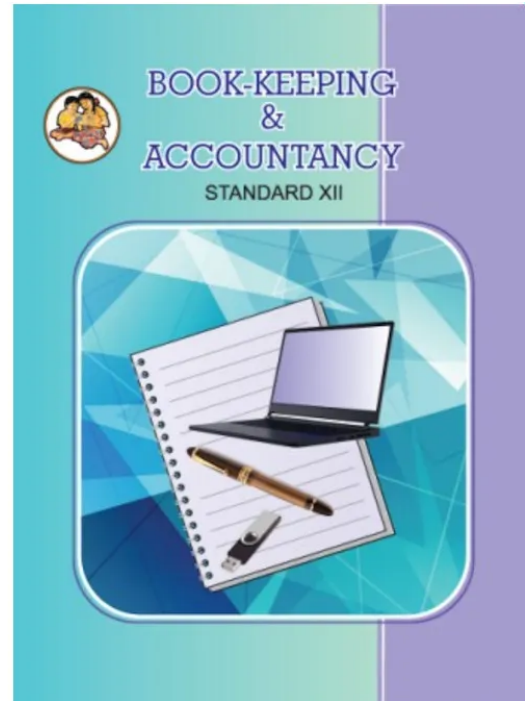


Maharashtra Board Solutions Class 12-Book Keeping & Accountancy: Chapter 3- Reconstitution of Partnership (Admission of Partner)

Class 12 - Chapter 3 Reconstitution of Partnership (Admission of Partner)



For any clarifications or questions you can write to info@indcareer.com

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Maharashtra Board Solutions Class 12-Book Keeping & Accountancy: Chapter 3- Reconstitution of Partnership (Admission of Partner)

Class 12: Book Keeping & Accountancy Chapter 3 solutions. Complete Class 12 Book Keeping & Accountancy Chapter 3 Notes.

Maharashtra Board Solutions Class 12-Book Keeping & Accountancy: Chapter 3- Reconstitution of Partnership (Admission of Partner)

Maharashtra Board 12th Book Keeping & Accountancy Chapter 3, Class 12 Book Keeping & Accountancy Chapter 3 solutions

1. Objective type questions.

A. Select the most appropriate alternatives from the following and rewrite the sentences.

Question 1.

Anuj and Eeshan are two partners sharing profits and losses in the ratio of 3 : 2. They decided to admit Aaroh for $\frac{1}{5}$ th share, the new profit sharing ratio will be _____

(a) 12 : 8 : 5

(b) 4 : 3 : 1

(c) 12 : 8 : 1

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(d) 12 : 3 : 1

Answer:

(a) 12 : 8 : 5

Question 2.

Excess of proportionate capital over actual capital represents _____

(a) equal capital

(b) surplus capital

(c) deficit capital

(d) gain

Answer:

(c) deficit capital

Question 3.

_____ **is credited when unrecorded asset is brought into business.**

(a) Revaluation Account

(b) Balance Sheet

(c) Trading Account

(d) Partners Capital Account

Answer:

(a) Revaluation Account

Question 4.

When goodwill is withdrawn by the partner _____ account is credited.

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- (a) Revaluation
- (b) Cash/Bank
- (c) Current
- (d) Profit and Loss Adjustment

Answer:

- (b) Cash/Bank

Question 5.

If asset is taken over by the partner _____ Account is debited.

- (a) Revaluation
- (b) Capital
- (c) Asset
- (d) Balance Sheet

Answer:

- (b) Capital

B. Write the word/phrase/term, which can substitute each of the following statements.

Question 1.

The method under which calculation of goodwill is done on the basis of extra profit earned above the normal profit.

Answer:

Super Profit Method

Question 2.

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An account is opened to adjust the value of assets and liabilities at the time of admission of a partner.

Answer:

Revaluation A/c or Profit and Loss A/c

Question 3.

The reputation of a business is measured in terms of money.

Answer:

Goodwill

Question 4.

The ratio in which general reserve is distributed to the old partners.

Answer:

Old Ratio

Question 5.

Name the method of the treatment of goodwill where a new partner will bring his share of goodwill in cash.

Answer:

Premium Method

Question 6.

The proportion in which old partners make a sacrifice.

Answer:

Sacrifice Ratio

Question 7.

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Capital employed $\times$ NRR/100 = _____

Answer:

Normal Profit

Question 8.

An Account is debited when the partner takes over the asset.

Answer:

Partner's Capital A/c or Partner's Current A/c

Question 9.

Profit and Loss Account balance appearing on the liability side of the Balance Sheet.

Answer:

Undistributed Profit or Accumulated Profit

Question 10.

Old ratio – New ratio = _____

Answer:

Sacrifice Ratio

C. State True or False with reasons:

Question 1.

A new partner can bring capital in cash or kind.

Answer:

This statement is True.

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As per the provision of partnership deed, when any person is admitted in the firm, he has to bring some amount as capital which can be in cash or in-kind of assets to get rights in the assets and definite share in the future profit of the firm.

Question 2.

When goodwill is paid privately to the partners, it is not recorded in the books.

Answer:

This statement is True.

When goodwill is paid privately to the partners, by a newly admitted person, then in such case no transaction takes place in the business, and the firm as such is not all benefited. Hence it is not recorded in the books of accounts.

Question 3.

The gain ratio is calculated at the time of admission of a partner.

Answer:

This statement is False.

At the time of admission of a person, in the business, sacrifices are made by the old partners in favour of the new partner. It means there is no question of any gain to the partners, so we can say that the Gain ratio is not calculated at the time of admission of a partner.

Question 4.

Revaluation profit is distributed among all partners including new partners.

Answer:

This statement is False.

Revaluation profit arises due to efforts and hardworking of the old partners in the past and hence profit earned on revaluation of assets and liabilities at the time of admission

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of a person as a partner in the business belongs to old partners. So, such profit is not distributed among all partners including the new partners. It is distributed only among old partners.

Question 5.

Change in the relationship between the partners is called as Reconstitution of Partnership.

Answer:

This statement is True.

When any person joins the business as a partner, a change in the relationship takes place. The old agreement is terminated and a new agreement is prepared. There is the change in profit or loss sharing ratio and relationship of the partners which is known as Reconstitution of Partnership.

Question 6.

New partners always bring their share of goodwill in cash.

Answer:

This statement is False.

When a new person is admitted to the partnership firm, the old partners surrender a certain share in profit and give it to a new partner. In exchange for that new partner is required to bring goodwill in cash or in kind. If he is unable to bring cash for goodwill, then Goodwill is raised and adjusted to the new partner's capital A/c.

Question 7.

When the goodwill is written off, the goodwill account is debited.

Answer:

This statement is False.

To write off goodwill means to decrease or wipe out the value of goodwill. When goodwill as an asset of the business is raised, Goodwill A/c is debited in the books of

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Account. Conversely, when Goodwill is written off from the business, the Goodwill A/c is credited in the books of business.

Question 8.

The new ratio minus the old ratio is equal to the sacrifice ratio.

Answer:

This statement is False.

When a new partner is admitted, old partners have to sacrifice their profit share in favour of the new partner and their old ratio gets reduced and whatever ratio is left becomes a new ratio. Hence, as per equation:

$\text{New Ratio} = \text{Old Ratio} - \text{Sacrifice Ratio}.$

By interchanging the terms,

$\text{Sacrifice Ratio} = \text{Old Ratio} - \text{New Ratio}.$

Question 9.

Usually, when a new partner is admitted to the firm, there will be an increase in the capital of the firm.

Answer:

This statement is True.

When a new partner is admitted to the firm, he brings his share of capital and goodwill, in cash or in-kind, to enjoy the right of sharing the future profit, and hence there will be an increase in the capital of the firm.

Question 10.

Cash/Bank Account is credited when goodwill is withdrawn by the old partners.

Answer:

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This statement is True.

When a new partner brings his share of goodwill, old partners have the right to withdraw it in cash. Therefore, when old partners withdraw the amount of goodwill, cash goes out from the firm and not goodwill. Hence Cash/Bank A/c is credited.

D. Find the odd one.

Question 1.

General reserve, Creditors, Machinery, Capital

Answer:

Machinery

Question 2.

Decrease in Furniture, Patents wrote off, Increase in Bills payable, R.D.D. written off

Answer:

R.D.D. written off

Question 3.

Super profit method, Valuation method, Average profit method, Fluctuating capital method

Answer:

Fluctuating capital method

E. Calculate the following:

Question 1.

A and B are partners in a firm sharing profit and losses in the ratio of 1 : 1. C is admitted. A surrenders $\frac{1}{4}$ th share and B surrenders $\frac{1}{5}$ th of his share in favour of C. Calculate new profit sharing ratio.

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Solution:

Old ratio of A and B = 1 : 1 or 12 : 12

A's sacrifice = $14 \times 12 = 18$

B's sacrifice = $15 \times 12 = 110$

Sacrificing ratio of A and B = $18 : 110 = 5 : 4$

C's share = A's share + B's share = $18 + 110 = 5 + 4 = 9$

A's new share = Old ratio – Sacrifice ratio = $12 - 18 = 4 - 18 = 38$

B's new share = Old ratio – Sacrifice ratio = $12 - 110 = 5 - 110 = 410$

Therefore, New ratio of A, B and C = $38 : 410 : 940 = 15 : 16 : 9$

(Making denominator equal)

Question 2.

Anika and Radhika are partners sharing profit in the ratio of 5 : 1. They decide to admit Sanika to the firm for $\frac{1}{5}$ th share. Calculate the Sacrifice ratio of Anika and Radhika.

Solution:

Balance = 1 – share of new partner

= $1 - \frac{1}{5}$

= $\frac{4}{5}$ (Remaining share)

New ratio = Old ratio x Balance of 1

Anika's New ratio = $5 \times \frac{4}{5} = 4$

Radhika's New ratio = $1 \times \frac{4}{5} = \frac{4}{5}$

Sanika's New ratio = $\frac{1}{5} \times \frac{4}{5} = \frac{4}{25}$ (Making denominator equal)

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$\therefore$ New Profit and Loss ratio = 2030:430:630 = 20 : 4 : 6 i.e. 10 : 2 : 3

Sacrifice ratio = old ratio – New ratio

Anika's Sacrifice ratio = 56–2030=25–2030=530

Radhika's Sacrifice ratio = 16–430=5–430=130

$\therefore$ Sacrifice ratio = 530:130 = 5 : 1

Question 3.

Pramod and Vinod are partners sharing profits and losses in the ratio of 3 : 2. After the admission of Ramesh the New ratio of Pramod, Vinod and Ramesh are 4 : 3 : 2. Find out the Sacrifice ratio.

Solution:

Sacrifice Ratio = Old ratio – New ratio

Pramod's Sacrifice ratio = 35–49=27–2045=745

Vinod's Sacrifice ratio = 25–39=18–1545=345

$\therefore$ Sacrifice ratio = 745:345 = 7 : 3.

F. Answer in one sentence.

Question 1.

What is Revaluation Account?

Answer:

An account opened and operated by any partnership firm for recording changes in the value of assets and liabilities and to ascertain profit or loss made on revaluation of assets and liabilities is called Revaluation Account.

Question 2.

What is meant by Reconstitution of Partnership?

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Answer:

Reconstitution of partnership means a change in the relationship between/among partners and in the form of partnership.

Question 3.

Why is the new partner admitted?

Answer:

A new partner is admitted to the existing partnership firm to increase the capital resources of the firm and to secure advantages of a new entrant's skill and business connections, i.e. goodwill.

Question 4.

What is the sacrifice ratio?

Answer:

A ratio that is surrendered or given up by the old partners in favour of a newly admitted partner is called the sacrifice ratio.

Question 5.

What do you mean by raising the goodwill at the time of admission of a new partner?

Answer:

Raising the Goodwill at the time of admission of a new partner means debiting Goodwill Account up to the value it is raised and crediting. Old partners' Capital Accounts in their old ratio in the books of the firm.

Question 6.

What is the super profit method of calculation of goodwill?

Answer:

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Super profit method of calculation of Goodwill is a method in which Goodwill is valued at a certain number of years purchases of the super profit of the partnership firm.

Question 7.

When is the ratio of sacrifice calculated for the distribution of goodwill?

Answer:

The ratio of sacrifice is calculated when the benefits of goodwill contributed by a new partner in cash is to be transferred to existing partners' Capital/Current Account.

Question 8.

What is the treatment of accumulated profits at the time of admission of a partner?

Answer:

Accumulated profits at the time of admission of a partner are transferred to old partners' Capital/Current Accounts in their old profit sharing ratio.

Question 9.

State the ratio in which the old partner's Capital A/c will be credited for goodwill when the new partner does not bring his share of goodwill in cash.

Answer:

When the new partner does not bring his share of goodwill in cash, Goodwill is raised up to a certain value and credited to old partners' Capital/Current A/cs in their old profit sharing ratio.

Question 10.

What does the excess of debit over credits in the Profit and Loss Adjustment Account indicate?

Answer:

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The excess of debit over credits in the Profit and Loss Adjustment Account indicates loss on revaluation of assets and liabilities.

G. Complete the table.

Question 1.

$$\boxed{} = \frac{\text{Total profit}}{\text{Number of years.}}$$

Answer:

Average Profit = $\frac{\text{Total Profit}}{\text{Number of years}}$

Question 2.

$$\text{Normal Profit} = \boxed{} \times \frac{\text{NRR}}{100}$$

Answer:

Normal Profit = $\text{Capital Employed} \times \frac{\text{NRR}}{100}$

Question 3.

Stock shown in Balance Sheet → Stock undervalued by 20% → Cost of Stock

$\boxed{\text{₹ 1,60,000}}$	$\boxed{}$	$\boxed{}$
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Answer:

The stock shown in Balance Sheet → Stock undervalued by 20% → Cost of Stock

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₹ 1,60,000 → ₹ 40,000 → ₹ 2,00,000

Practical Problems

Question 1.

Vikram and Pradnya share profits and losses in the ratio 2 : 3 respectively. Their Balance Sheet as of 31st March 2018 was as under.

Balance Sheet as of 31st March 2018

Liabilities	Amount (₹)	Assets	Amount (₹)
Creditors	1,05,000	Cash	7,500
Capitals :		Land & Building	37,500
Vikram	75,000	Plant	45,000
Pradnya	75,000	Furniture	3,000
		Stock	75,000
		Debtors	87,000
	2,55,000		2,55,000

They agreed to admit Avani as a partner on 1st April 2018 on the following terms:

1. Avani shall have $\frac{1}{4}$ th share in future profits.
2. He shall bring ₹ 37,500 as his capital and ₹ 30,000 as his share of goodwill.
3. Land and building to be valued at ₹ 45,000 and furniture to be depreciated by 10%.
4. Provision for bad and doubtful debts is to be maintained at 5% on the Sundry Debtors.
5. Stock to be valued ₹ 82,500.

The Capital A/c of all partners to be adjusted in their new profit and loss ratio and excess amount be transferred to their loan accounts.

Prepare Profit and Loss Adjustment Account, Capital Accounts, and New Balance Sheet.

Solution:

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In the books of Partnership Firm

Dr. Profit and Loss Adjustment Account Cr.

Particulars	Amount (₹)	Particulars	Amount (₹)
To R.D.D. A/c	4,350	By Land & Building A/c	7,500
To Furniture A/c (Depreciation)	300	By Stock A/c	7,500
To Profit on Revaluation			
Vikram	4,140		
Pradnya	6,210		
	10,350		
	15,000		15,000

Dr. Partners' Capital Accounts Cr.

Particulars	Vikram (₹)	Pradnya (₹)	Avani (₹)	Particulars	Vikram (₹)	Pradnya (₹)	Avani (₹)
To Partners' Loan A/c	46,140	31,710		By Balance b / d	75,000	75,000	-
To Balance c / d	45,000	67,500	37,500	By Bank A/c	-	-	37,500
				By Revaluation A/c (Profit)	4,140	6,210	-
				By Goodwill A/c	12,000	18,000	-
	91,140	99,210	37,500		91,140	99,210	37,500

Balance Sheet as of 1st April 2018

Liabilities	Amount (₹)	Amount (₹)	Assets	Amount (₹)	Amount (₹)
Capital Accounts :			Cash		75,000
Vikram	45,000		Land & Building	37,500	
Pradnya	67,500		Add : Appreciation	7,500	45,000
Avani	37,500	1,50,000	Furniture	3,000	
Creditors		1,05,000	Less : Depreciation	300	2,700
Partners' Loan A/c :			Plant		45,000
Vikram	46,140		Stock	75,000	
Pradnya	31,710	77,850	Add : Appreciation	7,500	82,500
			Debtors	87,000	
			Less : R.D.D. (5 %)	4,350	82,650
		3,32,850			3,32,850

Working Notes:

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1. Calculation of new profit ratio = $1 - \text{share of new partner}$

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

$$= \frac{3}{4} \text{ (Remaining share)}$$

New ratio = old ratio $\times$ balance $\frac{3}{4}$ (Remaining share)

$$\text{Vikram's new ratio} = \frac{2}{5} \times \frac{3}{4} = \frac{6}{20}$$

$$\text{Pradnya's new ratio} = \frac{3}{5} \times \frac{3}{4} = \frac{9}{20}$$

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

$\therefore$ New profit sharing ratio = 6 : 9 : 5.

Capital amount adjusted in their new profit and loss ratio:

Total Capital of the Partnership Firm = (Reciprocal of New Partner's Share) $\times$ (Capital of New Partner)

$$= \left(\frac{1}{6}\right) \times 37,500$$

$$= 4 \times 37,500$$

$$= ₹ 1,50,000$$

Vikram's Capital balance = (Vikram's New Ratio) $\times$ (Total Capital of the firm)

$$= \frac{6}{20} \times 1,50,000 = ₹ 45,000$$

$$\text{Pradnya's Capital balance} = \frac{9}{20} \times 1,50,000 = ₹ 67,500$$

Question 2.

Amalendu and Sameer share profits and losses in the ratio 3 : 2 respectively. Their Balance Sheet as of 31st March 2017 was as under:

Balance Sheet as of 31st March 2017

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Liabilities	Amount (₹)	Assets	Amount (₹)
Sundry Creditors	10,000	Cash at bank	12,000
Amlendu capital	60,000	Sundry debtors	24,000
Sameer capital	40,000	Land & Building	50,000
General reserve	20,000	Stock	16,000
		Plant and machinery	20,000
		Furniture & fixture	8,000
	1,30,000		1,30,000

On 1st April 2017 they admit Paresh into partnership. The term being that:

1. He shall pay ₹ 16,000 as his share of Goodwill 50% amount of Goodwill shall be withdrawn by the old partners.
2. He shall have to bring in ₹ 20,000 as his Capital for 1/4 share in future profits.
3. For the purpose of Paresh's admission it was agreed that the assets would be revalued as follows:
 - A. Land and Building is to be valued at ₹ 60,000.
 - B. Plant and Machinery to be valued at ₹ 16,000.
 - C. Stock valued at ₹ 20,000 and Furniture and Fixtures at ₹ 4,000.
 - D. A Provision of 5% on Debtors would be made for Doubtful Debts.

Pass the necessary Journal Entries in the books of a new firm.

Solution:

Journal entries in the books of Partnership Firm

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Date	Particulars	L.F.	Debit (₹)	Credit (₹)
2017 April 1	General Reserve A/c Dr. To Amalendu's Capital A/c To Sameer's Capital A/c (Being general reserve distributed among old partners)		20,000	12,000 8,000
	Profit and Loss Adjustment A/c Dr. To Plant and Machinery A/c To Furniture & Fixture A/c To R.D.D. A/c (Being decrease in the value of assets and reserve for doubtful debts.)		9,200	4,000 4,000 1,200
	Land and Building A/c Dr. Stock A/c Dr. To Profit and Loss Adjustment A/c (Being appreciation in the value of assets)		10,000 4,000	14,000
	Profit and Loss Adjustment A/c Dr. To Amalendu's Capital A/c To Sameer's Capital A/c (Being profit on revaluation distributed in profit sharing ratio)		4,800	2,880 1,920
	Cash / Bank A/c Dr. To Paresh's Capital A/c (Being amount brought in for capital by Paresh)		20,000	20,000
	Cash / Bank A/c Dr. To Goodwill A/c (Being amount brought in for goodwill by Paresh)		16,000	16,000
	Goodwill A/c Dr. To Amalendu's Capital A/c To Sameer's Capital A/c (Being goodwill distributed among old partners)		16,000	9,600 6,400
	Amalendu's Capital A/c Dr. Sameer's Capital A/c Dr. To Bank A/c (Being half of the goodwill amount withdrawn by old partners)		4,800 3,200	8,000

Working Notes:

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Dr.		Goodwill Account		Cr.	
Particulars	Amount (₹)	Particulars	Amount (₹)		
To Amalendu's Capital A/c	9,600	By Cash / Bank A/c	16,000		
To Sameer's Capital A/c	6,400				
	16,000		16,000		

Dr.		Profit and Loss Adjustment Account		Cr.	
Particulars	Amount (₹)	Amount (₹)	Particulars	Amount (₹)	Amount (₹)
To Plant and Machinery A/c		4,000	By Land & Building A/c		10,000
To Furniture and Fixture A/c		4,000	By Stock A / c		4,000
To R.D.D. Debts A/c		1,200			
To Profit on Revaluation					
Transferred to Partners' Capital A/cs :					
Amalendu	2,880				
Sameer	1,920	4,800			
		14,000			14,000

Question 3.

Vasu and Viraj share profits and losses in the ratio of 3 : 2 respectively. Their Balance Sheet as on 31st March, 2019 was as under:

Balance Sheet as on 31st March, 2019

Liabilities	Amount (₹)	Assets	Amount (₹)
Sundry Creditors	45,000	Cash at bank	750
General Reserve	30,000	Sundry debtors	66,750
Capital :		Stock	25,500
Vasu	1,08,000	Investment	36,000
Viraj	72,000	Plant	90,000
		Building	36,000
	2,55,000		2,55,000

They admit Hari into partnership on 1-4-2019. The terms being that:

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1. He shall have to bring in ₹ 60,000 as his Capital for $\frac{1}{4}$ share in future profits.
2. Value of Goodwill of the firm is to be fixed at the average profits for the last three years.

The Profit were:

2015-16 – ₹ 48,000

2016-17 – ₹ 81,000

2017-18 – ₹ 73,500

Hari is unable to bring the value of Goodwill in cash. It is decided to raise Goodwill in the books of accounts.

3. Reserve for Doubtful debts is to be created at ₹ 1,500.
4. Closing stock is valued at ₹ 22,500.
5. Plant and Building are to be depreciated by 5%.

Prepare Profit and Loss-Adjustment A/c, Capital Accounts of Partners and Balance Sheet of the new firm.

Solution:

In the books of the firm _____

Dr. Profit and Loss Adjustment Account Cr.

Particulars	Amount (₹)	Particulars	Amount (₹)
To R.D.D. (New) A/c	1,500	By Loss on Revaluation	
To Stock A/c	3,000	Transferred to Partners' Capital A/cs :	
To Depreciation A/cs :		Vasu	6,480
Plant	4,500	Viraj	4,320
Building	1,800		10,800
	6,300		
	10,800		10,800

Dr. Partners' Capital Accounts Cr.

Particulars	Vasu (₹)	Viraj (₹)	Hari (₹)	Particulars	Vasu (₹)	Viraj (₹)	Hari (₹)
To Profit and Loss Adjustment A/c (Loss)	6,480	4,320	-	By Balance b / d	1,08,000	72,000	-
To Balance c / d	1,60,020	1,06,680	60,000	By Cash / Bank A/c	-	-	60,000
				By Goodwill A/c	40,500	27,000	-
				By General Reserve A/c	18,000	12,000	-
	1,66,500	1,11,000	60,000		1,66,500	1,11,000	60,000

Balance Sheet as on 1st April 2019

Liabilities	Amount (₹)	Amount (₹)	Assets	Amount (₹)	Amount (₹)
Capital A/cs :			Cash		60,750
Vasu	1,60,020		Sundry Debtors	66,750	
Viraj	1,06,680		Less : R.D.D. (New)	1,500	65,250
Hari	60,000	3,26,700	Stock	25,500	
Sundry Creditors		45,000	Less : Depreciation	3,000	22,500
			Investments		36,000
			Plant	90,000	
			Less : Depreciation	4,500	85,500
			Building	36,000	
			Less : Depreciation	1,800	34,200
			Goodwill		67,500
		3,71,700			3,71,700

Working Notes:

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1. Average Profit = $\frac{\text{Total Profit}}{\text{No. of years}}$

= $\frac{48,000 + 81,000 + 73,500}{3}$

= ₹ 67,500

∴ Goodwill value = ₹ 67,500

Vasu's share in Goodwill = ₹ 40,500 (67,500 × 35)

Viraj's share in Goodwill = ₹ 27,000 (67,500 × 25)

2. Hari is not able to bring a share in goodwill and it is decided to raise the goodwill in the book.

Therefore, Goodwill is recorded in the Asset side ₹ 67,500.

Question 4.

Mr. Deep & Mr. Karan were in partnership sharing profits & losses in the proportion of 3 : 1 respectively. Their Balance Sheet on 31st March 2018 stood as follows:

Balance Sheet as of 31st March 2018

Liabilities	Amount (₹)	Amount (₹)	Assets	Amount (₹)	Amount (₹)
Sundry Creditors		40,000	Cash		40,000
Bill Payable		10,000	Sundry debtors		32,000
Bank Overdraft		11,000	Land & Building		16,000
Capital A/c:			Stock		20,000
Deep	60,000		Plant and machinery		30,000
Karan	20,000	80,000	Furniture		11,000
General Reserve		8,000			
		1,49,000			1,49,000

They admit Shubham into Partnership on 1 April 2018. The terms being that:

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1. He shall have to bring in ₹ 20,000 as his capital for $\frac{1}{5}$ share in future profits & ₹ 10,000 as his share of Goodwill.
2. A provision for 5% doubtful debts to be created on sundry debtors.
3. Furniture to be depreciated by 20%.
4. Stock should be appreciated by 5% and Building be appreciated by 20%.
5. Capital A/c of all partners be adjusted in their new profit sharing ratio through cash account.

Prepare Profit and Loss-Adjustment A/c, Partners' Capital A/c, Balance Sheet of the new firm.

Solution:

In the books of the firm _____

Dr. Profit and Loss Adjustment Account Cr.

Particulars	Amount (₹)	Particulars	Amount (₹)
To R.D.D. (New) A/c	1,600	By Stock A/c	1,000
To Depreciation A/c – Furniture	2,200	By Building A/c	3,200
To Profit on Revaluation Transferred to Partners' Capital A/cs :			
Deep	300		
Karan	100		
	400		
	4,200		4,200

Dr. Partners' Capital Accounts Cr.

Particulars	Deep (₹)	Karan (₹)	Shubham (₹)	Particulars	Deep (₹)	Karan (₹)	Shubham (₹)
To Cash A/c	13,800	4,600	–	By Balance b / d	60,000	20,000	–
To Balance c / d	60,000	20,000	20,000	By Cash / Bank A/c	–	–	20,000
				By Goodwill A/c	7,500	2,500	–
				By Revaluation on A/c (Profit)	300	100	–
				By General Reserve A/c	6,000	2,000	–
	73,800	24,600	20,000		73,800	24,600	20,000

Balance Sheet as of 1st April 2018

Liabilities	Amount (₹)	Amount (₹)	Assets	Amount (₹)	Amount (₹)
Capital A/cs :			Cash		51,600
Deep	60,000		Sundry Debtors	32,000	
Karan	20,000		Less : R.D.D.	1,600	30,400
Shubham	20,000	1,00,000	Land and Building	16,000	
Sundry Creditors		40,000	Add : Appreciation	3,200	19,200
Bills Payable		10,000	Stock	20,000	
Bank Overdraft		11,000	Add : Appreciation	1,000	21,000
			Furniture	11,000	
			Less : Depreciation	2,200	8,800
			Plant and Machinery		30,000
		1,61,000			1,61,000

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Working Note:

Calculation of new ratio : Balance of 1 = 1 – share of new partner

$$= 1 - 15$$

$$= 45 \text{ (Remaining share)}$$

New ratio = Old ratio $\times$ balance 1 (Remaining share)

$$\text{Deep's new ratio} = 34 \times 45 = 35$$

$$\text{Karan's new ratio} = 14 \times 45 = 15$$

$$\text{Shubham's new ratio} = 15 = 15$$

$\therefore$ New profit and loss sharing ratio = 3 : 1 : 1

Capital amount to be adjusted in Partner's new profit and loss ratio:

Total Capital of the firm = (Reciprocal of New partner's share) $\times$ (New partner's capital)

$$= 5 \times 20,000$$

$$= ₹ 1,00,000$$

$$\text{Deep's capital balance} = 35 \times 1,00,000 = ₹ 60,000$$

$$\text{Karan's capital balance} = 15 \times 1,00,000 = ₹ 20,000$$

Dr.		Cash Account		Cr.	
Particulars	Amount (₹)	Particulars	Amount (₹)		
To Balance b / d	40,000	By Deep's Capital A/c	13,800		
To Shubham's Capital A/c	20,000	By Karan's Capital A/c	4,600		
To Goodwill A/c	10,000	By Balance c / d	51,600		
	70,000		70,000		

Question 5.

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Mr. Kishor & Mr. Lai were in partnership sharing profits & losses in the proportion of $\frac{3}{4}$ and $\frac{1}{4}$ respectively.

Galiabilities	Amt ₹	Amt ₹	Assets	Amt ₹	Amt ₹
Creditors		1,20,000	Land and Building		75,000
General Reserve		12,000	Furniture		6,000
Capital A/c:			Stock		60,000
Kishor	90,000		Debtors		60,000
Lal	48,000	1,38,000	Bills Receivable		39,000
			Cash at Bank		30,000
		2,70,000			2,70,000

They decided to admit Ram on 1 April 2018 on the following terms:

1. He should be given $\frac{1}{5}$ th share in profit and for that, he brought in ₹ 60,000 as capital through RTGS.
2. Goodwill should be raised at ₹ 60,000.
3. Appreciate Land and Building by 20%.
4. Furniture and Stock are to be depreciated by 10%.
5. The capitals of all partners should be adjusted in their new profit sharing ratio through Bank A/c.

Pass necessary Journal Entries in the books of the partnership firm and a Balance Sheet of the new firm.

Solution:

Journal entries in the books of the firm

Date	Particulars	L.F.	Debit (₹)	Credit (₹)
2018 April 1	General Reserve A/c Dr. To Mr. Kishor's Capital A/c To Mr. Lal's Capital A/c (Being general reserve distributed among old partners)		12,000	9,000 3,000
1	Profit and Loss Adjustment A/c Dr. To Furniture A/c To Stock A/c (Being decrease in the value of assets)		6,600	600 6,000
1	Land and Building A/c Dr. To Profit and Loss Adjustment A/c (Being increase in the value of assets)		15,000	15,000
1	Profit and Loss Adjustment A/c Dr. To Mr Kishor's Capital A/c To Mr Lal's Capital A/c (Being profit on revaluation distributed in profit sharing ratio)		8,400	6,300 2,100
1	Bank A/c Dr. To Ram's Capital A/c (Being capital amount brought in through RTGS)		60,000	60,000
1	Goodwill A/c Dr. To Kishor's Capital A/c To Lal's Capital A/c (Being the goodwill raised and transferred to capital A/cs in their old ratio)		60,000	45,000 15,000
1	Bank A/c Dr. To Kishor's Capital A/c (Being deficit in capital account settled in cash by Kishor)		29,700	29,700
1	Lal's Capital A/c Dr. To Bank A/c (Being surplus capital amount paid to Lal)		8,100	8,100

Balance Sheet as of 1st April 2018

<https://www.indcareer.com/schools/maharashtra-board-solutions-class-12-book-keeping-accountancy-chapter-3-reconstitution-of-partnership-admission-of-partner/>

Liabilities	Amount (₹)	Amount (₹)	Assets	Amount (₹)	Amount (₹)
Capital Accounts :			Land & Building	75,000	
Mr Kishor	1,80,000		Add : Appreciation	15,000	90,000
Mr Lal	60,000		Furniture	6,000	
Ram	60,000	3,00,000	Less : Depreciation	600	5,400
Creditors		1,20,000	Stock	60,000	
			Less : Depreciation	6,000	54,000
			Debtors		60,000
			Goodwill		60,000
			Bills Receivable		39,000
			Cash at Bank		1,11,600
		4,20,000			4,20,000

Working Notes:

1.

Partners' Capital Accounts							
Dr.				Cr.			
Particulars	Kishor (₹)	Lal (₹)	Ram (₹)	Particulars	Kishor (₹)	Lal (₹)	Ram (₹)
To Bank A/c	-	8,100	-	By Balance b / d	90,000	48,000	-
To Balance c / d	1,80,000	60,000	60,000	By Bank A/c	-	-	60,000
				By Goodwill A/c	45,000	15,000	-
				By General Reserve A/c	9,000	3,000	-
				By Revaluation A/c (Profit)	6,300	2,100	-
				By Bank A/c	29,700	-	-
	1,80,000	68,100	60,000		1,80,000	68,100	60,000

Bank Account			
Dr.		Cr.	
Particulars	Amount (₹)	Particulars	Amount (₹)
To Balance b / d	30,000	By Lal's Capital A/c	8,100
To Ram's Capital A/c	60,000	By Balance c / d	1,11,600
To Kishor's Capital A/c	29,700		
	1,19,700		1,19,700

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2. Calculation of new profit sharing ratio:

New Ratio = (Balance of 1) × (old ratio)

Kishor's New ratio = $(1-15) \times 34 = 45 \times 34 = 35$

Lal's New ratio = $(1-15) \times 14 = 45 \times 14 = 15$

Ram's ratio = 15

3. Total capital of the firm = (Reciprocal of Ram's ratio) × (His capital contribution)

= $51 \times 60,000 = ₹ 3,00,000$

Kishor's new closing capital balance = $3,00,000 \times 35 = ₹ 1,80,000$

Lai's new closing capital balance = $3,00,000 \times 15 = ₹ 60,000$

Ram's new closing capital balance = ₹ 60,000

Question 6.

Vrushali and Leena are equal partners in the business. Their Balance Sheet as of 31st March 2013 stood as under.

Balance Sheet as of 31st March 2018

Liabilities	Amt. (₹)	Amt. (₹)	Assets	Amt. (₹)	Amt. (₹)
Sundry Creditors	90,000	90,000	Cash in Bank		62,000
Capitals :			Debtors	31,000	
Vrushali	45,000	75,000	Less: R.D.D	1,000	30,000
Leena	30,000		Building		55,000
General Reserves		18,000	Machinery		24,000
			Bills Receivable		12,000
		1,83,000			1,83,000

They decided to admit Aparna on 1st April 2018 on the following terms:

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1. The Machinery and Building be depreciated by 10%. Reserve for Doubtful Debts to be increased by ₹ 5,000.
2. Bills receivable are taken over by Vrushali at a discount of 10%.
3. Aparna should bring ₹ 60,000 as capital for her 1/4th share in future profits.
4. The Capital accounts of all the partners be adjusted in proportion to the new profit sharing ratio by opening the Current accounts of the partners.

Prepare Profit and Loss-Adjustment A/c, Partners' Capital A/c, Balance Sheet of the new firm.

Solution:

Dr. Profit and Loss Adjustment Account Cr.			
Particulars	Amount (₹)	Particulars	Amount (₹)
To Machinery A/c	2,400	By Loss on Revaluation	
To Building A/c	5,500	Transferred to Partners' Capital A/cs :	
To R.D.D. A/c	5,000	Vrushali	7,050
To Bills Receivable A/c (Discount)	1,200	Leena	7,050
	14,100		14,100

Dr. Partners' Capital Accounts Cr.							
Particulars	Vrushali (₹)	Leena (₹)	Aparna (₹)	Particulars	Vrushali (₹)	Leena (₹)	Aparna (₹)
To Revaluation A/c (Loss)	7,050	7,050	–	By Balance b / d	45,000	30,000	–
To Bills Receivable A/c	10,800	–	–	By Bank A/c	–	–	60,000
To Balance c / d	90,000	90,000	60,000	By General Reserve A/c	9,000	9,000	–
				By Partner's Current A/c	53,850	58,050	–
	1,07,850	97,050	60,000		1,07,850	97,050	60,000

Balance Sheet as on 1st April 2018

<https://www.indcareer.com/schools/maharashtra-board-solutions-class-12-book-keeping-accountancy-chapter-3-reconstitution-of-partnership-admission-of-partner/>

Liabilities	Amount (₹)	Amount (₹)	Assets	Amount (₹)	Amount (₹)
Capital A/cs :			Cash in Bank		1,22,000
Vrushali	90,000		Debtors	31,000	
Leena	90,000		Less : R.D.D. (1000 + 5000)	6,000	25,000
Aparna	60,000	2,40,000	Building	55,000	
Sundry Creditors		90,000	Less : Depreciation	5,500	49,500
			Machinery	24,000	
			Less : Depreciation	2,400	21,600
			Partners' Current A/cs :		
			Vrushali	53,850	
			Leena	58,050	1,11,900
		3,30,000			3,30,000

Working Notes:

1. R.D.D. to be increased by ₹ 5,000 means subtract ₹ 5,000 from Debtors.
2. Bills receivable taken by Vrushali at 10 % discount i.e. $12,000 - 1,200 = ₹ 10,800$.

Write this amount on the debit side of the partners' Capital Account in Vrushali's column.

3. Calculation of new ratio = 1 – share of new partner

$$= 1 - 14$$

$$= 34 \text{ (Remaining share)}$$

$$\text{New ratio} = \text{Old ratio} \times \text{Balance 1 (Remaining Share)}$$

$$\text{Vrushali's new ratio} = 12 \times 34 = 38$$

$$\text{Leena's new ratio} = 12 \times 34 = 38$$

$$\text{Aparna's ratio} = 14$$

$$\therefore \text{Partner's new profit and loss ratio} = 38:38:14 = 3:3:2$$

Now, capital amount to be adjusted in partners new profit and loss ratio.

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Total capital of the firm = (Reciprocal of New Partner's Share) × (New Partner's Capital)

= (Reciprocal of 14) × 60,000

= 4 × 60,000

= ₹ 2,40,000

Vrushali's capital balance = 38 × 2,40,000 = ₹ 90,000

Leela's capital balance = 38 × 2,40,000 = ₹ 90,000

The deficit of these capital balances is to be adjusted through the Current account.

To keep the balance of Vrushali's and Leena's capital ₹ 90,000 each, deficit of ₹ 53,850 and ₹ 58,050 are incurred which is transferred to the respective Partner's Current A/cs and recorded on the Asset side of Balance Sheet [As it is to be recovered from Partners].

Question 7.

The balance sheet of Medha and Radha who share profit and loss in the ratio 3 : 1 is as follows:

Balance Sheet as of 31st March 2018

Liabilities	Amount (₹)	Assets	Amount (₹)
Sundry Creditors	80,000	Cash	78,000
Bills Payable	20,000	Sundry debtors	64,000
Bank overdraft	20,000	Stock	40,000
Capital A/c :		Plant & Machinery	60,000
Medha	1,20,000	Furniture	22,000
Radha	40,000	Land and Building	32,000
General reserve	16,000		
	2,96,000		2,96,000

They decided to admit Krutika on 1st April 2018 on the following terms:

1. Krutika is taken as a partner on 1st April 2017. She will pay 40,000 as her capital for 1/5th share in future profits and ₹ 2,500 as goodwill.

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2. 5% provision for bad and doubtful debt be created on debtors.
3. Furniture be depreciated by 20%.
4. Stocks be appreciated by 5% and plant & machinery by 20 %.
5. The Capital accounts of all partners be adjusted in their new profit sharing ratio by adjusting the amount through a loan.
6. The new profit sharing ratio will be $3/5 : 1/5 : 1/5$ respectively.

You are required to prepare Profit and Loss-Adjustment A/c, Partners' Capital A/c, Balance Sheet of the new firm.

Solution:

Dr. Profit and Loss Adjustment Account Cr.			
Particulars	Amount (₹)	Particulars	Amount (₹)
To R.D.D. A/c	3,200	By Stock A/c	2,000
To Depreciation A/c – Furniture	4,400	By Plant & Machinery A/c	12,000
To Profit on Revaluation Transferred to Partners' Capital Accounts :			
Medha 4,800			
Radha 1,600	6,400		
	14,000		14,000

Dr. Partners' Capital Account Cr.							
Particulars	Medha (₹)	Radha (₹)	Krutika (₹)	Particulars	Medha (₹)	Radha (₹)	Krutika (₹)
To Partners' Loan A/c	18,675	6,225	–	By Balance b / d	1,20,000	40,000	–
To Balance c / d	1,20,000	40,000	40,000	By Bank A/c	–	–	40,000
				By Goodwill A/c	1,875	625	–
				By Revaluation A/c	4,800	1,600	–
				By General Reserve A/c	12,000	4,000	–
	1,38,675	46,225	40,000		1,38,675	46,225	40,000

Balance Sheet as of 1st April 2018

<https://www.indcareer.com/schools/maharashtra-board-solutions-class-12-book-keeping-accountancy-chapter-3-reconstitution-of-partnership-admission-of-partner/>

Liabilities	Amount (₹)	Amount (₹)	Assets	Amount (₹)	Amount (₹)
Capital A/cs :			Cash		1,20,500
Medha	1,20,000		Sundry Debtors	64,000	
Radha	40,000		Less : R.D.D.	3,200	60,800
Krutika	40,000	2,00,000	Stock	40,000	
Sundry Creditors		80,000	Add : Appreciation	2,000	42,000
Bills Payable		20,000	Plant & Machinery	60,000	
Bank Overdraft		20,000	Add : Appreciation	12,000	72,000
Partner's Loan :			Furniture	22,000	
Medha	18,675		Less : Depreciation	4,400	17,600
Radha	6,225	24,900	Land and Building		32,000
		3,44,900			3,44,900

Working Notes:

1. Total capital of the firm = (Reciprocal of New Partner's Profit Sharing ratio) × (Capital contributed by new partner)

$$= (\text{Reciprocal of } 15) \times 40,000$$

$$= 5 \times 40,000$$

$$= ₹ 2,00,000$$

$$\text{Medha's closing capital, balance} = 35 \times 2,00,000 = ₹ 1,20,000$$

$$\text{Radha's closing capital balance} = 15 \times 2,00,000 = ₹ 40,000$$

2. General reserve is distributed among old partners in their old profit and loss ratio.

3. Cash Balance = 78,000 + 40,000 + 2,500 = ₹ 1,20,500 [Amount brought in by new partner.]

Question 8.

The Balance Sheet of Sahil and Nikhil who share profits in the ratio of 3 : 2 as of 31st March 2017 is as follows:

Balance Sheet as of 31st March 2017

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Liabilities	Amt. (₹)	Amt. (₹)	Assets	Amt. (₹)	Amt. (₹)
Creditors		60,000	Furniture		60,000
Capitals:			Building		72,000
Sahil	80,000		Debtors		40,000
Nikhil	1,00,000	1,80,000	Closing Stock		48,000
			Cash in Hand		20,000
		2,40,000			2,40,000

Varad admitted on 1st April 2017 on the following terms:

1. Varad was to pay ₹ 1,00,000 for his share of capital.
2. He was also to pay ₹ 40,000 as his share of goodwill.
3. The new profit sharing ratio was 3 : 2 : 3.
4. Old partners decided to revalue the assets as follows:

Building ₹ 1,00,000. Furniture ₹ 48,000, Debtors ₹ 38,000 (in view of likely bad debts)

5. It was found that there was a liability for ₹ 3,000 for goods in March 2017 but recorded on 2nd April 2017.

You are required to prepare:

- (a) Profit and Loss-Adjustment account
- (b) Capital accounts of the partners
- (c) Balance Sheet after the admission of Varad.

Solution:

Dr. Profit and Loss Adjustment Account Cr.

Particulars	Amount (₹)	Particulars	Amount (₹)
To Furniture A/c	12,000	By Building A/c	28,000
To Bad Debts A/c (likely)	2,000		
To Unrecorded Liability A/c	3,000		
To Profit on Revaluation Transferred to Partners' Capital A/cs :			
Sahil	6,600		
Nikhil	4,400		
	11,000		
	28,000		28,000

Dr. Partners' Capital Accounts Cr.

Particulars	Sahil (₹)	Nikhil (₹)	Varad (₹)	Particulars	Sahil (₹)	Nikhil (₹)	Varad (₹)
				By Balance b / d	80,000	1,00,000	-
				By Bank A/c	-	-	1,00,000
				By Goodwill A/c	24,000	16,000	-
				By Revaluation A/c	6,600	4,400	-
To Balance c / d	1,10,600	1,20,400	1,00,000		1,10,600	1,20,400	1,00,000
	1,10,600	1,20,400	1,00,000				

Balance Sheet as of 1st April 2017

Liabilities	Amount (₹)	Amount (₹)	Assets	Amount (₹)	Amount (₹)
Capital A/cs :			Furniture	60,000	
Sahil	1,10,600		Less : Depreciation	12,000	48,000
Nikhil	1,20,400		Building	72,000	
Varad	1,00,000	3,31,000	Add : Appreciation	28,000	1,00,000
Creditors		60,000	Debtors	40,000	
Unrecorded Liability		3,000	Less : Bad Debts (likely)	2,000	38,000
			Closing Stock		48,000
			Cash in Hand		1,60,000
		3,94,000			3,94,000

Working Notes:

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1. Cash in hand = Opening balance + Varad's capital + Varad's goodwill (amount brought in)

$$= 20,000 + 1,00,000 + 40,000$$

$$= ₹ 1,60,000$$

2. Sacrifice ratio = Old ratio – New ratio

$$\text{Sahil's sacrifice} = 35 - 38 = 24 - 1540 = 940$$

$$\text{Nikhil's sacrifice} = 25 - 28 = 16 - 1040 = 640$$

$$\text{i.e. sacrifice ratio} = 940 : 640 = 9 : 6 = 3 : 2.$$

Goodwill is distributed among old partners in the sacrifice ratio.

Question 9.

Mr. Amit and Baban share profits and losses in the ratio 2 : 3 respectively. Their Balance Sheet as of 31st March 2018 was as under:

Balance Sheet as of 31st March 2018

Liabilities	Amount (₹)	Assets	Amount (₹)
Creditors	1,40,000	Cash	110,000
Capital :		Land and Building	50,000
Amit	100,000	Plant	60,000
Baban	100,000	Furniture	4,000
		Stock	100,000
		Debtors	16,000
	3,40,000		3,40,000

They agreed decided to admit Kamal on 1st April 2018 on the following terms:

1. Kamal shall have $\frac{1}{4}$ th share in future profits.
2. She shall bring 50,000 as her capital and 40,000 as her share of goodwill.
3. Land and building to be valued at 60,000 and furniture to be depreciated by 10%.

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4. Provision for bad and doubtful debts is to be maintained at 5% on the sundry debtors.
5. Stocks to be valued at 1,10,000.

The Capital A/c of all partners to be adjusted in their new profit and loss ratio and excess amount be transferred to their loan accounts.

Prepare Profit and Loss-Adjustment A/c, Capital A/cs, and New Balance Sheet.

Solution:

Dr. Profit and Loss Adjustment Account Cr.			
Particulars	Amount (₹)	Particulars	Amount (₹)
To Depreciation A/c – Furniture	400	By Land and Building A/c	10,000
To R.D.D. A/c	800	By Stock A/c	10,000
To Profit on Revaluation Transferred to Partners' Capital A/cs :			
Amit	7,520		
Baban	11,280		
	18,800		
	20,000		20,000

Dr. Partners' Capital Accounts Cr.							
Particulars	Amit (₹)	Baban (₹)	Kamal (₹)	Particulars	Amit (₹)	Baban (₹)	Kamal (₹)
To Partners' Loan A/c	63,520	45,280		By Balance b / d	1,00,000	1,00,000	–
To Balance c / d	60,000	90,000	50,000	By Bank A/c	–	–	50,000
				By Goodwill A/c	16,000	24,000	–
				By Revaluation A/c (Profit)	7,520	11,280	–
	1,23,520	1,35,280	50,000		1,23,520	1,35,280	50,000

Balance Sheet as of 1st April 2018

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Liabilities	Amount (₹)	Amount (₹)	Assets	Amount (₹)	Amount (₹)
Capital A/cs :			Cash		2,00,000
Amit	60,000		Land and Building	50,000	
Baban	90,000		Add : Appreciation	10,000	60,000
Kamal	50,000	2,00,000	Plant		60,000
Creditors		1,40,000	Furniture	4,000	
Partners' Loan :			Less : Depreciation	400	3,600
Amit	63,520		Stock	1,00,000	
Baban	45,280	1,08,800	Add : Appreciation	10,000	1,10,000
			Debtors	16,000	
			Less : R.D.D.	800	15,200
		4,48,800			4,48,800

Working Notes:

1. Cash balance = Opening balance + Amount brought in by Kamal

$$= 1,10,000 + 50,000 + 40,000$$

$$= ₹ 2,00,000$$

2. For calculation of new profit and loss ratio:

Calculation of new profit ratio = $1 - \text{share of new partner}$

$$= 1 - \frac{1}{14}$$

$$= \frac{13}{14} \text{ (Remaining share)}$$

New ratio = old ratio $\times$ balance 1 (Remaining share)

$$\text{Amit's new ratio} = \frac{25}{14} \times \frac{13}{14} = \frac{325}{196}$$

$$\text{Baban's new ratio} = \frac{35}{14} \times \frac{13}{14} = \frac{455}{196}$$

$$\text{Kamal's ratio} = \frac{1}{14} = \frac{5}{196}$$

3. New profit and loss ratio = 325 : 455 : 5

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Capital amount adjusted in their new profit and loss ratio by taking new partner Kamal's capital (₹ 50,000) as a base.

For part 5 capital = ₹ 50,000 (Kamal's capital)

For part 6 capital = ₹ 60,000 (Amit's capital)

For part 9 capital = ₹ 90,000 (Baban's capital)

4. After keeping these capital balances difference of the amount of Amit's capital ₹ 63,520 and of Baban's capital ₹ 45,280 are taken as partner's loan to the firm and as a liability of the firm it is recorded in the Liabilities side of the Balance Sheet.

Question 10.

The following is the Balance Sheet of Om and Jay on 31st March 2018, they share profits and losses in the ratio 3 : 2.

Balance Sheet as of 31st March 2018

Liabilities	Amount (₹)	Assets	Amount (₹)
Creditors	30,000	Cash	3,000
Capital A/c		Building	15,000
Om	21,000	Machinery	21,000
Jay	21,000	Furniture	900
Current A/c		Stock	12,300
Om	3,750	Debtors	27,000
Jay	3,450		
	79,200		79,200

They take Jagdish into partnership on 1st April 2018. The terms being:

1. Jagdish should pay ₹ 3,000 as his share of Goodwill. 50% of goodwill withdrawn by partners in cash.
2. He should bring ₹ 9,000 as capital for 1/4th share in future profits.
3. Building to be valued at 18,000, Machinery and Furniture to be reduced by 10 %.

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4. A provision of 5% on debtors to be made for doubtful debts.

5. Stock to be taken at the value of ₹ 15,000.

Prepare Profit and Loss A/c, Partners' Current A/c, Balance Sheet of the new firm.

Solution:

Dr. Profit and Loss Adjustment Account Cr.

Particulars	Amount (₹)	Particulars	Amount (₹)
To Depreciation A/c – Machinery	2,100	By Building A/c	3,000
To Depreciation A/c – Furniture	90	By Stock A/c	2,700
To R.D.D. A/c	1,350		
To Profit on Revaluation Transferred to Partners Capital A/cs :			
Om	1,296		
Jay	864		
	2,160		
	5,700		5,700

Dr. Partners' Current Accounts Cr.

Particulars	Om (₹)	Jay (₹)	Particulars	Om (₹)	Jay (₹)
To Goodwill	900	600	By Balance b / d	3,750	3,450
To Balance c / d	5,946	4,914	By Goodwill A/c	1,800	1,200
			By Revaluation A/c	1,296	864
	6,846	5,514		6,846	5,514

Balance Sheet as of 1st April 2018

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Liabilities	Amount (₹)	Amount (₹)	Assets	Amount (₹)	Amount (₹)
Capital Accounts :			Cash		13,500
Om	21,000		Building	15,000	
Jay	21,000		Add : Appreciation	3,000	18,000
Jagdish	9,000	51,000	Machinery	21,000	
Current A/cs :			Less : Depreciation	2,100	18,900
Om	5,946		Furniture	900	
Jay	4,914	10,860	Less : Depreciation	90	810
Creditors		30,000	Stock	12,300	
			Add : Appreciation	2,700	15,000
			Debtors	27,000	
			Less : R.D.D.	1,350	25,650
		91,860			91,860

Working Notes:

1.

Dr.		Cash Account		Cr.	
Particulars		Amount (₹)	Particulars		Amount (₹)
To Balance b / d		3,000	By Om's Capital A/c	900	
To Jagdish's Capital A/cs		9,000	By Jay's Capital A/c	<u>600</u>	1,500
To Om's Capital A/c	1,800		By Balance c / d		13,500
To Jay's Capital A/c	<u>1,200</u>	3,000			
		15,000			15,000

2. Write partner's capital accounts balance as fixed capital balance in the Balance Sheet and transferred current account balance in the Balance Sheet as Partners Current A/c.

3. As shown in the cash account partners' withdrew half amount of goodwill amount share.

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Maharashtra Board Solutions

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- Chapter 1- Introduction to Partnership and Partnership Final Accounts
- Chapter 2- Accounts of 'Not for Profit' Concerns
- Chapter 3- Reconstitution of Partnership (Admission of Partner)
- Chapter 4- Reconstitution of Partnership (Retirement of Partner)
- Chapter 5- Reconstitution of Partnership (Death of Partner)
- Chapter 6- Dissolution of Partnership Firm
- Chapter 7- Bills of Exchange
- Chapter 8- Company Accounts – Issue of Shares
- Chapter 9- Analysis of Financial Statements
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The Maharashtra State Board of Secondary & Higher Secondary Education (MSBSHSE), Pune is an independent body of the Maharashtra Government. There are more than 1.4 million students that appear in the examination every year. The Maha State Board conducts the board examination twice a year. This board conducts the examination for SSC and HSC.

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