THE VILLAGE INTERNATIONAL SCHOOL

CLASS XII ACCOUNTANCY

RETIREMENT & DEATH OF A PARTNER

1. P, Q and R are partners sharing profits in the ratio of 8:5:3. P retires. Q takes 3/16th share from P and R takes 5/16th share from P. What will be the new profit sharing ratio?

   a) 1:1
   b) 10:6
   c) 9:7
   d) 5:3

2. X, Y and Z are partners sharing profits and losses in the ratio of 4:3:2. Y retires and surrenders 1/9th of his share in favour of X and the remaining in favour of Z. The new profit sharing ratio will be:

   a) 1:8
   b) 13:14
   c) 8:1
   d) 14:13

3. At the time of retirement of a partner, share of retiring partner's goodwill will be credited to ---------------- Capital Account(s).

   a) Remaining Partner(s)
   b) Retiring Partner's
   c) Both Sacrificing and Gaining Partner(s)
   d) Gaining Partner(s)

4. If goodwill is already appearing in the books of accounts at the time of retirement, then it should be written off in -------------.

   a) New Ratio
   b) Gaining Ratio
   c) Sacrificing Ratio
   d) Old Ratio

5. As per Section 37 of the Indian Partnership Act, 1932, interest @ ----------- is payable to the retiring partner if full or part of his dues remain unpaid.

   a) 9% p.m.
   b) 12% p.m.
   c) 6% p.m.
   d) None of the above

6. A, B and C were partners. Their partnership deed provided that they were to share profits as; A 26 per cent; B 34 per cent; C 40 per cent ; and that if a partner retires, his capital should remain in the business for a stated period at a fixed rate of interest, but that the retiring partner's share should be credited with an amount for Goodwill, based upon one and a half year's average profits, for the five years prior to his death, but be subject to deduction of 5 per cent from the book debts. C retired, and the profits of the firm for five years were agreed at Rs. 20,000; Rs. 30,000; Rs. 15,000 (loss); Rs. 5,000 (loss); and Rs. 45,000 respectively. Book Debts stood at Rs. 90,000. The share of Goodwill to be credited to C's Account will be:

a) Rs. 2,700
b) Rs. 6,300
c) Rs. 7,200
d) Rs. 3,600

7. On retirement of a partner, debtors of Rs. 34,000 were shown in the Balance sheet. Out of this Rs. 4,000 became bad. One debtor became insolvent. 70% were recovered from him out of Rs. 10,000. Full amount is expected from the balance debtors. On account of this item loss in revaluation account will be:

a) Rs. 10,200
b) Rs. 3,000
c) Rs. 7,000
d) Rs. 4,000

8. Anil, Bimal and Chetan are partners sharing their profits and losses in the ratio of 4:3:2. On 1.7.2013, Chetan retired and on that date the capitals of Anil, Bimal and Chetan after all necessary adjustments stood at Rs. 75,000, Rs. 65,000 and Rs. 45,000 respectively. Anil and Bimal continued to carry the business for 6 months without settling Chetan's account. During the period of six months ending 31st December,2013, a profit of Rs. 50,000 is earned by the firm. Keeping Chetan's interest in mind, the amount payable to Chetan will be:

a) Rs. 1,350
b) Rs. 13,362
c) Rs. 12,162
d) Rs. 1,362

9. Retiring partner is compensated for parting with the firm's future profits in favour of remaining partners. The remaining partners contribute to such compensation amount in:

a) Gaining Ratio
b) Sacrificing Ratio
c) Capital Ratio
d) Profit Sharing Ratio

10. A, B and C are partners in a firm sharing profits and losses in the ratio of 2:2:1. On March, 31, 2018 C died. Accounts are closed on December 31^{st} every year. The sales for the year 2017 was Rs. 6,00,000 and the profits were Rs. 60,000. The sales for the period for the period January 1, 2018 to March 31^{st} 2018 were Rs.2,00,000. The share of deceased Partner in the current year's profit on the basis of sales is

(a) Rs.20,000

(b) Rs. 8,000

(c) Rs. 3,000

(d) Rs. 4,000

11. A, B and C were partners sharing profits and losses in the ratio of 2:2:1. Books are closed on 31^{st} March every year. C died on November 5, 2018. Under the Partnership deed the executors of the deceased partner are entitled to his share of profit to the date of death calculated on the basis of last year's profit. Profit for the year ended 31^{st} March, 2018 was Rs. 2,14,000. C's share of profit will be

(a) Rs.28,000

(b) Rs.32,000

(c) Rs.28,800

(d) Rs.48,000

12. On death of a Partner, the remaining partner(s) who have gained due to change in profit sharing ratio should compensate the

(a) Deceased partner only

(b) Remaining partners (who have sacrificed) as well as deceased partner

(c) Remaining partners only (who have sacrificed)

(d) None of the above

13. Which account is opened to transfer deceased partner's share of profit to his capital account?

(a) P&L Adjustment account

(b) P&L Appropriation account

(c) P&L Suspense account

(d) None of the above

14. Kiran, Umesh and Aditya were in Partnership firm. Suddenly on October 31,2018, Kiran died. Amount payable to her on that date amounted to Rs. 1,05,000. Rs. 5000 was paid immediately and balance was paid in 4 equal annual instalments along with interest @ 12% p.a. starting from 31st October 2019. Calculate the interest due as on 31st March, 2019. Financial year was followed as accounting year by the firm.

(a) Rs. 2,500

(b) Rs.3,000

(c) Rs.4,500

(d) Rs. 3,750

15. Karan, Aman and Girish were Partners with capitals of Rs. 3,00,000'; Rs.2,50,000 and Rs.2,00,000 respectively as on 31st March, 2018. Aman died, partners decided to pay the entire amount to Aman's Executor but they only had Rs.50,000 cash and rest of the amount was to be brought in by Karan and Girish in such a way that their future capital will be equal. Calculate the amount to be brought in by Karan and Girish.

(a) Rs.50,000 by Karan and Rs.1,50,000 by Girish

(b) Rs.50,000 by Girish and Rs.1,50,000 by Karan

(c) Rs.25,000 by Karan and Rs.1,25,000 by Girish

(d) Rs.25,000 by Girish and Rs.1,25,000 by Karan

16. Asha, Naveen and Shalini were partners in a firm sharing profits in the ratio of 5 : 3 : 2. Goodwill appeared in their books at a value of ₹ 80,000 and General Reserve at ₹ 40,000. Naveen decided to retire from the firm. On the date of his retirement, goodwill of the firm was valued at ₹ 1,20,000. The new profit ratio decided among Asha and Shalini is 2 : 3.
Record necessary journal entries on Naveen's retirement.

17. Kanika, Disha and Kabir were partners sharing profits in the ratio of 2 :1:1. On 31st March, 2016, their Balance Sheet was as under:

Liabilities	₹	Assets	₹
Trade creditors	53,000	Bank	60,000
Employees' Provident Fund	47,000	Debtors	60,000
Kanika's capital	2,00,000	Stock	1,00,000
Disha's capital	1,00,000	Fixed assets	2,40,000
Kabir's capital	80,000	Profit and Loss A/c	20,000
	4,80,000		4,80,000

Kanika retired on 1st April, 2016. For this purpose, the following adjustments were agreed upon:
(a) Goodwill of the firm was valued at 2 years purchase of average profits of three completed years preceding the date of retirement. The profits for the year:
2013-14 were ₹ 1,00,000 and for 2014-15 were ₹ 1,30,000 and for 2015 -16 were ₹20,000 loss.
(b) Fixed Assets were to be increased to ₹ 3,00,000.
(c) Stock was to be valued at 120%.
(d) The amount payable to Kanika was transferred to her Loan Account.
Prepare Revaluation Account, Capital Accounts of the partners and the Balance Sheet of the reconstituted firm.

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

Liabilities		Amount (₹)	Assets		Amount (₹)
Creditors		1,65,000	Cash		1,20,000
General Reserve		90,000	Debtors	1,35,000	
Capitals :			*Less*: Provision	15,000	1,20,000
N	2,25,000		Stock		1,50,000
S	3,75,000		Machinery		4,50,000
G	4,50,000	10,50,000	Patents		90,000
			Building		3,00,000
			Profit and Loss Account		75,000
		13,05,000			**13,05,000**

G retired on the above date and it was agreed that:
(a) Debtors of ₹ 6,000 will be written off as bad debts and a provision of 5% on debtors for bad and doubtful debts will be maintained.
(b) Patents will be completely written off and stock, machinery and building will be depreciated by 5%.
(c) An unrecorded creditor of ₹ 30,000 will be taken into account.
(d) N and S will share the future profits in 2 : 3 ratio.
(e) Goodwill of the firm on G's retirement was valued at ₹ 90,000.
Pass necessary journal entries for the above transactions in the books of the firm on G's retirement.

19. Pankaj, Naresh and Saurabh are partners sharing profits in the ratio of 3 : 2 : 1. On 31st March, 2018, Naresh retired from the firm due to his illness. On that date, Balance Sheet of the firm was as follows:

Liabilities		Amount (₹)	Assets		Amount (₹)
General Reserve		12,000	Bank		7,600
Sundry Creditors		15,000	Debtors	6,000	
Bills Payable		12,000	*Less*: Provision for D. Debts	400	5,600
Outstanding Salary		2,200	Stock		9,000
Provision for Legal Damages		6,000	Furniture		41,000
Capital A/cs:			Premises		80,000
Pankaj	46,000				
Naresh	30,000				
Saurabh	20,000	96,000			
		1,43,200			**1,43,200**

Additional Information:
(a) Premises have appreciated by 20%, stock depreciated by 10% and provision for doubtful debts was to be made 5% on debtors. Further provision for legal damages is to be made for ₹ 1,200 and furniture to be brought up to ₹ 45,000.
(b) Goodwill of the firm be valued at ₹ 42,000.
(c) ₹ 26,000 from Naresh's Capital Account be transferred to his Loan Account and balance be paid through bank: if required, necessary loan may be obtained from bank.
(d) New profit-sharing ratio of Pankaj and Saurabh is decided to be 5 : 1.
Give the necessary Ledger Accounts and Balance Sheet of the firm after Naresh's retirement.

20. X, Y and Z are partners sharing profits in the ratio of 4 : 3 : 2. Their Balance Sheet as at 31st March, 2018 stood as follows:

Liabilities		Amount (₹)	Assets		Amount (₹)
Creditors		24,140	Cash at Bank		3,300
Capital A/cs:			Sundry Debtors	3,045	
X	12,000		*Less*: Provision for D. Debts	105	2,940
Y	9,000		Stock		4,800
Z	6,000	27,000	Plant and Machinery		5,100
			Land and Building		15,000
			Y's Loan		20,000
		51,140			**51,140**

Y having given notice to retire from the firm, the following adjustments in the books of the firm were agreed upon:

(a) That the Land and Building be appreciated by 10%.

(b) That the Provision for Doubtful Debts is no longer necessary since all the debtors are considered good.

(c) That the stock be appreciated by 20%.

(d) That the adjustment be made in the accounts to rectify a mistake previously committed whereby Y was credited in excess by ₹ 810, while X and Z were debited in excess of ₹ 420 and ₹ 390 respectively.

(e) Goodwill of the firm be fixed at ₹ 5,400 and Y's share of the same be adjusted to that of X and Z who were going to share in the ratio of 2 : 1.

(f) It was decided by X and Y to settle Y's account immediately on his retirement.

You are required to show:

(i) Revaluation Account

(ii) Partner's Capital Accounts and

(iii) Balance Sheet of the firm after Y's retirement.

21. X, Y and Z are partners sharing profits and losses in the ratio of 3 : 2 : 1. The Balance Sheet of the firm as at 31st March, 2018 stood as follows:

Liabilities		Assets	
Creditors	21,000	Cash at bank	5,750
Workmen Compensation Reserve		Debtors 40,000	
Investment Fluctuation Reserve	12,000	Less: PBDD 2,000	38,000
Capitals		Stock	30,000
X 68,000	6,000	Investments(Market value	
Y 32,000		17,600)	15,000
Z 21,000		Patents	10,000
		Machinery	50,000
	1,21,000	Advertisement expenses	5,250
		Goodwill	6,000
	1,60,000		1,60,000

Z retired on the above date on the following terms:
(a) Goodwill of the firm is to be valued at ₹ 34,800.
(b) Value of Patents is to be reduced by 20% and that of machinery to 90%.
(c) Provision for Doubtful Debts is to be created @ 6% on debtors.
(d) Z took over the investment at market value.
(e) Liability for Workmen Compensation to the extent of ₹ 750 is to be created.
(f) A liability of ₹ 4,000 included in creditors is not to be paid.
(g) Amount due to Z to be settled on the following basis:
₹ 5,067 to be paid immediately, 50% of the balance within one year and the balance by a Bill of Exchange (without interest) at 3 Months.
Give necessary journal entries for the treatment of goodwill, prepare Revaluation Account, Capital Accounts and the Balance Sheet of the new firm.

22. J, H and K were partners in a firm sharing profits in the ratio of 5 : 3 : 2. On 31st March, 2015, their Balance Sheet was as follows:

Liabilities		Amount (₹)	Assets		Amount (₹)
Creditors		42,000	Land and Building		1,24,000
Investment Fluctuation Fund		20,000	Motor Vans		40,000
Profint and Loss Account		80,000	Investments		38,000
			Machinery		24,000
Capital A/cs:			Stock		30,000
J	1,00,000		Debtors	80,000	
H	80,000		*Less*: Provision for D. Debts	6,000	74,000
K	40,000	2,20,000	Cash		32,000
		3,62,000			**3,62,000**

On the above date, H retired and J and K agreed to continue the business on the following terms:
(i) Goodwill of the firm was valued at ₹ 1,02,000.
(ii) There was a claim of ₹ 8,000 for workmen's compensation.
(iii) Provision for bad debts was to be reduced by ₹ 2,000.
(iv) H will be paid ₹ 14,000 in cash and 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 J and K will be 3 : 2 and their capitals will be in their new profit-sharing ratio. The capital adjustments will be done by opening Current Accounts.
Prepare Revaluation Account, Partners Capital Accounts and Balance Sheet of the new firm.

23. The Balance Sheet of X, Y and Z who shared profits in the ratio of 5 : 3 : 2 as on 31st March, 2018 was as follows:

Liabilities		₹	Assets	₹
Sundry Creditors		39,750	Bank(Minimum Balance)	15,000
Employees Provident Fund		5,250	Debtors	97,500
Workmen Compensation Reserve		22,500	Stock	82,500
Capital A/cs:			Fixed Assets	1,87,500
X	1,65,000			
Y	84,000			
Z	66,000	3,15,000		
		3,82,500		3,82,500

Y retired on the above date and it was agreed that:
(i) Goodwill of the firm is valued at ₹ 1,12,500 and Y's share of it be adjusted into the accounts of X and Z who are going to share future profits in the ratio of 3 : 2.
(ii) Fixed Assets be appreciated by 20%.
(iii) Stock be reduced to ₹ 75,000.
(iv) Y be paid amount brought in by X and Z in such a way as to make their capitals proportionate to their new profit-sharing ratio.
Prepare Revaluation Account, Capital Accounts of all partners and the Balance Sheet of the New Firm.

24. A, B and C are partners in a firm sharing profits and losses in the ratio of 3 : 2 : 1. Their Balance Sheet as at 31st March, 2018 is:

Liabilities		Amount (₹)	Assets		Amount (₹)
Creditors		30,000	Cash in Hand		18,000
Bills Payable		16,000	Debtors	25,000	
General Reserve		12,000	*Less*: Provision for D. Debts	3,000	22,000
Capital A/cs:			Stock		18,000
A	40,000		Furniture		30,000
B	40,000		Machinery		70,000
C	30,000	1,10,000	Goodwill		10,000
		1,68,000			1,68,000

B retires on 1st April, 2018 on the following terms:
(a) Provision for Doubtful Debts be raised by ₹ 1,000.
(b) Stock to be depreciated by 10% and Furniture by 5%.
(c) Their is an outstanding claim of damages of ₹ 1,100 and it is to be provided for.
(d) Creditors will be written back by ₹ 6,000.
(e) Goodwill of the firm is valued at ₹ 22,000.
(f) B is paid in full with the cash brought in by A and C in such a manner that their capitals are in proportion to their profit-sharing ratio and Cash in Hand remains at ₹ 10,000.
Prepare Revaluation Account, Partners Capital Accounts and the Balance Sheet of A and C.

25. A, B and C were partners in a firm sharing profits in the ratio of 5 : 3 : 2. On 31st March, 2017, their Balance Sheet was as follows:

Liabilities		₹	Assets	₹
Creditors		11,000	Building	20,000
Reserves		6,000	Machinery	30,000
Capital A/cs:			Stock	10,000
A	30,000		Patents	11,000
B	25,000		Debtors	8,000
C	15,000	70,000	Cash	8,000
		87,000		**87,000**

A died on 1st October, 2017. It was agreed among his executors and the remaining partners that:
(i) Goodwill to be valued at $2\frac{1}{2}$ years purchase of the average profit of the previous 4 years, which were 2013-14: ₹ 13,000; 2014-15: ₹ 12,000; 2015-16: ₹ 20,000 and 2016-17: ₹ 15,000.
(ii) Patents be valued at ₹ 8,000; Machinery at ₹ 28,000; and Building at ₹ 25,000.
(iii) Profits for the year 2017-18 be taken as having accrued at the same rate as that of the previous year.
(iv) Interest on capital be provided @ 10% p.a.
(v) Half of the amount due to A to be paid immediately to the executors and the balance transferred to his (Executors) Loan Account.
Prepare A's Capital Account and A's Executors Account as on 1st October, 2017.

26. A, B and C are partners in a firm sharing profits in the proportion of 3 : 2 : 1. Their Balance Sheet as at 31st March, 2018 stood as follows:

Liabilities		₹	Assets	₹
Sundry Creditors		2,60,000	Cash in Hand	42,500
General Reserve		1,20,000	Cash at Bank	2,14,500
Capital A/cs:			Debtors	1,63,000
A	2,00,000		Stock	17,500
B	1,20,000		Investments	1,32,500
C	80,000	4,00,000	Building	2,10,000
		7,80,000		**7,80,000**

B died on 30th June, 2018 and according to the deed of the said partnership his executors are entitled to be paid as under:

(a) The capital to his credit at the time of his death and interest thereon @ 10% per annum.

(b) His proportionate share of General Reserve.

(c) His share of profits from the intervening period will be based on the sales during that period. Sales from 1st April, 2018 to 30th June, 2018 were as ₹ 12,00,000. The rate of profit during past three years had been 10% on sales.

(d) Goodwill according to his share of profit to be calculated by taking twice the amount of profits of the last three years less 20%. The profit of the previous three years were: 1st Year: ₹ 82,000; 2nd year: ₹ 90,000; 3rd year: ₹ 98,000.

(e) The investments were sold at par and his executors were paid out in full.

Prepare B’s Capital Account and his Executors Account.

Answers

1. a
2. b
3. b
4. d
5. d
6. c
7. c
8. c
9. a
10. d
11. c
12. b
13. c
14. c
15. a
16.

Journal

Particulars		L.F.	Debit Rs.	Credit Rs.
Asha's Capital A/c	Dr.		40,000	
Naveen's Capital A/c	Dr.		24,000	
Shalini's Capital A/c	Dr.		16,000	
To Goodwill A/c				80,000
(Being Existing goodwill written off amongst existing partners in old ratio)				
General Reserve A/c	Dr.		40,000	
To Asha's Capital A/c				20,000
To Naveen's Capital A/c				12,000
To Shalini's Capital A/c				8,000
(Being General Reserve distributed among all partners in old ratio)				
Shalini's Capital A/c	Dr.		48,000	
To Asha's Capital A/c				12,000
To Naveen's capital A/c				36,000
(Being Goodwill adjusted by debiting gaining partners and crediting sacrificing and retiring partner)				

Calculation of Gaining Ratio

Gaining Ratio = New share - Old Share

Asha's $= \frac{2}{5} - \frac{5}{10} = \frac{4}{10} - \frac{5}{10} = \frac{-1}{10}$(sacrifice)

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

Thus,Both Asha and Naveen would be compensated by Shalini in the ratio of 1:3

Asha's sacrifice for $\frac{1}{10}$th $= 1{,}20{,}000 \times \frac{1}{10} = 12{,}000$

Naveen's sacrifice for $\frac{3}{10}$th $= 1{,}20{,}000 \times \frac{3}{10} = 36{,}000$

17.

Revaluation Account

Dr. Cr.

Particulars		Rs.	Particulars	Rs.
Revaluation Profit			Fixed Assets	60,000
Kanika's Capital	40,000		Stock	20,000
Disha's Capital	20,000			
Kabir's Capital	20,000	80,000		
		80,000		80,000

Partners' Capital Account

Dr. Cr.

Particulars	Kanika	Disha	Kabir	Particulars	Kanika	Disha	Kabir
Profit and Loss A/c	10,000	5,000	5,000	Balance b/d	2,00,000	1,00,000	80,000
Kanika's Capital A/c		35,000	35,000	Disha's Capital A/c	35,000		
Kanika's Loan A/c	3,00,000			Kabir's Capital A/c	35,000		
Balance c/d		80,000	60,000	Revaluation	40,000	20,000	20,000
	3,10,000	1,20,000	1,00,000		3,10,000	1,20,000	1,00,000

Balance Sheet
as on March 31, 2016

Liabilities		Rs.	Assets	Rs.
Employees' Provident Fund		47,000	Bank	60,000
Trade Creditors		53,000	Sundry Debtors	60,000
Kanika's Loan A/c		3,00,000	Stock	1,20,000
Capitals			Fixed Assets	3,00,000
Disha	80,000			
Kabir	60,000	1,40,000		
		5,40,000		5,40,000

Working Notes:

***WN*1**: *Calculation of Goodwill*

Goodwill = Average Profits x Number of Years' Purchase

$$\text{Average Profits} = \frac{\text{Total Profits}}{\text{Number of Years}}$$

$$= \frac{1,00,000 + 1,30,000 - 20,000}{3}$$

$$= \frac{2,10,000}{3} = \text{Rs } 70,000$$

Goodwill = 70,000 x 2 = Rs 1,40,000

$$\text{Kanika's share} = 1,40,000 \times \frac{2}{4} = 70,000 \text{(to be borne by gaining partners in gaining ratio)}$$

Note: *Since no information is given about the share of gain, it is assumed that the old partners are gaining in their old profit sharing ratio.*

18.

Journal				
Date	Particulars	L.F.	Debit Rs.	Credit Rs.
	General Reserve A/c Dr.		90,000	
	To N's Capital A/c			18,000
	To S's Capital A/c			27,000
	To G's Capital A/c			45,000
	(Balance in reserve distributed among all partners in old ratio)			
	N's Capital A/c Dr.		15,000	
	S's Capital A/c Dr.		22,500	
	G's Capital A/c Dr.		37,500	
	To Profit and Loss A/c			75,000
	(Debit balance PandL A/c written off among all partners in old ratio)			
	N's Capital A/c Dr.		18,000	
	S's Capital A/c Dr.		27,000	
	To G's Capital A/c			45,000
	(Goodwill adjusted in gaining ratio)			
	Revaluation A/c Dr.		1,65,000	
	To Patent A/c			90,000
	To Stock A/c			7,500
	To Machinery A/c			22,500
	To Building A/c			15,000
	To Creditors A/c			30,000
	(Decrease in assets and increase in liabilities debited to Revaluation A/c)			
	Provision for Doubtful Debts A/c Dr.		2,550	
	To Revaluation A/c			2,550
	(Excess provision written back)			
	N's Capital A/c Dr.		32,490	
	S's Capital A/c Dr.		48,735	
	G's Capital A/c Dr.		81,225	
	To Revaluation A/c			1,62,450
	(Loss on revaluation debited to partners' capital accounts in old ratio)			
	G's Capital A/c Dr.		4,21,275	
	To G's Loan A/c			4,21,275
	(Amount due to G transferred to his loan A/c)			

Working Notes:

***WN*1**: *Calculation of G's Share of Goodwill*

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

$$G's\ share = 90,000 \times \frac{5}{10} = 45,000 \text{(to be borne by gaining partners in gaining ratio)}$$

***WN*2**: *Calculation of Gaining Ratio*

Gaining Ratio = New Ratio - Old Ratio

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

$$S's\ gain = \frac{3}{5} - \frac{3}{10} = \frac{3}{10}$$

Gaining Ratio = 2:3

$$N's\ share = 45,000 \times \frac{2}{5} = 18,000$$

$$S's\ share = 45,000 \times \frac{3}{5} = 27,000$$

***WN*2**: *Calculation of Excess/Deficit Provision for Doubtful Debts*

$$\text{Required Provision (@5\%)} = (1,35,000 - 6,000) \times \frac{5}{100} = 6,450$$

Existing Provision (after writing bad-debts)= 9,000

Excess Provision (to be written back) = 2,550 (9,000 – 6,450)

***WN*3**: *Calculation of G's Loan Balance*

Amount due to G = Opening Capital + Credits - Debits

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

19.

Revaluation Account

Dr. **Cr.**

Particulars		Rs.	Particulars	Rs.
Stock		900	Premises	16,000
Provision for Legal Damages		1,200	Provision for Doubtful Debts	100
Revaluation Profit			Furniture	4,000
Pankaj's Capital A/c	9,000			
Naresh's Capital A/c	6,000			
Saurabh's Capital A/c	3,000	18,000		
		20,100		20,100

Partners' Capital Accounts

Dr. **Cr.**

Particulars	Pankaj	Naresh	Saurabh	Particulars	Pankaj	Naresh	Saurabh
Naresh's Capital A/c	14,000			Balance b/d	46,000	30,000	20,000
Naresh's Loan A/c		26,000		General Reserve	6,000	4,000	2,000
Bank		28,000		Revaluation (Profit)	9,000	6,000	3,000
Balance c/d	47,000		25,000	Pankaj's Capital A/c		14,000	
	61,000	54,000	25,000		61,000	54,000	25,000

Balance Sheet
as on March 31, 2018

Liabilities		Rs.	Assets		Rs.
Sundry Creditors		15,000	Debtors	6,000	
Bills Payable		12,000	*Less*: Provision for Doubtful Debts	300	5,700
Bank Loan		20,400	Stock		8,100
Outstanding Salaries		2,200	Furniture		45,000
Provision for Legal Damages		7,200	Premises		96,000
Naresh's Loan		26,000			
Capitals:					
Pankaj	47,000				
Saurabh	25,000	72,000			
		1,54,800			1,54,800

Bank Account

Dr. **Cr.**

Particulars	Rs.	Particulars	Rs.
Balance b/d	7,600	Naresh's Capital A/c	28,000
Bank Loan (*Balancing Figure*)	20,400		
	28,000		28,000

20. Revaluation Account

Particulars		₹	Particulars	₹
To Profit transferred to:			By land & building	1,500
X	1,140		By PBDD	105
Y	855		By Stock	960
Z	570	2,565		
		2,565		2,565

Partner's Capital account

Particulars	X	Y	Z	Particulars	X	Y	Z
To Y's cap	1,200		600	By Bal b/d	12,000	9,000	6,000
To X		420		By Rev (profit)	1,140	855	570
To Y		390		By X		1,200	
To Y's loan		20,000		By Z		600	
To bal c/d	12,360		6,360	By Y	420		390
				By cash/bank (settlement)		9,155	
	13,560	20,810	6,960		13,560	20,810	6,960

Balance Sheet As on 1st April 2018 (after Y's Retirement)

Liabilities		₹	Assets	₹
Creditors		24,140	Cash at Bank(3,300+9,155)	12,455
Capital:			Sundry Debtors	3,045
X	12,360		Stock(4,800+960)	5,760
Z	6,360	18,720	Plant & Machinery	5,100
			Land & Building	16,500
		42,860		42,860

Working Note:
Adjustment of Goodwill
X : Y : Z = 4 : 3 : 2 (Old Ratio)
Y retires from the firm.
∴ Gaining Ratio = 4 : 2 = 2 : 1
Goodwill of the firm = Rs. 5,400

$$\text{Ys Goodwill} = 5,400 \times \frac{3}{9} = ₹1,800$$

$$X's = 1,800 \times \frac{2}{3} = ₹1,200$$

$$Z's = 1,800 \times \frac{1}{3} = ₹600$$

Y's share of goodwill is to be distributed between X and Z in their = 2 : 1 (Gaining Ratio)

21.

Journal

Date	Particulars		L.F.	Debit Rs.	Credit Rs.
2016 1st April	X's Capital A/c	Dr.		3,000	
	Y's Capital A/c	Dr.		2,000	
	Z's Capital A/c	Dr.		1,000	
	To Goodwill A/c				6,000
	(Being existing Goodwill Written off)				
1st April	X's Capital A/c	Dr.		3,480	
	Y's Capital A/c	Dr.		2,320	
	To Z's Capital A/c				5,800
	(Being Z's share of goodwill credited to him and gaining partners debited in gaining ratio)				

Revaluation Account

Dr. Cr.

Particulars	Rs.	Particulars		Rs.
To Patents A/c	2,000	By Investments A/c(17,600-15,000)		2,600
To Machinery A/c	5,000	By Creditors A/c		4,000
To Provision For D. Debts A/c	400	By Loss on Revaluation transferred:		
		X's Capital A/c	400	
		Y's Capital A/c	267	
		Z's Capital A/c	133	800
	7,400			7,400

Partners' Capital Account

Dr. Cr.

Particulars	X	Y	Z	Particulars	X	Y	Z
To Goodwill A/c	3,000	2,000	1,000	By Balance b/d	68,000	32,000	21,000
To Revaluation A/c	400	267	133	By X's Capital A/c			3,480
To Z's Capital A/c	3,480	2,320		By Y's Capital A/c			2,320
To Advertisement expenditure A/c	2,625	1,750	875	By Workmen Compensation Reserve A/c	5,625	3,750	1,875
To Investment A/c			17,600	By Investment Fluctuation Reserve A/c	3,000	2,000	1,000
To Bank A/c			5,067				
To Z's Loan A/c			2,500				
To Bills payable A/c			2,500				
Balance c/d	67,120	31,413					
	76,625	37,750	29,675		76,625	37,750	29,675

Balance Sheet

as on 1st April 2018 after Z's retirement

Liabilities		Rs.	Assets		Rs.
Creditors		17,000	Cash at Bank (5,750 - 5,067)		683
Workmen Compensation Claim		750	Stock		30,000
Bills payable		2,500	Patents		8,000
Capital			Debtors	40,000	
X	67,120		Less: prov. for Doubtful Debts	(2,400)	37,600
Y	31,413	98,533	Machinery		45,000
Z's Loan		2,500			
		1,21,283			**1,21,283**

Working Note:

Amount due to Z's = (21,000 + 3,480 + 2,320 + 1,875 + 1,000) - (1,000 + 133+ 875 + 17,600) = 10,067

Amount paid on Retirement immediately : Rs.5,067

Amount paid within 1 year : (5000 × 50%) = Rs.2,500

Amount payable by Bills of Exchange (50% of Balance) = Rs.2,500

22.

Revaluation A/c

Dr. **Cr.**

Particulars	Rs.	Particulars		Rs.
To Claim for Workmen Compensation A/c	8,000	By Provision for Debts A/c		2,000
		By Loss on Revaluation		
		J's Capital A/c	3,000	
		H's Capital A/c	1,800	
		K's Capital A/c	1,200	6,000
	8,000			**8,000**

Partners' Capital Account

Dr. **Cr.**

Particulars	J	H	K	Particulars	J	H	K
To Revaluation A/c	3,000	1,800	1,200	By Balance b/d	1,00,000	80,000	40,000
To H's Capital A/c	10,200		20,400	By IFF A/c	10,000	6,000	4,000
To Cash A/c		14,000		By PandL A/c	40,000	24,000	16,000
To H's Loan A/c		1,24,000		By J's Capital A/c		10,200	
To Balance c/d	1,36,800		38,400	By K's Capital A/c		20,400	
	1,50,000	1,40,600	60,000		1,50,000	1,40,600	60,000
To Current A/c	31,680			By Balance b/d	1,36,800		38,400
To Balance c/d	1,05,120		70,080	By Current A/c			31,680
	1,36,800		70,080		1,36,800		70,080

Balance Sheet

for the year ending on 31st March 2015

Liabilities		Rs.	Assets		Rs.
Creditors		42,000	Land and Building		1,24,000
Capitals			Motor Vans		40,000
J	1,05,120		Investment		38,000
K	70,080	1,75,200	Machinery		24,000
J's Current A/c		31,680	Stock		30,000
Claim for Workmen C.		8,000	Debtors	80,000	
H's Loan		1,24,800	Less : Provision	(4,000)	76,000
			Cash (32,000 - 14,000)		18,000
			K's Current A/c		31,680
		3,81,680			**3,81,680**

Working Notes:

1. Calculation of Gaining Ratio

Gaining Ratio = New Ratio - Old Ratio

J's Share = $\frac{3}{5}-\frac{5}{10}=\frac{6-5}{10}=\frac{1}{10}$

K's Share = $\frac{2}{5}-\frac{2}{10}=\frac{4-2}{10}=\frac{2}{10}$

Gaining Ratio (J and k) = 1 : 2

2. Adjustment of Goodwill

H's share of Goodwill = $1,02,000 \times \frac{3}{10}$ = ₹30,600

This amount of goodwill i.e. 30,600 is to be distributed between J and K in their = 1 : 2 (Gaining Ratio)

J's A/c Debited= $30,600 \times \frac{1}{3}$ = ₹10,200

K's A/c Debited= $30,600 \times \frac{2}{3}$ = ₹20,400

3. Total Adjustment of Capital

Total Adjusted Capital of J and K

J's Capital = 1,00,000 + 10,000 + 40,000 - 3,000 - 10,200 = Rs.1,36,800

K's Capital = 40,000 + 4,000 + 16,000 - 1,200 - 20,400 = Rs.38,400

Total Adjusted Capital = 1,36,800 + 38,400 = Rs.1,75,200

J's = $1,75,200 \times \frac{3}{5}$ = ₹1,05,120

K's = $1,75,200 \times \frac{2}{5}$ = ₹70,080

K's New Capital > K's Adjusted Capital (K will pay 31,680 to the firm)

J's New Capital < J's Adjusted Capital (Firm will pay 31,680 to J)

4. Amount transferred to H's Loan A/c

Amount to be transferred = Balance Amount - Cash paid

= (1,40,600 - 1,800) - 14,000 = Rs.1,24,800

23.

Revaluation A/c

Dr. Particulars		Rs.	Particulars	Cr. Rs.
To Stock A/c		7,500	By Fixed Assets A/c	37,500
To Profit transferred to				
X's Capital A/c	15,000			
Y's Capital A/c	9,000			
Z's Capital A/c	6,000	30,000		
		37,500		**37,500**

Partner's Capital Account

Dr. Particulars	X	Y	Z	Particulars	X	Y	Cr. Z
To Y's Capital A/c	11,250		22,500	By Balance b/d	1,65,000	84,000	66,000
To Bank A/c		1,33,500		By Revaluation A/c	15,000	9,000	6,000
To Balance c/d	2,20,500		1,47,000	By WCR A/c	11,250	6,750	4,500
				By X's Capital A/c		11,250	
				By Z's Capital A/c (Goodwill)		22,500	
				By Bank A/c (Bal. fig.)	40,500		93,000
	2,31,750	1,33,500	1,69,500		2,31,750	1,33,500	1,69,500

Balance Sheet

as on 1st April 2018 (after Y's retirement)

Liabilities		Rs.	Assets	Rs.
Creditors		39,750	Fixed Assets	2,25,000
Employee's Provident Fund		5,250	Stock	75,000
Capital			Bank	15,000
X	2,20,500		Debtors	97,500
Z	1,47,000	3,67,500		
		4,12,500		**4,12,500**

Working Notes:

1. Calculation of Gaining ratio

Old Ratio (X, Y and Z) = 5 : 3 : 2

New Ratio (X and Z) = 3 : 2

Gaining Ratio = New Ratio - Old Ratio

$$X's = \frac{3}{5} - \frac{5}{10} = \frac{6}{10} - \frac{5}{10} = \frac{1}{10}$$

$$Z's = \frac{2}{5} - \frac{2}{10} = \frac{4}{10} - \frac{2}{10} = \frac{2}{10}$$

Gaining Ratio (X and Z)=1:2

2. Calculation of Retiring Partner's share of goodwill

Y's share of goodwill $= 1,12,500 \times \frac{3}{10} =$ ₹33,750

Y'sshare of goodwill is to be distributed between X and Z in their = 1 : 2 (Gaining Ratio)

X's Capital A/c Debited $= 33,750 \times \frac{1}{3} =$ ₹11,250

Z's Capital A/c Debited $= 33,750 \times \frac{2}{3} =$ ₹22,500

2. Calculation of New Capital of Remaining Partners

Total Capital = Assets - Outside Liabilities
= 2,25,000 + 75,000 + 15,000 + 97,500 - 37,750 - 5,250
= 4,12,500 - 45,000
Total Capital = Rs.3,67,500

X's Capital A/c $= 3,67,500 \times \frac{3}{5} =$ ₹2,20,500

Z's Capital A/c $= 3,67,500 \times \frac{2}{5} =$ ₹1,47,000

24.

Revaluation Account

Dr. Cr.

Particulars		Rs.	Particulars	Rs.
To Provision for Doubtful Debts A/c		1,000	By Creditors A/c	6,000
To Stock A/c (18,000 × 10%)		1,800		
To Furniture A/c (30,000× 5%)		1,500		
To Outstanding claim for Damages A/c		1,100		
To Profit transferred to:				
A's Capital A/c	300			
B's Capital A/c	200			
C's Capital A/c	100	600		
		6,000		**6,000**

Partners' Capital Account

Dr. Cr.

Particulars	A	B	C	Particulars	A	B	C
To B's Capital A/c (Goodwill)	5,500		1,833	To Balance b/d	40,000	40,000	30,000
To Goodwill A/c	5,000	3,333	1,667	By Revaluation A/c	300	200	100
To Cash A/c		48,200		By A's Capital A/c (Goodwill)		5,500	
By Balance c/d	35,800		28,600	By C's Capital A/c (Goodwill)		1,833	
				By General Reserve A/c	6,000	4,000	2,000
	46,300	**51,533**	**32,100**		**46,300**	**51,533**	**32,100**
To Cash A/c			2,450	To Balance b/d	35,800		28,600
By Balance c/d	78,450		26,150	By Cash A/c	42,650		
	78,450		**28,600**		**78,450**		**28,600**

Cash Account

Dr. Cr.

Particulars	Rs.	Particulars	Rs.
To Balance b/d	18,000	By B's Capital A/c	48,200
To A's Capital A/c	42,650	By C's Capital A/c	2,450
		By Balance c/d	10,000
	60,650		**60,650**

Balance Sheet

as on 1st April 2018

Liabilities		Rs.	Assets		Rs.
Creditors		24,000	Cash in Hand		10,000
Bills payable		16,000	Debtors	25,000	
Outstanding Claim for Damages		1,100	Less: Provision for Doubtful Debts	(4,000)	21,000
Capital			Stock		16,200
A	78,450		Furniture		28,500
C	26,150	1,04,600	Machinery		70,000
		1,45,700			**1,45,700**

Working Notes:

1. Calculation of Profit Sharing Ratio

A : B : C = 3 : 2 : 1 (Old Ratio)

B retires from the firm.

Gaining Ratio and New Ratio (A and C) = 3 : 1

2. Adjustment of Goodwill

Goodwill of the firm =Rs.22,000 B's Share of Goodwill $= 22,000 \times \frac{2}{6} = ₹7,333$

B's share of goodwill is to be distributed between A and C in their = 3 : 1 (Gaining Ratio)

A's $= 7,333 \times \frac{3}{4} = ₹5,500$

C's $= 7,333 \times \frac{1}{4} = ₹1,833$

3. Adjustment of Partner's Capital after B's Retirement

Amount to be brought by A and C

= Cash to be paid to B + Minimum balance of Cash - Existing Balance of Cash

= 48,200 + 10,000 - 18,000

= Rs.40,200

Combined Capital of A and C after all adjustments = 35,000 + 28,600 = Rs.64,400

∴Total Capital of the Firm

= Amount to be brought by A and C + Combined Capital of A and C

= 40,200 + 64,400

= Rs.1,04,600

$$\text{A's New Capital} = 1,04,600 \times \frac{3}{4} = ₹78,450$$

$$\text{C's New Capital} = 1,04,600 \times \frac{1}{4} = ₹26,150$$

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A's Capital Account

Dr. Cr.

Particulars	Rs.	Particulars	Rs.
To A's Executors A/c	57,000	By Balance b/d	30,000
		By Reserve A/c	3,000
		By B's Capital A/c (Goodwill)	11,250
		By C's Capital A/c (Goodwill)	7,500
		By Profit and Loss Suspense A/c	3,750
		By Interest on Capital A/c	1,500
	57,000		**57,000**

A's Executors Account

Dr. Cr.

Particulars	Rs.	Particulars	Rs.
To Bank A/c	28,500	By A's Capital A/c	57,000
To A's Executors Loan A/c	28,500		
	57,000		**57,000**

Working Notes:

1. Calculation of Reserve

$$\text{Reserve} = \frac{6,000 \times 5}{10} = ₹3,000$$

2. Calculation of Interest on Capital

$$\text{Interest on capital} = \frac{30,000 \times 10 \times 6}{100 \times 12} = \frac{18,00,000}{1,200} = ₹1,500$$

Calculation of Profit and Loss Suspense

$$\text{Profit \& Loss Suspenses} = \frac{15,000 \times 5 \times 6}{10 \times 12} = \frac{4,50,000}{120} = ₹3,750$$

4. Calculation of Share in Revaluation Profit/Loss

Revaluation = -3,000 - 2,000 + 5,000 = Nil

Calculation of Share in Goodwill

Goodwill = Average Profit × No. of years Purchase

= 15,000 × 2.5 = Rs. 37, 500

$$\text{A's Goodwill} = 37,000 \times \frac{5}{10} = ₹18,750$$

$$\text{Average profit} = \frac{\text{Total profit of previous 4 years}}{\text{No. of years}}$$

$$= \frac{13,000 + 12,000 + 20,000 + 15,000}{4} = \frac{60,000}{4} = ₹\ 15,000$$

A's share of goodwill is debited to be distributed between B and C in their = 3 : 2

$$\text{B's Capital} = 18,750 \times \frac{3}{5} = 11,250$$

$$\text{C's Capital} = 18,750 \times \frac{2}{5} = 7,500$$

26.

B's Capital Account

Dr. Cr.

Particulars	Rs.	Particulars	Rs.
To B's Executor's A/c	3,47,000	To Balance b/d	1,20,000
		To Interest on Capital A/c	3,000
		To General Reserve A/c	40,000
		To Profit and Loss Suspense A/c	40,000
		To Goodwill A/c	1,44,000
	3,47,000		**3,47,000**

B's Executor Account

Dr. Cr.

Particulars	Rs.	Particulars	Rs.
To Bank A/c	3,47,000	By B's Capital A/c	3,47,000
	3,47,000		**3,47,000**

Working Notes:

1. Calculation of Interest on Capital

Opening Capital = Rs.1,20,000

$$\text{Interest on Capital} = 1,20,000 \times \frac{3}{12} \times \frac{10}{100} = ₹3,000$$

2. Calculation of Profit Share up-to-death

$$\text{B's Profit} = \frac{\text{Past Years Profit}}{\text{Past Years Sales}} \times \text{Sales till death} \times \text{B's Profit Share}$$

$$\text{Previous Year's Profit} = `98,000$$

$$\text{Rate of Profit to Sales} = \frac{\text{Past Profit}}{\text{past Years Sales}} \times 100$$

$$10 = \frac{98,000}{\text{Previous Year's Sales}} \times 100$$

$$\text{Previous Year's Sales} = \frac{98,00,000}{10}$$

$$\text{Previous Year's Sales} = `9,80,000$$

$$\text{Sales till death} = `12,00,000$$

$$\text{B's Profit (up-to-death)} = \frac{\text{Past Years Profit}}{\text{Past Years Sales}} \times \text{Sales till death} \times \text{B's Profit Share}$$

$$= \frac{98,000}{9,80,000} \times 12,00,000 \times \frac{2}{6}$$

$$\text{B's Profit} = `40,000$$

3. Calculation of goodwill

$$\text{Average Profits} = \frac{82,000 + 90,000 + 98,000}{3} = ₹90,000$$

$$\text{Average Profits (less 20\%)} = 72,000$$

$$\text{Goodwill} = 72,000 \times 2 = ₹1,44,000$$

$$\text{B's Goodwill} = ₹1,44,000$$