ACCOUNTS

NCERT - NCERT ACCOUNTS(HINGLISH)

RECONSTITUTION OF A PARTNERSHIP FIRM-RETIREMENT/DEATH OF A PARTNER

Illustration Solution

1. Madhu, Neha and Tina are partners sharing profits in the ratio of $5:3:2$. Calculate new profit sharing ratio and gaining ratio if

1. Madhu retires

2. Neha retires

3. Tina retires.

Watch Video Solution

2. Alka, Harpreet and Shreya are partners sharing profits in the ratio of $3:2:1$. Alka retires and her share is taken up by Harpreet and Shreya in the ratio of $3:2$. Calculate the new profit sharing ratio.

Watch Video Solution

3. Murli, Naveen and Omprakash are partners sharing profits in the ratio of $\frac{3}{8}, \frac{1}{2}$ and $\frac{1}{8}$. Murli retires and surrenders 2/3rd of his share in favour of Naveen and the remaining share in favour of Omprakash. Calculate new profit sharing and the gaining ratio of the remaining partners.

Watch Video Solution

4. Kumar, Lakshya, Manoj and Naresh are partners sharing profits in the ratio of $3:2:1:4$. Kumar retires and his share is acquired by Lakshya and Manoj in the ratio of 3:2. Calculate new profit sharing ratio and gaining ratio of the remaining partners.

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5. Ranjana, Sadhna and Kamana are partners sharing profits in the ratio $4:3:2$. Ranjana retires, Sadhna and Kamana decided to share profits in future in the ratio of $5:3$. Calculate the Gaining Ratio.

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6. Keshav, Nirmal and Pankaj are partners sharing profits and losses in the ratio of $4:3:2$. Nirmal retires and the goodwill is valued at Rs. 72,000. Keshav and Pankaj decided to share future profits and losses in the ratio of 5:3. Record necessary journal entries (a) when goodwill is raised at its full value and written off immediately (b) when goodwill is not to appear in firms books at all.

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7. Jaya, Kirti, Ekta and Shewata are partners in a firm sharing profits and losses in the ratio of $2:1:2:1$. On Jaya's retirement, the goodwill of the firm is valued at Rs. 36,000. Kirti, Ekta and Shweta decided to share future profits equally. Record the necessary journal entry for the treatment of goodwill without opening 'Goodwill Account'.

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8. Deepa, Neeru and Shilpa were partners in a firm sharing profits in the ratio of $5:3:2$. Neeru retired and the new profit sharing ratio between Deepa and Shilpa was $2:3$. On

Neeru's tetirement, the goodwill of the firm was valued at Rs. 1,20,000. Record necessary journal entry for the treatment of goodwill on Neeru's retirement.

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9. Hanny, Pammy and Sunny are partners sharing profits in the ratio of $3:2:1$. Goodwill is appearing in the books at a value of Rs. 60,000. Pammy retires and at the time of Pammy's retirement, goodwill is valued at Rs.

84,000. Hanny and Sunny decided to share future profits in the ratio of $2:1$. Record the necessary journal entries.

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10. Mitali, Indu and Geeta are partners sharing profits and losses in the ratio of $5:3:2$ respectively. On March 31, 2017, their Balance Sheet was as under:

Liabilities		Amount (Rs.)	Assets	Amount (Rs.)
Sundry Creditors		55,000	Goodwill	25,000
Reserve Fund		30,000	Buildings	1,00,000
Capital Accounts:			Patents	30,000
Mitali	1,50,000		Machinery	1,50,000
Indu	1,25,000		Stock	50,000
Geeta	75,000	3,50,000	Debtors	40,000
			Cash	40,000
		4,35,000		**4,35,000**

Geeta retires on the above date. It was agreed that Machinery be valued at Rs. 1,40,000, Patents at Rs. 40,000, and Buildings at Rs. 1,25,000. Record the necessary journal entries and Prepare the Revaluation Account.

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11. Amrinder, Mahinder and Joginder are partners in a firm. Mahinder retires from the firm. On his date of retirement, Rs. 60,000 becomes due to him. Amrinder and joginder promise to pay him in instalments every year at the end of the year. Prepare Mahinder's Loan Account in the following cases:

1. When payment is made four yearly instalments plus interest $\circ 12\%$ p.a. on the unpaid balance.

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12. The Balance Sheet of Ashish, Suresh and Lokesh who were sharing profits in the ratio of 5 : 3 : 2, is given below as on March 31, 2017.

Balance Sheet of Ashish, Suresh and Lokesh
As on March 31, 2017

Liabilities		Amount (Rs.)	Assets	Amount (Rs.)
Capitals:			Land	4,00,000
Shyam	7,20,000		Building	3,80,000
Gagan	4,15,000		Plant & Machinery	4,65,000
Ram	3,45,000	14,80,000	Furniture & Fittings	77,000
Reserve Fund		1,80,000	Stock	1,85,000
Sundry Creditors		1,24,000	Sundry Debtors	1,72,000
Outstanding Expresses		16,000	Cash in hand	1,21,000
		18,00,000		**18,00,000**

Suresh retires on the above date and the following adjustments are agreed upon his retirement.

1. Stock was valued at Rs. 1,72,000.

2. Furniture and fittings were valued at Rs. 80,000.

3. An amount of Rs. 10,000 due from Mr. Deepak, a debtor, was doubtful and a provision for the same was required.

4. Goodwill of the firm was valued at Rs.

2,00,000 but it was decided not to show goodwill in the books of accounts.

5. Suresh was paid Rs. 40,000 immediately on retirement and the balance was transferred to his loan account.

6. Ashish and Lokesh were to share future profits in the ratio of 3:2. Prepare Revaluation Account, Capital Account and Balance Sheet of the reconstituted firm.

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13. Shyam, Gagan and Ram are partners sharing profit in the ratio of 2 : 2 : 1. Their Balance Sheet as on March 31, 2017 are as under:

Liabilities		*Amount (Rs.)*	*Assets*	*Amount (Rs.)*
Sundry Creditors		49,000	Cash	8,000
Reserves		14,500	Debtors	19,000
Capital:			Stock	42,000
Shyam	80,000		Machinery	85,000
Gagan	62,500		Building	1,22,000
Ram	75,000	2,17,500	Patents	9,000
Employees' Provident Fund		4,000		
		2,85,000		**2,85,000**

As Gagan got a very good break at an MNC, so he decided to retire on that date and it was decided that Shyam and Ram would share the future profits in the ratio of 5 : 3. Goodwill was valued at Rs. 70,000, Machinery at Rs. 78,000, Buildings at Rs. 1,52,000, stock at Rs. 30,000, and bad debts amounting to Rs. 1,550 were to be written off. Record journal entries in the books of the firm and prepare the Balance Sheet of the new firm.

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14. Mohit, Neeraj and Sohan are partners in a firm sharing profits in the ratio of $2:1:1$. Neeraj retires and Mohit and Sohan decided that the capital of the new firm will be fixed at

Rs. 1,20,000. The capital accounts of Mohit and Sohan show a credit balance of Rs. 82,000 and Rs. 41,000 respectively after making all the adjustments. Calculate the actual cash to be paid off or to be brought in by the continuing partners and pass the necessary journal entries.

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15. Asha, Deepa and Lata are partners in a firm sharing profits in the ratio of 3 : 2 : 1. Deepa retires. After making all adjustments relating to revaluation, goodwill and accumulated profit etc., the capital accounts of Asha and Lata showed a credit balance of Rs. 1,60,000 and Rs. 80,000 respectively. It was decided to adjust the capitals of Asha and Lata in their new profit sharing ratio. You are required to calculate the new capitals of the partners and record necessary journal entries for bringing in or withdrawal of the necessary amounts involved.

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16. Lalit, Pankaj and Rahul are partners sharing profits in the ratio of 4 : 3 : 3. After all adjustments, on Lalit's retirement with respect to general reserve, goodwill and revaluation etc., the balances in their capital accounts stood at Rs. 70,000, Rs. 60,000 and Rs. 50,000 respectively. It was decided that the amount payable to Lalit will be brought by Pankaj and Rahul in such a way as to make their capitals proportionate to their profit sharing ratio. Calculate the amount to be brought by Pankaj and Rahul and record necessary journal entries for the same. Also record necessary entry for payment to Lalit. After Lalit's retirement, the new profit sharing ratio between Pankaj and Rahul is 3 : 3, i.e. 1 : 1.

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17. The Balance Sheet of Mohit, Neeraj and Sohan who are partners in a firm sharing profits according to their capitals as on March 31, 2017 was as under:

Liabilities	Amount (Rs.)	Assets		Amount (Rs.)
Creditors	21,000	Buildings		1,00,000
Mohit's Capital	80,000	Machinery		50,000
Neeraj's Capital	40,000	Stock		18,000
Sohan's Capital	40,000	Debtors	20,000	
General Reserve	20,000	*Less:* Provision for Bad Debt	1,000	19,000
		Cash at bank		14,000
	2,01,000			**2,01,000**

On that date, Neeraj decided to retire from the firm and was paid for his share in the firm subject to the following:

1. Buildings to be appreciated by 20%.
2. Provision for Bad debts to be increased to 15% on Debtors.
3. Machinery to be depreciated by 20%.
4. Goodwill of the firm is valued at Rs. 72,000 and the retiring partner's share is adjusted through the capital accounts of remaining

partners.

5. The capital of the new firm be fixed at Rs. 1,20,000. Prepare Revaluation Account, Capital Accounts of the partners, and the Balance Sheet after retirement of B.

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18. Anil, Bhanu and Chandu were partners in a firm sharing profits in the ratio of 5:3:2. On March 31, 2017, their Balance Sheet was as under:

Books of Anil, Bhanu and Chandu
Balance Sheet as on March 31, 2017

Liabilities		*Amount (Rs.)*	*Assets*	*Amount (Rs.)*
Creditors		11,000	Buildings	20,000
Reserve Fund		6,000	Machinery	30,000
Anil's Capital	30,000		Stock	10,000
Bhanu's Capital	25,000		Patents	11,000
Chandu's Capital	15,000	70,000	Debtors	8,000
			Cash	8,000
		87,000		**87,000**

Anil died on October 1, 2017. It was agreed between his executors and the remaining partners that :

(a)Goodwill to be valued at 1 2 2 year's purchase of the average profits of the previous four years which were :

Year 2013-14 – Rs.13,000, Year 2014-15 – Rs. 12,000,

Year 2015-16 – Rs.20,000, Year 2016-17 – Rs.15,000

(b) Patents be valued at Rs.8,000, Machinery at Rs.28,000, and Building at Rs.25,000.

(c) Profit for the year 2017-18 be taken as having accrued at the same rate as that of the previous year.

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

(e) Half of the amount due to Anil be paid immediately.

Prepare Anil's Capital Account and Anil's Executor's Account as on October 1, 2017.

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19. You are given the Balance Sheet of Mohit, Sohan and Rahul who are partners sharing profits in the ratio of 2 : 2 : 1, as on March 31, 2017.

Books of Mohit, Sohan and Rahul
Balance Sheet as on March 31, 2017.

Liabilities		*Amount (Rs.)*	*Assets*	*Amount (Rs.)*
Creditors		40,000	Goodwill	30,000
Reserve Fund		25,000	Fixed assets	60,000
Capitals:			Stock	10,000
Mohit	30,000		Sundry Debtors	20,000
Sohan	25,000		Cash at bank	15,000
Rahul	15,000	70,000		
		1,35,000		**1,35,000**

Sohan died on June 15, 2017. According to the Deed, his legal representatives are entitled to:

(a) Balance in Capital Account,

(b) Share of goodwill valued on the basis of thrice the average of the past 4 years' profits.

(c) Share in profits up to the date of death on the basis of average profits for the past 4 years.

(d) Interest on capital account ○ 12% p.a.

Profits for the years ending on March 31 of 2014, 2015, 2016, 2017 respectively were Rs. 15,000, Rs. 17,000, Rs. 19,000 and Rs. 13,000.

The firm had taken a Joint Life Policy of Rs. 1,25,000, the annual premium being charged to profit & loss account every year.

Sohan's legal representatives were to be paid the amount due. Mohit and Rahul continued as partner by taking over Sohan's share equally. Work out the amount payable to Sohan's legal representatives.

Watch Video Solution

20. Madhu, Neha and Tina are partners sharing profits in the ratio of $5:3:2$. Calculate new profit sharing ratio and gaining ratio if

1. Madhu retires

2. Neha retires

3. Tina retires.

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21. Alka, Harpreet and Shreya are partners sharing profits in the ratio of $3:2:1$. Alka retires and her share is taken up by Harpreet and Shreya in the ratio of $3:2$. Calculate the new profit sharing ratio.

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22. Murli, Naveen and Omprakash are partners sharing profits in the ratio of $\frac{3}{8}, \frac{1}{2}$ and $\frac{1}{8}$. Murli retires and surrenders 2/3rd of his share in favour of Naveen and the remaining share in favour of Omprakash. Calculate new profit sharing and the gaining ratio of the remaining partners.

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23. Kumar, Lakshya, Manoj and Naresh are partners sharing profits in the ratio of $3:2:1:4$. Kumar retires and his share is acquired by Lakshya and Manoj in the ratio of

3:2. Calculate new profit sharing ratio and gaining ratio of the remaining partners.

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24. Ranjana, Sadhna and Kamana are partners sharing profits in the ratio $4:3:2$. Ranjana retires, Sadhna and Kamana decided to share profits in future in the ratio of $5:3$. Calculate the Gaining Ratio.

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25. Keshav, Nirmal and Pankaj are partners sharing profits and losses in the ratio of $4:3:2$. Nirmal retires and the goodwill is valued at Rs. 72,000. Keshav and Pankaj decided to share future profits and losses in the ratio of 5:3. Record necessary journal entries (a) when goodwill is raised at its full value and written off immediately (b) when goodwill is not to appear in firms books at all.

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26. Jaya, Kirti, Ekta and Shewata are partners in a firm sharing profits and losses in the ratio of $2:1:2:1$. On Jaya's retirement, the goodwill of the firm is valued at Rs. 36,000. Kirti, Ekta and Shweta decided to share future profits equally. Record the necessary journal entry for the treatment of goodwill without opening 'Goodwill Account'.

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27. Deepa, Neeru and Shilpa were partners in a firm sharing profits in the ratio of $5:3:2$. Neeru retired and the new profit sharing ratio between Deepa and Shilpa was $2:3$. On Neeru's tetirement, the goodwill of the firm was valued at Rs. 1,20,000. Record necessary journal entry for the treatment of goodwill on Neeru's retirement.

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28. Hanny, Pammy and Sunny are partners sharing profits in the ratio of $3:2:1$. Goodwill is appearing in the books at a value of Rs. 60,000. Pammy retires and at the time of Pammy's retirement, goodwill is valued at Rs. 84,000. Hanny and Sunny decided to share future profits in the ratio of $2:1$. Record the necessary journal entries.

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29. Mitali, Indu and Geeta are partners sharing profits and losses in the ratio of $5:3:2$ respectively. On March 31, 2017, their Balance Sheet was as under:

Geeta retires on the above date. It was agreed that Machinery be valued at Rs. 1,40,000, Patents at Rs. 40,000, and Buildings at Rs. 1,25,000. Record the necessary journal entries and Prepare the Revaluation Account.

30. Amrinder, Mahinder and Joginder are partners in a firm. Mahinder retires from the firm. On his date of retirement, Rs. 60,000 becomes due to him. Amrinder and joginder promise to pay him in instalments every year at the end of the year. Prepare Mahinder's Loan Account in the following cases:

1. When payment is made four yearly instalments plus interest $\circ 12\%$ p.a. on the unpaid balance.

Watch Video Solution

31. The Balance Sheet of Ashish, Suresh and Lokesh who were sharing profits in the ratio of 5 : 3 : 2, is given below as on March 31, 2017.

Suresh retires on the above date and the following adjustments are agreed upon his retirement.

1. Stock was valued at Rs. 1,72,000.

2. Furniture and fittings were valued at Rs. 80,000.

3. An amount of Rs. 10,000 due from Mr. Deepak, a debtor, was doubtful and a provision

for the same was required.

4. Goodwill of the firm was valued at Rs. 2,00,000 but it was decided not to show goodwill in the books of accounts.

5. Suresh was paid Rs. 40,000 immediately on retirement and the balance was transferred to his loan account.

6. Ashish and Lokesh were to share future profits in the ratio of 3:2. Prepare Revaluation Account, Capital Account and Balance Sheet of the reconstituted firm.

View Text Solution

32. Shyam, Gagan and Ram are partners sharing profit in the ratio of 2 : 2 : 1. Their Balance Sheet as on March 31, 2017 are as under:

As Gagan got a very good break at an MNC, so he decided to retire on that date and it was decided that Shyam and Ram would share the future profits in the ratio of 5 : 3. Goodwill was valued at Rs. 70,000, Machinery at Rs. 78,000, Buildings at Rs. 1,52,000, stock at Rs. 30,000, and bad debts amounting to Rs. 1,550 were to be written off. Record journal entries in the books of the firm and prepare the Balance Sheet of the new firm.

View Text Solution

33. Mohit, Neeraj and Sohan are partners in a firm sharing profits in the ratio of $2:1:1$. Neeraj retires and Mohit and Sohan decided that the capital of the new firm will be fixed at Rs. 1,20,000. The capital accounts of Mohit and Sohan show a credit balance of Rs. 82,000 and

Rs. 41,000 respectively after making all the adjustments. Calculate the actual cash to be paid off or to be brought in by the continuing partners and pass the necessary journal entries.

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34. Asha, Deepa and Lata are partners in a firm sharing profits in the ratio of 3 : 2 : 1. Deepa retires. After making all adjustments relating to revaluation, goodwill and accumulated profit etc., the capital accounts of Asha and Lata showed a credit balance of Rs. 1,60,000 and Rs. 80,000 respectively. It was decided to adjust the capitals of Asha and Lata in their new profit sharing ratio. You are required to calculate the new capitals of the partners and record necessary journal entries for bringing in or withdrawal of the necessary amounts involved.

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35. Lalit, Pankaj and Rahul are partners sharing profits in the ratio of 4 : 3 : 3. After all adjustments, on Lalit's retirement with respect to general reserve, goodwill and revaluation etc., the balances in their capital accounts stood at Rs. 70,000, Rs. 60,000 and Rs. 50,000 respectively. It was decided that the amount payable to Lalit will be brought by Pankaj and Rahul in such a way as to make their capitals proportionate to their profit sharing ratio. Calculate the amount to be brought by Pankaj and Rahul and record necessary journal entries for the same. Also record necessary entry for payment to Lalit. After Lalit's retirement, the new profit sharing ratio between Pankaj and Rahul is 3 : 3, i.e. 1 : 1.

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36. The Balance Sheet of Mohit, Neeraj and Sohan who are partners in a firm sharing profits according to their capitals as on March 31, 2017 was as under:

On that date, Neeraj decided to retire from the firm and was paid for his share in the firm subject to the following:

1. Buildings to be appreciated by 20%.
2. Provision for Bad debts to be increased to 15% on Debtors.
3. Machinery to be depreciated by 20%.
4. Goodwill of the firm is valued at Rs. 72,000 and the retiring partner's share is adjusted through the capital accounts of remaining partners.
5. The capital of the new firm be fixed at Rs. 1,20,000. Prepare Revaluation Account, Capital

Accounts of the partners, and the Balance Sheet after retirement of B.

View Text Solution

37. Anil, Bhanu and Chandu were partners in a firm sharing profits in the ratio of 5:3:2. On March 31, 2017, their Balance Sheet was as under:

Anil died on October 1, 2017. It was agreed between his executors and the remaining partners that :

(a)Goodwill to be valued at 1 2 2 year's purchase of the average profits of the previous four years which were :

Year 2013-14 – Rs.13,000, Year 2014-15 – Rs. 12,000,

Year 2015-16 – Rs.20,000, Year 2016-17 – Rs.15,000

(b) Patents be valued at Rs.8,000, Machinery at Rs.28,000, and Building at Rs.25,000.

(c) Profit for the year 2017-18 be taken as having accrued at the same rate as that of the previous year.

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

(e) Half of the amount due to Anil be paid immediately.

Prepare Anil's Capital Account and Anil's Executor's Account as on October 1, 2017.

View Text Solution

38. You are given the Balance Sheet of Mohit, Sohan and Rahul who are partners sharing profits in the ratio of 2 : 2 : 1, as on March 31, 2017.

Sohan died on June 15, 2017. According to the Deed, his legal representatives are entitled to:

(a) Balance in Capital Account,

(b) Share of goodwill valued on the basis of thrice the average of the past 4 years' profits.

(c) Share in profits up to the date of death on the basis of average profits for the past 4 years.

(d) Interest on capital account $\circ 12\%$ p.a.

Profits for the years ending on March 31 of 2014, 2015, 2016, 2017 respectively were Rs. 15,000, Rs. 17,000, Rs. 19,000 and Rs. 13,000.

The firm had taken a Joint Life Policy of Rs. 1,25,000, the annual premium being charged to profit & loss account every year.

Sohan's legal representatives were to be paid the amount due. Mohit and Rahul continued as partner by taking over Sohan's share equally. Work out the amount payable to Sohan's legal representatives.

View Text Solution

Test Your Understanding I

1. Abhishek, Rajat and Vivek are partners sharing profits in the ratio of $5:3:2$. If Vivek retires, the New Profit Sharing Ratio between Abhishek and Rajat will be–

A. $3:2$

B. $5:3$

C. $5:2$

D. None of these

Answer: B

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2. The old profit sharing ratio among Rajender, Satish and Tejpal were $2:2:1$. The New Profit Sharing Ratio after Satish's retirement is $3:2$. The gaining ratio is–

A. $3:2$

B. $2:1$

C. $1:1$

D. $2:2$

Answer: C

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3. Anand, Bahadur and Chander are partners. Sharing Profit equally On Chander's retirement, his share is acquired by Anand and Bahadur in the ratio of $3:2$. The New Profit Sharing Ratio between Anand and Bahadur will be–

A. $8:7$

B. $4:5$

C. $3:2$

D. $2 : 3$

Answer: B

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4. In the absence of any information regarding the acquisition of share in profit of the retiring/deceased partner by the remaining partners, it is assumed that they will acquire his/her share:-

A. Old Profit Sharing Ratio

B. New Profit Sharing Ratio

C. Equal Ratio

D. None of these

Answer: A

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5. Abhishek, Rajat and Vivek are partners sharing profits in the ratio of $5:3:2$. If Vivek retires, the New Profit Sharing Ratio between Abhishek and Rajat will be–

A. $3:2$

B. $5:3$

C. $5:2$

D. None of these

Answer: B

Watch Video Solution

6. The old profit sharing ratio among Rajender, Satish and Tejpal were $2:2:1$. The New Profit

Sharing Ratio after Satish's retirement is $3:2$.

The gaining ratio is–

A. $3:2$

B. $2:1$

C. $1:1$

D. $2:2$

Answer: C

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7. Anand, Bahadur and Chander are partners. Sharing Profit equally On Chander's retirement, his share is acquired by Anand and Bahadur in the ratio of $3:2$. The New Profit Sharing Ratio between Anand and Bahadur will be–

A. $8:7$

B. $4:5$

C. $3:2$

D. $2:3$

Answer: B

View Text Solution

8. In the absence of any information regarding the acquisition of share in profit of the retiring/deceased partner by the remaining partners, it is assumed that they will acquire his/her share:-

A. Old Profit Sharing Ratio

B. New Profit Sharing Ratio

C. Equal Ratio

D. None of these

Answer: A

View Text Solution

Test Your Understanding Ii

1. On retirement/death of a partner, the retiring/deceased partner's capital account will be credited with

1)his/her share of goodwill.

2)goodwill of the firm.

3) shares of goodwill of remaining partners.

4)none of these.

A. his/her share of goodwill.

B. goodwill of the firm.

C. shares of goodwill of remaining partners.

D. none of these.

Answer: A

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2. Gobind, Hari and Pratap are partners. On retirement of Gobind, the goodwill already appears in the Balance Sheet at Rs. 24,000. The goodwill will be written-off

1) by debiting all partners' capital accounts in their old profit sharing ratio.

2) by debiting remaining partners' capital accounts in their new profit sharing ratio

3)by debiting retiring partners' capital accounts from his share of goodwill.

4)none of these.

A. by debiting all partners' capital accounts in their old profit sharing ratio.

B. by debiting remaining partners' capital accounts in their new profit sharing ratio.

C. by debiting retiring partners' capital accounts from his share of goodwill.

D. none of these.

Answer: A

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3. Chaman, Raman and Suman are partners sharing profits in the ratio of $5:3:2$. Raman retires, the new profit sharing ratio between Chaman and Suman will be $1:1$. The goodwill of the firm is valued at Rs. 1,00,000 Raman's share of goodwill will be adjusted :-

1) by debiting Chaman's Capital account and Suman's Capital Account with Rs 15,000 each.

2) by debiting Chaman's Capital account and Suman's Capital Account with Rs. 21,429 and 8,571 respectively.

3) by debiting only Suman's Capital Account with Rs. 30,000.

4) by debiting Raman's Capital account with Rs. 30,000.

A. by debiting Chaman's Capital account and Suman's Capital Account with Rs 15,000 each.

B. by debiting Chaman's Capital account and Suman's Capital Account with Rs. 21,429 and 8,571 respectively.

C. by debiting only Suman's Capital Account with Rs. 30,000.

D. by debiting Raman's Capital account with Rs. 30,000.

Answer: C

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

1)retiring partners only.

2) remaining partners (who have sacrificed) as well as retiring partners.

3) remaining partners only (who have sacrificed).

4)none of these.

A. retiring partners only.

B. remaining partners (who have sacrificed) as well as retiring partners.

C. remaining partners only (who have sacrificed).

D. none of these.

Answer: B

Watch Video Solution

5. On retirement/death of a partner, the retiring/deceased partner's capital account will be credited with

A. his/her share of goodwill.

B. goodwill of the firm.

C. shares of goodwill of remaining partners.

D. none of these.

Answer: A

View Text Solution

6. Gobind, Hari and Pratap are partners. On retirement of Gobind, the goodwill already appears in the Balance Sheet at Rs. 24,000. The goodwill will be written-off

1) by debiting all partners' capital accounts in their old profit sharing ratio.

2) by debiting remaining partners' capital accounts in their new profit sharing ratio

3)by debiting retiring partners' capital accounts from his share of goodwill.

4)none of these.

A. by debiting all partners' capital accounts in their old profit sharing ratio.

B. by debiting remaining partners' capital accounts in their new profit sharing ratio.

C. by debiting retiring partners' capital accounts from his share of goodwill.

D. none of these.

Answer: A

Watch Video Solution

7. Chaman, Raman and Suman are partners sharing profits in the ratio of $5:3:2$. Raman retires, the new profit sharing ratio between Chaman and Suman will be $1:1$. The goodwill of the firm is valued at Rs. 1,00,000 Raman's share of goodwill will be adjusted

A. by debiting Chaman's Capital account and Suman's Capital Account with Rs 15,000 each.

B. by debiting Chaman's Capital account and Suman's Capital Account with Rs. 21,429 and 8,571 respectively.

C. by debiting only Suman's Capital Account with Rs. 30,000.

D. by debiting Raman's Capital account with Rs. 30,000.

Answer: C

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

A. retiring partners only.

B. remaining partners (who have sacrificed) as well as retiring partners.

C. remaining partners only (who have sacrificed).

D. none of these.

Answer: B

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Short Answer Questions

1. What are the different ways in which a partner can retire from the firm.

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2. Write the various matters that need adjustments at the time of retirement of a partners.

Watch Video Solution

3. Distinguish between sacrificing ratio and gaining ratio.

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4. Why do firm revaluate assets and reassers their liabilities on retirement or on the event of death of a partner.

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5. Why a retiring/deceased partner is entitled to a share of goodwill of the firm.

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6. What are the different ways in which a partner can retire from the firm.

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7. Write the various matters that need adjustments at the time of retirement of a partners.

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8. Distinguish between sacrificing ratio and gaining tab.

View Text Solution

9. Why do firm revaluate assets and reassers their liabilities on retirement or on the event of death of a partner.

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10. Why a retiring/deceased partner is entitled to a share of goodwill of the firm.

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Long Answer Question

1. Explain the modes of payment to a retiring partner.

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2. How will you compute the amount payable to a deceased partner?

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3. Explain the treatment of goodwill at the time of retirement or on the event of death of a partner?

Watch Video Solution

4. Discuss the various methods of computing the share in profits in the event of death of a partner.

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5. Explain the modes of payment to a retiring partner.

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6. How will you compute the amount payable to a deceased partner?

View Text Solution

7. Explain the treatment of goodwill at the time of retirement or on the event of death of a partner?

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8. Discuss the various methods of computing the share in profits in the event of death of a partner.

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Numerical Question

1. Aparna, Manisha and Sonia are partners sharing profits in the ratio of $3:2:1$. Manisha retires and goodwill of the firm is valued at Rs.

1,80,000. Aparna and Sonia decided to share future in the ratio of $3:2$. Pass necessary journal entries

Watch Video Solution

2. Sangeeta, Saroj and Shanti are partners sharing profits in the ratio of $2:3:5$. Goodwill is appearing in the books at a value of Rs. 60,000. Sangeeta retires and goodwill is valued at Rs. 90,000. Saroj and Shanti decided to share future profits equally. Record necessary journal entries.

Watch Video Solution

3. Himanshu, Gagan and Naman are partners sharing profits and losses in the ratio of $3:2:1$. On March 31, 2017, Naman retires.

The various assets and liabilities of the firm on the date were as follows:

Cash Rs. 10,000, Building Rs. 1,00,000, Plant and Machinery Rs. 40,000, Stock Rs. 20,000, Debtors Rs. 20,000 and Investments Rs. 30,000.

The following was agreed upon between the partners on Naman's retirement:

(i) Building to be appreciated by 20%.

(ii) Plant and Machinery to be depreciated by 10%.

(iii) A provision of 5% on debtors to be created for bad and doubtful debts.

(iv) Stock was to be valued at Rs. 18,000 and Investment at Rs. 35,000.

Record the necessary journal entries to the above effect and prepare the revaluation account.

Watch Video Solution

4. Naresh, Raj Kumar and Bishwajeet are equal partners. Raj Kumar decides to retire. On the date of his retirement, the Balance Sheet of the firm showed the following: General Reserves Rs. 36,000 and Profit and Loss Account (Dr.) Rs. 15,000.

Pass the necessary journal entries to the above effect.

Watch Video Solution

5. Digvijay, Brijesh and Parakaram were partners in a firm sharing profits in the ratio of $2:2:1$. Their Balance Sheet as on March 31, 2017 was as follows:

Liabilities	Amount (Rs.)	Assets	Amount (Rs.)
Creditors	49,000	Cash	8,000
Reserves	18,500	Debtors	19,000
Digvijay's Capital	82,000	Stock	42,000
Brijesh's Capital	60,000	Buildings	2,07,000
Parakaram's Capital	75,500	Patents	9,000
	2,85,000		**2,85,000**

Brijesh retired on March 31, 2017 on the following terms:

(i) Goodwill of the firm was valued at Rs. 70,000 and was not to appear in the books.

(ii) Bad debts amounting to Rs. 2,000 were to be written off.

(iii) Patents were considered as valueless.

Prepare Revaluation Account, Partners' Capital Accounts and the Balance Sheet of Digvijay and Parakaram after Brijesh's retirement.

6. Radha, Sheela and Meena were in partnership sharing profits and losses in the proportion of $3:2:1$. On April 1, 2017, Sheela retires from the firm. On that date, their Balance Sheet was as follows:

Liabilities		Amount (Rs.)	Assets	Amount (Rs.)
Trade Creditors		3,000	Cash-in-Hand	1,500
Bills Payable		4,500	Cash at Bank	7,500
Expenses Owing		4,500	Debtors	15,000
General Reserve		13,500	Stock	12,000
Capitals:			Factory Premises	22,500
Radha	15,000		Machinery	8,000
Sheela	15,000		Losse Tools	4,000
Meena	15,000	45,000		
		70,500		**70,500**

The terms were:

a) Goodwill of the firm was valued at Rs. 13,500.

b) Expenses owing to be brought down to Rs.

3,750.

c) Machinery and Loose Tools are to be valued at 10% less than their book value.

d) Factory premises are to be revalued at Rs. 24,300.

Prepare:

1. Revaluation account

2. Partner's capital accounts and

3. Balance sheet of the firm after retirement of Sheela.

Watch Video Solution

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

Books of Pankaj, Naresh and Saurabh
Balance Sheet as on March 31, 2017

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

Additional Information

(i) 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 Rs. 1,200 and furniture to be brought up to Rs. 45,000.

(ii) Goodwill of the firm be valued at Rs. 42,000.

(iii) Rs. 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 form Bank.

(iv) 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.

Watch Video Solution

8. Puneet, Pankaj and Pammy are partners in a business sharing profits and losses in the ratio of $2:2:1$ respectively. Their balance sheet as on March 31, 2017 was as follows:

Books of Puneet, Pankaj and Pammy
Balance Sheet as on March 31, 2017

Liabilities		*Amount (Rs.)*	*Assets*	*Amount (Rs.)*
Sundry Creditors		1,00,000	Cash at Bank	20,000
Capital Accounts:			Stock	30,000
Puneet	60,000		Sundry Debtors	80,000
Pankaj	1,00,000		Investments	70,000
Pammy	40,000	2,00,000	Furniture	35,000
Reserve		50,000	Buildings	1,15,000
		3,50,000		**3,50,000**

Mr. Pammy died on September 30, 2017. The partnership deed provided the following:

(i) The deceased partner will be entitled to his share of profit up to the date of death calculated on the basis of previous year's profit.

(ii) He will be entitled to his share of goodwill of the firm calculated on the basis of 3 years' purchase of average of last 4 years' profit. The profits for the last four financial years are given below:

The drawings of the deceased partner up to the date of death amounted to Rs. 10,000. Interest on capital is to be allowed at 12%

per annum.

Surviving partners agreed that Rs. 15,400 should be paid to the executors immediately and the balance in four equal yearly instalments with interest at 12% p.a. on outstanding balance.

Show Mr. Pammy's Capital account, his Executor's account till the settlement of the amount due.

Watch Video Solution

9. Following is the Balance Sheet of Prateek, Rockey and Kushal as on March 31, 2017.

Books of Prateek, Rockey and Kushal
Balance Sheet as on March 31, 2017

Liabilities		*Amount (Rs.)*	*Assets*	*Amount (Rs.)*
Sundry Creditors		16,000	Bills Receivable	16,000
General Reserve		16,000	Furniture	22,600
Capital Accounts:			Stock	20,400
Prateek	30,000		Sundry Debtors	22,000
Rockey	20,000		Cash at Bank	18,000
Kushal	20,000	70,000	Cash in Hand	3,000
		1,02,000		**1,02,000**

Rockey died on June 30, 2017. Under the terms of the partnership deed, the executors of a deceased partner were entitled to:

a) Amount standing to the credit of the Partner's Capital account.

b) Interest on capital at 5% per annum.

c) Share of goodwill on the basis of twice the average of the past three years' profit and

d) Share of profit from the closing date of the last financial year to the date of death on the basis of last year's profit.

Profits for the year ending on March 31, 2015, March 31, 2016 and March 31, 2017 were Rs. 12,000, Rs. 16,000 and Rs. 14,000 respectively. Profits were shared in the ratio of capitals.

Pass the necessary journal entries and draw up Rockey's capital account to be rendered to his executor.

Watch Video Solution

10. Narang, Suri and Bajaj are partners in a firm sharing profits and losses in proportion of $1/2$, $1/6$ and $1/3$ respectively. The Balance Sheet on April 1, 2015 was as follows:

Books of Suri and Bajaj
Balance Sheet as on April 1, 2015

Liabilities		*Amount (Rs.)*	*Assets*		*Amount (Rs.)*
Bills Payable		12,000	Freehold Premises		40,000
Sundry Creditors		18,000	Machinery		30,000
Reserves		12,000	Furniture		12,000
Capital Accounts:			Stock		22,000
Narang	30,000		Sundry Debtors	20,000	
Suri	30,000		*Less:* Reserve for Bad Debt	1,000	19,000
Bajaj	28,000	88,000	Cash		7,000
		1,30,000			**1,30,000**

Bajaj retires from the business and the partners agree to the following:

a) Freehold premises and stock are to be appreciated by 20% and 15% respectively.

b) Machinery and furniture are to be

depreciated by 10% and 7% respectively.

c) Bad Debts reserve is to be increased to Rs. 1,500.

d) Goodwill is valued at Rs. 21,000 on Bajaj's retirement.

e) The continuing partners have decided to adjust their capitals in their new profit sharing ratio after retirement of Bajaj. Surplus/deficit, if any, in their capital accounts will be adjusted through current accounts.

Prepare necessary ledger accounts and draw the Balance Sheet of the reconstituted firm.

Watch Video Solution

11. The Balance Sheet of Rajesh, Pramod and Nishant who were sharing profits in proportion to their capitals stood as on March 31, 2015:

Books of Rajesh, Pramod and Nishant
Balance Sheet as on March 31, 2015

Liabilities		*Amount (Rs.)*	*Assets*		*Amount (Rs.)*
Bills Payable		6,250	Factory Building		12,000
Sundry Creditors		10,000	Debtors	10,500	
Reserve Fund		2,750	*Less:* Reserve	500	10,000
Capital Accounts:			Bills Receivable		7,000
Rajesh	20,000		Stock		15,500
Pramod	15,000		Plant and Machinery		11,500
Nishant	15,000	50,000	Bank Balance		13,000
		69,000			**69,000**

Pramod retired on the date of Balance Sheet and the following adjustments were made:

a) Stock was valued at 10% less than the book value.

b) Factory buildings were appreciated by 12%

.

c) Reserve for doubtful debts be created up to

5%.

d) Reserve for legal charges to be made at Rs.

265.

e) The goodwill of the firm be fixed at Rs.

10,000.

f) The capital of the new firm be fixed at Rs.

30,000. The continuing partners decide to

keep their capitals in the new profit sharing

ratio of $3:2$.

Pass journal entries and prepare the balance sheet of the reconstituted firm after transferring the balance in Pramod's Capital account to his loan account.

Watch Video Solution

12. Following is the Balance Sheet of Jain, Gupta and Malik as on March 31, 2016.

Books of Jain, Gupta and Malik
Balance Sheet as on March 31, 2016

Liabilities		Amount (Rs.)	Assets	Amount (Rs.)
Sundry Creditors		19,800	Land and Building	26,000
Telephone bills Outstanding		300	Bonds	14,370
Accounts Payable		8,950	Cash	5,500
Accumulated profits		16,750	Bills Receivable	23,450
Capitals :			Sundry Debtors	26,700
			Stock	18,100
Jain	40,000		Office Furniture	18,250
Gupta	60,000		Plants and Machinery	20,230
Malik	20,000	1,20,000	Computers	13,200
		1,65,800		**1,65,800**

The partners have been sharing profits in the ratio of 5:3:2. Malik decides to retire from business on April 1, 2016 and his share in the business is to be calculated as per the following terms of revaluation of assets and liabilities : Stock, Rs.20,000, Office furniture, Rs.14,250, Plant and Machinery Rs.23,530, Land and Building Rs.20,000.

A provision of Rs.1,700 to be created for doubtful debts. The goodwill of the firm is valued at Rs.9,000.

The continuing partners agreed to pay Rs.16,500 as cash on retirement of Malik, to be contributed by continuing partners in the ratio of 3:2. The balance in the capital account of Malik will be treated as loan. Prepare Revaluation account, capital accounts, and Balance Sheet of the reconstituted firm.

Watch Video Solution

13. Arti, Bharti and Seema are partners sharing profits in the proportion of $3:2:1$ and their Balance Sheet as on March 31, 2016 stood as follows :

Books of Arti, Bharti and Seema
Balance Sheet as on March 31, 2016

Liabilities		Amount (Rs.)	Assets	Amount (Rs.)
Bills Payable		12,000	Buildings	21,000
Creditors		14,000	Cash in Hand	12,000
General Reserve		12,000	Bank	13,700
Capitals:			Debtors	12,000
Arti	20,000		Bills Receivable	4,300
Bharti	12,000		Stock	1,750
Seema	8,000	40,000	Investment	13,250
		78,000		**78,000**

Bharti died on June 12, 2016 and according to the deed of the said partnership, her executors are entitled to be paid as under :

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

(b) Her proportionate share of reserve fund.

(c) Her share of profits for the intervening period will be based on the sales during that period, which were calculated as Rs.1,00,000.

The rate of profit during past three years had been 10% on sales.

(d) Goodwill according to her share of profit to be calculated by taking twice the amount of the average profit of the last three years less 20%. The profits of the previous years were :

2013 – Rs.8,200

2014 – Rs.9,000

2015 – Rs.9,800

The investments were sold for Rs.16,200 and her executors were paid out. Pass the necessary journal entries and write the account of the executors of Bharti.

Watch Video Solution

14. Nithya, Sathya and Mithya were partners sharing profits and losses in the ratio of 5:3:2. Their Balance Sheet as on March 31, 2015 was as follows :

Books of Nithya, Sathya and Mithya
Balance Sheet at March 31, 2015

Liabilities		Amount (Rs.)	Assets	Amount (Rs.)
Creditors		14,000	Investments	10,000
Reserve Fund		6,000	Goodwill	5,000
Capitals:			Premises	20,000
Nithya	30,000		Patents	6,000
Sathya	30,000		Machinery	30,000
Mithya	20,000	80,000	Stock	13,000
			Debtors	8,000
			Bank	8,000
		1,00,000		**1,00,000**

Mithya dies on August 1, 2015. The agreement between the executors of Mithya and the partners stated that :

(a) Goodwill of the firm be valued at $2\frac{1}{2}$ times the average profits of last four years. The profits of four years were : in 2011-12, Rs.13,000, in 2012-13, Rs.12,000, in 2013-14, Rs.16,000, and in 2014-15, Rs.15,000.

(b) The patents are to be valued at Rs.8,000, Machinery at Rs.25,000 and Premises at Rs.25,000.

(c) The share of profit of Mithya should be calculated on the basis of the profit of 2014-15.

(d) Rs.4,200 should be paid immediately and the balance should be paid in 4 equal half-yearly instalments carrying interest $\circ\, 10\,\%$.

Record the necessary journal entries to give effect to the above and write the executor's account till the amount is fully paid. Also prepare the Balance Sheet of Nithya and Sathya as it would appear on August 1, 2015 after giving effect to the adjustments.

Watch Video Solution

15. Aparna, Manisha and Sonia are partners sharing profits in the ratio of $3:2:1$. Manisha retires and goodwill of the firm is valued at Rs.

1,80,000. Aparna and Sonia decided to share future in the ratio of $3:2$. Pass necessary journal entries

Watch Video Solution

16. Sangeeta, Saroj and Shanti are partners sharing profits in the ratio of $2:3:5$. Goodwill is appearing in the books at a value of Rs. 60,000. Sangeeta retires and goodwill is valued at Rs. 90,000. Saroj and Shanti decided to share future profits equally. Record necessary journal entries.

View Text Solution

17. Himanshu, Gagan and Naman are partners sharing profits and losses in the ratio of $3:2:1$. On March 31, 2017, Naman retires.

The various assets and liabilities of the firm on the date were as follows:

Cash Rs. 10,000, Building Rs. 1,00,000, Plant and Machinery Rs. 40,000, Stock Rs. 20,000, Debtors Rs. 20,000 and Investments Rs. 30,000.

The following was agreed upon between the partners on Naman's retirement:

(i) Building to be appreciated by 20%.

(ii) Plant and Machinery to be depreciated by 10%.

(iii) A provision of 5% on debtors to be created for bad and doubtful debts.

(iv) Stock was to be valued at Rs. 18,000 and Investment at Rs. 35,000.

Record the necessary journal entries to the above effect and prepare the revaluation account.

View Text Solution

18. Naresh, Raj Kumar and Bishwajeet are equal partners. Raj Kumar decides to retire. On the date of his retirement, the Balance Sheet of the firm showed the following: General Reserves Rs. 36,000 and Profit and Loss Account (Dr.) Rs. 15,000.

Pass the necessary journal entries to the above effect.

View Text Solution

19. Digvijay, Brijesh and Parakaram were partners in a firm sharing profits in the ratio of $2:2:1$. Their Balance Sheet as on March 31, 2017 was as follows:

Brijesh retired on March 31, 2017 on the following terms:

(i) Goodwill of the firm was valued at Rs. 70,000 and was not to appear in the books.

(ii) Bad debts amounting to Rs. 2,000 were to be written off.

(iii) Patents were considered as valueless.

Prepare Revaluation Account, Partners' Capital Accounts and the Balance Sheet of Digvijay and Parakaram after Brijesh's retirement.

View Text Solution

20. Radha, Sheela and Meena were in partnership sharing profits and losses in the proportion of $3:2:1$. On April 1, 2017, Sheela retires from the firm. On that date, their Balance Sheet was as follows:

The terms were:

a) Goodwill of the firm was valued at Rs. 13,500.

b) Expenses owing to be brought down to Rs. 3,750.

c) Machinery and Loose Tools are to be valued at 10% less than their book value.

d) Factory premises are to be revalued at Rs. 24,300.

Prepare:

1. Revaluation account

2. Partner's capital accounts and

3. Balance sheet of the firm after retirement of Sheela.

View Text Solution

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

Additional Information

(i) 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 Rs. 1,200 and furniture to be brought up to Rs. 45,000.

(ii) Goodwill of the firm be valued at Rs. 42,000.

(iii) Rs. 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 form Bank.

(iv) 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.

View Text Solution

22. Puneet, Pankaj and Pammy are partners in a business sharing profits and losses in the ratio of $2:2:1$ respectively. Their balance sheet as on March 31, 2017 was as follows:

Mr. Pammy died on September 30, 2017. The partnership deed provided the following:

(i) The deceased partner will be entitled to his share of profit up to the date of death calculated on the basis of previous year's profit.

(ii) He will be entitled to his share of goodwill of the firm calculated on the basis of 3 years' purchase of average of last 4 years' profit. The profits for the last four financial years are given below:

The drawings of the deceased partner up to the date of death amounted to Rs. 10,000. Interest on capital is to be allowed at 12% per annum.

Surviving partners agreed that Rs. 15,400 should be paid to the executors immediately and the balance in four equal yearly instalments with interest at 12% p.a. on outstanding balance.

Show Mr. Pammy's Capital account, his Executor's account till the settlement of the amount due.

View Text Solution

23. Following is the Balance Sheet of Prateek, Rockey and Kushal as on March 31, 2017.

Rockey died on June 30, 2017. Under the terms of the partnership deed, the executors of a deceased partner were entitled to:

a) Amount standing to the credit of the Partner's Capital account.

b) Interest on capital at 5% per annum.

c) Share of goodwill on the basis of twice the average of the past three years' profit and

d) Share of profit from the closing date of the last financial year to the date of death on the basis of last year's profit.

Profits for the year ending on March 31, 2015, March 31, 2016 and March 31, 2017 were Rs. 12,000, Rs. 16,000 and Rs. 14,000 respectively.

Profits were shared in the ratio of capitals.

Pass the necessary journal entries and draw up Rockey's capital account to be rendered to his executor.

View Text Solution

24. Narang, Suri and Bajaj are partners in a firm sharing profits and losses in proportion of $1/2$, $1/6$ and $1/3$ respectively. The Balance Sheet on April 1, 2015 was as follows:

Bajaj retires from the business and the

partners agree to the following:

a) Freehold premises and stock are to be appreciated by $20\,\%$ and $15\,\%$ respectively.

b) Machinery and furniture are to be depreciated by 10% and 7% respectively.

c) Bad Debts reserve is to be increased to Rs. 1,500.

d) Goodwill is valued at Rs. 21,000 on Bajaj's retirement.

e) The continuing partners have decided to adjust their capitals in their new profit sharing ratio after retirement of Bajaj. Surplus/deficit, if any, in their capital accounts will be adjusted through current accounts.

Prepare necessary ledger accounts and draw the Balance Sheet of the reconstituted firm.

View Text Solution

25. The Balance Sheet of Rajesh, Pramod and Nishant who were sharing profits in proportion to their capitals stood as on March 31, 2015:

Pramod retired on the date of Balance Sheet and the following adjustments were made:

a) Stock was valued at 10% less than the book value.

b) Factory buildings were appreciated by $12\,\%$.

c) Reserve for doubtful debts be created up to $5\,\%$.

d) Reserve for legal charges to be made at Rs. 265.

e) The goodwill of the firm be fixed at Rs. 10,000.

f) The capital of the new firm be fixed at Rs. 30,000. The continuing partners decide to keep their capitals in the new profit sharing ratio of $3:2$.

Pass journal entries and prepare the balance sheet of the reconstituted firm after transferring the balance in Pramod's Capital account to his loan account.

View Text Solution

26. Following is the Balance Sheet of Jain, Gupta and Malik as on March 31, 2016.

The partners have been sharing profits in the ratio of 5:3:2. Malik decides to retire from business on April 1, 2016 and his share in the business is to be calculated as per the following terms of revaluation of assets and liabilities : Stock, Rs.20,000, Office furniture, Rs.14,250, Plant and Machinery Rs.23,530, Land and Building Rs.20,000.

A provision of Rs.1,700 to be created for doubtful debts. The goodwill of the firm is valued at Rs.9,000.

The continuing partners agreed to pay Rs.16,500 as cash on retirement of Malik, to be contributed by continuing partners in the ratio of 3:2. The balance in the capital account of Malik will be treated as loan. Prepare Revaluation account, capital accounts, and Balance Sheet of the reconstituted firm.

View Text Solution

27. Arti, Bharti and Seema are partners sharing profits in the proportion of $3:2:1$ and their Balance Sheet as on March 31, 2016 stood as follows :

Bharti died on June 12, 2016 and according to the deed of the said partnership, her executors are entitled to be paid as under :

(a) The capital to her credit at the time of her death and interest thereon $\circ 10\%$ per annum.

(b) Her proportionate share of reserve fund.

(c) Her share of profits for the intervening period will be based on the sales during that period, which were calculated as Rs.1,00,000. The rate of profit during past three years had been 10% on sales.

(d) Goodwill according to her share of profit to be calculated by taking twice the amount of the average profit of the last three years less 20%. The profits of the previous years were :

2013 – Rs.8,200

2014 – Rs.9,000

2015 – Rs.9,800

The investments were sold for Rs.16,200 and her executors were paid out. Pass the necessary journal entries and write the account of the executors of Bharti.

View Text Solution

28. Nithya, Sathya and Mithya were partners sharing profits and losses in the ratio of 5:3:2. Their Balance Sheet as on March 31, 2015 was as follows :

Mithya dies on August 1, 2015. The agreement between the executors of Mithya and the partners stated that :

(a) Goodwill of the firm be valued at $2\frac{1}{2}$ times the average profits of last four years. The profits of four years were : in 2011-12, Rs.13,000, in 2012-13, Rs.12,000, in 2013-14, Rs.16,000, and in 2014-15, Rs.15,000.

(b) The patents are to be valued at Rs.8,000, Machinery at Rs.25,000 and Premises at Rs.25,000.

(c) The share of profit of Mithya should be calculated on the basis of the profit of 2014-15.

(d) Rs.4,200 should be paid immediately and the balance should be paid in 4 equal half-yearly instalments carrying interest $\circ\ 10\,\%$.

Record the necessary journal entries to give effect to the above and write the executor's account till the amount is fully paid. Also prepare the Balance Sheet of Nithya and

Sathya as it would appear on August 1, 2015 after giving effect to the adjustments.

View Text Solution