



## ANSWERS

1. (d) 26 : 19 : 15.

**Working Note:**

$$\text{Share acquired by Chitra from Abha} = \frac{1}{4} \times \frac{2}{3} = \frac{2}{12}$$

$$\text{Share acquired by Chitra from Binay} = \frac{1}{4} \times \frac{1}{3} = \frac{1}{12}$$

$$\text{Abha's New Profit Share} = \frac{3}{5} - \frac{2}{12} = \frac{36-10}{60} = \frac{26}{60}$$

$$\text{Binay's New Profit Share} = \frac{2}{5} - \frac{1}{12} = \frac{24-5}{60} = \frac{19}{60}$$

$$\text{New profit-sharing ratio of Abha, Binay and Chitra} = \frac{26}{60} : \frac{19}{60} : \frac{1}{4} = 26:19:15.$$

2. (d) ₹ 40,000.

**Working Note:**

$$\text{Hidden Goodwill} = \left( ₹ 2,00,000 \times \frac{4}{1} \right) - (₹ 5,40,000 - ₹ 1,00,000 + ₹ 2,00,000) = ₹ 1,60,000$$

$$\text{Sanjana's Share of Goodwill} = ₹ 1,60,000 \times \frac{1}{4} = ₹ 40,000.$$

3. (d) ₹ 1,12,500.

**Working Note:**

$$\text{Combined Capital of Navya and Radhey for } \frac{4}{5}\text{th Share} = ₹ 4,50,000$$

$$\text{Total Capital of Firm} = ₹ 4,50,000 \times \frac{5}{4} = ₹ 5,62,500$$

$$\text{Shreya's Capital} = ₹ 5,62,500 \times \frac{1}{5} = ₹ 1,12,500.$$

4. (b) ₹ 5,000.

**Note:** Priya is the only sacrificing partner.

5. (c) ₹ 1,40,400.

$$\begin{aligned} \text{Average Profit} &= \frac{₹ 1,10,000 + ₹ 1,00,000 + ₹ 98,000 + ₹ 1,24,000}{4} = \frac{₹ 4,32,000}{4} \\ &= ₹ 1,08,000 \end{aligned}$$

$$\begin{aligned} \text{Normal Profit} &= \text{Capital Employed}^* \times \text{Normal Rate of Return} \\ &= ₹ 3,15,000 \times \frac{12}{100} = ₹ 37,800. \end{aligned}$$

$$\begin{aligned} \text{*Capital Employed} &= \text{Total Assets} - \text{Current Liabilities} \\ &= ₹ 3,50,000 - ₹ 35,000 = ₹ 3,15,000 \end{aligned}$$

$$\begin{aligned} \text{Super Profit} &= \text{Average Profit} - \text{Normal Profit} \\ &= ₹ 1,08,000 - ₹ 37,800 = ₹ 70,200 \end{aligned}$$

$$\begin{aligned} \text{Value of Firm's Goodwill} &= \text{Super Profit} \times \text{No. of Years' Purchase} \\ &= ₹ 70,200 \times 2 = ₹ 1,40,400 \end{aligned}$$

$$\text{Atul's Share of Goodwill} = ₹ 1,40,400 \times \frac{1}{4} = ₹ 35,100.$$

6. (c) Both (a) and (b).

**Working Note:**

JOURNAL ENTRY FOR GOODWILL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Premium for Goodwill A/c (₹ 35,100 × 60/100) ...Dr.		21,060	
	Atul's Current A/c (₹ 35,100 × 40/100) ...Dr.		14,040	
	To Amol's Capital A/c			23,400
	To Ameet's Capital A/c			11,700
	(Adjustment entry passed for share of goodwill)			

7. JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Investment Fluctuation Reserve A/c ...Dr.		10,000	
	To Investment A/c			10,000
	(Value of Investments brought down to market value)			
	Workmen Compensation Reserve A/c ...Dr.		1,500	
	To Provision for Workmen Compensation Claim A/c			1,500
	(Amount of claim adjusted)			
	General Reserve A/c ...Dr.		50,000	
	Contingencies Reserve A/c ...Dr.		4,500	
	Profit & Loss A/c ...Dr.		30,000	
	Investment Fluctuation Reserve A/c [₹ 15,000 – (₹ 2,00,000 – ₹ 1,90,000)] ...Dr.		5,000	
	Workmen's Compensation Reserve A/c (₹ 12,000 – ₹ 1,500) ...Dr.		10,500	
	To Ram's Capital A/c			60,000
	To Mohan's Capital A/c			40,000
	(Transfer of accumulated profits to Old Partners' Capital A/cs in their Old Ratio)			
	Ram's Capital A/c ...Dr.		6,000	
	Mohan's Capital A/c ...Dr.		4,000	
	To Advertisement Expenditure A/c			10,000
	(Transfer of accumulated loss to Old Partners' Capital A/cs in their Old Ratio)			

**Note:** Employees' Provident Fund is a liability due to employees towards Provident Fund and is not an accumulated profit, hence is not distributed among the partners.

8.

Dr.		REVALUATION ACCOUNT		Cr.	
Particulars	₹	Particulars		₹	
To Provision for Outstanding Bill for Electricity A/c	3,325	By Provision for Doubtful Debts A/c (₹ 1,200 – 2.5% of ₹ 47,000)		25	
		By Sundry Creditors A/c		2,500	
		By Loss on Revaluation transfer to:			
		Kavi's Capital A/c	500		
		Ravi's Capital A/c	300	800	
	3,325				3,325

Dr. PARTNERS' CAPITAL ACCOUNTS				Cr.			
Particulars	Kavi ₹	Ravi ₹	Chhavi ₹	Particulars	Kavi ₹	Ravi ₹	Chhavi ₹
To Revaluation A/c (Loss)	500	300	...	By Balance b/d	1,50,000	90,000	...
To Profit and Loss A/c	12,500	7,500	...	By Workmen Compensation Reserve A/c	20,000	12,000	...
To Bank A/c	5,000	3,000	...	By Premium for Goodwill (WN 1)	10,000	6,000	...
To Bank A/c (Bal. Fig.)	62,000	37,200	...	By Bank A/c	...	...	40,000
To Balance c/d	1,00,000	60,000	40,000		1,80,000	1,08,000	40,000
	1,80,000	1,08,000	40,000				

BALANCE SHEET as at 1st April, 2025

Liabilities	₹	Assets	₹
Creditors	17,500	Debtors	47,000
Provision for Outstanding Bill for Electricity	3,325	Less: Provision for Doubtful Debts	1,175
Bank Overdraft (WN 3)	47,000	Stock	27,000
Capital A/cs:		Land and Building	1,50,000
Kavi	1,00,000	Machinery	45,000
Ravi	60,000		
Chhavi	40,000		
	2,00,000		
	2,67,825		2,67,825

**Working Notes:**

1. Sacrifice = Old Profit Share – New Profit Share

$$\text{Kavi's Sacrifice} = \frac{5}{8} - \frac{5}{10} = \frac{5}{40};$$

$$\text{Ravi's Sacrifice} = \frac{3}{8} - \frac{3}{10} = \frac{3}{40};$$

$$\text{Hence, Sacrificing Ratio} = \frac{5}{40} : \frac{3}{40} \text{ or } 5 : 3.$$

2. Total Capital of New Firm = ₹ 40,000 ×  $\frac{5}{1}$  = ₹ 2,00,000

$$\text{Kavi's New Capital} = ₹ 2,00,000 \times \frac{5}{10} = ₹ 1,00,000$$

$$\text{Ravi's New Capital} = ₹ 2,00,000 \times \frac{3}{10} = ₹ 60,000.$$

- 3.

Dr. BANK ACCOUNT				Cr.	
Particulars	₹	Particulars	₹		
To Balance b/d	4,200	By Kavi's Capital A/c	5,000		
To Chhavi's Capital A/c	40,000	By Ravi's Capital A/c	3,000		
To Premium for Goodwill A/c	16,000	By Kavi's Capital A/c	62,000		
To Balance c/d	47,000	By Ravi's Capital A/c	37,200		
	1,07,200		1,07,200		