[**Ans.** Only *A* gains 4/12. *B* has also sacrificed 1/12. Hence *A* will be debited by ₹1,20,000 and *B* and *C* will be credited by ₹30,000 and ₹90,000 respectively.]

Q. 25. *A, B, C* and *D* are partners sharing profits in the ratio of 4 : 3 : 2 : 1. On the retirement of *B*, Goodwill was valued at ₹3,00,000. *A, C* and *D* decide to continue the firm sharing profits equally. Pass the necessary journal entry.

[**Ans.**

Date	*Particulars*		*L.F.*	*Dr.* (₹)	*Cr.* (₹)
	C's Capital A/c	Dr.		40,000	
	D's Capital A/c	Dr.		70,000	
	To *A*'s Capital A/c				20,000
	To *B*'s Capital A/c				90,000

Q. 26. *X, Y* and *Z* are partners sharing profits and losses in the ratio of 3 : 2 : 1. *Y* retires selling his share to *X* and *Z* for ₹1,60,000, ₹1,00,000 being paid by *X* and ₹60,000 by *Z*. The profit for the year after *Y*'s retirement is ₹2,40,000. Pass entries to (*a*) record the sale of *Y*'s share to *X* and *Z*, and (*b*) distribute the profit between *X* and *Z*.

[**Ans.** New profit sharing ratio 17 : 7.]

Revaluation of Assets and Liabilities

Q. 27. *A, B* and *C* were partners sharing profits and losses in the ratio of 5 : 3 : 2. Following was their Balance Sheet as at 31st March, 2023.

Liabilities		₹	*Assets*		₹
Sundry Creditors		1,20,000	Cash at Bank		34,000
Capitals A/cs:			Sundry Debtors	1,50,000	
A	4,00,000		*Less* : Provision for		
B	2,50,000		Doubtful Debts	9,000	1,41,000
C	1,50,000	8,00,000	Stock		1,45,000
			Plant		2,00,000
			Land and Building		4,00,000
		9,20,000			9,20,000

A retires on this date and the following adjustments were agreed upon :

(*i*) Bad Debts amounting to ₹10,000 were to be written off and provision for doubtful debts be maintained at existing rate.

(*ii*) An unrecorded creditor of ₹20,000 will be taken into account.

(*iii*) Provision is to be made for legal damages amounting to ₹25,000.

(*iv*) There is a liability for 15,000 for outstanding salaries.

(*v*) Sundry creditors be reduced by ₹8,000 being a liability not payable.

(*vi*) Stock be increased by ₹15,000 and Plant is to be reduced to ₹1,80,000.

Pass journal entries to give effect to above adjustments and prepare Revaluation Account.

[**Ans.** Loss on Revaluation ₹66,400]

respectively. Total amount payable to Priya was ₹4,00,000 which was not paid to her until 31st March, 2025.

The Firm earned a profit of ₹50,000 during the period of 7 months ended on 31st March, 2025. Priya wants to exercise provisions of Section 37 of Indian Partnership Act. 1932.

Which of the two options available under Section 37 should be opted by Priya, if amount due to her was paid on 31st March, 2025?

[**Ans.** Option (*i*) Interest for 7 months ₹14,000
Option (*ii*) Share of Profit ₹10,000
Hence, She will opt for the 1st one.]

Q. 33. *X, Y* and *Z* are partners in a firm sharing profits and losses equally. The balance sheet of the firm as at 31st March, 2023 stood as follows :

Liabilities		₹	*Assets*	₹
Creditors		1,09,000	Cash in Hand and Cash at Bank	86,000
General Reserve		60,000	Debtors	2,00,000
Provident Fund		20,000	Stock	1,00,000
Capitals :			Investments (at cost)	50,000
X	3,00,000		Freehold Property	4,00,000
Y	2,00,000		Trade Marks	20,000
Z	2,00,000	7,00,000	Goodwill	33,000
		8,89,000		8,89,000

Z retires on 1st April, 2023 subject to the following adjustment :

(*i*) Freehold Property be valued at ₹5,80,000.
(*ii*) Investments be valued at ₹47,000; and stocks be valued at ₹94,000;
(*iii*) A provision of 5% be made for doubtful debts.
(*iv*) Trade Marks are valueless
(*v*) An item of ₹12,000 included in creditors is not likely to be claimed.
(*vi*) Goodwill be valued at one year's purchase of the average profit of the past three years. Profits ending 31st March were : 2021 ₹1,20,000; 2022 ₹1,00,000 and 2023 ₹95,000.

Pass journal entries, give capital accounts and the balance sheet of the remaining partners.

[**Ans.** Gain on Revaluation ₹1,53,000; *Z*'s Loan A/c ₹2,95,000; Capitals *X* ₹3,42,500; *Y* ₹2,42,500; B/S total ₹9,97,000.]

Hints:

(*i*) Goodwill appearing in the assets at ₹33,000 written off among all partners in old ratio.
(*ii*) *Z*'s share of goodwill ₹35,000 debited to *X* and *Y* in gaining ratio *i.e.*, equally.

Q. 34. *P, Q* and *R* were partners in a firm sharing profits in the ratio of 2 : 3 : 5. On 31-3-2024 their Balance Sheet was as follows :

Liabilities		₹	Assets		₹
Creditors		70,000	Bank		45,000
Capital Accounts:			Debtors	40,000	
P	80,000		*Less* : Provision for Doubtful Debts	5,000	35,000
Q	70,000				
R	60,000	2,10,000	Stock		50,000
			Building		1,40,000
			Profit and Loss A/c		10,000
		2,80,000			2,80,000

On the above date *R* retired from the firm due to his illness on the following terms :

(*i*) Building was to be depreciated by ₹40,000.

(*ii*) Provision for doubtful debts was to be maintained at 20% on debtors.

(*iii*) Salary outstanding ₹5,000 was to be recorded and creditors ₹4,000 will not be claimed.

(*iv*) Goodwill of the firm was valued at ₹72,000.

(*v*) *R* was to be paid ₹15,000 in cash, through bank and the balance was to be transferred to his loan account.

Prepare Revaluation Account, Partner's Capital Accounts and the Balance Sheet of *P* and *Q* after *R*'s retirement.

[**Ans.** Loss on Revaluation ₹44,000; *R*'s Loan A/c ₹54,000; Capital Accounts : *P* ₹54,800 and *Q* ₹32,200; B/S Total ₹2,12,000.]

Q. 35. 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
			Building		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.

Q. 36. 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 a 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
			Profits 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 creditors 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 valued 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. 37. Following is the Balance Sheet of *X*, *Y* and *Z* as at 31st March, 2022. They shared profits in the ratio of 3 : 3 : 2.

Liabilities		₹	*Assets*		₹
Sundry Creditors		2,50,000	Cash at Bank		50,000
General Reserve		80,000	Bills Receivable		60,000
Partners Loan A/cs:			Debtors	80,000	
X		50,000	*Less* : Provision for Bad Debts	4,000	76,000
Y		40,000	Stock		1,24,000
Capital A/cs :			Fixed Assets		3,00,000
X	1,00,000		Advertisement Suspense A/c		16,000
Y	60,000		Profit and Loss A/c		4,000
Z	50,000	2,10,000			
		6,30,000			6,30,000

On 1st April, 2022 *Y* decided to retire from the firm on the following terms:

(*a*) Stock to be depreciated by ₹12,000.

(*b*) Advertisement Suspense Account to be written off.

(*c*) Provision for Bad and Doubtful Debts to be increased to ₹6,000.

(*d*) Fixed Assets be appreciated by 10%.

(*e*) Goodwill of the firm be valued at ₹80,000 and the amount due to the retiring partner be adjusted in *X*'s and *Z*'s Capital Accounts.

Prepare the Revaluation Account, Partner's Capital Accounts and the Balance Sheet to give effect to the above.

[**Ans.** Gain on Revaluation ₹16,000; *Y*'s Loan A/c ₹1,58,500 (*i.e.* ₹40,000 + ₹1,18,500); Capitals *X* ₹1,10,500 and *Z* ₹57,000; B/S Total ₹6,26,000.]

Q. 38. *A*, *B* and *C* are in partnership sharing profits in the ratio of 3 : 2 : 1. On 28th February, 2023 *C* retires from the firm. Their Balance Sheet on this date was as follows:

Liabilities		₹	*Assets*	₹
Sundry Creditors		1,20,000	Bank	25,000
Outstanding Expenses		10,000	Debtors	1,65,000
Profit & Loss Account		1,50,000	Stock	2,50,000
Capital Accounts :			Investments	3,00,000
A	5,00,000		Fixed Assets	5,40,000
B	3,00,000			
C	2,00,000	10,00,000		
		12,80,000		12,80,000

The following was agreed upon :

(*i*) Goodwill of the firm is valued at ₹1,50,000. *C* sells his share of goodwill to *A* and *B* in the ratio of 4 : 1.

(*ii*) Stock is revalued at ₹3,00,000 and debtors are revalued at ₹1,50,000.

(*iii*) Outstanding expenses be brought down to ₹3,000.

(iv) Investments are sold at a loss of 10%.

(v) C is paid off in full.

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

[**Ans.** Gain on Revaluation ₹12,000; Amount paid to C ₹2,52,000; A's Capital ₹5,61,000; B's Capital ₹3,49,000; B/S Total ₹10,33,000; Bank balance ₹43,000.]

Q. 39. 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 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.** Gain 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. 40. Piu and Nina are partners in a firm sharing profits and losses in the ratio of 3 : 1 respectively.

Nina retires and her claim, including her capital and entitlements from the firm including her share of goodwill of the firm, is ₹60,000.

After this amount was determined, it was found that there was some unrecorded office equipment valued at ₹18,000 which had to be recorded.

Upon recording this office equipment, the revised amount due to Nina was determined and Piu settled it by giving Nina this office equipment and for the balance she drew a promissory note.

You are required to give the necessary journal entries to record the transactions on the date of Nina's retirement.

(I.S.C. Specimen Question Paper 2024)

[**Ans.** Amount due to Nina is settled by giving her equipment valued at ₹18,000 and B/P of ₹46,500.]

Q. 41. *P, Q* and *R* are partners in a firm. *Q* retires and his claim including his capital and his share of goodwill is ₹8,00,000. There was an unrecorded furniture valued at ₹60,000, three-fourth of which was given to an unrecorded creditor of ₹1,00,000 in settlement of his claim of ₹70,000 and remaining one-fourth was given to *Q* at ₹12,000 in part settlement of his claim. Balance of *Q*'s claim was discharged by cheque.

Pass necessary Journal entries.

[**Ans.** Loss on Revaluation ₹18,000; For Payment to *Q*:

Q's Capital A/c	Dr.	7,94,000	
To Furniture A/c			12,000
To Bank A/c			7,82,000]

Hints:

(*i*) Unrecorded furniture of ₹45,000 is given to unrecorded creditor of ₹70,000. No accounting entry will be passed for it.

(*ii*) Unrecorded creditors of ₹30,000 will be recorded by debiting Revaluation A/c.

Adjustment of Capitals

Q. 42. The Balance Sheet of *X, Y* and *Z* who were sharing profit in proportion of capitals is as follows :

Liabilities	₹	*Assets*		₹
Sundry Creditors	7,000	Cash at Bank		15,600
Capital A/cs:		S. Debtors	5,000	
X	25,000	*Less* : Provision	100	4,900
Y	20,000	Stock		10,000
Z	15,000	Plant and Machinery		11,500
		Land and Building		25,000
	67,000			67,000

Y retires and the following adjustment of the assets and liabilities have been made before the ascertainment of the amount payable by the firm to *Y* :

(*i*) That the stock be depreciated by 5%.

(*ii*) That the provision for doubtful debts be increased to 5% on debtors.

(*iii*) That the land and building be appreciated by 20%.

(*iv*) That a provision of ₹750 be made in respect of outstanding legal charges.

(*v*) That the Goodwill of the entire firm be fixed at ₹16,200 and *Y*'s share of the same be adjusted into the Accounts of *X* and *Z*.

(*vi*) That *X* and *Z* decide to share future profits of the firm in equal proportion.

(*vii*) That the entire capital of the new firm is fixed at ₹48,000 between *X* and *Z* in equal proportions. For the purpose, actual cash is to be brought in or paid off.

You are required to prepare the Revaluation Account, Partner's Capital Accounts, Bank account and revised balance sheet after *Y*'s retirement. Also indicate the gaining ratio.

[**Ans.** Gain on Revaluation ₹3,600; *Y*'s Loan Account ₹26,600; Capital A/cs—*X* ₹24,000 and *Z* ₹24,000; Cash withdrawn by *X* ₹1,150; and cash brought in by *Z* ₹12,150; Bank Balance—₹26,600; Balance Sheet total ₹82,350.]

Q. 43. Ajay, Vijay and Sanjay are partners in a firm sharing profits and losses in the ratio of 5 : 4 : 3. Vijay retires. After making all adjustments relating to revaluation, goodwill and accumulated profits, etc. the capital account of Ajay showed a credit balance of ₹2,00,000 and that of Sanjay ₹1,00,000. It was decided to adjust the capitals of Ajay and Sanjay in their profit-sharing ratio. You are required to calculate the new capital of the partners' and record necessary entry for surplus/deficit.

[**Ans.** Ajay will withdraw ₹12,500 and Sanjay will bring in ₹12,500.]

Q. 44. *X*, *Y* and *Z* are partners in a firm sharing profits in the ratio of 3 : 2 : 1. On April 1st 2024, *X* retires from the firm, *Y* and *Z* agree that the capital of the new firm shall be fixed at ₹2,10,000 in the profit sharing ratio. The Capital Accounts of *Y* and *Z* after all adjustments on the date of retirement showed balances of ₹1,45,000 and ₹63,000 respectively. State the amount of actual cash to be brought in or to be paid to the partners.

[**Ans.** *Y* will withdraw ₹5,000 and *Z* will bring in ₹7,000.]

Retirement and Settlement of Loan

Q. 45. *A*, *B* and *C* are partners sharing profits in 4 : 3 : 3. Their Balance Sheet as at 31st March 2020 was as follows :

Liabilities		₹	*Assets*		₹
Sundry Creditors		1,20,000	Land and Building		5,00,000
General Reserve		40,000	Stock		2,40,000
Capital Accounts :			Debtors	1,50,000	
A	4,00,000		*Less* : Provision for Doubtful Debts	30,000	1,20,000
B	2,00,000		Cash at Bank		1,00,000
C	2,00,000	8,00,000			
		9,60,000			9,60,000

C retires on 1st April, 2020 and A and B decide to share future profits in the ratio of 6 : 4. It is agreed that :

(i) Goodwill of the firm is valued at ₹80,000.

(ii) Land & Building is undervalued by ₹1,00,000 and Stock is overvalued by 20%.

(iii) Provision for Doubtful Debts is to be decreased to ₹10,000.

(iv) Computer valued ₹30,000 was unrecorded in the books.

It was decided to pay off C by giving him this computer and the balance in annual instalments of ₹1,00,000 together with interest @ 10% p.a.

You are required to prepare :

(i) Revaluation Account,

(ii) C's Capital Account, and

(iii) C's Loan Account till it is finally closed.

[**Ans.** Gain on Revaluation ₹1,10,000; Balance of C's Capital A/c transferred to his Loan A/c ₹2,39,000. Payments made : ₹1,23,900 on 31st March 2021; ₹1,13,900 on 31st March 2022 and ₹42,900 on 31st March 2023.]

Q. 46. Lalit, Madhur and Neena were partners sharing profits as 50%, 30% and 20% respectively. On 31st March, 2021, their Balance Sheet was as follows:

Liabilities		₹	*Assets*		₹
Creditors		28,000	Cash		34,000
Provident Fund		10,000	Debtors	47,000	
Investment Fluctuation Fund		10,000	*Less* : Provision for Bad & Doubtful Debts	3,000	44,000
Capital A/cs:			Stock		15,000
Lalit	50,000		Investment		40,000
Madhur	40,000		Goodwill		20,000
Neena	25,000	1,15,000	Profit and Loss A/c		10,000
		1,63,000			1,63,000

On this date, Madhur retired and Lalit and Neena agreed to continue on the following terms :

(a) The goodwill of the firm was valued at ₹51,000.

(b) There was a claim for Workmen's Compensation to the extent of ₹6,000.

(c) Investment were brought down to ₹15,000.

(d) Provision for bad debts was reduced by ₹1,000.

(e) Madhur was paid ₹10,300 in cash and the balance was transferred to his loan account payable in two equal instalments together with interest @12% p.a.

Prepare Revaluation Account, Partners' Capital Accounts and Madhur's Loan Account till the loan is finally paid off.

BALANCE SHEET OF THE FIRM (AFTER Q's RETIREMENT)
as at 31st Dec., 2023

Liabilities		₹	Assets		₹
Creditors		....	Cash at Bank		....
Outstanding Repairs		....	Debtors	1,00,000	
Q's Loan		3,44,000	*Less* : Provision	....	....
Capitals :		....	Stock		....
P	....		Unexpired Insurance		....
R	....	....	Machinery		10,000
			Land and Buildings		2,28,000
					5,50,000
		....			....

PROBLEM 5. (Fill in the Blanks)

A, *B* and *C* were in partnership sharing profits in proportion to their capitals. Their Balance Sheet as at 31-3-2023 was as follows:

Liabilities	₹	Assets		₹
Creditors	15,600	Cash		16,000
Reserve	6,000	Debtors	20,000	
A's Capital	90,000	*Less* : Provision for		
B's Capital	60,000	Doubtful Debts	400	19,600
C's Capital	30,000	Stock		18,000
		Machinery		48,000
		Buildings		1,00,000
	2,01,600			2,01,600

On the above date *B* retired.

Goodwill of the firm be valued at ₹36,000 and be adjusted into the Capital Accounts of *A* and *C* who will share profits in future in the ratio 3 : 2.

Fill in the missing information in the Revaluation Account, Partner's Capital Accounts and the Balance Sheet of the new firm after *B*'s retirement.

Dr. REVALUATION ACCOUNT Cr.

Particulars		₹	Particulars	₹
To Provision for Doubtful Debts		600	By Building	10,000
To		....	By	....
To		....	By	....
To Profit transferred to :				
A's Capital A/c	....			
B's Capital A/c	....			
C's Capital A/c	....	....		
		....		....

Dr. CAPITAL ACCOUNTS Cr.

Particulars	A	B	C	Particulars	A	B	C
	₹	₹	₹		₹	₹	₹
To B's Capital A/c (Goodwill)	....		....	By Balance b/d	....	....	....
To Cash A/c		9,000		By	....	....	....
To B's Loan A/c		....		By	....	....	....
To Balance c/d	....		....	By A's Capital A/c (Goodwill)		....	
				By C's Capital A/c (Goodwill)		....	
	....,	....	....		....	....	....

BALANCE SHEET
as at 31st March., 2023

Liabilities		₹	Assets		₹
Creditors		13,800	Cash		....
Provision for Repairs		3,000	Debtors	20,000	
B's Loan		....	*Less* : Provision for Doubtful Debts	1,000	19,000
Capitals :			Stock		....
A	....		Machinery		40,800
C	....	....	Buildings		....
			Prepaid Insurance		2,000
		....			....

ANSWERS AND HINTS TO SOLVE PROBLEM 1:

A's Capital A/c will be debited with ₹36,000, *B*'s Capital A/c is debited with ₹24,000 and *C*'s Capital A/c will be Credited with ₹60,000.

SOLUTION TO PROBLEM 2:

JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	C's Capital A/c Dr.		40,000	
	To *A*'s Capital A/c			10,000
	To *B*'s Capital A/c			30,000
	(*C* compensates *A* and *B* for the loss in share of profits)			

Working Notes:

Calculation of Gaining/Sacrifice Ratio:

$$A = \frac{1}{3} - \frac{4}{9} = \frac{3-4}{9} = \frac{1}{9} \text{ (Sacrifice)}$$

	To Kamal's Capital A/c ($\frac{2}{12}$ of 9,00,000)			1,50,000
	To Tarun's Capital A/c ($\frac{1}{12}$ of 9,00,000)			75,000
	(Adjustment for goodwill on Kamal's retirement)			

Working Notes:

Calculation of Sacrifice or Gain : New Ratio – Old Ratio

Tarun : $\frac{1}{3} - \frac{5}{12} = \frac{4-5}{12} = \frac{1}{12}$ Sacrifice

Abhishek : $\frac{1}{3} - \frac{3}{12} = \frac{4-3}{12} = \frac{1}{12}$ Gain

Vivek : $\frac{1}{3} - \frac{2}{12} = \frac{4-2}{12} = \frac{2}{12}$ Gain

Q. 4. *P*, *Q* and *R* were partners in a firm sharing profits and losses in the ratio of 2 : 1 : 2. Their balance sheet on 31st March, 2022 was as follows:

BALANCE SHEET OF *P*, *Q* AND *R*
as at 31-3-2022

Liabilities		₹	*Assets*	₹
Creditors		48,000	Bank	25,000
Bills Payable		22,000	Debtors	75,000
General Reserve		80,000	Stock	2,00,000
Profit for 2021-22		2,00,000	Machinery	3,00,000
Capitals :			Land and Building	10,00,000
P	5,00,000			
Q	2,50,000			
R	5,00,000	12,50,000		
		16,00,000		16,00,000

On 30th June, 2022, *Q* died. The partnership deed provided that on the death of a partner his executors will be entitled for the following :

(*i*) Balance in his Capital Account.

(*ii*) Interest on capital @ 6% p.a.

(*iii*) His share in the profits of the firm till the date of his death calculated on the basis of last year's profit.

(*iv*) His share in the goodwill of the firm calculated on the basis of the three years purchase of the average profits of last four years.

Profits for 2018-19 were ₹3,00,000, for 2019-20 were ₹4,00,000 and for 2020-21 were ₹1,00,000.

On 1-6-2022 *Q* withdrew ₹50,000 for meeting his medical expenses.

Prepare *Q*'s Capital Account on his death to be presented to his executors.

(*C.B.S.E. 2023, Rajasthan, U.P.*)

SOLUTION:

Dr. Q'S CAPITAL A/C Cr.

Particulars	₹	Particulars	₹
To Drawing A/c	50,000	By Balance b/d	2,50,000
To Q's Executor's A/c	4,19,750	By General Reserve A/c	16,000
		By Interest on Capital A/c	3,750
		By P's Capital A/c (Goodwill)	75,000
		By R's Capital A/c (Goodwill)	75,000
		By P & L A/c	40,000
		By P & L Suspense A/c	10,000
	4,69,750		4,69,750

Q. 5. Anshul, Babita and Chander were partners in a firm running a successful business of car accessories. They had agreed to share profits and losses in the ratio of 1/2 : 1/3 : 1/6 respectively. Babita decided to retire due to old age and Anshul and Chander decided to share future profits and losses in the ratio of 3 : 2. The accountant passed the following journal entry for Babita's share of goodwill and missed some information. Fill in the missing figures in the following Journal entry and calculate the gaining ratio :

Date	Particulars	L.F.	Dr. Amount ₹	Cr. Amount ₹
	Anshul's Capital A/c Dr.		....	
	Chander's Capital A/c Dr.		21,000	
	To Babita's Capital A/c			....
	(Chander's share of Goodwill debited to the accounts of continuing partners in their gaining ratio)			

(*C.B.S.E. Sample Paper, 2024*)

SOLUTION:

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Anshul's Capital A/c Dr.		9,000	
	Chander's Capital A/c Dr.		21,000	
	To Babita's Capital A/c			30,000
	(Chander's share of Goodwill debited to the accounts of continuing partners in their gaining ratio)			

Hint : Gaining Ratio is 3 : 7

Chander share for $\frac{7}{10}$ Gain is ₹21,000

Hence, Babita's share $= 21,000 \times \frac{10}{7} = ₹30,000$

Q. 6. Meghna, Mehak and Mandeep were partners in a firm whose Balance Sheet as on 31st March, 2023 was as under :

BALANCE SHEET

Liabilities		Amount	Assets	Amount
		₹		₹
Creditors		28,000	Cash	27,000
General Reserve		7,500	Debtors	20,000
Capitals			Stock	28,000
Meghna	20,000		Furniture	5,000
Mehak	14,500			
Mandeep	10,000	44,500		
		80,000		80,000

Mehak retired on this date under following terms:

(i) To reduce stock and furniture by 5% and 10% respectively.

(ii) To provide for doubtful debts at 10% on debtors.

(iii) Goodwill was valued at ₹12,000.

(iv) Creditors of ₹8,000 were settled at ₹7,100.

(v) Mehak should be paid off and the entire sum payable to Mehak shall be brought in by Meghna and Mandeep in such a way that their capitals should be in their new profit-sharing ratio and a balance of ₹25,000 is maintained in the cash account.

Prepare Revaluation Account and partners' capital accounts.

(C.B.S.E. Sample Paper, 2025)

Ans. [Loss on Revaluation ₹3,000; Amount brought in by Meghna ₹7,550 and Mandeep ₹17,550; Amount paid to Mehak ₹20,000; Balance of Capital Accounts, Meghna ₹27,050 and Mandeep ₹27,050.]

Q. 7. *A*, *B* and *C* were partners sharing profits and losses in the ratio of 2 : 2 : 1. *C* died on 1st July, 2023 on which date the capitals of *A*, *B* and *C* after all necessary adjustments stood at ₹74,000, ₹63,750 and ₹42,250 respectively. *A* and *B* continued to carry on the business for six months without settling the accounts of *C*. During the period of six months from 1-7-2023, a profit of ₹20,500 is earned using the firm's property. State which of the two options available *u/s 37* of the *Indian Partnership Act, 1932* should be exercised by executors of *C* and why?

(C.B.S.E. Sample Paper, 2025)

SOLUTION:

Two options available to executors of *C* under Section 37 :

Option (*i*) Interest @ 6% p.a. on the amount due to *C* :

$$42,250 \times \frac{6}{100} \times \frac{6}{12} = ₹1,267.50 \text{ or } ₹1,268$$

Option (*ii*) Profit which has been earned by the Firm with the help of amount due to C :

$$\text{Profit Earned} \times \frac{\text{Amount Due to } C}{\text{Total Capital of all Partners (including } C)}$$

$$20,500 \times \frac{42,250}{(74,000 + 63,750 + 42,250)} = ₹4,811.81 \text{ or } ₹4,812$$

Of the two options mentioned above, executors of C will opt for second option since they will be entitled to ₹4,812 according to second alternative whereas they get only ₹1,268 according to first.

Q. 8. Trisha, Urvi and Varsha were partners in a firm sharing profits and losses in the ratio of 5 : 4 : 1. Their Balance Sheet as at 31st March, 2023 was as follow :

BALANCE SHEET OF TRISHA, URVI AND VARSHA

as at 31st March, 2023.

Liabilities		*Amount* ₹	*Assets*	*Amount* ₹
Capitals:			Fixed Assets	4,00,000
Trisha	2,00,000		Stock	1,00,000
Urvi	1,30,000		Debtors	1,50,000
Varsha	1,00,000	4,30,000	Cash	2,00,000
General Reserve		1,50,000		
Creditor		2,70,000		
		8,50,000		8,50,000

Trisha retired on 1st April, 2023 and the partners agreed to the following terms :

(*i*) Fixed Assets were found overvalued by ₹80,000.

(*ii*) Stock was taken over by Trisha at ₹80,000.

(*iii*) Goodwill of the firm was valued at ₹1,00,000 on Trisha's retirement and Trisha's share in the goodwill was adjusted through the Capital Accounts of remaining partners.

(*iv*) New profit sharing ratio between the remaining partners was agreed at 2 : 3.

(*v*) Trisha was paid ₹50,000 on retirement and the balance was transferred to her loan account.

Pass necessary journal entries in the books of the firm on Trisha's retirement.

(*C.B.S.E. 2024, C*)

SOLUTION:

JOURNAL

Date	*Particulars*	*L.F.*	*Dr.* (₹)	*Cr.* (₹)
2023 April 1	General Reserve A/c Dr.		1,50,000	
	To Trisha's Capital A/c			75,000
	To Urvi's Capital A/c			60,000
	To Varsha's Capital A/c			15,000
	(General reserve distributed)			