

1. A, B and C were partners in a firm sharing profits in the ratio of 5 : 3 : 2. On 31st March, 2022, their Balance Sheet was as follows:

Liabilities	₹	Assets	₹
Creditors	11,000	Building	20,000
Reserves	6,000	Machinery	30,000
A's Loan A/c	5,000	Stock	10,000
Capital A/cs:		Patents	11,000
A	25,000	Debtors	8,000
B	25,000	Cash	8,000
C	15,000		
	65,000		
	87,000		87,000

A died on 1st October, 2022. It was agreed among his executors and the remaining partners that:

- Goodwill to be valued at 2½ years' purchase of the average profit of the previous 4 years, which were 2018–19: ₹ 13,000; 2019–20: ₹ 12,000; 2020–21: ₹ 20,000 and 2021–22: ₹ 15,000.
- Patents be valued at ₹ 8,000; Machinery at ₹ 28,000; and Building at ₹ 25,000.
- Profit for the year 2022–23 be taken as having accrued at the same rate as that of the previous year.
- Interest on capital be provided @ 10% p.a.
- Half of the amount due to A to be paid immediately to the executors and the balance transferred to his (Executors') Loan Account.

Prepare A's Capital Account and A's Executors' Account as on 1st October, 2022.

(Delhi, AI, Foreign 2004, Modified)

[Ans.: Transfer to A's Executors' A/c—₹ 56,900; A's Executors' Loan A/c—₹ 28,450.]

2. B, C and D were partners in a firm sharing profits in the ratio of 5 : 3 : 2. On 31st December, 2008, their Balance Sheet was as follows:

Liabilities	₹	Assets	₹
Creditors	43,000	Cash	10,200
Bills payable	17,000	Stock	24,500
General Reserve	70,000	Debtors	27,300
Capital A/cs:		Land and Building	1,40,000
B	40,000	Profit & Loss A/c	70,000
C	50,000		
D	52,000		
	1,42,000		
	2,72,000		2,72,000

B died on 31st March, 2009. The Partnership Deed provided for the following on the death of a partner:

- Goodwill of the firm was to be valued at 3 years' purchase of the average profit of last 5 years. The profits for the years ended 31st December, 2007, 31st December, 2006, 31st December, 2005, and 31st December, 2004 were ₹ 70,000; ₹ 60,000; ₹ 50,000 and ₹ 40,000 respectively.
- B's share of profit or loss till the date of his death was to be calculated on the basis of the profit or loss for the year ended 31st December, 2008.

You are required to calculate the following:

- Goodwill of the firm and B's share of goodwill at the time of his death.
- B's share in the profit or loss of the firm till the date of his death.
- Prepare B's Capital Account at the time of his death to be presented to his Executors. *(AI 2010 C)*

[Ans.: B's Share of Goodwill: ₹ 45,000; Share in the loss of the firm: ₹ 8,750; Amount due to B's Executors: ₹ 76,250.]

3. Babita, Chetan and David are partners in a firm sharing profits in the ratio of 2 : 1 : 1 respectively. Firm closes its accounts on 31st March every year. Chetan died on 30th September, 2012. There was a balance of ₹ 1,25,000 in Chetan's Capital Account in the beginning of the year. In the event of death of any partner, the Partnership Deed provides for the following:

- Interest on capital will be calculated at the rate of 6% p.a.
- The executor of deceased partner shall be paid ₹ 24,000 for his share of goodwill.
- His share of Reserve Fund of ₹ 12,000, shall be paid to his executor.
- His share of profit till the date of death will be calculated on the basis of sales. It is also specified that the sales during the year 2011–12 were ₹ 4,00,000. The sales from 1st April, 2012 to 30th September, 2012 were ₹ 1,20,000. The profit of the firm for the year ending 31st March, 2012 was ₹ 2,00,000.

Prepare Chetan's Capital Account to be presented to his executor.

(Delhi 2013 C)

[Ans.: Transferred to Chetan's Executor's Account—₹ 1,79,750;
Share of Chetan in current year's profit—₹ 15,000.]

4. Akhil, Nikhil and Sunil were partners sharing profits and losses equally. Following was their Balance Sheet as at 31st March, 2022:

Liabilities	₹	Assets	₹
Trade Creditors	40,000	Building	2,00,000
General Reserve	45,000	Plant and Machinery	80,000
Capital A/cs:		Stock	35,000
Akhil 1,95,000		Debtors	80,000
Nikhil 1,20,000		Cash at Bank	85,000
Sunil 80,000	3,95,000		
	4,80,000		4,80,000

Sunil died on 1st August, 2022. The Partnership Deed provided that the executor of a deceased partner was entitled to:

- Balance of Partners' Capital Account and his share of accumulated reserve.
- Share of profits from the closure of the last accounting year till the date of death on the basis of the profit of the preceding completed year before death.
- Share of goodwill calculated on the basis of three times the average profit of the last four years.
- Interest on deceased partner's capital @ 6% p.a.
- ₹ 50,000 to be paid to deceased's executor immediately and the balance to remain in his Loan Account.

Profits and Losses for the preceeding years were: 2018–19—₹ 80,000 Profit; 2019–20—₹ 1,00,000 Loss; 2020–21—₹ 1,20,000 Profit; 2021–22—₹ 1,80,000 Profit.

Pass necessary Journal entries and prepare Sunil's Capital Account and Sunil's Executor's Account.

[Ans.: Sunil's Share of General Reserve—₹ 15,000; Interest on Capital—₹ 1,600;
Share of Goodwill—₹ 70,000; Share of profit—₹ 20,000;
Balance of Sunil's Capital A/c transferred to Sunil's Executor's A/c—₹ 1,86,600;
Amount due to Sunil's Executor—₹ 1,36,600.]

5. A, B, and C are partners in a firm sharing profits in the proportion of 3 : 2 : 1. Their Balance Sheet as at 31st March, 2022 stood as follows:

Liabilities	₹	Assets	₹
Sundry Creditors	2,70,000	Cash in Hand	42,500
General Reserve	1,20,000	Cash at Bank	2,14,500
Capital A/cs:		Debtors	1,63,000
A	2,00,000	Stock	17,500
B	1,20,000	Investment	1,32,500
C	80,000	Building	2,10,000
	4,00,000	B's Loan	10,000
	7,90,000		7,90,000

B died on 30th June, 2022 and according to the deed of the said partnership his executors are entitled to be paid as under:

- The capital to his credit at the time of his death and interest thereon @ 10% per annum.
- His proportionate share of General Reserve.
- His share of profit for the intervening period will be based on the sales during that period. Sales from 1st April, 2022 to 30th June, 2022 were as ₹ 12,00,000. The rate of profit during past three years had been 10% on sales.
- Goodwill according to his share of profit to be calculated by taking twice the amount of profits of the last three years *less* 20%. The profit of the previous three years were: 1st Year: ₹ 82,000; 2nd year: ₹ 90,000; 3rd year ₹ 98,000.
- The investments were sold at par and his executors were paid out in full.

Prepare B's Capital Account and his Executors' Account.

[Ans.: Amount paid to B's Executors—₹ 3,37,000; Interest on Capital—₹ 3,000;
Share in: General Reserve—₹ 40,000; Profit ₹ 40,000 and Goodwill—₹ 1,44,000.]

6. X, Y and Z are partners in a firm sharing profits and losses in the ratio of 5 : 3 : 2. Their Balance Sheet as at 31st March, 2022 was as follows:

Liabilities	₹	Assets	₹
Sundry Creditors	18,000	Goodwill	12,000
Investment Fluctuation Reserve	7,000	Patents	52,000
Workmen Compensation Reserve	7,000	Machinery	62,400
Capital A/cs:		Investment	6,000
X	1,35,000	Stock	20,000
Y	95,000	Sundry Debtors	24,000
Z	74,000	Less: Provision for Doubtful Debts	4,000
	3,04,000	Loan to Z	1,000
		Cash at Bank	600
		Profit & Loss A/c	1,50,000
		Z's Drawings	12,000
	3,36,000		3,36,000

Z died on 1st April, 2022, X and Y decide to share future profits and losses in ratio of 3 : 5. It was agreed that:

- Goodwill of the firm be valued 2½ years' purchase of average of four completed years' profits which were: 2018–19—₹ 1,00,000; 2019–20—₹ 80,000; 2020–21—₹ 82,000.

- (ii) Stock is undervalued by ₹ 14,000 and machinery is overvalued by ₹ 13,600.
- (iii) All debtors are good. A debtor whose dues of ₹ 400 were written off as bad debts paid 50% in settlement.
- (iv) Out of the amount of insurance premium debited to Profit & Loss Account, ₹ 2,200 be carried forward as prepaid insurance premium.
- (v) ₹ 1,000 included in Sundry Creditors is not likely to arise.
- (vi) A claim of ₹ 1,000 on account of Workmen Compensation to be provided for.
- (vii) Investment be sold for ₹ 8,200 and a sum of ₹ 11,200 be paid to executors of Z immediately. The balance to be paid in four equal half-yearly instalments together with interest @ 8% p.a. at half year rest.

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

Note: Firm enjoys bank overdraft facility.

[Ans.: Gain (Profit) on Revaluation—₹ 10,000; Partners' Capital Accounts: X—₹ 74,250; Y—₹ 30,550; Z's Executors' A/c—₹ 36,000; Bank Overdraft: ₹ 2,200; Balance Sheet Total—₹ 1,61,000.]

7. X, Y and Z were partners in a firm sharing profits in the ratio of 5 : 3 : 2. The firm closes its books on 31st March, every year. On 30th September, 2016, Z died. The Partnership Deed provided that on the death of a partner his executors will be entitled to the following:
- (a) Balance in his Capital Account and Interest on Capital @ 12% per annum. On 1st April, 2016, balance in Z's Capital Account was ₹ 80,000.
 - (b) His share in the profits of the firm in the year of his death, which will be calculated on the basis of rate of net profit on sales of the previous year which was 25%. The sales of the firm till 30th September, 2016 were ₹ 4,00,000.
 - (c) His share in the goodwill of the firm. The goodwill of the firm on Z's death was valued at ₹ 3,00,000. The Partnership Deed also provided that the following deductions will be made from the amount payable to the executor of the deceased partner:
 - (i) His drawings in the year of his death. Z had withdrawn ₹ 30,000 till 30th September, 2016.
 - (ii) Interest on drawings @ 12% per annum which was calculated as ₹ 2,000.

The accountant of the firm prepared Z's Capital Account to be presented to his executor but in a hurry did not complete it. Z's Capital Account as prepared by the firm's accountant is presented below:

Dr.			Z'S CAPITAL ACCOUNT			Cr.		
Date	Particulars	₹	Date	Particulars	₹			
2016			2016					
Sept. 30	?	30,000	April 1	?	80,000			
Sept. 30	?	2,000	Sept. 30	?	4,800			
Sept. 30	?	?	Sept. 30	?	20,000			
			Sept. 30	?	?			
			Sept. 30	?	?			
		1,64,800			1,64,800			

You are required to complete Z's Capital Account.

(Foreign 2017)

Solution:

Dr.			Z'S CAPITAL ACCOUNT			Cr.		
Date	Particulars	₹	Date	Particulars	₹			
2016			2016					
Sept. 30	To Drawings A/c	30,000	April 1	By Balance b/d	80,000			
Sept. 30	To Interest on Drawings A/c	2,000	Sept. 30	By Interest on Capital A/c (WN 2)	4,800			
Sept. 30	To Z's Executor's A/c (Balancing Figure)	1,32,800	Sept. 30	By Profit & Loss Suspense A/c (WN 3)	20,000			
			Sept. 30	By X's Capital A/c (WN 4)	37,500			
			Sept. 30	By Y's Capital A/c (WN 4)	22,500			
		1,64,800			1,64,800			

Working Notes:

1. Date of last Balance Sheet = 31st March, 2016

Date of death of Z = 30th September, 2016

Period from 31st March, 2016 to 30th September, 2016 = 6 months.

2. Interest on X's capital = ₹ 80,000 × 12/100 × 6/12 = ₹ 4,800.

3. Sale up to 30th September, 2016 = ₹ 4,00,000

Profit up to 30th September, 2016 = ₹ 4,00,000 × 25/100 = ₹ 1,00,000

Z's share in the profit = ₹ 1,00,000 × 2/10 = ₹ 20,000.

4. Goodwill of the firm = ₹ 3,00,000

Goodwill payable to Z = ₹ 3,00,000 × 2/10 = ₹ 60,000

which is contributed by X = ₹ 60,000 × 5/8 = ₹ 37,500 and Y = ₹ 60,000 × 3/8 = ₹ 22,500.

8. Vikas, Gagan and Momita were partners in a firm sharing profits in the ratio of 2 : 2 : 1. The firm closes its books on 31st March every year. On 30th September, 2014 Momita died. According to the provisions of Partnership Deed the legal representatives of a deceased partner are entitled for the following in the event of his/her death:

(a) Capital as per the last Balance Sheet.

(b) Interest on capital at 6% per annum till the date of her death.

(c) Her share of profit to the date of death calculated on the basis of average profit of last four years.

(d) Her share of goodwill to be determined on the basis of three years' purchase of the average profit of last four years. The profits of last four years were:

Year	2010-11	2011-12	2012-13	2013-14
Profit (₹)	30,000	50,000	40,000	60,000

The balance in Momita's Capital Account on 31st March, 2014 was ₹ 60,000 and she had withdrawn ₹ 10,000 till date of her death. Interest on her drawings was ₹ 300.

Prepare Momita's Capital Account to be presented to her executors.

(Delhi 2015)

[Ans.: Amount due to Momita's Executors—₹ 83,000; Interest on Capital—₹ 1,800; Profit & Loss Suspense A/c (Momita's Share of Profit)—₹ 4,500; Momita's Share of Goodwill—₹ 27,000, which is contributed by Vikas and Gagan equally.]

9. Sunny, Honey and Rupesh were partners in a firm. On 31st March, 2014, their Balance Sheet was as follows:

Liabilities	₹	Assets	₹
Creditors	10,000	Plant and Machinery	40,000
General Reserve	30,000	Furniture	15,000
Capital A/cs:		Investments	20,000
Sunny 30,000		Debtors	20,000
Honey 30,000		Stock	25,000
Rupesh 20,000	80,000		
	1,20,000		1,20,000

Honey died on 31st December, 2014. The Partnership Deed provides that the representatives of the deceased partner shall be entitled to:

- Balance in the Capital Account of the deceased partner.
- Interest on Capital @ 6% per annum up to the date of his death.
- His share in the undistributed profits or losses as per the Balance Sheet.
- His share in the profits of the firm till the date of his death, calculated on the basis of rate of net profit on sales of the previous year. The rate of net profit on sales of previous year was 20%. Sales of the firm during the year till 31st December, 2014 was ₹ 6,00,000.

Prepare Honey's Capital Account to be presented to his executors.

(Delhi 2015)

**[Ans.: Amount due to Honey's Executors—₹ 81,350; Interest on Capital—₹ 1,350;
Profit & Loss Suspense Account (Honey's Share of Profit)—₹ 40,000;
Honey's Share in General Reserve—₹ 10,000.]**

10. X, Y and Z were partners in a firm sharing profits and losses in the ratio of 3 : 2 : 1. Z died on 30th June, 2019. The Balance Sheet of the firm as at that 31st March, 2019 is as follows:

Liabilities	₹	Assets	₹
X's Capital A/c 2,40,000		Machinery	2,40,000
Y's Capital A/c 1,60,000		Furniture	1,50,000
Z's Capital A/c 80,000	4,80,000	Investments	40,000
X's Current A/c	16,000	Stock	64,000
Y's Current A/c	5,000	Sundry Debtors	50,000
Reserve	60,000	Bills Receivable	22,000
Bills Payable	34,000	Cash at Bank	37,000
Sundry Creditors	40,000	Cash in Hand	22,000
		Z's Current A/c	10,000
	6,35,000		6,35,000

The following decisions were taken by the remaining partners:

- A Provision for Doubtful Debts is to be raised at 5% on Debtors.
- While Machinery to be decreased by 10%, Furniture and Stock are to be appreciated by 5% and 10% respectively.
- Advertising Expenses ₹ 4,200 are to be carried forward to the next accounting year and, therefore, it is to be adjusted through the Revaluation Account.
- Goodwill of the firm is valued at ₹ 60,000.
- X and Y are to share profits and losses equally in future.

(f) Profit for the year ended 31st March, 2019 was ₹ 8,16,000 and Z's share of profit till the date of death is to be determined on the basis of profit for the year ended 31st March, 2019.

(g) The Fixed Capital Accounts Method is to be converted into the Fluctuating Capital Accounts Method by transferring the Current Account balances to the respective Partners' Capital Accounts.

Prepare the Revaluation Account, Partners' Capital Accounts and prepare Z's Executor's Account to show that Z's Executors were paid in two half-yearly instalments plus interest of 10% p.a. on the unpaid balance. The first instalment was paid on 31st December, 2019.

[Ans.: Loss on Revaluation—₹ 8,400; Capital Account Balances: X—₹ 2,81,800;
Y—₹ 1,38,200; Z's Executors—₹ 1,22,600.]

11. P, Q and R were partners in a firm sharing profits in 2 : 2 : 1 ratio. The Partnership Deed provided that on the death of a partner his executors will be entitled to the following:

(a) Interest on Capital @ 12% p.a.

(b) Interest on Drawings @ 18% p.a.

(c) Salary of ₹ 12,000 p.a.

(d) Share in the profit of the firm (up to the date of death) on the basis of previous year's profit.

P died on 31st May, 2020. His capital was ₹ 80,000. He had withdrawn ₹ 15,000 and interest on his drawings was calculated as ₹ 1,200. Profit of the firm for the previous year ended 31st March, 2020 was ₹ 30,000.

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

(Foreign 2008, Modified)

[Ans.: P's Executors' A/c—₹ 69,400 (transfer from P's Capital A/c); P's Share of Profit—₹ 2,000.]

12. Kavita, Leena and Monica are partners in firm sharing profits in the ratio of 1 : 1 : 3 respectively. Their Capital Accounts showed the following balances on 31st March, 2012: Kavita ₹ 70,000; Leena ₹ 65,000 and Monica ₹ 2,10,000. Firm closes its accounts every year on 31st March. Kavita died on 30th September, 2012. In the event of death of any partner, the Partnership Deed provides for the following:

(a) Interest on capital will be calculated at the rate of 6% p.a.

(b) The deceased partner's share in the goodwill of the firm will be calculated on the basis of 2 years' purchase of the average profit of last three years. The profits of the firm for the last three years were ₹ 90,000; ₹ 1,00,000 and ₹ 1,10,000 respectively.

(c) Her share in the Reserve Fund of the firm will be paid. The Reserve Fund of the firm was ₹ 60,000 at the time of Kavita's death.

(d) Her share of profit till the date of death will be calculated on the basis of sales. It is also specified that the sales during the year 2011–12 were ₹ 20,00,000. The sales from 1st April, 2012 to 30th September, 2012 were ₹ 4,00,000. The profit of the firm for the year ending 31st March, 2012 was ₹ 2,00,000.

Prepare Kavita's Capital Account to be presented to his legal representative.

(AI 2013 C)

[Ans.: Transferred to Kavita's Executor's Account—₹ 1,32,100; Kavita's Share in goodwill—₹ 40,000, which is contributed by Leena and Monica in their gaining ratio, i.e., 1 : 3; Kavita's Share of Current year's profit—₹ 8,000.]

- 13.** Virad, Vishad and Roma were partners in a firm sharing profits in the ratio of 5 : 3 : 2 respectively. On 31st March, 2013, their Balance Sheet was as under:

Liabilities	₹	Assets	₹
Capital A/cs:		Buildings	2,00,000
Virad	3,00,000	Machinery	3,00,000
Vishad	2,50,000	Patents	1,10,000
Roma	1,50,000	Stock	1,00,000
Reserve Fund	60,000	Debtors	80,000
Creditors	1,10,000	Cash	80,000
	8,70,000		8,70,000

Virad died on 1st October, 2013. It was agreed between his executors and the remaining partners that:

- Goodwill of the firm be valued at 2½ years purchase of average profits for the last three years. The average profits were ₹ 1,50,000.
- Interest on capital be provided at 10% p.a.
- Profit for the 2013–14 be taken as having accrued at the same rate as that of the previous year which was ₹ 1,50,000.

Prepare Virad's Capital Account to be presented to his Executors as on 1st October, 2013. (Delhi 2014)

[Ans.: Transfer to Virad's Executors' Account—₹ 5,70,000.]

- 14.** R, S and M are partners sharing profits in the ratio of 2/5, 2/5 and 1/5. M died and his share is taken by R and S in the ratio of 1 : 2. Calculate the new profit-sharing ratio. [Ans.: New Profit-sharing Ratio—7 : 8.]

- 15.** R, S and T were partners sharing profits and losses in the ratio of 5 : 3 : 2. On 31st March, 2018, their Balance Sheet stood as:

Liabilities	₹	Assets	₹
Capital A/cs:		Goodwill	25,000
R	1,50,000	Leasehold	1,00,000
S	1,25,000	Patents	30,000
T	75,000	Machinery	1,50,000
Workmen Compensation Reserve	30,000	Stock	50,000
Sundry Creditors	40,000	Debtors	40,000
Bills Payable	15,000	Cash at Bank	40,000
	4,35,000		4,35,000

T died on 1st August, 2018. It was agreed that:

- Goodwill be valued at 2½ years' purchase of average of last 4 years' profits which were: 2014–15: ₹ 65,000; 2015–16: ₹ 60,000; 2016–17: ₹ 80,000 and 2017–18: ₹ 75,000.
- Machinery be valued at ₹ 1,40,000; Patents be valued at ₹ 40,000; Leasehold be valued at ₹ 1,25,000 on 1st August, 2018.
- For the purpose of calculating T's share in the profits of 2018–19, the profits in 2018–19 should be taken to have accrued on the same scale as in 2017–18.
- A sum of ₹ 21,000 to be paid immediately to the Executors of T and the balance to be paid in four equal half-yearly instalments together with interest @ 10% p.a.

Pass necessary Journal entries to record the above transactions and T's Executors' Account.

[Ans.: Gain (Profit) on Revaluation—₹ 25,000; Amount transferred to T's Executors' A/c—₹ 1,21,000.]

- 16.** Aman, Naman and Raman were partners in a firm sharing profits and losses in the ratio of 2 : 2 : 1. On 31st March, 2022, their Balance Sheet was as follows:

Liabilities	₹	Assets	₹
Capital A/cs:		Fixed Assets	14,00,000
Aman	8,00,000	Stock	4,00,000
Naman	7,00,000	Debtors	3,00,000
Raman	5,00,000	Cash at Bank	7,00,000
Workmen Compensation Reserve	50,000	Cash in Hand	1,00,000
General Reserve	2,00,000	Advertisement Suspense A/c (Deferred Revenue)	50,000
Employees' Provident Fund	2,00,000		
Creditors	5,00,000		
	29,50,000		29,50,000

Naman died on 30th June, 2022. According to the Partnership Deed, his legal heirs were entitled to:

- Balance in his Capital Account.
- His share of goodwill will be calculated on the basis of thrice the average of the past 4 years' profits.
- His share in profits up to the date of death on the basis of average profits of the last two years.
- Interest on capital @ 12% p.a. up to the date of his death.

The firm's profits for the last four years ended 31st March, were:

2019: ₹ 2,40,000; 2020: ₹ 4,00,000; 2021: ₹ 5,20,000 and 2022: ₹ 4,40,000.

Naman's Executor was paid the sum due immediately. Prepare Naman's Capital Accounts to be presented to his legal heirs.

[Ans.: Naman's Share of Profit—₹ 48,000; Naman's Share of Goodwill—₹ 4,80,000;
Amount due to Naman—₹ 13,29,000.]

- 17.** X, Y and Z were partners in a firm sharing profits and losses in the 5 : 4 : 3. Their Balance Sheet on 31st March, 2021 was as follows:

Liabilities	₹	Assets	₹
Capital A/cs:		Building	2,00,000
X	3,00,000	Machinery	3,00,000
Y	2,50,000	Furniture	1,10,000
Z	1,50,000	Investment (Market Value ₹ 86,000)	1,00,000
Employees' Provident Fund	1,50,000	Debtors	80,000
General Reserve	36,000	Cash at Bank	1,90,000
Investment Fluctuation Reserve	14,000	Advertisement Suspense	1,20,000
Creditors	2,00,000		
	11,00,000		11,00,000

X died on 1st October, 2021 and Y and Z decide to share future profits in the ratio of 7 : 5. It was agreed between his executors and the remaining partners that:

- Goodwill of the firm be valued at 2½ years' purchase of average of four completed years' profit which were:

Year	2017-18	2018-19	2019-20	2020-21
Profits (₹)	1,70,000	1,80,000	1,90,000	1,80,000

- (ii) X's share of profit from the closure of last accounting year till date of death be calculated on the basis of last year's profit.
- (iii) Building undervalued by ₹ 2,00,000; Machinery overvalued by ₹ 1,50,000 and Furniture overvalued by ₹ 46,000.
- (iv) A provision of 5% be created on Debtors for Doubtful Debts.
- (v) Interest on Capital to be provided at 10% p.a.
- (vi) Half of the net amount payable to X's executor was paid immediately and the balance was transferred to his loan account which was to be paid later.

Prepare Revaluation Account, X's Capital Account and X's Executor's Account as on 1st October, 2021.

Note: Firm enjoys bank overdraft facility.

[Ans.: X's Executor's A/c—₹ 5,05,000; X's Executor's Loan—₹ 2,52,500; Gain/Loss on Revaluation—NIL.]

Missing Value Questions

18 (Share of Profit of Deceased Partner). Shankar, Bhola and Madhav were partners in a firm sharing profits and losses in the ratio of 5 : 3 : 2. The profits of the firm for the year ending on 31st March, 2022 was ₹ 90,000. Madhav dies on 31st July, 2022. Determine the missing values in the following Journal entry:

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Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2022 July 31	Profit & Loss Suspense A/c ...Dr. To Madhav's Capital A/c (Madhav's share of profits (based on last year's profit) till the date of his death credited)		?	?

Solution:

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Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2022 July 31	Profit & Loss Suspense A/c ...Dr. To Madhav's Capital A/c (Madhav's share of profits (based on last year's profit) till the date of his death credited)		6,000	6,000

Working Note: Calculation of Madhav's Share in Profit:

Total Profit for the last year = ₹ 90,000

Period (1st April, 2022 to 31st July, 2022) = 4 Months

Profit for 4 Months = ₹ 90,000 × 4/12 = ₹ 30,000

Madhav's share of estimated profit = ₹ 30,000 × 2/10 = ₹ 6,000.

- 19 (Share of Goodwill of Deceased Partner).** X, Y and Z were partners sharing profits in the ratio of 4 : 3 : 1 respectively. Y dies on 30th April, 2022. On Y's death, goodwill of the firm is valued at ₹ 4,50,000. Y's share is taken up by X and Z equally. Complete the following Journal entry:

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Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2022 April 30	X's Capital A/c ...Dr. Z's Capital A/c ...Dr. To Y's Capital A/c (Y's share of goodwill adjusted in the Capital Accounts of X and Z)		? ? 	 ?

Solution:

JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2022 April 30	X's Capital A/c ...Dr. Z's Capital A/c ...Dr. To Y's Capital A/c (Y's share of goodwill adjusted in the Capital Accounts of X and Z)		 84,375 84,375	 1,68,750

Working Notes:

- Y's Share of Goodwill = ₹ 4,50,000 × 3/8 = ₹ 1,68,750,
which is contributed by X and Z in their gaining ratio, i.e., 1 : 1.
- Calculation of Gaining Ratio: Y's share is taken up by X and Z equally. Hence, gaining ratio is 1 : 1.

- 20 (Death of a Partner).** X, Y and Z are partners in a firm sharing profits in 3 : 2 : 1. The firm closes its books on 31st March every year. Y died on 12th June, 2022. On Y's death, the goodwill of the firm was valued at ₹ 2,40,000. Y's share in the profits of the firm till the date of death from the last Balance Sheet was to be calculated on the basis of previous year's profit which was ₹ 6,00,000. Fill the missing figures in the following Journal entries:

JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2022 June 12	X's Capital A/c ...Dr. Z's Capital A/c ...Dr. To Y's Capital A/c (Treatment of goodwill on death of Y)		? ? 	 ?
	Profit & Loss Suspense A/c ...Dr. To Y's Capital A/c (Y's share of profit till the time of his death)		? 	 ?

Solution:

JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2022				
June 12	X's Capital A/c ...Dr.		60,000	
	Z's Capital A/c ...Dr.		20,000	
	To Y's Capital A/c (₹ 2,40,000 × 2/6)			80,000
	(Treatment of goodwill on death of Y)			
	Profit & Loss Suspense A/c ...Dr.		40,000	
	To Y's Capital A/c			40,000
	(Y's share of profit till the time of his death) (Note)			

Note: Y's Share of Profit till date of death: ₹ 6,00,000 × 73/365 × 2/6 = ₹ 40,000.