ACCOUNTS

BOOKS - SULTAN CHAND & SONS ACCOUNTS (HINGLISH)

Admission of a Partner

Illustration

1. (New Partner's is given but Sacrifices made by Old Partners are not given). A amd B are partners sharing profits in the ratio of 5:3 C is admitted for $\frac{1}{4}th$ share in the profits.

Calculate of New protit-sharing Ratio of the partners.

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2. A, B and C were partners in a firm shaing profits in 3:2:1 ratio. They admitted D for 10% profits. Calculate New Profit-sharing Ratio.

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3. A and B are partners, They admit C for $\frac{1}{4}th$ share. In future, profit-sharing ration between A and B would be 2: 1. Calculate New Profit-share Ratio.

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4. A and B are partners sharing profits in the ratio of 5 : 4. They admit C for a $\frac{1}{10}th$ share of profits which he acquires, in equal proportions from both. Find the new profit-sharing ration.

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5. Naresh and Namit are partners sharing porfits in the ratio of 2:1. They admit Nimesh into partnership of 25% share of profit. Nimesh acquired the share from old partners in the ratio of 3:2. Calculate New Profit-sharing Ratio.

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6. (Old Partners Sacrifice Fraction of their Shares in Favour of New Partner).

A and B are partners in a firm sharing profits and losses in the ration of 3:2 A surrenders $\frac{1}{5}th$ of his share, whereas B surrenders $\frac{2}{5}th$ of his share in favour of C, the new partner. Calculate new profit-sharing ratio.

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7. X, Y and Z are partners sharing profits in the ratio of 2 : 2 : 1. W is admitted as a new partner for $\frac{1}{6}th$ share. Z will retain his share. Calculate new profit-sharing ratio.

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8. On 1st April 2010m Sahil and Charu entered into partnership for sharing profit in the ratio of 4:3. They admitted Tanu as a new partner on 1st April, 2012 of 1/5th share which she acquired equally from Sahil and Charum Charu and Tanu earned profits at a higher rate than the normal rate of return for the year ended 31st March, 2013. Therefore, they decided to expand their business. To meet the requirments of additonal capital, they admitted Puneet as a new partner on 1st April, 2013 for 1/7th share in profit which he acqured from Sahil and Charu in 7 : 3 ratio.

Calculate:

(i) New profit-sharing ration of Sahil, Charu and Tanu for the year 2012 13

(ii) New profit-sharing ratio of Sahil, Chaur, Tanu and Puneet on Puneet's admission.

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9. (When one of the Old Partners Gifts his Share).

A and B are Partners sharing profits in the ration of which half share was gifted by A and the remaining share was taken by C equally from A and B. Calculate new profit-sharing ratio.

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10. Bharat and Buhushan are partners in a firm sharing profits and losses in the ratio of 5 : 3. They admit Bhagat for 1/5th share in profits. Calculate the new profit-sharing ratio of the partners when:

(i) Bhagat gets his share equally from the old partners,

(ii) Bhagat gets his share from Bharat and Bhushan in the ratio of 3 : 5,

(iii) Bhagat gets his share from Bharat alone,

(iv) Bhagat gets his share from Bhushan alone, and

(v) Bhagat gets his share from Bharat 5/40 and from Bhushan 3/40.

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11. (Partners make Sacrifice in Old Ratio)

A and B are partners sharing profits in the ratio of 3 : 1. C is admitted into partnership for 1/8th of the profits. Calculate sacrificing ratio and new profit-sharing ratio.

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12. (New profit-sharing Ratio of all Partners is given).

A and B are partners sharing profits in the ratio of 3 : 2. C is admitted into partnership. New profit-shareing ratio among A, B and C is 5: 3 : 2. Find the sacrificing ratio.

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13. (Old Partners sacrifion in a Particular Proportion).

X and Y are partners sharing profits and losses in the ratio of 7 : 5. They admit Z, a new partner, who acquires 1/12th from X and 1/6th from Y as his share.

Calculate new profit-sharing ratio and the sacrificing ratio.

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14. (Old Partners sacrifice Fraction of their Shares in Favour of New Partner).

A and B are partners in a firm sharing profits and losses in the ration of 5 : 3. A surrenders 1/20th of this share, whereas B surrenders 1/24th of his share in favour of C, a new partner. Calculate new profit-sharing ration and the sacrificing ratio.

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15. X and Y are partners sharing profits and losses in the ratio of 3 : 2.They admit Z into the partnership, who acquires 1/4th of his share from X and 3/16th share from Y. Calculate the new profit-sharing ration and sacificing ration.

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16. (When Old and New Profit-sharing Ratios are given).

A, B and C are partners in a firm sharing profits and losses in the ratio of 6 : 3 : 1. They admit D into partnership with effect from April 1, 2019. New profit-sharing ratio among A, B, C and D will be 3 : 3 : 3 :1. Determine the sacrificing ratio.

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17. L and M are partners in a firm sharing profits in the ratio of 5: 3. They admit N decide that the profit-shareing ratio between M and N shall be same as existing between L and M. Calculate new profit-sharing ratio and the sacrificing ratio.

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18. (When Premium for Goodwill is paid privately).

X and Y are partners in a firm sharing profits and losses in the ratio 3:2. They admit Z as partner for 1/4th share. Z paid RS 80,000 directly to X and Y as his share of goodwill. Pass the necessary Journal entry in the books of firm.

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19. A and B are partnres in the firm sharing profits in the ratio of 3:2. A and B surrender 1/2 of their respective shares in favour of C. C is to bring his share of premium for goodwilll in cash. Goodwill of the firm is valued RS 40,000.

Pass Journal entries recording goodwill in the above case.

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20. (When Premium for Goodwill is brought in Cash).

A and B are partners in a firm sharing profits of 2:1. On 1st April, 2019, their capital are RS 4,00,000 and RS 2,00,000 respectively. On that date, they admitted C as a new partner of 1/5th share in profits. New profit-sharing ratio of A, B and Ca will be 3:1:1. C brought in RS 1,00,000 as his capital and RS 21,000 as share of premium for Goodwill. Pass Journal entries and show the Capital Accounts of all the Partners.

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21. (When An Existing Partner also Gains on Admission of New Partner).

Ram and Shyam are partnres sharing profits and losses in the ratio of 4:1. They admit Mohan into the partnership on 1st April, 2019 for 1/3rd share in porfits. It was agreed that Ram, Shayam and Mohan would share profits equally in future. Mohan brought in RS 50,000 as goodwill for his 1/3rd share in porfits. Pass necessary Journal entries in the books of the firm.

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22. (Goodwill Existing in the Books at the Time of Admission and wirtten off).

X and Y are partners in a firm sharing profits in the ratio 4:3. On 1st April, 2019, they admitted Z as partner. Z brought in RS 1,00,000 for his capital and RS 21,000 for 1/3rd share of goodwill premium. On Z's admission, goodwill appeared in the books of the firm at RS 28,000.

Pass necessary Journal entries on Z's admission.

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23. (Goodwill Existing in the Books at the Time of Admission and Retainet in the books).

Raman and Chaman are partners shairng profits equally. They admit Boman for 1/3rd share Goodwill appeared in the Balance Sheet as at 31st March, 2019, at RS 2,00,000. It was agreed among the partners to carry forward the exsiting goodwill at its book value. Boman brought his share of goodwill by cheque.

Pass the Journal entries for goodwill.

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24. (Premium for Goodwill withdrawn in full).

Storng and Weak are partners sharing profits in the ratio of 2:3. On 1st April, 2019 they admit Able as partner for 1/4th share in profits. Able brought RS 1,00,000 as his capital and RS 36,000 as premium for goodwill for his 1/4th share in the profit. New profit-sharing ratio of strong, Weak and Able is agreed to be 3 : 3 : 2. Strong and Weak withdraw the premium for goodwill. Pass necessary Journal entries.

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25. (Premium for Goodwill withdrawn Partially).

A and B were partners in a firm sharing profits in the ratio of 4 : 3. They admitted C as a new partner for 3/7th share in the profits of the firm. New profit-sharing ratio will be 2 : 2 : 3. C brought RS 2,00,000 as his capital and RS 60,000 for his share of premium for goodwill, half of which was withdrawn by A and B from the firm.

Calculate sacrficing ratio and pass necessary Journal entries in the books of the firm for the above transactions.

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26. (Premium brought in Kind).

X and Y are partners in a firm sharing profits in the ratio of 3 : 2. On 1st April, 2019, they admit Z as new partner for 3/13th share in the profits. New ratio will be 5 :5 :3. Z contributed the following assets to his capital and his share for goodwill: Stock RS 80, 000, Debtors RS 1,20,000, Land RS 2,00,000, Plant and Machinery RS 1,00,2000. On the date of admission of Z, goodwill of the firm was valued at RS 10,40,000, Pass necessary Journal entries in the books of the firm on Z's admission.

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27. Karan and Varun were partners in a firm sharing profits and losses in the ratio of 1:2. Their fixed capitals were RS 2,00,000 and RS 3,00,000 respectively. On 1st April, 2016, Kishore was admitted as a new partner for 1/4th share in the profits. Kishore brought RS 2,00,000 for his capital which was to be kept fixed like the capital of Karan and Varun. Kishore acquired his share of porfit from Varun.

Calculate goodwill of the firm on Kishore's admission and the new protif-sharing ratio of karan, Varun and Kishore. Also, pass necessary Journal entry for the treatment of Goodwill on Kishore's admission considering that Kishore did not share of goodwill premium in cash.

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28. A and B are partners sharing profits and losses in the ratio of 3 : 2. They admit C into partnership for 1/4th share, which he takes 1/6th from A and 1/12th from B. Goodwill appears in the books at 20,000. C brings RS 18,000 as goodwill out of his share of RS 30,000. It was decided that shortfall in amount shall be debited to C's Current Account.

Pass necessary Journal entries for the above.

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29. (When New or Incoming Partner brings a Part of his Share of Goodwill).

X and Y are partners sharing profits and losses in the ratio of 3 : 2. They agree to admit Z as a partner for 1/5th share. Z acquires his share from X and Y in the ratio of 2 : 3. Goodwill of the firm is valued at RS 50,000. Z brings in only 60% of his share of goodwill and RS 2,00,000 as his capital through cheque.

Pass necessary Journal entries under each of the following alternative cases:

Case 1. When goodwill does not appear in the books.

Case 2. When goodwill appears in the books at RS 20,000.

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30. (New Partner does not bring Cash for Goodwill).

A and B who share profits in the ratio of 3 : 2 had capitals of RS 2,00,000 and RS 1,50,000 respectively. They agree to admit C into partnership from 1st April, 2019 on the following terms for 1/3rd share in future profits:

(i) That C to bring RS 2,00,000 as capital.

(ii) That C is unable to bring his share of goodwill of the firm is valued at RS 1,50,000.

Pass necessary Journal entries in the books of the firm.

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31. (When two Partners are Simultaneously Admitted).

A, B and C are in partnership sharing profits and losses in the ratio of 5 : 4 : 1 respectively. Two new partnres D and E are admittd. Profits are to be shared in the ratio of 3 : 4 : 2 : 2 : 1 respectively. D is to pay RS 30,000 for his share of goodwill but E is unble to pay for goodwill. Both the new partners introduced RS 40,000 each as their capital. Passs necessary Jonrnal entries.

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32. A and B are partners in a firm sharing profits and losses in the proportion of 3/4th and 1/4th respectively. On 1st April, 2019, they take C into partnership for 1/5th share of profits. C acquires his share from A and B in the ratio of 2 : 1. Value of goodwill is determined at RS 24,000. At present, C is not in a position to bring amount towaerds goodwill. Give necessary Journal entries under the following alternative cases:

Case 1. When the Goodwill Account appeare at RS 10,000 in the books of the firm.

Case 2. When Goodwill Account is not appearing in the books of the firm.

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33. A and B are partners sharing profits and losses in the ratio of 3 : 2. They admit C into partnership for 1/4th share in profits which he takes 1/6th from A and 1/12th from B. C brings RS 18,000 as goodwill out of his share of RS 30,000. Pass necessary Journal entries to record this arrangement.

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34. Hemant and Nishant were partners in a firm sharing profits in the ratio of 3 : 2. Their capitals were RS 1,60,000 and RS 1,00,000 respectively. They admitted Somesh on 1st April, 2013 as a new partner 1/5th share in the future porfits. Somesh brought RS 1,20,000 as his capital. Caluclate the value of goodwill of the firm and record necessary Journal entries for the above transctions on Somesh's admission.

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35. Abhay and Beena are partners in a firm. They Chetan as a partner with 1/4th share in the profits of the firm. Chetan brings RS. 2,00,000 as his share of capital. Value of the total assets of the firm is RS. 5,40,000 and outside liabilites are valued at RS. 1,00,000 on that date. Give necessary entry to record goodwill at the time of Chetan's admission. Also show your working notes.

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36. Balance Sheet of X and Y who share porfits and losses in the ratio of 3: 2 as at 31st March, 2019 was.

Liabilities		₹	Assets	₹
Sundry Creditors		1,00,000	Cash at Bank	10,000
Reserve		60,000	Debtors	50,000
Profit and Loss A/c		25,000	Stock	70,000
X's Capital	48,000		Furniture	20,000
Y's Capital	32,000	80,000	Plant and Machinery	1,00,000
			Advertisement Suspense	15,000
		2,65,000		2,65,000

They admit Z as a partner from 1st April, 2019 for 1/5th share in the profits of the firm. Z brings in RS 50,000 as his capital. Give Journal entry for the adjustment of goodwill.

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37. Pass entries in firm's Journal for the following on the admission of a partner:

(i) Unrecorded Investments worth RS. 5,000.

(ii) Unrecorded Iiabilitice towards suppliers for RS. 1,500.

(iii) A creditor of RS. 600 is not likelyl to be claimed, hence is to be written back.

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38. Pass Journal entries to record folliowing transacation on the admission of Z, as a partner in the Journal of X and Y, who are sharing profits in the ratio of 2 : 3

(i) The value of furniture is to be increased by RS.10,000 (Book value of furniture: RS. 50,000).

(ii) The value of furniture is to be increased to RS. 40,000 (Book value of furniture: RS. 20,000).

(iii) The v alue of furniture has to be brought up to 120% of its value. (Book value of furniture: RS. 50,000).

(iv) Stock is undervalued by 10% (Book value of stock: 18,000).

(v) Stock is overvalued by 10% (Book value of stock: RS. 22,000).

(vi) The market value of stock is RS.25,000 (Book value of stock: RS.20,000).

(vii) Machinery is taken over by X for RS. 80,000 (Book value of machinery: RS.60,000)

(viii) One-third of machinery is taken over by Y for RS.30,000 and balance is revalued at RS. 57,600 (Book value of machinery: RS.72,000).

(ix) Out of the amount of insurance premium which was debited to Profit and Loss Account, RS.5,000 to be carried forward to next year.

(x) Expenses on revaluation amount to RS.5,000 paid by X.

(xi) A debtor whose due of RS.14,000 were written off as had debts last year, paid RS.10,000 in full settlement.

Note: Gain (Profit/Loss on Revaluation of Assets and Reassessment of Liabilities need not be calculated.

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39. Asha and Aditi are partners in a firm sharing profits and losses in the ratio of 3 : 2 They admit Raghav as a partner for 1/4th share in the profits of the firm. Raghav bring RS. 6,00,000 as his capital and his share of goodwill in cash. Goodwill of the firm is to The profits of the firm is to The profit of the firm during the last four years are given below:

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

The following additional information is given:

(i) To cover management cost an annual charge of RS. 56,250 should be made for the purpose of valuation of goodwill.

(ii) The closing stock for the year ended 31st March, 2017 was overvalued by RS.15,000.

Pass necessary Journal entries on Raghav's admission showing the working notes clearly.

40. Swadesh and Swaraj were partners sharing profits equally. Their Balance Sheet as at 31st March, 2019 was:

Liabilities		₹	Assets		₹
Creditors		50,000	Cash		12,000
Bills Payable		15,000	Cash at Bank		15,000
Outstanding Expenses		3,000	Debtors	20,000	
Capital A/cs:			Less: Provision for Doubtful Debts	500	19,500
Swadesh	60,000		Stock		20,000
Swaraj	40,000	1,00,000	Furniture		10,000
			Machinery		18,000
			Land and Building		73,500
		1,68,000			1,68,000

Sambhav is admitted as a partner from 1st April, 2019 on the following terms:

(i) Sambhav will get 1/5th share in porfits and he will bring RS. 20,000 as his capital and RS.5,000 as his share of goodwill.

(ii) Goodwill brought by Sambhav will be withdrawn by Swadesh and Swaraj.

(iii) Provision for Doubtful Debts should be brought up to 5% on Debtors.

(iv) Machinery be reduced by RS.2,000 and Furniture 12.5%.

(v) Stock be valued at RS.23,000.

(vi) Land and Building be appreciated by 20%.

(vii) Investments of 2,000 which did not appear in books should be recorded.

(viii) Out of the amount of insurance premium which was debited to Profit and Loss Account, RS.5,000 be carried forward as unexpired insurance.

(ix) A bill for 5,000 for Electricity Expenses was not accounted.

Record necessary journal entries and prepare Balance Sheet of the new firm.

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

BALANCE SHEET OF CHANDER AND DAMINI *as on 31st March, 2017*

Liabilities		₹	Assets
Sundry Creditors		1,04,000	Cash at Bank
Capitals:			Bills Receivable
Chander	2,50,000		Debtors
Damini	2,16,000	4,66,000	Furniture
			Land and Building
		5,70,000	

On 1st April, 2017 they admitted Elina as a new partner for 1/3rd share in the profits on the following canditions:

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

Debtors to the extent of RS.5,000 were unrecorded.

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

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

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

Prepare Revaluation Account and Partner's Capital Accounts.

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42. Ram and Rahim are partners in a firm. They share profit in the ratio of 3 : 2. Their Balance Sheet as at 31st March, 2019 was:

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Liabilities		₹	Assets	
Creditors		1,50,000	Cash at Bank	
Bills Payable		80,000	Debtors	2,00,[illegible]
Outstanding Rent		20,000	Less: Provision for	
Capital A/cs:			Doubtful Debts	20,[illegible]
Ram	3,00,000		Stock	
Rahim	1,50,000	4,50,000	Prepaid Expenses	
			Plant and Machinery	
		7,00,000		

They admitted Prabhu as a new partner on 1st April 2019 on the following terms: (i) Prabhu will bring in RS. 2,00,000 as capital and the necessary amount for goodwill.

(ii) New profit-sharing ratio among Ram, Rahim and Prabhu will be 5 : 3 : 2.

(iii) Amount of goodwill is to be based on Prabhu's share in profits and capital contributed by him.

(iv) Stock to be reduced by 10%.

(v) Provision for Doubtful Debts is to be RS.5,000.

(vi) Plant and Machinery is to be reduced by 5%.

(vii) Expenses on revaluation of assets and reassessment of liabilities were Rs.1,400 and were paid by firm.

(viii) An unaccounted Accrued Income of RS.1,400.

Prepare Revaluation Account, Bank Account Partner's Capital Accounts and the Balance Sheet of the New Firm.

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43. Following was the Balance Sheet of A, B and C who were equal partners as at 31st March, 2019:

Liabilities		₹	Assets
Bills Payable		3,300	Cash
Creditors		6,000	Debtors
Capital A/cs:			Stock
A	16,800		Furniture
B	12,600		Building
C	6,000	35,400	
		44,700	

They admit D into partnership from 1st April 2019 and for 1/4th share in the profits on the following terms: (i) D should bring in RS.9,000 for goodwill and RS.15,000 as capital.

Stock and Furniture be reduced by 10%.

(iii) A Provision of 5% on Debtors be created for Doubtful Debts.

(iv) A liability for RS.1,080 be created against dishonoured bills discounted from a NBFC.

(v) The value of the Building is undervalued by RS.8,500.

(vi) The values of liabilities and assets other than cash are not to be altered.

Give necessary entries to give effect to the above stated arrangement and prepare Opening Balance Sheet of the firm as newly constitued.

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44. A and B are partners in a firm sharing profits and losses in the ratio of 5 : 3. C was admitted for 1/3rd share in the profits. On the date of C's admission, the Balance Sheet of A and B showed a General Reserve of RS.60,000 and a balance of RS. 20,000 in the Profit and Loss Account on the assets side of the Balance Sheet. Pass necessary Journal entries on the teratment of these items on C's admission.

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45. A, B and C sharing profits and losses in the ratio of 4 : 3 : 2, decided to take D as a partner for 1/5th share in the firm with effect from 1st April,

2019. An extract of their Balance Sheet as at 31st March, 2019 is:

Liabilities	₹	Assets
Workmen Compensation Reserve	90,000	

Show the accounting treatment of Workmen Compensation Reserve on the admission of D under following alternative cases:

Case 1. If there is no other information.

Case 2. If a claim on account of workmen compensation is estimated at RS.45,000.

Case 3. If a claim on account of workmen compensation is estimated at RS.99,000.

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46. A, B and C sharing profits and losses in the ratio of 4 : 3 : 2, decide to admit D as a new partner with effect from 1st April, 2019. An extract of their Balance Sheet as at 31st March, 2019 is:

Liabilities	₹	Assets
Investment Fluctuation Reserve	18,000	Investment (At cost)

Show the accounting treatment of Investment Fluctuation Reserve under the following alternative cases:

Case 1. If there is no other information.

Case 2. If the market value of Investment is RS.2,00,000.

Case 3. If the market value of Investment is RS.1,91,000.

Case 4. If the market value of Investment is RS.1,73,000.

Case. 5 If the market value of Investment is RS.2,18,000.

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47. P, Q and R were on partnership terms sharing and losses in the ratio of 6 : 3 : 1. They decide to take S into partnership with effect from 1st April, 2019. The new profit-sharing ratio between P, Q, R and S will be 3 : 3 : 3 : 1. They also decide to record the effect of the following without affecting their book values, by passing a single adjustment entry: `{: (,"Book Values (RS)"),("General Reserve","1,80,000"),("Contingency Reserve","30,000"),("Profit and Loss A//C (Cr.)","90,000"),("Advertisement Suspense A//c (Dr.)","1,20,000"):}

Pass the necessary single adjustment entry.

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

BALANCE SHEET OF W AND R as on 31st March, 2016

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

On the above date, C was admitted for 1/6th share in the profits on the following terms:

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

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

(iii) Outstanding salary will be paid off.

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

(v) Investments RS.2,500 not mentioned in the Balance Sheet were to be taken into account.

(vi) A creditor Journal entries for the above transaction in the books of the firm on C's admission.

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49. A and B aer partners sharing profits and losses in the ratio of 3 : 2. On 31st March, 2019, their Balance Sheet was as follows:

Liabilities		₹	Assets	₹
Creditors		2,50,000	Cash in Hand	25,000
Bills Payable		1,00,000	Cash at Bank	5,75,000
General Reserve		1,50,000	Debtors	50,000
Capital A/cs:			Stock	3,00,000
A	8,00,000		Building	5,00,000
B	4,00,000	12,00,000	Machinery	2,00,000
			Goodwill	50,000
		17,00,000		17,00,000

They admit C as a partnre with effect from 1st April, 2019, for 1/3rd share on the following terms:

(i) C will bring in RS.5,00,000 as capital and RS.2,00,000 as his share of goodwill but he actually contributed only RS. 1,20,000 towards goodwill.

(ii) Building and Machinery ot be depreciated by 5%.

(iii) Stock to be revalued at RS. 4,00,000.

(iv) There is an unrecorded asset worth RS.1,20,000.

(v) One month salary of RS.30,000 is outstanding.

Prepare Revaluation Account, Bank Account, Capital Accounts of Partners and the Balance Sheet after the admission of C.

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50. Murari and Vohra were partneres in a firm with capital of RS.1,20,000 and RS.1,60,000 respectively. On 1st April, 2010 they admitted Yadav as a partner for one-fourth share in profits on his payment of RS.2,00,000 as his capital and 90,000 for his one-fourth share of googwill.

On that date the creditors of Murari and Vohra were RS.60,000 and Bank overdraft was RS.15,000. Their assets apart from cash included Stock RS.10,000, Debtors RS.40,000, Plant and Machinery RS.80,000, Land and Building RS.2,00,000. It was agreed that Stock should be depreciated by RS.2,000, Plant and Machinery by 20%, RS.5,000 should be written off as Bad Debts and Land and Building should be appreciated by 25%.

Prepare Revaluation Account, Capital Accounts of Murari, Vohra and Yadav and the Balance Sheet of the new firm.

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51. Following is the Balance Sheet of Subash and Asha as at 31st March, 2019 sharing profits in the ratio of 3 : 2,

Liabilities		₹	Assets	
Creditors		10,000	Debtors	22,
Employees' Provident Fund		8,000	*Less:* Provision for Doubtful Debts	1
General Reserve		30,000	Stock	
Workmen Compensation Reserve		15,000	Bank	
Capital A/cs:			Land and Building	
Subash	15,000		Plant and Machinery	
Asha	10,000	25,000	Advertisement Suspense	
		88,000		

They admit Tanya as a partner on 1st April, 2019 for 1/6th share in the profits. It was decided that:

(i) Value of Land and Building be increased by RS.3,000.

(ii) Value of Stock be increased by 2,500.

(iii) Provision for Doubtful Debts be increased by RS.1,500.

(iv) A Bill of Exchange of RS.10,000 which was previously discounted with the banker, was dishonoured on 31st March, 2019 but no entry has been passed for dishonour.

(v) Liability against Workmen Compensation Reserve was determined at RS.20,000.

(vi) Tanya brought in as her share of goodwill RS.10,000 by cheque.

(vii) Tanya was to bring in further cheque of RS.15,000 as her capital.

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

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52. A and B are partners in a firm. Their Balance Sheet as at 31st March, 2019 was:

Liabilities		₹	Assets		₹
Workmen Compensation Reserve		5,600	Cash		10,000
Outstanding Expenses		3,000	Sundry Debtors	80,000	
Creditors		30,000	*Less:* Provision for Doubtful Debts	4,000	76,000
Capital A/cs: A	50,000		Stock		20,000
B	60,000	1,10,000	Machinery		38,600
			Profit and Loss A/c		4,000
		1,48,600			1,48,600

On 1st April, 2019, they admitted C a new partner on the following conditions:

(i) C bring in RS.40,000 as his share of capital but he is unable to bring any amount for goodwill. C's Share of goodwill is adjusted by opening his Current Account.

(ii) The new profit-sharing ratio between A, B and C will be 3 : 2 : 1.

(iii) Claim towards Workmen Compensation is RS.3,000.

(iv) Bad Debts amounting to RS.6,000 are to be written off.

(v) Creditors are to be paid RS.2,000 more.

(vi) RS.2,000 be provided for an unforeseen liability.

(vii) Outstanding Expenses be brought down to RS.1,200.

(viii) Shikha, an old customer whose account was written off as bad debts, has promised to Pay RS.2, 500 in settlement of her dues.

(ix) Goodwill is valued at $1_{1/2}$ years' purchaes of the average profit of last three years, less RS.12,000. The profits of last three years amounted to RS.10,000, RS 20,000 and RS. 30,000 respectively.

Prepare Revaluation Account Capital Accounts of Partners and the Opening Balance Sheet.

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53. Following is the Balance Sheet of A and B as at 31st March, 2019 who are partnres in a firm sharing profits and losses in the ratio of 3 : 2 respectively:

Liabilities		₹	Assets	
Creditors		75,000	Cash at Bank	
General Reserve		60,000	Debtors	1,
Capital A/cs:			Less: Provision for Doubtful Debts	
A	3,00,000		Stock	
B	1,50,000	4,50,000	Investments	
Current A/cs:			Fixed Assets (Tangible)	
A	50,000		Goodwill	
B	10,000	60,000		
		6,45,000		

C is admitted as a new partner on 1st April, 2019 on the following terme:

(i) Provision for doubtful debts is to be maintained at 5% on Debtors.

(ii)An outstanding bill for repairs RS.25,000 will be brought into books.

(iii) An unaccounted Accrued Income of RS.7,500 will be provided for.

(iv) A takes over the Investments at an agreed value of RS.30,000.

(v) Expenses on revaluation amounting ot RS.5,000 are paid by A.

(vi) Stock is revalued at RS.79,000.

(vii) New profit-sharing ratio of partners will be 4 : 3 : 2.

(viii) C will bring in RS.1,00,000 as his capital.

(ix) C is to pay an amount equal to his share in firm's goodwill valued at twice the average profit of the last three years which were RS.1,50,000, RS.1,30,000 and RS.1,25,000 respectively.

(x) Half of the amount of goodwill is to be withdrawn by A and B, Prepare Revaluation Account, Partners' Capital and Current Accounts, and the Balance Sheet of the new firm.

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54. A and B are partners sharing profits and losses equally. Their Balance Sheet as at 31st March, 2019 is given below:

Liabilities		₹	Assets	
Capital A/cs:			Land and Building	
A	3,00,000		Plant and Machinery	
B	2,00,000	5,00,000	Furniture and Fittings	
Current A/cs:			Stock	
A	80,000		Debtors	1,5
B	60,000	1,40,000	*Less:* Provision for Doubtful Debts	
Creditors		2,60,000	Bills Receivable	
Bills Payable		1,00,000	Bank	
		10,00,000		

C is admitted as a partner for 1/4th share on 1st April, 2019, under the following terms:

(i) C is to introduce RS.2,50,000 as capital.

(ii) Goodwill is agreed to be nil.

(iii) It is found that the creditors included a sum of RS.15,000 which was not to be paid.

(iv) A liability of compensation to workmen amounting to RS.20,000.

(v) Provision for doubtful debts is to be created @10% on debtors.

(vi) It was decided to henceforth follow fluctuating capital method.

(vii) Bills accepted worth RS.40,000 issued by creditors were not recorded in the books.

(viii) A provides RS.1,00,000 loan to the business' Current Accounts, Partners' Capital Accounts and Balance Sheet of the new firm.

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55. X and Y aer partners in a firm sharing profits in the ratio of 3 : 2. The remaining capitals of X and Y after adjustments are RS.80,000 and RS.60,000 respectively. They admit Z as a partner on his contrbution of RS.35,000 as capital for 1/5th share of profits to be acquired equllay from both X and Y. The Capital Accounts of the old partners are to be adjusted on the basis of the porportion of Z's Capital to his share in the business. Calculate the amount of actual cash to be paid off or brought in by the old partners for the purpose.

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56. Charu and Harsha were partners in a firm sharing profits in the ratio of 3 : 2. On 1st April, 2014, their Balance Sheet was as follows:

Liabilities		₹	Assets
Creditors		17,000	Cash
General Reserve		4,000	Debtors
Workmen Compensation Fund		9,000	Investments
Investment Fluctuation Fund		11,000	Plant
Provision for Bad Debts		2,000	Land and Building
Capital A/cs: Charu	30,000		
Harsha	20,000	50,000	
		93,000	

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

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

(ii) All debtors were considered good.

(iii) The market value of investments was RS.15,000.

(iv) There was a liability of RS.6,000 for Workmen Compensation.

(v) Capital Accounts of Charu and Harsha are to be adjusted on the basis of Vaishali's capital by opening Current Accounts.

Prepare Revaluation Account and Partners' Capital Accounts.

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57. On 31st March, 2010, the Balance Sheet of W and R who shared profits in 3 : 2 ratio was as follows,

Liabilities		₹	Assets		₹
Creditors		20,000	Cash		5,000
Profit and Loss A/c		15,000	Sundry Debtors	20,000	
Capital A/cs:			*Less:* Provision	700	19,300
W	40,000		Stock		25,000
R	30,000	70,000	Plant and Machinery		35,000
			Patents		20,700
		1,05,000			1,05,000

On this date B was admitted as a partner on the following conditions:

(i) B wil get 4/5th share of profits.

(ii) B had to bring RS.30,000 as his capital to which amount other partner's capital shall have to be adjusted.

(iii) He would pay cash for his share of goodwill which would be based on $2_{1/2}$ years' purchase of averge profit of past 4 years.

(iv) The assets would be revalued as under.

Sundry Debtors at book value less 5% Provision for Bad Debts. Stock at RS.Plant and Machinery at RS.40,000.

(v) The profits of the firm for the years 2007, 2008 and 2009 were RS.20,000, RS.14,000 and RS.17,000 respectively.

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

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58. A and B are in partnership sharing profits and losses in the ratio of 3 : 2. Their Balance Sheet as on 31st March, 2019 is as under:

Liabilities		₹	Assets		₹
A's Capital	88,000		Goodwill		5,000
B's Capital	1,27,000	2,15,000	Land and Building		30,000
Workmen Compensation Reserve		10,000	Investments (Market Value ₹ 22,500)		25,000
Investment Fluctuation Reserve		5,000	Debtors	50,000	
Employees' Provident Fund		5,000	Less: Provision for Doubtful Debts	5,000	45,000
C's Loan		1,50,000	Stock		1,50,000
			Bank Balance		1,25,000
			Advertisement Suspense A/c		5,000
		3,85,000			3,85,000

On 1st April, 2019, they admit C as partner on the following terms:

(i) A sacrifices 1/3rd of his share while B sacrifices 1/10th from his share in favour of C.

(ii) C's Joan will be converted into his capital.

(iii) C brings in 60% of his share of goodwill in cash.

(iv) Goodwill is to be valued at 2 years' purchase of super profit of last three completed years. Profits for the last three years ended 31st March, are as follows:

2017-RS.2,40,000, 2018-RS.4,65,000, and 2019-RS.6,90,000.

The normal profit is RS-3,15,000 with same amount of capital invested in similar industry.

(v) Land and Building was found undervalued by RS.25,000, Stock was found overvalued by RS.35,000 and Provision for Doubtful Debts is to be made equal to 5% of the debtors.

(vi) Claim on account of Workmen Compensation is RS.5,000. An unrecoded accrued income of RS.5,000 is to be accounted. A debtor whose dues of RS.25,000 were written of as bad debts, paid RS.20,000 in full settlement.

(vii) Capital Accounts of the partners to be readjusted on the basis of their profit-sharing ratio and any excess or deficiency be adjusted by payment or receipt of amount.

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

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59. A, B and C are partners in a firm sharing profits in the ratio of 3 : 2 : 1. On 1st April, 2019,their Balance Sheet is as follows:

BALANCE SHEET OF A, B AND C as at 1st April, 2019

Liabilities		₹	Assets	₹
Capital A/cs:			B's Current Account	14,000
A	3,50,000		Land and Building	3,50,000
B	3,00,000		Plant and Machinery	1,35,000
C	2,50,000	9,00,000	Furniture	1,60,000
Current A/cs:			Investments	73,000
A	8,000		Bills Receivable	34,000
C	12,000	20,000	Sundry Debtors	87,000
General Reserve		30,000	Stock	2,74,000
Profit and Loss Account		14,000	Bank	87,000
Creditors		1,60,000		
Bills Payable		90,000		
		12,14,000		12,14,000

On the above date, D is admitted on the following terms:

(i) D will bring RS.1,00,000 as his capital and will get 1/6th share in profits.

(ii) he will bring necessary amount for his share of goodwill premium.

Goodwill of the firm was valued at RS.1,80,000.

(iii) The new profit-sharing ratio will be 2 : 2 : 1 :1.

(iv) A Bill Reveivable of RS.14,008 discounted with Bank was dishonoured, which is to be recorded in the books of account.

(v) Value of Stock, Furniture and Investments is reduced by 20% whereas the value of Land and Building and Plant and Machinery will be appreciated by 20% and 10% respectively.

Capital Accounts of the partners will be adjusted on the basis of D's capital through their Current Accounts.

Prepare Revaluation Account Partners' Currnet Accounts Capital Accounts and Balance Sheet.

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60. Following is the Balance Sheet of A and B, who had been sharing profits in proportion of 3/4th and 1/4th as at 31st March, 2019:

Liabilities		₹	Assets	₹
Creditors		37,500	Cash at Bank	22,500
General Reserve		6,000	Bills Receivable	3,000
Capital A/cs:			Debtors	16,000
A	28,500		Stock	20,000
B	15,500	44,000	Furniture	1,000
			Land and Building	25,000
		87,500		87,500

They admit C into partnership on 1st April, 2019 on the following terms:

(i) C pays RS.14,000 as his capital for 1/5th share in the future profits.

(ii) Goodwill is valued at RS.20,000. C is unable to bring cash for his share of goodwill.

(iii) Stock and Furniture be reduced by 10% and 5% Provision for Doubtful Debts be created on Debtors.

(iv) Land and Building be appreciated by 20%.

(v) Capital Accounts of the partreciated be readjusted on the basis of their profito-sharing arrangement and any excess or deficiency is to be transferre to their Currnet Accounts.

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

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61. X and Y are in partnershop sharig profits and lesses in the ratio of 3 : 2. They capitals of X and Y after adjustment are RS.80,000 and RS.60,000 respectively. They admit Z as a third partner who is to contribute proportinate capital to acquire a 1/5th share of total capital of the new firm equally from both the partners X and Y. Calculate capital to be brought in by Z. Also calculate new profit-sharing ratio of the partners in the new firm.

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62. Following is the Balance Sheet as at 31st March, 2019 of A and B, who share profits and losses in the ratio of 3 :2:

Liabilities		₹	Assets		₹
Capital A/cs: A	1,00,000		Plant and Machinery		1,00,000
B	1,00,000	2,00,000	Land and Building		80,000
General Reserve		1,50,000	Debtors	1,20,000	
Workmen Compensation Reserve		50,000	Less: Provision for Doubtful Debts	10,000	1,10,000
Creditors		1,00,000	Stock		1,20,000
			Cash		90,000
		5,00,000			5,00,000

On 1st April, 2019, they admit C into partnership on the following terms:

(i) Provision for Doubtful Debts would be increased by RS.20,000.

(ii) Value of Land and Building would be increased to RS.1,80,000.

(iii) The value of Stock would be increased to RS.40,000.

(iv) The liability against the Workmen Compensation Reserve is determined at RS.20,000.

(v) C brought RS.1,00,000 in cash as his share of goodwill.

(vi) C would bring in furthre cash would make his capital equal to 20% of the total capital of the new firm after the above revaluation and adjustments are carried out.

Prepare Revaluation Account, Partners' Capital Accounts and the Balance Sheet of the firm after C's admission.

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63. Sahaj and Nimish are partners in a firm. They share profit and losses in the ratio of 2 : 1. Since both of them are specially abled, sometimes they find it difficult to run the business on their own. Therefore, they admitted Gauri into partnership for a 1/3rd share. She brought her share of goodwill in cash and proportionate capital. At the time of Gauri's admission, the Balance Sheet of Sahaj and Nimish was as under:

Liabilities		₹	Assets	₹
Capital A/cs:			Machinery	1,20,000
Sahaj	1,20,000		Furniture	80,000
Nimish	80,000	2,00,000	Stock	50,000
General Reserve		30,000	Sundry Debtors	30,000
Creditors		30,000	Cash	20,000
Employees' Provident Fund		40,000		
		3,00,000		3,00,000

It was decided to:

(i) Reduce the value of stock by RS.5,000.

(ii) Depreciate furniture by 10% and appreciate machinery by 5%.

(iii) RS.3,000 of the debtors proved bad. A provision of 5% was to be created on Sundry Debtors for doubtful debts.

(iv) Goodwill of the firm was valued at RS.45,000.

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

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64. A, B and C were partners in a firm sharing profits in the ratio of 3 : 2 : 1. On 31st March, 2015, their Balance Sheet was as follows:

BALANCE SHEET OF A, B AND C
as on 31st March, 2015

Liabilities		₹	Assets	₹
Creditors		84,000	Bank	17,000
General Reserve		21,000	Debtors	23,000
Capital A/cs: A	60,000		Stock	1,10,000
B	40,000		Investments	30,000
C	20,000	1,20,000	Furniture and Fittings	10,000
			Machinery	35,000
		2,25,000		2,25,000

On the above date, D was admitted as a new partner and it was decided that :

(i) The new profit-sharing ratio between A, B, C and D will be 2 : 2 : 1 :1.

(ii) Goodwill of the firm was valued at RS.90,000 and D brought his share of goodwill premium in cash.

(iii) The market value of investments was RS.24,000.

(iv) Machinery will be reduced to RS.20,000.

(v) A credior of RS.3,000 was not likely RS.29,000.

(vi) D will bring proportionate capital so as to give him 1/6th share in the profits of the firm.

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

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65. X and Y are partners in a firm sharing profit and losses in the ratio of 3 : 2 with capitals of RS.1,20,000 and RS.80,000 respectively. Interest on capital is allowed @ 10%. They admit Z into the partnership with effect from 1st January, 2019 on the following terms:

(i) Z is to bring in RS.10,000 for his share of cash.

(ii) Z is to contribute RS.1,25,000 as his share of capital.

(iii) Partners' capital will carry interest @ 12% p.a.

(iv) New profit-sharing ratio of X, Y and Z will be 9 : 6 : 4.

(v) X will be entitled to 5% commission on the net profit.

(vi) The profit for the year ended 31st March, 2019 before providing for X's commission and interest on partners' capital amounted to RS.80,000.

Prepare profit and Loss Appropriation Account for the year ended 31st March, 2019.

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Answers To Questions

1. Why should a new partner contirbute towards goodwill on his admission?

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2. At the time of admission of a new partner, new porfit-sharing ratio is determined. New or incoming partner acquires the share from old partners and as a result profit share of old partners is reduced. What is it know as and why is it important to determine it?

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3. Prithvi is admitted to the partnership and he was to bring RS. 50,000 as goodwill. But, he is not in a position to do so. The Accountant passed an entry in the books of account debiting Goodwill Account and crediting Sacrificing Partners' Capital Accounts. Do you think, he passed the entry correctly? Give reasons for your reply.

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4. Why is self-generated goodwill not recorded in the books of account?

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5. Law does not provide that at the time of admission of a partner assets be revalued and liabilities reassessed. Why are the assets revalued and liabilities reassessed?

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6. If the partners decide to retain and liabilities at their existing values, what method should be adopted to ensure that no partner is put to any advantage or disadvantage? Give reasons for your reply.

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7. Frank is admitted as partner in M/s Wood & Co., a partnership firm fo Garry and Terry. The firm has reserves of RS. 75,000 and accumulated profits of RS.1,00,000. At the time of admission Ashutosh, The Accountant, distributed the reserves and accumulated profits to Garry and Terry in their porfit-sharing ratio. Garry was of the opinion that they should not be distributed they will remain in the business and they can be distributed when a partner retries or the firm is dissolved. Do you agree with Garry's opinion? Give your reasons.

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Questions

1. General Reserve at the time of admission of a partner is transferred to

A. Revaluation Account.

B. Old Partners' Capital Accounts.

C. Capital Accounts of all partners' including new partner.

D. None of the above.

Answer: B

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2. When the incoming partner brings in his share of premium for goodwill in cash, it is adjusted by crediting to

A. Incoming Partner's Capital Account.

B. Premium for Goodwill Account.

C. Sacrificing Partners' Capital Accounts.

D. None of the above.

Answer: C

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3. Z is admitted to a firm for 1/4th share in the profits for which be brings in RS.10,000 towards premium for goodwill. It will be taken by the old partners in

A. the old profit-sharing ratio.

B. the new profit-sharing ratio.

C. the sacrificing ratio.

D. None of the above.

Answer: C

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4. Revaluation Account or Profit and Loss Adjustment Account is a

A. Real A/c

B. Nominal A/c

C. Personal A/c

D. None of the above

Answer: B

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5. The balance in the Investments Fluctuation Fund, after meeting the loss on revaluation of investments, as the time of admission of a partner will be transferred to

View Text Solution

6. If the incoming partner is to bring in premium of goodwill in cash and also a balance exists in the Goodwill Account, then this Goodwill Account is written off among the old partners in

A. the new profit-sharing ratio.

B. the old profit-sharing ratio.

C. the sacrificing ratio.

D. None of the above.

Answer: B

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7. X and Y are partners sharing profits in the ratio of 2 : 1. They admit Z into the parnership for 1/4th share in profits for which he brings in RS. 20,000 as his share of capital. Hence, the adjusted capital of X and Y will be

A. RS.40,000 and RS.20,000 respectively.

B. RS. 32,000 and RS. 16,000 respectively.

C. RS. 60,000 and RS. 30,000 respectively.

D. None of the above.

Answer: A

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8. When A and B sharing profits and loses in the ratio of 3 : 2, admit C as a partner giving him 1/5th share of profits. This will be given by A and B

A. equally.

B. in the ratio of their profits.

C. in the ratio of their capitals.

D. None of the above.

Answer: B

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9. When a new partner brings cash for goodwill the amount is credited to the

A. Premium for Goodwill Account.

B. Capital Account of the new partner.

C. Cash Account.

D. None of the above.

Answer: A

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10. A and B sharing profits and losses in the ratio of 2/3rd and 1/3rd, admit C as a partner giving him 1/4th share. The new profit-sharing ratio will be.

A. $A1/2 \quad B1/4 \quad C1/4$

B. $A1/3 \quad B1/3 \quad C1/4$

C. $A3/8 \quad B3/8 \quad C2/8$

D. None of the above.

Answer: A

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Very Short Answer Questions

1. What do you understand by admission of a partner?

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2. How is new partner admitted to the firm?

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3. State any one purpose of admitting a new partner in a firm.

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4. List any two matters that need adjustments at the time of admission of a partner.

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5. State one right acquired by a newly admitted partner.

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6. State the other right which a newly admitted partner acquirsd besides the right to share the profit of the firm.

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7. State the two main rights that a newly admitted partner acquires in the firm.

Or State the rights acquried by a newly admitted partner.

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8. State the need for treatment of goodwill on admission of a partner.

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9. State the reason of contributing for goodwill by a new partner at the time of his admission.

Or Why should a new partner contribute towards goodwill on his admission?

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10. what is meant by "Sacrificing Ratio" ?

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11. Give two circumstances in which the sacrificing ratio is applied.

(i) At the time of admission of a new partner for distributing goodwill brought in by him.

(ii) For adjusting goodwill in the case of change in the porfit-sharing ratio of the existing partners.

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12. Define New Profit-sharing Ratio in the case of admission of a partner.

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13. Why do we distribute reserves, accumulated profits and losses among the old partners?

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14. List any two items that need adjustments in the books of account of a firm at the time of admission of a partner.

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15. What is meant by Revaluation Account?

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16. Why is it necessary to revalue assets and liabilities of a firm in case of admission of a partner.

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17. In which account increase in the value of asset is credited on the admission of a partner.

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18. State whether Revaluation Account is debited of credited to record the increase in the value of Plant and Machinery.

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19. State whether Revaluation Account is debited of credited to record the decrease in the value of Plant and Machinery.

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20. State whether Revaluation Account is debited or credited to record the decrease in the amount of creditors.

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21. State whether Revaluation Account is debited or credited to record the increase in the amount of creditors.

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22. State whether Revaluation Account is debited or credited to record an unrecorded asset.

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23. State whether Revaluation Account is debited or credited to record the increase in Provision for Doubtful Debts.

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24. State any two reasons for the preparation of Revaluation Account on the admission of a new partner.

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25. State whether the Partner's Capital Account is debited or credited to record the gain of Revaluation Account.

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26. State whether the Partner's Capital Account is debited or credited to record the loss of Revaluation Account,

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27. When the General Reserve is distributed, are the Partner's Capital Accounts debited or credited?

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28. Under what circumstances will the premium for goodwill paid by the incoming partner not be recorded in the books of account?

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29. State with reason whether at the time of admission of a partner, partnership is dissolved or partnership firm is dissolved.

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30. Amit and Beena were partners in a firm sharing profits and losses in the ratio of 3 : 1. Chaman was admitted as a new partner for 1/6th share in the profits. Chaman acquired 2/5th of his share from Amit. How much share did Chaman acquire from Beena?

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31. Geeta, Sunita and Anita were partners in a firm sharing profits in the ratio of 5 : 3 : 2. On 1st January, 2015, they admitted Yogita as a new partner for 1/10th share in the profits. On Yogita's admission, the profit and Loss Account of the firm was showing a shwoing a debit balance of RS.20,000 which was credited by the accountant of the firm to the Capital Accounts of Geeta, Sunita and Anita in their profit-sharing ratio. Did the accountant give correct treatment? Give reason in support of your answer.

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32. Karan, Nakul and Asha were partners in a firm sharing profits and losses in the ratio 3 : 2 :1. At the time of admission of a partner the goodwill of the firm was valued at RS.2,00,000. The accountant of the firm passed the entry in the books of accounts and thereafter showed goodwill at RS.2,00,000 as an asset in the Balance Sheet. Was he correct in doing so? Why?

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33. A, B, C and D were partners in a firm sharing profits in the ratio of 4 : 3 : 2 : 1. On 1st January, 2015, they admitted E as a new partner for 1/10 share in the profits. E brought RS. 10,000 for his share of goodwill premium which was correctly recorded in the books by the accountant. The accountant showed goodwill at RS.1,00,000 in the books. Was the accountant correct in doing so? Give reason in support of your answer.

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Exercise

1. X, Y and Z are partners sharing profits and losses in the ratio of 5 : 3 : 2. They admit A into partnership and give him 1/5th share of profits. Find the new profit-sharing ratio.

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2. Ravi and Mukesh are sharing profits in the ratio of 7 : 3. They admit Ashok for 3/7 share in the firm which he takes 2/7th from Ravi and 1/7th from Mukesh.

Calculate new profit-shareing ratio.

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3. A and B are partners sharing and losses in the porportion of 7 : 5. They agree to admit C, their manager, into partnership who is to get 1/6th share in the profits. He acquires this share as 1/2th from A and 1/8th from B. Calculate new profit-sharing ratio.

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4. A, B and C were partners in a firm sharing profits in the ratio of 3 : 2 : 1. They admited D as a new partner for 1/8th share in the profits, which he acquired 1/16th from B and 1/16th from C. Calculate the new profit-sharing ratio of A, B, C and D.

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5. Bharati and Astha were partners sharing profits in the ratio of 3 : 2. They admitted Dinkar as a new partner for 1/5th share in the future profits of the firm which he got equally from Bharati and Astha. Calculate the new profit-sharing ratio of Bharati, Astha and Dinkar.

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6. X and Y are partners in a firm sharing profits and losses in the ratio of 3 : 2. Z is admitted as partner with 1/4th share in profit. Z acquired his share from X and Y in the ratio of 2 : 1.

Calculate new profit-sharing ratio.

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7. R and S are partners sharing profits in the ratio of 5 : 3. T joins the firm as a new partner. R gives 1/4th of his share and S gives 1/5th share to the new partner.

Find out new profit-sharing ratio.

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8. Kabir and Farid are partners in a firm sharing profits and losses in the ratio of 7 : 3. Kabir surrenders 2/10th from his share and Farid surrenders 1/10th from his share in fovour of Jyoti, the new partner.

Calculate new profit-sharing ratio and sacring ratio and sacrificing ratio.

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9. Find New Profit-sharing Ratio:

(i) R and T are partners in a firm sharign profits in the ratio of 3 : 2. S joins the firm. R surrenders 1/4th of his share and T 1/5th of his share in favour of S.

(ii) A and B are partners. They admit C for 1/4th share. In future, the ratio between A and B would be 2 : 1.

(iii) A and B are partners sharing profits and losses in the ratio of 3 : 2.

They admit C for 1/5th share in the profit. C aquires 1/5th of his share from A and B 4/5th share from B.

(iv) X,Y and Z are partners in the ratio of 3 : 2 : 1. W joins the firm as a new partner for 1/6th share in profits. Z would retain his original share.

(v) A and B are equal partners. They admit C and D as partners with 1/5th and 1/6th share respectively.

(vi) A and B are partners sharing profits/losses in the ratio of 3 : 2. C is admitted for 1/4th share. A and B decide to share equally in future.

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10. X and Y are partners sharing profits in the ratio of 3 : 2. They admitted P and Q as new partners. X surrendered 1/3rd of his share in favour of P and Y surrenderd 1/4th of his share in favour of Q. Calculate new profit-sharing ratio of X,Y,P and Q.

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11. Rakesh and Suresh are sharing profits in the ratio of 4 : 3. Zaheer joins and the new ratio among Rakesh, Suresh and Zaheer is 7 : 4 : 3. Find out the sacriticing ratio.

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12. A and B are partners sharing profits in the ratio of 3 : 2. C is admitted as a partner. The new profit-sharing ratio among A, B and C is 4 : 3 : 2. Find out the sacrificing ratio.

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13. A, B and C are partners sharing profits in the ratio of 4 : 3 : 2. D is admitted for 1/3rd share in future profis. What is the sacrificing ratio?

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14. A, B, C and D are in partnership sharing profits and losses in the ratio of 36 : 24 : 20 : 20 respectively. E joins the pratnership for 20% share and A,B,C and D in future would share profits among themselves as 3/10: 4/10 : 2/10 : 1/10. Calculate new profit-sharing ratio after E's admission.

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15. X and Y are partners sharing profits and losses in the of 3 : 2. They admit Z into partnership. X gives 1/3rd of his share while Y gives 1/10th from his share to Z. Calculate new profit-sharing ratio and sacrificing ratio.

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16. A, B and C are partners sharing profits in the ratio of 2 : 2 : 1, D is admitted as a new partner for 1/6th share. C will retain his original share. Calculate the new profit-sharing ratio and sacrificing ratio.

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17. A and B are in partnership sharing profits and losses as 3 : 2. C is admitted for 1/4th share. Afterwards D enters for 20 paise in the rupee. Compute profit-sharing ratio of A, B, C and D after D's admission.

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18. P and Q are partners sharing profits in the ratio of 3 : 2. They admit R into partnership who acquires 1/5th of his share from P and 4/25th share from Q. Caluclate New Profit-sharing Ratio and Sacrificing Ratio.

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19. A and B are partners sharing profits and losses in the ratio of 2 : 1. They take C as a partner for 1/5th share. Goodwill Account appears in the book at RS.15,000. For the purpose of C's admission, goodwill of the firm is valued at RS.15,000. C is to pay proportionate amount as premium for goodwill which he pays to A and B privately. pass necessary entries.

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20. A and B are partners sharing profits and losses in the ratio of 2 : 5. They admit C on the condition that he will bring RS.14,000 as his share of goodwill to be disributed between A and B C's share in the future profit or losses will be 1/4th. What will be the new profit-sharing ratio and what amount of goodwill brought in by C will be received by A and B?

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21. A and B are partners in a firm sharing profits and losses in the ratio of 3 : 2. A new partner C is admitted. A surrenders 1/5th of his share and B surrender 2/5th of his share in favour of C. For the purpose of C's admission, goodwill of the firm is valued at RS 75,000 and C bring his share of goodwill in cash which is retained in the firm's books. Journalise the above transactions.

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22. B and C are in partnership sharing profits and losses as 3 : 1. They admit D into the firm, D pays premium of RS.15,000 for 1/3rd share of the profits. As between themselves, B and C agree to share future profits and losses equally. Draft Journal entries showing approprtations of the premium money.

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23. M and J are partners in a firm sharing profits in the ratio of 3 : 2. They admit R as a new partner. The new profit-sharing ratio between M, J and R will be 5 : 3 : 2, R brought in RS.25,000 for his share of premium for goodwill. Pass necessary Journal entries for the treatment of goodwill.

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24. A and B are in partnership sharing profit and losses in the ratio of 5 : 3. C is admitted as a partner who pays RS.40,000 as capital and the necessary amount of goodwill which is valued at RS.60,000 for the firm. His share of profits will be 1/5th which he takes 1/10th from A and 1/10th from B.

Give Journal entries and also calculate future profit-sharing ratio of the partners.

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25. A and B are partners sharing profits and losses in the ratio of 7 : 5. They admit C, their Manager, into partnership who is to get 1/6th share in the business. C brings in RS. 10,000 for his capital and RS. 3,600 for the 1/6th share of goodwill which he acquires 1/24th from A and B 1/18th from B. Profit for the first year of the new partnership was RS.24,000. Pass necessary Journal entries for C's admission and apportion the profit between the partners.

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26. X and Y are partners sharing profits in the ratio of 3 : 1. Z is admitted as a partner for which he pays RS.30,000 for goodwill in cash. X, Y and Z decide to share the future profits in equal porportion. You are required to pass a single Journal entry to give effect to the above arrangement.

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27. Anshul and Parul are partners sharing profits in the ratio of 3 : 2. They admit Payal as partner for 1/4th share in profits on 1st April, 2019. Payal brings RS.5,00,000 as capital and her share of goodwill by cheque. It was agreed to value goodwill at three year's purchase of average profit of last four years:

Profit for the last years ended 31st March were:	RS.
2015-16	4,00,000
2016-17	5,00,000
2017-18	6,00,000
2018-19	7,00,000

Additional Information:

1. Closing stock for the year ended 31st March, 2018 was overvalued by

RS.50,000.

2. RS.1,00,000 should be charged annually to cover management cost.

Pass necessary Journal entries on Payal's admission.

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28. A and B are partners in a firm sharing profits and losses in the ratio of 3 : 2. They admit C into partnership for 1/5th share. C brings RS.30,000 as capital and RS.10,000 as goodwill. At the time of admission of C, goodwill appeared in the Balance Sheet of A and B at RS.3,000. New profit-sharing ratio of the partners will be 5 : 3 : 2. Pass necessary Journal entries.

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29. Aun and Bhagwan were partners in a firm sharing profits in the ratio 3 : 1. Goodwill appeared in the books at RS.4,40,000. Raja was admitted to the partnership. New profit-sharing ratio among Anu, Bhagwan and Raja was 2 : 2 : 1.

Raja brought RS.1,00,000 for his capital and necessary cash for his goodwill premium. Goodwill of the firm was valued at RS.2,50,000.

Record necessary Journal entries in the books of the firm for the above transactios.

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30. X and Y are partners in a firm sharing profits in the ratio of 3 : 2. On 1st April, 2019, they admit Z as a partner for 1/4th share in the profits. Z contributed following assets towards his capital and for his share of goodwill:

Stock RS.60,000, Debtors RS.80,000, Land RS.1,00,000, Plant and Machinery RS.40,000.

On the date of admission of Z, the goodwill of the firm was valued at RS.6,00,000.

Pass necessary Journal entries in the books of the firm on Z's admission.

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31. A and B are partners in a business sharing profits and losses in the ratio of 1/3rd and 2/3rd. On 1st April, 2019, their capitals were RS.8,000 and RS.10,000 respectively. On that date, they admit C in parnership and give him 1/4th share in the future profits. C brings RS.8,000 as his capital and RS.6,000 as goodwill. The amount of goodwill is withdrawn by the old partners in cash. Draft the Journal entries and show the Capital Accounts of all the Partners. Calculate proportion in which partners would share profits and losses in future.

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32. A and B were partners in a firm sahring profits and losses in the ratio of 3 : 2. they admitted C as a new partner for 3/7th share in the profit and the new profit-sharing ratio will be 2 : 2 : 3. C brought RS.2,00,000 as his capital and RS.1,50,000 as premium for goodwill. Half of their share of premium was withdrawn by A and B from the firm. Calculate sacrificing ratio and pass necessary Journal entries for the above transactions in the books of the firm.

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33. A and B are partners sharing profits in the ratio of 2 : 1. They admit C for 1/4th share in profits. C brings in RS.30,000 for his capital and RS.80,000 out of his share of RS.10,000 for goodwill. Before admission, goodwill appeared in books at RS.18,000, Give Journal entries to give effect to the above arrangement.

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34. A and B are partners sharing profits and losses in the ratio of 3 : 2. They admit C as partner in the firm for 1/4th share in profits which he takes 1/6th from A and 1/12th from B. C bring in only 60% of his share of firm's goodwill. Goodwill of the firm has been valued at RS.1,00,000. Pass necreassary Journal entries to record, this arrangement.

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35. On the admission of Rao, goodwill of Murty and Shah is valued at RS.30,000. Rao is to get 1/4th share of profits. Previously Murty and Shah sharing profits in the ratio of 3 : 2. Rao is unable to bring amount of goodwill. Given Journal entries in the books of Murty and Shah when: (a) there is no Goodwill Account and (b) Goodwill appears in the books at RS.10,000,

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36. A and B are partners sharing profits in the ratio of 3 : 2. Their books show goodwill at RS.2,000. C is admitted as parter for 1/4th share of profits nad brings in RS.10,000 as his capital but is not able to bring in cash for his share of goodwill RS.3,000. Draft Journal entries.

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37. A, B and C are in partnership profits and losses in the ratio of 5 : 4 : 1 respectively. Two new partners D and E are admitted. The profits are now to to shared in the ratio of 3 : 4 : 2 : 1 respectively, D is to pay RS.90,000 for his share of Goodwill but E has inscfficent cash to pay for Goodwill. Both the new partners introduces RS.1,20,000 each as their Capital. You are pass necessary Journal entries.

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38. Mohan and Sohan were partners in a firm sharing profits and losses in the ratio of 3 : 2. They admitted Ram for 1/4th share on 1st April, 2019. It was agreed that goodwill of the will be valued at 3 year's purchase of the average profit of last 4 years ended 31st March, were RS.50,000 for 2015-16, RS.60,000 for 2016-17, RS.90,000 for 2017-18 and RS.70,000 for 2018-19. Ram did and not bring his share of goodwill premium in cash. Record the necessary Journal entries in the books of the firm on Ram's admission when:

(a) Goodwill appears in the books at RS.2,02,500. (b) Goodwill appears in the books at RS.2,500.

(c) Good will appears in the books at RS.2,05,000.

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39. Madan and Gopal are partners sharing profits in the ratio of 3 : 2. They admit sooraj for 1/3rd share in profits on 1st Apirl, 2019. They also decide to share future profits equally. Goodwill of the firm was valued at RS.5,50,000. Goodwill existed in the books of account at RS.1,00,000, which the partners decide to carry forward.

(a) Goodwill is the to be raised and written off, and

(b) Goodwill is to be raised and written off.

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40. Anil and Sunil are partners in a firm with fixed capitals of RS.3,20,000 and RS.2,40,000 respectively. They admitted Charu as a new partner for 1/4th share in the profits on the firm on 1st April, 2012. Charu brought RS.3,20,000 as her share of capital.

Calculate value of goodwill and record necessary Journal entries.

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41. A and B are partners in a firm with capital of RS.60,000 and RS.1,20,000 respectively. They decide to admit C into the partnership for 1/4th share in the future profits. C is to bring in a sum of RS.70,000 as his capital. Calculate amount of goodwill.

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42. Bhuwan and Shivam were partners in a firm sharing profit in the ratio of 3 : 2. Their capitals were RS.50,000 and RS.75,000 respectively. They admitted Atul on 1st April, 2018 as a new partner for 1/4th share in future profits. Atul brought RS.75,000 as his capital. Calculate the value of goodwill of the firm and record necressary Journal entries for the above transactions on Atul's admission.

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43. Vinay and Naman are partenrs sharing profits in the ratio 4 : 1. Their capital were RS.90,000 and RS.70,000 respectively. They admitted Prateek for 1/3 share in the profits. Prateek brought RS.1,00,000 as his capital. Calculate the value of firm's goodwll.

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44. X and Y are partners with capitals of RS.50,000 each. They admit Z as a partner of 1/4th share in the profits of the firm. Z bring in RS.80,000 as his share of capital. The Profit and Loss Account showed a credit balance of RS.40,000 as on date of admission of Z.

Given necessary Journal entries to record the goodwill.

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45. Asin and Shreyas are partners in a firm. They admit Ajay as a new partner with 1/5th share in the profits of the firm. Ajay brings RS.5,00,000 as his share of capital. The value of the total assets of the firm was RS.15,00,000 and outside liabilities were valued at RS.5,00,000 on that date. Given necessary Journal entry to record goodwill at the time of Ajay's admission. Also show your workings.

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46. Verma and Sharma are partners in a firm sharing profits and losses in the ratio of 5 : 3. They admitted Ghosh as a new partner for 1/5th share of profits. Ghosh is to bring in RS.20,000 as capital and RS.4,000 as his share of goodwill premium. Give the necessary Journal entries:

(a) When the amount of goodwill is retained in the business.

(b) When the amount of goodwill is fully withdrawn.

(c) When 50% of the amount of goodwill is withdrawn.

(d) When goodwill is paid privately.

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47. Disha and Divya are partners in a firm sharing profits in the ratio of 3 : 2 respectively. The fixed capital of Disha is RS.4,80,000 and of Divya is RS.3,00,000. On 1st April, 2019 they admitted Hina as a new partner for 1/5th shar in future profits. Hina brought RS.3,00,000 as hre capital.

Calculate value of goodwill of the firm and record necessary Journal entries on Hina's admission.

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48. E and F were partnres in a firm sharing profits in the ratio of 3 : 1. They admitted G as a new patner on 1st April 2019 for 1/3rd share. It was decided that E,F and G will share future profits equally. G brought RS.50,000 in cash and machinery valued at RS.70,000 as premium for goodwill.

Pass necessary Journal entries in the books of the firm.

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49. Mr. A commenced business with a capital of RS.2,50,000 on 1st April, 2013. During the five years ended 31st March, 2018, the following profits and losses were made:

$31st\text{March}2014 - \text{Loss} \quad \text{RS}.5,000 \quad 31st\text{March},2017 - \text{Profit} \quad \text{RS}.20,000$
$31st\text{March},2015\text{-Profit RS}.13,000 \quad 31\text{stMarch},2018\text{-Profit RS}.25,000$
$31st\text{March, 2015-ProfitRS}.17,000$

During this period he had drwan RS.40,000 for his personl use. On 1st April, 1st April, 2018, he admitted B into partnership on the following terms:

B to bring for his half share in the business, capital equal to A's Capital on 31 st March, 2018, he and to pay for the one-half share of goodwill of the business, on the basis of three times the average profit of the last five years. Prepare the statement showing what amount B should invest to become a partner and pass entries to record the transactions relating to admission.

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50. Pass entries in the firm's Journal for the following on admission of a partner: (i) Machinery be reduced by RS.16,000 and Building be apprecited by RS.40,000.

(ii) A provision be created for Doubtful Debts @ 5% of Debtors amounting to RS.80,000.

Provision for warranty claims be increased by RS.12,000.

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51. Pass entries in firm's Journal for the following on admission of a partner: (i) Unrecorded Investments worth RS.20,000.

(ii) Unrecorded liability towards suppliers for RS.5,000.

(iii) An item of RS.1,600 included in Sundry Creditors is not likely to be claimed and hence should be written back.

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52. X and Y are partners in a firm sharing profits in the ratio of 3 : 2. They admitted Z as a partner and fixed the new profit-sharing ratio as 3 : 2 : 1. At the time of admission of Z, Debtors and Provision for Doubtful Debts appeared at RS.50,000 and RS.5,000 respectively all debtors are good. Pass the necessary Journal entries.

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53. X and Y are partners in a firm sharing profits in the ratio of 3 : 2. They admitted Z as partner for 1/4th share. At the time of admission of Z, Stock (Book Value RS.1,00,000) is to be reduced by 40% and Furniture (Book Value RS.60,000) is to be reduced to 40%. Pass the necessary Journal entries.

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54. X and Y are partners sharing profits in the ratio of 3 : 2. They admitted Z as a partner for 1/4th share of profits. At the time of admission, of Z. Investments appeared at RS.80,000. Half of the investments to be taken by X and Y in their profit-sharign ratio at books value. Remaining investments were valued at RS.50,000. Pass the necessary Journal entries.

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55. X and Y are partners in a shring profits in the ratio of 3 : 2. They admitted Z as a partner for 1/4th share of profits. At the time of admission of Z, Debtors and Provision for Doubtful Debts appeared at RS.76,000 and RS.8,000 respectively. RS.6,000 of the debtors proved bad. A provision of 5% is to be created on Sundry Debtors for doubtful debts. Pass the necessary Journal entries.

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56. X, Y and Z are partners sharing profit and losses in the ratio of 6 : 3 : 1. They admitted W into partnership with effect from 1st April, 2019. New profit-sharing ratio between X, Y, Z and W was agreed to be 3 : 3 : 3 :1. They also decide to record the effect of following revaluations without affecting the book values of the assets and liabilities by passing an adjustment entry:

	Book Values RS.	Revised Values RS.
Plant and Machinery	3,50,000	3,40,000
Land and Building	5,00,000	5,50,000
Trade Creditors	1,00,000	90,000
Outstanding Expenses	85,000	1,00,000

Pass necessary adjustment entry.

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57. At the time of admission of a partner C assets and liabilities of A and B were revalued as follws:

(a) A Provision for Doubtful Debts @10% was made on Sandru Debtors (Sundry Debtors RS.50,000).

(b) Creditors were written back by RS.5,000.

(c) Building was apreciated by 20% (Book value of Building RS.2,00,000).

(d) Unrecorded Investements were valued at RS.15,000.

(e) A Provision of RS.2,000 was made for an Outstanding Bill for repairs:

(f) Unressary Liability towards suppilers was RS.3,000.

Pass necessary Journal entries.

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58. X and Y are partners in a firm sharing profit and losses in the ratio of 3 : 2. On 1st April, 2019, they admit Z as a partner for 1/5th share in profis. On that date, there was a balance of RS.1,50,000 in General Reserve and a debit balance of RS.20,000 in the Profit and Loss Account of the firm. Pass necessary Journal entries regarding adjustment of reserve and accumulated profit/loss.

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59. X and Y were partners in a firm sharing profits and losses in the ratio of 2 : 1. Z was admitted for 1/3rd share in the profits. On the date of Z's admission, the Balance Sheet of X and Y showed General Reserve of RS.2,50,000 and a credit balance of RS.50,000 in Profit and Loss Account. Pass necessary Journal entries on the treatment of these items on Z's admission.

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60. (a) X, Y and Z are partners sharing profits and losses in the ratio of 5 : 3 : 2. They admit W as partner for 1/6th share. Following is the extract of the Balance Sheet on the date of admission:

Liabilities	₹	Assets	₹
General Reserve	36,000	Advertisement Suspense A/c	24,000
Contingency Reserve	6,000		
Profit and Loss A/c	18,000		

Pass necessary Journal entries.

(b) A and B were partners in a firm sharing porfit in 4 : 3 ratio. On 1st April, 2019, they admitted C as a new partnre. On the date of C's admission, the Balance Sheet of A and B showed a General Reserve of RS.84,000 and a debit balance of RS.8,400 in the 'Profit and Loss Account' Pass necessary Journal entries for the treatment of these on C's admission.

(c) Give the Journal entry to distribute 'Workmen Compensation Reserve' of RS.72,000 at the time of admission of Z, when there is no claim of RS.48,000 against it. The firm has two partners X and Y.

(d) Give the Journal entry to distribute 'Workmen Compensation Reserve' of RS.72,000 at the time of admission of Z, when there is claim of RS.48,000 against it . The firm has two partners X and Y.

(e) Give the Journal entry to distribute 'Investment Fluctuation Reserv' of RS.24,000 at the time of admission of Z when Investment (Market Value RS.1,10,000) appears at RS.1,20,000. The firm has two partners X and Y.

(f) Give the Journal entry to distribute 'General Reserve' of RS.4,800 at the time of admission of Z, when 20% of General Reserve is to be transferred to In vestment Fluctuatio Reserve. The firm has two partners X and Y.

(g) A,B and C were partners sharing profits and losses in the ratio of 6 : 3 : 1. They decide to take D into partnership with effect from 1st April, 2019. The new profit-sharing ratio between A, B ,C and D will values, by passing a single adjustment entry:

General Reserve
Contingency Reserve
Profit and Loos A/c (Cr.)
Pass the necessary single adjustment entry, through the Partner's Curre

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61. X, Y and Z are equal partners with capitals of RS.1,500, RS.1,750 and RS.2,000 respectively. They agree to admit W into equal partnership upon payment in cash RS.1,500 for 1/4th share of the goodwill and RS.1,800 as his capital, both sums to remain in the business. the liabilities of the old firm amounted to RS.3,000 and the assets, apart from cash, consist of Motors RS.1,200, Furntiure RS.400, Stock RS.2,650 and Debtors RS.3,780. The Motors and Furniture were revalued at RS.950 and RS.380 respectively.

Pass Journal entries to give effect to the above arrangement and also show Balance Sheet of the new firm.

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62. A and B are carruying on business in partnership and sharing profits and losses in the ratio of 3 : 2. Their Balance Sheet as at 31st March, 2019 stood as:

Liabilities		₹	Assets	₹
Creditors		11,800	Cash	1,500
A's Capital	51,450		Stock	28,000
B's Capital	36,750	88,200	Debtors	19,500
			Furniture	2,500
			Machinery	48,500
		1,00,000		1,00,000

They admit C into partnership on 1st April, 2019 and give hin 1/8th share in future profits on the following terms:

(a) Goodwill of the firm be valued at twice the average of the last three years' profit which amounted to RS.21,000, RS.24,000 and RS.25,560.

(b) C is to bring cash for the amount of his share of goodwill.

(c) C is to bring cash RS.15,000 as his capital.

Pass Journal entries recording these transactions, draw out the Balance Sheet of the new firm and determine new profit-sharing ratio.

63. Following was the Balance Sheet of A and B who were sharing profits in the ratio of 2 : 1 as at 31st March, 2019:

Liabilities		₹	Assets	₹
Capital A/cs:			Building	25,000
A	15,000		Plant and Machinery	17,500
B	10,000	25,000	Stock	10,000
Sundry Creditors		32,950	Sundry Debtors	4,850
			Cash in Hand	600
		57,950		57,950

They admit C into partnership on the following terms:

(a) C was bring RS.7,500 as his capital and RS.3,000 as goodwill for 1/4th share in the firm.

(b) Values of the Stock and Plant and Machinery were to be reduced by 5%.

(c) A Provision for Doubtful Debts was to be created in respect of Sundry Debtors RS.375.

(d) Building was to be appreciated by 10%.

Pass necessary Journal entries to give effect to the arrangements. Prepare Profit and Loss Adjustment Account (or Revaluation Account), Partners' Capital Accounts and Balance Sheet of the new firm.

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64. Given below is the Balance Sheet of A and B, who are carrying partnership business on 31st March, 2019. A and B share profit and losses in the ratio of 2 : 1.

BALANCE SHEET OF *A* AND *B* *as at 31st March, 2019*

Liabilities		₹	Assets	₹
Bills Payable		10,000	Cash in Hand	10,000
Creditors		58,000	Cash at Bank	40,000
Outstanding Expenses		2,000	Sundry Debtors	60,000
Capital A/cs:			Stock	40,000
A	1,80,000		Plant	1,00,000
B	1,50,000	3,30,000	Building	1,50,000
		4,00,000		4,00,000

C is admitted as a partner on 1st April, 2019 on the following terms:

(a) C will bring RS.1,00,000 as his capital and RS.60,000 as his share of goodwill for 1/4th share in the profits.

(b) Plant is to be appreciated to RS.1,20,000 and the value of building is to appreciated by 10%.

(c) Stock is found overvalued by RS.4,000.

(d) A provision for doubtful debts is to be created at 5% of sundry debtors.

(e) Creditors were unrecorded to the extent of RS.1,000.

Pass the necessary Journal entries, prepare the Revaluation Account and

Partners' Capital Accounts and show the Balance Sheet after the admission of C.

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65. Balance Sheet of J and K who share profits in the ratio of 3 : 2 is as follows:

BALANCE SHEET *as at 31st March, 2019*

Liabilities		₹	Assets	₹
Reserve		1,00,000	Cash	2,00,000
J's Capital	1,50,000		Other Assets	1,50,000
K's Capital	1,00,000	2,50,000		
		3,50,000		3,50,000

M joins the firm 1st April, 2019 for half share in the future profis. He is to pay RS.1,00,000 for goodwill and RS.3,00,000 for capital. Draft the Journal entries and prepare Balance Sheet in each of the following cases:

(a) If M acpuires his share of profit from the firm in the profits-sharing rartios of the partners.

(b) If M acquires his share of profit the firm in equal proportions from the original parters.

(c) If M acquires his share of profit in the ratio of 3 : 1 from the original partners, ascertain the future profit-sharing ratio of the partners in each case.

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66. Balance Sheet of Madhu and Vidhi who are sharing in profits in the ratio of 2 : 3 as at 31st March, 2016 is given below:

Liabilities	₹	Assets		₹
Madhu's Capital	5,20,000	Land and Building		3,00,000
Vidhi's Capital	3,00,000	Machinery		2,80,000
General Reserve	30,000	Stock		80,000
Bills Payable	1,50,000	Debtors	3,00,000	
		Less: Provision	10,000	2,90,000
		Bank		50,000
	10,00,000			10,00,000

Madhu and Vidhi decided to admit Gayatri as a new partbner from 1st April, 2016 and their profit-sharing ratio will be 2 : 3 : 5. Gayatri brought RS.4,00,000 as her capital and her share of goodwill premium in cash. (a) Goodwill of the firm was valued at RS.3,00,000.

(b) Land and Building was found undervalued by RS.26,000.

(c) Provision for doubtful was to be made equal to 5% of the debtors.

(d) There was a claim of RS.6,000 on account of workmen compensation.

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

Watch Video Solution

67. Shyamlal and Sanjay were in partnership business sharing profits and losses in the ratio of 2 : 3 respectively. Their Balance Sheet as at 31st March, 2019 was:

Liabilities		₹	Assets	₹
Sundry Creditors		12,435	Cash in Hand	710
Capital A/cs:			Cash at Bank	11,925
Shyamlal	34,050		Sundry Debtors	5,500
Sanjay	34,050	68,100	Stock	18,000
			Furniture	4,400
			Building	40,000
		80,535		80,535

On 1st April, 2019, they admitted Shanker into partnership for 1/3rd share in future profits on the following terms:

(a) Shanker is to bring in RS.30,000 as his capital and RS.20,000 as goodwill which is to remain in the business.

(b) Stock and Furntiure are to be reduced in value by 10%.

(c) Building is to be apperciated by RS.15,000.

(d) Provision of 5% is to be made on Sundry Debtors for Doubtful Debt.

(e) Unaccounted Accrued Income of RS.2,400 to be provided for. A debtor whose dues of RS.4,800 were written off as bad debts, paid 50% in full settlement.

(f) Outstanding Rent amounted to RS.4,800.

Show Profit and Loos Adjustment (Revaluation Account), Capital Accounts of Partners and opening Balance Sheet of the new firm.

Watch Video Solution

68. A, B and C are partners sharing profits and losses in the ratio of 3 : 2 : 1 respectively. Their Balance Sheet as at 31st March, 2019 is as follows:

Liabilities		₹	Assets	₹
Capital A/cs:			Land and Building	50,000
A	60,000		Plant and Machinery	40,000
B	60,000		Furniture	30,000
C	40,000	1,60,000	Stock	20,000
Creditors		30,000	Debtors	30,000
Bills Payable		10,000	Bills Receivable	20,000
			Bank	10,000
		2,00,000		2,00,000

D is admitted as a partner on 1st April, 2019 for equal share. His capital is to be RS.50,000. Following adjustments are agreed on D's admission:

(a) Out of the Creditors, a sum of RS.10,000 is due to D, it wil be adjusted aganist his capital.

(b) Advertisement Expenses of RS.1,200 are to be carried forward as Prepaid Expenses.

(c) Expenese debited in the Profit and Loos Account includes a sum of RS.2,000 paid for B's personal expenses.

(d) A Bill of Exchange of RS.4,000, which was previously discounted with the bank, was dishonoured on 31st March, 2019 but entry was not passed for dishonour.

(e) A Provision for Doubtful Debts @5% is to be created against Debtors.

(f) Expenses on Revaluation amounted to RS.2,100 is paid by A. Prepare necessary Ledger Accounts and Balance Sheet after D's admission.

Watch Video Solution

69. On 31st March, 2017, the Balance Sheet of Abhir Divay, who were sharing profits in the ratio of 3 : 1 was as follows:

BALANCE SHEET OF ABHIR AND DIVYA *as on 31st March, 2017*

Liabilities		₹	Assets		₹
Creditors		2,20,000	Cash at Bank		1,40,000
Employees' Provident Fund		1,00,000	Debtors	6,50,000	
Investment Fluctuation Fund		1,00,000	*Less:* Provision for Bad Debts	50,000	6,00,000
General Reserve		1,20,000	Stock		3,00,000
Capitals:			Investments (Market Value ₹ 4,40,000)		5,00,000
Abhir	6,00,000				
Divya	4,00,000	10,00,000			
		15,40,000			15,40,000

They decided to admit Vibhor on 1st April, 2017 for 1/5th share.

(a) Vibhor shall bring RS.80,000 as his share of goodwill premium.

(b) Stock was overvalued by RS.20,000.

(c) A debtor whose dues RS.5,000 were written off as bad debts, paid RS.4,000 in full settement.

(d) Two month's salary @ RS.6,000 per month was outstanding.

(e) Vibhor was to bring in Capital to the extent of 1/5th of the total capital of the new firm.

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

View Text Solution

70. X and Y share profits in the ratio of 5 : 3. Their Balance Sheet as at 31st March, 2019 was:

Liabilities		₹	Assets		₹
Creditors		15,000	Cash at Bank		5,000
Employees' Provident Fund		10,000	Sundry Debtors	20,000	
Workmen Compensation Reserve		5,800	*Less:* Provision for Doubtful Debts	600	19,400
Capital A/cs:			Stock		25,000
X	70,000		Fixed Assets		80,000
Y	31,000	1,01,000	Profit and Loss A/c		2,400
		1,31,800			1,31,800

They admit Z into partnership with 1/8th share in profits on 1st April, 2019. Z brings RS.20,000 as his capital and RS.12,000 for goodwill in cash. Z acquires his share from X. Following revaluations are also made:

(a) Employees' Provident Fund liability is to be increased by RS.5,000.

(b) All Debtors are good.

(c) Stock includes RS.3,000 for obsolete items.

(d) Creditors are to be paid RS.1,000 more.

(e) Fixed Assets are to be revalued at RS.70,000.

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

Watch Video Solution

71. X and Y are partners in a firm sharing profit in the ratio of 3 : 2. Their Balance Sheet as at 31st March, 2019 was as follows:

Liabilities		₹	Assets		₹
Outstanding Rent		13,000	Cash		10,000
Creditors		20,000	Sundry Debtors	80,000	
Workmen Compensation Reserve		5,600	Less: Provision for Doubtful Debts	4,000	76,000
Capital A/cs: X	50,000		Stock		20,000
Y	60,000	1,10,000	Profit and Loss A/c		4,000
			Machinery		38,600
		1,48,600			1,48,600

On 1st April, 2019, they admitted Z as a partner for 1/6ht share on the following terms:

(i) Z brings in RS.40,000 as his share of Capital but he is unable to bring any amount for Goodwill.

(ii) Claim on account of Workmen Compensation is RS.3,000.

(iii) To write off Bad Debts amounted to RS.6,000.

(iv) Creditors are to be paid RS.2,000, more.

(v) There being a claim aganist the firm for damages, liabilities to the extent of RS.2,000 should be created.

(vi) Outstanding rent be brought down to RS.11,200.

(vii) Goodwill is valued at $1_{1/2}$ years' purchase of the average profit of last 3 years, less RS.12,000. Profits for the last 3 years amounted to RS.10,000, RS.20,000 and RS.30.000.

Pass Journal entries, prepare Partners' Capital Accounts and opeinig Balance Sheet.

Watch Video Solution

72. Rajesh and Ravi are partners sharing profits in the ratio of 3 : 2. Their Balance Sheet at 31st March, 2019 stood as:

BALANCE SHEET *as at 31st March, 2019*

Liabilities		₹	Assets		₹
Creditors		38,500	Cash		2,000
Outstanding Rent		4,000	Stock		15,000
Capital A/cs:			Prepaid Insurance		1,500
Rajesh	29,000		Debtors	9,400	
Ravi	15,000	44,000	*Less:* Provision for Doubtful Debts	400	9,000
			Machinery		19,000
			Building		35,000
			Furniture		5,000
		86,500			86,500

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

(a) Stock to decrease by 5%, (b) Provision for Doubtful is to be RS.500, (c) Furniture to decrease by 10%, (d) Building is valued at RS.40,000.

Show necessary Ledger Accounts and Balance Sheet of new firm.

Watch Video Solution

73. A and B are partners in a firm shaing profits in the ratio of 3 : 2. They admit C as a partner on 1st April, 2019 on which date the Balance Sheet of the firm was:

Liabilities		₹	Assets	₹
Capital A/cs:			Building	50,000
A	60,000		Plant and Machinery	30,000
B	40,000	1,00,000	Stock	20,000
Creditors		20,000	Debtors	10,000
			Bank	10,000
		1,20,000		1,20,000

You are required to parpare the Revaluation Account, Partners' Capital Accounts and Balance Sheet of the new firm after considering the following:

(a) C brings RS.30,000 as Capital for 1/4th share. He also brings RS.10,000 for his for share of goodwill.

(b) Part of the Stock which had been included at cost of RS.2,000 had been badly damaged in storage and could only expect to realise RS.400.

(c) Bank changes had been overlooked and amounted to RS.200 for the year 2018-19.

(d) Depreciation on Building of RS.3,000 had been omitted for the year 2018-19.

(e) A credit for goods for RS.800 had been omitted from both purchases and creditors although the goods had been correctly included in Stock.

(f) An expense of RS.1,200 for insurance premium was debited in the Profit and Loss Account of 2018-19 but RS.600 of this are related to the period after 31st March, 2019.

Watch Video Solution

74. Divay, Yasmin and Fatima are partners in a firm, sharing profits and losses in 11 : 7 : 2 respectively. The Balance Sheet of the firm on 31st March, 2018 was as follows:

BALANCE SHEET *as at 31st March, 2018*

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

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

(a) Furniture of RS.2,40,000 were to be taken over Divya, Yasmin and Fatima equally.

(b) A creditor of RS.7,000 not in books to be taken into account.

(c) Goodwill of the firm is to be valued at 2.5 years' purchase of averge profits of last two years. The profit of the last three years were: 2015-16-RS.6,00,000, 2016-17-RS.2,00,000, 2017-18-RS.6,00,000.

(d) At time of Aditya's admission. Yasmin also brought in RS.50,000 as fresh caiptal.

(e) Plant and Machinery is re-valued to RS.2,00,000 and expenses outstanding were brought down to RS.9,000.

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

Watch Video Solution

75. A and B are partners in a firm. The net profit of the firm is divided as follows: 1/2 to A, 1/3 to B and 1/6 carried to a Reserve. They admit C as a partner on 1st April, 2019 on which date, the Balance Sheet of the firm was:

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

Following are the required adjustments on admission of C:

(a) C brings in RS.25,000 towards his capital.

(b) C also bring in RS.5,000 for 1/5th share of goodwill.

(c) Stock is undervalued by 10%.

(d) Creditors include a liability of RS.4,000, which has been decided by the court at RS.3,200.

(e) In regard to the Debtors,the following Debts proved Bad or Doubtful-

RS.2,000 due from X-bad to the full extent,

RS.4,000 due from Y-insolvent, estate expected to pay only 50%.

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

Watch Video Solution

76. Following is the Balance Sheet of the firm, Ashirvad, owned by A, B and C who share profits and losses of the business in the ratio of 3 : 2 : 1:

BALANCE SHEET as at 31st March, 2019

Liabilities		₹	Assets	₹
Capital A/cs:			Furniture	95,000
A	1,20,000		Business Premises	2,05,000
B	1,20,000		Stock-in-Trade	40,000
C	1,20,000	3,60,000	Debtors	28,000
Sundry Creditors		20,000	Cash at Bank	15,000
Outstanding Salaries and Wages		7,200	Cash in Hand	4,200
		3,87,200		3,87,200

On 1st April, 2019, they admit D as a partner on the following conddition:

(a) D will bring in RS.1,20,000 as his capital and also RS.30,000 as goodwill premium for a quarter of the share in the fufure/losses of the firm.

(b) Values of the fixed assets of the firm will be increased by 10% before the admission of D.

(c) Mohan, an old customer whose account was written off as bad debts, has promised to pay RS.3,000 in full settlement of his dues.

(d) Future profits and losses of the firm will be shared equally by all the partners.

Pass the nercessary Journal entries and prepare Revaluation Account, Partners' Capital Accounts and opening Balance Sheet of the new firm.

Watch Video Solution

77. A and B are partners in a firm sharing profits and losses in the ratio of 3 : 2. Following is their Balance Sheet as at 31st March, 2019:

Liabilities		₹	Assets	₹
Capital A/cs:			Building	35,000
A	50,000		Machinery	25,000
B	30,000	80,000	Stock	15,000
Creditors		20,000	Debtors	15,000
			Investments	5,000
			Bank	5,000
		1,00,000		1,00,000

C is admitted as a partner on 1st April, 2019 on the following terms:

(a) C is to pay RS.20,000 as capital for 1/4th share. He also pays RS.5,000 as premium of goodwill.

(b) Debtors amounted to RS.3,000 is to be written off as bad and a Provision of 10% is created against Doubtful Debts on the remaining amount.

(c) No entry has been passed in respect of a debt RS.300 recovered by A from a customer which was previously written off as bad in previous year.

The amount is to be paid by A.

(d) Investments are taken over by B at their market value RS.4,900 against cash payment.

You are required to prepare Revaluation Account, Partners' Capital Accounts, and new Balance Sheet.

Watch Video Solution

78. X and Y are partners sharing profits and losses in the ratio of 3/4 and 1/4. Their Balance Sheet as at 31 st March, 2019 is:

Liabilities		₹	Assets	₹
Capital A/cs:			Land and Building	1,25,000
X	1,50,000		Furniture	5,000
Y	80,000	2,30,000	Stock	1,00,000
Workmen Compensation Reserve		20,000	Sundry Debtors	80,000
Sundry Creditors		1,50,000	Bills Receivable	15,000
Bills Payable		37,500	Cash at Bank	1,00,000
			Cash in Hand	12,500
		4,37,500		4,37,500

They admit Z partnership on 1st April, 2019 on the following terms:

(a) Goodwill is to be valued at RS.1,00,000.

(b) Stock and Furniture to be reduced by 10%.

(c) A Provision for Doubtful Debts to be created @ 5% on Sundry Debtors.

(d) The value of Land and Building is to be apprecated by 20%.

(e) Z pays RS.50,000 as his capital for 1/5th share in the future profits.

You are required to show Revalutation Accunt, Partnres' Capital Accounts and Balance Sheet of the new firm.

Watch Video Solution

79. Deepika and Rajshree are partners in a firm sharing profits and losses in the ratio of 3 : 2. On 31 st March, 2019 their Balance Sheet was:

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

On 1st April, 2019 the partners admit Anshu as partner on the following terms:

(a) The new profit-sharing ratio of Deepika, Rajshree and Anshu will be 5 : 3 : 2 respectively.

(b) Anshu shail bring in RS.32,000 as his capital.

(c) Anshu is unble to bring in any cash for his share of goodwill. Partners, therefore, decide to caluclate the goodwill on the basis of Anshu's share in the profits and the capital contribution made by her to the firm.

(d) Plant and Machinery is to be valued at RS.60,000. Stock at RS.40,000 and the Provision for Doubtful Debts is to be maintained at RS.4,000. Value of Land and Building has apperciated by 20%. Furniture has been depreciated by 10%.

(e) There is an additional liability of RS.8,000 being outstanding salary payable to employees of the firm. This liability is not included in the books of account of the reconstituted frim.

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

Watch Video Solution

80. Atul and Amit are partners sharing profits in the ratio of 3 : 2. Their Balance Sheet as at 31st March, 2019 is as follows:

Liabilities		₹	Assets	₹
Capital A/cs:			Plant and Machinery	1,80,000
Atul	1,00,000		Furniture	30,000
Amit	1,00,000	2,00,000	Computer	10,000
Current A/cs:			Stock	40,000
Atul	70,000		Debtors	50,000
Amit	50,000	1,20,000	Bills Receivable	10,000
Creditors		40,000	Cash	10,000
Bills Payable		10,000	Bank	40,000
		3,70,000		3,70,000

Abhay is admitted as a partner for 1/4th share on 1st April, 2019 on the following terms:

(a) Abhay is to bring RS.65,000 as capital after adjusting amount due to him included in creditors and his share of Goodwill.

(b) RS.10,000 included in creditors is payable to Abhay which is to be transferred to his Capital Account.

(c) Furniture is to reduced by RS.3,000 and Plant and Machinery is to be increased to RS.1,98,000. (d)

Stock is overvalued by RS.4,000.

(e) A Provision for Doubtful Debts is to be created @ 5%.

(f) Goodwill is to be valued at 2 years' purchase of average profit for four years. Profits of four years ended 31st March were as follows: 2018-19-RS.25,000,2017-18-RS.10,000,2016-17-RS.2,500, and 2015-16-RS.2,500.

Pass the Journal entries for the above arrangement.

Watch Video Solution

81. Yogesh and Naresh are partbners sharing profits in the ratio of 3 : 2. They admit Ramesh for 1/3rd share on 1st April, 2019 and also decide to share future profits equally. Balance Sheet of the firm as at 31st March, 2019 was as follows:

Liabilities		₹	Assets		₹
Capital A/cs:			Land		4,00,000
Yogesh	5,00,000		Building		4,00,000
Naresh	5,00,000	10,00,000	Furniture		50,000
Current A/cs:			Computers		1,00,000
Yogesh	1,10,000		Stock		1,50,000
Naresh	90,000	2,00,000	Sundry Debtors	2,10,000	
Employees' Provident Fund		25,000	Less: Provision for Doubtful Debts	10,000	2,00,000
Workmen Compensation Reserve		1,00,000	Cash		10,000
Sundry Creditors		75,000	Bank		70,000
Expenses Payable		10,000	Advertisement Suspense		30,000
		14,10,000			14,10,000

They admitted Ramesh on the following terms:

(a) He will bring RS.5,00,000 as his capital.

(b) His share of goodwill is valued RS.1,00,000 but he is unable to bring cash for his share of goodwill. It is agreed to debit the amount to his current Account.

(c) Value of Land and Building is to be apperciated by RS.40,000 each.

(d) Value of Furniture to be reduced to RS.40,000.

Provision for Debts to be increased to 10%.

(f) A liability for damages of RS.10,000 is to be created.

Pass the Journal entries on admission of Ramesh and prepare Revaluation Account.

Watch Video Solution

82. Balance Sheet of Ram and Shyam who share profits in ratio of their Capitals as at 31st March, 2019 is :

Liabilities		₹	Assets	₹
Capital A/cs:			Freehold Premises	20,000
Ram	30,000		Plant and Machinery	13,500
Shyam	25,000	55,000	Fixture and Fittings	1,750
Current A/cs:			Vehicles	1,350
Ram	2,000		Stock	14,100
Shyam	1,800	3,800	Bills Receivable	13,060
Creditors		19,000	Debtors	27,500
Bills Payable		16,000	Bank	1,590
			Cash	950
		93,800		93,800

On 1st April, 2019, they admitted Arjun into partnership on the following terms:

(a) Arjun to bring RS.20,000 as capital and RS.6,600 for goodwill, which is to be left in the business and he is to receive 1/4th share of the profits.

(b) Provision for Doubtful Debts is to be 2% on Debtors.

(c) Value of Stock to be written down by 5%.

(d) Freehold Premises are to be taken at a value of RS.22,400, Plant and Machinery RS.11,800, Fixtures and Fittings RS.1,540 and Vehicle RS.800.

You are required to make necessary adjustment entries in the firm, give Balance Sheet of the new firm as at 1st April, 2019 and also determine the ratio in which the partners will share profits, there being no change in the ratio of Ram and Shyam.

View Text Solution

83. Following is the Balance Sheet of X and Y as at 31st March, 2019 who are partners in a firm sharing profits and losses in the ratio of 3 : 2 respectively:

Liabilities		₹	Assets		₹
Creditors		45,000	Cash at Bank		15,000
General Reserve		36,000	Debtors	60,000	
Capital A/cs:			*Less:* Provision for Doubtful Debts	2,400	57,600
X	1,80,000		Patents		44,400
Y	90,000	2,70,000	Investments		24,000
Current A/cs:			Fixed Assets		2,16,000
X	30,000		Goodwill		30,000
Y	6,000	36,000			
		3,87,000			3,87,000

Z is admitted as a new partner on 1st April, 2019 on the following terms:

(a) Provision for doubtful debts is to be maintained at 5% on Debtors.

(b) Outstanding rent amounted to RS.15,000.

(c) An accrued income of RS.4,500 does not appear in the books of the firm. It is now to be recorded.

(d) X takes over the Investments at an agreed value of RS.18,000.

(e) New Profit-sharing Ratio of partners will be 4 : 3 : 2.

(f) Z is to pay an amount equal to his share in firm's goodwill valued at twice the average profit of the last three years which were RS.90,000, RS.78,000 and RS.75,000 respectively.

(h) Half of the amount of goodwill is to be withdrawn by X and Y.

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

Watch Video Solution

84. X and Y are partners sharing profits wqually. Their Balance sheet as on 31st March, 2019 is given below:

Liabilities		₹	Assets		₹
Capital A/cs:			Land and Building		1,50,000
X	1,50,000		Plant and Machinery		1,00,000
Y	1,00,000	2,50,000	Furniture and Fittings		25,000
Current A/cs:			Stock		75,000
X	40,000		Debtors	75,000	
Y	30,000	70,000	Less: Provision for Doubtful Debts	5,000	70,000
Creditors		1,30,000	Bills Receivable		30,000
Bills Payable		50,000	Bank		50,000
		5,00,000			5,00,000

Z is admitted as a new partner for 1/4th share under the following terms:

(a) Z is to introduce Rs 1,25,000 as capital.

(b) Goodwill of the firm was valued at nil.

(c) It is found that the creditors included a sum of Rs 7,500 which was not to be paid. But it was also found that there was a liability for Compensation to Workmen amounting toRs 10,000.

(d) Provision for doubtful debts is to be created @ 10% on debtors.

(e) In regard to the Partners' Capital Accounts present Fixed Capital Account Method is to be converted into Fluctuating capital Account Method.

(f) Bills of Rs 20,000 accepted from creditors were not recorded in the books.

(g) X provides Rs 50,000 loan to the business carrying interest @ 10% p.a.

You are required to prepare Revaluation Account, Partners' Capital Accounts, Bank Account and the Balance

sheet of the new firm.

Watch Video Solution

85. X and Y are Partners sharing profits in the ration of 2:1. Their Balance Sheet as at 31st March, 2019 was:

Liabilities		₹	Assets	₹
Sundry Creditors		25,000	Cash/Bank	5,000
General Reserve		18,000	Sundry Debtors	15,000
Capital A/cs:			Stock	10,000
X	75,000		Investments	8,000
Y	62,000	1,37,000	Printer	5,000
			Fixed Assets	1,37,000
		1,80,000		1,80,000

They admit Z into partnership on the same date on the following terms:

(a) Z brings inRs 40,000 as his capital and he is given 1/4th share in profits.

(b) Z brings inRs 15,000 for goodwill, half of which is withdrawn by old partners.

(c) Investment are valued atRs 10,000. X takes over Investment at this value.

(d) Printer is to be reduced (depreciated) by 20% and Fixed Assets by 10%.

(e) An unrecorded stock of Stationery on 31st March, 2019 isRs 1,000.

(f) By bringing in or withdrawing cash, the Capitals of X and Y are to be made proportionate to that of Z on their profit-sharing basis.

Pass Journal entries, prepare Revaluation Account, Capital Accounts and new Balance Sheet of the firm.

Watch Video Solution

86. A and B are in partnership sharing profits and losses in the proportion of 2/3rd and 1/3rd respectively. Their Balance Sheet as at 31st March, 2019 was: CashRs 1,000, Sundry DebtorsRs 15,000, StockRs 22,000, Plant and

MachineryRs 4,000, Sundry CreditorsRs 2,000, Bank OverdraftRs 15,000, B's CapitalRs 10,000.

On 1st April, 2019, they admitted C into partnership on the following terms:

(a) C to purchase on quarter of the goodwill forRs 3,000 and provideRs 10,000 as Capital, C brings in necessary cash for goodwill and capital.

(b) Profits and losses are to be shared in the proportion of one-half to A, one-quarter to B and one quarter to C.

(c) Plant and Machinery is to be reduced by 10% andRs 500 are to be provided for estimated Bad Debts Stock is to be taken at a valuation ofRs 24,940.

(d) By bringing in or withdrawing cash the capitals of A and B are to be made proportionate to that of C on their profit-sharing basis.

Prepare necessary Ledger Accounts in the books of the firm relating to the above arrangement and submit the opening Balance Sheet of the new firm.

Watch Video Solution

87. A and B were partners in a firm sharing profits in 3:1 ratio. They admitted C as a partner for 1/4 th share in future profits. C was to bringRs 60,000 for his capital. The Balance Sheet of A and B as at 1st April, 2019, the date on which C was admitted, was:

Liabilities		₹	Assets		₹
Capital A/cs:			Land and Building		40,000
A	50,000		Plant and Machinery		70,000
B	80,000	1,30,000	Stock		30,000
General Reserve		10,000	Debtors	35,000	
Creditors		70,000	*Less:* Provision for Doubtful Debts	1,000	34,000
			Investments		26,000
			Cash		10,000
		2,10,000			2,10,000

The other terms agreed upon were:

(a) Goodwill of the firm was valued atRs 24,000.

(b) Land and Building were valued atRs 65,000 and Plant and Machinery atRs 60,000.

(c) Provision for Doubtful Debts was found in excess byRs 400.

(d) A liability ofRs 1,200 included in Sundry Creditors was not likely to arise.

(e) The capitals of the partners be adjusted on the basis of C's contribution of capital to the firm.

(f) Excess or shortfall, if any, be transferred to Current Accounts.

Prepare Revaluation Accounts Partners' Capital Accounts and Balance Sheet of the new firm.

Watch Video Solution

88. The Balance Sheet of X,Y and Z who share profits and losses in the ratio of 3 : 2 : 1, as on 1st April, 2019 is as follows:

Liabilities		₹	Assets	₹
Capital A/cs:			Y's Current Account	7,000
X	1,75,000		Land and Building	1,75,000
Y	1,50,000		Plant and Machinery	67,500
Z	1,25,000	4,50,000	Furniture	80,000
Current A/cs:			Investment	36,500
X	4,000		Bills Receivable	17,000
Z	6,000	10,000	Sundry Debtors	43,500
General Reserve		15,000	Stock	1,37,000
Profit and Loss A/c		7,000	Bank	43,500
Creditors		80,000		
Bills Payable		45,000		
		6,07,000		6,07,000

On the above date, W is admitted as a partner on the following terms:

(a) W will bringRs 50,000 as his capital and get 1/6th share in the profits.

(b) He will bring necessary amount for his share of goodwill premium. Goodwill of the firm is valued atRs 90,000.

(c) New profit-sharing ratio will be 2:2:1:1.

(d) A liability ofRs 7,004 will be created against bills receivable discounted earlier but now dishonoured.

(e) The value of stock, furniture and investments is reduced by 20%, whereas the value of Land and Building and Plant and Machinery will be appreciated by 20% and 10% respectively.

(f) Capital Accounts of the partners will be adjusted on the basis of W's Capital through their Current Accounts.

Prepare Revaluation Account, Partners' Accounts and Capital Accounts.

Watch Video Solution

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

BALANCE SHEET OF SHIKHAR AND ROHIT *as at 1st April, 2013*

Liabilities		₹	Assets		₹
Capital A/cs:					
Shikhar	8,00,000		Land and Building		3,50,000
Rohit	3,50,000	11,50,000	Machinery		4,50,000
General Reserve		1,00,000	Debtors	2,20,000	
Workmen's Compensation Fund		1,00,000	*Less:* Provision	20,000	2,00,000
Creditors		1,50,000	Stock		3,50,000
			Cash		1,50,000
		15,00,000			15,00,000

It was agreed that:

(a) the value of Land and Building will be appreciated by 20%.

(b) the value of Machinery will be depreciated by 10%.

(c) the liabilities of Workmen's Compensation Fund were determined atRs 50,000.

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

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

Watch Video Solution

90. Raghu and Rishu are partners sharing profits in the ratio 3:2. Their Balance Sheet as at 31st March, 2009 was as follows:

BALANCE SHEET OF RAGHU AND RISHU *as at 31st March, 2009*

Liabilities		₹	Assets		₹
Creditors		86,000	Cash in Hand		77,000
Employees' Provident Fund		10,000	Debtors	42,000	
Investments Fluctuation Reserve		4,000	*Less:* Provision for Doubtful Debts	7,000	35,000
Capital A/cs:			Investments		21,000
Raghu	1,19,000		Buildings		98,000
Rishu	1,12,000	2,31,000	Plant and Machinery		1,00,000
		3,31,000			3,31,000

Rishabh was admitted on that date for 1/4th share of profit on the following terms:

(a) Rishabh will bringRs 50,000 as his share of capital.

(b) Goodwill of the firm is valued atRs 42,000 and Rishabh will bring his share of goodwill in cash.

(c) Buildings were appreciated by 20%.

(d) All Debtors were good.

(e) There was a liability ofRs 10,800 included in Creditors which was not likely to arise.

(f) New profit-sharing ratio will be 2:1:1.

(g) Capital of Raghu and Rishu will be adjusted on the basis of Rishabh's share of capital and any excess or deficiency will be made by withdrawing or bringing in cash by the concerned partners as the case may be.

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

Watch Video Solution

91. Following is the Balance Sheet of Abha and Binay as at 31st March, 2014:

Liabilities		₹	Assets		₹
Creditors		13,000	Bank		15,000
Employees' Provident Fund		8,000	Debtors	22,000	
Workmen's Compensation Fund		15,000	*Less:* Provision for Doubtful Debts	1,000	21,000
Capital A/cs:			Stock		10,000
Abha	55,000		Plant and Machinery		60,000
Binay	30,000	85,000	Goodwill		10,000
			Profit and Loss		5,000
		1,21,000			1,21,000

Chitra was admitted as a partner for 1/4th share in the profits of the firm.

It was decided that:

(a) Bad Debts amounted toRs 1,500 will be written off.

(b) Stock worthRs 8,000 was taken over by Abha and Binay at Book Value in their profit-sharing ratio The remaining stock was valued atRs 2,500.

(c) Plant and Machinery and Goodwill were valued atRs 32,000 andRs 20,000 respectively.

(d) Chitra brought her share of Goodwill in cash.

(e) Chitra will bring proportionate capital and the capitals of Abha and Binay will be adjusted in their profit-sharing ratio by bringing in or paying off cash as the case may be.

Prepare Revaluation Account and Partners' Capital Accounts.

Watch Video Solution

92. Sarthak and Vanshg are partners sharing profits in the ratio of 2:1 . Since both of them are specially abled sometimes they find it difficult to run the business on their own. Mansi, a common friend, decides to help them. Therefore, they admit her into partnership for 1/3rd share in profits. She bringsRs 60,000 for goodwill and proportionate capital. At the time of admission of Mansi, the Balance Sheet of Sarthak and Vansh was as under:

Liabilities		₹	Assets		₹
Capital A/cs:			Plant		66,000
Sarthak	70,000		Furniture		30,000
Vansh	60,000	1,30,000	Investments		40,000
General Reserve		18,000	Stock		46,000
Bank Loan		18,000	Debtors	38,000	
Creditors		72,000	*Less:* Provision for Bad Debts	4,000	34,000
			Cash		22,000
		2,38,000			2,38,000

It was decided to :

(a) Reduce the value of Stock byRs 10,000.

(b) Plant is to be valued atRs 80,000.

(c) An amount ofRs 3,000 included in Creditors was not payable.

(d) Half of the Investments were taken over by Sarthak and remaining were valued atRs 25,000.

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

Watch Video Solution

93. A,B and C are partners sharing profits and losses in the ratio of 2:3:5.

On 31st March, 2019, their Balance Sheet was:

Liabilities		₹	Assets	₹
Creditors		64,000	Cash	18,000
Bills Payable		22,000	Bills Receivable	14,000
General Reserve		14,000	Stock	44,000
Capital A/cs:			Debtors	42,000
A	36,000		Machinery	94,000
B	44,000		Goodwill	20,000
C	52,000	1,32,000		
		2,32,000		2,32,000

They admit D into the partnership on the following terms:

(a) Machinery is to be depreciated by 15%.

(b) Stock is to be revalued atRs 48,000.

(c) It is found that the Creditors included a sum ofRs 12,000 which was not to be paid.

(d) Outstanding Rent isRs 1,900.

(e) D is to bring inRs 6,000 as goodwill and sufficient capital for 2/5th share.

(f) The partners decided to use 10% of the profits every year in providing drinking water in schools, where required.

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

Watch Video Solution

94. A and B are partners in a firm sharing profits in the ratio of 3:2 They decide to admit C as a new partner w.e.f 1st April, 2019. In future, profits will be shared equally. The Balance Sheet of A and B as at 1st April, 2019 and the terms of admission are:

BALANCE SHEET OF *A* AND *B*

Liabilities		₹	Assets	₹
Sundry Creditors		60,000	Cash in Bank	40,000
Outstanding Expenses		15,000	Sundry Debtors	36,000
Capital A/cs:			Stock	84,000
A	3,00,000		Furniture and Fittings	65,000
B	3,00,000	6,00,000	Plant and Machinery	4,50,000
		6,75,000		6,75,000

(a) Capital of the firm is fixed atRs6,00,000 to be contributed by partners in the profit-sharing ratio The difference will be adjusted in cash.

C to bring in his share of capital and goodwill in cash. Goodwill of the firm is to be valued on the basis ot two year's purchases of super profit. The average net profits expected in the future by the firmRs 90,000 per year. The normal rate of return on capital in similar business is 10%

(c) The partners agreed to help maintain the plants and keep the area clean.

Calculate goodwill and prepare Partner's Accounts and Bank Account.

Watch Video Solution

95. L, M and N were partners in a firm sharing profits in the ratio of 3:2:1.

Their Balance Sheet on 31st March, 2015 was as follows:

Liabilities		₹	Assets	₹
Creditors		1,68,000	Bank	34,000
General Reserve		42,000	Debtors	46,000
Capital A/cs: L	1,20,000		Stock	2,20,000
M	80,000		Investments	60,000
N	40,000	2,40,000	Furniture	20,000
			Machinery	70,000
		4,50,000		4,50,000

On the above date, O was admitted as a new partner and it was decided that:

(i) The new profit-sharing ratio between L, M, N and O will be 2:2:1:1.

(ii) Goodwill of the firm was valued atRs 1,80,000 and O brought his share of goodwill premium in cash.

(iii) The market value of investments wasRs 36,000.

(iv) Machinery will be reduced toRs 58,000.

(v) A creditor ofRs 6,000 was not likely to claim the amount and hence was to be written off.

(vi) O will bring proportionate capital so as to give him 1/6th share in the profits of the firm.

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

Watch Video Solution

96.

X and Y are partners in a firm sharing profits in the ratio of 3 :
capitals of X and Y after adjustments are ₹ 80,000 and ₹ 60,000 respect
Z as a partner on his contribution of ₹ 35,000 as capital for 1/5th shar
acquired equally from both X and Y. The Capital Accounts of the old
adjusted on the basis of the proportion of Z's Capital to his share in the b
the amount of actual cash to be paid off or brought in by the old partner

View Text Solution

97.

(2) A, B and C were partners in a firm sharing profits in the ratio of 3 : 2 : 1. D was admitted into the firm with 1/4th share in profits, which he got 3/16th from A and 1/16th from B. The total capital of the firm as agreed upon was ₹ 1,20,000 and D brought in cash equivalent to 1/4th of this amount as his capital. The capital of other partners also had to be adjusted in the ratio of their respective share in profits by bringing in or paying cash. The capitals of A, B and C after all adjustments related to revaluation of assets and reassessment of liabilities were ₹ 40,000; ₹ 35,000 and ₹ 30,000 respectively.

Calculate the new capitals of A, B and C and record the necessary Journal entries for the above transactions. (CBSE 2019 C)

Watch Video Solution

98. (3) Charu and Harsha were partners in a firm sharing profits in the ratio of 3 : 2. On 1st April, 2014, their Balance Sheet was as follows:

Liabilities		₹	Assets	₹
Creditors		17,000	Cash	6,000
General Reserve		4,000	Debtors	15,000
Workmen Compensation Fund		9,000	Investments	20,000
Investment Fluctuation Fund		11,000	Plant	14,000
Provision for Bad Debts		2,000	Land and Building	38,000
Capital A/cs: Charu	30,000			
Harsha	20,000	50,000		
		93,000		93,000

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

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

(ii) All debtors were considered good.

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

(iv) There was a liability of ₹ 6,000 for Workmen Compensation.

(v) Capital Accounts of Charu and Harsha are to be adjusted on the basis of Vaishali's capital by opening Current Accounts.

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

Watch Video Solution

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

BALANCE SHEET OF SANJANA AND ALOK *as on 31st March, 2018*

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

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

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

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

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

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

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

Watch Video Solution

100.

5 A and B are in partnership sharing profits and losses in the ratio of 3 : 2. Their Balance Sheet as on 31st March, 2020 is as under:

Liabilities		₹	Assets		₹
A's Capital	88,000		Goodwill		5,000
B's Capital	1,27,000	2,15,000	Land and Building		30,000
Workmen Compensation Reserve		10,000	Investments (Market Value ₹ 22,500)		25,000
Investment Fluctuation Reserve		5,000	Debtors	50,000	
Employees' Provident Fund		5,000	*Less:* Provision for Doubtful Debts	5,000	45,000
C's Loan		1,50,000	Stock		1,50,000
			Bank Balance		1,25,000
			Advertisement Suspense A/c		5,000
		3,85,000			3,85,000

On 1st April, 2020, they admit C as partner on the following terms:

(i) A sacrifices 1/3rd of his share while B sacrifices 1/10th from his share in favour of C.

(ii) C's loan will be converted into his capital.

(iii) C brings in 60% of his share of goodwill in cash.

(iv) Goodwill is to be valued at 2 years' purchase of super profit of last three completed years. Profits for the last three years ended 31st March, are as follows: 2018—₹ 2,40,000; 2019—₹ 4,65,000; and 2020—₹ 6,90,000.
The normal profit is ₹ 3,15,000 with same amount of capital invested in similar industry.

(v) Land and Building was found undervalued by ₹ 25,000, Stock was found overvalued by ₹ 35,000 and Provision for Doubtful Debts is to be made equal to 5% of the debtors.

(vi) Claim on account of Workmen Compensation is ₹ 5,000. An unrecorded accrued income of ₹ 5,000 is to be accounted. A debtor whose dues of ₹ 25,000 were written off as bad debts, paid ₹ 20,000 in full settlement.

(vii) Capital Accounts of the partners to be readjusted on the basis of C's Capital in their profit-sharing ratio. Any excess or deficiency be adjusted by payment or receipt of amount.

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

View Text Solution

101.

A, B and C are partners in a firm sharing profits in the ratio of 3 : 2 : 1. On 1st April, 2020, their Balance Sheet is as follows:

BALANCE SHEET OF A, B AND C as at 1st April, 2020

Liabilities		₹	Assets	₹
Capital A/cs:			B's Current Account	14,000
A	3,50,000		Land and Building	3,50,000
B	3,00,000		Plant and Machinery	1,35,000
C	2,50,000	9,00,000	Furniture	1,60,000
Current A/cs:			Investments	73,000
A	8,000		Bills Receivable	34,000
C	12,000	20,000	Sundry Debtors	87,000
General Reserve		30,000	Stock	2,74,000
Profit and Loss Account		14,000	Bank	87,000
Creditors		1,60,000		
Bills Payable		90,000		
		12,14,000		12,14,000

On the above date, D is admitted on the following terms:

(i) D will bring ₹ 1,00,000 as his capital and will get 1/6th share in profits.

(ii) He will bring necessary amount for his share of goodwill premium. Goodwill of the firm was valued at ₹ 1,80,000.

(iii) The new profit-sharing ratio will be 2 : 2 : 1 : 1.

(iv) A Bill Receivable of ₹ 14,008 discounted with Bank was dishonoured, which is to be recorded in the books of account.

(v) Value of Stock, Furniture and Investments is reduced by 20% whereas the value of Land and Building and Plant and Machinery will be appreciated by 20% and 10% respectively.

(vi) Capital Accounts of the partners will be adjusted on the basis of D's capital through their Current Accounts.

Prepare Revaluation Account, Partners' Current Accounts, Capital Accounts and Balance Sheet.

View Text Solution

102.

7 Following is the Balance Sheet of *A* and *B*, who had been sharing profits in proportion of 3/4th and 1/4th as at 31st March, 2020:

Liabilities		₹	Assets	₹
Creditors		37,500	Cash at Bank	22,500
General Reserve		6,000	Bills Receivable	3,000
Capital A/cs:			Debtors	16,000
A	28,500		Stock	20,000
B	15,500	44,000	Furniture	1,000
			Land and Building	25,000
		87,500		87,500

They admit *C* into partnership on 1st April, 2020 on the following terms:

(i) *C* pays ₹ 14,000 as his capital for 1/5th share in the future profits.

(ii) Goodwill is valued at ₹ 20,000. *C* is unable to bring cash for his share of goodwill.

(iii) Stock and Furniture be reduced by 10% and 5% Provision for Doubtful Debts be created on Debtors.

(iv) Land and Building be appreciated by 20%.

(v) Capital Accounts of the partners be readjusted on the basis of new partner's capital in their profit-sharing arrangement and any excess or deficiency is to be transferred to their Current Accounts.

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

View Text Solution

103.

8 *X* and *Y* are in partnership sharing profits and losses in the ratio of 3 : 2. The capitals of *X* and *Y* after adjustment are ₹ 80,000 and ₹ 60,000 respectively. They admit *Z* as a third partner who is to contribute proportionate capital to acquire a 1/5th share of total capital of the new firm equally from both the partners *X* and *Y*. Calculate capital to be brought in by *Z*. Also, calculate new profit-sharing ratio of the partners in the new firm.

View Text Solution

104. Following is the Balance Sheet as at 31st March, 2020 of *A* and *B*, who share profits and losses in the ratio of 3 : 2:

Liabilities		₹	Assets		₹
Capital A/cs: *A*	1,00,000		Plant and Machinery		1,00,000
B	1,00,000	2,00,000	Land and Building		80,000
General Reserve		1,50,000	Debtors	1,20,000	
Workmen Compensation Reserve		50,000	*Less:* Provision for Doubtful Debts	10,000	1,10,000
Creditors		1,00,000	Stock		1,20,000
			Cash		90,000
		5,00,000			5,00,000

On 1st April, 2020, they admit *C* into partnership on the following terms:

(i) Provision for Doubtful Debts would be increased by ₹ 20,000.

(ii) Value of Land and Building would be increased to ₹ 1,80,000.

(iii) The value of Stock would be increased by ₹ 40,000.

(iv) The liability against the Workmen Compensation Reserve is determined at ₹ 20,000.

(v) *C* brought ₹ 1,00,000 in cash as his share of goodwill.

(vi) *C* would bring in further cash as would make his capital equal to 20% of the total capital of the new firm after the above revaluation and adjustments are carried out.

Prepare Revaluation Account, Partners' Capital Accounts and the Balance Sheet of the firm after *C*'s admission.

View Text Solution

105. Sahaj and Nimish are partners in a firm. They share profits and losses in the ratio of 2 : 1. Since both of them are specially abled, sometimes they find it difficult to run the business on their own. Therefore, they admitted Gauri into partnership for a 1/3rd share. She brought her share of goodwill in cash and proportionate capital. At the time of Gauri's admission, the Balance Sheet of Sahaj and Nimish was as under:

Liabilities		₹	Assets	₹
Capital A/cs:			Machinery	1,20,000
Sahaj	1,20,000		Furniture	80,000
Nimish	80,000	2,00,000	Stock	50,000
General Reserve		30,000	Sundry Debtors	30,000
Creditors		30,000	Cash	20,000
Employees' Provident Fund		40,000		
		3,00,000		3,00,000

It was decided to:

(i) Reduce the value of stock by ₹ 5,000.

(ii) Depreciate furniture by 10% and appreciate machinery by 5%.

(iii) ₹ 3,000 of the debtors proved bad. A provision of 5% was to be created on Sundry Debtors for doubtful debts.

(iv) Goodwill of the firm was valued at ₹ 45,000.

Prepare Revaluation Account, Partners' Capital Accounts and the Balance Sheet of the reconstituted firm. *(Delhi 2013, Modified)*

Watch Video Solution

106. A, B and C were partners in a firm sharing profits in the ratio of 3 : 2 : 1. On 31st March, 2015, their Balance Sheet was as follows:

BALANCE SHEET OF A, B AND C
as on 31st March, 2015

Liabilities		₹	Assets	₹
Creditors		84,000	Bank	17,000
General Reserve		21,000	Debtors	23,000
Capital A/cs: A	60,000		Stock	1,10,000
B	40,000		Investments	30,000
C	20,000	1,20,000	Furniture and Fittings	10,000
			Machinery	35,000
		2,25,000		2,25,000

On the above date, D was admitted as a new partner and it was decided that:

(i) The new profit-sharing ratio between A, B, C and D will be 2 : 2 : 1 : 1.

(ii) Goodwill of the firm was valued at ₹ 90,000 and D brought his share of goodwill premium in cash.

(iii) The market value of investments was ₹ 24,000.

(iv) Machinery will be reduced to ₹ 29,000.

(v) A creditor of ₹ 3,000 was not likely to claim the amount and hence to be written off.

(vi) D will bring proportionate capital so as to give him 1/6th share in the profits of the firm.

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

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107. (12) On 31st March, 2019 the Balance Sheet of Madan and Mohan who share profits and losses in the ratio of 3 : 2 was as follows:

BALANCE SHEET OF MADAN AND MOHAN *as at 31st March, 2019*

Liabilities		₹	Assets		₹
Creditors		28,000	Cash at Bank		10,000
General Reserve		10,000	Debtors	65,000	
Employees' Provident Fund		22,000	*Less:* Provision for Doubtful debts	5,000	60,000
Capitals:			Stock		33,000
Madan	60,000		Patents		57,000
Mohan	40,000	1,00,000			
		1,60,000			1,60,000

They decided to admit Gopal on 1st April, 2019 for 1/5th share which Gopal acquired wholly from Mohan on the following terms:

(i) Gopal shall bring ₹ 10,000 as his share of premium for Goodwill.

(ii) A debtor whose dues of ₹ 3,000 were written off as bad debt paid ₹ 2,000 in full settlement.

(iii) A claim of ₹ 5,000 on account of workmen's compensation was to be provided for.

(iv) Patents were undervalued by ₹ 2,000. Stock in the books was valued 10% more than its market value.

(v) Gopal was to bring in capital equal to 20% of the combined capitals of Madan and Mohan after all adjustments.

Prepare Revaluation Account, Capital Accounts of the Partners and the Balance Sheet of the new firm. *(CBSE 2019 C)*

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