due to Rohit)			
(x)		Realisation A/c Dr		12,000	
		To Rohit's Capital A/c			12,000
		(Being the remuneration for dissolution work due to Rohit, i.e. 2 % of ₹ 6,00,000 i.e. ₹ 6,12,000 – ₹ 12,000)			
(xi)	(a)	Realisation A/c Dr		8,800	
		To Rohit's Capital A/c			8,800
		(Being the remuneration for dissolution due to Rohit, i.e. 2% of ₹ 4,40,000 i.e. ₹ 6,00,000 – ₹ 1,60,000)			
	(b)	No entry for realization expenses is passed assuming that Rohit has paid the same out of his private funds.			
(xii)		Raju's Capital A/c Dr		2,000	
		To Sanju's Capital A/c			2,000
		(Being realisation expenses to be borne by Raju, paid by Sanju)			

Sol. 6

JOURNAL

Date	Particulars	LF	Amt (Dr)	Amt (Cr)
(i)	Realisation A/c Dr		2,000	

		To Bank A/c (Being compensation paid to employees)			2,000
(ii)		Kartik's Capital A/c Dr To Realisation A/c (Being an unrecorded asset taken over)		150	 150
(iii)	(a)	Realisation A/c Dr To Jatin's Capital A/c (Being Mrs Jatin's loan paid by her husband Mr Jatin)		10,000	 10,000
	(b)	Jatin's Capital A/c Dr To Realisation A/c (Being stock taken over, book value ₹ 12,500 @ 80%)		10,000	 10,000
(iv)		Bank A/c Dr To Realisation A/c (Being stock was sold at a loss of 10 %)		11,250	 11,250

Sol. 7

JOURNAL

Date		Particulars	LF	Amt (Dr)	Amt (Cr)
(i)	(a)	X's Capital A/c Dr To Realisation A/c (Being some debtors taken over by X)		1,17,200	 1,17,200
	(b)	Cash/Bank A/c [(1,24,200 - 1,20,000) × 50/100] Dr To Realisation A/c (Being the remaining debtors sold to a debt collecting agency)		2,100	 2,100
(ii)	(a)	Y's Capital A/c Dr To Realisation A/c (Being sundry assets of value ₹ 80,000 (72,000 × 100/90) taken over 90 by Y at ₹ 72,000)		72,000	 72,000

(b)	Z's Capital A/c [(1,17,000 - 80,000) × 80/100] Dr		29,600	
	To Realisation A/c			29,600
	(Being the remaining sundry assets taken over by Z)			
(iii)	Realisation A/c Dr		13,800	
	To Z's Capital A/c (11,500 + 2,300)			13,800
	(Being Mrs Z's loan paid by Z)			

Sol. 8

JOURNAL

Date	Particulars	LF	Amt (Dr)	Amt (Cr)
(i)	Realisation A/c Dr		19,000	
	To Sucha's Capital A/c			19,000
	(Being husband's loan paid by Sudha)			
(ii)	Bank A/c Dr		7,500	
	To Realisation A/c			7,500
	(Being debtors realised)			
(iii)	Shiva's Capital A/c Dr		13,300	
	To Realisation A/c			13,300
	(Being investments taken over by Shiva)			
(iv)	Realisation A/c Dr		9,100	
	To Bank A/c [10,000 - (10,000 × 9%)]			9,100
	(Being creditors paid)			
(v)	Realisation A/c Dr		3,000	
	To Sudha's Capital A/c			3,000
	(Being expenses for realisation allowed to Sudha)			
(vi)	Sudha's Capital A/c Dr		5,640	
	Shiva's Capital A/c Dr		3,760	
	To Realisation A/c			9,400

	(Being realization loss transferred to partners' capital accounts)			

Sol. 9

JOURNAL

Date	Particulars	LF	Amt (Dr)	Amt (Cr)
(i)	Bank A/c Dr		2,000	
	To Realisation A/c			2,000
	(Being the unrecorded asset realised)			
(ii)	Disha's Capital A/c (70,000 x 70%) Dr		49,000	
	To Fealisation A/c			49,000
	(Being the stock taken over by Disha)			
(iii)	Realisation A/c Dr		16,200	
	To Bank A/c [(20,000 - 2,000) × 90/100]			16,200
	(Being the creditors paid-off)			
(iv)	Realisation A/c Dr		13,000	
	To Mohit's Capital A/c			13,000
	(Being the remuneration for dissolution work due to Mohit)			
(v)	Bank A/c Dr		50,000	
	To Realisation A/c			50,000
	(Being Nandan's loan realised)			
(vi)	Bank A/c Dr		12,000	
	To Realisation A/c			12,000
	(Being bad debts recovered)			

Sol. 10

JOURNAL

Date	Particulars	LF	Amt (Dr)	Amt (Cr)

(i)	Bank A/c (76,000 - 12,000) Dr		64,000	
	To Realisation A/c			64,000
	(Being the debtors realised)			
(ii)	Realisation A/c Dr		6,650	6,650
	To Parul's Capital A/c (7,000 × 95%)			
	(Being husband's loan paid off by Parul)			
(iii)	Payal's Capital A/c Dr		3,000	
	To Realisation A/c			3,000
	(Being unrecorded machine taken by Payal)			
(iv)	Realisation A/c Dr		33,000	
	To Priyanka's Capital A/c			33,000
	(Being the realisation expenses of ₹ 15,000 paid by priyanka and remuneration of ₹ 18,000 also credited to her account)			
(v)	Realisation A/c Dr		4,000	
	To Bank A/c			4,000
	(Being the contingent liability paid-off)			
(vi)	Parul's Capital A/c Dr		9,000	
	Payal's Capital A/c Dr		9,000	
	Priyanka's Capital A/c Dr		9,000	
	To Profit and Loss A/c			27,000
	(Being the transfer of debit balance of profit and loss account to partners capital accounts)			

Sol. 11

JOURNAL

Date	Particulars	LF	Amt (Dr)	Amt (Cr)
(i)	Realisation A/c Dr		2,000	
	To Cash A/c (6,000 - 4,000)			2,000

	(Being cash paid to a creditor)			
(ii)	Cash A/c (16,000 - 20,000) Dr To Realisation A/c (Being cash received from a creditor)		4,000	 4,000
(iii)	Realisation A/c Dr To A's Capital A/c (9 000 × 90 %) (Being an unrecorded liability taken over by A at a discount of 10%)		8,100	 8,100
(iv)	Realisation A/c To Bank A/c (Being the payment made to remaining creditors, i.e. ₹ 2,00,000 – ₹ 6,000 – ₹ 16,000)		1,78,000	 1,78,000
(v)	B's Capital A/c (5,000 × 90 %) Dr To Realisation A/c (Being an unrecorded asset taken over by B at a discount of 10%)		4,500	 4,500
(vi)	C's Loan A/c Dr Realisation A/c Dr To Bank A/c (Being C's loan discharged along with accrued interest)		10,000 200	 10,200
(vii)	A's Capital A/c Dr B's Capital A/c Dr C's Capital A/c Dr To Realisation A/c (Being the transfer of loss on realisation in profit sharing ratio)		4,000 3,000 3,000	 10,000

Sol. 12

JOURNAL

Date	Particulars	LF	Amt (Dr)	Amt (Cr)

(i)		Realisation A/c Dr To P's Capital A/c (Being the commission cue to P @ 2% of 40,000 [i.e. 50,000 - 10,000])		800	800
(ii)	(a)	Realisation A/c Dr To Bank A/c (Being the liability discharged)		20,000	20,000
	(b)	Workmen Compensation Reserve A/c Dr To P's Capital A/c To Q's Capital A/c To R's Capital A/c (Being the transfer of excess workmen compensation reserve)		40,000	16,000 12,000 12,000
(iii)		Realisation A/c Dr To Bank A/c (2,000 - 400) (Being the payment made for commission received in advance)		1,600	1,600
(iv)	(a)	Realisation A/c Dr To Bank A/c (Being the payment of dishonoured discounted bill receivable)		2,000	2,000
	(b)	Bank A/c (2,000 × 25%) Dr To Realisation A/c (Being a first and final dividend of 25% received from the estate of T)		500	500
(v)		Realisation A/c To Bank A/c [14,000 - (12,000 × 80%) (Being the payment made to bankers)		4,400	4,400
(vi)		No journal entry is required since there is no realization.			

Sol. 13

JOURNAL

Date	Particulars	LF	Amt (Dr)	Amt (Cr)
(i)	Ram's Capital A/c [₹ 1,00,000 (₹ 1,00,000 × 60/100)] Dr To Realisation A/c (Being the unrecorded furniture taken over by Ram)		40,000	 40,000
(ii)	Realisation A/c [₹ 60,000 - (₹ 60,000 × 40/100)] Dr To Shyam's Capital A/c (Being the unrecorded liability paid by Shyam)		36,000	 36,000
(iii)	No journal entry may be passed			
(iv)	Realisation A/c Dr To Cash/Bank A/c [88,000 - (60,000 × 80 %)] (Being the balance paid to creditor)		40,000	 40,000
(v)	Cash A/c [40,000 - (60,000 × 80%)] Dr To Realisation A/c (Being cash received from a creditor)		8,000	 8,000
(vi)	Realisation A/c Dr To Ram's Capital A/c (Being the realisation expenses paid by Ram on behalf of the firm)		40,000	 40,000
(vii)	Shyam's Capital A/c To Cash/Bank A/c (Being the realisation expenses paid by firm on behalf of the Shyam)		36,000	 36,000
(viii)	Loan from Ram A/c To Capital A/c To Cash/Bank A/c (Being the loan from Ram transferred to his capital account to set off debit balance of ₹ 4,000 and the		44,000	 4,000 40,000

	balance paid)			

Sol 14.

JOURNAL

Date	Particulars	LF	Amt (Dr)	Amt (Cr)
(i)	Realisation A/c Dr		800	
	To Bank A/c			800
	(Being expenses on dissolution paid)			
(ii)	Realisation A/c Dr		800	
	To Prabhu's Capital A/c			800
	(Being dissolution expenses paid by Prabhu credited to his capital account)			
(iii)	Realisation A/c Dr		10,000	
	To Geeta's Capital A/c			10,000
	(Being the remuneration due to Geeta)			
(iv)	Realisation A/c Dr		5,000	
	To Janki's Capital A/c			5,000
	(Being the remuneration due to Janki)			
(v)	No Entry			
(vi)	No Entry			

Sol. 15

JOURNAL

Date	Particulars	LF	Amt (Dr)	Amt (Cr)
(i)	Realisation A/c Dr		10,000	
	To L's Capital A/c			10,000
	(Being remuneration payable to L)			
(v) (a)	Realisation A/c Dr		9,000	

	To N's Capital A/c (Being remuneration payable to N)			9,000
(b)	N's Capital A/c Dr To Cash A/c (Being realisation expenses paid by firm on behalf of N)		4,000	 4,000

Sol. 16

JOURNAL

Date	Particulars	LF	Amt (Dr)	Amt (Cr)
(i)	Bank A/c Dr To Realisation A/c (Being payment received from creditors)		1,40,000	 1,40,000
(ii)	No Entry			
(iii)	Realisation A/c Dr To Bank A/c (Being partial payment made to creditors through cheque)		45,000	 45,000
(iv)	Lal's Capital A/c (15,000 × 3/10) Pal's Capital A/c (15,000 × 7/10) To Realisation A/c (Being loss on realisation transferred to partners' capital account in the ratio 3: 7)		4,500 10,500	 15,000

Sol. 17

Realisation Account

Particulars		Amt	Particulars	Amt
To Sundry Assets A/c			By Sundry Liabilities A/c	
Debtors	3,40,000		Creditors	1,50,000
Stock	1,50,000		By Bank A/c (Assets realised)	

Furniture 4,60,000 Machinery 8,20,000 To Bank A/c (Liabilities paid) Creditors To Hanif's Current A/c (Realisation expenses)	 17,70,000 1,50,000 8,000	Debtors 3,23,000 Stock 65,000 Machinery 74,000 By Hanif's Current A/c (Stock) (75,000 - 7,500) By Jubed's Current A/c(Furniture By Loss Transferred to Current A/cs Hanif 7,42,333 Jubed 3,71,167	 4,62,000 67,500 1,35,000 11,13,500
	19,28,000		19,28,000

Sol. 18

Balance Sheet

as at 31st March, 2018

Liabilities	Amt	Assets	Amt
Trade Creditors Loan from Mrs Ram Loan from Ram Capital A/cs Ram 60,000 Shyam 80,000 Ram's Current A/c	2,40,000 2,40,000 40,000 1,40,000 60,000	Cash and Bank Balance Advance to Shyam Profit and Loss A/c (Debit) Sundry Assets (Balancing figure)	20,000 40,000 1,60,000 5,00,000
	7,20,000		7,20,000

Sol. 19

Realisation Account

Particulars	Amt(₹)	Particulars	Amt(₹)
To Sundry Assets A/c (WN 2)	2,36,000	By Creditors	40,000 2,00,000

To Cash A/c (Creditors) To Cash A/c (Expenses)	40,000 6,000	By Cash A/c (Assets realised) By Loss Transferred to Rashi's Capital A/c 25,200 Nashi's Capital A/c 16,800	 42,000
	2,82,000		2,82,000

Partners' Capital Account

Particulars	Rashi(₹)	Nashi(₹)	Particulars	Rashi(₹)	Nashi(₹)
To Realisation A/c (Loss) To Cash A/c (Final payment)	25,200 98,800	16,800 55,200	By Balance b/d (WN 1)	1,24,000	72,000
	1,24,000	72,000		1,24,000	72,000

Cash Account

Particulars	Amt(₹)	Particulars	Amt(₹)
To Realisation A/c (Assets realised)	2,00,000	By Realisation A/c (Creditors) By RealisationAic (Expenses) By Rashi's Capital A/c (Final paymnent) By Nashi's Capital A/c Final payment)	40,000 6,000 98,800 55,200
	2,00,000		2,00,000

Working Note

1. In this question, balance sheet of the firm as on the date of dissolution is not given, therefore, it is necessary to prepare the balance sheet as at that date. Far that, we have to prepare partners capital accounts for the years ended 31st March, 2017 and 2018 to arrive at the balance of partners' capitals as on 31st March, 2018.

Partners' Capital Account

Date	Particulars	Rashi(₹)	Nashi(₹)	Date	Particulars	Rashi(₹)	Nashi(₹)
2017 Mar 31	To Cash A/c To Balance c/d	16,000 1,64,000	16,000 1,04,000	2016 Apr 1	By Cash A/c	1,20,000	80,000

Mar 31				2017 Mar 31	By Profit and Loss A/c	60,000	40,000
		1,80,000	1,20,000			1,80,000	1,20,000
2018 Mar 31	To Cash A/c	16,000	16,000	2017 Apr 1	By Balance b/d	1,64,000	1,04,000
Mar 31	To Profit and Loss A/c	24,000	16,000				
Mar 31	To Balance c/d	1,24,000	72,000				
		1,64,000	1,04,000			1,64,000	1,04,000

2. In this question the book value of sundry assets at the date of dissolution is not given. Therefore. it is necessary to prepare the balance sheet as at that date.

Memorandum Balance Sheet

as at 31st March, 2018

Liabilities	Amt(₹)	Assets	Amt(₹)
Rashi's Capital (WN 1) Nashi's Capital (WN 1) Creditors	1,24 000 72,000 40,000	Sundry Assets (Balancing figure)	2,36,000
	2,36,000		2,36,000

Sol. 20

Realisation Account

Particulars		Amt(₹)	Particulars		Amt(₹)
To Sundry Assets A/c			By Sundry Liabilities A/c		
Debtors	1,70,000		Creditors	60,000	
Stock	1,50,000		Arnab's Brother Loan	95,000	
Investments	2,50,000		Investment Fluctuation Fund	50,000	

Building 3,00,000	8,70,000	By Provision for Doubtful Debts	
To Arnab's Capital A/c	95,000	By Bank A/c (Assets realised)	2,05,000
(Brother's loan)		Stock (45,000 - 20 %) 60,000	20 000
To Bank A/c (Creditor) (60,000-10 %)	54,000	Investment 2,00,000	
To Dhrupad's Capital A/c (Expenses)	3,000	Building (3,55,000 – 5,000) 3,50,000	6,10,000
		By Raginis Capital A/c (Stock) 50%	
		[75,000 - 15,000 (75,000 × 20 %)	60,000
		By Loss on Realisation Transferred	
		to Partners Capital A/c	
		Arnab 76,200	
		Ragini 25,400	
		Dhrupad 25,400	1,27,000
	10,22,000		10,22,000

Partners' Capital Account

Particulars	Arnab (₹)	Ragini (₹)	Dhrupad (₹)	Particulars	Arnab (₹)	Ragini (₹)	Dhrupad (₹)
To Profit and Loss A/c	30,000	10,000	10,000	By Balance b/d	2,75,000	2,00,000	1,70,000
To Realisation A/c (Stock)	-	60,000	-	By Realisation A/c (Loan)	95,000	-	-
To Realisation A/c (Loss)	76,200	25,400	25,400	By Realisation A/c (Expenses)	-	-	3,000
To Bank A/c (Final payment)	2,63,800	1,04,600	1,37,600				
	3,70,000	2,00,000	1,73,000		3,70,000	2,00,000	1,73,000

Bank Account

Particulars	Amt (₹)	Particulars	Amt (₹)

To Balance b/d	50,000	By Arnab's Capital A/c	2,63,800
To Realisation A/c (Stock)	60,000	By Ragini's Capital A/c	1,04,600
To Realisation A/c (Investments)	2,00,000	By Dhrupad's Capital A/c	1,37,600
To Realisation A/c (Building)	3,50,000	By Dhrupad's Loan A/c	1,00,000
		By Realisation A/c (Creditor)	54,000
	6,60,000		6,60,000

Sol. 21

Realisation Account

Particulars	Amt (₹)	Particulars	Amt(₹)
To Sundry Assets A/c		By Sundry Liabilities A/c	
Stock 70,000		Creditors 3,80,000	
Debtor 2,00,000		Mrs Vinit's Loan 60,000	
Investments 1,00,000		Investment Fluctuation Fund 30,000	4,50,000
Fixed Assets 3,60,000	7,50,000		
To Vinits Capital A/c (Mrs. Vinit's loan)	60,000	By Provision for Doubtful Debts	20,000
To Bank A/c (Creditors)	3,50,000	By Vinit's Capital A/c (Stock) (70,000 -20 %)	56,000
To Vinit's Capital A/c (Expenses)	2,000	By Yogesh's Capital A/c Investment (90%) [90,000 – (90,000 × 10/100)]	81,000
		By Bank A/c (Assets realised)	
		Debtors 1,97,500	
		[(50,000 - 5%) + 1,50,000	
		Fixed Assets 2,82,000	
		Investments 7,500	4,87,000
		By Yogesh's Capital A/c (Old furniture)	4,000
		By Loss on Realisation Transferred to A/c	

		Vinit 32,000 Yogesh 32,000	64,000
	11,62,000		11,62,000

Partners' Capital Account

Particulars	Vinit(₹)	Yogesh(₹)	Particulars	Vinit(₹)	Yogesh(₹)
To Profit and Loss A/c	20,000	20,000	By Balance b/d	2,00,000	1,00,000
To Realisation A/c (Stock)	56,000	-	By Realisation A/c (Loan)	60,000	-
To Realisation A/c (Furniture)	-	4,000	By Realisation A/c (Expenses)	2,000	-
To Realisation A/c (Investment)	-	81,000	By Bank A/c (Cash brought in)	-	37,000
To Realisation A/c (Loss)	32,000	32,000			
To Bank A/c (Final payment)	1,54,000	-			
	2,62,000	1,37,000		2,62,000	1,37,000

Bank Account

Particulars	Amt(₹)	Particulars	Amt (₹)
To Balance b/d	80,000	By Yogesh's Loan A/c	1,00,000
To Realisation A/c (Assets realised)	4,87,000	By Realisation A/c (Creditors)	3,50,000
To Yogash's Capital A/c (Cash brought in	37,000	By Vinit's Capital A/c (Final payment)	1,54,000
	6,04,000		6,04,000

Sol. 22

Realisation Account

Particulars	Amt(₹)	Particulars	Amt(₹)

To Sundry Assets A/c			By Sundry Liabilities A/c		
Stock-in-trade	5,000		Sundry Creditors	30,000	
Investments	10,000		Bills Payable	8,000	
Debtors	20,000		Mrs A's Loan	5,000	
Plant and Machinery	20,000		Mrs B's Loan	10,000	
Building	15,000		Investments Fluctuation Fund	1,000	
Goodwill	4,000	74,000	Provision for Doubtful Debts	2,000	56,000
To A's Capital A/c (Mrs A's loan)		5,000	By A's Capital A/c (Stock)		4,000
To Bank A/c (Liabilities paid)			By B's Capital A/c (Investments)		4,500
Creditors (30,000 150) (WN)	29,850		By Bank A/c (Assets realised)		
Bills Payable (8,000-40) (WN)	7,960		Debtors	19,000	
Realisation Expenses	1,000		Plant and Machinery	25,000	
Mrs B's Loan	10,000	48,810	Building	40,000	
To Profit Transferred to			Goodwill	6,000	
A's Capital A/ c	15,745		Investments	4,500	94,500
B's Capital A/c	15,745	31,490	By B's Capital A/c (Typewriter)		300
		1,59,300			1,59,300

Partners' Capital Account

Particulars	A(₹)	B(₹)	Particulars	A(₹)	B(₹)
To Realisation A/c	4,000	4,500	By Balance b/d	10,000	10,000
To Realisation A/c	-	300	By Realisation A/c	5,000	-
To Profit and Loss A/c	1,750	1,750	By Realisation A/c (Profit)	15,745	15,745
To Bank A/c (Final settlement)	29,995	24,195	By General Reserve A/c	5,000	5,000
	35,745	30,745		35,745	30,745

Bank Account

Particulars	Amt	Particulars	Amt

To Balance b/d	8,000	By Realisation A/c (Liabilities paid)	48,810
To Cash A/c	500	By A's Capital A/c (Final payment)	29,995
To Realisation A/c (Assets realised)	94,500	By B's Capital A/c (Final payment)	24,195
	1,03,000		1,03,000

Working Note 150

Discount on creditors = 30,000 × 6/100 × 1/12 ₹ 150

Discount on bills payable = 8,000 × 6/100 × 1/12 = ₹ 40

Sol. 23

Realisation Account

Particulars		Amt(₹)	Particulars		Amt(₹)
To Sundry Assets A/c		13,46,000	By Sundry Liabilities A/c		
Spare Parts	3,20,000	3,90,000	Trade Creditors	4,06,000	
Investments	2,20,000	60,000	Investment Fluctuation Reserve	1,60,000	
Debtors	2,00,000	20,000	Provision for Doubtful Debts	10,000	5,76,000
Leasehold	6,06,000		By Cash A/c (Amount paid by company)		13,00,000
To Cash A/c (Trade creditors)			By Cash A/c (Investments)		2,26,000
To Cash A/c (Expenses)			By Cash A/c (X's bill 50 % realised)		10,000
To Cash A/c (X's bill dishonoured)					
To Profit Transferred to					
A's Capital A/c	1,18,400				
S's Capital A/c	1,18,400				
Z's Capital A/c	59,200	2,96,000			
		21,12,000			21,12,000

Partners' Capital Account

Particulars	A(₹)	S(₹)	Z(₹)	Particulars	A(₹)	S(₹)	Z(₹)
To Cash A/c	4,98,400	4,98,400	1,59,200	By Balance b/d	3,00,000	3,00,000	60,000

(Final payment)				By Reserve Fund A/c By Realisation A/c (Profit)	80,000 1,18,400	80,000 1,18,400	40,000 59,200
	4,98,400	4,98,400	1,59,200		4,98,400	4,98,400	1,59,200

Cash Account

Particulars	Amt (₹)	Particulars	Amt (₹)
To Balance b/d To Realisation A/c (Sundry assets) To Realisation A/c (Investments) To Realisation A/c (X's bill realised)	90,000 13,00,000 2,26,000 10,000	By Realisation A/c (Trade creditors) By Realisation A/c (Realisation expenses) By Realisation A/c (Xs bill dishonoured) By A's Capital A/c By S's Capital A/c By Z's Capital A/c	3,90,000 60,000 20,000 4,98,400 4,98,400 1,59,200
	16,26,000		16,26,000

Note:

- Realisation account should be debited with ₹ 20,000 (i.e. the total amount of bills dishonoured) and credited with ₹ 10,000 (i.e. the amount received from Mr X).
- Net entry of ₹ 10,000 (i.e. ₹ 20,000 – ₹ 10,000) should not be made, because ₹ 20,000 is payable to bank and ₹ 10,000 is received from Mr X. Also, the transaction pertains to two different entities. So, net entry is not possible.

Sol. 24

JOURNAL

Date	Particulars	LF	Amt (Dr)	Amt (Cr)
2015 Apr 1	Realisation A/c Dr To Building A/c To Furniture A/c To Debtors A/c To Stock A/c		5,70,000	 2,40,000 1,75,000 80,000 75,000

	(Being assets transferred to realisation account)			
	Creditors A/c Dr To Realisation A/c (Being creditors transferred to realization account)		1,17,000	 1,17,000
	Cash A/c Dr To Realisation A/c (Being cash realised from sundry assets)		3,11,750	 3,11,750
	Realisation A/c Dr To B's Capital A/c (Being realisation expenses borne by B)		500	 500
	B's Capital A/c Dr To Cash A/c (Being realisation expenses paid)		1,000	 1,000
	A's Capital A/c Dr B's Capital A/c Dr To Realisation A/c (Being realisation lass transferred to partners' capital accounts)		85,050 56,700	 1,41,750
	A's Capital A/c Dr B's Capital A/c Dr To Cash A/c (Being final payment made to partners		2,14,950 1,42,800	 3,57,750

Working Note

1.

Realisation Account

Particulars	Amt(₹)	Particulars	Amt(₹)
To Sundry Assets A/c Building 2,40,000		By Sundry Creditors A/c By Cash A/c	1,17,000

Furniture 1,75,000 Debtors 80,000 Stock 75,000	5,70,000	Furniture 1,66,250 Debtors 75,000 Stock 70,500	3,11,750
To B's Capital A/c (Expenses)	500	By Loss Transferred to A's Capital A/c 85,050 B's Capital A/c 56,700	1,41,753
	5,70,500		5,70,500

2.

Partners' Capital Account

Particulars	A(₹)	B(₹)	Particulars	A(₹)	B(₹)
To Realisation A/c (Loss)	85,050	56,700	By Balance b/d	3,00,000	2,00,000
To Cash A/c (Expenses)	-	1,000	By Realisation A/c (Expenses)	-	500
To Cash A/c (Balancing figure)	2,14,960	1,42,800			
	3,00,000	2,00,500		3,00,000	2,00,500

Sol. 25

Realisation Account

Particulars	Amt(₹)	Particulars	Amt (₹)
To Sundry Assets A/c (WN)	60, 000	By Sundry Liabilities A/c	
To Bank A/c (Trade creditors)	14,250	Trade Creditors 15,000	
To Bank A/c (Loan from Mrs Y)	4,750	Loan from Mrs Y 5,000	20,000
To Bank A/c (Expenses)	500	By Bank A/c (Sundry assets realized)	55,000
		By Loss on Realisation Transferred to	
		Y's Capital A/c 3,375	
		Z's Capital A/c 1,125	4,500
	79,500		79,500

Partners' Capital Account

Particulars	Y(₹)	Z(₹)	Particulars	Y(₹)	Z(₹)
To Balance b/d	-	5,000	By Balance b/d	50,000	-
To Profit and Loss A/c (Loss)	3,000	1,000	By Bank A/c (Cash brought in)	-	7,125
To Realisation A/c (Loss)	3,375	1,125			
To Bank A/c (Final payment)	43,625	-			
	50,000	7,125		50,000	7,125

Bank Account

Particulars	Amt (₹)	Particulars	Amt (₹)
To Balance b/d	1,000	By Realisation A/c (Trade creditors)	14,250
To Realisation A/c (Assets realised)	55,000	By Realisation A/c (Loan from Mrs Y)	4,750
To Z's Capital A/c (Cash brought in)	7,125	By Realisation A/c (Expenses)	500
		By Y's Capital A/c (Final payment)	43,625
	63,125		63,125

Working Note

Calculation of Sundry Assets (Except cash at bank)

Memorandum Balance Sheet

as at 31st March, 2015

Liabilities	Amt(₹)	Assets	Amt(₹)
Trade Creditors	15,000	Cash at Bank	1,000
Loan from Mrs Y	5,000	Z's Capital	5,000
Y's Capital	50,000	Profit and Loss A/c	4,000
		Other Sundry Assets (Balancing figure)	60,000
	70,000		70,000

Sol. 26

JOURNAL

Date	Particulars	LF	Amt (Dr)	Amt (Cr)
2015	Realisation A/c Dr		9,22,000	
Apr 1	To Land and Building A/c			4,00,000
	To Machinery A/c			3,00,000
	To Debtors A/c			2,22,000
	(Being assets transferred to realisation account)			
	Creditors A/c Dr		1,79,000	
	Employees Provident Fund A/c Dr		21,000	
	To Realisation A/c			2,00,000
	(Being liabilities transferred to realisation account)			
	Bank A/c Dr		9,61,000	
	To Realisation A/c			9,61,000
	(Being cash realised from assets)			
	Realisation A/c Dr		1,96,000	
	To Bank A/c			1,96,000
	(Being liabilities paid)			
	Realisation A/c Dr		43,000	
	To Achal's Capital A/c			16,125
	To Vichal's Capital A/c			26,875
	(Being realisation profit transferred to partners' capital accounts)			
	Achal's Capital A/c (WN 2) Dr		3,16,125	
	Vichal's Capital A/c (WN 2) Dr		5,26,875	
	To Bank A/c			8,43,000
	(Being final payment made to partners)			

Working Note

1.

Realisation Account

Particulars		Amt (₹)	Particulars		Amt (₹)
To Sundry Assets A/c			By Sundry Liabilities A/c		
Land and Building	4,00,000		Creditors	1,79,000	2,00,000
Machinery	3,00,000		Employees Provident Fund	21,000	
Debtors	2,22,000	9,22,000	By Bank A/c		
To Bank A/c			Land and Building	4,30,000	
Creditors	1,75,000		Debtors (With interest)	2,25,000	
Employees Provident Fund	21,000	1,96,000	Bad Debts Recovered	1,000	
To Profit Transferred to			Investment	25,000	
Achal's Capital A/c	16,125		Machinery	2,80,000	9,61,000
Vichal's Capital A/c	26,875	43,000			
		11,61,000			11,61,000

2.

Partners' Capital Account

Particulars	Achal (₹)	Vichal (₹)	Particulars	Achal (₹)	Vichal (₹)
To Bank A/c (Final payment)	3,16,125	5,26,875	By Balance b/d	3,00,000	5,00,000
			By Realisation A/c (Profit)	16,125	26,875
	3,16,125	5,26,875		3,16,125	5,26,875

Sol. 27

Realisation Account

Particulars		Amt (₹)	Particulars		Amt (₹)
To Sundry Assets A/c			By Sundry Liabilities A/c		
Other Sundry Assets	1,17,000		Loan	11,500	

Furniture	11,000		Creditors	16,000	
Debtors	1,24,200		Provision for Doubtful Debts	1,200	28,700
Stock	17,800	2,70,000	By X's Capital A/c		
To X's Capital A/c			Furniture	8,000	
Creditors		16,000	Debtors	1,17,200	1,25,200
To Z's Capital A/c			By Y's Capital A/c		
Loan	11,500		Stock	17,000	
Interest an Loan	2,300	13,800	Sundry Assets	72,000	89,000
To Cash A/c (Expenses)		2,700	By Z's Capital Ac (WN 1)		
			Sundry Assets (Remaining)		29,600
			By Cash A/c (Debtors) (WN 2)		2,100
			By Loss Transferred to		
			X’s Capital A/c	11,160	
			Y's Capital A/c	11,160	
			Z's Capital A/c	5,580	27,900
		3,02,500			3,02,500

Partners' Capital Account

Particulars	X(₹)	Y(₹)	Z(₹)	Particular	X(₹)	Y(₹)	Z(₹)
To Realisation A/c	1,25,200	89,000	29,600	By Balance b/d	1,27,500	1,10,000	17,000
To Realisation A/c (Loss)	11,160	11,160	5,580	By Realisation A/c	16,000	-	13,800
				By Cash A/c (Cash brought in)	-	-	4,380
To Cash A/c (Final payment)	7,140	9,840	-				
	1,43,500	1,10,000	35,180		1,43,500	1,10,000	35,180

Cash Account

Particulars	Amt (₹)	Particulars	Amt(₹)
To Balance b/d	13,200	By Realisation A/c	2,700 7,140

To Realisation A/c	2,100	By X's Capital A/c	9,840
To Z's Capital A/c	4,380	By Y's Capital A/c	
	19,680		19,680

Working Note

1. Book value of the sundry assets taken over by Y = 72,000 × 100/90 = ₹ 80,000
   Remaining sundry assets = 1,17,000 – 80,000 = ₹ 37,000
   Sundry assets taken over by Z = 37,000 × 80/100 = ₹ 29,600
2. Book value of the debtors taken over by X = ₹ 1,20,000
   Remaining debtors = 1,24,200 - 1,20,000 = ₹ 4,200
   Debtors collected by agency = 4,200 × 50/100 = ₹ 2,100

Sol. 28

Realisation Account

Particulars	Amt (₹)	Particulars	Amt (₹)
To Sundry Assets A/c		By Sundry Liabilities A/c	
Investments 3,40,000		Sundry Creditors 1,20,000	
Debtors 4,84,000		Loan from Mrs Q 30,000	
Stock 1,56,000		Provision for Doubtful Debts 24,000	1,74,000
Fixed Assets 20,000	10,00,000	By P's Capital A/c	
To P's Capital A/c (Creditors)	1,20,000	Fixed Assets 16,000	
To R's Capital A/c (Loan + Interest)	30,600	Debtors 3,44,000	3,60,000
To P's Capital A/c (Remuneration)	5,400	By Q's Capital A/c	
		Stock 1,40,000	
		Investments 1,44,000	2,84,000
		By R's Capital A/c (Investments)	1,60,000
		By Bank A/c (Debtors)	42,000
		By Loss on Realisation Transferred to	
		P's Capital A/c 81,600	
		Q's Capital A/c 27,200	
		R's Capital A/c 27,200	1,36,000

	11,56,000		11,56,000

Partners' Capital Account

Particulars	P(₹)	Q(₹)	R(₹)	Particulars	P(₹)	Q(₹)	R(₹)
To Realsation A/c	3,60,000	2,84,000	1,60,000	By Balance b/d	4,90,000	1,80,000	1,20,000
To Realisation A/c	81,600	27,200	27,200	By Realisation A/c	1,20,000	-	30,600
To Advertisement Suspense A/c	60,000	20,000	20,000	By Realisation A/c	5,400	-	-
To Bank A/c (Final payment)	2,33,800	-	-	By General Reserve A/c	1,20,000	40,000	40,000
				By Bank A/c (Cash brought in)	-	1,11,200	16,600
	7,35,400	3,31,200	2,07,200		7,35,400	3,31,200	2,07,200

Bank Account

Particulars	Amt(₹)	Particulars	Amt(₹)
To Balance b/d	64,000	By P's Capital A/c	2,33,800
To Realisation A/c	42,000		
To Q's Capital A/c	1,11,200		
To R's Capital A/c	16,600		
	2,33,800		2,33,800

Working Note

1. Book value of investment taken over by Q = 1,44,000 × 100/90 = ₹ 1,60,000
2. Remaining investment = 3,40,000 - 1,60,000 = ₹ 1,80,000
3. Book value of investment taken over by R = 90% of 1,80,000 = ₹ 1,62,000
4. Agreed value of investment taken over by R = 1,62,000 - 2,000 = ₹ 1,60,000

Sol. 29

Realisation Account

Particulars		Amt(₹)	Particulars		Amt (₹)
To Sundry Assets A/c			By Sundry Liabilities A/c		
Debtors	75,000		Creditors	50,000	
Stock	40,000		Bank Loan	35,000	
Investments	20,000		Employees' Provident Fund	15,000	
Plant	50,000	1,85,000	Investment Fluctuation Fund	10,000	1,10,000
To Cash A/c			By Commission Received in Advance		8,000
Creditors	50,000		By Cash A/c		
Bank Loan	35,000		Debtors	60,000	
Provident Fund	20,000		Stock	35,500	
Commission Received in Advance	5,000		Investments	16,000	
Outstanding Salaries	8,500		Plant	45,000	1,56,500
Compensation	17,000	1,35,500	By Realisation Loss Transferred to		
To Anju's Capital A/c (Commission)		7,825	Anju's Capital A/c	21,530	
			Manju's Capital A/c	21,530	
			Sanju's Capital A/c	10,765	53,825
		3,28,325			3,28,325

Partners' Capital Account

Particulars	Anju(₹)	Manju(₹)	Sanju(₹)	Particulars	Anju(₹)	Manju(₹)	Sanju(₹)
To Profit and Loss A/c	1,200	1,200	600	By Balance b/d	50,000	50,000	30,000
To Realisation A/c	21,530	21,530	10,765	By Realisation A/c	7,825	-	-
To Cash A/c	7,500	-	-				
To Cash A/c (Final payment)	27,270	27,595	18,635				
	57,825	50,000	30,000		57,825	50,000	30,000

Cash Account

Particulars	Amt	Particulars	Amt
To Balance b/d	60,000	By Realisation A/c	1,35,500
To Realisation A/c	1,56,500	By Anju's Capital A/c (Realisation expenses)	7,500
		By Anju's Capital A/c	27,595
		By Manju's Capital A/c	27,270
		By Sanju's Capital A/c	18,635
	2,16,500		2,16,500

Sol. 30

Realisation Account

Particulars		Amt(₹)	Particulars		Amt (₹)
To Sundry Assets A/c			By Provision for Doubtful Debts A/c		1,000
Machinery	10,000		By Sundry Creditors A/c		15,000
Stock	21,000		By Sheela 's Loan A/c		13,000
Debtors	20,000		By Repairs and Renewals Reserve A/c		1,200
Prepaid Insurance	400		By Cash A /c (Assets sold)		
Investments	3,000	54,400	Machinery	8,000	
To Mala's Capital A/c (Sheela's loan)		13,000	Stock	14,000	
To Cash A/c (Creditors paid)		15,000	Debtors	16,000	38,000
To Cash A/c (Dishonoured bill paid)		5,000	By Mala's Capital A/c (Investments)		2,000
To Cash A/c (Expenses)		800	By Loss Transferred to		
			Mala's Capital A/c	9,000	
			Neela's Capital A/c	6,000	
			Kala's Capital A/c	3,000	18,000
		88,200			88,200

Partners' Capital Account

Particulars	Mala(₹)	Neela(₹)	Kala(₹)	Particulars	Mala(₹)	Neela(₹)	Kala(₹)
To Realisation A/c (Investments)	2,000	-	-	By Balance b/d	10,000	15,000	2,000
To Realisation A/c (Loss)	9,000	6,000	3,000	By Realisation A/c (Sheela's loan)	13,000	-	-
To Cash A/c	12,000	9,000	-	By Cash A/c	-	-	1,000
	23,000	15,000	3,000		23,000	15,000	3,000

Cash Account

Particulars	Amt	Particulars	Amt
To Balance b/d	2,800	By Realisation A/c (Creditors paid)	15,000
To Realisation A/c (Sale of assets)	38,000	By Dishonoured Bill A/c	5,000
To Kala's Capital A/c	1,000	By Expenses Paid A/c	800
		By Mala's Capital A/c	12,000
		By Neela's Capital A/c	9,000
	41,800		41,800

Partners' Capital Account

Date	Particulars	P(₹)	Q(₹)	R(₹)	Date	Particulars	P(₹)	Q(₹)	R(₹)
2018					2016				
Mar 31	To Bank A/c (Drawings)	50,000	50,000	50,000	Apr 1	By Bank A/c	5,00,000	4,00,000	3,00,000
	To Balance c/d	5,31,000	4,12,000	3,07,000	2017	By Interest on Capital A/c	25,000	20,000	15,000
					Mar 31	By Profit and Loss A/c (Net profit) (₹ 2,00,000 -₹ 60,000)	56,000	42,000	42,000

		5,81,000	4,62,000	3,57,000			5,81,000	4,62,000	3,57,000
2018 Mar 31	To Bank A/c (Drawings) To Balance c/d	50,000 5,82,550	50,000 4,38,850	50,000 3,28,600	2017 Apr 1 2018 Mar 31	By Balance b/d By Interest on Capital A/c By Profit and Loss A/c (Net profit) (₹ 2,50,000 – ₹ 62,500)	5,31,000 26,550 75,000	4,12,000 20,600 56,250	3,07,000 15,350 56,250
		6,32,550	4,88,850	3,78,600			6,32,550	4,88,850	3,78,600

Net profit = Total profit – Interest on capital

Balance Sheet

as at 31st March, 2018

Liabilities		Amt (₹)	Assets	Amt (₹)
Creditors		1,20,000	Sundry Assets	14,70,000
Capital A/cs			(Balancing figure)	
P	5,82,550			
Q	4,38,850			
R	3,28,600	13,50,000		
		14,70,000		14,70,000

Realisation Account

Particulars	Amt (₹)	Particulars	Amt (₹)
To Sundry Assets A/c	14,70,000	By Creditors A/c	1,20,000
To Bank A/c (Creditors paid)	1,20,000	By Bank A/c (Sundry assets realised)	13,00,000

		By Loss Transferred to P's Capital A/c 68,000 Q's Capital A/c 51,000 R's Capital A/c 51,000	1,70,000
	15,90,000		15,90,000

Partners' Capital Account (After realisation)

Particulars	P(₹)	Q (₹)	R(₹)	Particulars	P(₹)	Q(₹)	R(₹)
To Realisation A/c (Loss)	68,000	51,000	51,000	By Balance b/d	5,82,550	4,38,850	3,28,600
To Bank A/c (Balancing figure)	5,14,550	3,87,850	2,77,600				
	5,82,550	4,38,850	3,28,600		5,82,550	4,38,850	3,28,600

Bank Account

Particulars	Amt (₹)	Particulars	Amt(₹)
To Realisation A/c (Sundry assets realised)	13,00,000	By Realisation A/c (Creditors paid)	1,20,000
		By P's Capital A/c	5,14,550
		By Q's Gapital A/c	3,87,850
		By R's Capital A/c	2,77,600
	13,00,000		13,00,000