

Chapter - 4 Retirement of Death Of a Partner

SOLUTION : 1 (A).

Old Ratio of A, B and C = 6 : 5 : 4.

New ratio of the remaining partners will be calculated by striking out the share of the retiring partner. Thus,

When A retires, the new ratio between B and C will be 5 : 4

When B retires, the new ratio between A and C will be 6 : 4

When C retires, the new ratio between A and B will be 6 : 5

SOLUTION : 1 (B).

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

When B and C retire, the new ratio between A and D will be 5 : 2.

SOLUTION : 2.

Old ratio of X, Y and Z is $\frac{2}{3} : \frac{1}{4} : \frac{1}{12}$

This can be written as $(8 : 3 : 1)/12$ or 8 : 3 : 1

Thus, when X retires, the new ratio between Y and Z will be 3 : 1.

SOLUTION : 3.

Old Ratio of L, M and O is 3 : 2 : 2 or $\frac{3}{7} : \frac{2}{7} : \frac{2}{7}$

M's share will be divided between L and O equally.

L will gain $\frac{1}{2}$ of $\frac{2}{7} = \frac{1}{7}$

Hence, L's new share = $\frac{3}{7} + \frac{1}{7} = \frac{4}{7}$

O will gain $\frac{1}{2}$ of $\frac{2}{7} = \frac{1}{7}$

Hence, O's new share = $\frac{2}{7} + \frac{1}{7} = \frac{3}{7}$

Thus, New Ratio between L and O is $\frac{4}{7} : \frac{3}{7}$ or 4 : 3.

SOLUTION : 4.

Old Ratio of A, B and C is 4 : 3 : 2 or $\frac{4}{9} : \frac{3}{9} : \frac{2}{9}$

B's share will be divided between A and C in the ratio of 3 : 2.

A will gain $\frac{3}{5}$ of $\frac{3}{9} = \frac{9}{45}$

Hence, A's new share = $\frac{4}{9} + \frac{9}{45} = \frac{(20 + 9)}{45} = \frac{29}{45}$

C will gain = $\frac{2}{5}$ of $\frac{3}{9} = \frac{6}{45}$

Hence, C's new share = $\frac{2}{9} + \frac{6}{45} = \frac{(10 + 6)}{45} = \frac{16}{45}$

Thus, New Ratio between A and C $\frac{29}{45} : \frac{16}{45}$ Or 29 : 16

SOLUTION : 5 (A).

Old Ratio of A, B and C is 4 : 3 : 1 or $\frac{4}{8} : \frac{3}{8} : \frac{1}{8}$

A's share will be divided between B and C equally

B will gain $\frac{1}{2}$ of $\frac{4}{8} = \frac{1}{4}$

Hence, B's new share = $\frac{3}{8} + \frac{1}{4} = \frac{(3 + 2)}{8} = \frac{5}{8}$

C will gain $\frac{1}{2}$ of $\frac{4}{8} = \frac{1}{4}$

Hence, C's new share = $\frac{1}{8} + \frac{1}{4} = \frac{(1 + 2)}{8} = \frac{3}{8}$

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Thus, New Ratio between B and C = $5/8 : 3/8$ or $5 : 3$

SOLUTION: 5 (B).

Old Ratio of A, B and C is $1/2 : 1/3 : 1/6$

B's share will be divided between A and C in the ratio of $5 : 3$

A will gain $5/8$ of $1/3 = 5/24$

Hence, A's new share = $1/2 + 5/24 = (12 + 5)/24 = 17/24$

C will gain $3/8$ of $1/3 = 3/24$

Hence, C's new share = $1/6 + 3/24 = (4 + 3)/24 = 7/24$

Thus, New Ratio between A and C = $17/24 : 7/24$ or $17 : 7$

SOLUTION : 6.

Old Ratio of X, Y and Z is $2 : 2 : 1$ or $2/5 : 2/5 : 1/5$

Y's share is entirely taken by Z

Hence, X's new share = $2/5$ (Unchanged)

Z's new share = $1/5 + 2/5 = 3/5$

Thus, New Ratio of X and Z = $2/5 : 3/5$ or $2 : 3$

SOLUTION : 7 (A).

Old Ratio of A, B and C is $7 : 5 : 3$

Since the new profit sharing ratio of the remaining partners is not given in the question, it will be assumed that the remaining partners have gained in their old ratio.

(i) When A retires, the gaining ratio between B and C is $5 : 3$.

(ii) When B retires, the gaining ratio between A and C is $7 : 3$.

(iii) When C retires, the gaining ratio between A and B is $7 : 5$.

New ratio of the remaining partners will be calculated by striking out the share of the retiring partner. Thus,

(i) When A retires, the new ratio between B and C is $5 : 3$

(ii) When B retires, the new ratio between A and C is $7 : 3$

(iii) When C retires, the new ratio between A and B is $7 : 5$

SOLUTION : 7 (B).

Old Ratio of X, Y and Z is $1/2 : 3/10 : 1/5$ or $5 : 3 : 2$

Since the new profit sharing ratio of the remaining partners is not given in the question, it will be assumed that the remaining partners have gained in their old ratio.

(i) When X dies, the gaining ratio between Y and Z is $3 : 2$.

(ii) When Y dies, the gaining ratio between X and Z is $5 : 2$.

(iii) When Z dies, the gaining ratio between X and Y is $5 : 3$.

New ratio of the remaining partners will be calculated by striking out the share of the retiring partner. Thus,

(i) When X dies, the new ratio between Y and Z is $3 : 2$.

(ii) When Y dies, the new ratio between X and Z is $5 : 2$.

(iii) When Z dies, the new ratio between X and Y is $5 : 3$.

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SOLUTION : 7 (C).

Old Ratio of P, Q, R and S is 5 : 4 : 3 : 1

When P and S retire :

Gaining Ratio between Q and R is 4 : 3.

New Ratio between Q and R is 4 : 3.

SOLUTION: 8 (A).

Gaining Ratio = New Ratio - Old Ratio

∴ Gaining Ratio of Ashish = $\frac{3}{4} - \frac{2}{5} = \frac{(15 - 8)}{20} = \frac{7}{20}$

Gaining Ratio of Aman = $\frac{1}{4} - \frac{1}{5} = \frac{(5 - 4)}{20} = \frac{1}{20}$

Gaining Ratio between Ashish and Aman = $\frac{7}{20} : \frac{1}{20}$ or 7:1

SOLUTION : 8 (B).

Gaining Ratio = New Ratio - Old Ratio

∴ A's Gaining Ratio = $\frac{3}{5} - \frac{5}{10} = \frac{(6 - 5)}{10} = \frac{1}{10}$

C's Gaining Ratio = $\frac{2}{5} - \frac{2}{10} = \frac{(4 - 2)}{10} = \frac{2}{10}$

Gaining Ratio between A and C = $\frac{1}{10} : \frac{2}{10}$ or 1 : 2

SOLUTION : 9 (A).

Gaining Ratio = New Ratio - Old Ratio

∴ A's Gaining Ratio = $\frac{1}{2} - \frac{1}{2} = 0$

B's Gaining Ratio = $\frac{1}{2} - \frac{1}{3} = \frac{1}{6}$

Thus, A gains nothing, whereas B gains 1/6th.

SOLUTION : 9 (B).

Gaining Ratio = New Ratio - Old Ratio

∴ B's Gaining Ratio = $\frac{1}{3} - \frac{4}{14} = \frac{(14 - 12)}{42} = \frac{2}{42}$

C's Gaining Ratio = $\frac{1}{3} - \frac{3}{14} = \frac{(14 - 9)}{42} = \frac{5}{42}$

D's Gaining Ratio = $\frac{1}{3} - \frac{2}{14} = \frac{(14 - 6)}{42} = \frac{8}{42}$

Hence, **Gaining Ratio** of B, C and D = $\frac{2}{42} : \frac{5}{42} : \frac{8}{42}$ or 2 : 5 : 8.

SOLUTION: 10.

Rekha will gain $\frac{2}{5}$ of $\frac{1}{3}$ = $\frac{2}{15}$

Hence, Rekha's new share = $\frac{1}{3} + \frac{2}{15} = \frac{(5 + 2)}{15} = \frac{7}{15}$

Suruchi will gain $\frac{3}{5}$ of $\frac{1}{3}$ = $\frac{3}{15}$

Hence, Suruchi's new share = $\frac{1}{3} + \frac{3}{15} = \frac{(5 + 3)}{15} = \frac{8}{15}$

New Ratio of Rekha and Suruchi = $\frac{7}{15} : \frac{8}{15}$ or 7 : 8

Gaining Ratio: Since Rekha and Suruchi have acquired Ruchi's share in the ratio of 2 : 3, the gaining ratio will be 2 : 3.

SOLUTION: 11.

Z's share will be divided between X and Y in the ratio of $\frac{3}{4} : \frac{1}{4}$

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X will gain $\frac{3}{4}$ of $\frac{5}{9} = \frac{5}{36}$

Hence, X's new share = $\frac{1}{9} + \frac{15}{36} = \frac{(4 + 15)}{36} = \frac{19}{36}$

Y will gain $\frac{1}{4}$ of $\frac{5}{9} = \frac{5}{36}$

Hence, Y's new share = $\frac{1}{3} + \frac{5}{36} = \frac{(12 + 5)}{36} = \frac{17}{36}$

New Ratio of X and Y = $\frac{19}{36} : \frac{17}{36}$ or 19:17

Gaining Ratio: Since Z has surrendered his share of profit in the ratio of $\frac{3}{4} : \frac{1}{4}$ the gaining ratio will be 3 : 1 between X and Y.

SOLUTION : 12.

S's share will be divided between Q and R in the ratio of 3 : 2

Q will gain $\frac{3}{5}$ of $\frac{2}{12} = \frac{6}{60}$

Hence, Q's new share = $\frac{3}{12} + \frac{6}{60} = \frac{(15 + 6)}{60} = \frac{21}{60}$

R will gain $\frac{2}{5}$ of $\frac{2}{12} = \frac{4}{60}$

Hence, R's new share = $\frac{5}{12} + \frac{4}{60} = \frac{(25 + 4)}{60} = \frac{29}{60}$

P's share will remain the same i.e. $\frac{2}{12}$

New Ratio of P, Q and R = $\frac{2}{12} : \frac{21}{60} : \frac{29}{60}$ or 10 : 21 : 29.

Gaining Ratio: Since Q and R have acquired S's share in the ratio of 3 : 2, the gaining ratio will be 3 : 2 between Q and R.

SOLUTION : 13.

(i) Calculation of Sacrificing Ratio :

Sacrificing Ratio of A = $\frac{3}{5}$ of $\frac{1}{4} = \frac{3}{20}$

Sacrificing Ratio of B = $\frac{2}{5}$ of $\frac{1}{4} = \frac{2}{20}$

New Profit Sharing Ratio of A, B and C:

A = $\frac{5}{8} - \frac{3}{20} = \frac{(25 - 6)}{40} = \frac{19}{40}$

B = $\frac{3}{8} - \frac{2}{20} = \frac{(15 - 4)}{40} = \frac{11}{40}$

C = $\frac{1}{4}$

A : B : C = $\frac{19}{40} : \frac{11}{40} : \frac{1}{4}$ or $(19 : 11 : 10)/40 = 19 : 11 : 10$

(ii) New Profit sharing Ratio of A, B, C and D :

A = $\frac{19}{40} - \frac{1}{10} = \frac{(19 - 4)}{40} = \frac{15}{40}$

B = $\frac{11}{40}$

C = $\frac{10}{40} - \frac{1}{15} = \frac{(30 - 8)}{120} = \frac{22}{120}$

D = $\frac{1}{6}$

A : B : C : D = $\frac{15}{40} : \frac{11}{40} : \frac{22}{120} : \frac{1}{6} = \frac{(45 : 33 : 22 : 20)}{120} = 45 : 33 : 22 : 20$

(iii) New Profit Sharing Ratio on A's death :

A's share i.e., $\frac{15}{120}$ is taken over by B, C and D equally i.e., $\frac{45}{120} \times \frac{1}{3} = \frac{15}{120}$ each

B's new share = $\frac{33}{120} + \frac{15}{120} = \frac{48}{120}$

C's new share = $\frac{22}{120} + \frac{15}{120} = \frac{37}{120}$

D's new share = $\frac{20}{120} + \frac{15}{120} = \frac{35}{120}$

Thus New Ratio of B, C and D = 48 : 37 : 35

Retirement or Death of a Partner

SOLUTION 14 (A).

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Date	Particulars	L.F.	Dr.(₹)	Cr.(₹)
	L's Capital A/c Dr.		19,500	
	N's Capital A/c Dr.		16,500	
	To M's Capital A/c			36,000
	(Retiring partner's share of goodwill adjusted to remaining partners in their gaining ratio 13 : 11)			

Note : Gaining Ratio = New Ratio - Old Ratio

L Gains = $5/8 - 4/9 = (45 - 32)/72 = 13/72$

N Gains = $3/8 - 2/9 = (27 - 16)/72 = 11/72$

As such, gaining ratio between L and N= 13:11.

SOLUTION: 14 (B).

JOURNAL

Date	Particulars	L.F.	Dr.(₹)	Cr.(₹)
2014	Ashok Capital A/c Dr.		80,000	
April 1	Mukesh Capital A/c Dr.		40,000	
	To Rakesh Capital A/c			1,20,000
	(Retiring partner's share of goodwill adjusted to remaining partners in their gaining ratio i.e., 2:1)			

SOLUTION : 15.

JOURNAL

Date	Particulars	L.F.	Dr.(₹)	Cr.(₹)
	A's Capital A/c Dr.		2,400	
	B's Capital A/c Dr.		4,800	
	D's Capital A/c Dr.		1,200	
	To C's Capital A/c			8,400
	(Retiring partner's share of goodwill adjusted to remaining partners in their gaining ratio 2:4: 1)			

Working Note:

Average Profits = $\text{₹}(40,000 - 10,000 + 1,00,000 + 1,50,000) / 4 = \text{₹}70,000$

Super Profits = Average Profits – Normal Profits

= $\text{₹}70,000 - \text{₹}56,000 = \text{₹}14,000$

Goodwill = Super Profits x Number of Year's Purchase

= $\text{₹}14,000 \times 2 = \text{₹}28,000$

C's share of Goodwill = $\text{₹}28,000 \times 3/10 = \text{₹}8,400$

Retirement or Death of a Partner

SOLUTION : 16.

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Date	Particulars	L.F.	Dr.(₹)	Cr.(₹)
	A's Capital A/c Dr.		18,667	
	B's Capital A/c Dr.		14,000	
	C's Capital A/c Dr.		9,333	
	To Goodwill A/c			42,000
	(Goodwill existing in the books written off in old ratio)			
	A's Capital A/c Dr.		8,000	
	B's Capital A/c Dr.		6,000	
	To C's Capital A/c (2/9 of 63,000)			14,000
	(C's share of goodwill adjusted to remaining partners in their gaining ratio 4 : 3)			

SOLUTION : 17 (A).

JOURNAL

Date	Particulars	L.F.	Dr.(₹)	Cr.(₹)
	P's Capital A/c Dr.		1,33,333	
	Q's Capital A/c Dr.		1,33,333	
	R's Capital A/c Dr.		1,33,334	
	To Goodwill A/c			4,00,000
	(Goodwill appearing in the books written off in old ratio)			
	P's Capital A/c Dr.		41,666	
	Q's Capital A/c Dr.		41,667	
	To P's Capital A/c (1/3 of 2,50,000)			83,333
	(Retiring partner's share of goodwill adjusted to remaining partners in their gaining ratio i.e., equally)			

SOLUTION : 17 (B).

JOURNAL

Date	Particulars	L.F.	Dr.(₹)	Cr.(₹)
	A's Capital A/c Dr.		60,000	
	B's Capital A/c Dr.		60,000	
	C's Capital A/c Dr.		30,000	
	To Goodwill A/c			1,50,000
	(Goodwill appearing in the books written off in old ratio)			
	A's Capital A/c Dr.		20,000	
	B's Capital A/c Dr.		20,000	
	To C's Capital A/c (1/5 of 2,00,000)			40,000
	(Retiring partner's share of goodwill adjusted to remaining partners in their gaining ratio i.e., equally)			

Retirement or Death of a Partner

SOLUTION : 18 (A).

JOURNAL				
Date	Particulars	L.F.	Dr.(₹)	Cr.(₹)
	A's Capital A/c Dr. C's Capital A/c Dr. To B's Capital A/c (1,62,000 x 4/9) (B's share of goodwill debited to the accounts of continuing partners in their gaining ratio 21 : 11)	1	47,250 24,750	72,000

SOLUTION: 18 (B).

Valuation of Goodwill:

Total Profits of the last four years ₹1,20,000 + ₹60,000 – ₹20,000 + ₹80,000 = ₹2,40,000.

Profit Credited to R's Account = ₹2,40,000 x 3/8 = ₹90,000

R's share of Goodwill = ₹90,000 x 1/2 = ₹45,000

JOURNAL

Date	Particulars	L.F.	Dr.(₹)	Cr.(₹)
2014 April 1	P's Capital A/c Dr. S's Capital A/c Dr. To R's Capital A/c (R's share of Goodwill debited to the accounts of continuing partners in their gaining ratio 4:11)		12,000 33,000	45,000

Calculation of Gaining Ratio : New Ratio - Old Ratio

P Gains : $3/5 - 4/8 = (24 - 20)/40 = 4/40$

S Gains : $2/5 - 1/8 = (16 - 5)/40 = 11/40$

Thus, Gaining Ratio is 4 : 11

SOLUTION : 19.

Calculation of Gaining Ratio :

B Gains = $2/6 - 5/8 = (8 - 15)/24 = 7/24$

D Gains = $1/6 - 3/8 = (4 - 9)/24 = 5/24$

As such, Gaining Ratio between B and D = 7:5

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Date	Particulars	L.F.	Dr.(₹)	Cr.(₹)
	B's Capital A/c 7/12 of 45,000)(1) Dr. D's Capital A/c 5/12 of 45,000) Dr. To A's Capital A/c To C's Capital A/c (A and C's share of goodwill debited to the gaining partners in their gaining ratio of 7 : 5)		26,250 18,750	30,000 15,000

Working Note (1):

Retirement or Death of a Partner

A's Share of Goodwill = ₹90,000 x 2/6 = 30,000

C's Share of Goodwill = ₹90,000 x 1/6 = 15,000

45,000

SOLUTION : 20.

JOURNAL

Date	Particulars	L.F.	Dr.(₹)	Cr.(₹)
2016 March 15	A's Capital A/c Dr. To B's Capital A/c (A's Capital A/c debited as he alone has gained on B's death)		25,000	25,000

Calculation of Gaining Ratio:

Gaining Ratio of A = $5/9 - 2/9 = 3/9$

Gaining Ratio of C = $4/9 - 4/9 = 0$

SOLUTION : 21.

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Date	Particulars	L.F.	Dr.(₹)	Cr.(₹)
	Ramesh's Capital A/c Dr. Mohan's Capital A/c Dr. To Naresh's Capital A/c (Naresh share of goodwill adjusted to the accounts of continuing partners in their gaining ratio 0:1:1 without raising Goodwill A/c)		12,000 12,000	24,000

Calculation of Gaining Ratio : (New Ratio - Old Ratio)

Surender: $1/3 - 2/6 = (2 - 2)/6 = 0$

Ramesh: $1/3 - 1/6 = (2 - 1)/6 = 1/6$

Mohan: $1/3 - 1/6 = (2 - 1)/6 = 1/6$

Hence, Gaining Ratio is 0 : 1 : 1

SOLUTION: 22.

JOURNAL

Date	Particulars	L.F.	Dr.(₹)	Cr.(₹)
	Arjun's Capital A/c Dr. Bhim's Capital A/c Dr. Nakul's Capital A/c Dr. To Goodwill A/c (Existing goodwill written off in old ratio of 14: 5:6)		42,000 15,000 18,000	75,000
	Arjun's Capital A/c Dr. To Bhim's Capital A/c (Goodwill adjusted by debiting gaining partner Arjun and crediting sacrificing partner Bhim)		10,000	10,000

Retirement or Death of a Partner

Profit & Loss Appropriation A/c	Dr.	1,00,000	
To Arjun's Capital A/c			76,000
To Nakul's Capital A/c			24,000
(Profit distributed between Arjun & Nakul in New Ratio 19 : 6)			

Working Notes :

(1) Calculation of Value of Goodwill:

Average Profits of last 3 years = $(50,000 + 60,000 + 55,000) \div 3 = ₹55,000$

Super Profits = Average Profits – Normal Profits = $₹55,000 - ₹30,000 = ₹25,000$

Goodwill = Super Profits x No. of Year's Purchase
 $= ₹25,000 \times 2 = ₹50,000$

Bhim's Share of Goodwill = $₹50,000 \times 5/25 = ₹10,000$

(2) New Ratio of Arjun and Nakul:

Arjun's new share = $14/25 + 5/25$ (Bhim Share) = $19/25$

Nakul's new share = $6/25 + \text{NIL} = 6/25$

SOLUTION : 23.

(a) A's share is taken up by B and C equally.

B will gain $1/2$ of $3/6 = 3/12$

Hence, B's new share = $2/6 + 3/12 = (4 + 3)/12 = 7/12$

C will gain $1/2$ of $3/6 = 3/12$

Hence, C's new share = $1/6 + 3/12 = (2 + 3)/12 = 5/12$

New Ratio of B and C = $7/12 : 5/12$ or $7 : 5$.

Gaining Ratio : Since B and C have acquired A's share equally. The gaining ratio will be $1 : 1$.

(b) A's share of Goodwill = $₹1,80,000 \times 3/6 = ₹90,000$

JOURNAL

Date	Particulars	L.F.	Dr.(₹)	Cr.(₹)
	B's Capital A/c Dr.		45,000	
	C's Capital A/c Dr.		45,000	
	To A's Capital A/c			90,000
	(Retiring partner's share of goodwill debited to B and C in their gaining ratio of 1 : 1)			

SOLUTION : 24 (A).

JOURNAL

Date	Particulars	L.F.	Dr.(₹)	Cr.(₹)
2017	A's Capital A/c (5/15 of 1,80,000) Dr.		60,000	
April 1	To B's Capital A/c (4/15 of 1,80,000)			48,000
	To C's Capital A/c (1/15 of 1,80,000)			12,000
	(Treatment of goodwill on B's retirement)			

Retirement or Death of a Partner

Working Notes :

Calculation of Gaining Ratio:

	A	B	C
New Ratio	11/15		4/15
Old Ratio	6/15	4/15	5/15

New Ratio - Old Ratio = 5/15 (Gain) 4/15 (Sacrifice) 1/15 (Sacrifice)

Only A has gained 5/15. Hence A will be debited and B and C will be credited.

SOLUTION : 24 (B).

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Date	Particulars	L.F.	Dr.(₹)	Cr.(₹)
	Y's Capital A/c (2/6 of 30,000) Dr.		10,000	
	To X's Capital A/c (1/6 of 30,000)			5,000
	To Z's Capital A/c (1/6 of 30,000)			5,000
	(Y gains 2/6 share of profit whereas X loses 1/6 share of profit and Z also loses 1/6 share of profit. Y compensates X and Z for the loss in share of profit)			

Working Notes :

(i) Z's share in goodwill = 30,000 x 1/6 = ₹5,000.

(ii) Gaining Ratio = New Ratio - Old Ratio

$$X = 1/3 - 3/6 = (2 - 3)/6 = 1/6(\text{Sacrifice})$$

$$Y = 2/3 - 2/6 = (4 - 2)/6 = 2/6(\text{Gain})$$

Only Y has gained 2/6. X has also sacrificed 1/6 in favour of Y.

Hence, Y is required to compensate X for such loss.

SOLUTION : 25.

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Date	Particulars	L.F.	Dr.(₹)	Cr.(₹)
	A's Capital A/c (4/12 of 3,60,000) Dr.		1,20,000	
	To B's Capital A/c (1/12 of 3,60,000)			30,000
	To C's Capital A/c (3/12 of 3,60,000)			90,000
	(A gains 4/12th share of profit whereas B loses 1/12th share of profit and C loses 3/12th share of profit. A compensates B and C for the loss in share of profits)			

Working Notes:

(i) C's share of goodwill = 3,60,000 x 3/12 = ₹90,000.

(ii) Calculation of Gaining Ratio :

	A	B	C	D
New Ratio	9/12	2/12		1/12

Retirement or Death of a Partner

Old Ratio	5/12	3/12	3/12	1/12
New Ratio – Old Ratio	4/12 (Gain)	1/12 (Sacrifices)	3/12(sacrifices)	0

Only A has gained 4/12.

Hence A will be debited and B and C will be credited.

SOLUTION : 26.

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Date	Particulars	L.F.	Dr.(₹)	Cr.(₹)
	C's Capital A/c (4/30 of 3,00,000) Dr.		40,000	
	D's Capital A/c (7/30 of 3,00,000) Dr.		70,000	
	To A's Capital A/c (2/30 of 3,00,000)			20,000
	To B's Capital A/c (3/10 of 3,00,000)			90,000
	(Adjustment for goodwill; C gains 4/30 and D gains 7/30 whereas A sacrifices 2/30 and retiring partner B sacrifices 3/10)			

Working Notes:

(i) B's share of Goodwill = 3,00,000 x 3/10 = ₹90,000

(ii) Gaining Ratio will be calculated as under:

	A	B	C	D
New Ratio	1/3		1/3	1/3
Old Ratio	4/10	3/10	2/10	1/10
New Ratio – Old Ratio	2/30(Sacrifice)	3/10(Sacrifice)	4/30(Gain)	7/30(Gain)

C and D will be debited since they have gained

And A and B will be credited since they have sacrificed.

SOLUTION : 27. (a)

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Date	Particulars	L.F.	Dr.(₹)	Cr.(₹)
	X's Capital A/c Dr.		1,00,000	
	Z's Capital A/c Dr.		60,000	
	To Y's Capital A/c			1,60,000
	(Sale of Y's share to X and Z for ₹1,60,000)			
	Profit and Loss Appropriation A/c Dr.		2,40,000	
	To X's Capital A/c			1,70,000
	To Z's Capital A/c			70,000
	(Profit distributed after Y's retirement in their new ratio i.e., 17:7)			

Retirement or Death of a Partner

Calculation of new profit sharing ratio:

X and Z purchased Y's share for ₹1,60,000, out of which X pays ₹1,00,000 and Z pays ₹60,000, i.e., X and Z will share Y's share of profit in the ratio of 1,00,000 : 60,000 = 5:3.

As such, new profit sharing ratios of X and Z will be:

X gets 5/8th of Y's share of $2/6 = 5/8 \times 2/6 = 5/24$

X's old share = $3/6$

X's new share = $3/6 + 5/24 = (12 + 5)/24 = 17/24$

Z gets 3/8th of Y's share of $2/6 = 3/8 \times 2/6 = 3/24$

Z's old share = $1/6$

Z's new share = $1/6 + 3/24 = (4 + 3)/24 = 7/24$

Hence, New ratio between X and Z = $17/24 : 7/24 = 17:7$

(b) Division of Profit between X and Z:

Profit = ₹2,40,000

X's share = $2,40,000 \times 17/24 = ₹1,70,000$;

Z's share = $2,40,000 \times 7/24 = ₹70,000$.

Adjustment of Reserves and Accumulated Profits

SOLUTION : 28.

Books of A, Y and Z

Date	Particulars	L.F.	Dr.(₹)	Cr.(₹)
	General Reserve A/c Dr.		75,000	
	Profit & Loss A/c Dr.		30,000	
	To X's Capital A/c			28,000
	To Y's Capital A/c			35,000
	To Z's Capital A/c			42,000
	(Distribution of free reserves among partners)			

SOLUTION : 29.

JOURNAL

Date	Particulars	L.F.	Dr.(₹)	Cr.(₹)
	General Reserve A/c Dr.		65,000	
	To A's Capital A/c			6,500
	To B's Capital A/c			13,000
	To C's Capital A/c			19,500
	To D's Capital A/c			26,000
	(General Reserve transferred to Capital Accounts)			
	A's Capital A/c Dr.		12,000	
	B's Capital A/c Dr.		12,000	
	To D's Capital A/c			24,000

Retirement or Death of a Partner

(D's share of goodwill ₹24,000 i.e., $4/10 \times 60,000$ adjusted to the accounts of A and B in their sacrificing ratio i.e., equally)			
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Dr. D'S CAPITAL A/C Cr.

Particulars	₹	Particulars	₹
To Balance c/d	2,00,000	By Balance b/d	1,50,000
		By General Reserve A/c	26,000
		By A's Capital A/c	12,000
		By B's Capital A/c	12,000
	2,00,000		2,00,000

Calculation of New Profit Sharing Ratio :

D's share will be divided between A and B equally

A will gain $1/2$ of $4/10 = 2/10$

Hence, A's new share = $1/10 + 2/10 = 3/10$

B will gain $1/2$ of $4/10 = 2/10$

Hence, B's new share = $2/10 + 2/10 = 4/10$

C's share will remain the same i.e., $3/10$

Hence, new Ratio of A, B and C = $3/10 : 4/10 : 3/10$ or 3:4:3.

SOLUTION : 30.

Books of A, B, C and D

JOURNAL

Date	Particulars	L.F.	Dr.(₹)	Cr.(₹)
	A's Capital A/c	Dr.	11,200	
	B's Capital A/c	Dr.	8,400	
	C's Capital A/c	Dr.	5,600	
	D's Capital A/c	Dr.	5,600	
	To Profit and Loss A/c			30,800
	(Accumulated loss transferred to the capital accounts of all partners in old ratio on C's retirement)			

Revaluation of Assets and Liabilities

SOLUTION : 31 (A).

JOURNAL ENTRIES

Date	Particulars	L.F.	Dr.(₹)	Cr.(₹)
2011				
April 1	General Reserve A/c	Dr.	60,000	
	To X's Capital A/c			20,000
	To Y's Capital A/c			20,000
	To Z's Capital A/c			20,000

Retirement or Death of a Partner

(Transfer of General Reserve to Partner's Capital A/cs in their profit sharing ratio)			
Revaluation A/c Dr.	39,000		
To Investments A/c		3,000	
To Stock A/c		6,000	
To Provision for Doubtful Debts A/c		10,000	
To Trade Marks A/c		20,000	
(Decrease in the value of assets)			
Freehold Property A/c Dr.	1,80,000		
Creditors A/c Dr.	12,000		
To Revaluation A/c		1,92,000	
(Increase in the value of Freehold Property and decrease in creditors)			
Revaluation A/c Dr.	1,53,000		
To X's Capital A/c		51,000	
To Y's Capital A/c		51,000	
To Z's Capital A/c		51,000	
(Profit on revaluation transferred to partner's Capital Accounts)			
X's Capital A/c Dr.	11,000		
Y's Capital A/c Dr.	11,000		
Z's Capital A/c Dr.	11,000		
To Goodwill A/c		33,000	
(Goodwill appearing in the books written off on Z's retirement)			
X's Capital A/c Dr.	17,500		
Y's Capital A/c Dr.	17,500		
To Z's Capital A/c		35,000	
(Z's share of Goodwill adjusted to the accounts of continuing partners in their gaining ratio i.e., equally)			
Z's Capital A/c Dr.	2,95,000		
To Z's Loan A/c		2,95,000	
(Balance of Z's Capital A/c transferred to Z's loan A/c)			

REVALUATION ACCOUNT			
Dr.			Cr.
Particulars	₹	Particulars	₹
To Investments A/c	3,000	By Freehold Property A/c	1,80,000
To Stock A/c	6,000	By Creditors A/c	12,000
To Provision for Doubtful Debts A/c	10,000		
To Trade Marks A/c	20,000		
To Profit transferred to X	51,000		

Retirement or Death of a Partner

Y	51,000		
Z	51,000	1,53,000	
		1,92,000	1,92,000

Dr. CAPITAL ACCOUNTS				Cr.			
Particulars	X	Y	Z	Particulars	A	Y	Z
	₹	₹	₹		₹	₹	₹
To Goodwill A/c	11,000	11,000	11,000	By Balance b/d	3,00,000	2,00,000	2,00,000
To Z's Capital A/c	17,500	17,500	—	By General			
To Z's Loan A/c			2,95,000	Reserve A/c	20,000	20,000	20,000
To Balance c/d	3,42,500	2,42,500		By Revaluation			
				A/c	51,000	51,000	51,000
				By X's Capital A/c			17,500
				By Y's Capital A/c			17,500
	3,71,000	2,71,000	3,06,000		3,71,000	2,71,000	3,06,000

BALANCE SHEET OF THE FIRM (After Z's Retirement) as at 1st April, 2011

Liabilities		Assets	
Creditors	97,000	Cash in hand and cash at Bank	86,000
Provident Fund	20,000	Debtors	2,00,000
Z's Loan Account	2,95,000	Less: Provision for	
		Doubtful Debts 10,000	1,90,000
Capitals :		Stock	94,000
X 3,42,500		Investments	47,000
Y 2,42,500	5,85,000	Freehold Property	5,80,000
	9,97,000		9,97,000

Working Note:

Goodwill = $(₹1,20,000 + ₹1,00,000 + ₹95,000)/3 = ₹1,05,000$

Z's Share of Goodwill = $₹1,05,000 \times 1/3 = ₹35,000$

SOLUTION : 31 (B).

Dr. REVALUATION ACCOUNT Cr.

Particulars	₹	Particulars	₹
To Fixed Assets A/c	5,000	By Provision for Doubtful	1,000
To Investments A/c	2,000	Debts A/c	1,800
To Outstanding Exp. A/c	600	By Accrued Interest A/c	
		By Loss transferred to	
		Capital Accounts :	
		A 2,400	
		B 1,600	
		C 800	4,800

Retirement or Death of a Partner

	7,600		7,600
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Dr. CAPITAL ACCOUNTS Cr.

Particulars	A	B	C	Particulars	A	B	C
	₹	₹	₹		₹	₹	₹
To Revaluation A/c	2,400	1,600	800	By Balance b/d	45,000	30,000	15,000
To C's Capital A/c	900	600		By Profit & Loss A/c	7,500	5,000	2,500
To C's Loan A/c			18,200	By A's Capital A/c			900
To Balance c/d	49,200	32,800		By B's Capital A/c			600
	52,500	35,000	19,000		52,500	35,000	19,000

BALANCE SHEET OF THE FIRM (After C's Retirement) as at 1st April, 2011

Liabilities	₹	Assets	₹
Sundry Creditors	20,000	Bank Balance	16,000
Outstanding Expenses	2,600	Sundry Debtors	15,000
C's Loan Account	18,200	Stock	35,000
Capitals :		Accrued Interest	1,800
A	49,200	Investments	10,000
B	32,800	Fixed Assets	45,000
	1,22,800		1,22,800

Working Note : C's share of Goodwill = $9,000 \times \frac{1}{6} = ₹1,500$. It will be credited to C's Capital A/c and debited to A's and B's Capital A/cs in their gaining ratio of 3 : 2.

SOLUTION : 32.

JOURNAL

Date	Particulars	L.F.	Dr.(₹)	Cr.(₹)
2012				
April 1	Manoj's Capital A/c Dr.		1,333	
	Naveen's Capital A/c Dr.		1,000	
	Deepak's Capital A/c Dr.		667	
	To Goodwill A/c			3,000
	(Goodwill appearing in the books written off on Deepak's retirement)			
	Manoj's Capital A/c Dr.		2,667	
	Naveen's Capital A/c Dr.		2,000	
	To Deepak's Capital A/c			4,667
	(Deepak's share of goodwill adjusted to the accounts of continuing partners in their gaining ratio i.e., 4 : 3)			
	Stock A/c Dr.		1,350	
	Provision for Doubtful Debts A/c Dr.		450	
	Plant and Machinery A/c Dr.		900	

Retirement or Death of a Partner

To Revaluation A/c (Increase in the value of assets)			2,700
Revaluation A/c	Dr.	4,500	
Deepak's Capital A/c	Dr.	15,500	
To Motor Car A/c (Motor Car taken over by Deepak at a reduced value of ₹15,500)			20,000
Manoj's Capital A/c	Dr.	800	
Naveen's Capital A/c	Dr.	600	
Deepak's Capital A/c	Dr.	400	
To Revaluation A/c (Transfer of loss on revaluation)			1,800
Deepak's Capital A/c	Dr.	18,100	
To Cash A/c			2,000
To Deepak's Loan A/c (Payment in cash and the transfer of balance of Deepak's Capital to his loan account)			16,100

Dr.		REVALUATION ACCOUNT		Cr.	
Particulars	₹	Particulars		₹	
To Motor Car A/c	4,500	By Stock A/c		1,350	
		By Provision for Doubtful Debts A/c		450	
		By Plant & Machinery A/c		900	
		By Loss transferred to Capital A/cs :			
		Manoj	800		
		Naveen	600		
		Deepak	400		1,800
	4,500			4,500	

Dr.		CAPITAL ACCOUNTS			Cr.		
Particulars	Manoj	Naveen	Deepak	Particulars	Manoj	Naveen	Deepak
	₹	₹	₹		₹	₹	₹
To Goodwill A/c	1,333	1,000	667	By Balance b/d	50,000	39,000	30,000
To Deepak's Capital A/c	2,667	2,000	—	By Manoj's Capital A/c			2,667
To Revaluation A/c	800	600	400	By Naveen's Capital A/c			2,000
To Motor Car A/c			15,500				
To Cash A/c			2,000				
To Deepak's Loan A/c			16,100				
To Balance c/d	45,200	35,400	—				

Retirement or Death of a Partner

	50,000	39,000	34,667		50,000	39,000	34,667
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BALANCE SHEET OF THE FIRM (After Deepak's Retirement) as at 1st April, 2012

Liabilities		₹	Assets		₹
Trade Creditors		7,000	Cash in hand		3,900
Deepak's Loan A/c		16,100	Debtors		19,000
Capitals :			Less : Provision		950
Manoj	45,200		Stock		14,850
Naveen	35,400	80,600	Plant and Machinery		18,900
			Buildings		48,000
		1,03,700			1,03,700

SOLUTION: 33.

Dr. REVALUATION ACCOUNT Cr.

Particulars	₹	Particulars	₹
To Patents A/c	2,000	By Loss transferred to :	
To Plant & Machinery A/c	5,000	Ram's Capital A/c	3,600
To Provision for Doubtful Debts A/c	200	Shyam's Capital A/c	3,600
	7,200		7,200

Dr. CAPITAL ACCOUNTS Cr.					
Particulars	Ram	Shyam	Particulars	Ram	Shyam
	₹	₹		₹	₹
To Ram's Capital A/c		5,000	By Balance b/d	30,000	27,500
To Revaluation A/c	3,600	3,600	By Reserve A/c	3,000	3,000
To Cash A/c	1,000		By P & L A/c		
To Bank A/c	36,400		(Net Profits)	3,000	3,000
To Balance c/d		24,900	By Shyam's Capital A/c	5,000	
	41,000	33,500		41,000	33,500

BALANCE SHEET as at 1st April, 2012			
Liabilities	₹	Assets	₹
Bank Loan (Secured by Plant and Machinery)	36,400	Debtors	4,000
Creditors	10,000	Less : Provision	200
Employee's Provident Fund	500	Stock in Trade	23,000
Shyam's Capital	24,900	Plant & Machinery	45,000
	71,800		71,800

Retirement or Death of a Partner

Working Note:

Ram's share of Goodwill : ₹10,000 x 1/2 = ₹5,000.

It will be debited to Shyam's Capital A/c and credited to Ram's Capital A/c.

SOLUTION: 34.

Dr. REVALUATION ACCOUNT Cr.			
Particulars	₹	Particulars	₹
To Stock A/c	12,000	By Fixed Assets A/c	30,000
To Provision for Bad & Doubtful Debts A/c	2,000		
To Profit on Revaluation transferred to :			
X's Capital A/c	6,000		
Y's Capital A/c	6,000		
Z's Capital A/c	4,000		
	16,000		
	30,000		30,000

Dr. PARTNER'S CAPITAL ACCOUNTS Cr.							
Particulars	X	Y	Z	Particulars	X	Y	Z
	₹	₹	₹		₹	₹	₹
To Advertisement Suspense A/c	6,000	6,000	4,000	By Balance b/d	1,00,000	60,000	50,000
To Profit & Loss A/c	1,500	1,500	1,000	By Revaluation A/c (Profit)	6,000	6,000	4,000
To Y's Capital A/c	18,000	—	12,000	By General Reserve	30,000	30,000	20,000
To Y's Loan A/c	—	1,18,500	—	By X's Capital A/c	—	18,000	—
To Balance c/d	1,10,500	—	57,000	By Z's Capital A/c	—	12,000	—
	1,36,000	1,26,000	74,000		1,36,000	1,26,000	74,000

BALANCE SHEET as at 1st April, 2017

Liabilities	₹	Assets	₹
Sundry Creditors	2,50,000	Cash at Bank	50,000
X's Loan A/c	50,000	Bills Receivable	60,000
Y's Loan A/c (40,000 + 1,18,500)	1,58,500	Debtors	80,000
Capital A/cs :		Less: Provision for	
X	1,10,500	Bad Debts	6,000
Z	57,000	Stock	1,12,000
		Fixed Assets	3,30,000
	6,26,000		6,26,000

Working Note:

(1) Y's share of goodwill = ₹80,000 x 3/8 = ₹30,000 which is to be contributed by

Retirement or Death of a Partner

X and Z in their Gaining Ratio of 3 : 2 as under: -

$$X = ₹30,000 \times 3/5 = ₹18,000$$

$$Z = ₹30,000 \times 2/5 = ₹12,000$$

X's Capital A/c	Dr.	18,000	
Z's Capital A/c	Dr.	12,000	
To Y's Capital A/c			30,000

SOLUTION : 35 (A).

Dr. REVALUATION ACCOUNT Cr.

Particulars	₹	Particulars	₹
To Furniture	17,500	By Land and Building	10,000
To Provision for Doubtful Debts	500	By Loss transferred to :	
To Provision for Legal Claims	2,500	X's Capital A/c	5,250
		Y's Capital A/c	3,150
		Z's Capital A/c	2,100
	20,500		10,500
			20,500

Dr. PARTNER'S CAPITAL ACCOUNTS Cr.

Particulars	X	Y	Z	Particulars	X	Y	Z
	₹	₹	₹		₹	₹	₹
To Revaluation	5,250	3,150	2,100	By Balance b/d	1,27,000	90,000	71,000
To Z's Capital A/c				By X's Capital A/c			
(Goodwill)	7,500	4,500		(Goodwill)			7,500
To Z's Loan A/c			70,000	By Y's Capital A/c			
To Bank (Balancing Figure)			10,900	(Goodwill)			4,500
To Balance c/d	1,14,250	82,350					
	1,27,000	90,000	83,000		1,27,000	90,000	83,000

BALANCE SHEET (after Z's Retirement) as at March 31, 2016

Liabilities	₹	Assets	₹
Creditors	27,000	Bank (80,000 – 10,900)	69,100
Bills Payable	13,000	Debtors	20,000
Outstanding Rent	22,500	Less: Provision for	
Provision for Legal Claims	60,000	Doubtful Debts	1,000
Z's Loan	70,000	Stock	21,000
Capital A/cs:		Furniture	70,000
X	1,14,250	Land and Building	2,10,000
Y	82,350		
	1,96,600		
	3,89,100		3,89,100

Retirement or Death of a Partner

Working Notes :

Gaining Ratio of X and Y = 5:3

Z's share in goodwill = $60,000 \times \frac{2}{10} = ₹12,000$

which is contributed by X and Y in the ratio of 5 : 3.

SOLUTION : 35 (B).

REVALUATION ACCOUNT			
Dr.			Cr.
Particulars	₹	Particulars	₹
To Provision for Doubtful Debts A/c	12,000	By Furniture and Fittings	4,000
To Stock A/c	30,000	By Loss Transferred to :	
		A	15,200
		B	15,200
		C	7,600
	42,000		38,000
			42,000

CAPITAL ACCOUNTS							
Dr.							Cr.
Particulars	A	B	C	Particulars	A	B	C
	₹	₹	₹		₹	₹	₹
To Revaluation	15,200	15,200	7,600	By Balance b/d	2,00,000	2,00,000	1,00,000
To A's Capital A/c (Goodwill)		13,500	10,500	By Reserve Fund	16,000	16,000	8,000
To A's Loan A/c	1,00,000			By B's Capital A/c (Goodwill)	13,500		
To Bank A/c	1,24,800			By C's Capital A/c (Goodwill)	10,500		
To Balance c/d		1,87,300	89,900				
	2,40,000	2,16,000	1,08,000		2,40,000	2,16,000	1,08,000

BALANCE SHEET OF THE FIRM as at March 31, 2016

Liabilities		₹	Assets		₹
Bank Overdraft		80,000	Sundry Debtors	1,72,000	
Sundry Creditors		20,000	Less: Provision for Doubtful Debts	12,000	
A's Loan A/c		2,800	Stock		1,60,000
Capitals:		1,00,000	Furniture & Fittings		2,70,000
B					50,000
C		1,87,300			
		89,900			
		2,77,200			
		4,80,000			4,80,000

Retirement or Death of a Partner

Working Notes:

(1) Calculation of Gaining Ratio :

$$B: 5/8 - 2/5 = (25 - 16)/40 = 9/40$$

$$C: 3/8 - 1/5 = (15 - 8)/40 = 7/40 \text{ or } 9: 7$$

$$(2) \text{ A's share of Goodwill} = 60,000 \times 2/5 = ₹24,000$$

$$B's \text{ will be debited by } 24,000 \times 9/16 = ₹13,500$$

$$C's \text{ will be debited by } 24,000 \times 7/16 = ₹10,500$$

(3) Calculation of Bank Overdraft :

Bank balance as per Balance Sheet 44,800

Amount required to pay off A 1,24,800

Bank Overdraft 80,000

SOLUTION: 36.

Dr.		REVALUATION ACCOUNT		Cr.	
Particulars	₹	Particulars	₹		
To Provision for doubtful debts	15,000	By Stock	50,000		
To Investments		By Outstanding Expenses	7,000		
(Loss on sale of investments)	30,000				
To Profit transferred to :					
A's Capital A/c	6,000				
B's Capital A/c	4,000				
C's Capital A/c	2,000				
	12,000				
	57,000				57,000

Dr.		CAPITAL ACCOUNTS				Cr.	
Particulars	A	B	C	Particulars	A	B	C
	₹	₹	₹		₹	₹	₹
To C's Capital A/c				By Balance b/d	5,00,000	3,00,000	2,00,000
(Goodwill)	20,000	5,000		By Profit & Loss A/c	75,000	50,000	25,000
To Bank A/c			2,52,000	By Revaluation A/c	6,000	4,000	2,000
To Balance c/d	5,61,000	3,49,000		By A's Capital A/c (Goodwill)			20,000
				By B's Capital A/c			

Retirement or Death of a Partner

				(Goodwill)			5,000
	5,81,000	3,54,000	2,52,000		5,81,000	3,54,000	2,52,000

BALANCE SHEET OF THE FIRM as at 1st March, 2017

Liabilities	₹	Assets	₹
Sundry Creditors	1,20,000	Bank	43,000
Outstanding Expenses	3,000	Debtors	1,65,000
Capital Accounts :		Less: Provision	15,000
A	5,61,000	Stock	3,00,000
B	3,49,000	Fixed Assets	5,40,000
	10,33,000		10,33,000

Working Note:

Dr.	BANK ACCOUNT		Cr.
Particulars	₹	Particulars	₹
To Balance b/d	25,000	By C's Capital A/c	2,52,000
To Investments	2,70,000	By Balance c/d	43,000
	2,95,000		2,95,000

SOLUTION : 37.

Dr.	REVALUATION ACCOUNT		Cr.
Particulars	₹	Particulars	₹
To Provision for Doubtful Debts A/c	1,000	By Plant & Machinery A/c	10,000
To Creditors A/c	3,000		
To Profit transferred to :			
A	3,000		
B	2,000		
C	1,000		
	6,000		
	10,000		10,000

Dr.	CAPITAL ACCOUNTS						Cr.
Particulars	A	B	C	Particulars	A	B	C
	₹	₹	₹		₹	₹	₹
To Profit & Loss A/c	1,500	1,000	500	By Balance b/d	18,000	16,000	10,000
				By Workmen’s Accident Compensation Reserve A/c	1,500	1,000	500
To C’s Capital A/c (Goodwill)	6,000	2,000		By Revaluation A/c	3,000	2,000	1,000
To Balance c/d	15,000	16,000	19,000	By A's Capital A/c (Goodwill)			6,000
				By B’s Capital A/c (Goodwill)			2,000
	22,500	19,000	19,500		22,500	19,000	19,500

Retirement or Death of a Partner

To Cash A/c			19,000	By Balance b/d	15,000	16,000	19,000
To Balance c/d	26,875	23,125		By Cash A/c	11,875	7,125	
	26,875	23,125	19,000		26,875	23,125	19,000

BALANCE SHEET as at April 1, 2014 (after C's retirement)

Liabilities	₹	Assets	₹
Liability for Workmen's Accident Compensation	2,000	Cash in hand	1,000
Trade Creditors	36,000	Trade Debtors	35,000
Capital Accounts:		Less: Provision	3,000
A	26,875	Furniture	15,000
B	23,125	Plant & Machinery	40,000
	88,000		88,000

Hints (1): 'Liability for Workmen's Accident Compensation' amounting to ₹2,000 will be shown on the liabilities side of the new balance sheet and the balance of ₹3,000 will be distributed among all the partners.

(2) Gaining Ratio for adjustment of goodwill =

$$A = 5/8 - 3/6 = (15 - 12)/24 = 3/24$$

$$B = 3/8 - 2/6 = (9 - 8)/24 = 1/24 \text{ or } 3 : 1$$

Adjustment of Capitals

SOLUTION: 38.

Dr.	REVALUATION ACCOUNT			Cr.
Particulars		₹	Particulars	₹
To Stock A/c		500	By Land and Building A/c	5,000
To Provision for Doubtful Debts A/c		150		
To Outstanding Legal Charges A/c		750		
To Profit transferred to Capital A/c :				
	X 1,500			
	Y 1,200			
	Z 900	3,600		
		5,000		5,000

Dr.		CAPITAL ACCOUNTS						Cr.
Particulars	X	Y	Z	Particulars	X	Y	Z	
	₹	₹	₹		₹	₹	₹	
To Y's Capital A/c	1,350		4,050	By Balance b/d	25,000	20,000	15,000	
To Y's Loan A/c		26,600						
To Balance c/d	25,150		11,850	By Revaluation A/c	1,500	1,200	900	

Retirement or Death of a Partner

				By X's Capital A/c (Goodwill)		1,350	
				By Z's Capital A/c (Goodwill)		4,050	
	26,500	26,600	15,900		26,500	26,600	15,900
To Bank A/c	1,150			By Balance b/d	25,150		11,850
To Balance c/d	24,000		24,000	By Bank A/c			12,150
	25,150		24,000		25,150		24,000

BANK ACCOUNT			
Dr.			Cr.
Particulars	₹	Particulars	₹
To Balance b/d	15,600	By X's Capital A/c	1,150
To Z's Capital A/c	12,150	By Balance c/d	26,600
	27,750		27,750

NEW BALANCE SHEET OF THE FIRM			
as at			
Liabilities	₹	Assets	₹
Sundry Creditors	7,000	Cash at Bank	26,600
Outstanding legal charges	750	Sundry Debtors	5,000
Y's Loan	26,600	Less : Provision	250
Capitals :		Stock	9,500
X	24,000	Plant and Machinery	11,500
Z	24,000	Land and Building	30,000
	48,000		
	82,350		82,350

Calculation of Gaining Ratio on Y's retirement:

$$X \text{ Gains} = \frac{1}{2} - \frac{5}{12} = \frac{(6 - 5)}{12} = \frac{1}{12}$$

$$Z \text{ Gains} = \frac{1}{2} - \frac{3}{12} = \frac{(6 - 3)}{12} = \frac{3}{12}$$

$$Y's \text{ share of Goodwill} = 16,200 \times \frac{4}{12} = ₹5,400$$

It will be credited to Y's Capital A/c and debited to X and Z's Capital A/cs in their gaining ratio of 1 : 3.

SOLUTION : 39.

REVALUATION ACCOUNT			
Dr.			Cr.
Particulars	₹	Particulars	₹
To Plant & Machinery	60,000	By Provision for Doubtful Debts	5,000
To Patents	20,000	By Loss transferred to :	
To Stock	15,000	P's Capital A/c	20,000
		Q's Capital A/c	30,000
		R's Capital A/c	40,000
	95,000		90,000
			95,000

Retirement or Death of a Partner

Dr. CAPITAL ACCOUNTS				Cr.			
Particulars	P	Q	R	Particulars	P	Q	R
₹	₹	₹	₹	₹	₹	₹	₹
To Revaluation A/c	20,000	30,000	40,000	By Balance b/d	1,30,000	3,50,000	4,40,000
To P's Capital A/c (Goodwill)		12,000	16,000	By Reserve	10,000	15,000	20,000
To Bank A/c	1,48,000			By Q's Capital A/c (Goodwill)	12,000		
To Balance c/d		3,23,000	4,04,000	By R's Capital A/c (Goodwill)	16,000		
	1,68,000	3,65,000	4,60,000		1,68,000	3,65,000	4,60,000
To Bank A/c (Balancing figure)		23,000	4,000	By Balance b/d		3,23,000	4,04,000
To Balance c/d		3,00,000	4,00,000				
		3,23,000	4,04,000			3,23,000	4,04,000

BALANCE SHEET as at (After P's retirement)

Liabilities	₹	Assets	₹
Creditors Bank	35,000	Plant &	2,40,000
Overdraft Capital	25,000	Machinery	3,85,000
Accounts:		Stock	
Q	3,00,000	Debtors	
R	4,00,000	Less: Provision for	1,50,000
		Bad Debts	15,000
	7,60,000		1,35,000
			7,60,000

Working Notes:

(i) Adjustment of Capitals according to new profit sharing ratio:

Total Capital of the new firm = ₹7,00,000

Hence, Q's Capital in the new firm should be $\frac{3}{7}$ of 7,00,000

Q's existing Capital ₹
3,00,000
 Hence Q will be returned 3,23,000
23,000

(ii) R's Capital in the new firm should be $\frac{4}{7}$ of 7,00,000

R's existing Capital 4,00,000
 Hence, R will be returned 4,04,000
4,000

(iii) Calculation of Bank Balance is as follows :

Retirement or Death of a Partner

		₹
Bank Opening Balance		1,50,000
Less : Paid to P	1,48,000	
Paid to Q	23,000	
Paid to R	4,000	1,75,000
Bank Closing Balance (Overdraft)		25,000

SOLUTION : 40.

Dr.		REVALUATION ACCOUNT		Cr.	
Particulars	₹	Particulars	₹		
To Machinery A/c	1,00,000	By Land and Building A/c	3,80,000		
To Stock A/c	50,000	By Sundry Creditors	65,000		
To Provision for Doubtful Debts A/c	35,000				
To Profit transferred to :					
Saman's Capital A/c	74,286				
Harish's Capital A/c	1,11,428				
Meeta's Capital A/c	74,286				
	2,60,000				
	4,45,000				4,45,000

Dr.		PARTNERS' CAPITAL ACCOUNTS				Cr.	
Particulars	Saman	Harish	Meeta	Particulars	Saman	Harish	Meeta
	₹	₹	₹		₹	₹	₹
To Harish's Capital A/c(2)	1,76,000	—	64,000	By Balance b/d	10,00,000	15,00,000	10,00,000
To Bills Payable A/c	—	22,11,428	—	By Revaluation A/c	74,286	1,11,428	74,286
To Balance b/d(3)	21,00,000		14,00,000	By Workmen Compensation Reserve A/c	2,40,000	3,60,000	2,40,000
				By Saman's Capital A/c (Goodwill)	—	1,76,000	—
				By Meeta's Capital A/c (Goodwill)	—	64,000	—
				By Saman's			

Retirement or Death of a Partner

				Current A/c (Bal. Fig.)	9,61,714		
				By Meeta's Current A/c (Bal. Fig.)			1,49,714
	22,76,000	22,11,428	14,64,000		22,76,000	22,11,428	14,64,000

BALANCE SHEET OF NEW FIRM as at 31st March, 2015

Liabilities	₹	Assets	₹
Sundry Creditors (₹5,10,000 – ₹65,000)	4,45,000	Land and Building	22,80,000
Bills Payable	22,11,428	Machinery	4,00,000
Capitals: Saman 21,00,000		Furniture	7,70,000
Meeta 14,00,000	35,00,000	Closing Stock	4,50,000
		Sundry Debtors 7,00,000	
		Less: Provision for	
		Doubtful Debts 35,000	6,65,000
		Cash	4,80,000
		Saman's Current A/c (Dr. Bal.)	9,61,714
		Meeta's Current A/c (Dr. Bal.)	1,49,714
	61,56,428		61,56,428

Working Notes :

(1) Calculation of Gaining Ratio :

Gaining Ratio = New share - Old share

Saman's Gain = $3/5 - 2/7 = (21 - 10)/35 = 11/35$

Meeta's Gain = $2/5 - 2/7 = (14 - 10)/35 = 4/35$

Gaining Ratio = $11/35 : 4/35$ or $11 : 4$

(2) Harish's Share of Goodwill ₹5,60,000 x $3/7$ = ₹2,40,000.

It is adjusted between Saman and Meeta in their gaining ratio of $11 : 4$ as under :

Saman = ₹2,40,000 x $11/15$ = ₹1,76,000

Meeta = ₹2,40,000 x $4/15$ = ₹64,000

(3) Total Capital of the new Firm = ₹35,00,000

Saman's Capital in the new firm = ₹35,00,000 x $3/5$ = ₹21,00,000

Meeta's Capital in the new firm = ₹35,00,000 x $2/5$ = ₹14,00,000

SOLUTION : 41.

Total Capital of Ajay and Sanjay

after all adjustments = ₹2,00,000 + ₹1,00,000 = ₹3,00,000

This Capital should be in their profit sharing ratio i.e. $5 : 3$.

Therefore, Ajay's Capital in the new firm should be = $3,00,000 \times 5/8$ = ₹1,87,500

Sanjay's Capital in the new firm should be = $3,00,000 \times 3/8$ = ₹1,12,500

Retirement or Death of a Partner

Hence, Cash to be withdrawn by Ajay = ₹2,00,000 – ₹1,87,500 = ₹12,500

Cash to be brought in by Sanjay = ₹1,12,500 – ₹1,00,000 = ₹12,500

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Date	Particulars	L.F.	Dr.(₹)	Cr.(₹)
	Ajay's Capital A/c Dr. To Bank A/c (Amount withdrawn by Ajay to bring his capital to profit sharing ratio)		12,500	12,500
	Bank A/c Dr. To Sanjay's Capital A/c (Amount brought in by Sanjay to raise his capital to profit sharing ratio)		12,500	12,500

SOLUTION : 42.

New ratio of Y and Z after X's retirement 2 : 1

₹

Y's Capital in the new firm should be : $2,10,000 \times \frac{2}{3} = 1,40,000$

Y's existing Capital 1,45,000

Hence, Cash to be withdrawn by Y 5,000

₹

Z's Capital in the new firm should be : $2,10,000 \times \frac{1}{3} = 70,000$

Z's existing Capital 63,000

Hence, Cash to be brought in by Z 7,000

SOLUTION : 43.

Dr. REVALUATION ACCOUNT Cr.

Particulars	₹	Particulars	₹
To Machinery A/c	1,80,000	By Land and Building A/c	1,20,000
To Bad Debts A/c (Note 1)	15,000	By Loss transferred to :	
		Kusum's Capital A/c 21,429	
		Sneh's Capital A/c 32,143	
		Usha's Capital A/c 21,428	75,000
	<u>1,95,000</u>		<u>1,95,000</u>

Dr. PARTNER'S CAPITAL ACCOUNTS Cr.

Particulars	Kusum	Sneh	Usha	Particulars	Kusum	Sneh	Usha
	₹	₹	₹		₹	₹	₹
To Revaluation A/c (Loss)	21,429	32,143	21,428	By Balance b/d	4,00,000	6,00,000	4,00,000
To Kusum's Capital A/c				By Workmen compensation reserve	4,286	6,428	4,286

Retirement or Death of a Partner

(Goodwill)	—	—	80,000	By Usha's			
To Bank A/c	1,00,000	—	—	Capital A/c	80,000	—	—
To Kusum's				(Goodwill)			
Loan A/c	3,62,857	—	—				
To Balance c/d	—	5,74,285	3,02,858				
	4,84,286	6,06,428	4,04,286		4,84,286	6,06,428	4,04,286
To Balance c/d		6,00,000	8,00,000	By Balance b/d		5,74,285	3,02,858
				By Bank A/c			
				(Bal. Fig.)		25,715	4,97,142
		6,00,000	8,00,000			6,00,000	8,00,000

Balance Sheet of the New Firm as at 31st March, 2009

Liabilities	₹	Assets	₹
Capitals :		Land and Building	5,20,000
Sneh 6,00,000		Machinery	4,20,000
Usha 8,00,000	14,00,000	Closing Stock	2,00,000
Kusum's Loan A/c	3,62,857	Sundry Debtors	1,85,000
Employees Provident Fund	70,000	Cash at Bank (Note 4)	6,22,857
Workmen Compensation Claim	15,000		
Sundry Creditors	1,00,000		
	19,47,857		19,47,857

Working Notes :

1. Entries for Bad Debts :

Bad Debts A/c	Dr.	35,000	
To Sundry Debtors			35,000

Provision for Doubtful Debts	Dr.	20,000	
Revaluation A/c	Dr.	15,000	
To Bad Debts A/c			35,000

2. Kusum's share of Goodwill = ₹2,80,000 x 4/14 = ₹80,000

Kusum's share of Goodwill will be contributed by Sneha and Usha in their gaining ratio. Only Usha is a gaining partner, so only she will contribute towards Kusum's share of goodwill.

Gaining Ratio = New Ratio - Old Ratio

Sneh's Gain = $3/7 - 3/7 = \text{NIL}$

Usha's Gain = $\frac{4}{7} - \frac{2}{7} = \frac{2}{7}$

3. Total Capital of the firm before the retirement of Kusum

as per the Opening Balance Sheet = ₹4,00,000 + ₹6,00,000 + ₹4,00,000 = ₹14,00,000

Sneh's Capital in the New Firm = ₹14,00,000 x 3/7 = ₹6,00,000

Usha's Capital in the New Firm = ₹14,00,000 x 4/7 = ₹8,00,000

Retirement or Death of a Partner

4.

BANK ACCOUNT			
Dr.			Cr.
Particulars	₹	Particulars	₹
To Balance b/d	2,00,000	By Kusum's Capital A/c	1,00,000
To Sneha's Capital A/c	25,715	By Balance c/d	6,22,857
To Usha's Capital A/c	4,97,142		
	7,22,857		7,22,857

Retirement and Settlement of Loan

SOLUTION : 44.

REVALUATION ACCOUNT			
Dr.			Cr.
Particulars	₹	Particulars	₹
To Workmen's Compensation Claim A/c	6,000	By Provision for Bad and Doubtful Debts A/c	1,000
To Investment A/c(1)	15,000	By Loss transferred to :	
		Lalit's Capital A/c	10,000
		Madhur's Capital A/c	6,000
		Neena's Capital A/c	4,000
	21,000		21,000

PARTNERS' CAPITAL ACCOUNTS							
Dr.							Cr.
Particulars	Lalit	Madhur	Neena	Particulars	Lalit	Madhur	Neena
	₹	₹	₹		₹	₹	₹
To Revaluation A/c (Loss)	10,000	6,000	4,000	By Balance b/d	50,000	40,000	25,000
To Profit and Loss A/c	5,000	3,000	2,000	By Lalit's Capital A/c(2)			
To Goodwill A/c	10,000	6,000	4,000	(Goodwill)	—	10,929	—
To Madhur's Capital A/c	10,929	—	4,371	By Neena's Capital A/c(2)			
To Cash A/c	—	10,300	—	(Goodwill)	—	4,371	—
To Madhur's Loan A/c (Bal. Fig.)	—	30,000	—				
To Balance c/d	14,071	—	10,629				
	50,000	55,300	25,000		50,000	55,300	25,000

MADHUR'S LOAN ACCOUNT					
Dr.					Cr.
Date	Particulars	₹	Date	Particulars	₹
2013			2013		
Mar. 31	To Balance c/d	30,000	Mar. 31	By Madhur's Capital A/c	30,000

Retirement or Death of a Partner

2014			2013		
Mar. 31	To Cash A/c	18,600	April 1	By Balance b/d	30,000
Mar. 31	To Balance c/d	15,000	2014 Mar. 31	By Interest A/c	3,600
		33,600			33,600
2015			2014		
Mar. 31	To Cash A/c	16,800	April 1	By Balance b/d	15,000
			2015 Mar. 31	By Interest A/c	1,800
		16,800			16,800

Working Notes :

1. Investment Fluctuation Fund A/c Dr. 10,000
 Revaluation A/c Dr. 15,000
 To Investments A/c 25,000

2. Madhur's share of Goodwill = $51,000 \times \frac{3}{10} = ₹15,300$, which is adjusted between Lalit and Neena in their gaining ratio of 5 : 2.

SOLUTION : 45.

Dr. REVALUATION ACCOUNT Cr.			
Particulars	₹	Particulars	₹
To Stock A/c	2,500	By Land and Buildings A/c	3,000
To Provision for Doubtful Debts A/c	500	By Creditors A/c	800
To Plant and Machinery A/c	1,500	By Loss transferred to :	
To Workmen's Compensation A/c	500	G	600
		K	400
		W	200
	5,000		1,200
			5,000

Dr. CAPITAL ACCOUNTS Cr.							
Particulars	G	K	W	Particulars	G	K	W
	₹	₹	₹		₹	₹	₹
To Revaluation A/c	600	400	200	By Balance b/d	22,000	13,000	9,000
To Goodwill A/c	3,750	2,500	1,250	By General Reserve	6,000	4,000	2,000
To G's Capital A/c	—	5,000	2,500	By K's Capital A/c	5,000		
To Balance c/d	31,150	9,100	7,050	By W's Capital A/c	2,500		
	35,500	17,000	11,000		35,500	17,000	11,000
To Bank A/c	13,150			By Balance b/d	31,150	9,100	7,050
To G's Loan A/c	18,000			By Bank A/c		10,900	7,950
To Balance c/d		20,000	15,000				
	31,150	20,000	15,000		31,150	20,000	15,000

Retirement or Death of a Partner

Note : 4 : 3 is not the new profit sharing ratio. Only the Capital of the new firm amounting to ₹35,000 is to be adjusted in this ratio.

BALANCE SHEET as at April 1, 2010 (after G's retirement)

Liabilities	₹	Assets	₹
Workmen's Compensation	500	Bank Balance	
Bills Payable	4,000	(10,900 + 7,950 – 13,150)	5,700
Sundry Creditors	9,200	Sundry Debtors	12,000
G's Loan	18,000	Less: Provision	500
Capital Accounts :		Stock	11,500
K 20,000		Motor Vehicle	10,000
W 15,000	35,000	Plant and Machinery	5,000
		Land and Buildings	16,500
	66,700		18,000
			66,700

G'S LOAN ACCOUNT					
Dr.			Cr.		
Date	Particulars	₹	Date	Particulars	₹
2011			2010		
31st March	To Bank A/c		1st April	By G's Capital A/c	18,000
	(6,000 + 2,160)	8,160	2011		
31st March	To Balance c/d	12,000	31st March	By Interest on	
				₹18,000 @ 12% p.a.	2,160
		20,160			20,160
2012			2011		
31st March	To Bank A/c		1st April	By Balance b/d	12,000
	(6,000 + 1,440)	7,440	2012		
31st March	To Balance c/d	6,000	31st March	By Interest on	
				₹12,000 @ 12% p.a.	1,440
		13,440			13,440
2013			2012		
31st March	To Bank A/c	6,720	1st April	By Balance b/d	6,000
			2013		
			31st March	By Interest on	
				₹6,000 @ 12% p.a.	720
		6,720			6,720

Retirement or Death of a Partner

SOLUTION: 46 (A).

Dr. REVALUATION ACCOUNT		Cr.	
Particulars	₹	Particulars	₹
To Stock A/c	2,300	By Loss transferred to Capital	
To Furniture A/c	500	Accounts :	
To Machinery A/c	750	X	4,200
To Building A/c	4,000	Y	2,800
To Provision for Doubtful		Z	1,400
Debts A/c	850		8,400
	8,400		8,400

Dr. X's CAPITAL ACCOUNT		Cr.	
Particulars	₹	Particulars	₹
To Revaluation A/c	4,200	By Balance b/d	40,000
To Bank A/c	11,050	By Reserve Fund A/c	750
To X's Loan A/c	30,000	By P & L A/c	1,500
(Balancing Figure)		By Y's Capital A/c	2,000
		By Z's Capital A/c	1,000
	45,250		45,250

Note : X's share of goodwill = $6,000 \times \frac{1}{2} = ₹3,000$. It will be adjusted to the Capital Accounts of Y and Z in their gaining ratio of 2 : 1.

Dr. X's LOAN ACCOUNT Cr.

Date	Particulars	₹	Date	Particulars	₹
2012			2011		
March 31	To Bank A/c		April 1	By X's Capital A/c	30,000
	(₹10,000 + ₹1,500)	11,500	2012		
March 31	To Balance c/d	20,000	March 31	By Interest A/c	
				(5% on ₹30,000)	1,500
		31,500			31,500
2013			2012		
March 31	To Bank A/c		April 1	By Balance b/d	20,000
	(₹10,000 + ₹1,000)	11,000	2013		
March 31	To Balance c/d	10,000	March 31	By Interest A/c	
				(5% on ₹20,000)	1,000
		21,000			21,000
2014			2013		
March 31	To Bank A/c	10,500	April 1	By Balance b/d	10,000
			2014		
			March 31	By Interest A/c	
				(5% on ₹10,000)	500

Retirement or Death of a Partner

		10,500		10,500
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SOLUTION : 46 (B).

JOURNAL ENTRIES

Date	Particulars	L.F.	Dr.(₹)	Cr.(₹)
2012 March 31	Reserve A/c Dr.		3,000	
	To P's Capital A/c			1,500
	To Q's Capital A/c			900
	To R's Capital A/c			600
	(Transfer of reserve)			
	Fixed Assets A/c Dr.		5,000	
	To Revaluation A/c			5,000
	(Increase in the value of fixed assets)			
	Revaluation A/c Dr.		1,000	
	To Stock A/c			1,000
	(Decrease in the value of stock)			
	Revaluation A/c Dr.		4,000	
	To P's Capital A/c			2,000
	To Q's Capital A/c			1,200
	To R's Capital A/c			800
	(Transfer of profit on revaluation)			
	P's Capital A/c Dr.		1,900	
	R's Capital A/c Dr.		3,800	
	To Q's Capital A/c			5,700
	(Q's share of goodwill debited to continuing partners in the gaining ratio of 1 : 2)			
	Bank A/c Dr.		17,800	
	To P's Capital A/c			5,400
	To R's Capital A/c			12,400
	(Amount brought in by P and R to raise their capitals to profit sharing ratio)			
	Q's Capital A/c Dr.		17,800	
	To Bank			17,800
	(Payment made to Q)			

Dr.				Cr.			
Particulars	P	Q	R	Particulars	P	Q	R
	₹	₹	₹		₹	₹	₹
To Q's Capital A/c				By Balance b/d	20,000	10,000	8,000
(Goodwill)	1,900		3,800	By Reserve A/c	1,500	900	600
To Balance c/d	21,600	17,800	5,600	By Revaluation A/c	2,000	1,200	800

Retirement or Death of a Partner

				By P's Capital A/c (Goodwill)		1,900	
				By R's Capital A/c (Goodwill)		3,800	
	23,500	17,800	9,400		23,500	17,800	9,400
To Bank A/c		17,800		By Balance b/d	21,600	17,800	5,600
To Balance c/d	27,000		18,000	By Bank A/c	5,400		12,400
	27,000	17,800	18,000		27,000	17,800	18,000

BALANCE SHEET OF THE FIRM (After Q's Retirement) as at 31st March, 2012

Liabilities		₹	Assets	₹
Sundry Creditors		5,300	Cash at Bank	2,000
Expenses Outstanding		700	Book Debts	9,000
Capitals :			Stock	10,000
P	27,000		Fixed Assets	30,000
R	18,000	45,000		
		51,000		51,000

Working Notes :

(1) Gaining Ratio = New Ratio - Old Ratio

P Gains = $3/5 - 5/10 = (6 - 5)/10 = 1/10$

R Gains = $2/5 - 2/10 = (4 - 2)/10 = 2/10$

Thus, Gaining Ratio = 1: 2

(2) Total Capital of the new firm = ₹21,600 + ₹17,800 + ₹5,600 = ₹45,000

P's Capital in the new firm = ₹45,000 × 3/5 = ₹27,000

R's Capital in the new firm = ₹45,000 × 2/5 = ₹18,000

Cash brought in by P = ₹27,000 – ₹21,600 = ₹5,400

Cash brought in by R = ₹18,000 – ₹5,600 = ₹12,400

SOLUTION : 47. (i)

Dr.			R's LOAN A/C		Cr.
Date	Particulars	₹	Date	Particulars	₹
1st year at the end	To Bank		1st year Beginning	By R's Capital A/c	3,00,000
	(60,000 + 45,000)	1,05,000			
at the end	To Balance c/d	2,40,000	at the end	By Interest (on ₹3,00,000 @ 15%)	45,000
		3,45,000			3,45,000
IIInd year at the end	To Bank		IIInd year Beginning	By Balance b/d	2,40,000

Retirement or Death of a Partner

at the end	(60,000 + 36,000)	96,000	at the end	By Interest (on	
	To Balance c/d	1,80,000		₹2,40,000 @ 15%)	36,000
		2,76,000			2,76,000
IIIrd year			IIIrd year		
at the end	To Bank		Beginning	By Balance b/d	1,80,000
	(60,000 + 27,000)	87,000	at the end	By Interest (on	
at the end	To Balance c/d	1,20,000		₹1,80,000 @ 15%)	27,000
		2,07,000			2,07,000
IVth year			IVth year		
at the end	To Bank		Beginning	By Balance b/d	1,20,000
	(60,000 + 18,000)	78,000	at the end	By Interest (on	
at the end	To Balance c/d	60,000		₹1,20,000 @ 15%)	18,000
		1,38,000			1,38,000
Vth year			Vth year		
at the end	To Bank	69,000	Beginning	By Balance b/d	60,000
			at the end	By Interest (on	
				₹60,000 @ 15%)	9,000
		69,000			69,000

(ii)

Dr.			R's LOAN A/C			Cr.	
Date	Particulars	₹	Date	Particulars	₹		
1st year			1st year				
at the end	To Bank	1,00,000	Beginning	By R's Capital A/c	3,00,000		
at the end	To Balance c/d	2,45,000	at the end	By Interest (on			
				₹3,00,000 @ 15%)	45,000		
		3,45,000			3,45,000		
IIInd year			IIInd year				
at the end	To Bank	1,00,000	Beginning	By Balance b/d	2,45,000		
at the end	To Balance c/d	1,81,750	at the end	By Interest (on			
				₹2,45,000 @ 15%)	36,750		
		2,81,750			2,81,750		
IIIrd year			IIIrd year				
at the end	To Bank	1,00,000	Beginning	By Balance b/d	1,81,750		
at the end	To Balance c/d	1,09,013	at the end	By Interest (on			
				₹1,81,750 @ 15%)	27,263		
		2,09,013			2,09,013		
IVth year			IVth year				
at the end	To Bank	1,00,000	Beginning	By Balance b/d	1,09,013		
at the end	To Balance c/d	25,365	at the end	By Interest (on			
				₹1,09,013 @ 15%)	16,352		

Retirement or Death of a Partner

Vth year at the end	To Bank	1,25,365	Vth year Beginning at the end	By Balance b/d By Interest (on ₹25,365 @ 15%)	1,25,365
		29,170			25,365
		29,170			3,805
					29,170

SOLUTION : 48.

REVALUATION A/C			
Dr.	₹	Cr.	₹
To Building A/c	1,00,000	By Land A/c	1,20,000
To Furniture A/c	20,000	By Loss transferred to Partners' Capital A/cs	
To Provision for Doubtful Debts A/c	5,000	Kushal	3,000
		Kumar	1,000
		Kavita	1,000
	1,25,000		5,000
			1,25,000

PARTNERS' CAPITAL A/CS							
Dr.	Kushal	Kumar	Kavita	Cr.	Kushal	Kumar	Kavita
Particulars	₹	₹	₹	Particulars	₹	₹	₹
To Revaluation A/c	3,000	1,000	1,000	By Balance b/d	3,00,000	2,80,000	3,00,000
To Kavita's Capital A/c (Goodwill)	6,000	2,000	—	By General Reserve A/c	72,000	24,000	24,000
To Cash A/c	—	—	33,100	By Kushal's Capital A/c (Goodwill)	—	—	6,000
To Kavita's Loan A/c	—	—	2,97,900	By Kumar's Capital A/c (Goodwill)	—	—	2,000
To Balance c/d	3,63,000	3,01,000			3,72,000	3,04,000	3,32,000
	3,72,000	3,04,000	3,32,000				
To Kumar's Current A/c		1,35,000		By Balance b/d	3,63,000	3,01,000	
To Balance c/d	4,98,000	1,66,000		By Kushal's Current A/c	1,35,000		
	4,98,000	3,01,000			4,98,000	3,01,000	

BALANCE SHEET OF RECONSTITUTED FIRM as at 1st April. 2012

Liabilities	₹	Assets	₹
Creditors	1,20,000	Cash	36,900
B/P	1,80,000	Debtors	2,00,000
Kavita's Loan A/c	2,97,900	Less : Provision	15,000
			1,85,000

Retirement or Death of a Partner

Capital A/cs :		Stock	2,20,000
Kushal 4,98,000		Furniture	1,00,000
Kumar 1,66,000	6,64,000	Building	2,00,000
Kumar's Current A/c	1,35,000	Land	5,20,000
		Kushal's Current A/c	1,35,000
	13,96,900		13,96,900

Working Notes:

Adjustment of Capital:

Total Capital of Kushal and Kumar = ₹3,63,000 + ₹3,01,000 = ₹6,64,000

Kushal's Capital should be = $6,64,000 \times \frac{3}{4} = ₹4,98,000$

Kumar's Capital should be = $6,64,000 \times \frac{1}{4} = ₹1,66,000$

	Kushal ₹	Kumar ₹
Capital required in the new firm	4,98,000	1,66,000
Less : Existing balance in Capital Accounts	3,63,000	3,01,000
Amount transferred to Current Accounts	1,35,000 (Dr.)	1,35,000 (Cr.)

SOLUTION : 49.

Calculation of new capital :

Balance in A's Capital Account 1,90,000

Balance in C's Capital Account 80,000

Amount payable to B 1,50,000

Total Capital of new firm 4,20,000

New Ratio of A and C = 5 : 2

A's new capital = $₹4,20,000 \times \frac{5}{7} = ₹3,00,000$

C's new capital = $₹4,20,000 \times \frac{2}{7} = ₹1,20,000$

Amount to be brought in by A and C :

	A(₹)	B(₹)
Capital required	3,00,000	1,20,000
Less : Existing Capital	1,90,000	80,000
Amount to be brought in	1,10,000	40,000

JOURNAL

Date	Particulars	L.F.	Dr.(₹)	Cr.(₹)
	Bank A/c Dr.		1,50,000	
	To A's Capital A/c			1,10,000
	To C's Capital A/c			40,000
	(Amount brought in by A and C)			
	B's Capital A/c Dr.		1,50,000	

Retirement or Death of a Partner



To Bank A/c (Amount paid off to B)			1,50,000
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SOLUTION : 50.

JOURNAL

Date	Particulars	L.F.	Dr.(₹)	Cr.(₹)
	P's Capital A/c Dr.		6,000	
	Q's Capital A/c Dr.		4,000	
	R's Capital A/c Dr.		2,000	
	To Goodwill A/c (Goodwill appearing in the books written off on R's retirement)			12,000
	P's Capital A/c Dr.		3,000	
	Q's Capital A/c Dr.		2,000	
	To R's Capital A/c (R's share of goodwill debited to P and Q in gaining ratio of 3 :2)			5,000
	Bank A/c Dr.		15,000	
	To P's Capital A/c			5,000
	To Q's Capital A/c (Amount brought in by P and Q)			10,000
	R's Capital A/c Dr.		21,000	
	To Bank A/c (Amount paid off to R)			21,000

Dr.				Cr.			
CAPITAL ACCOUNTS							
Particulars	P	Q	R	Particulars	P	Q	R
	₹	₹	₹		₹	₹	₹
To Goodwill A/c	6,000	4,000	2,000	By Balance b/d	40,000	20,000	18,000
To R's Capital A/c	3,000	2,000		By P's Capital A/c			3,000
To Balance c/d	31,000	14,000	21,000	By Q's Capital A/c			2,000
	40,000	20,000	23,000		40,000	20,000	23,000
To Bank A/c			21,000	By Balance b/d	31,000	14,000	21,000
To Balance c/d	36,000	24,000		By Bank A/c	5,000	10,000	
	36,000	24,000	21,000		36,000	24,000	21,000

OPENING BALANCE SHEET

as at.

Liabilities	₹	Assets	₹
Creditors	14,000	Bank	4,000
Capitals : P 36,000		Other Assets	70,000

Retirement or Death of a Partner

Q	24,000	60,000		
		74,000		74,000

Total Capital of the new firm after R's retirement should be :

₹

Amount required to pay off R	21,000
Add: Existing Capital of P	31,000
Add: Existing Capital of Q	14,000
Add: Cash required as working capital	4,000
	<u>70,000</u>
Less : Cash at Bank (existing in Balance Sheet)	<u>10,000</u>
Total Capital of the new firm	60,000

This Capital should be in the new profit sharing ratio of P and Q

Therefore P's new Capital should be = $60,000 \times \frac{3}{5} = ₹36,000$

Q's new Capital should be = $60,000 \times \frac{2}{5} = ₹24,000$

Amount to be brought in P and Q :

	P	Q
	₹	₹
Capital required	36,000	24,000
Less : Existing Capital	<u>31,000</u>	<u>14,000</u>
Amount to be brought in	5,000	10,000

SOLUTION : 51.

Dr. REVALUATION ACCOUNT Cr.

Particulars	₹	Particulars	₹
To Furniture	8,000	By Provision for Bad & Doubtful Debts	500
To Outstanding Rent	1,500	By Land & Building	12,000
To Profit on revaluation :			
A	1,000		
B	1,000		
C	1,000		
	<u>3,000</u>		
	12,500		12,500

Dr. CAPITAL ACCOUNTS Cr.

Particulars	A	B	C	Particulars	A	B	C
	₹	₹	₹		₹	₹	₹
To B's Capital A/c				By Balance b/d	60,000	40,000	32,000
(Goodwill)	15,360		3,840	By General Reserve A/c	10,000	10,000	10,000
To Bal. c/d	57,640	72,200	41,160	By P & L A/c	2,000	2,000	2,000

Retirement or Death of a Partner

				By Revaluation	1,000	1,000	1,000
				By A's Capital A/c			
				(Goodwill)		15,360	
				By C's Capital A/c			
				(Goodwill)		3,840	
	73,000	72,200	45,000		73,000	72,200	45,000
To Bank A/c		72,200		By Balance b/d	57,640	72,200	41,160
To Balance c/d	1,05,480		70,320	By Bank A/c	47,840		29,160
	1,05,480	72,200	70,320		1,05,480	72,200	70,320

BALANCE SHEET (After B's Retirement) as at 1st April, 2017

Liabilities		₹	Assets		₹
B/P		20,000	Bank		24,800
Creditors		40,000	Stock		20,000
Outstanding Rent		1,500	Furniture		20,000
Capitals :			Debtors	45,000	
A	1,05,480		Less: Provision	4,500	40,500
C	70,320	1,75,800	Land & Building		1,32,000
		2,37,300			2,37,300

Working Notes :

(1) Calculation of Gaining Ratio :

Gaining Ratio = New Ratio - Old Ratio

$$A = 3/5 - 1/3 = (9 - 5)/15 = 4/15$$

$$C = 2/5 - 1/3 = (6 - 5)/15 = 1/15$$

Gaining Ratio = 4:1

(2) Adjustment for Goodwill:

B's share in Goodwill = $57,600 \times 1/3 = ₹19,200$, which is to be contributed by A and C in their gaining ratio of 4 : 1 as under :

$$A = 19,200 \times 4/5 = ₹15,360$$

$$C = 19,200 \times 1/5 = ₹3,840$$

(3) Calculation of Proportionate Capital:

Total Capital of the new firm after B's retirement should be:

	₹
Amount required to pay off B	72,200
Add: Existing balance in A's Capital Account	57,640
Add: Existing balance in C's Capital Account	41,160
Add: Required Cash balance	24,800
	1,95,800

Retirement or Death of a Partner

Less : Bank, balance (Existing in Balance Sheet)	20,000
Total Capital of the new firm	<u>1,75,800</u>

This Capital should be in the new profit sharing ratio of A and C :

Hence, A's new Capital should be $1,75,800 \times \frac{3}{5} = ₹1,05,480$

C's new Capital should be $1,75,800 \times \frac{2}{5} = ₹70,320$

	A ₹	C ₹
Capital required in the new firm	1,05,480	70,320
Less : Existing Balance in Capital Account	<u>57,640</u>	<u>41,160</u>
Amount to be brought in	47,840	29,160

SOLUTION : 52.

Amount agreed to be paid in full settlement 2,40,000

Less : Y's Capital (after all adjustments)	<u>2,00,000</u>
Hidden Goodwill	<u>40,000</u>

JOURNAL

Date	Particulars	L.F.	Dr.(₹)	Cr.(₹)
	X's Capital A/c Dr.		10,000	
	Z's Capital A/c Dr.		30,000	
	To Y's Capital A/c			40,000
	(Y's share of goodwill adjusted to the capital accounts of X and Z in their gaining ratio 1 : 3)			

Calculation of Gaining Ratio :

X Gains = $\frac{1}{2} - \frac{4}{9} = \frac{(9 - 8)}{18} = \frac{1}{18}$

Z Gains = $\frac{1}{2} - \frac{3}{9} = \frac{(9 - 6)}{18} = \frac{3}{18}$

Thus, Gaining Ratio = $\frac{1}{18} : \frac{3}{18}$ or 1 : 3

Death of a Partner

SOLUTION : 53.

Average Profit = $(₹40,000 + ₹50,000 + ₹72,000) \div 3 = ₹54,000$.

Five month's profit, i.e., from 1st April, 2011 to 31st August, 2011
= $₹54,000 \times \frac{5}{12} = ₹22,500$.

Share of B till his death = $₹22,500 \times \frac{1}{3} = ₹7,500$.

Retirement or Death of a Partner

JOURNAL ENTRY

Date	Particulars	L.F.	Dr.(₹)	Cr.(₹)
2011 Aug. 31	Profit and Loss Suspense A/c Dr. To B's Capital A/c (B's share of profit till the date of his death)		7,500	7,500

SOLUTION : 54.

Working Notes :

(i) Mohan's share of Goodwill = ₹75,000 x 2/5 = ₹30,000. It will be debited to the Capital accounts of Hari and Sohan in their gaining ratio, i.e. 2 : 1.

(ii) Number of days from March 31 to August 24 = 146

Mohan's share of Profit = ₹2,00,000 x 146/365 = ₹32,000.

JOURNAL

Date	Particulars	L.F.	Dr.(₹)	Cr.(₹)
24.8.17	Hari's Capital A/c Dr.		20,000	
(i)	Sohan's Capital A/c Dr.		10,000	
	To Mohan's Capital A/c (Mohan's share of goodwill adjusted into the Capital A/cs of Hari and Sohan in their gaining ratio, i.e. 2:1)			30,000
(ii)	Profit and Loss Suspense A/c Dr.		32,000	
	To Mohan's Capital A/c (Mohan's share of profit upto 24th August 2017)			32,000

SOLUTION : 55.

Profit from 1st April 2011 to 31st December, 2011 on the basis of sales:

If sales are ₹4,00,000, profit is ₹60,000

If sales are ₹3,30,000 profit will be: (60,000/4,00,000) x 3,30,000 = ₹49,500

A's share will be = ₹49,500 x 4/9 = ₹22,000.

SOLUTION : 56.

Dr. SINDHU'S CAPITAL ACCOUNT Cr.

Particulars	₹	Particulars	₹
To Sindhu's Loan A/c	20,000	By Balance b/d	1,20,000
To Sindhu's Executor's A/c	1,75,900	By General Reserve	3,000
		By Rahul's Capital A/c (Note 1)	20,571
		By Kamlesh's Capital A/c (Note 1)	27,429
		By Profit & Loss Suspense A/c	

Retirement or Death of a Partner

		(Note 2)	22,500
		By Interest on Capital	2,400
	1,95,900		1,95,900

Value being highlighted — Support/Sympathy towards orphan girls.

Working Notes :

(1) Calculation of Goodwill:

Goodwill = 2 year's purchase of average profit of the last three years = $2 \times ₹80,000 = ₹1,60,000$

Sindhu's Share of Goodwill = $₹1,60,000 \times 3/10 = ₹48,000$

Sindhu's Share of Goodwill will be debited to Rahul & Kamlesh in their gaining ratio i.e. 3 : 4

Rahul's contribution = $48,000 \times 3/7 = 20,571$

Kamlesh's contribution = $48,000 \times 4/7 = 27,429$

(2) Sindhu's Share of Profit:

%Profit on sales = $(\text{Profit}/\text{Sales}) \times 100 = (₹2,00,000/₹8,00,000) \times 100 = 25\%$

Profit from 1st April to 31st July = $₹3,00,000 \times 25/100 = ₹75,000$

Sindhu's Share of profit to the date of death = $₹75,000 \times 3/10 = ₹22,500$

SOLUTION : 57.

(i) Calculation of Gaining Ratio :

$B = 7/10 - 3/10 = 4/10$

$C = 3/10 - 2/10 = 1/10$

Thus Gaining Ratio = 4:1

(ii) Valuation of Goodwill:

Total Profit = $8,000 + 12,000 + 7,000 = ₹27,000$

Average Profit = $27,000 \div 3 = ₹9,000$

Hence, Goodwill at four year's purchase = $9,000 \times 4 = ₹36,000$

A's share of Goodwill = $36,000 \times 5/10 = ₹18,000$

It will be adjusted into the Capital accounts of B and C in the gaining ratio of 4 : 1.

(iii) Share of Profit payable to A (Upto the date of death):

$7,000 \times 6/12 \times 5/10 = ₹1,750$

It will be debited to B and C in their gaining ratio of 4 : 1. It should not be debited to Profit & Loss Suspense A/c because profit sharing ratio between B and C has changed from 3 : 2 to 7 : 3.

A'S CAPITAL ACCOUNT			
Dr.			Cr.
Particulars	₹	Particulars	₹
To Advertisement Suspense A/c (8,000 x 5/10)	4,000	By Balance b/d	24,000
To A's Executor's A/c	44,190	By Reserves (6,000 x 5/10)	3,000
		By Interest on Capital (24,000 x 12/100 x 6/12)	1,440
		By B's Capital A/c (Goodwill) (18,000 x 4/5)	14,400
		By C's Capital A/c (Goodwill)	

Retirement or Death of a Partner

	(18,000 x 4/5)	3,600
	By B's Capital A/c	
	(Share of Profit) (₹1,750 x 4/5)	1,400
	By C's Capital A/c	
	(Share of Profit) (1,750 x 1/5)	350
	48,190	48,190

SOLUTION : 58.

Dr.	QURESHI'S CAPITAL ACCOUNT		Cr.
Particulars		Particulars	
To Qureshi's Loan A/c	1,00,000	By Balance b/d	1,00,000
To Interest on Qureshi's Loan A/c(3)	4,000	By Reserve Fund	50,000
To Qureshi's Executor's A/c (Bal. Fig.)	68,875	By Profit and Loss Suspense A/c(1)	2,625
		By Pooja's Capital A/c(2)	13,500
		By Ross's Capital A/c(2)	6,750
	1,72,875		1,72,875

Working Notes :

(1) Qureshi's Share of Profit till the date of death :

Average profit = (₹45,000 + ₹48,000 + ₹33,000) ÷ 3 = ₹42,000

Qureshi's Share of Profit till the date of death = ₹42,000 x 1/4 x 3/12 = ₹2,625

(2) Share of Goodwill:

(i) Total Profit of Last two Years = ₹48,000 + ₹33,000 = ₹81,000

(ii) Qureshi's Share = ₹81,000 x 1/4 = ₹20,250

₹20,250 will be contributed by Pooja and Ross in their Gaining Ratio of 2 : 1.

Pooja's Contribution = ₹20,250 x 2/3 = ₹13,500

Ross's Contribution = ₹20,250 x 1/3 = ₹6,750

(3) Interest on Qureshi's Loan = ₹1,00,000 x 6/100 x 3/12 = ₹1,500 or ₹4,000, whichever is more

SOLUTION : 59.

JOURNAL

Date	Particulars	L.F.	Dr.(₹)	Cr.(₹)
2015 Feb. 1	Vrinda's Capital A/c Dr. To Ghanshyam's Capital A/c (Ghanshyam's share of goodwill adjusted by debiting gaining partner)		60,000	60,000
	Vrinda's Capital A/c Dr. To Ghanshyam's Capital A/c (Ghanshyam's share of profit adjusted by debiting gaining partner)		18,750	18,750

Retirement or Death of a Partner

Working Notes :

(1) Calculation of Ghanshyam's Share of Goodwill:

Total profit of last four years = ₹1,20,000 + ₹80,000 + ₹40,000 + ₹80,000 = ₹3,20,000

Ghanshyam's share in last four years' profit = ₹3,20,000 × 3/8 = ₹1,20,000

Ghanshyam's share of Goodwill = ₹1,20,000 × 1/2 = ₹60,000

(2) Calculation of gaining ratio:

Gaining Ratio New share – Old share

Ram Gains = 1/2 – 4/8 = Nil

Vrinda Gains = 1/2 – 1/8 = (4 – 1)/8 = 3/8

Hence, Vrinda is the only gaining partner.

(3) Ghanshyam's share of profit to the date of death :

Average profit or past two years = (₹40,000 + ₹80,000) ÷ 2 = ₹60,000

Profit for 10 months

(from 1st April, 2014 to 1st February, 2015) = ₹60,000 × 10/12 = ₹50,000

Ghanshyam's share of profit = ₹50,000 × 3/8 = ₹18,750

Because of change in the profit sharing ratio of continuing partners, Ghanshyam's share of profit will be adjusted through Vrinda's Capital Account (gaining partner) not through Profit and Loss Suspense A/c.

SOLUTION : 60.

JOURNAL ENTRIES IN THE BOOKS OF THE FIRM

Date	Particulars	L.F.	Dr.(₹)	Cr.(₹)
2015 Sept. 30	Manav's Capital A/c Dr. Narayan's Capital A/c Dr. To Nath's Capital A/c (₹3,80,000 × 2/4) (Nath's share of goodwill adjusted in the capital accounts of the existing partners in their gaining ratio, i.e., 1:1)		95,000 95,000	1,90,000
Sept. 30	Nath's Capital A/c (₹30,000 × 2/4) Dr. To Profit & Loss A/c (Nath's share in debit balance of P & L A/c transferred)		15,000	15,000
Sept. 30	Profit & Loss Suspense A/c (₹90,000 × 6/12 × 2/4) Dr. To Nath's Capital A/c (Nath's share of profit upto the date of his death transferred)		22,500	22,500
Sept. 30	Nath's Capital A/c Dr. To Nath's Executors' A/c(1) (Amount due to Nath transferred to his Executor's Account)		1,92,500	1,92,500

Working Note: (1)

NATH'S CAPITAL ACCOUNT			
Dr.			Cr.
Particulars	Amount	Particulars	Amount
	₹		₹
To Balance b/d	5,000	By Manav's Capital A/c	95,000

Retirement or Death of a Partner

To Profit & Loss A/c To Nath's Executors' A/c (Balancing figure)	15,000 1,92,500 2,12,500	By Narayan's Capital A/c By Profit & Loss Suspense A/c (Share of Profit)	95,000 22,500 2,12,500
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SOLUTION : 61.

JOURNAL

Date	Particulars	L.F.	Dr.(₹)	Cr.(₹)
2015 March 1	C's Capital A/c (2/12 of ₹6,00,000) D's Capital A/c (2/12 of ₹6,00,000) To A's Capital A/c (1/12 of ₹6,00,000) To B's Capital A/c (3/12 of ₹6,00,000) (Sacrificing partners goodwill borne by gaining partners C and D)	Dr. Dr.	1,00,000 1,00,000	50,000 1,50,000

Working Notes :

Calculation of Gaining Ratio:

	A	B	C	D
New Ratio	1/3		1/3	1/3
Old Ratio	5/12	3/12	2/12	2/12

New Ratio – Old Ratio 1/12(Sacrifice) 3/12(Sacrifice) 2/12(Gain) 2/12(Gain)

SOLUTION : 62 (A).

Profit Sharing Ratio of Brown and Smith = 1/2 : 1/3 or 3 : 2

(i) Share in profits (upto the date of death):

Average Profit = (₹4,200 + ₹3,900 + ₹4,500) ÷ 3 = ₹4,200

Share in profits = 4,200 x 4/12 x 2/5 = ₹560

(ii) Share in Goodwill:

Goodwill = 4,200 + 3,900 + 4,500 = ₹12,600

Share in goodwill = 12,600 x 2/5 = ₹5,040

Dr.	SMITH'S CAPITAL A/C		Cr.
Particulars	₹	Particulars	₹
To Smith's Executor's A/c- balance transferred	12,800	By Balance b/d	6,000
		By Reserve	1,200
		By P & L Suspense A/c	560

Retirement or Death of a Partner

		By Brown's Capital A/c (Goodwill)	5,040
	12,800		12,800

SOLUTION : 62 (B).

(i) Goodwill :

Average Profit = ₹(9,000 + 20,000 + 16,000) ÷ 3 = ₹15,000

Total Goodwill of the firm = 15,000 x 90/100 x 2 = ₹27,000

Y's share = 27,000 x 1/3 = ₹9,000.

Dr.		Y's CAPITAL A/C		Cr.	
Particulars	₹	Particulars	₹		
To Goodwill A/c (1/3 x 9,000) (Goodwill appearing in the Balance Sheet ₹9,000 written off)	3,000	By Balance b/d	27,000		
To Y's Executor's A/c - balance transferred	42,010	By Workmen Comp. Reserve	6,000		
		By X's Capital A/c (Goodwill : 27,000 x 1/3)	9,000		
		By Revaluation (1/3 of 6,600)	2,200		
		By Interest on Capital (From 1st April to 30th June)	810		
	45,010		45,010		

SOLUTION : 63.

Dr.		B's CAPITAL A/C		Cr.	
Particulars	₹	Particulars	₹		
To B's Executor's A/c	38,400	By Balance b/d	20,000		
		By Reserve (4,000 x 3/10)	1,200		
		By Workmen Compensation Reserve (6,000 x 3/10)	1,800		
		By A's Capital A/c(1) (Goodwill) (8,400 x 5/7)	6,000		
		By C's Capital A/c (Goodwill) (8,400 x 2/7)	2,400		
		By Profit & Suspense A/c(2)	3,000		
		By Interest on Capital	1,000		
		By Revaluation A/c (Profit)(3)	3,000		
	38,400		38,400		

Working Notes :

(1) Firm's Goodwill = (10,000 + 13,000 + 12,000 + 15,000 + 20,000)/5 x 2
= 14,000 x 2 = ₹28,000

B's Share of Goodwill = ₹28,000 x 3/10 = ₹8,400 which is contributed by A

Retirement or Death of a Partner

and C in their gaining ratio i.e. 5 : 2.

(2) B's Share of Profit till the date of death = $20,000 \times \frac{6}{12} \times \frac{3}{10} = ₹3,000$

(3)

Dr. REVALUATION ACCOUNT Cr.

Particulars	₹	Particulars	₹
To Machinery	2,000	By Patents	2,000
To Profit on Revaluation transferred to :		By Building	10,000
A's Capital A/c	5,000		
B's Capital A/c	3,000		
C's Capital A/c	2,000		
	10,000		
	12,000		12,000

Value Highlighted: Sensitivity towards people living in the village.

SOLUTION : 64.

(i) Goodwill = $(33,500 + 41,500 + 40,500)/3 \times 2 = ₹77,000$

A's share = $77,000 \times \frac{2}{3} = ₹51,333$

It will be credited to A and will be debited to B and C in their gaining ratio i.e., 1/6 : 1/6 or equally

(ii) Share of Profit:

A's Share = $40,500 \times \frac{3}{12} \times \frac{2}{3} = ₹6,750$.

Dr.	A'S CAPITAL A/C		Cr.
Particulars	₹	Particulars	₹
To Drawings	9,000	By Balance b/d	1,20,000
To A's Executor's A/c-		By Interest on Capital (3 months)	1,500
balance transferred	1,70,583	By B's Capital A/c (Goodwill)	25,667
		By C's Capital A/c (Goodwill)	25,666
		By P & L Suspense A/c	6,750
	1,79,583		1,79,583

SOLUTION : 65.

B's CAPITAL ACCOUNT					
Dr.			Cr.		
Date	Particulars	₹	Date	Particulars	₹
2017 June 15	To Goodwill (written off) (2/5 of 30,000)	12,000	2017 Apr. 1 June 15	By Balance b/d	25,000
				By Reserve Fund	10,000