

Admission of a Partner

To Revaluation A/c			3,400
(Loss on revaluation debited to the old partners)			
Gautam's Capital A/c	Dr.	22,000	
To furniture A/c			22,000
(Furniture taken over by the Gautam)			
General Reserve A/c	Dr.	10,000	
To Gautam's Capital A/c			4,000
To Rahul's Capital A/c			6,000
(General Reserve transferred to old partners capital accounts)			
Gautam's Capital A/c	Dr.	4,000	
Rahul's Capital A/c	Dr.	6,000	
To Goodwill A/c			10,000
(Goodwill written off from the capital accounts of the old partners in the old ratio)			
Cash A/c	Dr.	50,000	
To Karim's Capital A/c			40,000
To Premium for goodwill A/c			10,000
(Cash brought in for capital and goodwill)			
Gautam's Capital A/c (1)	Dr.	5,000	
Premium for goodwill A/c	Dr.	10,000	
To Rahul's Capital A/c			15,000
(Rahul compensated for sacrifice of 3/10 share of profit)			

BALANCE SHEET OF GAUTAM, RAHUL AND KARIM as at 1st April, 2014

Liabilities	₹	Assets	₹
Capital Accounts :		Stock	15,000
Gautam 1,640		Sundry Debtors 12,000	
Rahul 52,960		Less : Provision for	
Karim 40,000	94,600	Doubtful debts 2,400	9,600
Sundry Creditors	5,000	Cash in hand	90,000
Bills Payable	15,000		
	1,14,600		1,14,600

Working Notes:

(1) Calculation of Sacrificing/Gaining Ratio:

Old Ratio: Gautam and Rahul 2 : 3

New Ratio: Gautam, Rahul and Karim 5:3:2

Gautam = $\frac{2}{5} - \frac{5}{10} = \frac{1}{10}$ (Gain)

Rahul = $\frac{3}{5} - \frac{3}{10} = \frac{3}{10}$ (Sacrifice)

Amount for Goodwill brought in by Karim for his $\frac{2}{10}$ th share = ₹10,000

Total Value of Firm's Goodwill based on Karim's share = $10,000 \times \frac{10}{2} = ₹50,000$ Hence, amount of goodwill contributed by Gautam = $50,000 \times \frac{1}{10} = ₹5,000$

(2)

Dr. CAPITAL ACCOUNTS				Cr.			
Particulars	Gautam	Rahul	Karim	Particulars	Gautam	Rahul	Karim
	₹	₹	₹		₹	₹	₹
To Revaluation A/c	1,360	2,040		By Bal. b/d .	30,000	40,000	
To Furniture A/c	22,000			By Gen. Res. A/c	4,000	6,000	
To Goodwill A/c	4,000	6,000		By Cash A/c			40,000
To Rahul's Capital A/c	5,000			By Gautam's Capital A/c		5,000	
To Bal. c/d	1,640	52,960	40,000	By Premium for Goodwill A/c		10,000	
	34,000	61,000	40,000		34,000	61,000	40,000

SOLUTION: 59.

Dr. REVALUATION ACCOUNT				Cr.	
Particulars	₹	Particulars	₹		
To Land and Building A/c	20,000	By Sundry Creditors A/c	1,200		
To Stock A/c	3,200	By Loss transferred to Capital Accounts :			
To Provision for Doubtful Debts A/c	1,000	A	13,800		
		B	9,200		
	24,200		23,000		
			24,200		

Dr. CAPITAL ACCOUNTS								Cr.	
Particulars	A	B	C	Particulars	A	B	C		
	₹	₹	₹		₹	₹	₹		
To Revaluation	13,800	9,200		By Bal. b/d	86,000	64,000			
To Goodwill (Goodwill written off)	6,000	4,000		By General Reserve	12,000	8,000			
To Balance c/d	82,200	62,800	50,000	By Bank A/c			50,000		
				By C's Current A/c	4,000	4,000			
	1,02,000	76,000	50,000		1,02,000	76,000	50,000		

OPENING BALANCE SHEET as at 1st April. 2012

Liabilities	₹	Assets	₹
Sundry Creditors	30,000	Cash in hand	1,200
Capital Accounts :		Cash at Bank	54,000
A	82,200	Sundry Debtors	20,000
B	62,800	Less : Provision	1,000
C	<u>50,000</u>	Stock	32,800
	1,95,000	Plant and Machinery	70,000
		Land and Building	40,000

Admission of a Partner

		C's Current A/c	8,000
	2,25,000		2,25,000

SOLUTION: 60.

JOURNAL ENTRIES

Date	Particulars	L.F.	Dr.(₹)	Cr.(₹)
2012 April 1	Reserve Fund A/c Dr.		15,000	
	To X's Capital A/c			9,000
	To Y's Capital A/c			6,000
	(Transfer of Reserve Fund)			
	Freehold Premises A/c Dr.		50,000	
	To Revaluation A/c			50,000
	(Increase in the value of Freehold Property)			
	Revaluation A/c Dr.		30,000	
	To Plant a/c			20,000
	To Prepaid Expenses A/c			4,000
	To Creditors A/c			6,000
	(Decrease in the value of Assets and increase in Creditors)			
	Revaluation A/c Dr.		5,000	
	Provision for Doubtful Debts A/c Dr.		3,000	
	To Debtors A/c			8,000
	(Bad Debts amounting to ₹8,000 written off)			
	Revaluation A/c Dr.		15,000	
	To X's Capital A/c			9,000
	To Y's Capital A/c			6,000
	(Transfer of profit on revaluation)			
	X's Capital A/c Dr.		6,000	
	Y's Capital A/c Dr.		4,000	
	To Goodwill A/c			10,000
	(Goodwill already existing in the books written off in the old ratio i.e., 3 : 2)			
	Cash A/c Dr.		2,08,000	
	To Z's Capital A/c			2,00,000
	To Premium for Goodwill A/c			8,000
	(Z brings in ₹2,00,000 for his Capital and ₹8,000 as premium for goodwill)			
	Premium for Goodwill A/c Dr.		8,000	
	To X's Capital A/c			4,800
	To Y's Capital A/c			3,200
	(Premium for goodwill shared by X and Y in their sacrificing ratio i.e., 3 : 2)			
	X's Capital A/c Dr.		4,800	
	Y's Capital A/c Dr.		3,200	
	To Cash A/c			8,000
	(Premium for Goodwill withdrawn by X and Y)			

Admission of a Partner

Cash A/c	Dr.	40,000	
To Y's Capital A/c			40,000
(Additional Capital introduced by Y)			

Dr.		REVALUATION ACCOUNT		Cr.	
Particulars	₹	Particulars	₹		
To Plant A/c	20,000	By Freehold Premises A/c	50,000		
To Prepaid Exp. A/c	4,000				
To Creditors A/c	6,000				
To Debtors A/c	5,000				
To Profit transferred to Capital A/c:					
X 9,000					
Y 6,000	15,000				
	50,000				50,000

Dr.		CAPITAL ACCOUNTS				Cr.	
Particulars	X	Y	Z	Particulars	X	Y	Z
	₹	₹	₹		₹	₹	₹
To Goodwill A/c	6,000	4,000		By Balance b/d	2,50,000	1,50,000	
To Cash A/c	4,800	3,200		By Reserve Fund A/c	9,000	6,000	
To Balance c/d	2,62,000	1,98,000	2,00,000	By Revaluation A/c	9,000	6,000	
				By Cash A/c			2,00,000
				By Premium for Goodwill A/c	4,800	3,200	
				By Cash A/c		40,000	
	2,72,800	2,05,200	2,00,000		2,72,800	2,05,200	2,00,000

BALANCE SHEET (after Z's admission) as at April 1, 2012

Liabilities	₹	Assets	₹
Creditors	45,000	Cash	2,45,000
Provident Fund	18,000	Debtors	92,000
Capitals :		Stock	40,000
X 2,62,000		Furniture	16,000
Y 1,98,000		Plant	80,000
Z 2,00,000	6,60,000	Freehold Premises	2,50,000
	7,23,000		7,23,000

Working Note (1) Valuation of Goodwill:

Average Profits = $(20,000 + 35,000 - 15,000 + 40,000) \div 4 = ₹20,000$

Goodwill (at 1½ year's purchase) = $20,000 \times 1\frac{1}{2} = ₹30,000$

Admission of a Partner

Z's share of Goodwill = $30,000 \times \frac{4}{15} = ₹8,000$

SOLUTION : 61.

Dr.		REVALUATION ACCOUNT		Cr.	
Particulars		₹	Particulars		₹
To Creditors		10,000	By Premises '		50,000
To Outstanding Rent		12,000	By Stock		5,000
To Profit transferred to :			By Prepaid Salaries		2,000
A's Capital A/c	25,000		By Provident Fund		5,000
Ts Capital A/c	15,000	40,000			
		62,000			62,000

CAPITAL ACCOUNTS

Particulars	X	Y	Z	Particulars	X	Y	Z
	₹	₹	₹		₹	₹	₹
To Advertisement Exp. (5:3)	10,000	6,000	—	By Bal. b/d	2,60,000	1,35,000	
To Bal. c/d	3,15,000	1,73,000	1,50,000	By Workmen's Compensation Reserve (5:3)	15,000	9,000	
				By Revaluation	25,000	15,000	
				By Premium for Goodwill (5 : 4)	10,000	8,000	
				By Z's Current A/c (5 : 4)	15,000	12,000	
				By Bank			1,50,000
	3,25,000	1,79,000	1,50,000		3,25,000	1,79,000	1,50,000

BALANCE SHEET as at 1st April, 2009

Liabilities	₹	Assets	₹
Creditors	60,000	Bank	
Outstanding Rent	12,000	(29,000 + 13,000 + 1,50,000)	1,97,000
Provident Fund	10,000	Debtors	1,80,000
Liability for Workmen's Compensation Claim	16,000	Stock	1,30,000
Capital A/cs :		Premises	2,00,000
X	3,15,000	Prepaid Salaries	2,000
Y	1,73,000	Z's Current A/c	27,000
Z	1,50,000		
	<u>6,38,000</u>		
	7,36,000		7,36,000

Working Notes:

(i) Calculation of Sacrificing Ratios :

X's old share $\frac{5}{8}$; X surrenders $\frac{1}{4}$ th of $\frac{5}{8}$ in favour of Z

It means X has surrendered $\frac{1}{4} \times \frac{5}{8} = \frac{5}{32}$

Admission of a Partner

Y's old share $\frac{3}{8}$ surrenders $\frac{1}{3}$ rd of $\frac{3}{8}$ in favour of Z,

It means Y has surrendered $\frac{1}{3} \times \frac{3}{8} = \frac{1}{8}$

Therefore, Sacrificing Ratio = $\frac{5}{32} : \frac{1}{8} = 5:4$

(ii) Calculation of New Ratios:

X's new share = $\frac{5}{8} - \frac{5}{32} = \frac{(20 - 5)}{32} = \frac{15}{32}$

Y's new share = $\frac{3}{8} - \frac{1}{8} = \frac{2}{8}$

Z's share = $\frac{5}{32} + \frac{1}{8} = \frac{9}{32}$

Hence, the new ratios of X, Y and Z = $\frac{15}{32} : \frac{2}{8} : \frac{9}{32} = (15: 8: 9)/32 = 15:8:9$

(iii) Z's share of Goodwill = $1,60,000 \times \frac{9}{32} = ₹45,000$

Out of this $\frac{2}{5}$ th i.e. $45,000 \times \frac{2}{5} = ₹18,000$ is brought in cash and the remaining ₹27,000 is not brought in cash.

SOLUTION : 62 (A).

JOURNAL

Date	Particulars	L.F.	Dr.(₹)	Cr.(₹)
2013 April, 1	Bank A/c Dr. To Somesh's Capital A/c (Amount of capital brought in by Somesh)		1,20,000	1,20,000
April, 1	Somesh's Current A/c Dr. To Hemant's Capital A/c To Nishant's Capital A/c (Somesh's share of goodwill credited to sacrificing partner's capital A/cs)		44,000	26,400 17,600

Working Notes:

Total Capital of the new firm on the basis of Somesh's Capital

i.e., $1,20,000 \times \frac{5}{1} = ₹6,00,000$

Less: Total Capital of Hemant, Nishant and Somesh i.e.,

$₹1,60,000 + ₹1,00,000 + ₹1,20,000 = 3,80,000$

Value of the Goodwill of the firm 2,20,000

Somesh's share of goodwill = $₹2,20,000 \times \frac{4}{5} = ₹44,000$

SOLUTION: 62 (B).

In this question the amount of goodwill is hidden, which will be calculated as follows:

Based on Z's share, the total capital of the new firm ought to be

$₹12,00,000 \times \frac{5}{1} = ₹60,00,000$

Less	: Capital of X	(13,00,000 + $\frac{1}{3}$ of 6,00,000) =	15,00,000	
	Capital of Y	(20,00,000 + $\frac{2}{3}$ of 6,00,000) =	24,00,000	
	Capital of Z		12,00,000	51,00,000

Value of Goodwill : 9,00,000

Z's Share of Goodwill - $9,00,000 \times \frac{1}{5} = ₹1,80,000$

JOURNAL ENTRIES				
Date	Particulars	L.F.	Dr.(₹)	Cr.(₹)
	Profit & Loss A/c Dr. To X's Capital A/c To Y's Capital A/c ' (Accumulated profit transferred to old partner's capital accounts)		6,00,000	2,00,000 4,00,000
	Bank A/c Dr. To Z's Capital A/c (Cash brought in by Z as his capital)		12,00,000	12,00,000
	Z's Current A/c Dr. To X's Capital A/c To Y's Capital A/c (Credit given for goodwill to X and Y on Z's admission)		1,80,000	60,000 1,20,000

SOLUTION: 63.

In this question, hidden goodwill is to be calculated.

Combined Capital of Asin and Shreya will be equal to the net worth of the business.

Net Worth = Sundry Assets - Outside Liabilities

$$= ₹15,00,000 - ₹5,00,000 = ₹10,00,000$$

Hence, combined capital of Asin and Shreya is ₹10,00,000

CALCULATION OF HIDDEN GOODWILL

Based on Ajay's share, total capital of the new firm ought to be :

$$₹5,00,000 \times 5/1 = ₹25,00,000$$

Less : Net worth or Combined Capital of Asin and Shreya 10,00,000

Capital of Ajay 5,00,000

Value of Firm's Goodwill 15,00,000

Ajay's Share of Goodwill = 10,00,000 x 1/5 = ₹2,00,000.

JOURNAL ENTRIES				
Date	Particulars	L.F.	Dr.(₹)	Cr.(₹)
	Bank A/c Dr. To Ajay's Capital A/c ' (Cash brought in by Ajay as his capital)		5,00,000	5,00,000
	Ajay's Current A/c Dr. To Asin's Capital A/c To Shreya's Capital A/c (Credit given for goodwill to Asin and Shreya on Ajay's admission)		2,00,000	1,00,000 1,00,000

SOLUTION: 64.

JOURNAL ENTRIES

Date	Particulars	L.F.	Dr.(₹)	Cr.(₹)
	Z's Current A/c Dr.		1,12,000	
	To X's Capital A/c			56,000
	To Y's Capital A/c			56,000
	(Z's share of goodwill credited to X and Y in their sacrificing ratio i.e. 1:1)			

Working Notes : (i) Calculation of Hidden Goodwill:

₹

Total Capital of the new firm on the basis of Z's Capital ₹3,00,000 x y = 15,00,000

Less : Net worth of the New Firm:

Adjusted Capitals of X and Y

(₹3,00,000 + ₹1,50,000 + ₹1,60,000 for Reserve

+ ₹40,000 for P & L - ₹10,000 for Advt. Exp.)

6,40,000

Capital of Z

3,00,000

9,40,000

Value of Firm's Goodwill

5,60,000

Z's share of Goodwill = ₹5,60,000 x 1/5 = ₹1,12,000

(ii) Calculation of Sacrifice Ratio :

X = $7/10 - 3/5$ (7 - 6)/10 1/10

Y = $3/10 - 1/5$ (3 - 2)/10 1/10

Sacrifice Ratio of X and Y 1/10: 1/10 or 1:1

SOLUTION: 65.

JOURNAL ENTRIES

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2015 April 1	X's Capital A/c Dr.		18,000	
	Y's Capital A/c Dr.		12,000	
	To Goodwill A/c			30,000
	(Existing goodwill written off in old ratio of 3 : 2)			
April 1	Z's Current A/c Dr.		90,000	
	To X's Capital A/c			60,000
	To Y's Capital A/c			30,000
	(Z's share of goodwill credited to sacrificing partner's capital accounts in 2 : 1)			

Working Notes :

(i) Calculation of Sacrifice Ratio :

X surrenders $1/3$ of $3/5 = 1/5$

Y surrenders $1/4$ of $2/5 = 1/10$

Sacrifice Ratio = $1/5 : 1/10$ or 2 : 1

(ii) Calculation of Z's share = $1/5 + 1/10 = 3/10$

Admission of a Partner

(iii) Calculation of Hidden Goodwill:

₹

Total Capital of the new firm based on Z's Capital ₹3,60,000 x 12,00,000
10/3

Less : Net worth of the New Firm :

Adjusted Capitals of X and T

(₹2,70,000 + ₹1,60,000 + ₹1,00,000 for Reserve

+ ₹40,000 for P & L – ₹30,000 for existing goodwill) 5,40,000

Z's Capital	3,60,000	9,00,000
Value of Firm's Goodwill		3,00,000

Z's share of Goodwill = ₹3,00,000 x 3/10 = ₹90,000

SOLUTION : 66.

Dr. REVALUATION ACCOUNT Cr.			
Particulars	₹	Particulars	₹
To Stock A/c	7,500	By Building A/c	50,000
To Provision for Doubtful Debts A/c	1,000		
To Furniture A/c	5,000		
To Profit transferred to :			
Rajesh	21,900		
Ravi	14,600		
	36,500		
	50,000		50,000

Dr.				CAPITAL ACCOUNTS			Cr.		
Particulars		Rajesh	Ravi	Raman	Particulars		Rajesh	Ravi	Raman
		₹	₹	₹			₹	₹	₹
To Balance c/d		3,28,250	1,80,950	1,60,000	By Balance b/d		2,90,000	1,50,000	
					By Revaluation		21,900	14,600	
					By Cash A/c				1,60,000
					By Raman's Current A/c		16,350	16,350	
		3,28,250	1,80,950	1,60,000			3,28,250	1,80,950	1,60,000

OPENING BALANCE SHEET as at 1st April, 2012

Liabilities	₹	Assets	₹
Creditors	3,85,000	Cash	1,80,000
Outstanding Liabilities	40,000	Debtors	94,000
Capitals :		Less: Provision	5,000
Rajesh	3,28,250	Stock	1,42,500
Ravi	1,80,950	Prepaid Insurance	15,000
Raman	1,60,000	Furniture	45,000
	6,69,200	Machinery	1,90,000
		Building	4,00,000
		Raman's Current A/c	32,700
	10,94,200		10,94,200

Notes :

- (i) In this question the amount of goodwill is hidden, which will be found out as below :
Based on Raman's share of profit, the total capital of the firm should be : $1,60,000 \times 10/2$

Less : Capital of Rajesh

(₹2,90,000 + Profit on Revaluation ₹21,900) 3,11,900

Capital of Ravi

(₹1,50,000 + Profit on Revaluation ₹14,600) 1,64,600

Capital of Raman 1,60,000

6,36,500

Value of Goodwill

1,63,500

Raman's share of Goodwill = $1,63,500 \times 2/10 = ₹32,700$

- (ii) Raman's Current A/c will be debited by his share of Goodwill i.e., ₹32,700 and Rajesh and Ravi will be credited in their sacrificing ratio equally.
Sacrifice made by Rajesh = $3/5 - 5/10 = 1/10$
Sacrifice made by Ravi = $2/5 - 3/10 = 1/10$

Adjustment of Capital Accounts

New Partner's Capital not given:

SOLUTION 67 (A).

Dr. PROFIT AND LOSS ADJUSTMENT ACCOUNT		Cr.	
Particulars	₹	Particulars	₹
To Plant and Machinery A/c	8,000	By Stock A/c	3,000
To Provision for Doubtful Debts A/c	3,000	By Accrued Income A/c	900
		By Loss transferred to Capital Accounts :	
		Nem	4,260
		Khem	2,840
	11,000		7,100
			11,000

Dr. CAPITAL ACCOUNTS				Cr.			
Particulars	Nem	Khem	Prem	Particulars	Nem	Khem	Prem
	₹	₹	₹		₹	₹	₹
To Profit & Loss Adjustment A/c	4,260	2,840	—	By Bal. b/d	50,000	40,000	—
To Balance c/d	87,740	65,160	76,450	By Reserve Fund	30,000	20,000	—
				By Premium for Goodwill A/c	12,000	8,000	—
				By Bank A/c			76,450
	92,000	68,000	76,450		92,000	68,000	76,450

OPENING BALANCE SHEET as at

Liabilities	₹	Assets	₹
Creditors	40,000	Cash at Bank	1,01,450
Capitals :		Debtors	60,000
Nem 87,740		Less: Provision	3,000
Khem 65,160		Stock	38,000
Prem 76,450	2,29,350	Accrued Income	900
		Plant and Machinery	72,000
	2,69,350		2,69,350

Working Notes:
(1) Calculation of Prem's Capital:

Combined Capital of Nem and Khem for 2/3 share of Profits = 87,740 + 65,160 = ₹1,52,900

Therefore, the total Capital of the new firm will be = 1,52,900 x 3/2 = ₹2,29,350

Prem's Capital for 1/3rd share = 2,29,350 x 1/3 = ₹76,450

(2) Calculation of New Profit Sharing Ratios:

Prem is given 1/3rd share out of 1; Remaining profit is 1 – 1/3 = 2/3

Nem's new share of profit = 3/5 of 2/3 = 6/15

Khem's new share of profit = 2/5 of 2/3 = 4/15

Prem's share = 1/3

Hence, the new profit sharing ratio will be 6/15: 4/15: 1/3 or 6: 4: 5

SOLUTION : 67 (B).
Dr. REVALUATION ACCOUNT Cr.

Particulars	₹	Particulars	₹
To Plant A/c	15,000	By Provision for Doubtful	
To Profit transferred to		Debts A/c	30,000
Capital Accounts :		By Stock A/c	50,000
Mohan 39,000			
Sohan 26,000	65,000		
	80,000		80,000

Dr. CAPITAL ACCOUNTS Cr.

Particulars	Mohan	Sohan	Rohan	Particulars	Mohan	Sohan	Rohan
To Bal. c/d	₹	₹	₹	By Bal. b/d	₹	₹	₹
	2,99,000	1,66,000	2,32,500		2,00,000	1,00,000	
				By Revaluation A/c	39,000	26,000	
				By Premium for Goodwill	60,000	40,000	
				A/c			
				By Cash A/c			2,32,500
	2,99,000	1,66,000	2,32,500		2,99,000	1,66,000	2,32,500

OPENING BALANCE SHEET
as at

Liabilities	₹	Assets	₹
Creditors	40,000	Cash	3,97,500

Admission of a Partner

Capitals :		Debtors	1,00,000	
Mohan	2,99,000	Less: Provision	10,000	90,000
Sohan	1,66,000	Stock		2,00,000
Rohan	2,32,500	Plant		50,000
	7,37,500			7,37,500

Working Note: Calculation of Rohan's Capital:

Combined capital of Mohan and Sohan for 2/3rd share of profits = 2,99,000 + 1,66,000 = ₹4,65,000

3

Hence, the total capital of the new firm will be = $4,65,000 \times \frac{3}{2} = ₹6,97,500$

Rohan's Capital for 1/3rd share = $6,97,500 \times \frac{1}{3} = ₹2,32,500$

SOLUTION : 68.

JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2010	Cash A/c Dr.		63,112	
July	To C's Capital A/c			47,902
1	To Premium for Goodwill A/c			15,210
	(Capital and premium for Goodwill brought in by C)			
	Premium for Goodwill A/c Dr.		15,210	
	To A's Capital A/c			5,070
	To B's Capital A/c			10,140
	(Premium for Goodwill credited to A and B's Capital Accounts in sacrifice ratio of 1 : 2)			

Dr.	CAPITAL ACCOUNTS	Cr.
------------	-------------------------	------------

Particulars	A	B	C	Particulars	A	B	C
To Balance c/d	₹	₹	₹		₹	₹	₹
1,07,970	83,640	47,902	By Balance b/d	1,02,900	73,500		
			By Cash A/c				47,902
			By Premium for Goodwill A/c	5,070	10,140		
1,07,970	83,640	47,902		1,07,970	83,640	47,902	

Working Notes:

(i) Calculation of Goodwill:

$$\text{Average Profits} = (40,000 + 30,000 + 44,075)/3 = \text{₹}38,025$$

Goodwill = 38,025 x 2 = ₹76,050

C's share of Goodwill = $76,050 \times \frac{1}{5} = ₹15,210$

(ii) Calculation of Sacrificing Ratio:

Sacrifice made by A = $\frac{2}{3} - \frac{3}{5} = \frac{(10 - 9)}{15} = \frac{1}{15}$

Sacrifice made by B = $\frac{1}{3} - \frac{1}{5} = \frac{(5 - 3)}{15} = \frac{2}{15}$

Thus, Sacrifice Ratio =1:2

(iii) Calculation of Capital brought in by C:

New Profit sharing ratio = $3/5: 1/5: 1/5$

Admission of a Partner

Combined share of A and B = $\frac{3}{5} + \frac{1}{5} = \frac{4}{5}$

For $\frac{4}{5}$ th share, combined Capital of A and B = 1,07,970 + 83,640 = ₹1,91,610

Total Capital of the Firm = 1,91,610 x $\frac{5}{4}$ = ₹2,39,512

C's Share in Total Capital = 2,39,512 x $\frac{1}{5}$ = ₹47,902

SOLUTION : 69.

Dr.	REVALUATION ACCOUNT				Cr.
Particulars	₹	Particulars	₹		
To Provision for Bad Debts	1,500	By Loss transferred to Capital			
To Patents	8,000	Accounts :			
To Stock	12,000	X	10,000		
To Outstanding Expenses	6,000	Y	20,000	30,000	
To Unforeseen Liability	2,500				
	30,000				30,000

Dr.	CAPITAL ACCOUNTS							Cr.
Particulars	X	Y	Z	Particulars	X	Y	Z	
	₹	₹	₹		₹	₹	₹	
To Revaluation				By Bal. b/d	1,50,000	3,00,000		
10,000	20,000			By Premium				
To Bal. c/d	1,44,000	2,88,000		for				
«				Goodwill	4,000	8,000		
	1,54,000	3,08,000			1,54,000	3,08,000		
To Bal. c/d	1,44,000	2,88,000	86,400	By Bal. b/d	1,44,000	2,88,000		
				By Cash A/c			86,400	
	1,44,000	2,88,000	86,400		1,44,000	2,88,000	86,400	

BALANCE SHEET as at 1st April, 2010

Liabilities	₹	Assets	₹
Creditors	36,000	Cash (20,000 + 12,000 + 86,400)	1,18,400
Outstanding Expenses	10,000	Debtors	40,000
Unforeseen Liability	2,500	Less: Provision for	
Capitals: X	1,44,000	Bad Debts	2,000
Y	2,88,000	Stock	1,08,000
Z	86,400	Furniture	30,000
		Plant	2,72,500
	5,66,900		5,66,900

Note: Calculation of Z's Capital :

Combined Capital of X and Y = 1,44,000 + 2,88,000 = 4,32,000

Z's Capital = $\frac{1}{5}$ of 4,32,000 = ₹86,400

SOLUTION : 70.

Dr.		REVALUATION ACCOUNT		Cr.	
Particulars	₹	Particulars	₹		
To Provision for doubtful debts	20,000	By Land and Buildings	1,00,000		
To Profit transferred to :		By Stock	40,000		
A's Capital A/c	72,000				
B's Capital A/c	48,000				
	1,20,000				
	1,40,000				1,40,000

Dr.				PARTNER'S CAPITAL ACCOUNTS				Cr.			
Particulars	A	B	C	Particulars	A	B	C				
	₹	₹	₹		₹	₹	₹				
To Bal. c/d	3,40,000	2,40,000	1,45,000	By Balance b/d	1,00,000	80,000					
				By Gen. Reserve	90,000	60,000					
				By Workmen's Compensation Reserve	18,000	12,000					
				By Revaluation A/c (Profit)	72,000	48,000					
				By Premium for Goodwill A/c	60,000	40,000					
				By Bank A/c(1)						1,45,000	
	3,40,000	2,40,000	1,45,000		3,40,000	2,40,000	1,45,000				

BALANCE SHEET OF A, B AND C as at 1st April, 2016

Liabilities	₹	Assets	₹
Capital Accounts :		Plant and Machinery	1,00,000
A	3,40,000	Land and Buildings	1,80,000
B	2,40,000	Debtors	1,20,000
C	1,45,000	Less: Provision for Doubtful Debts	30,000
Liability for Workmen's Compensation Claim	20,000	Stock	1,60,000
Creditors	1,20,000	Cash (90,000 + 1,45,000 + 1,00,000)	3,35,000
	8,65,000		8,65,000

Working Note:

(1) Calculation of C's Capital

C joins the firm for 1/5th share. The share of A and B in the new firm is $1 - 1/5 = 4/5$ th.

The Capital of A and B, after all adjustments, come to ₹5,80,000 (₹3,40,000 + ₹2,40,000).

Therefore the total capital of the firm will be ₹5,80,000 x 5/4 = ₹7,25,000.

C's Capital in new firm = ₹7,25,000 x 20/100 = ₹1,45,000.

SOLUTION: 71.

Dr.		Revaluation A/c	Cr.	
Particulars		₹	Particulars	₹
To Profit Transferred to :			By Building A/c	1,00,000
Mohan's Capital A/c	84,000		By Stock A/c	40,000
Mahesh's Capital A/c	56,000	1,40,000		
		1,40,000		1,40,000

Dr.				Partners' Capital A/cs	Cr.			
Particulars	Mohan	Mahesh	Nusrat	Particulars	Mohan	Mahesh	Nusrat	
	₹	₹	₹		₹	₹	₹	
To Balance c/d	3,92,000	2,08,000	1,20,000	By Balance b/d	1,00,000	80,000		
				By Revaluation A/c	84,000	56,000		
				By General Reserve A/c	96,000	64,000		
				By Workmen Comp. Fund A/c	12,000	8,000		
				By Premium for Goodwill A/c	1,00,000			
				By Cash A/c			1,20,000	
	3,92,000	2,08,000	1,20,000		3,92,000	2,08,000	1,20,000	

**Balance Sheet of the Reconstituted Firm
as at 1st April, 2012**

Liabilities	₹	Assets	₹
Creditors	2,10,000	Cash in Hand	3,60,000
Workmen's Compensation Claim	2,30,000	Debtors	1,60,000
Mohan's Capital A/c	3,92,000	Stock	1,60,000
Mahesh's Capital A/c	2,08,000	Machinery	1,00,000
Nusrat's Capital A/c	1,20,000	Building	3,80,000
	11,60,000		11,60,000

Working Notes:

(1) Mohan is entitled to the entire amount of goodwill brought in by Nusrat since he alone has sacrificed his share of profit.

(2) Calculation of Nusrat's Capital:

Total Capital of Mohan and Mahesh = 3,92,000 + 2,08,000 = ₹6,00,000

Nusrat's Capital = 6,00,000 x 20/100 = ₹1,20,000

SOLUTION: 72.

Dr.		REVALUATION ACCOUNT	Cr.	
Particulars		₹	Particulars	₹
To Stock	6,000		By Premises	25,000
To Electric Charges Outstanding	7,000		By Loss transferred to :	
To Plant & Machinery	20,000		P's Capital A/c	15,000

Admission of a Partner

To Prepaid Expenses	12,000	Q's Capital A/c	5,000	20,000
	45,000			45,000

Dr. CAPITAL ACCOUNTS Cr.

Particulars	P	Q	R	Particulars	P	O	R
	₹	₹	₹		₹	₹	₹
To Revaluation				By Bal. b/d	3,50,000	2,20,000	—
15,000	5,000			By Profit & Loss A/c	45,000	15,000	—
To Bal. c/d	4,00,000	2,30,000		By R's Current A/c	20,000		
	4,15,000	2,35,000			4,15,000	2,35,000	—
To Bal. c/d	4,00,000	2,30,000	2,10,000	By Bal. b/d	4,00,000	2,30,000	
				By Bank			2,10,000
	4,00,000	2,30,000	2,10,000		4,00,000	2,30,000	2,10,000

BALANCE SHEET as at 1st April, 2009

Liabilities	₹	Assets	₹
Creditors	30,000	Bank	2,25,000
Electric Charges Outstanding	7,000	Debtors	60,000
Capital A/cs :		Stock	1,44,000
P 4,00,000		Prepaid Expenses	8,000
Q 2,30,000		Plant & Machinery	1,20,000
R 2,10,000	8,40,000	Premises	3,00,000
		R's Current A/c	20,000
	8,77,000		8,77,000

Working Notes:

(1) Since R has to bring in proportionate capital, his Current A/c has been debited instead of his Capital A/c with the amount of goodwill which he is unable to bring in cash. Following entry is passed for goodwill:

R's Current A/c Dr. 20,000

 To P's Capital A/c 20,000

(Goodwill credited to P's Capital A/c, as he alone has sacrificed)

(2) Calculation of P's Capital:

Combined Capital of P and Q for 3/4th share = 4,00,000 + 2,30,000 = 6,30,000

Total Capital of the new firm = 6,30,000 × 4/3 = ₹8,40,000

P's Capital = 8,40,000 × 1/4 = ₹2,10,000

SOLUTION: 73.

Dr. REVALUATION ACCOUNT Cr.			
Particulars	₹	Particulars	₹
To Plant and Machinery A/c	35,000	By Creditors A/c	2,500
To Furniture and Fixture A/c	6,500	By Loss transferred to Capital Accounts:	
To Provision for Doubtful Debts A/c	3,000	X	28,000
		Y	14,000
	44,500		42,000
			44,500

Dr. CAPITAL ACCOUNTS Cr.

Particulars	X	Y	Z	Particulars	X	Y	Z
	₹	₹	₹		₹	₹	₹
To Revaluation A/c	28,000	14,000		By Bal. b/d	1,40,000	1,00,000	
To Bal. c/d	1,60,000	1,02,000	1,31,000	By Workmen			
				Compensation Reserve	16,000	8,000	
				By Z's Current A/c	32,000	8,000	
				By Bank A/c			1,31,000
	1,88,000	1,16,000	1,31,000		1,88,000	1,16,000	1,31,000

OPENING BALANCE SHEET _ as at 1st April, 2016

Liabilities	₹	Assets	₹
Bills Payable	10,000	Cash & Bank Balance	1,81,000
Creditors	1,47,500	Z's Current A/c	40,000
Liability for Workmen		Bills Receivable	12,000
Compensation Claim	16,000	Debtors	1,10,000
Capitals :		Less: Provision	10,000
X	1,60,000	Stock	35,000
Y	1,02,000	Furniture and Fixture	58,500
Z	1,31,000	Plant and Machinery	1,40,000
	5,66,500		5,66,500

Working Notes:
(1) Calculation of Sacrificing Ratios :

(i) X surrenders 2/5th of 2/3 in favour of Z. It means X has surrendered $2/5 \times 2/3 = 4/15$ out of his share in favour of Z.

(ii) Y surrenders 1/5th of 1/3 in favour of Z It means Y has surrendered $1/5 \times 1/3 = 1/15$ out of his share in favour of Z.

Sacrificing Ratio X : Y = $4/15 : 1/15 = 4 : 1$

Since Z is to bring in proportionate capital and he is unable to bring goodwill in cash, his current account will be debited instead of his capital account with his share of goodwill.

Admission of a Partner

Following entry will be passed for it:

Z's Current A/c	Dr.	40,000	
To X's Capital A/c			32,000
To Y's Capital A/c			8,000

(2) Calculation of New Ratios :

X's new share = $\frac{2}{3} - \frac{4}{15} = \frac{6}{15}$

Y's new share = $\frac{1}{3} - \frac{1}{15} = \frac{4}{15}$

Z's new share = $\frac{4}{15} + \frac{1}{15} = \frac{5}{15}$

(3) Calculation of Z's Capital:

Combined capital of X and Y for $\frac{6}{15} + \frac{4}{15} = \frac{10}{15}$ share of profits

= ₹1,60,000 + ₹1,02,000 = ₹2,62,000

Hence, the total capital of the new firm will be = 2,62,000 x $\frac{15}{10}$ = ₹3,93,000

Z's capital for $\frac{5}{15}$ th share = 3,93,000 x $\frac{5}{15}$ = ₹1,31,000

SOLUTION : 74.

JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2016				
April 1	Building A/c	Dr.	30,000	
	Provision for Doubtful Debts A/c	Dr.	3,000	
	Sundry Creditors A/c	Dr.	2,000	
	To Revaluation A/c			35,000
	(Increase in assets and decrease in liabilities)			
	Revaluation A/c	Dr.	10,000	
	To Furniture and Fittings			5,000
	To Outstanding Salary A/c			5,000
	(Decrease in assets and provision made for outstanding salary)			
	Revaluation A/c	Dr.	25,000	
	To S's Capital A/c			25,000
	(Profit on revaluation credited to the capital account of S)			
	S's Capital A/c	Dr.	10,000	
	To Bills Receivable A/c			10,000
	(Bills Receivable not taken over by partnership)			
	Bank A/c	Dr.	30,000	
	To Premium for Goodwill A/c			30,000
	(Premium for goodwill brought in by T)			
	Premium for Goodwill A/c	Dr.	30,000	
	To S's Capital A/c			30,000
	(Premium for goodwill credited to S's Capital account)			
	Bank A/c	Dr.	1,47,000	
	To T's Capital A/c			1,47,000
	(Capital introduced by T being $\frac{3}{5}$th of S's capital of ₹2,45,000)			

Admission of a Partner

CAPITAL ACCOUNTS					
Dr.					Cr.
Particulars	S	T	Particulars	S	T
To Bills Receivable A/c	10,000		By Bal. b/d	2,00,000	
			By Revaluation A/c	25,000	
			By Premium for Goodwill A/c	30,000	
To Bal. c/d	2,45,000	1,47,000	By Bank A/c		1,47,000
	2,55,000	1,47,000		2,55,000	1,47,000

BALANCE SHEET OF NEW FIRM as at 1st April, 2016			
Liabilities	₹	Assets	₹
Sundry Creditors	73,000	Cash at Bank	2,22,000
Outstanding Salary	5,000	Sundry Debtors	25,000
Capitals :		Less: Provision for	
S 2,45,000		Doubtful Debts	<u>2,000</u>
T 1,47,000	3,92,000	Furniture and Fittings	45,000
		Building	1,80,000
	4,70,000		4,70,000

On the Basis of New Partner's Capital:

SOLUTION : 75.

JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2017 April	Reserve Fund A/c Dr.		18,000	12,000
1	To X's Capital A/c			6,000
	To Ys Capital A/c			
	(Transfer of Reserve Fund to old partner's capital A/cs)			
	Investments A/c Dr.		2,000	
	Sundry Debtors Dr.		1,000	
	To Revaluation A/c (Increase in assets)			3,000
	Revaluation A/c Dr.		14,700	
	To Typewriter A/c			1,000
	To Fixed Assets A/c			13,700
	(Decrease in assets)			
	X's Capital A/c Dr.		7,800	
	Y's Capital A/c Dr.		3,900	
	To Revaluation A/c			11,700
	(Transfer of loss on revaluation to old partner's capital accounts)			
	X's Capital A/c Dr.		10,000	
	To Investments A/c			10,000
	(Investments taken over by X)			

Admission of a Partner

Bank A/c Dr.	55,000	
To Z's Capital A/c		40,000
To Premium for Goodwill A/c		15,000
(Amount of capital and premium for goodwill introduced by Z)		
Premium for Goodwill A/c Dr.	15,000	
To X's Capital A/c		10,000
To Y's Capital A/c		5,000
(Premium for goodwill credited to old partner's Capital A/cs)		
X's Capital A/c Dr.	5,000	
Y's Capital A/c Dr.	2,500	
To Bank A/c		7,500
(Half the amount of premium for goodwill withdrawn by old partners)		
Bank A/c Dr.	5,800(2)	
To X's Capital A/c		5,800
(Amount brought in by X)		
Y's Capital A/c Dr.	26,600(3)	
To Bank A/c		26,600
(Amount withdrawn by Y)		

Dr. CAPITAL ACCOUNTS Cr.

Particulars	X	Y	Z	Particulars	X	Y	Z
	₹	₹	₹		₹	₹	₹
To Revaluation A/c	7,800	3,900		By Bal. b/d	75,000	62,000	
To Investments A/c	10,000			By Reserve Fund			
To Bank A/c	5,000	2,500		A/c	12,000	6,000	
To Bal. c/d	74,200	66,600	40,000	By Bank A/c			40,000
				By Premium for			
				Goodwill A/c	10,000	5,000	
	97,000	73,000	40,000		97,000	73,000	40,000
To Bank A/c				By Bal. b/d	74,200	66,600	40,000
(Bal. Figure)		26,600		By Bank A/c			
To Bal. c/d	80,000	40,000	40,000	(Bal. Figure)	5,800		
	80,000	66,600	40,000		80,000	66,600	40,000

BALANCE SHEET OF NEW FIRM as at 1st April, 2017

Liabilities	₹	Assets	₹
Sundry Creditors	25,000	Cash at Bank	31,700
Capital Accounts:		Sundry Debtors	16,000
X	80,000	Stock	10,000
Y	40,000	Typewriter	4,000
Z	40,000	Fixed Assets	1,23,300
	1,85,000		1,85,000

Working Notes:

(1) Calculation of new profit sharing ratio:

Share given to Z = $1/4$

Balance of Profits = $1 - 1/4 = 3/4$

X's new share = $2/3 \times 3/4 = 2/4$

T's new share = $1/3 \times 3/4 = 1/4$

Z's share = $1/4$

Z brings in ₹40,000 as capital according to his $1/4$ th share of profit. Hence, based on Z's capital, the total capital of the new firm will be : $40,000 \times 4/1 = ₹1,60,000$

Hence,

X's Capital in the new firm = $1,60,000 \times 2/4 = ₹80,000$

Ts Capital in the new firm = $1,60,000 \times 1/4 = ₹40,000$

Ts Capital in the new firm = $1,60,000 \times 1/4 = ₹40,000$

(2) X's Capital in the new firm should be ₹80,000, whereas his existing capital shown by his Capital A/c is only ₹74,200. As such, he will bring in ₹80,000 - ₹74,200 = ₹5,800.

(3) Y's Capital in the new firm should be ₹40,000, whereas his existing Capital shown by his Capital A/c is ₹66,600. As such, his excess Capital i.e., ₹66,600 - ₹40,000 = ₹26,600 will be refunded to him.

(4) Calculation of balance at Bank :

	₹
Opening Balance	5,000
Add: Capital brought in by Z	40,000
Add: Goodwill brought in by Z	15,000
Add: Amount brought in by X	5,800
	65,800
Less : Amount of Goodwill withdrawn by X and Y	7,500
Less : Excess capital withdrawn by Y	26,600
Closing Balance	31,700

SOLUTION : 76.

Calculation of new profit sharing ratios:

Charu's share of profit = $1/5$ Remaining share = $4/5$

Akshaya's new share = $5/8$ of $4/5 = 20/40$

Bharati's new share = $3/8$ of $4/5 = 12/40$

Charu's share = $1/5$

Thus, new profit sharing ratio between Akshaya, Bharati and Charu is

$20/40 : 12/40 : 1/5$ or $(20: 12: 8)/40$ or $5: 3: 2$

Based on Charu's capital, the total capital of the firm will be $40,000 \times 5/1 = ₹2,00,000$

Akshaya's capital in the new firm should be = $2,00,000 \times 5/10 = ₹1,00,000$

Bharati's capital in the new firm should be = $2,00,000 \times 3/10 = ₹60,000$

Existing capital of Akshaya is ₹90,000.

Hence he will bring in ₹1,00,000 - ₹90,000 = ₹10,000

Existing capital of Bharati is ₹75,000.

Hence she will withdraw ₹75,000 - ₹60,000 = ₹15,000

JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Cash A/c Dr. To Akshaya's Capital A/c (Deficit capital brought in by Akshaya)		10,000	10,000
	Bharati's Capital A/c Dr. To Cash A/c (Excess capital withdrawn by Bharati)		15,000	15,000
	Cash A/c Dr. To Charu's Capital (Cash brought in by Charu as capital)		40,000	40,000

SOLUTION : 77.

A's new share = $5/10 - 1/8 = (20 - 5)/40 = 15/40$

B's new share = $3/10 - 1/8 = (12 - 5)/40 = 7/40$

C's new share = $2/10$

D's share = $1/4$

Thus, new profit sharing ratio of A, B, C and D is $15/40 : 7/40 : 2/10 : 1/4$ or $(15: 7: 8: 10)/40$ or $15 : 7 : 8 : 10$

Total capital of the new firm will be ₹3,20,000.

A's Capital in the new firm should be = $3,20,000 \times 15/40 = ₹1,20,000$

B's Capital in the new firm should be = $3,20,000 \times 7/40 = ₹56,000$

C's Capital in the new firm should be = $3,20,000 \times 8/40 = ₹64,000$

D's Capital in the new firm should be = $3,20,000 \times 10/40 = ₹80,000$

Hence, A will bring in ₹1,20,000 – ₹1,00,000 = ₹20,000

B will withdraw ₹75,000 – ₹56,000 = ₹19,000

C will bring in ₹64,000 – ₹60,000 = ₹4,000

D will bring in ₹80,000

Books of A, B, C and D

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Cash A/c Dr. To A's Capital A/c To C's Capital A/c (Deficit capital brought in by A and C)		24,000	20,000 4,000
	B's Capital A/c Dr. To Cash A/c (Excess capital withdrawn by B)		19,000	19,000
	Cash A/c Dr. To D's Capital A/c (Cash brought in by D as capital)		80,000	80,000

SOLUTION : 78.

Share given to Z = $1/3$

Balance of Profits $1 - 1/3 = 2/3$

X's new share = $2/3 \times 3/5 = 6/15$

Y's new share = $2/3 \times 2/5 = 4/15$

Z's share = $1/3$ or $5/15$

On the basis of Z's share, the total Capital of the new firm should be

$₹75,000 \times 3/1 = ₹2,25,000$

∴ X's Capital in the new firm should be $= 2,25,000 \times 6/15 = ₹90,000$

Y's Capital in the new firm should be $= 2,25,000 \times 4/15 = ₹60,000$

Z's Capital in the new firm should be $= 2,25,000 \times 5/15 = ₹75,000$

Hence, Cash to be paid off to X = $₹1,20,000 - ₹90,000 = ₹30,000$

Cash to be paid off to Y = $₹60,000 - ₹54,000 = ₹6,000$

SOLUTION : 79.

JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Cash A/c Dr. To D's Capital A/c To Premium for Goodwill A/c (Capital and premium for goodwill brought in by D)		92,000	60,000 32,000
	Premium for Goodwill A/c Dr. To A's Capital A/c To B's Capital A/c (Premium for goodwill credited to sacrificing partner's capital accounts)		32,000	16,000 16,000
	A's Capital A/c Dr. B's Capital A/c Dr. To Cash A/c (3/4th of the premium for goodwill withdrawn by A and B)		12,000 12,000	24,000
	Cash A/c Dr. To A's Capital A/c (Deficit capital brought in by A)		16,000	16,000
	B's Capital A/c Dr. To Cash A/c (Excess capital withdrawn by B)		14,000	14,000

Dr. CAPITAL ACCOUNTS Cr.

Particulars	A	B	C	D	Particulars	A	B	C	D
	₹	₹	₹	₹		₹	₹	₹	₹
To Cash	12,000	12,000			By Bal. b/d	70,000	60,000	40,000	
					By Cash				60,000
To Bal. c/d	74,000	64,000	40,000	60,000	By Premium for Goodwill	16,000	16,000		
	86,000	76,000	40,000	60,000		86,000	76,000	40,000	60,000
To Cash		14,000			By Bal. b/d	74,000	64,000	40,000	60,000

Admission of a Partner

To Bal. c/d	90,000	50,000	40,000	60,000	By Cash	16,000			
	90,000	64,000	40,000	60,000		90,000	64,000	40,000	60,000

CASH ACCOUNT			
Dr.		Cr.	
Particulars	₹	Particulars	₹
To D's Capital A/c	60,000	By A's Capital A/c	12,000
To Premium for Goodwill A/c	32,000	By B's Capital A/c	12,000
To A's Capital A/c	16,000	By B's Capital A/c	14,000
		By Balance c/d	70,000
	1,08,000		1,08,000

Notes:

New Profit Sharing Ratio:

$$A = 3/6 - 1/8 = (12 - 3)/24 = 9/24$$

$$B = 2/6 - 1/8 = (8 - 3)/24 = 5/24$$

$$C = 1/6 \text{ or } 4/24$$

$$D = 1/4 \text{ or } 6/24$$

D's Capital is 60,000 and his share of profit is 1/4

Based on D's Capital, the total Capital of the firm will be : $60,000 \times 4/1 = ₹2,40,000$

Hence, A's Capital in the new firm should be = $2,40,000 \times 9/24 = ₹90,000$

B's Capital in the new firm should be = $2,40,000 \times 5/24 = ₹50,000$

C's Capital in the new firm should be = $2,40,000 \times 4/24 = ₹40,000$

- 1) A's Capital in the new firm should be ₹90,000, whereas his existing capital shown by his Capital A/c is only ₹74,000. Therefore, he will bring in $₹90,000 - ₹74,000 = ₹16,000$.
- 2) B's Capital in the new firm should be ₹50,000, whereas his existing capital shown by his Capital A/c is ₹64,000. Therefore, his excess Capital $₹64,000 - ₹50,000 = ₹14,000$ will be refunded to him.

SOLUTION: 80.

The following balance sheet will be prepared first of all, to calculate the missing figure i.e., profits or loss :

Liabilities	₹	Assets	₹
A's Capital	48,000	Bank Balance	5,000
B's Capital	30,000	Debtors	20,000
Creditors	15,000	Machinery	36,000
P & L A/c (Balancing Figure)	12,000	Stock	44,000
	1,05,000		1,05,000

REVALUATION ACCOUNT			
Dr.		Cr.	
Particulars	₹	Particulars	₹
To Provision for Doubtful Debts	1,000	By Provision for Discount	
To Provision for Discount on		on Creditors	300
Debtors	380	By Prepaid Insurance	1,000
To Outstanding Salaries	5,000	By Accrued Income	1,480

Admission of a Partner

To Profit transferred to Capital Accounts :		By Investments	6,000
A	1,600		
B	800		
	<u>2,400</u>		
	8,780		8,780

Dr.	CAPITAL ACCOUNTS						Cr.
Particulars	A	B	C	Particulars	A	B	C
	₹	₹	₹		₹	₹	₹
				By Bal. b/d	48,000	30,000	
				By P & L A/c	8,000	4,000	
				By Revaluation A/c By Bank A/c	1,600	800	20,000
To Bal. c/d	66,600	43,800	20,000	By Premium for Goodwill A/c	9,000	9,000	
	<u>66,600</u>	<u>43,800</u>	<u>20,000</u>		<u>66,600</u>	<u>43,800</u>	<u>20,000</u>
To Bank A/c (Bal. Figure)		13,800		By Bal. b/d	66,600	43,800	20,000
To Bal. c/d	70,000	30,000	20,000	By Bank A/c (Bal. Figure)	3,400		
	70,000	43,800	20,000		70,000	43,800	20,000

BALANCE SHEET OF NEW FIRM as at 1st April, 2017

Liabilities	₹	Assets	₹
Creditors	15,000	Bank Balance	32,600
Less: Provision for Discount	<u>300</u>	Debtors	20,000
Outstanding Salaries	5,000	Less: Provision for Doubtful Debts	<u>1,000</u>
Capital Accounts :			19,000
A	70,000	Less: Provision for Discount	<u>380</u>
B	30,000	Stock	44,000
C	<u>20,000</u>	Prepaid Insurance	1,000
	1,20,000	Accrued Income	1,480
		Investments	6,000
		Machinery	36,000
	1,39,700		1,39,700

Working Notes:

(1) New Profit Sharing Ratios:

C's share is $\frac{1}{6}$ which he acquires equally from A and B.

Hence, he acquires $\frac{1}{6} \times \frac{1}{2} = \frac{1}{12}$ from A and $\frac{1}{12}$ from B

As such, A's new share = $\frac{2}{3} - \frac{1}{12} = \frac{7}{12}$

B's new share = $\frac{1}{3} - \frac{1}{12} = \frac{3}{12}$

C's share = $\frac{1}{6}$ OR $\frac{2}{12}$

C brings in ₹20,000 as Capital for his $\frac{1}{6}$ th share. As such, according to C's Capital, the total Capital of the new firm will be : $20,000 \times \frac{6}{1} = ₹1,20,000$

Admission of a Partner

A's Capital in new firm = $1,20,000 \times 7/12 = ₹70,000$

B's Capital in new firm = $1,20,000 \times 3/12 = ₹30,000$

C's Capital in new firm = $1,20,000 \times 2/12 = ₹20,000$

(2) A's Capital in the new firm should be ₹70,000, whereas his existing Capital is only ₹66,600. As such, he will bring in ₹70,000 – ₹66,600 = ₹3,400.

(3) B's Capital in the new firm should be ₹30,000, whereas his existing Capital is ₹43,800. As such, his excess Capital ₹43,800 - ₹30,000 = ₹13,800 will be refunded to him.

(4) Calculation of Bank Balance :

	₹
Opening Balance	5,000
Add: Capital brought in by C	20,000
Add: Goodwill brought in by C	18,000
Add: Amount brought in by A	3,400
	46,400
Less : Amount refunded to B	13,800
Closing Balance	32,600

SOLUTION : 81.

REVALUATION ACCOUNT				Cr.
Particulars		₹	Particulars	₹
To Outstanding Salaries A/c		2,000	By Building A/c	15,000
To Stock A/c		8,000		
To Trade Marks A/c		4,000		
To Profit transferred to Capital Accounts :				
A	600			
B	400	1,000		
		15,000		15,000

Dr. CAPITAL ACCOUNTS Cr.

Particulars	A	B	C	Particulars	A	B	C
	₹	₹	₹		₹	₹	₹
To Bank A/c	7,000	3,000		By Bal. b/d	50,000	30,000	
To Bal. c/d	62,700	36,800	30,000	By General Res. A/c	5,100	3,400	
				By Revaluation A/c	600	400	
				By Bank A/c			30,000
				By Premium for Goodwill A/c	14,000	6,000	
	69,700	39,800	30,000		69,700	39,800	30,000
To Bank A/c (Balancing Figure)	2,700			By Bal. b/d	62,700	36,800	30,000
To Bal. c/d	60,000	45,000	30,000	By Bank A/c (Balancing Figure)		8,200	
	62,700	45,000	30,000		62,700	45,000	30,000

OPENING BALANCE SHEET as at 1st April, 2017			
Liabilities	₹	Assets	₹
Sundry Creditors	63,000	Cash at Bank	50,500
Outstanding Salaries	6,000	Sundry Debtors	30,000
Capitals :		Less: Provision	2,500
A 60,000		Stock	32,000
B 45,000		Trade Marks	4,000
C 30,000	1,35,000	Building	90,000
	2,04,000		2,04,000

Working Notes:
(1) Calculation of Goodwill:

Total Profits = ₹40,000 + ₹40,000 + ₹55,000 + ₹65,000 = ₹2,00,000

Average Profits = ₹2,00,000/4 = ₹50,000

Super Profits = Average Profits - Normal Profits

= ₹50,000 - ₹14,000 = ₹36,000

Goodwill = ₹36,000 x 5/2 = ₹90,000

Goodwill brought in by C in cash = ₹90,000 x 2/9 = ₹20,000.

(2) Calculation of Sacrificing Ratios for distributing Goodwill:

Sacrifice made by A = $3/5 - 4/9 = 7/45$

Sacrifice made by B = $2/5 - 3/9 = 3/45$

Sacrifice Ratio = 7 : 3

(3) C brings in ₹30,000 as his Capital for his 2/9th share.

Hence, the total Capital of the new firm will be ₹30,000 x 9/2 = ₹1,35,000

Since the new profit sharing ratio is 4 : 3 : 2

A's Capital in the new firm = ₹1,35,000 x 4/9 = ₹60,000

B's Capital in the new firm = ₹1,35,000 x 3/9 = ₹45,000

SOLUTION : 82.
JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2017	Revaluation A/c To Machinery A/c Dr.		11,000	
April 1	To Provision for bad debts A/c			6,000
	(Decrease in value of machinery and creation of provision for bad debts, recorded)			5,000
	Stock A/c Dr.		29,400	
	To Revaluation A/c			29,400
	(Increase in the value of stock recorded)			
	Revaluation A/c Dr.		18,400	
	To Ashok's Capital A/c			13,800
	To Biju's Capital A/c			4,600
	(Profit on revaluation transferred to old partner's capital A/cs in old ratio)			

Admission of a Partner

Bank A/c Dr.	1,20,000	
To Chandra's Capital A/c		1,00,000
To Premium for Goodwill A/c		20,000
(Capital and goodwill brought in by Chandra)		
Premium for Goodwill A/c Dr.	20,000	
Biju's Capital A/c Dr.	5,000	
To Ashok's Capital A/c		25,000
(Premium for Goodwill brought in by Chandra credited to Ashok alongwith 1/12th of the goodwill to be contributed by Biju due to gain in his profit sharing ratio)		
Bank A/c Dr.	400	
To Biju's Capital A/c		400
(Amount of proportionate capital brought in)		
Ashok's Capital A/c Dr.	88,800	
To Bank		88,800
(Excess amount withdrawn to make the capital proportionate to profit sharing ratio)		

Dr. CAPITAL ACCOUNTS				Cr.			
Particulars	Ashok	Biju	Chandra	Particulars	Ashok	Biju	Chandra
	₹	₹	₹		₹	₹	₹
To Ashok's Capital A/c		5,000		By Bal. b/d	1,50,000	1,00,000	—
To Balance c/d	1,88,800	99,600	1,00,000	By Revaluation A/c	13,800	4,600	—
				By Bank A/c By Premium for Goodwill A/c	—	—	1,00,000
				By Biju's Capital A/c	20,000	—	—
					5,000	—	—
	1,88,800	1,04,600	1,00,000		1,88,800	1,04,600	1,00,000
To Bank	88,800			By Bal. b/d	1,88,800	99,600	1,00,000
To Bal. c/d	1,00,000	1,00,000	1,00,000	By Bank		400	
	1,88,800	1,00,000	1,00,000		1,88,800	1,00,000	1,00,000

BALANCE SHEET OF NEW FIRM as at 1st April, 2017

Liabilities	₹	Assets	₹
Creditors	1,20,000	Sundry Debtors	2,00,000
Bank overdraft	1,18,400	Less: Provision for bad debts	5,000
Capital A/cs:		Stock	2,49,400
Ashok : 1,00,000		Furniture	40,000
Biju : 1,00,000		Machinery	54,000
Chandra : <u>1,00,000</u>	3,00,000		
	5,38,400		5,38,400

Working Notes:

(i) Calculation of sacrificing (gaining) Ratio:

Ashok's ratio = $3/4 - 1/3 = (9 - 4)/12 = 5/12$ (Sacrifice)

Biju's ratio = $1/4 - 1/3 = (3 - 4)/12 = 1/12$ (Gain)

Since Biju is gaining equal to $1/12$ in profit, he has to compensate Ashok to the extent of $1/12$ of total goodwill.

Treatment of Goodwill:

Chandra's $1/3$ share of goodwill = ₹20,000

Total goodwill = ₹20,000 x 3 = ₹60,000

Biju has to compensate ₹5,000 ($1/12 \times 60,000$) to Ashok by way of goodwill.

This amount is debited to Biju's Capital A/c and credited to Ashok's Capital A/c.

Chandra's share of goodwill (₹20,000) to be credited to Ashok's Capital A/c

(3)

CASH BOOK (Bank Column)			
Dr.			Cr.
Particulars	₹	Particulars	₹
To Chandra's Capital A/c	1,00,000	By Balance b/d	1,50,000
To Premium for Goodwill A/c	20,000	By Ashok's Capital A/c	88,800
To Biju's Capital A/c	400		
To Balance c/d	1,18,400		
	2,38,800		2,38,800

SOLUTION: 83 (A).

Dr. REVALUATION ACCOUNT Cr.			
Particulars	₹	Particulars	₹
To Profit transferred to Partners Capital A/cs :		By Land and Buildings	20,000
D 17,100		By Provision for Doubtful Debts	800
E 5,700		By Creditors	2,000
	22,800		22,800

Dr. CAPITAL ACCOUNTS Cr.

Particulars	D	E	F	Particulars	D	E	F
	₹	₹	₹		₹	₹	₹
To Balance c/d	1,47,100	83,700	40,000	By Bal. b/d	1,00,000	70,000	
				By Revaluation	17,100	5,700	
				By General Reserve	24,000	8,000	
				By Cash			40,000
				By F's Current A/c	6,000		
				(Goodwill) (2)			
	1,47,100	83,700	40,000		1,47,100	83,700	40,000
To Current A/c (Bal. Fig.)	67,100	43,700		By Balance b/d	1,47,100	83,700	40,000
To Balance c/d	80,000	40,000	40,000				

Admission of a Partner

	1,47,100	83,700	40,000		1,47,100	83,700	40,000
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BALANCE SHEET as at 1st April. 2017

Liabilities	₹	Assets	₹
Creditors	52,000	Land and Building	70,000
Capital A/cs :		Machinery	60,000
D 80,000		Stock	15,000
E 40,000		Debtors 40,000	
F 40,000	1,60,000	Less : Provision for bad	
Current A/cs		debts 2,200	37,800
D 67,100		Investments	50,000
E 43,700	1,10,800	Cash	84,000
		F's Current A/c	6,000
	3,22,800		3,22,800

Working Notes:

(1) New Profit Sharing Ratios:

Old Ratio between D and E = $3/4 : 1/4$

D's new share = $3/4 - 1/4$ (Given to F) = $2/4$

E's new share = $1/4$

F's share = $1/4$ Hence, New Ratio = 2: 1: 1

(2) F's share of goodwill has been debited to his Current Account instead of his Capital Account.

Following entry will be passed for adjustment of goodwill:

F's Current A/c ($24,000 \times 1/4$)	Dr.	6,000	
To D's Capital A/c			6,000

(3) Based on F's Capital, the total Capital of the new firm will be:

$40,000 \times 4/1 = ₹1,60,000$

D's Capital in the new firm = $1,60,000 \times 2/4 = ₹80,000$

E's Capital in the new firm = $1,60,000 \times 1/4 = ₹40,000$

	D(₹)	E(₹)
Existing Capitals	1,47,100	83,700
Capitals in the new firm should be	80,000	40,000
Transferred to Current Accounts	67,100(Cr.)	43,700(Cr.)

SOLUTION : 83 (B).

JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2017	General Reserve A/c	Dr.	10,000	
April	To A's Capital A/c			6,000
1	To B's Capital A/c			4,000
	(Transfer of General Reserve)			
	Plant A/c	Dr.	2,000	
	Sundry Creditors A/c	Dr.	1,400	3,400
	To Revaluation A/c			

Admission of a Partner

(Increase in Plant and decrease in Creditors)			
Revaluation A/c	Dr.	4,900	
To Stock A/c			2,000
To Provision for Doubtful Debts A/c			900
To Liability for Workmen Compensation A/c			2,000
(Decrease in assets and provision for liability for Workmen's Compensation)			
A's Capital A/c	Dr.	900	
B's Capital A/c	Dr.	600	1,500
To Revaluation A/c			
(Transfer of loss on revaluation)			
Cash A/c Dr.		30,000	
To C's Capital A/c			20,000
To Premium for Goodwill A/c			10,000
(Amount of capital and premium for goodwill brought in by Q)			
Premium for Goodwill A/c	Dr.	10,000	
To A's Capital A/c			6,000
To B's Capital A/c			4,000
(Premium for goodwill credited to old partners)			
A's Capital A/c	Dr.	5,100	
To A's Current A/c			5,100
(A's excess Capital credited to his current account)			
B's Capital A/c	Dr.	8,400	
To B's Current A/c			8,400
(B's excess Capital credited to his current account)			

BALANCE SHEET (After C's admission) as at 1st April, 2017

Liabilities	₹	Assets	₹
Sundry Creditors	13,600	Cash	32,000
Liability for Workmen Compensation	2,000	Debtors	18,000
A's Current A/c	5,100	Less: Provision for Doubtful Debts	900
B's Current A/c	8,400		17,100
Capital Accounts :		Stock	18,000
A 36,000		Patents	10,000
B 24,000		Plant	32,000
C 20,000	80,000		
	1,09,100		1,09,100

Working Note:

New Profit Sharing Ratios:

Share given to C = $\frac{1}{4}$, Balance of Profits = $1 - \frac{1}{4} = \frac{3}{4}$

A's new share = $\frac{3}{4} \times \frac{3}{5} = \frac{9}{20}$;

B's new share = $\frac{3}{4} \times \frac{2}{5} = \frac{6}{20}$;

C's share = $\frac{1}{4}$

New Ratio = $\frac{9}{20} : \frac{6}{20} : \frac{1}{4}$ OR 9:6:5

C brings in ₹20,000 as capital for his $\frac{1}{4}$ th share of profit.

Admission of a Partner

Therefore, based on C's capital,

The total capital of the new firm will be: ₹20,000 x 4/1 = ₹80,000

Therefore,

A's Capital in the new firm: ₹80,000 x 9/20 = ₹36,000

B's Capital in the new firm: ₹80,000 x 6/20 = ₹24,000

Existing Capitals of A and B (before C's admission):

	A ₹	B ₹
Opening Capitals	30,000	25,000
(+) General Reserve	6,000	4,000
(+) Share of Goodwill	6,000	4,000
	42,000	33,000
(-) Loss on Revaluation	900	600
	41,100	32,400

Notes:

(1) A's Capital in the new firm should be ₹36,000, whereas his existing capital is ₹41,100. Therefore, his excess Capital ₹5,100 will be transferred to his Current A/c.

(2) B's Capital in the new firm should be ₹24,000, whereas his existing capital is ₹32,400. Therefore, his excess Capital ₹8,400 will be transferred to his Current A/c.

SOLUTION: 83 (C).

JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Reserve A/c Dr.		7,000	
	To Ram's Capital A/c			3,000
	To Shyam's Capital A/c			2,500
	To Mohan's Capital A/c			1,500
	(Transfer of reserve to Capital A/cs)			
	Revaluation A/c Dr.		5,180	
	To Furniture A/c			920
	To Stock A/c			2,940
	To Outstanding Repairs A/c			1,320
	(Decrease in the value of assets and provision made for outstanding repairs bill)			
	Land & Buildings A/c Dr.		14,700	
	To Revaluation A/c			14,700
	(Increase in the value of Land & Buildings)			
	Revaluation A/c Dr.		9,520	
	To Ram's Capital A/c			4,080
	To Shyam's Capital A/c			3,400
	To Mohan's Capital A/c			2,040
	(Transfer of profit on revaluation)			
	Bank A/c Dr.		24,820	
	To Sohan's Capital A/c			16,000
	To Premium for Goodwill A/c			8,820
	(Capital and Premium for goodwill introduced by Sohan)			
	Premium for Goodwill A/c Dr.		8,820	

Admission of a Partner

To Ram's Capital A/c			3,780
To Shyam's Capital A/c			3,150
To Mohan's Capital A/c			1,890
(Premium for goodwill credited to sacrificing partners)			
Ram's Capital A/c	Dr.	2,760	
To Ram's Current A/c			2,760
(Excess Capital credited to Current Account)			
Shyam's Capital A/c	Dr.	2,650	
To Shyam's Current A/c			2,650
(Excess Capital credited to Current Account)			
Mohan's Current A/c ,	Dr.	1,770	
To Mohan's Capital A/c			1,770
(Shortage of Capital debited to Current Account)			

Dr.		REVALUATION ACCOUNT		Cr.	
Particulars	₹	Particulars	₹		
To Furniture A/c	920	By Land & Buildings A/c	14,700		
To Stock A/c	2,940				
To Outstanding Repairs A/c	1,320				
To Profit transferred to Capital Accounts :					
Ram	4,080				
Shyam	3,400				
Mohan	2,040				
	9,520				
	14,700				14,700

Dr.		CAPITAL ACCOUNT'S				Cr.			
Particulars	Ram	Shyam	Mohan	Sohan	Particulars	Ram	Shyam	Mohan	Sohan
	₹	₹	₹	₹		₹	₹	₹	₹
To Bal. c/d	50,760	42,650	22,230	16,000	By Bal. b/d	39,900	33,600	16,800	
					By Reserve	3,000	2,500	1,500	
					By Revaluation	4,080	3,400	2,040	
					By Premium For Goodwill	3,780	3,150	1,890	
					By Bank				16,000
	50,760	42,650	22,230	16,000		50,760	42,650	22,230	16,000
To Current A/c	2,760	2,650			By Bal. b/d	50,760	42,650	22,230	16,000
To Bal. c/d	48,000	40,000	24,000	16,000	By Current A/c			1,770	
	50,760	42,650	24,000	16,000		50,760	42,650	24,000	16,000

Admission of a Partner

Dr. CURRENT ACCOUNT'S				Cr.			
Particulars	Ram	Shyam	Mohan	Particulars	Ram	Shyam	Mohan
	₹	₹	₹		₹	₹	₹
To Capital A/c			1,770	By Capital A/c	2,760	2,650	
To Bal. c/d	2,760	2,650		By Bal. c/d			1,770
	2,760	2,650	1,770		2,760	2,650	1,770

BALANCE SHEET OF NEW FIRM

as at			
Liabilities	₹	Assets	₹
Bills Payable	6,300	Cash at Bank	33,710
Creditors	18,900	Debtors	26,460
Outstanding Repairs	1,320	Stock	26,460
Ram's Current A/c	2,760	Furniture	6,430
Shyam's Current A/c	2,650	Land & Buildings	65,100
Capital Accounts :		Mohan's Current A/c	1,770
Ram	48,000		
Shyam	40,000		
Mohan	24,000		
Sohan	16,000		
	1,28,000		
	1,59,930		1,59,930

Working Notes:

(1) New Profit Sharing Ratios:

Share given to Sohan = $1/8$ Balance of Profits = $1 - 1/8 = 7/8$

Ram's new share = $7/8 \times 6/14 = 3/8$

Shyam's new share = $7/8 \times 5/14 = 5/16$

Mohan's new share = $7/8 \times 3/14 = 3/16$

Sohan's share = $1/8$

New Profit Sharing Ratio = $3/8 : 5/16 : 3/16 : 1/8$ OR $6/16 : 5/16 : 3/16 : 2/16$

(2) Sohan brings in ₹16,000 as Capital for his 1/8th share of profit. Hence, the total Capital of the new firm will be : ₹16,000 \times $8/1 = ₹1,28,000$

Ram's Capital in the new firm = $1,28,000 \times 6/16 = ₹48,000$

Shyam's Capital in the new firm = $1,28,000 \times 5/16 = ₹40,000$

Mohan's Capital in the new firm = $1,28,000 \times 3/16 = ₹24,000$

Hence,

Excess Capital of Ram credited to his Current Account = ₹50,760 – ₹48,000 = ₹2,760.

Excess Capital of Shyam credited to his Current Account = ₹42,650 – ₹40,000 = ₹2,650,

Shortage of Capital of Mohan debited to his Current Account = ₹24,000 – ₹22,230 = ₹1,770.

SOLUTION : 84.

Dr. REVALUATION ACCOUNT				Cr.	
Particulars	₹	Particulars	₹		
To Liabilities for Bills Receivable Discounted	18,000	By Land and Building	36,400		
To Stock	22,200	By Loss transferred to			

Admission of a Partner

To Furniture	46,600	Partner's Capital A/cs	
		Om	25,200
		Ram	16,800
		Shanti	8,400
	86,800		50,400
			86,800

Dr. PARTNER'S CAPITAL ACCOUNTS				Cr.			
Particulars	Om	Ram	Shanti	Particulars	Om	Ram	Shanti
	₹	₹	₹		₹	₹	₹
To Revaluation A/c	25,200	16,800	8,400	By Bal. b/d	3,58,000	3,00,000	2,62,000
To Balance c/d	3,71,800	3,09,200	2,66,600	By General Reserve	24,000	16,000	8,000
				By Premium for Goodwill A/c	15,000	10,000	5,000
	3,97,000	3,26,000	2,75,000		3,97,000	3,26,000	2,75,000
To Current A/cs	—	9,200	1,16,600	By Balance b/d	3,71,800	3,09,200	2,66,600
To Balance c/d	4,50,000	3,00,000	1,50,000	By Current A/c	78,200	—	—
	4,50,000	3,09,200	2,66,600		4,50,000	3,09,200	2,66,600

Dr. HANUMAN'S CAPITAL ACCOUNT Cr.			
Particulars	₹	Particulars	₹
To Balanced c/d	1,00,000	By Bank A/c	1,00,000

Working Notes :

(1) Calculation of New Ratio:

Share Given to Hanuman 1/10; Remaining Share = 9/10

Om's New Share = $9/10 \times 3/6 = 9/20$

Ram's New Share = $9/10 \times 2/6 = 6/20$

Shanti's New Share = $9/10 \times 1/6 = 3/20$

Hanuman's Share = 1/10 Or 2/20

(2) Total Capital of the Firm based on Hanuman's share = $1,00,000 \times 10/1 = ₹10,00,000$

Om's Capital in the new firm = $10,00,000 \times 9/20 = ₹4,50,000$

Ram's Capital in the new firm = $10,00,000 \times 6/20 = ₹3,00,000$

Shanti's Capital in the new firm = $10,00,000 \times 3/20 = ₹1,50,000$

(3)	Om	Ram	Shanti
Existing Capitals	3,71,800	3,09,200	2,66,600
New Capitals	4,50,000	3,00,000	1,50,000
Transferred to Current Accounts	78,200 (Dr.)	9,200 (Cr.)	1,16,600 (Cr.)

SOLUTION : 85.

Dr. REVALUATION ACCOUNT Cr.

Particulars	₹	Particulars	₹
To Bad Debts A/c (₹2,900 – ₹2,000)	900	By Stock A/c	5,000
To Gain transferred to : Amit's Capital A/c	2,050		
Vidya's Capital A/c	2,050		
	4,100		
	5,000		5,000

CAPITAL ACCOUNTS							
Particulars	Amit	Vidya	Chintan	Particulars	Amit	Vidya	Chintan
	₹	₹	₹		₹	₹	₹
To Goodwill A/c (Written off)	10,000	10,000	—	By Balance b/d	1,10,000	60,000	—
To Profit and Loss A/c	5,000	5,000	—	By Revaluation A/c (Gain)	2,050	2,050	—
To Stock A/c	—	35,000	—	By Workmen's Compensation	—	—	—
To Balance c/d	1,17,050	32,050	—	By Reserve	15,000	15,000	—
				By Premium for Goodwill A/c	5,000	5,000	—
	1,32,050	82,050	—		1,32,050	82,050	—
To Bank A/c (Bal. Fig.)	42,500	—	—	By Balance b/d	1,17,050	32,050	—
To Balance c/d (Note 2)	74,550	74,550	49,700	By Bank A/c (Bal. Fig.)	—	42,500	49,700
	1,17,050	74,550	49,700		1,17,050	74,550	49,700

Working Notes:

(1) Calculation of New Profit-sharing Ratio:

$$\begin{aligned} \text{Chintan's Share} &= 1/4 \\ \text{Remaining Share} &= 1 - 1/4 = 3/4 \\ \text{Amit's New Share} &= 3/4 \times 1/2 = 3/8 \\ \text{Vidya's New Share} &= 3/4 \times 1/2 = 3/8 \end{aligned}$$

∴ New Profit Sharing Ratio of Amit, Vidya and Chintan = 3/8 : 3/8 : 1/4 = 3:3:2.

(2) Calculation of Total Capital of the New Firm

Combined Capital of Amit and Vidya

Amit's Capital (after adjustment)	1,17,050
Vidya's Capital (after adjustment)	32,050
Combined Capital for 3/4th Share	1,49,100

Total Capital of the New Firm = ₹1,49,100 × 4/3 = ₹1,98,800

Amit's Capital = ₹1,98,800 × 3/8 = ₹74,550

Vidya's Capital = ₹1,98,800 × 3/8 = ₹74,550

Chintan's Capital = ₹1,98,800 \times $\frac{1}{4}$ = ₹49,700

ADDITIONAL QUESTIONS

Calculation of New Ratios and Sacrificing Ratios

SOLUTION: 86.

Sacrifice Ratio = Old Ratio - New Ratio

Case (i) Sacrifice made by X = $\frac{4}{7} - \frac{7}{14} = \frac{(8 - 7)}{14} = \frac{1}{14}$

Sacrifice made by Y = $\frac{3}{7} - \frac{4}{14} = \frac{(6 - 4)}{14} = \frac{2}{14}$

Thus Sacrificing Ratio = 1:2

Case (ii) Sacrifice made by X = $\frac{7}{12} - \frac{13}{24} = \frac{(14 - 13)}{24} = \frac{1}{24}$

Sacrifice made by Y = $\frac{5}{12} - \frac{7}{24} = \frac{(10 - 7)}{24} = \frac{3}{24}$

Thus Sacrificing Ratio = 1:3

Case (iii) Sacrifice made by A = $\frac{5}{8} - \frac{4}{7} = \frac{(35 - 32)}{56} = \frac{3}{56}$

Sacrifice made by B = $\frac{3}{8} - \frac{2}{7} = \frac{(21 - 16)}{56} = \frac{5}{56}$

Thus Sacrificing Ratio = 3:5

Case (iv) Sacrifice made by A = $\frac{3}{5} - \frac{5}{10} = \frac{(6 - 5)}{10} = \frac{1}{10}$

Sacrifice made by B = $\frac{2}{5} - \frac{3}{10} = \frac{(4 - 3)}{10} = \frac{1}{10}$

Thus Sacrificing Ratio = 1:1

SOLUTION : 87.

Case (i)

Calculation of New Profit Sharing Ratios:

Share given to D = $\frac{1}{3}$; Remaining Share = $1 - \frac{1}{3} = \frac{2}{3}$

A's new share = $\frac{4}{9}$ of $\frac{2}{3} = \frac{8}{27}$

B's new share = $\frac{3}{9}$ of $\frac{2}{3} = \frac{6}{27}$

C's new share = $\frac{2}{9}$ of $\frac{2}{3} = \frac{4}{27}$

D's share = $\frac{1}{3}$

Thus, New Profit Sharing Ratio = $\frac{8}{27} : \frac{6}{27} : \frac{4}{27} : \frac{1}{3} = (8 : 6 : 4 : 9) / 27 = 8 : 6 : 4 : 9$

Calculation of Sacrifice Ratio:

Sacrifice Ratio = Old Share - New Share

Therefore, Sacrifice made by A = $\frac{4}{9} - \frac{8}{27} = \frac{(12 - 8)}{27} = \frac{4}{27}$

Sacrifice made by B = $\frac{3}{9} - \frac{6}{27} = \frac{(9 - 6)}{27} = \frac{3}{27}$

Sacrifice made by C = $\frac{2}{9} - \frac{4}{27} = \frac{(6 - 4)}{27} = \frac{2}{27}$

Thus, Sacrificing Ratio of A, B and C = 4 : 3 : 2

Case (ii)

Calculation of New Profit Sharing Ratios:

Share given to D = $\frac{1}{6}$, Remaining Share = $1 - \frac{1}{6} = \frac{5}{6}$

A's new share = $\frac{1}{2}$ of $\frac{5}{6} = \frac{5}{12}$

B's new share = $\frac{1}{3}$ of $\frac{5}{6} = \frac{5}{18}$

C's new share = $\frac{1}{6}$ of $\frac{5}{6} = \frac{5}{36}$

D's share = $\frac{1}{6}$

Thus, New Profit Sharing Ratio = $5/12: 5/18: 5/36: 1/6 = (15: 10: 5: 6)/36 = 15:10:5:6$

Calculation of Sacrifice Ratio:

Sacrifice Ratio = Old Share – New Share

Therefore, Sacrifice made by A = $1/2 - 15/36 = (18 - 15)/36 = 3/36$

Sacrifice made by B = $1/3 - 10/36 = (12 - 10)/36 = 2/36$

Sacrifice made by C = $1/6 - 5/36 = (6 - 5)/36 = 1/36$

Thus, Sacrificing Ratio of A, B and C = 3 : 2 : 1

Case (iii)**Calculation of New Profit Sharing Ratios:**

Share given to D = $1/8$, Remaining Share = $1 - 1/8 = 7/8$

A's new share = $6/14$ of $7/8 = 6/16$

B's new share = $5/14$ of $7/8 = 5/16$

C's new share = $3/14$ of $7/8 = 3/16$

D's share = $1/8$

Thus, New Profit Sharing Ratio = $6/16: 5/16: 3/16: 1/8 = (6 : 5 : 3 : 2)/16 = 6: 5: 3: 2$

Calculation of Sacrifice Ratio:

Sacrifice Ratio = Old Share – New Share

Therefore, Sacrifice made by A = $6/14 - 6/16 = (48 - 42)/112 = 6/112$

Sacrifice made by B = $5/14 - 5/16 = (40 - 35)/112 = 5/112$

Sacrifice made by C = $3/14 - 3/16 = (24 - 21)/112 = 3/112$

Thus, Sacrificing Ratio of A, B and C = 6: 5: 3

SOLUTION : 88.

Z is given $1/5$ th share which he acquires equally from X and Y.

This means:

Z acquires $1/2$ of $1/5 = 1/10$ from X

Z acquires $1/2$ of $1/5 = 1/10$ from Y

Hence, the new share of X = $2/5 - 1/10 = (4 - 1)/10 = 3/10$

The new share of Y = $3/5 - 1/10 = (6 - 1)/10 = 5/10$

Share of Z = $1/10 + 1/10 = 2/10$

Thus, New Profit Sharing Ratio = 3:5:2

SOLUTION : 89.

(a) Sacrifice Ratio = Old Ratio - New Ratio

Rohan's Sacrifice = $5/8 - 4/7 = (35 - 32)/56 = 3/56$

Mohan's Sacrifice = $3/8 - 2/7 = (21 - 16)/56 = 5/56$

Sacrificing Ratio of Rohan and Mohan = $3/56: 5/56 = 3:5$

(b) New Share of Amla = Old Share - Share sacrifice in favour of Bimla

= $4/5 - 1/4 = (16 - 5)/20 = 11/20$

New Ratio of Amla, Kamla and Bimla = $11/20: 1/5: 1/4 = (11: 4: 5)/20 = 11:4:5$

SOLUTION : 90.

Chetan is given $1/8$ th share which he acquires $1/12$ from Anita and $1/24$ from Tina.

Hence, the new share of Anita = $9/14 - 1/12 = (54 - 7)/84 = 47/84$

The new share of Tina = $5/14 - 1/24 = (60 - 7)/168 = 53/168$

Share of Chetan = $1/8$

Thus, New Profit Sharing Ratio = $47/84 : 53/168 : 1/8 = (94 : 53 : 21)/168 = 94 : 53 : 21$

SOLUTION : 91.

Vijay is given $1/3$ rd share which he acquires wholly from Anil.

Hence, the new share of Anil = $4/5 - 1/3 = (12 - 5)/15 = 7/15$

New share of Sunil = $1/5$

Share of Vijay = $1/3$

Thus, New Profit Sharing Ratio = $7/15 : 1/5 : 1/3 = (7 : 3 : 5)/15 = 7:3:5$

SOLUTION : 92.

Calculation of surrendered share:

(i) J's old share = $2/5$, J surrenders $1/5$ th of $2/5$ in favour of L, i.e.,

$1/5 \times 2/5 = 2/25$ (It means J has surrendered out of his share in favour of L)

(ii) K's old share = $3/5$; K surrenders $1/3$ rd of $3/5$ in favour of L, i.e.,

$1/3 \times 3/5 = 1/5$ (It means K has surrendered $1/5$ out of his share in favour of L)

Calculation of New Ratios:

(i) J's new share after surrendering in favour of L

$$= 2/5 - 2/25 = (10 - 2)/25 = 8/25$$

(ii) K's new share after surrendering j in favour of L = $3/5 - 1/5 = 2/5$

(iii) Z's new share is the total of $2/25$ from J and $1/5$ from k

$$= 2/25 + 1/5 = (2 + 5)/25 = 7/25$$

Therefore, the new ratio of J, K & L = $8/25 : 2/5 : 7/25 = (8 : 10 : 7)/25 = 8:10:7$

SOLUTION : 93.

(i) R surrenders $1/4$ th of $5/8$ in favour of T. It means that R has surrendered

$1/4 \times 5/8 = 5/32$ out of his share in favour of T.

(ii) S surrenders $2/5$ th of $3/8$ in favour of T. It means that S has surrendered

$2/5 \times 3/8 = 3/20$ out of his share in favour of T.

\therefore Sacrificing Ratio = $5/32 : 3/20 = (25 : 24)/160 = 25 : 24$

Calculation of New Ratios:

R's new share = $5/8 - 5/32 = (20 - 5)/32 = 15/32$

S's new share = $3/8 - 3/20 = (15 - 6)/40 = 9/40$

T's Share = $5/32 + 3/20 = (25 + 24)/160 = 49/160$

Thus, New Profit Sharing Ratio = $15/32 : 9/40 : 49/160 = (75 : 36 : 49)/160 = 75 : 36 : 49$

SOLUTION : 94.

C is given $1/4$ th share which he acquires from A and B in the ratio of 3 : 1.

This means:

C acquires $3/4$ of $1/4 = 3/16$ from A

Admission of a Partner

C acquires $1/4$ of $1/4 = 1/16$ from B

Hence, the new share of A = $5/8 - 3/16 = (10 - 3)/16 = 7/16$

The new share of B = $3/8 - 1/16 = (6 - 1)/16 = 5/16$

Share of C = $1/4$

Thus, New Profit Sharing Ratio = $7/16: 5/16: 1/4 = (7: 5: 4)/16 = 7:5:4$

SOLUTION : 95.

Calculation of New Profit Sharing Ratio:

Gopal's share = $1/8$; Remaining share = $1 - 1/8 = 7/8$

This is to be shared by Mohan and Sohan in the ratio of 4 : 3

Hence, the new share of Mohan = $4/7$ of $7/8 = 4/8$

New share of Sohan = $3/7$ of $7/8 = 3/8$

Share of Gopal = $1/8$

Calculation of Sacrificing Ratio:

Sacrifice Ratio = Old Share – New Share

Sacrifice made by Mohan = $9/15 - 4/8 = (72 - 60)/120 = 12/120$

Sacrifice made by Sohan =

Thus, Sacrificing Ratio between Mohan and Sohan = $12:3$ OR $4 : 1$

SOLUTION : 96.

JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2017 April 1	Bank A/c Dr.		55,000	
	To C's Capital A/c			40,000
	To Premium for Goodwill A/c			15,000
	(Amount of capital and premium for goodwill brought in cash by New Partner)			
	Premium for Goodwill A/c Dr.		15,000	
	To A's Capital A/c			10,000
	To B's Capital A/c			5,000
	(Premium for goodwill credited to the old partner's capital accounts in Sacrifice Ratio i.e., 2:1)			

Calculation of New Profit Sharing Ratio:

C's share = $1/6$, Remaining share = $1 - 1/6 = 5/6$

A's new share = $2/3$ of $5/6 = 10/18$

B's new share = $1/3$ of $5/6 = 5/18$

C's share = $1/6$

Thus, New Profit Sharing Ratio = $10/18: 5/18: 1/6 = (10:5:3)/18 = 10: 5: 3$

SOLUTION: 97.

JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2017 April 1	Bank A/c Dr. To C's Capital A/c To Premium for Goodwill A/c (Amount of capital and premium for goodwill brought in cash)		3,90,000	3,00,000 90,000
	Premium for Goodwill A/c Dr. To A's Capital A/c , To B's Capital A/c (Premium for goodwill transferred to old partners' capital in sacrifice ratio i.e.. equally)		90,000	45,000 45,000
	A's Capital A/c Dr. B's Capital A/c Dr. To Bank A/c (Half the amount of premium for goodwill withdrawn by old partners)		22,500 22,500	45,000

SOLUTION : 98.

JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Bank A c Dr. To Ghosh's Capita! A/c To Premium for Goodwill A c (The amount of capital and goodwill premium brought in cash)		3,09,000	2,70,000 39,000
	Premium for Goodwill A/c Dr. To Kumar's Capital A/c To Rao's Capital A/c (Goodwill/premium credited to old partners in their sacrifice ratio, i.e., 3 : 2)		39,000	23,400 15,600

Calculation of New Profit Sharing Ratio:

Ghosh takes his share from Kumar = $\frac{3}{5}$ of $\frac{1}{4} = \frac{3}{20}$

Ghosh takes his share from Rao = $\frac{2}{5}$ of $\frac{1}{4} = \frac{2}{20}$

Therefore, Kumar's new share = $\frac{1}{2} - \frac{3}{20} = \frac{(10 - 3)}{20} = \frac{7}{20}$

Rao s new share = $\frac{1}{2} - \frac{2}{20} = \frac{(10 - 2)}{20} = \frac{8}{20}$

Ghosh's share = $\frac{1}{4}$

Therefore, New profit sharing ratio of Kumar, Rao and Ghosh

= $\frac{7}{20} : \frac{8}{20} : \frac{1}{4} = (7 : 8 : 5) / 20$ or 7: 8: 5

SOLUTION : 99.

JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c Dr. To Premium for Goodwill A/c (Cash brought in by Seema as premium for Goodwill)		40,000	40,000
	Premium for Goodwill A/c Dr. To Piyush (Premium for goodwill credited to Piyush, as he alone has sacrificed)		40,000	40,000

Calculation of Sacrificing Ratio:

Sacrifice made by Piyush = $7/10 - 5/10 = 2/10$

Sacrifice made by Deepika = $3/10 - 3/10 = 0$

Thus, Piyush alone has sacrificed.

SOLUTION : 100.

JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c Dr. To Premium for Goodwill A/c (Premium for goodwill brought in cash by R)		1,00,000	1,00,000
	Premium for Goodwill A/c Dr. To P's Capital A/c (Premium for goodwill transferred to P's Capital A/c as he alone has sacrificed)		1,00,000	1,00,000

Calculation of new profit sharing ratio:

R takes 1/4th share out of 1.

Thus, the remaining profit is 3/4; this is divided equally between P and Q.

P's new share = $3/4 \times 1/2 = 3/8$

Q's new share = $3/4 \times 1/2 = 3/8$

R's new share = 1/4 or 2/8

Sacrifice made by P = $5/8 - 3/8 = 2/8$

Sacrifice made by Q = $3/8 - 3/8 = 0$

Thus, P alone has sacrificed.

SOLUTION : 101.

JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c Dr. To Z's Capital A/c To Premium for Goodwill A/c (Amount of capital and premium for goodwill brought in cash)		1,00,000	90,000 10,000
	Premium for Goodwill A/c Dr. To X's Capital A/c To Y's Capital A/c (Premium for goodwill credited to old partners in sacrificing ratio)		10,000	2,000 8,000