

Admission of a Partner

i.e.. 1 : 4)

Working Notes :

Calculation of Goodwill:

Average Profit = ₹(30,000 – 8,000 + 20,000 + 38,000) ÷ 4 = ₹20,000

Goodwill = ₹20,000 × 3/2 = ₹30,000

Z's share = ₹30,000 × 1/3 = ₹10,000

Calculation of Sacrificing Ratio:

Sacrificing Ratio = Old Ratio - New Ratio

Sacrifice made by X = 6/15 – 1/3 = (6 – 5)/15 = 1/15

Sacrifice made by Y = 9/15 – 1/3 = (9 – 5)/15 = 4/15

∴ Sacrificing Ratio = 1 : 4

SOLUTION : 102.

JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c Dr.		84,000	
	To Premium for Goodwill A/c			84,000
	(Premium for goodwill brought in Cash)			
	Premium for Goodwill A/c Dr.		84,000	
	To Arun's Capital A/c			56,000
	To Varun's Capital A/c			28,000
	(Premium for goodwill credited to old partners in sacrificing ratio i.e.. 2:1) '			

Working Notes:

Sacrificing Ratio = 1/6: 1/12 = (2: 1)/12 = 2:1

New Ratios:

Arun = 3/5 – 1/6 = (18 – 5)/30 = 13/30

Varun = 2/5 – 1/12 = (24 – 5)/60 = 19/60

Bhushan = 1/6 + 1/12 = (2 + 1)/12 = 3/12

Thus, New Ratio = 13/30: 19/60: 3/12 = (26: 19: 15)/60 = 26: 19: 15

SOLUTION : 103.

JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c Dr.		2,28,000	
	To O's Capital A/c			2,00,000
	To Premium for Goodwill A/c			28,000
	(₹2,00,000 for Capital and ₹28,000 for premium for goodwill i.e. 4/10 of ₹70,000 brought in cash)			
	Premium for Goodwill A/c Dr.		28,000	
	To L's Capital A/c			19,000
	To M's Capital A/c			9,000
	(Premium for goodwill credited to old partners in sacrificing			

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ratio i.e., 19:9)				

Working Notes:

Sacrificing Ratio = Old Ratio - New Ratio

Sacrifice made by L = $4/7 - 3/10 = (40 - 21)/70 = 19/70$

Sacrifice made by M = $3/7 - 3/10 = (30 - 21)/70 = 9/70$

Thus, Sacrificing Ratio = 19: 9

SOLUTION : 104.

JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c Dr. To C's Capital A/c To Premium for Goodwill A/c (Amount of capital and premium for goodwill brought in cash)		1,40,000	1,00,000 40,000
	Premium for Goodwill A/c Dr. To A's Capital A/c To B's Capital A/c (Premium for goodwill credited to old partners in sacrificing ratio of 3 : 1)		40,000	30,000 10,000

Working Notes:

New Ratios: A = $3/5 - 3/20 = (12 - 3)/20 = 9/20$

B = $2/5 - 1/20 = (8 - 1)/20 = 7/20$

C = $3/20 + 1/20 = (3 + 1)/20 = 4/20$

Distribution of Profit:

A = $2,00,000 \times 9/20 = ₹90,000$;

B = $2,00,000 \times 7/20 = ₹70,000$;

C = $2,00,000 \times 4/20 = ₹40,000$;

SOLUTION : 105.

JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c Dr. To R's Capital A/c To Premium for Goodwill A/c (Amount of capital and premium for goodwill brought in cash)		80,000	60,000 20,000
	Premium for Goodwill A/c Dr. To P's Capital A/c To Q's Capital A/c (Premium for goodwill credited to old partners in sacrificing ratio of 3 : 1)		20,000	15,000 5,000

Working Notes:

Calculation of Sacrificing Ratio:

Sacrificing Ratio - Old Ratio - New Ratio

Sacrifice made by P = $5/8 - 7/16 = (10 - 7)/16 = 3/16$

Sacrifice made by Q = $3/8 - 5/16 = (6 - 5)/16 = 1/16$

Thus, Sacrificing Ratio = 3: 1

SOLUTION : 199.

JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	A's Capital A/c Dr. B's Capital A/c Dr. To Goodwill A/c (Goodwill already appearing in the books, now written off in old ratio)		1,20,000 80,000	2,00,000
	Bank A/c Dr. To Premium for Goodwill A/c (Premium for goodwill brought in cash by New Partner)		60,000	60,000
	Premium for Goodwill A/c Dr. To A's Capital A/c To B's Capital A/c (Premium for goodwill transferred to old partners in sacrificing ratio i.e., 9 : 1)		60,000	54,000 6,000

Working Note:

Calculation of Sacrificing Ratio:

Sacrificing Ratio = Old Ratio - New Ratio

Sacrifice made by A = $3/5 - 3/8 = (24 - 15)/40 = 9/40$

Sacrifice made by B = $2/5 - 3/8 = (16 - 15)/40 = 1/40$

Thus, Sacrificing Ratio = 9: 1

SOLUTION : 107.

JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	A's Capital A/c Dr. B's Capital A/c Dr. To Goodwill A/c (Goodwill already appearing in the books, now written off in old ratio)		1,80,000 1,20,000	3,00,000
	Bank A/c Dr. To Premium for Goodwill A/c (Premium for goodwill brought in cash by New Partner)		1,00,000	1,00,000
	Premium for Goodwill A/c Dr. To A's Capital A/c To B's Capital A/c (Premium for goodwill transferred to old partners in sacrificing ratio i.e.. 3 :2)		1,00,000	60,000 40,000

Working Notes:

Calculation of New Ratios:

C is given $\frac{1}{4}$ th share;

Remaining share = $1 - \frac{1}{4} = \frac{3}{4}$

A's new ratio = $\frac{3}{5}$ of $\frac{3}{4} = \frac{9}{20}$

B's new ratio = $\frac{2}{5}$ of $\frac{3}{4} = \frac{6}{20}$

C's ratio = $\frac{1}{4} = \frac{5}{20}$

Calculation of Sacrificing Ratios:

Sacrificing Ratios = Old Ratio - New Ratio

Sacrifice made by A = $\frac{3}{5} - \frac{9}{20} = \frac{(12 - 9)}{20} = \frac{3}{20}$

Sacrifice made by B = $\frac{2}{5} - \frac{6}{20} = \frac{(8 - 6)}{20} = \frac{2}{20}$

Thus, Sacrificing Ratio = 3 : 2

SOLUTION : 108.

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
	(Capital and premium for goodwill brought in cash)			
	Premium for Goodwill A/c Dr.		60,000	
	To A's Capital A/c			20,000
	To B's Capital A/c			20,000
	To C's Capital A/c			20,000
	(Premium for goodwill transferred to old partners in sacrificing ratio i.e., equally)			

When the New Partner does not bring his Share of Goodwill in Cash

SOLUTION: 109.

JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	E's Current A/c . Dr.		26,250	
	To C's Capital A/c			15,750
	To D's Capital A/c			10,500
	(Current of new partner debited from his share of goodwill and capital accounts of old partners credited in their sacrificing ratio i.e., 3 : 2)			

Working Note:

E's share of Goodwill = $1,05,000 \times \frac{1}{4} = ₹26,250$.

SOLUTION : 110.

JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	A's Capital A/c Dr.		12,500	
	B's Capital A/c Dr.		7,500	
	C's Capital A/c Dr.		5,000	
	To Goodwill A/c			25,000
	(Goodwill written off to old partners in old ratio i.e., 5:3:2)			
	Bank A/c Dr.		2,00,000	
	To D's Capital A/c			2,00,000
	(Amount introduced by D as Capital)			
	D's Current A/c Dr.		8,000	
	To A's Capital A/c			4,000
	To B's Capital A/c			2,400
	To C's Capital A/c			1,600
	(Current account of new' partner debited from his share of goodwill and capital accounts of old partners credited in their sacrificing ratio of 5 : 3 : 2)			

Valuation of Goodwill:

Average Profit = $(₹30,000 + ₹36,000 + ₹54,000) \div 3 = ₹40,000$

Hence, Goodwill = ₹40,000

D's share of Goodwill = $₹40,000 \times 1/5 = ₹8,000$

SOLUTION : 111.

JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	X's Capital A/c Dr.		33,333	
	Y's Capital A/c Dr.		16,667	
	To Goodwill A/c			50,000
	(Goodwill written off to old partners in old ratio i.e. 2:1)			
	Bank A/c Dr.		7,50,000	
	To Z's Capital A/c			7,50,000
	(Amount introduced by Z as Capital)			
	Z's Current A/c Dr.		40,000	
	To X's Capital A/c			20,000
	To Y's Capital A/c			20,000
	(Z's share of goodwill credited to X and Y in sacrificing ratio i.e., equally)			

SOLUTION : 112.

JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
Case (a)	No Entry			
Case (b)	Bank A/c Dr. To Premium for Goodwill A/c (Premium for goodwill brought in cash)		32,000	32,000
	Premium for Goodwill A/c Dr: To A's Capital A/c To B's Capital A/c (Premium for goodwill credited to old partners in sacrificing ratio i.e., 5:3)		32,000	20,000 12,000
Case (c)	Bank A/c Dr. To Premium for Goodwill A/c (Premium for goodwill brought in cash)		32,000	32,000
	Premium for Goodwill A/c Dr. To A's Capital A/c To B's Capital A/c (Premium for goodwill credited to old partners in sacrificing ratio i.e., 5:3)		32,000	20,000 12,000
	A's Capital A/c Dr. B's Capital A/c Dr. To Bank A/c (Premium for goodwill withdrawn by old partners)		20,000 12,000	32,000
Case (d)	C's Current A/c Dr. To A's Capital A/c To B's Capital A/c (C's share of goodwill credited to A and B in sacrificing ratio i.e., 5:3)		32,000	20,000 12,000

SOLUTION : 113.

JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c Dr. To C's Capital A/c (Amount of Capital brought in cash)		50,000	50,000
Case (a)	Bank A/c Dr. To Premium for Goodwill A/c (Premium for goodwill i.e., 2/9 of ₹72,000 brought in cash)		16,000	16,000

Admission of a Partner

Case (b)	Premium for Goodwill A/c Dr.	16,000	
	To A's Capital A/c		4,000
	To B's Capital A/c		12,000
	(Premium for goodwill credited to old partners in their sacrificing ratio, i.e., 1:3)		
	C's Current A/c Dr.	16,000	
	To A's Capital A/c		4,000
	To B's Capital A/c		12,000
	(C's share of goodwill credited to old partners in their sacrificing ratio, i.e., 1 : 3)		

Working Notes:

(i) Valuation of Goodwill:

Average Profit = $(₹30,000 + ₹35,000 + ₹43,000)/3 = ₹36,000$

Goodwill at 2 year's purchase = $₹36,000 \times 2 = ₹72,000$

(ii) Calculation of Sacrificing Ratio: Old Ratio - New Ratio

Sacrifice made by A = $1/2 - 4/9 = (9 - 8)/18 = 1/18$

Sacrifice made by B = $1/2 - 3/9 = (9 - 6)/18 = 3/18$

Thus, Sacrificing Ratio = 1: 3

SOLUTION : 203.

JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	A's Capital A/c Dr.		12,000	
	B's Capital A/c Dr.		6,000	
	To Goodwill A/c			18,000
	(Existing goodwill written off)			
	Bank A/c Dr.		38,000	
	To C's Capital A/c			30,000
	To Premium for Goodwill A/c			8,000
	(Amount of Capital and part of his share of goodwill premium brought in by C)			
	Premium for Goodwill A/c Dr.		8,000	
	C's Current A/c Dr.		2,000	
	To A's Capital A/c			6,667
	To B's Capital A/c			3,333
	(Goodwill/premium credited to old partners in their sacrificing ratio, i.e., 2:1)			

SOLUTION 115.
JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	V's Loan A/c Dr.		80,000	
	To J's Capital A/c			40,000
	To R's Capital A/c			40,000
	(V's share of goodwill debited to his Loan A/c due to his inability to pay goodwill in cash and credited to the Capital A/cs of J and R in sacrificing ratio i.e. equally)			

SOLUTION : 116.
JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	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 old partners in their sacrificing ratio of 3 : 2)			

SOLUTION : 117.
JOURNAL ENTRIES

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2012 April 1	Reserve Fund A/c Dr.		40,000	
	To A's Capital A/c			30,000
	To B's Capital A/c			10,000
	(Transfer of Reserve Fund)			
	Revaluation A/c Dr.		40,500	
	To Stock A/e			20,000
	To Fixtures A/c			1,000
	To Provision for Doubtful Debts on B/R A/c			1,500
	To Provision for Doubtful Debts on Debtors A/c			8,000
	To Damages Payable A/c			10,000
	(Decrease in the value of assets and liability created for damages payable)			
	Land and Buildings A/c Dr.		50,000	
	Sundry Creditors A/c Dr.		6,500	
	To Revaluation A/c			56,500
	(Increase in the value of assets and decrease in Creditors)			
	Revaluation A/c	Dr.	16,000	
	To A's Capital A/c			12,000
	To B's Capital A/c			4,000
	(Transfer of profit on revaluation)			

Admission of a Partner

Bank 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 new partner)		
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)		
A's Capital A/c Dr.	18,750	
B's Capital A/c Dr.	6,250	
To Bank A/c		25,000
(Half the premium for goodwill withdrawn by old partners)		

Dr.				CAPITAL ACCOUNTS			Cr.
Particulars	A	B	C	Particulars	A	B	C
	₹	₹	₹		₹	₹	₹
To Bank A/c	18,750	6,250		By Balance b/d	3,00,000	1,60,000	
To Balance c/d	3,60,750	1,80,250	1,00,000	By Reserve			
				Fund A/c	30,000	10,000	
				By Revaluation			
				A/c	12,000	4,000	
				By Bank A/c			1,00,000
				By Premium			
				for Goodwill A/c	37,500	12,500	
	3,79,500	1,86,500	1,00,000		3,79,500	1,86,500	1,00,000

BALANCE SHEET OF THE NEW FIRM as at April 1, 2012

Liabilities	₹	Assets	₹
Sundry Creditors	4,08,500	Cash at Bank	3,90,000
Damages Payable	10,000	Bills Receivable	30,000
Capital Accounts :		Less: Provision	1,500
A 3,60,750			
B 1,80,250		Debtors	1,60,000
C 1,00,000		Less : Provision	8,000
	6,41,000	Stock	1,80,000
		Fixtures	9,000
		Land and Buildings	3,00,000
	10,59,500		10,59,500

SOLUTION : 118.

Dr. REVALUATION ACCOUNT		Cr.	
Particulars	₹	Particulars	₹
To Investments A/c	5,000	By Loss transferred to Capital A/c :	
		A	3,750
		B	1,250
	5,000		5,000
			5,000

Dr. CAPITAL ACCOUNTS				Cr.			
Particulars	A	B	C	Particulars	A	B	C
	₹	₹	₹		₹	₹	₹
To Revaluation A/c	3,750	1,250		By Balance b/d	90,000	30,000	
To Goodwill A/c(,)	7,500	2,500		By Workmen's			
To Balance c/d	1,01,250	33,750	80,000	Compensation Reserve A/c	7,500	2,500	
				By Bank A/c			80,000
				By Premium for			
				Goodwill A/c	15,000	5,000	
	1,12,500	37,500	80,000		1,12,500	37,500	80,000

BALANCE SHEET OF THE NEW FIRM as at 31st March 2012

Liabilities	₹	Assets	₹
Creditors	20,000	Bank	1,10,000
Liability for Workmen's		Debtors	60,000
Compensation Claim	10,000	Stock	30,000
Capital Accounts :		Investments	45,000
A	1,01,250		
B	33,750		
C	80,000		
	2,45,000		2,45,000

Note (1) Goodwill already appearing in the assets will be written off between the old partners in their old ratio.

SOLUTION: 119.

Dr. REVALUATION ACCOUNT		Cr.	
Particulars	₹	Particulars	₹
To Provision for Doubtful Debts A/c	15,000	By Land & Building A/c	30,000
To Profit Transferred to Capital		By Stock A/c	25,000
A/cs :			
Shashi	24,000		
Ashu	16,000		
	40,000		
	55,000		55,000

Admission of a Partner

Dr. CAPITAL ACCOUNTS				Cr.			
Particulars	Shashi	Ashu	Tanya	Particulars	Shashi	Ashu	Tanya
	₹	₹	₹		₹	₹	₹
To Bal. c/d	4,02,000	2,68,000	1,50,000	By Balance b/d	1,50,000	1,00,000	
				By General Reserve A/c	1,50,000	1,00,000	
				By Rev. A/c	24,000	16,000	
				By Workmen's Compensation Fund A/c	18,000	12,000	
				By Bank A/c			1,50,000
				By Premium for Goodwill A/c	60,000	40,000	
	4,02,000	2,68,000	1,50,000		4,02,000	2,68,000	1,50,000

BALANCE SHEET OF THE NEW FIRM as at

Liabilities	₹	Assets	₹
Creditors	1,80,000	Bank	4,60,000
Workmen's Compensation Fund	1,20,000	Debtors	2,20,000
Capital Accounts :		Less : Provision for Doubtful Debts	<u>25,000</u>
Shashi	4,02,000	Stock	1,35,000
Ashu	2,68,000	Plant & Machinery	1,20,000
Tanya	<u>1,50,000</u>	Land & Building	2,10,000
	11,20,000		11,20,000

SOLUTION : 120.

Dr. REVALUATION ACCOUNT Cr.

Particulars	₹	Particulars	₹
To Provision for Bad Debts A/c	500	By Land A/c	14,800
To Stock A/c	2,500		
To Profit transferred to Capital A/cs:			
P	7,080		
S	<u>4,720</u>		
	11,800		
	14,800		14,800

Dr. CAPITAL ACCOUNT'S				Cr.			
Particulars	P	S	V	Particulars	P	S	V
	₹	₹	₹		₹	₹	₹
To Balance c/d	1,22,080	1,94,720	20,000	By Balance b/d	1,00,000	1,80,000	
				By General Reserve A/c	9,000	6,000	
				By Rev. A/c	7,080	4,720	
				By Premium for Goodwill A/c	6,000	4,000	

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				By V's Loan A/c			20,000
	1,22,080	1,94,720	20,000		1,22,080	1,94,720	20,000

BALANCE SHEET OF THE NEW FIRM as at 1st April, 2016

Liabilities	₹	Assets	₹
Bank Overdraft	20,000	Cash	18,000
Creditors	30,000	Bills Receivable	40,000
Provision for bad debts	1,500	Debtors	30,000
Capitals :		Stock	47,500
P 1,22,080		Building	90,000
S 1,94,720		Land	1,62,800
V 20,000	3,36,800		<u>3,88,300</u>
	3,88,300		

SOLUTION : 121.

Dr. REVALUATION ACCOUNT Cr.

Particulars	₹	Particulars	₹
To Stock A/c	20,000	By Furniture A/c	60,000
To Profit transferred to Capital A/cs:			
A 25,000			
B 15,000	40,000		
	<u>60,000</u>		<u>60,000</u>

Dr. CAPITAL ACCOUNTS Cr.

Particulars	A	B	C	Particulars	A	B	C
₹	₹	₹	₹		₹	₹	₹
To Bal. c/d	3,90,000	2,70,000	2,50,000	By Balance b/d	3,00,000	2,00,000	
				By Workmen's Compensation Reserve A/c	25,000	15,000	
				By Revaluation A/c	25,000	15,000	
				By Bank A/c			2,50,000
				By Premium for Goodwill A/c	40,000	40,000	
	<u>3,90,000</u>	<u>2,70,000</u>	<u>2,50,000</u>		<u>3,90,000</u>	<u>2,70,000</u>	<u>2,50,000</u>

OPENING BALANCE SHEET as at

Liabilities	₹	Assets	₹
Creditors	20,000	Bank	3,90,000
Bank Loan	1,20,000	Debtors	80,000
Capitals :		Stock	1,00,000

Admission of a Partner

A	3,90,000		Furniture	2,20,000
B	2,70,000		Machinery	2,60,000
C	<u>2,50,000</u>	9,10,000		
		10,50,000		10,50,000

Working Note:

Calculation of Goodwill:

Super Profit = Average Profit – Normal Profit = 2,20,000 – 1,40,000 = ₹80,000

Goodwill of the firm at 4 year's purchase = 80,000 x 4 = ₹3,20,000

C's share = 3,20,000 x 1/4 = ₹80,000

SOLUTION : 122.

JOURNAL ENTRIES

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2014				
April 1	Revaluation A/c Dr.		5,000	
	To Plant and Machinery A/c			4,000
	To Provision for Doubtful Debts A/c			1,000
	(Decrease in the value of assets)			
	A's Capital A/c Dr.		3,125	
	B's Capital A/c Dr.		1,875	
	To Revaluation A/c			5,000
	(Transfer of loss on revaluation)			
	Bank A/c Dr.		44,000	
	To C's Capital A/c			40,000
	To Premium for Goodwill A/c			4,000
	(Amount of Capital and Premium for Goodwill brought in cash by new partner)			
	Premium for Goodwill A/c Dr.		4,000	
	To A's Capital A/c			2,500
	To B's Capital A/c			1,500
	(Premium for goodwill credited to old partners)			
	Bank Overdraft A/c Dr.		42,500	
	To C's Loan A/c			42,500
	(Loan provided by C to pay off bank overdraft)			

Dr.

CAPITAL ACCOUNTS

Cr.

Particulars	A	B	C	Particulars	A	B	C
	₹	₹	₹		₹	₹	₹
To Revaluation A/c	3,125	1,875		By Balance b/d	30,000	20,000	
To Balance c/d	29,375	19,625	40,000	By Bank A/c			40,000
				By Premium for Goodwill A/c	2,500	1,500	
	32,500	21,500	40,000		32,500	21,500	40,000

**BALANCE SHEET OF THE NEW FIRM
as at 1st April, 2014**

Liabilities	₹	Assets	₹
Sundry Creditors	15,000	Cash at Bank	51,500
C's Loan	42,500	Bills Receivable	10,000
Capital Accounts:		Sundry Debtors	20,000
A 29,375		Less : Provision	1,000
B 19,625		Stock	30,000
C 40,000	89,000	Plant and Machinery	36,000
	1,46,500		1,46,500

Calculation of New Profit Sharing Ratio:

Share given to C = $\frac{3}{4}$

A's new share = $\frac{1}{4} \times \frac{5}{8} = \frac{5}{32}$

B's new share = $\frac{1}{4} \times \frac{3}{8} = \frac{3}{32}$

C's new share = $\frac{3}{4}$ or $\frac{24}{32}$

New Ratio : 5 : 3 : 24

SOLUTION : 123.

JOURNAL ENTRIES

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2017				
April 1	General Reserve A/c Dr.		1,40,000	
	To Rohit's Capital A/c			87,500
	To Bal's Capital A/c			52,500
	(Transfer of general reserve)			
	Revaluation A/c Dr.		42,500	
	To Plant A/c			10,000
	To Provision for Doubtful Debts A/c			10,000
	To Furniture A/c			10,000
	To Bills Receivables A/c			12,500
	(Decrease in the value of assets)			
	Stock A/c Dr.		52,500	
	Building A/c Dr.		30,000	
	To Revaluation A/c			82,500
	(Increase in the value of assets)			
	Revaluation A/c Dr.		40,000	
	To Rohit's Capital A/c			25,000
	To Bal's Capital A/c			15,000
	(Transfer of profit on revaluation)			
	Rohit's Capital A/c Dr.		93,750	
	Bal's Capital A/c Dr.		56,250	
	To Goodwill A/c			1,50,000
	(Goodwill written off in old ratio of 5 : 3)			
	Khosla's Current A/c(1) Dr.		50,000	
	To Rohit's Capital A/c			31,250

Admission of a Partner

To Bal's Capital A/c (Capital Accounts of old partners credited in their sacrificing ratio of 5 : 3 for Khosla's share of goodwill on his admission)			18,750
Bank A/c	Dr.	2,50,000	
To Khosla's Capital A/c (Capital introduced by new partner)			2,50,000

Dr. REVALUATION ACCOUNT		Cr.	
Particulars	₹	Particulars	₹
To Plant A/c	10,000	By Stock A/c	52,500
To Provision for Doubtful Debts A/c	10,000	By Building A/c	30,000
To Furniture A/c	10,000		
To Bills Receivable A/c	12,500		
To Profit transferred to :			
Rohit's Capital A/c	25,000		
Bal's Capital A/c	15,000		
	82,500		82,500

Note: (1)Khosla's Share of Goodwill: $2,50,000 \times \frac{1}{5} = ₹50,000$

SOLUTION : 124.

JOURNAL ENTRIES

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2012	Revaluation A/c Dr.		5,200	
April 1	To Stock A/c			3,000
	To Furniture A/c			900
	To Outstanding Repairs A/c			1,300
	(Decrease in the value of assets and provision made for outstanding repairs)			
	Land & Buildings A/c	Dr.	15,000	
	To Revaluation A/c			15,000
	(Increase in the value of Land & Buildings)			
	Revaluation A/c	Dr.	9,800	
	To Ajay's Capital A/c			4,200
	To Vijay's Capital A/c			3,500
	To Kamal's Capital A/c			2,100
	(Transfer of profit on revaluation)			
	Subodh's Current A/c	Dr.	840	
	To Ajay's Capital A/c			360
	To Vijay's Capital A/c			300
	To Kamal's Capital A/c			180
	(Subodh's share of goodwill credited to old partners in their sacrificing ratio of 6 : 5 : 3)			
	Cash A/c	Dr.	14,000	
	To Subodh's Capital A/c			14,000

Admission of a Partner

(Capital introduced by the new partner)

Dr. CAPITAL ACCOUNTS					Cr.				
Particulars	Ajay	Vijay	Kamal	Subodh	Particulars	Ajay	Vijay	Kamal	Subodh
	₹	₹	₹	₹		₹	₹	₹	₹
To Ajay's Capital A/c					By Bal. b/d	40,000	33,500	25,000	
To Bal. c/d	44,560	37,300	27,280	14,000	By Rev. A/c	4,200	3,500	2,100	
					By Subodh's Current A/c	360	300	180	
					By Cash A/c				14,000
	44,560	37,300	27,280	14,000		44,560	37,300	27,280	14,000

BALANCE SHEET OF THE NEW FIRM as at 1st April, 2012

Liabilities	₹	Assets	₹
Bills Payable	6,000	Cash	15,500
Creditors	11,000	Debtors	26,500
Outstanding Repairs	1,300	Stock	27,000
Capital Accounts :		Furniture	6,600
Ajay	44,560	Land and Buildings	65,000
Vijay	37,300	Subodh's Current A/c	840
Kamal	27,280		
Subodh	14,000		
	1,23,140		
	1,41,440		1,41,440

SOLUTION : 125.

Dr. REVALUATION ACCOUNT				Cr.	
Particulars	₹	Particulars	₹		
To Creditors	2,000	By Loss transferred to :			
To Provision for Discount(1)	1,520	A's Capital A/c	1,760		
	3,520	B's Capital A/c	1,760	3,520	
				3,520	

Dr. PARTNER'S CAPITAL ACCOUNTS					Cr.		
Particulars	A	B	C	Particulars	A	B	C
	₹	₹	₹		₹	₹	₹
To P & L A/c	2,000	2,000		By Balance b/d	50,000	60,000	
To Revaluation	1,760	1,760		By Insurance Fund	3,500	3,500	
To Balance c/d	51,040	63,040	40,000	By Workmen Compensation Reserve	1,300	1,300	
				By C's Current A/c (1/6 of 12,000)		2,000	

Admission of a Partner

				By Cash			40,000
	54,800	66,800	40,000		54,800	66,800	40,000

BALANCE SHEET as at 1st April, 2012

Liabilities			₹	Assets		₹
Capitals :				Cash		50,000
A	51,040			Sundry Debtors		80,000
B	63,040			Stock		20,000
C	40,000	1,54,080		Fixed Assets		38,600
Creditors			17,000	C's Current A/c		2,000
Outstanding Expenses			3,000			
Provident Fund			1,000			
Employee's Saving Fund			5,000			
Workmen Profit Sharing Fund			2,000			
Liability for Workmen						
Compensation Claim			3,000			
Provision for Doubtful Debts			4,000			
Provision for Discount on Debtors			1,520			
			1,90,600			1,90,600

Notes (1): Provision for Discount will be 2% on (₹80,000 – Provision for Doubtful Debts ₹4,000)

(2): New Profit Sharing Ratio:

C is admitted for 1/6th share.

Balance 5/6th will be shared by A and B in the ratio of 1½ : 1 OR 3 : 2

Hence, A's share: $\frac{5}{6} \times \frac{3}{5} = \frac{3}{6}$

B's share: $\frac{5}{6} \times \frac{2}{5} = \frac{2}{6}$

C's share: = $\frac{1}{6}$

Sacrificing Ratio:

A: $\frac{1}{2} - \frac{3}{6} = 0$

B: $\frac{1}{2} - \frac{2}{6} = \frac{1}{6}$

Hence, only B has sacrificed.

SOLUTION: 126.

Dr. REVALUATION ACCOUNT				Cr.	
Particulars	₹	Particulars	₹		
To Profit transferred to :		By Machinery A/c	7,000		
B's Capital A/c	5,000	By Stock A/c	1,000		
C's Capital A/c	3,000				
	8,000		8,000		

Dr. CAPITAL ACCOUNTS								Cr.	
Particulars	B	C	A	Particulars	B	C	A		
	₹	₹	₹		₹	₹	₹		

Admission of a Partner

To Goodwill A/c (Goodwill written off)	5,000	3,000		By Balance b/d	32,000	34,000	
To Balance c/d	39,500	38,500	30,000	By General Reserve A/c	5,000	3,000	
				By Revaluation A/c	5,000	3,000	
				By A's Current A/c	2,500	1,500	
				By Bank A/c			30,000
	44,500	41,500	30,000		44,500	41,500	30,000

BALANCE SHEET OF THE NEW FIRM as at 1st April, 2012

Liabilities	₹	Assets	₹
Creditors	6,000	Bank	35,000
Bank Loan	6,000	Debtors	23,000
Capital Accounts:		Stock	8,000
B	39,500	Furniture	5,000
C	38,500	Machinery	45,000
A	30,000	A's Current A/c	4,000
	1,08,000		
	1,20,000		1,20,000

Working Note:

Goodwill = Average Profits x 2 Year's Purchase = ₹6,000 x 2 = ₹12,000

A's Share of Goodwill = ₹12,000 x 1/3 = ₹4,000

SOLUTION: 127.

Dr.		REVALUATION ACCOUNT		Cr.	
Particulars	₹	Particulars	₹		
To Furniture A/c	300	By Loss transferred to :			
To Stock A/c	1,500	A's Capital A/c	1,200		
		B's Capital A/c	600		
	1,800		1,800		

Dr.				CAPITAL ACCOUNTS			Cr.
Particulars	A	B	P	Particulars	A	B	P
	₹	₹	₹		₹	₹	₹
To Revaluation A/c	1,200	600		By Balance b/d	60,000	30,000	
				By General Res. A/c	8,000	4,000	
To Balance c/d	72,800	36,400	12,000	By Cash A/c			12,000
				By Premium for Goodwill A/c	6,000	3,000	
	74,000	37,000	12,000		74,000	37,000	12,000

BALANCE SHEET OF THE NEW FIRM as at 31st March, 2010

Liabilities	₹	Assets	₹
Creditors	16,000	Cash	33,000
Capital Accounts :		Debtors 80,000	
		Less :	
A 72,800		Provision for	
B 36,400		Bad &	
P 12,000	1,21,200	Doubtful Debts 12,000	68,000
		Stock	10,500
		Furniture	5,700
		Freehold Property	20,000
	1,37,200		1,37,200

Working Note:

Entry for General Reserve will be:

General Reserve A/c	Dr.	24,000	
To Provision for bad & doubtful debts A/c			12,000
To A's Capital A/c			8,000
To B's Capital A/c			4,000

SOLUTION : 128.

JOURNAL ENTRIES

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2012	A's Capital A/c	Dr.	9,000	
April	B's Capital A/c	Dr.	6,000	
1	To Profit & Loss A/c			15,000
	(Transfer of Dr. Balance of Profit & Loss Account)			
	Revaluation A/c	Dr.	33,000	
	To Plant A/c			15,000
	To Stock A/c			10,000
	To Patents A/c			8,000
	(Decrease in the value of assets)			
	Workmen Compensation Reserve A/c	Dr.	4,000	
	Revaluation A/c	Dr.	2,000	6,000
	To Liability for Workmen Compensation Claim			
	(Increase in the liability for Workmen Compensation)			
	Investments A/c	Dr.	5,000	
	To Revaluation A/c			5,000
	(Recording of Investments)			
	A's Capital A/c	Dr.	18,000	
	B's Capital A/c	Dr.	12,000	30,000
	To Revaluation A/c			
	(Transfer of loss on revaluation)			
	A's Capital A/c	Dr.	9,000	

Admission of a Partner

B's Capital A/c	Dr.	6,000	15,000
To Goodwill A/c			
(Goodwill written off in old ratio i.e. 3 : 2)			
C's Current A/c	Dr.	12,000	
To A's Capital A/c			8,000
To B's Capital A/c			4,000
(C's share of goodwill credited to A and B in their sacrificing ratio of 2 : 1)			
Cash A/c	Dr.	60,000	
To C's Capital A/c			60,000
(Capital introduced by new partner)			
B's Capital A/c	Dr.	20,000	
To Cash A/c			20,000
(Amount withdrawn by B)			

Dr. CAPITAL ACCOUNTS				Cr.			
Particulars	A	B	c	Particulars	A	B	C
	₹	₹	₹		₹	₹	₹
To Profit & Loss A/c	9,000	6,000		By Balance b/d	1,00,000	1,20,000	
To Revaluation A/c	18,000	12,000		By C's Current A/c	8,000	4,000	
To Goodwill A/c	9,000	6,000		By Cash A/c			60,000
To Cash A/c		20,000					
To Balance c/d	72,000	80,000	60,000				
	1,08,000	1,24,000	60,000		1,08,000	1,24,000	60,000

BALANCE SHEET OF THE NEW FIRM as at April 1, 2012

Liabilities	₹	Assets	₹
Sundry Creditors	51,000	Cash	60,000
Liability for Workmen Compensation Claim	6,000	Debtors	62,000
Capitals :		Stock	70,000
A	72,000	Investments	5,000
B	80,000	Plant	60,000
C	60,000	C's Current A/c	12,000
	2,12,000		
	2,69,000		2,69,000

Working Notes :

- (i) C's share of Goodwill = $40,000 \times \frac{3}{10} = ₹12,000$
(ii) Sacrificing Ratio = $\frac{1}{5} : \frac{1}{10} = 2 : 1$

SOLUTION : 129.

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

Admission of a Partner

		₹
Less:	$₹3,20,000 \times 4/1 =$	12,80,000
	Capital of Anil	₹3,20,000
	Capital of Sunil	₹2,40,000
	Capital of Charu	₹3,20,000
		8,80,000
	Value of Goodwill	4,00,000

Charu's share of Goodwill = $4,00,000 \times 1/4 = ₹1,00,000$

JOURNAL ENTRY

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2012 April 1	Bank A/c To Charu's Capital A/c (Cash brought in by Charu as his capital)	Dr.	3,20,000	3,20,000
April 1	Charu's Current A/c To Anil's Current A/c To Sunil's Current A/c (Credit given for goodwill to Anil and Sunil on Charu's admission)	Dr.	1,00,000	50,000 50,000

SOLUTION: 130.

In this question the amount of goodwill is hidden, which will be calculated as follows: Based on Vijay's Capital, the total capital of the new firm should be:

$₹5,00,000 \times 5/1$	₹ 25,00,000
Less :	
Capital of Ashok	8,00,000
Capital of Ramu	6,00,000
Capital of Vijay	5,00,000
	19,00,000
Value of Firm's Goodwill	6,00,000

Vijay's share of Goodwill = $6,00,000 \times 1/5 = 1,20,000$

Vijay acquires his share of profit equally from Ashok and Ramu,

Hence Ashok's new share = $7/10 - 1/10 = 6/10$

Ramu's new share = $3/10 - 1/10 = 2/10$

Vijay's new share = $1/5$ or $2/10$

New Profit share = $6/10: 2/10: 2/10$ or $3: 1: 1$

JOURNAL ENTRIES

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2014 Jan. 1	Bank A/c Dr. To Vijay's Capital A/c (Amount brought in by Vijay as his capital)		5,00,000	5,00,000

Admission of a Partner

Vijay's Current A/c Dr.	1,20,000	
To Ashok's Capital A/c		60,000
To Ramu's Capital A/c		60,000
(Goodwill credited to Ashok and Ramu's Capital Accounts in their sacrificing ratio)		

SOLUTION : 131.

REVALUATION ACCOUNT			
Dr.			Cr.
Particulars	₹	Particulars	₹
To Stock A/c	7,500	By Loss transferred to :	
To Furniture A/c	5,000	David's Capital A/c .	
To Provision for Doubtful Debts A/c	1,000	(3/5) 8,100	
		Bimal's Capital A/c	
		(2/5) 5,400	
			13,500
	13,500		13,500

PARTNER'S CAPITAL ACCOUNTS							
Dr.							Cr.
Particulars	David	Bimal	Chander	Particulars	David	Bimal	Chander
	₹	₹	₹		₹	₹	₹
To Revaluation	8,100	5,400		By Bal. b/d	1,80,000	1,20,000	
To Bal. c/d	2,19,900	1,80,100	1,60,000	By Gen. Res.	18,000	12,000	
				By Sundry Creditors		23,500	
				By Chander's Current A/c(1)	30,000	30,000	
				By Bank A/c			1,60,000
	2,28,000	1,85,500	1,60,000		2,28,000	1,85,500	1,60,000

BALANCE SHEET as at 1st April. 2016

Liabilities	₹	Assets	₹
Sundry Creditors	7,96,500	Cash	3,20,000
Capital Accounts :		Bank	1,60,000
David	2,19,900	Stock	1,42,500
Bimal	1,80,100	Debtors	94,000
Chander	1,60,000	Less: Provision for Doubtful Debts	5,000
		Building	5,50,000
		Furniture	35,000
		Chander's Current A/c	60,000
	13,56,500		13,56,500

Working Note:

1. Calculation of Hidden Goodwill:

Based on Chander's share of profit, the total capital of the firm

should be : ₹1,60,000 x 10/2 =

₹ 8,00,000

Less : Capital of David

(₹1,80,000 + Gen. Res. ₹18,000

– Loss on Revaluation ₹8,100)

= 1,89,900

Capital of Bimal :

(₹1,20,000 + Gen. Res. 12,000 + Creditors 23,500

– Loss on Revaluation 5,400)

= 1,50,100

Capital of Chander

1,60,000

5,00,000

Value of Firm's Goodwill

3,00,000

Chander's share of Goodwill = 3,00,000 x 2/10 = ₹60,000

Chander's Current A/c will be debited by his share of goodwill i.e. ₹60,000 and David and Bimal will be credited in their sacrificing ratio i.e. equally.

Sacrifice made by David = 3/5 – 5/10 = 1/10

Sacrifice made by Bimal = 2/5 – 3/10 = 1/10

Calculation of the Capital Introduced by the New Partner

SOLUTION : 132.

Dr. REVALUATION ACCOUNT Cr.			
Particulars	₹	Particulars	₹
To Investments A/c	6,000	By Creditors A/c	3,000
To Machinery A/c	6,000	By Partners' Capital A/cs :	
		(Transfer of loss)	
		A	4,500
		B	3,000
		C	<u>1,500</u>
	<u>12,000</u>		9,000
			<u>12,000</u>

Dr. PARTNER'S CAPITAL ACCOUNTS Cr.									
Particulars	A	B	C	D	Particulars	A	B	C	D
	₹	₹	₹	₹		₹	₹	₹	₹
To Revaluation A/c	4,500	3,000	1,500	—	By Balance b/d	60,000	40,000	20,000	—
To Balance c/d	81,000	44,000	22,000	29,400	By General Reserve	10,500	7,000	3,500	—
					By Premium for Goodwill A/c(1)	15,000	—	—	—
					By Bank A/c(2)	—	—	—	29,400
	<u>85,500</u>	<u>47,000</u>	<u>23,500</u>	<u>29,400</u>		<u>85,500</u>	<u>47,000</u>	<u>23,500</u>	<u>29,400</u>

Balance Sheet of A, B, C and D as at 31st March, 2015

Liabilities		Assets	
Creditors	81,000	Bank(3)	61,400
Partners' Capitals:		Debtors	23,000
A	81,000	Stock	1,10,000
B	44,000	Investments	24,000
C	22,000	Furniture & Fittings	10,000
D	29,400	Machinery	29,000
	<u>1,76,400</u>		<u>2,57,400</u>
	2,57,400		2,57,400

Working Notes:

Sacrifice Ratio = Old Ratio - New Ratio

(1) A's Sacrifice = $3/6 - 2/6 = 1/6$

B's Sacrifice = $2/6 - 2/6 = 0$

C's Sacrifice = $1/6 - 1/6 = 0$

D gets his 7th share from A.

The amount of goodwill (i.e., ₹90,000 x $1/6 = ₹15,000$) brought in by D will be credited to A's Capital Account.

(2) Calculation of D's Share of Capital:

A's Capital after the adjustments	81,000
B's Capital after the adjustments	44,000
C's Capital after the adjustments	22,000
Capital of A, B and C for 5/6th share	<u>1,47,000</u>

Total Capital of the firm should be = $1,47,000 \times 6/5 = ₹1,76,400$

D's share of Capital = $₹1,76,400 \times 1/6 = ₹29,400$

(3) Bank Balance:	17,000
Add: Premium for Goodwill brought in by D	15,000
Add: Capital introduced by D	<u>29,400</u>
	<u>61,400</u>

SOLUTION : 133.

Dr.		REVALUATION ACCOUNT		Cr.	
Particulars	₹	Particulars	₹		
To Stock	10,000	By Plant A/c	14,000		
To Profit transferred to :		By Creditors A/c	3,000		
Sarthak's Capital A/c	8,000	By Investments A/c			
Vansh's Capital A/c	4,000	(25,000-20,000)	<u>5,000</u>		
	<u>12,000</u>		<u>22,000</u>		
	22,000				

Admission of a Partner

Dr. PARTNER'S CAPITAL ACCOUNTS				Cr.			
Particulars	Sarthak	Vansh	Mansi	Particulars	Sarthak	Vansh	Mansi
To Investments	₹ 20,000	₹	₹	By Balance b/d	₹ 70,000	₹ 60,000	
A/c				By General Reserve	12,000	6,000	
To Balance c/d	1,10,000	90,000	1,00,000	By Revaluation A/c (Profit)	8,000	4,000	
				By Premium for Goodwill	40,000	20,000	
				By Cash A/c (Note 1)			1,00,000
	1,30,000	90,000	100,000		1,30,000	90,000	1,00,000

BALANCE SHEET OF NEW FIRM

as at

Liabilities	₹	Assets	₹
Capital Accounts :		Plant	80,000
Sarthak 1,10,000		Furniture	30,000
Vansh 90,000		Investments	25,000
Mansi 1,00,000	3,00,000	Stock	36,000
Bank Loan	18,000	Debtors 38,000	
Creditors	69,000	Less: Provision for	
		Bad Debts 4,000	34,000
		Cash (Note 2)	1,82,000
	3,87,000		3,87,000

Working Notes:

Valued being conveyed in the question — Friendship/Sympathy/Support. Working Notes:

1. Calculation of Mansi's Capital	₹
(a) Adjusted Capital of Sarthak	1,10,000
(b) Adjusted Capital of Vansh	90,000
Total adjusted capital of old partners for 2/3 share	<u>2,00,000</u>

(c) Total capital of the New Firm = 2,00,000 x 3/2 = ₹3,00,000

(d) Proportional Capital of Mansi in the New Firm = 3,00,000 x 1/3 = ₹1,00,000

2.

Dr. CASH ACCOUNT				Cr.	
Particulars	₹	Particulars	₹		
To Balance b/d	22,000	By Balance c/d	1,82,000		
To Premium for Goodwill	60,000				
To Mansi's Capital A/c	1,00,000				
	1,82,000		1,82,000		

SOLUTION : 134.

Dr. REVALUATION ACCOUNT Cr.			
Particulars	₹	Particulars	₹
To Patents A/c	1,000	By Provision for Doubtful Debts A/c	2,000
To Profit transferred to Capital A/cs:		By Typewriter A/c	2,400
Pappu	2,550		
Dhanraj	850		
	3,400		
	4,400		4,400

Dr. CAPITAL ACCOUNTS Cr.							
Particulars	Pappu	Dhanraj	Leander	Particulars	Pappu	Dhanraj	Leander
	₹	₹	₹		₹	₹	₹
				By Bal. b/d	60,000	20,000	
				By Reserve Fund	12,000	4,000	
To Bal. c/d	90,550	24,850		By Revaluation	2,550	850	
				By Premium for Goodwill A/c	16,000		
	90,550	24,850			90,550	24,850	
To Bal. c/d	90,550	24,850	69,240	By Bal. b/d	90,550	24,850	
				By Cash			69,240
	90,550	24,850	69,240		90,550	24,850	69,240

OPENING BALANCE SHEET as at 1st April, 2016

Liabilities	₹	Assets	₹
Bills Payable	1,000	Cash	89,240
Creditors	30,000	Bills Receivable	10,000
Outstanding Salary	3,000	Debtors	50,000
Capitals :		Less: Provision	3,000
Pappu	90,550	Stock	30,000
Dhanraj	24,850	Typewriter	2,400
Leander	69,240	Machinery	40,000
	1,84,640		2,18,640
	2,18,640		2,18,640

Working Notes:

(1) Calculation of Sacrifice Ratio: Old Ratio – New Ratio

Sacrifice by Pappu: $3/4 - 3/8 = 3/8$

Sacrifice by Dhanraj: $1/4 - 2/8 = 0$

Since Dhanraj has not made any sacrifice, the entire amount of premium for goodwill brought in by Leander will be credited to Pappu.

(2) Calculation of Leander's Capital:

Leander is given $3/8$ th share of profits. Balance $5/8$ th share is shared by Pappu and Dhanraj

Total Capital of Pappu and Dhanraj after all adjustments:

₹90,550 + ₹24,850 = ₹1,15,400

Admission of a Partner

Thus for 5/8th share of profits the Capital = ₹1,15,400

Then the total Capital of the Firm = ₹1,15,400 x 8/5 = ₹1,84,640

∴ **Leander's Capital** for 3/8th share of profits = ₹1,84,640 x 3/8 = ₹69,240.

SOLUTION : 135.

JOURNAL ENTRIES

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2012				
April 1	Reserve A/c Dr.		30,000	
	To A's Capital A/c			24,000
	To B's Capital A/c			6,000
	(Transfer of Reserve)			
	Revaluation A/c Dr.		40,000	
	To Plant A/c			15,000
	To Stock A/c			15,000
	To Debtors A/c			10,000
	(Decrease in the value of assets)			
	A's Capital A/c Dr.		32,000	
	B's Capital A/c Dr.		8,000	
	To Revaluation A/c			40,000
	(Transfer of loss on revaluation)			
	A's Capital A/c Dr.		16,000	
	B's Capital A/c Dr.		4,000	
	To Goodwill A/c			20,000
	(Goodwill written off in old ratio i.e., 4:1)			
	Cash A/c Dr.		20,000	
	To Premium for Goodwill A/c			20,000
	(Premium for goodwill brought in cash by C)			
	Premium for Goodwill A/c Dr.		20,000	
	To A's Capital A/c			10,000
	To B's Capital A/c			10,000
	(Premium for goodwill brought in by C credited to old partners in sacrifice ratio i.e. equally)			
	Cash A/c Dr.		70,000	
	To C's Capital A/c			70,000
	(Capital introduced by new partner)			

Dr.

CAPITAL ACCOUNTS

Cr.

Particulars	A	B	C	Particulars	A	B	C
	₹	₹	₹		₹	₹	₹
To Revaluation A/c	32,000	8,000		By Balance b/d	1,15,000	35,000	
To Goodwill A/c	16,000	4,000		By Reserve A/c	24,000	6,000	
To Balance c/d	1,01,000	39,000	70,000	By Premium for Goodwill A/c	10,000	10,000	
				By Cash A/c			70,000

Admission of a Partner

	1,49,000	51,000	70,000		1,49,000	51,000	70,000
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OPENING BALANCE SHEET as at 1st April, 2012

Liabilities	₹	Assets	₹
Bills Payable	15,000	Cash	1,15,000
Sundry Creditors	65,000	Debtors	50,000
Capital Accounts :		Stock	65,000
A 1,01,000		Plant	60,000
B 39,000			
C 70,000	2,10,000		
	2,90,000		2,90,000

Working Note:

Calculation of New Profit Sharing Ratio:

C is allowed 1/5th share which he acquires equally i.e. 1/10th from A and 1/10th from B.

Hence, A's new share = $4/5 - 1/10 = 7/10$

B's new share = $1/5 - 1/10 = 1/10$

C's share = 1/5 or 2/10

Thus the new profit sharing ratio will be 7 : 1 : 2.

Calculation of C's Capital:

Combined capital of A and B after all adjustments : ₹1,01,000 + ₹39,000 = ₹1,40,000.

Hence, C's Capital = $1,40,000 \times 50/100 = ₹70,000$.

SOLUTION : 136.

JOURNAL ENTRIES

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2017 April 1	A's Capital A/c Dr. B's Capital A/c Dr. To Profit & Loss A/c (Transfer of Dr. Balance of P & L A/c appearing in the Balance Sheet)		15,000 5,000	20,000
	Workmen Compensation Reserve A/c Dr. To A's Capital A/c To B's Capital A/c (Transfer of Workmen Compensation Reserve)		10,000	7,500 2,500
	Revaluation A/c Dr. To Plant A/c To Provision for Doubtful Debts A/c (Decrease in the value of assets)		21,000	20,000 1,000
	Patents A/c Dr. Sundry Creditors A/c Dr. To Revaluation A/c (Increase in Patents' and decrease in Creditors)		2,000 5,000	7,000
	A's Capital A/c Dr. B's Capital A/c Dr. To Revaluation A/c (Transfer of loss on revaluation)		10,500 3,500	14,000

Admission of a Partner

A's Capital A/c	Dr.	15,000	
B's Capital A/c	Dr.	5,000	
To Goodwill A/c	e.		20,000
(Goodwill written off to old partners in old ratio 3:1)			
C's Current A/c Dr.		6,000	
To A's Capital A/c			4,500
To B's Capital A/c			1,500
(C's share of goodwill credited to A and B in sacrifice ratio i.e., 3:1)			
Cash A/c	Dr.	60,500	
To C's Capital A/c			60,500
(Total amount brought in by new partner)			

Dr.				Cr.			
Particulars	A	B	C	Particulars	A	B	C
	₹	₹	₹		₹	₹	₹
To Profit & Loss A/c	15,000	5,000		By Balance b/d	2,00,000	80,000	
To Revaluation A/c	10,500	3,500		By Workmen Compensation Reserve	7,500	2,500	
To Goodwill A/c	15,000	5,000		By C's Current A/c	4,500	1,500	
To Balance c/d	1,71,500	70,500	60,500	By Cash A/c			60,500
	2,12,000	84,000	60,500		2,12,000	84,000	60,500

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

Liabilities	₹	Assets	₹
Sundry Creditors	65,000	Cash	78,500
Capital Accounts :		Sundry Debtors	50,000
A	1,71,500	Less: Provision	1,000
B	70,500	Stock	1,42,000
C	60,500	Plant	80,000
		Patents	12,000
		C's Current A/c	6,000
	3,67,500		3,67,500

Working Notes:

(i) **Goodwill** = (20,000 + 30,000 + 30,000 + 40,000 + 60,000) ÷ 5 = ₹36,000

C's share of Goodwill = 36,000 × 1/6 = ₹6,000

(ii) Calculation of C's Capital:

Combined Capital of A and B after all adjustments:

₹1,71,500 + ₹70,500 = ₹2,42,000

Hence, C's Capital = 2,42,000 × 1/4 = ₹60,500.

(iii) C's share of goodwill has been debited to his Current A/c instead of his Capital A/c since his Capital should be 1/4 of the combined Capital of A and B.

Adjustment of Capitals of Old Partners

SOLUTION : 137.

Dr.	REVALUATION ACCOUNT				Cr.
Particulars	₹	Particulars	₹		
To Stock A/c	20,000	By Loss transferred to :			
To Furniture A/c	18,000	Rajat's Capital A/c	26,600		
		Ravi's Capital A/c	11,400	38,000	
	38,000			38,000	

Dr.	CAPITAL ACCOUNTS								Cr.
Particulars	Rajat	Ravi	Rohan	Particulars	Rajat	Ravi	Rohan		
	₹	₹	₹		₹	₹	₹		
To Revaluation (Loss)	26,600	11,400		By Balance b/d	1,00,000	80,000			
To Balance c/d	87,400	74,600	60,000	By Reserve	7,000	3,000			
				By Premium for Good -will	7,000	3,000			
				By Cash A/c			60,000		
	1,14,000	86,000	60,000		1,14,000	86,000	60,000		
To Cash A/c (Bal. figure)		20,600		By Balance b/d	87,400	74,600	60,000		
To Balance c/d	1,26,000	54,000	60,000	By Cash A/c (Bal. figure)	38,600				
	1,26,000	74,600	60,000		1,26,000	74,600	60,000		

Dr.	CASH ACCOUNT				Cr.
Particulars	₹	Particulars	₹		
To Balance b/d	36,000	By Ravi's Capital A/c	20,600		
To Rohan's Capital A/c	10,000	By Balance c/d	1,24,000		
To Premium for Goodwill A/c	38,600				
To Rajat's Capital A/c					
	1,44,600			1,44,600	

Working Notes:

1) Cash brought in by Rohan as premium for goodwill = $40,000 \times \frac{1}{4} = ₹10,000$

2) Calculation of New Profit Sharing Ratios:

Share given to Rohan = $\frac{1}{4}$ Remaining Share = $1 - \frac{1}{4} = \frac{3}{4}$

Rajat's New Share = $\frac{3}{4} \times \frac{7}{10} = \frac{21}{40}$

Ravi's New Share = $\frac{3}{4} \times \frac{3}{10} = \frac{9}{40}$

Rohan's Share = $\frac{1}{4}$

Admission of a Partner

New Ratio of Rajat, Ravi and Rohan = 21/40: 9/40: 1/4 = 21 : 9 : 10

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

60,000 x 4/1 = ₹2,40,000

Rajat's Capital in the new firm = 2,40,000 x 21/40 = ₹1,26,000

Ravi's Capital in the new firm = 2,40,000 x 9/40 = ₹54,000

4)	Rajat ₹	Ravi ₹
Existing Capitals	87,400	74,600
Capitals in the new firm should be	1,26,000	54,000
Deficit capital brought in by Rajat in cash	38,600	
Surplus Capital returned to Ravi in cash		20,600

SOLUTION: 138.

Dr.	REVALUATION ACCOUNT				Cr.
Particulars	₹		Particulars	₹	
To Furniture A/c	4,200	By Stock A/c		4,000	
To Investments A/c	4,800	By Prepaid Salaries A/c		800	
		By Loss transferred to Capital			
To Machinery A/c	5,100	A/cs :			
To Outstanding Rent A/c	1,800	Ramesh	2,220		
		Kumar	3,330		
		Pappu	5,550		11,100
	15,900				15,900

Dr.	CAPITAL ACCOUNTS								Cr.
Particulars	Ramesh ₹	Kumar ₹	Pappu ₹	Shilpa ₹	Particulars	Ramesh ₹	Kumar ₹	Pappu ₹	Shilpa ₹
To Rev.	2,220	3,330	5,550		By Bal. b/d	36,000	44,000	52,000	
To Goodwill	4,000	6,000	10,000		By P & L A/c	2,800	4,200	7,000	
To Bal. c/d	37,780	46,670	56,450	32,000	By Premium for Goodwill	5,200	7,800	13,000	
					By Cash				32,000
	44,000	56,000	72,000	32,000		44,000	56,000	72,000	32,000
To Cash	5,780				By Bal. b/d	37,780	46,670	56,450	32,000
To Bal. c/d	32,000	48,000	80,000	32,000	By Cash		1,330	23,550	
	37,780	48,000	80,000	32,000		37,780	48,000	80,000	32,000

Dr.	CASH ACCOUNT				Cr.
Particulars	₹		Particulars	₹	
To Balance b/d	18,000	By Ramesh's Capital A/c		5,780	
To Premium for Goodwill	26,000	By Balance c/d		95,100	
To Shilpa's Capital A/c	32,000				
To Kumar's Capital A/c	1,330				
To Pappu's Capital A/c	23,550				

1,00,880
1,00,880

**NEW BALANCE SHEET OF THE FIRM
as at 1st April, 2012**

Liabilities		₹	Assets		₹
Bills Payable		32,000	Cash		95,100
Creditors		64,000	Bills Receivable		24,000
Outstanding Rent		1,800	Debtors		42,000
Capitals :			Stock		48,000
Ramesh	32,000		Prepaid Salaries	800	
Kumar	48,000		Furniture		23,800
Pappu	80,000		Investments		27,200
Shilpa	32,000	1,92,000	Machinery		28,900
		2,89,800			2,89,800

Working Notes:
(1) New Profit Sharing Ratios:

Share given to Shilpa $1/6$, Balance of Profits $1 - 1/6 = 5/6$

Ramesh's new share = $5/6 \times 2/10 = 2/12$

Kumar's new share = $5/6 \times 3/10 = 3/12$

Pappu's new share = $5/6 \times 5/10 = 5/12$

Shilpa's share = $1/6$ OR $2/12$

(2) Shilpa brings in ₹32,000 as her capital for $1/6$ th share. Hence, the total capital of the new firm will be : $32,000 \times 6/1 = ₹1,92,000$.

∴ Ramesh's Capital in the new firm = $1,92,000 \times 2/12 = ₹32,000$

Kumar's Capital in the new firm = $1,92,000 \times 3/12 = ₹48,000$

Pappu's Capital in the new firm = $1,92,000 \times 5/12 = ₹80,000$

Shilpa's Capital in the new firm = $1,92,000 \times 2/12 = ₹32,000$

Hence, **(i)** Ramesh's Capital in the new firm should be ₹32,000, whereas his existing capital is ₹37,780. Hence, his excess capital i.e. $₹37,780 - ₹32,000 = ₹5,780$ will be refunded to him.

(ii) Kumar's Capital in the new firm should be ₹48,000, whereas his existing capital is only ₹46,670. Hence, he will bring in $₹48,000 - ₹46,670 = ₹1,330$.

(iii) Pappu's Capital in the new firm should be ₹80,000, whereas his existing Capital is only ₹56,450. Hence, he will bring in $₹80,000 - ₹56,450 = ₹23,550$.

SOLUTION : 139.

JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2017 April 1	A's Capital A/c Dr.		12,000	
	B's Capital A/c Dr.		6,000	
	To P & L A/c			18,000
	(Transfer of Dr. Balance of P & L A/c appearing in the Balance Sheet)			
	Revaluation A/c Dr.		9,000	

Admission of a Partner

To Provision for Doubtful Debts A/c			1,200
To Stock A/c			5,000
To Outstanding Expenses A/c			2,800
(Decrease in assets and increase in liabilities)			
A's Capital A/c	Dr.	6,000	
B's Capital A/c	Dr.	3,000	
To Revaluation A/c			9,000
(Transfer of loss on revaluation)			
C's Current A/c(2)	Dr.	10,000	
To A's Capital A/c			10,000
(Full amount of C's share of goodwill credited to A he alone has sacrificed)			
Bank A/c	Dr.	40,000	
To C's Capital A/c			40,000
(Capital introduced by C)			
Bank A/c	Dr.	57,000	
To A's Capital A/c			28,000
To B's Capital A/c			29,000
(Deficit capital brought in by A and B)			

Dr.	CAPITAL ACCOUNTS						Cr.
Particulars	A	B	C	Particulars	A	B	C
	₹	₹	₹		₹	₹	₹
To P & L A/c	12,000	6,000		By Balance b/d	60,000	40,000	
To Revaluation A/c	6,000	3,000		By C's Current A/c	10,000		
To Balance c/d	52,000	31,000	40,000	By Bank A/c			40,000
	70,000	40,000	40,000		70,000	40,000	40,000
To Balance c/d	80,000	60,000	40,000	By Balance b/d	52,000	31,000	40,000
				By Bank A/c			
				(Balancing Figure)	28,000	29,000	
	80,000	60,000	40,000		80,000	60,000	40,000

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

Liabilities	₹	Assets	₹
Provision for Doubtful Debts	2,000	Cash at Bank	79,000
Sundry Creditors	25,200	Sundry Debtors	20,000
Outstanding Expenses	2,800	Stock	35,000
Capitals :		Building	66,000
A	80,000	C's Current A/c	10,000
B	60,000		
C	40,000		
	2,10,000		2,10,000

Working Notes :

(1) C's share of Goodwill = $45,000 \times \frac{2}{9} = ₹10,000$

Sacrifice Ratio = Old Ratio - New Ratio

Sacrifice made by A = $\frac{2}{3} - \frac{4}{9} = \frac{2}{9}$

Sacrifice made by B = $\frac{1}{3} - \frac{3}{9} = 0$

Since A's alone has sacrificed he will be entitled to the full amount of C's share of goodwill amounting to ₹10,000.

(2) C's share of goodwill has been debited to his Current Account instead of his Capital Account. This is because other partner's Capital Accounts are to be adjusted on the basis of C's Capital which is ₹40,000. The profit sharing ratio is 4 : 3 : 2. As such, based on C's Capital, the total Capital of the new firm will be $₹40,000 \times \frac{9}{2} = ₹1,80,000$.

Therefore, A's Capital in the new firm = $₹1,80,000 \times \frac{4}{9} = ₹80,000$

B's Capital in the new firm = $₹1,80,000 \times \frac{3}{9} = ₹60,000$

C's Capital in the new firm = $₹1,80,000 \times \frac{2}{9} = ₹40,000$

Hence, A will bring in $₹80,000 - ₹52,000 = ₹28,000$

B will bring in $₹60,000 - ₹31,000 = ₹29,000$

(3) Bank Balance =

$₹6,000 + ₹40,000 + ₹28,000 + ₹29,000 - ₹24,000$ (Bank Overdraft) = ₹79,000.

SOLUTION: 140.

C's share is $\frac{1}{4}$ th which he acquires equally from A and B, i.e., $\frac{1}{8}$ from A and $\frac{1}{8}$ from B.

A's new share = $\frac{3}{4} - \frac{1}{8} = \frac{5}{8}$

B's new share = $\frac{1}{4} - \frac{1}{8} = \frac{1}{8}$

C's share = $\frac{1}{8} + \frac{1}{8} = \frac{2}{8}$

New Profit sharing ratio = 5: 1: 2.

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

$₹30,000 \times \frac{4}{1} = ₹1,20,000$.

Therefore, A's Capital in the new firm should be = $1,20,000 \times \frac{5}{8} = ₹75,000$

B's Capital in the new firm should be = $1,20,000 \times \frac{1}{8} = ₹15,000$

Hence, Cash to be brought in by A = $₹75,000 - ₹60,000 = ₹15,000$

Cash to be paid off to B = $₹20,000 - ₹15,000 = ₹5,000$.

SOLUTION : 230.

New Profit Sharing Ratios:

Share given to C = $\frac{2}{9}$; Balance of Profits $1 - \frac{2}{9} = \frac{7}{9}$

A's new share = $\frac{7}{9} \times \frac{3}{5} = \frac{21}{45}$

B's new share = $\frac{7}{9} \times \frac{2}{5} = \frac{14}{45}$

C's share = $\frac{2}{9}$ OR $\frac{10}{45}$

On the basis of C's share, the total Capital of the firm should be : $₹40,000 \times \frac{9}{2} = ₹1,80,000$

A's Capital in the new firm should be = $1,80,000 \times \frac{21}{45} = ₹84,000$

B's Capital in the new firm should be = $1,80,000 \times \frac{14}{45} = ₹56,000$

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

	A	B
	(₹)	(₹)
Opening Capitals	1,00,000	45,000
(-) Loss on Revaluation	6,000	4,000
	94,000	41,000

Admission of a Partner

Hence, Surplus of A's Capital to be transferred to the Cr. of his Current A/c:

$$₹94,000 - ₹84,000 = ₹10,000.$$

Deficit of B's Capital to be transferred to Dr. of his Current A/c:

$$₹56,000 - ₹41,000 = ₹15,000.$$

JOURNAL ENTRIES

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	A's Capital A/c Dr.		10,000	
	To A's Current A/c (Surplus capital credited to Current A/c)			10,000
	B's Current A/c Dr.		15,000	
	To B's Capital A/c (Shortage of capital debited to Current A/c)			15,000

SOLUTION : 142.

REVALUATION ACCOUNT				Cr.	
Dr.		₹	Particulars		₹
To Provision for Doubtful Debts A/c		5,700	By Investments A/c		14,000
			By Loss transferred to Capital A/cs:		
To Furniture A/c		2,000			
To Stock A/c		5,500	X	1,600	
To Provident Fund		4,000	Y	1,600	3,200
		17,200			17,200

Dr.	CAPITAL ACCOUNTS						Cr.
Particulars	X	Y	Z	Particulars	X	Y	Z
	₹	₹	₹		₹	₹	₹
To P & L A/c	5,000	5,000		By Balance b/d	65,000	45,000	
To Rev. A/c	1,600	1,600		By Z's Current A/c	5,000	5,000	
To Balance c/d	63,400	43,400	60,000	By Cash A/c			60,000
	70,000	50,000	60,000		70,000	50,000	60,000
To Cash A/c	3,400			By Balance b/d	63,400	43,400	60,000
To Balance c/d	60,000	60,000	60,000	By Cash A/c		16,600	
	63,400	60,000	60,000		63,400	60,000	60,000

OPENING BALANCE SHEET as at 1st April, 2012

Liabilities	₹	Assets	₹
Bank Overdraft	56,800	Cash in Hand	76,200
Creditors	70,000	Debtors	1,14,000
Provident Fund	17,200	Less: Provision	5,700
Capitals :		Stock	49,500
X	60,000	Furniture	6,000
Y	60,000	Investments	74,000
Z	60,000	Z's Current A/c	10,000

Admission of a Partner

3,24,000

3,24,000

Working Notes:

(1) New Profit Sharing Ratio: 1/3 : 1/3 : 1/3

(2) Z's share of goodwill will be debited to his Current Account instead of his Capital Account.

Based on Z's Capital, the total Capital of the new firm will be: $60,000 \times 3/1 = ₹1,80,000$.

Therefore, X's Capital in the new firm = $1,80,000 \times 1/3 = ₹60,000$

Y's Capital in the new firm = $1,80,000 \times 1/3 = ₹60,000$

Existing Capital of X is ₹63,400. Hence, he will be returned: $63,400 - 60,000 = ₹3,400$

Existing Capital of Y is ₹43,400. Hence, he will bring in: $60,000 - 43,400 = ₹16,600$

(3) Calculation of Cash Balance : ₹

Opening Balance 3,000

Add: Total amount brought in by Z 60,000

63,000

Less : Surplus Capital paid off to X 3,400

59,600

Add: Deficit Capital brought in by Y 16,600

Closing Cash Balance 76,200

SOLUTION: 143.

Dr.		REVALUATION ACCOUNT		Cr.
Particulars	₹	Particulars	₹	
To Provision for Bad Debts A/c	300	By Plant & Machinery A/c	5,000	
To Stock A/c	5,000	By Loss transferred to :		
		W's Capital A/c	180	
		R's Capital A/c	120	300
	5,300			5,300

Dr.	PARTNERS' CAPITAL ACCOUNTS						Cr.
Particulars	W	R	B	Particulars	W	R	B
	₹	₹	₹		₹	₹	₹
To Revaluation A/c1 (Loss)	180	120	—	By Balance b/d	40,000	30,000	—
To Balance c/d	55,420	40,280		By Profit Loss A/c	9,000	6,000	—
				By Premium for Goodwill A/c	6,600	4,400	—
	55,600	40,400			55,600	40,400	
To Cash A/c	5,920	7,280		By Balance b/d	55,420	40,280	
To Balance c/d	49,500	33,000	30,000	By Cash A/c			30,000
	55,420	40,280	30,000		55,420	40,280	30,000

BALANCE SHEET OF THE NEW FIRM as at 1st April, 2010

Liabilities		₹	Assets		₹
Creditors		20,000	Cash (5,000 + 30,000 + 11,000 - 5,920 - 7,280)		32,800
Capital Accounts:			Sundry Debtors		20,000
W	49,500		Less : Provision for Bad		
R	33,000		Debts		1,000
B	30,000	1,12,500	Stock		20,000
			Plant & Machinery		40,000
			Patents		20,700
		1,32,500			1,32,500

Working Notes:

(1) Average Profits = (20,000 + 14,000 + 17,000 + 15,000 (Given in Balance Sheet)) ÷ 4 = ₹16,500

Value of Goodwill = ₹16,500 × 2½ = ₹41,250

B's Share in Goodwill = ₹41,250 × 4/15 = ₹11,000

(2) Calculation of New Profit Sharing Ratio:

B's share = 4/15th share

Remaining profit = 1 - 4/15 = 11/15

W's share = 11/15 × 3/5 = 33/75

R's share = 11/15 × 2/5 = 22/75

New Ratio of W: R: B = 33/75 : 22/75 : 4/15 or 33 : 22 : 20

(3) Adjustment of Capital:

For 4/15 share, B brought capital = ₹30,000

Therefore, total capital of the firm = ₹30,000 × 15/4 = ₹1,12,500

W's Capital = ₹1,12,500 × 33/75 = ₹49,500

R's Capital = ₹1,12,500 × 22/75 = ₹33,000

B's Capital = ₹1,12,500 × 4/15 = ₹30,000

SOLUTION: 144.

Dr.		REVALUATION ACCOUNT		Cr.	
Particulars	₹	Particulars	₹		
To Building A/c	15,000	By Loss transferred to :			
To Machinery A/c	2,000	A's Capital A/c	11,424		
To Provision for Doubtful Debts	2,040	B's Capital A/c	7,616	19,040	
	19,040			19,040	

Dr.		PARTNER'S CAPITAL ACCOUNTS				Cr.	
Particulars	A	B	C	Particulars	A	B	C
	₹	₹	₹		₹	₹	₹
To Revaluation				By Bal. b/d	1,50,000	80,000	
A/c (Loss)	11,424	7,616		By Gen. Reserve	14,400	9,600	
To Bal. c/d	1,60,176	86,784		By Bank			40,000
				By Premium for Goodwill	7,200	4,800	

Admission of a Partner

	1,71,600	94,400	40,000		1,71,600	94,400	40,000
To Current A/c (Bal. figure)	40,176	6,784		By Balance b/d	1,60,176	86,784	40,000
To Bal. c/d	1,20,000	80,000	40,000				
	1,60,176	86,784	40,000		1,60,176	86,784	40,000

BALANCE SHEET OF NEW FIRM as at 31st March, 2016

Liabilities	₹	Assets	₹
Creditors	36,000	Cash	10,000
Bills Payable	20,000	Bank	52,000
A's Current A/c	40,176	Debtors	34,000
B's Current A/c	6,784	Less: Provision for	
Capital Accounts:		Doubtful Debts	2,040
A	1,20,000	Stock	24,000
B	80,000	Machinery	40,000
C	40,000	Building	1,85,000
	3,42,960		3,42,960

Working Notes:

(1) Calculation of New Profit Sharing Ratio:

Share given to C = $1/6$; Remaining Share = $1 - 1/6 = 5/6$

A's new share = $5/6 \times 3/5 = 3/6$

B's new share = $5/6 \times 2/5 = 2/6$

C's share = $1/6$

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

$40,000 \times 6/1 = ₹2,40,000$

A's Capital in the new firm = $2,40,000 \times 3/6 = ₹1,20,000$

B's Capital in the new firm = $2,40,000 \times 2/6 = ₹80,000$

(3)

	A	B
Existing Capitals	1,60,176	86,784
Capitals in the new firm should be	1,20,000	80,000
Excess Capitals transferred to Current Accounts	40,176	6,784

SOLUTION : 145.

JOURNAL ENTRIES

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2012 April 1	P&LA/c To A's Capital A/c To B's Capital A/c (Transfer of credit balance of P & L A/c)	Dr.	10,000	4,000 6,000
	Provision for Doubtful Debts A/c Building A/c To Revaluation A/c (Increase in the value of Assets)	Dr. Dr.	2,000 20,000	22,000

Admission of a Partner

Revaluation A/c Dr. To Furniture A/c To Damages Payable A/c (Decrease in the value of Furniture and provision made for damages)		7,000	5,000 2,000
Revaluation A/c Dr. To A's Capital A/c To B's Capital A/c (Transfer of profit on revaluation)	15,000		6,000 9,000
Bank A/c Dr. To C's Capital A/c To Premium for Goodwill A/c (Amount for Capital and Premium for Goodwill brought in cash by C)	84,000		60,000 24,000
Premium for Goodwill A/c Dr. To B's Capital A/c (Whole of Premium for Goodwill credited to B's Capital Account)	24,000		24,000
A's Current A/c Dr. To A's Capital A/c (Shortage of capital debited to Current A/c)	10,000		10,000
B's Capital A/c Dr. To B's Current A/c (Excess capital credited to Current A/c)	24,000		24,000

Dr.				CAPITAL ACCOUNTS			Cr.
Particulars	A	B	C	Particulars	A	B	C
	₹	₹	₹		₹	₹	₹
To Balance c/d	1,10,000	1,44,000	60,000	By Balance b/d	1,00,000	1,05,000	
				By P & L A/c	4,000	6,000	
				By Revaluation A/c	6,000	9,000	
				By Bank A/c			60,000
				By Premium for Goodwill A/c		24,000	
	1,10,000	1,44,000	60,000		1,10,000	1,44,000	60,000
To Current A/c		24,000		By Balance b/d	1,10,000	1,44,000	60,000
To Balance c/d	1,20,000	1,20,000	60,000	By Current A/c	10,000		
	1,20,000	1,44,000	60,000		1,20,000	1,44,000	60,000

NEW BALANCE SHEET OF THE FIRM as at 1st April, 2012

Liabilities	₹	Assets	₹
Creditors	25,000	Cash in Hand	3,000
Damages Payable	2,000	Cash at Bank*	64,000
B's Current A/c	24,000	Debtors	40,000
Capital Accounts :		Less : Provision for	
A	1,20,000	Doubtful Debts	3,000
			37,000

Admission of a Partner

B	1,20,000		Investments	2,000
C	60,000	3,00,000	Furniture	35,000
			Machinery	1,00,000
			Building	1,00,000
			A's Current A/c ,	10,000
		3,51,000		3,51,000

*** Bank Overdraft has been deducted from Cash at Bank.**

Notes:

(1) Calculation of New Profit Sharing Ratios :

(2) C brings in ₹60,000 as Capital for his 5/11th share of profit.

Hence, the total Capital of the new firm will be: $60,000 \times \frac{5}{1} = ₹3,00,000$

A's Capital in the new firm: $3,00,000 \times \frac{2}{5} = ₹1,20,000$

B's Capital in the new firm: $3,00,000 \times \frac{2}{5} = ₹1,20,000$

Hence, Shortage of Capital of A debited to his Current Account:

$$1,20,000 - 1,10,000 = ₹10,000$$

Excess Capital of B Credited to his Current Account:

$$1,44,000 - 1,20,000 = ₹24,000.$$

SOLUTION : 146.

Dr.	REVALUATION ACCOUNT		Cr.
Particulars	₹	Particulars	₹
To Machinery A/c	7,000	By Building A/c	10,000
To Provision for Doubtful Debts A/c	480		
To Profit transferred to Capital A/cs:			
Ram	1,680		
Shyam	840		
	2,520		
	10,000		10,000

Dr.	CAPITAL ACCOUNTS						Cr.
Particulars	Ram	Shyam	Mohan	Particulars	Ram	Shyam	Mohan
	₹	₹	₹		₹	₹	₹
To Goodwill A/c*	10,000	5,000		By Balance b/d	40,000	22,000	
				By General Reserve	14,000	7,000	
				By Revaluation A/c	1,680	840	
				By Cash A/c			30,000
To Balance c/d	53,680	32,840	30,000	By Premium for Goodwill A/c	8,000	8,000	
	63,680	37,840	30,000		63,680	37,840	30,000
To Current A/c		7,840		By Balance b/d	53,680	32,840	30,000
To Balance c/d	65,000	25,000	30,000	By Current A/c	11,320		
	65,000	32,840	30,000		65,000	32,840	30,000

* Goodwill appearing in the balance sheet will be written off by old partners in their old ratio.

NEW BALANCE SHEET OF THE FIRM as at 1st April, 2012

Liabilities	₹	Assets	₹
Sundry Creditors	17,000	Cash	48,000
Shyam's Current Account	7,840	Sundry Debtors	8,000
Capitals :		Less : Provision	480
Ram	65,000	Stock	5,000
Shyam	25,000	Machinery	23,000
Mohan	30,000	Buildings	50,000
	1,20,000	Ram's Current Account	11,320
	1,44,840		1,44,840

Notes: (1) Calculation of New Profit Sharing Ratios:

Mohan is given 1/4th share which he acquires 1/8 from Ram and 1/8 from Shyam

Hence, Ram's new share = $2/3 - 1/8 = 13/24$

Shyam's new share = $1/3 - 1/8 = 5/24$

Mohan's share = $1/4$ OR $6/24$

(2) Mohan brings in ₹30,000 as Capital for his 1/4th share of profit. Hence, the total Capital of the new firm will be: $30,000 \times 4/1 = ₹1,20,000$.

∴ Ram's Capital in the new firm: $1,20,000 \times 13/24 = ₹65,000$

Shyam's Capital in the new firm: $1,20,000 \times 5/24 = ₹25,000$

Hence, Shortage of Capital of Ram debited to his Current Account:

$$65,000 - 53,680 = ₹11,320$$

Excess Capital of Shyam Credited to his Current Account:

$$32,840 - 25,000 = ₹7,840.$$

SOLUTION : 147.

Dr. PARTNER'S CAPITAL ACCOUNTS				Cr.			
Particulars	Abha	Bimal	Chintu	Particulars	Abha	Bimal	Chintu
	₹	₹	₹		₹	₹	₹
To Balance c/d	1,51,200	1,25,800	80,000	By Bal. b/d	1,20,000	1,00,000	—
				By General Reserve A/c	12,000	8,000	—
				By Revaluation A/c (Profit)	4,200	2,800	—
				By Bank A/c	—	—	80,000
				By Premium for Goodwill A/c	15,000	15,000	—
	1,51,200	1,25,800	80,000		1,51,200	1,25,800	80,000
To Bank A/c (Bal. Fig.)		5,800		By Bal. b/d	1,51,200	1,25,800	80,000
				By Bank A/c			

Admission of a Partner

To Bal. c/d (Note 1)			(Bal. Fig.)	48,800		
	2,00,000	1,20,000	80,000			
	2,00,000	1,25,800	80,000		2,00,000	1,25,800

Dr.	BANK ACCOUNT		Cr.
Particulars	₹	Particulars	₹
To Balance b/d	35,000	By Bimal's Capital A/c	5,800
To Chintu's Capital A/c	80,000	By Balance c/d	1,88,000
To Premium for Goodwill A/c	30,000		
To Abha's Capital A/c	48,800		
	1,93,800		1,93,800

Working Note (1):

Calculation of new capital of partners on the basis of Chintu's Capital:

Chintu's Capital = ₹80,000

Chintu's share of profit = 1/5

Total Capital of New Firm = ₹80,000 x 5/1 = ₹4,00,000

Abha's new capital = ₹4,00,000 x 5/10 = ₹2,00,000

Bimal's new capital = ₹4,00,000 x 3/10 = ₹1,20,000