

- Q. 1.** Bhumi and Chavi were partners in a firm sharing profits and losses in the ratio of 5 : 3. They admitted Aditi in the firm on 1st April, 2022. On that date their Balance Sheet was as follows:

BALANCE SHEET OF BHUMI AND CHAVI *as at 1st April, 2022*

| Liabilities | ₹ | Assets | ₹ |
|-----------------|----------|-----------|----------|
| Capital A/cs: | | Machinery | 3,80,000 |
| Bhumi 3,20,000 | | Furniture | 50,000 |
| Chavi 3,40,000 | 6,60,000 | Debtors | 2,30,000 |
| General Reserve | 80,000 | Stock | 1,50,000 |
| Bank Loan | 60,000 | Cash | 50,000 |
| Creditors | 60,000 | | |
| | 8,60,000 | | 8,60,000 |

Aditi was admitted in the firm with 1/3 share in profits on the following terms:

- Aditi will bring ₹ 3,00,000 as her capital.
- Aditi will bring her share of goodwill premium in cash. Goodwill of the firm was valued on the basis of two years purchase of average profits of the last three years. Average profits of the last three years were ₹ 60,000.
- Machinery was revalued at ₹ 4,60,000.
- The capitals of Bhumi and Chavi were adjusted on the basis of Aditi's capital by Opening Current Accounts.

Prepare Revaluation Account and Partners' Capital Accounts.

(CBSE 2023)

Ans.

| REVALUATION ACCOUNT | | | |
|-----------------------------------|--------|--|--------|
| Dr. | | | Cr. |
| Particulars | ₹ | Particulars | ₹ |
| To Partners' Capital (Gain) A/cs: | | By Machinery A/c (₹ 4,60,000 – ₹ 3,80,000) | 80,000 |
| Bhumi (₹ 80,000 × 5/8) 50,000 | | | |
| Chavi (₹ 80,000 × 3/8) 30,000 | 80,000 | | |
| | 80,000 | | 80,000 |

| PARTNERS' CAPITAL ACCOUNTS | | | | | | | |
|----------------------------|----------|----------|----------|-----------------------------|----------|----------|----------|
| Dr. | | | | | | | Cr. |
| Particulars | Bhumi ₹ | Chavi ₹ | Aditi ₹ | Particulars | Bhumi ₹ | Chavi ₹ | Aditi ₹ |
| To Current A/c (Bal. Fig.) | 70,000 | 1,90,000 | ... | By Balance b/d | 3,20,000 | 3,40,000 | ... |
| To Balance c/d (WN 1 & 2) | 3,75,000 | 2,25,000 | 3,00,000 | By Revaluation (Gain) | 50,000 | 30,000 | ... |
| | | | | By General Reserve | 50,000 | 30,000 | ... |
| | | | | By Bank A/c | ... | ... | 3,00,000 |
| | | | | By Premium for Goodwill A/c | 25,000 | 15,000 | ... |
| | 4,45,000 | 4,15,000 | 3,00,000 | | 4,45,000 | 4,15,000 | 3,00,000 |

Working Notes:

1. Value of Firm's Goodwill = ₹ 60,000 × 2 = ₹ 1,20,000

Aditi's Share of Goodwill = ₹ 1,20,000 × $\frac{1}{3}$ = ₹ 40,000,

which is credited to Bhumi's Capital A/c and Chavi's Capital A/c in their Sacrificing Ratio, i.e., 5 : 3.

2. Calculation of New Profit-sharing Ratio:

Let the Total Profit be 1 and Aditi's Share = $\frac{1}{3}$

Remaining Share = $1 - \frac{1}{3} = \frac{2}{3}$

Bhumi's New Profit Share = $\frac{2}{3} \times \frac{5}{8} = \frac{10}{24}$;

Chavi's New Profit Share = $\frac{2}{3} \times \frac{3}{8} = \frac{6}{24}$

New Profit-sharing Ratio = $\frac{10}{24} : \frac{6}{24} : \frac{1}{3}$ or 10 : 6 : 8 or 5 : 3 : 4.

3. Calculation of New Capital on the basis of Aditi's Capital:

Total Capital of New Firm = ₹ 3,00,000 × $\frac{3}{1}$ = ₹ 9,00,000

So, Bhumi's New Capital = ₹ 9,00,000 × $\frac{5}{12}$ = ₹ 3,75,000

Chavi's New Capital = ₹ 9,00,000 × $\frac{3}{12}$ = ₹ 2,25,000.

Q. 2. Radha, Manas and Arnav were partners in a firm sharing profits and losses in the ratio of 3 : 1 : 1. Their Balance Sheet as at 31st March, 2019 was as follows:

BALANCE SHEET OF RADHA, MANAS AND ARNAV as at 31st March, 2019

| Liabilities | ₹ | Assets | ₹ |
|-----------------------------|-----------|---|-----------|
| Capital A/cs: | | Furniture | 4,60,000 |
| Radha 4,00,000 | | Investments | 2,00,000 |
| Manas 3,00,000 | | Stock | 2,40,000 |
| Arnav 2,00,000 | 9,00,000 | Debtors 2,20,000 | |
| Investment Fluctuation Fund | 1,10,000 | Less: Provision for Doubtful Debts 10,000 | 2,10,000 |
| Creditors | 2,50,000 | Cash | 1,50,000 |
| | 12,60,000 | | 12,60,000 |

Manas retired on 1st April, 2019. It was agreed that:

- Stock was to be appreciated by 20%.
- Provision for Doubtful Debts was to be increased to ₹ 15,000.
- Value of furniture was to be reduced by ₹ 3,000.
- Market value of investments was ₹ 1,90,000.
- Goodwill of the firm was valued at ₹ 2,00,000 and Manas's share was adjusted in the accounts of Radha and Arnav.

- (vi) Manas was paid ₹ 68,000 in cash and the balance was transferred to his loan account.
- (vii) Capitals of Radha and Arnav were to be in proportion to their new profit-sharing ratio. Surplus/deficit, if any, in their capital accounts was to be adjusted through Current Accounts.

Prepare Revaluation Account, Partners' Capital Accounts and the Balance Sheet of the reconstituted firm. (CBSE 2020)

Ans. Gain (Profit) on Revaluation: ₹ 40,000; Radha's Current A/c (Dr. Balance): ₹ 50,000; Arnav's Current A/c (Cr. Balance): ₹ 50,000; Manas's Loan Account: ₹ 3,00,000; Balance Sheet Total: ₹ 12,72,000.

Q. 3. Sunny, Vaibhav and Mita were partners in a firm sharing profits and losses in the ratio of 5 : 3 : 2. Sunny retired on 31st March, 2022. After making all adjustments relating to revaluation, goodwill and accumulated profit, etc. the Capital Accounts of Vaibhav and Mita showed a credit balance of ₹ 1,00,000 and ₹ 50,000 respectively. It was decided to adjust the capitals of Vaibhav and Mita in their new profit-sharing ratio.

Calculate the new capitals of the partners and pass necessary Journal entries for bringing in or withdrawal of the necessary amounts by the partners. (CBSE 2023)

Ans. *New Capital of the Partners:*

Vaibhav — ₹ 90,000; Mita — ₹ 60,000.

Journal Entries

- (i) Dr. Vaibhav's Capital A/c and Cr. Cash/Bank A/c by ₹ 10,000.
- (ii) Dr. Cash/Bank A/c and Cr. Mita's Capital A/c by ₹ 10,000.

Q. 4. Shirish, Harit and Asha were partners in a firm sharing profits in the ratio of 5 : 4 : 1. Shirish died on 30th June, 2018. On this date their Balance Sheet was follows:

BALANCE SHEET OF SHIRISH, HARIT AND ASHA as at 31st March, 2018

| Liabilities | ₹ | Assets | ₹ |
|------------------------------|----------|---------------------|----------|
| Capitals: | | Plant and Machinery | 5,60,000 |
| Shirish 1,00,000 | | Stock | 90,000 |
| Harit 2,00,000 | | Debtors | 10,000 |
| Asha 3,00,000 | 6,00,000 | Cash | 40,000 |
| Profits for the year 2017-18 | 80,000 | | |
| Bills Payable | 20,000 | | |
| | 7,00,000 | | 7,00,000 |

According to the Partnership Deed, in addition to deceased partner's capital, his executor is entitled to:

- (i) Share in profits in the year of death on the basis of average of last two years' profit. Profit for the year 2016-17 was ₹ 60,000.
- (ii) Goodwill of the firm was to be valued at 2 years' purchase of average of last two years' profits. Prepare Shirish's Capital Account to be presented to his executor. (CBSE 2019)

Ans. Amount transferred to Shirish's Executor's Account = ₹ 2,18,750.

Q. 5. Keith, Bina and Veena were partners in a firm sharing profits and losses equally. Their balance sheet as on 31st March, 2019 was as follows:

BALANCE SHEET OF KEITH, BINA AND VEENA as on 31st March, 2019

| Liabilities | ₹ | Assets | ₹ |
|------------------|----------|---------------------|----------|
| Capitals: | | Plant and Machinery | 2,40,000 |
| Keith | 1,50,000 | Stock | 60,000 |
| Bina | 1,00,000 | Sundry Debtors | 35,000 |
| Veena | 75,000 | Cash at Bank | 50,000 |
| General Reserve | 30,000 | | |
| Sundry Creditors | 30,000 | | |
| | 3,85,000 | | 3,85,000 |

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

- Balance in capital account.
 - Salary till the date of death @ ₹ 25,000 per annum.
 - Share of goodwill calculated on the basis of twice the average profits of past three years.
 - Share of profit from the closure of the last accounting year till the date of death on the basis of average of three completed years' profits before death.
 - Profits for 2016–17, 2017–18 and 2018–19 were ₹ 1,20,000, ₹ 90,000 and ₹ 1,50,000 respectively.
- Veena withdrew ₹ 15,000 on 1st June, 2019 for paying her daughter's school fees.

Prepare Veena's Capital Account to be rendered to his executors.

(CBSE 2020)

Ans.

| VEENA'S CAPITAL ACCOUNT | | | |
|--|----------|---|----------|
| Dr. | | | Cr. |
| Particulars | ₹ | Particulars | ₹ |
| To Bank A/c (Drawings) | 15,000 | By Balance b/d | 75,000 |
| To Veena's Executors' A/c (Balancing Figure) | 1,66,250 | By General Reserve A/c (₹ 30,000 × 1/3) | 10,000 |
| | | By Profit & Loss Suspense A/c (WN 1) | 10,000 |
| | | By Veena's Salary A/c (₹ 25,000 × 1/4) | 6,250 |
| | | By Keith's Capital A/c (WN 2) | 40,000 |
| | | By Bina's Capital A/c (WN 2) | 40,000 |
| | 1,81,250 | | 1,81,250 |

Working Notes:

1. Calculation of Veena's Share of Profits:

$$\text{Average Profit} = \frac{\text{₹ 1,20,000} + \text{₹ 90,000} + \text{₹ 1,50,000}}{3} = \text{₹ 1,20,000}.$$

$$\text{Veena's share of profit till the date of death} = \text{₹ 1,20,000} \times \frac{3}{12} \times \frac{1}{3} = \text{₹ 10,000}.$$

2. Calculation of Veena's Share of Goodwill:

$$\text{Firm's Goodwill} = \text{Average Profit} \times \text{No. of year's Purchase} = \text{₹ 1,20,000} \times 2 = \text{₹ 2,40,000}.$$

$$\text{Veena's Share of Goodwill} = \text{₹ 2,40,000} \times \frac{1}{3} = \text{₹ 80,000}, \text{ which is contributed by Keith and Bina in their gaining ratio of } 1 : 1.$$

- Q. 6.** The Balance Sheet of Mohan, Vir and Geeta who were sharing profits in the ratio of 2 : 1 : 2 as at 31st March, 2019 was as follows:

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

| Liabilities | ₹ | Assets | ₹ |
|-----------------|----------|----------|----------|
| General Reserve | 38,000 | Building | 2,60,000 |
| Bills Payable | 4,000 | Stock | 1,15,000 |
| Creditors | 28,000 | Debtors | 95,000 |
| Capitals: | | Cash | 1,00,000 |
| Mohan | 2,00,000 | | |
| Vir | 1,00,000 | | |
| Geeta | 2,00,000 | | |
| | 5,00,000 | | |
| | 5,70,000 | | 5,70,000 |

Mohan died on 30th September, 2019. The partnership deed provided for the following on the death of a partner:

- Goodwill of the firm be valued on three years' purchase of average profits for the last three years.
- Interest on capital was to be provided @ 6% p.a.
- The average profits of the last three years were ₹ 30,000.
- The profit for the year ending 31st March, 2019 was ₹ 50,000.

Prepare Mohan's Capital Account to be rendered to his executors.

(CBSE 2020 C)

Ans.

| MOHAN'S CAPITAL ACCOUNT | | | |
|--|----------|--|----------|
| Dr. | | | Cr. |
| Particulars | ₹ | Particulars | ₹ |
| To Mohan's Executor's A/c (Balancing Figure) | 2,67,200 | By Balance b/d | 2,00,000 |
| | | By General Reserve A/c (₹ 38,000 × 2/5) | 15,200 |
| | | By Interest on Capital A/c (₹ 2,00,000 × 6/100 × 6/12) | 6,000 |
| | | By Profit & Loss Suspense A/c (Profit) | 10,000 |
| | | (₹ 50,000 × 6/12 × 2/5) (WN 1) | |
| | | By Vir's Capital A/c (WN 2) | 12,000 |
| | | By Geeta's Capital A/c (WN 2) | 24,000 |
| | 2,67,200 | | 2,67,200 |

Working Notes:

- Mohan's share of profit from the date of last balance sheet till the date of death is calculated on the basis of last year's profit.
- Adjustment of Mohan's Share of Goodwill:**
 Firm's Goodwill = Average Profit × 3 = ₹ 30,000 × 3 = ₹ 90,000.
 Mohan's Share of Goodwill ₹ 36,000 (₹ 90,000 × 2/5) is contributed by Vir and Geeta in their gaining ratio, i.e., 1 : 2.

- Q. 7.** Ravi and Mukesh were partners in a firm sharing profits and losses equally. On 31st March, 2019 their firm was dissolved. On the date of dissolution their Balance Sheet showed stock of ₹ 60,000 and creditors of ₹ 70,000. After transferring stock and creditors to Realisation Account the following transactions took place:

- Ravi took over 40% of total stock at 20% discount.
- 30% of total stock was taken over by creditors of ₹ 20,000 in full settlement.

- (iii) Remaining stock was sold for cash at a profit of 25%.
- (iv) Remaining creditors were paid in cash at a discount of 10%.

Pass necessary Journal entries for the above transactions in the books of the firm. (CBSE 2019)

- Ans.** (i) Dr. Ravi's Capital A/c and Cr. Realisation A/c by ₹ 19,200.
 (ii) No entry.
 (iii) Dr. Cash A/c and Cr. Realisation A/c by ₹ 22,500.
 (iv) Dr. Realisation A/c and Cr. Cash A/c by ₹ 45,000.

Q. 8. Give the necessary Journal entries for the following transactions in case of dissolution of a partnership firm after various assets (other than cash and bank) and third party liabilities have been transferred to Realisation Account:

- (i) Dissolution expenses ₹ 5,000 were paid by the firm.
- (ii) An unrecorded computer not appearing in the books of accounts realised ₹ 2,200.
- (iii) A creditor for ₹ 1,40,000 accepted building valued at ₹ 1,80,000 and paid to the firm ₹ 40,000.
- (iv) Loss on realisation ₹ 10,000 was divided between the partners Subhi and Sudha in the ratio of 4 : 1.

(CBSE 2020 C)

- Ans.** (i) Dr. Realisation A/c and Cr. Bank A/c by ₹ 5,000.
 (ii) Dr. Cash/Bank A/c and Cr. Realisation A/c by ₹ 2,200.
 (iii) Dr. Bank and Cr. Realisation A/c by ₹ 40,000.
 (iv) Dr. Subhi's Capital A/c by ₹ 8,000 and Sudha's Capital A/c by ₹ 2,000;
 Cr. Realisation A/c by ₹ 10,000.

Q. 9. Niyati, Kartik and Ratik were partners in a firm sharing profits and losses in the ratio of 5 : 3 : 2. The firm was dissolved on 31st March, 2019 by the order of the court. After transfer of assets (other than cash) and external liabilities to Realisation Account, the following transactions took place:

- (a) An unrecorded liability of the firm of ₹ 45,000 was paid by Niyati.
- (b) Creditors, to whom ₹ 67,000 were due to be paid, accepted furniture at ₹ 35,000 and the balance was paid to them in cash.
- (c) Kartik had given a loan of ₹ 18,000 to the firm which was paid to him.
- (d) Stock worth ₹ 85,000 was taken over by Ratik at ₹ 72,000.
- (e) Expenses on dissolution amounted to ₹ 6,000 and were paid by Kartik.
- (f) Loss on dissolution amounted to ₹ 40,000.

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

(CBSE 2020)

- Ans.** (a) Dr. Realisation A/c and Cr. Niyati's Capital A/c by ₹ 45,000.
 (b) Dr. Realisation A/c (₹ 67,000 – ₹ 35,000) and Cr. Bank/Cash A/c by ₹ 32,000.
 (c) Dr. Kartik's Loan A/c and Cr. Bank/Cash A/c by ₹ 18,000.
 (d) Dr. Ratik's Capital A/c and Cr. Realisation A/c by ₹ 72,000.
 (e) Dr. Realisation A/c and Cr. Kartik's Capital A/c by ₹ 6,000.
 (f) Dr. Niyati's Capital A/c by ₹ 20,000; Kartik's Capital A/c by ₹ 12,000 and Ratik's Capital A/c by ₹ 8,000; Cr. Realisation A/c by ₹ 40,000.

Q. 10. Michael, Jackson and John were partners in a firm sharing profits in the ratio of 3 : 1 : 1. On 31st March, 2017, they decided to dissolve their firm. On that date their Balance Sheet was as follows:

BALANCE SHEET OF MICHAEL, JACKSON AND JOHN as at 31st March, 2017

| Liabilities | ₹ | Assets | ₹ |
|-------------|----------|------------------------------------|----------|
| Creditors | 11,500 | Bank | 6,000 |
| Loan | 3,500 | Debtors | 48,400 |
| Capitals: | | Less: Provision for Doubtful Debts | 2,400 |
| Michael | 50,000 | Stock-in-Trade | 16,000 |
| Jackson | 25,000 | Furniture | 2,000 |
| John | 14,000 | Sundry Assets | 34,000 |
| | 89,000 | | 1,04,000 |
| | 1,04,000 | | |

It was agreed that:

- Michael was to take over Furniture at ₹ 2,600 and Debtors amounting to ₹ 40,000 at ₹ 34,400 and the Creditors of ₹ 10,000 were to be paid by him at this figure.
- Jackson was to take over all the stock in trade at ₹ 14,000 and some of the other Sundry Assets at ₹ 28,800 (being 10% less than book value).
- John was to take over the remaining Sundry Assets at 90% of the book value and assumed the responsibility for the discharge of the loan.
- The remaining debtors were sold to a debt collecting agency for 50% of the book value. The expenses of dissolution ₹ 600 were paid by John.

Prepare Realisation Account, Bank Account and Partners' Capital Accounts. (CBSE 2019)

Ans.

| Dr. | REALISATION ACCOUNT | | Cr. |
|--------------------------------------|---------------------|--|----------|
| Particulars | ₹ | Particulars | ₹ |
| To Debtors | 48,400 | By Provision for Doubtful Debts | 2,400 |
| To Stock-in-Trade | 16,000 | By Creditors | 11,500 |
| To Furniture | 2,000 | By Loan | 3,500 |
| To Sundry Assets | 34,000 | By Michael's Capital A/c: | |
| To Michael's Capital A/c (Creditors) | 10,000 | Furniture | 2,600 |
| To John's Capital A/c: | | Debtors (B. V. ₹ 40,000) | 34,400 |
| Loan | 3,500 | | 37,000 |
| Dissolution Expenses | 600 | By Jackson's Capital A/c: | |
| To Bank A/c (Creditors) | 1,500 | Stock-in-Trade | 14,000 |
| | | Sundry Assets | 28,800 |
| | | | 42,800 |
| | | By John's Capital A/c: | |
| | | Remaining Sundry Assets (WN) | 1,800 |
| | | By Bank A/c (Debtors) (₹ 8,400 × 50/100) | 4,200 |
| | | By Loss transferred to Partners' Capital A/cs: | |
| | | Michael | 7,680 |
| | | Jackson | 2,560 |
| | | John | 2,560 |
| | | | 12,800 |
| | 1,16,000 | | 1,16,000 |

| Dr. PARTNERS' CAPITAL ACCOUNTS | | | | Cr. | | | |
|--------------------------------|--------------|--------------|-----------|-----------------------|--------------|--------------|-----------|
| Particulars | Michael ₹ | Jackson ₹ | John ₹ | Particulars | Michael ₹ | Jackson ₹ | John ₹ |
| To Realisation A/c | 37,000 | 42,800 | 1,800 | By Balance <i>b/d</i> | 50,000 | 25,000 | 14,000 |
| To Realisation A/c (Loss) | 7,680 | 2,560 | 2,560 | By Realisation A/c | 10,000 | ... | 4,100 |
| To Bank A/c (Final Payment) | 15,320 | ... | 13,740 | By Bank A/c | ... | 20,360 | ... |
| | | | | (Amount brought) | | | |
| | 60,000 | 45,360 | 18,100 | | 60,000 | 45,360 | 18,100 |

| Dr. BANK ACCOUNT | | | | Cr. | |
|---|--------|--|--------|-----|--|
| Particulars | ₹ | Particulars | ₹ | | |
| To Balance <i>b/d</i> | 6,000 | By Realisation A/c | 1,500 | | |
| To Realisation A/c | 4,200 | By Michael's Capital A/c (Final Payment) | 15,320 | | |
| To Jackson's Capital A/c (Amount brought) | 20,360 | By John's Capital A/c (Final Payment) | 13,740 | | |
| | 30,560 | | 30,560 | | |

Working Note:

Book Value of Sundry Assets taken by Jackson = ₹ 28,800 × 100/90 = ₹ 32,000

Book Value of Remaining Sundry Assets = ₹ 34,000 (Total) – ₹ 32,000 (Taken by Jackson) = ₹ 2,000

Value of Remaining Sundry Assets at which taken by John = ₹ 2,000 × 90/100 = ₹ 1,800.