

Q61. X and Y share profits in the ratio of 5:3. Their Balance Sheet as at 31st March, 2024 was:

Liabilities		Amount	Assets		Amount
Creditors		15,000	Cash at Bank		5,000
Employees Provident Fund		10,000	Sundry Debtors	20,000	
Workmen Compensation Reserve			Less: Pro for Bad Debt	600	19,400
Capital A/c:		5,800	Stock		25,000
X	70,000		Fixed Assets		80,000
Y	31,000	1,01,000	Profit & Loss A/c		2,400
		1,31,800			1,31,800

They admit Z into partnership with 1/8th share in profits on 1st April, 2024. Z brings 20,000 as his capital and 12,000 for goodwill in cash. Z acquires his share from X. following revaluation are also made.

- Employees Provident Fund liability is to be increased by 5,000.
- All Debtors are good.
- Stock includes 3,000 for obsolete items. Hence are to be written off.
- Creditors are to be paid 1,000 more.
- Fixed Assets are to be revalued at 70,000.

Prepare Journal entries, necessary accounts and new Balance Sheet. Also calculate new profit-sharing ratio.

Solution –

Dr		Revaluation Account		Cr	
Particulars	Amount	Particulars	Amount	Particulars	Amount
Stock	3,000	Provision for Doubtful Debts	600		
Creditors	1,000	Loss transferred to			
Fixed Assets	10,000	X capital	11,500		
Provident Fund	5,000	Y capital	6,900		

	3,800		3,800
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Dr Partners' Capital Account Cr

Particulars	X	Y	Z	Particulars	X	Y	Z
Revaluation (Loss)	11,500	6,900		Balance b/d	70,000	31,000	
Profit & Loss	1,500	900		Workmen comp	3,625	2,175	
Balance c/d	72,625	25,375	20,000	Fund			
				Cash			20,000
				Premium for Goodwill	12,000		
	85,625	33,175	20,000		85,625	33,175	20,000

Balance Sheet As on March 31, 2024

Particulars	Amount	Particulars	Amount
Creditors	16,000	Land and Building	5,000
Provident Fund	15,000	Sundry Debtors	20,000
Capital Accounts:		Stock	22,000
X 72,625		Fixed Assets	70,000
Y 25,375		Cash	32,000
Z 20,000	1,18,000		
	1,49,000		1,49,000

Working Note:-

Distribution of Revaluation Loss:-

X's capital – $18,400 \times \frac{5}{8}$ – 11,500

Y's Capital – $18,400 \times \frac{3}{8}$ – 6,900

Distribution Accumulated Loss:-

X's Capital – $2,400 \times \frac{5}{8} = 1,500$

Y's capital – $2,400 \times \frac{3}{8} = 900$

Distribution of Workmen Compensation Fund:-

X's capital – $5,800 \times \frac{5}{8} = 3,625$

Y's capital – $5,800 \times \frac{3}{8} = 2,175$

Calculation of New Profit Sharing Ratio:-

Z acquired $\frac{1}{8}$ th share from X

New share of X – $\frac{5}{8} - \frac{1}{8} = \frac{4}{8}$

New share of Y – $\frac{3}{8}$

New share of Z – $\frac{1}{8}$

New profit sharing ratio – 4:3:1

Q62. Rajesh and Ravi are partners sharing profits in the ratio of 3: 2. Their Balance sheet at 31st March, 2024 stood as:

BALANCE SHEET as at 31st March, 2024

Liabilities		Amount	Assets		Amount
Creditors		38,500	Cash		2,000
Outstanding Rent		4,000	Stock		15,000
Capital A/cs:			Prepaid Insurance		1,500
Rajesh	29,000		Debtors	9,400	
Ravi	<u>15,000</u>	44,000	Less: Provision for DD	<u>400</u>	9,000

		Machinery	19,000
		Building	35,000
		Furniture	5,000
	86,500		86,500

Raman is admitted as a new partner introducing a capital of 16,000. The new profit-sharing ratio is decided as 5: 3: 2. Raman is unable to bring in any cash for goodwill. So, it is decided to value the goodwill on the basis of Raman's Share in the profits and the capital contributed by him. Following revaluation is made:

- Stock to decrease by 5%;
- Provision for Doubtful Debts is to be 500;
- Furniture to decrease by 10%;
- Building is valued at 40,000.

Show Necessary Ledger Accounts & Balance Sheet of New firm.

Solution:-

Dr		Revaluation Account		Cr	
Particulars	Amount	Particulars	Amount		
Stock	750	Building	5,000		
Provision for DD 500					
Less: Old Provision 400	100				
Furniture	500				
Profit on Revaluation					
Transferred to:-					
Rajesh Capital 2190	3650				
Ravi Capital 1460					
	5,000				5,000

Dr**Partners' Capital Account****Cr**

Particulars	Rajesh	Ravi	Raman	Particulars	Rajesh	Ravi	Raman
Balance c/d (before and just went of goodwill)	31,190	16,460	16,000	Balance b/d	29,000	15,000	
				Revaluation	2,190	1,460	
				Cash			16,000
Rajesh's Capital	31,190	16,460	16,000		31,190	16,460	16,000
Raman's Capital			1,635	Balance c/d	31,190	16,460	16,000
Balance c/d			1,635	Raman's	1,635	1,635	
	32,825	18,095	12,730	Capital			
	32,825	18,095	16,000		32,825	18,095	16,000

Balance Sheet As on March 31, 2024

Particulars	Amount	Particulars	Amount
Creditors	38,500	Cash	18,000
Outstanding Rent	4,000	Stock	14,250
Capital Accounts:		Prepaid Insurance	1,500
Rajesh 32,825		Debtors 9,400	
Ravi 18,095		Less: Provision for DD 500	8,900
Raman 12730	63,650	machinery	19,000

		Building	40,000
		Furniture	4,500
	106150		106150

Working Note:-

Calculation of Sacrificing Ratio:-

Old Ratio – 3:2

New ratio – 5:3:2

Sacrificing Ratio = Old Ratio – New Ratio

Rajesh's – $\frac{3}{5} - \frac{5}{10} = \frac{1}{10}$

Ravi's – $\frac{2}{5} - \frac{3}{10} = \frac{1}{10}$

Sacrificing ratio – 1:1

Calculation of Goodwill:-

Actual capital of all Partners before adjustment of goodwill – Rajesh Capital + Ravi's Capital + Raman's Capital

= 31,190 + 16,460 + 16,000 = 63,650

Capitalised value on the basis of Raman's share – $16,000 \times \frac{10}{2} = 80,000$

Goodwill of the firm - Capitalised value of the firm – Actual capital of the firm (before adjustment of the goodwill)

= 80,000 – 63,650 = 16,350

Raman's share of Goodwill – $16,350 \times \frac{2}{10} = 3,270$

Adjustment of Raman's share of goodwill:-

Rajesh and Ravi each capital Accounts – $3,270 \times \frac{1}{2} = 1,635$

Journal

Particulars	L.F.	Debit Amount	Credit Amount
Raman's Capital A/cDr		3,270	
To Rajesh's Capital A/c			1,635
To Ravi's Capital A/c			1,635
(Raman's share of goodwill adjusted)			

Distribution of Profit on Revaluation (in old ratio)

Rajesh – $3,650 \times \frac{3}{5} = 2,190$

Ravi – $3,650 \times \frac{2}{5} = 1,460$

Q63. On 31st March, 2019, The Balance Sheet of A and B, Who were Sharing profits in the ratio of 3: 2 was as follow:

Liabilities		Amount	Assets		Amount
Creditor		30,000	Case at Bank		20,000
Investment Fluctuation fund		12,000	Debtors	85,000	
General Reserve		25,000	Less: Provision for	<u>5,000</u>	80,000
Capitals A/cs:			Bad Debts		
A	1,60,000		Stock		1,30,000
B	<u>1,40,000</u>	3,00,000	Investment		60,000

		Furniture	77,000
	3,67,000		3,67,000

On 1st April, 2019, they decided to admit C as a new partner for 1/5th share in the profits on the following terms;

- C brought 1, 00,000 as his capital and 50,000 as his share of premium for goodwill.
- Outstanding salaries of 2,000 be provided for:
- The Market Value of Investment was 50,000.
- A debtor whose dues of 18,000 were written off as bad debts paid 12,000 in full settlement.

Prepare Revaluation Account, Partners' Capital Account and the Balance sheet of the new firm.

Solution:-

Revaluation Account			
Dr		Cr	
Particulars	Amount	Particulars	Amount
To Outstanding Salary	2,000	By Bad debts Recovered	12,000
To Gain Transferred to:-			
A's Capital 6,000			
B's Capital <u>4,000</u>	10,000		
	12,000		12,000

Partners Capital Account							
Dr				Cr			
Particulars	A	B	C	Particulars	A	B	C
Balance c/d	2,12,200	1,74,800	1,00,000	Balance b/d	1,60,000	1,40,000	
				Revaluation	6,000	4,000	
				Investment	1,200	800	
				Fluctuation Fund			
				General Reserve			
				Bank	15,000	10,000	
				Premium	30,000	20,000	1,00,000
	2,12,200	1,74,800	1,00,000		2,12,200	1,74,800	1,00,000

Balance Sheet As on March 31, 2024

Particulars	Amount	Particulars	Amount
Creditors	30,000	Cash	1,82,000
Outstanding Salary	2,000	(20,000+100,000+50,000+2000)	
Capital Accounts:		Debtors	85,000
A	2,12,200	Less: Provision for D	5,000
B	1,74,800	stock	50,000
C	<u>1,00,000</u>	Investment	77,000
	4,87,000	Furniture	<u>5,19,000</u>
	5,19,000		

Working Note:-

Distribution of Revaluation Gain in 3:2

$$A - 10,000 \times \frac{3}{5} = 6,000$$

$$B - 10,000 \times \frac{2}{5} = 4,000$$

Investment Fluctuation Reserve in 3:2

$$A - 2,000 \times \frac{3}{5} = 1,200$$

$$B - 2,000 \times \frac{2}{5} = 800$$

General Reserve in 3:2

$$A - 25,000 \times \frac{3}{5} = 15,000$$

$$B - 25,000 \times \frac{2}{5} = 10,000$$

Distribution of Premium in Sacrificing Ratio 3:2

$$A - 50,000 \times \frac{3}{5} = 30,000$$

$$B - 50,000 \times \frac{2}{5} = 20,000$$

Cash balance

$$\text{Cash balance} - 20,000 + 1,00,000 + 50,000 + 12,000 = 1,82,000$$

Q64. Divya, Yasmin and Fatima are partners in a firm, Sharing Profits and losses in 11: 7: 2 respectively. The Balance Sheet of the Firm on 31st March, 2018 was as follows:

Liabilities		Amount	Assets		Amount
Sundry Creditors		70,000	Factory Building		7,35,000
Public Deposits		1,19,000	Plant and Machinery		1,80,000
Reserve Fund		90,000	Furniture		2,60,000
Outstanding Expenses		10,000	Stock		1,45,000
Capital A/cs;			Debtors		1,50,000
Divya	5,10,000		Less; Provision (30,000)		1,20,000
Yasmin	3,00,000		Cash at Bank		1,59,000
Fatima	5,00,000	13,10,000			
		15,99,000			15,99,000

On 1st April, 2018, Aditya is admitted as a partner for one-fifth share in the profits with a capital of 4, 50,000 and necessary amount for his share of goodwill on the following terms;

- I. Furniture of 2, 40,000 were to be taken over Divya, Yasmin and Fatima Equally.
- II. A creditor of 7,000 not recoded in books to be taken into account.
- III. Goodwill of the firm is to be valued at 2.5 years purchase of average profits of last two years. The profits of the last Three years were.
2015-16 -6,00,000; 2016-17 -2,00,000; 2017-18 -6,00,000;
- IV. At time of Aditya's admission. Yasmin also brought in 50,000 as fresh capital.
- V. Plant and Machinery is re-valued to 2, 00,000 and expenses outstanding were brought down to 9,000.

Prepare Revaluation Account, Partner's Account and Balance Sheet of the reconstituted firm.

Solution:-

Dr		Revaluation Account		Cr	
Particulars		Amount	Particulars	Amount	
Sundry Creditors		7,000	Plant & Machinery	20,000	
Profit Transferred to:-			Outstanding Expense	1,000	
Divya's Capital	7,700				
Yasmin's Capital	4,900				
Fatima's Capital	1,400	14,000			
		21,000		21,000	

Dr					Partners Capital Account					Cr				
Particular	Divya	Yasmin	Fatima	Aditya	Particular	Divya	Yasmin	Fatima	Aditya	Particular	Divya	Yasmin	Fatima	Aditya
Furniture	80,000	80,000	80,000		Balance b/d	5,10,000	3,00,000	5,00,000						
Balance c/d	5,97,200	3,76,400	4,50,400	4,50,000	Bank		50,000							4,50,000
					Premium for goodwill	1,10,000	70,000	20,000						
					Reserve fund	49,500	31,500	9,000						
					revaluation	7,700	4,900	1,400						
	6,77,200	4,56,400	5,30,400	4,50,000		6,77,200	4,56,400	5,30,400	4,50,000					

Working note:-

Calculation of Goodwill brought in by Aditya

Average Profits – (Normal profits from 31st March, 2017 to 31st March, 2018)/2

- (2,00,000 + 6,00,000)/2 – 4,00,000

Goodwill – Average Profits X No. of years of Purchase

- (4,00,000 x 2.5) – 10,00,000

Goodwill brought in by Aditya – (10, 00,000 x 1/5) – 2, 00,000

Balance Sheet As on March 31, 2024

Particulars	Amount	Particulars	Amount
Capital Accounts:		Factory Building	7,35,000
Divya 5,97,200		Plant and Machinery	2,00,000
Yasmin 3,76,400		Furniture	20,000
Fatima 4,50,400		Stock	1,45,000
Aditya <u>4,50,000</u>	18,74,000	Debtors 1,50,000	
Sundry Creditors	77,000	Less: Provision (30,000)	1,20,000
Public Deposits	1,19,000	Cash at Bank	8,59,000
Outstanding Expenses	9,000		
	<u>20,79,000</u>		<u>20,79,000</u>

Q65. A and B are Partner in a firm. Net profit of the firm is divided as follows; $\frac{1}{2}$ to A, $\frac{1}{3}$ to B and $\frac{1}{6}$ carried to a Reserve. They admit C as partner on 1st April, 2024 on which date, the Balance Sheet of the firm was;

Liabilities	Amount	Assets	Amount
Capital A/cs;		Building	50,000
A 50,000		Plant and Machinery	30,000
B <u>40,000</u>	90,000	Stock	18,000
Reserve	10,000	Debtors	22,000
Creditors	20,000	Bank	5,000
Outstanding Expenses	5,000		
	<u>1,25,000</u>		<u>1,25,000</u>

Following are the required adjustment on admission of C.

- C brings in 25,000 toward his capital.
- C also brings in 5,000 for $\frac{1}{5}$ th share of goodwill.
- Stock is undervalued by 10%.
- Creditors include a liability of 4,000, which has been decided by the court at 3,200.
- In regard to the Debtors, the following Debts Proved bad or Doubtful-
2,000 Due from X-bad to the full extent;
4,000 due from Y-insolvent, estate expected to pay only 50%.

You are required to prepare Revaluation Account, Partners Capital Account and Balance Sheet of the new firm.

Solution:-

Dr Revaluation Account Cr			
Particulars	Amount	Particulars	Amount
Bad Debts	2,000	Stock	2,000
Provision for Doubtful Debts	2,000	Creditors	800

		Loss transferred to	
		A capital	720
		B Capital	480
	4,000		4,000

Dr

Partners Capital Account

Cr

Particulars	A	B	C	Particulars	A	B	C
Revaluation	720	480		Balance b/d	50,000	40,000	
				Reserve	6,000	4,000	
				Bank			25,000
Balance c/d	58,280	45,520	25,000	Premium for Goodwill	3,000	2,000	
	59,000	46,000	25,000		59,000	46,000	25,000

Balance Sheet

As on April 1, 2024 after C's admission

Liabilities	Amount	Assets	Amount
Capital Accounts:		Building	50,000
A 58,280		Plant and Machinery	30,000
B 45,520		Stock	20,000
C 25,000	1,28,800	Debtors 22,000	
Creditors	19,200	Less: Bad Debts 2,000	
Outstanding Expenses	5,000	Less: Provision for D 2,000	18,000
		Bank	35,000
	1,53,000		1,53,000

Working Notes:-

Old Ratio – $1/2 : 1/3 - 3:2$

Sacrificing Ratio – $3:2$

Distribution of Reserve:-

A – $10,000 \times 3/5 = 6,000$

B – $10,000 \times 2/5 = 4,000$

Distribution of Premium for Goodwill:-

A – $5,000 \times 3/5 = 3,000$

B – $5,000 \times 2/5 = 2,000$

Q66. Deepika and Rajshree are partners in a firm sharing profits and losses in the ratio of 3: 2. On 31st March, 2024 their Balance Sheet was:

Liabilities	Amount	Assets	Amount
Sundry Creditors	16,000	Cash in hand	1,200
Public Deposits	61,000	Cash in Bank	2,800
Bank Overdraft	6,000	Stock	32,000
Outstanding Liabilities	2,000	Prepaid Insurance	1,000
Capital A/cs:		Sundry Debtors	28,800
Deepika	48,000	Less; Provision for DD	800
Rajshree	40,000		28,000
	88,000	Plant and Machinery	48,000
		Land and Building	50,000
		Furniture	10,000
	1,73,000		1,73,000

On 1st April, 2024, the partners admit Anshu as a partner on the following terms:

- New profit-sharing ratio of Deepika, Rajshree and Anshu will be 5:3:2.
- Anshu shall bring in 32,000 as his capital.

- c) Anshu is unable to bring his share of goodwill. Partners, therefore, decided to calculate the goodwill on the basis of Anshu's share in the profits and the capital contribution made by her to the firm.
- d) Plant and Machinery is to be valued at 60,000, stock at 40,000 and the Provision for Doubtful Debts is to be maintained at 4,000. Value of Land and Building has appreciated by 20%. Furniture has been depreciated by 10%.
- e) There is an additional liability of 8,000 being outstanding salary payable to employees of the firm. This liability is not included in the outstanding liabilities, stated in the above Balance Sheet. Partners decided to show this liability in the books of account of the reconstituted firm.

Prepare Revaluation Account, Partners Capital Accounts and Balance Sheet of Deepika, Rajshree and Anshu.

Solution –

Dr		Revaluation Account		Cr	
Particulars	Amount	Particulars	Amount		
Reserve for DD	4,000	Plant and Machinery	12,000		
Less: Old Reserve	800	Stock	8,000		
	3,200	Land and Building	10,000		
Furniture	1,000				
Outstanding Salary	8,000				
Profit transferred to:-					
Deepika Capital	10,680				
Rajshree Capital	7,120				
	30,000				30,000

Dr Partners Capital Account				Cr			
Particulars	Deepika	Rajshree	Anshu	Particulars	Deepika	Rajshree	Anshu
Balance c/d (before adjustment of goodwill)	58,680	47,120	32,000	Balance b/d	48,000	40,000	
				Revaluation	10,680	7,120	
				Cash			32,000
Deepika	58,680	47,120	32,000		58,680	47,120	32,000
Rajshree			2,220	Balance b/d	58,680	47,120	32,000
Balance c/d			2,220	Anshu	2,220	2,220	
	60,900	49,340	27,560	Capital (goodwill)			
	60,900	49,340	32,000		60,900	49,340	32,000

Balance Sheet
As on April 1, 2024 after C's admission

Liabilities	Amount	Assets	Amount
Outstanding Salaries	8,000	Cash in Hand	1,200
Sundry Creditors	16,000	Cash at Bank	28,800
Public Deposits	61,000	Stock	40,000
Outstanding Liabilities	2,000	Prepaid Insurance	1,000
Capital Accounts:		Sundry Debtors	28,800
Deepika	60,900	Less: Provision DD	4,000
			24,800

Rajshree	49,340		plant and Machinery	60,000
Anshu	<u>27,560</u>	1,37,800	Land and Building	60,000
			Furniture	9,000
		<u>2,24,800</u>		<u>2,24,800</u>

Working Notes:-

Calculation of Sacrificing Ratio:-

Old Ratio – Deepika: Rajshree – 3:2

New Ratio – Deepika: Rajshree: Anshu – 5:3:2

Sacrificing Ratio = Old ratio – New Ratio

Deepika – $\frac{3}{5} - \frac{5}{10} - \frac{1}{10}$

Rajshree – $\frac{2}{5} - \frac{3}{10} - \frac{1}{10}$

Sacrificing ratio – 1:1

Valuation of Goodwill:-

Capitalised value on the basis of Anshu's share – $32,000 \times \frac{10}{2} = 1,60,000$

Actual capital of all partners before adjustment of Goodwill

$= 58,680 + 47,120 + 32,000 = 1,37,800$

$1,60,000 - 1,37,800 = 22,200$

Anshu's share of Goodwill = $22,200 \times \frac{2}{10} = 4,440$

Deepika and Rajshree each will entitle for Goodwill = $4,440 \times \frac{1}{2} = 2,220$

Q67. Sunaina and Tamanna are partners in a firm sharing profits and losses in the ratio of 3:2. Their Balance Sheet as at 31st March, 2020 stood as follow:

Liabilities		Amount	Assets		Amount
Capital A/cs:			Plant and Machinery		1,20,000
Sunaina	60,000		Land and Building		1,40,000
Tamanna	80,000	1,40,000	Debtors		1,90,000
Current A/c:			Less: Provision DD		40,000
Sunaina	10,000		Stock		40,000
Tamanna	30,000	40,000	Cash		30,000
General Reserve		1,20,000	Goodwill		20,000
Workmen Compensation Reserve		50,000			
Creditors		1,50,000			
		5,00,000			5,00,000

They agreed to admit Pranav into partnership for 1/5th share of profits on 1st April, 2020, on the following terms:

- All Debtors are good.
- Value of Land and Building to be increased to 1, 80,000.
- Value of Plant and Machinery to be reduced by 20,000.
- The liability against Workmen's Compensation Fund is determined at 20,000 which are to be paid later in the year.
- Anil, to whom 40,000 were payable (already included in above creditors), drew a bill of exchange for 3 months which was duly accepted.
- Pranav to bring in capital of 1, 00,000 and 10,000 as premium for goodwill in cash.

Journalise.

Solution –

Journal Entry

Date	Particulars	L.F.	DR	CR
	Debtors A/cDr Land and Building A/c ...Dr To Revaluation A/c (Being increased in Value of Debtors Land and Building)		40,000 40,000	80,000
	Revaluation A/cDr To Plant and Machinery A/c (Being Decrease in value of plant & machinery)		20,000	20,000
	Revaluation A/cDr To Sunaina's Current A/c To Tamanna's Current A/c (Being Distribution of revolution profit)		60,000	36,000 24,000
	Creditors A/cDr To Bills Payable A/c (Being Bills exchange accepted)		40,000	40,000
	Workmen Compensation Reserve A/cDr To Workmen Compensation Claim A/c To Sunaina's Current A/c		50,000	20,000 18,000

	To Tamanna's Current A/c (Being Workmen Compensation Claim is transferred to Workmen Compensation Reserve A/c and Balance is transferred to partners Current A/c)			12,000
	General Reserve A/cDr To Sunaina's Current A/c To Tamanna's Current A/c (Being general reserve is transferred to partners Current A/c)		1,20,000	72,000 48,000
	Cash A/cDr To Sunaina's Current A/c To Tamanna's Current A/c (Being Premium for goodwill is transferred to partners Current A/c in sacrificing ratio)		1,10,000	6,000 4,000
	Sunaina's Current A/cDr Tamanna's Current A/cDr To Goodwill A/c (Being old Goodwill is Written off in old ratio)		12,000 8,000	20,000

Q68. Following is the Balance Sheet of Jay and Veeru as at 31st March, 2024 who is partners in a firm sharing profits and losses in the ratio of 3:2 respectively:

Liabilities	Amount	Assets	Amount
Creditors	45,000	Cash at Bank	15,000
General Reserve	36,000	Debtors	60,000
Capital A/cs:		Less: Provision for DD	2,400
Jay	1,80,000	Patents	57,600
Veeru	90,000	Investments	44,400
Current A/c:		Fixed Assets	24,000
Jay	30,000	Goodwill	2,16,000
Veeru	6,000		30,000
	3,87,000		3,87,000

Sri is admitted as a new partner on 1st April, 2024 on the following terms:

- Provision for Doubtful Debts is to be maintained at 5% on Debtors.
- Outstanding Rent payable was 15,000.
- An accrued income of 4,500 does not appear in the books of the firm. It is now to be recorded.
- Jay takes over the Investments at an agreed value of 18,000.
- New Profit-sharing Ratio of partners will be 4:3:2.
- Sri will bring in 60,000 as his capital by cheque.
- Sri is to pay an amount equal to his share in firm's goodwill valued at twice the average profit of the last three years ended 31st March, 2024, 2023 and 2022, which were 90,000; 78,000 and 75,000 respectively.
- Half of the amount of goodwill is to be withdrawn by Jay and Veeru.

You are required to pass Journal entries, prepare Revaluation Account, Partners Capital and Current Accounts and the Balance Sheet of the new firm.

Solution –

Revaluation Account			
Dr		Cr	
Particulars	Amount	Particulars	Amount
Provision for D Debts	600	Accrued Income	4,500
Outstanding Rent	15,000	Loss Transferred to	
Investments	6,000	Jay's Current A/c	10,260
		Veeru's Current A/c	6,840
	21,600		21,600

Partners' Capital Account							
Dr				Cr			
Particulars	Jay	Veeru	Sri	Particulars	Jay	Veeru	Sri
				Balance b/d	1,80,000	90,000	
Balance c/d	1,80,000	90,000	60,000	Bank			60,000
	1,80,000	90,000	60,000		1,80,000	90,000	60,000

Partners' Current Account							
Dr				Cr			
Particulars	Jay	Veeru	Sri	Particulars	Jay	Veeru	Sri
Revaluation	10,260	6,840		Balance b/d	30,000	6,000	
Goodwill	18,000	12,000		General Reserve	21,600	14,400	
Bank	12,600	5,400		Premium for Goodwill	25,200	10,800	
Investments	18,000						
Balance c/d	17,940	6,960					
	76,800	31,200			76,800	31,200	

Balance Sheet
As on April 1, 2024 after C's admission

Jay's Current A/cDr	12,600	
Veeru's Current A/cDr	5,400	
To Bank A/c			18,000
(Being Half of goodwill withdrawn by partners)			

Working Note:-

Calculation of Sri's Share of Premium for Goodwill:-

Average Profits – $90,000 + 78,000 + 75,000 = 81,000$

Firm's Goodwill – $81,000 \times 2 = 1,62,000$

Sri's share – $1,62,000 \times \frac{2}{9} = 36,000$

36,000 will be distributed between Jay & Veeru in sacrificing ratio

Calculation of Sacrificing Ratio:-

Sacrificing Ratio = Old Ratio – New Ratio

Jay's sacrifice – $\frac{3}{5} - \frac{4}{9} = \frac{7}{45}$

Y's sacrifice – $\frac{2}{5} - \frac{3}{9} = \frac{3}{45}$

Sacrificing Ratio – 7:3

Calculation of share of premium of goodwill:-

Jay's share – $36,000 \times \frac{7}{10} = 25,200$

Veeru's share – $36,000 \times \frac{3}{10} = 10,800$

Distribution of Loss on Revaluation:-

Jay's share – $17,100 \times \frac{3}{5} = 10,260$

Veeru's share – $17,100 \times \frac{2}{5} = 6,840$

ADJUSTMENT OF THE OLD PARTNERS CAPITAL ON THE BASIS OF NEW OR INCOMING PARTNERS' CAPITAL:-

Q 69 x and y were partner in the profit sharing ratio of 3:2 there balance sheet as at 31st march 2022 was as follow

Balancesheet 31st march 2022

particulars	AMOUNT	PARTICULAR	AMOUNT
Creditors	56000	Plant and machinery	70,000
General reserve	14000	Building	98000
Capital		Stock	21000
X 119000			
Y 112000	231000	Debtors 42000	
		Less provision 7000	35000
		Cash in hand	77000
	301000		301000

Z was admitted for 1/6 th share on the following term

- i. Z will bring 56000 as his share of capital but was not able to bring any amount to compensate to sacrificing partner**
- ii. Goodwill of the firm 84000**
- iii. Plant and machinery were found undervalued by 14000 building was to brought upto 109000**
- iv. All debtors are good**

- v. Capital of x and y will be adjusted on the basis of z share and will adjustment will be done by opening necessary current account

You are require to prepare revaluation account and partners capital account.

Dr.		Revaluation a/c		Cr.	
particulars	Amount	particulars	amount		
Partners capital a/c	32000	Plant and machinery	14000		
X 19200		Building	11000		
Y 12800		Provision for DD	7000		
	32000		32000		

Partners capital a/c							
particulars	x	Y	z	particulars	x	y	z
Y current a/c		24000		Balance b/d	119000	112000	
Balance c/d	168000	112000	56000	Bank a/c			
				Z current a/c	8400	5600	
				General reserve	8400	5600	
				Revolution a/c	19200	12800	
				X current a/c	13000		

							56000
	168000	136000	56000		168000	136000	

Calculation of partner capital in new firm

Total capital of firm = $56000 \times 6/1 = 336000$

X = $336000 \times 3/6 = 168000$

Y = $336000 \times 2/6 = 112000$

Z = $336000 \times 1/6 = 56000$

**Goodwill of the firm = $84000 \times 1/6$
= 14000**

X will get = $14000 \times 3/5 = 8400$

Y will get = $14000 \times 2/5 = 5600$

Q70. Badal and Bijli were partners in a firm sharing profits in the ratio of 3:2. Their Balance Sheet as at 31st March, 2019 was as follows:

Balance Sheet as on 31st March, 2019 is given below:

Liabilities	Amount	Assets	Amount
Capital A/c:		Building	1,50,000
Badal 1,50,000		Investments	73,000
Bijli <u>90,000</u>	2,40,000	Stock	43,000
Badal's Current A/c	12,000	Debtors	20,000
Investment Fluctuation Reserve	24,000	Cash	22,000
Creditors	8,000	Bijli's current a/c	2,000
Bills Payable	26,000		
	<u>3,10,000</u>		<u>3,10,000</u>

Raina was admitted on the above date as a new partner for 1/6th share in the profits of the firm. The terms of agreement were as follows:

- I. Raina will bring 40,000 as her capital and capitals of Badal and Bijli will be adjusted on the basis of Raina's capital by opening Current Accounts.
- II. Raina will bring her share of goodwill premium for 12,000 in cash.
- III. The building was overvalued by 15,000 and stock by 3,000.
- IV. A provision of 10% was to be created on debtor for bad debts.

Prepare the Revaluation Account and Current and Capital Accounts of Badal, Bijli and Raina.

Solution –

Dr		Revaluation Account		Cr	
Particulars	Amount	Particulars	Amount		
To Building A/c	15,000	Loss Transferred to	20,000		
To Stock	3,000	Badal's Capital A/c			
To Provision for Doubtful Debts	2,000	12000			

	20,000	Bijli's Capital A/c	20,000
		8000	

Dr Partners' Capital Account				Cr			
Particulars	Badal	Bijli	Raina	Particular	Badal	Bijli	Raina
Badal's Current a/c	30,000			Balance b/d	1,50,000	90,000	
Bijli's Current a/c		10,000		Cash A/c			40,000
To Balance c/d	1,20,000	80,000	40,000				
	1,50,000	90,000	40,000		1,50,000	90,000	40,000

Dr Partners' Current Account				Cr			
Particulars	Badal	Bijli	Raina	Particulars	Badal	Bijli	Raina
Balance b/d		2,000		Balance b/d	12,000		
Revaluation	12,000	8,000		I.F.R	14,400	9,600	
Balance c/d	51,600	14,400		Premium	7,200	4,800	
				Badal's Capital a/c	30,000		
				Bijli's Capital a/c		10,000	
	63600	24400			63600	24400	

Working Notes:-

Calculation of Sacrificing Ratio:-

Sacrifice = Old Profit Share – New Profit Share

Old Ratio of Badal and Bijli = 3:2

Share of Raina is $\frac{1}{6}$

Calculation of new profit sharing ratio:-

Profit sharing ratio is 1/1

Remaining profit sharing ratio is $\frac{1}{1} - \frac{1}{6} = \frac{5}{6}$

Share of Badal & Bijli in Remaining share

Badal = $\frac{5}{6} \times \frac{3}{5} = \frac{15}{30}$

Bijli = $\frac{5}{6} \times \frac{2}{5} = \frac{10}{30}$

New ratio – Badal: Bijli: Raina – 3:2:1

Goodwill for $\frac{1}{6}$ th share of Raina = 12,000

Goodwill payable to Badal & Bijli

Badal = $12,000 \times \frac{3}{5} = 7,200$

Bijli = $12,000 \times \frac{2}{5} = 4,800$

Capital of the Partners in the New firm on the basis of Raina's Capital:-

Raina's capital - 40,000

Raina's Share of Profit $\frac{1}{6}$ for that he brings – 40,000

Total capital of the firm = $40,000 \times \frac{6}{1} = 2,40,000$

Thus,

Badal's Capital – $2,40,000 \times \frac{3}{6} = 1,20,000$

Bijli's Capital = $2,40,000 \times \frac{2}{6} = 80,000$

Raina's Capital = $2,40,000 \times \frac{1}{6} = 40,000$