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

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

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

Working Notes:

(1) Calculation of Sacrificing/Gaining Ratio:

Old Ratio: Gautam and Rahul 2 : 3

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

Gautam = 2/5 – 5/10 = 1/10 (Gain)

Rahul = 3/5 – 3/10 = 3/10 (Sacrifice)

Amount for Goodwill brought in by Karim for his 2/10th share = ₹10,000

Total Value of Firm's Goodwill based on Karim's share = 10,000 x 10/2 = ₹50,000 Hence, amount of goodwill contributed by Gautam = 50,000 x 1/10 = ₹5,000

(2)

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

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

SOLUTION: 59.

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

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

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

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

OPENING BALANCE SHEET as at 1st April. 2012

Liabilities		₹	Assets		₹
Sundry Creditors		30,000	Cash in hand		1,200
Capital Accounts :			Cash at Bank		54,000
A	82,200		Sundry Debtors	20,000	19,000
B	62,800		**Less :** Provision	1,000	
C	50,000	1,95,000	Stock		32,800
			Plant and Machinery		70,000
			Land and Building		40,000

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

SOLUTION: 60.

JOURNAL ENTRIES

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

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

Dr. REVALUATION ACCOUNT Cr.

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

Dr. CAPITAL ACCOUNTS Cr.

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

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

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

Working Note (1) Valuation of Goodwill:
Average Profits = (20,000 + 35,000 – 15,000 + 40,000)÷4 = ₹20,000
Goodwill (at 1½ year's purchase) = 20,000 x 1½ =₹30,000

Z s share of Goodwill = 30,000 x 4/15 = ₹8,000

SOLUTION : 61.

Dr. REVALUATION ACCOUNT Cr.

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

CAPITAL ACCOUNTS

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

BALANCE SHEET as at 1st April, 2009

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

Working Notes:

(i) Calculation of Sacrificing Ratios :

X's old share 5/8; X surrenders 1/4th of 5/8 in favour of Z

It means X has surrendered 1/4 x 5/8 = 5/32

Y's old share 3/8 surrenders 1/3rd of 3/8 in favour of Z,
It means Y has surrendered 1/3 x 3/8 = 1/8
Therefore, Sacrificing Ratio = 5/32 : 1/8 = 5:4

(ii) Calculation of New Ratios:
X's new share = 5/8 – 5/32 = (20 – 5)/32 = 15/32
Y's new share = 3/8 – 1/8 = 2/8
Z's share = 5/32 + 1/8 = 9/32
Hence, the new ratios of X, Y and Z = 15/32: 2/8: 9/32 = (15: 8: 9)/32 =15:8:9

(iii) Z's share of Goodwill = 1,60,000 x 9/32 = ₹45,000
Out of this 2/5th i.e. 45,000 x 2/5 = ₹18,000 is brought in cash and the remaining ₹27,000 is not brought in cash.

SOLUTION : 62 (A).

JOURNAL

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

Working Notes:
Total Capital of the new firm on the basis of Somesh's Capital
i.e., 1,20,000 x 5/1 = ₹6,00,000
Less: Total Capital of Hemant, Nishant and Somesh i.e.,
₹1,60,000 + ₹1,00,000 + ₹1,20,000 = 3,80,000
Value of the Goodwill of the firm **2,20,000**
Somesh's share of goodwill = ₹2,20,000 x 4 = ₹44,000

SOLUTION: 62 (B).

In this question the amount of goodwill is hidden, which will be calculated as follows:
Based on Z's share, the total capital of the new firm ought to be

			₹
₹12,00,000 x 5/1 =			60,00,000
Less : Capital of X	(13,00,000 + 1/3 of 6,00,000) =	15,00,000	
Capital of Y	(20,00,000 + 2/3 of 6,00,000) =	24,00,000	
Capital of Z		12,00,000	51,00,000
	Value of Goodwill :		**9,00,000**

Z's Share of Goodwill - 9,00,000 x1/5 = ₹1,80,000

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

SOLUTION: 63.

In this question, hidden goodwill is to be calculated.
Combined Capital of Asin and Shreya will be equal to the net worth of the business.
Net Worth = Sundry Assets - Outside Liabilities
= ₹15,00,000 – ₹5,00,000 = ₹10,00,000
Hence, combined capital of Asin and Shreya is ₹10,00,000

CALCULATION OF HIDDEN GOODWILL

Based on Ajay's share, total capital of the new firm ought to be :		₹
₹5,00,000 x 5/1	=	25,00,000
Less : Net worth or Combined Capital of Asin and Shreya	10,00,000	
Capital of Ajay	5,00,000	15,00,000
Value of Firm's Goodwill		**10,00,000**

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

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

SOLUTION: 64.

JOURNAL ENTRIES

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

Working Notes : (i) Calculation of Hidden Goodwill:

		₹
Total Capital of the new firm on the basis of Z's Capital ₹3,00,000 x y =		15,00,000
Less : Net worth of the New Firm:		
Adjusted Capitals of X and Y		
(₹3,00,000 + ₹1,50,000 + ₹1,60,000 for Reserve		
+ ₹40,000 for P & L - ₹10,000 for Advt. Exp.)	6,40,000	
Capital of Z	3,00,000	9,40,000
Value of Firm's Goodwill		**5,60,000**

Z's share of Goodwill = ₹5,60,000 x 1/5 = ₹1,1 2,000

(ii) Calculation of Sacrifice Ratio :

X = 7/10 – 3/5	(7 – 6)/10	1/10
Y = 3/10 – 1/5	(3 – 2)10	110
Sacrifice Ratio of X and Y		1/10: 1/10 or 1:1

SOLUTION: 65.

JOURNAL ENTRIES

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

Working Notes :

(i) Calculation of Sacrifice Ratio :

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

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

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

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

(iii) Calculation of Hidden Goodwill:

		₹
Total Capital of the new firm based on Z's Capital ₹3,60,000 x 10/3		12,00,000
Less : Net worth of the New Firm :		
Adjusted Capitals of X and T (₹2,70,000 + ₹1,60,000 + ₹1,00,000 for Reserve + ₹40,000 for P & L – ₹30,000 for existing goodwill)	5,40,000	
Z's Capital	3,60,000	9,00,000
Value of Firm's Goodwill		**3,00,000**

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

SOLUTION : 66.

Dr. REVALUATION ACCOUNT Cr.

Particulars	₹	Particulars	₹
To Stock A/c	7,500	By Building A/c	50.000
To Provision for Doubtful Debts A/c	1,000		
To Furniture A/c	5,000		
To Profit transferred to :			
Rajesh 21,900			
Ravi 14,600	36,500		
	50,000		**50,000**

Dr. CAPITAL ACCOUNTS Cr.

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

OPENING BALANCE SHEET as at 1st April, 2012

Liabilities		₹	Assets		₹
Creditors		3,85,000	Cash		1,80,000
Outstanding Liabilities		40,000	Debtors	94,000	
Capitals :			**Less:** Provision	5,000	89,000
Rajesh	3,28,250		Stock		1,42,500
Ravi	1,80,950		Prepaid Insurance		15,000
Raman	1,60,000	6,69,200	Furniture		45,000
			Machinery		1,90,000
			Building		4,00,000
			Raman's Current A/c		32,700
		10,94,200			**10,94,200**

Notes :

(i) In this question the amount of goodwill is hidden, which will be found out as below :

		₹
Based on Raman's share of profit, the total capital of the firm should be : 1,60,000 x 10/2		8,00,000
Less : Capital of Rajesh (₹2,90,000 + Profit on Revaluation ₹21,900)	3,11,900	
Capital of Ravi (₹ 1,50,000 + Profit on Revaluation ₹14,600)	1,64,600	
Capital of Raman	1,60,000	
		6,36,500
Value of Goodwill		**1,63,500**

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

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

Adjustment of Capital Accounts

New Partner's Capital not given:

SOLUTION 67 (A).

Dr. PROFIT AND LOSS ADJUSTMENT ACCOUNT Cr.

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

Dr. CAPITAL ACCOUNTS Cr.

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

OPENING BALANCE SHEET as at

Liabilities	₹	Assets		₹
Creditors	40,000	Cash at Bank		1,01,450
Capitals :		Debtors	60,000	
Nem 87,740		**Less:** Provision	3,000	57,000
Khem65,160		Stock		38,000
Prem 76,450	2,29,350	Accrued Income		900
		Plant and Machinery		72,000
	2,69,350			**2,69,350**

Working Notes:

(1) Calculation of Prem's Capital:

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

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

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

(2) Calculation of New Profit Sharing Ratios:

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

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

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

Prem's share = 1/3

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

SOLUTION : 67 (B).

Dr. REVALUATION ACCOUNT Cr.

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

Dr. CAPITAL ACCOUNTS Cr.

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

OPENING BALANCE SHEET as at

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

Capitals :			Debtors	1,00,000	
Mohan	2,99,000		**Less:** Provision	10,000	90,000
Sohan	1,66,000		Stock		2,00,000
Rohan	2,32,500	6,97,500	Plant		50,000
		7,37,500			**7,37,500**

Working Note: Calculation of Rohan's Capital:
Combined capital of Mohan and Sohan for 2/3rd share of profits = 2,99,000 + 1,66,000 = ₹4,65,000
3
Hence, the total capital of the new firm will be = 4,65,000 x 3/2 = ₹6,97,500
Rohan's Capital for 1/3rd share = 6,97,500 x 1/3 = ₹2,32,500

SOLUTION : 68.

JOURNAL

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

Dr. CAPITAL ACCOUNTS Cr.

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

Working Notes:
(i) Calculation of Goodwill:
Average Profits = (40,000 + 30,000 + 44,075)/3 = ₹38,025
Goodwill = 38,025 x 2 = ₹76,050
C's share of Goodwill = 76,050 x 1/5 = ₹15,210
(ii) Calculation of Sacrificing Ratio:
Sacrifice made by A = 2/3 – 3/5 = (10 – 9)/15 = 1/15
Sacrifice made by B = 1/3 – 1/5 = (5 – 3)15 = 2/15
Thus, Sacrifice Ratio =1:2
(iii) Calculation of Capital brought in by C:
New Profit sharing ratio = 3/5: 1/5: 1/5

Combined share of A and B = 3/5 +1/5 = 4/5
For 4/5th share, combined Capital of A and B = 1,07,970 + 83,640 = ₹1,91,610
Total Capital of the Firm = 1,91,610 x 5/4 = ₹2,39,512
C's Share in Total Capital = 2,39,512 x 1/5 = ₹47,902

SOLUTION : 69.

Dr. REVALUATION ACCOUNT Cr.

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

Dr. CAPITAL ACCOUNTS Cr.

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

BALANCE SHEET as at 1st April, 2010

Liabilities	₹	Assets		₹
Creditors	36,000	Cash (20,000 + 12,000 + 86,400)		1,18,400
Outstanding Expenses	10,000	Debtors	40,000	
Unforeseen Liability	2,500	**Less:** Provision for		
Capitals: X	1,44,000	Bad Debts	2,000	38,000
Y	2,88,000	Stock		1,08,000
Z	86,400	Furniture		30,000
		Plant		2,72,500
	5,66,900			**5,66,900**

Note: Calculation of Z's Capital :
Combined Capital of X and Y = 1,44,000 + 2,88,000 = 4,32,000
Z's Capital = 1/5 of 4,32,000 = ₹86,400

SOLUTION : 70.

Dr. REVALUATION ACCOUNT Cr.

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

Dr. PARTNER'S CAPITAL ACCOUNTS Cr.

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

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

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

Working Note:

(1) Calculation of C's Capital

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

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

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

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

SOLUTION: 71.

Dr. Revaluation A/c Cr.

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

Dr. Partners' Capital A/cs Cr.

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

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

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

Working Notes:

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

(2) Calculation of Nusrat's Capital:

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

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

SOLUTION: 72.

Dr. REVALUATION ACCOUNT Cr.

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

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

Dr. CAPITAL ACCOUNTS Cr.

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

BALANCE SHEET as at 1st April, 2009

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

Working Notes:

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

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

To P's Capital A/c 20,000

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

(2) Calculation of P's Capital:

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

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

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

SOLUTION: 73.

Dr. REVALUATION ACCOUNT Cr.

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

Dr. CAPITAL ACCOUNTS Cr.

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

OPENING BALANCE SHEET _ as at 1st April, 2016

Liabilities		₹	Assets		₹
Bills Payable		10,000	Cash & Bank Balance		1,81,000
Creditors		1,47,500	Z's Current A/c		40,000
Liability for Workmen Compensation Claim		16,000	Bills Receivable		12,000
			Debtors	1,10,000	
Capitals :			**Less:** Provision	10,000	1,00,000
X	1,60,000		Stock		35,000
Y	1,02,000		Furniture and Fixture		58,500
Z	1,31,000	3,93,000	Plant and Machinery		1,40,000
		5,66,500			**5,66,500**

Working Notes:

(1) Calculation of Sacrificing Ratios :

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

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

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

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

Following entry will be passed for it:

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

(2) Calculation of New Ratios :

X's new share= 2/3 – 4/15 = 6/15

Y's new share = 1/3 – 1/15 = 4/15

Z's new share = 4/15 + 1/15 = 5/15

(3) Calculation of Z's Capital:

Combined capital of X and Y for 6/15 + 4/15 = 10/15 share of profits

= ₹1,60,000 + ₹1,02,000 = ₹2,62,000

Hence, the total capital of the new firm will be = 2,62,000 x 15/10 = ₹3,93,000

Z's capital for 5/15th share = 3,93,000 x 5/15 = ₹1,31,000

SOLUTION : 74.

JOURNAL

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

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

BALANCE SHEET OF NEW FIRM as at 1st April, 2016				
Liabilities	**₹**	**Assets**		**₹**
Sundry Creditors	73,000	Cash at Bank		2,22,000
Outstanding Salary	5,000	Sundry Debtors	25,000	
Capitals :		**Less:** Provision for		
S 2,45,000		Doubtful Debts	2,000	23,000
T 1,47,000	3,92,000	Furniture and Fittings		45,000
		Building		1,80,000
	4,70,000			**4,70,000**

On the Basis of New Partner's Capital:

SOLUTION : 75.

JOURNAL

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

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

Dr. CAPITAL ACCOUNTS Cr.

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

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

Liabilities		₹	Assets	₹
Sundry Creditors		25,000	Cash at Bank	31,700
Capital Accounts:			Sundry Debtors	16,000
X	80,000		Stock	10,000
Y	40,000		Typewriter	4,000
Z	40,000	1,60,000	Fixed Assets	1,23,300
		1,85,000		**1,85,000**

Working Notes:

(1) Calculationof new profit sharing ratio:

Share given to Z = 1/4

Balance of Profits = 1 – 1/4 = 3/4

Xs new share = 2/3 x 3/4 = 2/4

T s new share = 1/3 x 3/4 = 1/4

Z's share = 1/4

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

Hence,

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

Ts Capital in the new firm = 1,60,000 x 1/4 = ₹40,000

Ts Capital in the new firm = 1,60,000 x 1/4 = ₹40,000

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

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

(4) Calculation of balance at Bank :

		₹
Opening Balance		5,000
Add: Capital brought in by Z		40,000
Add: Goodwill brought in by Z		15,000
Add: Amount brought in by X		5,800
		65,800
Less : Amount of Goodwill withdrawn by X and Y	7,500	
Less : Excess capital withdrawn by Y	26,600	34,100
Closing Balance		**31,700**

SOLUTION : 76.

Calculation of new profit sharing ratios:

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

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

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

Charu's share = 1/5

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

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

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

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

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

Existing capital of Akshaya is ₹90,000.

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

Existing capital of Bharati is ₹75,000.

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

JOURNAL

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

SOLUTION : 77.

A s new share = 5/10 – 1/8 = (20 – 5)/40 = 15/40
B s new share = 3/10 – 1/8 = (12 – 5)/40 = 7/40
C's new share = 2/10
D's share = 1/4
Thus, new profit sharing ratio of A, B, C and D is 15/40 : 7/40 : 2/10 : 1/4 or (15: 7: 8: 10)/40 or 15 : 7 : 8 : 10
Total capital of the new firm will be ₹3,20,000.
A's Capital in the new firm should be = 3,20,000 x 15/40 = ₹1,20,000
B's Capital in the new firm should be = 3,20,000 x 7/40 = ₹ 56,000
C's Capital in the new firm should be = 3,20,000 x 8/40 = ₹64,000
D's Capital in the new firm should be = 3,20,000 x 10/40 = ₹80,000

Hence, A will bring in ₹ 1,20,000 – ₹1,00,000 = ₹20,000
B will withdraw ₹ 75,000 – ₹56,000 = ₹19,000
C will bring in ₹ 64,000 – ₹60,000 = ₹4,000
D will bring in ₹ 80,000

Books of A, B, C and D

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

SOLUTION : 78.

Share given to Z = 1/3
Balance of Profits 1 – 1/3 = 2/3
X's new share = 2/3 x 3/5 = 6/15
Y's new share = 2/3 x 2/5 =4/15
Z's share = 1/3 or 5/15
On the basis of Z's share, the total Capital of the new firm should be
₹75,000 x 3/1 = ₹2,25,000
∴ X's Capital in the new firm should be = 2,25,000 x 6/15 = ₹90,000
Y's Capital in the new firm should be = 2,25,000 x 4/15 = ₹60,000
Z's Capital in the new firm should be = 2,25,000 x 5/15 = ₹75,000
Hence, Cash to be paid off to X = ₹1,20,000 – ₹90,000 = ₹30,000
Cash to be paid off to Y = ₹60,000 – ₹54,000 = ₹6,000

SOLUTION : 79.

JOURNAL

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

Dr. CAPITAL ACCOUNTS Cr.

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

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

Dr. CASH ACCOUNT Cr.

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

Notes:

New Profit Sharing Ratio:

A = 3/6 – 1/8 = (12 – 3)/24 = 9/24

B = 2/6 – 1/8 = (8 – 3)/24 = 5/24

C = 1/6 or 4/24

D = 1/4 or 6/24

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

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

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

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

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

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

SOLUTION: 80.

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

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

Dr. REVALUATION ACCOUNT Cr.

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

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

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

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

Liabilities		₹	**Assets**		₹
Creditors	15,000		Bank Balance		32,600
Less: Provision for Discount	300	14,700	Debtors	20,000	
Outstanding Salaries		5,000	**Less:** Provision for Doubtful Debts	1,000	
Capital Accounts :				19,000	
A	70,000		**Less:** Provision for Discount	380	18,620
B	30,000		Stock		44,000
C	20,000	1,20,000	Prepaid Insurance		1,000
			Accrued Income		1,480
			Investments		6,000
			Machinery		36,000
		1,39,700			**1,39,700**

Working Notes:

(1) New Profit Sharing Ratios:

C's share is 1/6 which he acquires equally from A and B.

Hence, he acquires 1/6 x 1/2 = 1/12 from A and 1/12 from B

As such, A's new share = 2/3 – 1/12 = 7/12

B's new share = 1/3 – 1/12 = 3/12

C's share = 1/6 OR 2/12

C brings in ₹20,000 as Capital for his 1/6th share. As such, according to C's Capital, the total Capital of the new firm will be : 20,000 x 6/1 = ₹1,20,000

A's Capital in new firm = 1,20,000 x 7/12 = ₹70,000
B's Capital in new firm = 1,20,000 x 3/12 = ₹30,000
C's Capital in new firm = 1,20,000 x 2/12 = ₹20,000

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

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

(4) Calculation of Bank Balance :

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

SOLUTION : 81.

Dr. REVALUATION ACCOUNT Cr.

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

Dr. CAPITAL ACCOUNTS Cr.

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

OPENING BALANCE SHEET as at 1st April, 2017					
Liabilities		**₹**	**Assets**		**₹**
Sundry Creditors		63,000	Cash at Bank		50,500
Outstanding Salaries		6,000	Sundry Debtors	30,000	
Capitals :			**Less:** Provision	2,500	27,500
A	60,000		Stock		32,000
B	45,000		Trade Marks		4,000
C	30,000	1,35,000	Building		90,000
		2,04,000			**2,04,000**

Working Notes:

(1) Calculation of Goodwill:

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

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

Super Profits = Average Profits - Normal Profits

= ₹50,000 – ₹14,000 = ₹36,000

Goodwill = ₹36,000 x 5/2 = 90,000

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

(2) Calculation of Sacrificing Ratios for distributing Goodwill:

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

Sacrifice made by B = 2/5 – 3/9 = 3/45

Sacrifice Ratio =7 : 3

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

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

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

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

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

SOLUTION : 82.

JOURNAL

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

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

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

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

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

Liabilities		₹	Assets		₹
Creditors		1,20,000	Sundry Debtors	2,00,000	
Bank overdraft		1,18,400	**Less:** Provision for		
Capital A/cs:			bad debts	5,000	1,95,000
Ashok :	1,00,000		Stock		2,49,400
Biju :	1,00,000		Furniture		40,000
Chandra :	1,00,000	3,00,000	Machinery		54,000
		5,38,400			**5,38,400**

Working Notes:

(i) Calculation of sacrificing (gaining) Ratio:

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

Biju s ratio = 1/4 – 1/3 = (3 – 4)/12 = 1/12 (Gain)

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

Treatment of Goodwill:

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

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

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

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

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

(3)

Dr. CASH BOOK (Bank Column) Cr.

Particulars	₹	Particulars	₹
To Chandra's Capital A/c	1,00,000	By Balance b/d	1,50,000
To Premium for Goodwill A/c	20,000	By Ashok's Capital A/c	88,800
To Biju's Capital A/c	400		
To Balance c/d	1,18,400		
	2,38,800		**2,38,800**

SOLUTION: 83 (A).

Dr. REVALUATION ACCOUNT Cr.

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

Dr. CAPITAL ACCOUNTS Cr.

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

	1,47,100	**83,700**	**40,000**		**1,47,100**	**83,700**	**40,000**

BALANCE SHEET as at 1st April. 2017

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

Working Notes:

(1) New Profit Sharing Ratios:

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

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

E's new share = 1/4

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

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

Following entry will be passed for adjustment of goodwill:

F's Current A/c (24,000 x 1/4) Dr. 6,000

To D's Capital A/c 6,000

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

40,000 x 4/1 = ₹1,60,000

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

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

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

SOLUTION : 83 (B).

JOURNAL

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

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

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

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

Working Note:

New Profit Sharing Ratios:

Share given to C = 1/4, Balance of Profits = 1 – 1/4 = 3/4

A's new share = 3/4 x 3/5 = 9/20;

B s new share = 3/4 x 2/5 = 6/20;

C s share = 1/4

New Ratio = 9/20: 6/20: 1/4 OR 9:6:5

C brings in ₹20,000 as capital for his 1/4th share of profit.

Therefore, based on C's capital,
The total capital of the new firm will be: ₹20,000 x 4/1 = ₹80,000
Therefore,
A's Capital in the new firm: ₹80,000 x 9/20 = ₹36,000
B's Capital in the new firm: ₹80,000 x 6/20 = ₹24,000

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

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

Notes:
(1) A's Capital in the new firm should be ₹36,000, whereas his existing capital is ₹41,100. Therefore, his excess Capital ₹5,100 will be transferred to his Current A/c.
(2) B's Capital in the new firm should be ₹24,000, whereas his existing capital is ₹32,400. Therefore, his excess Capital ₹8,400 will be transferred to his Current A/c.

SOLUTION: 83 (C).

JOURNAL

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

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

Dr. REVALUATION ACCOUNT Cr.

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

Dr. CAPITAL ACCOUNT'S Cr.

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

Dr. **CURRENT ACCOUNT'S** **Cr.**

Particulars	Ram	Shyam	Mohan	Particulars	Ram	Shyam	Mohan
	₹	₹	₹		₹	₹	₹
To Capital A/c			1,770	By Capital A/c	2,760	2,650	
To Bal. c/d	2,760	2,650		By Bal. c/d			1,770
	2,760	**2,650**	**1,770**		**2,760**	**2,650**	**1,770**

BALANCE SHEET OF NEW FIRM

as at

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

Working Notes:

(1) New Profit Sharing Ratios:

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

Ram's new share = 7/8 x 6/14 = 3/8

Shyam's new share = 7/8 x 5/14 = 5/16

Mohan's new share = 7/8 x 3/14 = 3/16

Sohan's share = 1/8

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

(2) Sohan brings in ₹16,000 as Capital for his 1/8th share of profit. Hence,

the total Capital of the new firm will be : ₹16,000 x 8/1 = ₹1,28,000

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

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

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

Hence,

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

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

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

SOLUTION : 84.

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

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

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

Dr. PARTNER'S CAPITAL ACCOUNTS Cr.

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

Dr. HANUMAN'S CAPITAL ACCOUNT Cr.

Particulars	₹	Particulars	₹
To Balanced c/d	1,00,000	By Bank A/c	1,00,000

Working Notes :

(1) Calculation of New Ratio:

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

Om's New Share = 9/10 x 3/6 = 9/20

Ram's New Share = 9/10 x 2/6 = 6/20

Shanti's New Share = 9/10 x 1/6 = 3/20

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

(2) Total Capital of the Finn based on Hanuman's share = 1,00,000 x 10/1 = ₹10,00,000

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

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

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

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

SOLUTION : 85.

Dr. REVALUATION ACCOUNT Cr.

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

Dr. CAPITAL ACCOUNTS Cr.

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

Working Notes:

(1) Calculation of New Profit-sharing Ratio:

Chintan's Share = 1/4

Remaining Share = 1 – 1/4 = 3/4

Amit's New Share = 3/4 x 1/2 = 3/8

Vidya's New Share = 3/4 x 1/2 = 3/8

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

(2) Calculation of Total Capital of the New Firm

Combined Capital of Amit and Vidya

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

Total Capital of the New Firm = ₹1,49,100 x 4/3 = ₹1,98,80

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

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

Chintan's Capital = ₹1,98,800 x 1/4 = ₹49,700

ADDITIONAL QUESTIONS

Calculation of New Ratios and Sacrificing Ratios

SOLUTION: 86.

Sacrifice Ratio = Old Ratio - New Ratio

Case (i) Sacrifice made by X = 4/7 – 7/14 = (8 – 7)/14 = 1/14

Sacrifice made by Y = 3/7 – 4/ 14 = (6 – 4)/14 = 2/14

Thus Sacrificing Ratio =1:2

Case (ii) Sacrifice made by X = 7/12 – 13/24 = (14 – 13)/24 = 1/24

Sacrifice made by Y = 5/12 – 7/24 = (10 – 7)/24 = 3/24

Thus Sacrificing Ratio =1:3

Case (iii) Sacrifice made by A = 5/8 – 4/7 = (35 – 32)/56 = 3/56

Sacrifice made by B = 3/8 – 2/7 = (21 – 16)/56 = 5/56

Thus Sacrificing Ratio = 3:5

Case (iv) Sacrifice made by A = 3/5 – 5/10 = (6 – 5)/10 = 1/10

Sacrifice made by B = 2/5 – 3/10 = (4 – 3)/10 = 1/10

Thus Sacrificing Ratio =1:1

SOLUTION : 87.

Case (i)

Calculation of New Profit Sharing Ratios:

Share given to D = 1/3; Remaining Share = 1 – 1/3 = 2/3

A's new share = 4/9 of 2/3 = 8/27

B's new share = 3/9 of 2/3 = 6/27

C's new share = 2/9 of 2/3 = 4/27

D's share = 1/3

Thus, New Profit Sharing Ratio = 8/27: 6/27: 4/27: 1/3 = (8: 6: 4: 9)/27 = 8 : 6 : 4 : 9

Calculation of Sacrifice Ratio:

Sacrifice Ratio = Old Share - New Share

Therefore, Sacrifice made by A = 4/9 – 8/27 = (12 – 8)/27 = 4/27

Sacrifice made by B = 3/9 – 6/27 = (9 – 6)/27 = 3/27

Sacrifice made by C = 2/9 – 4/27 = (6 – 4)/27 = 2/27

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

Case (ii)

Calculation of New Profit Sharing Ratios:

Share given to D = 1/6, Remaining Share = 1 – 1/6 = 5/6

A's new share = 1/2 of 5/6 = 5/12

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

C's new share = 1/6 of 5/6 = 5/36

D's share = 1/6

Thus, New Profit Sharing Ratio = 5/12: 5/18: 5/36: 1/6 = (15: 10: 5: 6)/36 =15:10:5:6
Calculation of Sacrifice Ratio:
Sacrifice Ratio = Old Share – New Share
Therefore, Sacrifice made by A = 1/2 – 15/36 = (18 – 15)/36 = 3/36
Sacrifice made by B = 1/3 – 10/36 = (12 – 10)/36 = 2/36
Sacrifice made by C = 1/6 – 5/36 = (6 – 5)/36 = 1/36
Thus, Sacrificing Ratio of A, B and C = 3 : 2 : 1
Case (iii)
Calculation of New Profit Sharing Ratios:
Share given to D = 1/8, Remaining Share = 1 – 1/8 = 7/8
A's new share = 6/14 of 7/8 = 6/16
B's new share = 5/14 of 7/8 = 5/16
C's new share = 3/14 of 7/8 = 3/16
D's share = 1/8
Thus, New Profit Sharing Ratio = 6/16: 5/16: 3/16: 1/8 = (6 : 5 : 3 : 2)/16 = 6: 5: 3: 2
Calculation of Sacrifice Ratio:
Sacrifice Ratio = Old Share – New Share
Therefore, Sacrifice made by A = 6/14 – 6/16 = (48 – 42)/112 = 6/112
Sacrifice made by B = 5/14 – 5/16 = (40 – 35)/112 = 5/112
Sacrifice made by C = 3/14 – 3/16 = (24 – 21)/112 = 3/112
Thus, Sacrificing Ratio of A, B and C = 6: 5: 3

SOLUTION : 88.

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

SOLUTION : 89.

(a) Sacrifice Ratio = Old Ratio - New Ratio
Rohan's Sacrifice = 5/8 – 4/7 = (35 – 32)/56 = 3/56
Mohan's Sacrifice = 3/8 – 2/7 = (21 – 16)/56 = 5/56
Sacrificing Ratio of Rohan and Mohan = 3/56: 5/56 = 3:5
(b) New Share of Amla = Old Share - Share sacrifice in favour of Bimla
= 4/5 – 1/4 = (16 – 5)/20 = 11/20
New Ratio of Amla, Kamla and Bimla = 11/20: 1/5: 1/4 = (11: 4: 5)/20 = 11:4:5

SOLUTION : 90.

Chetan is given 1/8th share which he acquires 1/12 from Anita and 1/24 from Tina.
Hence, the new share of Anita = 9/14 – 1/12 = (54 – 7)/84 = 47/84

The new share of Tina = 5/14 – 1/24 = (60 – 7)/168 = 53/168
Share of Chetan = 1/8
Thus, New Profit Sharing Ratio = 47/84: 53/168: 1/8 = (94: 53: 21)/168 = 94 : 53 : 21

SOLUTION : 91.

Vijay is given 1/3rd share which he acquires wholly from Anil.
Hence, the new share of Anil = 4/5 – 1/3 = (12 – 5)/15 = 7/15
New share of Sunil = 1/5
Share of Vijay = 1/3
Thus, New Profit Sharing Ratio = 7/15 : 1/5 : 1/3 = (7: 3: 5)/15 = 7:3:5

SOLUTION : 92.

Calculation of surrendered share:
(i) J's old share = 2/5, J surrenders 1/5th of 2/5 in favour of L, i.e.,
1/5 x 2/5 = 2/25 (It means J has surrendered out of his share in favour of L)

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

Calculation of New Ratios:
(i) J's new share alter surrendering in favour of L
= 2/5 – 2/25 = (10 – 2)/25 = 8/25

(ii) K's new share alter surrendering j in favour of L = 3/5 – 1/5 = 2/5
(iii) Z's new share is the total of 2/25 from J and 1/5 from k
= 2/25 + 1/5 = (2 + 5)/25 = 7/25

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

SOLUTION : 93.

(i) R surrenders 1/4th of 5/8 in favour of T. It means that R has surrendered
1/4 x 5/8 = 5/32 out of his share in favour of T.
(ii) S surrenders 2/5th of 3/8 in favour of T. It means that S has surrendered
2/5 x 3/8 = 3/20 out of his share in favour of T.
∴ Sacrificing Ratio = 5/32: 3/20 = (25: 24)/160 = 25 : 24
Calculation of New Ratios:
R's new share = 5/8 – 5/32 = (20 – 5)/32 = 15/32
S's new share = 3/8 – 3/20 = (15 – 6)/40 = 9/40
T's Share = 5/32 + 3/20 = (25 + 24)/160 = 49/160
Thus, New Profit Sharing Ratio = 15/32: 9/40: 49/160 = (75: 36: 49)/160 = 75 : 36 : 49

SOLUTION : 94.

C is given 1/4th share which he acquires from A and B in the ratio of 3 : 1.
This means:
C acquires 3/4 of 1/4 = 3/16 from A

C acquires 1/4 of 1/4 = 1/16 from B
Hence, the new share of A = 5/8 – 3/16 = (10 – 3)/16 = 7/16
The new share of B = 3/8 – 1/16 = (6 – 1)/16 = 5/16
Share of C = 1/4
Thus, New Profit Sharing Ratio = 7/16: 5/16: 1/4 = (7: 5: 4)/16 = 7:5:4

SOLUTION : 95.

Calculation of New Profit Sharing Ratio:
Gopal's share = 1/8; Remaining share = 1 – 1/8 = 7/8
This is to be shared by Mohan and Sohan in the ratio of 4 : 3
Hence, the new share of Mohan = 4/7 of 7/8 = 4/8
New share of Sohan = 3/7 of 7/8 = 3/8
Share of Gopal= 1/8
Calculation of Sacrificing Ratio:
Sacrifice Ratio = Old Share – New Share
Sacrifice made by Mohan = 9/15 – 4/8 = (72 – 60)/120 = 12/120
Sacrifice made by Sohan =
Thus, Sacrificing Ratio between Mohan and Sohan =12:3 OR 4 : 1

SOLUTION : 96.

JOURNAL

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

Calculation of New Profit Sharing Ratio:
C's share = 1/6, Remaining share = 1 – 1/6 = 5/6
A s new share = 2/3 of 5/6 = 10/18
B-'s new share = 1/3 of 5/6 = 5/18
C's share = 1/6
Thus, New Profit Sharing Ratio = 10/18: 5/18: 1/6 = (10:5:3)18 = 10: 5: 3

SOLUTION: 97.

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

SOLUTION : 98.

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

Calculation of New Profit Sharing Ratio:

Ghosh takes his share from Kumar = 3/5 of 1/4 = 3/20

Ghosh takes his share from Rao = 2/5 of 1/4 = 2/20

Therefore, Kumar's new share = 1/2 – 3/20 = (10 – 3)/20 = 7/20

Rao s new share = 1/2 – 2/20 = (10 – 2)/20 = 8/20

Ghosh's share = 1/4

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

= 7/20: 8/20: 1/4 = (7: 8: 5)/20 or 7: 8: 5

SOLUTION : 99.

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

Calculation of Sacrificing Ratio:

Sacrifice made by Piyush = 7/10 – 5/10 = 2/10

Sacrifice made by Deepika = 3/10 – 3/10 =0

Thus, Piyush alone has sacrificed.

SOLUTION : 100.

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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 R)			
	Premium for Goodwill A/c Dr.		1,00,000	
	To P's Capital A/c			1,00,000
	(Premium for goodwill transferred to P's Capital A/c as he alone has sacrificed)			

Calculation of new profit sharing ratio:

R takes 1/4th share out of 1.

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

P's new share = 3/4 x1/2 = 3/8

Q's new share = 3/4 x1/2 = 3/8

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

Sacrifice made by P = 5/8 – 3/8 = 2/8

Sacrifice made by Q = 3/8 – 3/8 = 0

Thus, P alone has sacrificed.

SOLUTION : 101.

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