

Answers

Exercise 1

1. Select appropriate option for each question :

- (1) (c) (2) (a) (3) (b) (4) (b) (5) (c) (6) (a) (7) (d)
(8) (d) (9) (a) (10) (b)

3. (1) Interest on drawings ₹ 660

- (2) Amruta's commission ₹ 7176, Divisible profit ₹ 44,850, Total received amount ₹ 52,026
(₹ 7176 commission + divisible profit ₹ 44,850)

- (3) Divisible profit of the firm ₹ 1,35,000 (45,000 + 30,000 + 60,000), Commission of manager ₹ 13,500

- (4) New profit and loss sharing ratio 15:10:9, Divisible profit : Rajkumar ₹ 30,000, Kaushik ₹ 20,000 and Sharma ₹ 18,000

- (5) New profit and loss sharing ratio 4:1:2
Divisible profit - Mehta ₹ 50,000; Pandya ₹ 12,500 and Bajpai ₹ 25,000

- (6) Rectification of error :

Sanket's capital/current A/c...Dr	16,875
To Sheela's capital/current A/c	5625
To Surbhi's capital/current A/c	11,250

- (7) Rectification of error :

Rahim's capital/current A/c...Dr	600
To Ram's capital/current A/c	600

- (8) Rectification of error :

Lata's capital/current A/c...Dr	900
To Gita's capital/current A/c	600
To Pravina's capital/current A/c	300

- (9) Distribution of profit : Mukesh ₹ 35,000, Dhaval ₹ 27,500 and Vinod ₹ 27,500

- (10) Opening capital ₹ 74,700, Interest on capital ₹ 4482

- (11) Receivable amount : 'A' ₹ 66,750 (₹ 60,000 profit + ₹ 6750 interest on capital)
'B' ₹ 80,250 (₹ 60,000 profit + ₹ 20,250 interest on capital)

8. Commission to Chirag ₹ 2500, Divisible profit ₹ 47,500, Share of each partner in profit Harpal ₹ 23,750 and Chirag ₹ 23,750, Closing balance of capital : Harpal ₹ 86,600, Chirag ₹ 1,17,800

9. Commission to Hiral ₹ 30,000, Divisible profit ₹ 3,00,000

Share in divisible profit : Bhadresh ₹ 1,80,000, Hiral ₹ 1,20,000

Closing balance of capital accounts : Bhadresh ₹ 2,40,000, Hiral ₹ 1,80,000

Closing balance of current accounts : Bhadresh ₹ 2,39,040 (credit), Hiral ₹ 95,760 (credit)

10. To general reserve A/c ₹ 18,000, Divisible profit ₹ 48,000
Share in divisible profit : Sharda ₹ 20,000, Jamna ₹ 16,000, Ganesh ₹ 12,000
Closing balance of capital accounts : Sharda ₹ 1,04,000, Jamna ₹ 66,400, Ganesh ₹ 31,080
11. Divisible profit ₹ 4500, Share in divisible profit : Isha ₹ 1800, Saraswati ₹ 1800, Laxmi ₹ 900
Closing balance of capital accounts : Isha ₹ 40,000, Saraswati ₹ 40,000, Laxmi ₹ 32,000
Closing balance of current accounts : Isha ₹ 6400 (credit), Saraswati ₹ 5620 (credit), Laxmi ₹ 8640 (debit)
12. Commission of Prerna ₹ 9000, Divisible profit ₹ 90,000
Share in divisible profit : Prerna ₹ 40,500 (₹ 22,500 + ₹ 18,000)
Paras ₹ 31,500 (₹ 13,500 + ₹ 18,000)
Jayshree ₹ 18,000 (₹ 9000 + ₹ 9000)
Closing balance of partners' capital accounts : Prerna ₹ 1,20,000, Paras ₹ 1,20,000, Jayshree ₹ 60,000
Excess capital ₹ 70,650 of Prerna and ₹ 21,000 of Jayshree will be withdrawn by them. While Paras will introduce capital deficit ₹ 1200.

Exercise 2

1. **Select appropriate option for each question :**

- (1) (b) (2) (d) (3) (a) (4) (b) (5) (b) (6) (b) (7) (c)
(8) (d) (9) (c) (10) (c)

5.

Bad debts return	– Credit side of profit and loss account
Depreciation of factory building	– Debit side of trading account
Labour and salary	– Debit side of trading account
Investments of provident fund	– Asset side of balance sheet
Bills payable	– Capital and liability side of balance sheet
Goods withdrawn for personal use	– Will be deducted from purchase of trading account
Goods return credit	– Credit side of trading account, will be deducted from sales
Goods return debit	– Debit side of trading account, will be deducted from purchase
Loan to firm given by partner	– Capital and liability side of balance sheet
Interest on investments of provident fund	– Capital and liability side of balance sheet will be added provident fund account

6. **(1) Closing stock of stationery :**

- Treatment : (1) Debit side of profit and loss A/c deducted from stationery expenses.
(2) Balance sheet, on asset side as closing stock of stationery.

(2) Credit sales, not recorded :

- Treatment : (1) Credit side of trading A/c, added to sales
(2) Balance sheet, on asset side, added to debtors

(3) Commission to partner on net profit :

- Treatment : (1) Debit side of profit and loss appropriation A/c
(2) Credit side of partners' capital/current A/c

- (4) **Goods taken by partner for his personal use :**
 Treatment : (1) Debit side of trading A/c; deducted from purchase
 (2) Debit side of partners' capital/current A/c
- (5) **Interest on debit balance of partners' current A/c :**
 Treatment : (1) Debit side of partners' current A/c
 (2) Credit side of profit and loss appropriation A/c
- (6) **Some amount is written off from lease hold asset :**
 Treatment : (1) Debit side of profit and loss A/c, lease hold asset written off
 (2) Deducted from lease hold asset on asset side of balance sheet
- (7) **Income due but not received :**
 Treatment : (1) Credit side of profit and loss A/c, added to respective income
 (2) Balance sheet on asset side
- (8) **Prepaid expenses :**
 Treatment : (1) Debit side of trading / profit and loss A/c, deducted from expenses
 (2) Balance sheet, on asset side
- (9) **Provision for discount reserve on debtors :**
 Treatment : (1) Debit side of profit and loss A/c
 (2) Balance sheet on asset side, deducted from debtors

7. Adjustment entry :

- | | | | |
|-----|--|--------|--------|
| (1) | Closing stock A/c ...Dr | 32,000 | |
| | To trading A/c | | 32,000 |
| | [Being adjustment entry passed for closing stock.] | | |
| (2) | Salary A/c ...Dr | 1000 | |
| | To outstanding salary A/c | | 1000 |
| | [Being adjustment entry passed for outstanding salary.] | | |
| (3) | Interest A/c ...Dr | 1250 | |
| | To Mahendra's loan A/c | | 1250 |
| | [Being adjustment entry for interest due is passed.] | | |
| (4) | Interest A/c ...Dr | 500 | |
| | To interest received in advance A/c | | 500 |
| | [Being adjustment entry for interest received in advance is passed.] | | |
| (5) | Depreciation A/c ...Dr | 26,667 | |
| | To building A/c | | 26,667 |
| | [Being depreciation provided on building.] | | |

(6)	Stationery stock A/c ...Dr	250	
	To stationery expense A/c		250
	[Being adjustment entry passed for stationery stock.]		
(7)	(i) Bad debts A/c ...Dr	4500	
	To debtors A/c		4500
	[Being written off bad debts.]		
	(ii) Profit-loss A/c ...Dr	4550	
	To bad debt reserve A/c		4550
	[Being provision for bad debt reserve.]		
(8)	Drawings A/c ...Dr	5000	
	To purchase A/c		5000
	[Being partner withdrawn goods for his personal use.]		
(9)	Insurance Co. A/c ...Dr	2400	
	Loss due to fire A/c ...Dr	600	
	To purchase A/c		3000
	[Being 80 % amount of goods destroyed, insurance Co. admitted claim and adjustment entry for loss is passed.]		

8. Net profit, transferred to profit-loss appropriation A/c ₹ 68,750
Divisible profit : Brahamma ₹ 35,850, Vishnu ₹ 23,900
Balance of partners' Capital Account : Brahamma ₹ 90,850, Vishnu ₹ 67,900
Total of balance sheet ₹ 2,44,000
9. Gross profit ₹ 94,000, Net profit ₹ 65,200
Divisible profit : Parthiv ₹ 31,228, Priya ₹ 31,228
Balance of partners' Capital Account: Parthiv ₹ 52,084, Priya ₹ 45,116
Total of balance sheet ₹ 1,47,200
10. Divisible profit : Luv ₹ 29,328, Kush ₹ 17,472
Balance of current accounts of partners' : Luv ₹ 1328, Kush ₹ 22,672
Total of balance sheet ₹ 3,89,600 or 3,97,600, (alternative effect of Bad Debt reserve)
11. Revised gross profit ₹ 57,800, Net loss ₹ 6540
Divisible loss : Salim ₹ 3270, Shabana ₹ 3270
Balance of current accounts of partners' : Salim ₹ 32,730 (Credit), Shabana ₹ 13,270 (Debit)
Total of balance sheet ₹ 4,06,530
12. Gross profit ₹ 3,18,400, Net profit ₹ 1,26,400
Divisible profit : Dhara ₹ 67,440, Mira ₹ 44,960
Balance of capital accounts of partners' : Dhara ₹ 1,87,440 and Mira ₹ 1,46,960
Total of balance sheet ₹ 3,76,000

13. Revised gross profit ₹ 25,000, Net profit ₹ 17,700
Divisible profit : Harsha ₹ 4000, Chhaya ₹ 4000
Balance of current accounts of partners' : (Dr.) Harsha ₹ 7250, (Dr.) Chhaya ₹ 700,
Total of balance sheet ₹ 72,250
14. Gross profit ₹ 41,400, Net loss and Net Divisible loss ₹ 13,000
Balance of current accounts of partners' : Dharma ₹ 31,500 (debit), Karma ₹ 3000 (credit)
Total of balance sheet ₹ 3,78,300
15. Gross profit ₹ 41,150, Net profit ₹ 30,270
Divisible profit : Harsha ₹ 15,135, Yesha ₹ 15,135
Balance of capital accounts of partners' : Harsha ₹ 45,135, Yesha ₹ 27,635
Total of balance sheet ₹ 1,11,170
16. Gross profit ₹ 1,50,400, Net Divisible profit ₹ 88,550, Net profit ₹ 96,050
Divisible profit : Neela ₹ 59,033, Sheela ₹ 29,517
Balance of capital accounts of partners' : Neela ₹ 67,917, Sheela ₹ 1,44,133
Total of balance sheet ₹ 3,41,100
17. Gross profit ₹ 71,500, Net loss ₹ 800
Divisible loss : Man ₹ 400, Mohan ₹ 400
Balance of current accounts of partners' : Man ₹ 11,400 (debit), Mohan ₹ 7100 (credit)
Total of balance sheet ₹ 5,58,200
18. Gross profit ₹ 68,040, Net profit ₹ 32,978
Balance of capital account of partners : Sant ₹ 93,267, Mahant ₹ 49,711
Divisible profit : Sant ₹ 15,467, Mahant ₹ 10,311
Total of balance sheet ₹ 2,03,044
19. Gross profit ₹ 1,55,400, Net profit ₹ 80,140
Divisible profit : Jaya ₹ 25,830, Prafulla ₹ 25,830
Balance of current accounts of partners' : Jaya ₹ 15,690, Prafulla ₹ 23,650,
Total of balance sheet ₹ 3,48,490

Exercise 3

1. **Select appropriate option for each question :**
(1) (b) (2) (d) (3) (b) (4) (b) (5) (b) (6) (a) (7) (c)
4. Average profit ₹ 1,48,000; Goodwill ₹ 5,92,000
5. Average profit ₹ 37,500; Goodwill ₹ 1,87,500
6. Weighted average profit ₹ 91,000
7. Weighted average profit ₹ 89,666.67 or 89,667; Goodwill ₹ 2,69,000
8. Capital employed ₹ 3,50,000; Expected profit ₹ 35,000
Average profit ₹ 80,000; Super profit ₹ 45,000; Goodwill ₹ 1,35,000
9. Expected profit ₹ 40,000; Weighted average profit ₹ 1,06,667; Super profit ₹ 66,667, Goodwill ₹ 1,33,333

10. Capital employed ₹ 4,30,000; Weighted average profit ₹ 72,667
Capitalised profit ₹ 7,26,670; Goodwill ₹ 2,96,670
11. Average profit ₹ 1,40,000; Super profit ₹ 32,000; Goodwill ₹ 2,66,667
12. Average profit ₹ 1,20,000; Super profit ₹ 24,000; Goodwill ₹ 48,000

Exercise 4

1. Select appropriate option for each question :

- (1) (b) (2) (a) (3) (a) (4) (c) (5) (d) (6) (c) (7) (c)
(8) (a) (9) (c) (10) (b)

4. Sacrifice of Akbar $\frac{1}{10}$, Gain of Amar $\frac{1}{10}$
5. Sacrifice of Krupa $\frac{1}{30}$, Gain of Karishma $\frac{1}{30}$, No sacrifice or Gain to komal
6. Sacrifice of Rahul $\frac{2}{30}$, Gain of Sachin $\frac{9}{30}$, Sacrifice of Rohit $\frac{7}{30}$
7. Gain of Deepak $\frac{7}{30}$, Sacrifice of Pratik $\frac{9}{30}$, Gain of Nilesh $\frac{2}{30}$
8. Gain of Hasu $\frac{4}{60}$, Sacrifice of Raju $\frac{1}{60}$, Sacrifice of Sanju $\frac{3}{60}$
9. By formula of sacrifice : Sacrifice of Pravin $\frac{3}{9}$, Gain of Mahendra $\frac{1}{9}$, Gain of Arvind $\frac{2}{9}$
By formula of gain : Pravin $-\frac{3}{9}$, Mahendra $\frac{1}{9}$, Arvind $\frac{2}{9}$
10. Total of revaluation account ₹ 1,42,000; Profit of revaluation A/c ₹ 72,000
(Rajesh ₹ 24,000, Pushpa ₹ 36,000, Pratibha ₹ 12,000)
11. Total of revaluation A/c ₹ 28,000; Profit of revaluation A/c ₹ 7600
(Manju ₹ 3,800, Prabha ₹ 2,280, Meena ₹ 1,520)
Current A/c Balances Cr. Manju ₹ 13,800, Prabha ₹ 22,280, Meena ₹ 10,520
Total of balance sheet ₹ 3,44,500
12. (i) Alay's capital A/c ...Dr 12,000
Sanket's capital A/c ...Dr 6000
To profit-loss A/c 18,000
- (ii) Reserve fund A/c ...Dr 27,000
Workmen accident compensation
fund A/c ...Dr (₹ 21,000 – ₹ 6000) 15,000
To Alay's capital A/c 28,000
To Sanket's capital A/c 14,000
13. Total revaluation A/c ₹ 57,500; Loss of revaluation A/c ₹ 39,000
(Sajan ₹ 24,375, Nirmi ₹ 14,625)
Balances of Capital A/c sajan :- ₹ 1,35,625 , Nirmi :- ₹ 83,375
Total of balance sheet ₹ 3,39,500

14. Closing balance of capital : Dattu ₹ 94,000; Daya ₹ 45,500; Tarak ₹ 47,000
Total of balance sheet ₹ 3,07,000

Exercise 5

1. Select appropriate option for each question :

- (1) (c) (2) (a) (3) (d) (4) (b) (5) (b) (6) (b) (7) (b)
(8) (b) (9) (b) (10) (d)

3.	New profit-loss sharing ratio	Sacrificing ratio
(1)	9 : 6 : 5	3 : 2
(2)	16 : 4 : 5	4 : 1
(3)	2 : 3 : 1	Sacrifice of A only = $\frac{1}{6}$
(4)	17 : 7 : 6	1 : 1
(5)	18 : 9 : 8 : 5	A and B, 2 : 3
(6)	11 : 7 : 2	1 : 1
(7)	8 : 13 : 14 : 5	B and C, 3 : 2
(8)	13 : 11 : 6	1 : 2
(9)	30 : 23 : 23 : 4	2 : 1 : 1
(10)	8 : 3 : 5	4 : 1
(11)	35 : 24 : 21	5 : 2
(12)	9 : 4 : 2	1 : 1
(13)	8 : 12 : 5 : 5	X and Y, 2 : 3
(14)	—	2 : 1
(15)	—	2 : 1

4. (1) (i) A's capital A/c ...Dr 15,000
B's capital A/c ...Dr 10,000
To goodwill A/c 25,000
[Being old goodwill written off among old partners in their old profit-loss sharing ratio.]
- (ii) C gives his share in goodwill to A and B privately, therefore no entry will be passed in the books of the firm.
- (2) (i) Cash A/c ...Dr 1,05,000
To C's capital A/c 80,000
To premium of goodwill A/c 25,000
[Being C brought his share in capital and goodwill in cash.]

(ii) Premium for goodwill A/c ...Dr		25,000	
	To A's capital A/c		12,500
	To B's capital A/c		12,500
[Being premium for goodwill distributed to A and B in their sacrificing ratio.]			
(3) (i) A's capital A/c ...Dr		12,000	
	B's capital A/c ...Dr	18,000	
	To Goodwill A/c		30,000
[Being old goodwill written off between old partners A and B in their old profit-loss sharing ratio.]			
(ii) Cash A/c ...Dr		1,00,000	
	To C's capital A/c		60,000
	To premium for goodwill A/c		40,000
[Being C brought his share in goodwill and capital in cash.]			
(iii) Premium for goodwill A/c ...Dr		40,000	
	To A's capital A/c		20,000
	To B's capital A/c		20,000
[Being premium for goodwill distributed to old partners A and B in their sacrificing ratio.]			
(4) (i) P's current A/c ...Dr		45,000	
	Q's current A/c ...Dr	30,000	
	R's current A/c ...Dr	15,000	
	To goodwill A/c		90,000
[Being old goodwill written off among old partners in their old profit-loss sharing ratio by debiting their current accounts.]			
(ii) Cash A/c ...Dr		50,000	
	Furniture A/c ...Dr	40,000	
	Motorcar A/c ...Dr	60,000	
	To S's capital A/c		90,000
	To premium for goodwill A/c		60,000
[Being S brought cash, furniture and motor car for his share in goodwill and capital.]			
(iii) Premium for goodwill A/c ...Dr		60,000	
	To P's current A/c		40,000
	To Q's current A/c		20,000
[Being premium for goodwill distributed to old partners P and Q in their sacrificing ratio.]			

(iv)	P's current A/c ...Dr	20,000	
	Q's current A/c ...Dr	10,000	
	To cash A/c		30,000
	[Being 50 % of goodwill received by P and Q withdrawn in cash.]		
(5) (i)	Cash A/c ...Dr	1,01,000	
	To Z's capital A/c		65,000
	To premium for goodwill A/c		36,000
	[Being cash brought by Z for his share in goodwill and capital.]		
(ii)	Premium for goodwill A/c ...Dr	36,000	
	X's capital A/c ...Dr	9000	
	To Y's capital A/c		45,000
	[Being premium for goodwill and amount of X's gain in goodwill distributed to Y.]		
(6) (i)	M's capital A/c ...Dr	20,000	
	N's capital A/c ...Dr	15,000	
	O's capital A/c ...Dr	15,000	
	To goodwill A/c		50,000
	[Being old goodwill written off among old partners in their old profit-loss sharing ratio.]		
(ii)	Cash A/c ...Dr	40,000	
	To premium for goodwill A/c		40,000
	[Being premium for goodwill brought in cash by P.]		
(iii)	Premium for goodwill A/c ...Dr	40,000	
	O's capital A/c ...Dr	20,000	
	To M's capital A/c		40,000
	To N's capital A/c		20,000
	[Being premium for goodwill and amount of goodwill by O's gain distributed to M and N in their sacrificing ratio.]		
(7) (i)	Cash A/c ...Dr	64,000	
	To D's capital A/c		50,000
	To premium for goodwill A/c		14,000
	[Being cash brought ₹ 14,000 by D for his share in goodwill and capital.]		

(ii)	Premium for goodwill A/c ...Dr	14,000	
	D's capital A/c ...Dr	6000	
	To B's capital A/c		10,000
	To C's capital A/c		10,000
	[Being premium for goodwill brought in cash and not brought in cash by D distributed to B and C in their sacrificing ratio.]		
(8) (i)	A's current A/c ...Dr	15,000	
	B's current A/c ...Dr	10,000	
	C's current A/c ...Dr	20,000	
	To goodwill A/c		45,000
	[Being old goodwill written off among old partners in their old profit-loss sharing ratio.]		
(ii)	Cash A/c ...Dr	1,00,000	
	To D's capital A/c		70,000
	To premium for goodwill A/c		30,000
	[Being capital and premium for goodwill brought in cash ₹ 30,000 by D.]		
(iii)	Premium for goodwill A/c ...Dr	30,000	
	D's current A/c ...Dr	15,000	
	B's current A/c ...Dr	5000	
	To A's current A/c		15,000
	To C's current A/c		35,000
	[Being goodwill brought in cash by D and goodwill of B's gain distributed to A and C in their sacrificing ratio.]		
(9) (i)	Cash A/c ...Dr	30,000	
	To C's capital A/c		30,000
	[Being capital brought by C in cash.]		
(ii)	C's capital A/c ...Dr	10,000	
	To A's capital A/c		6000
	To B's capital A/c		4000
	[Being Cs share in goodwill debited to his capital account and distributed to A and B in their sacrificing ratio.]		
(10)(i)	P's current A/c ...Dr	35,000	
	Q's current A/c ...Dr	35,000	
	To goodwill A/c		70,000
	[Being old goodwill written off among old partners in their old profit-loss sharing ratio.]		

(ii)	Cash A/c ...Dr	40,000	
	To R's capital A/c		40,000
	[Being capital brought by R in cash.]		
(iii)	R's current A/c ...Dr	20,000	
	P's current A/c ...Dr	20,000	
	To Q's current A/c		40,000
	[Being R's share in goodwill and goodwill of P's gain debited to their current accounts and credited to Q's current A/c.]		
(11)	Value of goodwill ₹ 10,000, B's share in goodwill ₹ 2500		
(i)	B's capital A/c ...Dr	2500	
	To G's capital A/c		1250
	To E's capital A/c		1250
	[Being B's share in goodwill debited to his account and distributed to G and E in their sacrificing ratio.]		
(ii)	Cash A/c ...Dr	50,000	
	To B's capital A/c		50,000
	[Being capital brought in cash by B.]		
(12)	Valuation of goodwill ₹ 60,000, R and C's sacrificing ratio 1:1		
(i)	General reserve A/c ...Dr	90,000	
	To R's capital A/c		45,000
	To C's capital A/c		30,000
	To B's capital A/c		15,000
	[Being balance of general reserve distributed among old partners in their old profit sharing ratio.]		
(ii)	Cash A/c ...Dr	1,80,000	
	To P's capital A/c		1,80,000
	[Being capital brought by P in cash.]		
(iii)	P's capital A/c ...Dr	20,000	
	To R's capital A/c		10,000
	To C's capital A/c		10,000
	[Being P's share in goodwill distributed to R and C in their sacrificing ratio.]		
(13)	New profit-loss sharing ratio of X, Y and Z, 8 : 12 : 5		
(i)	X's capital A/c ...Dr	6000	
	Y's capital A/c ...Dr	9000	
	To Goodwill A/c		15,000
	[Being old goodwill written off between old partners in their old profit-loss sharing ratio.]		

(ii) Cash A/c ...Dr		53,200	
	To Z's capital A/c		50,000
	To premium for goodwill A/c		3200
[Being capital and ₹ 3200 for goodwill brought by Z in cash.]			
(iii) Premium for goodwill A/c ...Dr		3200	
	Z's capital A/c ...Dr	800	
	To X's capital A/c		1600
	To Y's capital A/c		2400
[Being goodwill brought in cash and not brought by Z distributed to X and Y in their sacrificing ratio.]			
(iv) X's capital A/c ...Dr		640	
	Y's capital A/c ...Dr	960	
	To cash A/c		1600
[Being goodwill withdrawn in cash]			
(v) Profit-loss A/c ...Dr		60,000	
	To X's capital A/c		19,200
	To Y's capital A/c		28,800
	To Z's capital A/c		12,000
[Being profit after Z's admission distributed among all three partners in their new profit-loss sharing ratio.]			
5.	(i) General reserve A/c ...Dr	7000	
	Workmen compensation reserve A/c ...Dr	6000	
	Investment fluctuation reserve A/c ...Dr	1900	
	Contingency reserve A/c ...Dr	5100	
	To R's capital A/c		8000
	To J's capital A/c		12,000
[Being balances of reserves distributed to old partners in their old profit-loss sharing ratio.]			
	(ii) R's capital A/c ...Dr	2000	
	J's capital A/c ...Dr	3000	
	To profit-loss A/c		1600
	To advertisement campaign expenses A/c		3400
[Being balances of loss and fictitious assets written off between old partners in their old profit-loss sharing ratio.]			
6.	(1) (i) If market value of investment is ₹ 19,500		
	Investment fluctuation reserve A/c ...Dr	2500	
	To investment A/c		500
	To K's capital A/c		1600
	To R's capital A/c		400
	(ii) If market value of investment is ₹ 22,000,		
	(a) Investment A/c ...Dr	2000	
	To Revaluation A/c		2000

(b)	Investment fluctuation reserve A/c ...Dr	2500	
	To K's capital A/c		2000
	To R's capital A/c		500
(2) (i)	If claim of workmen compensation is accepted at ₹ 6000,		
	Workmen compensation reserve A/c ...Dr	7000	
	To provision for workmen compensation A/c		6000
	To K's capital A/c		800
	To R's capital A/c		200
(ii)	If claim of workmen compensation accepted at ₹ 8500,		
	Workmen compensation reserve A/c ...Dr	7000	
	Revaluation A/c ...Dr	1500	
	To provision for workmen compensation A/c		8500
(3) (i)	If ₹ 4000 bad debt reserve on debtors is required,		
	Revaluation A/c ...Dr	1000	
	To Bad debt reserve A/c		1000
(ii)	If ₹ 2500 bad debt reserve on debtors is required,		
	Bad debt reserve A/c ...Dr	500	
	To Revaluation A/c		500
(iii)	If 10 % bad debt reserve is required after writting off ₹ 2000,		
(a)	Bad debt A/c ...Dr	2000	
	To debtors A/c		2000
(b)	Bad debt reserve A/c ...Dr	2000	
	To Bad debt A/c		2000
(c)	Revaluation A/c ...Dr	5800	
	To Bad debt reserve A/c		5800
7. (i)	Revaluation A/c ...Dr	58,000	
	To patent A/c		30,000
	To machinery A/c		24,000
	To stock A/c		4000
(ii)	Land-building A/c ...Dr	36,000	
	Creditors A/c ...Dr	6000	
	To Revaluation A/c		42,000
(iii)	A's capital A/c ...Dr	8000	
	B's capital A/c ...Dr	8000	
	To Revaluation A/c		16,000
	Loss of revaluation A/c ₹ 16,000.		

8. Profit of revaluation A/c ₹ 7500; Sacrificing ratio of Abha and Bina 2 : 1.

Closing capital : Abha ₹ 1,01,000; Bina ₹ 70,500; Rushil ₹ 1,00,000

Closing cash balance ₹ 1,26,000; Total of balance sheet ₹ 3,12,600

9. Profit of revaluation A/c ₹ 17,200

Sacrificing ratio of Aastha and Aahna 1 : 2.

Entry for goodwill :

(i) Cash A/c ...Dr	7200	
To premium for goodwill A/c		7200
(ii) Premium for goodwill A/c ...Dr	7200	
To Aastha's capital A/c		2400
To Aahna's capital A/c		4800
(iii) Sonu's capital A/c ...Dr	4800	
To Aastha's capital A/c		1600
To Aahna's capital A/c		3200

Closing capital : Aastha ₹ 82,000; Aahna ₹ 39,200; Sonu ₹ 75,200

Closing cash balance ₹ 1,03,200; Total of balance sheet ₹ 2,32,000 or 2,24,000 (alternative effect of bad debt reserve)

10. Loss of revaluation A/c ₹ 15,000; Sacrificing ratio of Vidit and Vishal = 2 : 1

Banti's share in goodwill = ₹ 12,000

Closing capital : Vidit ₹ 49,600; Vishal ₹ 58,400; Banti ₹ 72,000

Closing bank balance ₹ 86,400; Total of balance sheet ₹ 2,37,000

11. Profit of revaluation A/c ₹ 38,000

Closing capital : Prerna ₹ 69,400; Piyush ₹ 2,08,200; Poyani ₹ 62,500

Closing cash and bank balance ₹ 80,350; Total of balance sheet ₹ 3,72,060

12. Profit of revaluation A/c ₹ 11,000; Sacrificing ratio of P and Q 1 : 2

Entry for goodwill :

(i) R's capital A/c ...Dr	9000	
To P's capital A/c		3000
To Q's capital A/c		6000

Closing balance of capital A/c : P : ₹ 67,600; Q : ₹ 52,400; R : ₹ 51,000

Closing cash balance ₹ 64,000; Total of balance sheet ₹ 2,10,500

13. Profit of revaluation A/c ₹ 10,750

Balance of capital A/c : A : ₹ 75,000; B : ₹ 25,000; C : ₹ 20,000

Balance of current A/c : A : ₹ 18,300(cr.); B : ₹ 3950(cr.)

Closing cash and bank balance ₹ 25,050; Total of balance sheet ₹ 1,48,250

14. Profit or loss of revaluation A/c : Zero

Balance of capital A/c : Rutvi : ₹ 1,20,000; Princy : ₹ 90,000; Manan : ₹ 1,35,000

Balance of current A/c : Rutvi : ₹ 2,07,500(cr.); Princy : ₹ 2,29,500(cr.); Manan : ₹ 15,000 (Debit)

Closing bank balance : ₹ 1,05,000; Total of balance sheet ₹ 9,15,000

15. Closing capital : Riya : ₹ 1,20,000; Gauri : ₹ 2,40,000; Sanju : ₹ 90,000

New profit-loss sharing ratio = 4 : 8 : 3

Riya will withdraw additional capital ₹ 30,000, Gauri will bring required capital ₹ 40,000.

16. Loss of revaluation A/c : ₹ 6300

Partners' capital : Parshvi : ₹ 60,000; Aneri : ₹ 80,000; Hency : ₹ 40,000

Sacrifice of Parshvi = $\frac{9}{27}$, Gain of Aneri = $\frac{3}{27}$

Hency does not bring goodwill in cash. Journal entry for goodwill.

Aneri's capital A/c ...Dr	10,000	
Hency's current A/c ...Dr	20,000	
To Parshvi's capital A/c		30,000

Old goodwill debited to Parshvi and Aneri in their old profit-loss sharing ratio.

Balance of current A/c : Parshvi ₹ 47,000 (Credit); Aneri ₹ 1800 (Debit) Hency ₹ 20,000 (Debit)

Debit balance of current accounts will be shown on assets side of balance sheet and credit balance on liabilities side.

Hency does not bring her share of goodwill in cash which will be debited to her current account and therefore her capital will not reduce and capital of Parshvi and Aneri will be decided on the basis of Hency's capital ₹ 40,000 in new profit-loss sharing ratio. Total of balance sheet ₹ 3,20,800

17. Loss of revaluation A/c ₹ 4800

Balance of capital A/c : Esha : ₹ 51,000; Ankita : ₹ 79,500; Arpita : ₹ 43,500

Sacrificing ratio of Ankita and Esha = 1 : 2

Closing cash and bank balance ₹ 92,400; Total of balance sheet ₹ 2,42,000

18. Profit of revaluation A/c ₹ 35,000

Closing capital : Jaini : ₹ 93,800; Anya : ₹ 93,800; Priyanka : ₹ 37,520

Premium for goodwill will be credited to Jaini's capital account only. Jaini will withdraw ₹ 18,760.

Anya will bring ₹ 18,760. Total of balance sheet ₹ 3,01,420

19. Profit of revaluation A/c ₹ 12,000; Sacrificing ratio of Tapu and Sonu = 2:3;

Closing capital : Tapu : ₹ 2,08,000; Sonu : ₹ 3,13,000; Goli's capital ₹ 5,21,000; Cash : ₹ 5,76,000

Total of balance sheet ₹ 10,92,000; New profit-loss sharing ratio = 4 : 9 : 5

20. Profit of revaluation A/c ₹ 3000; Sacrificing ratio of Meet and Neel = 3:1

Closing balance of capital : Meet : ₹ 1,12,500; Jeet : ₹ 1,00,000; Neel : ₹ 37,500; Heer : ₹ 50,000

Capital withdrawn by Meet ₹ 8500 and Neel ₹ 19,500. Capital brought by Jeet ₹ 16,000.

Closing cash balance ₹ 74,000; Total of balance sheet ₹ 4,16,000

Exercise 6

1. Select appropriate option for each question :

- (1) (a) (2) (b) (3) (c) (4) (b) (5) (c) (6) (c) (7) (c)
 (8) (d) (9) (d) (10) (a)

3.	New profit-loss sharing ratio	Gaining ratio
(1)	5 : 3	5 : 3
(2) (a)	2 : 1	2 : 1
(b)	3 : 1	3 : 1
(c)	3 : 2	3 : 2
(3)	11 : 9	3 : 1
(4)	13 : 17	1 : 4
(5)	1 : 1	2 : 1
(6)	3 : 7	C's gain $\frac{5}{10}$
(7)	8 : 7 : 5	R and S, 1 : 1
(8)	M and O, 7 : 5	M and O, 2 : 3
(9)	17 : 8	A and C, 3 : 2
(10)	B and C, 2 : 3	1 : 4
(11)	7 : 5	1 : 1
(12)	7 : 3	3 : 2
(13)	A, B and D , 8 : 9 : 3	B and D, 3 : 1

4.	(1) Akruti's capital A/c ...Dr	3750
	Prakruti's capital A/c ...Dr	2250
	To Sanskruti's capital A/c	6000
	(2) (i) X's capital A/c ...Dr	14,000
	Y's capital A/c ...Dr	14,000
	Z's capital A/c ...Dr	14,000
	To Goodwill A/c	42,000
	(ii) Y's capital A/c ...Dr	20,000
	Z's capital A/c ...Dr	20,000
	To X's capital A/c	40,000
	(3) (i) L's capital A/c ...Dr	25,000
	M's capital A/c ...Dr	20,000
	N's capital A/c ...Dr	15,000
	O's capital A/c ...Dr	15,000
	To Goodwill A/c	75,000

(ii)	M's capital A/c ...Dr	30,000	
	To L's capital A/c		30,000
(4)	A's capital A/c ...Dr	26,667	
	To B's capital A/c		20,000
	To C's capital A/c		6667
(5) (i)	B's capital A/c ...Dr	8000	
	R's capital A/c ...Dr	6000	
	T's capital A/c ...Dr	2000	
	S's capital A/c ...Dr	4000	
	To Goodwill A/c		20,000
(ii)	T's capital A/c ...Dr	18,000	
	S's capital A/c ...Dr	12,000	
	To B's capital A/c		24,000
	To R's capital A/c		6000
(6)	M's capital A/c ...Dr	20,000	
	L's capital A/c ...Dr	40,000	
	To U's capital A/c		60,000

5. Profit of revaluation A/c ₹ 2000; Naval's loan ₹ 9500

Closing balance of capital A/c : Dhaval : ₹ 25,000; Kamal : ₹ 15,000

Total of balance sheet ₹ 62,000

6. Profit of revaluation A/c ₹ 18,000; Rohit's loan ₹ 2,46,000

Closing balance of capital A/c : Mohit : ₹ 48,000; Virat : ₹ 68,000

Bank balance : ₹ 43,000; Total of balance sheet ₹ 4,37,000

7. Loss of revaluation A/c ₹ 6000; Siddhi's loan ₹ 31,800

Balance of capital A/c : Vijay : ₹ 93,000; Laxmi : ₹ 47,200

Cash balance : ₹ 24,000; Total of balance sheet ₹ 2,77,000

Journal entry for goodwill :

Laxmi's capital A/c ...Dr	18,000	
To Vijay's capital A/c		6000
To Siddhi's capital A/c		12,000

8. Profit of revaluation A/c ₹ 500

Balance of fixed capital account : Jaya ₹ 2,00,000; Mamta : ₹ 1,00,000

Balance of current account : Jaya : ₹ 22,200; Mamta : ₹ 34,250

Smruti's loan : ₹ 74,050; Total of balance sheet ₹ 5,34,500

Journal entry of goodwill :

(i) Jaya's current A/c ...Dr	12,000	
Mamta's current A/c ...Dr	15,000	
Smruti's current A/c ...Dr	3000	
To Goodwill A/c		30,000
(ii) Jaya's current A/c ...Dr	20,000	
To Smruti's current A/c		20,000

9. Loss of revaluation A/c ₹ 18,000; Radha's loan ₹ 75,000
 Balance of capital A/c : Madhav ₹ 91,000; Gopi : ₹ 39,000
 Total of balance sheet ₹ 3,00,000
 First instalment on Radha's loan ₹ 45,000 (₹ 37,500 loan + ₹ 7500 interest)
 Second instalment on Radha's loan ₹ 41,250 (₹ 37,500 loan + ₹ 3750 interest)

10. Loss of revaluation A/c ₹ 21,000; Jyoti's loan : ₹ 1,77,000
 Balance of capital A/c : Deep ₹ 1,75,000; Gita : ₹ 1,75,000
 Balance of current account of Deep = ₹ 92,000 (Debit)
 Balance of current accounts of Gita = ₹ 92,000 (Debit)
 Gain ratio of Deep and Gita = 1 : 1; Total of balance sheet ₹ 6,22,000

11. Profit of revaluation A/c ₹ 12,600; Sun's loan : ₹ 2,34,200
 Balance of capital A/c : Moon ₹ 3,30,333; Star : ₹ 66,067
 Moon will bring ₹ 1,78,133. Star will withdraw ₹ 1,78,133.
 Closing balance of bank = ₹ 1,15,600

Journal entry of goodwill :

Moon's capital A/c ...Dr	30,000	
To Star's capital A/c		10,000
To Sun's capital A/c		20,000

Total of balance sheet ₹ 6,40,600

12. Profit of revaluation A/c ₹ 6000; I's loan : ₹ 81,200
 Balance of capital A/c : E : ₹ 58,000; M : ₹ 42,000
 E will withdraw ₹ 22,000, M will bring ₹ 7200.
 Cash balance = ₹ 7200; Total of balance sheet ₹ 2,81,200
 New profit-loss sharing ratio of E and M = 29 : 21

13. Profit of revaluation A/c ₹ 13,000
 New profit-loss sharing ratio of L and B = 21 : 19
 Closing capital : L : ₹ 24,675; B : ₹ 22,325
 Cash paid to W ₹ 22,500; Cash brought by L ₹ 10,675; Cash brought B ₹ 11,825
 Total of balance sheet ₹ 70,000

14. Profit of revaluation ₹ 12,000; Paid to Keshav : ₹ 19,000
Closing capital : Chirag : ₹ 54,000; Jigar : ₹ 36,000
Cash brought : Chirag ₹ 18,600; Jigar ₹ 12,400
Total of balance sheet ₹ 1,36,000
15. Loss of revaluation A/c ₹ 600; E's loan ₹ 5960
F and G each will bring ₹ 3300.
Closing balance of capital : F : ₹ 7020; G : ₹ 4020
Total of balance sheet ₹ 27,000
16. Vimal's loan A/c ₹ 79,200
17. T's executor's loan A/c ₹ 1,76,975
18. Realisation A/c profit 18,000 Balance of executor's A/c
₹ 1,45,000; Balance of V's executor's A/c ₹ 1,00,000
First instalment ₹ 60,000 (₹ 50,000 + ₹ 10,000 interest)
Second instalment ₹ 55,000 (₹ 50,000 + ₹ 5000 interest)
19. Balance of M's executor ₹ 21,850
First instalment ₹ 12,400 (₹ 10,000 + ₹ 1800 interest + ₹ 600)
Second instalment ₹ 11,200 (₹ 10,000 + ₹ 900 interest + ₹ 300)

Exercise 7

1. **Select appropriate option for each question :**
(1) (c) (2) (d) (3) (d) (4) (a) (5) (b) (6) (d)
4. (6) A's capital ₹ 50,000; B's capital ₹ 30,000
7. Assets excluding cash ₹ 14,00,000; loss of realisation account ₹ 8,00,000
(To Naresh ₹ 3,20,000, To Shaival ₹ 4,80,000)
Total of opening balance sheet ₹ 16,00,000
8. Total of opening balance sheet ₹ 17,00,000; Loss of profit and loss account including of ₹ 1,00,000;
Loss of realisation account ₹ 2,00,000
9. Total of realisation account ₹ 19,00,000; Loss of realisation account ₹ 90,000;
Binal A/c ₹ 40,000; Dharmishtha A/c ₹ 30,000 and Mahesh A/c ₹ 20,000
10. Total of realisation account ₹ 8,75,000 and Profit ₹ 7,000,
Transfer to partners' capital account from current account : Satyam ₹ 63,500; Shivam ₹ 64,000;
Sundaram ₹ 19,500
Payment to partners : Satyam ₹ 1,13,500; Shivam ₹ 1,14,000 and Sundram ₹ 69,500,
Total of cash account ₹ 5,75,000

