1. (d)

Working Note:

Share acquired by Karan from Parnav = $\frac{1}{4} \times \frac{2}{3} = \frac{2}{12}$ Share acquired by Karan from Rahim = $\frac{1}{4} \times \frac{1}{3} = \frac{1}{12}$ Parnav's New Share = $\frac{3}{5} - \frac{2}{12} = \frac{36 - 10}{60} = \frac{26}{60}$ Rahim's New Share = $\frac{2}{5} - \frac{1}{12} = \frac{24 - 5}{60} = \frac{19}{60}$ New Ratio of Parnav, Rahim and Karan = $\frac{26}{60} : \frac{19}{60} : \frac{1}{4} = 26:19:15.$

2. (d)

Working Note:

Hidden Goodwill = $\left(₹2,00,000 \times \frac{4}{1}\right)$ - (₹ 5,40,000 - ₹ 1,00,000 + ₹ 2,00,000) = ₹ 1,60,000 Sanjana's Share of Goodwill = ₹ 1,60,000 × $\frac{1}{4}$ = ₹ 40,000.

3. (d)

Working Note:

Combined Capital of X and Y for 4/5th Share = \mathbb{Z} 4,50,000

Total Capital of Firm = ₹ 4,50,000 ×
$$\frac{5}{4}$$
 = ₹ 5,62,500
Z's Capital = ₹ 5,62,500 × $\frac{1}{5}$ = ₹ 1,12,500.

(b)
 (c)

Average Profit = $\frac{\underbrace{1,10,000 + \underbrace{1,00,000 + \underbrace{1,24,000}}{4} = \underbrace{\underbrace{1,24,000}}{4} = \underbrace{\underbrace{1,24,000}}{4}$ $= \underbrace{1,08,000}$ Normal Profit = Capital Employed* × Normal Rate of Return $= \underbrace{3,15,000 \times \frac{12}{100}} = \underbrace{37,800.}$ *Capital Employed = Total Assets - Current Liabilities $= \underbrace{3,50,000 - \underbrace{35,000} = \underbrace{3,15,000}$ Super Profit = Average Profit - Normal Profit $= \underbrace{1,08,000 - \underbrace{37,800} = \underbrace{70,200}$ Value of Firm's Goodwill = Super Profit × No. of Years' Purchase $= \underbrace{1,40,400 \times \frac{1}{4}} = \underbrace{35,100.}$

6. (c)

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.	REVALUATIC	N ACCOUNT		Cr
Particulars	₹	Particulars		₹
To Provision for Outstanding		By Provision for Doubtful Debts A/c		25
Bill for Electricity A/c	3,325	(₹ 1,200 – 2.5% of ₹ 47,000)		
		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.		PARTI	NERS' CAP	TAL ACCOUNTS			Cr.
Particulars	Kavi	Ravi	Chhavi	Particulars	Kavi	Ravi	Chhavi
	₹	₹	₹		₹	₹	₹
To Revaluation A/c (Loss)	500	300		By Balance <i>b/d</i>	1,50,000	90,000	
To Profit and Loss A/c	12,500	7,500		By Workmen Compensa-			
To Bank A/c	5,000	3,000		tion Reserve A/c	20,000	12,000	
To Bank A/c (Bal. Fig.)	62,000	37,200		By Premium for Goodwill	10,000	6,000	
To Balance <i>c/d</i>	1,00,000	60,000	40,000	(WN 1)			
				By Bank A/c			40,000
	1,80,000	1,08,000	40,000		1,80,000	1,08,000	40,000

BALANCE SHEET as at 1st April, 2023

Liabilities		₹	Assets		₹
Creditors		17,500	Debtors	47,000	
Provision for Outstanding Bill for Electricity		3,325	Less: Provision for Doubtful Debts	1,175	45,825
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
	Kavi's Sacrifice = $\frac{5}{8} - \frac{5}{10} = \frac{5}{40}$;
	Ravi's Sacrifice = $\frac{3}{8} - \frac{3}{10} = \frac{3}{40}$;
	Hence, Sacrificing Ratio = $\frac{5}{40}$: $\frac{3}{40}$ or 5:3.
2.	Total Capital of New Firm = ₹ 40,000 × $\frac{5}{1}$ = ₹ 2,00,000
	Kavi's New Capital = ₹ 2,00,000 × $\frac{5}{10}$ = ₹ 1,00,000
	Ravi's New Capital = ₹ 2,00,000 × $\frac{3}{10}$ = ₹ 60,000.

3.			
Dr.	BANK A	Cr.	
Particulars	₹	Particulars	₹
To Balance <i>b/d</i>	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 <i>c</i> / <i>d</i>	47,000	By Ravi's Capital A/c	37,200
	1,07,200		1,07,200

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