SOLUTION : 1 (A).

Old Ratio of X and Y = 5:3
New Ratio of X and Y= 1:1
Sacrifice or Gain =
X = 5/8 – 1/2 = (5 – 4)/8 = 1/8 (Sacrifice)
Y = 3/8 – 1/2 = (3 – 4)/8 = 1/8(Gain)
Thus, X has sacrificed 1/8th share whereas Y has gained 1/8th share.

SOLUTION : 1 (B).

Old Ratio of A and B = 1:1
New Ratio of A and B = 4:3
Sacrifice or Gain =
A = 1/2 – 4/7 = (7 – 8)/14 = 1/14(Gain)
B = 1/2 – 3/7 = (7 – 6)/14 = 1/14(Sacrifice)
Thus, A has gained 1/14th share whereas B has sacrificed 1/14th share.

SOLUTION : 2 (A).

Old Ratio of A, B and C =4:3:1
New Ratio of A, B and C =5:4:3
Sacrifice or Gain =
A = 4/8 – 5/12 = (12 – 10)/24 = 2/24 (Sacrifice)
B = 3/8 – 4/12 = (9 – 8)/24 = 1/24 (Sacrifice)
C = 1/8 – 3/12 = (3 – 6)/24 = 3/24 (Gain)

Thus, A sacrifices 2/24, B sacrifices 1/24 and C gains 3/24.

SOLUTION : 2 (B).

Old Ratio of Mahesh, Naresh and Om =2:3:4
New Ratio of Mahesh, Naresh and Om =1 : 2 : 3
Sacrifice or Gain =
Mahesh = 2/9 – 1/6 = (4 -3)/18 = 1/18 (Sacrifice)
Naresh = 3/9 – 2/6 = (6 – 6)/18 = 0
Om = 4/9 – 3/6 = (8 – 9)/18 = 1/18 (Gain)

Thus, Mahesh sacrifices and Om gains 1/18th share.

Average Profit Method

SOLUTION : 3.

Total Profits of last six years =

= ₹60,000 – ₹40,000 – ₹30,000 + ₹1,00,000 – ₹1,70,000 + ₹2,20,000 = ₹4,80,000

Average Profits = 4,80,000 ÷ 6 = ₹80,000

Goodwill = Average Profits x Number of year's purchased

= ₹80,000 x 2 = ₹1,60,000.

SOLUTION : 4.

		₹	₹
	Profit for 2009	40,000	
Add:	Abnormal Loss	2,000	42,000
	Profit for 2010	58,000	
Less :	Abnormal Profit	4,000	54,000
	Profit for 2011	53,000	
Less :	Abnormal Profit	5,000	48,000
	Profit for 2012	62,000	
Add:	Abnormal Loss	10,000	72,000
			2,16,000

Average Profit = 2,16,000 ÷ 4 = 54,000

Goodwill = Average Profit x Number of Year's Purchased

= ₹54,000 x 3 = ₹1,62,000

SOLUTION : 5.

Calculation of Average Profit

Based on 4 year's Profits	**₹**	**Based on 5 year's Profits**	**₹**
31st March 2014	1,20,000	31st March 2013	1,30,000
31st March 2015	1,50,000	31st March 2014	1,20,000
31st March 2016	1,10,000	31st March 2015	1,50,000
31st March 2017	2,00,000	31st March 2016	1,10,000
		31st March 2017	2,00,000
	5,80,000		**7,10,000**
Average Profit = 5,80,000 ÷ 4 = ₹1,45,000		Average Profit = 7,10,000 ÷ 5 = ₹1,42,000	

4 year's average profit is higher than 5 year's average profit. Therefore, the value of goodwill will be ₹1,45,000 x 3 = ₹4,35,000

SOLUTION : 6.

Calculation of Average Profits	**₹**
31st March 2013	60,000 (Profit)
31st March 2014	1,50,000 (Profit)
31st March 2015	20,000 (Loss)
31st March 2016	2,00,000 (Profit)
31st March 2017	2,20,000(Profit)**(1)**
	6,10,000

Average Profits = ₹6,10,000 ÷ 5 = ₹1,22,000

Goodwill = Average Profits x Number of year's purchase
= ₹1,22,000 x 3 = ₹3,66,000.

Note(1) (i) Cost of computer was wrongly debited to office expenses account. After rectification, the profit of 2017 will increase by ₹40,000.

(ii) Depreciation on Computer ₹5,000 (40,000 x 25/100 x 6/12) was not charged to Profit and Loss Account of 2017 which will decrease the profit of 2017 by ₹5,000. Hence, the final profit will be: ₹1,85,000 + ₹40,000 – ₹5,000 = ₹2,20,000.

SOLUTION : 7.

Year ended 31st March	**Profits (₹)**	**Weight**	**Products**
2013	80,000	1	80,000
2014	1,00,000	2	2,00,000
2015	1,10,000	3	3,30,000
2016	1,50,000	4	6,00,000
		10	**12,10,000**

Weighted Average Profit
= 12,10,000 ÷ 10 = ₹1,21,000
Goodwill = ₹1,21,000 x 3 = ₹3,63,00

SOLUTION : 8.

CALCULATION OF ADJUSTED PROFITS

		2013 ₹	**2014** ₹	**2015** ₹
	Profits	40,000	50,000	60,000
Less :	Non recurring income		1,000	
		40,000	49,000	60,000
Add:	Goods destroyed by fire being abnormal loss.	6,000		
		46,000	49,000	60,000
Less :	Insurance Premium	400	400	400

		45,600	48,600	59,600
Less :	Remuneration to the Proprietor	6,000	6,000	6,000
		39,600	42,600	53,600
Less :	Income on Investment			5,000
		39,600	**42,600**	**48,600**

CALCULATION OF WEIGHTED AVERAGE PROFITS

Year	Profits ₹	Weight	Products
2013	39,600	1	39,600
2014	42,600	2	85,200
2015	48,600	3	1,45,800
		6	**2,70,600**

Weighted Average Profits = 2,70,600 ÷ 6 = ₹45, 100

Goodwill at 2 year's purchase = ₹45,100 x 2 = ₹90,200

Super Profit Method:

SOLUTION : 9.

Total Profits of four years

= ₹80,000 + ₹1,00,000 + ₹1,20,000 + ₹1,80,000 = ₹4,80,000

Average Profit = 4,80,000 ÷ 4 = 1,20,000

Normal Profit = Capital Invested x (Normal Rate of Return/100)

= 5,00,000 x 15/100 = ₹75,000

Super Profit = Actual Average Profit – Normal Profit

= ₹1,20,000 – ₹75,000 = ₹45,000

Value of Goodwill = Super Profit x Number of years purchased

= ₹45,000 x 3 = ₹1,35,000

SOLUTION : 10.

(i) Calculation of Actual Average Profit:

Average Profit	41,000
Add: Abnormal Loss	2,000
Actual Average Profit	**43,000**

(ii) Normal Profit = Capital Invested x (Normal Rate of Return/100)

= 3,00,000 x 10/100= ₹30,000

(iii) Super Profit = Actual Average Profit - Normal Profit

= ₹43,000 – ₹30,000 = ₹13,000

(iv) Goodwill = Super profit x Number of year's purchased

= ₹ 13,000 x 5 = ₹65,000.

SOLUTION : 11.

(i) Actual Average Profit: ₹1,00,000 – ₹10,000 = ₹90,000

(ii) Normal Profit = Capital Invested x (Normal Rate of Return/100)

= ₹ 5,00,000 x 15/100 = ₹75,000

(iii) Super Profit = Actual Average Profit - Normal Profit

= ₹90,000 – ₹75,000 = ₹15,000

(iv) Value of Goodwill = Super Profit x No. of years' Purchased

= ₹15,000 x 2 = ₹30,000.

SOLUTION : 12.

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

₹60,000 = Super Profits x 4

Super profit = ₹60,000/4 = ₹15,000

Normal Profit = Capital Employed (**Note**) x (Normal Rate of Return/100)

= ₹1,10,000 x 8/100 = ₹8,800

Super Profit = Average Profits – Normal Profits

₹15,000 = Average Profits – ₹8,800

Average Profit = ₹15,000 + ₹8,800 = ₹23,800.

Note: Capital Employed = Total Assets (including stock) – Current Liabilities

= ₹1,20,000 – ₹10,000 = ₹1,10,000

Or

Capital Employed = Capital + Reserves

= ₹60,000 + ₹50,000 = ₹1,10,000.

SOLUTION : 13.

Goodwill = Super Profits x 4 year's purchase

64,000 = Super Profits x 4

Super Profits =64,000 ÷ 4 = ₹16,000

Capital Employed = Assets – Creditors

= ₹5,00,000 – ₹30,000 = ₹4,70,000.

Normal Profits = Capital Employed x Normal Rate of Return

= ₹4,70,000 x 20/100 = ₹94,000

Super Profits = Average Profits – Normal Profits

Hence, Average Profits = Super Profits + Normal Profits

= ₹16,000 + ₹94,000 = ₹1,10,000.

Capitalisation Method:

SOLUTION : 14.

Capitalised Value of Average Profits = Average Profits x (100/Normal Rate of Return)

= 48,000 x 100/12 = ₹4,00,000

Capital Employed = Assets – Liabilities
= ₹8,00,000 – ₹5,00,000 = ₹3,00,000.
Goodwill = Capitalised Value of Average Profits – Capital Employed
= ₹4,00,000 – ₹3,00,000 = ₹1,00,000.

SOLUTION : 15.

Capitalised Value of Average Profits = Average Profits x (100/Normal Rate of Return)
= 96,000 x 100/12 = ₹8,00,000
Capital Employed = 2,50,000 + 2,00,000 + 1,50,000 = ₹6,00,000
Goodwill = Capitalised Value of Average Profits - Capital Employed
= ₹8,00,000 – ₹6,00,000 = ₹2,00,000.

SOLUTION : 16.

Capital Employed = Assets - Liabilities
= ₹8,00,000 – ₹5,00,000 = ₹3,00,000
Super Profit = Average Profit – Normal Profit
= ₹48,000 – ₹36,000 (i.e., 12% of ₹3,00,000)
= ₹12,000
Goodwill = Super Profit x 100/Normal rate of return
= 12,000 x 100/12 = ₹1,00,000

SOLUTION : 17.

Average Profit:
Total Profits = ₹20,000 + ₹60,000 – ₹10,000 + ₹60,000 + ₹50,000 + ₹72,000 = ₹2,52,000
Average Profit = 2,52,000 ÷ 6 = ₹42,000
(i) On the basis of average profits :
Value of goodwill at 4 year's purchase of average profits : ₹42,000 x 4 = ₹1,68,000.
(ii) On the basis of super profits :

Average Profit	42,000
Less : Normal Profits 15% of ?2,00,000	30,000
Super Profits	**12,000**

Value of goodwill at 4 year's purchase of super profits :
₹12,000 x 4 = 48,000.
(iii) On the basis of capitalisation of super profits :
Goodwill = Super Profit x 100/Normal Rate of Return
= ₹12,000 x 100/15 = ₹80,000.

SOLUTION : 18.

Old Ratio of X and Y = 2:1
New Ratio of X and Y =3:1
Sacrifice or Gain:
X = 2/3 – 3/4 = (8 -9)/12 = 1/12 (Gain)
Y = 1/3 – 1/4 = (4 – 3)/12 = 1/12(Sacrifice)
Since X has gained he will be debited from 1/12 of ₹1,80,000 = ₹15,000
Since Y has sacrificed he will be credited from 1/12 of ₹1,80,000 = ₹15,000

JOURNAL

Date	Particulars	L.F.	Dr.(₹)	Cr.(₹)
2016 April 1	X's Capital A/c Dr. To Y's Capital A/c **(Adjustment for goodwill due to change in profit sharing ratio)**		15,000	 15,000

SOLUTION : 19.

Old Ratio of X, Y and Z = 4:3:2
New Ratio of X, Y and Z = 1:1:1
Sacrifice or Gain :
X= 4/9 – 1/3 = (4 -3)/9 = 1/9 (Sacrifice)
Y = 3/9 – 1/3 = (3 – 3)/9 = 0
Z = 2/9 – 1/3 = (2 – 3)/9 = 1/9 (Gain)

Since X has sacrificed, he will be credited from 1/9 of ₹36,000 = ₹4,000
Since Z has gained, he will be debited from 1/9 of ₹36,000 = ₹4,000

JOURNAL

Date	Particulars	L.F.	Dr.(₹)	Cr.(₹)
	Z's Capital A/c Dr. To A's Capital A/c **(Adjustment for goodwill due to change in profit sharing ratio)**		4,000	 4,000

SOLUTION : 20.

Average Profits = (₹36,000 + ₹32,000 + ₹40,000) ÷ 3 = ₹36,000.
Value of Goodwill at 2 year's purchase = ₹36,000 x 2 = ₹72,000.
Old Ratio of A and B =3:1
New Ratio of A and B =5:3
Sacrifice or Gain:
A = 3/4 – 5/8 = (6 – 5)/8 = 1/8 (Sacrifice)
B = 1/4 – 3/8 = (2 – 3)/8 = 1/8 (Gain)
Since A has sacrificed, he will be credited by 1/8of ₹72,000 = ₹9,000
Since B has gained, he will be debited by 1/8 of ₹72,000 = ₹9,000

JOURNAL

Date	Particulars	L.F.	Dr.(₹)	Cr.(₹)
2015	B's Capital A/c Dr.		9,000	
April 1	To A's Capital A/c			9,000
	(Adjustment for goodwill due to change in profit sharing ratio)			

SOLUTION : 21.

Old Ratio of P, Q and R = 1/3: 1/3: 1/3
New Ratio of P, Q and R = 3/7: 3/7: 1/7
P = 1/3 – 3/7 = (7 – 9)/21 = 2/21 (Gain)
Q = 1/3 – 3/7 = (7 – 9)/21 = 2/21 (Gain)
R= 1/3 – 1/7 = (7 – 3)/21 = 4/21 (Sacrifice)

JOURNAL

Date	Particulars	L.F.	Dr.(₹)	Cr.(₹)
	P's Capital A/c (2/21 of 42,000) Dr.		4,000	
	Q's Capital A/c (2/21 of 42,000) Dr.		4,000	
	To R's Capital A/c (4/21 of 42,000)			8,000
	(R compensated by P and Q for the sacrifice made by him)			

SOLUTION : 22.

Value of goodwill = (₹48,000 + ₹60,000 + ₹90,000) ÷ 3 = ₹66,000
Old Ratio of A, B and C =7:3:2
New Ratio of A, B and C = 8:4:3
Sacrifice or Gain =
A = 7/12 – 8/15 = (35 – 32)/60 = 3/60 (Sacrifice)
B = 3/12 – 4/15 = (15 – 16)/60 = 1/60 (Gain)
C = 2/12 – 3/15 = (10 – 12)/60 = 2/60 (Gain)

JOURNAL

Date	Particulars	L.F.	Dr.(₹)	Cr.(₹)
2015 April 1	B's Capital A/c (1/60 of ?66,000) Dr.		1,100	
	C's Capital A/c (2/60 of ?66,000) Dr.		2,200	
	To A's Capital A/c (3/60 of ?66,000)			3,300
	(Adjustment for goodwill due to change in profit sharing ratio)			

SOLUTION : 23.

JOURNAL

Date	Particulars	L.F.	Dr.(₹)	Cr.(₹)
2016 April 1	Profit & Loss A/c Dr.		70,000	
	To A's Capital A/c			42,000
	To B's Capital A/c			28,000
	(Transfer of undistributed profit in old ratio on change in profit sharing ratio)			

SOLUTION : 24.

JOURNAL

Date	Particulars		L.F.	Dr.(₹)	Cr.(₹)
2016 April 1	A's Capital A/c	Dr.		15,000	
	B's Capital A/c	Dr.		30,000	
	C's Capital A/c	Dr.		45,000	
	To Profit and Loss A/c				90,000
	(Transfer of undistributed loss in old ratio on change in profit sharing ratio)				

SOLUTION : 25.

JOURNAL

Date	Particulars	L.F.	Dr.(₹)	Cr.(₹)
2016 April 1	**Case (i)**			
	Workmen Compensation Reserve A/c Dr.		40,000	
	To A's Capital A/c			16,000
	To B's Capital A/c			24,000
	(Transfer of Workmen Compensation Reserve to partner's capital accounts in their old profit sharing ratio)			
	Case (ii)			
	Workmen Compensation Reserve A/c Dr.		40,000	
	To Provision for Workmen Compensation Claim A/c			25,000
	To A's Capital A/c			6,000
	To B's Capital A/c			9,000
	(Transfer of excess Workmen Compensation Reserve to partner's capital accounts in their old profit sharing ratio)			
	Case (iii)			
	Workmen Compensation Reserve A/c Dr.		40,000	
	To Provision for Workmen Compensation Claim A/c			40,000
	(Provision made for Workmen Compensation Claim)			

	Case (iv)			
	Workmen Compensation Reserve A/c Dr.		40,000	
	Revaluation A/c Dr.		10,000	
	To Provision for Workmen Compensation Claim A/c			50,000
	(Provision created and shortfall charged to Revaluation Account)			
	A's Capital A/c Dr.		4,000	
	B's Capital A/c Dr.		6,000	
	To Revaluation A/c (Transfer of loss on revaluation)			10,000

SOLUTION : 26.

JOURNAL

Date	Particulars		L.F.	Dr.(₹)	Cr.(₹)
2016	**Case (i)**				
April 1	Investment Fluctuation Reserve A/c Dr.			54,000	
	To A's Capital A/c				24,000
	To B's Capital A/c				18,000
	To C's Capital A/c				12,000
	(Transfer of excess Investment Fluctuation Reserve to partner's capital accounts in their old profit sharing ratio)				
	Case (ii)				
	Same Solution as given in Case (i)				
	Case (iii)				
	Investment Fluctuation Reserve A/c Dr.			54,000	
	To Investments A/c (6,00,000- 5,91,000)				9,000
	To A's Capital A/c				20,000
	To B's Capital A/c				15,000
	To C's Capital A/c				10,000
	(Transfer of excess Investment Fluctuation Reserve to partner's capital accounts in their old profit sharing ratio)				
	Case (iv)				
	Investment Fluctuation Reserve A/c	Dr.		54,000	
	Revaluation A/c	Dr.		18,000	
	To Investments A/c				72,000
	(Adjustment for fall in the value of investments)				
	A's Capital A/c	Dr.		8,000	
	B's Capital A/c	Dr.		6,000	
	C's Capital A/c	Dr.		4,000	
	To Revaluation A/c				18,000
	(Transfer of loss on revaluation)				
	Case (v)				
	Investment Fluctuation Reserve A/c	Dr.		54,000	
	To A's Capital A/c				24,000
	To B's Capital A/c				18,000

	To C's Capital A/c				12,000
	(Transfer of excess investment fluctuation reserve)				
	Investments A/c	Dr.		60,000	
	To Revaluation A/c				60,000
	(Value of investments brought up to market value)				
	Revaluation A/c	Dr.		60,000	
	To A's Capital A/c				26,667
	To B's Capital A/c				20,000
	To C's Capital A/c				13,333
	(Transfer of profit on revaluation)				

SOLUTION : 27.

Alternative (i) When General Reserve is transferred to Capital Accounts :

JOURNAL

Date	Particulars	L.F.	Dr.(₹)	Cr.(₹)
2016	General Reserve A/c Dr.		54,000	
March 31	To A's Capital A/c			32,400
	To B's Capital A/c			21,600
	(General Reserve transferred to the Capital Accounts of the partners on the reconstitution of the firm)			

Alternative (ii) When General Reserve is not transferred to Capital Accounts :

Old Ratio of A and B = 3:2

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

Sacrifice or Gain:

A =3/5 – 4/9 = (27 – 20)/45 = 7/45 (Sacrifice)

B = 2/5 – 3/9 = (18 – 15)/45 = 3/45 (Sacrifice)

C= 2/9 or 10/45 (Gain)

JOURNAL

Date	Particulars		L.F.	Dr.(₹)	Cr.(₹)
2016 March 31	C's Capital A/c (10/45 of 54,000)	Dr.		12,000	
	To A's Capital A/c (7/45 of 54,000)				8,400
	To B's Capital A/c (3/45 of 54,000)				3,600
	(Adjustment for general reserve on the admission of C)				

SOLUTION : 28.

Old Ratio of A, B and C = 1:1:1

New Ratio of A, B and C =3:4:5

Sacrifice or Gain :

A = 1/3 – 3/12 = (4 – 3)/12 = 1/12 (Sacrifice)

B = 1/3 – 4/12 = (4 – 4)/12 = 0

C = 1/3 – 5/12 = (4 – 5)/12 = 1/12 (Gain)

JOURNAL

Date	Particulars	L.F.	Dr.(₹)	Cr.(₹)
2017 April 1	C's Capital A/c (1/12 of 90,000) Dr. To A's Capital A/c (1/12 of 90,000) **(Adjustment for Profit & Loss Account balance on change in profit sharing ratio)**		7,500	7,500

SOLUTION : 29.

Net Effect:	₹
Profit and Loss Account	24,000
(–) Advertisement Suspense Account	12,000
	12,000

Sacrifice or Gain:
Old Ratio of X, Y and Z = 5:3:2
New Ratio of X, Y and Z = 2:3:5
X = 5/10 – 2/10 = 3/10 (Sacrifice)
Y = 3/10 – 3/10 = 0
Z = 2/10 – 5/10 = 3/10 (Gain)

JOURNAL

Date	Particulars	L.F.	Dr.(₹)	Cr.(₹)
2017 April 1	Z's Capital A/c (3/10 of 12,000) Dr. To X's Capital A/c (3/10 of 12,000) **(Adjustment for Profit & Loss Account balance and advertisement suspense account on change in profit sharing ratio)**		3,600	3,600

SOLUTION : 30 (A).

	₹
Value of Goodwill	1,50,000
Reserve	60,000
	2,10,000

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

Sacrifice or Gain:
A = 2/6 – 3/10 = (10 – 9)/30 = 1/30 (Sacrifice)
B = 2/6 – 2/10 = (10 – 6)/30 = 4/30 (Sacrifice)
C = 1/6 – 2/10 = (5 – 6)/30 = 1/30 (Gain)
D = 1/6 – 3/10 = (5 – 9)/30 = 4/30 (Gain)

JOURNAL

Date	Particulars	L.F.	Dr.(₹)	Cr.(₹)
	C's Capital A/c (1/30 of 2,10,000) Dr.		7,000	
	D's Capital A/c (4/30 of 2,10,000) Dr.		28,000	
	To A's Capital A/c (1/30 of2,10,000)			7,000
	To B's Capital A/c (4/30 of 2,10,000)			28,000
	(Adjustment for goodwill and reserve on change in profit sharing ratio)			

SOLUTION : 30 (B).

Average Profit = (₹1,50,000 + ₹1,40,000 + ₹2,20,000) ÷ 3 = ₹1,70,000
Value of goodwill = ₹1,70,000 x 2 = ₹3,40,000

	₹
Value of goodwill	3,40,000
Reserves	1,10,000
	4,50,000

Old Ratio of Arun and Varun = 2:3
New Ratio of Arun and Varun = 1:2
Sacrifice or Gain:
Arun = 2/5 – 1/3 = (6 – 5)/15 = 1/15 (Sacrifice)
Varun = 3/5 – 2/3 = (9 – 10)/15 = 1/15 (Gain)
Arun will be compensated by Varun to the extent of 1/15 of ₹4,50,000 = ₹30,000

JOURNAL

Date	Particulars	L.F.	Dr.(₹)	Cr.(₹)
2016 May 1	Varun's Capital A/c Dr.		30,000	
	To Arun's Capital A/c			30,000
	(Adjustment for goodwill and reserves on change in profit sharing ratio)			

SOLUTION: 31.

	₹
Value of Goodwill	1,50,000
General Reserve	75,000
Profit & Loss A/c (Profits)	15,000
	2,40,000

Old Ratio of X, Y and Z 7:5:4
New Ratio of X, Y and Z 3:2:1

Sacrifice or Gain:
X = 7/16 – 3/6 = (21 – 24)/48 = 3/48 (Gain)
Y = 5/16 – 2/6 = (15 – 16)/48 = 1/48 (Gain)
Z = 4/16 – 1/6 = (12 – 8)/48 = 4/48 (Sacrifice
Since X has gained, he will be debited from 3/48 of ₹2,40,000 = ₹15,000
Since Y has gained, he will be debited from 1/48 of ₹2,40,000 = ₹5,000
Since Z has sacrificed, he will be credited from 4/48 of ₹2,40,000 = ₹20,000

JOURNAL

Date	Particulars	L.F.	Dr.(₹)	Cr.(₹)
2016	X's Capital A/c Dr.		15,000	
April 1	Y's Capital A/c Dr.		5,000	
	To Z's Capital A/c			20,000
	(Adjustment for goodwill, reserves and undistributed profits on change in profit sharing ratio)			

BALANCE SHEET as at 1st April. 2016

Liabilities		₹	Assets	₹
Creditors		40,000	Sundry Assets	6,00,000
Reserves		75,000		
Profit & Loss A/c (Profits)		15,000		
Capital Accounts:				
X	1,85,000			
Y	1,45,000			
Z	1,40,000	4,70,000		
		6,00,000		**6,00,000**

SOLUTION : 32.

JOURNAL

Date	Particulars	L.F.	Dr.(₹)	Cr.(₹)
2016 April 1	Revaluation A/c Dr.		22,200	
	To Fixed Assets A/c			15,000
	To Provision for Doubtful Debts			7,200
	(Decrease in the value of fixed assets and provision made for doubtful debts)			
	Stock A/c Dr.		50,000	
	Sundry Creditors A/c Dr.		3,700	
	To Revaluation A/c			53,700
	(Increase in the value of stock and decrease in creditors)			

	Revaluation A/c Dr. **(1)**		31,500	
	To X's Capital A/c			18,000
	To Y's Capital A/c			13,500
	(Transfer of profit on revaluation to the capital accounts of partners in old ratio)			
	X's Capital A/c Dr. **(2)**		4,000	
	To Y's Capital A/c			4,000
	(Adjustment for reserve on change in profit sharing ratio)			

Workings : (1)

Dr. REVALUATION ACCOUNT Cr.

Particulars	₹	Particulars	₹
To Fixed Assets A/c	15,000	By Stock A/c	50,000
To Provision for Doubtful Debts	7,200	By Sundry Creditors A/c	3,700
To Profit on Revaluation transferred to :			
X's Capital A/c (4/7)	18,000		
Y's Capital A/c (3/7)	13,500		
	53,700		**53,700**

(2) Adjustment for Reserve:

Old Ratio of X and Y = 4:3

New Ratio of X and Y = 2:1

Sacrifice or Gain:

X = 4/7 – 2/3 = (12 – 14)/21 = 2/21 (Gain)

Y = 3/7 – 1/3 = (9 – 7)/21 = 2/21 (Sacrifice)

Since X has gained, he will be debited from 2/21 of Reserves of ₹42,000 = ₹4,000

Since Y has sacrificed, he will be credited from 2/21 of Reserves of ₹42,000 = ₹4,000

Dr. CAPITAL ACCOUNTS Cr.

Particulars	X	Y	Particulars	X	Y
	₹	₹		₹	₹
To Y's Capital A/c	4,000	1,37,500	By Balance b/d	2,40,000	1,20,000
To Balance c/d	2,54,000		By Revaluation A/c	18,000	13,500
			By X's Capital A/c		4,000
	2,58,000	**1,37,500**		**2,58,000**	**1,37,500**

BALANCE SHEET as at 1st April, 2016

Liabilities	Amount	Assets	Amount
	₹		₹
Sundry Creditors	24,300	Cash	20,000
Reserve	42,000	Sundry Debtors 1,20,000	

Capital Accounts :			**Less :** Provision for	
X	2,54,000		doubtful debts 7,200	1,12,800
Y	1,37,500	3,91,500	Stock	1,90,000
			Fixed Assets	1,35,000
		4,57,800		**4,57,800**

SOLUTION : 33.

		₹
Loss due to decrease in the value of Furniture	12,000	
Loss due to decrease in the value of Plant & Machinery	20,000	
Loss due to provision for doubtful debts	10,000	
Loss due to increase in Outstanding Expenses	3,000	45,000
Profit due to increase in the value of Stock		60,000
Profit on Revaluation		**15,000**
Add: General Reserve		75,000
		90,000

Old Ratio of P, Q and R = 5:4:3
New Ratio of P, Q and R = 4:3:2
Sacrifice or Gain :
P = 5/12 – 4/9 = 1/36 (Gain) 90,000 x 1/36= ₹2,500 (Dr.)
Q = 4/12 – 3/9 = 0
R = 3/12 – 2/9 = 1/36 (Sacrifice) 90,000 x 1/36 = ₹2,500 (Cr)

JOURNAL

Date	Particulars	L.F.	Dr.(₹)	Cr.(₹)
2013	P's Capital A/c Dr.		2,500	
April 1	To R's Capital A/c			2,500
	(Adjustment for revaluation of assets and liabilities and for reserves on change in profit sharing ratio)			

BALANCE SHEET as at 1st April 2013

Liabilities		₹	Assets	₹
Sundry Creditors		50,000	Cash at Bank	40,000
Outstanding Expenses		5,000	Sundry Debtors	2,10,000
General Reserve		75,000	Stock	3,00,000
Capital Accounts			Furniture	60,000
P	3,97,500		Plant & Machinery	4,20,000
Q	3,00,000			
R	2,02,500	9,00,000		
		10,30,000		**10,30,000**

SOLUTION: 34.

Dr. REVALUATION ACCOUNT Cr.

Particulars	₹	Particulars	₹
To Provision for Doubtful Debts A/c	10,000	By Premises A/c	30,000
To Machinery A/c	9,000	By Stock A/c	10,000
To Profit on Revaluation transferred to :		By Sundry Creditors A/c	15,000
A's Capital A/c (3/6)	18,000		
B's Capital A/c (2/6)	12,000		
C's Capital A/c (1/6)	6,000		
	55,000		**55,000**

Dr. PARTNER'S CAPITAL ACCOUNTS Cr.

Particulars	A	B	C	Particulars	A	B	C
	₹	₹	₹		₹	₹	₹
To A's Capital A/c			4,800	By Bal. b/d	3,00,000	1,50,000	1,00,000
To B's Capital A/c			1,600	By General Reserve A/c	60,000	40,000	20,000
To Bal. c/d	3,82,800	2,03,600	1,19,600	By Revalua-tion A/c	18,000	12,000	60,000
				By C's Capital A/c	4,800	1,600	
	3,82,800	**2,03,600**	**1,26,000**		**3,82,800**	**2,03,600**	**1,26,000**

BALANCE SHEET as at 1st April, 2017

Liabilities		₹	Assets		₹
Sundry Creditors		1,85,000	Premises		3,30,000
Capitals:			Machinery		1,71,000
A	3,82,800		Stock		1,30,000
B	2,03,600		Debtors	2,50,000	
C	1,19,600	7,06,000	**Less:** Provision	10,000	2,40,000
			Bank		20,000
		8,91,000			**8,91,000**

Working Note: Goodwill is valued at ₹48,000. It will be adjusted as follows:
Sacrifice or Gain:
A = 3/6 – 4/10 = (15 – 12)/30 = 3/30 (Sacrifice)
B = 2/6 – 3/10 = (10 – 9)/30 = 1/30 (Sacrifice)
C= 1/6 – 3/10 = (5 – 9)/30 = 4/30 (Gain)

Since A has sacrificed, his Capital A/c will be credited from 3/30th of ₹48,000 = ₹4,800
Since B has sacrificed, his Capital A/c will be credited from 1/30th of ₹48,000 = ₹1,600
Since C has gained, his Capital A/c will be debited from 4/30th of ₹48,000 = ₹6,400

SOLUTION : 35.

			₹
Loss due to increase in Provision for Doubtful Debts	2,000		
Loss due to decrease in the value of Fixed Assets	22,000		**24,000**
Profit due to increase in the value of Stock	36,000		
Profit due to decrease in creditors	9,000		**45,000**
Profit on Revaluation		(+)	21,000
Adjustment for Reserve and Surplus		(+)	42,000

Adjustment for Goodwill:

Average Profit
= [(–) ₹20,000 (+) ₹48,000 (+) ₹60,000 (+) ₹80,000] ÷ 4
= ₹42,000
Goodwill = 42,000 x 2 = 84,000

(+) 84,000
(+) 1,47,000

Old Ratio of L, M, N = 1/3: 1/3: 1/3
New Ratio of L,M,N = 4/7: 2/7: 1/7
Sacrifice or Gain:

L	= 1/3 – 4/7 = 5/21 (Gain)	1,47,000 x 5/21= ₹35,000 (Dr.)
M	= 1/3 – 2/7 = 1/21 (Sacrifice)	1,47,000 x 1/21 = ₹ 7,000 (Cr.)
M	= 1/3 – 1/7 = 4/21 (Sacrifice)	1,47,000 x 4/21 = ₹28,000 (Cr.)

JOURNAL

Date	Particulars	L.F.	Dr.(₹)	Cr.(₹)
2016	L's Capital A/c Dr.		35,000	
April 1	To M's Capital A/c			7,000
	To N's Capital A/c			28,000
	(Adjustment for profit on revaluation of assets and liabilities and for reserves and goodwill on change in profit sharing ratio)			

BALANCE SHEET as at 1st April 2016

Liabilities		₹	Assets		₹
Creditors		58,000	Cash		8,000
Reserves and Surplus		42,000	Debtors	75,000	
Capital Accounts :			**Less:** Provision for		
L	1,65,000		doubtful debts	3,000	72,000
M	1,07,000		Stock		1,80,000
N	1,08,000	3,80,000	Fixed Assets		2,20,000
		4,80,000			**4,80,000**

SOLUTION: 36.

General Reserve	38,000
Profit on Revaluation	34,000
	72,000

Old Ratio of Amit, Archit and Akshat 3:2:1
New Ratio of Amit, Archit and Akshat 7:5:4
Sacrifice or Gain:

Amit = 3/6 – 7/16 = 3/48 (Sacrifice)	72,000 x 3/48 = ₹4,500 (Cr.)
Archit = 2/6 – 5/16 = 1/48 (Sacrifice)	72,000 x 1/48 = ₹1,500 (Cr.)
Akshat = 1/6 – 4/16 = 4/48 (Gain)	72,000 x 4/48 = ₹6,000 (Dr.)

JOURNAL

Date	Particulars	L.F.	Dr.(₹)	Cr.(₹)
2016 April 1	Akshat's Capital A/c Dr.		6,000	
	To Amit's Capital A/c			4,500
	To Archit's Capital A/c			1,500
	(The adjustment for general reserve and revaluation of assets and liabilities on change in profit sharing ratio)			

SOLUTION : 37.

Workings:

	₹
Profit due to increase in the value of land	1,00,000
Profit due to decrease in Creditors	2,000
Profit due to increase in Value of Stock	15,000
	1,17,000
(–)Loss due to decrease in the value of Building	4,000
	1,13,000
(–)Loss due to decrease in the value of Plant	8,000
	1,05,000
(+)Adjustment of Goodwill	60,000
	1,65,000

Old Ratio of Anshu, Anju and Anupma 2/5 : 2/5 : 1/5
New Ratio of Anshu, Anju and Anupma 1/3 : 1/3 : 1/3
Sacrifice or Gain :

Anshu = 2/5 – 1/3 = (6 – 5)/15 = 1/15 (Sacrifice)	1,65,000 x 1/15 = ₹11,000
Anju = 2/5 – 1/3 = (6 – 5)/15 = 1/15 (Sacrifice)	1,65,000 x 1/15 = ₹11,000
Anupma = 1/5 – 1/3 = (3 – 5)/15 = 2/15 (Gain)	1,65,000 x 2/15 = ₹22,000

(i) JOURNAL

Date	Particulars	L.F.	Dr.(₹)	Cr.(₹)
2016				
April 1	General Reserve A/c Dr.		48,000	
	To Anshu's Capital A/c			19,200
	To Anju's Capital A/c			19,200
	To Anupma's Capital A/c			9,600
	(General Reserve transferred to partner's Capital Accounts due to change in profit sharing ratio)			
	Anupma's Capital A/c Dr.		22,000	
	To Anshu's Capital A/c			11,000
	To Anju's Capital A/c			11,000
	(Adjustment for revaluation of assets and liabilities and goodwill on change in profit sharing ratio)			

(ii)

Dr. CAPITAL ACCOUNTS Cr.

Particulars	Anshu	Anju	Anupma	Particulars	Anshu	Anju	Anupma
	₹	₹	₹		₹	₹	₹
To Anshu's Capital A/c			11,000	By Balance b/d	2,40,000	2,00,000	1,60,000
To Anju's Capital A/c			11,000	By General Reserve	19,200	19,200	9,600
To Balance c/d	2,70,200	2,30,200	1,47,600	By Anupma's Capital A/c	11,000	11,000	
	2,70,200	**2,30,200**	**1,69,600**		**2,70,200**	**2,30,200**	**1,69,600**

(iii) BALANCE SHEET as at April 1, 2016

Liabilities		₹	Assets	₹
Creditors		65,000	Land	2,00,000
Bills Payable		7,000	Building	80,000
Capitals :			Plant	1,60,000
Anshu	2,70,200		Stock	2,10,000
Anju	2,30,200		Debtors	50,000
Anupma	1,47,600	6,48,000	Cash	20,000
		7,20,000		**7,20,000**

ADDITIONAL QUESTIONS
Valuation of Goodwill

SOLUTION : 38.

	₹
Average Profit earned by the firm	75,000
Add: Under Valuation of Stock	5,000
Adjusted Profit	**80,000**

Normal Profit = Capital Employed x Normal Rate of Return Normal Profit
= ₹7,00,000 x 7/100 = ₹49,000
Super Profit = Average Profit (Adjusted) – Normal Profit = ₹80,000 – ₹49,000 = ₹31,000
Goodwill = Super Profit x Number of Years' Purchase
= ₹31,000 x 5 = ₹1,55,000.

SOLUTION : 39.

Valuation of Goodwill:

Profit for	2011		1,00,000
Loss for	2012		(–)
			30,000
Profit for	2013		1,70,000
Profit for	2014	1,60,000	
Less:	Abnormal Gain	50,000	1,10,000
Profit for 2015		1,80,000	
Add:	Abnormal Loss	20,000	2,00,000
	Total Profits		**5,50,000**

Average Profit = 5,50,000 ÷ 5 = ₹1,10,000
Goodwill = ₹1,10,000 x 2.5 = ₹2,75,000

SOLUTION : 40.

Valuation of Goodwill:

	₹
Profit for 1st Year	50,000
Profit for 2nd Year= ₹ 50,000x2	1,00,000
Profit for 3rd Year = ₹1,00,000x 1.5	1,50,000
Total Profits	**3,00,000**

Average Profit = 3,00,000 ÷ 3 = ₹1,00,000
Goodwill = ₹1,00,000 x 2 = ₹2,00,000

SOLUTION: 41.

Valuation of Goodwill:

Average Profit = ₹ (7,000 + 6,500 + 8,000 + 7,500 + 6,000) ÷ 5 = ₹7,000

Normal Profit = Capital Invested x Normal Rate of Return/100

= 40,000 x 12/100= ₹4,800

Super Profit = Average Profit – Normal Profit = ₹7,000 – ₹4,800 = ₹2,200

Goodwill = Super Profit x Number of Year's purchased

= ₹2,200 x 3 = ₹6,600

SOLUTION : 42.

Capital Employed = Assets – Liabilities

= ₹4,00,000 – ₹90,000 = ₹3,10,000.

Normal Profit = Capital Employed x Normal Rate of Return/100

= ₹3,10,000 x 10/100 = ₹31,000

Super Profit = Average Profit – Normal Profit

= ₹37,000 – ₹31,000 = 6,000

Goodwill = Super Profit x 100/Normal Rate of Return

= ₹6,000 x 100/10 = ₹60,000

SOLUTION : 43.

Goodwill = Super Profit x 2.5 year's purchase

₹50,000 = Super Profit x 2.5

Super Profit = 50,000 ÷ 2.5 = ₹20,000

Normal Profit = Capital Employed x Normal Rate of Return/100

= ₹4,00,000 x 12/100 = ₹48,000

Hence, Average Profit = Super Profit + Normal Profit = ₹20,000 + ₹48,000 = ₹68,000

SOLUTION : 44.

Goodwill = Super Profit x 3 year's purchase

75,000 = Super Profit x 3

Super Profit = 75,000 ÷ 3 = ₹25,000

Capital Employed = Assets – Creditors

= ₹4,00,000 – ₹20,000 = ₹3,80,000

Normal Profit = Capital Employed x Normal Rate of Return/100

= ₹3,80,000 x 10/100 = ₹38,000

Hence, Average Profit = Super Profit + Normal Profit

= ₹25,000 + ₹38,000 = ₹63,000

SOLUTION : 45.

Goodwill = Super Profit x 100/Normal Rate of Return

= ₹14,000 x 100/7 = ₹2,00,000

SOLUTION : 46.

Capital Employed = Assets - Liabilities
= ₹10,00,000 – ₹1,80,000 = ₹8,20,0Q0
Normal Profits = Capital Employed x Normal Rate of Return/100
= ₹8,20,000 x 10/100 = ₹82,000
Super Profits = Average Profits – Normal Profits
= ₹1,00,000 – ₹82,000 = ₹18,000
(i) Goodwill as per capitalisation of Super Profit Method:
Goodwill = (Super Profits x 100)/Normal Rate of Return
= (18,000 x 100) ÷ 10 = ₹1,80,000
(ii) Goodwill as per Super Profit Method:
Goodwill = Super Profits x No. of years of purchase = ₹18,000 x 3 = ₹54,000.

SOLUTION: 47.

Total Profits = ₹1,90,000 + ₹2,20,000 + ₹2,50,000 = ₹6,60,000
Average Profit = ₹6,60,000 ÷ 3 = ₹2,20,000
Average Profit for Goodwill = Average Profit – Partner's Remuneration
= ₹2,20,000 – ₹1,00,000 = ₹1,20,000
(i) Value of Goodwill on the basis of two year's purchase of super profits :
Normal Profit = ₹4,00,000 x 15/100 = ₹60,000
Super Profits = Average Profits – Normal Profits
= ₹1,20,000 – ₹60,000 = ₹60,000
Goodwill = Super Profit x 2 = ₹60,000 x 2 = ₹1,20,000
(ii) Value of Goodwill by Capitalisation of Average Profit method :
Capitalised Value of Average Profit = Average Profits x 100/Normal Rate of Return
= ₹1,20,000 x 100/5 = ₹8,00,000
Goodwill = Capitalised Value of Average Profits - Net Assets
= ₹8,00,000 – ₹4,00,000 = ₹4,00,000

SOLUTION: 48.

Average Profit = (₹50,000 – ₹10,000 + ₹1,64,000 + ₹1,80,000) ÷ 4 = ₹96,000
Valuation of Goodwill:
(i) On the basis of average profit:
Goodwill at 3 year's purchase of average profit = ₹96,000 x 3 = ₹2,88,000
(ii) On the basis of super profit:

	₹
Average Profit	96,000
Less: Normal Profit 12% of ₹6,20,000 (i.e., 6,80,000 – 60,000)	74,400
Super Profit	**21,600**

Goodwill at 3 year's purchase of super profit =
₹21,600 x 3 = ₹64,800

(iii) On the basis of Capitalisation of average profit:
Capitalised value of Average Profit = Average Profit x 100/Normal Rate of Return
= ₹96,000 x 100/12 = ₹8,00,000
Capital Employed = Assets – Liabilities = ₹6,80,000 – ₹60,000 = ₹6,20,000.
Goodwill = Capitalised Value of Average Profit - Capital Employed
= ₹8,00,000 – ₹6,20,000 = ₹1,80,000
(iv) On the basis of Capitalisation of super profit:
Goodwill = Super Profit x 100/Normal Rate of Return
= 21,600 x 100/12 = ₹1,80,000

Accounting Treatment of Goodwill:

SOLUTION: 49.

Old Ratio of X, Y and Z = 5:4:1
New Ratio of X, Y and Z = 3:3:4
Sacrifice or Gain:
X = 5/10 – 3/10 = 2/10 (Sacrifice)
Y = 4/10 – 3/10 = 1/10 (Sacrifice)
Z = 1/10 – 4/10 = 3/10 (Gain)

JOURNAL

Date	Particulars		L.F.	Dr.(₹)	Cr.(₹)
	Z's Capital A/c (3/10 of 1,00,000)	Dr.		30,000	
	To X's Capital A/c (2/10 of 1,00,000)				20,000
	To Y's Capital A/c (1/10 of 1,00,000)				10,000
	(Adjustment for goodwill due to change in profit sharing ratio)				

SOLUTION: 50.

Average Profit = ₹(60,000 + 50,000 + 90,000 + 1,20,000) ÷ 4 = ₹80,000
Value of Goodwill at 2 ½ year's purchase = ₹80,000 x 2.5 = ₹2,00,000
Old Ratio of Charu and Dinesh =3:1
New Ratio of Charu and Dinesh =3:2
Sacrifice or Gain:
Charu = 3/4 – 3/5 = (15 – 12)/20 = 3/20 (Sacrifice)
Dinesh = 1/4 – 2/5 = (5 – 8)/20 = 3/20 (Gain)

JOURNAL

Date	Particulars		L.F.	Dr.(₹)	Cr.(₹)
	Dinesh's Capital A/c (3/20 of 2,00,000)	Dr.		30,000	
	To Charu's Capital A/c (3/20 of 2,00,000)				30,000
	(Adjustment for goodwill due to change in profit sharing ratio)				

SOLUTION: 51.

Old Ratio of A, B and C = 5:3:2
New Ratio of A, B and C = 5:4:3
Sacrifice or Gain:
A = 5/10 – 5/12 = (30 – 25)/60 = 5/60 (Sacrifice)
B = 3/10 – 4/12 = (18 – 20)/60 = 2/60 (Gain)
C = 2/10 – 3/12 = (12 – 15)/60 = 3/60 (Gain)

JOURNAL

Date	Particulars	L.F.	Dr.(₹)	Cr.(₹)
	B's Capital A/c (2/60 of 1,20,000) Dr.		4,000	
	C's Capital A/c (3/60 of 1,20,000) Dr.		6,000	
	To A's Capital A/c (5/60 of 1,20,000)			10,000
	(Adjustment for goodwill due to change in profit sharing ratio)			

SOLUTION: 52.

Average Profit = ₹(60,000 + 1,50,000 + 1,70,000 + 1,90,000 (–) 70,000) ÷ 5 = ₹1,00,000
Goodwill at 3 year's purchase = ₹1,00,000 x 3 = ₹3,00,000
Sacrifice or Gain:
Old Ratio of P, Q and R 5:3:2
New Ratio of P, Q and R 1:1:1
P = 5/10 – 1/3 = (15 – 10)/30 = 5/30 (Sacrifice)
Q = 3/10 – 1/3 = (9 – 10)/30 = 1/30 (Gain)
R = 2/10 – 1/3 = (6 – 10)/30 = 4/30 (Gain)

JOURNAL

Date	Particulars	L.F.	Dr.(₹)	Cr.(₹)
2016 April 1	Q's Capital A/c (1/30 of 3,00,000) Dr.		10,000	
	R's Capital A/c (4/30 of 3,00,000) Dr.		40,000	
	To P's Capital A/c (5/30 of 3,00,000)			50,000
	(Adjustment for goodwill on change in profit sharing ratio)			

SOLUTION : 53.

Average Profit = ₹(60,000 +80,000+ 1,30,000) ÷ 3 = ₹90,000
Goodwill at 3 year's purchase = ₹90,000 x 3 = ₹2,70,000
Old Ratio of A and B = 2,40,000 : 1,20,000 or 2 : 1
New Ratio of A and B = 3:2
Sacrifice or Gain:
A = 2/3 – 3/5 = (10 – 9)/15 = 1/15 (Sacrifice)
B = 1/3 – 2/5 = (5 – 6)/15 = 1/15 (Gain)

Change in Profit Sharing Ratio Among The Existing Partners

JOURNAL

Date	Particulars	L.F.	Dr.(₹)	Cr.(₹)
2016 April 1	B's Current A/c (1/15 of ₹2,70,000) Dr.		18,000	
	To A's Current A/c (1/15 of ₹2,70,000)			18,000
	(Adjustment for goodwill due to change in profit sharing ratio)			

Note: Since the Capitals are fixed, adjustment will be made through current accounts.

Accounting Treatment of Reserves and Accumulated Profits:

SOLUTION : 54.

	₹
Goodwill = (–) 80,000 (+) 1,20,000 (+) 1,40,000 =	1,80,000
Reserves	40,000
Profits	30,000
	2,50,000

Old Ratio of A, B and C = 1:3:2
New Ratio of A, B and C = 4:6:5

Sacrifice or Gain =

A = 1/6 – 4/15 = 3/30 (Gain)
B = 3/6 – 6/15 = 3/30 (Sacrifice)
C = 2/6 – 5/15 = 0

JOURNAL

Date	Particulars	L.F.	Dr.(₹)	Cr.(₹)
2016 April 1	A's Capital A/c (3/30 of 2,50,000) Dr.		25,000	
	To B's Capital A/c (3/30 of 2,50,000)			25,000
	(Adjustment for goodwill due to change in profit sharing ratio)			

Accounting for Revaluation of Assets and Liabilities :

SOLUTION : 55.

	₹	₹
Loss due to decrease in the value of Machinery		54,000
Profit due to decrease in Provision for Doubtful Debts	2,000	
Profit due to increase in the value of Stock	28,000	
Profit due to decrease in Sundry Creditors	3,000	33,000
Loss on Revaluation		(–) 21,000

Adjustment for Goodwill:

Super Profits = Average Profits – Normal Profits
= ₹1,08,000 – ₹66,000 = ₹42,000

Goodwill = ₹42,000 x 2 = ₹84,000	(+) 84,000
	(+) 63,000

Old Ratio of X, Y and Z = 5:3:2
New Ratio of X, Y and Z = 3:3:1
Sacrifice or Gain:
X = 5/10 – 3/7 = 5/70 (Sacrifice) 63,000 x 5/70 = ₹4,500 (Cr.)
Y = 3/10 – 3/7 = 9/70 (Gain) 63,000 x 9/70 = ₹8,100 (Dr.)
Z = 2/10 – 1/7 = 4/70 (Sacrifice) 63,000 x 4/70 = ₹3,600 (Cr.)

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Date	Particulars	L.F.	Dr.(₹)	Cr.(₹)
2016	Y's Capital A/c Dr.		8,100	
April 1	To X's Capital A/c			4,500
	To Z's Capital A/c			3,600
	(Adjustment for loss on revaluation of assets and liabilities and for goodwill on change in profit sharing ratio)			

BALANCE SHEET as at 1st April, 2016

Liabilities		₹	Assets		₹
Sundry Creditors		44,000	Cash in Hand		8,000
Outstanding Expenses		10,000	Cash at Bank		22,000
Capitals:			Debtors	56,000	
X	2,84,500		**Less:** Provision	6,000	50,000
Y	2,71,900		Stock		2,80,000
Z	1,03,600	6,60,000	Machinery		1,54,000
			Building		2,00,000
		7,14,000			**7,14,000**

SOLUTION : 56.

Loss due to decrease in the value of Plant and Machinery	1,80,000		
Loss due to decrease in the value of Stock	40,000		
Loss due to increase in Creditors	4,000		
Loss due to Provision for Doubtful Debts	12,000	2,36,000	
Profit due to increase in the value of Building		1,50,000	
Loss on Revaluation		**(–)**	**86,000**
Adjustment for Goodwill		+	1,70,000
Adjustment for Reserves		+	1,50,000
Adjustment for Profit & Loss A/c (Profits)		+	90,000
		+	**3,24,000**

Old Ratio of A, B, C and D = 5 : 4 : 2 : 1
New Ratio of A, B, C and D = 4 : 3 : 2 : 1

Sacrifice or Gain:

A = 5/12 – 4/10 = 1/60 (Sacrifice)	3,24,000 x 1/60 = ₹5,400 (Cr.)
B = 4/12 – 3/10 = 2/60 (Sacrifice)	3,24,000 x 2/60 = ₹10,800 (Cr.)
C = 2/12 – 2/10 = 2/60 (Gain)	3,24,000 x 2/60 = ₹10,800 (Dr.)
D = 1/12 – 1/10 = 1/60 (Gain)	3,24,000 x 1/60 = ₹5,400 (Dr.)

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Date	Particulars	L.F.	Dr.(₹)	Cr.(₹)
2016	C's Capital A/c Dr.		10,800	
April 1	D's Capital A/c Dr.		5,400	
	To A's Capital A/c			5,400
	To B's Capital A/c			10,800
	(Adjustment for loss on revaluation of assets and liabilities and for goodwill, reserves and profits on change in profit sharing ratio)			