ACCOUNTS

BOOKS - SULTAN CHAND & SONS ACCOUNTS (HINGLISH)

CHANGE IN PROFIT-SHARING RATIO AMOUNG THE EXISTING PARTNERS

Illustration

1. Amit and Sumit are partners in firm sharing profit in the ratio of 2: 1 . It was decided by them to sharpe profits equally w.e.f 1st April, 2019. Calculate the Sacrificing and Ganing Ratio.

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2. Aman, Yatin and Uma were partners and were sharing profits and losses in the ratio of 5: 3: 2. Uma retired and her share was taken over by Aman and Yatin in 5:3 ratio. Calculate the gaining ratio of Aman and Yatin.

View Text Solution

3. X,Y and Z are partners sharing profits in the raito of 5 :3:2. Calculate new profit -sharing ratio, sacrificing ratio, gaining ratio in each of the following cases:

Case 1. If Z acquires $1/5th$ share from X.

Case 2. If Z acquires $1/5th$ share equally from X and Y.

Case 3. If X,Y and Z decide to share equally form X and Y.

Case 4. If Z acquire $1/5th$ share of X and $1/6th$ Share of Y.

View Text Solution

4. Anu and Bala shared porfits and loss in the ratio of 3: 2 With effect form 1st April, 2019, they agree to share profits equally. Goodwill of the firm was valued at â,¹50,000. Pass necessary Journal entries for the accounting of goodwill:

(a) when goodwill is adjusted through Partner's Capital Accounts,

(b) When Goodwill is raised and wirtten off.

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

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

You are required to :

(a) Calculate the goodwill of the firm .

(b) Pass necessary Jourbal entry for the treatment of goodwill on change in profits-sharing ratio of Kumar , Gupta and kavita.

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6. A, B and C sharing profit and losses in the ratio of 5:3:2 decide to share profits and losses equally with effects form 1st April, 2019. Godwill of the firm is valued at â,¹90,000.

Pass Journal entries under each of the following alternative cases:

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

Case 2. When goodwill appears in the books â,¹60,000 and they agree on the following:

(a) Exisiting goodwill is written off.

(b) Existing goodwill is not written off i.e., is carried in the books of the firm.

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7. Reema and Seema are partners sharing profits and losses in the ratio of 4:1 . They decide to share profit in the ratio of 3:2 w.e.f 1st April , 2018. Howere, the decision to change the profit-sharing ratio was taken after crediting share of profit for the year ended 31st March, 2019, to respective Capital Account, which was â,¹1,00,000.

Goodwill of the firm as at 1st April, 2018 was valued at â,¹ 75,000. Capital Accounts credit balance as at 31st March, 2019 were Reema - â,¹ 5,00,000 and Seema - â,¹ 6,00,000.

Pass necessary Journal entries and prepare Capital Accounts.

View Text Solution

8. A, B and C Sharing profits losses in the ratio of 4 : 3:2, decides to share the future profits and losses in the ratio of 2:3:4 with effects 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 under the following alternative cases:

Case 1. If no informtion as to claim is given.

Case 2. If there is no claim.

Case 3. If a claim on account of workmen compensation is estimated at â‚¹ 45,000 .

Case.4 If a claim on account of workmen compensation is estimated at â‚¹ 99,000.

Case 5. If a claim on account of workmen compensation is estimated at â‚¹ 90,000.

Case.6 If a claim on account of workmen compensation is estimated at â‚¹ 36,000.

View Text Solution

9. A, B and C Sharing profits losses in the ratio of 4 : 3:2, decides to share the future profits and losses in the ratio of 2:3:4 with effects from 1st April, 2019 .An extract of their Balance sheet as at 31st March, 2019 is.

Liabilities	₹	Assets	₹
Investments Fluctuation Reserve	18,000	Investments (At cost)	2,00,000

Show the accounting treatment under the following alternative cases:

Case 1.If the is no other information.

Case. 2 If the market value of investment is â,¹ 2,00,000.

Case.3 If the market value of investment is â,¹ 1,91,000.

Case.4 If the market value of investment is â,¹ 2,18,000.

Case.5 If the market value of investment is â,¹ 1,73,000.

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10. Hardeep and Sandeep are partners sharing profits in the ration of 4:1 . They decide to share profits equally w.e.f 1st April, 2019.Their Balance Sheet as at 31st March, 2019 shows a balance of advertisement suspense of â,¹20,000. Pass the Journal entry at the time of change in profit -sharing ratio.

View Text Solution

11. X and Y are partners in a firm sharing profits in the ratio of 3:2 .They decide to share future profits equally. On the date of change in the profit-sharing ratio,Profit and Loss Account showed a debit balance of â,¹50,000.Pass Journal entry for distribution of balance in Profit and Loss Account immediately before change in the profit-sharing ratio.

View Text Solution

12. X and Y are partners sharing profits losses in the ratio of 5:3:2. They decide to share future profits and losses in the ratio of 2:3:5 with effect from 1st April, 2019. Following items appear in the Balance sheet as a 31st March, 2019:

	â,¹	
Genral Reserve	75,000	Advertisement Suspense A/
Workmen Compenstion Reserve	12,500	Profit and Loss Account(Cr

View Text Solution

13. A, B and C are partners in a firm shraing prfits in the ratio of 3:3:2. They decide to share profits equally w.e.f. 1st April , 2019. On that date, General Reserve showed credit balance of â,¹72,000. Instead of distributing the General Resrve, it was decided to record an adjustement entry reflecting the change in the profit-sharing ratio.

Pass Journal entry to give effect to the same.

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14. D,E and F are sharing profits and losses in the ratio of 5:3:2. They decide to share profits and losses in the ration of 2:3:5 with effects from 1st April, 2019. They also decide to record the effect of the following without affecting their book values, by passing an adjustment entry:

	Book Values (â,¹)
General Reserve	25,000
Contingecy Reserve	25,000
Profit and Loss A/c (Cr.)	75,000
Adverstisement Supense A/c (Dr.)	1,00,000

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15. Anil, Manvi and Payal are Partners sharing sharing profits and losses in the ratio 5: 3: 2. Their Balance sheet as at 31st March, 2019 stood as follows:

Liabilities		₹	Assets	₹
Capital A/cs:			Land and Building	2,60,000
Anil	3,50,000		Machinery	3,50,000
Manvi	2,50,000		Stock	90,000
Payal	3,00,000	9,00,000	Bills Receivable	70,000
General Reserve		20,000	Sundry Debtors	1,00,000
Workmen Compensation Reserve		30,000	Cash in Hand	25,000
Sundry Creditors		50,000	Cash at Bank	1,05,000
		10,00,000		10,00,000

They decided to shar profits and losses in the ratio of 2:2:1 w.e.f . 1st April , 2019. They agreed that:

(i) Land and Builuding be apopreciated by 10%.

(ii) Machinery be apprciated by 15%.

(iii) Stock be increased to â‚¹1,00,000.

(iv) A Provision for Doubtful be created @ 5% on Sundry Debtors.

(iv) A Creditor of â‚¹5,000 is not to claim the dues.

(vi) A claim on account of Workemen Compensation is estimated at â‚¹10,000.

(vii) An expense of â‚¹2,000 was paid by the firm for getting the value of Land and Buliding certified form a Chartered Engineer.

Pass the Journal entries and preapre Revalution Account.

View Text Solution

16. A,B and C are sharing profits and losses in the ratio of 5:3:2. They decided to share future profits and losses in the ratio of 2:3:5 with effect from 1st April, 2019.They also decide to record the effect of the following revlautions without affecting the book values of the assets and liabilities by passing an Adjustment Entry :

Step 4. JOURNAL

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
2019 April 1	C's Capital A/c	...Dr.		9,000	
	To A's Capital A/c				9,000
	(Being the proportionate amount of gain (profit) on revaluation adjusted through a single entry)				

Pass necessary Single Adjustment Entry .

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17. Ashok, Bhim and chetan were partners in a firm sharing profits in the ratio of 3:2:1. Their Balance sheet as on 31st March, 2015 was as follows.

BALANCE SHEET OF ASHOK, BHIM AND CHETAN *as on 31st March, 2015*

Liabilities		₹	Assets	₹
Creditors		1,00,000	Land	1,00,000
Bills Payable		40,000	Building	1,00,000
General Reserve		60,000	Plant	2,00,000
Capital A/cs: Ashok	2,00,000		Stock	80,000
Bhim	1,00,000		Debtors	60,000
Chetan	50,000	3,50,000	Bank	10,000
		5,50,000		5,50,000

` Ashok, Bhim and Cheta decide to share the future profits equally , w.e.f

1st April, 2015.

For this it was agreed that:

(a) Goodwill of the firm be valued at â‚¹ 3,00,000.

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

(c) Creditors of â‚¹12,000 were not likely to be claimed and hecnce be written off.

Preapre Revalution Account , Partner' Capital Accounts and Balance sheet of the reconsituted firm.

View Text Solution

18. Amar,Tarun and Akhil are partners sharing profits and losses in the ratio of 5:3:2. Their Balance Sheet as at 31st March, 2019 was follows:

Liabilities		₹	Assets		₹
Sundry Creditors		1,60,000	Cash in Hand		25,000
Salaries Payable		30,000	Bank Balance		1,25,000
Reserves		80,000	Bills Receivable		10,000
Profit and Loss A/c		30,000	Sundry Debtors	1,00,000	
Capital A/cs:			Less: Provision for Doubtful Debts	10,000	90,000
Amar	3,00,000		Stock		2,00,000
Tarun	1,80,000		Furniture		50,000
Akhil	1,20,000	6,00,000	Computers		3,00,000
			Air-Conditioners		1,00,000
		9,00,000			9,00,000

Profit-sharing ratio among the partners was agreed to be 2:2:1 w.e.f 1st April, 2019. They agreed to the following :

(i) Stock to be increased to â,¹2,20,000.

(ii) Provision for Doubtful Debts to be reduced by â,¹2,000.

(iii) Furniture to be reduced to %20.

(iv) Computers to be reduced to â,¹2,70,000.

(v) Goodwill of the firm is valued at â,¹1,00,000.

The partners decided to carry the assets and liabilities at their existing values. They also decided that Reserves and Profit and Loss Account balance be carried at the same values.

Pass an Adjustment entry giving effect to the above arrangement and prepare Balance Sheet after adjustments.

View Text Solution

19. Parth, Raman and Zaisha are partners in a firm manufacturing furmiture. They have bem sharing profits and losses in the ratio of 5:3:2 From 1st April, 2017 they decided to share future profits and losses in the ratio of 2:5:3. Their Balance Sheet showed a debit balance of â,¹4,000 in Profit and Loss Account, balance of â,¹36,000 in General Reserve and a balance of â,¹12,000 in Workmen's Compensation Reserve. It was agreed that:

(i)The goodwill of the firm be valued at â,¹76,000.

(ii) The Stock (book value of â,¹40,000) was to be depreciated by 8%.

(iii) Creditors amounting to 900 were not likely to be claimed.

(iv) Claim on account of Workmen's Compensation amounted to â,¹20,000.

(v) Investments (book value â,¹ 38,000) were revalued at â,¹ 40,000.

Pass necessary Journal entries for the above.

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20. P,Q, R and S were partners in a frim sharing profits in the ratio of 1:4:2:3. On 1st April, 2016, their Balance Sheet was follows.

BALANCE SHEET OF *P, Q, R* AND *S as on 1st April, 2016*

Liabilities		₹	Assets	₹
Capital A/cs:			Fixed Assets	12,70,000
P	2,00,000		Current Assets	5,30,000
Q	3,00,000			
R	4,00,000			
S	5,00,000	14,00,000		
Sundry Creditors		2,30,000		
Workmen Compensation Reserve		1,70,000		
		18,00,000		18,00,000

From the above date, partners decided to share the future profits equally .For this purpose the goodwill of the firm was valued at â,¹2,70,000.

The partners also agreed for the following :

(i) Claim aginst Workemen Compenstion Reserve was estimated at â‚¹2,00,000.

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

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

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21. S,T,U and V were partners in a firm sharing profits in the ratio of 4:3:2:1.On 1st April, 2016, their Balance Sheet was as follows:

BALANCE SHEET OF *S, T, U* AND *V*
as on 1st April, 2016

Liabilities		₹	Assets	₹
Capitals:			Fixed Assets	4,40,000
S	2,00,000		Current Assets	2,00,000
T	1,50,000			
U	1,00,000			
V	50,000	5,00,000		
Sundry Creditors		80,000		
Workmen Compensation Reserve		60,000		
		6,40,000		6,40,000

From the above date partners decided to share the future profits in 3: 1:2:4 ratio. For this purpose the goodwill of the firm was valued at â‚¹90,000. This partners also agreed for the following:

(i) The claim for workmen compensation has been estimed at â‚¹70,000.

(ii) To adjust the capitals of the partners according to new profit-sharing ratio by opening Partners'Current Accounts.

Prepare Revalutions Account,Partners' Capital Accounts and the Balance sheet of the reconsituted firm.

View Text Solution

22. Aman,Chaman and Daman are partners sharing profits and losses in the ratio of 5:4:1. Their Balance Sheet as at 31st March, 2019 was as follows:

Liabilities		₹	Assets		₹
Sundry Creditors		1,10,000	Cash at Bank		2,10,000
Salaries Payable		30,000	Sundry Debtors	1,00,000	
Outstanding Expenses		10,000	*Less:* Provision for Doubtful Debts	10,000	90,000
General Reserve		40,000	Stock		50,000
Capital A/cs:			Furniture		40,000
Aman	3,00,000		Computers		2,00,000
Chaman	1,50,000		Car		2,00,000
Daman	1,50,000	6,00,000			
		7,90,000			7,90,000

Profits-sharing ratioo w.e.f 1st April, 2019 was decided to be equal. It was good among the partners to carry out following adjustments.

(i) Stock to be reduced to â,¹40,000.

(ii) Provision for Doubtful Debts to be written back , since all debtors are good.

(iii) Computers to be reduced by â,¹20,000.

(iv) Out of the Salaries Payable, â‚¹10,000 was not payable as the employee left without notice.

(v) Outsanding Expense were not payable anymore.

(vi) An unrecorded asset (Motor Cycle) valued at â‚¹10,000 to be accounted.

(vii) Goodwill of the firm was valued at â‚¹50,000.

(viii) Total capital of the firm â‚¹6,00,000 was to be in profit-sharing ratio, excess capital to bc withdrawn and shortfall to be made good.

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

View Text Solution

Select The Correct Alternative

1. X and Y shared profits and losses in the ratio of 3 :2. With effect from 1st April, 2019 they agre share profits equally. The goodwill of the firm was valued at â‚¹60,000. The adjustment entry will be :

A. Dr.Yand Cr.X with â‚¹6,000.

B. Dr.Xand Cr.Ywith â‚¹600.

C. Dr.Xand Cr. Y with â‚¹6,000.

D. Dr.Yand Cr.X with â‚¹600

Answer: A

View Text Solution

2. X Y and Z are partners sharing profits in the ratio of 5 : 3:2. They decide to share future profit in the ratio of 2 : 3 :5 with effect from 1st April, 2019. They also decide to record the effect following revaluations without affecting the book values of assets and liabilities, by passing an adjusting entry:

	Book Values (₹)	*Revised Values (₹)*
Land and Building	3,00,000	4,50,000
Plant and Machinery	4,50,000	4,20,000
Trade Creditors	1,50,000	1,35,000
Outstanding Rent	1,35,000	1,80,000

The necessary adjustment enrty will be

A. Dr. Z and Cr. X by â‚¹27,000

B. Dr.X and Cr.Z by â‚¹27,000

C. Dr. X and Cr. Z by â‚¹27,000.

D. Dr.Xand Cr.Y by â‚¹27,000

Answer: A

View Text Solution

3. A B and C are partners sharing profits in the ratio of 5:3:2. They decide to share the future in the ratio of 2 3:5. What will be the accounting treatment of Workmen Compensation Reserve appearing in the Balance Sheet on that date when no information is available for the same?

A. Distributed among the partners in their capital ratio

B. Distributed among the partners in their new profit-sharing ratio.

C. Distributed among the partners in their old profit-sharing ratio.

D. Carried forward to new Balance Sheet.

Answer: C

View Text Solution

4. A, B and Care partners sharing profits in the ratio of 5:3:2.They decided to share future profits ratio of 2:3:5with effect from 1st April, 2019.They also decided to adjust the following accumulated profits, losses and reserves without affecting their book values, by passing an adjustment entry.

	Book Values (â, ¹)
Profit and Loss Account	15000
General Reserve	60000
Advertising Suspense Account	3000

The necesary adjustment entry will be:

A. Dr. C and Cr. A with â,¹13,500.

B. Dr.A and Cr.C with â,¹13,500.

C. Dr.Band Cr.A with â,¹13,500.

D. Dr.A and Cr.B with â,¹13,500.

Answer: A

View Text Solution

Sacrifing And Gaining Share

1. A and B are sharing profits and losses equally With effect from 1st April, 2019, they agree to share profits in the ratio of 4:3. Calculate individual partner's gain or sacrifice due to the change in ratio.

View Text Solution

2. X, Y and Z are sharing profits and losses in the ratio of 5:3:2. With effect from 1st April, 2019, they decide to share profits and losses in the ratio of 5:2:3. Calculate each partner's gain or sacrifice due to the change in ratio.

View Text Solution

3. X ,Y and Z are sharing profits and losses in the ratio of 5 :3:2.With effect from 1st April, 2019. they decide to share profits and losses equally Calculate each partner's gain or saurifice due to the changes in the ratio.

View Text Solution

4. A, B and C are partners sharing profits and losses in the ratio of 5:4:1. Calculate new profit-sharing ratio, sacrificing ratio and gaining ratio in each of the following cases:

Case 1. C acquires$1/5th$ share from A

Case 2. C acquires $1/5th$ share equally from A and 8.

Case 3. A, B and C will share future profits and losses equally.

Case 4. C acquires $1/10th$ share of A and $1/2$ share of B.

View Text Solution

Accounting Treatment Of Goodwill

1. A.B and C shared profits and losses in the ratio of 3:2:1 respectively. With effect from 1st April, agreed to share profits equally. The goodwill of the firm was valued at t 18,000. Pass necessary Journal entries when: (a) Goodwill is adjusted through Partners Capital Accounts, and (b) Good raised and written off.

View Text Solution

2. X, Y and Z are partners sharing profits and losses in the ratio of 5:3:2.From 1st April, 2018, they decided to share profits and losses equally. The Partnership Deed provides that in the event of any change in the pront-sharing ratio, the goodwill should be valued at two years' purchase of the average profit of the preceding five years. The profts and losses of the preceding years ended 31st March. are

Year	2013–14	2014-15	2015-16	2016-17	2017-18
Profits (₹)	70,000	85,000	45,000	35,000	10,000 (Loss)

You are required to calculate goodwill and pass Journal entry.

View Text Solution

3. Mandeep, Vinod and Abbas are partners sharing profts and losses in the ratio of 3:2:1. From 1st April,2019 they decided to share profis equally. The Partnership Deed provides that in the event of any change in profit-sharing ratio, goodwill shall be valued at three years' pruchase of average profit of last five years.

The profits and Iosses of past five years are

Profit-Year erded 31st March, 2015 - â,¹1,00,000,2016 - â,¹1,50,000, 2018- â,¹2,00,000, 2019- â,¹2,00,000. Loss-Year ended 31st March, 2017- â,¹50,000.

View Text Solution

4. X,Y and Z are partners sharng profits and losses in the ratio of 5 :3 :2, decided to share future profits and losses equally with effect from 1st April, 2019. On that date, the goodwill appeared in the books at â,¹12,000. But it was revalued at â,¹30,000. Pass Journal entries assuming that goodwill will not appear in the books of account.

View Text Solution

5. A and B are partners in a firm sharing profits in the ratio of 2:1. They decided with effect from 1st April, 2018, that they would share profits in the ratio of 3:2. But, this decision was taken after the profit for the year ended 31st March, 2019 of â,¹90,000 was distributed in the old ratio.

Firm's goodwill was valued on the basis of aggregate of two years' profits preceding the date decision became effective.

The profits for the years ended 31st March, 2017 and 2018 were â,¹60,000 and â,¹75,000 respectively. It wa decided that Goodwill Account will not be opened in the books of the firm ard necessary adjustment b made through Capital Accounts which on 31st March, 2019 stood at â,¹1,50,000 for A and â,¹90,000 for B

Pass necessary Journal entries and prepaie Capital Accounts.

View Text Solution

6. Jai and Raj are partners sharing profits in the ratio of 3:2 . With effect from 1st April, 2019, they decided to share profits equally . Goodwill apperared in the books at â,¹25,000. As on 1st April, 2019, it will valued at â‚¹1,00,000. They decided to carry goodwill in the books of the firm.

Pass the Journal entry giving effect to the above.

View Text Solution

Accounting Treatment Of Reserves And Accumulated Profits

1. X and Y are partners in a firm sharing profits and losses in the ratio of 3: 2. With effect from 1st April ,2019 they decided to share future profit equally. On the date of change in the profits- sharing ratio-sharing ratio, the Profit and Loss Account showed a credit balance of â‚¹1,50,000. Record the necessary Journal entry for the distribution of the balance in the Profit and Loss Account in the Profit and Loss Account immediately before the change in the profit-sharing ratio.

View Text Solution

2. A and B are partners in a firm sharing profits in the ratio of 4: 1. They decided to share future profits in the ratio of 3:2 w.e.f 1st April, 2019. On that day, Profit and Loss Account showed a debit balance of â‚¹ 1,00,000. Pass Journal entry to given effect to the above.

View Text Solution

3. X,Y and Z are sharing profits and losses in the ratio of 5: 3: 2 .They decide to share future profits equally w.e.f 1st April, 2019.On the date,General Resrve showed credit balance of â‚¹ 72,000. Instead of distributing the General Reserve, it was decided to recond an adjustment entry reflecting the change in the profit-sharing ratio.

Pass Journal entry to give effect to the same.

View Text Solution

4. A, B and C who are presently sharing profits in the ratio of 5:3:2. decide to share future profits and losses in the ratio of 2:3:5. Give the Journal entry to distribute Workmen Compensation Reseve of â‚¹ 1,20,000 at the time of change in profits-sharing ratio, when:

(i) no information is given

(ii) there is no claim against it.

View Text Solution

5. X ,Y and Z who are presently sharing profits and losses in the ratio of 5:3:2 decide to share future profits and losses in the ratio of 2 :3:5. Give the Journal entry to distribute Workmen Compensation Reserve of â‚¹1,20,000 at the time of change in profit-sharing ratio, when there is a claim of â‚¹80,000 against it.

View Text Solution

6. X, Yand Z who are sharing profits in the ratio of 5:3:2, decide to share profits in the ratio of 2:3 5 with effect from 1st April, 2019.Workmen Compensation Reserve appears at â‚¹1,20,000 in the Balance Sheet as at 31st March, 2019 and Workmen Compensation Claim is estimated at â‚¹1,50,000. Pass Journal entries for the accounting treatment of Workmen Compensation Reserve.

View Text Solution

7. A B and C who are presently sharing profits and losses in the ratio of 5:3:2 decide to share future profits and losses in the ratio of 2:3:5. Give the Journal entry to distribute 'Investments Fluctuation Reserve' of â‚¹20,000 at the time of change in profit-sharing ratio, when investment (market value â‚¹95,000) appears in the books at â‚¹1,00,000.

View Text Solution

8. Nitin, Tarun and Amar are partners sharing profits eqully and decide to share profits in the ratio of 2:2:1 w.e.f 1st April, 2019.The extract of their Balance Sheet as at 31st March , 2019 is as follows:

Liabilities	₹	Assets	₹
Investments Fluctuation Reserve	60,000	Investments (At Cost)	4,00,000

Pass the Journal entries in each of the following situations:

(i) When its Market Value is not given.

(ii) When its Market Value is â,[1] 4,00,000.

(iii) When its Market Value is â,[1] 4,24,000.

View Text Solution

9. X and Y are partners sharing profits in the ratio of 2:1 . On 31st March, 2019, their Balance sheet showed Genral Reseve of â,[1]60,000. It was decided that in future they will share profits they will share profits and losses in the ratio of 3:2 .Pass necessary Journal enrtry in each of the following alternative cases:

(i) When General Reserve is not to be shown in the new Balance Sheet.

(ii)When General Reserve is to be shown in the shown in the new Balance Sheet.

View Text Solution

10. Bhavya and Sakshi are partners in a frim, sharing profits and losses in the ratio of 3:2, On 31st March, 2018 their Balance Sheet was as under:

BALANCE SHEET OF BHAVYA AND SAKSHI *as at 31st March, 2018*

Liabilities	₹	Assets	₹
Sundry Creditors	13,800	Furniture	16,000
General Reserve	23,400	Land and Building	56,000
Investment Fluctuation Fund	20,000	Investments	30,000
Bhavya's Capital	50,000	Trade Receivables	18,500
Sakshi's Capital	40,000	Cash in Hand	26,700
	1,47,200		1,47,200

The partners have decided to change their profits sharing ratio to 1:1 with immediate effect. For the purpose, they decided that:

(i) Investments to be valued at â,¹20,000.

(ii) Goodwill of the firm be valued at â,¹24,000.

(iii) General Reserve not to be distributed between the partners.

You are required to pass necessaryt Journal entries in the books of the frim .Shown working

View Text Solution

Revalution Of Assets And Reassessment Of Liabilities

1. X, Y and Z share profits asd 5:3:2. They decide to share their future profits as 4:3:3 with effect from 1st April, 2019. On this date the following revalutions have taken place:

	Book Values (₹)	Revised Values (₹
Investments	22,000	25,000
Plant and Machinery	25,000	20,000
Land and Building	40,000	50,000
Outstanding Expenses	5,600	6,000
Sundry Debtors	60,000	50,000
Trade Creditors	70,000	60,000

Pass necessary adjustment entry to be made because of the above change in the values of assets and liabilities. However,old values will continue in the books.

View Text Solution

2. A, B and C are partners sharing profits and losses in the ratio of 5:3:2. Their Balance Sheet as at 31st March, 2019 stood as follows :

Liabilities		₹	Assets	₹
Capital A/cs:			Land and Building	3,50,000
A	2,50,000		Machinery	2,40,000
B	2,50,000		Computers	70,000
C	2,00,000	7,00,000	Investments (Market Value ₹ 90,000)	1,00,000
General Reserve		60,000	Sundry Debtors	50,000
Investments Fluctuation Reserve		30,000	Cash in Hand	10,000
Sundry Creditors		90,000	Cash at Bank	55,000
			Advertisement Suspense	5,000
		8,80,000		8,80,000

They decided to share profits equally w.e.f. 1st April, 2019. They also agreed that :

(i) Value of Land and Building be decreased by 5 %.

(ii) Value of Machinery be increased by 5%.

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

(iv) A motor Cycle value at â,^{1} 20,000 was unrecoded and is now to be recorded in the books.

(v) Out of Sundry Creditors, â,^{1} 10,000 is not payable.

(vi) Goodwill is to be valued at 2 years' purchase of last 3 years profits. Profits being for 2018-19 — â,^{1} 50,000 (Loss),n 2017-18 — â,^{1} 2,50,000 and 2016-17 — â,^{1} 3,000.

Pass Journal entries and prepare Revaluation Account.

View Text Solution

3. A, B and C are sharing profits and losses in the ratio of 2:2:1. They decided to share profit w.e.f. 1st April, 2019 in the ratio of 5:3:2. They also decided not to change the values of assets and liabilities in the books of account. The book values and revised values of asset and liabilities as on the date of change were as follows :

	Book Values (₹)	*Revised Values (₹)*
Machinery	2,50,000	3,00,000
Computers	2,00,000	1,75,000
Sundry Creditors	90,000	75,000
Outstanding Expenses	15,000	25,000

Pass an adjustment entry.

[**Ans.:** *Dr. A's Capital A/c and Cr. B's Capital A/c—₹ 3,000.*]

View Text Solution

4. X, Y and Z are partners sharing profits and losses in the ratio of 7:5:4. Their Balance Sheet as at 31st March, 2019 stood as :

Liabilities		₹	Assets	₹
Capital A/cs:			Sundry Assets	7,00,000
X	2,10,000			
Y	1,50,000			
Z	1,20,000	4,80,000		
General Reserve		65,000		
Profit and Loss A/c		25,000		
Creditors		1,30,000		
		7,00,000		7,00,000

Partners decided that effect from 1st April, 2019, they will share profits and losses in the ratio of 3:2:1. For this purpose, goodwill of the firm was valued at â,[1] 1,50,000. The partners neither want to record the goodwill nor want to distribute the General Reserve and profits.

Pass a Journal entry to record the change and prepare Balance Sheet of the constituted firm.

View Text Solution

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

Liabilities		₹	Assets	₹
Creditors		50,000	Land	50,000
Bills Payable		20,000	Building	50,000
General Reserve		30,000	Plant	1,00,000
Capital A/cs:			Stock	40,000
A	1,00,000		Debtors	30,000
B	50,000		Bank	5,000
C	25,000	1,75,000		
		2,75,000		2,75,000

From 1st April, 2015, A, B and C decided to share profits equally. For this it was agreed that:

(i) Goodwill of the firm will be valued at â,¹ 1,50,000.

(ii) Land will be revalued at â,¹ 80,000 and building be depreciated by 6 %.

(iii) Creditors of â,¹ 6,000 were not likely to be claimed and hence should be written off.

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

View Text Solution

6. A and B are partners sharing profits in the ratio of 4:3. Their Balance Sheet as at 31st March, 2019 stood as:

Liabilities		₹	Assets	₹
Sundry Creditors		28,000	Cash	20,000
Reserve		42,000	Sundry Debtors	1,20,000
Capital A/cs:			Stock	1,40,000
A	2,40,000		Fixed Assets	1,50,000
B	1,20,000	3,60,000		
		4,30,000		4,30,000

They decided that with effect from 1st April, 2019, they will share profits and losses in the ratio of 2:1. For this purpose they decided that :

(i) Fixed Assets are to be reduced by 10 %.

(ii) A Provision for Doubtful Debts of 6% be made on Sundry Debtors.

(iv) An amount of â,¹ 3,700 included in Creditors is not likely to be claimed.

Partners decided to record the revised values in the books. However, they do not want to disturb the Reserve. You are required to pass Journal entries, prepare Capital Accounts of Partners and the revised Balance Sheet.

View Text Solution

7. X, Y and Z are partners in a firm sharing profits and losses as 5:4:3. Their Balance Sheet as at 31st March, 2019 was :

Liabilities		₹	Assets	₹
Sundry Creditors		40,000	Cash at Bank	40,000
Outstanding Expenses		15,000	Sundry Debtors	2,10,000
General Reserve		75,000	Stock	3,00,000
Capital A/cs:			Furniture	60,000
X	4,00,000		Plant and Machinery	4,20,000
Y	3,00,000			
Z	2,00,000	9,00,000		
		10,30,000		10,30,000

From 1st April, 2019, they agree to alter their profit-sharing ratio as 4:3:2.

It is also decided that :

(a) Furniture be taken at 80% of its value.

(b) Stock be appreciated by 20 %.

(c) Plant and Machinery be valued at â,¹ 4,00,000.

(d) Outstandig Expenses be increased by â,¹ 13,000.

Partners agreed that altered values are not to be recorded in the books and they also do not want to distribute the General Reserve.

You are required to pass a single Journal entry to give effect to the above. Also, prepare Balance Sheet of the new firm.

View Text Solution

8. Balance Sheet of X and Y, who share profits and losses as 5:3, as at 1st April, 2019 is :

Liabilities	₹	Assets	₹
X's Capital	52,000	Goodwill	8,000
Y's Capital	54,000	Machinery	38,000
General Reserve	4,800	Furniture	15,000
Sundry Creditors	5,000	Sundry Debtors	33,000
Employees' Provident Fund	1,000	Stock	7,000
Workmen Compensation Reserve	10,000	Bank	25,000
		Advertisement Suspense A/c	800
	1,26,800		1,26,800

On the above date, they decided to change their profit-sharing ratio to 3:5 and agreed upon the following :

(a) Goodwill be valued on the basis of two year's purchase of the average profit of the last three years.

Profits for the years ended 31st March, are : 2016-17 — â,¹ 7,500 , 2017-18 — â,¹ 4,000 , 2108-19 — â,¹ 6,500.

(b) Machinery and Stock be revalued at â,¹ 45,000 and â,¹ 8,000 respectively.

(c) Claim on account of workment compensation is â,¹ 6,000.

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

View Text Solution

Adjustment Of Capital

1. Ram, Mohan, Sohan and Hari were partners in a firm sharing profits in the ratio of 4:3:2:1. On 1st April, 2016, their Balance Sheet was as follows :

BALANCE SHEET OF RAM, MOHAN, SOHAN AND HARI
as on 1st April, 2016

Liabilities		₹	Assets	₹
Capital A/cs:			Fixed Assets	9,00,000
Ram	4,00,000		Current Assets	5,20,000
Mohan	4,50,000			
Sohan	2,50,000			
Hari	2,00,000	13,00,000		
Workmen Compensation Reserve		1,20,000		
		14,20,000		14,20,000

From the above date, the partners decided to share the future profits in the ratio of 1:2:3:4. For this purpose the goodwill of the firm was valued at â,[1] 1,80,000. The partners also agreed for the following :

(a) The claim for workmen compensation has been estimated at â,[1] 1,50,000.

(b) Adjust the capitals of the partners according to new profit-sharing ratio by opening Partner's Current Accounts.

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

View Text Solution

2. Suresh, Ramesh, Mahesh and Ganesh were partners in a firm sharing profits in the ratiok of 2:2:3:3. On 1st April, 2016, their Balance Sheet was as follows :

BALANCE SHEET OF SURESH, RAMESH, MAHESH AND GANESH *as on 1st April, 2016*

Liabilities		₹	Assets	₹
Capital A/cs:			Fixed Assets	6,00,000
Suresh	1,00,000		Current Assets	3,45,000
Ramesh	1,50,000			
Mahesh	2,00,000			
Ganesh	2,50,000	7,00,000		
Sundry Creditors		1,70,000		
Workmen Compensation Reserve		75,000		
		9,45,000		9,45,000

From the above date, the partners decided to share the future profits equally. For this purpose the goodwill of the firm was valued at â,[1] 90,000.

It was also agreed that :

(a) Claim against Workmen Compension Reserve will be estimated at â,[1] 1,00,000 and fixed assets will be depreciated by 10%.

(b) The Capitals of the partners will be adjusted according to the new profit-sharing ratio. For this, necessary cash will be brought or paid by the partners as the case may be.

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

View Text Solution

3. Following is the Balance Sheets of A and B, who shared Profits and Losses in the ratio of 2:1, as at 1st April, 2019:

BALANCE SHEET OF *A* AND *B* *as on 1st April, 2019*

Liabilities		₹	Assets	₹
Capital A/cs:			Land and Building	2,90,000
A	3,00,000		Furniture	80,000
B	2,00,000	5,00,000	Stock	2,40,000
Reserve		1,50,000	Debtors	1,50,000
Creditors		2,00,000	Bank	60,000
			Cash	30,000
		8,50,000		8,50,000

On the above date,the partners changed their profits -Sharing ratio of 3:2.

For the this purpose, the goodwill of the firm was valued at â,¹ 3,00,000.The partnes also agreed for the following:

(a) The value of Land and Building will be â,¹5,00,000.

(b) Reserve is to be maintained at â,¹3,00,000.

(c) The total capital of the partners in the will be â,¹ 6,00,000, which will be shared by the partners in their new profits-sharing ratio.

Prepare Revalutions Account, Partner's Capital Account and the Balance Sheet of the reconstituted frim.

View Text Solution

Evaluation Questions

1. X and Y are partners in a frim sharing profits in the ratio of 3:2. With effect from 1st April, 2019, they agreed to share profits equally. For this purpose, goodwill of the firm is valued at â,¹75,000.You are required to fill up the following Journal entry:

JOURNAL

Date		Particulars		L.F.	Dr. (₹)	Cr. (₹)
2019 April	1	Y's Capital A/c	...Dr.		?	
		To X's Capital A/c				?
		(Being ?)				

View Text Solution

2. X,Y and Z are partners in a frim sharing profits in 3:3:2 ratio. They decide to shows the credit balance of â,¹60,000. They decide that Profit and Loss Account will remain as it is.You are required to fill up the following Journal entry.

JOURNAL

Date		Particulars		L.F.	Dr. (₹)	Cr (₹)
2019 April	1	?	...Dr.		?	
		To ?				?
		To ?				?
		(Being the adjustment made for credit balance of Profit and Loss Account due to change in profit-sharing ratio)				

View Text Solution

3. A, B and C are partners sharing profits and losses in the ratio of 2:2:1 .As a result of change in profit-sharing ratio to 1:1:1 following Revalution Account and Capital Accounts were drawn , in which some values are missing.

REVALUATION ACCOUNT

Dr. Particulars		₹	Particulars	Cr. ₹
To Stock A/c		10,000	By Machinery A/c	?
To Provision for Doubtful Debts A/c		10,000	By Sundry Creditors A/c	10,000
To Outstanding Expenses A/c		?		
To Gain (Profit) transferred to:				
A's Capital A/c	?			
B's Capital A/c	?			
C's Capital A/c	?	?		
		50,000		50,000

PARTNERS' CAPITAL ACCOUNTS

Dr. Particulars	A (₹)	B (₹)	C (₹)	Particulars	A (₹)	B (₹)	Cr. C (₹)
To Advt. Susp. A/c	?	?	?	By Balance b/d	?	?	?
To Balance c/d	1,50,000	1,40,000	1,30,000	By Revaluation A/c	8,000	8,000	4,000
	1,54,000	1,44,000	1,32,000		1,54,000	1,44,000	1,32,000

You are required to complete the accounts.

View Text Solution