SOLUTION : 1 (A).

Old Ratio of A, B and C = 6 : 5 : 4.

New ratio of the remaining partners will be calculated by striking out the share of the retiring partner. Thus,

When A retires, the new ratio between B and C will be 5 : 4

When B retires, the new ratio between A and C will be 6 : 4

When C retires, the new ratio between A and B will be 6 : 5

SOLUTION : 1 (B).

Old Ratio of A, B, C and D = 5 : 3 : 1 : 2.

When B and C retire, the new ratio between A and D will be 5 : 2.

SOLUTION : 2.

Old ratio of X, Y and Z is 2/3: 1/4: 1/12

This can be written as (8: 3: 1)/12 or 8 : 3: 1

Thus, when X retires, the new ratio between Y and Z will be 3 : 1.

SOLUTION : 3.

Old Ratio of L, M and O is 3 : 2:2 or 3/7: 2/7: 2/7

M's share will be divided between L and O equally.

L will gain 1/2 of 2/7 = 1/7

Hence, L's new share = 3/7 + 1/7 = 4/7

O will gain 1/2 of 2/7 = 1/7

Hence, O's new share = 2/7 + 1/7 = 3/7

Thus, New Ratio between L and O is 4/7 : 3/7 or 4 : 3.

SOLUTION : 4.

Old Ratio of A, B and C is 4:3:2 or 4/9: 3/9: 2/9

B's share will be divided between A and C in the ratio of 3 : 2.

A will gain 3/5 of 3/9 = 9/45

Hence, A s new share = 4/9 + 9/45 = (20 + 9)/45 = 29/45

C will gain = 2/5 of 3/9 = 6/45

Hence, C's new share = 2/9 + 6/45 = (10 + 6)/45 = 16/45

Thus, New Ratio between A and C 29/45 : 16/45 Or 29 : 16

SOLUTION : 5 (A).

Old Ratio of A, B and C is 4 : 3 : 1 or 4/8 : 3/8 : 1/8

A's share will be divided between B and C equally

B will gain 1/2 of 4/8 = 1/4

Hence, B s new share = 3/8 + 1/4 = (3 + 2)/8 = 5/8

C will gain 1/2 of 4/8 = 1/4

Hence, C s new share = 1/8 + 1/4 = (1 + 2)/8 = 3/8

Thus, New Ratio between B and C = 5/8: 3/8 or 5:3

SOLUTION: 5 (B).

Old Ratio of A, B and C is 1/2: 1/3: 1/6
B's share will be divided between A and C in the ratio of 5 : 3
A will gain 5/8 of 1/3 = 5/24
Hence, A's new share = 1/2 + 5/24 = (12 + 5)/24 = 17/24
C will gain 3/8 of 1/3 = 3/24
Hence, C's new share = 1/6 + 3/24 = (4 + 3)/24 = 7/24
Thus, New Ratio between A and C = 17/24 : 7/24 or 17 : 7

SOLUTION : 6.

Old Ratio of X, Y and Z is 2 : 2 : 1 or 2/5 : 2/5 : 1/5
Y's share is entirely taken by Z
Hence, X's new share = 2/5 (Unchanged)
Z's new share = 1/5 + 2/5 = 3/5
Thus, New Ratio of X and Z = 2/5 : 3/5 or 2 : 3

SOLUTION : 7 (A).

Old Ratio of A, B and C is 7 : 5 : 3

Since the new profit sharing ratio of the remaining partners is not given in the question, it will be assumed that the remaining partners have gained in their old ratio.

(i) When A retires, the gaining ratio between B and C is 5 : 3.
(ii) When B retires, the gaining ratio between A and C is 7 : 3.
(iii) When C retires, the gaining ratio between A and B is 7 : 5.

New ratio of the remaining partners will be calculated by striking out the share of the retiring partner. Thus,

(i) When A retires, the new ratio between B and C is 5 : 3
(ii) When B retires, the new ratio between A and C is 7 : 3
(iii) When C retires, the new ratio between A and B is 7 : 5

SOLUTION : 7 (B).

Old Ratio of X, Y and Z is 1/2 : 3/10 : 1/5 or 5 : 3 : 2
Since the new profit sharing ratio of the remaining partners is not given in the question, it will be assumed that the remaining partners have gained in their old ratio.
(i) When X dies, the gaining ratio between Y and Z is 3 : 2.
(ii) When Y dies, the gaining ratio between X and Z is 5 : 2.
(iii) When Z dies, the gaining ratio between X and Y is 5 : 3.
New ratio of the remaining partners will be calculated by striking out the share of the retiring partner. Thus,
(i) When X dies, the new ratio between Y and Z is 3 : 2.
(ii) When Y dies, the new ratio between X and Z is 5 : 2.
(iii) When Z dies, the new ratio between X and Y is 5 : 3.

SOLUTION : 7 (C).

Old Ratio of P, Q, R and S is 5 : 4 : 3 : 1
When P and S retire :
Gaining Ratio between Q and R is 4 : 3.
New Ratio between Q and R is 4 : 3.

SOLUTION: 8 (A).

Gaining Ratio = New Ratio - Old Ratio
∴Gaining Ratio of Ashish = 3/4 – 2/5 = (15 – 8)/20 = 7/20
Gaining Ratio of Aman = 1/4 – 1/5 = (5 – 4)/20 = 1/20
Gaining Ratio between Ashish and Aman = 7/20 : 1/20 or 7:1

SOLUTION : 8 (B).

Gaining Ratio = New Ratio - Old Ratio
∴ A s Gaming Ratio = 3/5 – 5/10 = (6 – 5)/10 = 1/10
C's Gaining Ratio = 2/5 – 2/10 = (4 – 2)/10 = 2/10
Gaining Ratio between A and C = 1/10 : 2/10 or 1 : 2

SOLUTION : 9 (A).

Gaining Ratio = New Ratio - Old Ratio
∴ A's Gaining Ratio = 1/2 – 1/2 = 0
B's Gaining Ratio = 1/2 – 1/3 = 1/6
Thus, A gains nothing, whereas B gains 1/6th.

SOLUTION : 9 (B).

Gaining Ratio = New Ratio - Old Ratio
∴ B's Gaining Ratio = 1/3 – 4/14 = (14 – 12)/42 = 2/42
C's Gaining Ratio = 1/3 – 3/14 = (14 – 9)/42 = 5/42
D's Gaining Ratio = 1/3 – 2/14 = (14 – 6)/42 = 8/42
Hence, **Gaining Ratio** of B, C and D = 2/42 : 5/42 : 8/42 or 2 : 5 : 8.

SOLUTION: 10.

Rekha will gain 2/5 of 1/3 = 2/15
Hence, Rekha's new share = 1/3 + 2/15 = (5 + 2)/15 = 7/15
Suruchi will gain 3/5 of 1/3 = 3/15
Hence, Suruchi's new share = 1/3 + 3/15 = (5 + 3)/15 = 8/15
New Ratio of Rekha and Suruchi = 7/15 : 8/15 or 7 : 8
Gaining Ratio: Since Rekha and Suruchi have acquired Ruchi's share in the ratio of 2 : 3, the gaining ratio will be 2 : 3.

SOLUTION: 11.

Z's share will be divided between X and Y in the ratio of 3/4 : 1/4

X will gain 3/4 of 5/9 = 5/36
Hence, X's new share = 1/9 + 15/36 = (4 + 15)/36 = 19/36
Y will gain 1/4 of 5/9 = 5/36
Hence, Y's new share = 1/3 + 5/36 = (12 + 5)/36 = 17/36
New Ratio of X and Y= 19/36 : 17/36 or 19:17
Gaining Ratio: Since Z has surrendered his share of profit in the ratio of 3/4: 1/4 the gaining ratio will be 3 : 1 between X and Y.

SOLUTION : 12.

S's share will be divided between Q and R in the ratio of 3 : 2
Q will gain 3/5 of 2/12 = 6/60
Hence, Q's new share = 3/12 + 6/60 = (15 + 6)/60 = 21/60
R will gain 2/5 of 2/12 = 4/60
Hence, R's new share = 5/12 + 4/60 = (25 + 4)/60 = 29/60
P's share will remain the same i.e. 2/12
New Ratio of P, Q and R = 2/12: 21/60: 29/60 or 10 : 21 : 29.
Gaining Ratio: Since Q and R have acquired S's share in the ratio of 3 : 2, the gaining ratio will be 3 : 2 between Q and R.

SOLUTION : 13.

(i) Calculation of Sacrificing Ratio :
Sacrificing Ratio of A = 3/5 of 1/4 = 3/20
Sacrificing Ratio of B = 2/5 of 1/4 = 2/20
New Profit Sharing Ratio of A, B and C:
A = 5/8 – 3/20 = (25 – 6)/40 = 19/40
B = 3/8 – 2/20 = (15 – 4)/40 = 11/40
C = 1/4
A: B: C = 19/40: 11/40: 1/4 or (19: 11: 10)/40 = 19 : 11 : 10

(ii) New Profit sharing Ratio of A, B, C and D :
A = 19/40 – 1/10 = (19 – 4)/40 = 15/40
B= 11/40
C = 10/40 – 1/15 = (30 – 8)/120 = 22/120
D = 1/6
A: B: C: D = 15/40 : 11/40: 22/120: 1/6 = (45: 33: 22: 20)/120 = 45: 33: 22: 20

(iii) New Profit Sharing Ratio on A's death :
A's share i.e., 15/120 is taken over by A, B and C equally i.e., 45/120 x 1/3 = 15/120 each
B's new share = 33/120 + 15/120 = 48/120
C's new share = 22/120 + 15/120 = 37/120
D's new share = 20/120 + 15/120 = 35/120
Thus New Ratio of B, C and D = 48 : 37 : 35

SOLUTION 14 (A).

JOURNAL

Date	Particulars	L.F.	Dr.(₹)	Cr.(₹)
	L's Capital A/c Dr.		19,500	
	N's Capital A/c Dr.		16,500	
	To M's Capital A/c			36,000
	(Retiring partner's share of goodwill adjusted to remaining partners in their gaining ratio 13 : 11)			

Note : Gaining Ratio = New Ratio - Old Ratio

L Gains = 5/8 – 4/9 = (45 – 32)/72 = 13/72

N Gains = 3/8 – 2/9 = (27 – 16)/72 = 11/72

As such, gaining ratio between L and N= 13:11.

SOLUTION: 14 (B).

JOURNAL

Date	Particulars	L.F.	Dr.(₹)	Cr. (₹)
2014	Ashok Capital A/c Dr.		80,000	
April 1	Mukesh Capital A/c Dr.		40,000	
	To Rakesh Capital A/c			1,20,000
	(Retiring partner's share of goodwill adjusted to remaining partners in their gaining ratio i.e., 2:1)			

SOLUTION : 15.

JOURNAL

Date	Particulars		L.F.	Dr.(₹)	Cr.(₹)
	A's Capital A/c	Dr.		2,400	
	B's Capital A/c	Dr.		4,800	
	D's Capital A/c	Dr.		1,200	
	To C's Capital A/c				8,400
	(Retiring partner's share of goodwill adjusted to remaining partners in their gaining ratio 2:4: 1)				

Working Note:

Average Profits = ₹(40,000 - 10,000 + 1,00,000 + 1,50,000) / 4 = ₹70,000

Super Profits = Average Profits – Normal Profits

= ₹70,000 – ₹56,000 = ₹14,000

Goodwill = Super Profits x Number of Year's Purchase

= ₹14,000 x 2 = ₹28,000

C's share of Goodwill = ₹28,000 x 3/10 = ₹8,400

SOLUTION : 16.

JOURNAL

Date	Particulars	L.F.	Dr.(₹)	Cr.(₹)
	A's Capital A/c Dr.		18,667	
	B's Capital A/c Dr.		14,000	
	C's Capital A/c Dr.		9,333	
	To Goodwill A/c			42,000
	(Goodwill existing in the books written off in old ratio)			
	A's Capital A/c Dr.		8,000	
	B's Capital A/c Dr.		6,000	
	To C's Capital A/c (2/9 of 63,000)			14,000
	(C's share of goodwill adjusted to remaining partners in their gaining ratio 4 : 3)			

SOLUTION : 17 (A). .

JOURNAL

Date	Particulars	L.F.	Dr.(₹)	Cr.(₹)
	P's Capital A/c Dr.		1,33,333	
	Q's Capital A/c Dr.		1,33,333	
	R's Capital A/c Dr.		1,33,334	
	To Goodwill A/c			4,00,000
	(Goodwill appearing in the books written off in old ratio)			
	P's Capital A/c Dr.		41,666	
	Q's Capital A/c Dr.		41,667	
	To P's Capital A/c (1/3 of 2,50,000)			83,333
	(Retiring partner's share of goodwill adjusted to remaining partners in their gaining ratio i.e., equally)			

SOLUTION : 17 (B).

JOURNAL

Date	Particulars	L.F.	Dr.(₹)	Cr.(₹)
	A's Capital A/c Dr.		60,000	
	B's Capital A/c Dr.		60,000	
	C's Capital A/c Dr.		30,000	
	To Goodwill A/c			1,50,000
	(Goodwill appearing in the books written off in old ratio)			
	A's Capital A/c Dr.		20,000	
	B's Capital A/c Dr.		20,000	
	To C's Capital A/c (1/5 of 2,00,000)			40,000
	(Retiring partner's share of goodwill adjusted to remaining partners in their gaining ratio i.e., equally)			

SOLUTION : 18 (A).

JOURNAL

Date	Particulars	L.F.	Dr.(₹)	Cr.(₹)
	A's Capital A/c Dr.		47,250	
	C's Capital A/c Dr.		24,750	
	To B's Capital A/c (1,62,000 x 4/9)			72,000
	(B's share of goodwill debited to the accounts of continuing partners in their gaining ratio 21 : 11)	1		

SOLUTION: 18 (B).

Valuation of Goodwill:

Total Profits of the last four years ₹1,20,000 + ₹60,000 – ₹20,000 + ₹80,000 = ₹2,40,000.

Profit Credited to R's Account = ₹2,40,000 x 3/8 = ₹90,000

R's share of Goodwill = ₹90,000 x 1/2 = ₹45,000

JOURNAL

Date	Particulars	L.F.	Dr.(₹)	Cr.(₹)
2014	P's Capital A/c Dr.		12,000	
April 1	S's Capital A/c Dr.		33,000	
	To R's Capital A/c			45,000
	(R's share of Goodwill debited to the accounts of continuing partners in their gaining ratio 4:11)			

Calculation of Gaining Ratio : New Ratio - Old Ratio

P Gains : 3/5 – 4/8 = (24 – 20)/40 = 4/40

S Gains : 2/5 – 1/8 = (16 – 5)/40 = 11/40

Thus, Gaining Ratio is 4 : 11

SOLUTION : 19.

Calculation of Gaining Ratio :

B Gains = 2/6 – 5/8 = (8 – 15)/24 = 7/24

D Gains = 1/6 – 3/8 = (4 – 9)/24 = 5/24

As such, Gaining Ratio between B and D = 7:5

JOURNAL

Date	Particulars	L.F.	Dr.(₹)	Cr.(₹)
	B's Capital A/c 7/12 of 45,000)**(1)** Dr.		26,250	
	D's Capital A/c 5/12 of 45,000) Dr.		18,750	
	To A's Capital A/c			30,000
	To C's Capital A/c			15,000
	(A and C's share of goodwill debited to the gaining partners in their gaining ratio of 7 : 5)			

Working Note (1):

A's Share of Goodwill = ₹90,000 x2/6 = 30,000

C's Share of Goodwill = ₹90,000 x 1/6 = 15,000

45,000

SOLUTION : 20.

JOURNAL

Date	Particulars	L.F.	Dr.(₹)	Cr.(₹)
2016	A's Capital A/c Dr.		25,000	
March 15	To B's Capital A/c			25,000
	(A's Capital A/c debited as he alone has gained on B's death)			

Calculation of Gaining Ratio:

Gaining Ratio of A = 5/9 – 2/9 = 3/9

Gaining Ratio of C = 4/9 – 4/9 = 0

SOLUTION : 21.

JOURNAL

Date	Particulars	L.F.	Dr.(₹)	Cr.(₹)
	Ramesh's Capital A/c Dr.		12,000	
	Mohan's Capital A/c Dr.		12,000	
	To Naresh's Capital A/c			24,000
	(Naresh share of goodwill adjusted to the accounts of continuing partners in their gaining ratio 0:1:1 without raising Goodwill A/c)			

Calculation of Gaining Ratio : (New Ratio - Old Ratio)

Surender: 1/3 – 2/6 = (2 – 2)/6 = 0

Ramesh: 1/3 – 1/6 = (2 – 1)/6 = 1/6

Mohan: 1/3 – 1/6 = (2 – 1)/6 = 1/6

Hence, Gaining Ratio is 0 : 1 : 1

SOLUTION: 22.

JOURNAL

Date	Particulars		L.F.	Dr.(₹)	Cr.(₹)
	Arjun's Capital A/c	Dr.		42,000	
	Bhim's Capital A/c	Dr.		15,000	
	Nakul's Capital A/c	Dr.		18,000	
	To Goodwill A/c				75,000
	(Existing goodwill written off in old ratio of 14: 5:6)				
	Arjun's Capital A/c	Dr.		10,000	
	To Bhim's Capital A/c				10,000
	(Goodwill adjusted by debiting gaining partner Arjun and crediting sacrificing partner Bhim)				

	Profit & Loss Appropriation A/c	Dr.	1,00,000	
	To Arjun's Capital A/c			76,000
	To Nakul's Capital A/c			24,000
	(Profit distributed between Arjun & Nakul in New Ratio 19 :6)			

Working Notes :

(1) Calculation of Value of Goodwill:

Average Profits of last 3 years = (50,000 + 60,000 + 55,000) ÷ 3 = ₹55,000

Super Profits = Average Profits – Normal Profits = ₹55,000 – ₹30,000 = ₹25,000

Goodwill = Super Profits x No. of Year's Purchase

= ₹25,000 x 2 = ₹50,000

Bhim's Share of Goodwill = ₹50,000 x 5/25 = ₹10,000

(2) New Ratio of Arjun and Nakul:

Arjun's new share = 14/25 + 5/25 (Bhim Share) = 19/25

Nakul's new share = 6/25 + NIL = 6/25

SOLUTION : 23.

(a) A's share is taken up by B and C equally.

B will gain 1/2 of 3/6 = 3/12

Hence, B's new share = 2/6 + 3/12 = (4 + 3)/12 = 7/12

C will gain 1/2 of 3/6 = 3/12

Hence, C's new share = 1/6 + 3/12 =(2 + 3)/12 = 5/12

New Ratio of B and C = 7/12: 5/12 or 7 : 5.

Gaining Ratio : Since B and C have acquired A's share equally. The gaining ratio will be 1 : 1.

(b) A's share of Goodwill = ₹1,80,000 x 3/6 = ₹90,000

JOURNAL

Date	Particulars	L.F.	Dr.(₹)	Cr.(₹)
	B's Capital A/c Dr.		45,000	
	C's Capital A/c Dr.		45,000	
	To A's Capital A/c			90,000
	(Retiring partner's share of goodwill debited to B and C in their gaining ratio of 1 : 1)			

SOLUTION : 24 (A).

JOURNAL

Date	Particulars		L.F.	Dr.(₹)	Cr.(₹)
2017	A's Capital A/c (5/15 of 1,80,000)	Dr.		60,000	
April 1	To B's Capital A/c (4/15 of 1,80,000)				48,000
	To C's Capital A/c (1/15 of 1,80,000)				12,000
	(Treatment of goodwill on B's retirement)				

Working Notes :

Calculation of Gaining Ratio:

	A	B	C
New Ratio	11/15		4/15
Old Ratio	6/15	4/15	5/15
New Ratio - Old Ratio =	5/15 (Gain)	4/15 (Sacrifice)	1/15 (Sacrifice)

Only A has gained 5/15. Hence A will be debited and B and C will be credited.

SOLUTION : 24 (B).

JOURNAL

Date	Particulars	L.F.	Dr.(₹)	Cr.(₹)
	Y's Capital A/c (2/6 of 30,000) Dr.		10,000	
	To X's Capital A/c (1/6 of 30,000)			5,000
	To Z's Capital A/c (1/6 of 30,000)			5,000
	(Y gains 2/6 share of profit whereas X loses 1/6 share of profit and Z also loses 1/6 share of profit. Y compensates X and Z for the loss in share of profit)			

Working Notes :

(i) Z's share in goodwill = 30,000 x 1/6 = ₹5,000.

(ii) Gaining Ratio = New Ratio - Old Ratio

X = 1/3 – 3/6 = (2 – 3)/6 = 1/6(Sacrifice)

Y = 2/3 – 2/6 = (4 – 2)/6 = 2/6(Gain)

Only Y has gained 2/6. X has also sacrificed 1/6 in favour of Y.

Hence, Y is required to compensate X for such loss.

SOLUTION : 25.

JOURNAL

Date	Particulars	L.F.	Dr.(₹)	Cr.(₹)
	A's Capital A/c (4/12 of 3,60,000) Dr.		1,20,000	
	To B's Capital A/c (1/12 of 3,60,000)			30,000
	To C's Capital A/c (3/12 of 3,60,000)			90,000
	(A gains 4/12th share of profit whereas B loses 1/12th share of profit and C loses 3/12th share of profit. A compensates B and C for the loss in share of profits)			

Working Notes:

(i) C's share of goodwill = 3,60,000 x 3/12 = ₹90,000.

(ii) Calculation of Gaining Ratio :

	A	B	C	D
New Ratio	9/12	2/12		1/12

Old Ratio	5/12	3/12	3/12	1/12
New Ratio – Old Ratio	4/12 (Gain)	1/12 (Sacrifices)	3/12(sacrifices)	0

Only A has gained 4/12.
Hence A will be debited and B and C will be credited.

SOLUTION : 26.

JOURNAL

Date	Particulars	L.F.	Dr.(₹)	Cr.(₹)
	C's Capital A/c (4/30 of 3,00,000) Dr.		40,000	
	D's Capital A/c (7/30 of 3,00,000) Dr.		70,000	
	To A's Capital A/c (2/30 of 3,00,000)			20,000
	To B's Capital A/c (3/10 of 3,00,000)			90,000
	(Adjustment for goodwill; C gains 4/30 and D gains 7/30 whereas A sacrifices 2/30 and retiring partner B sacrifices 3/10)			

Working Notes:

(i) B's share of Goodwill = 3,00,000 x 3/10= ₹90,000

(ii) Gaining Ratio will be calculated as under:				
	A	**B**	**C**	**D**
New Ratio	1/3		1/3	1/3
Old Ratio	4/10	3/10	2/10	1/10
New Ratio – Old Ratio	2/30(Sacrifice)	3/10(Sacrifice)	4/30(Gain)	7/30(Gain)

C and D will be debited since they have gained
And A and B will be credited since they have sacrificed.

SOLUTION : 27. (a)

JOURNAL

Date	Particulars		L.F.	Dr.(₹)	Cr.(₹)
	X's Capital A/c	Dr.		1,00,000	
	Z's Capital A/c	Dr.		60,000	
	To Y's Capital A/c				1,60,000
	(Sale of Y's share to X and Z for ₹1,60,000)				
	Profit and Loss Appropriation A/c Dr.			2,40,000	
	To X's Capital A/c				1,70,000
	To Z's Capital A/c				70,000
	(Profit distributed after Y's retirement in their new ratio i.e., 17:7)				

Calculation of new profit sharing ratio:

X and Z purchased Y's share for ₹1,60,000, out of which X pays ₹1,00,000 and Z pays ₹60,000, i.e., X and Z will share Y's share of profit in the ratio of 1,00,000 : 60,000 = 5:3.

As such, new profit sharing ratios of X and Z will be:

X gets 5/8th of Y's share of 2/6 = 5/8 x 2/6 = 5/24

X's old share = 3/6

X's new share = 3/6 + 5/24 = (12 + 5)/24 = 17/24

Z gets 3/8th of Y's share of 2/6 = 3/8 x 2/6 = 3/24

Z's old share = 1/6

Z's new share = 1/6 + 3/24 = (4 + 3)/24 = 7/24

Hence, New ratio between X and Z = 17/24 : 7/24 =17:7

(b) Division of Profit between X and Z:

Profit = ₹2,40,000

X's share = 2,40,000 x 17/24 = ₹1,70,000;

Z's share = 2,40,000 x 7/24 = ₹70,000.

Adjustment of Reserves and Accumulated Profits

SOLUTION : 28.

Books of A, Y and Z

Date	Particulars	L.F.	Dr.(₹)	Cr.(₹)
	General Reserve A/c Dr.		75,000	
	Profit & Loss A/c Dr.		30,000	
	To X's Capital A/c			28,000
	To Y's Capital A/c			35,000
	To Z's Capital A/c			42,000
	(Distribution of free reserves among partners)			

SOLUTION : 29.

JOURNAL

Date	Particulars	L.F.	Dr.(₹)	Cr.(₹)
	General Reserve A/c Dr.		65,000	
	To A's Capital A/c			6,500
	To B's Capital A/c			13,000
	To C's Capital A/c			19,500
	To D's Capital A/c			26,000
	(General Reserve transferred to Capital Accounts)			
	A's Capital A/c Dr.			
	B's Capital A/c Dr.		12,000	
	To D's Capital A/c		12,000	
				24,000

	(D's share of goodwill ₹24,000 i.e., 4/10 x 60,000 adjusted to the accounts of A and B in their sacrificing ratio i.e., equally)			

Dr. D'S CAPITAL A/C Cr.

Particulars	₹	Particulars	₹
To Balance c/d	2,00,000	By Balance b/d	1,50,000
		By General Reserve A/c	26,000
		By A's Capital A/c	12,000
		By B's Capital A/c	12,000
	2,00,000		**2,00,000**

Calculation of New Profit Sharing Ratio :

D's share will be divided between A and B equally

A will gain 1/2 of 4/10 = 2/10

Hence, A's new share = 1/10 + 2/10 = 3/10

B will gain 1/2 of 4/10 = 2/10

Hence, B's new share = 2/10 + 2/10 = 4/10

C's share will remain the same i.e., 3/10

Hence, new Ratio of A, B and C = 3/10: 4/10: 3/10 or 3:4:3.

SOLUTION : 30.

Books of A, B, C and D

JOURNAL

Date	Particulars		L.F.	Dr.(₹)	Cr.(₹)
	A's Capital A/c	Dr.		11,200	
	B's Capital A/c	Dr.		8,400	
	C's Capital A/c	Dr.		5,600	
	D's Capital A/c	Dr.		5,600	
	To Profit and Loss A/c				30,800
	(Accumulated loss transferred to the capital accounts of all partners in old ratio on C's retirement)				

Revaluation of Assets and Liabilities

SOLUTION : 31 (A).

JOURNAL ENTRIES

Date	Particulars		L.F.	Dr.(₹)	Cr.(₹)
2011					
April 1	General Reserve A/c	Dr.		60,000	
	To X's Capital A/c				20,000
	To Y's Capital A/c				20,000
	To Z's Capital A/c				20,000

	(Transfer of General Reserve to Partner's Capital A/cs in their profit sharing ratio)			
	Revaluation A/c Dr.		39,000	
	To Investments A/c			3,000
	To Stock A/c			6,000
	To Provision for Doubtful Debts A/c			10,000
	To Trade Marks A/c			20,000
	(Decrease in the value of assets)			
	Freehold Property A/c Dr.		1,80,000	
	Creditors A/c Dr.		12,000	
	To Revaluation A/c			1,92,000
	(Increase in the value of Freehold Property and decrease in creditors)			
	Revaluation A/c Dr.		1,53,000	
	To X's Capital A/c			51,000
	To Y's Capital A/c			51,000
	To Z's Capital A/c			51,000
	(Profit on revaluation transferred to partner's Capital Accounts)			
	X's Capital A/c Dr.		11,000	
	Y's Capital A/c Dr.		11,000	
	Z's Capital A/c Dr.		11,000	
	To Goodwill A/c			33,000
	(Goodwill appearing in the books written off on Z's retirement)			
	X's Capital A/c Dr..		17,500	
	Y's Capital A/c Dr.		17,500	
	To Z's Capital A/c			35,000
	(Z's share of Goodwill adjusted to the accounts of continuing partners in their gaining ratio i.e., equally)			
	Z's Capital A/c Dr.		2,95,000	
	To Z's Loan A/c			2,95,000
	(Balance of Z's Capital A/c transferred to Z's loan A/c)			

Dr.	**REVALUATION ACCOUNT**			**Cr.**
Particulars		**₹**	**Particulars**	**₹**
To Investments A/c		3,000	By Freehold Property A/c	1,80,000
To Stock A/c		6,000	By Creditors A/c	12,000
To Provision for Doubtful Debts A/c		10,000		
To Trade Marks A/c		20,000		
To Profit transferred to				
X	51,000			

Y	51,000			
Z	51,000	1,53,000		
		1,92,000		**1,92,000**

Dr. **CAPITAL ACCOUNTS** **Cr.**

Particulars	X	Y	Z	Particulars	A	Y	Z
	₹	₹	₹		₹	₹	₹
To Goodwill A/c	11,000	11,000	11,000	By Balance b/d	3,00,000	2,00,000	2,00,000
To Z's Capital A/c	17,500	17,500	—	By General			
To Z's Loan A/c			2,95,000	Reserve A/c	20,000	20,000	20,000
To Balance c/d	3,42,500	2,42,500		By Revaluation			
				A/c	51,000	51,000	51,000
				By X's Capital A/c			17,500
				By Y's Capital A/c			17,500
	3,71,000	**2,71,000**	**3,06,000**		**3,71,000**	**2,71,000**	**3,06,000**

BALANCE SHEET OF THE FIRM (After Z's Retirement) as at 1st April, 2011

Liabilities		Assets		
Creditors	97,000	Cash in hand and cash at Bank		86,000
Provident Fund	20,000	Debtors	2,00,000	
Z's Loan Account	2,95,000	**Less:** Provision for		
		Doubtful Debts	10,000	1,90,000
Capitals :		Stock		94,000
X 3,42,500		Investments		47,000
Y 2,42,500	5,85,000	Freehold Property		5,80,000
	9,97,000			**9,97,000**

Working Note:

Goodwill = (₹1,20,000 + ₹1,00,000 + ₹95,000)/3 = ₹1,05,000

Z's Share of Goodwill = ₹1,05,000 x 1/3 = ₹35,000

SOLUTION : 31 (B).

Dr. **REVALUATION ACCOUNT** **Cr.**

Particulars	₹	Particulars		₹
To Fixed Assets A/c	5,000	By Provision for Doubtful		1,000
To Investments A/c	2,000	Debts A/c		1,800
To Outstanding Exp. A/c	600	By Accrued Interest A/c		
		By Loss transferred to		
		Capital Accounts :		
		A	2,400	
		B	1,600	
		C	800	4,800

	7,600		7,600

Dr. CAPITAL ACCOUNTS Cr.

Particulars	A	B	C	Particulars	A	B	C
	₹	₹	₹		₹	₹	₹
To Revaluation A/c	2,400	1,600	800	By Balance b/d	45,000	30,000	15,000
To C's Capital A/c	900	600		By Profit & Loss A/c	7,500	5,000	2,500
To C's Loan A/c			18,200	By A's Capital A/c			900
To Balance c/d	49,200	32,800		By B's Capital A/c			600
	52,500	**35,000**	**19,000**		**52,500**	**35,000**	**19,000**

BALANCE SHEET OF THE FIRM (After C's Retirement) as at 1st April, 2011

Liabilities		₹	Assets	₹
Sundry Creditors		20,000	Bank Balance	16,000
Outstanding Expenses		2,600	Sundry Debtors	15,000
C's Loan Account		18,200	Stock	35,000
Capitals :			Accrued Interest	1,800
A	49,200		Investments	10,000
B	32,800	82,000	Fixed Assets	45,000
		1,22,800		**1,22,800**

Working Note : C's share of Goodwill = 9,000 x 1/6 = ₹1,500. It will be credited to C's Capital A/c and debited to A's and B's Capital A/cs in their gaining ratio of 3 : 2.

SOLUTION : 32.

JOURNAL

Date	Particulars		L.F.	Dr.(₹)	Cr.(₹)
2012					
April 1	Manoj's Capital A/c	Dr.		1,333	
	Naveen's Capital A/c	Dr.		1,000	
	Deepak's Capital A/c	Dr.		667	
	To Goodwill A/c				3,000
	(Goodwill appearing in the books written off on Deepak's retirement)				
	Manoj's Capital A/c	Dr.		2,667	
	Naveen's Capital A/c	Dr.		2,000	
	To Deepak's Capital A/c				4,667
	(Deepak's share of goodwill adjusted to the accounts of continuing partners in their gaining ratio i.e., 4 : 3)				
	Stock A/c	Dr.		1,350	
	Provision for Doubtful Debts A/c	Dr.		450	
	Plant and Machinery A/c	Dr.		900	

	To Revaluation A/c				2,700
	(Increase in the value of assets)				
	Revaluation A/c	Dr.		4,500	
	Deepak's Capital A/c	Dr.		15,500	
	To Motor Car A/c				20,000
	(Motor Car taken over by Deepak at a reduced value of ₹15,500)				
	Manoj's Capital A/c	Dr.		800	
	Naveen's Capital A/c	Dr.		600	
	Deepak's Capital A/c	Dr.		400	
	To Revaluation A/c				1,800
	(Transfer of loss on revaluation)				
	Deepak's Capital A/c	Dr.		18,100	
	To Cash A/c				2,000
	To Deepak's Loan A/c				16,100
	(Payment in cash and the transfer of balance of Deepak's Capital to his loan account)				

Dr. REVALUATION ACCOUNT Cr.

Particulars	₹	Particulars		₹
To Motor Car A/c	4,500	By Stock A/c		1,350
		By Provision for Doubtful Debts A/c		450
		By Plant & Machinery A/c		900
		By Loss transferred to Capital A/cs :		
		Manoj	800	
		Naveen	600	
		Deepak	400	1,800
	4,500			**4,500**

Dr. CAPITAL ACCOUNTS Cr.

Particulars	Manoj	Naveen	Deepak	Particulars	Manoj	Naveen	Deepak
	₹	₹	₹		₹	₹	₹
To Goodwill A/c	1,333	1,000	667	By Balance b/d	50,000	39,000	30,000
To Deepak's Capital A/c	2,667	2,000	—	By Manoj's Capital A/c			2,667
To Revaluation A/c	800	600	400	By Naveen's Capital A/c			2,000
To Motor Car A/c			15,500				
To Cash A/c			2,000				
To Deepak's Loan A/c			16,100				
To Balance c/d	45,200	35,400	—				

	50,000	**39,000**	**34,667**		**50,000**	**39,000**	**34,667**

BALANCE SHEET OF THE FIRM (After Deepak's Retirement) as at 1st April, 2012

Liabilities		₹	Assets		₹
Trade Creditors		7,000	Cash in hand		3,900
Deepak's Loan A/c		16,100	Debtors	19,000	
Capitals :			**Less :** Provision	950	18,050
Manoj	45,200		Stock		14,850
Naveen	35,400	80,600	Plant and Machinery		18,900
			Buildings		48,000
		1,03,700			**1,03,700**

SOLUTION: 33.

Dr. REVALUATION ACCOUNT Cr.

Particulars	₹	Particulars		₹
		By Loss transferred		
To Patents A/c	2,000	to :		
To Plant & Machinery A/c	5,000	Ram's Capital A/c	3,600	
To Provision for Doubtful		Shyam's Capital A/c	3,600	7,200
Debts A/c	200			
	7,200			**7,200**

Dr.	CAPITAL ACCOUNTS				Cr.
Particulars	**Ram**	**Shyam**	**Particulars**	**Ram**	**Shyam**
	₹	₹		₹	₹
To Ram's Capital A/c		5,000	By Balance b/d	30,000	27,500
To Revaluation A/c	3,600	3,600	By Reserve A/c	3,000	3,000
To Cash A/c	1,000		By P & L A/c		
To Bank A/c	36,400		(Net Profits)	3,000	3,000
To Balance c/d		24,900	By Shyam's Capital A/c	5,000	
	41,000	**33,500**		**41,000**	**33,500**

BALANCE SHEET as at 1st April, 2012

Liabilities	₹	Assets		₹
Bank Loan (Secured by Plant and		Debtors	4,000	
Machinery)	36,400	**Less :** Provision	200	3,800
Creditors	10,000	Stock in Trade		23,000
Employee's Provident Fund	500	Plant & Machinery		45,000
Shyam's Capital	24,900			
	71,800			**71,800**

Working Note:
Ram's share of Goodwill : ₹10,000 x 1/2 = ₹5,000.
It will be debited to Shyam's Capital A/c and credited to Ram's Capital A/c.

SOLUTION: 34.

Dr. REVALUATION ACCOUNT Cr.

Particulars		₹	Particulars	₹
To Stock A/c		12,000	By Fixed Assets A/c	30,000
To Provision for Bad & Doubtful Debts A/c		2,000		
To Profit on Revaluation transferred to :				
X's Capital A/c	6,000			
Y's Capital A/c	6,000			
Z's Capital A/c	4,000	16,000		
		30,000		**30,000**

Dr. PARTNER'S CAPITAL ACCOUNTS Cr.

Particulars	X	Y	Z	Particulars	X	Y	Z
	₹	₹	₹		₹	₹	₹
				By Balance b/d	1,00,000	60,000	50,000
To Advertisement Suspense A/c	6,000	6,000	4,000	By Revaluation A/c (Profit)	6,000	6,000	4,000
To Profit & Loss A/c	1,500	1,500	1,000	By General Reserve	30,000	30,000	20,000
To Y's Capital A/c	18,000	—	12,000	By X's Capital A/c	—	18,000	—
To Y's Loan A/c		1,18,500					
To Balance c/d	1,10,500	—	57,000	By Z's Capital A/c	—	12,000	—
	1,36,000	**1,26,000**	**74,000**		**1,36,000**	**1,26,000**	**74,000**

BALANCE SHEET as at 1st April, 2017

Liabilities		₹	Assets		₹
Sundry Creditors		2,50,000	Cash at Bank		50,000
X's Loan A/c		50,000	Bills Receivable		60,000
Y's Loan A/c (40,000 + 1,18,500)		1,58,500	Debtors	80,000	
Capital A/cs :			**Less:** Provision for		
X	1,10,500		Bad Debts	6,000	74,000
Z	57,000	1,67,500	Stock		1,12,000
			Fixed Assets		3,30,000
		6,26,000			**6,26,000**

Working Note:
(1) Y's share of goodwill = ₹80,000 x 3/8 = ₹30,000 which is to be contributed by

X and Z in their Gaining Ratio of 3 : 2 as under: -

X = ₹30,000 x 3/5 = ₹18,000

Z = ₹30,000 x 2/5 = ₹12,000

X's Capital A/c	Dr.	18,000	
Z's Capital A/c	Dr.	12,000	
To Y's Capital A/c			30,000

SOLUTION : 35 (A).

Dr. REVALUATION ACCOUNT Cr.

Particulars	₹	Particulars		₹
To Furniture	17,500	By Land and Building		10,000
To Provision for Doubtful Debts	500	By Loss transferred to :		
To Provision for Legal Claims	2,500	X's Capital A/c	5,250	
		Y's Capital A/c	3,150	
		Z's Capital A/c	2,100	10,500
	20,500			**20,500**

Dr. PARTNER'S CAPITAL ACCOUNTS Cr.

Particulars	X	Y	Z	Particulars	X	Y	Z
	₹	₹	₹		₹	₹	₹
To Revaluation	5,250	3,150	2,100	By Balance b/d	1,27,000	90,000	71,000
To Z's Capital A/c (Goodwill)	7,500	4,500		By X's Capital A/c (Goodwill)			7,500
To Z's Loan A/c			70,000	By Y's Capital A/c			
To Bank (Balancing Figure)			10,900	(Goodwill)			4,500
To Balance c/d	1,14,250	82,350					
	1,27,000	**90,000**	**83,000**		**1,27,000**	**90,000**	**83,000**

BALANCE SHEET (after Z's Retirement) as at March 31, 2016

Liabilities		₹	Assets		₹
Creditors		27,000	Bank (80,000 – 10,900)		69,100
Bills Payable		13,000	Debtors	20,000	
Outstanding Rent		22,500	**Less:** Provision for		
Provision for Legal Claims		60,000	Doubtful Debts	1,000	19,000
Z's Loan		70,000	Stock		21,000
Capital A/cs:			Furniture		70,000
X	1,14,250		Land and Building		2,10,000
Y	82,350	1,96,600			
		3,89,100			**3,89,100**

Working Notes :
Gaining Ratio of X and Y= 5:3
Z's share in goodwill = 60,000 x 2/10 = ₹12,000
which is contributed by X and Y in the ratio of 5 : 3.

SOLUTION : 35 (B).

Dr. REVALUATION ACCOUNT Cr.

Particulars	₹	Particulars		₹
To Provision for Doubtful		By Furniture and Fittings		4,000
Debts A/c	12,000	By Loss Transferred to :		
To Stock A/c	30,000	A	15,200	
		B	15,200	
		C	7,600	38,000
	42,000			**42,000**

Dr. CAPITAL ACCOUNTS Cr.

Particulars	A	B	C	Particulars	A	B	C
	₹	₹	₹		₹	₹	₹
To Revaluation	15,200	15,200	7,600	By Balance b/d	2,00,000	2,00,000	1,00,000
To A's Capital A/c (Goodwill)		13,500	10,500	By Reserve Fund	16,000	16,000	8,000
To A's Loan A/c	1,00,000			By B's Capital A/c (Goodwill)	13,500		
To Bank A/c	1,24,800			By C's Capital A/c (Goodwill)	10,500		
To Balance c/d		1,87,300	89,900				
	2,40,000	**2,16,000**	**1,08,000**		**2,40,000**	**2,16,000**	**1,08,000**

BALANCE SHEET OF THE FIRM as at March 31, 2016

Liabilities		₹	Assets		₹
Bank Overdraft		80,000	Sundry Debtors	1,72,000	
Sundry Creditors Outstanding Expenses		20,000	**Less:** Provision	12,000	
A's Loan A/c		2,800	for Doubtful Debts		1,60,000
Capitals:		1,00,000	Stock		2,70,000
B			Furniture & Fittings		50,000
C	1,87,300				
	89,900	2,77,200			
		4,80,000			**4,80,000**

Working Notes:

(1) Calculation of Gaining Ratio :

B: 5/8 – 2/5 = (25 – 16)/40 = 9/40

C: 3/8 – 1/5 = (15 – 8)/40 = 7/40 or 9: 7

(2) A's share of Goodwill = 60,000 x 2/5 = ₹24,000

B's will be debited by 24,000 x 9/16 = ₹13,500

C's will be debited by 24,000 x 7/16 = ₹10,500

(3) Calculation of Bank Overdraft :

Bank balance as per Balance Sheet	44,800
Amount required to pay off A	1,24,800
Bank Overdraft	**80,000**

SOLUTION: 36.

Dr. REVALUATION ACCOUNT Cr.

Particulars	₹	Particulars	₹
To Provision for doubtful debts	15,000	By Stock	50,000
To Investments (Loss on sale of investments)	30,000	By Outstanding Expenses	7,000
To Profit transferred to :			
A's Capital A/c 6,000			
B's Capital A/c 4,000			
C's Capital A/c 2,000	12,000		
	57,000		**57,000**

Dr. CAPITAL ACCOUNTS Cr.

Particulars	A	B	C	Particulars	A	B	C
	₹	₹	₹		₹	₹	₹
To C's Capital A/c				By Balance b/d	5,00,000	3,00,000	2,00,000
(Goodwill)	20,000	5,000		By Profit & Loss A/c	75,000	50,000	25,000
To Bank A/c			2,52,000	By Revalua-			
To Balance c/d	5,61,000	3,49,000		tion A/c	6,000	4,000	2,000
				By A's Capital A/c			
				(Goodwill)			20,000
				By B's Capital A/c			

				(Goodwill)			5,000
	5,81,000	**3,54,000**	**2,52,000**		**5,81,000**	**3,54,000**	**2,52,000**

BALANCE SHEET OF THE FIRM as at 1st March, 2017

Liabilities		₹	Assets		₹
Sundry Creditors		1,20,000	Bank		43,000
Outstanding Expenses		3,000	Debtors	1,65,000	
Capital Accounts :			**Less:** Provision	15,000	1,50,000
A	5,61,000		Stock		3,00,000
B	3,49,000	9,10,000	Fixed Assets		5,40,000
		10,33,000			**10,33,000**

Working Note:

Dr. **BANK ACCOUNT** **Cr.**

Particulars	₹	Particulars	₹
To Balance b/d	25,000	By C's Capital A/c	2,52,000
To Investments	2,70,000	By Balance c/d	43,000
	2,95,000		**2,95,000**

SOLUTION : 37.

Dr. **REVALUATION ACCOUNT** **Cr.**

Particulars		₹	Particulars	₹
To Provision for Doubtful			By Plant & Machinery A/c	10,000
Debts A/c		1,000		
To Creditors A/c		3,000		
To Profit transferred to :				
A	3,000			
B	2,000			
C	1,000	6,000		
		10,000		**10,000**

Dr. **CAPITAL ACCOUNTS** **Cr.**

Particulars	A	B	C	Particulars	A	B	C
	₹	₹	₹		₹	₹	₹
To Profit & Loss A/c	1,500	1,000	500	By Balance b/d	18,000	16,000	10,000
				By Workmen's Accident Compen-			
				sation Reserve A/c	1,500	1,000	500
To C's Capital A/c				By Revaluation A/c	3,000	2,000	1,000
(Goodwill)	6,000	2,000		By A's Capital A/c (Goodwill)			6,000
To Balance c/d	15,000	16,000	19,000	By B's Capital A/c (Goodwill)			2,000
	22,500	**19,000**	**19,500**		**22,500**	**19,000**	**19,500**

To Cash A/c			19,000	By Balance b/d		15,000	16,000	19,000
To Balance c/d	26,875	23,125		By Cash A/c		11,875	7,125	
	26,875	**23,125**	**19,000**			**26,875**	**23,125**	**19,000**

BALANCE SHEET
as at April 1, 2014 (after C's retirement)

Liabilities		₹	Assets		₹
Liability for Workmen's Accident Compensation		2,000	Cash in hand		1,000
Trade Creditors		36,000	Trade Debtors	35,000	
Capital Accounts:			**Less:** Provision	3,000	32,000
A	26,875	50,000	Furniture		15,000
B	23,125	**88,000**	Plant & Machinery		40,000
					88,000

Hints (1): 'Liability for Workmen's Accident Compensation' amounting to ?2,000 will be shown on the liabilities side of the new balance sheet and the balance of ?3,000 will be distributed among all the partners.
(2) Gaining Ratio for adjustment of goodwill =

A = 5/8 – 3/6 = (15 – 12)/24 = 3/24
B = 3/8 – 2/6 = (9 – 8)/24 = 1/24 or 3 : 1

Adjustment of Capitals

SOLUTION: 38.

Dr. REVALUATION ACCOUNT Cr.

Particulars		₹	Particulars	₹
To Stock A/c		500	By Land and Building A/c	5,000
To Provision for Doubtful Debts A/c		150		
To Outstanding Legal Charges A/c		750		
To Profit transferred to Capital A/c :				
X	1,500			
Y	1,200			
Z	900	3,600		
		5,000		**5,000**

Dr. CAPITAL ACCOUNTS Cr.

Particulars	X	Y	Z	Particulars	X	Y	Z
	₹	₹	₹		₹	₹	₹
To Y's Capital A/c	1,350		4,050	By Balance b/d	25,000	20,000	15,000
To Y's Loan A/c		26,600					
To Balance c/d	25,150		11,850	By Revaluation A/c	1,500	1,200	900

				By X's Capital A/c (Goodwill)		1,350	
				By Z's Capital A/c (Goodwill)		4,050	
	26,500	**26,600**	**15,900**		**26,500**	**26,600**	**15,900**
To Bank A/c	1,150			By Balance b/d	25,150		11,850
To Balance c/d	24,000		24,000	By Bank A/c			12,150
	25,150		**24,000**		**25,150**		**24,000**

Dr.	BANK ACCOUNT		Cr.
Particulars	**₹**	**Particulars**	**₹**
To Balance b/d	15,600	By X's Capital A/c	1,150
To Z's Capital A/c	12,150	By Balance c/d	26,600
	27,750		**27,750**

NEW BALANCE SHEET OF THE FIRM as at					
Liabilities		**₹**	**Assets**		**₹**
Sundry Creditors		7,000	Cash at Bank		26,600
Outstanding legal charges		750	Sundry Debtors	5,000	
Y's Loan		26,600	**Less :** Provision	250	4,750
Capitals :			Stock		9,500
X	24,000		Plant and Machinery		11,500
Z	24,000	48,000	Land and Building		30,000
		82,350			**82,350**

Calculation of Gaining Ratio on Y's retirement:

X Gains = 1/2 – 5/12 = (6 – 5)/12 = 1/12

Z Gains = 1/2 – 3/12 = (6 – 3)/12 = 3/12

Y's share of Goodwill = 16,200 x 4/12 = ₹5,400

It will be credited to Y's Capital A/c and debited to X and Z's Capital A/cs in their gaining ratio of 1 : 3.

SOLUTION : 39.

Dr.	REVALUATION ACCOUNT			Cr.
Particulars	**₹**	**Particulars**		**₹**
To Plant & Machinery	60,000	By Provision for Doubtful Debts		5,000
To Patents	20,000	By Loss transferred to :		
To Stock	15,000	P's Capital A/c	20,000	
		Q's Capital A/c	30,000	
		R's Capital A/c	40,000	90,000
	95,000			**95,000**

Dr. **CAPITAL ACCOUNTS** **Cr.**

Particulars	P	Q	R	Particulars	P	Q	R
	₹	₹	₹		₹	₹	₹
To Revaluation A/c	20,000	30,000	40,000	By Balance b/d	1,30,000	3,50,000	4,40,000
To P's Capital A/c (Goodwill)		12,000	16,000	By Reserve	10,000	15,000	20,000
To Bank A/c	1,48,000			By Q's Capital A/c (Goodwill)	12,000		
To Balance c/d		3,23,000	4,04,000	By R's Capital A/c (Goodwill)	16,000		
	1,68,000	**3,65,000**	**4,60,000**		**1,68,000**	**3,65,000**	**4,60,000**
To Bank A/c (Balancing figure)		23,000	4,000	By Balance b/d		3,23,000	4,04,000
To Balance c/d		3,00,000	4,00,000				
		3,23,000	**4,04,000**			**3,23,000**	**4,04,000**

BALANCE SHEET as at
(After P's retirement)

Liabilities		₹	Assets		₹
		35,000	Plant &		2,40,000
Creditors Bank		25,000	Machinery		3,85,000
Overdraft Capital			Stock		
Accounts:			Debtors		
Q	3,00,000		**Less:** Provision for	1,50,000	
R	4,00,000	7,00,000	Bad Debts	15,000	1,35,000
		7,60,000			**7,60,000**

Working Notes:

(i) Adjustment of Capitals according to new profit sharing ratio:

Total Capital of the new firm = ₹7,00,000

	₹
Hence, Q's Capital in the new firm should be 3/7 of 7,00,000	3,00,000
Q's existing Capital	3,23,000
Hence Q will be returned	23,000

(ii) R's Capital in the new firm should be 4/7 of 7,00,000 — 4,00,000

R's existing Capital — 4,04,000

Hence, R will be returned — 4,000

(iii) Calculation of Bank Balance is as follows :

		₹
Bank Opening Balance		1,50,000
Less : Paid to P	1,48,000	
Paid to Q	23,000	
Paid to R	4,000	1,75,000
Bank Closing Balance (Overdraft)		**25,000**

SOLUTION : 40.

Dr. **REVALUATION ACCOUNT** **Cr.**

Particulars		₹	Particulars	₹
To Machinery A/c		1,00,000	By Land and Building A/c	3,80,000
To Stock A/c		50,000	By Sundry Creditors	65,000
To Provision for Doubtful Debts A/c		35,000		
To Profit transferred to :				
Saman's Capital A/c	74,286			
Harish's Capital A/c	1,11,428			
Meeta's Capital A/c	74,286	2,60,000		
		4,45,000		**4,45,000**

Dr. **PARTNERS' CAPITAL ACCOUNTS** **Cr.**

Particulars	Saman	Harish	Meeta	Particulars	Saman	Harish	Meeta
	₹	₹	₹		₹	₹	₹
To Harish's Capital A/c**(2)**	1,76,000	—	64,000	By Balance b/d	10,00,000	15,00,000	10,00,000
To Bills Payable A/c	—	22,11,428	—	By Revaluation A/c	74,286	1,11,428	74,286
To Balance b/d**(3)**	21,00,000		14,00,000	By Workmen Compensation Reserve A/c	2,40,000	3,60,000	2,40,000
				By Saman's Capital A/c (Goodwill)	—	1,76,000	—
				By Meeta's Capital A/c (Goodwill)	—	64,000	—
				By Saman's			

				Current A/c (Bal. Fig.)	9,61,714		
				By Meeta's Current A/c (Bal. Fig.)			1,49,714
	22,76,000	**22,11,428**	**14,64,000**		**22,76,000**	**22,11,428**	**14,64,000**

BALANCE SHEET OF NEW FIRM as at 31st March, 2015

Liabilities		₹	Assets		₹
Sundry Creditors			Land and Building		22,80,000
(₹5,10,000 – ₹65,000)		4,45,000	Machinery		4,00,000
Bills Payable		22,11,428	Furniture		7,70,000
Capitals: Saman	21,00,000		Closing Stock		4,50,000
Meeta	14,00,000	35,00,000	Sundry Debtors	7,00,000	
			Less: Provision for Doubtful Debts	35,000	6,65,000
			Cash		4,80,000
			Saman's Current A/c (Dr. Bal.)		9,61,714
			Meeta's Current A/c (Dr. Bal.)		1,49,714
		61,56,428			**61,56,428**

Working Notes :

(1) Calculation of Gaining Ratio :

Gaining Ratio = New share - Old share

Saman's Gain = 3/5 – 2/7 = (21 – 10)/35 = 11/35

Meeta's Gain = 2/5 – 2/7 = (14 – 10)/35 = 4/35

Gaining Ratio = 11/35 : 4/35 or 11 : 4

(2) Harish's Share of Goodwill ₹5,60,000 x 3/7 = ₹2,40,000.

It is adjusted between Saman and Meeta in their gaining ratio of 11 : 4 as under :

Saman = ₹2,40,000 x 11/15 = ₹1,76,000

Meeta = ₹2,40,000 x 4/15 = ₹64,000

(3) Total Capital of the new Firm = ₹35,00,000

Saman's Capital in the new firm = ₹35,00,000 x 3/5 = ₹21,00,000

Meeta's Capital in the new firm = ₹35,00,000 x 2/5 = ₹14,00,000

SOLUTION : 41.

Total Capital of Ajay and Sanjay

after all adjustments = ₹2,00,000 + ₹1,00,000 = ₹3,00,000

This Capital should be in their profit sharing ratio i.e. 5 : 3.

Therefore, Ajay's Capital in the new firm should be = 3,00,000 x 5/8 = ₹1,87,500

Sanjay's Capital in the new firm should be = 3,00,000 x 3/8 = ₹1,12,500

Hence, Cash to be withdrawn by Ajay = ₹2,00,000 – ₹1,87,500 = ₹12,500
Cash to be bought in by Sanjay = ₹1,12,500 – ₹1,00,000 = ₹12,500

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Date	Particulars	L.F.	Dr.(₹)	Cr.(₹)
	Ajay's Capital A/c Dr.		12,500	
	To Bank A/c			12,500
	(Amount withdrawn by Ajay to bring his capital to profit sharing ratio)			
	Bank A/c Dr.		12,500	
	To Sanjay's Capital A/c			12,500
	(Amount brought in by Sanjay to raise his capital to profit sharing ratio)			

SOLUTION : 42.

New ratio of Y and Z after X's retirement 2 : 1

	₹
Y's Capital in the new firm should be : 2,10,000 x 2/3 =	1,40,000
Y's existing Capital	1,45,000
Hence, Cash to be withdrawn by Y	**5,000**
	₹
Z's Capital in the new firm should be : 2,10,000 x 1/3 =	70,000
Z's existing Capital	63,000
Hence, Cash to be brought in by Z	**7,000**

SOLUTION : 43.

Dr. REVALUATION ACCOUNT Cr.

Particulars	₹	Particulars		₹
To Machinery A/c	1,80,000	By Land and Building A/c		1,20,000
To Bad Debts A/c **(Note 1)**	15,000	By Loss transferred to :		
		Kusum's Capital A/c	21,429	
		Sneh's Capital A/c	32,143	
		Usha's Capital A/c	21,428	75,000
	1,95,000			**1,95,000**

Dr. PARTNER'S CAPITAL ACCOUNTS Cr.

Particulars	Kusum	Sneh	Usha	Particulars	Kusum	Sneh	Usha
	₹	₹	₹		₹	₹	₹
To Revaluation A/c (Loss)	21,429	32,143	21,428	By Balance b/d	4,00,000	6,00,000	4,00,000
To Kusum's Capital A/c				By Workmen compensation reserve	4,286	6,428	4,286

(Goodwill)	—	—	80,000	By Usha's			
To Bank A/c	1,00,000	—	—	Capital A/c	80,000	—	—
To Kusum's				(Goodwill)			
Loan A/c	3,62,857	—	—				
To Balance c/d	—	5,74,285	3,02,858				
	4,84,286	**6,06,428**	**4,04,286**		**4,84,286**	**6,06,428**	**4,04,286**
To Balance c/d		6,00,000	8,00,000	By Balance b/d		5,74,285	3,02,858
				By Bank A/c			
				(Bal. Fig.)		25,715	4,97,142
		6,00,000	**8,00,000**			**6,00,000**	**8,00,000**

Balance Sheet of the New Firm as at 31st March, 2009

Liabilities	₹	Assets	₹
Capitals :		Land and Building	5,20,000
Sneh 6,00,000		Machinery	4,20,000
Usha 8,00,000	14,00,000	Closing Stock	2,00,000
Kusum's Loan A/c	3,62,857	Sundry Debtors	1,85,000
Employees Provident Fund	70,000	Cash at Bank (Note 4)	6,22,857
Workmen Compensation Claim	15,000		
Sundry Creditors	1,00,000		
	19,47,857		**19,47,857**

Working Notes :

1. Entries for Bad Debts :

Bad Debts A/c	Dr.	35,000		
To Sundry Debtors			35,000	
Provision for Doubtful Debts	Dr.	20,000		
Revaluation A/c	Dr.	15,000		
To Bad Debts A/c			35,000	

2. Kusum's share of Goodwill = ₹2,80,000 x 4/14 = ₹80,000
Kusum's share of Goodwill will be contributed by Sneh and Usha in their gaining ratio. Only Usha is a gaining partner, so only she will contribute towards Kusum's share of goodwill.
Gaining Ratio = New Ratio - Old Ratio
Sneh's Gain = 3/7 – 3/7= NIL
Usha's Gain = 4/7 – 2/7 = 2/7

3. Total Capital of the firm before the retirement of Kusum
as per the Opening Balance Sheet = ₹4,00,000 + ₹6,00,000 + ₹4,00,000 = ₹14,00,000
Sneh's Capital in the New Firm = ₹14,00,000 x 3/7 = ₹6,00,000
Usha's Capital in the New Firm = ₹14,00,000 x 4/7 = ₹8,00,000

4.

Dr.	BANK ACCOUNT		Cr.
Particulars	**₹**	**Particulars**	**₹**
To Balance b/d	2,00,000	By Kusum's Capital A/c	1,00,000
To Sneh's Capital A/c	25,715	By Balance c/d	6,22,857
To Usha's Capital A/c	4,97,142		
	7,22,857		**7,22,857**

Retirement and Settlement of Loan

SOLUTION : 44.

Dr. **REVALUATION ACCOUNT** **Cr.**

Particulars	₹	Particulars		₹
To Workmen's Compensation Claim A/c	6,000	By Provision for Bad and Doubtful Debts A/c		1,000
To Investment A/c**(1)**	15,000	By Loss transferred to :		
		Lalit's Capital .A/c	10,000	
		Madhur's Capital A/c	6,000	
		Neena's Capital A/c	4,000	20,000
	21,000			**21,000**

Dr. **PARTNERS' CAPITAL ACCOUNTS** **Cr.**

Particulars	Lalit	Madhur	Neena	Particulars	Lalit	Madhur	Neena
	₹	₹	₹		₹	₹	₹
To Revaluation A/c (Loss)	10,000	6,000	4,000	By Balance b/d	50,000	40,000	25,000
To Profit and Loss A/c	5,000	3,000	2,000	By Lalit's Capital A/c**(2)** (Goodwill)	—	10,929	—
To Goodwill A/c	10,000	6,000	4,000	By Neena's Capital A/c**(2)** (Goodwill)	—	4,371	—
To Madhur's Capital A/c	10,929	—	4,371				
To Cash A/c	—	10,300	—				
To Madhur's Loan A/c (Bal. Fig.)	—	30,000	—				
To Balance c/d	14,071	—	10,629				
	50,000	**55,300**	**25,000**		**50,000**	**55,300**	**25,000**

Dr. **MADHUR'S LOAN ACCOUNT** **Cr.**

Date	Particulars	₹	Date	Particulars	₹
2013 Mar. 31	To Balance c/d	**30,000**	2013 Mar. 31	By Madhur's Capital A/c	**30,000**

2014			2013		
Mar. 31	To Cash A/c	18,600	April 1	By Balance b/d	30,000
Mar. 31	To Balance c/d	15,000	2014 Mar. 31	By Interest A/c	3,600
		33,600			**33,600**
2015			2014		
Mar. 31	To Cash A/c	16,800	April 1	By Balance b/d	15,000
			2015 Mar. 31	By Interest A/c	1,800
		16,800			**16,800**

Working Notes :

1. Investment Fluctuation Fund A/c Dr. 10,000
Revaluation A/c Dr. 15,000
To Investments A/c 25,000

2. Madhur's share of Goodwill = 51,000 x 3/10 = ₹15,300, which is adjusted between Lalit and Neena in their gaining ratio of 5 : 2.

SOLUTION : 45.

Dr. REVALUATION ACCOUNT Cr.

Particulars	₹	Particulars		₹
To Stock A/c	2,500	By Land and Buildings A/c		3,000
To Provision for Doubtful		By Creditors A/c		800
Debts A/c	500	By Loss transferred to :		
To Plant and Machinery A/c	1,500	G	600	
To Workmen's Compensation A/c	500	K	400	
		W	200	1,200
	5,000			**5,000**

Dr. CAPITAL ACCOUNTS Cr.

Particulars	G	K	W	Particulars	G	K	W
	₹	₹	₹		₹	₹	₹
To Revaluation A/c	600	400	200	By Balance b/d	22,000	13,000	9,000
To Goodwill A/c	3,750	2,500	1,250	By General Reserve	6,000	4,000	2,000
To G's Capital A/c	—	5,000	2,500	By K's Capital A/c	5,000		
To Balance c/d	31,150	9,100	7,050	By W's Capital A/c	2,500		
	35,500	**17,000**	**11,000**		**35,500**	**17,000**	**11,000**
To Bank A/c	13,150			By Balance b/d	31,150	9,100	7,050
To G's Loan A/c	18,000			By Bank A/c		10,900	7,950
To Balance c/d		20,000	15,000				
	31,150	**20,000**	**15,000**		**31,150**	**20,000**	**15,000**

Note : 4 : 3 is not the new profit sharing ratio. Only the Capital of the new firm amounting to ₹35,000 is to be adjusted in this ratio.

BALANCE SHEET
as at April 1, 2010 (after G's retirement)

Liabilities	₹	Assets	₹
Workmen's Compensation	500	Bank Balance	
Bills Payable	4,000	(10,900 + 7,950 – 13,150)	5,700
Sundry Creditors	9,200	Sundry Debtors 12,000	
G's Loan	18,000	**Less:** Provision 500	11,500
Capital Accounts :		Stock	10,000
K 20,000		Motor Vehicle	5,000
W 15,000	35,000	Plant and Machinery	16,500
		Land and Buildings	18,000
	66,700		**66,700**

Dr. G'S LOAN ACCOUNT Cr.

Date	Particulars	₹	Date	Particulars	₹
2011			2010		
31st March	To Bank A/c		1st April	By G's Capital A/c	18,000
	(6,000 + 2,160)	8,160	2011		
31st March	To Balance c/d	12,000	31st March	By Interest on	
				₹18,000 @ 12% p.a.	2,160
		20,160			**20,160**
2012			2011		
31st March	To Bank A/c		1st April	By Balance b/d	12,000
	(6,000+ 1,440)	7,440	2012		
31st March	To Balance c/d	6,000	31st March	By Interest on	
				₹12,000 @ 12% p.a.	1,440
		13,440			**13,440**
2013			2012		
31st March	To Bank A/c	6,720	1st April	By Balance b/d	6,000
			2013		
			31st March	By Interest on	
				₹6,000 @ 12% p.a.	720
		6,720			**6,720**

SOLUTION: 46 (A).

Dr. REVALUATION ACCOUNT Cr.

Particulars	₹	Particulars		₹
To Stock A/c	2,300	By Loss transferred to Capital		
To Furniture A/c	500	Accounts :		
To Machinery A/c	750	X	4,200	
To Building A/c	4,000	Y	2,800	
To Provision for Doubtful		Z	1,400	8,400
Debts A/c	850			
	8,400			**8,400**

Dr. X's CAPITAL ACCOUNT Cr.

Particulars	₹	Particulars	₹
To Revaluation A/c	4,200	By Balance b/d	40,000
To Bank A/c	11,050	By Reserve Fund A/c	750
To X's Loan A/c	30,000	By P & L A/c	1,500
(Balancing Figure)		By Y's Capital A/c	2,000
		By Z's Capital A/c	1,000
	45,250		**45,250**

Note : X's share of goodwill = 6,000 x 1/2 = ₹3,000. It will be adjusted to the Capital Accounts of Y and Z in their gaining ratio of 2 : 1.

Dr. X's LOAN ACCOUNT Cr.

Date	Particulars	₹	Date	Particulars	₹
2012			2011		
March 31	To Bank A/c		April 1	By X's Capital A/c	30,000
	(₹10,000+ ₹1,500)	11,500	2012		
March 31	To Balance c/d	20,000	March 31	By Interest A/c	
				(5% on ₹30,000)	1,500
		31,500			**31,500**
2013			2012		
March 31	To Bank A/c		April 1	By Balance b/d	20,000
	(₹10,000 + ₹1,000)	11,000	2013		
March 31	To Balance c/d	10,000	March 31	By Interest A/c	
				(5% on ₹20,000)	1,000
		21,000			**21,000**
2014			2013		
March 31	To Bank A/c	10,500	April 1	By Balance b/d	10,000
			2014		
			March 31	By Interest A/c	
				(5% on ₹10,000)	500

		10,500			10,500

SOLUTION : 46 (B).

JOURNAL ENTRIES

Date	Particulars		L.F.	Dr.(₹)	Cr.(₹)
2012 March 31	Reserve A/c	Dr.		3,000	
	To P's Capital A/c				1,500
	To Q's Capital A/c				900
	To R's Capital A/c				600
	(Transfer of reserve)				
	Fixed Assets A/c	Dr.		5,000	
	To Revaluation A/c				5,000
	(Increase in the value of fixed assets)				
	Revaluation A/c	Dr.		1,000	
	To Stock A/c				1,000
	(Decrease in the value of stock)				
	Revaluation A/c	Dr.		4,000	
	To P's Capital A/c				2,000
	To Q's Capital A/c				1,200
	To R's Capital A/c				800
	(Transfer of profit on revaluation)				
	P's Capital A/c Dr.			1,900	
	R's Capital A/c Dr.			3,800	
	To Q's Capital A/c				5,700
	(Q's share of goodwill debited to continuing partners in the gaining ratio of 1 : 2)				
	Bank A/c Dr.			17,800	
	To P's Capital A/c				5,400
	To R's Capital A/c				12,400
	(Amount brought in by P and R to raise their capitals to profit sharing ratio)				
	Q's Capital A/c	Dr.		17,800	
	To Bank				17,800
	(Payment made to Q)				

Dr. **CAPITAL ACCOUNTS** **Cr.**

Particulars	P	Q	R	Particulars	P	Q	R
	₹	₹	₹		₹	₹	₹
To Q's Capital				By Balance b/d	20,000	10,000	8,000
A/c				By Reserve A/c	1,500	900	600
(Goodwill)	1,900		3,800	By Revaluation			
To Balance c/d	21,600	17,800	5,600	A/c	2,000	1,200	800

				By P's Capital A/c (Goodwill)		1,900	
				By R's Capital A/c (Goodwill)		3,800	
	23,500	**17,800**	**9,400**		**23,500**	**17,800**	**9,400**
To Bank A/c		17,800		By Balance b/d	21,600	17,800	5,600
To Balance c/d	27,000		18,000	By Bank A/c	5,400		12,400
	27,000	**17,800**	**18,000**		**27,000**	**17,800**	**18,000**

BALANCE SHEET OF THE FIRM (After Q's Retirement)
as at 31st March, 2012

Liabilities		₹	Assets	₹
Sundry Creditors		5,300	Cash at Bank	2,000
Expenses Outstanding		700	Book Debts	9,000
Capitals :			Stock	10,000
P	27,000		Fixed Assets	30,000
R	18,000	45,000		
		51,000		**51,000**

Working Notes :
(1) Gaining Ratio = New Ratio - Old Ratio
P Gains = 3/5 – 5/10 = (6 – 5)/10 = 1/10
R Gains = 2/5 – 2/10 = (4 – 2)/10 = 2/10
Thus, Gaining Ratio =1: 2
(2) Total Capital of the new firm = ₹21,600 + ₹17,800 + ₹5,600 = ₹45,000
P's Capital in the new firm = ₹45,000 x 3/5 = ₹27,000
R's Capital in the new firm = ₹45,000 x 2/5 = ₹18,000
Cash brought in by P = ₹27,000 – ₹21,600 = ₹5,400
Cash brought in by R = ₹18,000 – ₹5,600 = ₹12,400

SOLUTION : 47. (i)

Dr. **R's LOAN A/C** **Cr.**

Date	Particulars	₹	Date	Particulars	₹
Ist year at the end	To Bank		Ist year Beginning	By R's Capital A/c	3,00,000
	(60,000 + 45,000)	1,05,000	at the end	By Interest (on	
at the end	To Balance c/d	2,40,000		₹3,00,000 @ 15%)	45,000
		3,45,000			**3,45,000**
IInd year at the end	To Bank		IInd year Beginning	By Balance b/d	2,40,000

	(60,000 + 36,000)	96,000	at the end	By Interest (on	
at the end	To Balance c/d	1,80,000		₹2,40,000 @ 15%)	36,000
		2,76,000			**2,76,000**
IIIrd year			IIIrd year		
at the end	To Bank		Beginning	By Balance b/d	1,80,000
	(60,000 + 27,000)	87,000	at the end	By Interest (on	
at the end	To Balance c/d	1,20,000		₹1,80,000 @ 15%)	27,000
		2,07,000			**2,07,000**
IVth year			IVth year		
at the end	To Bank		Beginning	By Balance b/d	1,20,000
	(60,000+ 18,000)	78,000	at the end	By Interest (on	
at the end	To Balance c/d	60,000		₹1,20,000 @ 15%)	18,000
		1,38,000			**1,38,000**
Vth year			Vth year		
at the end	To Bank	69,000	Beginning	By Balance b/d	60,000
			at the end	By Interest (on	
				₹60,000@ 15%)	9,000
		69,000			**69,000**

(ii)

Dr.		**R's LOAN A/C**			**Cr.**
Date	**Particulars**	**₹**	**Date**	**Particulars**	**₹**
1st year			1st year		
at the end	To Bank	1,00,000	Beginning	By R's Capital A/c	3,00,000
at the end	To Balance c/d	2,45,000	at the end	By Interest (on	
				₹3,00,000 @ 15%)	45,000
		3,45,000			**3,45,000**
IInd year			IInd year		
at the end	To Bank	1,00,000	Beginning	By Balance b/d	2,45,000
at the end	To Balance c/d	1,81,750	at the end	By Interest (on	
				₹2,45,000 @ 15%)	36,750
		2,81,750			**2,81,750**
IIIrd year			IIIrd year		
at the end	To Bank	1.00,000	Beginning	By Balance b/d	1,81,750
at the end	To Balance c/d	1,09,013	at the end	By Interest (on	
				₹1,81,750 @ 15%)	27,263
		2,09,013			**2,09,013**
IVth year			IVth year		
at the end	To Bank	1,00,000	Beginning	By Balance b/d	1,09,013
at the end	To Balance c/d	25,365	at the end	By Interest (on	
				₹1,09,013 @ 15%)	16,352

		1,25,365			**1,25,365**
Vth year at the end	To Bank	29,170	Vth year Beginning at the end	By Balance b/d	25,365
				By Interest (on ₹25,365 @ 15%)	3,805
		29,170			**29,170**

SOLUTION : 48.

Dr. **REVALUATION A/C** **Cr.**

Particulars	₹	Particulars		₹
To Building A/c	1,00,000	By Land A/c		1,20,000
To Furniture A/c	20,000	By Loss transferred to Partners'		
To Provision for Doubtful		Capital A/cs		
Debts A/c	5,000	Kushal	3,000	
		Kumar	1,000	
		Kavita	1,000	5,000
	1,25,000			**1,25,000**

Dr. **PARTNERS' CAPITAL A/CS** **Cr.**

Particulars	Kushal	Kumar	Kavita	Particulars	Kushal	Kumar	Kavita
	₹	₹	₹		₹	₹	₹
To Revaluation				By Balance b/d	3,00,000	2,80,000	3,00,000
A/c	3,000	1,000	1,000	By General			
To Kavita's				Reserve A/c	72,000	24,000	24,000
Capital A/c				By Kushal's			
(Goodwill)	6,000	2,000	—	Capital A/c			
To Cash A/c	—	—	33,100	(Goodwill)	—	—	6,000
To Kavita's				By Kumar's			
Loan A/c	—	—	2,97,900	Capital A/c			
To Balance c/d	3,63,000	3,01,000		(Goodwill)			2,000
	3,72,000	**3,04,000**	**3,32,000**		**3,72,000**	**3,04,000**	**3,32,000**
To Kumar's				By Balance b/d	3,63,000	3,01,000	
Current A/c		1,35,000		By Kushal's			
To Balance c/d	4,98,000	1,66,000		Current A/c	1,35,000		
	4,98,000	**3,01,000**			**4,98,000**	**3,01,000**	

BALANCE SHEET OF RECONSTITUTED FIRM as at 1st April. 2012

Liabilities	₹	Assets		₹
Creditors	1,20,000	Cash		36,900
B/P	1,80,000	Debtors	2,00,000	
Kavita's Loan A/c	2,97,900	**Less :** Provision	15,000	1,85,000

Capital A/cs :			Stock	2,20,000
Kushal	4,98,000		Furniture	1,00,000
Kumar	1,66,000	6,64,000	Building	2,00,000
Kumar's Current A/c		1,35,000	Land	5,20,000
			Kushal's Current A/c	1,35,000
		13,96,900		**13,96,900**

Working Notes:

Adjustment of Capital:

Total Capital of Kushal and Kumar = ₹3,63,000 + ₹3,01,000 = ₹6,64,000

Kushal's Capital should be = 6,64,000 x 3/4 = ₹4,98,000

Kumar's Capital should be = 6,64,000 x 1/4 = ₹1,66,000

	Kushal ₹	**Kumar** ₹
Capital required in the new firm	4,98,000	1,66,000
Less : Existing balance in Capital Accounts	3,63,000	3,01,000
Amount transferred to Current Accounts	**1,35,000 (Dr.)**	**1,35,000 (Cr.)**

SOLUTION : 49.

Calculation of new capital :

Balance in A's Capital Account	1,90,000
Balance in C's Capital Account	80,000
Amount payable to B	1,50,000
Total Capital of new firm	**4,20,000**

New Ratio of A and C = 5 : 2

A's new capital = ₹4,20,000 x 5/7 = ₹3,00,000

C's new capital = ₹4,20,000 x 2/7 = ₹1,20,000

Amount to be brought in by A and C :

	A(₹)	**B(₹)**
Capital required	3,00,000	1,20,000
Less : Existing Capital	1,90,000	80,000
Amount to be brought in	**1,10,000**	**40,000**

JOURNAL

Date	**Particulars**		**L.F.**	**Dr.(₹)**	**Cr.(₹)**
	Bank A/c	Dr.		1,50,000	
	To A's Capital A/c				1,10,000
	To C's Capital A/c				40,000
	(Amount brought in by A and C)				
	B's Capital A/c	Dr.		1,50,000	

	To Bank A/c			1,50,000
	(Amount paid off to B)			

SOLUTION : 50.

JOURNAL

Date	Particulars		L.F.	Dr.(₹)	Cr.(₹)
	P's Capital A/c	Dr.		6,000	
	Q's Capital A/c	Dr.		4,000	
	R's Capital A/c	Dr.		2,000	
	To Goodwill A/c				12,000
	(Goodwill appearing in the books written off on R's retirement)				
	P's Capital A/c	Dr.		3,000	
	Q's Capital A/c	Dr.		2,000	
	To R's Capital A/c				5,000
	(R's share of goodwill debited to P and Q in gaining ratio of 3 :2)				
	Bank A/c	Dr.		15,000	
	To P's Capital A/c				5,000
	To Q's Capital A/c				10,000
	(Amount brought in by P and Q)				
	R's Capital A/c	Dr.		21,000	
	To Bank A/c				21,000
	(Amount paid off to R)				

Dr. **CAPITAL ACCOUNTS** **Cr.**

Particulars	P	Q	R	Particulars	P	Q	R
	₹	₹	₹		₹	₹	₹
To Goodwill A/c	6,000	4,000	2,000	By Balance b/d	40,000	20,000	18,000
To R's Capital A/c	3,000	2,000		By P's Capital A/c			3,000
To Balance c/d '	31,000	14,000	21,000	By Q's Capital A/c			2,000
	40,000	**20,000**	**23,000**		**40,000**	**20,000**	**23,000**
To Bank A/c			21,000	By Balance b/d	31,000	14,000	21,000
To Balance c/d	36,000	24,000		By Bank A/c	5,000	10,000	
	36,000	**24,000**	**21,000**		**36,000**	**24,000**	**21,000**

OPENING BALANCE SHEET

as at.

Liabilities		₹	Assets	₹
Creditors		14,000	Bank	4,000
Capitals :			Other Assets	70,000
P	36,000			

	Q	24,000	60,000	
			74,000	**74,000**

Total Capital of the new firm after R's retirement should be :

	₹
Amount required to pay off R	21,000
Add: Existing Capital of P	31,000
Add: Existing Capital of Q	14,000
Add: Cash required as working capital	4,000
	70,000
Less : Cash at Bank (existing in Balance Sheet)	10,000
Total Capital of the new firm	**60,000**

This Capital should be in the new profit sharing ratio of P and Q
Therefore P's new Capital should be = 60,000 x 3/5 = ₹36,000
Q's new Capital should be = 60,000 x 2/5 = ₹24,000
Amount to be brought in P and Q :

	P ₹	Q ₹
Capital required	36,000	24,000
Less : Existing Capital	31,000	14,000
Amount to be brought in	**5,000**	**10,000**

SOLUTION : 51.

Dr. REVALUATION ACCOUNT Cr.

Particulars		₹	Particulars	₹
To Furniture		8,000	By Provision for Bad &	
To Outstanding Rent		1,500	Doubtful Debts	500
To Profit on			By Land & Building	
revaluation :				12,000
A	1,000			
B	1,000			
C	1,000	3,000		
		12,500		**12,500**

Dr. CAPITAL ACCOUNTS Cr.

Particulars	A	B	C	Particulars	A	B	C
	₹	₹	₹		₹	₹	₹
To B's Capital				By Balance b/d	60,000	40,000	32,000
A/c				By General			
(Goodwill)	15,360		3,840	Reserve A/c	10,000	10,000	10,000
To Bal. c/d	57,640	72,200	41,160	By P & L A/c	2,000	2,000	2,000

				By Revaluation	1,000	1,000	1,000
				By A's Capital A/c (Goodwill)		15,360	
				By C's Capital A/c (Goodwill)		3,840	
	73,000	**72,200**	**45,000**		**73,000**	**72,200**	**45,000**
To Bank A/c		72,200		By Balance b/d	57,640	72,200	41,160
To Balance c/d	1,05,480		70,320	By Bank A/c	47,840		29,160
	1,05,480	**72,200**	**70,320**		**1,05,480**	**72,200**	**70,320**

BALANCE SHEET (After B's Retirement) as at 1st April, 2017

Liabilities		₹	Assets		₹
B/P		20,000	Bank		24,800
Creditors		40,000	Stock		20,000
Outstanding Rent		1,500	Furniture		20,000
Capitals :			Debtors	45,000	
A	1,05,480		**Less:** Provision	4,500	40,500
C	70,320	1,75,800	Land & Building		1,32,000
		2,37,300			**2,37,300**

Working Notes :

(1) Calculation of Gaining Ratio :

Gaining Ratio = New Ratio - Old Ratio

A = 3/5 – 1/3 = (9 – 5)/15 = 4/15

C = 2/5 – 1/3 = (6 – 5)/15 = 1/15

Gaining Ratio = 4:1

(2) Adjustment for Goodwill:

B's share in Goodwill = 57,600 x 1/3 = ₹19,200, which is to be contributed by A and C in their gaining ratio of 4 : 1 as under :

A = 19,200 x 4/5 = ₹15,360

C = 19,200 x 1/5 = ₹3,840

(3) Calculation of Proportionate Capital:

Total Capital of the new firm after B's retirement should be:

	₹
Amount required to pay off B	72,200
Add: Existing balance in A's Capital Account	57,640
Add: Existing balance in C's Capital Account	41,160
Add: Required Cash balance	24,800
	1,95,800

Less : Bank, balance (Existing in Balance Sheet)	20,000
Total Capital of the new firm	**1,75,800**

This Capital should be in the new profit sharing ratio of A and C :
Hence, A's new Capital should be 1,75,800 x 3/5 = ₹1,05,480
C's new Capital should be 1,75,800 x 2/5 = ₹70,320

	A	C
	₹	₹
Capital required in the new firm	1,05,480	70,320
Less : Existing Balance in Capital Account	57,640	41,160
Amount to be brought in	**47,840**	**29,160**

SOLUTION : 52.

Amount agreed to be paid in full settlement	2,40,000
Less : Y's Capital (after all adjustments)	2,00,000
Hidden Goodwill	**40,000**

JOURNAL

Date	Particulars	L.F.	Dr.(₹)	Cr.(₹)
	X's Capital A/c Dr.		10,000	
	Z's Capital A/c Dr.		30,000	
	To Y's Capital A/c			40,000
	(Y's share of goodwill adjusted to the capital accounts of X and Z in their gaining ratio 1 : 3)			

Calculation of Gaining Ratio :
X Gains = 1/2 – 4/9 = (9 – 8)/18 = 1/18
Z Gains = 1/2 – 3/9 = (9 – 6)/18 = 3/18
Thus, Gaining Ratio = 1/18: 3/18 or 1 : 3

Death of a Partner

SOLUTION : 53.

Average Profit = (₹40,000 + ₹50,000 + ₹72,000)÷3 = ₹54,000.
Five month's profit, i.e., from 1st April, 2011 to 31st August, 2011
= ₹54,000 x 5/12 = ₹22,500.
Share of B till his death = ₹22,500 x 1/3 = ₹7,500.

JOURNAL ENTRY

Date	Particulars	L.F.	Dr.(₹)	Cr.(₹)
2011	Profit and Loss Suspense A/c Dr.		7,500	
Aug. 31	To B's Capital A/c			7,500
	(B's share of profit till the date of his death)			

SOLUTION : 54.

Working Notes :

(i) Mohan's share of Goodwill = ₹75,000 x 2/5 = ₹30,000. It will be debited to the Capital accounts of Hari and Sohan in their gaining ratio, i.e. 2 : 1.

(ii) Number of days from March 31 to August 24 = 146

Mohan's share of Profit = ₹2,00,000 x 146/365 = ₹32,000.

JOURNAL

Date	Particulars	L.F.	Dr.(₹)	Cr.(₹)
24.8.17	Hari's Capital A/c Dr.		20,000	
(i)	Sohan's Capital A/c Dr.		10,000	
	To Mohan's Capital A/c			30,000
	(Mohan's share of goodwill adjusted into the Capital A/cs of Hari and Sohan in their gaining ratio, i.e. 2:1)			
(ii)	Profit and Loss Suspense A/c Dr.		32,000	
	To Mohan's Capital A/c			32,000
	(Mohan's share of profit upto 24th August 2017)			

SOLUTION : 55.

Profit from 1st April 2011 to 31st December, 2011 on the basis of sales:

If sales are ₹4,00,000, profit is ₹60,000

If sales are ₹3,30,000 profit will be: (60,000/4,00,000) x 3,30,000 = ₹49,500

A's share will be = ₹49,500 x 4/9 = ₹22,000.

SOLUTION : 56.

Dr. SINDHU'S CAPITAL ACCOUNT Cr.

Particulars	₹	Particulars	₹
To Sindhu's Loan A/c	20,000	By Balance b/d	1,20,000
To Sindhu's Executor's A/c	1,75,900	By General Reserve	3,000
		By Rahul's Capital A/c **(Note 1)**	20,571
		By Kamlesh's Capital A/c **(Note 1)**	27,429
		By Profit & Loss Suspense A/c	

		(Note 2)	22,500
		By Interest on Capital	2,400
	1,95,900		**1,95,900**

Value being highlighted — Support/Sympathy towards orphan girls.

Working Notes :

(1) Calculation of Goodwill:

Goodwill = 2 year's purchase of average profit of the last three years = 2 x ₹80,000 = ₹1,60,000

Sindhu's Share of Goodwill = ₹1,60,000 x 3/10= ₹48,000

Sindhu's Share of Goodwill will be debited to Rahul & Kamlesh in their gaining ratio i.e. 3 : 4

Rahul's contribution = 48,000 x 3/7 = 20,571

Kamlesh's contribution = 48,000 x 4/7 = 27,429

(2) Sindhu's Share of Profit:

%Profit on sales = (Profit/Sales) x 100 =(₹2,00,000/₹8,00,000) x 100 = 25%

Profit from 1st April to 31st July = ₹3,00,000 x 25/100= ₹75,000

Sindhu's Share of profit to the date of death = ₹75,000 x 3/10 = ₹22,500

SOLUTION : 57.

(i) Calculation of Gaining Ratio :

B = 7/10 – 3/10 = 4/10

C = 3/10 – 2/10 = 1/10

Thus Gaining Ratio = 4:1

(ii) Valuation of Goodwill:

Total Profit = 8,000 + 12,000 + 7,000 = ₹27,000

Average Profit = 27,000 ÷ 3 = ₹9,000

Hence, Goodwill at four year's purchase = 9,000 x 4 = ₹36,000

A's share of Goodwill = 36,000 x 5/10 = ₹18,000

It will be adjusted into the Capital accounts of B and C in the gaining ratio of 4 : 1.

(iii) Share of Profit payable to A (Upto the date of death):

7,000 x 6/12 x 5/10 = ₹1,750

It will be debited to B and C in their gaining ratio of 4 : 1. It should not be debited to Profit & Loss Suspense A/c because profit sharing ratio between B and C has changed from 3 : 2 to 7 : 3.

Dr. **A'S CAPITAL ACCOUNT** **Cr.**

Particulars	₹	Particulars	₹
To Advertisement Suspense A/c	4,000	By Balance b/d	24,000
(8,000 x 5/10)		By Reserves (6,000 x 5/10)	3,000
To A's Executor's A/c	44,190	By Interest on Capital (24,000 x 12/100x6/12)	1,440
		By B's Capital A/c (Goodwill) (18,000 x 4/5)	14,400
		By C's Capital A/c (Goodwill)	

		(18,000 x 4/5)	3,600
		By B's Capital A/c	
		(Share of Profit) (₹1,750 x 4/5)	1,400
		By C's Capital A/c	
		(Share of Profit) (1,750 x 1/5)	350
	48,190		**48,190**

SOLUTION : 58.

Dr. QURESHI'S CAPITAL ACCOUNT Cr.

Particulars		Particulars	
To Qureshi's Loan A/c	1,00,000	By Balance b/d	1,00,000
To Interest on Qureshi's Loan A/c**(3)**	4,000	By Reserve Fund	50,000
		By Profit and Loss Suspense A/c**(1)**	2,625
To Qureshi's Executor's A/c (Bal. Fig.)	68,875	By Pooja's Capital A/c**(2)**	13,500
		By Ross's Capital A/c**(2)**	6,750
	1,72,875		**1,72,875**

Working Notes :

(1) Qureshi's Share of Profit till the date of death :

Average profit = (₹45,000 + ₹48,000 + ₹33,000) ÷ 3 = ₹42,000

Qureshi's Share of Profit till the date of death = ₹42,000 x 1/4 x 3/12 = ₹2,625

(2) Share of Goodwill:

(i) Total Profit of Last two Years = ₹48,000 + ₹33,000 = ₹81,000

(ii) Qureshi's Share = ₹81,000 x 1/4 = ₹20,250

₹20,250 will be contributed by Pooja and Ross in their Gaining Ratio of 2 : 1.

Pooja's Contribution = ₹20,250 x 2/3 = ₹13,500

Ross's Contribution = ₹20,250 x 1/3 = ₹6,750

(3) Interest on Qureshi's Loan = ₹1,00,000 x 6/100 x 3/12 = ₹1,500 or ₹4,000, whichever is more

SOLUTION : 59.

JOURNAL

Date	Particulars	L.F.	Dr.(₹)	Cr.(₹)
2015	Vrinda's Capital A/c Dr.		60,000	
Feb. 1	To Ghanshyam's Capital A/c			60,000
	(Ghanshyam's share of goodwill adjusted by debiting gaining partner)			
	Vrinda's Capital A/c Dr.		18,750	
	To Ghanshyam's Capital A/c			18,750
	(Ghanshyam's share of profit adjusted by debiting gaining partner)			

Working Notes :

(1) Calculation of Ghanshyam's Share of Goodwill:

Total profit of last four years = ₹1,20,000 + ₹80,000+ ₹40,000 + ₹80,000 = ₹3,20,000

Ghanshyam's share in last four years' profit = ₹3,20,000 x 3/8 = ₹1,20,000

Ghanshyam's share of Goodwill = ₹1,20,000 x 1/2 = ₹60,000

(2) Calculation of gaining ratio:

Gaining Ration New share – Old share

Ram Gains = 1/2 – 4/8 = Nil

Vrinda Gains = 1/2 – 1/8 = (4 – 1)/8 = 3/8

Hence, Vrinda is the only gaining partner.

(3) Ghanshyam's share of profit to the date of death :

Average profit or past two years = (₹40,000 + ₹80,000) ÷ 2 = ₹60,000

Profit for 10 months

(from 1st April, 2014 to 1st February, 2015) = ₹60,000 x 10/12= ₹50,000

Ghanshyam's share of profit = ₹50,000 x 3/8 = ₹ 18,750

Because of change in the profit sharing ratio of continuing partners, Ghanshyam's share of profit will be adjusted through Vrinda's Capital Account (gaining partner) not through Profit and Loss Suspense A/c.

SOLUTION : 60.

JOURNAL ENTRIES IN THE BOOKS OF THE FIRM

Date	Particulars	L.F.	Dr.(₹)	Cr.(₹)
2015	Manav's Capital A/c Dr.		95,000	
Sept. 30	Narayan's Capital A/c Dr.		95,000	
	To Nath's Capital A/c (₹3,80,000 x 2/4)			1,90,000
	(Nath's share of goodwill adjusted in the capital accounts of the existing partners in their gaining ratio, i.e., 1:1)			
Sept. 30	Nath's Capital A/c (₹30,000 x 2/4) Dr.		15,000	
	To Profit & Loss A/c			15,000
	(Nath's share in debit balance of P & L A/c transferred)			
Sept. 30	Profit & Loss Suspense A/c(₹90,000 x 6/12 x 2/4) Dr.		22,500	
	To Nath's Capital A/c			22,500
	(Nath's share of profit upto the date of his death transferred)			
Sept. 30	Nath's Capital A/c Dr.		1,92,500	
	To Nath's Executors' A/c**(1)**			1,92,500
	(Amount due to Nath transferred to his Executor's Account)			

Working Note: (1)

Dr. NATH'S CAPITAL ACCOUNT Cr.

Particulars	Amount	Particulars	Amount
	₹		₹
To Balance b/d	5,000	By Manav's Capital A/c	95,000

To Profit & Loss A/c To Nath's Executors' A/c (Balancing figure)	15,000 1,92,500 **2,12,500**	By Narayan's Capital A/c By Profit & Loss Suspense A/c (Share of Profit)	95,000 22,500 **2,12,500**

SOLUTION : 61.

JOURNAL

Date	Particulars		L.F.	Dr.(₹)	Cr.(₹)
2015	C's Capital A/c (2/12 of ₹6,00,000)	Dr.		1,00,000	
March	D's Capital A/c (2/12 of ₹6,00,000)	Dr.		1,00,000	
1	To A's Capital A/c (1/12 of ₹6,00,000)				50,000
	To B's Capital A/c (3/12 of ₹6,00,000)				1,50,000
	(Sacrificing partners goodwill borne by gaining partners C and D)				

Working Notes :

Calculation of Gaining Ratio:

	A	B	C	D
New Ratio	1/3		1/3	1/3
Old Ratio	5/12	3/12	2/12	2/12
New Ratio – Old Ratio	**1/12(Sacrifice)**	**3/12(Sacrifice)**	**2/12(Gain)**	**2/12(Gain)**

SOLUTION : 62 (A).

Profit Sharing Ratio of Brown and Smith = 1/2 : 1/3 or 3 : 2

(i) Share in profits (upto the date of death):

Average Profit = (₹4,200 + ₹3,900 + ₹4,500) ÷ 3 = ₹4,200

Share in profits = 4,200 x 4/12 x 2/5 = ₹560

(ii) Share in Goodwill:

Goodwill = 4,200 + 3,900 + 4,500 = ₹12,600

Share in goodwill = 12,600 x 2/5 = ₹5,040

Dr. SMITH'S CAPITAL A/C Cr.

Particulars	₹	Particulars	₹
To Smith's Executor's A/c-balance transferred	12,800	By Balance b/d	6,000
		By Reserve	1,200
		By P & L Suspense A/c	560

		By Brown's Capital A/c (Goodwill)	5,040
	12,800		**12,800**

SOLUTION : 62 (B).

(i) Goodwill :

Average Profit = ₹(9,000 + 20,000 + 16,000) ÷ 3 = ₹15,000

Total Goodwill of the firm = 15,000 x 90/100 x 2 = ₹27,000

Y's share = 27,000 x 1/3 = ₹9,000.

Dr. Y's CAPITAL A/C Cr.

Particulars	₹	Particulars	₹
To Goodwill A/c (1/3 x 9,000)		By Balance b/d	27,000
(Goodwill appearing in the		By Workmen Comp. Reserve	6,000
Balance Sheet ₹9,000		By X's Capital A/c	
written off)	3,000	(Goodwill : 27,000 x 1/3)	9,000
To Y's Executor's A/c -		By Revaluation (1/3 of 6,600)	2,200
balance transferred	42,010		
		By Interest on Capital	
		(From 1st April to 30th June)	810
	45,010		**45,010**

SOLUTION : 63.

Dr. B's CAPITAL A/C Cr.

Particulars	₹	Particulars	₹
To B's Executor's A/c	38,400	By Balance b/d	20,000
		By Reserve (4,000 x 3/10)	1,200
		By Workmen Compensation	
		Reserve (6,000 x 3/10)	1,800
		By A's Capital A/c **(1)** (Goodwill)	
		(8,400 x 5/7)	6,000
		By C's Capital A/c (Goodwill)	
		(8,400 x 2/7)	2,400
		By Profit & Suspense A/c **(2)**	3,000
		By Interest on Capital	1,000
		By Revaluation A/c (Profit) **(3)**	3,000
	38,400		**38,400**

Working Notes :

(1) Firm s Goodwill = (10,000 + 13,000 + 12,000 + 15,000 +20,000)/5 x 2

= 14,000 x 2 = ₹28,000

B's Share of Goodwill = ₹28,000 x 3/10 = ₹8,400 which is contributed by A

and C in their gaining ratio i.e. 5 : 2.

(2) B's Share of Profit till the date of death = 20,000 x 6/12 x 3/10 = ₹3,000

(3)

Dr. REVALUATION ACCOUNT Cr.

Particulars		₹	Particulars	₹
To Machinery		2,000	By Patents	2,000
To Profit on Revaluation			By Building	10,000
transferred to :				
A's Capital A/c	5,000			
B's Capital A/c	3,000			
C's Capital A/c	2,000	10,000		
		12,000		**12,000**

Value Highlighted: **Sensitivity towards people living in the village.**

SOLUTION : 64.

(i) Goodwill = (33,500 + 41,500 + 40,500)/3 x 2 = ₹77,000

A's share = 77,000 x 2/3 = ₹51,333

It will be credited to A and will be debited to B and C in their gaining ratio i.e., 1/6 : 1/6 or equally

(ii) Share of Profit:

A's Share = 40,500 x 3/12 x 2/3 =₹6,750.

Dr. A'S CAPITAL A/C Cr.

Particulars	₹	Particulars	₹
To Drawings	9,000	By Balance b/d	1,20,000
To A's Executor's A/c-		By Interest on Capital (3 months)	1,500
balance transferred	1,70,583	By B's Capital A/c (Goodwill)	25,667
		By C's Capital A/c (Goodwill)	25,666
		By P & L Suspense A/c	6,750
	1,79,583		**1,79,583**

SOLUTION : 65.

Dr. B's CAPITAL ACCOUNT Cr.

Date	Particulars	₹	Date	Particulars	₹
2017 June 15	To Goodwill (written off) (2/5 of 30,000)	12,000	2017 Apr. 1	By Balance b/d	25,000
			June 15	By Reserve Fund	10,000