

Class-12

Accountancy

Change in profit sharing ratio

Among the partners

Ts Grewal solution

Edition 2024

Practical Question

Sacrificing and Gaining Share:-

Q1. Om and Shyam are sharing profits and losses equally. With effect from 1st April, 2024, they agree to share profits in the ratio of 4:3. Calculate individual partners gain or sacrifice due to the change in ratio.

Solution –

Old Ratio (Om and Shyam) = 1:1

New Ratio (Om and Shyam) = 4:3

Sacrificing (or Gaining) Ratio = Old Ratio – New Ratio

Om's Share = $\frac{1}{2} - \frac{4}{7} = \frac{7-8}{14} = -\frac{1}{14}$ (Gain)

Shyam's Share = $\frac{1}{2} - \frac{3}{7} = \frac{7-6}{14} = \frac{1}{14}$ (Sacrifice)

Om's Gain = $\frac{1}{14}$

Shyam Sacrifice = $\frac{1}{14}$

Q2. Ahilya, Laxmi and Parvati are sharing profits and losses in the ratio of 5:3:2. With effect from 1st April, 2024, they decide to share profits and losses in the ratio of 5:2:3. Calculate each partners gain or sacrifice due to the change in ratio.

Solution –

Old Ratio (Ahilya, Laxmi and Parvati) = 5:3:2

New Ratio (Ahilya, Laxmi and Parvati) = 5:2:3

Sacrificing (or Gaining) Ratio = Old Ratio – New Ratio

Ahilya's Share = $\frac{5}{10} - \frac{5}{10} = \text{nil}$

Laxmi's Share = $\frac{3}{10} - \frac{2}{10} = \frac{1}{10}$ (Sacrifice)

Parvati's Share = $\frac{2}{10} - \frac{3}{10} = -\frac{1}{10}$ (Gain)

Parvati's Gain = $\frac{1}{10}$

Laxmi's Sacrifice = $\frac{1}{10}$

Q3. X, Y and Z are sharing profits and losses in the ratio of 5:3:2. With effect from 1st April, 2024, they decide to share profits and losses equally. Calculate each partners gain or sacrifice due to the change in ratio.

Solution –

Old Ratio (X, Y and Z) = 5:3:2

New Ratio (X, Y and Z) = 1:1:1

Sacrificing (or Gaining) Ratio = Old Ratio – New Ratio

X's Share = $\frac{5}{10} - \frac{1}{3} = \frac{15-10}{30} = \frac{5}{30}$ (Sacrifice)

Y's Share = $\frac{3}{10} - \frac{1}{3} = \frac{9-10}{30} = -\frac{1}{30}$ (Gain)

Z's Share = $\frac{2}{10} - \frac{1}{3} = \frac{6-10}{30} = -\frac{4}{30}$ (Gain)

X's Sacrifice = $\frac{5}{30}$

Y's Gain = $\frac{4}{30}$

Z's Gain = $\frac{4}{30}$

Q4. A, B and C partners sharing profits and losses in the ratio of 5:4:1. Calculate new profit-sharing ratio, sacrificing ratio and gaining ratio in each of the following cases:

Case 1: As per new agreement, C acquires $\frac{1}{5}$ th share from A.

Case 2: as per new agreement, C acquires $\frac{1}{5}$ th share equally from a and B.

Case 3: As per new agreement, A, B and C will share future profits and losses equally.

Case 4: as per new agreement, C acquires $\frac{1}{10}$ th share of a and $\frac{1}{2}$ share of B.

Solution –

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

C acquires $1/5^{\text{th}}$ from A

A's Sacrifice = $1/5$

C's Gain = $1/5$

A = $5/10 - 1/5 = 5-2/10 = 3/10$

B = $4/10$

C = $1/10 + 1/5 = 1+2/10 = 3/10$

A: B: C = 3:4:3

Case 2: A: B: C = 5:4:1 (Old Ratio)

C acquires $1/5^{\text{th}}$ share equally from A and B
= $1/5 \times \frac{1}{2} = 1/10$

A's Sacrifice = $1/10$ B's Sacrifice = $1/10$

C's Gain = $1/5$

A = $5/10 - 1/10 = 5-1/10 = 4/10$

B = $4/10 - 1/10 = 4-1/10 = 3/10$

C = $1/10 + 1/5 = 1+2/10 = 3/10$

A: B: C = 4:3:3

Case 3: A: B: C = 5:4:1 (Old Ratio)

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

A = $5/10 - 1/3 = 15-10/30 = 5/30$ (Sacrifice)

B = $4/10 - 1/3 = 12-10/30 = 2/30$ (Sacrifice)

C = $1/10 - 1/3 = 3-10/30 = -7/30$ (Gain)

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

A's Sacrifice to C = $5/10 \times 1/10 = 1/20$

B's Sacrifice to C = $4/10 \times \frac{1}{2} = 4/20$

C's share gain = $1/20 + 4/20 = 5/20$

A = $5/10 - 1/20 = 10 - 1/20 = 9/20$

B = $4/10 - 4/20 = 8-4/20 = 4/20$

C = $1/10 + 5/20 = 2+5/20 = 7/20$

A: B: C = 9:4:7

Calculation of old profit sharing ratio on the basis of sacrificing and gaining ratio

Q 5

Pranav, Karan and Rahim are partners sharing profits and losses in agreed ratio. With effect from 1st April, 2024, they agreed to share profit in the ratio of 3: 3: 4. To arrive at the new ratio, Rahim takes $\frac{1}{5}$ th share equally from Pranav and Karan. Calculate the old profit-sharing ratio.

Ans.

New profit sharing ratio is 3:3:4

Rahim takes $\frac{1}{5}$ th share equally from Pranav and Karan

Rahim took from Pranav $\frac{1}{5} \times \frac{1}{2} = \frac{1}{10}$

Rahim took from Karan $\frac{1}{5} \times \frac{1}{2} = \frac{1}{10}$

Pranav old profit share $\frac{3}{10} + \frac{1}{10} = \frac{3+1}{10} = \frac{4}{10}$

Karan old profit share $\frac{3}{10} + \frac{1}{10} = \frac{3+1}{10} = \frac{4}{10}$

Rahim old profit share $= \frac{4}{10} - \frac{1}{5} = \frac{4-2}{10} = \frac{2}{10}$

The old profit sharing ratio

4:2:2

Accounting of Goodwill:-

Q6. Asha, Nisha and Disha shared profits and losses in the ratio of 3:2:1 respectively. With effect from 1st April, 2024, they agreed to share profits equally. The goodwill of the firm was valued at 18,000.

Pass necessary Journal entries to record the above change.

Solution – Accounting of Goodwill

Calculation of Gain/sacrifice made by the partners:

Particulars	Asha	Nisha	Disha
Old Ratio	3/6	2/6	1/6
New Ratio	1/3	1/3	1/3
Gain/Sacrifice	1/6 (Sacrifice) (3-2)/6	Nil (2-2)/6	-1/6 (Gain) (1-2)/6

Journal

Date	Particulars	L.F.	Dr	Cr
2019 April 1	Disha's Capital A/cDr To Asha's Capital A/c (Being Adjustment for goodwill)		3,000	3,000

Working Note:

Amount of Compensation Payable (Adjustment of Capital)

= Value of Firm's Goodwill x gained profit share

= 18,000 x 1/6 = 3,000

Q7. X, Y and Z are partners sharing profits and losses in the ratio of 5:3:2. From 1st April, 2024, they decided to share profits and losses equally. The Partnership Deed provides that in the event of any change in the profit-sharing ratio, goodwill is to be valued at two years purchase of the average profit of the preceding five years. The profits and losses of the preceding years ended 31st March, are:

Years	2020	2021	2022	2023	2024
Profits	70,000	75,000	55,000	35,000	10,000 (Loss)

Calculate the value of goodwill and pass Journal entry:

Solution –

Journal

Date	Particulars	L.F.	Dr	Cr
April 1	Y's Capital A/cDr Z's Capital A/cDr To X's Capital A/c (Being Amount of goodwill adjusted on change in profit sharing ratio)		3,000 12,000	15,000

Working Note 1:

Calculation of Sacrificing (or Gaining) Ratio

Old Ratio (X, Y and Z) = 5:3:2

New Ratio (X, Y and Z) = 1:1:1

Sacrificing (or Gaining) Ratio = Old Ratio – New Ratio

X's Share = $5/10 - 1/3 = 15/30 - 10/30 = 5/30$ (Sacrifice)

Y's Share = $3/10 - 1/3 = 9/30 - 10/30 = -1/30$ (Gain)

Z's Share = $2/10 - 1/3 = 6/30 - 10/30 = -4/30$ (Gain)

Working Note 2:

Calculation of Goodwill

Goodwill = Average x Purchase Years

Average Profit = $\frac{70,000 + 75,000 + 55,000 + 35,000 - 10,000}{5}$

$= \frac{2, 25,000}{5}$

$= 45,000$

Goodwill = $45,000 \times 2 = 90,000$

Working Note 3:

Adjustment of Goodwill

Amount to be Credited to X's Capital = $90,000 \times \frac{5}{30} = 15,000$ (Sacrifice)

Amount to be Debited to Y's Capital = $90,000 \times \frac{1}{30} = 3,000$ (Gain)

Amount to Be Debit to Z's Capital = $90,000 \times \frac{4}{30} = 12,000$ (Gain)

Q-8 Ram Laxman and Bharat who were sharing profits and losses in the ratio of 5: 3: 2, decide to shares and losses equally with effect from 1st April, 2024. Goodwill of the firm is valued at 450,000mGoodwill is appearing in the books is at 75,000.

Pass necessary Journal entries to record the above change.

answer

	Ram capital a/c Dr.	37500	
	Laxman capital a/c Dr.	22500	
	Bharat capital a/c Dr.	15000	
	To goodwill a/c		75000
	(being old goodwill written off in 5:3:2)		
	 Laxman capital a/c Dr.	15000	
	Bharat capital a/c Dr.	60,000	
	To ram capital a/c		75000
	(being the goodwill of the firm adjusted)		

Working note

Calculation of gaining and sacrificing ratio

Old ratio=5:3:2

New ratio= 1:1:1

Ram= $\frac{5}{10}-\frac{1}{3}=\frac{15-10}{30}=\frac{5}{30}$ (sacrifice)

Laxman= $\frac{3}{10}-\frac{1}{3}=\frac{9-10}{30}=-\frac{1}{30}$ (gain)

Bharat= $\frac{2}{10}-\frac{1}{3}=\frac{6-10}{30}=-\frac{4}{30}$ (gain)

Goodwill share

Ram = $450,000 \times \frac{5}{30}=75000$

Laxman = $450,000 \times 1/30 = 15,000$

Bharat = $450,000 \times 4/30 = 60,000$

Q9. A & B are partners in a firm sharing profits in the ratio of 2:1. They decided that with effect from 1st April, 2023, they would share profits in the ratio of 3:2. But, this decision was taken after the profit for the year ended 31st March, 2024 of 90,000 was distributed in the old profit-sharing ratio.

Firm's goodwill was valued on the basis of aggregate of two years profits preceding the date decision became effective.

Profits for the years ended 31st March, 2022 and 2023 were 60,000 and 75,000 respectively. Capital Accounts of the partners as at 31st March, 2024 stood at 1, 50,000 for A and 90,000 for B.

Pass necessary Journal entries and prepare Partners Capital Accounts.

Solution –

Journal

Date	Particulars	L.F.	Dr	Cr
2018 April 1	A's Capital A/cDr To B's Capital A/c (Being Adjustment of profit for 2018-19 on change in profit sharing ratio)		6,000	6,000
April 1	B's Capital A/c ...Dr To A's Capital A/c (Being Adjustment of goodwill made on change)		9,000	9,000

Dr			Partners Capital Accounts			Cr	
Particulars	A	B	Particulars	A	B		
B's Capital A/c (Adjustment of Profit)	6,000		Balance b/d	1,50,000	90,000		
A's Capital A/c (Adjustment of Goodwill)		9,000	A's Capital A/c (Adjustment Profit)		6,000		
Balance c/d	1,53,000	87,000	B's Capital A/c (Adjustment of Goodwill)	9,000			
	1,59,000	96,000		1,59,000	96,000		

Working Note 1:

Calculation of Sacrificing (or Gaining) Ratio

Old Ratio (A and B) = 2:1

New Ratio (A and B) = 3:2

Sacrificing (or Gaining) Ratio = Old Ratio – New Ratio

$$\text{A's Share} = 2/3 - 3/5 = 10/15 - 9/15 = 1/15 \text{ (Sacrifice)}$$

$$\text{B's Share} = 2/3 - 3/5 = 10/15 - 6/15 = 4/15 \text{ (Gain)}$$

Working Note 2:

Adjustment of Profit for 2021-22

Profit to be debited to A's Capital = $90,000 \times 1/15 = 6,000$

Profit to be credited to B's capital = $90,000 \times 1/15 = 6,000$

Working Note 3:

Calculation of New Goodwill

Goodwill = Profit of 2020-21 = Profit of 2021-22

$$= 60,000 + 75,000$$

$$= 1,35,000$$

Working Note 4:

Adjustment of Goodwill

Goodwill to be debited to A's Capital = $1,35,000 \times 1/15 = 9,000$ (Sacrifice)

Goodwill to be credited to B's Capital = $1,35,000 \times 1/15 = 9,000$ (Gain)

Calculation of new profit sharing ratio

Q-10

Nidhi ,vridhi and kavya are partners sharing profit and loss in the ratio of 2:1:1 from 1 st April 2024,they decide to change the profit sharing ratio. they pass following adjustment entry for goodwill in the books.

Date	particulars	Dr.	Cr.
	Nidhi's current a/c Dr. (200,000x 3/25)	24000	
	Kavya's current a/c Dr. (200,000x 2/25)	16000	
	To vridhi current a/c (200,000 x5/25) (Goodwill adjusted in change in profit sharing ratio)		40,000

What will be the new profit sharing ratio of partners assuming capital of partners are fixed

Ans-

Old ratio=2:2:1

Sacrificing (or Gaining) Ratio = Old Ratio – New Ratio

New ratio =old ratio-sacrificing ratio+ gaining partner

Nidhi share (gaining partner) = $2/5 + 3/25 = 13/25$

Vridhi share (sacrificing partner) = $2/5 - 5/25 = 5/25$

Kavya share (gaining partner) = $1/5 + 2/25 = 7/25$

Vridhi is sacrificing partner and nidhi and kavya is gaining partner

Accounting of Reserve, Accumulated Profit and Losses:-

Q11. Nitya and Anand are partners in a firm sharing profit and losses equally. With effect from 1st April, 2024, they decided to share future profits in the ratio of 3:2. On the date of change in the profit-sharing ratio, the Profit & Loss Account had a credit balance of 1, 50,000. Pass the necessary Journal entry for the distribution of the balance in the Profit & Loss Account before the change in the profit-sharing ratio.

Solution –

Nitya's Share in Profit = $1, 50,000 \times \frac{1}{2} = 75000$

Anand's Share in Profits = $1, 50,000 \times \frac{1}{2} = 75000$

Journal Entries

Date	Particulars	L.F	Dr	Cr
	Profit & Loss A/cDr To Nitya's Capital A/c To Anand's Capital A/c (Being Profit distributed partners in Ratio (1:1))		1,50,000	75000 75000

Q12. Om and Shiv are partners in a firm sharing profits in the ratio of 4:1. They decided to share future profits in the ratio of 3:2. 1st April, 2024. On that day, Profit & Loss Account showed a debit balance of 1, 00,000. Pass Journal entry to give effect to the above.

Solution –

Om's Share in Loss = $1, 00,000 \times \frac{4}{5} = 80,000$

Shiv's Share in Loss = $1, 00,000 \times \frac{1}{5} = 20,000$

Journal Entries

Date	Particulars	L.F	Dr	Cr
	Om's Capital A/cDr		80,000	
	Shiv's Capital A/cDr		20,000	
	To Profit & Loss A/c			1,00,000
	(Being Loss distributed partners in Ratio (4:1))			

Q13. A, B and C who are presently sharing profits and Losses in the ratio of 5:3:2 decide to share future profits and losses in the ratio of 2:3:5. Give the Journal entry to distribute 'Workmen Compensation Reserve' of 1, 20,000 at the time of change in profit-sharing ratio, when:

- I. No other information is given
- II. There is no claim against it.

Solution – Case 1.

A's Share in Workmen Compensation Reserve = 1, 20,000 x 5/10 = 60,000

B's Share in Workmen Compensation Reserve = 1, 20,000 x 3/10 = 3, 60,000

C's Share in Workmen Compensation Reserve = 1, 20,000 x 2/10 = 2, 40,000

Journal Entries

Date	Particulars	L.F	Dr	Cr
	Workmen Compensation Reserve A/cDr		1,20,000	
	To A's Capital A/c			60,000
	To B's Capital A/c			36000
	To C's Capital A/c			24000
	(Being Profit & Loss distributed partners in Ratio (5:3:2))			

Case2.

A's Share in Workmen Compensation Reserve = 1, 20,000 x 5/10 = 60,000

B's Share in Workmen Compensation Reserve = 1, 20,000 x 3/10 = 36000

C's Share in Workmen Compensation Reserve = 1, 20,000 x 2/10 = 24000

Journal Entries

Date	Particulars	L.F	Dr	Cr
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	Workmen Compensation Reserve A/cDr		1,20,000	
	To A's Capital A/c			60,000
	To B's Capital A/c			36000
	To C's Capital A/c			24000
	(Being Profit & Loss distributed partners in Ratio (5:3:2))			

Q14. X, Y and Z who were sharing profits and losses in the ratio of 5:3:2 decided to share future profits in the ratio of 2:3:5. Give the Journal entry to distribute 'Workmen Compensation Reserve' of 1, 20,000 at the time of change in profit-sharing ratio, when there is a claim of 80,000 against it.

Solution –

Remaining Workmen Compensation Reserve after claim

$$= 1, 20,000 - 80,000 = 40,000$$

X's Share in Workmen Compensation Reserve = $40,000 \times 5/10 = 20,000$

Y's Share in Workmen Compensation Reserve = $40,000 \times 3/10 = 12,000$

Z's Share in Workmen Compensation Reserve = $40,000 \times 2/10 = 8,000$

Journal Entries

Date	Particulars	L.F	Dr	Cr
	Workmen Compensation Reserve A/cDr		1,20,000	
	To Workmen Compensation Claim			80,000
	To X's Capital A/c			20,000
	To Y's Capital A/c			12,000
	To Z's Capital A/c			8,000
	(Being Workmen Compensation Reserve distributed partners in Ratio (5:3:2))			

Q15. Ashok, Bhim and Chetan who were sharing profits in the ratio of 5:3:2, decided to share profits in the ratio of 2:3:5 with effect from 1st April, 2024. Workmen Compensation Reserve existed at 1, 20,000 in the Balance Sheet as at 31st March, 2024 and Workmen Compensation Claim of 1, 50,000 exists. Pass

Journal entries for the accounting treatment of Workmen Compensation Reserve.

Solution – Journal

Date	Particulars	L.F.	Dr	Cr
	Revaluation A/c ...Dr Workmen Compensation Reserve A/c Dr To Workmen Compensation Claim A/c (Being Adjustment made of Workmen Compensation Reserve)		30,000 1,20,000	1,50,000
	Ashok's Capital A/c ...Dr Bhim's Capital A/cDr Chetan's Capital A/cDr To Revaluation A/c (Being Revaluation Loss Distributed among partners (5:3:2))		15,000 9,000 6,000	30,000

Q16. A, B and C who are sharing profits and losses in the ratio of 5:3:2 decide to share future profits in the ratio of 2:3:5. Give the Journal entry to distribute 'Investments Fluctuation Reserve' of 20,000 at the time of change in profit-sharing ratio, when investment (market value 95,000) appears in the books at 1, 00,000.

Solution – Journal

Date	Particulars	L.F.	Dr	Cr
	Investment Fluctuation Reserve A/c ...Dr To Investment To A's Capital A/c To B's Capita A/c To C's Capital A/c (Being amount of Investment Fluctuation Reserve distributed among partners after adjustment & Investment 5:3:2)		20,000	5,000 7,500 4,500 3,000

Q17. Nitin, Tarun and Amar are partners sharing profits equally and decide to share profits in the ratio of 2:2:1. 1st April, 2024. The extract of their Balance Sheet as at 31st March, 2022 is as follows:

Liabilities		Amount	Assets		Amount
Investments	Fluctuation Reserve	60,000	Investments (At Cost)		4,00,000

Pass the Journal entries in each of the following situation:

- I. When its Market Value is not given.
- II. When its Market Value is 4,00,000
- III. When its Market Value is 4,24,000
- IV. When its Market Value is 3,70,000
- V. When its Market Value is 3,10,000

Solution – Case 1:

Journal

Date	Particulars	L.F.	Dr	Cr
	Investment Fluctuation Reserve A/c ...Dr To Nitin's Capital A/c To Tarun's Capital A/c To Amar's Capital A/c (Being Investment Fluctuation Reserve distributed among partners 1:1:1)		60,000	20,000 20,000 20,000

Case 2:

Journal

Date	Particulars	L.F.	Dr	Cr
	Investment Fluctuation Reserve A/c ...Dr To Nitin's Capital A/c To Tarun's Capital A/c To Amar's Capital A/c		60,000	20,000 20,000 20,000

	(Being Investment Fluctuation Reserve distributed among partners 1:1:1)			
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Case 3: Journal

Date	Particulars	L.F.	Dr	Cr
	Investment Fluctuation Reserve A/c ...Dr To Nitin's Capital A/c To Tarun's Capital A/c To Amar's Capital A/c (Being Investment Fluctuation Reserve distributed among partners 1:1:1)		60,000	20,000 20,000 20,000
	Investments A/cDr To Revaluation A/c (Being Increase in the value of assets transferred to Revaluation A/c)		24,000	24,000
	Revaluation A/cDr To Nitin's Capital A/c To Tarun's Capital A/c To Amar's Capital A/c (Being Revaluation profit distributed among partners)		24,000	8,000 8,000 8,000

Case 4: Journal

Date	Particulars	L.F.	Dr	Cr
	Investment Fluctuation Reserve A/c ...Dr To Investment A/c (Being Decrease in Investment adjusted through Investment Fluctuation Reserve)		30,000	30,000
	Investment Fluctuation Reserve A/c ...Dr To Nitin's Capital A/c To Tarun's Capital A/c To Amar's Capital A/c (Being Investment Fluctuation Reserve distributed among partners in old ratio)		30,000	10,000 10,000 10,000

Case 5: Journal

Date	Particulars	L.F.	Dr	Cr
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	Investment Fluctuation Reserve A/c ...Dr Revaluation A/c ...Dr To Investment A/c (Being Decrease in Investment adjusted)		60,000 30,000	90,000
	Nitin's Capital A/c ...Dr Tarun's Capital A/c ...Dr Amar's Capital A/c ...Dr To Revaluation A/c (Being loss distributed among partners in old ratio)		10,000 10,000 10,000	30,000

Q18. Bootstrap and Davy jones are partners sharing profits in the ratio of 2:1. On 31st March, 2024, their Balance Sheet showed General Reserve of 60,000. It was decided that in future they will share profits and losses in the ratio of 3:2. Pass necessary Journal entry in each of the following alternative cases:

- I. When General Reserve is not to be shown in the new Balance Sheet.
- II. When General Reserve is to be shown in the new Balance Sheet.

Solution – Journal

Date	Particulars	L.F.	Dr	Cr
	General Reserve A/c ...Dr To Amar Capital A/c To Akbar Capita A/c (Being General Reserve is transferred to partners capital A/c in old ratio)		60,000	40,000 20,000

Case 2:

Calculation of Sacrificing & Gaining ratio:

Old Ratio = 2:1

New Ratio = 3:2

Amar = $2/3 - 3/5 = 10-9/15 = 1/15$ (Sacrifice)

Akbar = $1/3 - 2/5 = 5-6/15 = -1/15$ (Gain)

Amar Sacrifices = $60,000 \times 1/15 = 4,000$

Akbar Gain = $60,000 \times 1/15 = 4,000$

Journal Entries

Date	Particulars	L.F.	Dr	Cr
	Akbar Capital A/c ...Dr To Amar's Capital A/c (Being sacrifice ratio among old ratio)		4,000	4,000

Q19. Mita, Gopal and Farhan were partners sharing profits and losses in the ratio 3:2:1. On 31st March, 2018 they decided to change the profit-sharing ratio to 5:3:2. On this date, the Balance Sheet showed Deferred Advertisement Expenditure 30,000 and Contingency Reserve 9,000. Goodwill was valued at 4, 80,000. Pass the necessary Journal entries for the above transactions in the books of the firm on its reconstitution.

Solution –

Calculation of Sacrificing & Gaining ratio:

Old Ratio = 3:2:1

New Ratio = 5:3:2

Mita = $3/6 - 5/10 = 15-15/30 = 0/30$ (Nil)

Gopal = $2/6 - 3/10 = 10-9/30 = 1/30$ (Sacrifice)

Farhan = $1/6 - 2/10 = 5-6/30 = -1/30$ (Gain)

Journal Entries

Date	Particulars	L.F.	Dr	Cr
	Mita's Capital A/c ...Dr Gopal's Capital A/c ...Dr Farhan's Capital A/cDr To Deferred Revenue Expenses A/c (Being Deferred Revenue Expenses distributed in old profit-sharing ratio)		15,000 10,000 5,000	30,000
	Contingency Reserve A/cDr To Mita's Capital A/c To Gopal's Capital A/c		9,000	4,500 3,000

	To Farhan's Capital A/c (Being Contingency reserve distributed in old profit sharing ratio)			1,500
	Farhan's Capital A/c To Gopal's Capital A/c (Being adjustment of goodwill in gaining & sacrificing ratio)Dr	16,000	16,000

Working Note:

Value of Goodwill = 4, 80,000 x 1/30 = 16,000

Q-20 X, Y and Z are sharing profits and losses in the ratio of 5:3:2. They decide to share future profits and losses in the ratio of 2:3:5 with effect from 1st April, 2024. They also decide to record the effect of the following accumulated profits, losses and reserve without affecting their book values by passing a single entry.

	Book Values
General Reserve	6,000
Profit & Loss A/c (Credit)	24,000
Advertisement Suspense A/c	12,000
Pass an Adjustment Entry.	

Solution –

Calculation of Sacrificing & Gaining ratio:

Old Ratio = 5:3:2

New Ratio = 2:3:5

X = $\frac{5}{10} - \frac{2}{10} = \frac{3}{10}$ (Sacrifice)

Y = $\frac{3}{10} - \frac{3}{10} = 0$ (Nil)

Z = $\frac{2}{10} - \frac{5}{10} = -\frac{3}{10}$ (Gain)

As Single adjusting entry has to be passed without affecting book value of Balance Sheet

General Reserve	6,000
Profit & Loss A/c	24,000
Less: Advertising Expenses	(12,000)
Total	18,000
X's Share = 18,000 x $\frac{3}{10}$ = 5,400	

$$Z's \text{ Share} = 18,000 \times 3/10 = 5,400$$

Journal Entries

Date	Particulars	L.F.	Dr	Cr
	Z's Capital A/c To Y's Capital A/c (Being reserve & profit adjusted without affecting book value)		5,400	5,400
	...Dr			

Q21. Bhavya and Sakshi are partners in a firm, sharing profits and losses in the ratio of 3:2. On 31st March, 2018, their Balance Sheet was as under:

Balance Sheet of Bhavya and Sakshi as at 31st March, 2018

Liabilities	Amount	Assets	Amount
Sundry Creditors	13,800	Furniture	16,000
General Reserve	23,400	Land & Building	56,000
Investment Fluctuation Fund	20,000	Investments	30,000
Bhavya's Capital	50,000	Trade Receivables	18,500
Sakshi's Capital	40,000	Cash in Hand	26,700
	1,47,200		1,47,200

The partners have decided to change their profit sharing ratio to 1:1 with immediate effect. For the purpose, they decided that:

- I. Investments to be valued at 20,000
- II. Goodwill of the firm be valued at 24,000
- III. General Reserve not to be distributed between the partners.

You are required to pass necessary Journal entries in the books of the firm. Show workings.

Solution –

Calculation of Sacrificing & Gaining ratio:

Old Ratio = 3:2

New Ratio = 1:1

Bhavya's = $3/5 - 1/2 = 6-5/10 = 1/10$ (Sacrifice)

Sakshi's = $2/5 - 1/2 = 4-5/10 = -1/10$ (Gain)

Journal Entries

Date	Particulars	L.F.	Dr	Cr
	Investment Fluctuation A/c ...Dr To Investments A/c To Bhavya's Capital A/c To Sakshi's Capital A/c (Being Investment Fluctuation adjusted distributed among partners)		20,000	10,000 6,000 4,000
	Sakshi's Capital A/cDr To Bhavya's Capital A/c (Being amount of Goodwill adjusted in gaining & Sacrificing ratio)		2,400	2,400
	Sakshi's Capital A/cDr To Bhavya's Capital A/c (Being general reserve adjusted in gaining & sacrificing ratio)		2,340	2,340

Working Note:

General Reserve = $23,400 \times \frac{1}{10} = 2,340$

Revaluation of Assets and Reassessment of Liabilities:-

Q22. Hari, Kunal and Uma are partners in a firm sharing profits and losses in the ratio of 5:3:2. From 1st April, 2018 they decided to share future profits and losses in the ratio of 2:5:3. Their Balance Sheet showed a balance of 75,000 in the Profit & Loss Account and a balance of 15,000 in Investment Fluctuation Fund. For this purpose, it was agreed that:

- I. Goodwill of the firm was valued at 3, 00,000.

- II. That investment (having a book value of 50,000) was valued at 35,000.
III. That stock having a book value of 50,000 is depreciated by 10%.

Pass the necessary Journal entries for the above in the books of the firm.

Solution – Journal Entries

Date	Particulars	L.F.	Dr	Cr
2019 Apr 1	Kunal Capital A/c ...Dr Uma Capital A/cDr To Hari's Capital A/c (Being Goodwill adjusted)		60,000 30,000	90,000
Apr 1	Investment Fluctuation Reserve A/cDr To Investment A/c (Being Decrease in the value of Investment adjusted in Investment Fluctuation Reserve)		15,000	15,000
Apr 1	Revaluation A/cDr To Stock A/c (Being stock Decrease value adjusted)		5,000	5,000
Apr 1	Hari's Capital A/cDr Kunal's Capital A/c ...Dr Uma's Capital A/cDr To Revaluation A/c (Being decrease value taken from partners)		2500 1500 1000	5000
Apr 1	P/L A/cDr To Hari's Capital A/c To Kunal's Capital A/c To Uma's Capital A/c (Being profit distributed among the partners)		75,000	37,500 22,500 15,000

Working Note 1:

Calculation of Sacrificing & Gaining ratio:

Old Ratio = 5:3:2

New Ratio = 2:5:3

Hari's = $\frac{5}{10} - \frac{2}{10} = \frac{3}{10}$ (Sacrifice)

Kunal's = $\frac{3}{10} - \frac{5}{10} = -\frac{2}{10}$ (Gain)

Uma's = $\frac{2}{10} - \frac{3}{10} = -\frac{1}{10}$ (Gain)

Working Note 2:

Goodwill of the firm 3, 00,000

Share of Hari = $3, 00,000 \times \frac{3}{10} = 90,000$

Share of Kunal = $3, 00,000 \times \frac{2}{10} = 60,000$

Share of Uma = $3, 00,000 \times \frac{1}{10} = 30,000$

Working Note 3:

Revaluation A/c

Particulars	Amount	Particulars	Amount
To Stock A/c	5,000	By Revaluation Loss	5,000
		Hari	2,500
		Kunal	1,500
		Uma	1,000
	5,000		5,000

Q23. A, B and C are sharing profits and losses in the ratio of 2:2:1. They decided to share profit. 1st April, 2024 in the ratio of 5:3:2. They also decided not to change the values of assets and liabilities in the books of account. The book values and revised values of asset and liabilities as on the date of change were as follows:

	Book Values	Revised Values
Machinery	2, 50,000	3, 00,000
Computers	2, 00,000	1, 75,000
Sundry Creditors	90,000	75,000
Outstanding Expenses	15,000	25,000

Pass an Adjustment entry.

Solution - Journal Entries

Date	Particulars	L.F.	Dr	Cr
2019 Apr 1	A's Capital A/c ...Dr To B's Capital A/c (Being profit Adjusted for change in ratio)		3,000	3,000

Working Note 1:

Calculation of Sacrificing & Gaining ratio:

Old Ratio = 2:2:1

New Ratio = 5:3:2

A's = $\frac{2}{5} - \frac{5}{10} = \frac{4-5}{10} = \frac{1}{10}$ (Gain)

B's = $\frac{2}{5} - \frac{3}{10} = \frac{4-3}{10} = \frac{1}{10}$ (Sacrifice)

C's = $\frac{1}{5} - \frac{2}{10} = \frac{2-2}{10} = \frac{0}{10}$ (Nil)

Working Note 2:

Calculation of Profit or Loss on Revaluation

Revaluation A/c

Particulars	Amount	Particulars	Amount
To Computers A/c	25,000	By Machinery A/c	50,000
To Outstanding Expenses A/c	10,000	By Creditors A/c	15,000
Profit on Revaluation	30,000		
	65,000		65,000

Q-24

Ajeet, Vijeet and Sujeet are partners in a firm sharing profits and losses in the ratio of 5:3:2. They decide to share profits and losses in the ratio of 2 : 5 : 3 with effect from 1st April, 2024. Land (having book value of ₹ 1,00,000) was found undervalued by ₹ 2,50,000 and stock (having book value of ₹ 4,00,000) was found overvalued by ₹ 3,00,000.

Pass the necessary adjusting entry without affecting the existing book value.

Solution

Old ratio=5:3:2

New ratio=2:5:3

Sacrificing ratio=Old ratio-new ratio

Ajit=5/10-2/10=3/10(sacrifice)

Vijeet=3/10-5/10=-2/10(gain)

Sujit=2/10-3/10=-1/10(gain)

Land (book value=100,000)were found undervalued =2,50,000

Stock(book value=400,000) was found overvalued=300,000

So different amount adjusted=2,50,000-300,000=-50,000

Ajit=50,000 x 3/10=15000(cr..) will be debited

Vijeet =50,000 x 2/10=10,000(Dr...) will be credited

Sujit = 50,000 x 1/10=5000(Dr..) will be credited

Ajeet,s capital a/c Dr.	15000	
To Vijeet capital a/c		10,000
To Sujeet capital a/c		5000

Q-25 pinky and rocky are partners in a firm sharing profit in the ratio of 3:2 there balance sheet as at 31st march 2024 was as follow

Pinky's capital	54000	Cash	18000
a/c	36000	machinery	36000
Rocky's capital	36000	building	72000
a/c	1,26,000		1,26,000
creditors			

Goodwill of the firm valued at 36000 and the building at 90,000 on 31st march 2024.the partners decide to share profit equally with effect from 1 st April 2024

Pass necessary accounting entries without effecting the existing figure of building.

Solution

Old share =3:2

New share =1:1

Sacrificing ratio=old-new profit share

Pinky= $3/5 - 1/2 = 1/10$ (sacrifice)

Rocky= $2/5 - 1/2 = -1/10$ (gain)

Working note-

1.Value of goodwill

Pinky= $36000 \times 1/10 = 3600$ (sacrifice)

Rocky = $36000 \times 1/10 = 3600$ (gain)

2. appreciation of building

($90,000 - 72000 = 18000$)

Pinky = $18000 \times 1/10 = 1800$ (sacrifice)

Rocky $18000 \times 1/10 = 1800$ (gain)

Rocky,s capital a/c Dr. To pinky,s capital a/c (being goodwill value adjusted)	3600	3600
Rocky capital a/c Dr. To pinky capital a/c (being appreciation value adjusted)	1800	1800

Preparation of Balance Sheet:-

Q26. A, B and C were partners in a firm sharing profits in the ratio of 3:2:1. Their Balance Sheet as on 31st March, 2015 was as follows:

Liabilities	Amount	Assets	Amount
Creditors	50,000	Land	50,000
Bills Payable	20,000	Building	50,000
General Reserve	30,000	Plant	1,00,000
Capitals A/c		Stock	40,000
A 1,00,000		Debtors	30,000
B 50,000		Bank	5,000
C 25,000	1,75,000		
	2,75,000		2,75,000

From 1st April, 2015, A, B and C decided to share profits equally. For this it was agreed that:

- I. Goodwill of the firm will be valued at 1, 50,000.
- II. Land will be revalued at 80,000 and building be depreciated by 6%.
- III. Creditors of 6,000 were not likely to be claimed and hence should be written off.

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

Solution – Revaluation A/c

Particulars	Amount	Particulars	Amount
To Building A/c	3,000	Land A/c	30,000
Revaluation Profit		Creditors A/c	6,000
A 16,500			
B 11,000			
C 5,500	33,000		
	36,000		36,000

Partners Capital A/c

Particulars	A	B	C	Particulars	A	B	C
A's Capital (goodwill)			25,000	Balance b/d	1,00,000	50,000	25,000
Balance c/d	1,56,500	71,000	10,500	Revaluation Profit	16,500	11,000	5,500
				General Reserve	15,000	10,000	5,000
				C's Capital A/c (goodwill)	25,000		
	1,56,500	71,000	35,500		1,56,500	71,000	35,500

Balance Sheet

Liabilities	Amount	Assets	Amount
Capitals A/c		Land	50,000
A 1,56,500		Add: Increase	30,000
B 71,000		Building	50,000
C 10,500	2,38,000	Less: Depreciation	3,000
Creditors	50,000	Plant	1,00,000
Less: Written Of	6,000	Bank	5,000
Bills Payable	20,000	Stock	40,000
		Debtors	30,000

	3,02,000		3,02,000
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Working Note 1

Calculation of Sacrificing & Gaining ratio:

A's Share = $3/6 - 1/3 = 1/6$ (Sacrifice)

B's Share = $2/6 - 1/3 =$ (Nil)

C's Share = $1/6 - 1/3 = -1/6$ (Gain)

C will compensate by passing an entry

Journal Entries

Date	Particulars	L.F.	Dr	Cr
2019 Apr 1	C's Capital A/c To A's Capital A/c (Being Adjustment entry made for change in ratio)	...Dr	25,000	25,000

Working capital 2

Goodwill

A = $150,000 \times 1/6 = 25,000$ (sacrificing)

B = $150,000 \times 1/6 = 25,000$ (gaining)

Q27. Balance Sheet of X and Y, who share profits and losses as 5:3 as at 1st April, 2022 is:

Liabilities	Amount	Assets	Amount
X's Capital	52,000	Goodwill	8,000
Y's Capital	54,000	Machinery	38,000
General Reserve	4,800	Furniture	15,000
Workmen Compensation Reserve	10,000	Sundry Debtors	33,000
Employees Provident Fund	1,000	Stock	7,000
Sundry Creditors	5,000	Bank	25,000
		Advertisement Suspense A/c	800
	1,26,800		1,26,800

On the above date, they decided to change their profit-sharing ratio to 3:5 and agreed upon the following:

- I. Goodwill is valued on the basis of two years purchase of the average profit of the last three years. Profits for the years ended 31st March, are: 2020- 7,500; 2021 – 4,000; 2022 – 6,500.
- II. Machinery and Stock be revalued at 45,000 and 8,000 respectively.
- III. Claim on account of workmen compensation is 6,000.

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

Solution – Revaluation A/c

Particulars	Amount	Particulars	Amount
Revaluation Profit	8,000	Machinery A/c	7,000
x 5,000		Stock A/c	1,000
y 3,000			
	8,000		8,000

Partners Capital A/c

Particulars	X	Y	Particulars	X	Y
Advertisement	500	300	Balance b/d	52,000	54,000
Suspense A/c			General Reserve	3,000	1,800
Goodwill A/c	5,000	3,000	WCF(4000)	2,500	1,500
X's Capital		3,000	Revaluation A/c		
(Adjustment of			(Profit)	5,000	3,000
Goodwill)			Y's Capital A/c		
Balance c/d	60,000	54,000	(Adjustment of	3,000	
			Goodwill)		
	65,500	60,300			60,300
				65,500	

Balance Sheet

Liabilities	Amount	Assets	Amount
X's Capitals A/c	60,000	Machinery	45,000
Y's Capital A/c	54,000	(38,000 + 7,000)	
Sundry Creditors	5,000	Furniture	15,000

Employees Provident Fund	1,000	Sundry Debtors	33,000
Workmen Compensation Reserve	6,000	Stock	8,000
		Bank	25,000
	1,26,000		1,26,000

Calculation of Sacrificing & Gaining ratio:

Old Ratio = 5:3

New Ratio = 3:5

X's Share = $5/8 - 3/8 = 2/8$ (Sacrifice)Y's Share = $3/8 - 5/8 = 2/8$ (Gain)**Calculation of New Goodwill**Average Profit = $\frac{7,500 + 4,000 + 6,500}{3}$

= 6,000

Goodwill = Average Profit x Number of Years Purchase

= 6,000 x 2 = 12,000

Goodwill = 6,000 x 2 = 12,000

Adjustment of GoodwillAmount to be debited to X's Capital = 12,000 x $2/8 = 3,000$ Amount to be debited to Y's Capital = 12,000 x $2/8 = 3,000$ **Journal Entries**

Date	Particulars	L.F.	Dr	Cr
2019 Apr 1	Workmen Compensation Reserve A/c ...Dr To Workmen Compensation Claim A/c To X's Capital A/c To Y's Capital A/c (Being Workmen Compensation Claim distributed among partners)		10,000	6,000 2,500 1,500

Apr 1	X's Capital A/cDr Y's Capital A/cDr To Goodwill A/c (Being goodwill written off among partners in their old ratio)		5,000 3,000	8,000
Apr 1	X's Capital A/cDr Y's Capital A/cDr To Advertisement Suspense A/c (Being)		500 300	800
Apr 1	General Reserve A/cDr To X's Capital A/c To Y'S Capital A/c (Being General Reserve distributed among partners in their old ratio)		4,800	3,000 1,800
Apr 1	Revaluation A/cDr To X's Capital A/c To Y's Capital A/c (Being		8,000	5,000 3,000
	Y's Capital A/cDr To X's Capital A/c (Being Adjustment of Goodwill made)		3,000	3,000

Adjustment of Capital:-

Q28. Ram, Mohan, Sohan and Hari were partners in a firm sharing profits in the ratio of 4:3:2:1. On 1st April, 2016, their Balance Sheet was as follows:

**Balance Sheet of Ram, Mohan, Sohan and Hari
As on 1st April, 2016**

Liabilities		Amount	Assets	Amount
Capitals A/c:			Fixed Assets	9,00,000
Ram	4,00,000		Current Assets	5,20,000
Mohan	4,50,000			
Sohan	2,50,000			
Hari	2,00,000	13,00,000		
Workmen Compensation Reserve		1,20,000		
		14,20,000		14,20,000

From the above date, the partners decided to share the future profits in the ratio of 1:2:3:4. For this purpose the goodwill of the firm was valued at 180,000. The partners also agreed for the following:

- I. The claim for workmen compensation has been estimated at 1, 50,000.
- II. Adjust the capitals of the partners according to new profit-sharing ratio by opening partners Current Accounts.

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

Solution – Revaluation A/c

Particulars	Amount	Particulars	Amount
To Provision For Workmen Compensation Claim	30,000	By Revaluation A/c	
		Ram's Capital A/c	12,000
		Mohan's Capital A/c	9,000
		Sohan's Capital A/c	6,000
		Hari's Capital A/c	3,000
	30,000		30,000
			30,000

Partners Capital A/c

Particulars	Ram	Mohan	Sohan	Hari	Particulars	Ram	Mohan	Sohan	Hari
To Revaluation Loss	12,000	9,000	6,000	3,000	Balance b/d	400,000	250,000	250,000	200,000
To Ram's Capital A/c			13,500	40,500	Sohan cap. a/c	13,500	4,500		
To Mohan Capital A/c			4,500	13,500	Hari cap. a/c	40,500	13,500		
To Current A/c	3,15,000	2,05,000			Current a/c			1,55,000	3,65,000
Balance c/d	1,27,000	2,54,000	38,100	50,800					
	4,54,000	4,68,000	405,000	565,000		4,54,000	4,68,000	405,000	565,000

Balance Sheet

Liabilities	Amount	Assets	Amount
Capitals A/c		Fixed Assets	9,00,000
Ram's Capitals A/c 1,27,000		Current Assets	5,20,000
Mohan's Capital A/c 2,54,000		Current A/c	
Sohan's Capital A/c 3,81,000		Ram A/c 3,15,000	
Hari's Capital A/c 5,08,000	12,70,000	Mohan A/c 2,05,000	5,20,000
Current A/c			
Sohan Current A/c 1,55,000			
Hari Current A/c 3,65,000	5,20,000		
Claim Against Workmen	1,50,000		
Compensation Reserve			
	19,40,000		19,40,000

Calculation of Sacrificing & Gaining ratio:

Old Ratio = 4:3:2:1

New Ratio = 1:2:3:4

Sacrificing Ratio = Old Ratio – New Ratio

Ram's Share = $\frac{4}{10} - \frac{1}{10} = \frac{3}{10}$ (Sacrifice)

Mohan's Share = $\frac{3}{10} - \frac{2}{10} = \frac{1}{10}$ (Sacrifice)

Sohan's Share = $2/10 - 3/10 = -1/10$ (Gain)

Hari's Share = $1/10 - 4/10 = -3/10$ (Gain)

So, Sohan will Compensate Ram and Mohan in the ratio 3:1

Hari will Compensate Ram and Mohan in the ratio of 3:1

Adjustment of Goodwill

Sohan's Capital = 1, 80,000 \times $1/10 = 18,000$

Hari's Capital = 1, 80,000 \times $3/10 = 54,000$

Ram Capital = 1, 80,000 \times $3/10 = 54,000$

Mohan Capital = 1, 80,000 \times $1/10 = 18,000$

Journal Entries

Date	Particulars	L.F.	Dr	Cr
	Sohan's Capital A/c ...Dr		18,000	
	Hari's Capital A/cDr		54,000	
	To Ram's Capital A/c			54,000
	To Mohan's Capital A/c			18,000
	(Being Sohan and Hari will compensate Ram and Mohan in their gaining ratio)			

Calculation of Adjusted Capital

Ram = 4, 54,000 $- 12,000 = 4, 42,000$

Mohan = 4, 68,000 $- 9,000 = 4, 59,000$

Sohan = 2, 50,000 $- 24,000 = 2, 26,000$

Hari = 2, 00,000 $- 57,000 = 1, 43,000$

Total Combined Capital = 12, 70,000

Calculation of New Capital:

Ram = 12, 70,000 \times $1/10 = 1, 27,000$

Mohan = 12, 70,000 \times $2/10 = 2, 54,000$

Sohan = 12, 70,000 \times $3/10 = 3, 81,000$

Hari = 12, 70,000 \times $4/10 = 5, 08,000$

Q29. Suresh, Ramesh, Mahesh and Ganesh were partners in a firm sharing profits in the ratio of 2:2:3:3. On 1st April, 2016, their Balance Sheet was as follows:

Balance Sheet of Suresh, Ramesh, Mahesh and Ganesh
As on 1st April, 2016

Liabilities		Amount	Assets	Amount
Capitals A/c:			Fixed Assets	6,00,000
Suresh	1,00,000		Current Assets	3,45,000
Ramesh	1,50,000			
Mahesh	2,00,000			
Ganesh	2,50,000	7,00,000		
Workmen Compensation Reserve		75,000		
Sundry Creditors		1,70,000		
		9,45,000		9,45,000

From the above date, the partners decided to share the future profits equally. For this purpose the goodwill of the firm was valued at 90,000. It was also agreed that:

- I. Claim against workmen compensation Reserve will be estimated at 100,000 and fixed assets will be depreciated by 10%.
- II. The capitals of the partners will be adjusted according to new profit-sharing ratio for this necessary cash will be brought or paid by the partners as the case may be.

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

Solution -

Revaluation A/c

Particulars	Amount	Particulars	Amount
To Provision For Workmen Compensation Claim	25,000	By Revaluation Loss A/c	
To Fixed Assets	60,000	Suresh's	17,000
		Ramesh	17,000
		Mahesh	25,500
		Ganesh	25,500
			85,000
	85,000		85,000

Partners Capital A/c

particulars	suresh	ramesh	mahes h	ganesh	particulars	suresh	ramesh	mahes h	ganesh
Revaluatio n a/c	17000	17000	25500	25500	Balance b/d	100000	150000	200000	250000
Mahesh capital a/c	2250	2250			Suresh capital a/c			2250	2250
Ganesh capital a/c					Ramesh capital a/c			2250	2250
Cash a/c	2250	2250			Cash a/c	75,250	25250		
Balance c/d	153750	153750	25250	75250					
			153750	153750					
	175250	175250	204500	254500		175250	175250	204500	254500

Balance Sheet

Liabilities	Amount	Assets	Amount
Capitals A/c		Fixed Assets	5,40,000
Suresh's Capitals A/c	1,53,750	(Loss Depreciation)	
Ramesh's Capital A/c	1,53,750	Current Assets	3,45,000
Mahesh's Capital A/c	1,53,750		
Ganesh's Capital A/c	1,53,750		
Claim Against Workmen	6,15,000		
Compensation Reserve	1,00,000		
Sundry Creditors	1,70,000		
	8,85,000		8,85,000

Calculation of gaining and sacrificing share

Old share=2:2:3:3

New share=1:1:1:1

Suresh= $2/10 - 1/4 = -2/40$ (gain)

Ramesh= $2/10 - 1/4 = -2/40$ (gain)

Mohan= $3/10 - 1/4 = 2/40$ (sacrifice)

Ganesh= $3/10 - 1/4 = 2/40$ (sacrifice)

Suresh compensate mohan and ganesh

And Ramesh compensate mohan and ganesh

Adjustment of Goodwill

Suresh's Capital = $90,000 \times 2/40 = 4,500$

Ramesh's Capital = $90,000 \times 2/40 = 4,500$

Mahesh's Capital = $90,000 \times 2/40 = 4,500$

Ganesh's Capital = $90,000 \times 2/40 = 4,500$

Journal Entries

Date	Particulars	L.F.	Dr	Cr
	Suresh's Capital A/c ...Dr		4,500	
	Ramesh's Capital A/cDr		4,500	
	To Mahesh's Capital A/c			4,500
	To Ganesh's Capital A/c			4,500
	(Being Gaining Partners Compensate Sacrificing Partners)			

Calculation of Adjusted Capital

Suresh = $1,00,000 - 21,500 = 78,500$

Ramesh = $1,50,000 - 21,500 = 1,28,500$

Mahesh = $2,00,500 - 25,500 = 1,75,000$

Ganesh = $2,54,500 - 25,500 = 2,29,000$

Total Combined Capital = 6,15,000

Calculation of New Capital:

Suresh = $6,15,000 \times 1/4 = 1,53,750$

Ramesh = $6,15,000 \times 1/4 = 1,53,750$

Mahesh = $6,15,000 \times 1/4 = 1,53,750$

Ganesh = $6,15,000 \times 1/4 = 1,53,750$

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