Reconstitution of a Partnership Firm – Admission of a Partner

1. Piyush, Rajesh and Avinash were partners in a firm sharing profits and losses equally. Shiva was admitted as a new partner for an equal share. Shiva brought his share of capital and premium for goodwill in cash. The premium for goodwill amount will be divided among : (2024)

(A) Old partners in old ratio

(B) New partners in new ratio

(C) New partners in sacrificing ratio

(D) Old partners in sacrificing ratio

Ans. (D) Old partners in sacrificing ratio

2. Alex, Benn and Cole were partners in a firm sharing profits and losses in the ratio of 5 : 3 : 2. They admitted Dona as a new partner for 1/5 th share in the future profits. Dona agreed to contribute proportionate capital. On the date of admission, capitals of Alex, Benn and Cole after all adjustments were ₹ 1,20,000; ₹ 80,000 and ₹ 1,00,000 respectively. (2024)

The amount of capital brought in by Dona will be :

(A) ₹ 75,000

(B) ₹ 60,000

(C) ₹ 65,000

(D) ₹ 70,000

Ans. (A) ₹ 75,000

3. Aamir, Bashir and Chirag were partners in a firm sharing profits and losses in the ratio of 3 : 3 : 2. Chirag retired. Aamir and Bashir decided to share profits and losses in future in the ratio of 1 : 2. On the day of Chirag's retirement, goodwill of the firm was valued at ₹ 5,40,000. Calculate gaining ratio and pass necessary journal entry to record the treatment of goodwill (without opening goodwill account) on Chirag's retirement. (2024)

Ans. Gain = New share – Old Share

Aamir's Gain = 1/ 3 - 3/8 = -1/24 (sacrifice)

Bashir's Gain = 2/3 - 3/8 = 7/24 (gain)

In the books of Aamir, Bashir and Chirag

JOURNAL

Date	Particulars	L.F.	Dr. Amount (₹)	Cr. Amount (₹)
	Bashir's Capital A/c Dr.		1,57,500	
	To Aamir's Capital A/c			22,500
	To Chirag's Capital A/c			1,35,000
	(Goodwill treated on Chirag's retirement without opening Goodwill account)			

4. Pearl and Ruby were partners in a firm with a combined capital of ₹ 2,50,000. The normal rate of return was 10%. The profits of the last four years were as follows: (2024)

	₹
2019 – 20	35,000
2020 – 21	25,000
2021 – 22	32,000
2022 – 23	33,000

The closing stock for the year 2022 - 23 was overvalued by ₹ 5,000.

Calculate goodwill of the firm based on three years' purchase of the last four years' average super profit.

Ans. Calculation of Normal Adjusted Profit

Year	Profit (₹)	Adjustment (₹)	Adjusted Profit (₹)
2019-20	35,000	-	35,000
2020-21	25,000	-	25,000
2021-22	32,000	-	32,000
2022-23	33,000	(5,000)	28,000
TOTAL			1,20,000

Average Profit= (Total Adjusted Profit)/ No. of years

= 1,20,000/4 = ₹30,000

Normal Profit= Capital Employed x $\frac{\text{Normal Rate of Return}}{100}$

= 2,50,000 x $\frac{10}{100}$ = ₹25,000

Super Profit = Average Profit – Normal Profit

= 30,000 - 25,000 = ₹5,000

Goodwill= Super Profit x No. of years' purchase

= 5,000 x 3 = ₹15,000

5. Archana, Vandana and Arti were partners in a firm sharing profits and losses in the ratio of 5 : 3 : 2. Their Balance Sheet on 31st March, 2023 was as follows :

Balance Sheet of Archana, Vandana and Arti as at 31st March, 2023

Liabilities		Amount ₹	Assets	Amount ₹
Capitals :			Investments	80,000
Archana	80,000		Plant	1,00,000
Vandana	70,000		Stock	40,000
Arti	60,000	2,10,000	Debtors	50,000
General Reserve		30,000	Cash at Bank	30,000
Creditors		60,000		
		3,00,000		3,00,000

The firm was dissolved on the above date.

(i) Assets were realised as follows :

Debtors — ₹ 40,000

Stock — ₹ 50,000

Plant — ₹ 60,000

(ii) 25% of the Investments were taken over by Vandana at ₹ 18,000. Remaining Investments were taken over by Archana at 10% less than its book value.

(iii) Expenses of realisation ₹ 20,000 were paid by Arti.

Prepare Realisation Account. (2024)

Ans.

Dr		Realisation A/c	Cr
Particulars	Amount ₹	Particulars	Amount ₹
To Investments A/c	80,000	By Creditors A/c (½)	60,000
To Plant A/c	1,00,000		
To Stock (½)	40,000	By Bank A/c (½)	
To Debtors A/c	50,000	Debtors 40,000	
		Stock 50,000	
To Bank (½)	60,000	Plant 60,000	1,50,000
To Arti's Capital A/c (½)	20,000		
		By Vandana's capital A/c (½)	18,000
		By Archana's capital A/c (½)	54,000
		By Loss transferred to Partners' Capital A/c: (½)	
		Archana 34,000	
		Vandana 20,400	
		Arti 13,600	68,000
	3,50,000		3,50,000

Previous Years' CBSE Board Questions

2.1 Modes of Reconstitution of a Partnership Firm

MCQ

1. Any change in the relationship of existing partners which results in an end of the existing agreement and entering into a new agreement is called
   (a) Revaluation of Partnership Firm
   (b) Reconstitution of Partnership Firm
   (c) Dissolution of Partnership Firm
   (d) Amalgamation of Partnership Firms.
   (Term-I, 2021-22) R

2.2 Admission of a New Partner

MCQ

2. A, B, C and D are partners in a firm. They want to expand their business for which additional capital and more managerial experts are required. For this, they want to admit more members in their firm. What is the maximum number of additional members that can be admitted by them in the firm?
   (a) 02 (b) 50 (c) 20 (d) 46
   (Term-I, 2021-22) R

VSA (1 mark)

3. Gupta and Sharma were partners in a firm. They wanted to admit two more members in the firm. List the categories of individuals other than minors who cannot be admitted by them. *(Delhi 2017)* R

2.3 New Profit Sharing Ratio

MCQ

4. *X* and *Y* were partners sharing profits in the ratio of 3:2. *Z* was admitted as a new partner for $1/5^{th}$ share. *X* sacrificed $\frac{3}{20}$ from his share and Y sacrificed $\frac{1}{20}$ from his share in favour of *Z*, the new profit sharing ratio would be :
   (a) 9:7:4 (b) 8:8:4
   (c) 6:10:4 (d) 10:6:5.
   (Term-I, 2021-22) Ev

5. Leela and Meeta were partners in a firm sharing profits and losses in the ratio of 7 : 3. Geeta was admitted as a new partner for a 3/13 share in the profits of the firm. The new profit sharing ratio will be:
   (a) 7:3:7 (b) 7:3:3
   (c) 3:7:7 (d) 1:1:1.
   (Term-I, 2021-22)

6. Mountain Enterprises is a partnership firm with Manu, Mamta and Moti as partners. The firm is engaged in production and sales of electrical items and equipment. Their capital contributions were ₹ 50,00,000; ₹ 50,00,000 and ₹ 80,00,000 respectively. They decided to share the profit in the ratio of 5 : 5 : 8. They are now looking forward to expand their business. It was decided that they would bring in sufficient cash to double their respective capitals. This was duly followed by Manu and Mamta but due to unavoidable reasons Moti could not do so and ultimately, it was agreed that to bridge the shortfall in the required capital a new partner should be admitted who would bring in the amount that Moti could not bring and that the new partner would get share of profits equal to half of Moti's share which would be sacrificed by Moti Only. Consequent to this agreement, Malini was admitted and she brought in the required capital and ₹ 30,00,000 as premium for goodwill. What is the new profit sharing ratio of Manu. Mamta, Moti and Malini?
   (a) 1:1:1:1 (b) 5:5:8:8
   (c) 5:5:4:4 (d) 6:4:4:4
   (Term-I, 2021-22)

7. P, Q and R were partners in a firm sharing profits and losses in the ratio 2 : 2 : 1. They admitted L as a new partner for $1/5^{th}$ share in the profits. L was given a guarantee that his share of profit shall be ₹ 1,00,000. Any deficiency arising on account of guarantee to L will be borne by Q. The profit of the firm during the year ended 31.3.2021 was ₹ 4,00,000. The amount of deficiency borne by Q was:
   (a) ₹ 80,000 (b) ₹ 20,000
   (c) ₹ 1,00,000 (d) ₹ 6,667
   (Term-I, 2021-22) U

8. On 1.4.2018, A and B started business with capitals of ₹ 8,00,000 and ₹ 16,00,000 respectively. They decided to share the future profits in the ratio of their capitals. On 1.4.2019, they admitted C as a new partner. A surrendered $1/4^{th}$ of his share in favour of C and B surrendered $1/9^{th}$ from his share in favour of C. On 1.4.2020, D was admitted as a new partner for $1/6^{th}$ share. On 1.4.2021, E was admitted for $1/5^{th}$ share in the profits and it was decided that all partners will share the future profits equally. The profit sharing ratio of A, B and C was :
   (a) 9:20:7 (b) 8:21:7
   (c) 10:19:7 (d) 7:22:7
   (Term-I, 2021-22)

9. On 1.4.2018, A and B started business with capitals of ₹ 8,00,000 and ₹ 16,00,000 respectively. They

decided to share the future profits in the ratio of their capitals. On 1.4.2019, they admitted C as a new partner. A surrendered 1/4th of his share in favour of C and B surrendered 1/9th from his share in favour of C. On 1.4.2020, D was admitted as a new partner for 1/6th share. On 1.4.2021, E was admitted for 1/5th share in the profits and it was decided that all partners will share the future profits equally.
The profit sharing ratio of A, B, C and D was :
(a) 45 : 105 : 30 : 36 (b) 45 : 100 : 35 : 36
(c) 45 : 105 : 30 : 36 (d) 40 : 100 : 40 : 36.
(Term-I, 2021-22)

10. A and B are partners in a firm sharing profits in the ratio of 3 : 2. C was admitted as a new partner. A surrendered 1/4th of his share and B surrendered 1/3rd of his share in favour of C. The new profit sharing ratio will be:
(a) 27 : 16 : 15 (b) 27 : 16 : 17
(c) 27 : 16 : 14 (d) 27 : 16 : 13. *(2021 C)*

VSA (1 mark)

11. Amit and Beena were partners in a firm sharing profits and losses in the ratio of 3 : 1. Chaman was admitted as a new partner for $\frac{1}{6}$th share in the profits. Chaman acquired $\frac{2}{5}$th of his share from Amit.
How much share did Chaman acquire from Beena? *(2018)* Ev

12. A, B and C were partners in a firm sharing profit in the ratio of 3 : 2 : 1. They admitted D as a new partner for 1/8th share in the profits, which he acquired 1/16th from B and 1/16th from C. Calculate the new profit sharing ratio of A, B, C and D. *(Delhi 2016)*

13. P, Q and R were partners in a firm sharing profit in the ratio of 3 : 2 : 1. They admitted S as a new partner for 1/8th share in the profits, which he acquired 1/16th from P and 1/16th from Q. Calculate the new profit sharing ratio of P, Q, R and S. *(AI 2016)*

LA I (5/6 marks)

14. On 1.4.2010, Sahil and Charu entered into partnership for sharing profits in the ratio of 4 : 3. They admitted Tanu as a new partner on 1.4.2012 1/5th share which she acquired equally from Sahil and Charu. Sahil, Charu and Tanu earned profits at a higher rate than the normal rate of return for the year ended 31.3.2013. Therefore, they decided to expand their business. To meet the requirements of additional capital they admitted Puneet as a new partner on 1.4.2013 for 1/7th share in profits which he acquired from Sahil and Charu in 7 : 3 ratio.
Calculate :
(i) New Profit sharing ratio of Sahil, Charu and Tanu for the year 2012-13.
(ii) New profit sharing ratio of Sahil, Charu, Tanu and Puneet on Puneet's admission. *(Delhi 2015)* Ap

15. On 1.1.2008, Uday and Kaushal entered into partnership with fixed capitals of ₹ 7,00,000 and ₹ 3,00,000 respectively. They were doing good business and were interested in its expansion but could not do the same because of lack of capital. Therefore, to have more capital, they admitted Govind as a new partner on 1.1.2010. Govind brought ₹10,00,000 as capital and the new profit sharing ratio decided was 3 : 2 : 5. On 1.1.2012, another new partner Hari was admitted with a capital of ₹ 8,00,000 for 1/10th share in the profits, which he acquired equally from Uday, Kaushal and Govind. On 1.4.2014, Govind died and his share was taken over by Uday and Hari equally.
Calculate. New profit sharing ratio of Uday, Kaushal, Govind and Hari on Hari's admission. *(AI 2015)*

2.4 Sacrificing Ratio

MCQ

16. Mallika, Meera and Madhu were partners sharing profits in the ratio of 2 : 2 : 1. They decided to share future profits in the ratio of 7 : 5 : 3 with effect from 1st April, 2021. Their Balance Sheet as on that date showed a balance on 30,000 in Advertisement suspense account. Amount, that will be debited/credited to the Capital accounts of Maliika, Meera and Madhu if they decide to carry forward the amount of Advertisement Suspense Account.
(a) ₹12,000 (Dr); ₹12,000 (Dr) and ₹6,000 (Dr) respectively to the Capital Accounts of Mallika Meera and Madhu:
(b) Debit ₹10,000 each to all partner's Capital Accounts.
(c) Debit Meera's Capital A/c and Credit Mallika's Capital A/c by ₹2,000.
(d) Debit Mallika's Capital A/c and Credit Meera's Capital A/c by ₹2,000 each. *(Term-I, 2021-22)*

VSA (1 mark)

17. S, B and J were partners in a firm. T was admitted as a partner in the partnership firm for $\frac{1}{5}$th share of profits. Calculate the sacrificing ratio of S, B and J.
(AI 2019)

18. A and B were partners in a firm sharing profits and losses in the ratio of 4 : 3. They admitted C as a new partner. The new profit sharing ratio between A, B and C was 3 : 2 : 2. A surrendered 1/4 of his share in favour of C. Calculate B's Sacrifice. *(Delhi 2017)* Ev

19. On 1.1.2008, Uday and Kaushal entered into partnership with fixed capitals of ₹ 7,00,000 and ₹3,00,000 respectively. They were doing good

business and were interested in its expansion but could not do the same because of lack of capital. Therefore, to have more capital, they admitted Govind as a new partner on 1.1.2010. Govind brought ₹10,00,000 as capital and the new profit sharing ratio decided was 3 : 2 : 5. On 1.1.2012, another new partner Hari was admitted with a capital of ₹ 8,00,000 for 1/10th share in the profits, which he acquired equally from Uday, Kaushal and Govind. On 1.4.2014 Govind died and his share was taken over by Uday and Hari equally.

Calculate the sacrificing ratio of Uday and Kaushal on Govind's admission. *(AI 2015)*

2.5 Goodwill

MCQ

20. Rohit and Mohit were partners sharing profits and losses in the ratio of 2:1. Their capital accounts as on 31.3.2021 had a credit balance of ₹.1,09,000 and ₹ 66,000 respectively. They admitted Sahil as a new partner on 1st April,2021 for 1/5th share in profits. Sahil brought ₹ 25,000 as his share of goodwill premium. He agreed to contribute capital in new profit sharing ratio. The amount of capital brought by Sahil was:
(a) ₹ 40,000 (b) ₹ 32,000
(c) ₹ 12,50,000 (d) ₹ 50,000 *(2023)*

21. Amit and Sumit were partners in a firm with fixed capitals of ₹ 6,00,000 and ₹ 4,00,000 respectively. Kavi was admitted as a new share partner for 1/5th share in the profit of the firm. Kavi brought ₹ 40,000 as his share of goodwill premium and ₹ 3,00,000 as his share of capital.
The amount of Goodwill premium credited to Sumit will be:
(a) ₹ 20,000 (b) ₹ 24,000
(c) ₹ 16,000 (d) ₹ 40,000. *(2023)*

22. Amit and Sumit were partners in a firm with capitals of ₹ 3,00,000 and ₹ 2,00,000 respectively. The normal rate of return was 20% and the capitalised value of average profits was ₹ 8,50,000. The Goodwill of the firm by capitalisation of average profits method will be ____
(a) ₹ 10,00,000 (b) ₹ 1,50,000
(c) ₹ 3,50,000 (d) ₹ 5,00,000
(Term-I, 2021-22)

23. Given below are two statements, one labelled as Assertion (A) and the other labelled as Reason (R).
Assertion (A) : Goodwill is an intangible asset.
Reason (R) : It is the value of the reputation of a firm in respect of the profits expected in future over and above the normal profits.
In the context of the above statements which of the following is correct?
(a) Both A and R are correct.
(b) A is incorrect but R is correct.
(c) A is correct but R is incorrect.
(d) Both A and R are incorrect. *(Term-I, 2021-22)*

24. Ram and Krishna were partners sharing profits and losses in the ratio of 2 : 1. They admitted Shanker as a partner for 1/5th share in the profits. For this purpose the Goodwill of the firm was to be valued on the basis of three times of last five years average profits. The profits for the last five years were :

Year	2016-17	2017-18	2018-19	2019-20	2020-21
Profit (₹)	50,000	40,000	75,000	(25,000)	50,000

Profit of 2017-18 was calculated after charging ₹ 10,000 for abnormal loss of goods by fire. The value of Goodwill of the firm is
(a) ₹ 1,28,000 (b) ₹ 2,00,000
(c) ₹ 1,90,000 (d) ₹ 1,20,000
(Term-I, 2021-22) U

25. A business earned average profits of ₹60,000 during the last three years. The normal rate of return on similar business is 12%. The value of net assets of the business is ₹4,00,000. Its goodwill by capitalisation of Average Profits Method will be :
(a) ₹ 1,00,000 (b) ₹ 200,000
(c) ₹ 4,00,000 (d) ₹ 50,000
(Term-I, 2021-22)

26. Mountain Enterprises is a partnership firm with Manu. Mamta and Moti as partners. The firm is engaged in production and sales of electrical items and equipment. Their capital contributions were ₹50,00,000; ₹50,00,000 and ₹80,00,000 respectively. They decided to share the profit in the ratio of 5 : 5 : 8. They are now looking forward to expand their business. It was decided that they would bring in sufficient cash to double their respective capitals.
This was duly followed by Manu and Mamta but due to unavoidable reasons Moti could not do so and ultimately it was agreed that to bridge the shortfall in the required capital a new partner should be admitted who would bring in the amount that Moti could not bring and that the new partner would get share of profits equal to half of Moti's share which would be sacrificed by Moti Only.
Consequent to this agreement, Malini was admitted and she brought in the required capital and ₹ 30,00,000 as premium for goodwill.
What is the value of the goodwill of the firm?
(a) ₹ 1,35,00,000
(b) ₹ 1,50,00,000
(c) ₹ 30,00,000
(d) ₹ 1,60,00,000 *(Term-I, 2021-22)*

27. X and Y were partners in a firm sharing profits and losses equally. Their capitals were ₹ 2,00,000 and ₹ 3,00,000 respectively. Z was admitted as a new partner for $\frac{1}{4}^{th}$ share in the profits of the firm. Z brought ₹ 2,00,000 as his capital. The goodwill of the firm was :

(a) ₹ 1,00,000 (b) ₹ 25,000
(c) ₹ 2,00,000 (d) ₹ 7,00,000

(Term-I, 2021-22) U

28. R and M were partners in a firm, sharing profits and losses in the ratio of 5 : 3. L was admitted as a new partner for $\frac{1}{5}$th share in the profits of the firm. The new profit ratio was 2 : 2 : 1. L brought ₹ 1,54,000 for his capital and did not bring his share of goodwill premium. Goodwill of the firm on L's admission was estimated at ₹ 4,50,000. It was decided not to raise goodwill account on L's admission.
Out of the following what will be the correct treatment of goodwill on L's admission?

(a) Debit L's current A/s by ₹ 90,000 and credit R's and M's capital A/c by ₹ 45,000 each.
(b) Debit L's current A/c by ₹ 90,000, Debit M's capital A/c by ₹ 11,250, credit R's capital A/c by ₹ 1,01,250.
(c) Debit L's current A/c by ₹ 90,000 and credit R's capital A/c by ₹ 56,250 and credit M's capital A/c ₹ 33,750.
(d) Debit L's current A/c by ₹ 4,50,000 and credit R's and M's capital A/c by ₹ 2,25,000 each.

(Term-I, 2021-22)

29. Super-profit is equal to ________ less________

(a) Actual Profit; Normal Profit
(b) Normal Profit; Actual Profit
(c) Average Profit; Net Assets
(d) Assets; Outside Liabilities *(2021 C)*

VSA (1 mark)

30. Atul and Neera were partners in a firm sharing profits in the ratio of 3 : 2. They admitted Mitali as a new partner. Goodwill of the firm was valued at ₹ 2,00,000. Mitali brings her share of goodwill premium of ₹ 20,000 in cash, which is entirely credited to Atul's Capital Account. Calculate the new profit sharing ratio. *(Delhi 2019)*

31. A, B, C and D were partners in a firm sharing profit in the ratio of 4 : 3 : 2 : 1. On 1.1.2015. They admitted E as a new partner from 1/10th share in the profits. E brought ₹ 10,000 for his share of goodwill premium which was correctly recorded in the books by the accountant. The accountant showed goodwill at ₹ 1,00,000 in the books. Was the accountant correct in doing so ? Give reason in support of your answer. *(Delhi 2015)*

SA II (3/4 marks)

32. Kabir and Farid are partners in a firm sharing profits in the ratio of 3 : 1. On 1-4-2019, they admitted Manik into partnership for 1/4th share in the profits of the firm. Manik brought his share of goodwill premium in cash. Goodwill of the firm was valued on the basis of 2 years purchase of last three years average profits. The profits of last three years were:

2016-17	₹ 90,000
2017-18	₹ 1,30,000
2018-19	₹ 86,000

During the year 2018-19, there was a loss of ₹ 20,000 due to fire which was not accounted for while calculating the profit.
Calculate the value of goodwill and pass the necessary journal entries to the treatment of goodwill.

(2020) Ev

33. A firm earned average profit of ₹ 3,00,000 during the last few years. The normal rate of return of the industry is 15%. The assets of the business were ₹17,00,000 and its liabilities were ₹2,00,000. Calculate the goodwill of the firm by capitalisation of average profits. *(Delhi 2019)*

34. The goodwill of a firm is valued at 3 years' purchase of the average profits of last 3 years. The profits of the last three years were :

Year	Profit (₹)
2015-16 :	4,00,000 (including an abnormal gain of ₹ 50,000)
2016-17 :	5,00,000 (after charging an abnormal loss of ₹ 1,00,000)
2017-18 :	2,50,000

Calculate the amount of the goodwill. *(AI 2019)* Ev

35. Nirupama and Anupama were partners in a firm sharing profits and losses in the ratio of 3 : 5. They admitted Kumar as a new partner for $\frac{1}{4}$th share in the profits. The new profit sharing ratio will be 3 : 3 : 2. Kumar brought ₹ 2,00,000 as his capital and the necessary amount of goodwill premium for his share of goodwill. The goodwill of the firm was valued at ₹ 1,20,000.
Pass necessary journal entries for the above transactions in the books of the firm. *(AI 2019)*

36. Karan and Varun were partners in a firm sharing profits and losses in the ratio of 1 : 2. Their fixed capitals were ₹ 2,00,000 and ₹ 3,00,000 respectively. On 1st April, 2016 Kishor was admitted as a new partner for 1/4th share in the profits. Kishor brought ₹ 2,00,000 for his capital which was to be kept fixed like the capitals of Karan and Varun. Kishor acquired his share of profit from Varun.
Calculate goodwill of the firm on Kishor's admission and the new profit sharing ratio of Karan, Varun

and Kishor. Also, pass necessary Journal Entry for the treatment of Goodwill of Kishor's admission considering that Kishor did not bring his share of goodwill premium in cash. *(Delhi 2017)*

37. State any three circumstances other than (i) admission of a new partner, (ii) retirement of a partner and (iii) death of a partner, when need for valuation of goodwill of a firm may arise. *(Delhi 2016)* An

38. Saloni and Shrishti were partners in a firm sharing profits in the ratio of 7 : 3. Their capitals were ₹ 2,00,000 and ₹ 1,50,000 respectively. They admitted Aditi on 1st April, 2013 as a new partner for 1/6th share in future profits. Aditi brought ₹ 1,00,000 as his capital. Calculate the value of goodwill of the firm and record necessary journal entries for the above transaction on Aditi's admission. *(Delhi 2014)*

39. Hemant and Nishant were partners in a firm sharing profits in the ratio of 3 : 2. Their capitals were ₹ 1,60,000 and ₹ 1,00,000 respectively. They admitted Somesh on 1st April, 2013 as a new partner for 1/5th share in the future profits. Somesh brought ₹ 1,20,000 as his capital. Calculate the value of goodwill of the firm and record necessary journal entries for the above transactions on Somesh's admission. *(AI 2014)*

2.6 Adjustment for Accumulated Profits and Losses

MCQ

40. Arun, Babita and Charu are partners in a firm sharing profits in the ratio of 3 : 3 : 2. They decided to share future profits and losses in the ratio of 1 : 1 : 1 with effect from 1-4-2021. They decided to record the effect of the following without affecting their Book values.
(i) Profit and Loss A/c (Cr.) ₹ 8,000
(ii) General Reserve ₹ 4,000
The necessary adjusting entry for the same will be:

			₹	₹
(a)	Charu's Capital A/c	Dr.	1,000	
	To Arun's Capital A/c			500
	To Babita's Capital A/c			500
(b)	Arun's Capital A/c	Dr.	500	
	Babita's Capital A/c	Dr.	500	
	To Charu's Capital A/c			1,000
(c)	Charu's Capital A/c	Dr.	1,000	
	To Babita's Capital A/c			1,000
(d)	Charu's Capital A/c	Dr.	3,000	
	To Arun's Capital A/c			1,500
	To Babita's Capital A/c			1,500

(Term-I, 2021-22)

41. Due to change in the profit sharing ratio, Anisha's gain is $\frac{1}{5}$th while Harit's sacrifice is $\frac{1}{5}$th. They decided to adjust the following without affecting their book values, by passing a single adjustment entry :
General Reserve ₹ 20,000
Profit & Loss Account (Dr.) ₹ 30,000
The necessary adjustment entry will be :
(a) Debit Anisha's capital account by ₹ 2,000 and credit Harit's capital account by ₹ 2,000.
(b) Debit Anisha's capital account by ₹ 10,000 and credit Harit's capital account by ₹ 10,000.
(c) Debit Harit's capital account by ₹ 2,000 and credit Anisha's capital account by ₹ 2,000
(d) Debit Harit's capital account by ₹ 10,000 and credit Anisha's capital account by ₹ 10,000
(Term-I, 2021-22) U

42. Amar and Samar were partners in a firm sharing profits and losses in the ratio of 1 : 5. On 1.4.2001, Ganesh was admitted for 1/5th share in the profits. On the date of Ganesh's admission the balance sheet of Amar and Samar showed a debit balance of ₹ 60,000 in the profit and loss account. The accounting treatment for the same in the books of accounts of the firm on Ganesh's admission will be :
(a) Amar's and Samar's Capital Accounts will be debited by ₹ 10,000 and ₹ 50,000 respectively and Profit and Loss Account will be credited by ₹ 60,000.
(b) Profit and Loss Account will be debited by ₹ 60,000 and Amar's and Samar's Capital Accounts will be credited by ₹ 10,000 and ₹ 50,000 respectively.
(c) Revaluation Account will be debited by ₹ 60,000 and Profit and Loss Account will be credited by ₹ 60,000.
(d) Profit and Loss Appropriation Account will be debited by ₹ 60,000 and Profit and Loss Account will be credited by ₹ 60,000. *(Term-I, 2021-22)*

43. When a new partner is admitted, the balance of 'General Reserve' appearing in the Balance Sheet at the time of admission is credited to :
(a) Profit and Loss Appropriation Account.
(b) Capital Accounts of all the partners.
(c) Capital Accounts of old partners.
(d) Revaluation Account. *(Term-I, 2021-22)*

44. At the time of admission of a partner, 'General Reserve' appearing in the Balance Sheet of the firm is transferred to the capital accounts of the following:
(a) Old partners in old profit sharing ratio
(b) Old partners in new profit sharing ratio
(c) All the partners in the new profit sharing ratio
(d) Old partners in sacrificing ratio *(2021 C)*

VSA (1 mark)

45. Geeta and Sunita and Anita were partners in a firm sharing profits in the ratio of 5 : 3 : 2. On 1.1.2015, they admitted Yogita as a new partner for $1/10^{th}$ share in the profits. On Yogita's admission, the Profit and Loss Account of the firm was showing a debit balance of ₹ 20,000 which was credited by the accountant of the firm to the Capital accounts of Geeta, Sunita and Anita in their profit sharing ratio. Did the accountant give correct treatment ? Give reason in support of your answer. *(AI 2015)*

2.7 Revaluation of Assets and Reassessment of Liabilities

MCQ

46. On the reconstitution of a firm, the value of the land was appreciated by ₹ 2,00,000 and plant and machinery reduced to ₹ 7,00,000 from ₹ 10,00,000. Gain or loss on revaluation will be:
(a) Gain ₹ 1,00,000 (b) Loss ₹ 1,00,000
(c) Loss ₹ 5,00,000 (d) Gain ₹ 5,00,000
(2023)

47. On admission of a new partner, the old partners share the gain or loss on revaluation of assets and reassessment of liabilities in which of the following ratio:
(a) Equally
(b) In old profit sharing ratio
(c) In new profit sharing ratio
(d) In sacrificing ratio. *(2023)*

48. Given below are two statements, one labelled as Assertion (A) and the other labelled as Reason (R):
Assertion (A) : It is necessary to revalue assets and liabilities of a firm in case of admission of a partner.
Reasons (R) : It is because the incoming partner is neither put to an advantage nor to a disadvantage due to change in the value of assets and liabilities.
In the context of the above statements identify the correct option.
(a) Both (A) and (R) are correct, and (R) is the correct reason of (A).
(b) Both (A) and (R) are correct, but (R) is incorrect reason of (A).
(c) Only (R) is correct.
(d) Both (A) and (R) are incorrect. *(Term-I, 2021-22)*

49. Gopal and Govind are partners in a firm sharing profits equally. They admitted Chetan for $\frac{1}{3}^{rd}$ share in profits. On admission debtor whose dues of ₹5,000 were earlier written off as bad-debts, paid ₹ 4,000 in full settlement. Bad debts recovered ₹4,000 will be debited to _____ and credited to _____.
(a) Cash/ Bank A/c, Revaluation A/c
(b) Bad debts recovered A/c, Bad debts A/c
(c) Cash/ Bank A/c, Bad debts A/c
(d) Revaluation A/c, Bad debts recovered A/c
(Term-I, 2021-22)

50. Which of the following accounts will be debited for transferring loss on revaluation of assets and reassessment of liabilities at the time of admission of a new partner into the partnership firm ?
(a) Old partner's capital accounts in old profit sharing ratio
(b) Old partners capital accounts in sacrificing ratio
(c) All partners capital accounts (including incoming partner) in new profit sharing ratio
(d) Revaluation account *(Term-I, 2021-22)*

51. On the reconstitution of a firm, the value of land was to be appreciated by ₹ 2,00,000 and plant and machinery was to be reduced to ₹ 7,00,000 from ₹ 10,00,000. Gain or loss on revaluation will be :
(a) Gain ₹ 1,00,000 (b) Loss ₹ 1,00,000
(c) Loss ₹ 5,00,000 (d) Gain ₹ 5,00,000
(Term-I, 2021-22)

52. Kavita and Karan are partners in a firm sharing profits and losses in the ratio 4 : 1. On 1^{st} April 2021, they admitted Mohit for $1/4^{th}$ share in the profits of the firm. The balance sheet of Kavita and Karan showed stock at ₹ 45,000. On admission of new partner, the stock was found undervalued by 10%. The journal entry to give effect to the above adjustment on Mohit's admission will be :

		Debit Amount (₹)	Credit Amount (₹)
(a)	Revaluation A/c	Dr. 5,000	
	To Stock A/c		5,000
(b)	Stock A/c	Dr. 4,500	
	To Revaluation A/c		4,500
(c)	Stock A/c	Dr. 5,000	
	To Revaluation A/c		5,000
(d)	Revaluation A/c	Dr. 4,500	
	To Stock A/c		4,500

(Term-I, 2021-22)

53. Roopa and Divya were partners in a firm. They admitted Navin as a new partner for $\frac{1}{3}^{rd}$ share in the profits. On Navin's admission it was found that there was a claim against the firm for damages for which a liability for damages should be created. Which of the following accounts will be debited for creating the liability?

(a) Profit and Loss Appropriation Account
(b) Profit and Loss Account
(c) Revaluation Account
(d) Profit and Loss Adjustment Account

(Term-I, 2021-22)

54. Santa and Banta are partners in a firm charging profits in the ratio of 3: 2. Kanta was admitted as a new partner for $\frac{1}{5}$th share of profits. On Kanta's admission, it was decided that machinery would be appreciated by 10% (Book value ₹ 80,000) and Building would be depreciated by 20% (Book value ₹ 2,00,000). Unrecorded Debtors of ₹ 1,250 would be brought to books. There was a liability of ₹ 2,750 included in Sundry Creditors that is not be paid. What will be the gain/loss on Revaluation?

(a) Loss ₹ 28,000 (b) Loss ₹ 40,000
(c) Profit ₹ 28,000 (d) Profit ₹ 40,000

(Term-I, 2021-22) Ap

VSA (1 mark)

55. Give the accounting entry for an unrecorded liability in case of reconstitution of a partnership firm. *(AI 2019)*

SA II (3/4 marks)

56. Raka, Seema and Mahesh were partners sharing profits and losses in the ratio of 5 : 3 : 2. With effect from 1st April, 2019, they mutually agreed to share profits and losses in the ratio of 2 : 2 : 1. On that date, there was a workmen's compensation fund of ₹ 90,000 in the books of the firm. It was agreed that:
(i) Goodwill of the firm be valued at ₹ 70,000.
(ii) Claim for workmen's compensation amounted to ₹ 40,000.
(iii) Profit on revaluation of assets and re-assessment of liabilities amounted to ₹ 40,000.

Pass necessary journal entries for the above transactions in the books of the firm. *(2020)*

LA I (5/6 marks)

57. Achla and Bobby were partners in a firm sharing profits and losses in the ratio of 3:1. On 31st March, 2019, their balance sheet was as follows:

Balance Sheet of Achla and Bobby as on 31st March, 2019

Liabilities		Amount (₹)	Assets	Amount (₹)
Creditors		1,10,000	Cash at bank	60,000
General Reserve		40,000	Debtors	40,000
Workmen's compensation reserve		50,000	Stock	45,000
Capitals :			Furniture	1,55,000
Achla	4,00,000		Land & Building	5,00,000
Bobby	2,00,000	6,00,000		
		8,00,000		8,00,000

On 1st April, 2019, they admitted Vihaan as a new partner for 1/5th share in the profits of the firm on the following terms:
(a) Vihaan brought ₹ 1,00,000 as his capital and the capitals of Achla and Bobby were to be adjusted on the basis of Vihaan's capital; any surplus or deficiency was to be adjusted by opening current accounts.
(b) Goodwill of the firm was valued at ₹ 4,00,000. Vihaan brought the necessary amount in cash for his share of goodwill premium, half of which was withdrawn by the old partners.
(c) Liability on account of workmen's compensation amounted to ₹ 80,000.
(d) Achla took over stock at ₹ 35,000.
(e) Land and building was to be appreciated by 20%.

Prepare revaluation account, partner's capital accounts and the balance sheet of the reconstituted form on Vihaan's admission. *(2020)*

58. T and N were partners in a firm. On 31st March, 2018, they decided to admit M as a new partner. On 31st March, 2018 the Balance Sheet of T and N stood as follows :

Balance Sheet of T and N as at 31.3.2018

Liabilities		Amount (₹)	Assets	Amount (₹)
Creditors		18,000	Cash at Bank	1,000
General Reserve		2,000	Debtors	40,000
Capital :			Stock	6,000
T	30,000		Furniture	3,000
N	15,000	45,000	Freehold Property	15,000
		65,000		65,000

They agreed to admit M as a new partner subject to the following terms and conditions :
(i) M will bring in ₹ 20,000 of which ₹ 4,500 will be treated as his share of goodwill premium to be retained in the business.

(ii) M will be entitled to $\frac{1}{4}$th share of the profits in the firm.

(iii) A provision for doubtful debts was to be created at 5% on the debtors.

(iv) Furniture was to be depreciated by 5%.

(v) Stock was to be revalued at ₹ 5,000.

Prepare Revaluation Account, Partner's Capital Accounts and Opening Balance Sheet of the new firm.

(AI 2019) Ev

59. Chander and Damini were partners in a firm sharing profits and losses equally. On 31st March, 2017 their Balance Sheet was as follows :

Balance Sheet of Chander and Damini as on 31.3.2017

Liabilities		Amount (₹)	Assets	Amount (₹)
Sundry Creditors		1,04,000	Cash at Bank	30,000
Capital:			Bills Receivable	45,000
Chander	2,50,000		Debtors	75,000
Damini	2,16,000	4,66,000	Furniture	1,10,000
			Land and Building	3,10,000
		5,70,000		**5,70,000**

On 1.4.2017, they admitted Elina as a new partner for $\frac{1}{3}^{rd}$ share in the profits on the following conditions :

(i) Elina will bring ₹ 3,00,000 as her capital and ₹ 50,000 as her share of goodwill premium, half of which will be withdrawn by Chander and Damini.

(ii) Debtors to the extent of ₹ 5,000 were unrecorded.

(iii) Furniture will be reduced by 10% and 5% provision for bad and doubtful debts will be created on bills receivables and debtors.

(iv) Value of land and building will be appreciated by 20%.

(v) There being a claim against the firm for damages, a liability to the extent of ₹ 8,000 will be created for the same.

Prepare 'Revaluation Account and Partners' Capital Accounts. *(2018)*

60. Charu and Harsha were partners in a firm sharing profits in the ratio of 3:2. On 1.4.2014, their Balance Sheet was as follows :

Balance Sheet of Charu and Harsha as on 1.4.2014

Liabilities		Amount (₹)	Assets	Amount (₹)
Creditors		17,000	Cash	6,000
General Reserve		4,000	Debtors	15,000
Workmen Compensation Fund		9,000	Investments	20,000
Investment Fluctuation Fund		11,000	Plant	14,000
Provision for bad debts		2,000	Land and Building	38,000
Capitals :				
Charu	30,000			
Harsha	20,000	50,000		
		93,000		93,000

On the above date, Vaishali was admitted for 1/4th share in the profits of the firm on the following terms :

(a) Vaishali will bring ₹ 20,000 for her capital and ₹ 4,000 for her share of goodwill premium.

(b) All debtors were considered good.

(c) The market value of investments was ₹ 15,000.

(d) There was a liability of ₹ 6,000 for workmen compensation.

(e) Capital accounts of Charu and Harsha are to be adjusted on the basis Vaishali's Capital by opening current accounts.

Prepare Revaluation Account and Partner's Capital Accounts. *(Delhi 2015)*

61. Om, Ram and Shanti were partners in a firm sharing profits in the ratio of 3 : 2 : 1. On 1st April, 2014, their Balance Sheet was as follows :

Balance Sheet of Om, Ram and Shanti as on 1st April, 2014

Liabilities		Amount (₹)	Assets	Amount (₹)
Capitals :			Land and Building	3,64,000
Om	3,58,000		Plant and Machinery	2,95,000
Ram	3,00,000		Furniture	2,33,000
Shanti	2,62,000	9,20,000	Bills Receivables	38,000
General Reserve		48,000	Sundry Debtors	90,000
Creditors		1,60,000	Stock	1,11,000
Bills Payable		90,000	Bank	87,000
		12,18,000		12,18,000

On the above date Hanuman was admitted on the following terms :

(i) He will bring ₹ 1,00,000 for his capital and will get 1/10th share in the profits.

(ii) He will bring necessary cash for his share of goodwill premium. The goodwill of the firm was valued at ₹ 3,00,000.

(iii) A liability of ₹ 18,000 will be credited against bills receivables discounted.

(iv) The value of stock and furniture will be reduced by 20%.

(v) The value of land and building will be increased by 10%.

(vi) Capital accounts of the partners will be adjusted on the basis of Hanuman's capital in their profit sharing ratio by opening current accounts.

Prepare Revaluation Account, Partner's Capital Accounts. *(Delhi 2014)* Ev

62. Mohan, Mahesh were partners in a firm sharing profits in the ratio of 3 : 2. On 1st April, 2012 they admitted Nusrat as a partner in the firm. The Balance Sheet of Mohan and Mahesh on that date was as under :

Balance Sheet of Mohan and Mahesh as on 1st April, 2012

Liabilities		Amount (₹)	Assets	Amount (₹)
Creditors		2,10,000	Cash in hand	1,40,000
Workmen's Compensation Fund		2,50,000	Debtors	1,60,000
General Reserve		1,60,000	Stock	1,20,000
Capitals :			Machinery	1,00,000
Mohan	1,00,000		Building	2,80,000
Mahesh	80,000	1,80,000		
		8,00,000		8,00,000

It was agreed that :

(i) The value of building and stock be appreciated to ₹ 3,80,000 and ₹ 1,60,000 respectively.

(ii) The liabilities of workmen's compensation fund was determined at ₹ 2,30,000.

(iii) Nusrat brought in her share of goodwill ₹ 1,00,000 in cash.

(iv) Nusrat was to bring further cash as would make her capital equal to 20% of the combined capital of Mohan and Mahesh after above revaluation and adjustments are carried out.

(v) The future profit sharing ratio will be Mohan 2/5th, Mahesh 2/5th, Nusrat 1/5th.

Prepare Revaluation Account, Partner's Capital Accounts and Balance Sheet of the New Firm. Also show clearly the calculation of Capital brought by Nusrat. *(Delhi 2014)*

63. Shikhar and Rohit were partners in a firm sharing profits in the ratio of 7 : 3. On 1st April, 2013 they admitted Kavi as a new partner for 1/4th share in profits on the firm. Kavi brought ₹ 4,30,000 as his capital and ₹ 25,000 for his share of goodwill premium. The Balance Sheet of Shikhar and Rohit as on 1st April, 2013 was as follows:

Balance Sheet of Shikhar and Rohit as on 1st April, 2013

Liabilities		Amount (₹)	Assets		Amount (₹)
Capitals :			Land and Building		3,50,000
Shikhar	8,00,000		Machinery		4,50,000
Rohi	3,50,000	11,50,000	Debtors	2,20,000	
General Reserve		1,00,000	Less : Provision	20,000	2,00,000
Workmen's Compensation Fund		1,00,000	Stock		3,50,000
Creditors		1,50,000	Cash		1,50,000
		15,00,000			15,00,000

It was agreed that :

(i) The value of Land and Building will be appreciated by 20%.

(ii) The value of Machinery will be depreciated by 10%

(iii) The liabilities of Workmen's Compensation Fund was determined at ₹ 50,000.

(iv) Capitals of Shikhar and Rohit will be adjusted on the basis of Kavi's capital and actual cash to be brought in or to be paid off as the case may be.

Prepare Revaluation Account, Partners Capital Accounts and the Balance Sheet of the New Firm. *(AI 2014)*

LA II (8 marks)

64. R and S were partners in a firm sharing profits and losses in the ratio of 3:2. Their Balance Sheet as at 31st March, 2020 was as follows:

Balance Sheet of R and S as at 31st March, 2020

Liabilities		Amount (₹)	Assets		Amount (₹)
Capitals :			Cash at Bank		10,000
R	60,000		Debtors	65,000	
S	40,000	1,00,000	Less : Provision for		
General Reserve		20,000	Doubtful Debts	5,000	60,000
Creditors		20,000	Stock		20,000
Bills Payable		20,000	Machinery		50,000
			Land and Building		20,000
		1,60,000			**1,60,000**

M was admitted on the above date as a new partner for 1/5th share in the profits of the firm. The terms of agreement were as follows :

(i) M will bring ₹ 80,000 as his capital and ₹ 60,000 as his share of goodwill premium.

(ii) Machinery was revalued at ₹ 45,000.

Stock will be reduced by 10% and Land and Building will be appreciated by 40%. Prepare Revaluation Account and Partners' Capital Accounts. *(2021 C)*

65. W and R are partners in a firm sharing profits in the ratio of 3 : 2. Their Balance sheet as on 31st March, 2016 was as follows:

Balance Sheet of W and R as on 31-3-2016

Liabilities		Amount (₹)	Assets	Amount (₹)
Sundry Creditors		20,000	Cash	12,000
Provision for Bad Debts		2,000	Debtors	18,000
Outstanding Salary		3,000	Stock	20,000
General Reserve		5,000	Furniture	40,000
Capitals :			Plant & Machinery	40,000
W	60,000			
R	40,000	1,00,000		
		1,30,000		**1,30,000**

On the above date C was admitted of $\frac{1}{6}^{th}$ share in the profits on the following terms :

(i) C will bring ₹ 30,000 as his capital and ₹ 10,000 for his share of goodwill premium, half of which will be withdrawn by W and R.

(ii) Debtors ₹ 1,500 will be written off as bad debts and a provision of 5% will be created for bad and doubtful debts.

(iii) Outstanding salary will be paid off.

(iv) Stock will be depreciated by 10%, furniture by ₹ 500 and Plant and Machinery by 8%.

(v) Investments ₹ 2,500 not mentioned in the balance sheet were to be taken into account.

(vi) Creditor of ₹ 2,100 not recorded in the books was to be taken into account.

Pass necessary Journal Entries for the above transactions in the books of the firm on C's admission.

(Delhi 2017) Ap

2.8 Adjustment of Capitals

MCQ

66. Seema and Teena are partners in a firm sharing profits and losses in the ratio of 3 : 2. They agreed to admit Reena into partnership for $\frac{1}{5}^{th}$ share of profits on 1st April, 2021. On that date, workmen's compensation fund stood in the balance sheet at ₹ 50,000. The liability against workmen's compensation fund is determined at ₹ 20,000 which is to be paid later in the year. What will be the Journal Entry for the treatment of Workmen compensation fund on the admission new partner Reena?

			₹	₹
(a)	Workmen Compensation fund A/c	Dr.	30,000	
	To Seema's Capital A/c			18,000
	To Teena's Capital A/c			12,000
(b)	Workmen Compensation fund A/c	Dr.	50,000	
	To Revaluation A/c			20,000
	To Seema's Capital A/c			18,000
	To Teena's Capital A/c			12,000
(c)	Workmen Compensation fund A/c	Dr.	50,000	
	To Workmen Compensation Claim A/c			20,000
	To Seema's Capital A/c			18,000
	To Teena's Capital A/c			12,000
(d)	Workmen Compensation fund A/c	Dr.	50,000	
	To Seema's Capital A/c			30,000
	To Teena's Capital A/c			20,000

(Term-I, 2021-22) U

67. Disha and Abha were partners in a firm. Farad was admitted as a new partner for 1/5th share in the profits of the firm. Farad brought proportionate capital. Capitals of Disha and Abha after all adjustments were ₹ 64,000 and ₹ 46,000 respectively. Capital brought by Farad was :
(a) ₹ 22,000 (b) ₹ 27,500
(c) ₹ 55,000 (d) ₹ 28,000 *(2020)*

SA II (3/4 marks)

68. Asha and Aditi are partners in a firm sharing profits and losses in the ratio of 3 : 2. They admit Raghav as a partner for $\frac{1}{4}^{th}$ share in the profits of the firm. Raghav brings ₹ 6,00,000 as his capital and his share of goodwill in cash. Goodwill of the firm is to be valued at two years' purchase of average profits of the last four years.

The profits of the firm during the last four years are given below :

Year	Profit (₹)
2013 – 14	3,50,000
2014 – 15	4,75,000
2015 – 16	6,70,000
2016 – 17	7,45,000

The following additional information is given :
(i) To cover management cost an annual charge of ₹ 56,250 should be made for the purpose of valuation of goodwill.
(ii) The closing stock for the year ended 31.3.2017 was overvalued by ₹ 15,000.

Pass necessary journal entries on Raghav's admission showing the working notes clearly. *(2018)* An

LA II (8 marks)

69. Sanjana and Alok were partners in a firm sharing profits and losses in the ratio 3 : 2. On 31st March, 2018 their Balance Sheet was as follows :

Balance Sheet of Sanjana and Alok as on 31-3-2018

Liabilities		Amount (₹)	Assets		Amount (₹)
Creditors		60,000	Cash		1,66,000
Workmen's Compensation Fund		60,000	Debtors	1,46,000	
Capitals :			Less : Provision for doubtful debts	2,000	1,44,000
Sanjana	5,00,000		Stock		1,50,000
Alok	4,00,000	9,00,000	Investments		2,60,000
			Furniture		3,00,000
		10,20,000			10,20,000

On 1st April, 2018, they admitted Nidhi as a new partner for 1/4th share in the profits on the following terms :

(a) Goodwill of the firm was valued at ₹ 4,00,000 and Nidhi brought the necessary amount in cash for her share of goodwill premium, half of which was withdrawn by the old partners.

(b) Stock was to be increased by 20% and furniture was to be reduced to 90%.

(c) Investments were to be valued at ₹ 3,00,000. Alok took over investments at this value.

(d) Nidhi brought ₹ 3,00,000 as her capital and the capitals of Sanjana and Alok were adjusted in the new profit sharing ratio.

Prepare Revaluation Account, Partners Capital Accounts and the Balance Sheet of the reconstituted firm on Nidhi's admission. *(Delhi 2019)*

2.9 Change in Profit Sharing Ratio Among the Existing Partners

MCQ

70. Mani and Neeru are partners in a firm sharing profits in the ratio of 5 : 3. On 1-4-2021, they admitted Lily as a new partner on the following terms :

(i) The new profit sharing ratio will be 2 : 3 : 3.

(ii) Lily will bring ₹ 1,00,000 for her capital and the necessary amount of goodwill premium in cash.

(iii) Goodwill of the firm was valued at ₹ 1,40,000.

The Journal Entry for treatment of goodwill premium brought by Lily will be

		₹	₹
(a) Premium for Goodwill A/c	Dr.	52,500	
To Mani's Capital A/c			37,500
To Neeru's Capital A/c			15,000
(b) Premium for Goodwill A/c	Dr.	52,500	
To Mani's Capital A/c			52,500
(c) Premium for Goodwill A/c	Dr.	52,500	
Neeru's Capital A/c	Dr.	12,500	
To Mani's Capital A/c			65,000
(d) Lily's Current A/c	Dr.	1,40,000	
To Mani's Capital A/c			1,00,000
To Neeru's Capital A/c			40,000

(Term-I, 2021-22)

VSA **(1 mark)**

71. Ananat, Gulab and Khushbu were partners in a firm sharing profits in the ratio of 5 : 3 : 2. From 1.4.2014, they decided to share the profits equally.
For this purpose the goodwill of the firm was valued at ₹ 2,40,000.
Pass necessary journal entry for the treatment of goodwill on change in the profit sharing ratio of Ananat, Gulab and Khushbu. *(AI 2015)* U

SA II **(3/4 marks)**

72. Kumar, Gupta and Kavita were partners in a firm sharing profits and losses equally. The firm was engaged in the storage and distribution of canned juice and its godowns were located at three different places in the city. Each godown was being managed individually by Kumar, Gupta and Kavita. Because of increase in business activities at the godwon managed by Gupta, he had to devote more time. Gupta demanded that his share in the profits of the firm be increased, to which Kumar and Kavita agreed. The new profit sharing ratio was agreed to be 1 : 2 : 1. For this purpose the goodwill of the firm was valued at two years purchase of the average profits of last five years. The profits of the last five years were as follows :

Years	Profit (₹)
I	4,00,000
II	4,80,000
III	7,33,000
IV (Loss)	33,000
V	2,20,000

You are required to :
Pass necessary journal entry for the treatment of goodwill on change in profit sharing ratio of Kumar, Gupta and Kavita. *(Delhi 2015)*

LA I **(5/6 marks)**

73. P, Q, R and S were partners in a firm sharing profits in the ratio of 1 : 4 : 2 : 3. On 1-4-2016, their Balance Sheet was as follows :

Balance Sheet of P, Q, R and S as on 1-4-2016

Liabilities		Amount (₹)	Assets	Amount (₹)
Capitals :			Fixed Assets	12,70,000
P	2,00,000		Current Assets	5,30,000
Q	3,00,000			
R	4,00,000	14,00,000		
S	5,00,000	2,30,000		
Sundry Creditors				
Workmen Compensation Reserve		1,70,000		
		18,00,000		**18,00,000**

From the above date the partners decided to share the future profits equally. For this purpose, the goodwill of the firm was valued at ₹ 2,70,000.

The partners also agreed for the following :

(i) Claim against workmen compensations reserve was estimated at ₹ 2,00,000.

(ii) Capitals of the partners was to be adjusted according to the new profit sharing ratio by bringing or paying cash as the case may be.

Prepare Revaluation Account, Partners Capital Accounts and Balance Sheet of the reconstituted firm. *(Delhi 2017)*

74. Ashok, Bhim and Chetan were partners in a firm sharing profits in the ratio of 3 : 2 : 1. Their Balance Sheet as on 31.3.2015 was as follows :

Balance Sheet of Ashok and Bhim as on 31.3.2015

Liabilities		Amount (₹)	Assets	Amount (₹)
Creditors		1,00,000	Land	1,00,000
Bills Payable		40,000	Building	1,00,000
General Reserve		60,000	Plant	2,00,000
Capitals :			Stock	80,000
Ashok	2,00,000		Debtors	60,000
Bhim	1,00,000		Bank	10,000
Chetan	50,000	3,50,000		
		5,50,000		5,50,000

Ashok, Bhim and Chetan decided to share the future profits equally, w.e.f. April 1, 2015. For this, it was agreed that :

(a) Goodwill of the firm be valued at ₹ 3,00,000.

(b) Land be revalued at ₹ 1,60,000 and building be depreciated by 6%.

(c) Creditors of ₹ 12,000 were not likely to be claimed and hence be written off.

Prepare Revaluation Account, Partner's Capital Accounts and Balance Sheet of the reconstituted firm. *(Delhi 2016)*

75. R, S and T were partners in a firm sharing profits in the ratio of 1 : 2 : 3. Their Balance Sheet as on 31.3.2015 was as follows :

Balance Sheet of R, S and T as on 31.3.2015

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 :			Stock	40,000
R	1,00,000		Debtors	30,000
S	50,000		Bank	5,000
T	25,000	1,75,000		
		2,75,000		2,75,000

R, S and T decided to share the profits equally with effect from 1.4.2015. For this, it was agreed that:

(a) Goodwill of the firm be valued at ₹ 1,50,000.

(b) Land be revalued at ₹ 80,000 and building be depreciated by 6%.

(c) Creditors of ₹ 6,000 were not likely to be claimed and hence be written off.

Prepare Revaluation Account, Partner's Capital Accounts and Balance Sheet of the reconstituted firm. *(AI 2016)*

CBSE Sample Questions

2.3 New Profit Sharing Ratio

MCQ

1. A and B are partners in the ratio of 3:2. C is admitted as a partner and he takes ¼th of his share from A. B gives 3/16 from his share to C. What is the share of C?

(a) 1/4 (b) 1/16 (c) 1/6 (d) 1/16 *(Term-I, 2021-22)* Ap

2.5 Goodwill

MCQ

2. Navya and Radhey were partners sharing profits and losses in the ratio of 3: 1. Shreya was admitted for $1/5^{th}$ share in the profits. Shreya was unable to bring her share of goodwill premium in cash. The journal entry recorded for goodwill premium is given below:

Date	Particular	LF	Debit (₹)	Credit (₹)
	Shreya's Current A/c. Dr.		24,000	
	To Navya's Capital A/c.			8,000
	To Radhey's Capital A/c			16,000
	(Being entry for goodwill treatment passed)			

The new profit-sharing ratio of Navya, Radhey and Shreya will be:
(a) 41: 7: 12 (b) 13:12:10 (c) 3:1: 1 (d) 5:3:2 *(2022-23)*

3. If average capital employed in a firm is ₹ 8,00,000, average of actual profits is ₹ 1,80,000 and normal rate of return is 10%, then value of goodwill as per capitalisation of average profits is:
(a) ₹ 10,00,000 (b) ₹ 18,00,000
(c) ₹ 80,00,000 (d) ₹ 78,20,000
(Term-I, 2021-22)

4. Kalki and Kumud were partners sharing profits and losses in the ratio of 5:3. On 1st April,2021 they admitted Kaushtubh as a new partner and new ratio was decided as 3:2:1.
Goodwill of the firm was valued as ₹ 3,60,000. Kaushtubh couldn't bring any amount for goodwill. Amount of goodwill share to be credited to Kalki and Kumud Account's will be: -
(a) ₹ 37,500 and ₹ 22,500 respectively
(b) ₹ 30,000 and ₹ 30,000 respectively
(c) ₹ 36,000 and ₹ 24,000 respectively
(d) ₹ 45,000 and ₹ 15,000 respectively
(Term-I, 2021-22)

5. Asha and Nisha are partners sharing profits in the ratio of 2:1. Kashish was admitted for $1/4^{th}$ share of which $1/8^{th}$ was gifted by Asha. The remaining was contributed by Nisha.
Goodwill of the firm is valued at ₹ 40,000. How much amount for goodwill will be credited to Nisha's Capital account?
(a) ₹ 2,500 (b) ₹ 5,000
(c) ₹ 20,000 (d) ₹ 40,000
(Term-I, 2021-22) Ap

6. For which of the following situations, the old profit sharing ratio of partners is used at the time of admission of a new partner?
(a) When new partner brings only a part of his share of goodwill.
(b) When new partner is not able to bring his share of goodwill.
(c) When, at the time of admission, goodwill already appears in the balance sheet.
(d) When new partner brings his share of goodwill in cash. *(2020-21)*

2.7 Revaluation of Assets and Reassessment of Liabilities

MCQ

7. Arun and Vijay are partners in a firm sharing profits and losses in the ratio of 5:1.

Balance Sheet (Extract)

Liabilities	₹	Assets	₹
		Machinery	40,000

If the value of machinery reflected in the balance sheet is overvalued by $33\frac{1}{3}\%$,, find out the value of Machinery to be shown in the new Balance Sheet:
(a) ₹ 44,000 (b) ₹ 48,000
(c) ₹ 32,000 (d) ₹ 30,000
(Term-I, 2021-22)

8. At the time of reconstitution of a partnership firm, recording of an unrecorded liability will lead to:
(a) Gain to the existing partners
(b) Loss to the existing partners
(c) Neither gain nor loss to the existing partners
(d) None of the above *(Term-I, 2021-22)*

9. At the time of admission of a partner, what will be the effect of the following information?
Balance in Workmen Compensation Reserve ₹40,000. Claim for workmen compensation ₹ 45,000.
(a) ₹ 45,000 Debited to the Partner's Capital Accounts.
(b) ₹ 40,000 Debited to Revaluation Account.
(c) ₹ 5,000 Debited to Revaluation Account.
(d) ₹ 5,000 Credited to Revaluation Account.
(Term-I, 2021-22)

10. Revaluation of assets at the time of reconstitution is necessary because their present value may be different from their:
(a) Market Value (b) Net Value
(c) Cost of Asset (d) Book Value.
(Term-I, 2021-22)

11. Angle and Circle ware partners in a firm. Their Balance Sheet showed Furniture at ₹ 2,00,000; Stock at ₹ 1,40,000; Debtors at ₹ 1,62,000 and Creditors at ₹ 60,000. Square was admitted and new profit-sharing ratio was agreed at 2:3:5. Stock was revalued at ₹1,00,000, Creditors of ₹15,000 are not likely to be claimed, Debtors for ₹ 2,000 have become irrecoverable and Provision for doubtful debts to be provided @ 10%.
Angle's share in loss on revaluation amounted to ₹ 30,000. Revalued value of Furniture will be:
(a) ₹ 2,17,000 (b) ₹ 1,03,000
(c) ₹ 3,03,000 (d) ₹ 1,83,000
(Term-I, 2021-22)

12. At the time of admission of new partner Vasu, old partners Paresh and Prabhav had debtors of ₹ 6,20,000 and a provision for doubtful debts of ₹ 20,000 in their books. As per terms of admission, assets were revalued, and it was found that debtors worth ₹ 15,000 had turned bad and hence should be written off. Which journal entry reflects the correct accounting treatment of the above situation.?

(a)	Bad Debts A/c
	  To Sundry Debtors A/c
	Provision for Doubtful Debts A/c
	  To Bad Debts A/c
		Dr.
		
		Dr.
			15,000
			
			15,000
				
				15,000
				
				15,000

(b)	Bad Debts A/c
	  To Sundry Debtors A/c
	Revaluation A/c
	  To Provision for Doubtful Debts A/c
		Dr.
		
		Dr.
			15,000
			
			15,000
				
				15,000
				
				15,000

(c)	Revaluation A/c To Sundry Debtors A/c	Dr.	15,000	 15,000
(d)	Bad Debts A/c To Revaluation A/c	Dr.	15,000	 15,000

(Term-I, 2021-22) Ap

13. Given below are two statements, one labelled as Assertion (A) and the other labelled as Reason (R):
Assertion (A): Revaluation A/c is prepared at the time of Admission of a partner.
Reason (R): It is required to adjust the values of assets and liabilities at the time of admission of a partner, so that the true financial position of the firm is reflected.
In the context of the above two statements, which of the following is correct?
(a) Both (A) and (R) are correct and (R) is the correct reason of (A).
(b) Both (A) and (R) are correct but (R) is not the correct reason of (A).
(c) Only (R) is correct.
(d) Both (A) and (R) are wrong. *(Term-I, 2021-22)*

LA I (5/6 marks)

14. X and Y were partners in the profit-sharing ratio of 3:2. Their balance sheet as at March 31, 2022 was as follows:

Balance Sheet as at March 31, 2022

Liabilities		Amount (₹)	Assets		Amount (₹)
Creditors		56,000	Plant and Machinery		70,000
General Reserve		14,000	Buildings		98,000
Capital Accounts:			Stock		21,000
X	1,19,000		Debtors	42,000	
Y	1,12,000	2,31,000	(-)Provision	7,000	35,000
			Cash In Hand		77,000
		3,01,000			3,01,000

Z was admitted for 1/6th share on the following terms:
(i) Z will bring ₹ 56,000 as his share of capital, but was not able to bring any amount to compensate the sacrificing partners.
(ii) Goodwill of the firm is valued at ₹ 84,000.
(iii) Plant and Machinery were found to be undervalued by ₹ 14,000 Building was to brought up to ₹ 1,09,000.
(iv) All debtors are good.
(v) Capitals of X and Y will be adjusted on the basis of Z's share and adjustments will be done by opening necessary current accounts.
You are required to prepare revaluation account and partners' capital account. *(2022-23)*

LA II (8 marks)

15. 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 follows:

Balance Sheet

Liabilities		Amount (₹)	Assets		Amount (₹)
Capital Accounts:			Plant & Machinery		1,20,000
Sunaina	60,000		Land and Building		1,40,000
Tamanna	80,000	1,40,000	Debtors	1,90,000	
Current Accounts:			Less: Provision for		
Sunaina	10,000		Doubtful debts	(40,000)	1,50,000
Tamanna	30,000	40,000	Stock		40,000
General Reserve		1,20,000	Cash		30,000
Workmen's Compensation Reserve		50,000	Goodwill		20,000
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:

(a) All Debtors are good.

(b) Value of land and building to be increased to ₹ 1,80,000.

(c) Value of plant and machinery to be reduced by ₹ 20,000.

(d) The liability against Workmen's Compensation Fund is determined at ₹ 20,000 which is to be paid later in the year.

(e) Mr. Anil, to whom ₹ 40,000 were payable (already included in above creditors), drew a bill of exchange for 3 months which was duly accepted.

(f) Pranav to bring in capital of ₹ 1,00,000 and ₹ 10,000 as premium for goodwill in cash.

Journalise. *(2020-21)*

16. Gautam and Yashica are partners in a firm, sharing profits and losses in 3:1 respectively. The balance sheet of the firm as on 31st March 2018 was as follows:

Balance Sheet as at 31.3.2018

Liabilities		Amount (₹)	Assets	Amount (₹)
Sundry creditors		50,000	Furniture	60,000
Bills payable		30,000	Stock	1,40,000
Capitals			Debtors	80,000
Gautam	4,00,000		Cash in hand	90,000
Yashica	1,00,000	5,00,000	Machinery	2,10,000
		5,80,000		5,80,000

Asma is admitted as a partner for 3/8th share in the profits with a capital of ₹ 2,10,000 and ₹ 50,000 for her share of goodwill. It was decided that:

(i) New profit sharing ratio will be 3:2:3

(ii) Machinery will be depreciated by 10% and Furniture by ₹ 5,000.

(iii) Stock was re-valued at ₹ 2,10,000.

(iv) Provision for doubtful debts is to be created at 10% of debtors.

(v) The capitals of all the partners were to be in the new profit sharing ratio on basis of capital of new partner any adjustment to be done through current accounts.

Prepare Revaluation Account, Partner's Capital Account and the Balance Sheet of the new firm. *(2020-21)* Ap

3.8 Adjustment of Capitals

MCQ

17. Ganga and Jamuna are partners sharing profits in the ratio of 2:1. They admit Saraswati for 1/5th share in future profits. On the date of admission, Ganga's capital was ₹ 1,02,000 and Jamuna's capital was ₹ 73,000. Saraswati brings ₹ 25,000 as her share of goodwill and she agrees to contribute proportionate capital of the new firm. How much capital will be brought by Saraswati?

(a) ₹ 43,750 (b) ₹ 37,500

(c) ₹ 50,000 (d) ₹ 40,000 *(2022-23)*

18. Anubhav, Shagun and Pulkit are partners in a firm sharing profits and losses in the ratio of 2:2:1. On 1st April 2021, they decided to change their profit-sharing ratio to 5:3:2. On that date, debit balance of Profit & Loss A/c ₹ 30,000 appeared in the balance sheet and partners decided to pass an adjusting entry for it.

Which of the undermentioned options reflect correct treatment for the above treatment?

(a) Shagun's capital account will be debited by ₹ 3,000 and Anubhav's capital account credited by ₹ 3,000
(b) Pulkit's capital account will be credited by ₹ 3,000 and Shagun's capital account will be credited by ₹ 3,000
(c) Shagun's capital account will be debited by ₹ 30,000 and Anubhav's capital account credited by ₹ 30,000
(d) Shagun's capital account will be debited by ₹ 3,000 and Anubhav's and Pulkit's capital account credited by ₹ 2,000 and ₹ 1,000 respectively.

(Term-I, 2021-22)

3.9 Change in Profit Sharing Ratio Among the Existing Partners

MCQ

19. Gain / loss on revaluation at the time of change in profit sharing ratio of existing partners is shared by __(i)__ whereas in case of admission of a partner it is shared by __(ii)__.
(a) (i) Remaining Partners, (ii) All Partners.
(b) (i) All Partners, (ii) Old partners.
(c) (i) New Partner, (ii) All partner.
(d) (i) Sacrificing Partner, (ii) Incoming partner.

(Term-I, 2021-22)

Detailed SOLUTIONS

Previous Years' CBSE Board Questions

1. (b) : Reconstitution of Partnership Firm.

2. (d) : The maximum number of partners in a Partnership Firm as per Companies Act, 2013 is 50. Therefore, the firm would be admitting 46 more partners in addition to the existing four partners of the firm.

3. (i) A person of unsound mind cannot be admitted as a partner in the firm.
(ii) A person is guilty under Indian Penal Act.

4. (a) : Calculation of New Profit Sharing Ratio :

	X	Y
Old Share	$\frac{3}{5}$	$\frac{2}{5}$
Less : Sacrifice	$\frac{3}{20}$	$\frac{1}{20}$
New Share	$\frac{3}{5}-\frac{3}{20}=\frac{9}{20}$	$\frac{2}{5}-\frac{1}{20}=\frac{7}{20}$

Then, new profit-sharing ratio = $X : Y : Z$

$=\frac{9}{20}:\frac{7}{20}:\left(\frac{1\times4}{5\times4}\right)=\frac{4}{20}=9:7:4$

5. (b) : Leela : Meeta = 7 : 3 (Old Ratio)

Geeta's Share of Profit = $\frac{3}{13}$

Remaining Profits = 1 – Geeta's Share

$=1-\frac{3}{13}=\frac{13-3}{13}=\frac{10}{13}$

Leela's New Share $=\left(\frac{10}{13}\times\frac{7}{10}\right)=\frac{7}{13}$

Meeta's New Share $=\left(\frac{10}{13}\times\frac{3}{10}\right)=\frac{3}{13}$

New profit sharing ratio = Leela : Meeta : Geeta

$=\frac{7}{13}:\frac{3}{13}:\frac{3}{13}=7:3:3$

6. (c) : Malini's share = $\frac{1}{2}\times$ Moti's share $=\frac{1}{2}\times\frac{8}{15}=\frac{8}{36}$

Moti's New share = Old share – share given to Malini

$=\frac{8}{18}-\frac{8}{36}=\frac{16-8}{36}=\frac{8}{36}$

New share of Manu and Mamta is same as the old share.

New profit – sharing ratio = Manu : Mamta : Moti : Malini

$=\frac{5\times2}{18\times2}:\frac{5\times2}{18\times2}:\frac{8}{36}:\frac{8}{36}$

$=10:10:8:8$ or

$=5:5:4:4$

7. (b) : P : Q : R = 2 : 2 : 1 (Old Ratio)

L's Share of Profit = $\frac{1}{5}$

Remaining Profits = $\left(1-\frac{1}{5}\right)=\frac{4}{5}$

P's New Share of Profits = $\left(\frac{4}{5}\times\frac{2}{5}\right)=\frac{8}{25}$

Q's New Share of Profits = $\left(\frac{4}{5}\times\frac{2}{5}\right)=\frac{8}{25}$

R's New Share of Profits = $\left(\frac{4}{5}\times\frac{1}{5}\right)=\frac{4}{25}$

New Profit-Sharing Ratio among the partners :

P : Q : R : L = $\frac{8}{25}:\frac{8}{25}:\frac{4}{25}:\frac{1\times5}{5\times5}=8:8:4:5$

Share of Profit of L = 4,00,000 × $\frac{5}{25}$ = ₹ 80,000

Q will bear ₹ 20,000 deficiency (*i.e.*, 1,00,000 – 80,000)

8. (a) : A : B = 8,00,000 : 16,00,000
= 1 : 2 (Old Ratio)

C's share of profits
= Share given by A + Shares given by B

$=\left(\frac{1}{4}\times\frac{1}{3}\right)+\left(\frac{1}{9}\right)=\frac{1}{12}+\frac{1}{9}+\frac{3+4}{36}=\frac{7}{36}$

A's New share = Old Share – Share given to C

$=\left(\frac{1}{3}-\frac{1}{12}\right)=\frac{4-1}{12}=\frac{3}{12}$

B's New share = Old Share − Share given to C

$$=\left(\frac{2}{3}-\frac{1}{9}\right)=\frac{6-1}{9}=\frac{5}{9}$$

New Profit sharing ratio = A : B : C

$$=\frac{3\times3}{12\times3}:\frac{5\times4}{9\times4}:\frac{7}{36}$$

= 9 : 20 : 7

9. (b) : A : B : C = 9 : 20 : 7 (Old Ratio)

D's share of profits $=\frac{1}{6}$

Remaining Profits = 1 − D's share $=1-\frac{1}{6}=\frac{5}{6}$

A's New share = $\frac{5}{6}\times\frac{9}{36}=\frac{45}{216}$

B's New share = $\frac{5}{6}\times\frac{20}{36}=\frac{100}{216}$

C's New share = $\frac{5}{6}\times\frac{7}{36}=\frac{35}{216}$

New Profit sharing ratio = A : B : C : D

$$=\frac{45}{216}:\frac{100}{216}:\frac{35}{216}:\frac{1\times36}{6\times36}$$

= 45 : 100 : 35 : 36

10. (b) : 27:16:17

11. Share of Chaman = $\frac{1}{6}$

Share acquired from Aman = $\frac{1}{6}\times\frac{2}{5}=\frac{2}{30}$

To be acquired from Beena = $\frac{1}{6}-\frac{2}{30}=\frac{5-2}{30}=\frac{3}{30}$

12. A's new share after D $=\frac{3}{6}-0=\frac{3}{6}\times\frac{16}{16}=\frac{48}{96}$

B's new share after D $=\frac{2}{6}-\frac{1}{16}=\frac{32-6}{96}=\frac{26}{96}$

C's new share after D $=\frac{1}{6}-\frac{1}{16}=\frac{16-6}{96}=\frac{10}{96}$

D's share $=\frac{1}{8}\times\frac{12}{12}=\frac{12}{96}$

New Ratio ⇒	A's	B's	C's	D's
	48 :	26 :	10 :	12
	A's	B's	C's	D's
	24 :	13 :	5 :	6

13. P's new share after S $=\frac{3}{6}-\frac{1}{16}=\frac{48-6}{96}=\frac{42}{96}$

Q's new share after S $=\frac{2}{6}-\frac{1}{16}=\frac{32-6}{96}=\frac{26}{96}$

R's new share after S $=\frac{1}{6}\times\frac{16}{16}=\frac{16}{96}$

S's share $=\frac{1}{8}\times\frac{12}{12}=\frac{12}{96}$

New Ratio ⇒	P's	Q's	R's	S's
	42 :	26 :	16 :	12
	21 :	13 :	8 :	6

14. (i) Calculation of New profit sharing ratio of Sahil, Charu and Tanu :

Sahil's Old Share = 4/7

Sahil Surrenders = 1/5 × 1/2 = 1/10 in favour of Tanu

Sahil's New Share = 4/7 − 1/10 = 33/70

Charu's Old Share = 3/7

Charu Surrenders = 1/5 × 1/2 = 1/10 in favour of Tanu

Charu's New Share = 3/7 − 1/10 = 23/70

Tanu's Share = 1/10 + 1/10 = 2/10

New Profit Sharing Ratio among Sahil, Charu and Tanu

= 33/70 : 23/70 : 2/10

= 33 : 23 : 14

(ii) Calculation of New Profit Sharing Ratio of Sahil, Charu, Tanu and Puneet :

Sahil's Old Share = 33/70

Sahil Surrenders in favour of Puneet

= 1/7 × 7/10 = 7/70

So, Sahil's new Share = 33/70 − 7/70 ⇒ 26/70

Charu's Old Share = 23/70

Charu Surrender in favour of Puneet

= 1/7 × 3/10 = 3/70

Charu's New Share = 23/70 − 3/70 = 20/70

Tanu's New Share = 14/70

Puneet's New Share = 1/7 or 10/70

New Profit Sharing Ratio among Partners

= 26/70 : 20/70 : 14/70 : 10/70

= 26 : 20 : 14 : 10 = 13 : 10 : 7 : 5

15. Calculation of Sacrificing Ratio :

Sacrificing Ratio of Uday = 5/10 − 3/10 = 2/10

Sacrificing Ratio of Kaushal = 5/10 − 2/10 = 3/10

Sacrificing Ratio = 2 : 3

New profit sharing ratio of Uday, Kaushal, Govind and Hari :

Uday's New Share = 3/10 − 1/30

= 9/30 − 1/30 = 8/30

Kaushal's New Share = 2/10 − 1/30

= 6/30 − 1/30 = 5/30

Govind's New Share = 5/10 − 1/30

= 15/30 − 1/30 = 14/30

Hari's New Share = 1/30 + 1/30 + 1/30 = 3/30

New profit sharing ratio of Uday, Kaushal, Govind and Hari on Hari's admission

= 8 : 5 : 14 : 3

New profit sharing ratio on Govind's death :

Uday's New Share = 8/30 + 7/30 = 15/30

Kaushal's New Share = 5/30

Hari's New Share = 3/30 + 7/30 = 10/30

New profit sharing ratio of Uday, Kaushal and Hari on Govind's death = 15 : 5 : 10 or 3 : 1 : 2

Related Theory

- The purpose and importance of calculating sacrificing ratio and gaining ratio is to determine the amount of compensation (goodwill) that the gaining partner should pay to sacrificing partner.

16. (c) :

Journal entry :

Meera's Capital A/c	Dr.	2,000	
To Mallika's capital A/c			2,000

Working Note :

Sacrificing/Gaining ratio :

	Mallika	Meera	Madhu
Old share	$\frac{2}{5}$	$\frac{2}{5}$	$\frac{1}{5}$
Less : New share	$\frac{7}{15}$	$\frac{5}{15}$	$\frac{3}{15}$
Sacrifice/Grain	$-\frac{1}{15}$ (gain)	$+\frac{1}{15}$	–

Note : In case of adjustment of Accumulated loss, Sacrificing partner will compensate the Gaining partner.

17. Sacrificing ratio

S : B : J → 1 : 1 : 1

18. Sacrificing/Gaining ratio

⇒ Old ratio – New ratio.

Old ratio = A and B ⇒ 4 : 3

New ratio A : B : C ⇒ 3 : 2 : 2

⇒ Sacrificing ratio of B :

⇒ Old ratio – New ratio

⇒ $\frac{3}{7}-\frac{2}{7} \Rightarrow \frac{1}{7}$

19. Calculation of sacrificing ratio :

Sacrificing ratio of Uday = 5/10 – 3/10 = 2/10

Sacrificing ratio of Kaushal = 5 /10 – 2/10 = 3/10

Sacrificing ratio = 2 : 3

20. (a) : ₹ 40,000

Sahil's share=1/5th

Remaining share=4/5th ; Rohit's share= 4/5 of 2/3 = 8/15 and Mohit's share= 4/5 of 1/3 = 4/15.

So new ratio will be= 8:4:3

21. (b) : ₹ 24,000

22. (c) : Net worth of the firm = Amit 's Capital + Sumit's Capital

= ₹ (3,00,000 + 2,00,000) = ₹ 5,00,000

Capitalised value of the average profits = ₹ 8,50,000

Goodwill of the firm = Capitalised value of average profits – Net worth

= ₹ (8,50,000 – 5,00,000) = ₹ 3,50,000

23. (a) : Goodwill is the intangible asset which does not have a physical existence. It is not a fictitious asset. It can be sold with the sale of the business itself. It is the reputation of a firm which enables it to earn higher profits in comparison to the normal profits earned by other firms in the same business. Thus, both statements are correct.

24. (d) :

Year	Profit	Adjustment	Normal Profit (₹)
2016-17	50,000	-	50,000
2017-18	40,000	+10,000	50,000
2018-19	75,000	-	75,000
2019-20	(25,000)	-	(25,000)
2020-21	50,000	-	50,000
		Total	2,00,000

(i) Average profit = $\frac{2,00,000}{5}$ = ₹ 40,000

(ii) Goodwill = Average profit × Number of Year's Purchase

= ₹ (40,000 × 3) = ₹ 1,20,000

25. (a) : Average profit earned = ₹ 60,000

Normal rate of return = 12%

Capitalised value of the firm

= Average Profit × $\frac{100}{\text{Normal Rate of Return}}$

= ₹$\left(60,000\times\frac{100}{12}\right)$ = ₹ 5,00,000

Net Assets = Net Worth of the firm = ₹ 4,00,000

Goodwill of the firm = Capitalised value of the firm – Net worth

= ₹ (5,00,000 - 4,00,000)

= ₹ 1,00,000

Related Theory

- Under capitalisation of average profit method, goodwill is calculated by deducting capital employed (i.e., net assets as on the date of valuation) from capitalised value of average profit on the basis of normal rate of return.

26. (a) : Goodwill brought in by Malini for $\frac{2}{9}$th share = ₹ 30,00,000

Goodwill of the firm = Malini's share of goodwill × Reciprocal of her profit share

= ₹$\left(15,00,000\times\frac{9}{2}\right)$ = ₹ 1,35,00,000

27. (a) : Capitalised value of firm = Z's Capital × Reciprocal of Z's Share = 2,00,000 × $\frac{4}{1}$

= ₹ 8,00,000

Net worth of the firm = Sum of Capitals of all the partners (including new partner)

= ₹ (2,00,000 + 3,00,000 + 2,00,000)

= ₹ 7,00,000

Goodwill = Capitalised value of firm – Net worth of the firm

= ₹ (8,00,000 – 7,00,000) = ₹ 1,00,000

28. (b) : Working Notes :

(i) Calculation of Sacrificing ratio

	R	M
Old Share	$\frac{5}{8}$	$\frac{3}{8}$
New Share	$\frac{2}{5}$	$\frac{2}{5}$
Sacrificing share (Old share – New share)	$\left(\frac{5}{8}-\frac{2}{5}\right)=\frac{9}{40}$	$\left(\frac{3}{8}-\frac{2}{5}\right)=\frac{-1}{40}$ (Gain)

(ii) L's share of Goodwill = ₹$\left(4,50,000\times\frac{1}{5}\right)$

= ₹ 90,000

M's share of Goodwill = $\left(4,50,000\times\frac{1}{40}\right)$

= ₹ 11,250

In the books of R, M & L

Journal

Date	Particular		L.F	Dr. (₹)	Cr. (₹)
	L's Capital A/c	Dr.		90,000	
	M's Capital A/c	Dr.		11,250	
	To R's Capital A/c				1,01,250
	(Being goodwill adjusted at the time of admission)				

29. (a) : Actual profit less Normal profit

30. Mitali's share in profit = 1/10
Atul's new share = 3/5 – 1/10 = 5/10
Neera's new share = 2/5
Mitali's share = 1/10

31. No, the accountant was not correct.
Reason : Since the new partners has brought his share of goodwill in Cash, it cannot be shown in the books. Only purchased goodwill can be recorded in the books of accounts as some consideration is paid for it.

32.

In the books of Kabir and Farid

Journal

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
2019 April 01	Premium for Goodwill A/c	Dr.		51,000	
	To Kabir's Capital A/c				38,250
	To Farid's Capital A/c				12,750
	(Being share of goodwill credited to the existing partners in 3 : 1)				

Working Notes :
Average Profit for the last three years = (90,000 + 1,30,000 + 86,000)/3 = ₹ 1,02,000
Goodwill of the firm = Average Profits of the last three years × Number of Years' Purchase
= ₹ (1,02,000 × 2) = ₹ 2,04,000
Manik's share of goodwill = ₹ (2,04,000 × 1/4) = ₹ 51,000
Sacrificing Ratio among the partners will be same as old ration = 3 : 1
Note : Loss due to fire has not been accounted for thus; the profits for the year 2018-19 are normal profits only.

33. Actual profits = ₹ 3,00,000
Net Tangible Assets = Assets – Liabilities
= ₹ 17,00,000 – ₹ 2,00,000
= ₹ 15,00,000
Capitalised value of the firm = (Average Profits × 100)/ Normal rate of return
= (₹ 3,00,000 × 100)/15
= ₹ 20,00,000
Goodwill = Capitalised value of the firm – Net tangible assets
= ₹ 20,00,000 – ₹ 15,00,000 = ₹ 5,00,000

34. Adjusted Profit
2015-16 : 4,00,000 – 50,000 = 3,50,000
2016-17 : 5,00,000 + 1,00,000 = 6,00,000
2017-18 : 2,50,000
Average adjusted profit

$$= \frac{3,50,000 + 6,00,000 + 2,50,000}{3} = \frac{12,00,000}{3}$$

= 4,00,000
Goodwill = 4,00,000 × 3 = ₹ 12,00,000

35.

Date	Particulars		Dr. (₹)	Cr. (₹)
	Bank A/c	Dr.	2,30,000	
	To Kumar's Capital A/c			2,00,000
	To Premium for Goodwill A/c			30,000
	(Being Kumar admitted and brought his share of Capital and Goodwill)			
	Premium for Goodwill A/c	Dr.	30,000	
	To Anupama's Capital A/c			30,000
	(Being goodwill adjusted)			

Working notes :

Nirupama $\rightarrow \frac{3}{8} - \frac{3}{8} = 0$; Anupama $\rightarrow \frac{5}{8} - \frac{3}{8} = \frac{2}{8}$

Sacrificing Ratio $\rightarrow$ 0 : 2

Kumar's share of Goodwill $= 120000 \times \frac{1}{4}$ = ₹ 30,000

36. Old profit sharing ratio of Karan and Varun = 1 : 2.

Kishor admitted as a new partner on $= \frac{1}{4}^{th}$ share.

New profit sharing of Karan, Varun and Kishor :

Varun's New share $= \frac{2}{3} - \frac{1}{4} = \frac{8-3}{12} = \frac{5}{12}$

Karan's New share $= \frac{1}{3} \times \frac{4}{4} = \frac{4}{12}$

Kishor's New share $= \frac{1}{4} \times \frac{3}{3} = \frac{3}{12}$

New ratio among Karan, Varun, Kishor = 5 : 4 : 3.

Goodwill of the firm

Fixed capital of the firm = Karan's Capital + Varun's Capital + Kishor's Capital

= 2,00,000 + 3,00,00 + 2,00,000 = ₹ 7,00,000

Journal Entry

	Particulars	Dr. (₹)	Cr. (₹)
(i)	Cash A/c Dr. To Kishor's Capital A/c *(Capital brought in cash)*	2,00,000	2,00,000
(ii)	Kishor Current A/c Dr. To Varun's Current A/c *(Being the value of goodwill give to Varun because he is sacrificing on admission of Kishor)*	25,000	25,000

Working Note : Kishor's share in goodwill = Total goodwill of the firm × Share of Kishor

Kishor's Goodwill should be : -

Total capital of firm should be $= \left(2{,}00{,}000 \times \frac{4}{1}\right) = 8{,}00{,}000$

Total capital of firm = 7,00,000

Goodwill of the firm = 1,00,000

Goodwill of Kishor $= 1{,}00{,}000 \times \frac{1}{4} =$ ₹ 25,000

37. (i) When there is a change in profit sharing ratio.
(ii) When partnership is sold as a going concern.
(iii) When two firms amalgamate.

38. Based on Aditi's share, the total capital of the new firm ought to be :

₹ 1,00,000 × $\frac{6}{1}$	= ₹ 6,00,000
Less : Capital of Saloni	₹ 2,00,000
Capital of Shrishti	₹ 1,50,000
Capital of Aditi	₹ 1,00,000
	(4,50,000)
Value of Goodwill of firm	₹ 1,50,000

Aditi's share of goodwill = ₹ 1,50,000 × $\frac{1}{6}$ = ₹ 25,000.

Journal

₹	Particulars	L.F.	Dr. (₹)	Cr. (₹)
(i)	Bank A/c Dr. To Aditi Capital A/c *(Being Cash brought in by Aditi as her Capital)*		1,00,000	1,00,000
(ii)	Aditi's Capital A/c Dr. To Saloni's Capital A/c To Shrishti's Capital A/c *(Being the amount of premium distributed in sacrificing partners in their sacrificing ratio i.e. 7 : 3)*		25,000	17,500 7,500

39. Based on Somesh's share the total capital of the new firm will be

= ₹ 1,20,000 × 5/1 = ₹ 6,00,000

Less : Capital of Hemant = ₹ 1,60,000

Capital of Nishant = ₹ 1,00,000

Capital of Somesh = ₹ 1,20,000

Goodwill of the firm = ₹ 2,20,000

Share of Somesh's Goodwill = 2,20,000 × $\frac{1}{5}$ = ₹44,000

Journal

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c Dr. To Somesh's Capital A/c *(Being Cash brought in by Aditi as her Capital)*		1,20,000	1,20,000
	Somesh's Capital A/c Dr. To Hemant's Capital A/c To Nishant's Capital A/c *(Being the share of Somesh goodwill credited to Hemant and Hishani in their sacrificing ratio i.e., 3 : 2)*		44,000	26,400 17,600

40. (a) : Journal entry

Particulars	₹	₹
Charu's Capital A/c Dr To Arun's Capital A/c To Babita's Capital A/c *(Being adjustment entry passed)*	1,000	500 500

Working note :

Sacrificing/gaining ratio :

	Arun	Babita	Charu
Old share	$\frac{3}{8}$	$\frac{3}{8}$	$\frac{2}{8}$
New share	$\frac{1}{3}$	$\frac{1}{3}$	$\frac{1}{3}$
SR/GR	$\frac{1}{24}$	$\frac{1}{24}$	$\frac{-2}{24}$ (gain)

Total Accumulated Profits = 8,000 + 4,000 = 12,000

Charu's share = 12,000 × $\frac{2}{24}$ = ₹ 1,000

Arun and Babita share = 12,000 × $\frac{1}{24}$ = ₹ 500

Concept Applied

- Always remember, if any old partner also gains, he will also compensate the sacrificing partner(s). His capital/current account will also be debited.

41. (c) : Net amount to be adjusted among the partners will be computed as follows :

Particulars	Amount (₹)
General Reserve (Cr.)	20,000
Profit & Loss Account (Dr.)	(30,000)
Net effect	(10,000)

As the net effect is an accumulated loss to be debited to the partners so the journal entry will be as follows :

In the book of Anisha and Harit

Journal

Date	Particular	L.F.	Dr. (₹)	Cr. (₹)
	Harit's Capital A/c Dr. To Anisha's capital A/c *(Being adjustment entry for accumulated profits and losses passed)*		2,000	 2,000

42. (a) : Accumulated losses is distributed among old partners in old ratio. Journal entry for the distribution of profit and loss account (debit balance) at the time of admission of Ganesh will be :

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Amar's Capital A/c Dr. Samar's Capital A/c Dr. To Profit & Loss A/c *(Being debit balance Profit & Loss account distributed)*		10,000 50,000	 60,000

43. (c) : Capital Accounts of old partners.

44 (a) : Old partners in old profit sharing ratio

45. No, the accountant did not give correct treatment as Capital Accounts of the old Partners should be debited in old profit sharing ratio. As this accumulated loss is before admission of Anita.

46 (b) : Loss ₹ 1,00,000

47 (b) : In old profit sharing ratio

48. (a) : It is necessary to revalue assets and liabilities of a firm in case of admission of a partner so that the incoming partner is neither put to an advantage nor to disadvantage due to change in the market value of assets and liabilities.

49. (a) : On admission debtors whose dues of 75,000 were earlier written off as bad-debts, paid 4,000 in full settlement. Bad debts recovered 4,000 will be debited to Cash/Bank A/c and credited to Revaluation A/c.

50 (a) : It will be distributed to old partners in old Profit Sharing Ratio. Transfer of loss on revaluation :

Old Partner's Capital A/c Dr.
To Revaluation A/c

51. (b) :

Dr. Revaluation A/c Cr.

Particulars	(₹)	Particulars	(₹)
Plant and Machinery (Decreased)	3,00,000	Land (Increased) Loss on Revaluation	2,00,000 1,00,000
	3,00,000		3,00,000

52. (c) : As stock was undervalued by 10%. So, the original value of stock $= \dfrac{45,000}{(100-10)} \times 100 = 50,000$

So, stock value will increase by ₹ 5,000. Journal entry will be

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Stock A/c Dr. To Revaluation A/c *(Being stock undervalued by ₹ 5,000, corrected)*		5,000	 5,000

53. (c) : The claim against the firm for damages for which a liability has to be created, will be debited to Revaluation Account.

54. (a)

Dr. Revaluation A/c Cr.

Particulars	Amount (₹)	Particulars	Amount (₹)
To Building A/c	40,000	By Machinery A/c By Debtor A/c By Creditors A/c By Loss on Revaluation A/c	8,000 1,250 2,750 28,000
	40,000		40,000

55.

Particulars	Dr.	Cr.
Revaluation A/c Dr. To Sundry Liabilities A/c *(Being unrecorded liability paid)*	–	–

56. **In the books of Raka, Seema and Mahesh**

Journal

Date	Particulars	L.F.	Debit Amount (₹)	Credit Amount (₹)
2019 Apr. 01	Seema's Capital A/c (70,000 × 1/10) Dr.		7,000	
	To Raka's Capital A/c (70,000 × 1/10)			7,000
	(Being goodwill adjusted among partners)			
Apr. 01	Workmen Compensation Fund A/c Dr.		90,000	
	To Claim on the Fund A/c			40,000
	To Raka's Capital A/c			25,000
	To Seema's Capital A/c			15,000
	To Mahesh's Capital A/c			10,000
	(Being claim on workmen compensation provided and excess distributed)			
Apr. 01	Revaluation A/c Dr.		40,000	
	To Raka's Capital A/c			20,000
	To Seema's Capital A/c			12,000
	To Mahesh's Capital A/c			8,000
	(Being revaluation profit distributed)			

Working Notes :

(i) Calculation of Gain/Sacrifice

Particulars	Raka	Seema	Mahesh
Old Ratio	5/10	3/10	2/10
New Ratio	2/5	2/5	1/5
Gain/Sacrifice	(5/10 – 2/5) = 1/10	(3/10 – 2/5) = –1/10 (Gain)	(2/10 – 1/ 5) = Nil

57. **In the books of Achla, Bobby and Vihaan**

Dr. **Revaluation A/c** Cr.

Particulars		Amount (₹)	Particulars	Amount (₹)
To Liability on workmen compensation		30,000	By Land & Building	1,00,000
To Stock A/c		10,000		
To Profit on revaluation trsnf. to :				
Achla's Capital A/c	45,000			
Bobby's Capital A/c	15,000	60,000		
		1,00,000		1,00,000

Dr. **Partner's Capital A/c** Cr.

Particulars	Achla (₹)	Bobby (₹)	Vihaan (₹)	Particulars	Achla (₹)	Bobby (₹)	Vihaan (₹)
To Bank A/c (withdrawn)	30,000	10,000	–	By balance b/d	4,00,000	2,00,000	–
To Stock A/c	35,000	–	–	By Bank A/c	–	–	1,00,000
To Current A/c	1,70,000	1,35,000	–	By Premium for Goodwill A/c	60,000	20,000	–
To balance c/d	3,00,000	1,00,000	1,00,000				
				By General Reserve A/c	30,000	10,000	–
				By Revaluation A/c	45,000	15,000	–
	5,35,000	2,45,000	1,00,000		5,35,000	2,45,000	1,00,000

Working Notes :

(1) Calculation of New Profit -Sharing Ratio

Old Profit-sharing ratio	=	3 : 1
Vihaan's Share	=	1/5
Remaining Profits of the firm	=	(1 – 1/5) = 4/5
Achla's New Share	=	(4/5 × 3/4) = 3/5
Bobby's New Share	=	(4/5 × 1/4) = 1/5
New Profit-sharing ratio	=	3 : 1 : 1
Sacrificing ratio is same as old ratio	=	3 : 1

(2) Calculation of Vihan's Share of Goodwill

Vihaan's Share of Goodwill = ₹ (4,00,000 × 1/5)
= ₹ 80,000

(3) Adjustment of Capital :

Vihaan's Capital for 1/5th share = ₹ 1,00,000

For 1 whole share. capital of the firm = ₹ (1,00,000 × 5)
= ₹ 5,00,000

New Capital of Achla = ₹ (5,00,000 × 3/5) = ₹ 3,00,000

New Capital of Bobby = ₹ (5,00,000 × 1/5) = ₹ 1,00,000

Existing Capital of Achla and Bobby is ₹ 4,70,000 and ₹ 2,35,000

Amount to be credited to Achla's Current A/c
= Old Capital – New Capital
= ₹ (4,70,000 – 3,00,000) = ₹ 1,70,000

Amount to be credited to Bobby's Current A/c
= Old Capital – New Capital
= ₹ (2,35,000 – 1,00,000) = ₹ 1,35,000

Balance Sheet as at 31st March, 2019

Liabilities		Amount (₹)	Assets	Amount (₹)
Creditors		1,10,000	Land and Building	6,00,000
Liability for workmen compensation		80,000	Debtors	40,000
Capitals :			Furniture	1,55,000
Achla	3,00,000		Cash at Bank	2,00,000
Bobby	1,00,000		(60,000 + 1,00,000 + 80,000 – 40,000)	
Vihaan	1,00,000	5,00,000		
Current A/cs :				
Achla	1,70,000			
Bobby	1,35,000	3,05,000		
		9,95,000		9,95,000

Related Theory

- There is a difference between "Asset appreciated by 20% and 'Asset appreciated to 20%'. The term 'by' means value of asset to be brought up by 20% and the term 'to' means value of machinery to be brought up by 80%.

58. **Revaluation A/c**

Particulars	Amount (₹)	Particulars	Amount (₹)
To Provision for doubtful debt A/c	2,000	By Partner's Capital A/c	
To Furniture A/c	150	T – 1575	
To Stock A/c	1,000	N – 1575	3,150
	3,150		3,150

Dr. **Partner's Capital A/c** Cr.

Particulars	T (₹)	N (₹)	M (₹)	Particulars	T (₹)	N (₹)	M (₹)
To Revaluation A/c	1575	1575		By bal. b/d	30,000	15,000	–
To balance c/d	31,675	16,675	15,500	By General Reserve	1,000	1,000	–
				By Bank A/c	–	–	15,500
				By Premium for Goodwill A/c	2250	2250	–
	33,250	18,250	15,500		33,250	18,250	15,500

Balance Sheet of T, N, M as at 31st Mar. 2018

Liabilities	Amount (₹)	Assets		Amount (₹)
Creditors	18,000	Cash at bank		21,000
Capitals:		Debtors	40,000	
T – 31,675		Less :	(2000)	38,000
N – 16,675		Stock		5,000
M – 15,500	63,850	Furniture		2,850
		Freehold Property		15,000
	81,850			81,850

59.

Dr. **Revaluation A/c** Cr.

Particulars		Amount (₹)	Particulars	Amount (₹)
To Furniture		11,000	By Debtors	5,000
To Provision for bad & doubtful debts		6,250	By Land & Building	62,000
To Claim for damages		8,000		
To profit t/f to				
Chander's Capital A/c	20,875			
Damini's Capital A/c	20,875	41,750		
		67,000		**67,000**

Dr. **Capital A/c** Cr.

Particulars	Chander	Damini	Elina	Particulars	Chander	Damini	Elina
To Bank A/c	12,500	12,500	–	By Balance b/d	2,50,000	2,16,000	
To Balance c/d	2,83,375	249375	3,00,000	By Bank A/c			3,00,000
				By Premium for Goodwill A/c	25,000	25,000	
				By Revaluation A/c	20,875	20,875	
	295875	**261875**	**3,00,000**		**295875**	**2,61,875**	**3,00,000**

60. **Revaluation Account**

Particulars		Amount (₹)	Particulars	Amount (₹)
To Profit transferred to partner's Capital A/c			By Provision for bad debts A/c	2,000
Charu	1,200			
Harsha	800	2,000		
		2,000		**2,000**

Partner's Capital Account

Particulars	Charu (₹)	Harsha (₹)	Vaishali (₹)	Particulars	Charu (₹)	Harsha (₹)	Vaishali (₹)
To Current A/cs (Balancing Fig.)	5,400	3,600	-	By Balance b/d	30,000	20,000	-
				By General Reserve	2,400	1,600	-
To Balance c/d (Note 1 & 2)	36,000	24,000	20,000	By Cash A/c	-	-	20,000
				By Premium for Goodwill A/c	2,400	1,600	-
				By Revaluation A/c	1,200	800	-
				By Workmen Compensation Fund	1,800	1,200	-
				By Investment Fluctuation Fund	3,600	2,400	-
	41,400	**27,600**	**20,000**		**41,400**	**27,600**	**20,000**

Working Notes :

1. Calculation of New Profits Sharing Ratio :

Let the total share of the firm = 1

Vaishali's share = 1/4

Remaining share = 1 –1/4 = 3/4

Distribute the remaining share of 3/4 in the ratio of 3 : 2 between Charu and Harsha.

Charu's share = 3/4 × 3/5 = 9/20; Harsha's share = 3/4 × 2/5 = 6/20

New profit sharing ratio of Charu, Harsha and Vaishali = 9/20 : 6/20 : 1/4 = 9 : 6 : 5

2. Calculation of Capital and Harsha on the basis of Vaishali's Capital :

Total Capital of the new firm on the basis of Vaishali Capital = ₹ 20,000 × 4/1 = ₹ 80,000

Charu's Capital = ₹ 80,000 × 9/20 = ₹ 36,000

Harsha's Capital = ₹ 80,000 × 6/20 = ₹ 24,000

61. **Revaluation Account**

Particulars	Amount (₹)	Particulars		Amount (₹)
To Liabilities for Bills Receivable Discounted	18,000	By Land and Building		36,400
To Stock	22,200	By Loss transferred to partner's Capital A/c		
To Furniture	46,600	Om	25,200	
		Ram	16,800	
		Shanti	8,400	
				50,400
	86,800			86,800

Partner's Capital Account

Particulars	Om (₹)	Ram (₹)	Shanti (₹)	Particulars	Om (₹)	Ram (₹)	Shanti (₹)
To Revaluation A/c	25,200	16,800	8,400	By Balance b/d	3,58,000	3,00,000	2,62,000
To Current A/c	–	9,200	1,16,600	By General Reserve	24,000	16,000	8,000
To Balance c/d	4,50,000	3,00,000	1,50,000	By Premium for goodwill A/c	15,000	10,000	5,000
				By Current A/c	78,200	–	–
	4,75,200	3,26,000	2,75,000		4,75,200	3,26,000	2,75,000

Working Notes :

Hanuman's Capital = ₹ 1,00,000

Hanuman's Share = 1/10

Capital of the Firm = ₹ 1,00,000 × 10 = ₹ 10,00,000

Less : Hanuman's Capital = ₹ 1,00,000

₹ 9,00,000

Om's Capital = ₹ 9,00,000 × 3/6 = ₹ 4,50,000

Ram's Capital = ₹ 9,00,000 × 2/6 = ₹ 3,00,000

Shanti's Capital = ₹ 9,00,000 × 1/6 = ₹ 1,50,000

Hanuman's Capital = ₹ 1,00,000

62. **Revaluation Account**

Particulars		Amount (₹)	Particulars	Amount (₹)
To Profit transferred to		1,40,000	By Building A/c	1,00,000
Mohan's Capital A/c	84,000		By Stock A/c	40,000
Mahesh's Capital A/c	56,000			
		1,40,000		1,40,000

Partner's Capital Account

Particulars	Mohan (₹)	Mahesh (₹)	Nusrat (₹)	Particulars	Mohan (₹)	Mahesh (₹)	Nusrat (₹)
To Balance c/d	3,92,000	2,08,000	1,20,000	By Balance b/d	1,00,000	80,000	-
				By Revaluation A/c	84,000	56,000	-
				By General Reserve A/c	96,000	64,000	-
				By Workmen Comp. Fund A/c	12,000	8,000	-
				By Premium for goodwill A/c	1,00,000	-	-
				By Cash A/c			1,20,000
	3,92,000	2,08,000	1,20,000		3,92,000	2,08,000	1,20,000

Balance Sheet as on 1st April 2012

Liabilities		Amount (₹)	Assets	Amount (₹)
Creditors		2,10,000	Cash in Hand	3,60,000
Workmen Compensation Claim		2,30,000	Debtors	1,60,000
Capitals :			Stock	1,60,000
Mohan	3,92,000		Machinery	1,00,000
Mahesh	2,08,000		Building	3,80,000
Nusrat	1,20,000	7,20,000		
		11,60,000		11,60,000

Working Notes :

Nusrat's Capital = (Mohan's Capital) × 20/100

= (₹ 3,92,000 + ₹ 2,08,000) × 20/100

= ₹ 6,00,000 × 20/100 = ₹ 1,20,000

63.

Dr. **Revaluation Account** Cr.

Particulars		Amount (₹)	Particulars	Amount (₹)
To Dep. on Machinery		45,000	By Land and Building	70,000
To Profit transferred to :				
Sikhar's Capital	17,500			
Rohit's Capital	7,500	25,000		
		70,000		70,000

Dr. **Partner's Capital Account** Cr.

Particulars	Sikhar (₹)	Rohit (₹)	Kavi (₹)	Particulars	Sikhar (₹)	Rohit (₹)	Kavi (₹)
To Balance c/d	9,40,000	4,10,000	4,30,000	By Balance b/d	8,00,000	3,50,000	-
				By Revaluation A/c	17,500	7,500	-
				By General Reserve A/c	70,000	30,000	-
				By Workmen Comp. Fund A/c	35,000	15,000	-
				By Cash A/c			
				By Premium for Goodwill A/c	-	-	4,30,000
					17,500	7,500	-
Total	**9,40,000**	**4,10,000**	**4,30,000**	**Total**	**9,40,000**	**4,10,000**	**4,30,000**
To cash A/c (*Bal. fig.*)	37,000	23,000	-	By Balance c/d	9,40,000	4,10,000	4,30,000
To balance c/d (Note 1 & 2)	9,03,000	3,87,000	4,30,000				
	9,40,000	4,10,000	4,30,000		9,40,000	4,10,000	4,30,000

Balance Sheet of New Firm As at 1st April 2013

Liabilities		Amount (₹)	Assets		Amount (₹)
Capitals :		17,20,000	Land & Building		4,20,000
Shikhar	9,03,000		Machinery	4,50,000	
Rohit	3,87,000		Less : Dep.	45,000	4,05,000
Kavi	4,30,000		Debtors	2,20,000	
Workmen Compensation		50,000	Less : Provision	20,000	2,00,000
Creditors		1,50,000	Stock		3,50,000
			Cash in Hand (1,50,000 + 4,30,000 + 25,000 – 37,000 – 23,000)		5,45,000
		19,20,000			19,20,000

Working Notes :

1. **Calculation of New Profit Sharing Ratio :**

Let total profit = 1

Kavi's Shares = 1/4

Remaining Profits = 1 – 1/4 = 3/4

Shikhar's Shares = 3/4 × 7/10 = 21/40

Rohit's Shares = 3/4 × 3/10 = 9/40

New Ratio of Shikhar : Rohit : Kavi = 21/40 : 9/40 : 1/4 = 21 : 9 : 10

2. **Total capital of new firm and new capital of partners :**

Total Capital of new firm on the basis of Kavi's capital = ₹ 4,30,000 × 4/1 = ₹ 17,20,000

Shikhar's Capital = ₹ 17,20,000 × 21/40 = ₹ 9,03,000

Rohit's Capital = ₹ 17,20,000 × 9/40 = ₹ 3,87,000

Kavi's Capital = ₹ 17,20,000 × 10/40 = ₹ 4,30,000

64. Dr. **Revaluation Account** Cr.

Particulars		Amount (₹)	Particulars	Amount (₹)
To Machinery A/c		5,000	By Land and Building A/c	8,000
To Stock A/c		2,000		
To Profit transferred to:				
R's Capital A/c	600			
S's Capital A/c	400	1,000		
		8,000		8,000

Dr. **Partner's Capital Account** Cr.

Particulars	R (₹)	S (₹)	M (₹)	Particulars	R (₹)	S (₹)	M (₹)
To Balance c/d	1,08,600	72,400	80,000	By Balance b/d	60,000	40,000	-
				By Bank A/c	-	-	80,000
				By General Reserve	12,000	8,000	-
				By Premium for goodwill A/c	36,000	24,000	-
				By Revaluation A/	600	400	-
	1,08,600	72,400	80,000		1,08,600	72,400	80,000

65. **Journal Entries**

	Particulars		Dr. (₹)	Cr. (₹)
(i)	Bank A/c	Dr.	40,000	
	To C's Capital A/c			30,000
	To Premium for Goodwill A/c			10,000
	(Being capital and share of premium of goodwill brought in cash by C)			
(ii)	Premium for Goodwill A/c	Dr.	10,000	
	To W's Capital A/c			6,000
	To R's Capital A/c			4,000
	(Premium of goodwill distributed among the existing partners)			
(iii)	W's Capital A/c	Dr.	3,000	
	R's Capital A/c	Dr.	2,000	
	To Cash A/c			5,000
	(Being half of the goodwill withdrawn by the partners in their sacrificing ratio)			
(iv)	General Reserve A/c	Dr.	5,000	
	To W's Capital A/c			3,000
	To K's Capital A/c			2,000
	(General reserve distributed among old partners in old ratio)			
(v)	Outstanding Salary A/c	Dr.	3,000	
	To Bank A/c			3,000
	(Being outstanding salary paid off)			
(vi)	Revaluation A/c	Dr.	8,125	
	To Stock A/c			2,000
	To Furniture A/c			500
	To Plant and Machinery A/c			3,200
	To Creditors A/c			2100
	(Being stock, furniture and plant and machinery depreciated recorded in Realisation Account)			
(vii)	Investment A/c	Dr.	2,500	
	To Revaluation A/c			2,500
	(Being the investment recorded in the books)			
(viii)	W's Capital A/c	Dr.	3,375	
	R's Capital A/c	Dr.	2,250	
	To Revaluation A/c			5,625
	(Loss on revaluation debited to old partners in old ratio)			

66. (c) : Journal entry for the treatment workmen compensation reserve at the time of admission will be as follows :

Journal

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Workmen Compensation Fund A/c Dr.		50,000	
	To Workmen Compensation Claim A/c			20,000
	To Seema's Capital A/c			18,000
	To Teena's Capital A/c			12,000
	(Being WCR adjusted on admission)			

67. (b) : **Working Notes :**

Farad's share of profit = 1/5

Remaining Profits = (1 – 1/5) = 4/5

Disha's New Share = (4/5 × 1/2) = 2/5

Abha's New Share = (4/5 × 1/2) = 2/5

New ratio = 2 : 2 : 1

For 4/5 share partner's capital = ₹ (64,000 + 46,000) = ₹ 1,10,000

For 1 whole share of profit capital = ₹ (1,10,000 × 5/4)

For 1/5th share Farad's Capital = ₹ (1,10,000 × 5/4 × 1/5) = ₹ 27,500

68. **In the Books of Asha and Aditi**

Date	Particulars	L.F.	Amount Dr. (₹)	Amount Cr. (₹)
(i)	Bank A/c Dr.		8,50,000	
	To Raghav's Capital A/c			6,00,000
	To Premium for Goodwill A/c			2,50,000
	(Being cash brought by Raghav for Capital and share of goodwill)			
(ii)	Premium for Goodwill A/c Dr.		2,50,000	
	To Asha's Capital A/c			1,50,000
	To Aditi's Capital A/c			1,00,000
	(Being share of goodwill brought by Raghav given in sacrificing ratio 3 : 2 to Asha & Aditi)			

Calculation of goodwill of the firm

(i) Adjusted total profit of the firm

	₹
2013–14	3,50,000
2014–13	4,75,000
2015–16	6,70,000
2016–17	(7,45,000 – 15,000)
	22,25,000

(ii) Average adjusted profit = $\frac{22,25,000}{4}$ = ₹ 5,56,250

Less : Future Annual charge = 556250

–56250

5,00,000

(iii) Goodwill = Average adjusted profit × No. of year purchase

= 5,00,000 × 2 = ₹ 10,00,000

(iv) Raghav's share = 10,00,000 × $\frac{1}{4}$ = ₹ 2,50,000

69.

Dr. **Revaluation A/c** Cr.

Particulars		Amount (₹)	Particulars	Amount (₹)
To Furniture		30,000	By Investments	40,000
To Profit transferred to :			By Stock	30,000
Sanjana's Capital A/c	24,000			
Alok's Capital A/c	16,000	40,000		
		70,000		70,000

Dr. **Partner's Capital Accounts** Cr.

Particulars	Sanjana (₹)	Alok (₹)	Nidhi (₹)	Particulars	Sanjana (₹)	Alok (₹)	Nidhi (₹)
To Cash A/c	30,000	20,000	-	By Balance b/d	5,00,000	4,00,000	-
To Investments A/c	-	3,00,000	-	By Cash A/c	-	-	3,00,000
To Cash A/c	50,000	-	-	By Premium for goodwill A/c	60,000	40,000	-
To Balance c/d	5,40,000	3,60,000	3,00,000	By Workmen's Compensation Reserve A/c	36,000	24,000	-
				By Revaluation A/c	24,000	16,000	-
				By Cash	-	2,00,000	-
	6,20,000	6,80,000	3,00,000		6,20,000	6,80,000	3,00,000

Balance Sheet of the reconstituted firm as on 31st March 2018

Liabilities		Amount (₹)	Assets		Amount (₹)
Creditors		60,000	Cash at bank		6,66,000
Capitals :			Debtors	1,46,000	
Sanjana	5,40,000		Less provision for doubtful debts	2000	1,44,000
Alok	3,60,000		Stock		1,80,000
Nidhi	3,00,000	12,00,000	Furniture		2,70,000
		12,60,000			12,60,000

Concept Applied

- Entries for Reserves, Accumulated profits and losses are passed even if the question is silent.

70. (b)

	Mani	Neeru	Lily
Old Ratio	5/8	3/8	X
New Ratio	2/8	3/8	3/8
Sacrificing Ratio	$\frac{5}{8}-\frac{2}{8}$ $=\frac{3}{8}$ (s)	$\frac{3}{8}-\frac{3}{8}$ = NIL	

Journal entry for the premium for goodwill brought by lily

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Premium for Goodwill A/c Dr.		52,500	
	To Mani's Capital A/c			52,500
	(Being Premium for goodwill credited to Sacrificing Partner)			

71.

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2014	Gulab's Capital A/c Dr.		8,000	
April 1	Khushbu's Capital A/c Dr.		32,000	
	To Anant's Capital A/c			40,000
	(Being adjustment of goodwill in change in profit sharing ratio recorded i.e. 1 : 4)			

72. Calculation of Goodwill of the firm

Average Profit = ₹ (4,00,000 + 4,800,000 + 7,33,000 – 33,000 + 2,20,000)/5 = ₹ 3,60,000

Goodwill of the firm = Average Profit × Number of years' Purchase

Goodwill of the firm = ₹ 3,60,000 × 2

= ₹ 7,20,000

Journal

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Gupta's Capital A/c Dr.		1,20,000	
	To Kumar's Capital A/c			60,000
	To Kavita's Capital A/c			60,000
	(Being adjustment of goodwill among partners on changes in profit sharing ratio)			

Working Notes :

(i) Calculation of Sacrifice/Gain of Partners (s) :

Share of Profit	Kumar	Gupta	Kavita
Old Share	1	1	1
New Share	1	2	1
Sacrifice Share = Old Share – New Share	1/3 – 1/4 = 1/12 Sacrifice	2/4 – 1/3 = 2/12 Gain	1/3 – 1/4 = 1/12 Sacrifice

(ii) Adjustment of Goodwill : Kumar's Sacrifice

$$= ₹\,7{,}20{,}000 \times \frac{1}{12} = ₹\,60{,}000$$

Gupta's Gain = ₹ 7,20,000 × 2/12 = ₹ 1,20,000
Kavita's Sacrifice = ₹ 7,20,000 × 1/12 = ₹ 60,000

73.

Dr. Revaluation A/c Cr.

Particulars	Amount (₹)	Particulars	Amount (₹)
To workmen compensation claim	30,000	By Revaluation loss transferred to P's Capital A/c = 3,000 Q's Capital A/c = 12,000 R's Capital A/c = 6,000 S's Capital A/c = 9,000	30,000
	30,000		30,000

Dr. Partner's Capital A/c Cr.

Particular	P	Q	R	S	Particular's	P	Q	R	S
To Revaluation A/c	3,000	12,000	6,000	9,000	By Balanced	2,00,000	3,00,000	4,00,000	5,00,000
To Q's Capital A/c	30,375		10,125		By Cash A/c	1,86,000	14,000		
To S' Capital A/c	10,125		3,375		By P's Capital		30,375		10125
To Cash A/c			38,000	1,62,000	By R's Capital		10,125		3375
To Balance A/c	3,42,500	3,42,500	3,42,500	3,42,500					
	3,86,000	3,54,500	4,00,000	5,13,500		3,86,000	3,54,500	4,00,000	5,13,500

Working Notes :

Old ratio = P : Q : R : S
⇒ 1 : 4 : 2 : 3
New ratio = P : Q : R : S
⇒ 1 : 1 : 1 : 1
Sacrificing ratio = Old ratio – New ratio.

$$\text{P's sacrifice} = \frac{1}{10} - \frac{1}{4} = \frac{4-10}{40} = \frac{-6}{40} \text{ (gain)}$$

$$\text{Q's sacrifice} = \frac{4}{10} - \frac{1}{4} = \frac{16-10}{40} = \frac{6}{40}$$

$$\text{R's sacrifice} = \frac{2}{10} - \frac{1}{4} = \frac{8-10}{40} = -\frac{2}{40} \text{ (gain)}$$

$$\text{S' sacrifice} = \frac{3}{10} - \frac{1}{4} = \frac{2}{40}$$

Treatment of Goodwill

$$\Rightarrow \text{ Goodwill given to Q} = 2{,}70{,}000 \times \frac{6}{40} = ₹40{,}500$$

$$\text{Goodwill given to S} = 2{,}70{,}000 \times \frac{2}{40} = ₹13{,}500$$

Adjusted Capital's of P, Q, R, S.
P's Capital = 1,56,500
Q's Capital = 3,28,500
R's Capital = 3,80,500
S's Capital = 5,04,500
13,70,000

Partner's Capital in their New Profit sharing ratio
New Profit Sharing ratio among partners = 1 : 1 : 1 : 1
⇒ New Capital's of partner's

P's Capital $= 13,70,000 \times \frac{1}{4} = 3,42,500$

R's Capital $= 13,70,000 \times \frac{1}{4} = 3,42,500$

Q's Capital $= 13,70,000 \times \frac{1}{4} = 3,42,500$

S's Capital $= 13,70,000 \times \frac{1}{4} = 3,42,500$

Balance Sheet

Liabilities	Amount (₹)	Assets	Amount (₹)
Capitals :		Fixed Assets	12,70,000
P = 3,42,500		Current Assets	5,30,000
Q = 3,42,500			
R = 3,42,500			
S = 3,42,500	13,70,000		
Sundry Creditors	2,30,000		
Workmen's compensation Claim	2,00,000		
	18,00,000		18,00,000

74.

Dr. **Revaluation Account** Cr.

Particulars		(₹)	Particulars	(₹)
To Building		6,000	By Land	60,000
To Revaluation Profit :			By Creditors	12,000
Ashok	33,000			
Bhim	22,000			
Chetan	11,000	66,000		
		72,000		72,000

Dr. **Partner's Capital A/c** Cr.

Particulars	Ashok	Bhim	Chetan	Particulars	Ashok	Bhim	Chetan
To Ashok's Capital A/c			50,000	By Bal. b/d	2,00,000	1,00,000	50,000
To Balance c/d	3,13,000	1,42,000	21,000	By Revaluation A/c (Profit)	33,000	22,000	11,000
				By General Reserve	30,000	20,000	10,000
				By Chetan's Capital A/c	50,000		
	3,13,000	1,42,000	71,000		3,13,000	1,42,000	71,000

Balance Sheet as on 31-3-2015

Liabilities		Amount (₹)	Assets	Amount (₹)
Creditors		88,000	Land	1,60,000
Bills Payable		40,000	Building	94,000
Ashok	3,13,000		Plant	2,00,000
Bhim	1,42,000		Stock	80,000
Chetan	21,000	4,76,000	Debtors	60,000
			Bank	10,000
		6,04,000		6,04,000

Working Notes : Sacrifice Ratio

Ashok's $= \frac{3}{6} - \frac{1}{3} = \frac{3-2}{6} = \frac{1}{6}$ (Sacrifice) ;

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

Chetan's $= \frac{1}{6} - \frac{1}{3} = \frac{1-2}{6} = \frac{-1}{6}$ (Gain)

Journal Entry

Chetan's Capital A/c	Dr.	50,000	
To Ashok's Capital A/c			50,000
(Goodwill 3,00,000 × $\frac{1}{6}$ = 50,000 Due to change in PSR)			

75.

Dr. **Revaluation A/c** Cr.

Liabilities		Amount (₹)	Assets	Amount (₹)
To Building A/c		3,000	By Land A/c	30,000
To Revaluation Profit transfer to:			By Creditors' A/c	6,000
R's Capital	5,500			
S's Capital	11,000			
T's Capital	16,500	33,000		
		36,000		36,000

Dr. **Partner's Capital A/c** Cr.

Particulars	R	S	T	Particulars	R	S	T
To R's Capital	25,000	-	-	By Bal. B/d	1,00,000	50,000	25,000
To Bal. c/d	85,500	71,000	81,500	By Revaluation	5,500	11,000	16,500
				By General Reserve	5,000	10,000	15,000
				By R's Capital	-	-	25,000
	1,10,500	71,000	81,500		1,10,500	71,000	81,500

Balance Sheet as on 31-3-2015

Liabilities		Amount (₹)	Assets	Amount (₹)
Capitals:			Land	80,000
R	85,500		Building	47,000
S	71,000		Plant	1,00,000
T	81,500	2,38,000	Bank	5,000
Creditors		44,000	Stock	40,000
Bills Payable		20,000	Debtors	30,000
		3,02,000		3,02,000

Working Notes :

Sacrificing Ratio R's $=\frac{1}{6}-\frac{1}{3}=\frac{1-2}{6}=\frac{-1}{6}$ (Gain)

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

T's $=\frac{3}{6}-\frac{1}{3}=\frac{3-2}{6}=\frac{1}{6}$

R's Capital A/c	Dr.	25,000	
To T's Capital A/c			25,000
(Goodwill 1,50,000 × $\frac{1}{6}$)			

CBSE Sample Questions

1. (a) : 1/4 (0.80)
2. (a) : 41: 7: 12

Hint: Ratio of Navya and Radhey = 8000: 16000 = 1 : 2

$\therefore \frac{1}{5}\times\frac{1}{3}=\frac{1}{15}$(Navya) ; $\frac{1}{5}\times\frac{2}{3}=\frac{2}{15}$(Radhey)

Radhey's sacrifice $=\frac{1}{4}-\frac{2}{15}=\frac{7}{60}$

Navya's sacrifice $=\frac{3}{4}-\frac{1}{15}=\frac{41}{60}$

Shreya $=\frac{1}{5}$ (1)

3. (a) : ₹ 10,00,000 (0.80)
4. (d) : ₹ 45,000 and ₹ 15,000 respectively (0.80)
5. (b) : ₹ 5,000 (0.80)
6. (c) : When, at the time of admission, goodwill already appears in the balance sheet. (1)
7. (d) : ₹ 30,000 (0.80)
8. (b) : Loss to existing partners (0.80)
9. (c) : ₹ 5,000 Debited to Revaluation Account. (0.80)
10. (a) : Market Value. (0.80)
11. (d) : ₹ 1,83,000 (0.80)

12. (a) : Bad Debts A/c Dr. 15,000

To Sundry Debtors A/c 15,000

Provision for Doubtful Debts A/c Dr. 15,000

To Bad Debts A/c 15,000 **(0.80)**

13. (a) : Both (A) and (R) are correct and (R) is the correct reason of (A). **(0.80)**

14. Dr. **Revaluation Account** Cr.

Particulars		Amount (₹)	Particulars	Amount (₹)
To Partner's Capital A/c:			Plant and Machinery	14,000
X	19,200		Buildings A/c	11,000
Y	12,800	32,000	Provisions for Doubtful Debt A/c	7,000
		32,000		32,000

Dr. **Partner's Capital Accounts** Cr.

Particulars	X	Y	Z	Particulars	X	Y	Z
Y's Current A/c	–	24,000	–	Balance b/d	1,19,000	1,12,000	–
Balance c/d	1,68,000	1,12,000	56,000	Bank A/c	–	–	56,000
				Z's Current A/c	8,400	5,600	–
				General Reserve A/c	8,400	5,600	–
				Revaluation A/c	19,200	12,800	–
				X's Current A/c	13,000	–	–
	1,68,000	1,36,000	56,000		1,68,000	1,36,000	56,000

(3 + 3)

15. **Journal Entries**

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
1st April,20	Revaluation A/c	Dr.		20000	
	To Plant and Machinery A/c				20000
	(Being plant and machinery revalued)				
1st April,20	Land and Building A/c	Dr.		40000	
	Provision for Doubtful debts A/c	Dr.		40000	
	To Revaluation A/c				80000
	(Being land and building revalued and provision for doubtful debts written back)				
1st April,20	Creditors A/c	Dr.		40000	
	To Bills Payable A/c				40000
	(Being Bills accepted from Mr. Anil)				
1st April,20	Revaluation A/c	Dr.		60000	
	To Sunaina's Current A/c				36000
	To Tamanna's Current A/c				24000
	(Being profit on revaluation credited to partners current account)				
1st April,20	Sunaina's Current A/c	Dr.		12000	
	Tamanna's Current A/c	Dr.		8000	
	To Goodwill A/c				20000
	(Being Goodwill written off)				
1st April,20	Cash A/c	Dr.		110000	
	To Pranav's Capital A/c				100000
	To Premium for Goodwill A/c				10000
	(Being capital and premium brought in by new partner)				
1st April,20	Premium for Goodwill A/c	Dr.		10000	
	To Sunaina's Current A/c				6000
	To Tamanna's Current A/c				4000
	(Being Premium distributed among sacrificing partners)				

1st April,20	General Reserve A/c Dr.		120000	
	To Sunaina's Current A/c			72000
	To Tamanna's Current A/c			48000
	(Being reserve distributed among old partners)			
1st April,20	Workmen Compensation Reserve A/c Dr.		50000	
	To Claim for Workmen Compensation			20000
	To Sunaina's Current A/c			18000
	To Tamanna's Current A/c			12000
	(Being provision for workmen compensation provided and balance reserve distributed among old partners)			

(8)

16.

Dr. Revaluation A/c Cr.

Particulars		Amount (₹)	Particulars	Amount (₹)
To Machinery A/c		21,000	By Stock A/c	70,000
To Furniture A/c		5,000		
To Provision for doubtful debts		8,000		
To Partner's Capital A/c- Gain on revaluation				
Gautam's Capital A/c	27,000	36,000		
Yashica's Capital A/c	9,000			
		70,000		70,000

(3)

Dr. Partner's Capital A/c Cr.

Particular	Gautam (₹)	Yashica (₹)	Asma (₹)	Particulars	Gautam (₹)	Yashica (₹)	Asma (₹)
To Gautam's Current A/c	2,67,000	-	-	By Balance b/d	4,00,000	1,00,000	-
To Balance c/d	2,10,000	1,40,000	2,10,000	By Revaluation A/c	27,000	9,000	-
				By Bank A/c	-	-	2,10,000
				By Premium for Goodwill	50,000	-	-
				By Yashica's current A/c	-	31,000	-
	4,77,000	1,40,000	2,10,000		4,77,000	1,40,000	2,10,000

(3)

Balance Sheet of Gautam, Yashica and Asma
As at 31.3.2018

Liabilities		Amount (₹)	Assets		Amount (₹)
Sundry Creditors		50,000	Cash		3,50,000
Bills Payable		30,000	Debtors	80,000	
Capital Accounts:-			(–) Provision for doubtful debts	8,000	72,000
Gautam -	2,10,000		Stock		2,10,000
Yashica -	1,40,000		Furniture	60,000	
Asma -	2,10,000	5,60,000	(–) Depreciation	5,000	55,000
Gautam's Current A/c		2,67,000	Machinery	2,10,000	
			(–) Depreciation	21,000	1,89,000
			Yashica's current A/c		31,000
		9,07,000			9,07,000

(2)

Working Note : Total Capital of the firm = 2,10,000 × 8/3 = ₹ 5,60,000
Gautam's capital in the firm =5,60,000 × 3/8 = ₹ 2,10,000
Yashica'S capital in the firm = 5,60,000 × 2/8 = ₹ 1,

17. (c) : ₹ 50,000 (1)

18. (a) : Shagun's capital account will be debited by ₹ 3,000 and Anubhav's capital account credited by ₹ 3,000. (0.80)

19. (b) : (i) All Partners, (ii) Old Partners. (0.80)