Partnership Accounts

Intro | Goodwill | Admission | Retirement | Death | Dissolution

Introduction

Partnership → Motive → Profit

Partnership Agreement (Terms & conditions)

* If not mentioned in partnership deed
  - → PSR - Equal.
  - → No salary to partners
  - → No interest on Capital.
  - → No charging interest on drawings.
  - → Interest on loan Maximum 6% taken from partners

* If not mentioned
  - → Not Salary / No interest on capital

If No profit.

P&L Appro a/c

To partners cap/ current a/c		By P&L a/c (Net profit)	xxx
Salary	xxx		
Interest on capital	xxx	By partners cap/current a/c	
Commission	xxx	Interest on drawings	xxx
Profit Share	xxx		
Interest on loan	xxx		
	xxx		xxx

* Rent is payable to partner?

↓

P&L a/c (dr.)

Partners Capital

Fixed Capital

↓

Only capital introduced and Capital written. / cap a/c

Fluctuating Capital

↓

All entries are made in partners capital a/c only.

Other transactions - partners current a/c.

Drawings

↓

Amount taken from Business Anticipation of Profits

Capital Withdrawn

↓

Amount taken from earlier introduced Capital.

Interest on Capital

Capital x Rate x time.

eg. ₹000 x 10% x $\frac{3}{12}$ = ₹5

Interest on drawings

(I) Drawings on diff dates & diff Amounts

1/1 → 1000

1/7 → 500

1000 x 10% x $\frac{12}{12}$	= 100
500 x 10% x $\frac{6}{12}$	= 25

Product Method.

1000 x 12 = 12000

500 x 6 = 3000

300 x 2 = 600

15600 x 10% x $\frac{1}{12}$ = 130

(II) Amount withdrawn

Same amount every month on 1st.

1000 x 12 x 10% x $\frac{6.5}{12}$ = 650

(See the Sena Sir notes)

Study Material sums.

① J.E in the Books of A & B

1/1/2022	Bank a/c dr.	50000	
	To A's cap a/c		30000
	To B's cap a/c		20000
31/12/2022	P&L A/c dr.	25000	
	To P&L Appropriation a/c		25000 (A)
31/12/2022	P&L App dr.	6000 (-)	
	To B's cap (500 x 12)		6000
31/12/2022	P&L App dr.	3000 (-)	
	To A's Cap (30000 x 6%)		1800
	To B's cap (20000 x 6%)		1200
31/12/2022	P&L App dr.	16000	
	To A's cap (16,000 x 5/8)		10000
	To B's cap (16,000 x 3/8)		6000
31/12/2022	Drawings a/c dr.	18000	
	To Bank a/c		18000

31/12/22 A's cap a/c dr. 8000
B's Cap a/c dr. 10000
To drawings a/c 18,000

(2)

→ No salary to Rahim
→ Profit sharing Ratio — Equal
→ No interest on Capital to Ram
→ Int on loan — Rahim → 6%

Dr. P&L App a/c Cr.

To Karim cap a/c (2000 x 6%)	120	By P&L a/c	45,000
To Reserves a/c (44880 x 10%)	4488		
To partners capital a/c			
Ram (40392 x 1/3)	13464		
Rahim	13464		
Karim	13464		
	45,000		45000

VSH XZXX

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i-(3) dr. P&L App a/c Cr.

		By P&L a/c	25,000
To B's capital a/c (Salary)	6000		
To A's Cap a/c	1800		
To B's cap a/c (int)	1200		
To partners capital a/c			
A (16,000 × 5/8)	10000		
B (16,000 × 3/8)	6000		
	25,000		25,000

i-(4) partners capital a/c

	A	B		A	B
To drawings	8000	10000	By Bank a/c	30000	20000
			By P&L App		
To Balance c/d	33800	23200	Salary	-	6000
			int on cap	1800	1200
			profit share	10000	6000
	41800	33200		41800	33200

i-e

(i) Profit Sharing ~~Shea~~ Ratio

Computation of Effective Capital

A → $1,00,000 \times \frac{3}{12} = 25,000$

$1,10,000 \times \frac{3}{12} = 27500$

$115,000 \times \frac{3}{12} = 28750$

Actual cap $75000 \times \frac{3}{12} = 18750$

$1,00,000$ Effective cap

B → $60000 \times \frac{6}{12} = 30,000$

$90,000 \times \frac{6}{12} = 45000$

75000 Effective cap

PSR → $100000 : 75000 \Rightarrow 4:3$

(ii) Interest on capital

A	B
$1,00,000 \times 12\% \times \frac{3}{12} = 3000$	$60000 \times 12\% \times \frac{6}{12} = 3600$
$1,10000 \times 12\% \times \frac{3}{12} = 3300$	$90,000 \times 12\% \times \frac{6}{12} = 5400$
$115,000 \times 12\% \times \frac{3}{12} = 3450$	9000
$75,000 \times 12\% \times \frac{3}{12} = 2250$	
$12,000$	

(iii) Interest on drawings

A → (1000)X12 X 10% X $\frac{5.5}{12}$ = 550

B → 1000 x 10% x $\frac{6}{12}$ = 50

5000 x 10% x $\frac{3}{12}$ = 125

175

i—(6)

P & L Appropriation a/c.

To Rahim current a/c (400 x 12)	4800	By P & L A/c	30,000
To Rams ~~Cap~~ current a/c (50,000 x 6%)	3000	By partners current a/c	
To Rahim's ~~Cap~~ current a/c (30,000 x 6%)	1800	Ram (8000 x 6% x $\frac{6}{12}$)	240
To partners Current a/c		Rahim (10,000 x 6% x $\frac{6}{12}$)	300
Ram (20940 x $\frac{1}{2}$)	10470		
Rahim (20940 x $\frac{1}{2}$)	10470		
	30,540		30,540

partners capital a/c

	Ram	Rahim		Ram	Rahim
To balance c/d	50k	30k	By bank a/c	50k	30k
	50,000	30,000		50,000	30,000
			By balance b/d	50,000	30,000

partner's current a/c

	Ram	Rahim		Ram	Rahim
To drawings	8000	10,000	By P&L App		
To P&L App			Salary	-	4800
int on drawn	240	300	Int on cap	3000	1800
To balance c/d	5230	6770	profit share	10470	10470
	13470	17070		13470	17070

i-(8) Before Learn Concupte

New Profit sharing Ratio

P : Q : R

3 : 2 : 1

Admit → S -

1/5 th share

$$1 - \frac{1}{5} = \frac{4}{5}$$

P → $\frac{4}{5} \times \frac{3}{6} = \frac{12}{30}$

Q → $\frac{4}{5} \times \frac{2}{6} = \frac{8}{30}$

R → $\frac{4}{5} \times \frac{1}{6} = \frac{4}{30}$

S → $\frac{1}{5} \times \frac{6}{6} = \frac{6}{30}$

~~12 : 8 : 4 : 6~~

6 : 4 : 2 : 3 NPSR

9-(8)

NPSR

A → $\frac{3}{5} \times \frac{5}{6} = \frac{15}{30}$

B → $\frac{5}{6} \times \frac{2}{5} = \frac{10}{30}$

C → $\frac{1}{6} \times \frac{5}{5} = \frac{5}{30}$

3 : 2 : 1

$1 - \frac{1}{6} = \frac{5}{6}$

(i) Guarantee given by firm

9,00,00,000

A — B — C

6,50,00,000 — 2,50,00,000

3 : 2

3,90,00,000 — 2,60,00,000

(ii) Guarantee given by A

9,00,00,000 (3 : 2 : 1)

A — B — C

A	B	C
4,50,09000	3,00,00,000	1,50,00,000
(−) 1,00,00,000		(+) 1,00,00,000
3,50,00,000		2,50,00,000

(iii) Guarantee given by A & B equally

9,00,00,000

A	B	C
4,50,00,000	3,00,00,000	1,50,00,000
50,00,000	50,09000	1,00,00,000
4,00,00,000	2,50,00,000	2,50,00,000

Study material {pratical sums:}

(1p-9)

			R.E
Existing profit	→	60,000	
Life insurance premium of Weak	→	(+) 750	Drawings dr To M's exp
Repairs to plant	→	(−) 10,000	Repairs to P To P&M
Depreciation reversed (10,000 x 20%)	→	(+) 2000	P & M a/c dr To depreciation
Trip	→	3000 (−)	drawings dr. To Travelling exp
profit	→	55750	

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	Weak	Able	Lazy
Drawings	15000	10000	10000
	(+) 750	(+) 3000	
	15750	13000	10,000

Or. P & L App a/c Or.

To partner's current		By P & L A/c	55750
Weak (75000 x 10%)	7500	By partner's current	
Able (40,000 x 10%)	4000	Weak (15,750 x 8% x 6/12)	630
Lazy (30000 x 10%)	3000	Able (13,000 x 8% x 6/12)	520
To partner's current a/c		Lazy (10,000 x 8% x 6/12)	400
Weak (42800 x 2/4)	21400		
Able (42800 x 1/4)	10700		
Lazy (42800 x 1/4)	10700		
	57300		57300

Partner's current a/c

	W	A	L		W	A	L
To balance b/d	-	-	5000	By balance b/d	10000	5000	-
To drawings	15750	13000	10000	By P & L App a/c			
To P & L App				int on cap	7500	4000	3000
Int on drawings	630	520	400	Profit share	21400	10700	10700
To balance c/d	22520	6180		By balance c/d	-	-	1700
	38900	19700	15400		38900	19700	15400

(2p-10)

Ram $\frac{9}{10} \times \frac{3}{5} = \frac{27}{50}$

Rahim $\frac{9}{10} \times \frac{2}{5} = \frac{18}{50}$ $\quad 1 - \frac{1}{10} = \frac{9}{10}$

Ratan $\frac{1}{5} \times \frac{5}{10} = \frac{5}{50}$ $\quad$ 27 : 18 : 5 NPSR

Ratan as clerk

Salary (500 x 12) → 6000

Profit After salary → 104000
(110000 - 6000)

Commission
(4/104) → 4000

→ 10,000

profit after Commission 10000

Profit → 110000

(100000 x 3/5) 60000 (-) 1000 (11,000 - 10000) Ratan = 59,000

(100000 x 2/5) 40,000

Ratan (110000 x 1/10) 11000

39-11

Working note :- Int on drawings

$x \Rightarrow (40000 \times 12) \times 10\% \times \frac{5.5}{12}$

$= 22,000$

$y \rightarrow (120000 \times 10\% \times \frac{9}{12}) = 9000$

$120,000 \times 10\% \times \frac{6}{12} = 6000$

$120000 \times 10\% \times 3/12 = 3000$

$120000 \times 10\% \times \frac{0}{12} = -$

18000

(12) P & L Appropriation a/c

To partners capital a/c		By P & L A/c	4,00,000
Criti (85000 x 12)	→ 180000	(4,60,000 - 60,000)	
To partners capital a/c			
A (300000 x 12%)	36000		
B (500000 x 12%)	60000		
C (200000 x 12%)	24000		
To partners capital			
A (1L x 3/10)	30000		
B (1L x 4/10)	40000		
C	30000		
	4,00,000		4,00,000

Rent a/c dr. 60,000
(5000×12) To cash a/c 60,000

Drawings a/c dr. 60,000
To cash a/c 60,000

Rectification entry

Rent a/c dr. 60,000
To drawings a/c 60000.

P&L App dr.
To partners capital

P&L App a/c dr. (RE)
To drawings a/c.

Partners capital a/c

	A	B	C		A	B	C
To drawings	-	120000	-	By bal b/d	3L	5L	2L
To balance c/d				By P&L App			
	366000	480000	236000	Salary	-	-	18000
				int on cap	36000	60000	24000
				profit share	30000	40000	30000
	3.66L	6L	2.36L		3.66L	6L	2.36L

Dec 2023 (5 marks)

(13)

dr. Profit and loss Appropriation a/c Cr.

To R's cap a/c	10,000	By P&L A/c	3,50,000
To partners cap a/c (Interest on cap)			
P (250000 x 6%)	15000		
Q (150000 x 6%)	9000		
R (100000 x 6%)	6000		
To R's cap a/c (310000 - 50000) x 10%	26,000		
To Q's cap a/c (28400 x 10%	28400		
To partners capital a/c			
P (255600 x 5/10)	127800		
Q (255600 x 3/10)	76680		
R (255600 x 2/10)	51120		
	3,50,000		3,50,000

(16) (X)

RTP June 2023

P&L Adj a/c (Understanding)

To p.c (IOC)		By p.c a/c	
P	15800	P (60,000 x 1/5)	12000
Q	17600	Q (60,000 x 2/5)	24000
R	20600	R (60,000 x 2/5)	24000
To p.c (profits)			
P (60000 x 1/5)	1200		
Q	2400		

	P	Q	R
Closing capital	150000	180000	210000
(-) profit	12000	24000	24000
	138000	156000	186000
(+) Drawing	20,000	20,000	20,000
	158000	176000	206000
	x10%	x10%	x10%
	15800	17600	20600

FE

Q's capital a/c	4000	
R's capital a/c	1000	
To P's capital a/c		5000

G

Goodwill → will not be Adjusted in Balance sheet.

↓

Reputation of Business

factors affecting Goodwill :-

→ Location

→ Customer service.

→ ~~Fechina~~ Technical Advantage (patent name)

→ Reputation of partner.

eg. Amul ice-cream

Goodwill

↓ Computation

↓ Accounting for goodwill

Computation of Goodwill

(1) Average profit method - Simple Average

Goodwill = Avg profit x No. of years of purchase

↓

$$\text{Avg profit} = \frac{\text{Total profit}}{\text{No. of years.}}$$

simple Average method.

NOTE:
High weightage for recent year.

Ex.

2020 → 80000
2021 → 160000
2022 → 70000

No. of year of purchase → 2 years

$$\text{Avg profit} = \frac{\text{Total profit}}{\text{No. of years}}$$

$$= \frac{80000 + 160000 + 70000}{3}$$

$$= 103333$$

Goodwill = 103333 × 2 = 206666.

2. Weighted Avg profit

W. Avg. Profit ⇒ When there is a trend.

GW = W. Avg. profit × No. of years of purchase.

Ex.

		Weights	product
2020	70000	1	70000
2021	80000	2	160000
2022	160000	3	480000
		6	710,000

$$\text{W. Avg. profit} = \frac{\text{Total product}}{\text{Total Weight}}$$

$$= \frac{7,10,000}{6} = 1,18,333$$

GW = 1,18,333 × 2 = 2,36,666

2. Super profit Method.

Goodwill = Super Profit × No. of years of purchase

SP = Avg profit − Normal profit
(Your profit) (Others profit)

Normal profit = Capital employed × Normal rate of return

Ex.

2020	80000
2021	160000
2022	70000

Avg profit → 103333
NRR → 10%
Capital employed → 809000

Avg profit → 103333
Normal profit → 80,000
(8,00,000 × 10%)
Super profit 23,333

Goodwill = 23,333 × 2
= 46,666

4. Annuity Method.

year	S.P		Present value factor @ 10%.
1	23333	×	0.909
2	23333	×	0.826
	46666		

$\frac{1}{1.1} = 0.90$

$= 0.826$

Pv. of S.P
21210
19273
40,483

Ex.

S.P → 50,000

No. of years of purchase → 5

GW = 250,000

NRR → 12%.

Annuity method.

years	S.P	PVF @ 10%	Pv of SP
1	50,000	0.909	45450
2	50,000	0.826	41300
3	50,000	0.751	37550
4	50,000	0.683	34150
5	50,000	0.620	31000
			1,89,450

Goodwill → 1,89,450

5. Capitalisation method.

Goodwill = Normal capital - Actual capital

$$\text{Normal capital} = \frac{\text{Average profit}}{\text{NRR}} \times 100$$

Ex.

Avg profit ⟶ 103333

Capital ⟶ 8,00,000

NRR ⇒ 10%

$$\text{Normal capital} = \frac{103333}{10\%}$$

$$= 10,33,330 - 8,00,000$$

Goodwill. = 2,33,330.

Goodwill → Past year profit is kept as base for future computation

Adjust profit

- Items in the Past not expected to occur in future
  - Extraordinary items
- Items not existing in the past but expected in future.

ISM - 1

Simple Average

$$\text{Avg profit} = \frac{120000 + 125000 + 130000 + 150000}{4}$$

$$= 1,31,250$$

$$GW = 1,31,250 \times 3 = 3,93,750$$

Weighted Avg		Weights	Products
2019	120000	1	1,20,000
2020	125000	2	2,50,000
2021	130,000	3	3,90,000
2022	150,000	4	6,00,000
		10	13,60,000

W.A. profit = $\frac{13,60,000}{10}$ = 1,36,000

Goodwill = 136000 x 3

= 408000

Super profit method.

GW = 31,250 x 3

= 93750

Super profit = Avg profit − Normal profit

= 1,31,250 − 1,00,000

= 31,250

Normal profit = Capital employed x NRR

= 5,00,000 x 20%.

= 1,00,000

Annuity Method

	S.P	PVF@20%	P.V. of SP
1	31250	0.833	2,6031
2	31250	0.694	21688
3	31250	0.579	18094
			~~65813~~

GW → 65813

Capitalization method.

GW = Normal capital - Actual capital.
= 6,56,250 - 5,00,000 = 1,56,250

Normal capital = ~~5,00,000~~ 1,31,250
20%
= ~~4,56,250~~ 6,56,250

ACCOUNTING TREATMENT

↓

Goodwill distribution

↓

Gaining partner → Sacrificing partner.

↓

Sacrificing ratio

↓

OPSR - NPSR

↓

Result

↓

Positive → ↓ Negative

↓ ↓

Sacrificing Gaining

Goodwill Adjustment.

↳ Admission

↳ Retirement

↳ Death

↳ Change in PSR

Ex. A : B : C

OPR → 5 : 3 : C

NPSR → 2 : 2 : 2

$A \rightarrow \frac{5}{10} - \frac{2}{5} = \frac{5-4}{10} = \frac{1}{10} \rightarrow (S)$

$B \rightarrow \frac{3}{10} - \frac{1}{5} = \frac{3-2}{10} = \frac{1}{10} \rightarrow (S)$

$C \rightarrow \frac{2}{10} - \frac{2}{5} = \frac{2-4}{10} = \frac{-2}{10} \rightarrow (G')$

Admission

↓

New partner bring money → Capital

Goodwill (Might happen)

G.W. Adj must be done

F.E

Bank a/c dr. xxx

To New partner cap a/c xxx

G.W Adj :-

Gaining Partner cap a/c dr. xxx

To sacrificing partner cap a/c xxx

GW share of Sacrificing partner

↓

Withdraw

↓

Sacrificing partner cap/c dr. xxx

To Bank xxx

* GW is given privately share. (No entry)

JSN-2.

Super profit = Average profit − Normal profit.

= 39000 − 18,000 − 6000 (Salary from Alternative employment)

= 6000

Average profit = $\frac{40,000 + 36000 - 6000 + 50000}{4}$

= 30,000

Normal profit = Capital employed × NRR

= 150,000 × 12%.

= 18,000

G/W = 6000 × 5 ⇒ 39000.

JSM-3

Working note :

Sacrificing Ratio

Yellow → $\frac{3}{5} - \frac{6}{16} \rightarrow \frac{48-30}{80} = \frac{18}{80}$

Green → $\frac{2}{5} - \frac{5}{16} \rightarrow \frac{32-25}{80} = \frac{7}{80}$

Black → $0 - \frac{5}{16} \rightarrow \frac{-5}{16} = \frac{-25}{80}$

S.R = 18 : 7

Goodwill computation

Avg profit = $\frac{9000 + 14000 + 12000 + 30000}{4}$

= 12,000

GW = 12,000 × 3 ⇒ 36,000 × $\frac{5}{16}$ GW of firm

= 11,250 → Black share of GW

8E

Bank a/c dr. 20,000
To Black capital a/c 20,000

Black capital a/c dr. 11,250
To Yellow capital a/c (11250 × $\frac{18}{25}$) 8100
To Green capital a/c (11,250 × $\frac{7}{25}$) 3150

Balance sheet 1/4/22

Liabilities			Asset	
Trade payable		20,000	Sundry Asset	55,000
Capital				
Yellow	25000		Bank	30,000
	8100	33100	(10,000 + 20,000)	
Green	20,000			
	3150	23,150		
Black				
(20,000 − 11250)		8750		
		85000		85000

ISM - 4

8E

Bank a/c dr. 31,250

To Black capital a/c 20000

To Yellow capital a/c 8100

To Green's capital a/c 3150

Balance sheet

Trade payable	20,000	Bank	41,250
Capital a/c		Sundry Asst	55,000
Yellow	33100		
Green	23,150		
Black	20,000		
	96,250		96,250

ISM-5

(i) Same as Q4
(ii)

(iii) Yellow capital a/c dr. 8100
Green capital a/c dr. 3150
To Bank a/c 11,250

Balance sheet

Capital	25,000	Sundry Asst	55,000
Y (25000+8100-8100)		Bank	30,000
G (20000+3150-3150)	29000	(10,000 +21,250-11,250)	
B (31,250-11,250)	20,000		
Trade payable	20,000		
	85,000		85,000

ISM-6

Bank a/c dr. 20,000
To Black capital a/c 20,000

Balance sheet

Trade payable	20,000	Sundry Asset	55,000
Capital a/c		Bank	30,000
Yellow	25,000	(10,000 + 20,000)	
Green	20,000		
Black	20,000		
	85,000		85,000

ISM-7

	OSR	NSR	
A	$\frac{1}{3} - \frac{4}{9} = \frac{3-4}{9} = -\frac{1}{9}$		→ (G)
B	$\frac{1}{3} - \frac{3}{9} = \frac{3-3}{9} = 0$		
C	$\frac{1}{3} - \frac{2}{9} = \frac{3-2}{9} = \frac{1}{9}$		→ (S)

G/W = 90,000 × $\frac{1}{9}$ ⇒ 10,000

FE A's capital a/c dr. 10,000
To C's capital a/c 10,000

ISM - 8

A $\frac{4}{10} - \frac{7}{20} = \frac{8-7}{20} = \frac{1}{20}$ → (S)

B $\frac{3}{10} - \frac{7}{20} = \frac{6-7}{20} = \frac{-1}{20}$ → (G)

C $\frac{3}{10} - \frac{6}{20} = \frac{6-6}{20} = \frac{0}{20}$ (G)

GW = $20,000 \times \frac{1}{20} = 1000$

B's capital a/c dr 1000
To A's cap a/c 1000

ISM-9

A $\frac{1}{4} - \frac{3}{10} = \frac{5-6}{20} = \frac{-1}{20}$ (G)

B $\frac{1}{4} - \frac{3}{10} = \frac{5-6}{20} = \frac{-1}{20}$ (G)

C $\frac{1}{4} - \frac{2}{10} = \frac{5-4}{20} = \frac{1}{20} \rightarrow$ (S)

D $\frac{1}{4} - \frac{2}{10} = \frac{5-4}{20} = \frac{1}{20} \rightarrow$ (S)

GW = ~~20~~1000 $\times \frac{1}{20}$ = 1000

A's capital a/c dr. 1000
B's capital a/c dr. 1000
To C's cap a/c 1000
To D's cap a/c 1000

ISM-10

OPSR

Antoo $\frac{3}{10} - 0 = \frac{3}{10} \rightarrow$ (S)

Bantoo $\frac{4}{10} - \frac{1}{2} = \frac{4-5}{10} = \frac{-1}{10} \rightarrow$ (G)

Chintoo $\frac{3}{10} - \frac{1}{2} = \frac{3-5}{10} = \frac{-2}{10} \rightarrow$ (G)

Average profit = $\frac{2,60,000 + 2,75,000 + 2,65,000 + 2,80,000}{4}$

Average profit = 2,70,000

before salary & IOC

(-) IOC on ₹ ₹8,000
(6,50,000 × 12%)

(-) salary ₹2000
(2000 × 12 × 3)

Average profit 1,20,000

GW = 120000 × 3 = 3,60,000 × $\frac{3}{10}$

= 108000

Bantoo's capital a/c dr. (108000 × $\frac{1}{3}$)	36,000	
Chintoo's capital a/c dr. (108000 × $\frac{2}{3}$)	72000	
To Antoo Capital a/c		108000

ISM - II

Computation of Goodwill.

	2018-19	2019-20	2020-21	2021-22
profit	2,10,000	260000	210000	3,05,000
Int on cap (7,00,000 x 8%)	(-) 56000	(-) 56000	(-) 56000	(-) 56000
Salary (2000x12)	(-) 24000 (2000x12)	(-) 24000 (2000x12)	(-) 30,000 (2000x6) (+) (3000x6)	(-) 36,000 (3000x12)
Profits before rectification	1,30,000	1,80,000	1,24,1000	2,13,000
	—	—	(+) 40,000	—
Machinery charged to revenue	1,30,000	1,80,000	(40,000 x 20% x 6/12)	(36,000 x 20%)
Depreciation on machinery	—	—	4000	7200
Overvaluation of closing stock	—	(-) 20,000		
Undervaluation of opening stock	—	—	(+) 20000	—
Loss by fire	10,000 (+)	—	—	—

Bad debts	–	–	–	5800 (–)
Adjusted profits	1,40,000	1,60,000	1,80,000	2,00,000
Weights	1	2	3	4
products	1,40,000	3,20,000	5,40,000	8,00,000

W. Avg. profits $= \frac{18,00,000}{10}$

$= 1,80,000$

G·W $= 180000 \times 3 = 5,40,000$ GW of firm

Ag share of goodwill $= \cancel{5,40,000} \times \frac{1}{\cancel{4}} = 1,35,000$

Cu $\frac{5}{8} - \frac{2}{4} = \frac{5-4}{8} = \frac{1}{8} \rightarrow (S)$

Au $\frac{3}{8} - \frac{1}{4} = \frac{3-2}{4} = \frac{1}{8} \rightarrow (S)$

Ag $0 - \frac{1}{4} = -\frac{1}{4} \rightarrow (G)$

Bank a/c dr. 1,35,000

To Cu capital a/c 67500

To Au capital a/c 67500

Practical Sum - ①

Wise died - 30/6/22

Profits

1/7/20 - 30/6/21	1/7/19 - 30/6/20
1/7/21 - 30/6/22	1/7/20 - 30/6/21
1/7/21	1/7/21 - 30/6/22

$(67200 \times \frac{1}{2}) + (75600 \times \frac{1}{2}) = 71400$

$(75600 \times \frac{1}{2}) + (72000 \times \frac{1}{2}) = 73800$

$(72000 \times \frac{1}{2}) + (62400 \times \frac{1}{2}) = 67200$

Avg profits before IOC & salary $= \frac{71400 + 73800 + 67200}{3}$

$= 70800$

(-) Interest on capital (1,56,000 x 8% $\quad$ 12480

(-) Salary (15,000 x 3) $\quad$ 45,000

13,320 Avg profit

Goodwill $= 13,320 \times 3$

$= 39,960$ Gw of firm.

GW share of Wise = $39960 \times \frac{4}{10}$

= 15984

Sacrificing ration

Wise → $\frac{4}{10} - 0 = \frac{4}{10}$ → (S)

clever → $\frac{3}{10} - \frac{1}{2} = \frac{-2}{10}$ → (G)

Dull → $\frac{3}{10} - \frac{1}{2} = \frac{-2}{10}$ → (G)

clever's capital a/c dr.	7992	
Dull's capital a/c dr.	7992	
To Wise's capital a/c		15984

(13) Q.no 22 (5 marks).

(i) Capitalization method $\left(\frac{6,50,000}{20\%}\right) - 26,00,000$

6,50,000 GW

(ii) Super profit method 650000 - (26 × 20%)

130000 × 6 = 780000

(15) Closing cap → 6,25,000

(+) drawings → 1,50,000

(-) profits → 2,00,000

Opening capital → 5,75,000

Avg capital - $\frac{\text{Opening} + \text{C/s}}{2} = \frac{5,75,000 + 6,25,000}{2}$

$= 6,00,000$

Super profits = 2,00,000 - (6,00,000 * 20%.)

= 2,00,000 - 1,80,000

= 20,000

GW = 20,000 * 5 = 1,00,000

ADMISSION OF PARTNER

1. Revaluation of Assets and liabilities.

A↑ Asset a/c dr. xxx
To Rev a/c xxx

A↓ Rev a/c dr. xxx
To Asset a/c xxx

L↑ Rev a/c dr. xxx
To Liab a/c xxx

L↓ Lia a/c dr. xxx
To Rev a/c xxx

Unrecorded Liability

R.V a/c dr. xx
To Liability xxx

Unrecorded Asset

Asset a/c dr. xxx
To Rev a/c xxx

Profit

R.V a/c dr. xxx
To old partner cap a/c xxx
(OPSR)

Loss

Old partner cap a/c dr. xxx
To Rev a/c xxx

Eg :- Land and Building → Book Value 1,00,000

Revalued upwards — (by) 80000 (R.V profits 80k)
(To) 120000 (R.V profits 20k)

2. Reserves

Reserve a/c dr. xxx
To old partner cap a/c xxx
(OPSR)

3. NPSR

↓

Given in question

Computed by us.

4. Sacrifising ratio

OPSR − NPSR

5. Goodwill Computation

Given in the question → Computated.

6. New partner - Admission

Bank a/c Dr. XXX

To New partner cap XXX

7. Goodwill Adjustment.

Gaining partner cap a/c Dr. XXX

To sacrifising partner cap a/c XXX

8. Capital - proportionate → Depending on info in Question

Illustration - 1

JE In the books of Ram, Mohan & Shyam.

1.	Building a/c (25,000 - 18000) Dr. To Revaluation a/c	7000	7000
2.	Revaluation a/c Dr.	5000	
	To P & M a/c (15000 - 12000)		3000
	To provision for doubtful debts		500
	To creditors		1500
3.	Revaluation a/c Dr.	2000	
	To Ram's cap a/c (2000 × 3/5)		1200
	To Mohan cap a/c (2000 × 2/5)		800
4.	Bank a/c Dr. (25,000 + 10000)	35000	
	To Shyam's Capital a/c		35,000

W.N

Ram → $\frac{3}{5} - \frac{5}{10} = \frac{6-5}{10} \rightarrow \frac{1}{10}$ (S)

Mohan → $\frac{2}{5} - \frac{3}{10} = \frac{4-3}{10} \rightarrow \frac{1}{10}$ (S)

Shyam → $0 - \frac{2}{10} = \frac{-2}{10} \hookrightarrow \frac{-2}{10}$ (G)

1:1 Sacrifising.

5. Shyam's Capital a/c dr. 10,000

To Ram's capital a/c 5000

To Mohan's capital a/c 5000

B/s 1/1/22 (After Admission.

Ram's capital (29000 + 5000 + 1200)	26200	Building	25,000
Mohan capital (25000 + 5000 + 800)	30800	Plant and Machinery	12,000
Shyam (35,000 - 10000)	25000	Inventories	12,000
Trade payable (15000 + 1500)	16500	Trade receivable 10000	
		(-) P.D.D 500	9500
		Bank (5000 + 35000)	40,000
	98500		98500

రుగుము గమనిక:- ఖాళీ ప్రదేశములను ఉంచి వేయుము సమాధానములు ముగిసిన చోట "THE END" అని

Memorandum revaluation a/c

In Question

↓

prepare M. Rev a/c

In Question

↓

→ Assets & liabilities to be revalued

→ A & L to be maintained @ Book value / original value

If

A↑ Asset a/c dr. xxx
To M. Rev a/c xxx

A↓ M. Rev a/c dr xxx
To Asset xxx

L↑ M. Rev a/c dr. xxx
To L xxx

L↓ Liab a/c dr. xxx
To M. Rev a/c xxx

Profits M. Rev a/c dr. xxx (OPSR)
To partners cap a/c xxx

Loss Partner's cap a/c dr. xxx (OPSR)
To M. Rev a/c xxx

All revaluations are to be reversed.

Profits → Nem Rev a/c dr. xxx (NPSR)
To All partners cap a/c xxx

Loss → All partners capital dr. xxx (NPSR)
To N. Rev a/c xxx.

Illustration - 2

WN

A $\frac{4}{5} \times \frac{3}{5} = \frac{12}{25}$

B $\frac{4}{5} \times \frac{2}{5} = \frac{8}{25}$

C $\frac{1}{5} \times \frac{5}{5} = \frac{5}{25}$

12 : 8 : 5 NPSR

Total profit → 1

C's share → $\frac{1}{5}$

Balance Profit $\frac{4}{5}$

SR → 3 : 2

Dr. N. Rev a/c Cr.

To P.D.D a/c (25000 x 2%)	500	By freehold premises (2.4 L - 2L)	40,000
To inventory a/c (30000 x 10%)	3000	By furniture (25,000 - 20,000)	5000
To plant a/c (40,000 - 35000)	5000	By office equipment (24500 - 25000)	2500
To P. cap a/c			
A ($39000 \times \frac{3}{5}$)	23400		
B ($39000 \times \frac{2}{5}$)	15600		
	47500		47500

To freehold premises	40,000	By P.DD	500
To furniture	5000	By inventory a/c	3000
To office equipment	2500	By plant a/c	5000
		By partners cap a/c	
		A ($39000 \times \frac{12}{25}$)	18,720
		B ($39000 \times \frac{8}{25}$)	12,480
		C ($39000 \times \frac{5}{25}$)	7800
	47,500		47,500

dr. Partner's capital a/c Cr

	A	B	C		A	B	C
To M.Rev a/c	18720	12480	7800	By bal b/d	2,00,000	1,00,000	–
To A's cap a/c	–	–	6000	By M.Rev	23400	15,600	–
To B's cap a/c	–	–	4000	By bank a/c	–	–	60,000
(3:2)				By C's capital a/c	6000	4000	–
To bal c/d	2,10,680	1,07.120	42,100				
	2,29,400	1,19,600	60,000		2,29,400	1,19,600	60,000

Balance Sheet 1/4/22

Capital		Freehold premises	200000
A	2,10,680	plant	40000
B	1,07,120	furniture	20000
C	42,200	Office equipment	25000
Trade payables	59,000	Inventories	20,000
		Bank (10,000 + 60,000)	70,000
		Trade receivable	25,000
	410000		410000

Illustration - 3

Working note :- Goodwill

C's share ⟵ 25,000

⟶ $\frac{1}{6}$

∴ Total capital ⟶ 1,50,000

25,000 − $\frac{1}{6}$ based on c/s share.

− 1

Existing cap A → 44000

B → 36000 1,50,000

C → 25000 105000 (−)

Hidden Goodwill ⟶ 45,000 × $\frac{1}{6}$

C's share of g.w 7500

3:2

A 4500 B 3000

Dr. Rev a/c Cr.

To furniture	870	By building	3200
To inventories (21,400 × 5%)	1070	By investments	450
		By Trade payable	1400
To provision for doubtful debts	1550		
To outstanding wages	1560		
	5050		5050

Partner's Capital a/c

	A	B	C		A	B	C
To A's cap a/c	-	-	4500	By balance b/d	47000	36000	-
To B's cap a/c	-	-	3000	By bank a/c	-	-	25000
To bal c/d	48,500	39000	17,500	By c/s capital	4500	3000	-
	48500	39,000	25000		48500	39000	25000

Balance Sheet

Capital			
A	48500	Buildings	29200
B	39000	Furniture (5800 - 870)	4930
C	17500	Inventories (21400 - 1070)	20330
Bank overdraft	9000	Trade receivable 35000	
Trade payable (17,000 - 1400)	15600	(-) PDD 1750	33250
O/s wages	1560	investments (2500 + 450)	2950
		Bank & Cash (15500 + 25000)	40500
	1,31,160		1,31,160

Illustration - 4

Working note

OPSR

Dalal $\frac{2}{5} - \frac{5}{15} = \frac{6-5}{15} = \frac{1}{15}$

Banerji $\frac{2}{5} - \frac{5}{15} = \frac{6-5}{15} = \frac{1}{15}$

1 : 1 Sacrificing

Mallick $\frac{1}{5} - \frac{3}{15} = \frac{3-3}{15} = 0$

Mistri $0 - \frac{2}{15} = -\frac{2}{15}$

Goodwill of the firm $= 15,000 \times \frac{2}{15}$

Mistri's share of goodwill $= 2000$

1 : 1

Dalal (1000) Banerji (1000)

Revaluation a/c

To furniture	650	By inventory a/c	2500
To Reserve for Bad debts	550	By land and Building	5000
To partner's capital a/c			
Dalal ($6300 \times \frac{2}{5}$)	2520		
Banerji ($6300 \times \frac{2}{5}$)	2520		
Mallick ($6300 \times \frac{1}{5}$)	1260		
	7500		7500

Partner's Capital a/c

	D	B	M	M		D	B	M	M
To Dalal Capital	-	-	-	1000	By balance b/d	12000	14000	5000	-
To Banerji Cap a/c	-	-	-	1000	By Reserve (8500 in 2:2:1)	2600	2600	1300	-
To balance c/d	19120	18120	7560	3000	By Revaluation	2520	2520	1260	-
					By Bank	-	-	-	5000
					By Misteri's Cap a/c	1000	1000	-	-
					By o/s exp	1000	-	-	-
	19120	18120	7560	5000		19120	18120	7560	5000

Balance sheet 1/4/2022

Capital		Land and Building	3000
Dalal 19120		furniture	5850
Banerji 18120		Inventory	14250
Mallick 7560		Trade receivable (5,500)	
Misteri 3000		(-) PDD 550	4950
T. P	12850	Cash in hand	140
S liability	500	Bank (960 + 5000)	5960
1500 - 1000			
	61,150		61,150

illustration-5

(i) C purchases 1/10 Share from A.

A → $\frac{3}{5} - \frac{1}{10} \Rightarrow \frac{6-1}{10} = \frac{5}{10}$

B → $\frac{2}{5} \longrightarrow = \frac{4}{10}$

C → $\frac{1}{10} \longrightarrow = \frac{1}{10}$

5:4:1 NPSR

A and B agree to sacrifice $\frac{1}{10}^{th}$ share to C in the ratio of 2:3

(ii) A $\frac{3}{5} - \frac{2}{50} = \frac{30-2}{50} = \frac{28}{50}$

B $\frac{2}{5} - \frac{3}{50} = \frac{20-3}{50} = \frac{17}{50}$

C $\frac{1}{10} \Rightarrow \frac{5}{50} = \frac{5}{50}$

28:17:5 NPSR

2:3

A → $\frac{1}{10} \times \frac{2}{5} = \frac{2}{50}$

B → $\frac{1}{10} \times \frac{3}{5} = \frac{3}{50}$

(iii) Simply gets $\frac{1}{10}^{th}$ share of profit

A − $\frac{9}{10} \times \frac{3}{5} = \frac{27}{50}$

B − $\frac{9}{10} \times \frac{2}{5} = \frac{18}{50}$

C → $\frac{1}{10} = \frac{5}{50}$

27:18:5

$1 - \frac{1}{10} = \frac{9}{10}$

Illustration - 6

Dr. Partners capital a/c Cr.

	A	B	C		A	B	C
To A's capital		500	2000	By bal b/d	15,000	10,000	–
To Bank	9830	10	–	By rev profit	1530	510	–
To balance c/d	10,000	10,000	10,000	By bank a/c	–	–	12000
				By B's cap a/c	500	–	–
				By C's cap a/c	2000	–	–
	19030	10510	12000		19030	10510	12,000

Working note :

Rev a/c. Cr.

To P & M a/c	400	By inventory	2940
To PDD	500		
To partners cap a/c			
A ($2040 \times \frac{3}{4}$)	1530		
B ($2040 \times \frac{1}{4}$)	510		
	2940		2940

Sacrificing Ratio

A → $\frac{3}{4} - \frac{1}{3} = \frac{9-4}{12} = \frac{5}{12}$ → (S)

B → $\frac{1}{4} - \frac{1}{3} = \frac{3-4}{12} = \frac{-1}{12}$ → (G)

C → $0 - \frac{1}{3} = \frac{-1}{3} \Rightarrow \frac{-4}{12}$ → (G)

C's share of Goodwill = 2000

2000 → $\frac{1}{3}$

? → 1

Goodwill of firm = 2000 x 3

= 6000

B's share of Goodwill = 6000 x $\frac{1}{12}$ = 500.

($6000 \times \frac{4}{12}$) B's cap a/c dr. 500

↘ C's cap a/c dr. 2000

To A's cap a/c 2500

($6000 \times \frac{5}{12}$)

C's Capital → 10,000

∴ Keeping C's cap as base

↳ Total Required capital

$\left(10{,}000 - \frac{1}{3}\right)$ ⇒ 30000

			30,000
Required Capital	10,000	10,000	10,000
Existing capital	19030	10010	
	9030	10	10,000
	Surplus	Surplus	

illustration - 7

Working note.

A $\frac{3}{5} - \frac{1}{3} = \frac{9-5}{15} = \frac{4}{15}$ (S)

B $\frac{2}{5} - \frac{1}{3} = \frac{6-5}{15} = \frac{1}{15}$ (S)

X $-\frac{1}{3} \times 5 = -\frac{5}{15}$ (G)

Sacrificing ratio [4:1]

GW of X's share 15,000 — $\frac{1}{3}$

GW of firm 45,000

X Cap a/c dr. 15,000

$(15,000 \times \frac{4}{5})$ To A's cap a/c		12000
$(15,000 \times \frac{1}{5})$ To B's cap a/c		3000

Revaluation a/c

To P & M	5000	By partners Cap a/c	
To inventory	1500	A $(8250 \times \frac{3}{5})$	4950
To furniture and fitting	1000	B $(8250 \times \frac{2}{5})$	3300
To PDD	750		
	8250		8250

Partners Capital a/c

dr.	A	B	X	Cr.	A	B	X
To R.V a/c	4950	3300	—	By bal b/d	37000	28000	—
To A's capital a/c	—	—	12000	By bank	—	—	40,000
To B's capital a/c	—	—	3000	By X's capital	12,000	3000	
To balance c/d	44050	27700	25,000				
	49,000	31,000	40,000		49,000	31,000	40,000

Illustration - 8 (Hidden goodwill).

C's capital 8000 $-\frac{1}{4}$

-1

32000

existing capital 24000

Goodwill 10,000

C's capital a/c	dr.	2500
To A's Cap a/c		1250
To B's cap a/c		1250.

Illustration - 9

A → 45000

B → 45000

C → 60000

150000

Cap required 135000

C's share of GW 15000

(Hidden goodwill).

A 7500

B 7500

1:1

S.E

Bank a/c dr. 60,000
To C's cap 60000

C's cap dr. 15,000
To A's cap a/c ₹500
To B's cap a/c ₹500

Partners Capital a/c

	A	B	C		A	B	C
To A's capital a/c			7500	By balance b/d	45,000	45,000	45,000
To B's cap	~~7500~~	~~7500~~	7500	By bank	—	—	60,000
To Bank	7500	7500	—	By C's cap	7500	7500	—
To bal c/d	45,000	45,000	45,000				
	52500	52500	60,000		52500	52500	60,000

A's cap a/c dr. 7500
B's cap a/c dr. 7500
To Bank a/c 15000

Illustration - 11

Sacrificing ratio

$A \rightarrow \frac{1}{2} - \frac{3}{6} = \frac{0}{6}$

$B \rightarrow \frac{1}{2} - \frac{2}{6} = \frac{3-2}{6} = \frac{1}{6}$ (S)

$G \rightarrow -\frac{1}{6} \Rightarrow -\frac{1}{6} =$ (G)

G.W of firm $= 3,00,000 \times \frac{1}{6}$

G's share $= 50000 \rightarrow$ B's share

Gamma Capital dr. 50,000

To Beta Cap a/c 50,000

P & L Adj a/c

To inventory	7740	By factory Building	95600
To office furniture	5850	By Machinery	68200
To Trade receivable	3210		
To P.D.D (1,40,000 x 5%)	7000		
To partner's cap a/c			
A 70000			
B 70000	140000		
	163800		163800

Partner's Capital a/c

	A	B	G		A	B	G
To Beta cap a/c	-	-	50,000	By bal b/d	3,00,000	2,00,000	-
To bal c/d	4,90,000	440000	200000	By R&L Adj	70,000	70,000	-
				By Reserve	90,000	90,000	-
				By WCF	30,000	30,000	-
				By bank	-	-	2,50,00
				By Gamma	-	50,000	-
	4,90,000	440000	250000		490000	440000	250000

Bank a/c

To bal b/d	44,200	~~By balance b/d~~	~~44,200~~
To Gamma cap	2,50,000	By balance c/d	2,94,200
	2,94,200		2,94,200

Balance sheet 1/4/22

Capital		factory building	5,73,600
Alpha	490000	P&M	4,09,200
Beta	440000	Office furniture	50,000
Gamma	200000	Inventory	70,000
Trade payable	1,22,000	Trade receivable 1,49,000	
Term loan	248000	(-) P.DD 7000	133,000
		Bank	2,94,20
	15130 000		15,30,000

ఇన్విజిలేటరునకు గమని[illegible] సందేశములను ఇవ్వి వేయుము. సమాధానములు ముగిసిన చోట "THE END" అని వ్రాసి పూర్తి సంకేతము తప్పక చేయవలె

Practical Question

① JE in the books of A, B, C, D

1. M. Revaluation a/c dr - 3000

To stock a/c		1200
To furniture a/c		500
To Liability for bills discounted		1300

2. Building a/c dr. 15000

To M. Rev a/c		15,000

3. M. Rev a/c dr. 12,000

To A's cap		4000
To B's cap a/c		4000
To C's cap a/c		4000

4. Stock a/c dr. 1200
furniture dr. 500
Liability for B.D dr. 1300
To M.R.V 3000

5. M.R a/c dr. 15000
To Building a/c 15000

6. A's cap dr. 3k
B's cap dr. 3k
C's cap dr. 3k
D's cap dr. 3k
To M. Rev a/c 12,000

7. Bank a/c dr. 16000
(6000 + 10,000)
To D's cap a/c 16000

8. D's cap a/c dr. 6000
(1:1:1) To A's cap a/c 2000
To B's cap a/c 2000
To C's cap a/c 2000

9. A's cap a/c dr. 1000
B's cap dr. 1000
C's cap dr. 1000
To Bank a/c 3000.

I put on my own.

Practical Question. 2.

1. S.R

Gopal $\frac{60}{100} - \frac{35}{100} = \frac{25}{100}$ (S) ^{5}

Govind $\frac{40}{100} - \frac{25}{100} = \frac{15}{100}$ (S) ^{3} SR 5:3

Guru 0 $- \frac{40}{100} = \frac{-40}{100}$ (G)

	2020	2021	2022
	20,000	- 80,000	1,05,000
(-) insurance claim received	40,000	-	-
	- 20,000	1,10,000	1,05,000
(-) Voluntary retirement compensation	-	- 80,000	-
	- 20,000	+ 30,000	1,05,000
(-) Sale of Assets included in profits	-	-	25,000
	- 20,000	+ 30,000	80,000

Average profit = $\frac{-20,000 + 30,000 + 80,000}{3}$

= 30,000

Goodwill = 30,000 × 2 ⇒ 60,000

Guru's share of goodwill = 60,000 × 40/100

= 24,000

Guru's Capital a/c dr. 24,000

(24,000 × 5/8) To Gopal's capital a/c 15000

(24,000 × 3/8) To Govind's capital a/c 9000

Bank a/c dr. 1,09,000

To Guru's capital a/c 1,09,000

Revaluation a/c

dr.		Cr.	
To investments	50,000	By fixed Assets	1,00,000
To Current Asst a/c	20,000		
To partner's Capital a/c			
Gopal (30,000 × 60/100)	18000		
Govind (20,000 × 40/100)	12,000		
	1,00,000		1,00,000

IE

fixed Asset ale dr. 1,00,000
To Rev ale 1,00,000

Rev ale dr. 70,000
To investments ale 50,000
To current asset ale 20,000

Rev ale dr. 30,000
To gopal's capital ale 18,000
To govind's capital ale 12,000

Partners Capital ale:

	G	G	G		G	G	G
By gopal capital			15,000	By bal b/d	1,29000	89,000	—
To Govind capital			9000	By Rev ale	18,000	12,000	—
To balance c/d	1,53,000	10,000	1,00,000	By bank ale	—	—	1,24,000
				By Gurus capale	15,000	9000	—
	153000	10,000	1,24,000		1,53,000	1,01,000	1,24,000

Balance sheet 1/4/22

Liabilities		Asset	
Capital a/c		fixed Asset	4,00,000
Gopal	1,53,000	~~investment~~	
Govind	1,01,000	Current Asset	1,80,000
Guru	1,00,000	Loans and Advances	1,00,000
Long term loan	2,00,000	Bank (1,00,000+24,000)	1,24,000
Current liabilities	2,50,000		
	~~8,54,000~~		8,04,000
	8,04,000		

✱

V. V. good.

Dam sure you're successful with distinction.

RETIREMENT OF PARTNER

- Revaluation
  - Profit / loss
    - Shared b/w All partners (OPSR)
- Reserves
- NPSR
  - Remaining partners.
  - Ex. A B C
    3 : 2 : 1 — C' retired
    NPSR → not given in Q
    NPSR → 3 : 2
- Goodwill Computation
  - Goodwill Adjustment
    - between gaining + Sacrifising partner
  - Joint life policy
    - Settlement of retiring partner
      - Pay
        - This has to be mentioned in question
      - Transfer to loan a/c
  - Separate life policy.

Capital proportionate.

JLP — Life insurance policy taken on life of all partners by FIRM
- Premium paid by firm

SLP — Taken of life on partners Separately by firm

⇒ Surrender value received.

Illustration - 1

JE in the books of A & B.

(i) Revaluation a/c dr. 4650

To Plant & Machinery a/c 1500
(20,000 x 7.5%)

To inventories 2400
(16000 x 15%)

To P.D.D 750
(15000 x 5%)

(ii) Provision for discount on
(4500 x 2%) Trade payable dr. 150

TO revaluation a/c 150

(iii) A's cap a/c dr. 2700
(4500 x 3/5)
B's cap a/c dr. 1800
(4500 x 2/5)
To revaluation a/c 4500

(iv) Reserve's a/c dr. 15000

(15,000 x 3/5) To A's cap a/c 9000

(15,000 x 2/5) To B's cap a/c 6000

(v) A's capital a/c dr. 10,000
To B's capital a/c 10,000
(Goodwill entry)

(vi) B's capital a/c dr. 29200
To B's loan a/c 29200
(15000 - 1800 + 6000 + 10,000)

Balance sheet 1/1/2022

Liabilities		Asset		
Capital	16300	plant and Machinery		18500
(20000 - 2700 + 9000 - 10,000)		Inventories		13600
Trade payable	7500	Trade receivable	15000	
(-) RDV for discount	150 7350	(-) PPD	750	14250
B's loan a/c	29,200	Bank		6000
		Cash		500
	52,850			52,850

Illustration-2

dr. Revaluation a/c Cr.

To B/R	5000	By Sundry fixed Asset	30,000
To partners Capital		By inventories	10,000
F ($35,000 \times \frac{2}{5}$)	14000		
G ($35000 \times \frac{2}{5}$)	14000		
K ($35000 \times \frac{1}{5}$)	7000		
	40,000		40,000

dr. Partners's capital a/c Cr.

	F	G	K		F	G	K
To K's cap a/c	10,000			By Bal b/d	120000	80000	60000
To Bank a/c	—	—	79000	By Reserves	4000	4000	2000
To balance	1,98,000	1,32,000	—	By Rev a/c	14000	14000	7000
				By F's cap a/c	—	—	10,000
				By Bank	70,000	34000	—
	208000	1,32,000	79000		208000	1,32,000	79000

Working note :-

S.R

F $\frac{2}{5} - \frac{3}{5} = \frac{-1}{5}$ — (G)

G $\frac{2}{5} - \frac{2}{5} = 0$

K $\frac{1}{5} - 0 = \frac{1}{5}$ (S)

Gain of firm = $50,000 \times \frac{1}{5}$

= 10,000

F's capital a/c dr. 10,000

To K's capital a/c 10,000

W.N

Assets		Liabilities	
Sundry fixed asset	1,80,000	Trade payable	50000
inventories	60,000		
Trade receivables	65,000		
Bank	75,000		50,000
	380000		

Capital ——→ 3,30,000

F ↘ 3:2 ↙ G

3,30,000

3:2

Req. capital	198,000	1,32,000
Existing capital	1,28,000	98,000
	70,000 deficit	34,000 deficit.

Balance Sheet 31/12/2022

Capital			Sundry fixed Asset		1,80,000
F	1,98,000		Inventories		60,000
G	1,32,000	3,30,000	Trade receivables	70,000	
Trade payable		50,000	(→) Bad debts	5000	65,000
			Bank		75,000
		3,80,000			3,80,000

Illustration - 3

X. sum

LDR

P & L Adj' a/c

Dr.		Cr.	
To B's capital a/c	4000	By partners cap a/c	
To partners capital		A (48,000 × 5/12)	20,000
A (44000 × 3/11)	12000	B (48000 × 4/12)	16000
B (44000 × 4/11)	16000	C (48000 × 3/12)	12000
C (44000 × 4/11)	16000		
	48,000		48,000

Rev a/c

To Prov for doubtful debts (93500 × 2%)	1870	By furniture (10,980 − 8200)	2780
To partner's cap a/c			
A (910 × 3/11)	248		
B (910 × 4/11)	331		
C (910 × 4/11)	331		
	2780		2780

Partner's capital a/c

	A	B	C		A	B	C
To P&L Adj a/c	20,000	16000	12000	By bal b/d	135,930	95,120	61,170
To A's capital	–	13426	2065	By P&L Adj a/c	–	4000	–
To A's loan a/c	1,43,669	–	–	By P&L Adj a/c	12,000	16000	16,000
To P.DD (93500 × 4%) 3:2	–	2244	1496	By Rev a/c	248	331	331
				By B's cap	13426	–	–
				By C's cap	2065	–	–
To Bal c/d	–	83781	61940				
	1,63,669	1,15,451	77501		163699	1,15,451	75501

Working note

S.R

A $\frac{3}{11} - 0 = \frac{3}{11} \Rightarrow \frac{15}{55}$

B $\frac{4}{11} - \frac{3}{5} \quad \frac{20-33}{55} = \frac{-13}{55}$

C $\frac{4}{11} - \frac{2}{5} = \frac{20-22}{55} = \frac{-2}{55}$

GW → 56800 of firm

$\frac{56,800 \times 3}{11}$

A's share of GW 15491

B:C = 13:2

13426 2065