Q. 6. X, Y and Z are partners sharing in the ratio of 2 : 2 : 1. Y retires and his share is entirely taken by Z. Calculate the new ratio.

[Ans. 2 : 3]

Q. 13. Rekha, Ruchi and Suruchi are partners. Ruchi retires. Calculate new ratio if continuing partners acquired her share in the ratio of 2 : 3. Also mention the gaining ratio.

[Ans. New Ratio 7 : 8; Gaining Ratio 2 : 3.]

Q. 24 (A). *A*, *B* and *C* were partners sharing profits in the ratio of 6 : 4 : 5. Their capitals were *A* — ₹1,00,000, *B* — ₹80,000 and *C* — ₹60,000 . On 1st April 2023, *B* retired from the firm and the new profit sharing ratio between *A* and *C* was decided as 11 : 4. On *B*'s retirement the goodwill of the firm was valued at ₹1,80,000. Showing your calculations clearly pass necessary journal entry for the treatment of goodwill on *B*'s retirement.

[**Ans.** Only *A* gains $\frac{5}{15}$. *C* has also sacrificed $\frac{1}{15}$. Hence *A* will be debited by ₹60,000 and *B* and *C* will be credited by ₹48,000 and ₹12,000 respectively.]

Q. 36. Manoj, Naveen and Deepak were partners sharing profits and losses in the ratio of 4 : 3 : 2. As at 1st April 2022, their Balance Sheet was as follows :

Liabilities		₹	*Assets*		₹
Trade Creditors		7,000	Cash in Hand		5,900
Capitals :			Debtors	19,000	
Manoj	50,000		*Less* : Provision	1,400	17,600
Naveen	39,000		Stock		13,500
Deepak	30,000	1,19,000	Plant and Machinery		18,000
			Motor Car		20,000
			Buildings		48,000
			Goodwill		3,000
		1,26,000			1,26,000

Deepak retired on the above date as per the following terms :

1. Goodwill of the firm was valued at ₹21,000.
2. Stock to be appreciated by 10%.
3. Provision for doubtful debts should be 5% on debtors.

4. Machinery is to be valued at 5% more than its book value.

5. Motor Car is revalued at ₹15,500. Retiring partner took over Motor Car at this value.

6. Deepak be paid ₹2,000 in cash and balance be transferred to his loan account.

Show necessary journal entries. Prepare Revaluation Account, Capital Accounts and Opening Balance Sheet of continuing partners.

[**Ans.** Loss on Revaluation ₹1,800; Deepak's Loan A/c ₹16,100; Capitals : Manoj ₹45,200; Naveen ₹35,400; B/S total ₹1,03,700.]

Hint : Goodwill amounting to ₹3,000 will be written off among old partners in old ratio and Deepak's share in ₹21,000 will be debited to the accounts of Manoj and Naveen in gaining ratio *i.e.*, 4 : 3.

₹2,74,...

Q. 38. Sameer, Yasmin and Saloni were partners in a firm sharing profits and losses in the ratio of 4 : 3 : 3. On 31.3.2016, their Balance Sheet was as follows :

BALANCE SHEET OF SAMEER, YASMIN AND SALONI

as at 31.3.2016

Liabilities		*Amount*	*Assets*		*Amount*
		₹			₹
Creditors		1,10,000	Cash		80,000
General Reserve		60,000	Debtors	90,000	
Capitals :			*Less* : Provision	10,000	80,000
Sameer	3,00,000		Stock		1,00,000
Yasmin	2,50,000		Machinery		3,00,000
Saloni	1,50,000	7,00,000	Building		2,00,000
			Patents		60,000
			Profit and Loss Account		50,000
		8,70,000			8,70,000

On the above date, Sameer retired and it was agreed that :

(*i*) Debtors of ₹4,000 will be written off as bad debts and a provision of 5% on debtors for bad and doubtful debts will be maintained.

(*ii*) An unrecorded creditor of ₹20,000 will be recorded.

(*iii*) Patents will be completely written off and 5% depreciation will be charged on stock, machinery and building.

(*iv*) Yasmin and Saloni will share future profits in the ratio of 3 : 2.

(*v*) Goodwill of the firm on Sameer's retirement was vlaued at ₹5,40,000.

Pass necessary journal entries for the above transactions in the books of the firm on Sameer's retirement. *(C.B.S.E. 2017)*

[Ans. Loss on Revaluation ₹1,08,300; Amount transferred to Sameer's Loan A/c ₹4,76,680]

Hint. Entry for bad-debts and provision for bad debts :

Provision for Bad Debts A/c	Dr.	5,700	
To Debtors A/c			4,000
To Revaluation A/c			1,700

Q. 42. On 31st March, 2022 the Balance Sheet of M/s *A*, *B* and *C* sharing profits and losses in proportion to their fixed capitals stood as follows :

Liabilities		₹	*Assets*		₹
Creditors		1,08,000	Cash at Bank		80,000
General Reserve		1,80,000	Debtors	1,00,000	
Capital A/cs :			*Less* : Provision	2,000	98,000
A	3,60,000		Stock		90,000
B	2,40,000		Machinery		2,40,000
C	1,20,000	7,20,000	Land and Buildings		5,00,000
		10,08,000			10,08,000

On 1st April, 2022, *B* wants to retire from the firm and the remaining partners decide to carry on. The following re-adjustments of assets and liabilities have been agreed upon before the ascertainment of the amount payable to *B* :

(*i*) that, out of the Fire Insurance Premium paid during 2021-22, ₹10,000 be carried forward as unexpired.

(*ii*) that the land and buildings be appreciated by 10%.

(*iii*) that provision for doubtful debts be brought upto 5% on debtors.

(*iv*) that the machinery be depreciated by 5%.

(*v*) that a provision for ₹15,000 be made in respect of an outstanding bill for repairs.

(*vi*) that the goodwill of the entire firm be at ₹1,80,000 and *B*'s share of the same adjusted in the A/cs of *A* and *C* who share future profits in the proportion of 3/4th and 1/4th respectively; and

(*vii*) that *B* be paid ₹50,000 in cash and the balance be transferred to his Loan A/c.

Prepare Revaluation A/c, Partner's Current Accounts, Capital Accounts and the Balance Sheet of the firm of *A* and *C*.

[**Ans.** Profit on Revaluation ₹30,000; *B*'s Loan A/c ₹3,20,000; Current Accounts: *A* ₹60,000 (Cr.) and *C* ₹20,000 (Cr.); Capitals : *A* ₹3,60,000; *C* ₹1,20,000; B/S Total ₹10,03,000]

Q. 46. On 31st March, 2021, the Balance Sheet of Saman, Harish and Meeta who were sharing profits and losses in the ratio of 2 : 3 : 2, stood as follows :

BALANCE SHEET
as at 31st March, 2021

Liabilities			₹	*Assets*	₹
Capitals :	Saman	10,00,000		Land and Buildings	19,00,000
	Harish	15,00,000		Machinery	5,00,000
	Meeta	10,00,000	35,00,000	Furniture	7,70,000
Workmen Compensation Reserve			8,40,000	Closing Stock	5,00,000
Sundry Creditors			5,10,000	Sundry Debtors	7,00,000
				Cash	4,80,000
			48,50,000		48,50,000

On 31st March, 2021, Harish retired from the firm and the remaining partners decided to carry on the business. It was agreed to revalue the assets and liabilities as follows :

(*i*) Land and buildings be appreciated by 20%.

(*ii*) Machinery be depreciated by 20%.

(*iii*) Closing stock be valued at ₹4,50,000.

(*iv*) Provision for Doubtful Debts be made at 5% on Debtors.

(v) Sundry creditors of ₹65,000 be written off.

(vi) Goodwill of the firm be valued at ₹5,60,000 and Harish's share of the goodwill be adjusted in the accounts of Saman and Meeta who will share the future profits and losses in the ratio of 3 : 2.

(vii) The total capital of the newly constituted firm will be ₹35,00,000, which will be adjusted by opening Current Accounts.

(viii) Amount due to Harish was settled by accepting a bill of exchange in his favour payable after 4 months.

Prepare Revaluation Account, Partners' Capital Accounts and Balance Sheet of the new firm on Harish's retirement.

[**Ans.** Profit on Revaluation ₹2,60,000; Bills Payable accepted ₹22,11,428; Capital A/cs : Saman ₹21,00,000 and Meeta ₹14,00,000; Current A/cs Saman (Dr.) ₹9,61,714 and Meeta (Dr.) ₹1,49,714; B/S Total ₹61,56,428.]

Q. 53. Following is the Balance Sheet of *G*, *K* & *W* as at 31st March, 2019 who share profits in the ratio of 3 : 2 : 1.

Liabilities		₹	*Assets*	₹
Capital Accounts :			Goodwill	7,500
G	22,000		Stock	12,500
K	13,000		Sundry Debtors	12,000
W	9,000	44,000	Land and Buildings	15,000
Sundry Creditors		10,000	Plant and Machinery	18,000
Bills Payable		4,000	Motor Vehicle	5,000
General Reserve		12,000		
		70,000		70,000

On 1st April, 2019, *G* retired and the following arrangements were agreed upon :

(1) Goodwill of the firm is to be valued at ₹15,000.

(2) The assets and liabilities are to be valued as under : Stock ₹10,000; Sundry Debtors ₹11,500; Land and Buildings ₹18,000; Plant and Machinery ₹16,500; and Sundry Creditors ₹9,200.

(3) Liability for Workmen's Compensation amounting to ₹500 is to be brought into the books.

(4) The entire capital of the firm as newly constituted be fixed at ₹35,000 between *K* and *W* in the proportion of 4 : 3 and the actual cash to be paid off or to be brought in by continuing partners as the case may be.

(5) ₹13,150 were paid to *G*. The balance due to him was to be paid in three equal instalments annually together with interest @ 12% per annum.

Give necessary ledger accounts, the Balance Sheet of the firm after G's retirement and G's Loan Account till it is finally paid off.

[**Ans.** Loss on Revaluation ₹1,200; Balance of G's Loan A/c on 1st April, 2019 ₹18,000; Capital Accounts : K ₹20,000 and W ₹15,000; Cash brought in by K ₹10,900 and W ₹7,950; Cash Balance ₹5,700; B/S Total ₹66,700]

Hint : 4 : 3 is not the new profit sharing ratio.

Q. 54. P, Q and R were partners sharing profits and losses in the ratio of 5 : 3 : 2 respectively. As at 31st March, 2022 the Balance Sheet of the firm stood as follows :

Liabilities		₹	*Assets*	₹
Sundry Creditors		5,300	Fixed Assets	25,000
Expenses Outstanding		700	Stock	11,000
Reserve		3,000	Book Debts	9,000
Capitals :			Cash at Bank	2,000
P	20,000			
Q	10,000			
R	8,000	38,000		
		47,000		47,000

On this date Q decided to retire and for this purpose :

(*a*) Goodwill was valued at ₹19,000;

(*b*) Fixed assets were valued at ₹30,000;

(*c*) Stock was considered as worth ₹10,000.

Q was to be paid through cash, brought in by P and R, in such a way as to make their capitals proportionate to their new profit sharing ratio which was to be P 3/5 and R 2/5.

Record these matters in the journal of the firm and prepare the resultant Balance Sheet.

[**Ans.** Profit on revaluation ₹4,000; Amount paid to Q ₹17,800; Capital A/cs: P ₹27,000, R ₹18,000 and Balance Sheet total ₹51,000; Gaining Ratio 1 : 2.]

Hints :

Total Capital of the new firm	= ₹21,600 + ₹17,800 + ₹5,600	= ₹45,000
P's Capital in the new firm	$= ₹45,000 \times \frac{3}{5}$	= ₹27,000
R's Capital in the new firm	$= ₹45,000 \times \frac{2}{5}$	= ₹18,000
Cash brought in by P	= ₹27,000 – ₹21,600	= ₹ 5,400
Cash brought in by R	= ₹18,000 – ₹ 5,600	= ₹12,400

Q. 60. P, Q and R are in partnership sharing profits in the ratio of 3 : 2 : 1. R retires. Following balances appeared in their books :

		₹	₹
Goodwill		12,000	
Bank		10,000	
Other Assets		70,000	
Creditors			14,000
Capitals :	P		40,000
	Q		20,000
	R		18,000
		92,000	92,000

Goodwill is agreed at ₹30,000. Sufficient money is to be introduced so that R is paid off and leave ₹4,000 in cash at bank. P and Q are to provide such sum as will make their capitals proportionate to their share of profits.

Prepare necessary entries and the new balance sheet.

[**Ans.** Amount paid to R ₹21,000; Final Capitals P ₹36,000; Q ₹24,000. P brings in ₹5,000 and Q ₹10,000. B/S total ₹74,000.]

Q. 61. A, B and C were equal partners. Their Balance Sheet as at 31st March, 2022 was as under :

BALANCE SHEET

as at 31-03-2022

Liabilities		₹	*Assets*		₹
B/P		20,000	Bank		20,000
Creditors		40,000	Stock		20,000
General Reserve		30,000	Furniture		28,000
P/L		6,000	Debtors	45,000	
Capitals :			*Less* : RBDD	5,000	40,000
A	60,000		Land & Building		1,20,000
B	40,000				
C	32,000	1,32,000			
		2,28,000			2,28,000

B retired on Ist April, 2022. A and C decided to continue the business sharing profits in the ratio of 3 : 2. Following terms were agreed :

(a) Goodwill of the firm was valued at ₹57,600.

(*b*) Reserve for bad and doubtful debts to be maintained at 10% on debtors.

(*c*) Land and building to be increased to ₹1,32,000.

(*d*) Furniture to be reduced by ₹8,000.

(*e*) Rent outstanding (not provided for as yet) was ₹1,500.

Remaining partners decided to bring sufficient cash in the business to pay off *B* and to maintain a bank balance of ₹24,800. They also decided to readjust their capitals as per their new profit sharing ratio.

Prepare necessary Ledger Accounts and Balance Sheet.

[**Ans.** Profit on Revaluation : ₹3,000; Cash paid to *B* ₹72,200; Final Capitals *A* ₹1,05,480 and *C* ₹70,320; *A* brings in ₹47,840 and *C* brings in ₹29,160; B/S Total ₹2,37,300.]

Q. 64. Hari, Mohan and Sohan were partners in a firm sharing profits in 2 : 2 : 1 ratio. The firm closes its books on 31st March every year. Mohan died on 24-8-2021. On Mohan's death the goodwill of the firm was valued at ₹75,000. The partnership deed provided that on the death of a partner his share in the profits of the firm in the year of his death will be calculated on the basis of last year's profit. The profit of the firm for the year ended 31-3-2021 was ₹2,00,000. Calculate Mohan's share of profit

Q. 65. *A*, *B* and *C* are sharing profits in the ratio of 4 : 3 : 2. *A* dies on 31st December, 2022. Accounts are closed on 31st March every year. Sales for the year ending 31st March, 2022 amounted to ₹4,00,000. Sales of ₹3,30,000 amounted between the period from 1st April 2022 to 31st December 2022. The profit for the year ending 31st March, 2022 amounted to ₹60,000.

Calculate the deceased partner's share in the current year's profits of the firm.

[**Ans.** ₹22,000]

Q. 67. The Balance Sheet of Sindhu, Rahul and Kamlesh, who were sharing profits in the ratio of 3 : 3 : 4 respectively, as at 31st March, 2020 was as follows :

Liabilities		₹	*Assets*	₹
General Reserve		10,000	Cash	32,000
Bills Payable		20,000	Stock	88,000
Loan		24,000	Investments	94,000
Capitals : Sindhu	1,20,000		Land & Building	1,20,000
Rahul	1,00,000		Sindhu's loan	20,000
Kamlesh	80,000	3,00,000		
		3,54,000		3,54,000

Sindhu died on 31st July 2020. The partnership deed provided for the following on the death of a partner :

(*a*) Goodwill of the firm be valued at two year's purchase of average profits for the last three years which were ₹80,000.

(*b*) Sindhu's share of profit till the date of his death was to be calculated on the basis of sales. Sales for the year ended 31st March, 2020 amounted to

₹8,00,000 and that from 1st April to 31st July 2020 ₹3,00,000. The profit for the year ended 31st March, 2020 was ₹2,00,000.

(c) Interest on capital was to be provided @ 6% p.a.

Prepare Sindhu's Capital Account to be rendered to his executor.

[Ans. Balance due to Sindhu's Executor ₹1,75,900.]

Q. 68. *A*. *B* and *C* were partners in a firm sharing profits in the ratio of 5 : 3 : 2. The Balance Sheet as at 31-3-2020 was as follows :

Liabilities	₹	*Assets*	₹
Creditors	12,000	Building	20,000
Reserves	6,000	Plant and Machinery	16,000
A's Capital	24,000	Stock	5,100
B's Capital	12,000	Debtors	6,000
C's Capital	8,000	Cash at Bank	6,900
		Advertisement Suspense	8,000
	62,000		62,000

A died on 30-9-2020 and *B* and *C* decided to share future profits in the ratio of 7 : 3. Under the partnership agreement the executors of a deceased partner were entitled to :

(*a*) Amount standing to the credit of partner's capital account.

(*b*) Interest on capital at 12% per annum.

(*c*) Share of goodwill on the basis of four years purchase of last three years average profit.

(*d*) Share of profit from the closing of the last financial year to the date of death on the basis of last year's profit. Profits for the year 2018, 2019 and 2020 were ₹8,000; ₹12,000 and ₹7,000 respectively.

Prepare *A*'s Capital account to be rendered to his executors.

[Ans. Amount due to *A*'s Executor's ₹44,190.]

Hint : *A*'s share of goodwill ₹18,000 and share of profit ₹1,750 will be credited to *A* and debited to *B* and *C* in their gaining ratio of 4 : 1. *A*'s share of profit should not be debited to Profit & Loss Suspense A/c because profit sharing ratio between *B* and *C* does not remain the same. Their profit sharing ratio has changed from 3 : 2 to 7 : 3.

Q. 71. Tripti, Atishay and Radhika were partners in a firm sharing profits and losses in the ratio of 2 : 2 : 1. Their Balance Sheet as at 31-3-2019 was as follows :

BALANCE SHEET OF TRIPTI, ATISHAY AND RADHIKA
as at 31st March, 2019

Liabilities		₹	*Assets*	₹
Capitals :			Plant and Machinery	5,00,000
Tripti	3,00,000		Stock	3,10,000
Atishay	2,00,000		Sundry Debtors	60,000
Radhika	1,00,000	6,00,000	Cash at Bank	40,000
Profit for the Year 2018-19		2,00,000		
General Reserve		50,000		

Creditors	60,000		
	9,10,000		9,10,000

Tripti died on 30th June, 2019. According to the partnership deed, the executors of the deceased partner are entitled to :

(*a*) Balance in partner's capital account.

(*b*) Salary @₹12,500 per quarter.

(*c*) Share of goodwill calculated on the basis of twice the average of past three years' profits and share of profits from the closure of the last accounting year till the date of death on the basis of last year's profit. Profits for 2016-17 and 2017-18 were ₹1,00,000 and ₹1,50,000 respectively.

(*d*) Tripti withdrew ₹20,000 on 1st May, 2019 for her personal use.

Prepare Tripti's Capital Account to be rendered to her executors.

(C.B.S.E. 2020, Delhi Modified)

[**Ans.** Amount due to Tripti's Executors ₹5,32,500.]

Hint : Average Profit = 1/3 (1,00,000 + 1,50,000 + 2,00,000 given in Balance Sheet).

Q. 74. *A*, *B* and *C* are partners in a firm sharing profits in the ratio of 5 : 3 : 2 respectively. Their Balance Sheet as at 31st March, 2023 was as follows :

BALANCE SHEET

as at 31st March, 2023

Liabilities	₹	*Assets*	₹
Creditors	12,000	Cash	13,000
Reserves	4,000	Debtors	8,000
Workmen Compensation Reserve	6,000	Stock	10,000
Capitals :		Machinery	30,000
A	30,000	Buildings	20,000
B	20,000	Patents	6,000
C	15,000		
	87,000		87,000

On 1st October, 2023, due to illness *B* died. As per the agreement :

(*i*) Goodwill is to be valued at two years' purchase of the average profits of previous five years, which were : 2019 — ₹10,000; 2020 — ₹13,000; 2021 — ₹12,000; 2022 — ₹15,000 and 2023 — ₹20,000.

(*ii*) Patents were valued at ₹8,000; Machinery at ₹28,000 and Buildings at ₹30,000.

(*iii*) *B*'s share of profit till the date of his death will be calculated on the basis of profit of the year 2023.

(*iv*) Interest on capital will be provided at 10% p.a.

(*v*) Amount due to *B*'s executors will be transferred to Charity account.

Prepare *B*'s capital account to be presented to his executors.

[Ans. Amount due to *B*'s Executors ₹38,400.]

Q. 76. You are given the Balance Sheet of *A*, *B* and *C* who are partners sharing profits in the ratio of 2 : 2 : 1 as at March 31, 2022.

Liabilities		₹	Assets	₹
Creditors		40,000	Goodwill	30,000
Reserve Fund		25,000	Fixed Assets	60,000
Capitals :			Stock	10,000
A	30,000		Sundry Debtors	20,000
B	25,000		Cash at Bank	15,000
C	15,000	70,000		
		1,35,000		1,35,000

B died on June 15, 2022. According to the Deed, his legal representatives are entitled to :

(*a*) Balance in Capital Account;

(*b*) Share of goodwill valued on the basis of thrice the average of the past 4 year's profits;

(*c*) Share in profits up to the date of death on the basis of average profits for the past 4 years;

(*d*) Interest on capital account @ 12% p.a.

Profits for the years ending on March 31 of 2019, 2020, 2021, 2022 respectively were ₹15,000, ₹17,000, ₹19,000 and ₹13,000.

B's legal representatives were to be paid the amount due. *A* and *C* continued as partners by taking over *B*'s share equally. Work out the amount payable to *B*'s legal representatives.

[Ans. Amount paid to *B*'s representatives ₹44,158.]

Hints : (1) Share in profits for 2.5 months ₹1,333.

(2) *B*'s share of profit ₹1,333 will be credited to *B* and debited to *A* and *C* in their gaining ratio *i.e.* equally.