Reconstitution of a Partnership Firm – Retirement – Death of a Partner

1. Shivalik Limited was registered with an authorized capital of ₹ 10,00,000 divided into equity shares of ₹ 10 each.

It offered 50,000 equity shares to the public. The amount was payable as follows :

On Application	—	₹ 2 per share
On Allotment	—	₹ 6 per share
On First and Final call	—	Balance

The issue was fully subscribed. All the amounts were duly received except the allotment and first and final call money on 4,000 equity shares. These equity shares were forfeited.

Present the Share Capital in the Balance Sheet of the company as per Schedule III, Part I of the Companies Act, 2013. Also prepare 'Notes to Accounts' for the same.

(2024)

Ans.

Shivalik Ltd.

BALANCE SHEET (extract)

As at ……

Particulars	Note No.	Amount (₹)
I Equity and Liabilities		
1. Shareholders' Funds		
(a) Share Capital	1	4,68,000

Notes to Accounts:

Particulars	Amount ₹
1. Share Capital	
Authorised Capital	
1,00,000 equity shares of ₹10 each	10,00,000
Issued Capital	
50,000 equity shares of ₹10 each	5,00,000
Subscribed Capital	
Subscribed & fully paid-up	
46,000 equity shares of ₹10 each	4,60,000
Add: Share Forfeiture A/c	8,000
	4,68,000

Previous Years' CBSE Board Questions

3.2 New Profit Sharing Ratio

VSA (1 mark)

1. In case of retirement of a partner, profit or loss on revaluation of assets and re-assessment of liabilities is distributed among ______ partners in ______ ratio. *(2020)* R

2. X, Y and Z are partners sharing profits in the ratio of $\frac{1}{2}, \frac{2}{5}$ and $\frac{1}{10}$. Find the new ratio of remaining partners if Z retires. *(Delhi 2014)*

SA I (2 marks)

3. A, B, C and D were partners in a firm sharing profits in the ratio of 4:3:2:1. On 31.3.2022, C retired from the firm and his share was taken over by B and D equally.

   Calculate the new profit sharing ratio of A, B and D. *(Term-II, 2021-22)*

SA II (3/4 marks)

4. Jayant, Kartik and Leena were partners in a firm sharing profits and losses in the ratio of 5:2:3. Kartik died and Jayant and Leena decided to continue the business. Their gaining ratio was 2 : 3.

   Calculate the new profit sharing ratio of Jayant and Leena. *(2018)*

5. 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 and Hari on Govind's death. *(AI 2015)*

3.3 Gaining Ratio

MCQ

6. Gopal, Krishna and Govind were partners sharing profits and losses in the ratio of 5:4:3. Krishna retired on 1st April, 2022. Gopal and Govind purchased his share of profit by giving him ₹1,20,000. ₹80,000 was paid by Goapl and ₹40,000 by Govind. Gaining ratio is:

   (a) 1:2 (b) 5:3 (c) 1:1 (d) 2:1

   (2023) Ap

7. Saurabh, Shirin and Somesh are partners in a firm sharing profits and losses in the ratio of 3:2:1. Somesh retires and the new profit sharing ratio between Saurabh and Shirin is 3:2. The gairning ratio between Saurabh and Shirin will be:

   (a) 3:2 (b) 3:1 (c) 1:1 (d) 2:1

   (2020)

VSA (1 mark)

8. What is meant by 'Gaining Ratio' on retirement of a partner? *(Delhi 2019)* R

9. X, Y and Z were partners sharing profits in the ratio of $\frac{1}{2}, \frac{3}{10}$ and $\frac{1}{5}$. X retired from the firm. Calculate the gaining ratio of remaining partners. *(AI 2014)*

3.4 Treatment of Goodwill

VSA (1 mark)

10. Neetu, Meetu and Teetu were partners in a firm. On 1st January, 2018, Meetu retired. On Meetu's retirement, the goodwill of the firm was valued of ₹ 4,20,000.

    Pass necessary journey entry for the treatment of goodwill on Meetu's retirement. *(2018)*

11. Why heirs of a retiring/deceased partner are entitled to a share of goodwill of the firm? *(Delhi 2014)* U

SA I (2 marks)

12. Madhu, Manav and Mukul were partners in a firm sharing profits in the ratio of 3 : 2 : 1. On 31st March, 2021 Mukul retired from the firm.

    On Mukul's retirement, goodwill of the firm was valued at ₹3,00,000. Pass necessary Journal entry for the treatment of goodwill without opening goodwill account on Mukul's retirement.

    (Term–II, 2021-22) Cr

13. Mahi, Mamta and Monika are partners in a firm, sharing profits in the ratio of 4:3:2. Monika retired and her capital after making adjustments for reserves and revaluation of assets and reassessment of liabilities was ₹95,000. Mahi and Mamta agreed to pay ₹1,09,000 in full settlement of her claim.

Pass necessary journal entries for treatment of goodwill without opening goodwill account and making payment to Monika on her retirement.

(Term–II, 2021-22) Ev

14. David, Dolly and Divya are partners in a firm sharing profits and losses in the ratio 3 : 2 : 1. Divya retired from the firm and David and Dolly decided to share future profits & losses in the ratio 3 : 2. At the time of Divya's retirement, the goodwill of the firm was valued at ₹90,000.

Pass the necessary journal entry for treatment of goodwill without opening goodwill account on Divya's retirement. (Term–II, 2021-22)

SA II (3/4 marks)

15. Vibha, Sudha and Ashish were partners in a firm sharing profits in the ratio 2:3:1. Sudha retired and the balance in her capital account after making necessary adjustments on account of reserves, revaluation of assets and re-assessment of liabilities was ₹85,000. Vibha and Ashish agreed to pay Sudha ₹1,15,000 in full settlement of her claim. Record the necessary journal entry for goodwill on Sudha's retirement. (2023)

16. Amar, Ram, Mohan and Sohan were partners in a firm sharing profits in the ratio of 2 : 2 : 2 : 1. On 31st January, 2017 Sohan retired. On Sohan's retirement the goodwill of the firm was valued at ₹70,000. The new profit sharing ratio between Amar, Ram and Mohan was agreed as 5 : 1 : 1.

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

(Delhi 2017) Ap

3.5 Adjustment for Revaluation of Assets and Liabilities

MCQ

17. At the time of retirement of a partner 'Loss on Revaluation' is debited :
    (a) only to the capital account of the retiring partner.
    (b) to the capital accounts of all the partners in their old profits sharing ratio.
    (c) to the capital accounts of the remaining partners in their new profit sharing ratio.
    (d) to the capital accounts of remaining partners in their old profit sharing ratio. (AI 2015) U

SA I (2 marks)

18. Ravi, Mohan and Sohan were partners n a firm. On 31.3.2022, Mohan retired from the firm. On Mohan's retirement, the balance sheet of the firm showed debtors at ₹1,95,000. It was decided to record unrecorded debtors of ₹5,000 and create a provision of 5% on debtors for bad and doubtful debts. Pass necessary journal entries for the above transactions in the book of the firm on Mohan's retirement.

(Term-II, 2021-22)

LA I (5/6 marks)

19. Anu, Bhanu and Charu were partners in a firm sharing profits in the ratio of 2 : 2 : 1. Anu decided to retire from the firm on 31st March, 2021. The balance sheet of the firm on that date was as follows:

Balance Sheet of Anu, Bhanu and Charu
as on 31st March 2021

Liabilities		Amount (₹)	Assets		Amount (₹)
Creditors		24,000	Bank		10,000
Profit & loss A/c		5,000	Debtors	20,000	
Capitals :			*Less* : Provision Doubtful Debts	–400	19,600
Anu	40,000				
Bhanu	36,500		Stock		27,000
Charu	20,000	83,000	Investments		10,000
			Patents		2,400
			Premises		43,000
		1,12,000			1,12,000

On retirement of Anu, following terms were agreed upon:
(i) Anu sold her share of premium for goodwill to Bhanu for ₹6,000 and to Charu for ₹3,000.
(ii) Provision for doubtful debts was to be raised to 5% on debtors.
(iii) Patents were considered as valueless.
(iv) Anu was paid ₹9,600 through a cheque and balance was transferred to her loan A/c.

Prepare Revaluation Account and Anu's Capital Account on her retirement. (Term–II, 2021-22) Ap

LA II (8 marks)

20. Gita, Radha and Garv were partners in a firm sharing profits and losses in the ratio of 3:5:2. On 31st March, 2019, their balance sheet was as follows:

Balance Sheet of Gita, Radha and Garv as on 31-3-2019

Liabilities		Amount (₹)	Assets	Amount (₹)
Sundry Creditors		60,000	Cash	50,000
General Reserve		40,000	Stock	80,000
Capitals:			Debtors	40,000
Gita	3,00,000		Investments	30,000
Radha	2,00,000		Buildings	5,00,000
Garv	1,00,000	6,00,000		
		7,00,000		7,00,000

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

(a) Goodwill of the firm be valued at ₹3,00,000 and Radha's share be adjusted through the capital accounts of Gita and Garv.

(b) Stock was to be appreciated by 20%.

(c) Buildings were found undervalued by ₹1,00,000.

(d) Investments were sold for ₹34,000.

(e) Capital of the new firm was fixed at ₹5,00,000 which will be in the new profit sharing ratio of the partners; the necessary adjustments for this purpose were to be made by opening current accounts of the partners.

Prepare Revaluation Account, Partner's Capital Accounts and the Balance Sheet of the reconstituted firm on Radha's retirement. *(2020)* Ap

21. M, N and G were partners in a firm sharing profits and losses in the ratio of 5 : 3 : 2. On 31-3-2016 their Balance Sheet was as under :

Balance Sheet of M, N and G as on 31-3-2016

Liabilities		Amount (₹)	Assets		Amount (₹)
Creditors		55,000	Cash		40,000
General Reserve		30,000	Debtors	45,000	
Capitals :			Less : Provision	5,000	40,000
M	1,50,000		Stock		50,000
N	1,25,000		Machinery		1,50,000
G	75,000	3,50,000	Patents		30,000
			Building		1,00,000
			Profit & Loss A/c		25,000
		4,35,000			4,35,000

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

(i) Debtors of ₹ 2,000 will be written off as bad debts and provision of 5% on debtors for bad and doubtful debts will be maintained.

(ii) Patents will be completely written off and stock, machinery and building will be depreciated by 5%.

(iii) An unrecorded creditor of ₹ 10,000 will be taken into account.

(iv) N and G will share the future profits in the ratio of 2 : 3.

(v) Goodwill of the firm of M's retirements was valued at ₹ 3,00,000.

Pass necessary journal entries for the above transactions in the books of the firm on M's retirement.

(Delhi 2017) Ap

22. Amit, Balan and Chander were partners in a firm sharing profits in the proportion of $\frac{1}{2}$, $\frac{1}{3}$ and $\frac{1}{6}$ respectively. Chander retired on 1-4-2014. The Balance Sheet of the firm on the date of Chander's retirement was as follows :

Balance Sheet of Amit, Balan and Chander as on 1-4-2014

Liabilities		Amount (₹)	Assets		Amount (₹)
Sundry Creditors		12,600	Bank		4,100
Provident Fund		3,000	Debtors	₹30,000	
General Reserve		9,000	Less : Provision	₹ 1,000	29,000
Capitals :			Stock		25,000
Amit	40,000		Investments		10,000
Balan	36,500		Patents		5,000
Chander	20,000	96,500	Machinery		48,000
		1,21,100			1,21,100

(a) Goodwill will be valued at ₹ 27,000.
(b) Depreciation of 10% was to be provided on machinery.
(c) Patents were to be reduced by 20%.
(d) Liability on account of Provident fund was estimated at ₹ 2,400.
(e) Chander took over investments for ₹ 15,800.
(f) Amit and Balan decided to adjust their capitals in proportion of their profit sharing ratio by opening current accounts.

Prepare Revaluation Account and Partners' Capital Accounts on Chander's retirement. *(Delhi 2015)* Ev

3.6 Adjustment of Accumulated Profits and Losses

MCQ

23. X, Y and Z were partners in a firm sharing profits in the ratio of 1/2, 1/3 and 1/6 respectively. Z decided to retire from the firm. On the date of retirement, 'Workmen Compensation Reserve' of ₹1,20,000 was appearing in the balance sheet of the firm. The claim on account of Workmen Compensation was determined at ₹67,500. Excess of claim amount over the reserve will be:
(a) Debited to Revaluation Account
(b) Credited to Revaluation Account
(c) Debited to Partner's Capital Account
(d) Credited to Partner's Capital Account. *(2021 C)*

24. Hari, Ram and Sharma are the partners. On the retirement of Hari from the firm of the balance-sheet showed a debit balance of ₹ 12,000 in the profit and loss account. For calculating the amount payable to Hari this balance will be transferred
(a) to the credit of the capital accounts of Hari, Ram and Sharma equally
(b) to the debit of the capital accounts of Hari, Ram and Sharma equally.
(c) to the debit of the capital accounts of Ram and Sharma equally.
(d) to the credit of the capital accounts of Ram and Sharma equally. *(Delhi 2015)* R

SA II (3/4 marks)

25. Vikas, Vishal and Vaibhav were partner's in a firm sharing profits in the ratio of 2 : 2 : 1. The firm closes its books on 31st March every year. On 31-12-2015, Vaibhav died. On that date his capital account showed a credit balance of ₹3,80,000 and Goodwill of the firm was valued at ₹1,20,000. There was a debit balance of ₹ 50,000 in the profit and loss account. Vaibhav's share of profit in the year of his death was to be calculated on the basis of the average profit of last five years. The average profit of last five years was ₹ 75,000.

Pass necessary journal entries in the books of the firm on Vaibhav's death. *(Delhi 2016)*

3.7 Disposal of Amount Due to Retiring Partner

VSA (1 mark)

26. P, Q and R were partners in a firm. On 31st March, 2018, R retired. The amount payable to R ₹ 2,17,000 was transferred to his loan account. R agreed to receive interest on this amount as per the provisions of partnership Act, 1932. State the rate at which interest will be paid to R. *(Delhi 2019)*

SA II (3/4 marks)

27. Banwari, Girdhari and Murari are partners in a firm sharing profits and losses in the ratio of 4 : 5 : 6. On 31st March, 2014, Girdhari retired.

On that date the capitals of Banwari, Girdhari and Murari before the necessary adjustments stood at ₹ 2,00,000, ₹ 1,00,000 and ₹ 50,000 respectively. On Girdhari's retirement, goodwill of the firm was valued at ₹ 1,14,000. Revaluation of assets and re-assessment of liabilities resulted in a profit of ₹ 6,000. General Reserve stood in the books of the firm at ₹ 30,000.

The amount payable to Girdhari was transferred to his loan account. Banwari and Murari agreed to pay Girdhari two yearly installments of ₹ 75,000 each including interest @ 10% p.a. on the outstanding balance during the first two years and the balance including interest in the third year. The firm closes its books on 31st March every year.

Prepare Girdhari's loan account till it is finally paid showing the working notes clearly. *(2018)* Ap

28. Sandeep, Mandeep and Amandeep were partners in a firm sharing profits in the ratio of 2 : 2 : 1. The firm closes its books on 31st March every year. On 30th September, 2016 Mandeep died. The partnership deed provided that on the death of the partner his executors will be entitled to the following :

(i) Balance in his capital account and interest @ 12% p.a. on capital. On 1-4-2016 the balance in Mandeep's Capital Account was ₹ 1,00,000.

(ii) His share in the profits of the firm in the years of his death which will be calculated on the basis of rate of net profit on sales of the pervious year which was 25%. The sales of the firm till 30th September, 2016 were ₹ 9,00,000.

(iii) His share in the goodwill of the firm. The goodwill of the firm on Mandeep's death was value at ₹ 1,50,000.

The partnership deed also provided that the following deductions will be made from the amount payable to the executor of the decreased partner :

(a) His drawings in the years of his death. Mandeeps's drawings till 30th September, 2016 were ₹ 4,000.

(b) Interest on drawings @ 6% per annum which was calculated as ₹ 120.

The accountant of the firm prepared Mandeep's Capital Account to be presented to the executor of Mandeep but in a hurry he left it incomplete. Mandeep's capital Account prepared by Accountant of the firm is shown above:

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

Date	Particulars	Amount (₹)	Date	Particulars	Amount (₹)
2016			2016,		
Sept. 30	....	4,000	April 1	....	1,00,000
" "	....	-	Sept. 30	....	6,000
" "	....	-	" "	....	90,000
			" "	....	40,000
			" "	....	20,000
		2,56,000			2,56,000

You are required to complete Mandeep's capital account. *(Delhi 2017)* AP

3.8 Adjustment of Partner's Capital

LA I (5/6 marks)

29. Radhika, Ridhima and Rupanshi were partners in a firm sharing profits and losses in the ratio of 3:5:2. On 31st March, 2022 their balance sheet was as follows:

Liabilities		Amount (₹)	Assets	Amount (₹)
Sundry Creditors		60,000	Cash	50,000
General Reserve		60,000	Stock	80,000
Capitals:			Debtors	40,000
Radhika	3,00,000		Investments	30,000
Ridhima	2,00,000		Buildings	5,00,000
Rupanshi	1,00,000	6,00,000		
		7,00,000		7,00,000

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

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

(ii) Building was valued at ₹6,20,000.

(iii) Capital of the new firm was fixed at ₹5,00,000 which will be in the new profit sharing ratio of the partners : the necessary adjustments for this purpose were to be made by opening current accounts of the partners.

Prepare Revaluation account and Partner's capital accounts on Ridhima's retirement. *(2023)*

LA II (8 marks)

30. Akul, Bakul and Chandan were partners in a firm sharing profits in the ratio of 2 : 2: 1. On 31st March, 2018 their Balance Sheet was as follows :

Balance Sheet of Akul, Bakul and Chandan
as on 31-3-2018

Liabilities		Amount (₹)	Assets		Amount (₹)
Sundry Creditors		45,000	Cash at Bank		42,000
Employees Provident Fund		13,000	Debtors	60,000	
General Reserve		20,000	Less : Provision		
Capitals :			for doubtful debts	2,000	58,000
Akul	1,60,000		Stock		80,000
Bakul	1,20,000		Furniture		90,000
Chandan	92,000	3,72,000	Plant and Machinery		1,80,000
		4,50,000			**4,50,000**

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

(i) Plant and Machinery was undervalued by 10%.

(ii) Provision for doubtful debts was to be increased to 15% on debtors.

(iii) Goodwill of the firm was valued at ₹ 3,00,000 and Bakul's share was to be adjusted through the capital accounts of Akul and Chandan.

(iv) Capital of the new firm was to be in the new profit sharing ratio of the continuing partners.

Prepare Revaluation account, Partners' Capital accounts and the Balance sheet of the reconstituted firms.

(Delhi 2019)

31. X, Y and Z were partners in a firm sharing profit's in the ratio of 5 : 3 : 2. On 31-3-2015, their balance sheet was as follows :

Balance Sheet of X, Y and Z
as on 31st March, 2015

Liabilities		Amount (₹)	Assets		Amount (₹)
Creditors		21,000	Land and Building		62,000
Investment			Motor Vans		20,000
Fluctuation fund		10,000	Investments		19,000
P & L Account		40,000	Machinery		12,000
Capitals :			Stock		15,000
X	50,000		Debtors	40,000	
Y	40,000		*Less* : Provision	3,000	37,000
Z	20,000	1,10,000	Cash		16,000
		1,81,000			**1,81,000**

On the above date, Y retired and X and Z agreed to continue the business on the following terms :

(i) Goodwill of the firm was valued at ₹ 51,000.

(ii) There was a claim of ₹ 4,000 for workmen's Compensation.

(iii) Provision for bad debts was to be reduced by ₹ 1,000.

(iv) Y will be paid ₹ 8,200 in cash and the balance will be transferred in his loan account which will be paid in four equal yearly installments together with interest @ 10% p.a.

(v) The new profit sharing ratio between X and Z will be 3 : 2 and their capitals will be in their new profits sharing ratio. The capital adjustments will be done by opening current accounts.

Prepare Revaluation Account, Partners' Capital Accounts and the Balance Sheet of the reconstituted firm.

(Delhi 2016) Ev

32. Kushal, Kumar and Kavita were partners in a firm sharing profits in the ratio of 3:1:1. On 1st April, 2012 their Balance sheet was as follows:

Balance Sheet of Kushal, Kumar and Kavita as on 31st March, 2015

Liabilities		Amount (₹)	Assets		Amount (₹)
Creditors		1,20,000	Cash		70,000
Bills Payable		1,80,000	Debtors	2,00,000	
General Reserve		1,20,000	*Less*: Provision	10,000	1,90,000
Capitals:			Stock		2,20,000
Kushal	3,00,000		Furniture		1,20,000
Kumar	2,80,000		Building		3,00,000
Kavita	3,00,000	8,80,000	Land		4,00,000
		13,00,000			**13,00,000**

On the above date Kavita retired and the following was agreed:
(i) Goodwill of the firm was valued at ₹ 40,000.
(ii) Land was to be appreciated by 30% and building was to be depreciated by ₹ 1,00,000.
(iii) Value of furniture was to be reduced by ₹ 20,000.
(iv) Bad debts reserve is to be increased to ₹ 15,000.
(v) 10% of the amount payable to Kavita was paid in cash and the balance was transferred to her loan account.
(vi) Capitals of Kushal and Kumar will be in proportion to their new profit sharing ratio. The surplus/deficit, if any in their Capital Accounts will be adjusted through current Accounts.

Prepare Revaluation Account, Partner's Capital Accounts and Balance Sheet of Kushal and Kumar after Kavita's retirement. *(Delhi 2014)*

33. L, M and N were partners in a firm sharing profits in the ratio of 2 : 1 : 1. On 1st April, 2013 their Balance Sheet was as follows:

Balance Sheet of L, M and N as on 1st April, 2013

Liabilities		Amount (₹)	Assets		Amount (₹)
Capitals:			Land		8,00,000
L	6,00,000		Building		6,00,000
M	4,80,000		Furniture		2,40,000
N	4,80,000	15,60,000	Debtors	4,00,000	
General Reserve		4,40,000	*Less*: Provision	20,000	3,80,000
Workmen's Compensation Fund		3,60,000	Stock		4,40,000
Creditors		2,40,000	Cash		1,40,000
		26,00,000			**26,00,000**

On the above date, N retired.
The following was agreed:
(i) Goodwill of the firm was valued at ₹ 6,00,000.
(ii) Land was to be appreciated by 40% and Building was to be depreciated by ₹ 1,00,000.
(iii) Furniture was to be depreciated by ₹ 30,000.
(iv) The liabilities for Workmen's compensa-tion fund was determined at ₹ 1,60,000.
(v) Amount payable to N was transferred to his loan account.
(vi) Capital of L and M were to be adjusted in their new profit sharing ratio and for this purpose current accounts of the partners will be opened.

Prepare Revaluation Accounts, Partners' Capital Accounts and the Balance Sheet of the new firm. *(AI 2014)* Ap

3.9 Death of a Partner

MCQ

34. Shiv, Mohan and Hari were partners sharing profits in the ratio of 2 : 1 : 1. Mohan died on 31st March, 2020. Profit earned by the firm for the year ended 31st March, 2020 was ₹1,44,000. Amount of profit to be credited to Mohan's Capital Account will be:
(a) ₹72,000 (b) ₹3,600
(c) ₹36,000 (d) ₹18,000 *(2021 C)*

35. On the death of a partner, his share in the profits of the firm till the date of his death is transferred to the:
(a) Debit of Profit and Loss Account.
(b) Credit of Profit and Loss Account.
(c) Debit of Profit and Loss Suspense Account.
(d) Credit of profit and Loss Suspense Account.
(AI 2015) R

VSA (1 mark)

36. Kumar, Verma and Naresh were partners in a firm sharing profit and losses in the ratio of 3 : 2 : 2. On 23rd January, 2015 Verma died. Verma's share of profit till the date of his death was calculated at ₹ 2,350.

Pass necessary journal entry for the same in the books of the firm. *(Delhi 2015)*

SA II (3/4 marks)

37. C, F and S were partners in a firm sharing profits and losses in the ratio of 5:4:1. F died on 30th June,2021. The firm earned a net profit of ₹3,00,000 for the year ended 31.3.2021. the deceased partner's share in the year of his death was to be calculated on the basis of sales. The sales for the year ended 31.3.2021 were ₹24,00,000 whereas the sales from 1st April, 2021 to 30th June,2021 were ₹4,00,000.

Calculate F's share in the profits till the date of his death and pass necessary journal entry for the same. *(Term-II, 2021-22)*

38. Puneet, Purav and Parth were partners in a firm sharing profits and losses in the ratio of 4 : 3 : 1. The firm closes its book on 31st March every year. As per the terms of partnership deed, on the death of any partner, the Goodwill of the firm will be calculated on the basis of 3 times the average profits of last 4 years. Puneet died on 1st July, 2021. The profits for last four years were·

Year	Profit (₹)
2017-18	90,000
2018-19	1,00,000
2019-20	1,30,000
2020-21	80,000

Puneet's share of profit upto the date of death was to be calculated on the basis of previous year's profit.

(i) Calculate goodwill of the firm and Puneet's share of goodwill.

(ii) Calculate Puneet's share in the profits of the firm till the date of his death.

(iii) Pass necessary journal entries for the treatment of goodwill without opening goodwill account and for Puneet's share of profit at the time of his death. *(Term-II, 2021-22)*

39. Ram, Mohan and Sohan were partners in a firm sharing profits and losses in the ratio of 1 : 2 : 2. The firm closes its books on 31st March every year. Sohan died on 1st September, 2021. On Sohan's death, the goodwill of the firm was valued at ₹6,00,000.

The partnership deed provided that the share of profit of the deceased partner in the year of his death will be calculated on the basis of last year's profit. The profit for the year ended 31.3.2021 was ₹3,00,000.

(i) Calculate Sohan's share in the profits till the date of his death.

(ii) Pass necessary journal entries for the treatment of goodwill without opening goodwill account and Sohan's share of profit at the time of his death. *(Term-II, 2021-22)*

40. Madhu, Shilpi and Renuka were partners in a firm sharing profits in the ratio 2:2:1. The firm closes its books on 31st March every year. Shilpi died on 30th June, 2021. On Shilpi's death, the goodwill of the firm was valued at ₹30,000. On Shilpi's death, her share in the profits of the firm till the date of her death was to be calculated on the basis of previous year's profit which was ₹60,000.

(i) Calculate Shilpi's share in the profits of the firm till her death.

(ii) Pass necessary journal entries for the treatment of goodwill without opening goodwill account and Shilpi's share of profit till the date of her death. *(Term-II, 2021-22)*

41. Keith, Bina and Veena were partners in a firm sharing profits and losses equally. Their balance sheet as on 31-3-2019 was as follows:

Balance Sheet of Keith, Bina and Veena
as on 31-3-2019

Liabilities		Amount (₹)	Assets	Amount (₹)
Capitals:			Plant and Machinery	2,40,000
Keith	1,50,000		Stock	60,000
Bina	1,00,000		Sundry debtors	35,000
Veena	75,000	3,25,000	Cash at bank	50,000
General Reserve		30,000		
Sundry creditors		30,000		
		3,85,000		3,85,000

Veena died on 30th June, 2019. According to the partnership deed, the executors of the deceased partner were entitled to:

(a) Balance in capital account.
(b) Salary till the date of death @₹25,000 per annum.
(c) Share of goodwill calculated on the basis of twice the average profits of past three years.
(d) Share of profit from the closure of the last accounting year till the date of death on the basis of average of three completed years profits before death.
(e) Profits for 2016-17, 2017-18 and 2018-19 were ₹ 1,20,000, ₹ 90,000 and ₹ 1,50,000 respectively.

Veena withdrew ₹ 15,000 on 1st June, 2019 for paying her daughter's school fees.

Prepare Veena's capital account to be rendered to her executors. *(2020)*

42. Tripti, Atishay and Radhika were partners in a firm sharing profits and losses in the ratio of 2 : 2: 1. Their Balance Sheet as on 31-3-2019 was as follows:

Balance Sheet of Tripti Atishay and Radhika
as on 31st March 2019

Liabilities		Amount (₹)	Assets	Amount (₹)
Capitals:			Plant and Machinery	5,00,000
Tripti	3,00,000		Stock	1,10,000
Atishay	2,00,000		Sundry debtors	60,000
Radhika	1,00,000	6,00,000	Cash at bank	40,000
General Reserve		50,000		
Sundry creditors		60,000		
		7,10,000		**7,10,000**

Tripti died on 30th June, 2019. According to the partnership deed, the executors of the deceased partner are entitled to:

(a) Balance in partner's capital account.
(b) Salary @ ₹ 12,500 per quarter.
(c) Share of goodwill calculated on the basis of twice the average of past three years' profits and share of profits from the closure of the last accounting year till the date of death on the basis of last year's profit. Profits for 2016-17, 2017-18 and 2018-19 were ₹ 1,00,000, ₹ 1,50,000 and ₹ 2,00,000 respectively.
(d) Tripti withdrew ₹ 20,000 on 1st May, 2019 for her personal use. Prepare Tripti's Capital Account to be rendered to her executors. *(2020)*

43. Nikita, Mankrit and Pulkit were partners in a firm sharing profits and losses in the ratio 4 : 3 : 2. Their balance sheet as on 31st March, 2019 was as follows:

Balance Sheet of Nikita, Mankrit and Pulkit
as on 31st March 2019

Liabilities		Amount (₹)	Assets	Amount (₹)
Capitals:			Plant and Machinery	6,40,000
Nikita	4,00,000		Stock	2,30,000
Mankrit	3,00,000		Sundry debtors	1,40,000
Pulkit	2,00,000	9,00,000	Cash at bank	40,000
General Reserve		90,000		
Creditors		60,000		
		10,50,000		**10,50,000**

Mankrit died on 31st July, 2019. According to the partnership deed, the executors of the deceased partner are entitled to:

(a) Balance of partner's capital account.
(b) Salary @ ₹ 6,000 per quarter.
(c) Share of goodwill calculated on the basis of twice the average of past three years' profits and share of profits from the closure of the last accounting year till the date of death calculated on the basis of average of three completed years' profits before death.

Profits for 2016-17, 2017-18 and 2018-19 were ₹ 80,000, ₹ 90,000 and ₹ 1,00,000 respectively.

(d) Mankrit withdrew ₹ 6,000 on 15th May, 2019.

Prepare Mankrit's capital account to be rendered to her executors. *(2020)*

44. Pawan, Raman and Hina were partners in a firm sharing profits in the ratio 2 : 2 : 1. Pawan died on 31st March, 2018. The Balance Sheet of the firm on that date was as under :

Balance Sheet of Pawan, Raman and Hina
as at 31.3.2018

Liabilities		Amount (₹)	Assets	Amount (₹)
Creditors		80,000	Cash at Bank	48,000
General Reserve		45,000	Debtors	52,000
Workmen's Compensation Fund		20,000	Furniture	2,40,000
Capital :			Plant	3,50,000
Pawan	2,00,000		Profit and Loss A/c	55,000
Raman	3,00,000			
Hina	1,00,000	6,00,000		
		7,45,000		7,45,000

On Pawan's death, furniture was to be brought down to ₹ 2,10,000 and plant was to be reduced by ₹ 30,000. A claim of ₹ 12,000 was accepted for workmen's compensation.
Pass necessary journal entries for the above transactions in the books of the firm. *(AI 2019)*

45. Manav, Nath and Narayan were partners in a firm sharing profits in the ratio of 1 : 2 : 1. The firm closes its books on 31st March every year. On 30th September, 2015 Nath died. On that date his capital account showed a debit balance of ₹ 5,000. There was debit balance of ₹ 30,000 in the profit and loss account. The goodwill of the firm was valued at ₹ 3,80,000. Nath's share of profit in the year of his death was to be calculated on the basis of the average profit of last 5 years, which was ₹ 90,000.
Pass necessary journal entries in the books of the firm on Nath's death. *(AI 2016)* An

46. Dev, Swati and Sanskar were partners in a firm sharing profits in the ratio of 2 : 2 : 1. On 31-3-2014 their Balance Sheet was as follows :

Balance Sheet
as at 31st March, 2014

Liabilities		Amount (₹)	Assets	Amount (₹)
Trade Payables		17,000	Building	1,04,000
Bank Loan		13,000	Inventory	16,000
Capitals :			Trade Receivables	23,000
Dev	77,000		Cash	40,000
Swati	87,000		Profit and Loss A/c	57,000
Sanskar	46,000	2,10,000		
		2,40,000		2,40,000

On 30th June, 2014 Dev died. According to partnership agreement Dev was entitled to interest on capital at 12% per annum. His share of profit till the date of his death was to be calculated on the basis of the average profits of last four years. The profits of the last four years were :

Years	Profit (₹)
2010-2011	2,04,000
2011-2012	1,80,000
2012-2013	90,000
2013-2014 (Loss)	57,000

On 1-4-2014, Dev withdrew ₹ 15,000 to pay for his medical bills. Prepare Dev's account to be presented to his executors. *(Delhi 2015)*

47. Arun, Varun and Karan were partners in a firm sharing profits in the ratio of 4 : 3 : 3. On 31.3.2014, their Balance Sheet was as follows :

Liabilities		Amount (₹)	Assets	Amount (₹)
Creditors		17,000	Cash	8,000
Bills Payable		12,000	Debtors	13,000
Karan's Loan		28,000	Bills Receivables	9,000
Capitals :			Furniture	27,000
Arun	70,000		Machinery	1,25,000
Varun	68,000	1,38,000	Karan's Capital	13,000
		1,95,000		1,95,000

On 30.9.2014, Karan died. The partnership Deed provided for the following to the executors of the deceased partner :

(a) His share in the goodwill of the firm calculated on the basis of three years' purchase of the average profits of the last four years.
The profits of the last four years were ₹ 1,90,000; ₹ 1,70,000; ₹ 1,80,000 and ₹ 1,60,000 respectively.

(b) His share in the profits of the firm till the date of his death calculated on the basis of the average profits of the last four years.

(c) Interest @ 8% p.a. on the credit balance, if any, in his capital account.

(d) Interest on his loan @ 12% p.a.

Prepare Karan's Capital Account to be presented to his executors, assuming that his loan and interest on loan were transferred to his capital Account. *(AI 2015)*

48. Virad, Vishad and Roma were partners in a firm sharing profits in the ratio of 5 : 3 : 2 respectively. On March 31st, 2013 their Balance Sheet was as under :

Balance Sheet of Virad, Vishad and Roma
as on March 31st, 2013

Liabilities		Amount (₹)	Assets	Amount (₹)
Capitals :			Building	2,00,000
Virad	3,00,000		Machinery	3,00,000
Vishad	2,50,000		Patents	1,10,000
Roma	1,50,000	7,00,000	Stock	1,00,000
Reserve Fund		60,000	Debtors	80,000
Creditors		1,10,000	Cash	80,000
		8,70,000		**8,70,000**

Virad died on October 1,2013. It was agreed between his executors and the remaining partner's that :

(a) Goodwill of the firm be valued at $2^1/_2$ years purchase of average profits for the last three years. The average profits were ₹ 1,50,000.

(b) Interest on capital be provided at 10% p.a.

(c) Profit for the year 2013-14 be taken as having accrued at the same rate as that of the previous year which was ₹ 1,50,000.

Prepare Virad's Capital Account to be presented to his Executors as on October 1st, 2013. *(Delhi 2014)* Ap

49. Monika, Sonika and Manisha were partners in a firm sharing profits in the ratio of 2 : 2 : 1 respectively. On 31st March, 2013 their Balance Sheet was as under :

Balance Sheet
as on 31st March, 2013

Liabilities		Amount (₹)	Assets	Amount (₹)
Capitals :			Fixed Assets	3,60,000
Monika	1,80,000		Stock	60,000
Sonika	1,50,000		Debtors	1,20,000
Manisha	90,000	4,20,000	Cash	2,70,000
Reserve Fund		1,50,000		
Creditors		2,40,000		
		8,10,000		**8,10,000**

Sonika died on 30th June, 2013. It was agreed between her executors and the remaining partners that :

(a) Goodwill of the firm be valued at 3 years purchase of average profits for the last four years. The average profits were ₹ 2,00,000.

(b) Interest on capital be provided at 12% p.a.

(c) Her share in the profits upto the date of death will be calculated on the basis of average profits for the last four years.

Prepare Sonika's capital account as on 30th June, 2013. *(AI 2014)* Ev

LA I (5/6 marks)

50. Girija, Yatin and Zubin were partners sharing profits in the ratio 5 : 3 : 2. Zubin died on 1st August, 2015. Amount due to Zubin's executor after all adjustments was ₹ 90,300. The executor was paid ₹ 10,300 in cash immediately and the balance in two equal annual installments with interest @ 6% p.a. starting from 31st March. 2017. Accounts are closed on 31st March each year.

Prepare Zubin's executors account till he is finally paid. *(Delhi 2019)*

51. Pranav, Karan and Rahim were partners in a firm sharing profits and losses in the ratio of 2 : 2 : 1. On 31st March, 2017 their Balance Sheet was as follows :

Balance Sheet of Pranav, Karan and Rahim
as on 31.3.2017

Liabilities		Amount (₹)	Assets	Amount (₹)
Creditors		3,00,000	Fixed Assets	4,50,000
General Reserve		1,50,000	Stock	1,50,000
Capitals			Debtors	2,00,000
Pranav	2,00,000		Bank	1,50,000
Karan	2,00,000			
Rahim	1,00,000	5,00,000		
		9,50,000		9,50,000

Karan died on 12.6.2017. According to the partnership deed, the legal representatives of the deceased partner were entitled to the following :

(i) Balance in his Capital Account.

(ii) Interest on Capital @ 12% p.a.

(iii) Share of goodwill. Goodwill of the firm on Karan's death was valued ₹ 60,000.

(iv) Share in the profits of the firm till the date of his death, calculated on the basis of last year's profit. The profit of the firm for the year ended 31.3.2017 was ₹ 5,00,000.

Prepare Karan's Capital Account to be presented to his representatives. *(2018)* Ev

LA II (8 marks)

52. M, N and O were partners in a firm sharing profits and losses equally. Their Balance Sheet on 31-12-2009 was as follows :

Liabilities		Amount (₹)	Assets	Amount (₹)
Capitals :			Plant and Machinery	60,000
M	70,000		Stock	30,000
N	70,000		Sundry Debtors	95,000
O	70,000	2,10,000	Cash at Bank	40,000
General Reserve		30,000	Cash in Hand	35,000
Creditors		20,000		
		2,60,000		2,60,000

N died on 14th March, 2010. According to the partnership Deed, executors of the deceased partner are entitled to :

(i) Balance of partner's capital account.

(ii) Interest on capital @ 5% p.a.

(iii) Share of goodwill calculated on the basis of twice the average of past three year's profits and

(iv) Share of profits from the closure of the last accounting year till the date of death on the basis of twice the average of three completed year's profits before death.

Profits for 2007, 2008 and 2009 were ₹ 80,000, ₹ 90,000, ₹ 1,00,000 respectively. Show the working for deceased partner's share of goodwill and profits till the date of his death. Pass the necessary journal entries and prepare N's capital account to be rendered to his executors. *(Delhi 2016)*

53. A, B and C were in partnership sharing profits in proportion of their capitals. Their Balance Sheet on 31-3-2008 was as follows :

Liabilities	Amount (₹)	Assets		Amount (₹)
Creditors	15,600	Cash		16,000
Reserve	6,000	Debtors	20,000	
A's Capital	90,000	*Less* : Prov. for doubtful debts	400	19,600
B's Capital	60,000	Stock		18,000
C's Capital	30,000	Machinery		48,000
		Buildings		1,00,000
	2,01,600			2,01,600

On the above date, B retired owing to ill health and the following adjustments were agreed upon.

(a) Buildings be appreciated by 10%

(b) Provision for doubtful debts be increased to 5% of debtors.

(c) Machinery be depreciated by 15%

(d) Goodwill of the firm be valued at ₹ 36,000 and be adjusted into the capital Accounts. A and C who will share profits in future in the ratio of 3 : 1.

(e) A provision be made for outstanding repairs bill of ₹ 3,000.

(f) Included in the value of creditors is ₹1,800 for an outstanding legal claim, which is not likely to arise.

(g) Out of the insurance premium paid ₹ 2,000 is for the next year. The amount was debited profit and loss A/c

(h) The partners decide to fix the capital of the new firm as ₹ 1,20,000 in the profit sharing ratios.

(i) B to be paid ₹ 9,000 in cash and the balance to be transferred to his loan Account. Prepare the Revaluation Account, Partner's Capital Account and the Balance Sheet of the new firm after B's retirement.

(Delhi 2016) Ev

CBSE Sample Questions

3.4 Treatment of Goodwill

SA I (2 marks)

1. Suresh, Ramesh and Tushar were partners of a firm sharing profits in the ratio of 6:5:4. Ramesh retired and his capital after making adjustments on account of reserves, revaluation of assets and reassessment of liabilities stood at ₹ 2,50,400. Suresh and Tushar agreed to pay him ₹ 2,90,000 in full settlement of his claim. Pass necessary journal entry for the treatment of goodwill. Show workings clearly.

(Term–II, 2021-22) U

3.5 Adjustment for Revaluation of Assets and Liabilities

MCQ

2. Amay, Bina and Chander are partners in a firm with capital balances of ₹50,000, ₹70,000 and ₹80,000 respectively on 31st March, 2022. Amay decides to retire from the firm on 31st March, 2022. With the help of the information provided, calculate the amount to be paid to Amay on his retirement. There existed a general reserve of ₹ 7,500 in the balance sheet on that date. The goodwill of the firm was valued at ₹ 30,000. Gain on revaluation was ₹24,000.

(a) ₹ 88,500 (b) ₹ 90,500

(c) ₹65,375 (d) ₹ 70,500 *(2022-23)*

3. 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 value of machinery in the balance sheet is undervalued by 20%, then at what value will machinery be shown in new balance sheet:

(a) ₹ 44,000 (b) ₹ 48,000

(c) ₹ 32,000 (d) ₹ 50,000 *(2020-21)*

LA I (5/6 marks)

4. Gini, Bini and Mini were in partnership sharing profits and losses in the ratio of 5:2:2. Their Balance Sheet as at 31st March, 2021 was as follows:

Balance Sheet on at 31st March, 2021

Liabilities		Amount (₹)	Assets		Amount (₹)
Sundry Creditors		56,500	Cash		1,17,300
Bank Overdraft		61,500	Debtors	38,000	
Workmen's Compensation Reserve		32,000	*Less*: Provision For		
Capitals:			Doubtful Debts	2,300	35,700
Gini	4,60,000		Inventories		
Bini	3,00,000		Machinery		1,34,000
Mini	2,90,000	10,50,000	Furniture		1,00,000
			Building		1,80,000
			Goodwill		5,70,000
					63,000
		12,00,000			12,00,000

On 31st March, 2021, Gini retired from the firm. All the partners agreed to revalue the assets and liabilities on the following basis:

(i) Bad debts amounted to ₹ 5,000. A provision for doubtful debts was to be maintained at 10% on debtors.

(ii) Partners have decided to write off existing goodwill.

(iii) Goodwill of the firm was valued at ₹ 54,000 and be adjusted into the Capital Accounts of Bini and Mini, who will share profits in future in the ratio of 5:4.

(iv) The assets and liabilities valued as: Inventories ₹ 1,30,000; Machinery ₹ 82,000; Furniture ₹ 1,95,000 and Building ₹ 6,00,000.

(v) Liability of ₹23,000 is to be created on account of Claim for Workmen Compensation.

(vi) There was an unrecorded investment in shares of ₹ 25,000. It was decided to pay off Gini by giving her unrecorded investment in full settlement of her part payment of ₹ 28,000 and remaining amount after two months.

Prepare Revaluation Account and Partners' Capital Accounts as on 31st March, 2021. *(Term-II, 2021-22)* Ap

3.7 Disposal of Amount Due to Retiring Partner

LA II (8 marks)

5. Krish, Vrish and Peter are partners sharing profits in the ratio of 3:2:1. Vrish retired from the firm. On that date the Balance Sheet of the firm was as follows:

Balance Sheet as on March 31st, 2020

Liabilities	(₹)	Assets		(₹)
Creditors	15,000	Bank		7,600
General Reserve	12,000	Furniture		41,000
Bills Payable	12,000	Stock		9,000
Outstanding Salary	2,200	Premises		80,000
Provision for Legal Damages	6,000	Debtors	6,000	
Capitals:		Less: Provision for		
Krish	46,000	Doubtful Debts	400	5,600
Vrish	30,000			
Peter	20,000			
	1,43,200			1,43,200

Additional Information:

(i) Premises to be appreciated by 20%, Stock to be depreciated by 10% and Provision for doubtful debts was to be maintained @5% on Debtors. Further, provision for legal damages is to be increased by ₹ 1,200 and furniture to be brought up to ₹ 45,000.

(ii) Goodwill of the firm is valued at ₹ 42,000.

(iii) ₹ 26,000 from Vrish's Capital account be transferred to his loan account and balance to be paid through bank; if required, necessary loan may be obtained from bank.

(iv) New profit sharing ratio of Krish and Peter is decided to be 5:1.

Prepare Revaluation Account, Partners Capital Accounts and Balance Sheet. *(2020-21)*

3.8 Adjustment of Partner's Capital

LA I (5/6 marks)

6. P, Q and R were partners in a firm sharing profits in the ratio of 3:2:1 respectively. On March 31st, 2022, the balance sheet of the firm stood as follows:

Liabilities		Amount (₹)	Assets	Amount (₹)
Creditors		13,000	Cash	4,700
Bills Payable		590	Debtors	8,000
Capital Accounts:			Stock	11,690
P	15,000		Buildings	23,000
Q	10,000		Profit and Loss Account	1,200
R	10,000	35,000		
		48,590		48,590

Q retired on the above-mentioned date on the following terms:
(i) Buildings to be appreciated by ₹ 7,000.
(ii) A provision for doubtful debts to be made at 5 % on debtors.
(iii) Goodwill of the firm is valued at ₹ 18,000 and adjustment to be made by raising and writing off the goodwill.
(iv) ₹ 2,800 was to be paid to Q immediately and the balance in his capital account to be transferred to his loan account carrying interest as per the agreement.
(v) Remaining partner decided to maintain equal capital balances, by opening current account.
Prepare the revaluation account and partner's capital accounts. *(2022-23)*

3.9 Death of a Partner

MCQ

7. A, B and C are partners. C expired on 18th December, 2019 and as per agreement surviving partners, A and B directed the accountant to prepare financial statements as on 18th December 2019 and accordingly the share of profits of C (deceased partner) was calculated as ₹12,00,000. Which account will be debited to transfer C's share of profits:
(a) Profit and Loss Suspense Account.
(b) Profit and loss Appropriation Account.
(c) Profit and loss Account.
(d) None of the above. *(2020-21)*

VSA (1 mark)

8. Rex, Tex and Flex are partners in a firm in the ratio of 5:3:2. As per their partnership agreement, the share of deceased partner is to be calculated on the basis of profits and turnover of previous accounting year.
Tex expired on 31st December 2019. Turnover till the date of death was ₹18,00,000.
Their profits and turnover for the year 2018-19 amounted to ₹4,00,000 and ₹20,00,000 respectively.
An amount of ₹_______ will be given to his executors as his share of profits till the date of death. *(2020-21)*

SA II (3/4 marks)

9. Harihar, Hemang and Harit were partners with fixed capitals of ₹3,00,000, ₹2,00,000 and ₹1,00,000 respectively. They shared profits in the ratio of their fixed capitals. Harit died on 31st May, 2020, whereas the firm closes its books of accounts on 31st March every year. According to their partnership deed, Harit's representatives would be entitled to get share in the interim profits of the firm on the basis of sales. Sales and profit for the year 2019-20 amounted to ₹8,00,000 and ₹2,40,000 respectively and sales from 1st April, 2020 to 31st May 2020 amounted to ₹1,50,000. The rate of profit to sales remained constant during these two years. You are required to:
(i) Calculate Harit's share in profit.
(ii) Pass journal entry to record Harit's share in profit. *(Term-II, 2021-22)* Ev

LA I (5/6 marks)

10. A, B and C were partners sharing P&L in the ratio 5:3:2. A died on 30th June, 2019. Entry for treatment of goodwill after his death was passed as follows:-

Journal

Date	Particulars	L.F	Debit (₹)	Credit (₹)
	B's Capital A/c Dr.		1,80,000	
	C's Capital A/c Dr.		1,20,000	
	To A's Capital A/c			3,00,000
	(Entry for goodwill treatment passed at the time of death of partner)			

A's profit till date of death was estimated as ₹ 1,20,000, based on the average profits of past three years. Final dues payable to A's executors on the date of death was calculated as ₹ 8,40,000 out of which ₹ 2,40,000 was paid immediately by giving him Furniture valued for the same and balance was to be paid in three equal annual instalments starting from 30 June, 2020, together with interest rate as specified in Section 37 of Indian Partnership Act, 1932..
Pass necessary entry for profit share to be credited to A's Capital and also prepare A's executors account till final settlement. *(2022-23)* Ap

Detailed SOLUTIONS

Previous Years' CBSE Board Questions

1. In case of retirement of a partner, profit or loss on revaluation of assets and re-assessment of liabilities is distributed among all existing partners in old pofit sharing ratio.

2. The ratio of X, Y and Z is 1/2 : 2/5 : 1/10 = 5 : 4 : 1. Therefore, if Z retires, the new ratio between remaining partners will be 5 : 4.

3.

A : B : C : D

Old Ratio = 4 : 3 : 2 : 1

Share taken over by B and D each = $\frac{2}{10} \times \frac{1}{2}$

$= \frac{1}{10}$

B's new share = old share + gained share

$= \frac{3}{10} + \frac{1}{10}$

$= \frac{4}{10}$

D's new share = old share + gained share

$= \frac{1}{10} + \frac{1}{10}$

$= \frac{2}{10}$

A : B : D

New Ratio = 4 : 4 : 2

[Topper's Answer, 2022]

4. Share of Kartik = $\frac{2}{10}$

As gaining ratio is 2 : 3, Kartik's share acquired by Jayant and Leena is :

$\frac{2}{10} \times \frac{2}{5} = \frac{4}{50}$ (Acquired by Jayant)

$\frac{2}{10} \times \frac{3}{5} = \frac{6}{50}$ (Acquired by Leena)

New share of Jayant = $\frac{5}{10} + \frac{4}{50} = \frac{25+4}{50} = \frac{29}{50}$

New share of Leena = $\frac{3}{10} + \frac{6}{50} = \frac{15+6}{50} = \frac{21}{50}$

New ratio = 29 : 21

5. 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

6. (d) : 2:1

7. (a) : The gaining ratio between Saurabh and Suresh is 3 : 2

Particulars	Saurabh	Shirin	Somesh
Old Profit Sharing Ratio	3/6	2/6	1/6
New Profit Sharing Ratio	3/5	2/5	-
Gaining Ratio = New – Old Ratio	3/30	2/30	-

8. Gaining ratio is the ratio in which the remaining partners acquire the retiring partner's share.

9. Profit – Sharing ratio among X, Y and Z is 1/2 : 3/2 : 1/5 = 5 : 3 : 2. Gaining Ratio will be the same as the old ratio which existed between Y and Z, 3 : 2, since Y and Z gain in their old ratio unless agreed otherwise. Gaining Ratio between Y and Z will be 3 : 2.

10.

Journal

Date	Particulars		L.F.	Amount Dr. (₹)	Amount Cr. (₹)
2018 January 1	Neetu's Capital A/c	Dr.		70,000	
	Teetu's Capital A/c	Dr.		70,000	
	To Meetu's Capital A/c				1,40,000
	(Being Meetu's share of goodwill acquired in equal gaining ratio)				

Goodwill of the firm = ₹ 4,20,000

Meetu's share = $4,20,000 \times \frac{1}{3}$ = ₹ 1, 40,000

11. The retiring partners/heirs or deceased partners are entitled to his share of goodwill of the firm because the goodwill earned by the firm is the result of the efforts of all the existing partners in the past. As they will not be sharing future profits, it will be fair to compensate them for the same.

12. In the books of Madhu, Manav and Mukul

Journal

Date	Particulars		L.F.	Debit (₹)	Credit (₹)
31 March, 2021	Madhu's Capital A/c	Dr.		30,000	
	Manav's Capital A/c	Dr.		20,000	
	To Mukul's Capital A/c				50,000
	(Being valued g/w adjusted)				

Working Note:

	Madhu	:	Manav	:	Mukul
Old Ratio	3	:	2	:	1
New Ratio	3	:	2	:	–
Gaining Ratio	3	:	2		

Mukul's share of Goodwill = Valued Goodwill × Mukul's share

$= 3,00,000 \times \frac{1}{6} =$ ₹50,000

13. In the books of Mahi and Mamta

Journal

Date	Particulars		L.F.	Debit Amount (₹)	Credit Amount (₹)
(i)	Mahi's Capital A/c	Dr.		8,000	
	Mamta's Capital A/c	Dr.		6,000	
	To Monika's Capital A/c				14,000
	(Being goodwill adjusted in retiring partner's capital A/c)				
(ii)	Monika's Capital A/c	Dr.		1,09,000	
	To Bank A/c				1,09,000
	(Being payment made to Monika on her retirement)				

Working Notes :

(A) Gaining Ratio can be obtained by simply cancelling out Monika's share from the old ratio.
Hence, it will be 4 : 3.

(B) Monika's share of Goodwill = Payment Made – Capital after adjustment
= ₹(1,09,000 – 95,000)
= ₹14,000
Goodwill of the firm = Monika's share of Goodwill × Reciprocal of her profit share
= ₹$(14,000 \times \frac{9}{2}) \Rightarrow$ ₹63,000

Goodwill compensation paid by Mahi = ₹$(14,000 \times \frac{4}{7})$
= ₹8,000

Goodwill compensation paid by Mamta = ₹$(14,000 \times \frac{3}{7})$
= ₹6,000

14. In the books of David and Dolly

Journal

Particulars		L.F.	Amount (₹)	Amount (₹)
David's Capital A/c	Dr.		9,000	
Dolly's Capital A/c	Dr.		6,000	
To Divya's Capital A/c				15,000
(Adjustment of goodwill)				

Working Notes:

(A) Gaining Ratio = New Share – Old Share

David $\rightarrow \frac{3}{5} - \frac{3}{6} = \frac{3}{30}$

Dolly $\rightarrow \frac{2}{5} - \frac{2}{6} = \frac{2}{30}$

Gaining Ratio = 3 : 2

(B) Divya's Share of Goodwill = $90{,}000 \times \frac{1}{6}$ = ₹ 15,000

15. **Journal**

Date	Particulars		L.F.	Amount (₹)	Amount (₹)
	Vibha's Capital A/c	Dr.		20,000	
	Ashish's Capital A/c	Dr.		10,000	
	To Sudha's Capital A/c				30,000
	(Sudha's share of goodwill adjusted in Vibha's and Ashish's capital accounts in their gaining ratio)				

Working Notes:

(i) Amount agreed to be paid in full settlement ₹1,15,000

Less: Sudha's capital (after all adjustments) ₹85,000

Sudha's share of goodwill (hidden goodwill) ₹30,000

(ii) Calculation of gaining ratio:

Gain of a partner = New profit share – Old profit share

Vibha's gain = 2/3 – 2/6 = 2/6

Ashish's gain = 1/3 -1/6 = 1/6

Hence, Gaining ratio = 2: 1

16. **In the books of Amar, Ram and Mohan**

Journal

Date	Particulars		Dr. (₹)	Cr.(₹)
(i)	Amar's Capital A/c	Dr.	30,000	
	To Ram's Capital A/c			10,000
	To Mohan's Capital A/c			10,000
	To Sohan's Capital A/c			10,000
	(Being the required adjustment for goodwill through the partners' Capital Account (WN))			

Note : Old ratio of Amar, Ram, Mohan and Sohan = 2 : 2 : 2 : 1

After retirement New profit sharing ratio among Amar, Ram, Mohan = 5 : 1 : 1

Gaining ratio : New ratio – Old ratio

Amar's gain $= \frac{5}{7} - \frac{2}{7} = \frac{3}{7}$ = Gain

Ram's gain $= \frac{1}{7} - \frac{2}{7} = \frac{-1}{7}$ = Sacrificing

Mohan's gain $= \frac{1}{7} - \frac{2}{7} = \frac{-1}{7}$ = Sacrificing

Amount of goodwill distributed among partners :

Amar $= 70{,}000 \times \frac{3}{7} = 30{,}000$ (Dr.)

Ram $= 70{,}000 \times \frac{1}{7} = 10{,}000$ (Cr.)

Mohan $= 70{,}000 \times \frac{1}{7} = 10{,}000$ (Cr.)

Sohan = 10,000 (Cr.)

17. (b) : To the capital accounts of all the partners in their old profit sharing ratio.

18.

Working notes

	Ravi, Mohan &
Provision for D/d $= \frac{5}{100} \times 2{,}00{,}000$	Sohan's share each $= \frac{1}{3} \times 5000$
$= 10{,}000$	$= 1667$

रोजनामचा Journal

तिथि Date	विवरण Particulars		खाता की पृष्ठ सं. Ledger Folio No.	नाम राशि (₹) Debit Amount (₹)	जमा राशि (₹) Credit Amount (₹)
2022 March	Debtors A/c	Dr.		5000	
	To Revaluation A/c				5000
	(Being unrecorded debtors of ₹ 5000 recorded)				
March	Revaluation A/c	Dr.		10,000	
	To Provision for bad & doubtful debts A/c				10,000
	(Being 5% provision for bad & doubtful debts created on debtors)				
March	Ravi's Cap. A/c	Dr.		1667	
	Mohan's Cap. A/c	Dr.		1667	
	Sohan's Capital A/c	Dr.		1666	
	To Revaluation A/c				5000
	(Being loss on revaluation distributed among partners)				

[Topper's Answer, 2022]

19. **In the books of Anu, Bhanu & Charu**

Revaluation A/c

Dr. Cr.

Particulars	Amount (₹)	Particulars		Amount (₹)
To Premium for doubtful debts A/c	600	By Loss on Revaluation:		
To Patents A/c	2,400	Anu	1,200	
		Bhanu	1,200	
		Charu	600	3,000
	3,000			3,000

Anu's Capital A/c

Dr. Cr.

Particulars	Amount (₹)	Particulars	Amount (₹)
To Bhanu's Capital A/c	6,000	By Balance b/d	31,000
To Charu's Capital A/c	3,000	By Profit & Loss A/c	2,000
To Revaluation A/c	1,200	$(5000 \times \frac{2}{5})$	
To BankA/c	9,600		
To Anu's loan A/c	13,200		
	33,000		33,000

20. **In the books of Gita and Garv**

Revaluation A/c

Dr. Cr.

Particulars		Amount (₹)	Particulars	Amount (₹)
To Profit on revaluation transf. to:			By Stock A/c	16,000
Gita's Capital A/c	36,000		By Building A/c	1,00,000
Radha's Capital A/c	60,000		By Investments A/c	4,000
Garv's Capital A/c	24,000	1,20,000		
		1,20,000		1,20,000

Partner's Capital A/c

Dr. Cr.

Particulars	Gita (₹)	Radha (₹)	Garv (₹)	Particulars	Gita (₹)	Radha (₹)	Garv (₹)
To Radha's Capital A/c	90,000	–	60,000	By Balance b/d	3,00,000	2,00,000	1,00,000
				By Gita's Capital A/c	–	90,000	–
				By Garv's Capital A/c	–	60,000	–
To Radha's Loan A/c	–	4,30,000	–	By General Reserve A/c	12,000	20,000	8,000
				By Revaluation A/c	36,000	60,000	24,000
To balance c/d	3,00,000	–	2,00,000	By Current A/c	42,000	–	1,28,000
	3,48,000	4,30,000	2,60,000		3,48,000	4,30,000	2,60,000

Working Notes :

(A) **Calculation of Radha's Share of Goodwill**

Goodwill of the firm = ₹3,00,000

Radha's Share of Goodwill = ₹(3,00,000 × 5/10) = ₹1,50,000

Gaining ratio will be same as the new profit-sharing ratio *i.e.,* 3:2

(B) **Adjustment of Capital:**

Total Capital of the firm = ₹5,00,000

Gita's New Capital = ₹(5,00,000 × 3/5) = ₹3,00,000

Garv's New Capital = ₹(5,00,000 × 2/5) = ₹2,00,000

Existing Capitals of Gita and Garv are ₹2,58,000 and ₹72,000

Amount to be debited to Gita's Current A/c = New Capital – Old Capital = ₹(3,00,000 – 2,58,000)= ₹42,000

Amount to be debited to Garv's Current A/c = New Capital – Old Capital = ₹(2,00,000 – 72,000)= ₹1,28,000

Balance Sheet

as at 31st March, 2019

Liabilities		Amount (₹)	Assets		Amount (₹)
Sundry Creditors		60,000	Stock		96,000
Radha's Loan A/c		4,30,000	Building		6,00,000
Capital A/c:			Debtors		40,000
Gita	3,00,000		Current A/c:		
Garv	2,00,000	5,00,000	Gita	42,000	
			Garv	1,28,000	1,70,000
			Cash (50,000 + 34,000)		84,000
		9,90,000			9,90,000

Answer Tips

- Read the digits or numbers given in the question carefully and pay attention while writing them in answer sheets. Be aware of writing the entire answer. Try to write the amount in a definite sequence so that you are able to do the addition quickly if needed.

21. **In the books of N and G**

Journal

Date	Particulars		Dr. (₹)	Cr. (₹)
(i)	Provision for Doubtful Debts A/c	Dr.	2,000	
	To Bad Debts A/c			2,000
	(Amount of bad debt adjusted towards provision for bad debts)			
	Provision for Doubtful Debts	Dr.	850	
	To Revaluation A/c			850
	(Being excess amount of provision get back by the firm)			
(ii)	Revaluation A/c	Dr.	45,000	
	To Patents A/c			30,000
	To Stock A/c			2,500
	To Machinery A/c			7,500
	To Building A/c			5,000
	(Being value of Patents completely written of and other assets depreciated @ 5%)			
(iii)	Revaluation A/c	Dr.	10,000	
	To Creditor's A/c			10,000
	(Unrecorded creditors taken into account)			
(iv)	M's Capital A/c	Dr.	12,500	
	N's Capital A/c	Dr.	7,500	
	G's Capital A/c	Dr.	5,000	
	To Profit and Loss A/c			25000
	(Being accumulated loss distributed among old partners in old ratio)			
(v)	N's Capital A/c	Dr.	30,000	
	G's Capital A/c	Dr.	1,20,000	
	To M's Capital A/c			1,50,000
	(Share of goodwill given to M in their gaining ratio)			

(vi)	General Reserve A/c To M's Capital A/c To N's Capital A/c To G's Capital A/c *(Being General Reserve distributed among old partners in old ratio)*	Dr.	30,000	 15,000 9,000 6,000
(vii)	M's Capital A/c N's Capital A/c G's Capital A/c To Revaluation A/c *(Being Loss on revaluation distributed among old partners in old ratio)*	Dr. Dr. Dr.	27,075 16,245 10,830	 54,150

Working Note :

Goodwill of the firm = 3,00,000

Share of M in goodwill $= 3,00,000 \times \frac{5}{10} = 1,50,000$

Share of goodwill given by remaining partner in their gaining ratio ÷ gaining ratio = New ratio – Old ratio

N's gain $= \frac{2}{5} - \frac{3}{10} = \frac{4-3}{10} = \frac{1}{10}$

G's gain $= \frac{3}{5} - \frac{2}{10} = \frac{6-2}{10} = \frac{4}{10}$

Goodwill given to M on his retirement by existing partners in their gaining ratio

$1,50,000 \times \frac{1}{5} = 30,000 \rightarrow N$; $1,50,000 \times \frac{4}{5} = 1,20,000 \rightarrow G$

22.

Dr. **Revaluation Account** Cr.

Particulars		Amount (₹)	Particulars	Amount (₹)
To Machinery A/c		4,800	By Provident Fund A/c	600
To Patents A/c		1,000	By Investments A/c	5,800
To profit transferred to Partner's Capital A/c :				
Amit	300			
Balan	200			
Chander	100	600		
		6,400		6,400

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

Particulars	Amit (₹)	Balan (₹)	Chander (₹)	Particulars	Amit (₹)	Balan (₹)	Chander (₹)
To Chander's Capital A/c (Goodwill)	2,700	1,800	-	By Balance b/d	40,000	36,500	20,000
				By General Reserve	4,500	3,000	1,500
To Investment A/c	-	-	15,800	By Amit's Capital A/c	-	-	2,700
To Chander's Loan A/c	-	-	10,300	By Balan's Capital A/c	-	-	1,800
To Balance c/d	42,100	37,900		By Revaluation A/c	300	200	100
	44,800	39,700	26,100		44,800	39,700	26,100
To Balan's Current A/c	-	5,900	-	By Balance b/d	42,100	37,900	-
To Balance c/d (W.N. i and ii)	48,000	32,000	-	By Amit's Current A/c (Bal fig.)	5,900	-	-
	48,000	37,900	-		48,000	37,900	-

Working Notes :

(i) Total Capital of the new firm = ₹ 42,100 (Amit's adjusted Capital) + ₹ 37,900 (Balan's adjusted Capital) = ₹ 80,000

(ii) Amit's Capital in new firm = ₹ 80,000 × 3/5 = ₹48,000

Balan's Capital in new firm = 80,000 × 2/5 = ₹ 32,000

23. (d) : Credited to Partner's Capital Account

24. (b) : To the debit of the capital accounts of Hari, Ram and Sharma equally, on retirement.

25. In the books of Vikas and Vishal

Journal

Date	Particulars	L.F.	Amount (₹)	Amount (₹)
	Vikas's Capital A/c Dr.		12,000	
	Vishal's Capital A/c Dr.		12,000	
	To Vaibhav's Capital A/c			24,000
	(Being treatment of Goodwill in Gaining ratio)			
	Vikas's Capital A/c Dr.		20,000	
	Vishal's Capital A/c Dr.		20,000	
	Vaibhav's Capital A/c Dr.		10,000	
	To Profit and Loss A/c			50,000
	(Being profit and loss bal. written off in old ratio)			
	Profit and Loss Suspense A/c Dr.		11,250	
	To Vaibhav's Capital A/c			11,250
	(Being Vaibhav Capital A/c credited with his share of profit till date of death)			
	Vaibhav's Capital A/c Dr.		4,05,250	
	To Vaibhav's Executor's A/c			4,05,250
	(Being due amount transferred to his executor's A/c)			

Working Notes :

(i) Vaibhav's share of goodwill $= 1{,}20{,}000 \times \frac{1}{5} = ₹24{,}000$

gaining ratio $\rightarrow 2:2$

(ii) Vaibhav's share of profit till death $= 75{,}000 \times \frac{1}{5} \times \frac{9}{12} = ₹11{,}250$

(iii) Amount due to Vaibhav = ₹ 3,80,000 + 24,000 – ₹ 10,000 + ₹ 11,250 = ₹ 4,05,250

26. 6% p.a.

27. Total amount payable to Girdhari will be :

Capital balance as on 31st march 2014 = 1,00,000

Share of goodwill $\left(1{,}14{,}000 \times \frac{5}{15}\right) = 38{,}000$

Share of revaluation profit $\left(6{,}000 \times \frac{5}{15}\right) = 2{,}000$

Share of general reserve $\left(30{,}000 \times \frac{5}{15}\right) = 10{,}000$

1,50,000

Dr. Girdhari's loan A/c Cr.

Date	Particulars	₹	Date	Particulars	₹
2015 March, 31	To Bank A/c	75,000	2014 April, 1	By Girdhari's Capital A/c	1,50,000
	To Balance c/d	90,000	2015 March, 31	By Interest A/c	1,500
		1,65,000			1,65,000
2016 March, 31	To Bank A/c	75,000	2015 April, 1	By Balance b/d	90,000
	To Balance c/d	24,000	2016 March, 31	By Interest A/c	9,000
		99,000			99,000
2017 March, 31	To Bank A/c	26,400	2016 April, 1	By Balance b/d	24,000
			2017 March, 31	By Interest A/c	2,400
		26,400			26,400

28.

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

Date	Particulars	Amount (₹)	Date	Particular	Amount (₹)
2016			2016		
Sept. 30th	To Cash A/c (Drawings till death)	4,000	April 1st	By Balance b/d	1,00,000
Sept. 30th	To Interest on Drawings A/c	120	Sept. 30th	By Interest on Capital	6,000
Sept. 30th	To Mandeep's Executors A/c	2,51,880	Sept. 30th	By Profit Loss suspense A/c	90,000
			Sept. 30th	By Sandeep Capital A/c	40,000
				By Amandeep Capital A/c	20,000
		2,56,000			2,56,000

29.

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

Particulars		Amount (₹)	Particulars	Amount (₹)
To Profit transferred to:			By Building A/c	1,20,000
Radhika	36,000			
Ridhima	60,000			
Rupanshi	24,000	1,20,000		
		1,20,000		**1,20,000**

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

Particulars	Radhika	Ridhima	Rupanshi	Particulars	Radhika	Ridhima	Rupanshi
To Ridhima's Capital A/c	90,000		60,000	By balance b/d	3,00,000	2,00,000	1,00,000
To Ridhima's Loan A/c	–	4,30,000	–	By General Reseve	12,000	20,000	8,000
To balance c/d	3,00,000		2,00,000	By Profit on Revaluation	36,000	60,000	24,000
				By Radhika's A/c	–	90,000	–
				By Rupanshi's A/c	–	60,000	–
				By current A/c	42,000	–	1,28,000
	3,90,000	**4,30,000**	**2,60,000**		**3,90,000**	**4,30,000**	**2,60,000**

Working Notes:

1. Ridhima's share of goodwill:

Goodwill of the firm = ₹3,00,000 and Radha's share of goodwill = 3,00,000 8 5/10 = ₹1,50,000

Gaining ratio will be same as the new profit sharing ratio *i.e.,* 3:2.

2. Adjustment of Capitals:

Total capital of the firm = ₹5,00,000

Radhika's new capital = ₹3,00,000 (5,00,000 * 3/5)

Rupanshi's new capital = ₹2,00,000 (5,00,000 *2/5)

Existing capitals of Radhika and Rupanshi are ₹2,58,000 and ₹72,000 resp.

Amount to be debited to Radhika's current account = New capital – Old capital
=3,00,000 – 2,58,000 = ₹42,000

Amount to be debited to Rupanshi's current account = New capital – Old capital
= 2,00,000 – 72,000 = ₹1,28,000

30.

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

Particulars		Amount (₹)	Particulars	Amount (₹)
To Provision for doubtful debts A/c		7,000	By Plant and Machinery A/c	20,000
To Furniture A/c		3,000		
To Profit transferred to:				
Akul's Capital A/c	4,000			
Bakul's Capital A/c	4,000			
Chandan's Capital A/c	2,000	10,000		
		20,000		**20,000**

Dr. **Partners Capital Accounts** Cr.

Particulars	Akul (₹)	Bakul (₹)	Chandan (₹)	Particulars	Akul (₹)	Bakul (₹)	Chandan (₹)
To Bakul's Capital A/c	80,000	–	40,000	By balance b/d	1,60,000	1,20,000	92,000
To Bakul's loan A/c	–	2,52,000	–	By General Reserve	8,000	8,000	4,000
To balance c/d	92,000	–	58,000	By Revaluation A/c	4,000	4,000	2,000
				By Akul's Capital A/c	–	80,000	–
				By Chandan's Capital A/c	–	40,000	–
	1,72,000	2,52,000	98,000		1,72,000	2,52,000	98,000
To Bank A/c	–	–	8,000	By balance b/d	92,000	–	58,000
To balance c/d	1,00,000	–	50,000	By Bank A/c	8,000	–	–
	1,00,000	–	**58,000**		**1,00,000**	–	**58,000**

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

Liabilities		Amount (₹)	Assets		Amount (₹)
Sundry Creditors		45,000	Cash at bank		42,000
Employees Provident Fund		13,000	Debtors	60,000	
Bakul's Loan		2,52,000	Less Provision for		
Capitals :			doubtful debts	9,000	51,000
Akul	1,00,000		Stock		80,000
Chandan	50,000	1,50,000	Furniture		87,000
			Plant and Machinery		2,00,000
		4,60,000			4,60,000

Commonly Made Mistake

- Students do not forcefully try to replicate the Balance sheet's answer with wrong amounts, even if the amount is not equivalent on both sides.

31.

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

Particular	Amount (₹)	Particular		Amount (₹)
To Provision for worker's Claim	4,000	By Provision for Bad Debts		1,000
		By Loss on Revaluation :		
		X's Capital	1,500	
		Y's Capital	900	
		Z's Capital	600	3,000
	4,000			4,000

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

Particulars	X (₹)	Y (₹)	Z (₹)	Particulars	X (₹)	Y (₹)	Z (₹)
To Revaluation A/c	1,500	900	600	By Balance b/d	50,000	40,000	20,000
To Cash A/c	-	8,200	-	By Profit and Loss A/c	20,000	12,000	8,000
To Y's Capital	5,100	-	10,200	By Investment fluctuation Fund	5,000	3,000	2,000
To Y's Loan (Bal. Fig.)	-	61,200	-				
To X's Current A/c	15,840	-		By X's Capital	-	5,100	-
To Bal. b/d	52,560	-	35,040	By Z's Capital	-	10,200	-
				By Z's Current A/c (*Balancing Figure*)	-	-	15,840
	75,000	**70,300**	**45,840**		**75,000**	**70,300**	**45,840**

Balance Sheet
as on 31-3-2015

Liabilities		Amount (₹)	Assets		Amount (₹)
Creditors		21,000	Land and Building		62,000
Provision for Worker's Claim		4,000	Motor Vans		20,000
Y' Loan A/c		61,200	Investment		19,000
Capital : X's	52,560		Machinery		12,000
Z's	35,040	87,600	Stock		15,000
X's Current A/c		15,840	Debtors	40,000	
			Less : Provision	2,000	38,000
			Cash (16,000 – 8,200)		7,800
			Z's Current A/c		15,840
		1,89,640			1,89,640

Working Notes :

(i) Y's share of Goodwill $= 51{,}000 \times \frac{3}{10} = ₹15{,}300$

(ii) Gaining Ratio $= X's = \frac{3}{5} - \frac{5}{10} = \frac{6-5}{10} = \frac{1}{10}$, $Z's = \frac{2}{5} - \frac{2}{10} = \frac{4-2}{10} = \frac{2}{10}$

Gaining Ratio = 1 : 2, $X's = 15{,}300 \times \frac{1}{3} = ₹5{,}100$, $Z's = 15{,}300 \times \frac{2}{3} = ₹10{,}200$

(iii) **Adjustment of Capital :**

Adjustment Capital of X = ₹ 50,000 + ₹ 20,000 + ₹ 5,000 – ₹ 1,500 – ₹ 5,100 = ₹ 68,400

Adjustment Capital of Z = ₹ 20,000 + ₹ 8,000 + 2,000 – ₹ 600 – ₹ 10,200 = ₹ 19,200

Total adjustment capital of X and Z = ₹ 68,400 + ₹ 19,200 = ₹ 87,600

X's new capital $= 87{,}600 \times \frac{3}{5} = ₹52{,}560$

Z's New Capital $= 87{,}600 \times \frac{2}{5} = ₹35{,}040$

32.

Dr. Revaluation A/c Cr.

Particular	Amount (₹)	Particular		Amount (₹)
To Building A/c	1,00,000	By Land A/c		1,20,000
To Furniture A/c	20,000	By Loss transferred to partner's Capital A/c		
To Reserve for Doubtful Debts A/c	5,000	Kushal	3,000	
		Kumar	1,000	
		Kavita	1,000	
				5,000
	1,25,000			1,25,000

Dr. Partners' Capital Account Cr.

Particulars	Kushal (₹)	Kumar (₹)	Kavita (₹)	Particulars	Kushal (₹)	Kumar (₹)	Kavita (₹)
To Revaluation A/c (Loss)	3,000	1,000	1,000	By Balance b/d	3,00,000	2,80,000	3,00,000
To Kavita's Capital A/c	6,000	2,000	-	By General Reserve A/c	72,000	24,000	24,000
To Cash A/c	-	-	33,100	By Kushal's Capital A/c	-	-	6,000
To Kavita's Loan A/c	-	-	2,97,900	By Kumar's Capital A/c	-	-	2,000
To Kumar's Current A/c	-	1,35,000	-	By Kushal's Capital A/c	1,35,000	-	-
To Balance c/d* (Adjusted Capital)	4,98,000	1,66,000	-				
	5,07,000	3,04,000	-		5,07,000	3,04,000	-

Balance Sheet
As at 1st April, 2012

Liabilities		Amount (₹)	Assets		Amount (₹)
Creditors		1,20,000	Cash [70,000 – 33,100]		36,900
Bills Payable		1,80,000	Debtors	2,00,000	
Kavita's Loan A/c		2,97,900	*Less* : Provision	15,000	1,85,000
Capitals A/c :			Stock		2,20,000
Kushal –	4,98,000		Furniture		1,00,000
Kumar –	1,66,000	6,64,000	Building		2,00,000
Kumar's Current A/c		1,35,000	Land		5,20,000
			Kushal's Current A/c		1,35,000
		13,96,900			13,96,900

Working Notes :

Capital of Kushal before adjustment = ₹ 3,63,000, Capital of Kumar before adjustment = ₹ 3,01,000

Total Capital = ₹ 6,64,000, Kushal's Adjusted Capital $= \frac{3}{4} \times$ ₹ 6,64,000 = ₹ 4,98,000

Kumar's Adjusted Capital $= \frac{1}{4} \times$ ₹ 6,64,000 = ₹ 1,66,000

33.

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

Particular		Amount (₹)	Particular	Amount (₹)
To Building A/c		1,00,000	By Land A/c	3,20,000
To Furniture A/c		30,000		
To Profit Transferred to :				
L's Capital A/c	95,000			
M's Capital A/c	47,500			
N's Capital A/c	47,500	1,90,000		
		3,20,000		3,20,000

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

Particulars	L (₹)	M (₹)	N (₹)	Particulars	L (₹)	M (₹)	N (₹)
To N's Capital A/c	1,00,000	50,000	-	By Balance b/d	6,00,000	4,80,000	4,80,000
To N's Loan A/c	-	-	8,37,500	By Revaluation A/c	95,000	47,500	47,500
To Balance c/d	9,15,000	6,37,500	-	By General Reserve	2,20,000	1,10,000	1,10,000
				By Workmen's comp. fund	1,00,000	50,000	50,000
				By L's Capital A/c (Goodwill)	-	-	1,00,000
				By M's Capital A/c (Goodwill)	-	-	50,000
	10,15,000	6,87,500	8,37,500		10,15,000	6,87,500	8,37,500
To M's Current A/c (Bal. fig)	-	1,20,000	-	By Balance b/d	9,15,000	6,37,500	-
To Balance c/d	10,35,000	5,17,500	-	By L's Currents A/c (Bal. Fig.)	1,20,000	-	-
	10,35,000	6,37,500	-		10,35,000	6,37,500	-

Balance Sheet
As at 1st April 2013

Liabilities		(₹)	Assets		(₹)
Capital :			Land (8,00,000 + 3,20,000)		11,20,000
L	10,35,000		Building	6,00,000	
M	5,17,500	15,52,500	*Less* : dep.	1,00,000	5,00,000
N's Loan A/c		8,37,500	Furniture	2,40,000	
Workmen's compensation claim A/c		1,60,000	*Less* : dep	30,000	2,10,000
Creditor's A/c		2,40,000	Debtors	4,00,000	
M's Current A/c		1,20,000	*Less* : Provision	20,000	3,80,000
			Stock		4,40,000
			Cash		1,40,000
			L's Current A/c		1,20,000
		29,10,000			29,10,000

Working Notes :

Capital of L before adjustment = ₹ 9,15,000

Capital of M before adjustment = ₹ 6,37,500

Total Capital = ₹ 15,52,500

L's Adjusted Capital = ₹15,52,500 × 2/3 = ₹ 10,35,000

M's Adjusted Capital = ₹ 15,52,500 × 1/3 = ₹ 5,17,500

34. (c) : ₹36,000

35. (c) : Debit of Profit and Loss Suspense Account.

36. **Journal**

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2015 Jan.23	Profit and Loss Suspense A/c To Verma's Capital A/c *(Being Verma's share of profit up to 23rd Jan. 2015 credited)*		2,350	2,350

Related Theory

- If the remaining partners decided to change their profit sharing ratio in a new firm, then the adjustment entry for deceased partner's share in current year's profit will be passed.

37.

C : F : S

Profit sharing Ratio = 5 : 4 : 1

Net Profit	Sales
3,00,000	24,00,000
x	4,00,000

Let Net profit from 1st April, 2021 to 30th June 2021 = x

∴ 24,00,000 × x = 4,00,000 × 3,00,000

∴ $x = \frac{4,00,000 \times 3,00,000}{24,00,000}$

= 50,000

F's share of profit = $\frac{4}{10}$ × 50,000

= 20,000

रोजनामचा Journal

तिथि Date	विवरण Particulars	खाता बही पृष्ठ सं. Ledger Folio No.	नाम राशि (₹) Debit Amount (₹)	जमा राशि (₹) Credit Amount (₹)
2021 30th June	Profit & Loss Suspense A/c Dr. To F's capital A/c (Being F's share in profit till his ~~retirement~~ death given to him)		20,000	20,000

[Topper's Answer, 2022]

38. (i) Average profit = $\frac{90,000 + 1,00,000 + 1,30,000 + 80,000}{4} = \frac{4,00,000}{4}$ = ₹1,00,000

Goodwill of the firm = Average profit x Number of years purchase = ₹1,00,000 × 3 = ₹3,00,000

Puneet's share of Goodwill = ₹3,00,000 × $\frac{4}{8}$ = ₹ 1,50,000

(ii) Puneet's share in the profits = Last year's profit × His share in profits × $\frac{\text{Number of months}}{12}$

$$= ₹80{,}000 \times \frac{4}{8} \times \frac{3}{12} = ₹10{,}000$$

(iii)

In the books of Purav and Parth

Journal

Date	Particulars		L.F.	Debit (₹)	Credit (₹)
	Purav's capital A/c	Dr.		1,12,500	
	Parth's capital A/c	Dr.		37,500	
	To Puneet's cap. A/c				1,50,000
	(Being valued goodwill adjusted)				
	Profit and loss Suspense A/c	Dr.		10,000	
	To Puneet's capital A/c				10,000
	(Being Puneet's share of profit credited to his account)				

39. (i) Calculation of Sohan's share in the profits :

Last year's profit = ₹3,00,000

Sohan's share of profit = Previous Year's Profit × $\frac{\text{Months till the date}}{12}$ × Sohan's share of profit

$$= ₹\left(3{,}00{,}000 \times \frac{5}{12} \times \frac{2}{5}\right) = ₹\ 50{,}000$$

(ii) Sohan's share of Goodwill = 6,00,000 × $\frac{2}{5}$ = ₹2,40,000

Gaining there among the partners has been computed by cancelling out share of deceased partner in the old ratio. Ram : Mohan = 1 : 2. (Gaining Ratio)

In the books of Ram and Mohan

Journal

Date	Particulars		L.F.	Amount (₹)	Amount (₹)
2021					
Sept. 01	Ram's Capital A/c	Dr.		80,000	
	Mohan's Capital A/c	Dr.		1,60,000	
	To Sohan's Capital A/c				2,40,000
	(Being goodwill adjusted in deceased partner's account)				
Sept. 01	Profit & Loss suspense A/c	Dr.		50,000	
	To Sohan's Capital A/c				50,000
	(Being share of profit credited to deceased partner)				

40. (i) Shilpi's share of profit :

= Profit of last year × Profit share × $\frac{\text{Number of month}}{12}$ = 60,000 × $\frac{2}{5} \times \frac{3}{12}$ = ₹6,000

In the books of Madhu and Renuka

Journal

Date	Particulars		L.F.	Amount (₹)	Amount (₹)
2021	Madhu's capital A/c	Dr.		8,000	
Jun 30	Renuka's Capital A/c	Dr.		4,000	
	To Shllpi's Capital A/c				12,000
	(Adjustment of goodwill)				

Working Note:

Gaining Ratio = Madhu : Renuka = 2 : 1

Shilpi's share of goodwill = 30, 000 × $\frac{2}{5}$ = ₹ 12,000

Madhu's share of goodwill compensation = 12,000 × $\frac{2}{3}$ = ₹ 8,000

Renuka's share of goodwill compensation = 12,000 × $\frac{1}{3}$ = ₹ 4,000

41.

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

Particular	Amount (₹)	Particular	Amount (₹)
To Drawings A/c	15,000	By Balance b/d	75,000
To Veena's Executors A/c	1,85,000	By General Reserve A/c	10,000
		By Salary A/c	25,000
		By Keith's Capital A/c (W.N. i)	40,000
		By Bina's Capital A/c (W.N. i)	40,000
		By Profit & Loss Suspense A/c (Share of profit) (W.N. ii)	10,000
	2,00,000		**2,00,000**

Working Notes :

(i) **Calculation of deceased Veena's share of goodwill :**

Average Profit for the last three years = (1 ,20,000 + 90,000 + 1,50,000)/3 = ₹1,20,000

Goodwill of the firm = Average Profits of the last three years x Number of Years' Purchase

= ₹(1,20,000 × 2) = ₹2,40,000

Veena's share of goodwill = ₹ (2,40,000 × 1/3) = ₹80,000

Gaining Ratio among the partners will be same as old ratio = 1 : 1

(ii) **Calculation of Veena's Share of Profit :**

Average Profits of last three years = ₹1,20,000

Profits till the date of death = ₹(1,20,000 × 3/12) = ₹30,000

Veena's Share of Profits = ₹(30,000 × 1/3) = ₹10,000

42. Dr. **Tripti's Capital Account** Cr.

Particular	Amount (₹)	Particular	Amount (₹)
To Drawings A/c	20,000	By balance b/d	3,00,000
To Tripti's Executors A/c	4,90,000	By General Reserve A/c	20,000
		By Salary A/c (₹12,500 × 4)	50,000
		By Atishay's Capital A/c (W.N. i)	80,000
		By Radhika's Capital A/c (W.N. i)	40,000
		By Profit & Loss Suspense A/c (Share of profit) (W.N. ii)	20,000
	5,10,000		**5,10,000**

Working Notes :

(i) **Calculation of Tripti's share of goodwill**

Average Profit for the last three years = (1,00,000 + 1,50,000 + 2,00,000)/3

= ₹1,50,000

Goodwill of the firm = Average Profits of the last three years x Number of years' purchase

= ₹(1,50,000 × 2) = ₹3,00,000

Tripti's share of goodwill = ₹$(3,00,000 \times \frac{2}{5})$ = ₹1,20,000

Gaining Ratio among the partners will be same as the ratio obtained by cancelling Tripti's share = 2 : 1

(ii) **Calculation of Tripti's Share of Profit**

Last Year's profit = ₹2,00,000

Profits till the date of death = ₹$(2,00,000 \times \frac{3}{12})$ = ₹50,000

Tripti's Share of Profits = ₹$(50,000 \times \frac{2}{5})$ = ₹20,000

43.

Dr.	Mankrit's Capital Account		Cr.
Particular	**Amount (₹)**	**Particular**	**Amount (₹)**
To Drawings A/c	6,000	By balance b/d	3,00,000
To Mankrit's Executors A/c	4,18,000	By Salary A/c (6,000 × 4)	24,000
		By Nikita's Capital A/c (W.N. i)	40,000
		By Pulkit's Capital A/c (W.N. i)	20,000
		By Profit & Loss Suspense A/c (Share of Profit) (W.N. ii)	10,000
		By General Reserve A/c	30,000
	4,24,000		4,24,000

Working Notes :

(i) **Calculation of Mankrit's share of goodwill :**

Average Profit for the last three years = (80,000 + 90,000 + 1,00,000)/3 = ₹90,000

Goodwill of the firm = Average Profits of the last three years × Number of Years' Purchase

= ₹(90,000 × 2) = ₹1,80,000

Mankrit's share of goodwill = ₹$\left(1,80,000 \times \frac{3}{9}\right)$ = ₹60,000

Gaining Ratio among the partners will be same as obtained by cancelling Mankrit's share = 2 : 1.

(ii) **Calculation of Mankrit's Share of Profit**

Average Profits of last three years = ₹90,000

Profits till the date of death = ₹ $\left(90,000 \times \frac{4}{12}\right)$ = ₹30,000

Mankrit's Share of Profits = ₹$\left(30,000 \times \frac{3}{9}\right)$ = ₹10,000

44.

In the books of Raman and Hina

Journal

	Particulars		Dr. (₹)	Cr. (₹)
(i)	Revaluation A/c	Dr.	60,000	
	To Furniture A/c			30,000
	To Plant A/c			30,000
	(Being assets revalued)			
(ii)	Pawan's Capital A/c	Dr.	24,000	
	Raman's Capital A/c	Dr.	24,000	
	Hina's capital A/c	Dr.	12,000	
	To Revaluation A/c			60,000
	(Being loss on Revaluation distributed)			
(iii)	General Reserve A/c	Dr.	45,000	
	To Pawan's Capital A/c			18,000
	To Raman's Capital A/c			18,000
	To Hina's Capital A/c			9,000
	(Being General reserve distributed)			
(iv)	Workmen Compensation Fund A/c	Dr.	20,000	
	To Claim for WCF			12,000
	To Raman's Capital A/c			3200
	To Pawan's Capital A/c			3200
	To Hina's Capital A/c			1,600
	(Being claim for WCF provided and excess fund distributed)			

(v)	Pawan's Capital A/c Dr. Raman's Capital A/c Dr. Hina's Capital A/c Dr. To Profit & Loss A/c (Being loss distributed)		22,000 22,000 11,000	55,000
(vi)	Pawan's Capital A/c Dr. To Pawan's Executor's A/c (Being balance in Pawan's cap trsfd. to his executor's Account)		1,75,200	1,75,200

45. **Journal**

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Manav's Capital A/c Dr. Narayan's Capital A/c Dr. To Nath's Capital A/c *(Being treatment of Goodwill done in going ratio 1 : 1)*		95,000 95,000	1,90,000
	Manav's Capital A/c Dr. Nath's Capital A/c Dr. Narayan's Capital A/c Dr. To Profit and Loss A/c *(Being Profit and Loss bal. written off in old Ratio)*		7,500 15,000 7,500	30,000
	Profit and Loss Suspense A/c Dr. To Nath's Capital A/c *(Being Nath Capital A/c Credited with his share of profit till date of death)*		22,500	22,500
	Nath's Capital A/c Dr. To Nath's Executor's A/c *(Being due amount transferred to his executor's A/c)*		1,92,500	1,92,500

Working Notes :

(i) Nath's share of Goodwill = $3,80,000 \times \frac{2}{4} = 1,90,000$

Taken by Manav and Narayan in gaining ratio 1 : 1.

(ii) Nath's share of profit till date of death = $90,000 \times \frac{6}{12} \times \frac{2}{4} = ₹22,500$

(iii) Amount due to Nath's Executor

Capital Balance	(5,000)
Goodwill	1,90,000
Profit and Loss Dr. Balance share	(15,000)
Share of profit till death	22,500
Net due	₹ 1,92,500

46.

Dr. Dev's Capital Account Cr.

Particular	Amount (₹)	Particular	Amount (₹)
To Drawings A/c	15,000	By Balance b/d	77,000
To Profit and Loss A/c (Loss)	22,800	By P/L Suspense A/c (Share of Profits)	10,425
To Dev's Executor A/c *(Balancing fig.)*	51,935	By Interest on Capital A/c	2,310
	89,735		89,735

Working Notes :

(i) Calculation of Interest on Capital : 77,000 × 12/100 × 3/12 = ₹ 2,310

(ii) Calculation of Share of Profit :

Average Profit = ₹ (2,04,000 + 1,80,000 + 90,000 – 57,000)/4= ₹1,04,250

(iii) Dev's share of profit = ₹ 1,04,250 × 2/5 × 3/12 = ₹ 10,425

(iv) Share in P/L A/c (Dr. Balance of P/L) = ₹ 57,000 × 2/5 = ₹ 22,800

47.

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

Particular	Amount (₹)	Particular	Amount (₹)
To Balance b/d	13,000	By Arun's Capital A/c (Goodwill)	90,000
To Karan's Executor A/c	2,00,430	By Varun's Capital A/c (Goodwill)	67,500
(*Balancing fig.*)		By P/L Suspense A/c (Share of profit)	26,250
		By Karan's Loan A/c	28,000
		By Interest on Loan A/c	1,680
	2,13,430		2,13,430

Working Notes :

(i) Calculation of Interest on Loan = 28,000 × 12/100 × 6/12 = ₹ 1,680

(ii) Calculation of Share of Profit = 1,75,000 × 3/10 × 6/12 = ₹ 26,250

(iii) Share in Goodwill = 3 × 7,00,000/4 × 3/10 = 1,57,500; Arun's share = ₹ 90,000; Varun's share = ₹ 67,500

48.

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

Particulars	Amount (₹)	Particulars	Amount (₹)
To Virad's Executor's A/c	5,70,000	By Balance b/d	3,00,000
		By Reserve Fund	30,000
		By Vishad's Capital A/c	1,12,500
		By Roma's Capital A/c	75,000
		By Profit and Loss suspense A/c	37,500
		By Interest on Capital A/c.	15,000
	5,70,000		5,70,000

Notes : Valuation of Goodwill :

(i) Average profit = ₹ 1,50,000

Goodwill at $2\frac{1}{2}$ years purchase = ₹ 1,50,000 × 2/12 = ₹ 3,75,000

Virad's share of Goodwill = ₹ 3,75,000 × 5/10

= ₹ 1,87,500 to be contributed by Gaining Partners, in their gaining ratio *i.e.*, 3 : 2.

(ii) Share of profit payable to Virad

(upto the October 1st, 2013) = ₹ 1,50,000 × 5/10 × 6/12 = ₹ 37,500

Concept Applied

➲ The retiring or deceased partner is entitled to his share of goodwill, because it has been earned by the firm with the efforts of the existing partners.

49.

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

Liabilities	Amount (₹)	Assets	Amount (₹)
To Sonika's Executor's A/c	4,74,500	By Balance b/d	1,50,000
		By Reserve Fund	60,000
		By Monika's Capital A/c (Goodwill) 2/3	1,60,000
		By Manisha's Capital A/c (Goodwill) 1/3	80,000
		By Profit and Loss Suspense A/c (Profit)	20,000
		By Interest on capital A/c $(1,50,000 \times \frac{12}{100} \times \frac{3}{12})$	4,500
	4,74,500		4,74,500

Note : 1. Valuation of Goodwill :

(i) Average Profit = ₹ 2,00,000, Goodwill = ₹ 2,00,000 × 3 = ₹ 6,00,000

Sonika's Share of Goodwill = ₹ 6,00,000 × 2/5 = ₹ 2,40,000

Monika's Contribution to Sonika's share of goodwill = ₹ 2,40,000 × 2/3 = 1,60,000

Manisha's contibution of Sonika's share of goodwill = ₹ 240,000 × 1/3 = ₹ 80,000

(ii) Share of Profit payable to Sonika

Upto 30^{th} June 2013 = 2,00,000 × 73/365 × 2/5 = ₹ 16,000.

50.

Zubin's Executor's A/c

Date	Particulars	Amount (₹)	Date	Particulars	Amount (₹)
2015 Aug 1	To Bank A/c	10,300	2015 Aug 1	By Zubin's Capital A/c	90,300
2016 March 31	To Bank A/c To Balance c/d	3,200 80,000	2016 Mar 31	By Interest A/c	3,200
		93,500			**93,500**
2017 Mar 31	To Bank A/c	44,800	2016 Apr 1	By Balance b/d A/c	80,000
	To Balance c/d	40,000	2017 Mar 31	By Interest A/c	4,800
		84,800			**84,800**
2018 Mar 31	To Bank A/c	42,400	2017 Apr 1	By Balance b/d	40,000
			2018 Mar 31	By Interest A/c	2,400
		42,400			**42,400**

51.

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

Date	Particulars	Amount (₹)	Date	Particulars	Amount (₹)
2017 June 12	To Karan's Executer's A/c	3,28,800	2017 April 1	By Balance b/d	2,00,000
			June 12	By Interest on Capital A/c	4,800
			"	By Pranav's Capital A/c	16,000
			"	By Rahim's Capital A/c	8,000
			"	By General Reserve A/c	60,000
			"	By Profit & Loss Suspense A/c	40,000
		3,28,800			3,28,800

52.

In the books of M and O

Journal

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
14^{th}, March 2010	General Reserve A/c Dr. To N's Capital A/c *(Being N's share of general reserve transferred to his capital A/c)*		10,000	 10,000
	Interest on Capital A/c Dr. To N's Capital A/c *(Being interest @ 5% p.a. credited to N's Capital A/c upto 14^{th} March, 2010)*		700	 700
	M's Capital A/c Dr. O's Capital A/c Dr. To N's Capital A/c *(Being goodwill adjusted)*		30,000 30,000	 60,000
	Profit & Loss Suspense A/c Dr. To N's Capital A/c *(Being the N's share of profit till the date of death transferred to his Capital account)*		12,000	 12,000
	N's Capital A/c Dr. To N's Executor's A/c *(Being the transfer of amount due to N's Executor's A/c)*		1,52,700	 1,52,700

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

Particulars	(₹)	Particular	(₹)
To N's Executor's A/c	1,52,700	By Balance b/d	70,000
		By General Reserve A/c	10,000
		By Interest on Capital A/c [₹ 70,000 × 5/100 × 73/365]	700
		By M's Capital A/c (Goodwill)	30,000
		By O's Capital A/c (Goodwill)	30,000
		By Profit & Loss Suspense A/c (Note 2)	12,000
	1,52,700		1,52,700

Working Notes :

(i) Calculation of Goodwill = Average Profit × No. of year's purchases

= ₹ 90,000 × 2 = ₹ 1,80,000

N's share in Goodwill = ₹ 1,80,000 × 1/3

= ₹ 60,000

N's share in Goodwill is credited to N's Capital A/c and debited to M's Capital A/c and O's Capital A/c in their gaining ratio *i.e.*, equally.

* Average Profit = $\frac{₹ 80,000 + ₹ 90,000 + ₹ 1,00,000}{3}$ = ₹ 90,000

(ii) Calculation of N's share of profit till the date of death :

= 90,000 (Average Profit) × 2 × 73/365 × 1/3

= ₹ 12,000

53.

Dr. **Revaluation Account** Cr.

Particulars		(₹)	Particular	(₹)
To Provision for Doubtful Debts A/c (₹ 1,000 - ₹ 400)		600	By Building A/c	10,000
To Machinery A/c		7,200	By Creditors' Ac	1,800
To Provision for Outstanding Repairs A/c		3,000	By Prepaid Insurance A/c	2,000
To Profit transferred to :				
A's Capital A/c	1,500			
B's Capital A/c	1,000			
C's Capital A/c	500	3,000		
		13,800		13,800

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

Particulars	A (₹)	B (₹)	C (₹)	Particulars	A (₹)	B (₹)	C (₹)
To B's Capital A/c (Goodwill)	9,000	-	3,000	By Balance b/d	90,000	60,000	30,000
				By Revaluation A/c	1,500	1,000	500
To Cash A/c	-	9,000	-	By A's Capital A/c	-	9,000	-
To B's Loan A/c	-	66,000	-	By C's Capital A/c	-	3,000	-
To Balance c/d	90,000	-	30,000	By Reserve	3,000	2,000	1,000
				By Cash A/c (*Bal. Fig.*)	4,500	-	1,500
	99,000	75,000	33,000		99,000	75,000	33,000

Balance Sheet of A and C

Liabilities		(₹)	Assets		(₹)
Provision for Outstanding Repairs		3,000	Cash (Note 3)		13,000
Creditors (15,600 – 1,800)		13,800	Debtors	20,000	
B's Loan		66,000	*Less* : Provision for Doubtful Debts	1,000	19,000
Capital A/cs :			Stock		18,000
A	90,000		Prepaid Insurance		2,000
C	30,000	1,20,000	Machinery	48,000	
			Less : Depreciation	7,200	40,800
			Building (₹ 10,000 + ₹1,00,000)		1,10,000
		2,02,800			2,02,800

Working Notes :

		₹
(i)	Firm's Capital	1,20,000
	A's Capital = ₹ 1,20,000 × 3/4	90,000
	C's Capital = ₹ 1,20,000 × 1/4	30,000
(ii)	Goodwill of the firm	36,000
	B's share of goodwill = ₹ 36,000 × 2/6	12,000

It will be adjusted between A and C in their gaining ratio (New Ratio – Old Ratio). Which is calculated as below :

$$A=\frac{3}{4}-\frac{3}{6}=\frac{9-6}{12}=\frac{3}{12};\ B=\frac{1}{4}-\frac{1}{6}=\frac{3-2}{12}=\frac{1}{12};\ \text{Gaining Ratio }=\frac{3}{12}:\frac{1}{12}\ \text{ or }\ 3:1$$

(iii) Cash balance = ₹ 16,000 + ₹ 4,500 + ₹ 1,500 – ₹ 9,000 = ₹ 13,000

CBSE Sample Questions

1. In the books of Suresh and Tushar

Journal

Date	Particulars		L.F.	Amount (₹)	Amount (₹)
	Suresh's Capital A/c	Dr.		23,760	
	Tushar's Capital A/c	Dr.		15,840	
	To Ramesh's Capital A/c				39,600
	(Being goodwill adjusted)				

Working Note :

Ramesh's share of Goodwill = ₹2,90,000 – ₹2,50,400 = ₹39,600 (2)

2. (d) : ₹ 70,500 (1)

3. (d) : ₹ 50,000 (1)

4. Revaluation A/c

Particulars		(₹)	Particular	(₹)
To Bad debt A/c		2700	By Furniture A/c	15,000
To Provision for doubtful debts A/c		3300	By Building A/c	30,000
To Inventories A/c		4000	By Investment A/c	28,000
To Machinery A/c		18000		
To Partner's Capital A/c:				
Gini	25,000			
Bini	10,000			
Mini	10,000	45,000		
		73,000		73,000

(2)

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

Particulars	Gini (₹)	Bini (₹)	Mini (₹)	Particulars	Gini (₹)	Bini (₹)	Mini (₹)
To Goodwill A/c	35,000	14,000	14,000	By Balance b/d	4,60,000	3,00,000	2,90,000
To Gini's Capital A/c	-	18,000	12,000	By Workmen Compensation Reserve A/c	5,000	2,000	2,000
To Investment A/c	28,000	-	-	By Bini's Capital A/c	18,000	-	-
To Gini's Loan A/c	4,57,000	-	-	By Mini's Capital A/c	12,000	-	-
To Balance c/d	-	2,80,000	2,76,000	By Revaluation A/c	25,000	10,000	10,000
	5,20,000	3,12,000	3,02,000		5,20,000	3,12,000	3,02,000

(1 × 3)

5. **Revaluation A/c**

Particulars		(₹)	Particulars	(₹)
To Stock A/c		900	By Premises A/c	16,000
To Provision for legal damages A/c		1,200	By Provision for Doubtful Debts A/c	100
To Capital A/c. (Profit)			By Furniture A/c	4,000
Krish	9,000			
Vrish	6,000			
Peter	3,000	18,000		
		20,100		20,100

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

Particulars	Krish (₹)	Vrish (₹)	Peter (₹)	Particulars	Krish (₹)	Vrish (₹)	Peter (₹)
To Vrish's Capital A/c	14,000	-	-	By Balance b/d.	46,000	30,000	20,000
To Vrish's Loan A/c	-	26,000	-	By General Reserve A/c	6,000	4,000	2,000
To Bank A/c	-	28,000	-	By Revaluation A/c	9,000	6,000	3,000
To Balance c/d	47,000	-	25,000	By Krish's Capital A/c	-	14,000	-
	61,000	54,000	25,000		61,000	54,000	25,000

Balance Sheet of Krish and Peter
As at 1st April 2020

Liabilities	Amount (₹)	Assets		Amount (₹)
Creditors	15,000	Furniture		45,000
Bank Loan	20,400	Stock		8,100
Bills Payable	12,000	Premises		96,000
Outstanding Salary	2,200	Debtors	6,000	
Provision For Legal Damages	7,200	*Less: Provision for Doubtful Debts*	300	5,700
Vrish's Loan A/c	26,000			
Capitals				
Krish	47,000			
Peter	25,000			
	1,54,800			1,54,800

(2.5 + 3 + 2.5)

6.

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

Particulars		Amount (₹)	Particulars	Amount (₹)
To Provision for Doubtful Debts		400	By Building A/c	7,000
To Partner's Capital A/c:				
P	3,300			
Q	2,200			
R	1,100	6,600		
		7,000		7,000

(3)

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

Particulars	P	Q	R	Particulars	P	Q	R
Goodwill A/c	13,500	–	4,500	Balance b/d	15,000	10,000	10,000
Profit & Loss	600	400	200	Revaluation A/c	3,300	2,200	1,100
Cash	–	2,800	–	Goodwill A/c	9,000	6,000	3,000
Q's Loan	–	15,000	–	R's Current A/c	–	–	1,900
P's Current A/c	1,900	–	–				
Balance c/d	11,300	–	11,300				
	27,300	18,200	16,000		27,300	18,200	16,000

(3)

7. (b) : Profit and loss Appropriation Account. (1)

8. ₹1,08,000 (1)

9. (i) Ratio of Profit to sales = 2,40,000/8,00,000 × 100 = 30% (0.5)

Profit upto the date of death= 1,50,000 × 30% = ₹45,000

Profit sharing Ratio = 3:2:1 (0.5)

Harit's Share of Profit = 45,000 × 1/6 = ₹7,500 (1)

Alternative: Harit's Share of Profit = 2,40,000/8,00,000 × 1,50,000 × 1/6 = ₹7,500

(ii) **Journal**

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Profit & Loss Suspense A/c Dr. To Harit's Current A/c (Being Harit's share in profit transferred to his current account)		7,500	7,500

(1)

10. **Journal**

Date	Particulars	L.F.	Dr. Amount (₹)	Cr. Amount (₹)
2019 June 30	Profit and Loss Suspense A/c Dr. To A's Capital A/c (Being share of profit provided till the date of his death)		1,20,000	1,20,000

Dr. **A's Executors A/c** Cr.

Date	Particulars	J.F.	Amount (₹)	Date	Particulars	J.F.	Amount (₹)
2019 June 30	Furniture A/c		2,40,000	2019 June 30	A's Capital A/c		8,40,000
2020 Mar. 31	Balance c/d		6,27,000	2020 Mar.31	Interest A/c		27,000
			8,67,000				8,67,000
2020 June 30	Bank A/c		2,36,000	2020 Apr. 1	Balance b/d		6,27,000
2021 Mar. 31	Balance c/d		4,18,000	June 30	Interest A/c		9,000
				2021 Mar. 31	Interest A/c		18,000
			6,54,000				6,54,000
2021 June 30	Bank A/c		2,24,000	2021 Apr. 1	Balance b/d		4,18,000
2022 Mar. 31	Balance c/d		2,09,000	June 30	Interest A/c		6,000
				2022 Mar. 31	Interest A/c		9,000
			4,33,000				4,33,000
2022 June 30	Bank A/c		2,12,000	2021 Apr. 1	Balance b/d		2,09,000
				June 30	Interest A/c		3,000
			2,12,000				2,12,000

(6)