

**Q51. Suraj ,kamal and pawan are partners in a firm sharing profits and losses in the ratio of 3:2:1 .Their Balance Sheet as at 31<sup>st</sup> March, 2024 is:**

Liabilities	Amount	Assets	Amount
Creditors	46000	Cash	18,000
General Reserve	12,000	Debtors	25,000
Capital Accounts:-		Less: Provision for DD	3,000
A	40,000	Stock	18,000
B	40,000	Furniture	30,000
C	30,000	Machinery	70,000
	1,10,000	Goodwill	10,000
	1,68,000		1,68,000

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

- Provision for Doubtful Debts is raised by 1,000.
- Stock to be reduced by 10% and Furniture by 5%
- There is an outstanding claim of damages of 1,100 and it is to be provided for.
- Creditors will be written back by 6,000
- Goodwill of the firm is valued at 22,000
- B is paid in full with the cash brought in by A & C in such a manner that their capitals are in proportion to their profit-sharing ratio and cash in hand remains at 10,000

**Prepare Revaluation Account, Partners' Capital Accounts and the Balance Sheet of suraj and kamal.**

**Solution –**

Dr	Revaluation Account		Cr
Particulars	Amount	Particulars	Amount

Provision for Doubtful Debts	1,000	Creditors	6,000
Stock	1,800		
Furniture	1,500		
Outstanding Claim of damage	1,100		
Capital Account:-			
suraj - $600 \times \frac{3}{6}$	300		
pawan – $600 \times \frac{2}{6}$	200		
kamal – $600 \times \frac{1}{6}$	100		
	600		
	6,000		6,000

Dr Partners' Capital Accounts				Cr			
Particulars	suraj	pawan	kamal	Particulars	suraj	pawan	kamal
pawan's Capital A/c	5,500		1,833	Balance b/d	40,000	40,000	30,000
Goodwill A/c				suraj Capital A/c		5,500	
Cash A/c	5,000	3,333	1,667	kamal Capital A/c		1,833	
Balance c/d	35,800	48,200	28,600	Revaluation A/c			
					300	200	100
				General Reserve	6,000	4,000	2,000
Cash A/c	46,300	51,533	32,100	Balance b/d	46,300	51,533	32,100
Balance c/d			2,450	Cash A/c	35,800		28,600
	78,450		26,150		42,650		
	78,450		28,600		78,450		28,600

### Balance Sheet

Liabilities	Amount	Assets	Amount
Creditors	24,000	Cash in Hand	10,000
Bills Payables	16,000	Debtors	25,000
Outstanding Claim of damage	1,100	Less: Provision for DD	21,000
		4,000	16,000
Capital A/c:		Stock	28,500
suraj	78,450	Furniture	70,000
	1,04,600	Machinery	1,45,700
kamal	26,150		
	1,45,700		

**Working Note:-**

**Calculation of New & Gaining Ratio:-**

**Old Ratio – 3:2:1**

**New Ratio – 3:1**

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

**suraj –  $\frac{3}{4} - \frac{3}{6} = \frac{6}{24}$**

**kamal–  $\frac{1}{4} - \frac{1}{6} = \frac{2}{24}$**

**Gaining ratio – 3:1**

**Adjustment of Goodwill:-**

Total goodwill of the firm – 22,000

pawan –  $22,000 \times \frac{2}{6} = 7,333$

suraj compensated –  $7,333 \times \frac{3}{4} = 5,500$

kamal compensated –  $7,333 \times \frac{1}{4} = 1,833$

Adjustment of Capital:-

Total capital –  $35,800 + 48,200 + 28,600 - (18,000 - 10,000) = 1,04,600$

suraj –  $1,04,600 \times \frac{3}{4} = 78,450$

kamal –  $1,04,600 \times \frac{1}{4} = 26,150$

**Q52. The Balance Sheet of Asha, Deepa & Lata who were sharing profits in the ratio of 5:3:2 as at 31<sup>st</sup> March, 2024 are as follows:**

Liabilities	Amount	Assets	Amount
Creditors	50,000	Cash at Bank	40,000
Employees Provident Fund	10,000	Sundry Debtors	1,00,000
Profit & Loss A/c	85,000	Stock	80,000
Capital Accounts:-		Fixed Assets	60,000
Asha      40,000			
Deepa     62,000			
Lata       33,000	1,35,000		
	2,80,000		2,80,000

Asha retired on 1<sup>st</sup> April, 2024 & Deepa & Lata decided to share profits in future in the ratio of 3:2 respectively.

The other terms on retirement were:

- Goodwill of the firm is to be valued at 80,000.

- b) Fixed Assets are to be depreciated to 57,500.
- c) Make a Provision for Doubtful Debts at 5% on Debtors.
- d) A liability for claim, included in Creditors for 10,000, is settled at 8,000.

The amount to be paid to Asha by Deepa & Lata in such a way that their Capitals are proportionate to their profit-sharing ratio & leave a balance of 15,000 in the Bank Account. Prepare Revaluation Account and Partners' Capital Accounts.

Solution –

Dr		Revaluation Account		Cr	
Particulars	Amount	Particulars	Amount	Particulars	Amount
Fixed Assets A/c	2,500	Creditors	2,000		
Provision for DD	5,000	Loss on Revaluation transferred to:			
		Asha's Capital A/c	2,750		
		Deepa's Capital A/c	1,650		
		Lata's Capital A/c	1,100		
			5,500		
	7,500		7,500		

Dr				Partners' Capital Accounts				Cr			
Particulars	Asha	Deepa	Lata	Particulars	Asha	Deepa	Lata	Particulars	Asha	Deepa	Lata

To asha Capital A/c		24000	16000	Balance b/d	40,000	62000	33,000
To Revaluation A/c	2750	1650	1100	Deepa Capital A/c	24000		
To bank a/c				Iata Capital A/c	16000		
To balance c/d	119750			P/L a/c	42500	25500	17000
		61850	32900				
	122500	87500	50,000		122500	87500	50,000
Balance c/d		118500	79000	Balance b/d		61850	32900
				bank A/c		56650	46100
		118500	79000			118500	79000

## Retirement of Partner in between the year

**Q53. Amrit, Bhanu & Charu were partners in firm sharing profits equally. Bhanu retired on 30<sup>th</sup> September, 2023. Profit till the date of retirement was to be estimated based on last year profit. Profit for the year ended 31<sup>st</sup> March, 2023 was 3, 60,000.**

**Calculate Bhanu's share of profit till his retirement and pass Journal entry/entries for the same when:**

- I. The profit-sharing ratio between Amrit & Charu does not change**

**II. The new profit-sharing ratio between Amrit & Charu changes to 3:2.**

**Solution –**

**1. Solution**

**Profits for the year = ₹ 3,60,000**

**Bhanu retired on 30<sup>th</sup> September**

$$\begin{aligned}\text{Bhanu share in profit} &= 3,60,000 \times \frac{1}{3} \times \frac{6}{12} \\ &= ₹ 60,000\end{aligned}$$

**Case – I**

Profit & loss suspense A/c	Dr. 60,000
To Bhanu capital A/c	60,000
(Being profit credited to bhanu)	

**Case – II**

**Old ratio of Amrit, Bhanu, charu = 1:1:1**

**New ratio of Amrit, charu = 3:2**

$$\text{Amrit} = \frac{3}{5} - \frac{1}{3} = \frac{9-5}{15} = \frac{4}{15}$$

$$\text{Charu} = \frac{2}{5} - \frac{1}{3} = \frac{6-5}{15} = \frac{1}{15}$$

Gaining ratio= 4:1

$$\text{Bhanu share in profit } 3,60,000 \times \frac{1}{3} \times \frac{6}{12} = 60,000$$

$$\text{Amrit will contribute} = 60,000 \times \frac{4}{5} = ₹ 48,000$$

$$\text{Charu will contribute} = 60,000 \times \frac{1}{5} = ₹ 12,000$$

#### Journal Entry

Amrit's capital A/c	Dr.	48,000	
Charu's capital A/c	Dr.	12,000	
To bhanu's capital A/c			60,000

(Being Bhanu's share in profit adjusted)

**Q54. Amar, Bhuvu & Charan were partners in firm sharing profits equally. Bhuvu retired on 30<sup>th</sup> September, 2023. Profit or loss till the date of retirement was to be estimated based on last year's profit. Loss for the year ended 31<sup>st</sup> March, 2023 was 1, 80,000.**

**Calculate Bhuvu's share of loss till her retirement & Pass Journal entry/entries for the same when:**

- I. The profit-sharing ratio between Amar & Charan does not change**
- II. The new profit-sharing ratio between Amar & Charan changes to 3:2**

**Solution –**

**Loss for the year = 1,80,000**

**Bhuvu retired on 30<sup>th</sup> September**

$$\begin{aligned}\text{Bhuvu's 'share in loss} &= 1,80,000 \times \frac{1}{3} \times \frac{6}{12} \\ &= ₹ 30,000\end{aligned}$$



**Case – I**

Bhuvi capital A/c	Dr.	30,000
To profit & loss suspense A/c		30,000

**(Being Bhuvi share is debited)**

**Case – II**

**Old ratio of Amar, Bhuvi, charan = 1:1:1**

**New ratio of Amar, charan = 3:2**

$$\text{Amar} = \frac{3}{5} - \frac{1}{3} = \frac{9-5}{15} = \frac{4}{15}$$

$$\text{Charan} = \frac{2}{5} - \frac{1}{3} = \frac{6-5}{15} = \frac{1}{15}$$

**4:1**

$$\text{Bhuvi share in loss } 1,80,000 \times \frac{1}{3} \times \frac{6}{12} = 30,000$$

$$\text{Amar will get} = 30,000 \times \frac{4}{5} = ₹ 24,000$$

$$\text{Charan will get} = 30,000 \times \frac{1}{5} = ₹ 6,000$$

**Journal Entry**

Bhuvi's capital A/c	Dr.	30,000
To Aman's capital A/c		24,000
To Charan's capital A/c		6,000

**(Being Bhuvi's share in loss adjusted)**

**Q55. Yogesh, Naresh & Pavesh were partners in firm sharing profits in the ratio 2:2:1. Naresh retired on 1<sup>st</sup> October, 2023. In terms of the Partnership Deed, financial statements were prepared as on date of retirement and profit was determined as 7, 20,000.**

- a) Pass the Journal entries for distribution of profit for the period**
- b) Pass the Journal entries if loss of 3, 60,000 was incurred.**

**Solution –**

**Case-a Journal Entry**

Date	Particular	L.F	Dr.	Cr.
1.	Profit & loss App. A/c Dr.  To yogesh capital A/c  To Naresh capital A/c  To pavesh capital A/c  (Being profit distributed in 2:2:1)		7,20,000	 2,88,000 2,88,000 1,44,000

**Case – b Journal**

Date	Particular	L.F	Dr.	Cr.
1.	yogesh capital A/c  Naresh capital A/c  pavesh capital A/c  To profit & loss app. A/c		1,44,000  1,44,000  72,000	   3,60,000

	(Being loss distributed in 2:2:1			
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**Q56. The Partnership Deed of Aman, Bharat & Chetan as a clause that any partner may retire from the firm on the following terms by giving six months' notice in writing .The retiring partner shall be paid:**

- The amount standing to the credit of his Capital Account and Current Account**
- His share of profit to the date of retirement, calculated on the basis of the average profit of the three preceding completed years, if he retires in-between the year.**
- His share of Goodwill of the firm calculated on the basis of 1 ½ times the average profit of the three preceding completed years.**
- Assets shall be revalued and liabilities re-assessed. Retiring partner will get his share in the gain (profit) and will bear loss, if any.**

**Chetan gave notice on 31<sup>st</sup> March, 2023 to retire with effect from 30<sup>th</sup> September, 2023. On that date, the balance of his capital was 1, 60,000 & \* his Current Accounts (in debit) 5,000. The profits for the three preceding completed years were: 1 – 45,000; 2 – 30,000 & 3 – 24,000.**

**Revaluation of assets & reassessment of liabilities resulted in neither gain (profit) nor loss. What amount is due to Chetan in accordance with the partnership agreement?**

**Solution –**

**Dr. Chetan's Current A/c Cr.**

<b>Particular</b>	<b>₹</b>	<b>Particular</b>	<b>₹</b>
<b>To balance B/d</b>	<b>5,000</b>	<b>By profit &amp; loss suspense A/c</b>	<b>5,500</b>
	<b>17,000</b>		<b>8,250</b>

To chetan's capital A/c		By aman's current A/c	8,250
(Balancing figure)		By bharat's current A/c	
	22,000		22,000

Dr.	Chetan's Capital A/c		Cr.
Particular	₹	Particular	₹
To chetan's loan A/c	1,77,000	By balance b/d	1,60,000
		By chetan's current A/c	17,000
	1,77,000		1,77,000

Calculation of chetan's share in profit of the firm

$$\text{Avg. profit of cast} = \frac{45,000 + 30,000 + 24,000}{3}$$

$$= \frac{99,000}{3} = ₹ 33,000$$

$$\text{Chetan's share in 6 month} = 33,000 \times \frac{6}{12} \times \frac{1}{3}$$

$$= 5,500$$

Calculation of chetan's share in goodwill

$$\text{Goodwill of the} = \text{Avg. profit of cast} \times \frac{3}{2}$$

$$\begin{aligned}
 & \text{3 year} \\
 & = 33,000 \times \frac{3}{2} \\
 & = ₹ 49,500
 \end{aligned}$$

$$\begin{aligned}
 \text{Chetan's share in goodwill} &= 49,500 \times \frac{1}{3} \\
 &= ₹ 16,500
 \end{aligned}$$

It is contributed by aman & bhart in their gaining ratio i.e = 1:1

$$\text{Aman contributes} = 16,500 \times \frac{1}{2} = ₹ 8,250$$

$$\text{Bhart contributes} = 16,500 \times \frac{1}{2} ₹ 8,250$$

#### Journal Entry

Aman's current A/c	Dr.	8,250	
Bhart's current A/c	Dr.	8,250	
To chetan's current A/c			16,500

**Q57. Amit, Buntty & Charan are partners sharing profits & losses in the ratio of 2:2:1. Charan retired on 30<sup>th</sup> June, 2024. The Balance Sheet of the firm on 31<sup>st</sup> March, 2024 was as follows:**

<b>Liabilities</b>	<b>Amount</b>	<b>Assets</b>	<b>Amount</b>
<b>Capital Accounts:-</b>		<b>Building</b>	<b>10,00,000</b>
<b>Amit            6,00,000</b>		<b>Investments</b>	<b>1,25,000</b>
<b>Buntty          6,00,000</b>		<b>Stock</b>	<b>2,50,000</b>
<b>Charan        4,00,000</b>	<b>16,00,000</b>	<b>Debtors</b>	<b>4,00,000</b>
<b>Employees Compensation Reserve</b>	<b>1,00,000</b>	<b>Cash at Bank</b>	<b>2,00,000</b>
<b>General Reserve</b>	<b>3,00,000</b>	<b>Cash in Hand</b>	<b>1,25,000</b>
<b>Creditors</b>	<b>1,00,000</b>		
	<b>21,00,000</b>		<b>21,00,000</b>

**It was agreed that amount payable to Charan will be determined by making following adjustments:**

- Building be valued at 12,00,000**
- Investment be valued at 1,00,000**
- Stock to be valued at 3,00,000**
- Goodwill of the firm be valued at 2 years purchase of average profit of last 5 years**
- Charan's share of profit up to the date of retirement is calculated on the basis of average profit of the preceding three years.**

**Profits of the preceding five years were as under:**

<b>Years</b>	<b>2017-18</b>	<b>2018-19</b>	<b>2019-20</b>	<b>2020-21</b>	<b>2021-22</b>
<b>Profit</b>	<b>2,00,000</b>	<b>2,35,000</b>	<b>3,00,000</b>	<b>2,75,000</b>	<b>3,25,000</b>

**Prepare Revaluation Account, Partners' Capital Accounts & Balance Sheet after Charan's retirement.**

Solution –

Dr. Revaluation A/c Cr.

Particular	₹	Particular	₹
To investment A/c	25,000	By building A/c	2,00,000
To revaluation profit transferred to			
Amit	90,000	By stock A/c	50,000
Bunty	90,000		
Charan	45,000		
	2,25,000		
	2,25,000		2,25,000

Dr. Cr.

Particular	Amit	Bunty	Charan	Particular	Amit	Bunty	Charan
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To charan capital A/c	53,400	53,400		By balance B/d	6,00,000	6,00,000	4,00,000
To charan loan A/c			6,46,800	By revaluation A/c (profit)	90,000	90,000	45,000
To balance C/d	7,96,600	7,96,600		By workmen comp. reserve A/c	40,000	40,00,00	20,000
				By general reserve A/c	1,20,000	1,20,000	60,000
				By Amit's capital A/c			53,400
				By bunt's capital A/c			53,400
				By profits loss suspense A/c			15,000
	8,50,000	8,50,000	6,46,800		8,50,000	8,50,000	6,46,800



### Calculation of goodwill of the firm

Avg. profit of cost =  $\frac{2,00,000 + 2,35,000 + 3,00,000 + 27,500 + 3,25,000}{5}$

$$= \frac{13,35,000}{5}$$
$$= ₹ 2,67,000$$

Goodwill of the firm = Avg. profit of cost x 2 year purchase 5 year

$$= 2,67,000 \times 2$$

$$= 5,34,000$$

Charan's share in goodwill =  $5,34,000 \times \frac{1}{5}$

$$= ₹ 1,06,800$$

Charan will be compensated by Amit & Bunty in 1:1

$$\text{Amit will contribute} = 1,06,800 \times \frac{1}{2} = ₹ 53,400$$

$$\text{Bunty will contribute} = 1,06,800 \times \frac{1}{2} = ₹ 53,400$$

### Calculation of charan's share in profit

Avg. profit of cost 3 year =  $\frac{3,00,000 + 27,500 + 3,25,000}{3}$

$$= \frac{90,00,000}{3} = ₹ 3,00,000$$

Charan's share in profit =  $3,00,000 \times \frac{3}{2} \times \frac{1}{5}$

$$= 15,000$$

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