

**Q31. N, S & G were partners in a firm sharing profits and losses in the ratio of 2:3:5. On 31<sup>st</sup> March, 2016 their Balance Sheet was as under:**

Liabilities		Amount	Assets		Amount
Creditors		1,65,000	Cash		1,20,000
General Reserve		90,000	Debtors		1,35,000
Capital			Less: Provision		15,000
N	2,25,000		Stock		1,50,000
S	3,75,000		Machinery		4,50,000
G	4,50,000	10,50,000	Patents		90,000
			Building		3,00,000
			Profit & Loss A/c		75,000
		13,05,000			13,05,000

**G retired on the above date and it was agreed that:**

- Debtors of 6,000 will be written off as bad debts and a provision of 5% on debtors for bad and doubtful debts will be maintained.
- Patents will be completely written off and stock, machinery and building will be depreciated by 5%
- An unrecorded creditor of 30,000 will be taken into account.
- N & S will share the future profits in 2:3 ratio
- Goodwill of the firm on G's retirement was valued at 90,000

**Pass necessary Journal entries for the above transactions in the books of the firm on G's retirement.**

**Solution –**

**Journal**

Date	Particulars	L.F	Dr	Cr
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	General Reserve A/c ...Dr To N's Capital A/c To S's Capital A/c To G's Capital A/c (Being Balance in reserve distributed among all partners in old ratio)		90,000   45,000	18,000 27,000
	N's Capital A/c ...Dr S's Capital A/c ....Dr G's Capital A/c ....Dr To Profit & Loss A/c (Being Debit balance P & L written off among all partners in old ratio)		15,000 22,500 37,500	75,000
	N's Capital A/c ....Dr S's Capital A/c ...Dr To G's Capital A/c (Being Goodwill adjusted in gaining ratio)		18,000 27,000	45,000
	Revaluation A/c ...Dr To Patent A/c To Stock A/c To Machinery A/c		1,65,000   22,500	90,000 7,500

	To Building A/c			15,000
	To Creditors A/c			30,000
	(Being Decrease in assets and increase in liabilities debited to Revaluation A/c)			
	Provision for Doubtful Debts A/c ...Dr		2,550	
	To Revaluation A/c			2,550
	(Being Excess provision written back)			
	N's Capital A/c ...Dr		32,490	
	S's Capital A/c ....Dr		48,735	
	G's Capital A/c ...Dr		81,225	
	To Revaluation A/c			1,62,450
	(Being Loss on revaluation debited to partners' capital accounts in old ratio)			
	G's Capital A/c ...Dr		4,21,275	
	To G's Loan A/c			4,21,275
	(Amount due to G transferred to his Loan A/c)			

### Working Note:-

#### Calculation of G's Share of Goodwill:-

G's share = Firm Goodwill x G's Profit Share

G's Share = 90,000 x 5/10 = 45,000

#### Calculation of Gaining Ratio:-

**Gaining Ratio = New Ratio – Old Ratio**

$$N's = 2/5 - 2/10 = 2/10$$

$$S's = 3/5 - 3/10 = 3/10$$

**Gaining Ratio – 2:3**

$$N's = 45,000 \times 2/5 = 18,000$$

$$S's = 45,000 \times 3/5 = 27,000$$

**Calculation of Excess/Deficit Provision for Doubtful Debts:-**

$$\text{Provision @ 5\%} = 1,35,000 - 6,000 = 129,000 \times 5\% = 6,450$$

$$\text{Provision after written bad debts } 15,000 - 6,000 = 9,000$$

$$= 6,450 - 9,000 = 2,550$$

**Revaluation balance = total of all assets increased value =**

$$165,000 - 2,550 = 162,450$$

**Loss on revaluation distributed between partners in their old profit sharing ratio (2:3:5)**

$$N = 162,450 \times 2/10 = 32,490$$

$$S = 162,450 \times 3/5 = 48,735$$

$$G = 162,450 \times 5/10 = 81,225$$

**Calculation of G's Loan Balance:-**

**Amount due to G = (Opening Capital + Goodwill + General Reserve) - (debit balance of P/L a/c + loss on revaluation)**

$$= (4,50,000 + 45,000 + 45,000) - (37,500 + 81,225) = 4,21,275$$

**Q32. Ashok, Bhaskar and Chaman are partners in a firm, sharing profits and losses as Ashok  $\frac{1}{3}$ , Bhaskar  $\frac{1}{2}$  & Chaman  $\frac{1}{6}$  respectively. The Balance Sheet of the firm as at 31<sup>st</sup> March, 2024 was:**

Liabilities	Amount	Assets	Amount
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<b>Capital</b>		<b>Building</b>	<b>5,00,000</b>
Ashok     2,25,000		Plant & Machinery	4,00,000
Bhaskar   3,75,000		Furniture	1,00,000
Chaman   4,50,000	9,50,000	Stock	2,50,000
General Reserve	2,20,000	Debtors	1,80,000
Sundry Creditors	2,50,000	Less: Provision for DD	5,000
Loan Payable	1,50,000	Cash in Hand	85,000
		Advertisement Suspense Account	60,000
	<b>15,70,000</b>		<b>15,70,000</b>

Chaman retired on 1<sup>st</sup> April, 2024 subject to the following adjustments:

- Goodwill of the firm be valued at 2, 40,000. Chaman's share of goodwill be adjusted into the Capital Account of Ashok and Bhaskar who will share future profits in the ratio of 3:2
- Plant & Machinery to be reduced by 10% and Furniture by 5%
- Stock to be increased by 15% and Building by 10%
- Provision for Doubtful Debts to be raised to 20,000

Prepare Revaluation Account, capital Account of Chaman and the Balance Sheet of the firm after Chaman's retirement.

**Solution –**

Profit & Loss Adjustment Account			
Dr			Cr
Particulars	Amount	Particulars	Amount
To Plan & Machinery	40,000	By Stock	37,500

To Furniture	5,000	By factory building	50,000
To Provision for doubtful debts	15,000		
To Capital A/c (Profit transferred to)			
Ashok	9,167		
Bhaskar	13,750		
	27,500		
Chaman	4,583		
	87,500		87,500

**Dr Partners' Capital Accounts Cr**

Particulars	Ashok	Bhaskar	Chaman	Particulars	Ashok	Bhaskar	Chaman
B's Capital A/c	24,000			Balance b/d	3,00,000	4,00,000	2,50,000
C's Capital A/c	40,000			A's Capital A/c		24,000	40,000
				P&L adjustment A/c	9,167	13,750	4,583
Ad Sus. A/c	20,000	30,000	10,000	General Reserve	73,333	1,10,000	36,667
C's Loan A/c			3,21,250				
Balance c/d	2,98,500	5,17,750					
	3,82,500	5,47,750	3,31,250		3,82,500	5,47,750	3,31,250

**Balance Sheet**

**As on April 1, 2024 (after C's retirement)**

Liabilities	Amount	Assets	Amount
Sundry Creditors	2,50,000	Factory building	5,50,000

Loan Payable	1,50,000	Plant & Machinery	3,60,000
C's Loan	3,21,250	Furniture	95,000
Capital A/c:		Stock	2,87,500
Ashok 2,98,500		Debtors 1,80,000	
Bhaskar 5,17,750	3,54,000	Less: Prov. 20,000	1,60,000
		Cash	85,000
	15,37,500		15,37,500

### Working note

old ratio=  $1/3 : 1/2 : 1/6$

=2:3:1

New ratio=3:2

Gaining ratio=

Ashok= $3/5 - 2/6 = 8/30$  = gain

Bhasker= $2/5 - 3/6 = -3/30$  =sacrifice

Calculation of goodwill=

chaman= $240,000 \times 1/6 = 40,000$ (old ratio)

bhasker = $240,000 \times 3/30 = 24,000$  (sacrificing ratio)

ashok  $240,000 \times 8/30 = 64,000$  (gaining ratio)

**Q33.** Chintan, Ayush and Sudha were partners in a firm sharing profits and losses in the ratio of 5:3:2. On 31<sup>st</sup> March, 2019, their Balance Sheet was as follows:

**Balance Sheet of Chintan, Ayush & Sudha as at 31<sup>st</sup> March, 2019**

Liabilities		Amount	Assets		Amount
<b>Capital</b>			<b>Plant &amp; Machinery</b>		<b>90,000</b>
Chintan	90,000		<b>Furniture</b>		<b>60,000</b>
Ayush	60,000		<b>Stock</b>		<b>30,000</b>
Sudha	40,000	1,90,000	Debtors	60,000	
<b>General Reserve</b>		<b>30,000</b>	Less: Provision for DD	5,000	55,000
<b>Sundry Creditors</b>		<b>20,000</b>	<b>Cash in Bank</b>		<b>15,000</b>
<b>Loan Payable</b>		<b>10,000</b>			
		<b>2,50,000</b>			<b>2,50,000</b>

Chintan retired on the above date and it was agreed that:

- Debtors of 5,000 were to be written off as bad debts and a provision of 5% on debtors for bad and doubtful debts was to be created.
- Goodwill of the firm on Chintan's retirement was valued at 1, 00,000 and Chintan's share of the same will be adjusted by debiting the Capital Accounts of Ayush & Sudha.
- Stock was revalued at 36,000.
- Furniture was undervalued by 9,000.
- Liability for Workmen's Compensation of 2,000 was to be created.
- Chintan was to be paid 20,000 by cheque and the balance was to be transferred to his loan account

Pass the necessary Journal entries in the books of the firm on Chintan's retirement.

**Solution -**

**Journal**

Date	Particulars	L.F	Dr	Cr



	<b>Stock A/c</b> ...Dr <b>Furniture A/c</b> ...Dr <b>To Revaluation A/c</b> <b>(Being increase in the value of Assets)</b>		<b>6,000</b> <b>9,000</b>   	  <b>15000</b>
	<b>Revaluation A/c</b> ...Dr <b>To Bad Debts A/c</b> <b>To Liabilities for Worker Compensation A/c</b> <b>(Being Decrease in the value of assets and increase in the value of liabilities)</b>		<b>7750</b>   	 <b>2750</b> <b>2,000</b>
	<b>Revaluation A/c</b> ....Dr <b>To Chintan's Capital A/c</b> <b>To Ayush's Capital A/c</b> <b>To Sudha's Capital A/c</b> <b>(Being gain of revaluation Account transferred to capital accounts)</b>		<b>10,250</b>    	  <b>5,125</b> <b>3,075</b> <b>2,050</b>
	<b>General Reserve A/c</b> ...Dr <b>To Chintan's Capital A/c</b> <b>To Ayush's Capital A/c</b> <b>To Sudha's Capital A/c</b> <b>(Being gain of General Reserve transferred to Capital accounts)</b>		<b>20,000</b>    	 <b>10,000</b> <b>6,000</b> <b>4,000</b>

	Ayush's Capital A/c ...Dr		30,000	
	Sudha's Capital A/c ....Dr		20,000	
	To Chintan's Capital A/c			50,000
	(Being Retiring Partner compensated)			
	Chintan's Capital A/c ...Dr		20,000	
	To Bank A/c			20,000
	(Being Chintan was paid 20,000 through cheque)			
	Chintan's Capital A/c ...Dr		1,35,125	
	To Chintan's Loan A/c			1,35,125
	(Being balance of Capital transferred to his loan account)			

#### Revaluation a/c

Provision for DD	2750	By stock	6000
Workmen		By furniture	9000
(60,000-5000=55000 x 5%)			
Work men compensation claim	2000		
Revaluation profit transfer to	10250		

Chintan 5125			
Ayush 3075			15000
Sudha 2050			
	15000		

Old ratio=5:3:2

New ratio=3:2

Calculation of gaining ratio=

Ayush =  $\frac{3}{5} - \frac{3}{10} = \frac{3}{10}$

Sudha =  $\frac{2}{5} - \frac{2}{10} = \frac{2}{10}$

Gaining ratio=3:2

Chintan share of goodwill in old ratio =  $100,00 \times \frac{5}{10} = 50,000$

Ayush will contribute =  $50,000 \times \frac{3}{5} = 30,000$

Sudha will contribute  $50,000 \times \frac{2}{5} = 20,000$

Partner capital a/c

	chintan	ayush	sudha		chintan	ayush	sudha
To chintan capital a/c		30,000	20,000	By balance b/d	90,000	60,000	
To bank a/c	20,000			By General reserve	10,000	6000	
To chintan loan a/c	135125			By Ayush capital a/c	30,000		
To balance c/d		39075	26050	By Sudha capital a/c	20,000		
				Revaluation profit			

					5125	3075	2050
	153125	69075	46050		153125	69075	46050

**Q34. A, B & C are partners sharing profits and losses in the ratio of 4:3:3. Their Balance Sheet as at 31<sup>st</sup> March, 2024 is:**

Liabilities		Amount	Assets		Amount
Creditors		7,000	Land & Building		36,000
Bills Payable		3,000	Plant & Machinery		28,000
General Reserve		20,000	Computer Printer		8,000
Capital:-			Stock		20,000
A	32,000		Sundry Debtors		14,000
B	24,000		Less: Provision for DD		2,000
C	20,000	76,000	Bank		2,000
		1,06,000			1,06,000

On 1<sup>st</sup> April, 2024, B retired from the firm on the following terms:

- Goodwill of the firm is to be valued at 14,000
- Stock, Land & Building are to be appreciated by 10%
- Plant & Machinery and Computer Printer are to be reduced by 10%
- Sundry Debtors are considered to be good
- Provision for legal charges to be made at 2,000.
- Amount payable to B is to be transferred to his Loan Account.

Prepare Revaluation Account, Partners' Capital Account and the Balance Sheet of A & C after B's retirement.

Solution-

Dr		Revaluation Account		Cr	
Particulars		Amount	Particulars	Amount	
Plant & Machinery		2,800	Stock		2,000
Electronic Typewriter		800	Land & Building		3,600
Provision of legal charges		2,000	Provision for Doubtful Debts		2,000
Profit transferred to:					
A's Capital A/c	800				
B's Capital A/c	600				

C's Capital A/c	600	2,000		
		7,600		7,600

Dr				Cr			
Particulars	A	B	C	Particulars	A	B	C
B's Capital A/c	2,400		1,800	Balance b/d	32,000	24,000	20,000
B's Loan A/c		34,800		Reserve	8,000	6,000	6,000
Balance c/d	38,400		24,800	Revaluation A/c	800	600	600
				A's Capital A/c		2,400	
				C's Capital A/c		1,800	
	40,800	34,800	26,600		40,800	34,800	26,600

### Balance Sheet

As on April 1, 2024(after B's Retirement)

Liabilities		Amount	Assets		Amount
Creditors		7,000	Land & Building		39,600
Bills Payable		3,000	Plant & Machinery		25,200
Bank Loan		34800	Electronic Typewriter		7,200
Capital A/c:			Stock		22,000
A	38,400		Sundry Debtors		14,000
B	24,800	63,200	Bank		2,000

Outstanding Salaries	2,000		
	1,10,000		1,10,000

**Working Note:-**

**Adjustment of Goodwill:-**

**Old ratio – 4:3:3**

**B retires from the firm**

**Gaining ratio – 4:3**

**Goodwill of the firm – 14,000**

**B's share –  $14,000 \times \frac{3}{10} = 4200$**

**Goodwill distributed between A & C in their gaining ratio – 4:3**

**A's –  $4,200 \times \frac{4}{7} = 2,400$**

**C's –  $4,200 \times \frac{3}{7} = 1,800$**

**Q35. X, Y & Z are partners sharing profits and losses in the ratio of 3:2:1.**

**Balance Sheet of the firm as at 31<sup>st</sup> March, 2024 was as follows:**

Liabilities	Amount	Assets	Amount
Creditors	21,000	Cash at Bank	5,720
Workmen Compensation Reserve	12,000	Debtors	40,000
Investment Fluctuation Reserve	6,000	Less: Provision for DD	2,000
Capital:-		Stock	30,000
X	68,000	Investment (market value 17,600)	15,000
Y	32,000	Patents	10,000
Z	21,000	Machinery	50,000

	1,21,000	Goodwill	6,000
		Advertisement Suspense	5,250
	1,60,000		1,60,000

Z retired on 1<sup>st</sup> April, 2024 on the following terms:

- Goodwill of the firm is to be valued at 34,800
- Value of Patents is to be reduced by 20% and that of machinery to 90%
- Provision for Doubtful Debts is to be @ 6% on debtors.
- Z took the investment at market value.
- Liability for Workmen Compensation to the extent of 750 is to be created
- A liability of 4,000 included in creditors is not to be paid.
- Amount due to Z to be paid as follows:  
5,067 immediately, 50% of the balance within one year and the balance by a draft for 3 months

Give necessary Journal entries for the treatment of goodwill; prepare Revaluation Account, Capital Accounts and the Balance Sheet of the new firm.

Solution – Journal

Date	Particulars	L.F	Dr	Cr
2024				
April	X's Capital A/c ...Dr		3,000	
01	Y's Capital A/c ...Dr		2,000	
	Z's Capital A/c ...Dr		1,000	
	To Goodwill A/c			6,000
	(Being Existing goodwill written off)			
April				
01	X's Capital A/c ...Dr		3,480	



	Y's Capital A/c	....Dr		2,320	5,800
	To Z's Capital A/c				
	(Being Z's share of goodwill credited to him & gaining partners debited in gaining ratio				
	34800 x 1/6=5800)				

Dr		Revaluation Account		Cr	
Particulars	Amount	Particulars		Amount	
Patents	2,000	Investments(17600-15000)		2,600	
Machinery	5,000	Creditors(liability)		4,000	
Provision for Doubtful Debts	400	Loss on Revaluation transferred			
(40,000 x 6 =2400)		X's Capital A/c	400		
2400-2000		Y's Capital A/c	267		
		Z's Capital A/c	133	800	
	7,400			7,400	

Dr		Partners' Capital Accounts				Cr	
Particulars	X	Y	Z	Particulars	X	Y	Z
Goodwill A/c(old)	3,000	2,000	1,000	Balance b/d	68,000	32,000	21,000
Revaluation A/c				X's Capital A/c			3,480

Z's Capital A/c	400	267	133	Y's Capital A/c			2,320
Advertisement Expenditure A/c	3,480	2,320		Workmen Compensation	5,625	3,750	1,875
Investments A/c	2,625	1,750	875	Reserve A/c			
Bank A/c			17,600	Investment Fluctuation Reserve A/c	3,000	2,000	1,000
Z's Loan A/c			5,067				
Bills Payable A/c			2,500				
Balance c/d			2,500				
					76,625	37,750	29,625
	67,120	31,413					
	76,625	37,750	29,625				

## Balance Sheet

As on April 1, 2024 (after Z's Retirement)

Liabilities		Amount	Assets		Amount
Creditors		17,000	Cash at Bank		683
Workmen Compensation Claim		750	Stock		30,000
Bills Payable		2,500	Patents		8,000
Capital A/c:			Debtors A/c		40,000
X	67,120		Less: Provision for DD	2,400	37,600
Y	31,413		Machinery		45,000
		98,533			

Z's Loan	2,500		
	1,21,283		1,21,283

## **SETTLEMENT OF LOAN ACCOUNT OF THE RETIRING PARTNER:-**

**Q36.** Ashok, Bhaskar and Chaman were in partnership sharing profits and losses equally. 'Bhaskar' retires from the firm. After adjustments, his Capital Account shows a credit balance of 3, 00,000 as on 1<sup>st</sup> April, 2020. Balance due to 'Bhaskar' is to be paid in three equal annual installments along with interest @ 10% p.a. prepare Bhaskar's Loan Account until he is paid the amount due to him. The firm closes its books on 31<sup>st</sup> March every year.

**Solution –**

Dr			Chaman's Loan A/c			Cr	
Date	Particulars	Amount	Date	Particulars	Amount		
2021			2020				
Mar 31	To Bank A/c	1,30,000	April 1	By Chaman's Capital A/c	3,00,000		
Mar 31	To Balance c/d	<u>2,00,000</u>	2021				
			Mar 31	By Interest on Loan A/c	<u>30,000</u>		
		3,30,000			3,30,000		
2022			2021				

Mar 31	To Bank A/c	1,20,000	April 1	By Balance b/d	2,00,000
Mar 31	To Balance c/d	<u>1,00,000</u>	2022		
		2,20,000	Mar 31	By Interest on Loan A/c	<u>20,000</u>
			2022		2,20,000
2023			April 1	By Balance b/d	1,00,000
Mar 31	To Bank A/c	<u>1,10,000</u>	2023		
		1,10,000	Mar 31	By Interest on Loan A/c	<u>10,000</u>
					1,10,000

**Q37. Rakesh retired from the firm. The amount due to him was determined at 90,000. It was decided to pay the due amount as follows:**

**On the date of retirement – 30,000**

**Balance in three yearly installments – First two installments being of 26,000, including interest; and Balance amount as last installment. Interest was payable @ 10% p.a. Prepare Retiring Partners Loan Account.**

**Solution –**

Dr			Rakesh's Loan A/c			Cr		
Date	Particulars	Amount	Date	Particulars	Amount			
Year 1	To Bank A/c	26,000	Year 1	By Y's Capital A/c	60,000			
	To Balance c/d	<u>40,000</u>		By Interest on Loan A/c	<u>6,000</u>			
		66,000			66,000			
Year 2	To Bank A/c	26,000	Years 2	By Balance b/d	40,000			
	To Balance c/d	<u>18,000</u>		By Interest on Loan A/c	<u>4,000</u>			
		44,000			44,000			

Year 3	To Bank A/c	<u>19,800</u>	Year 3	By Balance b/d	18,000
				By Interest on Loan A/c	<u>1,800</u>
		19,800			19,800

**Q38.** Ram, Manohar and Joshi were partners in a firm. Manohar retired and his claim including his capital and share of goodwill was 1, 80,000. There was an unrecorded furniture estimated at 9,000, half of which was given for an unrecorded liability of 18,000 in settlement of claim of 9,000 and remaining half was taken by Manohar at a discount of 10% in part satisfaction of his claim. Balance of Manohar's claim was discharged by bank draft. Pass necessary Journal entries to record the above transactions.

**Solution -**

**Journal**

Date	Particulars	L.F	Dr	Cr
	Furniture A/c ...Dr To Revaluation A/c (Being Unrecorded furniture taken over by partner manohar)		4,050	4,050
	Revaluation A/c ...Dr To Unrecorded liabilities A/c (Being remaining unrecorded Liabilities paid by partner)		9,000	9,000

	Ram Capital A/c		1,650	
	Manohar a/c		1650	
	Joshi a/c	....Dr	1650	
	To Revaluation A/c			4950
	(Being loss on revaluation debited to B's Capital)			
	Manohar Capital A/c	...Dr	1,74,300	
	To Bank A/c			1,74,300
	(180,000-1650=178350)			
	178350-4050=			
	(Being final amount paid to manohar capital on his retirement by bank draft)			
	Total		1,89,000	1,89,000

### Revaluation a/c

To liabilities	9000	By furniture a/c	4050
		4500-450(10%)	
		By revaluation a/c	4950
		Ram 1650	

		Manohar 1650	
		Joshi 1650	
	9000		9000

**Q-39** Harish, Paresh and Mahesh were three partners sharing profits and losses in the ratio of 5 : 4 : 1.

Paresh retired on 31st March, 2024. His capital as on 1st April, 2023, was 80,000. During the year 2023-24, he withdrew 5,000. He was to be charged interest of 100 on drawings.

The Partnership Deed provides that on the retirement of a partner, he will be entitled to:

- (i) His share of capital.
- (ii) Interest on capital @ 10% per annum.
- (iii) His share of profit in the year of retirement.
- (iv) His share of goodwill of the firm.
- (v) His share in the profit/loss on revaluation of assets and liabilities.

**Additional Information:**

- (a) Paresh's share in the profit of the firm for the year 2023-24 was 20,000.
- (b) Goodwill of the firm was valued at 24,000.
- (c) The firm incurred loss of 12,000 on the revaluation of assets and liabilities.

(d) Paresh was to be paid 7,700 in cash and the balance was to be transferred to his Loan Account bearing interest @ 6% per annum. Loan was to be repaid in two equal annual instalments, the first instalment to be paid on 31st March, 2025.

You are required to prepare:

(i) Paresh's Capital Account.

(ii) Paresh's Loan Account till it is finally closed.

[Ans.: Paresh's Loan-₹ 1,00,000.]

Paresh capital a/c			
particulars		Particulars	
To drawing a/c	5000	By balance b/d	80,000
To interest on drawing	100	By interest on capital	8000
To revaluation a/c	4800	By P/L app a/c	20,000
12000 x4/10 loss		Harish capital a/c	8000
To cash a/c	7700	Mahesh capital a/c	<u>1600</u>
To paresh loan a/c	<u>100,000</u>		
	117600		117600



Date	particulars	amount	date	particulars	amount
31 march 2025	To bank a/c (50,000+6000)  To balance c/d	56000  <u>50,000</u>	2024 1 april  2025 31march	By balance b/d   By interest a/c (6 %)	100,000   <u>6000</u>
		<u>106000</u>			<u>106000</u>
31 march 2026	To balance c/d	<u>53000</u>	2025 1 april  2026 31 march	By balance b/d   By interest a/c	50,000   <u>3000</u>
		<u>53000</u>			<u>53000</u>

**Goodwill share of paresh**

**=24000 x 4/10=9600**

**Contribution ratio=5:1**

**Harish will contribute=9600 x 5/6=8000**

**Mahesh will contribute=9600 x 1/6=1600**

### **ADJUSTMENT OF CAPITALS WHEN TOTAL CAPITAL OF THE NEW FIRM IS GIVEN:-**

**Q40. X, Y & Z are partners in a firm sharing profit in the ratio of 3:2:1. On 1<sup>st</sup> April, 2009, Y retires from the firm. X & Z agree that the capital of the new firm shall be fixed at 2, 10,000 in the profit-sharing ratio. The Capital Accounts of X & Z after all adjustments on the date of retirement showed balance of 1, 45,000 & 63,000 respectively. State the amount of actual cash to be brought in or to be paid to the partners.**

**Solution – Old ratio – 3:2:1**

**Y retires from the firm**

**New Ratio – 3:1**

**Total Capital of the new firm – 2, 10,000**

**X's – 2, 10,000  $\times$   $\frac{3}{4}$  – 1, 57,200**

**Z's – 2, 10,000  $\times$   $\frac{1}{4}$  – 52,500**

**Ascertainment of Actual cash:-**

**Cash paid/Brought in = New Capital – Existing Capital**

**X = 1, 57,500 – 1, 45,000 = (12,500) Brought in**

**Z = 52,500 – 63,000 = (10,500) Paid**