SOLUTION: 1 (A).

Share given to C	1/4
Remaining Share	= 1 – 1/4 = 3/4
A's New Share	5/8 of 3/4 = 15/32
B's New Share	3/8 of 3/4 = 9/32
C's Share	1/4

SOLUTION: 1 (B).

Share given to C	9/21
Remaining Share	1 – 9/21 = 12/21
A's New Share	21/30 of 12/21 = 2/5
B's New Share	9/30 of 12/21 = 6/35
C's Share	9/21

Thus, the new profit sharing ratio = 2/5: 6/35: 9/21 = (42:18:45)/105
= 42:18:45 **OR** 14:6:15

SOLUTION: 2(A).

R is given 1/7th share which he acquires equally from P and Q.
This means:
R acquires 1/2 of 1/7 = 1/14 from P
R acquires 1/2 of 1/7 = 1/14 from Q
Hence, the new share of P = 4/7 – 1/14 = (8 – 1)/14 = 7/14
The new share of Q = 3/7 – 1/14 = (6 – 1)/14 = 5/14
Share of R = 1/7
Thus, New Profit Sharing Ratio = 7/14: 5/14: 1/7 = (7:5:2)/14 = 7:5:2

SOLUTION: 2 (B).

Share of profit given to T = 1/8
Share acquired by T from R 1/2 of 1/8 = 1/16
Share acquired by T from S 1/2 of 1/8 = 1/16
Therefore, R's new share after surrendering 1/16 in C's favour
= 3/5 – 1/16 = (48 – 5)/80 = 43/80
S's new share after surrendering 1/16 in C's favour
= 2/5 – 1/16 = (32 – 5)/80 = 27/80
T's share = 1/16 + 1/16 = 1/8
Hence, new shares of R, S and T will be = 43/80: 27/80: 1/8 = 43: 27: 10

SOLUTION: 2 (C).

New Share = Old Share - Sacrificing Share
P's new share = 3/6 – 1/16 = (24 – 3)/48 = 21/48
Q's new share = 2/6 – 1/16 = (16 – 3)/48 = 13/48
R's new share = 1/6
S's share = 1/8
New Share of P, Q, R and S = 21/48: 13/48: 1/6: 1/8 = (21: 13: 8: 6)/48 =21:13:8:6

SOLUTION: 3.

Share given to C 1/4
Remaining Share = 1 – 1/4 = 3/4
A's new share = 3/5 of 3/4 = 9/20
B's new share = 2/5 of 3/4 = 6/20
C's share = 1/4
New Ratio of A, B and C = 9/20: 6/20: 1/4 = (9: 6: 5)/20 = 9: 6: 5
Share given to D = 1/5
He will acquire 1/3 of 1/5 = 1/15 each from A, B and C
Hence,
A s new share = 9/20 – 1/15 = (27 – 4)/60 = 23/60
B s new share = 6/20 – 1/15 = (18 – 4)/60 = 14/60
C s new share = 5/20 – 1/15 = (15 – 4)/60 = 11/60
D's share = 1/5
23:14:11:12
New Ratio of A, B, C and D =23/60: 14/60: 11/60: 1/5
= (23: 14: 11: 12)/60 = 23: 14: 11: 12

SOLUTION: 4 (A).

Z is given 5/11 share which he acquires 3/11 from X and 2/11 from Y.
Hence, the new share of X = 2/3 – 3/11 = (22 – 9)/33 = 13/33
The new share of Y = 1/3 – 2/11 = (11 – 6)/33 = 5/33
Share of Z = 5/11
Thus, New Profit Sharing Ratio = 13/33: 5/33: 5/11
= (13: 5: 15)/33 = 13: 5: 15

SOLUTION: 4 (B).

C is given 1/4 share which he acquires 1/6 from A and 1/12 from B.
Hence, the new share of A = 5/8 – 1/6 = (15 – 4)/24 = 11/24
The new share of B = 3/8 – 1/12 = (9 – 2)/24 = 7/24
Share of C = 1/4
Thus, New Profit Sharing Ratio = 11/24: 7/24: 1/4 = (11: 7: 6)/24 = 11:7:6

SOLUTION: 5.

A's share = 1/6 – 1/24 = (4 – 1)/24 = 3/24
B's share = 2/6 – 1/24 = (8 – 1)/24 = 7/24
C's share = 3/6 – 1/24 = (6 – 1)/24 = 5/24
D's share = 1/6
Thus, new profit sharing ratio of A, B, C and D will be:
3/24: 7/24: 5/24: 1/6 = (3: 7: 10: 4)/24 = 3:7:10:4

SOLUTION: 6.

C is given 1/2 share which he acquires from A and B in the ratio of 3 : 1.
This means:
C acquires 3/4 of 1/2 = 3/8 from A
C acquires 1/4 of 1/2 = 1/8 from B
Hence, the new share of A = 3/5 – 3/8 = (24 – 15)/40 = 9/40
New share of B = 2/5 – 1/8 = (16 – 5)/40 = 11/40
Share of C = 1/2
Thus, New Profit Sharing Ratio = 9/40: 11/40: 1/2 = (9: 11: 20)/40 = 9: 11: 20

SOLUTION: 7.

Case (i):
Share given to Z = 1/5, Remaining Share = 1 – 1/5 = 4/5
X's new share = 3/5 of 4/5 = 12/25
Y's new share = 2/5 of 4/5 = 8/25
Z's share = 1/5
Thus, New Profit Sharing Ratio = 12/25: 8/25: 1/5 = (12: 8: 5)/25 = 12:8:5

Case (ii):
Z is given 1/5 share which he acquires 3/20 from X and 1/20 from Y.
Hence, the new share of X = 3/5 – 3/20 = (12 – 3)/20 = 9/20
The new share of Y = 2/5 – 1/20 = (8 – 1)/20 = 7/20
Share of Z = 1/5
Thus, New Profit Sharing Ratio = 9/20: 7/20: 1/5 = (9: 7: 4)/20 = 9: 7: 4

Case (iii):
Z is given 1/5 share which he acquires 1/10 from X and 1/10 from Y.
Hence, the new share of X = 3/5 – 1/10 = (6 – 1)/10 = 5/10
The new share of Y= 2/5 – 1/10 = (4 – 1)/10 = 3/10
Share of Z = 1/5
Thus, New Profit Sharing Ratio = 5/10: 3/10: 1/5 = (5:3:2) /10 = 5:3:2

Case (iv):
Z is given 1/5 share which he acquires 1/20 from X and 3/20 from Y.
Hence, the new share of X = 3/5 – 1/20 = (12 – 1)/20 = 11/20
The new share of Y = 2/5 – 3/20 = (8 – 3)/20 = 5/20
Share of Z = 1/5
Thus, New Profit Sharing Ratio = 11/20: 5/20: 1/5 = (11:5:4)/20 = 11 : 5 : 4
Case (v):
Z is given 1/5 share which he acquires entirely from X.
Hence, the new share of X = 3/5 – 1/5 = (3 – 1)/5 = 2/5
The new share of Y = 2/5
Share of Z = 1/5
Thus, New Profit Sharing Ratio = 2/5: 2/5: 1/5 = 2:2:1
Case (vi):
Z is given 1/5 share which he acquires entirely from Y.

Hence, the new share of X = 3/5
The new share of Y = 2/5 – 1/5 = (2 – 1)/5 = 1/5
Share of Z = 1/5
Thus, New Profit Sharing Ratio = 3/5: 1/5: 1/5 = 3:1:1

SOLUTION : 8 (A).

Calculation of surrendered share:
(i) A's old share = 2/3; A surrenders 1/4 of 2/3 in favour of C, i. e,
1/4 x 2/3 = 1/6 (It means A has surrendered 1/6 out of his share in favour of C)

(ii) B's old share = 1/3; B surrenders 1/5 of 1/3 in favour of C, i.e,
1/5 x 1/3 = 1/15 (It means B has surrendered 1/15 out of his share in favour of C)

Calculation of New Ratios:
(i) A's new share after surrendering 1/6 in favour of C
= 2/3 – 1/6 = (4 – 1)/6 = 3/6
(ii) B's new share after surrendering 1/15 in favour of C
= 1/3 – 1/15 = (5 – 1)/15 = 4/15
(iii) C's new share is the total of 1/6 from A and 1/15 from B
= 1/6 + 1/15 = (5+2)/30 = 7/30
Therefore, the new ratios of A, B and C
= 3/6: 4/15: 7/30 = (15:8:7)/30 = 15:8:7

SOLUTION : 8 (B).

Calculation of surrendered share:
(i) A's old share = 3/5; A surrenders 3/20 of 3/5 in favour of C, i.e,
3/20 x 3/5 = 9/100 (It means that A has surrendered 9/100 out of his share in favour of C)
(ii) B's old share = 2/5; B surrenders 1/20 of 2/5 in favour of C, i.e,
1/20 x 2/5 = 2/100 (It means that B has surrendered 2/100 out of his share in favour of C)
Hence, the new share of A = 3/5 – 9/100 = (60 – 9)/100 = 51/100
The new share of B = 2/5 – 2/100 = (40 – 2)/100 = 38/100
Share of C = 9/100 + 2/100 = 11/100
Thus, New Profit Sharing Ratio = 51: 38: 11.

SOLUTION : 8 (C).

Calculation of surrendered share:
(i) X's old share = 9/15 X surrenders 3/15 of 9/15 in favour of Z, i.e.,
3/15 x 9/15 = 3/25
(ii) Y's old share = 6/15 Y surrenders 6/15 of 6/15 in favour of Z, i.e.,
6/15 x 6/15 = 4/25
Hence, the new share of X = 9/15 – 3/25 = (45 – 9)/75 = 36/75
The new share of Y = 6/15 – 4/25 = (30 – 12)/75 = 18/75
Share of Z = 3/25 + 4/25 = 7/25
Thus, New Profit Sharing Ratio = 36/75 : 18/75 : 7/25 = (36: 18: 21)/75= 36 : 18:21
OR 12:6: 7

SOLUTION: 9.

Calculation of Surrendered Share:

A's old share = 4/10; he surrenders 1/4 of 4/10 in favour of D, i.e., 1/4 of 4/10 = 1/10
B's old share = 3/10; he surrenders 1/5 of 3/10 in favour of D, i.e., 1/5 of 3/10 = 3/50
C's old share = 3/10; he surrenders 1/6 of 3/10 in favour of D, i.e., 1/6 of 3/10 = 1/20

Calculation of New Ratios:

A's new share after surrendering 1/10 in favour of D = 4/10 – 1/10 = 3/10
B's new share after surrendering 3/50 in favour of D = 3/10 – 3/50 = (15 – 3)/50 = 12/50
C's new share after surrendering 1/20 in favour of D = 3/10 – 1/20 = (6 – 1)/20 = 5/20
D's share is the total of 1/10 from A, 3/50 from B and 1/20 from C
= 1/10 + 3/50 + 1/20 or (10 + 6 + 5)/100 = 21/100
Hence, new share of A,B, C, and D = 3/10: 12/50: 5/20: 21/100
Or (30:24:25:21)/100
Or 30: 24: 25: 21

SOLUTION: 10.

Calculation of Surrendered Share:

(i) A's old share 3/5; A surrenders 1/3rd of 3/5 in favour of X, i.e., 1/3 x 3/5 = 1/5
(It means that A has surrendered 1/5 out of his share in favour of X)
(ii) B's old share 2/5; A surrenders 1/4 of 2/5 in favour of Y, i.e., 1/4 x 2/5 = 1/10
(It means that B has surrendered 1/10 out of his share in favour of Y)

Calculation of New Ratios:

A = 3/5 – 1/5 = 2/5
B = 2/5 – 1/10 = 3/10
X = 1/5 & Y = 1/10
New Ratio of A, B, X and Y = 2/5: 3/10: 1/5: 1/10 = (4: 3: 2: 1)/10 = 4: 3: 2: 1

SOLUTION: 11.

(i) Share acquired by C from A = 2/5 of 1/3 = 2/15
Share acquired by C from B = 3/5 of 1/3 = 3/15
Hence, A's new share = 3/5 – 2/15 = (9 – 2)/15 = 7/15
B's new share = 2/5 – 3/15 = (6 – 3)/15 = 3/15
C's share = 1/3
New Ratios = 7/15: 3/15: 1/3 = (7: 3: 5)/15 = 7: 3: 5

(ii) Share acquired by D from A = 1/2 of 1/5 = 1/10
Share acquired by D from C = 1/2 of 1/5 = 1/10
Hence, A's new share = 7/15 – 1/10 = (14 – 3)/30 = 11/30
B's new share = 3/15
C's new share = 5/15 – 1/10 = (10 – 3)/30 = 7/30
D's share = 1/3
New Ratios = 11/30: 3/15: 7/30: 1/5 = (11: 6: 7: 6)/30 = 11: 6: 7: 6

SOLUTION: 12.

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Date	Particulars		L.F.	Dr.(₹)	Cr. (₹)
2017					
March 31	Profit & Loss A/c	Dr.		2,00,000	
	To Profit & Loss Appropriation A/c				2,00,000
	(Transfer of profit)				
March 31	Profit & Loss Appropriation A/c	Dr.		2,00,000	
	To P's Capital A/c				66,000
	To Q's Capital A/c				44,000
	To R's Capital A/c				50,000
	To S's Capital A/c				40,000
	(Distribution of profit in the ratio of 33 : 22 : 25 : 20)				

Working Notes:

Let total profits of the firm be 1

Share of R and S is 1/4 and 1/5 respectively

Balance remaining = 1 – (1/4 +1/5) = (20 – (5 + 4))/20 = 11/20

11/20 is to be shared by P and Q in 3 : 2

Hence, P's share = 11/20 x 3/5 = 33/100

Q's share = 11/20 x 2/5 = 22/100

New Profit sharing ratio of P, Q, R and S = 33/100: 22/100: 1/4: 1/5

= (33: 22: 25: 20)/100 **Or** 33: 22: 25: 20

Sacrificing Ratios and New Ratios

SOLUTION: 13 (A).

Sacrifice Ratio = Old Ratio - New Ratio

Therefore, Sacrifice made by Saurabh = 1/2 – 4/9 = (9 – 80)/18 = 1/18

Sacrifice made by Gaurav = 1/2 – 3/9 = (9 – 6)/18 = 3/18

Thus, Sacrifice Ratio of Saurabh and Gaurav = 1/18: 3/18 or 1:3

SOLUTION: 13 (B).

Sacrifice Ratio = Old Ratio – New Ratio

(i) Therefore, Sacrifice made by A = 3/6 – 4/12 = (6 – 4)/12 = 2/12

Sacrifice made by B = 2/6 – 4/12 = (4 – 4)/12 = 0

Sacrifice made by C = 1/6 – 2/12 = (2 – 2)/12 = 0

Thus, only A Sacrifices

(ii) Sacrifice made by A = 3/6 – 2/12 = (6 – 2)/12 = 4/12

Sacrifice made by B = 2/6 – 4/12 = (4 – 4)/12 = 0

Sacrifice made by C = 1/6 – 2/12 = (2 – 2)/12 = 0

Thus, only A Sacrifices 4/12 or 1/3

SOLUTION: 14 (A).

For calculating the sacrifice ratio, we will have to calculate the new profit ratios first of all:
Share given to D = 1/6 Remaining Share = 1 – 1/6 = 5/6
A's New Share = 2/5 of 5/6 = 2/6
B's New Share = 2/5 of 5/6 = 2/6
C's New Share = 1/5 of 5/6 = 1/6
D's Share = 1/6
Sacrificing Ratio = Old Ratio - New Ratio
Therefore, Sacrifice made by A = 2/5 – 2/6 = (12 – 10)/30 = 2/30
Sacrifice made by B = 2/5 – 2/6 = (12 – 10)/30 = 2/30
Sacrifice made by C = 1/5 – 1/6 = (6 – 5)/30 = 1/30
Thus, Sacrifice Ratio of A, B and C = 2 : 2 : 1.

SOLUTION: 14 (B).

Calculation of New Profit Sharing Ratios:
Share given to C = 1/4; Remaining Share = 1 – 1/4 = 3/4
A's New Share = 5/8 of 3/4 = 15/32
B's New Share = 3/8 of 3/4 = 9/32
C's Share = 1/4
Thus, New Profit Sharing Ratio = 15/32: 9/32: 1/4 = (15: 9: 8)/32 = 15: 9: 8
Calculation of Sacrifice Ratio:
Sacrificing Ratio = Old Ratio – New Ratio
Therefore, Sacrifice made by A = 5/8 – 15/32 = (20 – 15)/32 = 5/32
Sacrifice made by B = 3/8 – 9/32 = (12 – 9)/32 = 3/32
Thus, Sacrifice Ratio of A and B = 5:3

SOLUTION: 15 (A).

(i) A surrenders 1/7 of 7/10 in favour of C. It means A has surrendered 1/7 x 7/10 = 1/10 out of his share in favour of C.
(ii) B surrenders 1/3 of 3/10 in favour of C. It means B has surrendered 1/3 x 3/10 = 1/10 out of his share in favour of C.
Sacrificing Ratio = 1/10: 1/10 = 1: 1
Calculation of New Ratios:
A's new share = 7/10 – 1/10 = 6/10
B's new share = 3/10 – 1/10 = 2/10
C's new share = 1/10 + 1/10 = 2/10
Therefore, the new ratio of A, B and C = 6/10: 2/10: 2/10 = (6: 2: 2)/10 = 3: 1: 1

SOLUTION: 15 (B).

(i) A surrenders 1/3 of 3/5 in favour of C. It means A has surrendered 1/3 x 3/5 = 1/5 out of his share in favour of C.
(ii) B surrenders 1/4 of 2/5 in favour of C. It means B has surrendered 1/4 x 2/5 = 1/10 out of his share in favour of C.
Sacrificing Ratio = 1/5: 1/10 = (2: 1)/10 = 2: 1
Calculation of New Ratios:
A's new share = 3/5 – 1/5 = 2/5

B's new share = 2/5 – 1/10 = (4 – 1)/10 = 3/10
C's new share = 1/5 + 1/10 = (2 + 1)/10 = 3/10
Therefore, the new ratio of A, B and C = 2/5: 3/10: 3/10 = (4: 3: 3)/10 = 4: 3: 3

SOLUTION: 16.

(i) Calculation of New Profit Sharing Ratio:
C's share = 1/5, the remaining share = 4/5, this is to be shared equally by A and B.
Hence, the new share of A = 1/2 of 4/5 = 2/5
New share of B = 1/2 of 4/5 = 2/5
Ratio of C = 1/5
Thus, New Profit Sharing ratio = 2/5: 2/5: 1/5 or 2: 2: 1
Calculation of Sacrificing Ratio:
Sacrificing Ratio = Old Ratio - New Ratio
Sacrifice made by A = 4/7 – 2/5 = (20 – 14)/35 = 6/35
Sacrifice made by B = 3/7 – 2/5 = (15 – 14)/35 = 1/35
Thus, Sacrificing Ratio between A and B is 6: 1.

(ii) Calculation of New Profit Sharing Ratio:
E's share = 20% or 1/5 ; Remaining Share = 1 – 1/5 = 4/5
This is to be shared by A, B, C and D in the ratio of 3/10: 4/10: 2/10: 1/10
Hence, the new share of A = 3/10 of 4/5 = 6/25
New share of B = 4/10 of 4/5 = 8/25
New share of C = 2/10 of 4/5 = 4/25
New share of D = 1/10 of 4/5 = 2/25
Share of E = 1/5
Thus, New Profit Sharing Ratio = 6/25: 8/25: 4/25: 2/25: 1/5 = (6: 8: 4: 2: 5)/25 = 6: 8: 4: 2: 5

SOLUTION: 17.

Calculation of New Profit Sharing Ratio:
D's share = 1/9; A's share = 4/9
Remaining share of B and C = 1 – (1/9 + 4/9) = 4/9
This will be divided between B and C in their old ratio i.e., 3:2
Hence, the new share of B = 3/5 of 4/9 = 12/45
new share of C = 2/5 of 4/9 = 8/45
Thus, the new ratio of A, B, C and D = 4/9: 12/45: 8/45: 1/9 = (20: 12: 8: 5)/45 = 20: 12: 8: 5
Calculation of Sacrificing Ratio:
Sacrifice made by B = 3/9 – 12/45 = (15 – 12)/45 = 3/45
Sacrifice made by C = 2/9 – 8/45 = (10 – 8)/45 = 2/45
Thus, Sacrificing Ratio among A, B and C = 0: 3: 2

When new partner brings goodwill/premium in cash

SOLUTION: 18.

(A) When the amount of Goodwill is retained in the firm:

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Date	Particulars	L.F.	Dr.(₹)	Cr.(₹)
	Bank A/c Dr.		6,00,000	
	To O's Capital A/c			4,50,000
	To Premium for Goodwill A/c			1,50,000
	(Amount of capital and goodwill/premium brought in cash by New Partner)			
	Premium for Goodwill A/c Dr.		1,50,000	
	To L's Capital A/c			75,000
	To M's Capital A/c			50,000
	To N's Capital A/c			25,000
	(Amount of goodwill/premium credited to the old partner's capitals in Sacrifice Ratio i.e., 3:2:1)			

(B) When the amount of Goodwill is withdrawn by the old partners :

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Date	Particulars	L.F.	Dr.(₹)	Cr.(₹)
	Bank A/c Dr.		6,00,000	
	To O's Capital A/c			4,50,000
	To Premium for Goodwill A/c			1,50,000
	(Amount of capital and goodwill/premium brought in cash by New partner)			
	Premium for Goodwill A/c Dr.		1,50,000	
	To L's Capital A/c			75,000
	To M's Capital A/c			50,000
	To N's Capital A/c			25,000
	(Amount of goodwill/premium credited to the old partner's capitals in sacrifice ratio i.e., 3:2: 1)			
	L's Capital A/c Dr.		75,000	
	M's Capital A/c Dr.		50,000	
	N's Capital A/c Dr.		25,000	
	To Bank A/c			1,50,000
	(Amount of goodwill/premium withdrawn by the old partners)			

Calculation of New Profit Sharing Ratios:

Share given to O = 1/5 s new share Remaining Share = 1 – 1/5 = 4/5

L's new share = 3/6 of 4/5 = 2/5

M's new share = 2/6 of 4/5 = 4/15

N's new share = 1/6 of 4/5 = 2/15

O's share = 1/5

Thus, the new profit sharing ratio = 2/5: 4/15: 2/15: 1/5 = (6 : 4 : 2 : 3)/15 = 6 : 4 : 2 : 3

SOLUTION: 19.

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Date	Particulars	L.F.	Dr.(₹)	Cr.(₹)
	Bank A/c Dr.		4,30,000	
	To R's Capital A/c			2,50,000
	To Premium for Goodwill A/c			1,80,000
	(Amount of capital and goodwill/premium brought in cash)			
	Premium for Goodwill A/c Dr.		1,80,000	
	To P's Capital A/c			90,000
	To 0's Capital A/c			90,000
	(Goodwill/premium transferred to old partners capitals in sacrifice ratio i.e., equally)			

Calculation of new profit sharing ratios:
R's share is 4/9 which he acquires equally from P and Q.
Therefore, R gets his share from P = 1/2 of 4/9 = 2/9
R gets his share from Q = 1/2 of 4/9 = 2/9
New Ratio of P = 2/3 – 2/9 = (6 – 2)/9 = 4/9
New Ratio of Q = 1/3 – 2/9 = (3 – 2)/9 = 1/9
Thus, New Ratio of P, O and R = 4/9: 1/9: 4/9 or 4 : 1 : 4.

SOLUTION: 20.

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Date	Particulars	L.F.	Dr.(₹)	Cr.(₹)
	Bank A/c Dr.		4,20,000	
	To Z's Capital A/c			3,00,000
	To Premium for Goodwill A/c			1,20,000
	(Amount of capital and goodwill/premium brought in cash)			
	Premium for Goodwill A/c Dr.		1,20,000	
	To X's Capital A/c			90,000
	To Y's Capital A/c			30,000
	(Goodwill/premium credited to old partners in their sacrifice ratio, i.e., 3:1)			
	X's Capital A/c Dr.		45,000	
	Y's Capital A/c Dr.		15,000	
	To Bank A/c			60,000
	(Half the goodwill/premium withdrawn by old partners in cash)			

Calculation of new profit sharing ratios:
Z share is 2/7 of which he acquires 3/4th from X and 1/4th from Y.
Therefore, Z acquires his share from X = 3/4 of 2/7 = 3/14
Z acquires his share from Y = 1/4 of 2/7 = 1/14
New Ratio of X = 4/7 – 3/14 = (8 – 3)/14 = 5/14
New Ratio of Y = 3/7 – 1/14 = (6 – 1)/14 = 5/14
Thus, New Ratio of X, Y & Z = 5/14: 5/14: 2/7 = (5: 5: 4)/14 = 5: 5: 4.

SOLUTION: 21.

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Date	Particulars	L.F.	Dr.(₹)	Cr.(₹)
	Bank A/c Dr.		1,10,000	
	To Z's Capital A/c			80,000
	To Premium for Goodwill A/c			30,000
	(The amount of capital and goodwill/premium brought in cash)			
	Premium for Goodwill A/c Dr.		30,000	
	To K's Capital A/c			12,000
	To Y's Capital A/c			18,000
	(Goodwill/premium credited to old partners in their sacrificing ratio i.e. 2 : 3)			

Calculation of new profit sharing ratios:

Z acquires his share from K = 2/5 of 1/3 = 2/15

Z acquires his share from Y = 3/5 of 1/3 = 3/15

Hence, K's new share = 3/5 – 2/15 = (9 – 2)/15 = 7/15

Y's new share = 2/5 – 3/15 = (6 – 3)/15 = 3/15

Z's share = 1/3

Hence, New profit sharing ratio of K, Y and Z

= 7/15: 3/15: 1/3 = (7: 3: 5)/15 = 7: 3: 5.

SOLUTION: 22.

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Date	Particulars	L.F.	Dr.(₹)	Cr.(₹)
	Bank A/c Dr.		2,96,000	2,00,000
	To Meenu's Capital A/c			96,000
	To Premium for Goodwill A/c			
	(Amount of capital and goodwill/premium brought in cash)			
	Premium for Goodwill A/c Dr.		96,000	24.000
	To Anju's Capital A/c			72.000
	To Manju's Capital A/c			
	(Goodwill/premium transferred to old partners capitals in sacrifice ratio, i.e., 1:3)			

New Ratios :

Anju = 7/12 – 1/24 = (14 – 1)/24 = 13/24

Manju = 5/12 – 1/8 = (10 – 3)/24 = 7/24

Meenu = 1/6

Thus, New Ratio = 13/24 : 7/24 : 1/6 = (13: 7: 4)/24 = 13:7:4

Share of Profit:

Anju = 4,80,000 x 13/24 = ₹2,60,000

Manju = 4,80,000 x 7/24 = ₹1,40,000

Meenu = 4,80,000 x 4/24 = ₹80,000

SOLUTION: 23.

JOURNAL

Date	Particulars	L.F.	Dr.(₹)	Cr.(₹)
	Bank A/c Dr.		72,000	
	To Premium for Goodwill A/c			72,000
	(Premium for goodwill brought in cash)			

Date	Particulars	L.F.	Dr.(₹)	Cr.(₹)
First Case	Premium for Goodwill A/c Dr.		72,000	
	To X's Capital A/c			43,200
	To Y's Capital A/c			28,800
	(Premium brought in by Z credited to X and Y in the sacrificing ratio of 3 : 2)			

Date	Particulars	L.F.	Dr.(₹)	Cr.(₹)
Second Case:	Premium for Goodwill A/c Dr.		72,000	
	To X's Capital A/c			36,000
	To Y's Capital A/c			36,000
	(Premium brought in by Z credited to X and Y in the sacrificing ratio of 1 : 1) (1)			

Note 1. Z acquires 1/2 of 1/4 or 1/8 from each of X and Y.

Date	Particulars	L.F.	Dr.(₹)	Cr.(₹)
Third Case:	Premium for Goodwill A/c Dr.		72,000	
	To X's Capital A/c			28,800
	To Y's Capital A/c			43,200
	(Premium brought in by Z credited to X and Y in the sacrificing ratio of 2 : 3)			

Date	Particulars	L.F.	Dr.(₹)	Cr.(₹)
Fourth Case:	Premium for Goodwill A/c Dr.		72,000	
	To X's Capital A/c			63,000
	To Y's Capital A/c			9,000
	(Premium brought in by Z credited to X and T in the sacrificing ratio of 7 : 1)(2)			

Calculation of new profit sharing ratio :

Case (i)

X = 3/5 of 3/4 = 9/20

Y = 2/5 of 3/4 = 6/20

Z = 1/4 or 5/20

Case (ii)

X = 3/5 – 1/8 = 19/40

Y = 2/5 – 1/8 = 11/40
Z = 1/4 or 10/40
Case (iii)
Z takes his share from X = 2/5 of 1/4 = 2/20
Z takes his share from Y = 3/5 of 1/4 = 3/20
Therefore,
X's share = 3/5 – 2/20 = (12 – 2)/20 = 10/20
Y's share = 2/5 – 3/20 = (8 -3)/20 = 5/20
Z's share = 1/4 = 5/20
Or
10: 5: 5 or 2: 1: 1
Case (iv)
X = 3/5 – 7/32 = (96 – 35)/160 = 61/160
Y = 2/5 – 1/32 = (64 – 5)/160 = 59/160
Z = 1/4 or 40/160
Or
61: 59: 40

SOLUTION: 24.

JOURNAL

Date	Particulars	L.F.	Dr.(₹)	Cr.(₹)
	Bank A/c Dr.		2,08,000	
	To C's Capital A/c			1,50,000
	To Premium for Goodwill A/c			58,000
	(Capital and Premium for goodwill brought in cash)			
	Premium for Goodwill A/c Dr.		58,000	
	To A's Capital A/c			40,000
	To B's Capital A/c			18,000
	(Premium brought in by C credited to A and B in the sacrificing ratio of 20 : 9)			

Note:
A's existing share = 5/8
Share surrendered by A = 1/3 of 5/8 = 5/24
B's existing share = 3/8
Share surrendered by B = 1/4 of 3/8 = 3/32
Sacrificing Ratio
A = 5/24 : B = 3/32 = (20 : 9)/96 = 20:9
New Ratio:
A s new share = 5/8 – 5/24 = (15 – 5)/24 = 10/24
B s new share = 3/8 – 3/32 = (12 – 3)/32 = 9/32
C s new share = 5/24 + 3/32 = (20 + 9)/96 = 29/96
Hence, new ratios of A, B and C = 10/24: 9/32: 29/96 = (40 : 27 : 29)/96 = 40 : 27 : 29

SOLUTION: 25.

A's Existing Share = 5/10
Share surrendered by A = 5/10 x 1/5 =
B's Existing Share = 3/10

Share surrendered by B = 3/10 x 1/6 = 1/20
C's Existing Share = 2/10
Share surrendered by C = 2/10 x 1/8 = 1/40
Sacrificing Ratio = 1/10: 1/20: 1/40 = (4: 2: 1)/40 = 4 : 2 : 1

Date	Particulars	L.F.	Dr.(₹)	Cr.(₹)
	Bank A/c Dr.		7,10,000	
	To D's Capital A/c			5,00,000
	To Premium for Goodwill A/c			2,10,000
	(amount of capital and goodwill/premium brought in cash)			
	Premium for Goodwill A/c Dr.		2,10,000	
	To A's Capital A/c			1,20,000
	To B's Capital A/c			60,000
	To C's Capital A/c			30,000
	(Goodwill/premium transferred to old partners capitals in sacrifice ratio i.e. 4:2: 1)			

SOLUTION: 26.

JOURNAL

Date	Particulars	L.F.	Dr.(₹)	Cr.(₹)
	Bank A/c Dr.		2,00,000	
	To D's Capital A/c			1,40,000
	To Premium for Goodwill A/c			60,000
	(Amount of capital and goodwill/premium brought in cash)			
Case (a)	Premium for Goodwill A/c Dr.		60,000	
	To A's Capital A/c			30,000
	To B's Capital A/c			10,000
	To C's Capital A/c			
	(Amount of goodwill/premium transferred to old partners in sacrificing ratio i.e., 3:2:1)			
Case (b)	Premium for Goodwill A/c Dr.		60,000	
	To A's Capital A/c			30,000
	To B's Capital A/c			30,000
	(Amount of goodwill/premium transferred to old partners in sacrificing ratio i.e., 1:1)			
Case (c)	Premium for Goodwill A/c Dr.		60,000	
	To A's Capital A/c			60,000
	(Amount of goodwill/premium transferred to A's Capital A/c as he alone has sacrificed)			

Working Note:
Calculation of Sacrificing Ration:
Sacrificing Ratio = Old Ratio - New Ratio
Case (a)
A's Sacrifice Ratio = 3/6 – 15/36 = (18 – 15)/36 = 3/36
B's Sacrifice Ratio = 2/6 – 10/36 = (12 – 10)/36 = 2/36
C's Sacrifice Ratio = 1/6 – 5/36 = (6 – 5)/36 = 1/36

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

Case (b)

A's Sacrifice Ratio = 3/6 – 5/12 = (6 – 5)/12 = 1/12

B's Sacrifice Ratio = 2/6 – 3/12 = (4 – 3)/12 = 1/12

C's Sacrifice Ratio = 1/6 – 2/12= (2 – 2)/36 = 0

Hence, Sacrificing Ratio of A, B, C = 1 : 1 : 0

Case(c)

A's Sacrifice Ratio = 3/6 – 2/6 = 1/6

B's Sacrifice Ratio = 2/6 – 2/6 = 0

C's Sacrifice Ratio = 1/6 – 1/6 = 0

Hence, A's alone has sacrificed.

SOLUTION: 27.

JOURNAL

Date	Particulars	L.F.	Dr.(₹)	Cr.(₹)
	Bank A/c Dr.		1,00,000	
	To Premium for Goodwill A/c			1,00,000
	(Premium for goodwill brought in cash by Z)			
	Premium for Goodwill A/c Dr.		1,00,000	
	To X's Capital A/c			90,000
	To Y's Capital A/c			10,000
	(Premium for goodwill transferred to old partners in sacrificing ratio of 9 : 1)			

Calculation of new profit sharing ratio :

Z takes 1/4th share out of 1.

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

X's new share = 3/4 x 1/2 = 3/8

Y's new share = 3/4 x 1/2 = 3/8

Sacrifice made by X = 3/5 – 3/8 = (24 – 15)/40 = 9/40

Sacrifice made by Y = 2/5 – 3/8 = (16 – 15)/40 = 1/40

Thus, the Sacrificing Ratio between X and Y is 9 : 1.

SOLUTION: 28.

JOURNAL

Date	Particulars	L.F.	Dr.(₹)	Cr.(₹)
	Bank A/c Dr.		62,000	
	To Z's Capital A/c			50,000
	To Premium for Goodwill A/c			12,000
	(₹50,000 for Capital and 1/3 of 36,000 i..e, ₹12,000 for premium for goodwill brought in cash by Z)			
	Premium for Goodwill A/c Dr.		12,000	
	To X's Capital A/c			12,000
	(Premium for goodwill transferred to Xs Capital A/c as he alone has sacrificed)			

	X's Capital A/c	Dr.		12,000	
	To Bank A/c				12,000
	(Amount of premium for goodwill withdrawn by X)				

Calculation of Sacrificing Ratio:
Sacrificing Ratio = Old Ratio - New Ratio
Sacrifice made by X = 2/3 – 1/3 = 1/3
Sacrifice made by Y = 1/3 – 1/3 = 0
Thus, X alone has sacrificed.

SOLUTION: 29.

JOURNAL ENTRIES

Date	Particulars		L.F.	Dr.(₹)	Cr.(₹)
2012	Bank A/c			4,00,000	
April 1	To Premium for Goodwill A/c	Dr.			4,00,000
	(Amount for goodwill/premium brought in by D)				
April 1	Premium for Goodwill A/c	Dr.		4,00,000	
	To A's Capital A/c				2,00,000
	To B's Capital A/c				1,00,000
	To C's Capital A/c				1,00,000
	(Goodwill/premium credited to A, B and C in the sacrificing ratio of 2 : 1 : 1)				
April 1	A's Capital A/c	Dr.		1,00,000	
	B's Capital A/c	Dr.		50,000	
	C's Capital A/c	Dr.		50,000	
	To Bank A/c				2,00,000
	(Half of the goodwill/premium withdrawn by the old partners)				
2013	Bank A/c				
April 1		Dr.		5,00,000	
	To Premium for Goodwill A/c				5,00,000
	(Amount for goodwill/premium brought in by E)				
April 1	Premium for Goodwill A/c	Dr.		5,00,000	
	To A's Capital A/c				1,00,000
	To B's Capital A/c				50,000
	To C's Capital A/c				50,000
	To D's Capital A/c				3,00,000
	(Goodwill/premium credited to A, B, C and D in the sacrificing ratio of 2 : 1 : 1 : 6)				

Working Notes:
(1) C has paid the premium privately and hence no entry is required to be passed for such payment.
(2) Calculation of profit sharing ratios:
(i) After C's admission:

is given 1/4th share. Hence, the remaining share is 1 – 1/4 = 3/4
A's share = 2/3 of 3/4 = 2/4
B's share = 1/3 of 3/4 = 1/4
C's share = 1/4
(ii) After D's admission:
D is given 3/5th share. Hence, the remaining share is 1 – 3/5 = 2/5
A's share = 2/4 of 2/5 = 2/10
B's share = 1/4 of 2/5 = 1/10
C's share = 1/4 of 2/5 = 1/10
D's share = 3/5 = 6/10
(3) As the new profit sharing ratios are not given in the question, it will be presumed that the partners have sacrificed in their old ratio.

SOLUTION: 30.

JOURNAL ENTRIES

Date	Particulars	L.F.	Dr.(₹)	Cr.(₹)
	Bank A/c Dr.		2,75,000	
	To R's Capital A/c			2,00,000
	To Premium for Goodwill A/c			75,000
	(The amount of capital and goodwill/premium brought in cash, i.e., ₹2,00,000 + ₹75,000(1))			
	Bank A/c Dr.		1,50,000	
	Motor Vehicle A/c Dr.		80,000	
	To S's Capital A/c			1,80,000
	To Premium for Goodwill A/c			50,000
	(The amount of capital and goodwill brought in cash, i.e., ₹1,00,000 + ₹50,000(1) and Motor Vehicle worth ₹80,000 for capital)			
	Premium for Goodwill A/c Dr.		1,25,000	
	To P's Capital A/c			45,000
	To Q's Capital A/c			80,000
	(The amount of goodwill/premium transferred to old partners in sacrificing ratio i.e., 9:16 (2))			

Working Notes:
(1) Calculation of goodwill of R's share and S's share :
Value of the total goodwill of the firm = ₹3,00,000
Therefore, R's share of goodwill = ₹3,00,000 x 3/12 = ₹75,000
S's share of goodwill = ₹3,00,000 x 2/12 = ₹50,000
(2) Calculation of Sacrificing Ratio:
Sacrifice Ratio = Old Ratio - New Ratio
P's Sacrifice = 2/5 – 3/12 = 9/60
Q's Sacrifice = 3/5 – 4/12 = 16/20
Thus Sacrifice Ratio = 9/60 : 16/60 or 9 : 16

SOLUTION: 31.

JOURNAL ENTRIES

Date	Particulars		L.F.	Dr.(₹)	Cr.(₹)
2016					
April 1	Land A/c	Dr.		2,50,000	
	Plant & Machinery A/c	Dr.		1,50,000	
	Stock A/c	Dr.		80,000	
	Debtors A/c	Dr.		70,000	
	To Raj's Capital A/c				4,30,000
	To Premium for Goodwill A/c				1,20,000
	(Assets contributed by Raj on his admission as his capital and his share of goodwill premium)				
April 1	Premium for Goodwill A/c	Dr.		1,20,000	
	To Ram's Capital A/c				1,12,000
	To Rahim's Capital A/c				8,000
	(Goodwill premium transferred to the capital accounts of Ram and Rahim in sacrificing ratio of 14 : 1)				

Working Notes:

(i) Raj's share of goodwill = 5,20,000 x 3/13 = ₹1,20,000

(ii) Calculation of Sacrificing Ratio:

Ram = 3/5 – 5/13 = (39 – 25)/65 = 14/65

Rahim = 2/5 – 5/13 = (26 – 25)/65 = 1/65

Thus Sacrificing Ratio = 14 : 1

SOLUTION: 32 (A).

JOURNAL ENTRIES

Date	Particulars	L.F.	Dr.(₹)	Cr.(₹)
	A's Capital A/c Dr.		14,400	
	B's Capital A/c Dr.		9,600	
	To Goodwill A/c			24,000
	(Goodwill already appearing in the books, now written off in old ratio)			
	Bank A/c Dr.		58,000	
	To C's Capital A/c			50,000
	To Premium for Goodwill A/c			8,000
	(Amount of capital and goodwill/premium brought in cash by New Partner)			
	Premium for Goodwill A/c Dr.		8,000	
	To A's Capital A/c			8,000
	(Amount of goodwill/premium transferred to A's Capital Account as he alone has sacrificed)			

Working Note:

Calculation of Sacrificing Ratio : Old Ratio - New Ratio

Sacrifice made by A = 3/5 – 2/5 = 1/5

Sacrifice made by B = 2/5 – 2/5 =0
Hence, A's alone has sacrificed.

SOLUTION: 32 (B).

JOURNAL ENTRIES

Date	Particulars	L.F.	Dr.(₹)	Cr.(₹)
	P's Capital A/c Dr.		12,000	
	S' s Capital A/c Dr.		8,000	
	To Goodwill A/c			20,000
	(Goodwill already appearing in the books, now written off in old ratio)			
	Bank A/c Dr.		30,000	
	To R's Capital A/c			20,000
	To Premium for Goodwill A/c			10,000
	(Amount of capital and goodwill/premium brought in cash by New Partner)			
	Premium for Goodwill A/c Dr.		10,000	5,000
	To P's Capital A/c			5,000
	To S's Capital A/c			
	(Amount of goodwill/premium transferred to old partners in sacrificing ratio i.e., equally)			

Working Note:
(1) Calculation of New Profit Sharing Ratios:
R is given 1/5th share which he acquires equally i.e., 1/10th from P and 1/10th from S.
Hence, P's new share = 3/5 – 1/10 = (6 – 1)/10 = 5/10
S's new share = 2/5 – 1/10 = (4 – 1)/10 = 3/10
R's share = 1/10 + 1/10 = 2/10
New Ratio = 5 : 3 : 2
Division of Profit:
P 1,00,000 x 5/10= 50,000
5 1,00,000 x 3/10 = 30,000
R 1,00,000 x 2/10 = 20,000

SOLUTION : 32 (C).

JOURNAL ENTRIES

Date	Particulars	L.F.	Dr.(₹)	Cr.(₹)
	A's Capital A/c Dr.		1,60,000	
	B's Capital A/c Dr.		1,20,000	
	To Goodwill A/c			2,80,000
	(Goodwill already appearing in the books, now written off in old ratio)			
	Bank A/c Dr.		75,000	
	To Premium for Goodwill A/c			75,000
	(Amount of goodwill/premium brought in cash by New Partner)			

	Premium for Goodwill A/c Dr.		75,000	
	To A's Capital A/c			42,857
	To B's Capital A/c			32,143
	(Amount of goodwill/premium transferred to old partners in sacrificing ratio i.e., 4 : 3)			

When New Partner does not bring Goodwill/Premium in Cash

SOLUTION: 33.

JOURNAL

Date	Particulars		L.F.	Dr.(₹)	Cr.(₹)
	Bank A/c	Dr.		40,000	
	To C's Capital A/c				40,000
	(Amount of capital brought in cash)				
	C's Current A/c Dr.			5,000	
	To A's Capital A/c				3,000
	To B's Capital A/c				2,000
	(Current account of new partner debited for his share of goodwill and capital accounts of old partners credited in their sacrificing ratio i.e., 3 : 2)				

Working Note:

(1) Value of total goodwill of the firm = ₹25,000

C's share of goodwill = 25,000 x 1/5 = ₹5,000.

SOLUTION: 34.

JOURNAL

Date	Particulars		L.F.	Dr.(₹)	Cr.(₹)
	P's Capital A/c	Dr.		25,000	
	Q' Capital A/c	Dr.		15,000	
	R's Capital A/c	Dr.		10,000	
	To Goodwill A/c				50,000
	(Goodwill already appearing in the books now written off in old ratio)				
	Bank A/c Dr.			30,000	
	To S's Capital A/c				30,000
	(Amount of capital brought in Cash)				
	S's Current A/c ' Dr.			20,400	
	To P's Capital A/c				6,800
	To Q's Capital A/c				6,800
	To R's Capital A/c				6,800
	(Current account of new partner debited for his share of goodwill and capital accounts of old partners credited in their sacrificing ratio i.e., equally)				

Working Note: Valuation of Goodwill:

Average Profit = (32,000 +38,000 + 35,000 +31,000) ÷ 4 = ₹34,000

Goodwill = ₹34,000 x 3 = ₹1,02,000.

S's Share of Goodwill = ₹1,02,000 x 1/5 = ₹20,400

SOLUTION: 35.

(i) When no goodwill appears in the books:

JOURNAL

Date	Particulars	L.F.	Dr.(₹)	Cr.(₹)
	Bank A/c Dr.		2,00,000	
	To C's Capital A/c			2,00,000
	(Amount of capital brought in cash by C on his admission)			
	C's Current A/c Dr.		50,000	
	To A's Capital A/c			30,000
	To B's Capital A/c			20,000
	(C's share of goodwill i.e., 1/3rd of ₹1,50,000 credited to A and B in sacrificing ratio of 3 : 2)			

(ii) When goodwill appears at ₹90,000:

In such a case, the following entry will be passed first of all, in addition to the two entries mentioned in (i) above :

JOURNAL

Date	Particulars	L.F.	Dr.(₹)	Cr.(₹)
	A's Capital A/c Dr.		54,000	
	B's Capital A/c Dr.		36,000	
	To Goodwill A/c			90,000
	(Goodwill already appearing in the books written off in old ratio)			

(iii) When goodwill appears at ₹1,80,000:

In such a case, the following entry will be passed first of all, in addition to the two entries mentioned in (i) above :

JOURNAL

Date	Particulars	L.F.	Dr.(₹)	Cr.(₹)
	A's Capital A/c Dr.		1,08,000	
	B's Capital A/c Dr.		72,000	
	To Goodwill A/c			1,80,000
	(Goodwill already appearing in the books written off in old ratio)			

SOLUTION: 36.

(1) When goodwill is not brought in cash :

Date	Particulars	L.F.	Dr.(₹)	Cr.(₹)
	X's Capital A/c Dr.		36,000	
	Y's Capital A/c Dr.		24,000	
	To Goodwill A/c			60,000
	(Goodwill already appearing now written off in old ratio i.e., in 3 : 2)			

	Z's Current A/c Dr.		50,000	
	To X's Capital A/c			30,000
	To Y's Capital A/c '			20,000
	(Z's share of goodwill credited to X and Y in sacrificing ratio)			

(2) When goodwill is brought in Cash:

Date	Particulars	L.F.	Dr.(₹)	Cr.(₹)
	X's Capital A/c Dr.		36,000	
	Y's Capital A/c Dr.		24,000	
	To Goodwill A/c			60,000
	(Goodwill already appearing now written off in old ratio i.e., in 3 : 2)			
	Bank A/c Dr.		50,000	
	To Premium for Goodwill A/c			50,000
	(Amount of goodwill/premium brought in cash by new partner)			
	Premium for Goodwill A/c Dr.		50,000	
	To X's Capital A/c			30,000
	To Y's Capital A/c			20,000
	(Amount of goodwill/premium transferred to old partners in their sacrifice ratio i.e., in 3 : 2)			

SOLUTION: 37.

JOURNAL

Date	Particulars	L.F.	Dr.(₹)	Cr.(₹)
2014	Bank Account Dr.		65,000	
April 1	To A's Capital Account			50,000
	To Premium for Goodwill Account			15,000
	(Amount of Capital and part of his share of premium for goodwill brought in by A)			
April 1	Premium for Goodwill Account Dr.		15,000	
	A's Current Account Dr.		5,000	
	To X's Capital Account			10,000
	To Y's Capital Account			10,000
	(Premium for goodwill credited to X and Y in their sacrificing ratio, i.e., 1:1)			

Calculation of New Profit Sharing Ratio:

A is given 1/6th share, which he acquires equally i.e., 1/12 from X and 1/12 from Y.

Thus, X's new share = 1/2 – 1/12 = (6 – 1)/12 = 5/12

Y's new share = 1/3 – 1/12 = (4 – 1)/12 = 3/12

Z's new share = 1/6

A's new share = 1/6

New Ratio of X, Y, Z, A = 5/12: 3/12: 1/6: 1/6 = (5: 3: 2: 2)/12 = 5: 3: 2: 2

SOLUTION: 38.

JOURNAL

Date	Particulars	L.F.	Dr.(₹)	Cr.(₹)
	Bank A/c Dr.		6,00,000	
	To Premium for Goodwill A/c			6,00,000
	(A part of his share of goodwill/premium brought in by C)			
	Premium for Goodwill A/c Dr.		6,00,000	
	C's Current A/c Dr.		1,20,000	
	To A's Capital A/c			4,80,000
	To B's Capital A/c			2,40,000
	(Premium for goodwill credited to old partners in their sacrificing ratio, i.e., 2:1)			

SOLUTION: 39.

JOURNAL

Date	Particulars	L.F.	Dr.(₹)	Cr.(₹)
	Bank A/c Dr.		2,00,000	
	To Premium for Goodwill A/c			2,00,000
	(Amount of goodwill/premium brought in by C for his 2/9th share)			
	Premium for Goodwill A/c Dr.		2,00,000	
	B's Capital A/c Dr.		75,000	
	To A's Capital A/c			2,75,000
	(Goodwill/premium brought in by C credited to A			
	alongwith 3/36 of the goodwill to be contributed by B due to gain in his profit sharing ratio)			

Working Note:

Old Ratio of A and B = 3:1

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

Sacrifice or Gain:

A = 3/4 – 4/9 = (27 – 16)/36 = 11/36 (Sacrifice)

B = 1/4 – 3/9 = (9 – 12)/36 = 3/36 (Gain)

C = 2/9 or 8/36 (Gain)

Only A sacrifices his share to the benefit of B and C. Consequently, not only the goodwill brought in by C will be credited to A, B must also give 3/36th share of goodwill to A. The total value of Firm's goodwill based on C's share is 2,00,000 x 9/2 or ₹9,00,000.

Hence, the amount of goodwill to be contributed by B will be (₹9,00,000 x 3/36) = ₹75,000.

This will be adjusted by debiting B's Capital and Crediting A's Capital.

SOLUTION: 40.

JOURNAL

Date	Particulars	L.F.	Dr.(₹)	Cr.(₹)
	Bank A/c Or.		30,000	
	To Premium for Goodwill A/c			30,000
	(Premium for goodwill brought in cash by Z)			

	Premium for Goodwill A/c	Dr.		30,000	
	Y's Capital A/c	Dr.		7,500	
	To X's Capital A/c				37,500
	(Premium for goodwill paid by Z credited to the sacrificing partner X and further adjustment for goodwill for acquiring 1/12 share by Y from X)				

Working Note:
Old Ratio of X and Y =3:1
New Ratio of X, Y and Z = 1:1:1
Sacrifice or Gain:
X = 3/4 – 1/3 = (9 – 4)/12 = 5/12 (Sacrifice)
Y = 1/4 – 1/3 = (3 – 4)/12 = 1/12 (Gain)
Z = 1/3 or 4/12 (Gain)

Only X sacrifices his share to the benefit of Land Z. Consequently, not only the goodwill from Z will be credited to X, Y must also give 1/12th share of goodwill to X. The total value of Firm's goodwill based on Z's share is ₹30,000 x 3/1 or ₹90,000. Hence, the amount of goodwill to be contributed by Y will be (₹90,000 x 1/12) = ₹7,500. This will be adjusted by debiting Y's Capital and crediting X's Capital.

SOLUTION: 41.

JOURNAL

Date	Particulars	L.F.	Dr.(₹)	Cr.(₹)
	Bank A/c Dr.		5,60,000	
	To D's Capital A/c			5,00,000
	To Premium for Goodwill A/c			60,000
	(The amount of Capital and goodwill/premium brought in cash)			
	Premium for Goodwill A/c Dr.		60,000	
	A's Capital A/c Dr.		12,000	
	To B's Capital A/c			48,000
	To C's Capital A/c			24,000
	(Premium for goodwill brought in by D credited to B and C alongwith 1/30 of the goodwill to be contributed by A due to gain in his profit sharing ratio)			

Working Note : Old Ratio of A, B and C = 2 : 2 : 1
New Ratio of A, B, C and D = 13 : 8 : 4 : 5
Sacrifice or Gain
A = 2/5 – 13/30 = (12 – 13)/30 = 1/30 (Gain)
B = 2/5 – 8/30 = (12 – 8)/30 = 4/30 (Sacrifice)
C = 1/5 – 4/30 = (6 – 4)/30 = 2/30 (Sacrifice)
D = 5/30 (Gain)
On D's admission A has also gained to the extent of 1/30. Hence, he must also compensate B and C to the extent of 1/30 of firm's goodwill.
For 1/6th share, goodwill brought in by D = ₹60,000
Total goodwill of the firm based on D's share = 60,000 x 6/1 = ₹3,60,000
A to Compensate = 3,60,000 x 1/30 = ₹12,000
Goodwill contributed by D and A = 60,000 + 12,000 = 72,000.

It will be distributed between B and C in their sacrificing ratio.
B's share = 72,000 x 4/6 = ₹48,000
C's share = 72,000 X 2/6 = ₹24,000

SOLUTION: 42.

JOURNAL

Date	Particulars	L.F.	Dr.(₹)	Cr.(₹)
2016	Cash A/c Dr.		20,000	
March	Machinery A/c Dr.		60,000	
1	To Premium for Goodwill A/c			80,000
	(Cash and Machinery contributed by C on his admission as his share of goodwill premium)			
	Premium for Goodwill A/c Dr.		80,000	
	B's Capital A/c		40,000	
	To A's Capital A/c			1,20,000
	(Premium for goodwill brought in by C credited to A along with 1/10 of the goodwill to be contributed by B due to gain in his profit sharing ratio)			

Working Note:
Old Ratio of A and B = 4:1
New Ratio of A, B and C = 5:3:2
Sacrifice or Gain:
A = 4/5 – 5/10 = (8 – 5)/10 = 3/10 (Sacrifice)
B = 1/5 – 3/10 = (2 – 3)/10 = 1/10 (Gain)
Since B is gaining equal to 1/10 in the profits, therefore, he will also have to compensate A proportionately.
Firm's goodwill on the basis of C's share in profit = 80,000 x 5/1 = ₹4,00,000
So, B will compensate = ₹4,00,000 x 1/10 = ₹40,000.

Revaluation of Assets and Liabilities

SOLUTION: 43.

JOURNAL

Date	Particulars		L.F.	Dr.(₹)	Cr.(₹)
2014					
April					
1	Revaluation A/c	Dr.		32,600	
	To Stock A/c				12,600
	To Machinery & Fixtures A/c				10,000
	To Provision for Doubtful Debts A/c				10,000
	(Reduction in the value of assets and provision made for doubtful debts)				
	Land & Building A/c	Dr.		49,500	
	To Revaluation A/c				49,500
	(Increase in the value of Land & Building)				

Revaluation A/c	Dr.		15,000	
To Unforeseen Liability A/c				15,000
(Provision for liability)				
Accrued Commission A/c	Dr.		11,000	
To Revaluation A/c				11,000
(Accrued income)				
Revaluation A/c	Dr.		12,900	
To A's Capital A/c				9,675
To B's Capital A/c				3,225
(Transfer of profit on revaluation to the capital accounts of old partners in old ratio)				
Cash A/c	Dr.		1,50,000	
To C's Capital A/c				1,00,000
To Premium for Goodwill A/c				50,000
(Amount of capital and premium for goodwill brought in cash by C)				
Premium for Goodwill A/c	Dr.		50,000	
To A's Capital A/c				37,500
To B's Capital A/c				12,500
(Premium for goodwill credited to old partners in the sacrificing ratio 3:1)				
A's Capital A/c	Dr.		18,750	
B's Capital A/c	Dr.		6,250	
To Cash A/c				25,000
(Half the premium for goodwill withdrawn by old partners)				

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

Particulars	₹	Particulars	₹
To Stock A/c	12,600	By Land & Building A/c	49,500
To Machinery & Fixtures A/c	10,000	By Accrued Commission A/c	11,000
To Provision for Doubtful Debts A/c	10,000		
To Unforeseen Liability A/c	15,000		
To Profit Transferred to Capital Accounts:			
A 9,675			
B 3,225	12,900		
	60,500		**60,500**

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

Particulars	A	B	C	Particulars	A	B	C
	₹	₹	₹		₹	₹	₹
To Cash A/c	18,750	6,250	—	By Bal. b/d	4,00,000	2,00,000	—
To Bal. c/d	4,28,425	2,09,475	1,00,000	By Revaluation A/c	9,675	3,225	
				By Cash A/c	—	—	1,00,000

				By Premium for Goodwill A/c	37,500	12,500	
	4,47,175	**2,15,725**	**1,00,000**		**4,47,175**	**2,15,725**	**1,00,000**

OPENING BALANCE SHEET as at 1st April, 2014

Liabilities		₹	Assets		₹
Sundry Creditors		3,50,000	Cash in hand		1,65,000**(1)**
Unforeseen Liability		15,000	Book Debts	2,00,000	
Capitals:			**Less :** Provision	10,000	1,90,000
A	4,28,425		Stock		1,67,400
B	2,09,475		Accrued Commission A/c		11,000
C	1,00,000	7,37,900	Machinery & Fixtures		1,90,000
			Land & Building		3,79,500
		11,02,900			**11,02,900**

Note (1):

Calculation of Cash Balance :	₹
Opening Balance	40,000
(+) Amount of Capital brought in by the new partner in Cash	1,00,000
(+) Amount of Goodwill brought in by the new partner in Cash	50,000
	1,90,000
(–) Amount of Goodwill withdrawn by the old partners in Cash	25,000
Balance	**1,65,000**

SOLUTION : 44.

Books of Khushi and Sukhi

JOURNAL

Date	Particulars	L.F.	Dr.(₹)	Cr.(₹)
2016 April 1	Profit & Loss A/c Dr.		63,000	
	To Khushi's Capital A/c			35,000
	To Sukhi's Capital A/c			28,000
	(Transfer of the balance of Accumulated Profits to old partner's capital accounts on the admission of Muskan)			
April 1	General Reserve A/c Dr.		45,000	
	To Khushi's Capital A/c			25,000
	To Sukhi's Capital A/c			20,000
	(Transfer of the balance of General Reserve to old partner's capital accounts on the admission of Muskan)			

SOLUTION : 45.

JOURNAL

Date	Particulars	L.F.	Dr.(₹)	Cr.(₹)
1.3.16	Profit and Loss A/c Dr.		20,000	
	To A's Capital A/c			14,000
	To B's Capital A/c			6,000
	(Accumulated profit transferred to old partner's capital accounts on the admission of C)			
1.3.16	Reserve A/c Dr.		1,50,000	
	To A's Capital A/c			1,05,000
	To B's Capital A/c			45,000
	(Reserve transferred to old partner's capital accounts on the admission of C)			
1.3.16	Bank A/c Dr.		40,000	
	To Premium for Goodwill A/c			40,000
	(Premium for goodwill brought in by C for 1/6th share)			
1.3.16	Premium for Goodwill A/c Dr.		40,000	
	B's Capital A/c Dr.		8,000	
	To A's Capital A/c			48,000
	(Premium for goodwill brought in by C credited to A along with 1/30 of the goodwill to be contributed by B due to gain in his profit sharing ratio)			

Working Note:

Old Ratio of A and B = 7:3

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

Sacrifice or Gain: A = 7/10 – 3/6 = (21 – 15)/30 = 6/30 (Sacrifice)

B = 3/10 – 2/6 = (9 – 10)/30 = 1/30 (Gain)

C = 1/6 or 5/30 (Gain)

Since B is gaining 1/30 in the profits, therefore, he will also compensate A proportionately.

For 1/6th share C brought ₹40,000 as premium.

Therefore firm's goodwill = 40,000 x 6/1 = 2,40,000.

B will compensate A by ₹2,40,000 x 1/30 = ₹8,000.

Workmen Compensation Reserve

SOLUTION : 46.

JOURNAL

Date	Particulars	L.F.	Dr.(₹)	Cr.(₹)
2017	Workmen Compensation Reserve A/c Dr.		1,00,000	
April 1	Revaluation A/c Dr.		20,000	
Case (i)	To Provision for Workmen Compensation Claim A/c			1,20,000
	(Provision made for workmen claim)			

	Xs Capital A/c Dr.		10,000	
	Y's Capital A/c Dr.		10,000	
	To Revaluation A/c			20,000
	(Loss on revaluation debited to Partners' Capital Accounts in their old profit-sharing ratio)			
Case (ii)	Workmen Compensation Reserve A/c Dr.		1,00,000	
	To Provision for Workmen Compensation Claim A/c			90,000
	To X's Capital A/c			5,000
	To Y's Capital A/c			5,000
	(Surplus workmen compensation reserve credited to old Partners' Capital Accounts in their old profit sharing ratio)			

SOLUTION: 47.

JOURNAL

Date	Particulars		L.F.	Dr.(₹)	Cr.(₹)
2017					
April 1	General Reserve A/c	Dr.		1,50,000	
	Workmen Compensation Reserve A/c	Dr.		40,000	
	Profit & Loss A/c	Dr.		60,000	
	To A's Capital A/c				1,00,000
	To B's Capital A/c				1,00,000
	To C's Capital A/c				50,000
	(Accumulated profits transferred in old ratio)				
	A's Capital A/c	Dr.		10.000	
	B's Capital A/c	Dr.		10,000	
	C's Capital A/c	Dr.		5,000	
	To Advertisement Suspense A/c				25,000
	(Advertisement Suspense transferred in old ratio)				

SOLUTION: 48.

JOURNAL

Date	Particulars	L.F.	Dr.(₹)	Cr.(₹)
2017				
April	Profit & Loss A/c Dr.		45,000	
1	To P's Capital A/c			30,000
	To Q's Capital A/c			15,000
	(Accumulated profit distributed between the old partners in their old ratio of 2 : 1)			
	Workmen's Compensation Reserve .Dr.		80,000	
	To Provision for Workmen Compensation Claim A/c			50,000
	To P's Capital A/c			20,000
	To Q's Capital A/c '			10,000
	(Surplus Workmen Compensation Reserve credited to old partners in their old ratio of 2 : 1)			
	Bank A/c Dr.		2,60,000	

	To R's Capital A/c			2,00,000
	To Premium for Goodwill A/c			60,000
	(Cash brought in by R)			
	Premium for Goodwill A/c Dr.		60,000	
	To P's Capital A/c			20,000
	To Q's Capital A/c			40,000
	(Premium for goodwill transferred in sacrificing ratio of 1:2) W "			

Working Note:
Calculation of Sacrificing Ratio:
P = 2/3 – 3/5 = (10 – 9)/15 = 1/15
Q = 1/3 – 1/5 = (5 – 3)/15 = 2/15
Sacrificing Ratio = 1/15 : 2/15 or 1 : 2

Investment Fluctuation Reserve

SOLUTION: 49.

JOURNAL

Date	Particulars		L.F.	Dr.(₹)	Cr.(₹)
Case (i)	Investments Fluctuation Reserve A/c Dr.			40,000	
	To Investments A/c				10,000
	To A's Capital A/c				18,000
	To B's Capital A/c				12,000
	(Excess investments fluctuation reserve credited to Partners' Capital Accounts in their old profit-sharing ratio)				
Case (ii)	Investments Fluctuation Reserve A/c	Dr.		40,000	
	Revaluation A/c	Dr.		15,000	
	To Investments A/c				55,000
	(Fall in book value of investments credited to investments account and excess fall charged to Revaluation Account)				
	A's Capital A/c	Dr.		9,000	
	B's Capital A/c	Dr.		6,000	
	To Revaluation A/c				15,000
	(Loss on revaluation debited to partners' Capital Accounts in their old profit-sharing ratio)				
Case (iii)	Investments Fluctuation Reserve A/c Dr.			40,000	
	To A's Capital A/c				24,000
	To B's Capital A/c				16,000
	(Investments fluctuation reserve credited to Partners' Capital Accounts in their old profit-sharing ratio)				
Case (iv)	Investments Fluctuation Reserve A/c Dr.			40,000	
	To A's Capital A/c				24,000
	To B's Capital A/c				16,000
	(Investments fluctuation reserve credited to Partners' Capital				

	Accounts in their old profit-sharing ratio)				
	Investments A/c	Dr.		25,000	
	To Revaluation A/c				25,000
	(Value of investments brought up to market value)				
	Revaluation A/c	Dr.		25,000	
	To A's Capital A/c				15,000
	To B's Capital A/c				10,000
	(Profit on revaluation credited to partner's Capital Accounts in their old profit-sharing ratio)				

SOLUTION: 50.

JOURNAL

Date	Particulars		L.F.	Dr.(₹)	Cr.(₹)
	General Reserve A/c Dr.			1,20,000	
	To Charu's Capital A/c				72,000
	To Deepika's Capital A/c				48,000
	(General Reserve distributed between the old partners in their old ratio of 3 : 2)				
	Charu's Capital A/c	Dr.		24,000	
	Deepika's Capital A/c	Dr.		16,000	
	To Profit and Loss A/c				40,000
	(Accumulated loss distributed between the old partners in their old ratio of 3 : 2)				
	Investment Fluctuation Reserve A/c	Dr.		60,000	
	To Charu's Capital A/c				36,000
	To Deepika's Capital A/c				24,000
	(Investment Fluctuation Reserve credited to old partners in old ratio of 3 : 2)				
	Investments A/c	Dr.		30,000	
	To Revaluation A/c				30,000
	(Value of investments brought upto market value)				
	Revaluation A/c	Dr.		30,000	
	To Charu's Capital A/c				18,000
	To Deepika's Capital A/c				12,000
	(Profit on revaluation credited to old partners in old ratio)				
	Bank A/c			3,40,000	
	To Esha's Capital A/c Dr.				3,00,000
	To Premium for Goodwill A/c (₹1,80,000 x 2/9)				40,000
	(Capital and amount of premium for goodwill brought in cash by Esha)				
	Premium for Goodwill A/c	Dr.		40,000	
	To Charu's Capital A/c				28,000
	To Deepika's Capital A/c				12,000
	(Goodwill credited to sacrificing partners in their sacrificing ratio, i.e., 7:3)				

Working Note:
Calculation of Sacrificing Ratio:
Share Sacrificed = Old Share - New Share
Charu = 3/5 – 4/9 = (27 – 20)/45 = 7/45
Deepika = 2/5 – 3/9 = (18 – 15)/45 = 3/45
Sacrificing Ratio = 7/45: 3/45 or 7:3

SOLUTION: 51.

JOURNAL

Date	Particulars	L.F.	Dr.(₹)	Cr.(₹)
2009	Investment Fluctuation Reserve Dr.		8,000	
April	To Investments A/c			8,000
1	**(Value of Investments brought down to market value)**			
	General Reserve Dr.		40,000	
	Workmen Compensation Reserve Dr.		35,000	
	Investment Fluctuation Reserve Dr.		2,000	
	To A's Capital A/c			30,800
	To B's Capital A/c			30,800
	To C's Capital A/c			15,400
	(Transfer of accumulated profits to old partners in their old profit sharing ratio i.e. 2:2: 1)			
	A's Capital A/c Dr.		8,000	
	B's Capital A/c Dr.		8,000	
	C's Capital A/c Dr.		4,000	
	To Profit & Loss A/c			20,000
	(Transfer of accumulated loss to old partners in their old pro lit sharing ratio i.e. 2:2: 1)			

SOLUTION: 52(A).

JOURNAL

Date	Particulars	L.F.	Dr.(₹)	Cr.(₹)
2012				
April				
1	Profit & Loss A/c ' Dr.		20,000	
	To Vimal's Capital A/c			12,000
	To Nirmal's Capital A/c			8,000
	(Transfer of Profit & Loss A/c to old partner's capital accounts)			
	Revaluation A/c Dr.		20,000	
	To Plant & Machinery A/c			15,000
	To Stock A/c			4,000
	To Provision for Doubtful Debts			1,000
	(Reduction in the value of assets and provision made for doubtful debts)			
	Vimal's Capital A/c Dr.		12,000	
	Nirmal's Capital A/c Dr.		8,000	

	To Revaluation A/c **(Transfer of loss on revaluation to the capital accounts of old partners in old ratio)**			20,000
	Vimal's Capital A/c Dr. Nirmal's Capital A/c Dr. To Goodwill A/c **(Goodwill already appearing in the books written off in the old ratio) .**		6,000 4,000	 10,000
	Cash A/c Dr. To Kailash's Capital A/c ' To Premium for Goodwill A/c **(Amount of capital and premium for goodwill brought in cash by Kailash)**		60,000	 40,000 20,000
	Premium for Goodwill A/c Dr. To Vimal's Capital A/c To Nirmal's Capital A/c **(Premium for goodwill credited to old partners in the sacrificing ratio 2:3)(1)**		20,000	 8,000 12,000

Dr.	CAPITAL ACCOUNTS						Cr.
Particulars	**Vimal**	**Nirmal**	**Kailash**	**Particulars**	**Vimal**	**Nirmal**	**Kailash**
	₹	₹	₹		₹	₹	₹
To Revaluation A/c	12,000	8,000	—	By Bal. b/d	60,000	32,000	—
To Goodwill A/c	6,000	4,000	—	By Profit & Loss A/c	12,000	8,000	—
To Bal. c/d	62,000	40,000	40,000	By Cash A/c	—	—	40,000
				By Premium for Goodwill A/c	8,000	12,000	
	80,000	**52,000**	**40,000**		**80,000**	**52,000**	**40,000**

OPENING BALANCE SHEET as at 1st April, 2012

Liabilities		₹	**Assets**		₹
Sundry Creditors		20,000	Cash		74,000
Capital Accounts :			Debtors	18,000	
Vimal	62,000		**Less :** Provision	1,000	17,000
Nirmal	40,000		Stock		36,000
Kailash	40,000	1,42,000	Plant & Machinery		35,000
		1,62,000			**1,62,000**

Note (1): Calculation of Sacrificing Ratios :

Vimal : 3/5 – 2/4 = 2/20

Nirmal : 2/5 – 1/4 = 3/20 OR 2:3

SOLUTION: 52(B).

JOURNAL

Date	Particulars	L.F.	Dr.(₹)	Cr.(₹)
	General Reserve Dr.		50,000	
	To A's Capital A/c			37,500
	To B's Capital A/c			12,500
	(Transfer of General Reserve to old partner's capital accounts)			
	Revaluation A/c Dr.		11,200	
	To Plant A/c			10,000
	To Outstanding Repairs A/c			1,200
	(Reduction in the value of plant and provision for outstanding repairs)			
	Provision for Doubtful Debts A/c Dr.		1,000	
	Creditors A/c Dr.		2,000	
	To Revaluation A/c			3,000
	(Reduction in doubtful debts and creditors)			
	A's Capital A/c Dr.		6,150	
	B's Capital A/c Dr.		2,050	
	To Revaluation A/c			8,200
	(Loss on revaluation transferred to the capital accounts of old partners in old ratio)			
	Cash A/c Dr.		1,36,000	
	To C's Capital A/c			1,00,000
	To Premium for Goodwill A/c			36,000
	(Amount of capital and premium for goodwill brought in cash by C)			
	Premium for Goodwill A/c Dr.		36,000	
	To A's Capital A/c			24,000
	To B's Capital A/c			12,000
	(Premium for goodwill credited to old partners in the sacrificing ratio 2:1)			

Dr. RELVALUATION ACCOUNT Cr.

Particulars	₹	Particulars	₹
To Plant A/c	10,000	By Provision for Doubtful Debts	
To Outstanding Repairs A/c	1,200	A/c	1,000
		By Creditors A/c	2,000
		By Loss transferred to	
		Capital Accounts :	
		A 6,150	
		B 2,050	8,200
	11,200		**11,200**

Calculation of New Ratios :

C acquires his share of profit (1/4) from A and B in the ratio of 2 : 1. This means

C gets 2/3 of 1/4 = 2/12 from A
C gets 1/3 of 1/4 = 1/12 from B
Hence, the new ratio of A = 3/4 – 2/12 = (9 – 2)/12 = 7/12
New ratio of B = 1/4 – 1/12 = (3 – 1)/12 = 2/12
Thus, the new profit sharing ratio for A, B and C will be:
7/12: 2/12: 1/4 or (7: 2: 3)/12 or 7: 2: 3

SOLUTION: 53.

JOURNAL

Date	Particulars	L.F.	Dr.(₹)	Cr.(₹)
2012 April 1	X's Capital A c - Dr. Y's Capital A/c Dr. To Profit & Loss A/c **(Transfer of Dr. balance of Profit & Loss A c to old partner's capita! accounts)**		1,500 900	 2,400
	Workmen's Compensation Reserve A/c Dr. To X's Capital A/c To Y's Capital A/c **(Transfer of Workmen's Compensation Reserve to old partner's capital accounts)**		5,800	 3,625 2,175
	Revaluation A/c Dr. To Stock A/c To Fixed Assets A/c **(Reduction in the value of assets)**		13,000	 3,000 10,000
	Revaluation A/c Dr. To Provident Fund A/c To Creditors A/c **(Increase in liabilities)**		6,000	 5,000 1,000
	Provision for Doubtful Debts A/c Dr. To Revaluation A/c **(Omitting the provision for doubtful debts)**		600	 600
	X's Capital A/c Dr. Y's Capital A/c Dr. To Revaluation A/c **(Transfer of loss on revaluation to the capital accounts of old partners in old ratio)**		11,500 6,900	 18,400
	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 by Z)**		32,000	 20,000 12,000
	Premium for Goodwill A/c Dr. To X's Capital A/c **(Premium for goodwill credited to X's Capital A/c he alone has sacrificed)**		12,000	 12,000

Dr. REVALUATION ACCOUNT Cr.

Particulars	₹	Particulars	₹
To Stock A/c	3,000	By Provision for Doubtful Debts A/c	600
To Fixed Assets A/c	10,000		
To Provident Fund A/c	5,000	Capital Accounts :	
To Creditors A/c	1,000	X 11,500	
		Y 6,900	18,400
	19,000		**19,000**

Dr. CAPITAL ACCOUNTS Cr.

Particulars	Y	Y	Z	Particulars	Y	Y	Z
	₹	₹	₹		₹	₹	₹
To Profit & Loss A/c	1,500	900	—	By Balance b/d	70,000	31,000	—
To Revaluation A/c	11,500	6,900	—	By Workmen's Compensation Fund A/c	3,625	2,175	—
To Balance c/d	72,625	25,375	20,000	By Bank A/c	—	—	20,000
				By Premium for Goodwill A/c	12,000	—	—
	85,625	**33,175**	**20,000**		**85,625**	**33,175**	**20,000**

OPENING BALANCE SHEET as at 1st April, 2012

Liabilities		₹	Assets	₹
Creditors		16,000	Cash at Bank	37,000
Provident Fund		15,000	Sundry Debtors	20,000
Capitals :			Stock	22,000
A	72,625		Fixed Assets	70,000
B	25,375			
C	20,000	1,18,000		
		1,49,000		**1,49,000**

Calculation of new profit sharing ratio:

X = 5/8 – 1/8 = 4/8

Y = 3/8 & Z = 1/8 OR 4: 3: 1

SOLUTION: 54.

MEMORANDUM BALANCE SHEET

(Before Z's Admission)

Liabilities		₹	Assets	₹
Creditors		3,20,000	Debtors	4,32,000
General Reserve		1,80,000	Stock	3,00,000
Capitals:			Patents	74,000
	X 4,00,000		Building	2,04,000
	Y 3,50,000	7,50,000		
			Cash (Balancing figure)	2,40,000
		12,50,000		**12,50,000**

Dr.	REVALUATION ACCOUNT		Cr.
Particulars	**₹**	**Particulars**	**₹**
To Stock To Patents	6,000	By Loss transferred to :	
To Claim for Damages	74,000	X 60,000	
		Y 40,000	1,00,000
	1,00,000		**1,00,000**

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

Particulars	X	Y	Z	Particulars	X	Y	Z
	₹	₹	₹		₹	₹	₹
To Revaluation A/c	60,000	40,000		By Balance b/d	4,00,000	3,50,000	
To Balance c/d	5,08,000	4,22,000	3,00,000	By General Reserve A/c	1,08,000	72,000	
				By Cash A/c			3,00,000
				By Premium for Goodwill A/c	60,000	40,000	
	5,68,000	**4,62,000**	**3,00,000**		**5,68,000**	**4,62,000**	**3,00,000**

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

Liabilities		₹	Assets	₹
Creditors		3,20,000	Cash**(2)**	6,40,000
Claim for Damages		20,000	Debtors	4,32,000
Capitals :			Stock	2,94,000
X	5,08,000		Building	2,04,000
Y	4,22,000			
Z	3,00,000	12,30,000		
		15,70,000		15,70,000

Note:

(1) Z's Share of Goodwill = 5,00,000 x 1/5 = ₹1,00,000.

(2) Cash = 2,40,000 + 1,00,000 for Goodwill + 3,00,000 for Capital = ₹6,40,000

SOLUTION: 55.

JOURNAL

Date	Particulars		L.F.	Dr.(₹)	Cr.(₹)
(i)	Revaluation A/c	Dr.		3,000	
	To Provision for Doubtful Debts				3,000
	(Provision made for doubtful debts)				
(ii)	Building A/c	Dr.		50,000	
	To Revaluation A/c				50,000
	(increase in the value of building)				
	Revaluation A/c	Dr.		20,000	
	To Machinery A/c				20,000
	(Decrease in the value of machinery)				
(iii)	Revaluation A/c	Dr.		8,000	

	To Stock A/c			8,000
	(Damaged stock written off)			
(iv)	Creditors A/c	Dr.	6,000	
	To Revaluation A/c			6,000
	(Creditors written off)			
	Revaluation A/c	Dr.	25,000	
	To X's Capita! A/c			12,500
	To Y's Capital A/c			12,500
	(Transfer of profit on revaluation in old profit sharing ratio)			

SOLUTION: 56.

BALANCE SHEET

(Before W's Admission) as at……

Liabilities		₹	Assets	₹
Sundry Inabilities		3,00,000	Motors	1,20,000
Capitals :			Furniture	40,000
X	1,50,000		Stock	2,65,000
Y	1,75,000		Debtors	3,78,000
Z	2,00,000	5,25,000	Cash (Balancing Figure)	22,000
		8,25,000		**8,25,000**

JOURNAL

Date	Particulars		L.F.	Dr.(₹)	Cr.(₹)
	Revaluation A/c	Dr.		27,000	
	To Motors A/c				25,000
	To Furniture A/c				2,000
	(Reduction in the value of assets)				
	X's Capital A/c	Dr.		9,000	
	Y's Capital A/c	Dr.		9,000	
	Z's Capital A/c	Dr.		9,000	
	To Revaluation A/c				27,000
	(Transfer of loss on revaluation)				
	Cash A/c .	Dr.		3,30,000	
	To W's Capital A/c				1,80,000
	To Premium for Goodwill A/c				1,50,000
	(Amount brought in by new partner for capital and premium for goodwill)				
	Premium for Goodwill A/c	Dr.		1,50,000	
	To X's Capital A/c				50,000
	To Y's Capital A/c				50,000
	To Z's Capital A/c				50,000
	(Premium for goodwill credited to old partners)				

Dr. CAPITAL ACCOUNTS Cr.

Particulars	X	Y	Z	W	Parti-culars	X	Y	Z	W
	₹	₹	₹	₹		₹	₹	₹	₹
To Revalu-ation	9,000	9,000	9,000		By Bal. b/d	1,50,000	1,75,000	2,00,000	
To Bal. c/d	1,91,000	2,16,000	2,41,000	1,80,000	By Cash				1,80,000
					By Premium for Goodwill A/c	50,000	50,000	50,000	
	2,00,000	**2,25,000**	**2,50,000**	**1,80,000**		**2,00,000**	**2,25,000**	**2,50,000**	**1,80,000**

OPENING BALANCE SHEET as at……

Liabilities		₹	Assets	₹
Sundry Liabilities		3,00,000	Cash	3,52,000
Capitals :			Debtors	3,78,000
X	1,91,000		Stock	2,65,000
Y	2,16,000		Furniture	38,000
Z	2,41,000		Motors	95,000
W	1,80,000	8,28,000		
		11,28,000		**11,28,000**

SOLUTION: 57.

Books of A, B and C

JOURNAL

Date	Particulars		L.F.	Dr.(₹)	Cr.(₹)
2016 Feb. 1	Fixed Assets A/c	Dr.		22,000	
	To Revaluation A/c				22,000
	(Increase in the value of fixed assets)				
Feb. 1	Revaluation A/c	Dr.		22,000	
	To A's Capital A/c				16,500
	To B's Capital A/c				5,500
	(Transfer of profit on revaluation)				
Feb. 1	Bank A/c	Dr.		1,50,000	
	To C's Capital A/c				1,20,000
	To Premium for Goodwill A/c				30,000
	(Amount brought in by C for his capital and premium for goodwill)				
Feb. 1	Premium for Goodwill A/c	Dr.		30,000	
	To A's Capital A/c				30,000
	(Premium for goodwill credited to sacrificing partner A)				

Feb. 1	B's Capital A/c Dr. To A's Capital A/c		15,000	15,000
	(Adjustment for goodwill on acquiring 1/12 share by B from A)			

BALANCE SHEET as at 1st February. 2016

Liabilities		₹	Assets	₹
Capital Accounts :			Cash at Bank	1,84,000
A	5,11,500		Sundry Debtors	1,66,000
B	1,90,500		Stock	2,60,000
C	1,20,000	8,22,000	Fixed Assets	2,42,000
Sundry Creditors		30,000		
		8,52,000		**8,52,000**

Working Notes:

(1) Old Ratio of A and B = 3 : 1

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

Sacrifice or Gain:

A = 3/4 – 3/6 = (9 – 6)/12 = 3/12 **(Sacrifice)**

B = 1/4 – 2/6 = (3 – 4)/12 = 1/12 **(Gain)**

C = 1/6 or 2/12 **(Gain)**

Value of firm's goodwill on the basis of premium paid by C = 30,000 x 6/1 = ₹1,80,000

Compensation paid by B = 1,80,000 x 1/12 = ₹15,000.

(2)

Dr. CAPITAL ACCOUNTS Cr.

Particulars	A	B	C	Particulars	A	B	C
	₹	₹	₹		₹	₹	₹
To A's Capital A/c		15,000		By Bal. b/d	4,50,000	2,00,000	
To Bal. c/d	5,11,500	1,90,500	1,20,000	By Rev. A/c	16,500	5,500	
				By Bank A/c			1,20,000
				By Premium for Goodwill A/c	30,000		
				By B's Capital A/c	15,000		
	5,11,500	**2,05,500**	**1,20,000**		**5,11,500**	**2,05,500**	**1,20,000**

SOLUTION: 58.

JOURNAL

Date	Particulars		L.F.	Dr.(₹)	Cr.(₹)
2014 April 1	Revaluation A c	Dr.		3,400	
	To Provision for doubtful debts A/c				400
	To furniture A c				3,000
	(Assets and liabilities revalued)				
	Gautam's Capital A/c	Dr.		1,300	
	Rahul's Capital A/c	Dr.		2,040	