

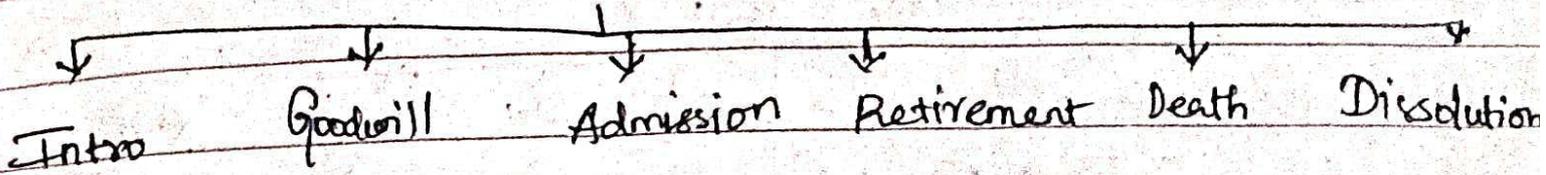


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Partnership Accounts



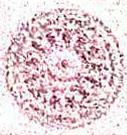
Introduction

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 Appn 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		
	<u>xxx</u>		<u>xxx</u>

* Rent is payable to partner?



P&L a/c (dr.)

Partners Capital

fixed capital

fluctuating capital

↓
Only capital introduced
and Capital written.

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

Other transactions - partners current a/c.

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Drawings



Amount taken from Business Anticipation of Profits

Capital withdrawn



Amount taken from earlier introduced Capital.

Interest on Capital

$$\text{Capital} \times \text{Rate} \times \text{time.}$$

eg. $₹3000 \times 10\% \times \frac{3}{12} = ₹75$

Interest on drawings

(I) Drawings on diff dates & diff Amounts

1/1 → 1000

1/7 → 500

$$1000 \times 10\% \times \frac{12}{12} = 100$$

$$500 \times 10\% \times \frac{6}{12} = 25$$

product Method.

$$1000 \times 12 = 12000$$

$$500 \times 6 = 3000$$

$$300 \times 2 = 600$$

$$\frac{15600}{12} \times 10\% = ₹130$$

(II) Amount withdrawn

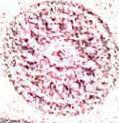
Same amount every month on 1st.

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

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(See the Sena sir notes)



Study material sums.

1-① 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 (F)

31/12/2022 P&L App dr. 6000 (-)

To B's cap 6000

(500 x 12)

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 10000

(16,000 x $\frac{5}{8}$)

To B's cap 6000

(16,000 x $\frac{3}{8}$)

31/12/2022

Drawings a/c dr. 18000

To Bank a/c 18000

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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	45,000

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i-③ dr. P&L App alc Cr

		By P&L alc	25,000
To B's capital alc	6000		
(Salary)			
To A's cap alc	1800		
To B's cap alc	1200		
(int)			
To partners capital alc			
A ($16,000 \times \frac{5}{8}$)	10000		
B ($16,000 \times \frac{3}{8}$)	6000		
	<u>25,000</u>		<u>25,000</u>

i-④ partners capital alc

	<u>A</u>	<u>B</u>		<u>A</u>	<u>B</u>
To drawings	2000	10000	By Bank alc	30000	20000
To Balance c/d	33800	23200	By P&L App		
			Salary	-	6000
			int on cap	1800	1200
			profit share	10000	6000
	<u>41800</u>	<u>33200</u>		<u>41800</u>	<u>33200</u>



i-5

(i) Profit Sharing Share Ratio

Computation of Effective Capital

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

$$1,10,000 \times \frac{3}{12} = 27,500$$

$$1,15,000 \times \frac{3}{12} = 28,750$$

Actual Cap	75,000	$\times \frac{3}{12}$	=	18,750	
				<u>1,00,000</u>	Effective Cap

$$B \rightarrow 60,000 \times \frac{6}{12} = 30,000$$

$$90,000 \times \frac{6}{12} = 45,000$$

$$\underline{75,000} \quad \text{Effective Cap}$$

$$PSR \rightarrow 1,00,000 : 75,000 \Rightarrow 4:3$$

(ii) Interest on Capital

A		B
$1,00,000 \times 12\% \times \frac{3}{12} = 3000$		$60,000 \times 12\% \times \frac{6}{12} = 3600$
$1,10,000 \times 12\% \times \frac{3}{12} = 3300$		$90,000 \times 12\% \times \frac{6}{12} = 5400$
$1,15,000 \times 12\% \times \frac{3}{12} = 3450$		<u>9000</u>
$75,000 \times 12\% \times \frac{3}{12} = 2250$		
	<u>12,000</u>	

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(iii) Interest on drawings

$$A \rightarrow (1000) \times 12 \times 10\% \times \frac{5.5}{12} = 550$$

$$B \rightarrow 1000 \times 10\% \times \frac{6}{12} = 50$$

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

$$\underline{175}$$

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 ^{current} a/c (50,000 x 6%)	3000	By partners current a/c	
To Rahim's ^{current} a/c (30,000 x 6%)	1800	Ram	240
To partners current a/c		(8000 x 6% x $\frac{6}{12}$)	
Ram (20940 x $\frac{1}{2}$)	10470	Rahim	300
Rahim (20940 x $\frac{1}{2}$)	10470	(10,000 x 6% x $\frac{6}{12}$)	
	<u>30,540</u>		
			<u>30,540</u>

partners capital a/c

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

partners current a/c

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

i-8

Before Learn Concepts

New Profit sharing Ratio

P : Q : R
3 : 2 : 1

Admit \rightarrow S -

$\frac{1}{5}$ th share

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



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

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

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

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

12:8:4:6

6:4:2:3 NPSR

9-8

NPSR

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

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

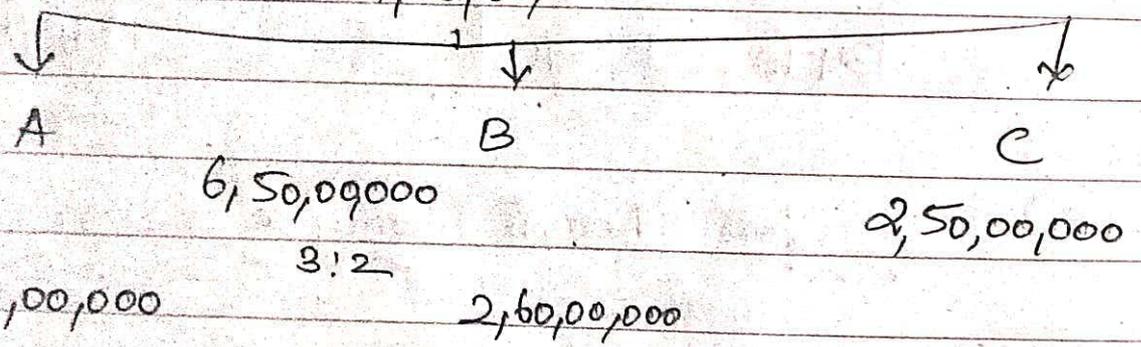
$$C \rightarrow \frac{1}{6} \times \frac{5}{5} = \frac{5}{30}$$

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

3:2:1

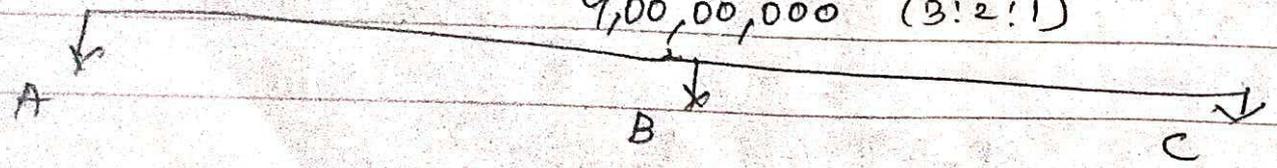
(i) Guarantee given by firm

9,00,00,000



(ii) Guarantee given by A

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



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A B C

₹ 50,00,000	₹ 30,00,000	₹ 1,50,00,000
(-) 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
₹ 50,00,000	₹ 3,00,00,000	₹ 1,50,00,000
50,00,000	50,00,000	1,00,00,000
₹ 00,00,000	₹ 2,50,00,000	₹ 2,50,00,000

Study material } practical sum:

(IP-9)

Existing profit	→	60,000	<u>R-E</u>
Life insurance premium	(+)		Drawings dr. To mis exp
of weak	→	750	
Repairs to plant	→	(-) 10,000	Repairs T To P&M
Depreciation reversal (10,000 x 20%)	→	(+) 2000	P & M dr. To depreciat
Trip	→	3000 (-)	drawings dr. To Travelling Exp
profit	→	55750	

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(2p-10)

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

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

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

$$\text{Ratan} \quad \frac{1}{5} \times \frac{5}{10} = \frac{5}{50}$$

27:18:5 NPSR

Ratan as clerk

Salary (500 x 12) → 6000

Profit After salary → 104000
(110000 - 6000) → 10,000

Commission
(4/104) → 4000

profit after Commission 10000

Profit → 110000

$$(100000 \times \frac{3}{5})$$

60000

$$(100000 \times \frac{2}{5})$$

40,000

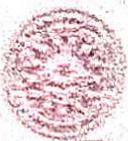
Ratan
(110000 x $\frac{1}{10}$)

11000

(-) 1000 (11,000 - 10000)

Ratan

59,000



3P-11

Working note - Int on drawings

$$X \rightarrow \frac{(40000 \times 12) \times 10\% \times \frac{5.5}{12}}$$

$$= 22,000$$

$$Y \rightarrow (12,000 \times 10\% \times \frac{9}{12}) = 9000$$

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

$$120000 \times 10\% \times \frac{3}{12} = 3000$$

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

18000

(12)

P & L Appropriation ac

To partners capital ac	By P & L B/c	4,00,000
Criti \rightarrow 180000 (5000 x 12)	(4,60,000 - 60,000)	

To partners capital ac	
A (300000 x 12%)	36000
B (50000 x 12%)	60000
C (200000 x 12%)	24000

To partners capital	
A (10000/10) 30000	
B (10000/10) 40000	
C (10000/10) 30000	
	<u>4,00,000</u>

4,00,000



Rent a/c dr. 60,000
 (5000 x 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 60,000

P & L App dr.
 To partners capital

P & L App a/c dr. (P/E)
 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
	<u>3.66L</u>	<u>6L</u>	<u>2.36L</u>		<u>3.66L</u>	<u>6L</u>	<u>2.36L</u>



Dec 2023 (5 marks)

(13)

Dr. Profit and loss Appropriation a/c

To R's cap a/c	10,000	By P&L A/c	3,50,000
To partner's 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 (30000 - 5000) x 10%	26,000		
To Q's cap a/c (28000 284000 x 10%)	28400		
To partner's Capital a/c			
P (255600 x 5/10)	127800		
Q (255600 x 3/10)	76680		
R (255600 x 2/10)	51120		
	<u>3,50,000</u>		<u>3,50,000</u>

(16)

RTP June 2023

P & L Adj a/c

(Understanding)

To p.c (Ioc)		By p.c a/c	
P	15800	P (60,000 x $\frac{1}{3}$)	12000
Q	17600	Q (60,000 x $\frac{2}{3}$)	24000
R	20600	R (60,000 x $\frac{2}{3}$)	24000
To p.c (profits)	1200		
P (6000 x $\frac{1}{3}$)	2000		
Q	2400		



SSC

	P	Q	R
Closing Capital	150000	180000	210000
(-) Profit	12000	24000	24000
	<u>138000</u>	<u>156000</u>	<u>186000</u>
(+) Drawing	20,000	20,000	20,000
	<u>158000</u>	<u>176000</u>	<u>206000</u>
	X 10%	X 10%	X 10%
	<u>15800</u>	<u>17600</u>	<u>20600</u>

JE

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

G



Goodwill
↓

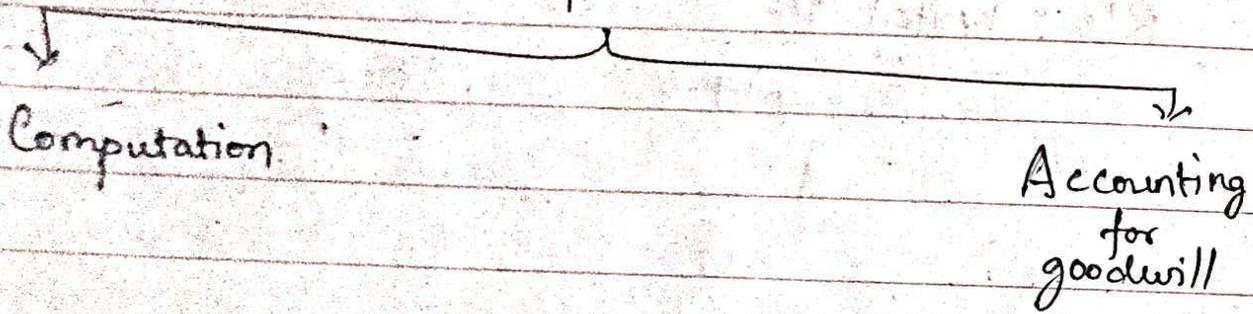
→ will not be Adjusted in Balance sheet.

Reputation of Business

factors affecting Goodwill :-

- Location eg. Amul
- Customer service. ice-cream
- Technical Advantage (patent name) ☺ - ☹
- Reputation of partner.

Goodwill



Computation of Goodwill

(1) Average profit method - simple average

$$\text{Goodwill} = \text{Avg profit} \times \text{No. of years of purchase.}$$



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

simple Average method.

NOTE:
High weightage
for recent year.

Ex.

2020 → 80000

2021 → 160000

2022 → 70000

No. of years of purchase → 2 years

$$\begin{aligned} \text{Avg profit} &= \frac{\text{Total profit}}{\text{No. of years}} \\ &= \frac{80000 + 160000 + 70000}{3} \\ &= 103333 \end{aligned}$$

$$\text{Goodwill} = 103333 \times 2 = 206666$$

2. Weighted Avg profit W. Avg. profit → When there is a trend.

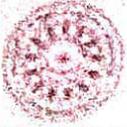
$$\text{GW} = \text{W. Avg. profit} \times \text{No. of years of purchase}$$

Ex.

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

$$\begin{aligned} \text{W. Avg. profit} &= \frac{\text{Total product}}{\text{Total Weight}} \\ &= \frac{7,10,000}{6} = 1,18,333 \end{aligned}$$

$$\text{GW} = 1,18,333 \times 2 = 2,36,666$$



2. Super profit Method.

$$\text{Goodwill} = \text{Super Profit} \times \text{No. of years of purchase}$$

$$\text{SP} = \text{Avg profit} - \text{Normal profit}$$

(Your profit)
(Others profit)

$$\text{Capital employed} \times \text{Normal rate of return}$$

Ex.

2020	80000
2021	160000
2022	70000

Avg profit \rightarrow 103333

NRR \rightarrow 10%

Capital employed \rightarrow 800000

Avg profit \rightarrow 103333

Normal profit \rightarrow 80,000
(8,00,000 \times 10%)

Super profit \rightarrow 23,333

$$\text{Goodwill} = 23,333 \times 2$$

$$= 46,666$$



4. Annuity Method.

years	S.P		Present value factor @ 10%	
1	23333	x	0.909	$\frac{1}{1.1} = 0.909$ $\frac{1}{1.1^2} = 0.826$
2	<u>23333</u>	x	0.826	
	<u>46666</u>			
				PV. of S.P
				21210
				19273
				<u>40,483</u>

Ex.

S.P → 50,000	GW = 250,000
No. of years → 5 of purchase	NRR → 12%

Annuity method.

years	S.P	PVF @ 10%	PV of S.P
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
			<u>1,89,450</u>

Goodwill → 1,89,450

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5. Capitalisation method.

$$\text{Goodwill} = \text{Normal capital} - \text{Actual capital}$$

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

Ex.

$$\text{Avg profit} \Rightarrow 103333$$

$$\text{Capital} \rightarrow 800,000$$

$$\text{NRR} \rightarrow 10\%$$

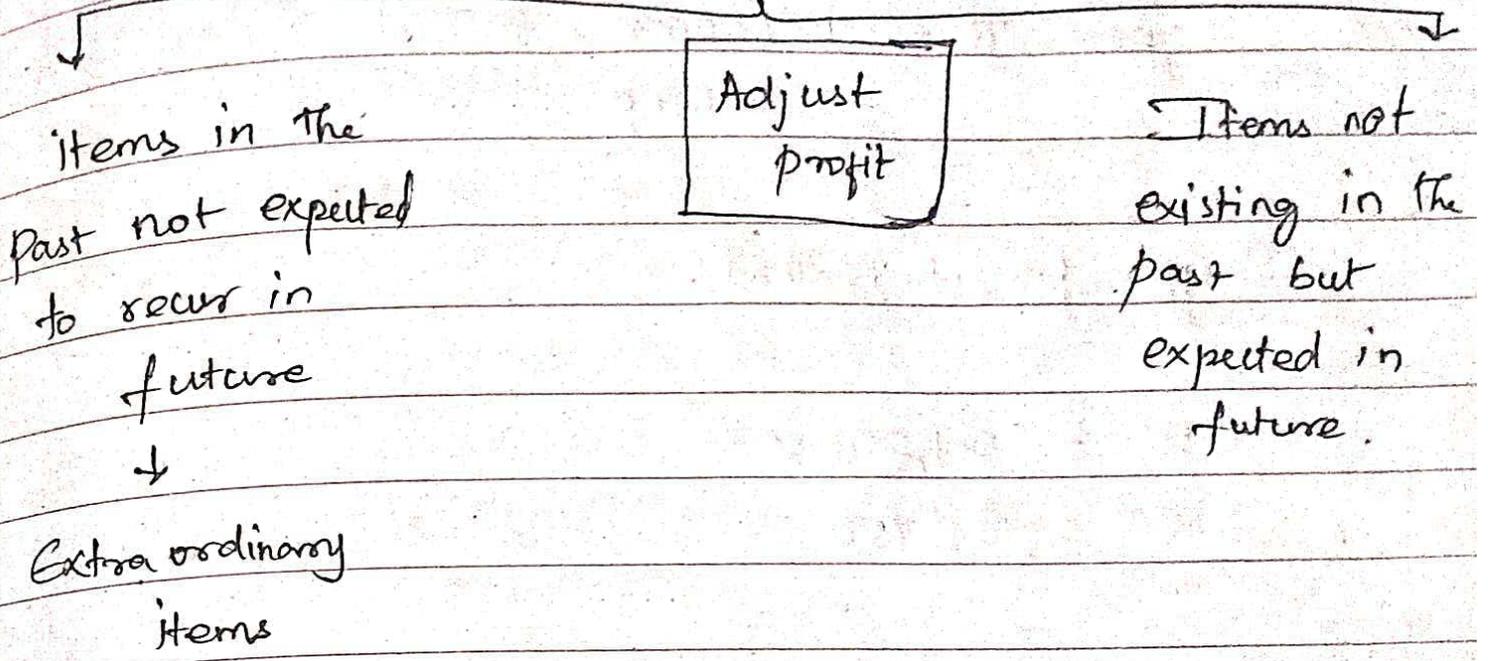
$$\text{Normal capital} = \frac{103333}{10\%}$$

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

$$\text{Goodwill} = 2,33,330$$



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



ISM - 1

Simple Average

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

$$= 1,31,250$$

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

<u>Weighted Avg</u>		<u>Weights</u>	<u>Products</u>
2019	120000	1	1,20,000
2020	125000	2	2,50,000
2021	130,000	3	3,90,000
2022	1,50,000	4	6,00,000

13,60,000



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

$$\text{Goodwill} = 1,36,000 \times 3 = 4,08,000$$

Super profit method.

$$\text{GW} = 31,250 \times 3 = 93,750$$

$$\begin{aligned} \text{Super profit} &= \text{Avg profit} - \text{Normal profit} \\ &= 1,31,250 - 1,00,000 \\ &= 31,250 \end{aligned}$$

$$\begin{aligned} \text{Normal profit} &= \text{Capital employed} \times \text{NRR} \\ &= 5,00,000 \times 20\% \\ &= 1,00,000 \end{aligned}$$

<u>Annuity Method</u>		PVF @ 20%	P.V. of SP
1	31250	0.833	2,6031
2	31250	0.694	21688
3	31250	0.579	18094
			65180

GW → 65813



Capitalization method.

$$\begin{aligned} \text{Gw} &= \text{Normal capital} - \text{Actual capital} \\ &= 6,56,250 - 5,00,000 = 1,56,250 \end{aligned}$$

$$\text{Normal capital} = \frac{\text{Actual capital}}{20\%}$$

$$= \frac{5,00,000}{20\%} = 25,00,000$$

ACCOUNTING TREATMENT



Goodwill distribution



Gaining partner → Sacrificing partner.



Sacrificing ratio

↓

OPSR - NPSR



Result



Positive



Sacrificing



Negative



Gaining

Goodwill Adjustment.

↳ Admission

↳ Retirement

↳ Death

↳ Change in PSR

Ex.

A : B : C

OPSR → 5 : 3 : 2

NPSR → 2 : 2 : 2

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

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

$$C \rightarrow \frac{2}{10} - \frac{2}{5} = \frac{2-4}{10} = \frac{-2}{10} \rightarrow \text{D}$$

Admission

↓

New partner
bring money



Capital

Goodwill (might happen)

Goodwill
must
be done

J.E

Bank a/c dr. xxx
 ↳ New partner cap a/c xxx

G.W Adj ±

Gaining Partner cap a/c dr. xxx
 ↳ sacrificing partner cap a/c xxx

G.W share of sacrificing partner

↓

Withdraw

↓

Sacrificing partner cap a/c dr. xxx
 ↳ Bank xxx

* G.W is given privately share. (No entry)

ISM-2.

$$\begin{aligned} \text{Super profit} &= \text{Average profit} - \text{Normal profit} \\ &= 39,000 - 18,000 - 6,000 \\ &= 6,000 \end{aligned}$$

(Salary from Alternative employment)

$$\begin{aligned} \text{Average profit} &= \frac{40,000 + 36,000 - 6,000 + 50,000}{4} \\ &= 30,000 \end{aligned}$$

$$\begin{aligned} \text{Normal profit} &= \text{Capital employed} \times \text{NRR} \\ &= 1,50,000 \times 12\% \\ &= 18,000 \end{aligned}$$

$$\text{G.P.} = 6,000 \times 5 \Rightarrow 30,000$$

ISM-3

Working note :-
arrangement

Sacrificing Ratio

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

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

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

$$\boxed{\text{S.R} = 18:7}$$

Goodwill computation

$$\text{Avg profit} = \frac{9000 + 14000 + 12000 + 30000}{4}$$
$$= 12,000$$

$$\text{G/W} = 12,000 \times 3 \Rightarrow 36,000 \times \frac{5}{16} \text{ G/W of firm}$$

$$= 11,250 \rightarrow \text{Black share of G/W}$$

JE

Bank a/c dr. 20,000

To Black capital a/c 20,000

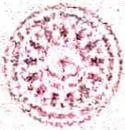
Black capital a/c dr. 11,250

To Yellow capital a/c 8100

$$\left(11,250 \times \frac{18}{25} \right)$$

To Green capital a/c 3150

$$\left(11,250 \times \frac{7}{25} \right)$$



Balance sheet 1/4/22

Liabilities		Asset	
Trade payable	20,000	Sundry Asset	55,000
Capital			
Yellow	25,000	Bank	30,000
8100	33,100	(10,000 + 20,000)	
Green	20,000		
3150	23,150		
Black			
(20,000 - 11,250)	8,750		
	<u>85,000</u>		<u>85,000</u>

ISM-4

JE

Bank a/c dr. 31,250

To Black capital a/c 20,000
 To Yellow capital a/c 8,100
 To Green's capital a/c 3,150

Balance sheet

Trade payable	20,000	Bank	41,250
Capital a/c		Sundry Asset	55,000
Yellow	33,100		
Green	23,150		
Black	20,000		
	96,250		96,250

ISM-5

(i) Same as Q4
 (ii) Same as Q4

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

VSH
XZXX

XX
15

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		
	<u>85,000</u>		<u>85,000</u>

ISM-7

A $\frac{OPSR}{3} - \frac{NPSR}{9} = \frac{3-4}{9} = -\frac{1}{9} \rightarrow \textcircled{6}$

B $\frac{1}{3} - \frac{3}{9} = \frac{3-3}{9} = 0$

C $\frac{1}{3} - \frac{2}{9} = \frac{3-2}{9} = \frac{1}{9} \rightarrow \textcircled{5}$

$G/W = 90,000 \times \frac{1}{9} \Rightarrow 10,000$



FE A's capital acc dr. 10,000
 To C's capital acc 10,000

FSM-8

$$A \quad \frac{4}{10} - \frac{7}{20} = \frac{8-7}{20} = \frac{1}{20} \rightarrow \textcircled{S}$$

$$B \quad \frac{3}{10} - \frac{7}{20} = \frac{6-7}{20} = \frac{-1}{20} \rightarrow \textcircled{G}$$

$$C \quad \frac{3}{10} - \frac{6}{20} = \frac{6-6}{20} = \frac{0}{20} \rightarrow \textcircled{G}$$

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

B's capital acc dr. 1000
 To A's cap acc 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)

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

A's Capital acc dr. 1000

B's Capital acc dr. 1000

To C's cap acc 1000

To D's Cap acc 1000

ISM-10

OPSA

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)

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

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

$$\text{Average profit} = 2,70,000$$

before salary & Ioc

$$\begin{aligned} \rightarrow \text{Ioc on } \text{₹} & \quad \text{₹} 8,000 \\ & (6,50,000 \times 12\%) \end{aligned}$$

$$\begin{aligned} \rightarrow \text{Salary} & \quad \text{₹} 2,000 \\ & (2,000 \times 12 \times 3) \end{aligned}$$

$$\text{Average profit} \quad \underline{\underline{1,20,000}}$$

$$\text{G/W} = 120,000 \times 3 = 3,60,000 \times \frac{3}{10}$$

$$= 1,08,000$$

$$\begin{aligned} \text{Bantoo's capital a/c dr.} & \quad 36,000 \\ & (1,08,000 \times \frac{1}{3}) \end{aligned}$$

$$\begin{aligned} \text{Chintoo's capital a/c dr.} & \quad 72,000 \\ & (1,08,000 \times \frac{2}{3}) \end{aligned}$$

$$\text{To Antoo Capital a/c}$$

$$1,08,000$$



ISM - 11

Computation of Goodwill.

	2018-19	2019-20	2020-21	2021-22
profit	210,000	260,000	210,000	3,05,000
Int on Cap (7,00,000 x 8%)	(-) 56,000	(-) 56,000	(-) 56,000	(-) 56,000
Salary (2000 x 12)	(-) 24,000	(-) 24,000	(-) 30,000	(-) 36,000
	(2000 x 12)	(2000 x 12)	(2000 x 6) (+) (3000 x 6)	(3000 x 12)
Profits before rectification	1,30,000	1,80,000	1,24,000	2,13,000
			(+) 40,000	
Machinery changed 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 closing stocks		(-) 20,000		
Overvaluation opening stocks			(+) 20,000	
by fire	10,000(+)			



5800 (-)

Bad debts

Adjusted profits

Weights

products

1,40,000

1,60,000

1,80,000

2,00,000

1

2

3

4

1,40,000

3,20,000

5,40,000

8,00,000

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

$$= 1,80,000$$

$$G.W = 1,80,000 \times 3 = 5,40,000 \quad \text{GW of firm}$$

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

$$Cu \quad \frac{5}{8} - \frac{2}{4} = \frac{5-4}{8} = \frac{1}{8} \rightarrow \textcircled{S}$$

$$Au \quad \frac{3}{8} - \frac{1}{4} = \frac{3-2}{4} = \frac{1}{8} \rightarrow \textcircled{S}$$

$$Ag \quad 0 - \frac{1}{4} = -\frac{1}{4} \rightarrow \textcircled{G}$$

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

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

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

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

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

IOC & salary

= 70800

(-) Interest on capital

(1,56,000 x 8%)

12480

(-) Salary

(15,000 x 3)

45,000

13,320 Avg profit

Goodwill = 13,320 x 3

= 39,960 Gw of firm.

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

= 15984

Sacrificing ratio

Wise $\rightarrow \frac{4}{10} - 0 = \frac{4}{10} \rightarrow \textcircled{S}$

clever $\rightarrow \frac{3}{10} - \frac{1}{2} = \frac{-2}{10} \rightarrow \textcircled{G}$

Dull $\rightarrow \frac{3}{10} - \frac{1}{2} = \frac{-2}{10} \rightarrow \textcircled{G}$

Clever's capital acc dr. 7992

Dull's capital acc dr. 7992

To Wise's capital acc 15984

13 Ques 22 (5 marks).

1's Capitalization method $\left(\frac{6,50,000}{20\%} \right) = 26,00,000$

6,50,000 GW

(ii) Superprofit method $6,50,000 - (264 \times 20\%)$

$130000 \times 6 = 780000$

VSH
KZXX

VSH
KZXX



15) closing cap → 6,25,000
 (+) drawings → 1,50,000
 (-) profits → 2,00,000
 Opening capital → 5,75,000

$$\text{Avg Capital} = \frac{\text{Opening} + \text{cls}}{2} = \frac{5,75,000 + 6,25,000}{2} = 6,00,000$$

$$\begin{aligned} \text{Super profits} &= 2,00,000 - (6,00,000 \times 20\%) \\ &= 2,00,000 - 1,20,000 \\ &= 80,000 \end{aligned}$$

$$\text{GW} = 80,000 \times 5 = 4,00,000$$

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 ↓ Liab a/c dr. xxx
 TO Rev a/c xxx

Illustration - 1

JE in the books of Ram, Mohan & Shyam.

1. Building a/c dr. 7000

(25,000 - 18,000) To Revaluation a/c 7000

2. Revaluation a/c dr. ~~5000~~ 5000

To P & M a/c 3000
(15000 - 12000)

To prov for doubtful debt 500

To creditors 1500

3. Revaluation a/c dr. 2000

To Ram's cap a/c 1200
(2000 × $\frac{3}{5}$)

To Mohan cap a/c 800
(2000 × $\frac{2}{5}$)

4. Bank a/c dr. 35000

(25,000 + 10,000)

To Shyam's Capital a/c 35,000



W.N

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

$$\text{Mohan} \rightarrow \frac{2}{5} - \frac{3}{10} = \frac{4-3}{10} \rightarrow \frac{1}{10} \text{ (8)}$$

$$\text{Shyam} \rightarrow 0 - \frac{2}{10} = \frac{-2}{10} \rightarrow \frac{-2}{10} \text{ (9)}$$

1:1 Sacrificing

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 11/22 (After Admission)

Ram's capital (20000 + 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	19000
		(-) P. O. D	500
		Bank (15000 + 35000)	9500
	<u>98500</u>		<u>40,000</u>
			<u>98500</u>

Memorandum revaluation a/c

↓
In Question

↓
In Question

↓
prepare M. Rev a/c

→ Assets & liabilities to be revalued

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

FE
AT: Asset a/c dr. xxx
 TO M. Rev a/c xxx

A ↓ M. Rev a/c dr. xxx xxx
 TO Asset

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 Partners cap a/c dr. xxx (OPSR)
 TO M. Rev a/c xxx

All revaluations are to be reversed.

Profits → Mem Rev a/c dr. xxx (NPSR)
 TO All partners cap a/c xxx

Los → All partner's Capital dr. xxx

To H. Rev a/c xxx

(NPSR)

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

Total profit = 1

C's share = $\frac{1}{5}$

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

12 : 8 : 5 NPSR

SR → 3 : 2

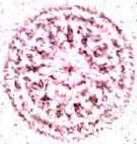
Dr.

M. Rev a/c		Cr.	
To P.D.D a/c (25000 x 2%)	500	By freehold premises (2.4L - 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 (27500 - 25000)	2500
To P. Cap a/c			
A ($39000 \times \frac{3}{5}$)	23400		
B ($39000 \times \frac{2}{5}$)	15600		
	<u>47500</u>		
			<u>47500</u>



To freehold premises	40,000	By P.D.D	500
To furniture	5,000	By inventory a/c	3,000
To office equipment	2,500	By plant a/c	5,000
		By partners' cap a/c	
		A ($39,000 \times \frac{12}{25}$)	18,720
		B ($39,000 \times \frac{8}{25}$)	12,480
		C ($39,000 \times \frac{5}{25}$)	7,800
	<u>47,500</u>		<u>47,500</u>

dr.			Partners' capital a/c			G		
	<u>A</u>	<u>B</u>	<u>C</u>		<u>A</u>	<u>B</u>	<u>C</u>	
To M. Rev a/c	18,720	12,480	7,800	By bal b/d	2,00,000	1,00,000	-	
To A's cap a/c	-	-	6,000	By M. Rev	23,400	15,600	-	
To B's cap a/c	-	-	4,000	By bank a/c	-	-	60,000	
(3:2)				By C's capital a/c	6,000	4,000	-	
To bal c/d	2,10,680	1,07,120	42,200					
	<u>2,29,400</u>	<u>1,19,600</u>	<u>60,000</u>		<u>2,29,400</u>	<u>1,19,600</u>	<u>60,000</u>	



Balance sheet 1/4/22

<u>Capital</u>		freehold premises	200000
A	2,10,680	plant	40000
B	1,07,120	furniture	20000
C	42,200	office equipment	25000
Trade payables	59000	inventories	20,000
		Bank	70000
		(10,000 + 60,000)	
		Trade receivable	25,000
	<u>410000</u>		<u>410000</u>



Illustration - 3

Working note :- Goodwill

C's share → 25,000

→ $\frac{1}{6}$

∴ Total capital → 150,000

25,000 - $\frac{1}{6}$

based on c's share.

Existing cap A → 44,000

B → 36,000

150,000

C → 25,000

105,000 (-)

Hidden Goodwill → 45,000

$\times \frac{1}{6}$

C's share of g.w

7,500

A

3:2

B

4,500

3,000

Dr.

Rev a/c

Cr.

To furniture 870

By building 3200

To inventories (21,400 x 5%) 1070

By investments 450

To provision for doubtful debts 1550

By Trade payable 1400

To outstanding wages 1560

5050

5050



Partners' 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	48500	39000	17500	By c's capital	4500	3000	-
48500 39000 25000			48500 39000 25000				

Balance sheet

Capital			
A	48500	Buildings	29200
B	39000	Furniture	4930
C	17500	(5800 - 870)	
Bank overdraft	9000	Inventories	20330
Trade payable	15600	(21400 - 1070)	
(17,000 - 1400)		Trade receivable	35000
O/s wages	1560	(-) PDD	1750
		Investments	2950
		(2500 + 2450)	
		Bank & Cash	40500
		(15500 + 25000)	
1,31,160		1,31,160	



Illustration - 4

Working note

OPSR

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

$$\text{Benerji} \quad \frac{2}{5} - \frac{5}{15} = \frac{6-5}{15} = \frac{1}{15}$$

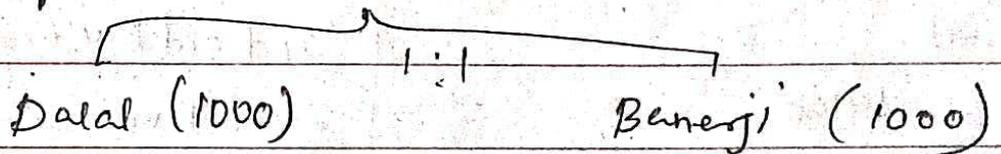
$$\text{Mallick} \quad \frac{1}{5} - \frac{3}{15} = \frac{3-3}{15} = 0$$

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

1:1 Sacrificing

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

$$\text{Mistri's share of goodwill} = 2000$$



Revaluation a/c

To furniture	650	By inventory a/c	2500
To Reserve for Bad debts	5500	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		
	<u>7500</u>		<u>7500</u>



Partners' Capital a/c

D				B					
	D	B	M		D	B	M		
To Dalal	-	-	-	1000	By balance	12000	14000	5000	
Cap a/c					By Reserve	2600	2600	1300	
To Banerji	-	-	-	1000	(8500 @ 2:2:1)				
Cap a/c					By Revaluation	2520	2520	1260	
To balance	19120	18120	7560	3000	By bank	-	-	5000	
					By Mistry's	1000	1000	-	
					Cap a/c				
					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)	
Mistry 3000		C-1) PDD	550
	12850		4750
T.P	12850	Cash in hand	140
	500	Bank	5960
Liability		(960 + 5000)	
1500 - 1000			
	<u>61,150</u>		<u>61,150</u>

VSH
2000
XX
17



Illustration - 5

(i) C purchases $\frac{1}{10}$ share from A.

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

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

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

5:4:1

NPSR

A and B agree to sacrifice $\frac{1}{10}$ th share to C

(ii) A $\frac{3}{5} - \frac{2}{50} = \frac{30-2}{50} = \frac{28}{50}$ in the ratio of 2:3

A $\rightarrow \frac{1}{10} \times \frac{2}{5} = \frac{2}{50}$ 2:3

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

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

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

28:17:5 NPSR

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

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

B $-\frac{1}{10} \times \frac{2}{5} = \frac{18}{50}$

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

27:18:5

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

Sacrificing Ratio

$$A \rightarrow \frac{3}{4} - \frac{1}{3} = \frac{9-4}{12} = \frac{5}{12} \rightarrow \textcircled{5}$$

$$B \rightarrow \frac{1}{4} - \frac{1}{3} = \frac{3-4}{12} = \frac{-1}{12} \rightarrow \textcircled{1}$$

$$C \rightarrow 0 - \frac{1}{3} = \frac{-1}{3} \Rightarrow \frac{-4}{12} \rightarrow \textcircled{4}$$

C's share of Goodwill = 2000

$$\begin{array}{r} 2000 - \frac{1}{3} \\ ? - \frac{1}{3} \\ \hline \end{array}$$

Goodwill of firm = 2000×3
= 6000

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

$(6000 \times \frac{4}{12})$ B's cap alc dr. 500
 \rightarrow C's cap alc dr. 2000

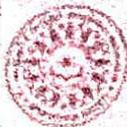
To A's cap alc 2500
 $(6000 \times \frac{5}{12})$

C's Capital \rightarrow 10,000

\therefore Keeping C's Cap as base

\rightarrow Total Required capital

$$\left(10,000 - \frac{1}{3} \right) \rightarrow 30,000$$



30,000

Required Capital	10,000	10,000	10,000
Existing capital	19030	10010	
	<u>9030</u>	<u>10</u>	<u>10,000</u>
	Surplus	Surplus	

Illustration - 7

Working note

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

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

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

Sacrificing ratio 4:1

W of X's share - 15,000 $\times \frac{1}{3}$

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 $(8250 \times \frac{2}{5})$	4950
To furniture and fitting	1000	B $(8250 \times \frac{2}{5})$	3300
To PDD	750		
	<u>8250</u>		<u>8250</u>

dr. Partners' Capital a/c Cr.

	A	B	X		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	44,050	27,700	25,000				
	<u>49,000</u>	<u>31,000</u>	<u>40,000</u>		<u>49,000</u>	<u>31,000</u>	<u>40,000</u>

Illustration - 8 (Hidden Goodwill)

C's capital	8000	-	$\frac{1}{4}$	
				- 1
				32000
existing capital				24000
Goodwill				10,000

C's capital acc dr. 2500	
TO A's Cap acc	1250
TO B's cap acc	1250.

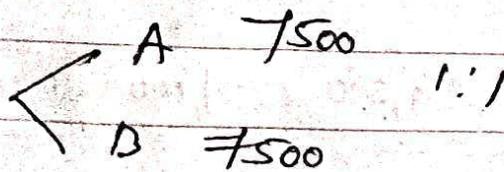
Illustration - 9

A	→	45000	
B	→	45000	
C	→	60000	
		150000	

(Hidden Goodwill)

Cap required 135000

C's share of GW 15000



J.E

Bank a/c dr. 60,000

To c's cap 60000

C's cap dr. 15,000

To A's cap a/c 7500

To B's cap a/c 7500

Partner's Capital a/c

	A	B	C		A	B	C
To A's capital a/c			7500	By balance b/f	45,000	45,000	45,000
To B's cap 7500		7500	7500	By bank	-	-	60,000
To Bank 7500	7500	7500	-	By c's cap	7500	7500	-
To bal c/d	45,000	45,000	45,000				
	<u>52,500</u>	<u>52,500</u>	<u>60,000</u>		<u>52,500</u>	<u>52,500</u>	<u>60,000</u>

A's cap a/c dr. 7500

B's cap a/c dr. 7500

To Bank a/c 15,000

Illustration - 11

Sacrificing ratio

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

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

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

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

$$\text{G's share} = 50,000 \rightarrow \text{B's share}$$

Gamma cap a/c dr. 50,000

TO Beta cap a/c 50,000

P of L Adj a/c

To inventory 7740

To office furniture 5850

To Trade receivable 3210

To P. D. D 7000

(1,40,000 x 5%)

TO partner's cap a/c

A 70000

B 70000

140000

163800

By factory Building 95600

By Machinery 68200

163800

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 discount 1300

2. Building a/c dr. 15000

To M. Rev a/c 15000

3. M. Rev a/c dr. 12000

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 H. 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
signature.

Practical Question. 2.

1. S.R

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

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

SR 5:3

$$\text{Guru } 0 - \frac{40}{100} = \frac{-40}{100} \text{ (G)}^1$$

	<u>2020</u>	<u>2021</u>	<u>2022</u>
(-) Insurance claim received	20,000	- 80,000	1,05,000
	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

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

$$= 30,000$$

Goodwill = $30,000 \times 2 \Rightarrow 60,000$

Guru's share of goodwill = $60,000 \times \frac{40}{100}$
 $= 24,000$

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

	To Jopal's capital a/c	15,000
$(24,000 \times \frac{5}{8})$	To Govind's capital a/c	9,000
$(24,000 \times \frac{3}{8})$		

Bank a/c dr. 1,27,000

	To Guru's capital a/c	1,27,000
--	-----------------------	----------

dr.		Revaluation a/c		Cr.
To investments	50,000	By fixed Assets	1,00,000	
To Current Asset a/c	20,000			
To partners' Capital a/c				
Jopal	18,000			
($30,000 \times \frac{60}{100}$)				
Govind	12,000			
($30,000 \times \frac{40}{100}$)				
	<u>1,00,000</u>			<u>1,00,000</u>

JE

fixed Asset a/c dr. 1,00,000
 To Rev a/c 1,00,000

Rev a/c dr. 70,000
 To Investments a/c 50,000
 To current asset a/c 20,000

Rev a/c dr. 30,000
 To Jopal's Capital a/c 18,000
 To Govind's Capital a/c 12,000

Partners' Capital a/c

	G	G	G		G	G	G
By Jopal capital			15,000	By bal b/d	1,29,000	89,000	—
To Govind capital			9,000	By Rev a/c	18,000	12,000	—
To balance c/d	1,53,000	1,01,000	1,00,000	By bank a/c	—	—	1,24,000
				By Govind's Capital	15,000	9,000	—
	1,53,000	1,01,000	1,24,000		1,53,000	1,01,000	1,24,000



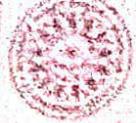
Balance sheet 1/4/22

Liabilities		Asset	
Capital etc		fixed Asset	4,00,000
Gopal	1,53,000	investments	
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	1,24,000
Current liabilities	2,50,000	(1,00,000 + 24,000)	
	8,54,000		
			8,04,000

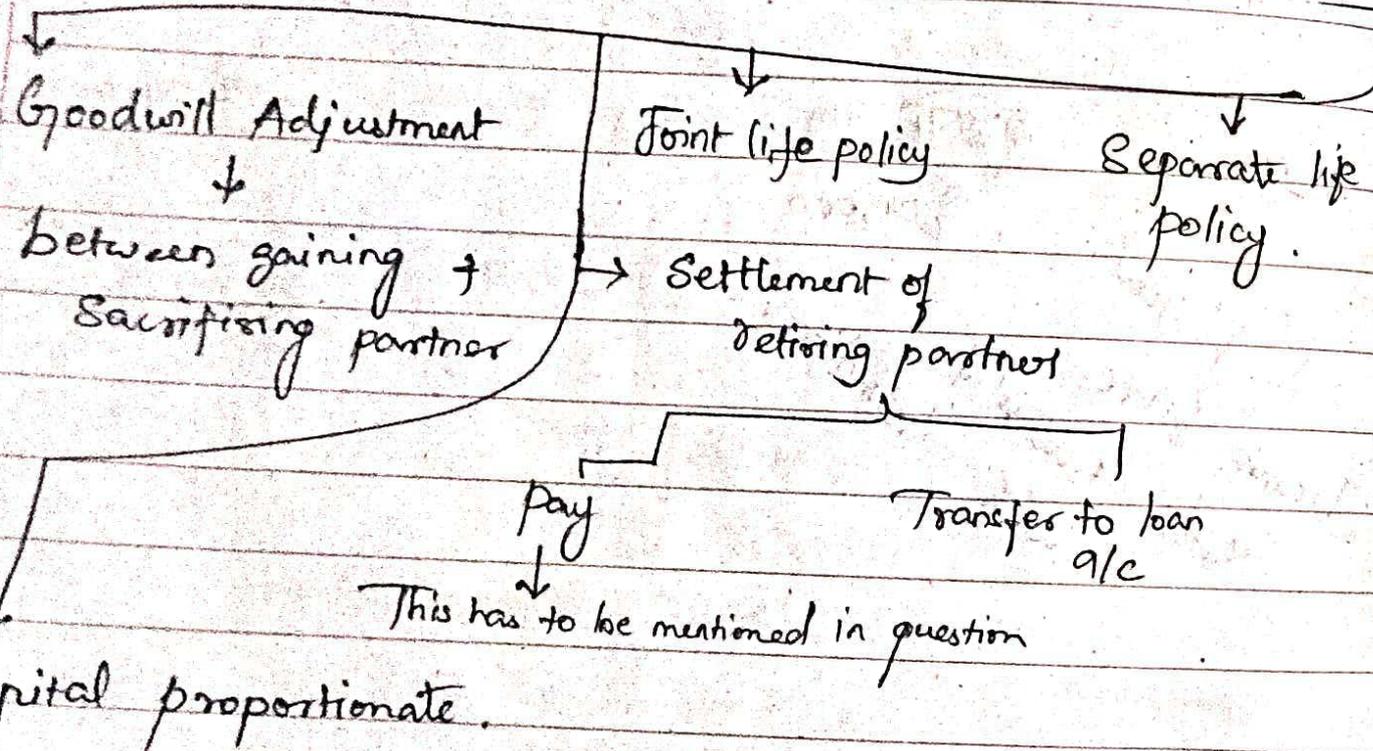
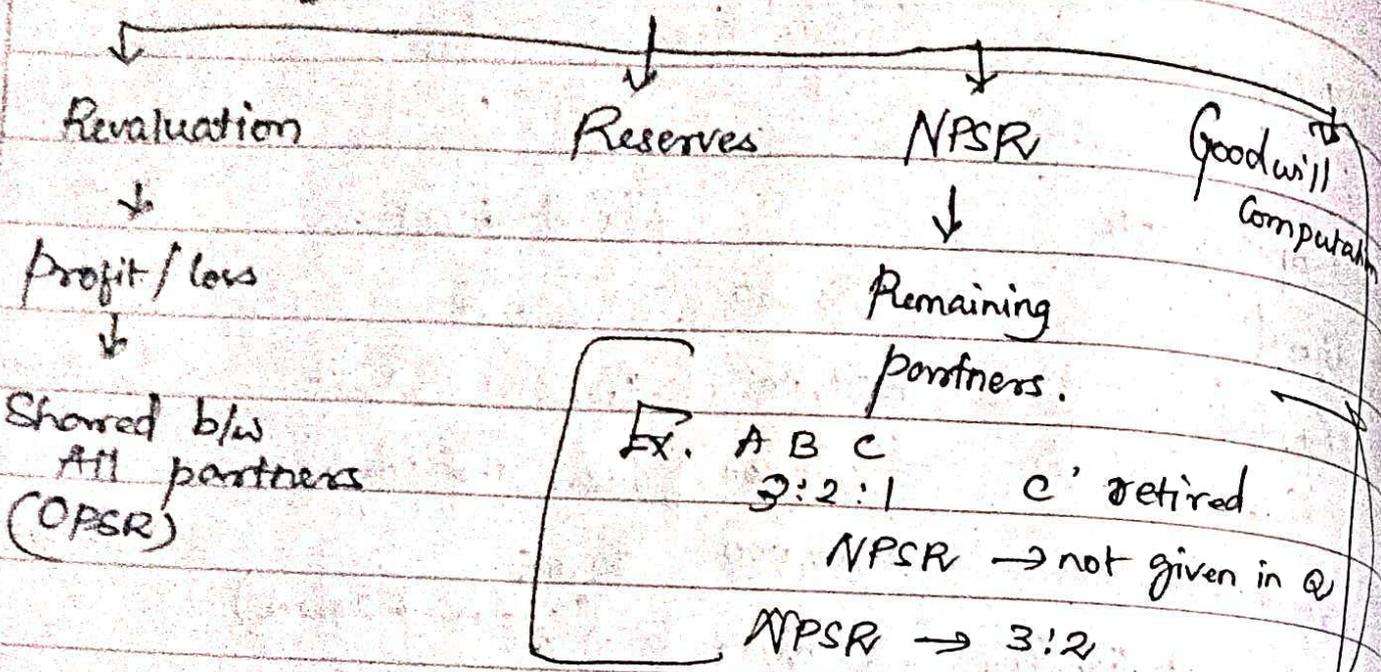
*

V.V. good

Damn sure
you're successful
with distinction.



RETIREMENT OF PARTNER



JLP \rightarrow SLP

Life insurance policy taken on life of all partners by FIRM

Taken of life on partners Separately by firm

Premium paid 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
(16,000 x 15%)

To P.D.D 750
(15,000 x 5%)

(ii) Provision for discount on

(7500 x 2%) Trade payable dr. 150

To revaluation a/c 150

(iii) A's Cap a/c dr. 2700
(4500 x $\frac{3}{5}$)

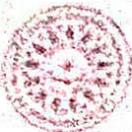
B's Cap a/c dr. 1800

(4500 x $\frac{2}{5}$) To revaluation a/c 4500

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

(15,000 x $\frac{3}{5}$) To A's cap a/c 9000

(15,000 x $\frac{2}{5}$) To B's cap a/c 6000

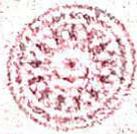


(v) A's capital a/c dr. 10,000
 To B's capital a/c 10,000
 (Goodwill entry)

(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
(-) PPD for discount	150	(-) PPD	750
	7350	Bank	6000
B's loan a/c	29,200	Cash	500
	<u>52,850</u>		<u>52,850</u>



Working note:

S.R

$$F \quad \frac{2}{5} - \frac{3}{5} = \frac{-1}{5} \quad \text{---} \textcircled{G}$$

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

$$K \quad \frac{1}{5} - 0 = \frac{1}{5} \quad \text{---} \textcircled{S}$$

$$\begin{aligned} \text{Growth of firm} &= \frac{50,000}{50,000} \times \frac{1}{5} \\ &= 10,000 \end{aligned}$$

F's capital atc dr. 10,000

To K's capital atc 10,000

W.N

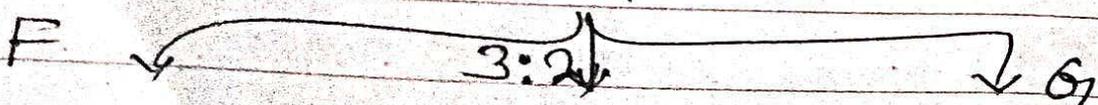
Assets

Liabilities

Sundry fixed asset	1,80,000
inventories	60,000
Trade receivables	65,000
Bank	75,000
	<u>3,80,000</u>

Trade payable	50,000
	<u>50,000</u>

Capital \longrightarrow 3,30,000





3,30,000

3:2

Req. capital	1,98,000	1,32,000
Existing capital	<u>1,28,000</u>	<u>98,000</u>
	70,000	34,000
	deficit	deficit.

Balance Sheet 31/12/2022

Capital		Sundry fixed Asset	1,80,000
F	1,98,000	inventories	60,000
G	<u>1,32,000</u>	Trade receivables	70,000
Trade payable	50,000	(-) Bad debts	<u>5,000</u> 65,000
		Bank	75,000
	<u>3,18,000</u>		<u>3,80,000</u>

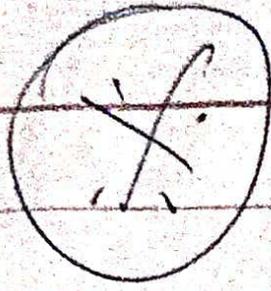


illustration - 3

sum

LDR

dr.

P & L Adj' a/c

Cr.

To B's capital a/c	4000	By partner's capital	
To partner's capital		A $(48,000 \times \frac{5}{12})$	20,000
A $(44,000 \times \frac{3}{11})$	12,000	B $(48,000 \times \frac{4}{12})$	16,000
B $(44,000 \times \frac{4}{11})$	16,000	C $(48,000 \times \frac{3}{12})$	12,000
C $(44,000 \times \frac{4}{11})$	16,000		
	<u>48,000</u>		<u>48,000</u>

Rev a/c

To Prov for doubtful debt	1870	By furniture	2780
$(93500 \times 2\%)$		$(10,980 - 8200)$	
To partner's op a/c			
A $(910 \times \frac{3}{11})$	248		
B $(910 \times \frac{4}{11})$	331		
C $(910 \times \frac{4}{11})$	331		
	<u>2780</u>		<u>2780</u>

Partner's capital a/c

	A	B	C		A	B	C
To P&L Adj a/c	20,000	16,000	12,000	By bal b/d	1,35,930	95,120	61,170
To A's capital	-	13,426	2,065	By P&L Adj a/c	-	4,000	-
To A's loan a/c	-	-	-	By P&L Adj a/c	12,000	16,000	16,000
	1,43,669	-	-	By Rev a/c	248	331	331
To p. DD* (93500 x 4%) 3:2	-	2,244	1,496	By B's cap	13,426	-	-
	-	-	-	By C's cap	2,065	-	-
To Bal c/d	-	83,781	61,940				
	1,63,669	1,15,451	77,501		1,63,699	1,15,451	77,501

Working note S.R

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

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

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

GW → 56800 of firm

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

A's share of GW 15,491

B & C
13:2

13,426 2,065