Q. 59. *X* and *Y* share profits in the ratio of 5 : 3. Their balance sheet as at 31st March, 2024 was as follows:

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

They admit *Z* into partnership on 1st April, 2024 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. 60. *X* and *Y* are partners. They admit *Z* as a partner and new profit sharing ratio is agreed at 3 : 2 : 1. *Z* brings in Capital of ₹1,50,000 and ₹40,000 as premium for goodwill in Cash.

Their Balance Sheet was as follows:

Liabilities		₹	*Assets*		₹
Creditors		40,000	Cash and Bank		44,000
Capital Accounts:			Debtors	2,00,000	
X	4,00,000		*Less:* Provision	14,000	1,86,000
Y	2,50,000	6,50,000	Stock		2,50,000
Current Accounts:			Machinery		1,20,000
X	30,000		Building		2,00,000
Y	10,000	40,000			
Workmen Compensation Reserve		70,000			
		8,00,000			8,00,000

The assets and liabilities are revalued as under:

(*i*) Provision for Doubtful Debts is to be maintained @5% on debtors.

(*ii*) Building was found under valued by 20% and Machinery overvalued by 20%.

(iii) Part of the stock which had been included at a cost of ₹10,000 had been badly damaged in storage and could only expect to realise ₹2,000.

(iv) Creditors were written off ₹6,000.

Pass necessary journal entries.

[Ans. Gain on Revaluation ₹32,000 be credited to *X* and *Y* in equal proportion.]

Hint: No. (ii) Dr. Building A/c and Cr. Revaluation A/c by ₹50,000
Dr. Revaluation A/c and Cr. Machinery A/c by ₹20,000

No. (iii) Dr. Revaluation A/c and Cr. Stock A/c by ₹8,000.

Q. 61. *A* and *B* are partners sharing profits in 3 : 1. Their Balance Sheet as at 31st March, 2024 stood as follows:

Liabilities		₹	*Assets*		₹
Creditors		2,60,000	Land and Buildings		19,80,000
Workmen Compensation Reserve		40,000	Stock		8,00,000
Capital Accounts:			Sundry Debtors	4,00,000	
A	20,00,000		*Less:* Provision	12,000	3,88,000
B	10,00,000	30,00,000	Cash at Bank		1,32,000
		33,00,000			33,00,000

On 1st April, 2024 they admit *C* as a new partner on the following terms:

(i) The new profit sharing ratio of *A, B* and *C* will be 3 : 2 : 1.

(ii) Land and Buildings are undervalued by 10%.

(iii) All debtors are good.

(iv) *C* to bring in ₹5,00,000 as Capital and his share of goodwill amounting to ₹60,000 in cash.

You are required to prepare Partner's Capital Accounts.

[Ans. Gain on Revaluation ₹2,32,000; Balance of Capital Accounts: *A* ₹22,94,000; *B* ₹10,38,000 and *C* ₹5,00,000. *A* sacrifices $\frac{3}{12}$ and *B* Gains $\frac{1}{12}$.]

Q. 62. 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. 63. Aman and Biswas were partners sharing profits and losses in the ratio of 3 : 2. They admitted Chetan as a new partner for 25% share. Balance sheet of Aman and Biswas was as follows as at March 31, 2023.

Liabilities	*Amount*	*Assets*		*Amount*
	₹			₹
Creditors	50,000	Bank		40,000
Employees' Provident Fund	60,000	Stock		60,000
General Reserve	40,000	Debtors	1,00,000	
Investment fluctuation Reserve	50,000	*Less* : Prov. for doubt.		
Aman's Capital	2,00,000	debts	(10,000)	90,000
Biswas's Capital	1,50,000	Furniture		1,20,000
		Building		1,60,000
		Investment		50,000
		Goodwill		30,000
	5,50,000			5,50,000

Chetan was admitted on the following terms:-

(i) Market value of Investment is ₹20,000.

(ii) There was a bad debts amounting to ₹6,000 and provision for Doubtful Debts is to be maintained at ₹9,000.

(iii) Building was undervalued by 20%.

(iv) Stock was overvalued by 20%.

(v) Goodwill of the firm was valued at ₹1,00,000 and Chetan brings his share of goodwill in cash.

(vi) Chetan was to bring ₹1,30,000 as capital.

Prepare Revaluation Account and Partners' Capital Accounts.

(C.B.S.E. Practice Question Paper, 2024)

[Ans. Gain on revaluation ₹ 25,000; Balance of Partners' Capital Accounts, Aman ₹ 2,48,000; Biswas ₹ 1,82,000; Chetan ₹ 1,30,000.]

Q. 64. X and Y are partners in a firm sharing profits and losses in the ratio of 5 : 3. On 31st March 2024, 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 Reserve		40,000	Stock	1,25,000
Capital Accounts:			Premises	1,50,000
X	2,60,000		Advertisement Expenses	16,000
Y	1,35,000	3,95,000		
		5,00,000		5,00,000

On 1st April, 2024, 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. Gain 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.

Hidden Goodwill

Q. 65. (A) Hemant and Nishant were partners in a firm sharing profits in the ratio of 3 : 2. Their capitals were ₹ 1,50,000 and ₹ 1,30,000 respectively. They admitted Somesh on 1st April, 2024 as a new partner for 1/5 share in the future profits. Loss on Revaluation amounted to ₹ 20,000. Somesh brought ₹ 1,20,000 as his capital. Calculate the value of goodwill of the firm and record necessary journal entries for the above transactions on Somesh's admission.

[**Ans.** Hidden Goodwill ₹2,20,000; Somesh's Current A/c will be debited by ₹44,000 and Capital Accounts of Hemant and Nishant will be credited by ₹26,400 and ₹17,600 respectively.]

Q. 65. (B) *X* and *Y* are partners with capital of ₹13,00,000 and ₹20,00,000. They share profits in the ratio of 1 : 2. They admit *Z* as a partner with 1/5th share in the profits of the firm. *Z* brings in ₹12,00,000 as his share of capital. The Profit and Loss Account showed a credit balance of ₹6,00,000 as on the date of admission of *Z*. Give the necessary Journal entries to record the goodwill.

[**Ans.** Hidden Goodwill ₹9,00,000.]

Hint: Balance of P & L will be credited to the Capital Accounts of *X* and *Y* and hidden goodwill will be calculated thereafter.

Q. 66. *A*, *B* and *C* were partners in a firm sharing profits in the ratio of 2 : 1 : 1. The value of the total assets of the firm was ₹8,00,000 and outside liabilities were valued at ₹1,20,000 as at that date. On 1st April, 2024 they admitted *D* as a new partner. *D* brought ₹2,00,000 for his capital and necessary amount for his share of goodwill premium. The new profit sharing ratio between *A*, *B*, *C* and *D* will be 1 : 2 : 1 : 1.

Pass necessary journal entries for the above transactions in the books of the firm on *D*'s admission.

[**Ans.** Hidden Goodwill ₹1,20,000; Entry for Premium for Goodwill:

Premium for Goodwill A/c	Dr.	24,000	
B's Capital A/c	Dr.	18,000	
To *A*'s Capital A/c			36,000
To *C*'s Capital A/c			6,000]

Q. 67. 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 3/10.]

Q. 68. A, B and C are partners sharing profits and losses in the ratio of 6 : 3 : 1. Their respective capitals are A ₹5,00,000; B ₹4,00,000 and C ₹2,00,000. They decide to admit D into partnership and the new profit sharing ratio is agreed at 3 : 3 : 3 : 1.

D brings ₹1,50,000 as his capital and his share of goodwill in cash. At the time of D's admission:

(a) The firm had a Workmen Compensation Reserve of ₹1,00,000 against which there was a claim of ₹1,20,000.

(b) Advertisement Suspense A/c (Dr.) balance appeared in their books at ₹30,000.

(c) Contingency Reserve appeared at ₹60,000.

You are required to prepare necessary journal entries.

[Ans. Hidden Goodwill ₹2,40,000.

Entry for Premium for Goodwill:

Premium for Goodwill A/c	Dr.	24,000	
C's Capital A/c	Dr.	48,000	
To A's Capital A/c			72,000]

New Partner's Capital Not Given

Q. 69. (A) Nem and Khem sharing profits in the ratio of 3 : 2 admit Prem as a partner with 1/3 share in profits. He had to contribute proportionate capital. They had following financial position:

Liabilities	₹	Assets	₹
Creditors	40,000	Cash at Bank	5,000
Reserve Fund	50,000	Debtors	60,000
Capitals:		Stock	35,000
Nem	50,000	Plant and Machinery	80,000
Khem	40,000		
	1,80,000		1,80,000

They agreed to admit Prem as a partner on the following terms:

(1) Plant and Machinery to be reduced by 10%.

(2) Stock to be increased by ₹3,000.

(3) Bad debts provision was to be created at 5%.

(4) Accrued incomes not appearing in the books ₹900.

(5) Prem was to introduce ₹20,000 as premium for goodwill for 1/3rd share of the future profits of the firm.

Prepare Profit and Loss Adjustment Account, Capital Accounts and Balance Sheet of the new firm. Also calculate new profit sharing ratio.

[Ans. Loss on Revaluation ₹7,100; Capital Accounts: Nem ₹87,740; Khem ₹65,160 and Prem ₹76,450; Bank Balance ₹1,01,450; and Balance Sheet Total ₹2,69,350. New Profit Sharing Ratio 6 : 4 : 5.]

Hint: Calculation of Prem's Capital:

Combined Capital of Nem and Khem for $\frac{2}{3}$ share of Profits

$= 87{,}740 + 65{,}160 = ₹1{,}52{,}900$

Therefore, the total capital of the new firm will be $= 1{,}52{,}900 \times \frac{3}{2} = ₹2{,}29{,}350$

Prem's Capital for $\frac{1}{3}$rd share $= 2{,}29{,}350 \times \frac{1}{3} = ₹76{,}450$.

Q. 69. (B) Mohan and Sohan are in partnership sharing profits in the proportion of $\frac{3}{5}$ and $\frac{2}{5}$ respectively.

The Balance Sheet is as follows:

Liabilities		₹	*Assets*		₹
Capitals:			Cash		65,000
Mohan	2,00,000		Debtors	1,00,000	
Sohan	1,00,000	3,00,000	*Less:* Provision	40,000	60,000
Creditors		40,000	Stock		1,50,000
			Plant		65,000
		3,40,000			3,40,000

They decide to admit Rohan to 1/3rd share on the terms that he is to pay into the business ₹1,00,000 as Goodwill and sufficient capital to give him 1/3rd share of the total capital of the new firm.

It was agreed that Provision for bad debts to be maintained @10% on debtors, that the stock be revalued at ₹2,00,000; and that the plant be reduced to ₹50,000.

Prepare necessary ledger accounts and show the balance sheet of the new partnership.

[**Ans.** Gain on Revaluation ₹65,000; Capital Accounts: Mohan ₹2,99,000; Sohan ₹1,66,000; Rohan ₹2,32,500; Cash balance ₹3,97,500 and B/S total ₹7,37,500.]

Q. 70. Soma and Navya were partners sharing profits in the ratio of 2 : 1. Ananya was admitted as a partner for $\frac{1}{5}$th share in profits. Following balances appeared in the books of the firm on that day.

	₹
Debtors	1,80,000
Provision for Doubtful Debts	12,000

Debtors worth ₹10,000 became bad. It was decided to create 4% provision on doubtful debts.

Pass necessary journal entries.

[**Ans.** Loss on Revaluation ₹4,800]

Q. 71. 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.]

Hint:

(*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 and Machinery ₹5,00,000.

(*v*) Sacrificing Ratio 2 : 1.

Adjustment of Capitals on the Basis of New Partner's Capital

Q. 72. *A* and *B* are partners sharing profits in the proportion of 3 : 2. Their Balance Sheet as at 31st March, 2024 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:		Stock		40,000
A	50,000	Trade Marks		8,000
B	30,000	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.** Gain 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. 73. Ashok and Biju were partners sharing profits and losses in the ratio of 3 : 1 respectively. The following was their balance sheet as at 31st March, 2024:

Liabilities	*Amount*	*Assets*	*Amount*
	₹		₹
Creditors	1,20,000	Sundry Debtors	2,00,000
Bank Overdraft	1,50,000	Stock	2,20,000
Ashok's Capital	1,50,000	Furniture	40,000
Biju's Capital	1,00,000	Machinery	60,000
	5,20,000		5,20,000

On 1st April, 2024, Chandra was admitted to the firm on the following terms:

(i) Chandra would provide ₹1,00,000 as a capital and pay ₹20,000 as goodwill for his one-third share in future profits.

(ii) Ashok, Biju and Chandra would share profits equally.

(iii) Machinery would be reduced by 10% and ₹5,000 would be provided for bad debts. Stock would be valued at ₹2,49,400.

(iv) Capital accounts of old partners would be adjusted in the profit sharing ratio on the basis of Chandra's capital by bringing in or taking out cash.

Pass necessary journal entries and prepare partner's capital accounts and balance sheet of the new firm.

[Ans. Gain on Revaluation ₹18,400; Final Capitals ₹1,00,000 each; Ashok withdraws ₹88,800 and Biju brings in ₹400; Bank overdraft balance ₹1,18,400; Balance Sheet Total ₹5,38,400.]

Hint: Ashok sacrifices $\frac{5}{12}$; Biju Gains $\frac{1}{12}$.

Chandra's $\frac{1}{3}$ share of goodwill = ₹20,000. Hence, total goodwill = ₹20,000 × 3 = ₹60,000. Biju has to compensate $\frac{1}{12}$ of 60,000 *i.e.*, ₹5,000 to Ashok by way of goodwill.

Entry for Goodwill:

Premium for Goodwill A/c	Dr.	20,000	
Biju's Capital A/c	Dr.	5,000	
To Ashok's Capital A/c			25,000

Q. 74. *A* and *B* are partners sharing profits in the ratio of 5 : 3. *C* was admitted for $\frac{1}{4}$th share in profits. *C* acquires this share as $\frac{3}{16}$ from *A* and $\frac{1}{4}$th of his share from *B*. *C* brings in ₹1,00,000 as his capital.

At the time of *C*'s admission:

(i) The firm's goodwill was valued at ₹2,40,000.

(ii) General Reserve was ₹40,000.

(iii) Profit on revaluation of assets and liabilities was ₹24,000.

Before any adjustments were made, the Capitals of *A* and *B* were ₹1,20,000 and ₹70,000 respectively.

It is decided that after *C*'s admission, the Capitals of *A* and *B* be adjusted on the basis of *C*'s Capital, any excess or shortfall to be adjusted *by opening current accounts*. You are required to pass necessary journal entries on *C*'s admission.

[Ans. Capitals after adjustments for goodwill, general reserve and profit on revaluation : *A* ₹2,05,000 and *B* ₹1,09,000; Final Capitals *A* ₹1,75,000 and *B* ₹1,25,000; *A*'s Current A/c (Cr.) ₹30,000 and *B*'s Current A/c (Dr.) ₹16,000.]

Hint: Sacrificing Ratio 3 : 1; New Ratio 7 : 5 : 4.

$$= \frac{6}{12} : \frac{4}{20} : \frac{18}{60} = \frac{30 : 12 : 18}{60} = 30 : 12 : 18 \text{ or } 5 : 2 : 3$$

(*ii*) Prabhakar's share of goodwill will be the share sacrificed by Arjun only(I)

i.e., $3,60,000 \times \frac{3}{12} = 90,000$.

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Date	Particulars		L.F.	Dr. ₹	Cr. ₹
	Prabhakar's Current A/c	Dr.		90,000	
	To Arjun's Capital A/c				90,000
	(Premium for goodwill credited to Arjun's Capital A/c)				

Note:

(I) Since Vinod has *gifted* $\frac{1}{20}$ share to Prabhakar, hence, Prabhakar need not compensate proportionate amount of goodwill to Vinod.

Revaluation of Assets and Liabilities

Q. 106. *A* and *B* share profits in the proportions of 3/4 and 1/4. Their Balance Sheet as at March 31, 2025 was as follows:

Liabilities	₹	*Assets*	₹
Sundry Creditors	4,15,000	Cash at Bank	2,65,000
Reserve Fund	40,000	Bills Receivable	30,000
Capital Accounts:		Debtors	1,60,000
A	3,00,000	Stock	2,00,000
B	1,60,000	Fixtures	10,000
		Land and Buildings	2,50,000
	9,15,000		9,15,000

On April 1, 2025, *C* was admitted into partnership for 1/4th share on the following terms:

(*a*) That *C* pays ₹1,00,000 as his capital.

(*b*) That *C* pays ₹50,000 for goodwill. Half of this sum is to be withdrawn by *A* and *B*.

(*c*) That stock and fixtures be reduced by 10% and a 5% provision for doubtful debts be created on Sundry Debtors and Bills Receivable.

(*d*) That the value of land and buildings be appreciated by 20%.

(*e*) There being a claim against the firm for damages, a liability to the extent of ₹10,000 should be created.

(*f*) An item of ₹6,500 included in sundry creditors is not likely to be claimed and hence should be written back.

Record the above transactions (journal entries) in the books of the firm assuming that the profit sharing ratio between *A* and *B* has not changed. Prepare the new Balance Sheet on the admission of Mr. *C*.

[Ans. Gain on Revaluation ₹ 16,000; Capitals: *A* ₹ 3,60,750; *B* ₹ 1,80,250; *C* ₹ 1,00,000; Bank Balance ₹ 3,90,000; Balance Sheet Total ₹ 10,59,500.]

Q.107. Following is the Balance Sheet of Shashi and Ashu sharing profits as 3 : 2.

Liabilities	₹	*Assets*		₹
Creditors	1,80,000	Debtors	2,20,000	
General Reserve	2,50,000	*Less:* Provision for Doubtful Debts	10,000	2,10,000
Workmen's Compensation Reserve	1,50,000	Land & Building		1,80,000
Capital:		Plants & Machinery		1,20,000
Shashi	1,50,000	Stock		1,10,000
Ashu	1,00,000	Bank		2,10,000
	8,30,000			8,30,000

On admission of Tanya for 1/6th share in the profits it was decided that:

(*i*) Provision for doubtful debts to be increased by ₹ 15,000.

(*ii*) Value of land and building to be increased to ₹ 2,10,000.

(*iii*) Value of stock to be increased by ₹ 25,000.

(*iv*) The liability of workmen's compensation claim was determined to be ₹ 1,20,000.

(*v*) Tanya brought in as her share of goodwill ₹ 1,00,000 in cash.

(*vi*) Tanya was to bring further cash of ₹ 1,50,000 for her capital.

Prepare Revaluation A/c, Capital A/cs and Balance Sheet of the new firm.

[Ans. Gain on Revaluation ₹ 40,000; Capital Accounts: Shashi ₹ 4,02,000; Ashu ₹ 2,68,000 and Tanya ₹ 1,50,000; B/S Total ₹ 11,20,000. Workmen Compensation Reserve amounting to ₹ 30,000 has been divided among old partners.]

Q.108. *P* and *S* were partners in a firm sharing profits in the ratio of 3 : 2. Their Balance Sheet as at 31-3-2025 was as follows:

Liabilities		₹	*Assets*	₹
Bank Overdraft		20,000	Cash	8,000
Creditors		30,000	Debtors	30,000
Provision for Bad Debts		1,000	Bills Receivable	40,000
General Reserve		15,000	Stock	50,000
P's Loan		20,000	Building	90,000
Capitals:			Land	1,48,000
P	1,00,000			
S	1,80,000	2,80,000		
		3,66,000		3,66,000

On 1-4-2025 they admitted *V* as a new partner on the following conditions:

(*i*) *V* will get 1/8th share in the profits of the firm.

(*ii*) *V*'s loan will be converted into his capital.

(*iii*) The goodwill of the firm was valued at ₹80,000 and *V* brought his share of goodwill premium in cash.

(*iv*) Provision for bad debts was to be made equal to 5% of the debtors.

(*v*) Stock was to be depreciated by 5%.

(*vi*) Land was to be appreciated by 10%.

Prepare Revaluation Account, Capital Accounts of *P*, *S* and *V* and the Balance Sheet of the new firm as on 1-4-2025.

[**Ans.** Gain on Revaluation ₹11,800; Capital Accounts: *P* ₹1,22,080; *S* ₹1,94,720 and *V* ₹20,000; Balance Sheet Total ₹3,88,300.]

Q. 109. *A* and *B* share the profits of a business in the ratio of 5 : 3. They admit *C* into the firm for $\frac{1}{4}$th share in the profits to be contributed equally by *A* and *B*. On the date of admission of *C*, the Balance sheet of the firm was as follows:

Liabilities	₹	*Assets*	₹
A's Capital	3,00,000	Machinery	2,60,000
B's Capital	2,00,000	Furniture	1,60,000
Workmen's Compensation Reserve	40,000	Stock	1,20,000
Bank Loan	1,20,000	Debtors	80,000
Creditors	15,000	Bank	60,000
Outstanding Expenses	5,000		
	6,80,000		6,80,000

Terms of *C*'s admission were as follows:

(*i*) *C* will bring ₹3,30,000 for his share of capital and goodwill.

(*ii*) Goodwill of the firm has been valued at 4 year's purchase of the average super profits of last three years. Average profits of the last three years are ₹2,20,000 while the normal profits that can be earned with the capital employed are ₹1,40,000.

(*iii*) Furniture is to be appreciated by ₹60,000 and the value of stock is to be reduced by ₹20,000.

(*iv*) Outstanding Expenses will be paid off.

Prepare Revaluation Account, Partner's Capital Accounts and the new Balance Sheet of *A*, *B* and *C*.

[**Ans.** Revaluation Gain ₹40,000; Partner's Capital Accounts: *A* ₹3,90,000; *B* ₹2,70,000 and *C* ₹2,50,000; Total of Opening Balance Sheet ₹10,45,000.]

Q.110. *A* and *B* are partners in a firm sharing profits and losses as 5 : 3. The position of the firm as at 31st March, 2022 was as follows:

Liabilities		₹	Assets	₹
Capital Accounts:			Plant and Machinery	40,000
A	30,000		Stock	30,000
B	20,000	50,000	Sundry Debtors	20,000
Sundry Creditors		15,000	Bills Receivable	10,000
Bank Overdraft		42,500	Cash at Bank	7,500
		1,07,500		1,07,500

On 1st April, 2022, *C* joins them on condition that he will share 3/4th of the future profits, the balance of profits being shared by *A* and *B* as 5 : 3. He introduces ₹40,000 by way of capital and further ₹4,000 by way of premium for goodwill. He also provides loan to the firm to pay off bank overdraft. *A* and *B* agree to depreciate Plant by 10% and to raise a provision against Sundry Debtors @ 5%.

You are asked to journalise the entries in the books of the firm and show the resultant Balance Sheet. How will the partners share future profits?

[Ans. Revaluation Loss ₹5,000; Capitals: *A* ₹29,375; *B* ₹19,625; *C* ₹40,000; Balance Sheet Total ₹1,46,500. New Ratio 5 : 3 : 24.]

Hint: Instead of Bank Overdraft, *C*'s Loan A/c will be shown on the liabilities side of the opening Balance Sheet. Following entry will be passed for it:

Bank Overdraft A/c	Dr.	42,500	
To *C*'s Loan A/c			42,500

Q. 111.(HOTS) *A* and *B* are partners in a firm. Their Balance Sheet as at 31st March, 2025 was as follows:

Liabilities	₹	Assets	₹
Capital:		Cash	10,000
A	50,000	Sundry Debtors	80,000
B	60,000	Stock	20,000
Creditors	15,000	Fixed Assets	38,600
Outstanding Expenses	3,000	P & L A/c	4,000
Insurance Fund	7,000		
Provident Fund	1,000		
Employees Savings Fund	5,000		
Workmen Profit Sharing Fund	2,000		
Workmen Compensation Reserve	5,600		
Provision for Doubtful Debts	4,000		
	1,52,600		1,52,600

C was taken into partnership as from 1-4-2025 on following terms for 1/6 share:

1. *C* will bring ₹40,000 as his capital.
2. Goodwill is valued at ₹12,000 and admitting partner is unable to bring his share of goodwill in cash.
3. Claim an account of Workmen's Compensation is ₹3,000.
4. Creditors are to be paid ₹2,000 more.

5. 2% Provision for Discount on Debtors is required.

6. The share of A in new firm will be $1\frac{1}{2}$ times of B.

Prepare Revaluation A/c, Capital Accounts and Balance Sheet.

Solution:

Dr. REVALUATION ACCOUNT Cr.

Particulars	₹	*Particulars*		₹
To Creditors	2,000	By Loss transferred to:		
To Provision for Discount[(1)]	1,520	*A*'s Capital A/c	1,760	
		B's Capital A/c	1,760	3,520
	3,520			3,520

Dr. PARTNERS' CAPITAL ACCOUNTS Cr.

Particulars	*A* ₹	*B* ₹	*C* ₹	*Particulars*	*A* ₹	*B* ₹	*C* ₹
To P & L A/c	2,000	2,000		By Balance b/d	50,000	60,000	
To Revaluation	1,760	1,760		By Insurance Fund	3,500	3,500	
To Balance c/d	51,040	63,040	40,000	By Workmen Comp. Reserve	1,300	1,300	
				By *C*'s Current A/c (1/6 of 12,000)		2,000	
				By Cash			40,000
	54,800	66,800	40,000		54,800	66,800	40,000

BALANCE SHEET

as at 1st April, 2025

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

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

(2) New Profit Sharing Ratio:

C is admitted for $\frac{1}{6}$th share.

Balance $\frac{5}{6}$th will be shared by A and B in the ratio of $1\frac{1}{2} : 1$ OR $3 : 2$.

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

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

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

Sacrificing Ratio:

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

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

Hence, only B has sacrificed.

Q.112. The Balance Sheet of A and B as at 31st March, 2025 is given below:

Liabilities	₹	*Assets*	₹
A's Capital	60,000	Freehold Property	20,000
B's Capital	30,000	Furniture	6,000
General Reserve	24,000	Stock	12,000
Creditors	16,000	Debtors	80,000
		Cash	12,000
	1,30,000		1,30,000

A and B share profits and losses in the ratio of 2 : 1. They agree to admit P into the firm subject to the following terms and conditions:

(a) P will bring in ₹21,000 of which ₹9,000 will be treated as his share of Goodwill to be retained in the business.

(b) P will be entitled to 1/4 share of profits of the firm.

(c) 50% of the General Reserve is to remain as a provision for bad and doubtful debts.

(d) Furniture is to be depreciated by 5%.

(e) Stock is to be revalued at ₹10,500.

Prepare Revaluation Account, Capital Accounts and Opening Balance Sheet of the new firm.

[Ans. Loss on Revaluation ₹1,800; Capital Balances: A 72,800; B ₹36,400; P ₹12,000; Cash Balance ₹33,000; B/S Total ₹1,37,200.]

Hint: Entry for General Reserve will be:

General Reserve A/c	Dr.	24,000	
To Provision for Bad & Doubtful Debts A/c			12,000

To A's Capital A/c 8,000
To B's Capital A/c 4,000

Q.113. A and B are partners sharing profits and losses in the ratio of 3 : 2. On April 1, 2025, their Balance Sheet was as follows:

Liabilities		₹	Assets	₹
Sundry Creditors		51,000	Goodwill	15,000
Workmen Compensation Reserve		4,000	Plant	75,000
Capitals:			Patents	8,000
A	1,00,000		Stock	80,000
B	1,20,000	2,20,000	Debtors	62,000
			Cash	20,000
			Profit & Loss Account	15,000
		2,75,000		2,75,000

On this date they agree to admit C on the following terms:

(i) C will be entitled to 3/10 share in the profits which he acquires 1/5 from A and 1/10 from B. He will bring in ₹60,000 as his capital.

(ii) Goodwill of the firm was valued at ₹40,000.

(iii) Plant is valued at ₹60,000 and Stock at ₹70,000.

(iv) Claim on account of Workmen's Compensation is ₹6,000.

(v) Patents should be written off.

(vi) Investments of ₹5,000 which did not appear in the books should be duly recorded.

(vii) B is to withdraw ₹20,000 in cash.

Give Journal entries and the Balance Sheet of the new firm.

[**Ans.** Loss on Revaluation ₹30,000; C's Current A/c (Dr.) ₹12,000; Capitals Accounts A ₹72,000; B ₹80,000 and C ₹60,000; B/S Total ₹2,69,000; Sacrificing Ratio 2 : 1.]

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

(2) Following entry will be passed in respect of Workmen Compensation:

Workmen Compensation Reserve A/c	Dr.	4,000	
Revaluation A/c	Dr.	2,000	
To Liability for Workmen Compensation Claim A/c			6,000

Liability for Workmen Compensation Claim will appear on the liabilities side of the Balance Sheet at ₹6,000.

Note: C's Current A/c has been debited from his share of goodwill.

Q.114. A and B were partners with fixed capitals of ₹3,70,000 each. They admitted C as a new partner for 1/4th share of profits. C brought ₹3,00,000 as his capital and the necessary amount of goodwill premium for his share of goodwill. The new profit sharing ratio will be 2 : 1 : 1.

Pass necessary journal entries for the above transactions in the books of the firm.

[Ans. Hidden Goodwill ₹1,60,000. Entire amount of goodwill ₹40,000 brought in by C will be credited to B's Current A/c since he alone has sacrificed.]

Q.115. A, B and C were partners in a firm sharing profits in the ratio of 2 : 1 : 2. Their respective fixed capitals were A ₹7,00,000; B ₹4,50,000 and C ₹6,00,000. On 31st March, 2025, they admitted Divya as a new partner for 1/5th share in the profits. Their new profit sharing ratio was 1 : 2 : 1 : 1. Divya brought ₹5,00,000 as her capital and necessary amount for her share of goodwill premium.

Pass necessary journal entries for the above transactions in the books of the firm on Divya's admission.

[Ans. Hidden goodwill ₹2,50,000. Entry for premium for goodwill:

Premium for Goodwill A/c	Dr.	50,000	
B's Current A/c	Dr.	50,000	
To A's Current A/c			50,000
To C's Current A/c			50,000]

Q.116. David and Bimal are partners sharing profits and losses in the ratio of 3 : 2. Their Balance Sheet as at 31st March 2023, was as follows:

BALANCE SHEET
as at 31st March, 2023

Liabilities		₹	*Assets*		₹
Sundry Creditors		8,20,000	Cash		3,20,000
General Reserve		30,000	Stock		1,50,000
Capital A/cs:			Debtors	94,000	
David	1,80,000		*Less:* Provision for		
Bimal	1,20,000	3,00,000	Doubtful Debts	4,000	90,000
			Building		5,50,000
			Furniture		40,000
		11,50,000			11,50,000

They admitted Chander as a new partner on 1-4-2023 and the new profit sharing ratio became 5 : 3 : 2. Chander introduced a capital of ₹1,60,000. Chander was unable to bring any cash for goodwill and so it was decided to value the goodwill on the basis of his share in the profits and the capital contributed by him. Adjustment for the same should be made through a current account opened in the name of Chander. The following revaluations were made at the time of Chander's admission:

(*i*) Stock had been overvalued by ₹7,500 and furniture by ₹5,000.

(*ii*) Provision for doubtful debts to be increased by ₹1,000.

(*iii*) A creditor for ₹23,500 was paid off by Bimal privately for which no entry was passed in the books of the firm.

Prepare the Revaluation Account, Partner's Capital Accounts and a Balance Sheet of the new firm on the date of Chander's admission. Show your workings clearly.

[**Ans.** Loss on Revaluation ₹13,500; Chander's Current A/c (Dr.) ₹60,000; Capital Accounts: David ₹2,19,900; Bimal ₹1,80,100 and Chander ₹1,60,000; B/S total ₹13,56,500.]

Hint: Hidden goodwill ₹3,00,000.

Calculation of the Capital Introduced by the New Partner

Q.117. Leena and Rohit are partners in a firm sharing profits in the ratio of 3 : 2. On 31st March, 2018, their Balance Sheet was as follows:

BALANCE SHEET OF LEENA AND ROHIT
as at 31-3-2018

Liabilities		₹	*Assets*		₹
Sundry Creditors		80,000	Cash		42,000
Bills Payable		38,000	Debtors	1,32,000	
General Reserve		50,000	*Less:* Provision for Doubtful Debts	2,000	1,30,000
Capital:			Stock		1,46,000
Leena	1,60,000		Plant and Machinery		1,50,000
Rohit	1,40,000	3,00,000			
		4,68,000			4,68,000

On the above date Manoj was admitted as a new partner for 1/5th share in the profits of the firm on the following terms:

(*i*) Manoj brought proportionate capital. He also brought his share of goodwill premium of ₹80,000 in cash.

(*ii*) 10% of the general reserve was to be transferred to provision for doubtful debts.

(*iii*) Claim on account of workmen's compensation amounted to ₹40,000.

(*iv*) Stock was overvalued by ₹16,000.

(*v*) Leena, Rohit and Manoj will share future profits in the ratio of 5 : 3 : 2.

Prepare Revaluation Account, Partners' Capital Accounts and the Balance Sheet of the reconstituted firm. *(C.B.S.E. 2019)*

[**Ans.** Loss on Revaluation ₹56,000; Capital Accounts: Leena ₹1,93,400; Rohit ₹1,75,600 and Manoj ₹92,250; B/S Total ₹6,19,250; Sacrificing Ratio 1 : 1.]

Q.118. Shikha, Shweta and Manisha were partners sharing profits and losses in the ratio of 5 : 3 : 2. They admitted Pooja into partnership for 25% share. Shikha, Shweta and Manisha decided to share future profits and losses equally. Pooja brings in Capital of ₹8,00,000 and ₹1,50,000 out of her goodwill share of ₹2,50,000. Pass necessary entries at the time of Pooja's admission.

(C.B.S.E. Practice Question Paper, 2024)

[**Ans.** Sacrifice or Gain by Shikha, Shweta and Manisha is $\frac{10}{40}$ (Sacrifice), $\frac{2}{40}$ (Sacrifice) and $\frac{2}{40}$ (Gain) respectively.]

Q.119. On 31st March, 2019 the Balance Sheet of Madan and Mohan who share profits and losses in the ratio of 3 : 2 was as follows:

BALANCE SHEET OF MADAN AND MOHAN
as at 31st March, 2019

Liabilities		₹	*Assets*		₹
Creditors		28,000	Cash at Bank		10,000
General Reserve		10,000	Debtors	65,000	
Employees Provident Fund		22,000	*Less:* Provision for Doubtful Debts	5,000	60,000
Capitals:			Stock		33,000
Madan	60,000		Patents		57,000
Mohan	40,000	1,00,000			
		1,60,000			1,60,000

They decided to admit Gopal on 1st April, 2019 for 1/5th share which Gopal acquired wholly from Mohan on the following terms:

(*i*) Gopal shall bring ₹10,000 as his share of premium for Goodwill.

(*ii*) A debtor whose dues of ₹3,000 were written off as bad debt paid ₹2,000 in full settlement.

(*iii*) A claim of ₹5,000 on account of workmen's compensation was to be provided for.

(*iv*) Patents were undervalued by ₹2,000. Stock in the books was valued 10% more than its market value.

(*v*) Gopal was to bring in capital equal to 20% of the combined capitals of Madan and Mohan after all adjustments.

Prepare Revaluation Account, Capital Accounts of the Partners and the Balance Sheet of the new firm. *(C.B.S.E. 2019, C)*

[Ans. Loss on Revaluation ₹4,000; Capitals: Madan ₹63,600; Mohan ₹52,400 and Gopal ₹23,200; Bank Balance ₹45,200; Balance Sheet Total ₹1,94,200.]

Q.120. Pappu and Dhanraj were partners in a firm sharing profits in the ratio of 3 : 1. Their Balance Sheet as at 31-3-2023 was as follows:

Liabilities		*Amount* ₹	*Assets*		*Amount* ₹
Creditors		30,000	Debtors	50,000	
Bills Payable		1,000	*Less:* Provision	5,000	45,000
Reserve Fund		16,000	Stock		30,000
Outstanding Salary		3,000	Bills Receivable		10,000
Capitals:			Patents		1,000
Pappu	60,000		Machinery		40,000
Dhanraj	20,000		Cash		4,000
		1,30,000			1,30,000

They admitted Leander as a new partner on 1st April, 2023. New sharing ratio is agreed as 3 : 2 : 3. Leander brings in proportionate c after the following adjustments:

(i) Leander brings ₹16,000 as his share of goodwill.

(ii) Provision for doubtful debts is to be reduced by ₹2,000.

(iii) There is an old typewriter valued at ₹2,400. It does not appear i books of the firm. It is now to be recorded.

(iv) Patents are valueless.

Prepare Revaluation Account, Capital Accounts and the Opening Bal Sheet of Pappu, Dhanraj and Leander.

[**Ans.** Gain on Revaluation ₹3,400; Balance of Capital Accounts: Pappu ₹90, Dhanraj ₹24,850 and Leander ₹69,240; Total of B/S ₹2,18,640.]

Hint: Pappu will be entitled to the full amount of goodwill brought in by Leander beca only he sacrifices his profit share.

Adjustment of Capitals of Old Partners

Q.121. Rajat and Ravi are partners in a firm sharing profits and losses in the ra of 7 : 3. Their Balance Sheet as at 31st March, 2024 is as follows:

Liabilities		₹	*Assets*	₹
Creditors		60,000	Cash in Hand	36,0
Reserve		10,000	Cash at Bank	90,00
Capital Accounts:			Debtors	44,00
Rajat	1,00,000		Furniture	30,00
Ravi	80,000	1,80,000	Stock	50,00
		2,50,000		2,50,00

On 1st April, 2024, they admit Rohan on the following terms:

(i) Goodwill is valued at ₹40,000 and Rohan is to bring in the necessar amount in cash as premium for goodwill and ₹60,000 as Capital fo 1/4 share in profits.

(ii) Stock is to be reduced by 40% and furniture is to be reduced to 40%

(iii) Capitals of the partners shall be proportionate to their Profit Sharing Ratio taking Rohan's Capital as base. Adjustment of Capitals to be made by cash.

Requirements: Prepare Revaluation Account, Partner's Capital Accounts and Cash Account.

[**Ans.** Loss on Revaluation ₹38,000; New Ratio 21 : 9 : 10; Capital Accounts Rajat ₹1,26,000; Ravi ₹54,000 and Rohan ₹60,000; Deficit Capital brought in by Rajat in Cash ₹38,600; Surplus Capital returned to Ravi in Cash ₹20,600. Balance of Cash A/c ₹1,24,000.]

Q.122. Balance Sheet as at 31st March, 2024 of Ramesh, Kumar and Pappu who were sharing profits and losses in the ratio of 2 : 3 : 5.

Liabilities	₹	Assets	₹
Capitals:		Cash	18,000
Ramesh	36,000	Bills Receivable	24,000
Kumar	44,000	Furniture	28,000
Pappu	52,000	Stock	44,000
Creditors	64,000	Debtors	42,000
Bills Payable	32,000	Investments	32,000
Profit & Loss A/c	14,000	Machinery	34,000
		Goodwill	20,000
	2,42,000		2,42,000

On 1st April, 2024 they admit Shilpa into partnership on the following terms:

1. Furniture, Investments and Machinery to be reduced by 15%.
2. The value of stock to be taken at ₹48,000.
3. Shilpa will bring in ₹26,000 as her share of goodwill.
4. Shilpa to bring ₹32,000 towards capital for 1/6th share and old partners to adjust their capitals accordingly.
5. Outstanding rent amounted to ₹1,800.
6. Prepaid salaries ₹800.
7. Adjustments of capitals to be made by cash.

Prepare Revaluation Account, Capital Accounts, Cash Account and the Balance Sheet of the new firm.

[Ans. Loss on Revaluation ₹11,100; Capital Accounts: Ramesh ₹32,000; Kumar ₹48,000; Pappu ₹80,000 and Shilpa ₹32,000; Cash balance ₹95,100; B/S Total ₹2,89,800; Ramesh withdraws ₹5,780; Kumar brings in ₹1,330 and Pappu brings in ₹23,550.]

Q.123. *A* and *B* sharing profits in the ratio of 3 : 2 have capitals of ₹1,00,000 and ₹45,000 respectively. They admit a new partner *C* with 2/9th share of profits. *C* is required to bring ₹40,000 as capital. The loss on revaluation of assets and liabilities is ₹10,000. It is agreed that capitals of partners should be in the new profit sharing ratio. Any excess or deficit amount should be transferred to their current accounts. Pass a suitable adjusting entry or entries.

[Ans.

I. *A*'s Capital A/c	Dr.	10,000	
To *A*'s Current A/c			10,000
II. *B*'s Current A/c	Dr.	15,000	
To *B*'s Capital A/c			15,000

Q. 124. On 31st March, 2024 the Balance Sheet of *W* and *R* who shared profits i 3 : 2 ratio was as follows:

Liabilities		₹	Assets		₹
Creditors		20,000	Cash		5,000
Profit and Loss Account		15,000	Sundry Debtors	20,000	
Capital Accounts:			*Less:* Provision	700	19,300
W	40,000		Stock		25,000
R	30,000	70,000	Plant and Machinery		35,000
			Plants		20,700
		1,05,000			1,05,000

On 1st April, 2024 *B* was admitted as a partner on the following conditions:

(*a*) *B* will get 4/15th share of profits.

(*b*) *B* had to bring ₹30,000 as his capital to which amount other Partners capitals shall have to be adjusted.

(*c*) He would pay cash for his share of goodwill which would be based on $2\frac{1}{2}$ years purchase of average profits of past 4 years.

(*d*) The assets would be revalued as under:
Sundry debtors at book value less 5% provision for bad debts. Stock at ₹20,000, Plant and Machinery at ₹40,000.

(*e*) The profits of the firm for the years 2021, 2022 and 2023 were ₹20,000; ₹14,000 and ₹17,000 respectively.

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

[**Ans.** Loss on Revaluation ₹300; New Ratio 33 : 22 : 20; Capital Accounts: *W* ₹49,500; *R* ₹33,000 and *B* ₹30,000; Cash Balance ₹32,800; B/S Total ₹1,32,500; *W* withdraws ₹5,920 and *R* withdraws ₹7,280.]

Hint: Average Profits $= \dfrac{20{,}000 + 14{,}000 + 17{,}000 + 15{,}000 \text{ (Given in Balance Sheet)}}{4}$

$= ₹16{,}500$

Value of Goodwill $= ₹16{,}500 \times 2\frac{1}{2} = ₹41{,}250$

B's Share in Goodwill $= ₹41{,}250 \times \frac{4}{15} = ₹11{,}000$

Q. 125. *A* and *B* are partners sharing profits in the ratio of 2 : 3. Their balance sheet as at 31st March, 2024 was as follows:

Liabilities		₹	Assets		₹
Bank Overdraft		32,000	Cash in Hand		3,000
Creditors		25,000	Cash at Bank		12,000
P & L Account		10,000	Debtors	40,000	
Capitals:			*Less:* Provision	5,000	35,000
A	1,00,000		Furniture		40,000
B	1,05,000	2,05,000	Building		80,000

		Machinery	1,00,000
		Investments	2,000
	2,72,000		2,72,000

On 1st April, 2024 they admitted *C* for 1/5 share in profits which he acquires wholly from *B*. The other terms of agreement were:

(*i*) Goodwill of the firm was to be valued at two year's purchase of the average of the last 3 year's profits. The profit for the last 3 years were ₹58,000; ₹66,000 and ₹56,000 respectively.

(*ii*) Provision for Doubtful debts was found in excess by ₹2,000.

(*iii*) Buildings were found undervalued by ₹20,000 and furniture overvalued by ₹5,000.

(*iv*) ₹5,000 for damages claimed by a customer had been disputed by the firm. It was agreed at ₹2,000 by a compromise between the customer and the firm.

(*v*) *C* was to bring in ₹60,000 as his capital and the necessary amount for his share of goodwill.

(*vi*) Capitals of *A* and *B* were to be adjusted in the new profit sharing ratio by opening necessary current accounts.

Prepare journal entries, capital accounts and the opening balance sheet.

Ans. Gain on Revaluation ₹15,000; Capitals: *A* ₹1,20,000; *B* ₹1,20,000 and *C* ₹60,000; Cash in Hand ₹3,000; Cash at Bank (after deducting bank overdraft) ₹64,000. B/S Total ₹3,51,000; New Ratio 2 : 2 : 1; *A*'s Current A/c ₹10,000 (Dr.); *B*'s Current A/c ₹24,000 (Cr.).]

Hint: No entry will be passed for ₹5,000. Only the following entry will be passed in respect of damages:

Revaluation A/c	Dr.	2,000	
To Damages Payable A/c			2,000

Q.126. Juliet and Rabani are partners in a firm, sharing profits and losses in the ratio of 3 : 1. On 31st March, 2016, their Balance Sheet was as under:

BALANCE SHEET OF JULIET AND RABANI

as at 31st March, 2016

Liabilities		₹	*Assets*		₹
Sundry Creditors		70,000	Plant and Machinery		1,76,000
General Reserve		30,000	Inventory		26,000
Provident Fund		40,000	Sundry Debtors	57,000	
Capital Accounts:			*Less:* Provision for		
Juliet	1,10,000		Doubtful Debts	3,000	54,000
Rabani	90,000	2,00,000	Cash at Bank		68,000
			Profit & Loss A/c		16,000
		3,40,000			3,40,000

Mike was taken as a partner for $\frac{1}{4}$th share, with effect from 1st April, 2016 subject to the following adjustments:

(*a*) Plant and Machinery was found to be overvalued by ₹16,000. It was to be shown in the books at the correct value.

(*b*) Provision for Doubtful Debts was to be reduced by ₹2,000.

(*c*) Creditors included an amount of ₹2,000 received as commission from Malini. The necessary adjustment was required to be made.

(*d*) Goodwill of the firm was valued at ₹60,000. Mike was to bring in cash, his share of goodwill along with his capital of ₹1,00,000.

(*e*) Capital Accounts of Juliet and Rabani were to be readjusted in the new profit sharing arrangement on the basis of Mike's capital, any surplus to be adjusted through current account and any deficiency through cash.

You are required to prepare:

(*i*) Revaluation Account,

(*ii*) Partner's Capital Accounts, and

(*iii*) Balance Sheet of the Reconstituted Firm. *(I.S.C. 2017)*

[**Ans.** Loss on Revaluation ₹12,000; Capital Accounts: Juliet ₹2,25,000 and Rabani ₹75,000; Juliet brings in ₹1,02,250; Rabani's Current Account (Cr.) ₹19,250; Cash at Bank ₹2,85,250; B/S Total ₹5,27,250.]

Q. 127. Ashish and Nimish were partners in a firm sharing profits and losses in the ratio of 3 : 2. On 31st March, 2019 their Balance Sheet was as follows:

BALANCE SHEET OF ASHISH AND NIMISH

as at 31st March, 2019

Liabilities		₹	*Assets*		₹
Capitals:			Plant and Machinery		2,90,000
Ashish	3,10,000		Furniture		2,20,000
Nimish	2,90,000	6,00,000	Sundry Debtors	90,000	
General Reserve		50,000	*Less:* Provision for Doubtful Debts	1,000	89,000
Workmen's Compensation Reserve		20,000	Stock		1,40,000
Creditors		1,10,000	Cash		41,000
		7,80,000			7,80,000

On 1st April, 2019, Geeta was admitted into the partnership for 1/4th share in the profits on the following terms:

(*i*) Goodwill of the firm was valued at ₹2,00,000.

(*ii*) Geeta brought ₹3,00,000 as her capital and her share of goodwill premium in cash.

(iii) Bad debts amounted to ₹2,000. Create a provision for doubtful debts @ 5% on Sundry debtors.

(iv) Furniture was found undervalued by ₹65,400.

(v) Stock was taken over by Nimish for ₹1,30,000.

(vi) The liability against workmen's compensation reserve was determined at ₹30,000.

(vii) After the above adjustments, the capitals of Ashish and Nimish were to be adjusted taking Geeta's capital as the base. Excess or shortage was to be adjusted by opening current accounts.

Prepare Revaluation Account, Partners' Capital Accounts and the Balance Sheet of the firm after Geeta's admission *(C.B.S.E. 2020, Rajasthan)*

[Ans. Gain on Revaluation ₹40,000; Capital Accounts: Ashish ₹5,40,000; Nimish ₹3,60,000 and Geeta ₹3,00,000; Current Accounts: Ashish (Dr.) ₹1,46,000 and Nimish (Dr.) ₹1,44,000. Balance Sheet Total ₹13,40,000.]

Q.128. X and Y were partners in the profit sharing ratio of 3 : 2. Their balance sheet as at March 31, 2022 was as follows:

BALANCE SHEET
as at March 31, 2022

Liabilities		*Amount*	*Assets*		*Amount*
		₹			₹
Creditors		56,000	Plant and Machinery		70,000
General Reserve		14,000	Buildings		98,000
Capital Accounts:			Stock		21,000
X	1,19,000		Debtors	42,000	
Y	1,12,000	2,31,000	(–) Provision	7,000	35,000
			Cash in Hand		77,000
		3,01,000			3,01,000

Z was admitted for 1/6th share on the following terms:

(i) Z will bring ₹56,000 as his share of capital, but was not able to bring any amount to compensate the sacrificing partners.

(ii) Goodwill of the firm is valued at ₹84,000.

(iii) Plant and Machinery were found to be undervalued by ₹14,000. Building was to brought upto ₹1,09,000.

(iv) All debtors are good.

(v) Capitals of X and Y will be adjusted on the basis of Z's share and adjustments will be done by opening necessary current accounts.

You are required to prepare revaluation account and Partner's capital accounts. *(C.B.S.E. Sample Paper 2023)*

[Ans. Gain on Revaluation ₹32,000; Capital Accounts X ₹1,68,000; Y ₹1,12,000 and Z ₹56,000; X's Current A/c Dr. ₹13,000; Y's Current A/c Cr. ₹24,000.]

PROBLEM 9.

Atal and Madan were partners in a firm sharing profits in the ratio of 5 : 3. On 31.3.2025 they admitted Mehra as a new partner for 1/4th share in the profits. The new profit sharing ratio was 2 : 1 : 1.

From the information given below, complete the Revaluation Account, Partners' Capital Accounts and the Balance Sheet.

REVALUATION ACCOUNT

Dr. Particulars	₹	Particulars		₹ Cr.
To Provision for Outstanding Electricity Bill	30,000	By Provision for Bad & Doubtful Debts:		
To Provision for Claim for Damages	....	Existing	1,200	
		Less: Required	1,175	....
		By Sundry Creditors		2,500
		By		....
	....			....

PARTNER'S CAPITAL ACCOUNTS

Dr. *Particulars*	*Atal* ₹	*Madan* ₹	*Mehra* ₹	*Particulars*	*Atal* ₹	*Madan* ₹	*Mehra* ₹ Cr.
To Profit & Loss A/c	12,500	....		By Balance b/d	1,50,000	90,000	
To Revaluation A/c	....	300		By Workmen Comp. Fund	....	12,000	
To Balance c/d	....	....	....	By Cash A/c			40,000
				By Premium for Goodwill A/c	4,000	....	
	....	....	....		....	....	....

BALANCE SHEET
as at 31st March, 2025

Liabilities		₹	*Assets*		₹
Capitals:			Land and Building		1,50,000
Atal	....		Machinery		40,000
Madan	....		Patents		5,000
Mehra	....	....	Stock		27,000
Sundry Creditors		17,500	Debtors	....	
Provision for Outstanding Electricity Bill		....	*Less:* Provision for Bad Debts	....	45,825
Provision for Claim for Damages		....	Cash		....
		....			....

PROBLEM 10.

P and *Q* are partners sharing profits in 3 : 1. *R* is admitted and the partners decide to share the future profits in the ratio of 2 : 1 : 1. The Balance Sheet of *P* and *Q* as at 31st March, 2025 was as under:

Liabilities		₹	Assets	₹
Creditors		30,000	Bank	15,000
Profit & Loss Account		60,000	Debtors	60,000
Capital Accounts:			Stock	1,50,000
P	3,50,000		Prepaid Expenses	20,000
Q	2,20,000	5,70,000	Plant & Machinery	1,40,000
			Premises	2,75,000
		6,60,000		6,60,000

Following terms are agreed upon:

(*i*) *R*'s share of goodwill is valued at ₹20,000 but he is unable to bring it in cash.

(*ii*) *R* brings in capital proportionate to his share of profit in the firm.

From the information given below, complete Revaluation Account, Capital Accounts and the Balance Sheet.

Dr. REVALUATION ACCOUNT Cr.

Particulars	₹	Particulars	₹
To	....		....
To	....		
To	....		
To	....		
	....		....

Dr. CAPITAL ACCOUNTS Cr.

Particulars	*P* ₹	*Q* ₹	*R* ₹	Particulars	*P* ₹	*Q* ₹	*R* ₹
To	....	....		By Balance b/d	....	....	....
To Balance c/d	....	....	....	By	....	....	....
				By *R*'s Current A/c	....	....	
				By Bank A/c			....
	....	....	....		....	....	....

BALANCE SHEET (After Admission)
as at 1st April, 2025

Liabilities		₹	Assets	₹
Creditors		30,000	Bank	....
Electric Charges Outstanding		7,000	Debtors	60,000
Capital A/cs:			Stock	1,44,000
P	....		Prepaid Expenses	8,000
Q	....		Plant and Machinery	1,20,000
R	....	....	Premises	3,00,000
			R's Current A/c	....
		....		....

ANSWER AND HINTS TO SOLVE PROBLEM 8:

(1) Decrease in Stock ₹5,000 (*i.e.*, ₹30,000 – ₹25,000); Increase in Creditors ₹1,000 (*i.e.*, ₹31,000 – ₹30,000); Profit on Revaluation based on *A*'s share = ₹34,000; Balancing Figure on Cr. side of Revaluation A/c will be increase in the value of Building ₹20,000.

(2) Value of Goodwill ₹41,250; *C*'s share ₹10,312; It will be credited to *A* and *B* in their sacrificing ratio of 9 : 1.

(3) Goodwill appearing in the B/S ₹11,250 will be Written Off and debited to *A* and *B* in 3 : 2.

(4) Balance of Capital Accounts *A* ₹2,22,931; *B* ₹1,60,131 and *C* ₹40,000; Balance of Cash ₹68,750; B/S Total ₹4,74,062.

ANSWER AND HINTS TO SOLVE PROBLEM 9:

(1) Loss on Revaluation based on Madan's share will be ₹800; Total of Cr. side of Revaluation A/c ₹3,325 will be put on the Dr. side and the Balance Figure on Dr. side of Revaluation A/c will be Provision for Claim for damages ₹325 which will be taken to liabilities side of B/S.

(2) Madan's share of Workmen Compensation Fund is ₹12,000 and profit sharing ratio is 5 : 3. Hence, Atal's share will be ₹20,000.

(3) Atal's share of Premium for Goodwill is ₹4,000 and Sacrificing Ratio is 1:1, hence Madan's share will also be ₹4,000.

(4) Profit & Loss A/c debited in Atal's A/c is ₹12,500. Hence, Madan's Capital A/c will also be debited by his share *i.e.*, 7,500.

(5) Balance of Capital Accounts: Atal ₹1,61,000; Madan ₹98,200 and Mehra ₹40,000.

(6) Liabilities side will be totalled first and the total of ₹3,20,025 will be put on the assets side. Balancing figure on Assets side will be Cash Balance ₹52,200.

SOLUTION TO PROBLEM 10:

Dr. REVALUATION ACCOUNT Cr.

Particulars	₹	*Particulars*		₹
To Stock	6,000	By Premises		25,000
To Electric Charges Outstanding	7,000	By Loss transferred to:		
To Plant & Machinery	20,000	*P*'s Capital A/c	15,000	
To Prepaid Expenses	12,000	*Q*'s Capital A/c	5,000	20,000
	45,000			45,000

Dr. **CAPITAL ACCOUNTS** Cr.

Particulars	P	Q	R	Particulars	P	Q	R
	₹	₹	₹		₹	₹	₹
To Revaluation	15,000	5,000		By Balance b/d	3,50,000	2,20,000	–
To Balance c/d	4,00,000	2,30,000	2,10,000	By P & L A/c	45,000	15,000	–
				By R's Current A/c	20,000		
				By Bank A/c			2,10,000
	4,15,000	2,35,000	2,10,000		4,15,000	2,35,000	2,10,000

BALANCE SHEET (After Admission)
as at 1st April, 2023

Liabilities		₹	Assets	₹
Creditors		30,000	Bank	2,25,000
Electric Charges Outstanding		7,000	Debtors	60,000
Capital A/cs:			Stock	1,44,000
P	4,00,000		Prepaid Expenses	8,000
Q	2,30,000		Plant and Machinery	1,20,000
R	2,10,000	8,40,000	Premises	3,00,000
			R's Current A/c	20,000
		8,77,000		8,77,000

Working Notes:

(1) Entire goodwill will be credited to *P*'s Capital A/c, as he alone has sacrificed.

(2) Calculation of *R*'s Capital:

Combined Capital of *P* and *Q* for $\frac{3}{4}$th share $= 4,00,000 + 2,30,000 = 6,30,000$

Total Capital of the new firm $= 6,30,000 \times \frac{4}{3} =$ ₹8,40,000

R's Capital $= 8,40,000 \times \frac{1}{4} =$ ₹2,10,000

OBJECTIVE TYPE QUESTIONS

(B) State Whether the following Statements are True or False:

Q. 1. When a partner is admitted, it amounts to reconstitution of the firm.

Q. 2. If there are five partners in a firm, a new partner cannot be admitted even if one partner does not agree to this.

Q. 3. New partner's share of goodwill is always distributed among old partners in sacrificing ratio.

Q. 4. When new partner does not bring his share of goodwill in cash, goodwill account is debited.

Q. 5. When new partner does not bring his share of goodwill in cash, his current account will be debited.