

Q11. Om, Ram & Shanti are partners in a firm sharing profits and losses in the ratio of 4:3:2. Ram retires from the firm. Calculate new profit-sharing ratio of Om & Shanti in the following circumstances:

- a) If Ram gives his share to Om & Shanti in the original ratio of Om & Shanti.**
- b) If Ram gives his share to Om & Shanti in equal proportion**
- c) If Ram gives his share to Om & Shanti in the ratio of 3:1.**
- d) If Ram gives his share to Om only.**

Solution – Old Ratio – 4:3:2

Ram retire from the firm his profit share – $\frac{3}{9}$

Case (a):- Ram gives his share to Om & Shanti in their original ratio.

Original ratio – 4:2

Mohan share taken by Om – $\frac{3}{9} \times \frac{4}{6} = \frac{12}{54}$

Mohan share taken by Ram – $\frac{3}{9} \times \frac{2}{6} = \frac{6}{54}$

New Ratio = Old Ratio + Share acquired from

Ram Om's new share – $\frac{4}{9} + \frac{12}{54} = \frac{36}{54}$

Ram's new share – $\frac{2}{9} + \frac{6}{54} =$

$\frac{18}{54}$ new profit ratio – 36:18 – 2:1

Case-b B gives his share to Om & Shanti in equal proportion.

Share taken b Om & Shanti – $3/9 \times 1/2 = 3/18$

each New Ratio = Old Ratio + Share acquired from

Ram Om's new share = $4/9 + 3/18 = 11/18$

Shanti's new share = $2/9 + 3/18 = 7/18$

New Profit = 11:7

Case (c):- B gives his to Om & Shanti in the ratio -

3:1 Om – $3/9 \times 3/4 = 9/36$

Ram – $3/9 \times 1/4 = 3/36$

New Ratio = Old Ratio + Share acquired from Ram

Om's new share – $4/9 + 9/36 = 25/36$

Shanti's new share – $2/9 + 3/36 =$

$11/36$ New profit ratio = 25:11

Case (d):- B gives his share to Om only:-

Om's New share = Om's Old share + Share of Ram

$= 4/9 + 3/9 = 7/9$

Shanti's share = $2/9$

New profit – 7:2

TREATMENT OF GOODWILL:-

Q12. Sunil, Shahid and David are partners sharing profits & Losses in the ratio of 4:3:2. Shahid retires and the goodwill is valued at 72,000. Calculate Shahid's share of goodwill and pass the Journal entry for Goodwill. Sunil and David decided to share future profits and losses in the ratio of 5:3.

Solution – Journal

Date	Particulars	L.F	Dr	Cr
	Sunil's Capital A/c Dr.		13,000	
	David's Capital A/c Dr.		11,000	
	To Shahid's Capital A/c			24000
	(Being Goodwill adjusted)			

Working Note:-

Calculation of gaining & sacrificing ratio

Old ratio – 4:3:2

New ratio – 5:3

Sunil – $4/9 - 5/8 = 13/72$

David – $2/9 - 3/8 = -$

$11/72$ Gaining ratio –

13:11

Firm Goodwill – 72,000

Share of retiring partner Shahid –

$3/9$ Shahid share – $72,000 \times 3/9 =$

24,000

Sunil & David will compensate 24,000 in their gaining ratio

13:11

Sunil – $24,000 \times 13/24 = 13,000$

David – $24,000 \times 11/24 = 11,000$

Q13. P, Q, R & S were partners in a firm sharing profits in the ratio of 5:3:1:1. On 1st January, 2024, S retired from the firm. On S's retirement, goodwill of the firm was valued at 4, 20,000. New profit-sharing ratio among P, Q & R will be 4:3:3.

Showing your working notes clearly, pass necessary Journal entry for the treatment of goodwill in the books of the firm on S's retirement

Solution – Journal

Date	Particulars	L.F.	Dr	Cr
	R's Capital A/c ...Dr		84,000	
	To P's Capital A/c			42,000
	To S's Capital A/c			42,000
	(Being Goodwill adjusted)			

Working Note:-

Gaining Ratio = New Ratio – Old Ratio $P = 4/10 - 5/10 = -1/10$ (sacrifice)

$Q = 3/10 - 3/10 = 0$

$R = 3/10 - 1/10 = 2/10$

P's share – 4, 20,000 $\times 1/10 = 42,000$

R's share – 4, 20,000 $\times 2/10 = 84,000$

S's Share – 4, 20,000 $\times 1/10 = 42,000$

Q14. Aparna, Manisha & Sonia are partners sharing profits in the ratio of 3:2:1. Manisha retired and goodwill of the firm is valued at 1, 80,000. Aparna and Sonia decided to share future profits in the ratio of 3:2. Pass necessary Journal entries.

Solution – Journal

Date	Particulars	L.F.	Dr	Cr
	Aparna's Capital A/c		18,000	
	...Dr		42,000	

	Sonia's Capital A/cDr			60,000
	To Manisha's Capital A/c				
	(Being Manisha's share of goodwill adjusted to Aparna's & Sonia's Capital Account in their gaining ratio)				

Working Note:-

Calculation of Manisha's Share in Goodwill

Manisha's share = Firm Goodwill x Manisha's Profit Share
 Manisha's Share
 = 1, 80,000 x $\frac{13}{60}$ = 39,000

Calculation of Gaining Ratio:-

Gaining ratio = New Ratio – Old Ratio

Aparna's = $\frac{3}{5} - \frac{3}{6} = \frac{1}{10}$

Sonia's = $\frac{2}{5} - \frac{1}{6} = \frac{7}{30}$

Gaining ratio – 3:7

Aparna's share – 60,000 x $\frac{3}{10}$ = 18,000

Sonia's Share – 60,000 x $\frac{7}{10}$ = 42,000

Q15. A, B & C are partners sharing profits in the ratio of 3:2:1. B retired and the new profit-sharing ratio between A & C was 2:1. On B's retirement, the goodwill of the firm was valued at 90,000. Pass necessary Journal entry for the treatment of goodwill on B's retirement.

Solution – Journal

Date	Particulars	L.F	Dr	Cr
	A's Capital A/c	...Dr	15,000	
	C's Capital A/cDr	15,000	
	To B's Capital A/c			30,000
	(Being Adjustment B's Share of goodwill made)			

Working Note:-**Calculation of Gaining Ratio:-****Old Ratio – 3:2:1****B retires from the firm. New Ratio – 2:1****Gaining Ratio = New Ratio – Old Ratio****A's share – $\frac{2}{3} - \frac{3}{6} = \frac{1}{6}$** **B's share – $\frac{1}{3} - \frac{1}{6} = \frac{1}{6}$** **Gaining ratio – 1:1****Adjustment of Goodwill:-****Goodwill of the firm = 90,000****B's share = $90,000 \times \frac{2}{3} = 30,000$** **A's & C's Capital will be debited – $30,000 \times \frac{1}{2} = 15,000$**

Q16. Aman, Bimal and Deepak are partners sharing profits in the ratio of 2:3:5. The goodwill of the firm has been valued at 37,500. Aman retired. Bimal and Deepak decided to share profits equally in future.

Calculate gain/sacrifice of Bimal and Deepak on Aman's retirement and also pass necessary Journal entry for the treatment of goodwill.

Solution - Journal

Date	Particulars	L.F	Dr	Cr
	Bimal's Capital A/c ...Dr To Amal's Capital A/c (Being Goodwill adjusted)		7,500	7,500

Working Note:-**Calculation of gaining & sacrificing ratio:-****Old ratio – 2:3:5****New ratio – 1:1****Bimal – $\frac{3}{10} - \frac{1}{2} = -\frac{2}{10}$** **Deepak – $\frac{5}{10} - \frac{1}{2} = 0/10$** **Gaining ratio of Sunil & David – 13:11****Firm goodwill – 37,500****Share of retiring partner Amal – $\frac{2}{10}$**

Amal share – $37,500 \times \frac{2}{10} = 7,500$

Bimal will compensate – 7,500

HIDDEN GOODWILL:-

Q17. A, B & C are partners sharing profits in the ratio of 4/9:3/9:2/9. B retire and his capital after making adjustments for reserves and gain (profit) on revaluation stands at 1, 39,200. A & C agreed to pay him 1, 50,000 in full settlement of his claim. Record necessary Journal entry for adjustment of goodwill if the new profit-sharing ratio is decided at 5:3

Solution –

Journal

Date	Particulars	L.F	Dr	Cr
	A's Capital A/c ...Dr		5,850	
	C's Capital A/c ...Dr		4,950	
	To B's Capital A/c			10,800
	(Being Adjustment of B's Share of Goodwill)			

Working Notes:-

Calculation of B's Share of Goodwill:-

Sharing Profit ratio – 4/9:3/9:2/9

B retires from the firm – 1, 50,000

B's capital after making adjustment – 1, 39,200

Hidden Goodwill = 1, 50,000 – 1, 39,200 = 10,800

Gaining Ratio:-

New profit Sharing ratio A & B – 5:3

A – $\frac{5}{8} - \frac{5}{9} = \frac{13}{72}$

C – $\frac{3}{8} - \frac{2}{9} = \frac{11}{72}$

Gaining ratio – 13:11

A's capital – $10,800 \times \frac{13}{24} = 5,850$

C's Capital – $10,800 \times \frac{11}{24} = 4,950$

Q18. Shivam, Kapil & Deepak are partners sharing profits in the ratio of 3:1:2. On 31st March, 2024, Kapil retired and his capital account after adjustments of reserve and profit on revaluation was 3, 50,000. Shivam & Deepak paid him 4, 20,000 in settlement of his claim. To settle his account, a computer of 4, 20,000 were given to Kapil. Pass the necessary Journal entries in the books of the firm.

Solution –

Date	Particulars	Lf	Amount dr	Amount cr.
1	Kapil capital a/c Dr. To computer a/c (being kapil claim sattled)		420,000	420,000
2	Shivam capital a/c Dr. Deepak capital a/c Dr. To kapil capital a/c (being goodwill adjusted)		42000 28000	70,000

Old ratio= 3:1:2

New ratio of remaining partner=3:2

**Hidden goodwill=420,000-350,000
=7000**

Shivam will contribute=7000x 3/5=42000

Deepak will contribute= 7000x 2/5=28000

WHEN ONE/MORE OF THE REMAINING PARTNER GAIN:-

Q-19. M, N & O are partners in a firm sharing profits in the ratio of 3:2:1. Goodwill has been valued at 60,000. On N's retirement, M & O agree to share profits equally. Pass the necessary Journal entry for treatment of N's share of goodwill.

Solution –

Journal

Date	Particulars	L.F	Dr	Cr
	O's Capital A/c ...Dr		20,000	
	To N's Capital A/c			20,000
	(Being Adjustment of N's Share of Goodwill)			

Working Note:-

Calculation of Gaining Ratio:-

Old ratio – 3:2:1

New Ratio – 1:1

Gaining Ratio = New Ratio – Old Ratio

M's – $\frac{1}{2} - \frac{3}{6} = 0$

O's – $\frac{1}{2} - \frac{1}{6} = \frac{2}{6}$

Calculation of Retiring Partners Share of Goodwill:-

N's share – $60,000 \times \frac{2}{6} = 20,000$

Q20. A, B, C & D are partners in a firm sharing profits, in the ratio of 2:1:2:1. On the retirement of C, Goodwill was valued 1, 80,000. A, B & D decide to share future profits equally .Pass the necessary Journal entry for the treatment of goodwill

Solution –

Journal

Date	Particulars	L.F	Dr	Cr

	B's Capital A/c	...Dr	30,000	
	D's Capital A/c		30,000	
	To C's Capital A/c			60,000
	(Being Adjustment of C's share of goodwill)			

Working Note:-

Calculation of Gaining Ratio:-

Old Ratio – 2:1:2:1

New Ratio – 1:1:1

Gaining Ratio = New Ratio – Old Ratio

$$A's = \frac{1}{3} - \frac{2}{6} = 0$$

$$B's = \frac{1}{3} - \frac{1}{6} = \frac{1}{6}$$

$$D's = \frac{1}{3} - \frac{1}{6} = \frac{1}{6}$$

Gaining Ratio – 0:1:1

Calculation of Retiring Partner's Share of Goodwill:-

$$C's = 1, 80,000 \times \frac{2}{6} = 60,000$$

$$B's = 60,000 \times \frac{1}{2} = 30,000$$

$$D's = 60,000 \times \frac{1}{2} = 30,000$$