Q. 10. *A* and *B* are partners sharing profits and losses in the ratio of 3 : 2. They admit *X* and *Y* as new partners. *A* surrendered 1/3rd of his share in favour of *X* and *B* surrendered 1/4th of his share in favour of *Y*. Calculate the new profit sharing ratio of *A*, *B*, *X* and *Y*.

[**Ans.** New Ratio of *A*, *B*, *X* and *Y* = 4 : 3 : 2 : 1.]

Q. 14 (B). *A* and *B* are partners sharing profit in the ratio of 5 : 3. *C* is admitted to the partnership for 1/4th share of future profits. Calculate the new profit sharing ratio and the sacrificing ratio.

[Ans. New Ratio = 15 : 9 : 8, Sacrificing ratio = 5 : 3.]

Q. 16 (B). A and B are partners in a firm sharing profits and losses in the ratio of 5 : 3. They admit C and D as new partners. A sacrifices $\frac{1}{2}$ of his share in favour of C and B sacrifices $\frac{1}{4}$ from his share in favour of D. Calculate their new profit sharing ratio.

[Ans. New Ratio 5 : 2 : 5 : 4]

Q. 18. *A* and *B* are partners in a firm sharing profits in the ratio of 3 : 1. They admit *C* and decide that the profit-sharing ratio between *B* and *C* shall be same as existing between *A* and *B*. Calculate new profit-sharing ratio and the sacrificing ratio.

[**Ans.** New Ratio 9 : 3 : 1; Sacrificing Ratio = 3 : 1.]

Q. 27. *A*, *B* and *C* are partners in a firm sharing profits and losses in the ratio of 5 : 3 : 2. They admitted *D* as a new partner, who brings ₹5,00,000 as capital and ₹2,10,000 as his share of goodwill in cash. *A* surrendered $\frac{1}{5}$th of his share, *B* surrendered $\frac{1}{6}$th of his share and *C* surrendered $\frac{1}{8}$th of his share in favour of *D*.

Find out sacrifice ratio and Pass necessary journal entries for the above.

[**Ans.** Sacrificing Ratio 4 : 2 : 1]

Q. 31. *X* and *Y* are partners sharing profits and losses in the ratio of 2 : 1. They agree to admit *Z* into partnership who gets 1/3rd share in the profits. *Z* brings in ₹50,000 for his capital and the necessary amount for goodwill in cash. Goodwill of the firm is valued at ₹36,000. *X*, *Y* and *Z* agree to share future profits equally. The amount of goodwill is withdrawn from the business. Pass entries.

[**Ans.** Premium for goodwill brought in by *Z* ₹12,000 will be credited to *X*'s Capital A/c, as he alone has sacrificed.]

Q. 40. *P*, *Q* and *R* share profits in the ratio of 5 : 3 : 2. *S* was admitted into partnership. *S* brings in ₹30,000 as his capital. *S* is entitled for 1/5th share in profits which he acquires equally from *P*, *Q* and *R*. Goodwill of the firm is to be valued at three years' purchase of last four years' average profits. The profits of the last four years' are ₹32,000, ₹38,000, ₹35,000 and ₹31,000 respectively. *S* cannot bring goodwill in cash. Goodwill already appears in the books at ₹50,000. Give Journal entries.

Q. 46. (HOTS) X and Y are partners sharing profits in the ratio of 3 : 1. Z is admitted as a partner for which he pays ₹30,000 for goodwill in cash. X, Y and Z decided to share future profits in equal proportion. You are required to pass necessary journal entries to give effect to the above.

[Ans. X sacrifices $\frac{5}{12}$ whereas Y gains $\frac{1}{12}$ and Z gains $\frac{1}{3}$. Entry will be :

Premium for Goodwill A/c	Dr.	30,000	
Y's Capital A/c	Dr.	7,500	
To X's Capital A/c			37,500]

Q. 47. (HOTS) A, B and C were partners in a firm sharing profits in the ratio of 2 : 2 : 1. They admitted D for $\frac{1}{6}$th share in the profits. The new profit sharing ratio will be 13 : 8 : 4 : 5 respectively. D brought ₹5,00,000 for his capital and ₹60,000 for his share of goodwill. Pass necessary entries.

[Ans. A Gains $\frac{1}{30}$, B Sacrifices $\frac{4}{30}$, C Sacrifices $\frac{2}{30}$ and D gains $\frac{5}{30}$. Entry will be:

Premium for Goodwill A/c	Dr.	60,000	
A's Capital A/c	Dr.	12,000	
To B's Capital A/c			48,000
To C's Capital A/c			24,000]

Q. 60. X and Y share profits in the ratio of 5 : 3. Their balance sheet as at 31st March, 2022 was as follows :

Liabilities	₹	*Assets*		₹
Creditors	15,000	Cash at Bank		5,000
Provident Fund	10,000	Sundry Debtors	20,000	
Workmen's Compensation		*Less* : Provision	600	19,400
Reserve	5,800	Stock		25,000
Capitals :		Fixed Assets		80,000
X	70,000	Profit & Loss A/c		2,400
Y	31,000			
	1,31,800			1,31,800

They admit *Z* into partnership on 1st April, 2022 with 1/8th share in profits. *Z* brings ₹20,000 as his capital and ₹12,000 for goodwill in cash. *Z* acquires his share entirely from *X*. Following revaluations are also made :

1. Provident fund is to be increased by ₹5,000.
2. Debtors are all good. Therefore, no provision is required on debtors.
3. Stock includes ₹3,000 for obsolete items.
4. Creditors are to be paid ₹1,000 more.
5. Fixed Assets are to be revalued at ₹70,000.

Prepare Journal entries, necessary accounts and new balance sheet. Also calculate the new profit sharing ratio.

[**Ans.** Loss on Revaluation ₹18,400; Capitals *X* ₹72,625; *Y* ₹25,375; *Z* ₹20,000; B/S total ₹1,49,000. New Ratio 4 : 3 : 1.]

Hint : Workmen's Compensation Reserve will be divided between the old partners.

Q. 65. Gautam and Rahul are partners in a firm, sharing profits and losses in the ratio of 2 : 3. Their Balance Sheet as at 31st March, 2023, was as follows :

BALANCE SHEET

as at 31st March, 2023

Liabilities		₹	*Assets*		₹
Sundry Creditors		5,000	Goodwill		10,000
Bills Payable		15,000	Furniture		25,000
General Reserve		10,000	Stock		15,000
Capital A/cs :			Sundry Debtors	12,000	
Gautam	30,000		*Less* : Provision for		
Rahul	40,000	70,000	Doubtful Debts	2,000	10,000
			Cash in Hand		40,000
		1,00,000			1,00,000

Karim was to be taken as a partner with effect from 1st April, 2023, on the following terms :

(*a*) The new profit sharing ratio of Gautam, Rahul and Karim would be 5 : 3 : 2.

(*b*) Provision for Doubtful Debts would be raised to 20% of debtors.

(*c*) Karim would bring in cash, his share of capital of ₹40,000 and his share of goodwill valued at ₹10,000.

(*d*) Gautam would take over the furniture at ₹22,000.

You are required to :

(*i*) Pass journal entries at the time of Karim's admission.

(*ii*) Prepare the Balance Sheet of the reconstituted firm.

[**Ans.** Loss on Revaluation ₹3,400; Capital A/cs : Gautam ₹1,640; Rahul ₹52,960 and Karim ₹40,000; B/S Total ₹1,14,600.]

Hint. Gautam gains $\frac{1}{10}$ share and Rahul sacrifices $\frac{3}{10}$ share; Amount of compensation for goodwill to be made by Gautam to Rahul ₹5,000.

Q. 67. X and Y are partners in a firm sharing profits and losses in the ratio of 5 : 3. On 31st March, 2022, their Balance Sheet was as under :

Liabilities		₹	*Assets*	₹
Creditors		50,000	Bank	29,000
Provident Fund		15,000	Debtors	1,80,000
Workmen's Compensation			Stock	1,25,000
Reserve		40,000	Premises	1,50,000
Capitals A/cs :			Advertisement Expenses	16,000
X	2,60,000			
Y	1,35,000	3,95,000		
		5,00,000		5,00,000

On 1st April, 2022, Z is admitted as a partner. X surrenders $\frac{1}{4}$th of his share and Y $\frac{1}{3}$rd of his share in favour of Z. Goodwill is valued at ₹1,60,000. Z brings in only $\frac{2}{5}$th of his share of goodwill in cash and ₹1,50,000 as his capital. Following terms are agreed upon :

(*i*) Premises is to be increased to ₹2,00,000 and stock by ₹5,000.

(*ii*) Creditors proved at ₹60,000, one bill for goods purchased having been omitted from the books.

(*iii*) Outstanding rent amounted to ₹12,000 and prepaid salaries ₹2,000.

(*iv*) Liability on account of provident fund was only ₹10,000.

(*v*) Liability for Workmen's Compensation Claim was ₹16,000.

Prepare Revaluation A/c, Capital A/cs and the opening Balance Sheet. Also calculate the new profit sharing ratios.

[**Ans.** Profit on Revaluation ₹40,000; *Z*'s Current A/c (Dr.) ₹27,000; Capital A/cs *X* ₹3,15,000; *Y* ₹1,73,000 and *Z* ₹1,50,000; B/S Total ₹7,36,000; Sacrificing Ratio 5 : 4; New Ratios 15 : 8 : 9.]

Hint. Premium for Goodwill A/c will be debited by ₹18,000 and Current Account of *Z* will be debited by ₹27,000 and Capital Accounts of *X* and *Y* will be credited in the sacrificing ratio of 5 : 4.

Q. 72. Following is the Balance Sheet of X and Y who share profits and losses in the ratio of 3 : 2 as at 31st March, 2022 :

Liabilities		₹	*Assets*	₹
Sundry Creditors		80,000	Cash at Bank	20,000
Reserve		1,00,000	Debtors	70,000
Profit & Loss Account		40,000	Stock	1,80,000
Capital Accounts :			Machinery	3,50,000
X	2,70,000		Goodwill	30,000
Y	1,60,000	4,30,000		
		6,50,000		6,50,000

On 1st April 2022, Z is admitted as a new partner. X surrenders $\frac{1}{3}$rd of his share and Y surrenders $\frac{1}{4}$th of his share in favour of Z. Z brings in ₹3,60,000 for his share of Capital. Pass journal entries for recording goodwill.

[Ans. Hidden Goodwill ₹3,00,000; Z's Current A/c will be debited by ₹90,000 and X and Y's Capital A/cs will be Credited by ₹60,000 and ₹30,000 respectively.

Sacrifice Ratio 2 : 1; Z's share in profits $\frac{3}{10}$]

Q. 78. Mohan and Mahesh were partners in a firm sharing profits in the ratio of 3 : 2. On 1st April, 2021 they admitted Nusrat as a partner in the firm. The Balance Sheet of Mohan and Mahesh on that date was as under :

BALANCE SHEET OF MOHAN AND MAHESH

as at 1st April, 2021

Liabilities	*Amount*	*Assets*	*Amount*
	₹		₹
Creditors	2,10,000	Cash in Hand	1,40,000
Workmen's Compensation Fund	2,50,000	Debtors	1,60,000
General Reserve	1,60,000	Stock	1,20,000

Capitals :			Machinery	1,00,000
Mohan	1,00,000		Building	2,80,000
Mahesh	80,000	1,80,000		
		8,00,000		8,00,000

It was agreed that :

(*i*) The value of Building is to be appreciated to ₹3,80,000.

(*ii*) Stock is undervalued by 25%.

(*iii*) The liability of workmen's compensation fund was determined at ₹2,30,000.

(*iv*) Nusrat brought in her share of goodwill ₹1,00,000 in cash.

(*v*) Nusrat was to bring further cash as would make her capital equal to 20% of the combined capital of Mohan and Mahesh after above revaluation and adjustments are carried out.

(*vi*) The future profit sharing ratio will be Mohan 2/5th, Mahesh 2/5th, Nusrat 1/5th.

Prepare Revaluation Account, Partner's Capital Accounts and Balance Sheet of the new firm. Also show clearly the calculation of capital brought by Nusrat.

[Ans. Profit on Revaluation ₹1,40,000; Capital Accounts : Mohan ₹3,92,000; Mahesh ₹2,08,000; Nusrat ₹1,20,000. B/S Total ₹11,60,000]

Hints :

(*i*) Actual Value of Stock : $1,20,000 \times \frac{100}{75} = ₹1,60,000$

(*ii*) Whole sacrifice is made by Mohan.

Q. 79. On 31st March 2022, the Balance Sheet of *A* and *B*, who were sharing profits in the ratio of 3 : 2 was as follows :

Liabilities		*Amount*	*Assets*		*Amount*
		₹			₹
Sundry Creditors		2,50,000	Cash at Bank		1,30,000
Investment Fluctuation Reserve		50,000	Sundry Debtors	7,50,000	
Capitals :			*Less* : Provision	30,000	7,20,000
A	10,00,000		Stock		4,50,000
B	8,00,000	18,00,000	Investments		2,00,000
			Plant & Machinery		6,00,000
		21,00,000			21,00,000

They decide to admit *C* as a partner. *A* sacrifices $\frac{2}{15}$ from his share while *B* sacrifices $\frac{1}{6}$th of his share in favour of *C*.

The following adjustments were agreed upon :

(*i*) *C* shall bring ₹1,50,000 as his share of goodwill premium and shall bring in proportionate capital.

(*ii*) Stock was undervalued by 10% and Plant and Machinery was overvalued by 20%.

(*iii*) Market value of investments is ₹2,20,000.

(*iv*) Debtors to the extent of ₹10,000 were unrecorded.

(*v*) 5% provision for doubtful debts is required on sundry debtors.

Prepare Revaluation Account, Partner's Capital Accounts and the Balance Sheet of the reconstituted firm.

[**Ans.** Loss on Revaluation ₹28,000; Capital Accounts *A* ₹11,13,200; *B* ₹8,58,800 and *C* ₹4,93,000; Balance Sheet Total ₹27,15,000.]

Hints :

(*i*)	Investments Fluctuation Reserve A/c	Dr.	50,000	
	To *A*'s Capital A/c			30,000
	To *B*'s Capital A/c			20,000
(*ii*)	Investments A/c	Dr.	20,000	
	To Revaluation A/c			20,000

(*iii*) Actual Value of Stock ₹5,00,000

(*iv*) Actual Value of Plant & Machinery ₹5,00,000

(v) Sacrificing Ratio 2 : 1

Q. 80. *X* and *Y* are partners in a firm. They share profits and losses in the ratio of 2 : 1. Their Balance Sheet as at 31st March, 2023 stood as under :

Liabilities	₹	*Assets*		₹
Capitals :		Plant and Machinery		1,75,000
X	1,40,000	Furniture and Fixture		65,000
Y	1,00,000	Stock		35,000
Workmen Compensation Reserve	40,000	Bills Receivable		12,000
Creditors	1,50,000	Debtors	1,10,000	
Bills Payable	10,000	*Less* : Provision for Doubtful Debts	7,000	1,03,000
		Cash & Bank Balance		50,000
	4,40,000			4,40,000

Z is admitted in the partnership. *X* surrenders $\frac{2}{5}$th of his share and *Y* surrenders $\frac{1}{5}$th of his share in favour of *Z*. The following information is given about the firm :

(*i*) Plant and Machinery be reduced by ₹35,000 and furniture and fixture be reduced to ₹58,500.

(*ii*) Provision for bad and doubtful debts is to be increased by ₹3,000.

(*iii*) Actual liability for workmen compensation claim is ₹16,000.

(*iv*) A liability of ₹2,500 included in creditors is not likely to arise.

(*v*) *Z*'s share of goodwill is valued at ₹40,000 but he is unable to bring it in cash.

(xi) Z is to bring in Capital proportionate to his share after all adjustments.

Prepare Revaluation Account, Capital Accounts and Balance Sheet after Z's admission. Also calculate the new profit sharing ratio.

[**Ans.** Loss on Revaluation ₹42,000; Capital Accounts : X ₹1,60,000; Y ₹1,02,000 and Z ₹1,31,000; Cash & Bank Balance ₹1,81,000; Z's Current A/c (Dr.) ₹40,000; Balance Sheet Total ₹5,66,500; Sacrificing Ratio 4 : 1; New Ratio 6 : 4 : 5.]

Hints : (1) Workmen Compensation Reserve is appearing at ₹40,000, whereas, the actual liability is ₹16,000. Hence, ₹16,000 will be shown in liabilities and ₹24,000 will be transferred to the credit side of Capital Accounts of old partners in their old ratio.

(2) Since Z is unable to bring in his share of goodwill in cash, his Current A/c will be debited instead of his Capital A/c from his share of goodwill.

Q. 86. *A* and *B* are partners sharing profits in the proportion of 3 : 2. Their Balance Sheet as at 31st March, 2022 was as follows :

Liabilities		₹	*Assets*		₹
Sundry Creditors		63,000	Cash at Bank		5,000
Outstanding Salaries		4,000	Sundry Debtors	30,000	
General Reserve		10,000	*Less* : Provision	1,000	29,000
Capitals :	*A*	50,000	Stock		40,000
	B	30,000	Trade Marks		8,000
			Building		75,000
		1,57,000			1,57,000

They agree to admit *C* as a new partner on the following terms :

(1) *C* will be given 2/9th share of profit and he will bring ₹50,000 for his share of capital and goodwill.

(2) Goodwill of the firm will be calculated at $2\frac{1}{2}$ year's purchase of the average super profits of last four years. Profits of the last four years are ₹40,000; ₹40,000; ₹55,000 and ₹65,000 respectively. Normal profits that can be earned with the capital employed are ₹14,000.

(3) Half the amount of goodwill is withdrawn by old partners.

(4) 15% of the general reserve is to remain as a provision against doubtful debts.

(5) Outstanding salaries be increased to ₹16,000, Stock is overvalued by 25% and Building is undervalued by 25%. Trade Marks be written off by 50%.

(6) New profit sharing ratio of partners will be 4 : 3 : 2 and the capital accounts of *A* and *B* will be adjusted on the basis of *C*'s capital by bringing in or withdrawing cash, as the case may be.

Prepare necessary accounts and the opening balance sheet of the firm.

[**Ans.** Profit on Revaluation ₹1,000; Capitals *A* ₹60,000; *B* ₹45,000; and *C* ₹30,000; Bank Balance ₹50,500; *A* withdraws ₹2,700 and *B* brings in ₹8,200; Balance Sheet Total ₹2,14,000. Sacrifice Ratio 7 : 3. Premium for goodwill brought in by *C* ₹20,000

Hints :

(*i*) Actual Value of Stock $= 40{,}000 \times \frac{100}{125} =$ ₹32,000

(*ii*) Actual Value of Building $= 75{,}000 \times \frac{100}{75} =$ ₹1,00,000

Q. 88 (A). (HOTS) *D* and *E* were partners in a firm sharing profits in 3 : 1 ratio. On 1-4-2022 they admitted *F* as a new partner for 1/4th share in the firm which he acquired from *D*. Their Balance Sheet as at that date was as follows :

Liabilities		₹	*Assets*		₹
Creditors		54,000	Land and Building		50,000
Capitals :			Machinery		60,000
D	1,00,000		Stock		15,000
E	70,000	1,70,000	Debtors	40,000	
General Reserve		32,000	*Less* : Provision for Bad Debts	3,000	37,000
			Investments		50,000
			Cash		44,000
		2,56,000			2,56,000

F will bring ₹40,000 as his capital and the other terms agreed upon were :

(*i*) Goodwill of the firm was valued at ₹24,000.

(*ii*) Land and Building were valued at ₹70,000.

(*iii*) Provision for bad debts was found to be in excess by ₹800.

(*iv*) A liability for ₹2,000 included in creditors was not likely to arise.

(*v*) The capital of the partners be adjusted on the basis of *F*'s contribution of capital to the firm.

(*vi*) Excess or shortfall, if any, to be transferred to current accounts.

Prepare Revaluation Account, Partner's Capital Accounts and the Balance Sheet of the new firm.

[**Ans.** Profit on Revaluation ₹22,800; Capital Accounts : *D* ₹80,000; *E* ₹40,000 and *F* ₹40,000; *D*'s Current A/c ₹67,100 (Cr.); *E*'s Current A/c ₹43,700 (Cr.); Cash Balance ₹84,000; Balance Sheet Total ₹3,22,800.]

Hint : *F*'s share of goodwill will be debited to his Current Account instead of his Capital Account. Entry for Goodwill will be :

F's Current A/c $(24,000 \times \frac{1}{4})$	Dr.	6,000	
To *D*'s Capital A/c			6,000