Ravi home tutions
Retirement and Death of a Partner
12th Standard

Accountancy

77 x 1 = 77

1) A partner retires from the partnership firm on 30th June. He is liable for all the acts of the firm up to the
(a) End of the current accounting period (b) End of the previous accounting period **(c) Date of his retirement** (d) Date of his final settlement

2) On retirement of a partner from a partnership firm, accumulated profits and losses are distributed to the partners in the
(a) New profit sharing ratio **(b) Old profit sharing ratio** (c) Gaining ratio (d) Sacrificing ratio

3) On retirement of a partner, general reserve is transferred to the
(a) Capital account of all the partners (b) Revaluation account (c) Capital account of the continuing partners (d) Memorandum revaluation account

4) On revaluation, the increase in liabilities leads to
(a) Gain **(b) Loss** (c) Profit (d) None of these

5) At the time of retirement of a partner, determination of gaining ratio is required
(a) To transfer revaluation profit or loss (b) To distribute accumulated profits and losses **(c) To adjust goodwill** (d) None of these

6) If the final amount due to a retiring partner is not paid immediately, it is transferred to
(a) Bank A/c (b) Retiring partner's capital A/c **(c) Retiring partner's loan A/c** (d) Other partners' capital A/c

7) ' A' was a partner in a partnership firm. He died on 31st March 2019. The final amount due to him is Rs. 25,000 which is not paid immediately. It will be transferred to
(a) A's capital account (b) A's current account (c) A's Executor account **(d) A's Executor loan account**

8) A, B and C are partners sharing profits in the ratio of 2:2:1. On retirement of B, goodwill of the firm was valued as Rs. 30,000. Find the contribution of A and C to compensate B:
(a) Rs.20,000 and Rs. 10,000 **(b) Rs. 8,000 and Rs. 4,000** (c) Rs.10,000 and Rs. 20,000 (d) Rs. 15,000 and Rs. 15,000

9) A, B and C are partners sharing profits in the ratio of 4:2:3. Cretires. The new profit sharing ratio between A and B will be
(a) 4:3 (b) 3:4 **(c) 2:1** (d) 1:2

10) X, Y and Z were partners sharing profits and losses equally. X died on 1st April 2019. Find out the share of X in the profit of 2019 based on the profit of 2018 which showed Rs. 36,000.

(a) Rs. 1,000 **(b) Rs. 3,000** (c) Rs. 12,000 (d) Rs. 36,000

11) When a partner leaves from a partnership firm, it is known as
(a) Admission **(b) Retirement** (c) dissolution (d) death

12) The firm is reconstituted and other partners continue the partnership firm with a new
(a) Contract **(b) agreement** (c) start business (d) none of these

13) A partner who retires from the firm is called an
(a) Outgoing partner (b) admitted partner (c) death of a partner (d) none of these

14) Profits and losses of previous years which are not distributed to the partners are known as
(a) Accumulated profit and losses (b) general reserve (c) Reserve fund (d) workmen compensation fund

15) The profit or loss arising therefrom is transferred to the capital accounts of all the partners in the
(a) New profit sharing ratio **(b) Old profit sharing ratio** (c) Gaining ratio (d) Sacrificing ratio

16) The settlement is to be done in the manner prescribed in the
(a) Partnership-at-will (b) Partnership deed (c) Both 'a' and 'b' **(d) None of the above**

17) In both types of policies, the insurance premium is paid by the
(a) Sole tradership **(b) Partnership firm** (c) Hindu undivided family (d) None of these

18) The policy amount received from the insurance company is used to settle the amount due to the
(a) Increased partner **(b) Deceased partner** (c) Partnership at will (d) Partnership deed

19) At the time of retirement of partners, the existing partners stand to
(a) Gain (b) Loss (c) Income (d) None of these

20) At the time of retirement of a partner, calculation of new profit ratio is
(a) Compulsory (b) Optional **(c) Necessary** (d) Not necessary

21) At the time to retirement Balance Sheet items like profit and loss account and General reserve must be transferred to
(a) Revaluation Alc **(b) Partners capital A/c** (c) Both 'a and 'b' (d) None of the above

22) If the goodwill account is raised for 50,000, the amount is debited to
(a) The capital accounts of partners **(b) Goodwill account** (c) Cash account (d) Loan account

23) A, B and C are sharing profits in the ratio of 2/5: 2/5:1/5. C retired, from business and his share was purchased equally by A and B. Then new profit sharing ratio shall be
(a) A-1/2 and B-1/2 (b) A-3/S and 2/5 (c) A-2/S and B-3/S (d) A-2/S and B-1/5

24) When the values of liabilities increases, it results in
(a) Profit **(b) Loss** (c) Income (d) Expenses

25) Gaining ratio will be calculated by
(a) New ratio minus old ratio (b) Old ratio minus new ratio (c) Old ratio minus sacrificing ratio (d) Old ratio minus new ratio

26) The section related to the retirement of partner in Indian partnership Act is
(a) 30(a)**(b) 31(1)**(c) 21(c)(d) 20(a)

27) X, Y and Z are partners in the ratio of 5:3:2 Goodwill is valued at 40,000. If Z retire, the amount of goodwill credited to his capital account is
(a) Rs.8,000(b) Rs.50,000(c) Rs.12,000(d) Rs.12,000

28) O, P, and Q are partners sharing the profits in the ratio of 3:2: 1. If P retires the new profit ratio for O and Q will b
(a) 3:2**(b) 3:1**(c) 2:1(d) 1: 3

29)

List I		**List II**	
(i)	Profit and	1.	Workmen compensation fund
(ii)	Reserve	2.	Current value differ from book value
(iii)	Revaluation	3.	Agreed proportion
(iv)	New profit sharing ratio	4.	Accumulated profits

(a)				(b)				(c)				**(d)**			
(i)	(ii)	(iii)	(iv)	**(i)**	**(ii)**	**(iii)**	**(iv)**	**(i)**	**(ii)**	**(iii)**	**(iv)**	**(i)**	**(ii)**	**(iii)**	**(iv)**
1	2	3	4	2	3	4	1	3	4	1	2	**4**	**1**	**2**	**3**

30) _________maybe dissolved at any time by a partner serving notice on the other partners
(a) Partnership at deed (b) Dissolution of partnership **(c) Partnership at will** (d) All of the above

31) The net result of revaluation is adjusted through the__________ accounts of the partners
(a) Capital(b) Real(c) Nominal(d) None of these

32) _______is the proportion of the profit which is gained by the continuing partners
(a) Sacrificing ratio **(b) Gaining ratio** (c) New profit ratio (d) Old profit sharing ratio

33) _________maybe taken on the life of the partners in a partnership firm
(a) Life policies (b) Insurance premium (c) Both 'a and 'b' (d) None of these

34) _____account which is otherwise called profit and loss adjustment account
(a) Capital(b) General reserve fund**(c) Revaluation**(d) Goodwill

35) The retiring partner should be paid off or the amount due to him, will be treated as his________to the firm
(a) Bank**(b) Loan**(c) Cash(d) None of these

36) The amount due to the________partner is either paid off immediately or is paid in instalments.
(a) Admitting**(b) Retiring**(c) Death(d) All of the above

37) ______is calculated to determine the amount of compensation to be paid by each of the continuing partners to the outgoing partners
(a) Old ratio**(b) Gaining ratio**(c) New ratio(d) Sacrifice ratio

38) ________ratio is calculated by taking out the difference between new profit sharing ratio and old profit sharing ratio
(a) Gaining(b) Sacrifice(c) Old(d) New

39) The loss or gain on account of revaluation at the time of retirement of a partner is shared by:

(a) Remaining partners (b) Retiring partners **(c) All partners** (d) None of these

40) Amount due to outgoing partner is shown on the balance sheet as his:
(a) Liability(b) Asset(c) Capital**(d) Loan**

41) An account operated to ascertain the loss or gain at the death of a partner is called:
(a) Realization A/c **(b) Revaluation A/c** (c) Executors A/c (d) Decreased partner's A/c

42) If the remaining partner want to continue the business, after the retirement of a partner, a new partnership agreement is :
(a) Revaluation of assets and liabilities (b) Ascertaining his share of goodwill (c) Finding the amount due to him (d) All of these

43) The accounting procedure at the retirement of a partner involves:
(a) As their old profit ratio (b) According to new ratio (c) According to sacrificing ratio (d) None of these

44) Partner's equity is affected due to:
(a) Retirement of a partner (b) Admission of a partner (c) Death of a partner **(d) All of these**

45) Revaluation account is operated to find out gain or loss at the time of:
(a) Admission of a partner (b) Retirement of a partner (c) Death of a partner **(d) All of these**

46) The partnership may came to an end due to the:
(a) Death of a partner (b) Insolvency of a partner **(c) Both (a) & (b)** (d) None of these

47) How are unrecorded assets treated at the time of retirement of a partner?
(a) Credited to revaluation A/c (b) Credited to capital account of retiring partner only (c) Debited to revaluation A/c (d) Credited to partner's capital A/c

48) X,Y,Z were partners sharing profits in the ratio of 5:3:2. Goodwill does not appear in books, but it is agreed to be worth Rs.1,00,000. X retires from the firm and Y and Z decide to share future profits equally. X's share of goodwill will be debited to Y's and Z's capital A/c's in ratio :
(a) 1/2 : 1/2**(b) 2:3**(c) 3:2(d) None of these

49) A,B and C are partners sharing profits and losses in the ratio of ½, 3/10 and 1/5. B retires from the firm. A and C decide to share the future profits and losses in 3:2. Calculate gaining ratio:
(a) 1:2(b) 3:2(c) 2:3(d) None of these

50) A, B and C are partners with capitals of Rs.1,00,000; Ea.75,000 and Rs.50,000. On C's retirement his share is acquired by A and B in the ratio of 6:4. Gaining ratio will be :
(a) 3:2(b) 2:2(c) 2:3(d) None of these

51) Hari, Roy and Prasad are partners in the ratio of 3:5:1 respectively. Roy wants to retire. His share is being purchased by Prasad. What would be the new ratio of Hari and Prasad respectively?
(a) 1:2(b) 2:1(c) 3:5(d) Equal

52) A, B and C were partners sharing profits and losses in the ratio of 3:2:1. On 1st April, B retired and the new profit sharing ratio between A and C

decided to 3:2. On 31st March there were reserves of firm Rs.24,000. This reserve will be divided among partners as:

(a) A-Rs.8000, b-Rs.12,000, C-Rs.4,000 (b) A-Rs.8000, b-Rs.12,000, C-Rs.4,000 **(c) A-Rs.8000, b-Rs.12,000, C-Rs.4,000** (d) A-Rs.8000, b-Rs.12,000, C-Rs.4,000

53) Old profit sharing ratio minus new profit sharing ratio is equal to:

(a) Sacrificing Ratio (b) Ratio of Gain (c) Capital Ratio (d) None of these

54) When a partner dies, firm will receive the:

(a) 1/2 amount of policy (b) 1/4 amount of policy (c) 3/4 amount of policy **(d) Full amount of policy**

55) At the time of dissolution all the assets of firm are transferred to the realization A/c:

(a) Market Value **(b) Book Value** (c) Cost Value (d) Bale Value

56) The proportion in which the continuing partners benefit due to retirement of partner:

(a) Sacrificing Ratio **(b) Gaining Ratio** (c) Both (a) & (b) (d) None of these

57) Debit balance of revaluation account is ________

(a) Loss (b) Profit (c) Gain (d) Income

58) Excess of actual capital over proportionate capital

(a) Surplus Capital (b) Deficit Capital (c) Share of profits (d) All of these

59) The method under which amount payable to the retiring partner is paid off at a time:

(a) Immediately paid method **(b) Lump-sum method** (c) Both (a) & (b) (d) None of these

60) Capital account of a retiring partner always shows balance:

(a) Credit (b) Debit (c) Asset (d) Liability

61) X, Y and Z are partners sharing profits I the ratio of 5:3:2. If Y retires then new ratio will be ________.

(a) 5:2 (b) 5:3 (c) 3:2 (d) 1:1

62) If the goodwill is raised to the extent of retiring partners share _______ account is to be debited

(a) Cash **(b) Goodwill** (c) All partner's capital (d) Retiring partners capital

63) Find the correct formula __________

(a) Gaining Ratio = New Ratio + Old Ratio (b) Gaining Ratio = Old Ratio + New Ratio **(c) Gaining Ratio = New Ratio - Old Ratio** (d) Gaining Ratio = Old Ratio - New Ratio

64) If the value off liabilities decrease, it results in _______ item.

(a) Profit (b) Loss (c) Expenses (d) None of these

65) The amount due to the retiring partner is either _______ or is paid in installments.

(a) Paid of immediately (b) Installment (c) Loan (d) None of these

66) Sacrificing ratio is the ratio in which the old partners (existing) have agreed to sacrifice their share of profit in favour of_______.

(a) Outgoing Partner **(b) Incoming Partner** (c) Both (a) & (b) (d) None of these

67) If the amount due to the outgoing partner is transferred to loan account then he is entitled to interest at _________ until it is paid out.

(a) 9% (b) 5% (c) 6% (d) 8%

68) Kayal, Mala and Neela are partners sharing profits in the ratio of 2:2:1. Kayal retires and the new profit sharing ratio between nila and neela is 3:2. Calculate the gaining ratio.
(a) 2:1(b) 1:2**(c) 1:1**(d) 3:1

69) Mani, Nagappan and Ulaganathan are partners sharing profits in the ratio of 4:3:3. Ulaganathan retires and his share is taken up by mani and Nagappan in the ratio of 3:2. Calculate the new ratio.
(a) 20:10(b) 21:19**(c) 29:21**(d) 19:21

70) Goodwill may be ________ if all the partners are agreed, that it should not remain in the books
(a) Share(b) Distribute**(c) Written off**(d) None of these

71) At the time of retirement / death, income sharing ratio among the remaining partners may or______change.
(a) May**(b) May not**(c) Change(d) All of these

72) When a partner withdraws his capital from the partnership firm, it is called _______of a partner
(a) Admission(b) Death**(c) Retirement**(d) All of these

73) Partnership is _________ on the retirement or death of a partner
(a) Dissolved(b) Agreed(c) Retired(d) None of these

74) All the accounts are settled among partners and creditors at the time of ________ of a business
(a) Dissolution(b) Retirement(c) Admission(d) None of these

75) Retirement / death of a partner will not be dissolution if remaining partners are _________ to continue it.
(a) Dissolution(b) Optional**(c) Agreed**(d) All of the above

76) ________ of partner will be paid off, before the settlement of partner's capital.
(a) Capital**(b) Loan**(c) Asset(d) None of these

77) __________ If all partners mutually decide for the dissolution, it will be dissolution of the ___________
(a) Firm(b) Corporation(c) Government(d) None of these

6 x 2 = 12

78) **Assertion (A)** :The ratio in which the continuing partners acquire the outgoing partner's share is called as Share ratio.
Reason :This ratio is calculated by taking out the difference between new profit sharing ratio and old profit sharing ratio.
(a) Both (A) and (R) are true and (R) is the correct explanation of (A)
(b) Both (A) and (R) are true and (R) is not the correct explanation of (A)
(c) (A) is true, but (R) is false
(d) (A) is false, but (R) is true
Answer : Both (A) and (R) are true and (R) is the correct explanation of (A)

79) **Assertion** :Any amount kept aside as 5. Reserve, General reserve, Reserve fund, contingency reserve etc.,
Reason : t the time. of retirement of a partner, should be transferred to the capital accounts of all partners including retiring partner in the old profit sharing ratio.
(a) Both (A) and (R) are true and (R) is the correct explanation of (A)

(b) Both (A) and (R) are true and (R) is not the correct explanation of (A)
(c) (A) is true, but (R) is false
(d) (A) is false,bur (R) is false
Answer : Both (A) and (R) are true and (R) is the correct explanation of (A)

80) **Assertion** :The retiring partner is entitled for the amount due to him from the firm
Reason : The amount due to the retiring partner is ascertained by preparing his capital account incorporating all the adjustments like the share of Profit.
(a) Both (A) and (R) are true and (R) is the correct explanation of (A)
(b) Both (A) and (R) are true and (R) is not the correct explanation of (A)
(c) (A) is true, but (R) is false
(d) (A) is false, but (R) is true
Answer : (A) is true, but (R) is false

81) **Assertion** : The goodwill appears in the balance sheet at a value more than the present value of goodwill The goodwill appears in thebalance sheet at a value less than the present value of goodwill
Reason : The difference in the goodwill is transferred to all partners in the old ratio
(a) Both (A) and (R) are true and (R) is the correct explanation of (A)
(b) Both (A) and (R) are true and (R) is not the correct explanation of (A)
(c) (A) is true, but (R) is false
(d) (A) is false, but (R) is true
Answer : (A) is false, but (R) is true

82) **Assertion** : The goodwill appears in the balance sheet at a value less than the present value of goodwill.
Reason : The difference in the goodwill is transferred to all partners in the old ratio.
(a) Both (A) and (R) are true and (R) is the correct explanation of (A)
(b) Both (A) and (R) are true and (R) is not the correct explanation of (A)
(c) (A) is true, but (R) is false
(d) (A) is false, but (R) is true
Answer : (A) is false, but (R) is true

83) **Assertion** : The profit or loss on revaluation will be transferred to partners' capital accounts including the retiring partner in the old profit sharing ratio.
Reason : The time of retirement of a partner, undistributed profit or loss of the old firm should be transferred to all partners' capital accounts.
(a) Both (A) and (R) are true and (R) is the correct explanation of (A)
(b) Both (A) and (R) are true and (R) is not the correct explanation of (A)
(c) (A) is true, but (R) is false
(d) (A) is false, but (R) is true
Answer : Both (A) and (R) aretrue and (R) is not the correct explanation of (A)

2 x 2 = 4

84) (a) Transfer of Undistributed Profit or loss
(b) Gaining ratio

(c) Transfer of Accumulated reserves
(d) Treatment of Goodwill
Answer : Gaining ratio
Reason :Gaining ratio is the proportion of the profit which is gained by the continuing partners. Other three are adjustments required on retirement of a partner.

85) (a) Revaluation of assets and liabilities
(b) Adjustment for goodwill
(c) Distribution of accumulated profits, reserves and losses
(d) Separate legal entry
Answer : Separate legal entry
Reason :Company has a separate legal entity which is separate and distinct from its members.Other three are necessary at the time of retirement of a partner.

3 x 1 = 3

86) (a) It is the ratio in which the old partners, have agreed to sacrifice their shares in profit in favour of old partner.
(b) A partner may decide to retire from the firm because of old age, ill health etc. Technically, on retirement.
(c) It is the ratio in which the continuing partners acquire the Incoming partner's share
(d) It is calculated at the time of admission of a old partner.
(a) (i) is correct
(b) (ii) is correct
(c) (i) and (ii) are correct
(d) (i), (ii) and (iii) are correct
(ii) is correct

87) (a) It is calculated to determine the amount of compensation to be paid by each of the continuing partners to the Incoming partner.
(b) The old partnership comes to an end and a new one comes into existence with the remaining partners.
(c) This ratio is calculated by taking out the difference between new profit sharing ratio an Gaining ratio.
(d) It is calculated at the time of retirement of a New partner
(a) (i) is correct
(b) (ii) is correct
(c) (i) and (ii) are correct
(d) (i), (ii) and (iii) are correct
(ii) is correct

88) (a) Atthetimeofretirementofapartner,the partner the remaining partners acquire some portion of the retiring partner's share of profit.
(b) This necessitates the calculation of new profit sharing ratio of the remaining New partners.
(c) where the partnership at will by giving notice in writing to all the old partners of his intention to retire in company.
(d) Certain adjustments have to be made in the books to ascertain the amount due to him from the Company.
(a) (i) is correct

(b) (ii) is correct
(c) (i) and (ii) are correct
(d) (i), (ii) and (iii) are corrrect
(i) is correct

1 x 2 = 2

89)

(a)	**Share gained**	**-New share - Old**
(b)	Gaining ratio	-Ratio of share gained by the continuing partners
(c)	New share	-Old share - Share gained
(d)	Share sacrificed	-Old share x Proportion of share sacrificed

Answer : New share - Old share - Share gained

27 x 2 = 54

90) Vivin, Hari and Joy are partners sharing profits and losses in the ratio of 3:2:1. On 31.3.2017, Hari retired. On the date of retirement, the books of the firm showed a general reserve of Rs. 60,000. Pass the journal entry to transfer the general reserve.

Answer :

Journal entry

Date	**Particulars**		**L.F**	**Debit Rs.**	**Credit RS.**
2017 March 31	General reserve A/c	Dr.		60,000	
	To Vivin's capital A/c (60,000 × 3/6)				30,000
	To Hari's capital A/c (60,000 × 2/6)				20,000
	To Joy's capital A/c (60,000 × 1/6)				10,000
	(General reserve transferred to all partners' capital account in the old profit sharing ratio)				

91) Mary, Meena and Mariam are partners of a firm sharing profits and losses equally. Mary retired from the partnership on 1.1.2019. On that date, their balance sheet showed accumulated loss of Rs. 75,000 on the asset side of the balance sheet. Give the journal entry to distribute the accumulated loss.

Answer :

Journal entry

Date	**Particulars**		**L.F**	**Debit Rs.**	**Credit RS.**
2019 January 1	Mary's capital A/c	Dr.		25,000	
	Meena's capital A/c	Dr.		25,000	
	Mariam's capital A/c	Dr.		25,000	
	To Profit and loss a/c				75,000
	(Accumulated loss transferred to all partners' capital account in the old profit sharing ratio)				

92) Kiran, Vinoth and Vimal are partners sharing profits in the ratio of 5:3:2. Kiran retires and the

new profit sharing ratio between Vinoth and Vimal is 2:1. Calculate the gaining ratio.

Answer : Share gained = New share – Old share

Vinoth $= \frac{2}{3} - \frac{3}{10} = \frac{20-9}{10} = \frac{11}{30}$

Vimal $= \frac{1}{3} - 210 = \frac{10-6}{30} = \frac{4}{30}$

Therefore, the gaining ratio of Vinoth and vimal $\frac{11}{30}$: $\frac{4}{30}$, that is, 11:4

93) Arya, Benin and Charles are partners sharing profits and losses in the ratio of 3:3:2. Charles
retires and his share is taken up by Arya. Calculate the new profit sharing ratio and gaining
ratio of Arya and Benin

Answer : Share gained by Arya =$\frac{2}{8}$

Gaining ratio = $\frac{2}{8}$: 0 that is, $\frac{1}{4}$:0 or 1:0

New share of continuing partner = Old share + Share gained

Arya $= \frac{3}{8} + \frac{2}{8} = \frac{5}{8}$

Benin $= \frac{3}{8} + 0 = \frac{3}{8}$

Therefore, new profit sharing ratio of Arya and Benin is $\frac{5}{8}$: $\frac{3}{8}$that is 5:3

94) Rahul, Ravi and Rohit are partners sharing profits and losses in the ratio of 5:3:2. Rohit retires
and the share is taken by Rahul and Ravi in the ratio of 3:2. Find out the new profit sharing ratio and gaining ratio.

Answer : Rohit's share $\frac{2}{10}$

Share gained = Retiring partner's share × Proportion of share gained

Rahul =$\frac{2}{10} \times \frac{3}{5} = \frac{6}{50}$

Ravi =$\frac{2}{10} \times \frac{2}{5} = \frac{4}{50}$

Gaining ratio $\frac{6}{50}$: $\frac{4}{50}$ that is, 3:2

New share of continuing partners = Old share + Share gained

Rahul $= \frac{5}{10} + \frac{6}{50} = \frac{25+6}{50} = \frac{31}{50}$

Ravi $= \frac{3}{10} + 450 = \frac{15+4}{50} = \frac{19}{50}$

The new profit sharing ratio of Rahul and Ravi is $\frac{31}{50}$: $\frac{19}{50}$ that is 31:19.

95) Kumar, Kesavan and Manohar are partners sharing profits and losses in the ratio of 1/2, 1/3 and 1/6 respectively. Manohar retires and his share is taken up by Kumar and Kesavan equally.
Find out the new profit sharing ratio and gaining ratio.

Answer : Gaining ratio is 1:1 as Manohar's share is taken up by Kumar and Kesavan equally.

Manohar's share = $\frac{1}{6}$

Share gained = Retiring partner's share × Proportion of share gained

Kumar $= \frac{1}{6} \times \frac{1}{2} = \frac{1}{12}$

Kesavan $= \frac{1}{6} \times \frac{1}{2} = \frac{1}{12}$

Therefore, gaining ratio of Kumar and Kesavan $\frac{1}{12}$: $\frac{1}{12}$ that is 1:1

New share of continuing partners = Old share + Share gained

Kumar $= \frac{1}{2} + \frac{1}{12} = \frac{6+1}{12} = \frac{7}{12}$

Kesavan $= \frac{1}{3} + \frac{1}{12} = \frac{4+1}{12} = \frac{5}{12}$

Therefore, new profit sharing ratio of Kumar and Kesavan is $\frac{1}{12} : \frac{1}{12}$ that is 7.5.

96) Raja, Roja and Pooja are partners sharing profits in the ratio of 4:5:3. Roja retires from the firm. Calculate the new profit sharing ratio and gaining ratio.

Answer : Since, new profit sharing ratio, share gained and the proportion of share gained is not given, the new share is calculated by assuming that the share gained is in the proportion of old ratio. Therefore, the new profit sharing ratio and the gaining ratio between the continuing partners, Raja and Pooja is their old profit sharing ratio, that is 4:3.

97) Suresh, Senthamarai and Raj were partners in a firm sharing profits and losses in the ratio of 3:2:1. Suresh retired from partnership. The goodwill of the firm on the date of retirement was valued at Rs. 36,000. Pass necessary journal entries for goodwill on the assumption that the fluctuating capital system is followed.

Answer : As the new profit sharing ratio and gain made by the continuing partners is not mentioned, it is assumed that they gain in their old profit sharing ratio of 2:1. Therefore, gaining ratio is 2:1.

Suresh's share of goodwill $= 36000 \times \frac{3}{6} = Rs.18000$

Journal Entries

Date	Particulars		L.f	Debit Rs.	Credit Rs.
	Senthamari's capital A/c (18,000 × 2/3)	Dr.		12,000	
	Raj's capital A/c (18,000 × 1/3)	Dr.		6,000	
	To Suresh's capital A/c				18,000
	(Suresh's share of goodwill adjusted)				

98) Naresh, Mani and Muthu are partners in a firm sharing profits and losses in the ratio of 2:2:1. On 31st March 2019, Muthu retires from the firm. On the date of Muthu's retirement, goodwill appeared in the books of the firm at Rs.40,000. By assuming fluctuating capital method, pass the necessary journal entry if the partners decide to
(a) write off the entire amount of existing goodwill
(b) write off half of the amount of existing goodwill.

Answer : (a) Write off the entire amount of existing goodwill

Journal entry

Date	Particulars		L.F	Debit Rs.	Credit Rs.
2019 March 31	Naresh's capital A/c (40,000 × 2/5)	Dr.		16,000	
	Mani's capital A/c (40,000 × 2/5)	Dr.		16,000	
	Muthu's capital A/c (40,000 × 1/5)	Dr.		8,000	
	To Goodwill A/c				40,000
	(Existing goodwill written off)				

(b) Write off half of the amount of existing goodwill, that is Rs.20,000

Journal entry

Date	Particulars		L.F	Debit Rs.	Credit Rs.

Date	Particulars		L.F	Debit Rs.	Credit Rs.
2019 March 31	Naresh’s capital A/c (20,000 × 2/5)	Dr.		8,000	
	Mani’s capital A/c (20,000 × 2/5)	Dr.		8,000	
	Muthu’s capital A/c (20,000 × 1/5)	Dr.		4,000	
	To Goodwill A/c				20,000
	(Half of the existing goodwill written off)				

99) What is meant by retirement of a partner?
Answer : When a partner leaves from a partnership firm it is known as retirement. The reasons for the retirement of a partner may be illness, old age better opportunity elsewhere, disagreement with other partners, etc.

100) What is gaining ratio?
Answer : The continuing partners may again a portion of the share of profit of the retiring partner. The gain may be shared by all the partners or some of the partners. Gaining ratio is the proportion of the profit which is gained by the continuing partners

101) What is the purpose of calculating gaining ratio?
Answer : The purpose of finding the gaining ratil: > is to bear the goodwill to be paid to the retiring partner.
The share gained is calculated as follows:
Share gained = New share - Old share
Gaining ratio = Ratio of share gained bythe continuing partners.

102) What is the journal entry to be passed to transfer the amount due to the deceased partner to the executor of the deceased partner?
Answer : To transfer the amount due to the deceased partner to the executor or legal representative of the deceased partner

Date	Particulars	L.F	Debit Rs	Credit Rs
	Deceased partner's capital AI c Dr.		xxx	
	To Deceased partner's executor's AI c			xxx

103) Dheena, Surya and Janaki are partners sharing profits and losses in the ratio of 5:3:2. On 31.3.2018, Dheena retired. On the date of retirement, the books of the firm showed a reserve fund of Rs. 50,000. Pass journal entry to transfer the reserve fund.
Answer :

Journal entry

Date	Particulars	L.F	Debit Rs	Credit Rs
2018	General reserve A/c Dr		50,000	
March 31	To Dheena A/c (50,000 x 5110)			25,000
	To Surya A/c (50,000 x 3110)			15,000

Date	Particulars	L.F	Debit Rs	Credit Rs
	To Janaki A/c (50,000 x 2110) (General reserve transferred to all partner's capital account in the profit sharing ratio)			10,000

104) Rosi, Rathi and Rani are partners of a firm sharing profits and losses equally. Rathi retired from the partnership on 1.1.2018. On that date, their balance sheet showed accumulated loss of Rs. 45,000 on the asset side of the balance sheet. Give the journal entry to distribute the accumulated loss.

Answer :

Journal entry

Date	Particulars	L.F	Debit Rs	Credit Rs
2018 January	Rosi Alc (45,000) Dr RathiA/c Dr RaniA/c Dr To Profit and loss Alc (Accumulated loss transferred to all partner's capital account in the old profit sharing ratio)		15,000 15,000 15,000	 45,000

105) Kayal, Mala and Neela are partners sharing profits in the ratio of 2:2:1. Kayal retires and the new profit sharing ratio between Nila and Neela is 3:2. Calculate the gaining ratio.

Answer : Share gained = New share - Old share

Mala = $\frac{3}{5}-\frac{1}{5}=\frac{1}{5}$

Neela = $\frac{2}{5}-\frac{1}{5}=\frac{1}{5}$

Therefore, the gaining ratio of Mala and Neela is 1:1

106) Sunil, Sumathi and Sundari are partners sharing profits in the ratio of 3:3:4. Sundari retires and her share is taken up entirely by Sunil. Calculate the new profit sharing ratio and gaining ratio

Answer : Share gained by Sunil = $\frac{4}{10}$

Gaining ratio = $\frac{4}{10}$:0 that is, 4 : 0

New share of continuing partner = Old share + Share gained

Sunil = $\frac{3}{10}+\frac{4}{10}=\frac{7}{10}$

Sumathi = $\frac{3}{10}+0=\frac{3}{10}$

Therefore, new profit sharing ratio of Sunil and Sumathi is $\frac{7}{10}, \frac{3}{10}$

107) Ramu, Somu, Gopu are partners sharing profits in the ratio of 3:5:7. Gopu retires and the share is purchased by Ramu and Somu in the ratio of 3:1. Find the new profit sharing ratio and gaining ratio

Answer : Gopu 's share = $\frac{7}{15}$

Share gained = Retiring partner's share x proportion of share gained

Ramu= $\frac{7}{15} \times \frac{3}{4} = \frac{21}{60}$

Sornu = $\frac{7}{15} \times \frac{7}{4} = \frac{7}{60}$

Gaining ratio = $\frac{21}{60} : \frac{7}{60}$ that I.S 3 : 1

New share of continuing partner = Old share + Share gained

Ramu = $\frac{3}{15} + \frac{21}{60} = \frac{12}{21} = \frac{33}{60} = \frac{11}{20}$

Somu = $\frac{5}{15} + \frac{7}{60} = \frac{20+7}{60} = \frac{27}{60} = \frac{9}{20}$

The new ratio of Ramu and Somu is $\frac{11}{20} : \frac{9}{20}$ that is 11 : 9

108) Navin, Ravi and Kumar are partners sharing profits in the ratio of 1/2, 1/4 and 1/4 respectively. Kumar retires and his share is taken up by Navin and Ravi equally. Calculate the new profit sharing ratio and gaining ratio.

Answer : Gaining ratio is 1 : 1 as kurnars share is taken up by Navin and Ravi equally.

Kumar's share = $\frac{1}{4}$

Share gained = Retiring partner's share x proportion of share gained

Navin = $\frac{1}{4} \times \frac{1}{2} = \frac{1}{8}$

Ravi = $\frac{1}{4} \times \frac{1}{2} = \frac{1}{8}$

New share of continuing partner = old share + share gained

Navin = $\frac{1}{2} + \frac{1}{8} = \frac{4+1}{8} = \frac{5}{8}$

Ravi = $\frac{1}{4} + \frac{1}{8} = \frac{2+1}{8} = \frac{3}{8}$

Therefore, new ratio of Navin and Ravi is $\frac{5}{8} : \frac{3}{8}$ that is 5: 3

109) Mani, Gani and Soni are partners sharing the profits and losses in the ratio of 4:5:6. Mani retires from the firm. Calculate the new profit sharing ratio and gaining ratio.

Answer : Since, New profit sharing ratio, share gained and the proportion of share gained is not given, the new share is calculated by

assuming that the share gained in the proportion of old ratio.
Therefore the new profit sharing ratio and the gaining ratio between the continuing partners, Gani and Soni is their old profit sharing ratio, that is 5 : 6.

110) What is New profit sharing ratio?

Answer : New profit sharing ratio is the agreed proportion in which future profit will be distributed to the continuing partners

111) Who is an outgoing partner?

Answer : A person who is retired from the firm is known as an outgoing partners or retiring partners.

112) How can a partner retire from the firm? (Any two)

Answer : A partner may retire from the firm:
(i) With the consent of all the partners.
(ii) In accordance with an express agreement by the partners.

113) If the retiring partner is not paid the full amount due to him immediately on retirement, how should his capital account be shown in subsequent balance sheet?

Answer : If the retiring partner is not paid fully immediately on retirement, then the remaining balance of his capital account will be transferred to his loan account and will be shown as his loan on the liabilities side . of the balance sheet of the firm

114) Name the account which is opened to credit the share of profit of the deceased partner, till the time of death to his capital account.

Answer : Profit and loss suspense account is opened to credit the share of profit of the deceased partner

115) For which share of goodwill, a partner is entitled at the time of his retirement?

Answer : At the time of retirement a partner is entitled to get an amount equal to his share in profits out of firm's goodwill

116) Raji, Mohana, Sonu were partners in a firm sharing profits in the ration of 4;3;2 Mohana retired. Her share was taken over equally by Raji and Sonu. In which ratio will be profit or loss on revaluation of assets and liabilities on the retirement of Mohana be transferred to the capital accounts of the partners.

Answer : The profit or loss on revaluation of assets and liabilities on the retirement of Mohana will be transferred to the capital accounts of the partners in their old ratio i.e. 4:3:2.

17 x 3 = 51

117) Prince, Dev and Sasireka are partners in a firm sharing profits and losses in the ratio of 2:4:1. Their balance sheet as on 31st March, 2019 is as follows:

Liabilities	Rs.	Rs.	Assets	Rs.
Capital accounts			Buildings	40,000
Prince	30,000		Plant	50,000
Dev	50,000		Furniture	10,000
Sasireka	20,000	1,00,000	Stock	15,000
Profit and loss appropriation A/c		10,000	Debtors	20,000

Liabilities	Rs.	Rs.	Assets	Rs.
General reserve		15,000	Cash at bank	15,000
Workmen compensation fund		17,000		
Sundry creditors		8,000		
		1,50,000		1,50,000

Answer :

Journal entry

Date	Particulars		L.F	Debit Rs.	Credit RS.
2019 March 31	Profit and loss appropriation A/c	Dr.		10,000	
	General reserve A/c	Dr.		55,000	
	Workmen compensation fund A/c	Dr.		17,000	
	To Prince's capital A/c (42,000 × 2/7)				12,000
	To Dev's capital A/c (42,000 × 4/7)				24,000
	To Sasireka's capital A/c (42,000 × 1/7)				6,000
	(Accumulated profits and reserve transferred to allpartners' capital account in the old profit sharing ratio)				

118) Ramya, Sara and Thara are partners sharing profits and losses in the ratio of 5:3:2.
On 1st April 2018, Thara retires and on retirement, the following adjustments are agreed upon:
(i) Increase the value of premises by Rs. 40,000.
(ii) Depreciate stock by Rs. 3,000 and machinery by Rs. 6,500.
(iii) Provide an outstanding liability of Rs. 500
Pass journal entries and prepare revaluation account.
Answer :

Date	Particulars		L.F	Debit Rs.	Credit Rs.
2018 April 1	Premises A/c	Dr.		40,000	
	To Revaluation A/c				40,000
	(Value of premises increased)				
"	Revaluation A/c	Dr.		10,000	
	To Stock A/c				3,000
	To Machinery A/c				6,500
	To Outstanding liability A/c				500
	(Decrease in value of assets and outstanding liability recorded)				
"	Revaluation A/c	Dr.		30,000	
	To Ramya's capital A/c				15,000
	To Sara's capital A/c				9,000
	To Thara's capital A/c				6,000
	(Profit on revaluation distributed)				

Dr. Revaluation account Cr.

Particulars	Rs.	Rs.	Particulars	Rs.
To Stock A/c		3,000	By Premises A/c	40,000
To Machinery A/c		6,500		
To Outstanding liability A/c		500		
To Profit on revaluation transferred to				
Ramya's capital A/c (5/10)	15,000			
Sara's capital A/c (3/10)	9,000			
Thara's capital A/c (2/10)	6,000	30,000		
		40,000		40,000

119) Prabu, Ragu and Siva are partners sharing profits and losses in the ratio of 3:2:1. Prabu retires from partnership on 1st April 2017. The following adjustments are to be made:

(i) Increase the value of building by Rs. 12,000

(ii) Reduce the value of furniture by Rs. 8,500

(iii) A provision would also be made for outstanding salary for Rs. 6,500.

Give journal entries and prepare revaluation account.

Answer :

Journal entries

Date	Particulars		L.F	Debit Rs.	Credit Rs.
2017 April 1	Building A/c	Dr.		12,000	
	To Revaluation A/c				12,000
	(Increase in the value of building accounted)				
"	Revaluation A/c	Dr.		15,000	
	To Furniture A/c				8,500
	To Outstanding salary A/c				6,500
	(Reduction in the value of furniture and outstanding salary accounted)				
"	Prabu’s capital A/c	Dr.		1,500	
	Ragu’s capital A/c	Dr.		1,000	
	Siva’s capital A/c	Dr.		500	
	To Revaluation A/c				3,000
	(Loss on revaluation transferred to capital accounts)				

Dr. Revaluation Account Cr.

Particulars	Rs.	Particulars	Rs.	Rs.
To Furniture A/c	8,500	By Building A/c		12,000
To Outstanding salary A/c	6,500	By Loss on revaluation transferred to		
		Prabu’s capital A/c (3/6)	1,500	
		Ragu’s capital A/c (2/6)	1,000	

Particulars	Rs.	Particulars	Rs.	Rs.
		Siva's capital A/c (1/6)	500	3,000
	15,000			15,000

120) Justina, Navi and Rithika are partners sharing profits and losses equally. On 31.3.2019, Rithika retired from the partnership firm. Profits of the preceding years is as follows:
2016: Rs. 5,000; 2017: Rs. 10,000 and 2018: Rs. 30,000
Find out the share of profit of Ritika for the year 2019 till the date of retirement if
(a) Profit is to be distributed on the basis of the previous year's profit
(b) Profit is to be distributed on the basis of the average profit of the past 3 years
Also pass necessary journal entries by assuming that partners' capitals are fluctuating. Accountancy

Answer : (a) If profit is to be distributed on the basis of the previous year's profit:
Ritika's share of profit for 3 months $= 30000 \times \frac{3}{12} \times \frac{1}{3} = Rs.2,500$

Date	Particulars		L.F	Debit Rs.	Credit Rs.
2019 March 31	Profit and loss Suspense A/c	Dr.		2,500	
	To Rithika's capital A/c (Rithika's current year share of profit credited to her capital account)				2,500

(b) If profit is to be distributed on the basis of the average profit of the past 3 years:
Average profit : $= \frac{5,000+10,000+30,000}{3}$
=15,000
Ritika's share of profit for 3 months$= 15000 \times \frac{3}{12} \times \frac{1}{3} = Rs.1,250$

Date	Particulars		L.F	Debit Rs.	Credit Rs.
2019 March 31	Profit and loss Suspense A/c	Dr.		1,250	
	To Rithika's capital A/c (Rithika's current year share of profit credited to her capital account)				1,250

121) Kavitha, Kumudha and Lalitha are partners sharing profits and losses in the ratio of 5:3:3 respectively. Kumudha retires from the firm on 31st December, 2018. On the date of retirement, her capital account shows a credit balance of Rs. 2,00,000. Pass journal entries if:
i) The amount due is paid off immediately by cheque.
ii) The amount due is not paid immediately.
iii) Rs.70,000 is paid immediately by cheque

Answer :

Journal entries

Date	Particulars		L.F	Debit Rs.	Credit Rs.
2018 Dec. 31	(i) Kumudha's capital A/c	Dr.		2, 00,000	
	To Bank A/c				2,00,000
	(Amount due paid immediately)				
"	(ii) Kumudha's capital A/c	Dr.		2,00,000	
	To Kumudha's loan A/c				2,00,000
	(Amount due transferred to loan account)				
"	(iii) Kumudha's capital A/c			2,00,000	
	To Bank A/c				70,000
	To Kumudha's loan A/c				1,30,000
	(Rs. 70,000 paid and the balance transferred to loan account)				

122) Rathna, Baskar and Ibrahim are partners sharing profits and losses in the ratio of 2:3:4 respectively. Rathna died on 31st December, 2018. Final amount due to her showed a credit balance of Rs. 1,00,000. Pass journal entries if,
(a) The amount due is paid off immediately by cheque.
(b) The amount due is not paid immediately.
(c) Rs. 60,000 is paid immediately by cheque.
Answer :

Journal entries

Date	Particulars		L.F	Debit Rs.	Credit Rs.
	(a) Rathna's Executor A/c	Dr.		1,00,000	
	To Bank A/c				1,00,000
	(Amount due paid immediately)				
	(b) Rathna's Executor A/c	Dr.		1,00,000	
	To Rathna's Executor loan A/c				1,00,000
	(Amount due transferred to loan account)				
	(c) Rathna's Executor A/c			1,00,000	
	To Bank A/c				60,000
	To Rathna's Executor loan A/c				40,000
	(Rs. 60,000 paid and the balance transferred to loan account)				

123) List out the adjustments made at the time of retirement of a partner in a partnership firm.
Answer : The following adjustments are necessary at the time of retirement of a partner.
(i) Distribution of accumulated profits, reserves and losses.
(ii) Revaluation of assets and liabilities.
(Hi) Determination of new profit sharing ratio and gaining ratio.
(iv) Adjustment for goodwill.
(v) Adjustment for current year's profit or loss upto the date of retirement.
(vi) Settlement of the amount due to the retiring partner.

124) Distinguish between sacrificing ratio and gaining ratio.

Answer :

Basic		**Sacrificing ratio**	**Gaining ratio**
1.	Meaning	It is the proportion of the profit which is sacrificed by the old partners in favour of a new partner	It is the proportion of the profit which is gained by the continuing partners from the retiring partner
2.	Purpose	It is calculated to determine the amount to be adjusted towards goodwill for the sacrificing partners	It is calculated to determine the amount to be adjusted towards goodwill for the gaining partners
3.	Method of Calculation	It is the difference between the old ratio and the new ratio Sacrificing ratio = Old profit sharing ratio - New profit sharing ratio	It is the difference between the new ratio and the old ratio Gaining ratio = New profit sharing ratio - Old profit sharing ratio
4.	Time of calculation	It is calculated at the time of admission of a new partner	It is calculated at the time of retirement of a partner

125) What are the ways in which the final amount due to an outgoing partner can be settled?

Answer : The amount due to the retiring partner may be settled in one of the following ways.

(i) Paying the entire amount due immediately in cash.

(ii) Transfer the entire amount due to the loan account of the partner.

(iii) Paying part of the amount immediately in cash and transferring the balance to the loan account of the partner.

The journal entries to be made are as follows

(a) When the amount due is paid in cash immediately

Date	**Particulars**	**L.F**	**Debit Rs**	**Credit Rs**
	Retiring partner's capital A/c Dr To Cash I Bank A/C		XXX	 XXX

(b) When the amount due is not paid immediately in cash

Date	**Particulars**	**L.F**	**Debit Rs**	**Credit Rs**
	Retiring partner's capital A/c Dr To Retiring partner's loan Ale		XXX	 XXX

(c) When the amount due is partly paid in cash immediately

Date	**Particulars**	**L.F**	**Debit Rs**	**Credit Rs**
	Retiring partner's captalAlc Dr To Cash I Bank A/c (amount paid) To Retiring partner's loan Alc		XXX	 XXX XXX

Retiring partner's loan account will appear on the liabilities side o the balance sheet prepared after retirement till it is completely settled

126) Akash, Mugesh and Sanjay are partners in a firm sharing profits and losses in the ratio of 3:2:1. Their balance sheet as on 31st March, 2017 is as follows:

Liabilities	**Rs.**	**Rs.**	**Asset**	**Rs.**
Capital accounts:			Buildings	1,10,000

Liabilities	Rs.	Rs.	Asset	Rs.
Akash	40,000		Vehicle	30,000
Mugesh	60,000		Stock in trade	26,000
Sanjay	30,000	1,50,000	Debtors	25,000
Profit and loss appropriation A/c		12,000	Cash in hand	15,000
General reserve		24,000		
Workmen compensation fund		18,000		
Bills payable		2,000		
		2,06,000		2,06,000

Pass journal entry to transfer accumlatetd Profit and prepare the capital account of the partners

Answer :

Journal Entries

Date	Particulars	L.F	Debit Rs	Credit Rs
2017 March 31	Profit and Loss appropriation A/c Dr General reserve Ale Dr Workmen compensation fund Dr To Akash's capital A/c(54,000 x 3/6) To Mugesh's capital A/c (54,000 x 2/6) To Sanjay's capital A/c (54,000 x 116) (Accumulated profits and reserve transferred to all partner's capital account in the old profit sharing ratio)		12,000 24,000 18,000	 27,000 18,000 9,000

Dr Capital Account Cr

Particulars	Akash Rs	Mukesh Rs	Sanjay Rs	Particulars	Akash Rs	Mukesh Rs	Sanjay Rs
To Balance c/d	67,000	78,000	39,000	By Balance b/d	40,000	60,000	30,000
				By Accumulated profit and loss A/c	27,000	18,000	9,000
	67,000	78,000	39,000		67,000	78,000	39,000
				By Balance bid	67,000	78,000	39,000

127) Roja, Neela and Kanaga are partners sharing profits and losses in the ratio of 4:3:3. On 1st April 2017, Roja retires and on retirement, the following adjustments are agreed upon.

(i) Increase the value of building by Rs. 30,000.

(ii) Depreciate stock by Rs. 5,000 and furniture by Rs. 12,000.

(iii) Provide an outstanding liability of Rs. 1,000

Pass journal entries and prepare revaluation account.

Answer :

Journal entries

Date	Particulars		L.F	Debit Rs	Credit Rs
2017 April 1	BudingAlc	Dr		30,000	
	To Revaluation Al c				30,000
	(Value of building inreased)				
2017 April1	Revaluation A/c	Dr		18,000	
	To Stock A/c				5,000
	To Furniture A/c				12,000
	To Outstanding liability Alc				1,000
	(Decrease in value of assets and outstanding liability recorded				
2017 April1	Revaluation a/c	Dr		12,000	
	To Roja's capital A/c				4,800
	To Neela's capital A/c				3,600
	To Kanaga's capital A/c				3,600
	(profit on recaluation distributed)				

Dr Revaluation Account Cr

Particulars	Rs	Rs	Particulars	Rs
To Stock A/c		5,000	By Building A/c	30,000
To Furniture A/c		12,000		
To Outstanding liability A/c		1,000		
To Profit on revaluation transferred to				
Roja's capital A/c (12,000 X 4/10)	4,800			
Neela's capital A/c (12,000 x 3110	3,600			
Kanaga's capital A/c (12,000 x 3110	3,600			
		12,000		
		30,000		30,000

128) Vinoth, Karthi and Pranav are partners sharing profits and losses in the ratio of 2:2:1. Pranav retires from partnership on 1st April 2018. The following adjustments are to be made.

(i) Increase the value of land and building by Rs. 18,000

(ii) Reduce the value of machinery by Rs. 15,000

(iii) A provision would also be made for outstanding expenses for Rs. 8,000.

Give journal entries and prepare revaluation account.

Answer :

Journal entries

Date	Particulars		L.F	Debit Rs	Credit Rs
2018 April 1	Land and building A/c	Dr		18,000	

Date	Particulars		L.F	Debit Rs	Credit Rs
	To Revaluation A/c (Increase in the value of building accounted)				18,000
2018 April 1	Revaluation A/c	Dr.		23,000	
	To Machinery A/c To Outstanding expenses A/c (Reduction in the value of machinery and outstanding expenses accounted)				15,000 8,000
2018 April 1	Vinoth's capital A/c	Dr		2,000	
	Karthi's capital A/c Pranar's capital A/c To Revaluation A/c (Loss on revaluation transferred to capital accounts)	Dr. Dr		2,000 1,000	5,000

Dr Revaluation A/c Cr

Particulars	Rs	Particulars	Rs	Rs
To Machinery A/c	15,000	By Land and building A/c		
To Outstanding expenses A/c	8,000	By Loss on revaluation transferred to		
		Vinoth's capital Al/c (5,000 x 2/5)	2,000	
		Karthi's capital A/c (5,000 x 2/5)	2,000	
		Prana's capital A/c (5,000 x 1/5)	1,000	
				5,000
	23,000			23,000

129) Rajan, Suman and Jegan were partners in a firm sharing profits and losses in the ratio of 4:3:2. Suman retired from partnership. The goodwill of the firm on the date of retirement was valued at Rs. 45,000. Pass necessary journal entries for goodwill on the assumption that the fluctuating capital method is followed.

Answer : As the new profit sharing ratio and gain made by the continuing partner is not mentioned, it is assumed that they gain in their old profit sharing ratio of 4:2. Therefore, gaining ratio

Suman's share goodwill = $$45000 \times \frac{3}{9} = Rs.15,000$$

Journal entry

Date	Particulars		L.F	Debit Rs	Credit Rs
	Rajan's capital A/c (15,000 x 4/6)	Dr		10,000	

Date	Particulars		L.F	Debit Rs	Credit Rs
	lagan's capital A/c (15,000 x 2/6) To Suman's capital A/c (Suman's share of goodwill is adjusted)	Dr		5,000	 15,000

130) Balu, Chandru and Nirmal are partners in a firm sharing profits and losses in the ratio of 5:3:2. On 31st March 2018, Nirmal retires from the firm. On the date of Nirmal's retirement, goodwill appeared in the books of the firm at Rs. 60,000. By assuming fluctuating capital account, pass the necessary journal entry if the partners decide to

(a) write off the entire amount of existing goodwill

(b) write off half of the existing goodwill

Answer : a)

Journal entry

Date	Particulars		L.F	Depit Rs	Credit Rs
2018 March 31	Balu's capital A/c (60,000 x 5/10) Chandru's capital A/c (60,000 x 3/10 Nirmal's capital A/c (60,000 x 21/10 To Goodwill A/c (Existing goodwill written off)	Dr. Dr Dr		30,000 18,000 12,000	 60,000

b)

Journal entry

Date	Particulars		L.F	Debit Rs	Credit Rs
2018 March 31	Balus capital Alc $\left(30,000 \times \frac{5}{10}\right)$ Chandru's capital A/c $\left(30,000 \times \frac{3}{10}\right)$ Nirmal's capital A/c $\left(30,000 \times \frac{2}{10}\right)$ To Goodwill A/c (Half of the existing goodwill written off)	Dr Dr Dr		15,000 9,000 6,000	

131) Rani, Jaya and Rathi are partners sharing profits and losses in the ratio of 2:2:1. On 31.3.2018, Rathi retired from the partnership. Profit of the preceding years is as follows: 2014: 10,000; 2015: Rs. 20,000; 2016:Rs.18,000 and 2017: Rs. 32,000 Find out the share of profit of Rathi for the year 2018 till the date of retirement if

(a) Profit is to be distributed on the basis of the previous year's profit

(b) Profit is to be distributed on the basis of the average profit of the past 4 years

Also pass necessary journal entries by assuming partners capitals are fluctuating.

Answer : (a) If profit is to be distributed on the basis of the previous

year's profit
Rathi's share of profit for 3 months
= $32,000 \frac{3}{12} \times \frac{1}{5} = Rs.100$

Date	Particulars		L.F	Debit Rs	Creditl Rs
2018 March 31	Profit and loss suspense A/c To Rathi's capital A/c (Rathi's current year share of profit credited to her capital account)	Dr		1,600	 1,600

(b) If profit is to be distributed on the basis of average profit of the past 4 years
Average profit = $\frac{10,000 + 20,00 + 18,000 + 32,000}{4}$

= $\frac{80,000}{4} = Rs20,000$

Rathi's share of profit for 3 months
= $20,000 \times \frac{1}{5} \times \frac{3}{13} = Rs.1000$

Date	Particulars	L.F	Debit Rs	Credit Rs
2018 March 31	Profit and loss suspense A/c Dr. To Rathi's capital A/c (Rathi's current year share of profit credited to her capital account)		1,000	 1,000

132) Kavin, Madhan and Ranjith are partners sharing profits and losses in the ratio of 4:3:3 respectively. Kavin retires from the firm on 31st December, 2018. On the date of retirement, his capital account shows a credit balance of Rs. 1,50,000. Pass journal entries if:
(a) The amount due is paid off immediately.
(b) The amount due is not paid immediately.
(c) Rs.1,00,000 is paid and the balance in future.

Answer :

Journal entries

Date	Particulars		L.F	Debit Rs	Credit Rs
2018 Dec.31	(i) Kavin's capital A/c To Bank Ale (Amount due paid immediately)	Dr.		1,50,000	 1,50,000
2018	(ii) Kavins capital A/c To Kavins loan A/c (Amount due transferred to loan account)	Dr		1,50,000	 1,50,000
2018 Dee.31	(iii) Kavins capital A/c To Bank A/c To Kavins loan A/c	Dr		1,50,000	 1,00,000 50,000

Date	Particulars		L.F	Debit Rs	Credit Rs
	(Rs 1,00,000 paid and the balance transferred to Ian account)				

133) Janani, Janaki and Jamuna are partners sharing profits and losses in the ratio of 3:3:1 respectively. Janaki died on 31st December, 2017. Final amount due to her showed a credit balance of Rs. 1,40,000. Pass journal entries if,
(a) The amount due is paid off immediately.
(b) The amount due is not paid immediately.
(c) Rs. 75, 000 is paid and the balance in future.
Answer :

Journal entries

Date	Particular		L.F	Debit Rs	Credit Rs
31st Dec 2017	(a)Janaki's Executor's A/c			1,40,000	
	To BankA/c				1,40,000
	(Amount due paid immediately)				
31st Dec 2017	(b) [anaki's Executor's A/c	Dr		1,40,000	
	To Ianakis Executor's loan A/c				1,40,000
	(Amount due transferred to loan account)				
31st Dec 2017	(c) [anaki's Executor's Alc	Dr			
	To Bank A/c			1,40,000	75,000
	To [anaki's Executor's loan A/c (Rs.75,000 paid and the balance transferred to loan account)				65,000

25 x 5 = 125

134) John, James and Raja are partners in a firm sharing profits and losses equally. Their balance sheet as on 31st March, 2019 is as follows:
Raja retired on 31st March, 2019 subject to the following conditions:
(i) Machinery is valued at Rs. 1,30,000
(ii) Value of office equipment is brought down by Rs. 2,000
(iii) Provision for doubtful debts should be increased to Rs. 3,000
(iv) Investment of Rs. 25,000 not recorded in the books is to be recorded now
Pass necessary journal entries and prepare revaluation account.
Answer :

Journal entries

Date	Particulars		L.F	Debit Rs.	Credit Rs.
2019 March 31	Revaluation A/c	Dr.		13,000	
	To Machinery A/c				10,000

Date	Particulars		L.F	Debit Rs.	Credit Rs.
	To Office equipment A/c				2,000
	To Provision for doubtful debts A/c				1,000
	(Depreciation on machinery and furniture andprovision made for doubtful debts adjusted)				
"	Investments A/c	Dr.		25,000	
	To Revaluation A/c				25,000
	(Unrecorded investments brought into accounts)				
"	Revaluation A/c	Dr.		12,500	
	To John's capital A/c				4,000
	To James's capital A/c				4,000
	To Raja's capital A/c				4,000
	(Profit on revaluation transferred to capital accounts)				

Dr. Revaluation Account Cr.

Particulars	Rs.	Rs.	Particulars	Rs.
To Machinery A/c		10,000	By Investments A/c	25,000
To Office equipment A/c		2,000		
To Provision for doubtful debts		1,000		
To Profit on revaluation transferred to				
John's Capital A/c (1/3)	4,000			
James Capital A/c (1/3)	4,000			
Raja's Capital A/c (1/3)	4,000	12,000		
		25,000		25,000

135) Mani, Rama and Devan are partners in a firm sharing profits and losses in the ratio of 4:3:3. Their balance sheet as on 31st March, 2019 is as follows:

Liabilities	Rs.	Rs.	Asset	Rs.
Capital accounts:			Buildings	80,000
Mani	50,000		Stock	20,000
Rama	50,000		Furniture	70,000
Devan	50,000	1,50,000	Debtors	20,000
Sundry creditors		20,000	Cash in hand	10,000
Profit and loss A/c		30,000		
		2,00,000		2,00,000

Mani retired from the partnership firm on 31.03.2019 subject to the following adjustments:

(i) Stock to be depreciated by Rs. 5,000

(ii) Provision for doubtful debts to be created for Rs. 1,000.

(iii) Buildings to be appreciated by Rs. 16,000

(iv) The final amount due to Mani is not paid immediately

Prepare revaluation account and capital account of partners after retirement.

Answer :

Dr. Revaluation Account Cr.

Particulars	Rs.	Rs.	Particulars	Rs.
To Stock A/c		5,000	By Buildings A/c	16,000
To Provision for doubtful debts A/c		1,000		
To Profit on revaluation transferred to				
Mani's capital A/c (4/10)	4,000			
Rama's capital A/c (3/10)	3,000			
Devan's capital A/c (3/10)	3,000	10,000		
		16,000		16,000

Dr. Capital Account Cr.

Particulars	Mani Rs.	Rama Rs.	Devan Rs.	Particulars	Mani Rs.	Rama Rs.	Devan Rs.
To Mani's loan A/c	66,000			By Balance b/d	50,000	50,000	50,000
To Balance c/d		62,000	62,000	By Revaluation A/c	4,000	3,000	3,000
				By Profit and loss A/c	12,000	9,000	9,000
	66,000	62,000	62,000		66,000	62,000	62,000
				By Balance b/d		62,000	62,000

136) Charles, Muthu and Sekar are partners, sharing profits in the ratio of 3:4:2. Their balance sheet as on 31st December, 2018 is as under:

Liabilities	Rs.	Rs.	Asset	Rs.
Capital accounts:			Furniture	20,000
Charles	30,000		Stock	40,000
Muthu	40,000		Debtors	30,000
Sekar	20,000	90,000	Cash at bank	42,000
Workmen compensation fund		27,000	Profit and loss A/c (loss)	18,000
Sundry creditors		33,000		
		1,50,000		1,50,000

On 1.1.2019, Charles retired from the partnership firm on the following arrangements.

(i) Stock to be appreciated by 10%

(ii) Furniture to be depreciated by 5%

(iii) To provide Rs.1,000 for bad debts

(iv) There is an outstanding repairs of Rs. 11,000 not yet recorded

(v) The final amount due to Charles was paid by cheque

Prepare revaluation account, partners' capital account and the balance sheet of the firm after retirement.

Answer :

Dr. Revaluation Account Cr.

Particulars	Rs.	Rs.	Particulars		Rs.

Particulars	Rs.	Rs.	Particulars		Rs.
To Furniture A/c		1,000	By Stock A/c		4,000
To Provision for bad debts A/c		1,000	By Loss on revaluation transferred to		
To Outstanding repairs		11,000	Charles capital A/c (3/9)	3,000	
			Muthu's capital A/c (4/9)	4,000	
			Sekar's capital A/c (2/9)	2,000	9,000
		13,000			13,000

Dr. Capital Account Cr.

Particulars	Charles Rs.	Muthu Rs.	Sekar Rs.	Particulars	Charles Rs.	Muthu Rs.	Sekar Rs.
To Profit and loss A/c	6,000	8,000	4,000	By Balance b/d	30,000	40,000	20,000
To Revaluation A/c (loss	3,000	4,000	2,000	By Workmen's compensation fund	9,000	12,000	6,000
To Bank	30,000	-	-				
		40,000	**20,000**				
	39,000	52,000	26,000		39,000	52,000	26,000
				By Balance b/d	-	40,000	20,000

Balance Sheet as on 1st January 2019

Liabilities	Rs.	Rs.	Asset	Rs.	Rs.
Capital accounts:			Furniture	20,000	
Muthu	40,000		Less: Depreciation	1,000	19,000
Sekar	20,000	60,000	Stock	40,000	
Sundry creditors		33,000	Add: Appreciation	4,000	44,000
Outstanding repairs		11,000	Debtors	30,000	
			Less: Provision for bad debts	1,000	29,000
			Cash at bank	42,000	
			Less: Amount paid to Charles	30,000	
		1,04,000			1,04,000

137) Raghu, Ravi and Ramesh are partners in a firm sharing profits and losses in the ratio of 2:3:1. Their balance sheet as on 31st March, 2019 was as follows:

Liabilities	Rs.	Rs.	Asset	Rs.	Rs.
Capital accounts:			Buildings		60,000
Raghu	30,000		Machinery		70,000
Ravi	40,000		Stock		20,000
Ramesh	20,000	90,000			
Reserve fund		36,000	Debtors	18,000	

Liabilities	Rs.	Rs.	Asset	Rs.	Rs.
Sundry creditors		33,000	Less Provision for bad debts	1,000	
		1,76,000			1,76,000

Ramesh retires on 31.3.2019 subject to the following conditions:
(i) Goodwill of the firm is valued at Rs.24,000
(ii) Machinery to be depreciated by 10%
(iii) Buildings to be appreciated by 20%
(iv) Stock to be appreciated by Rs. 2,000
(v) Provision for bad debts to be raised by Rs.1,000
(vi) Final amount due to Ramesh is not paid immediately
Prepare the necessary ledger accounts and show the balance sheet of the firm after retirement.

Answer :

Dr. Revaluation Account Cr.

Particulars	Rs.	Rs.	Particulars	Rs.
To Machinery A/c		7,000	By Buildings A/c	12,000
To Provision for bad debts A/c		1,000	By Stock A/c	2,000
To Profit on revaluation transferred to				
Raghu's capital A/c (2/6)	2,000			
Ravi's capital A/c (3/6)	3,000			
Ramesh capital A/c (1/6)	1,000	6,000		
		14,000		14,000

Dr. Capital Account Cr.

Particulars	Raghu Rs.	Ravi Rs.	Ramesh Rs.	Particulars	Raghu Rs.	Ravi Rs.	Ramesh Rs.
To Ramesh's capital A/c	1,600	2,400	-	By Balance b/d	30,000	40,000	20,000
To Ramesh's loan A/c			31,000	By Reserve fund A/c	12,000	18,000	6,000
To Balance c/d	**42,400**	**58,600**	-	By Revaluation A/c	2,000	3,000	1,000
				By Raghu's capital A/c	-	-	1,600
				By Ravi's capital A/c	-	-	2,400
	44,000	61,000	31,000		44,000	61,000	31,000
				By Balance b/d	42,400	58,600	

Balance sheet as on 31st March 2019

Liabilities	Rs.	Rs.	Assets	Rs.	Rs.
Capital accounts:			Buildings	60,000	
Raghu	42,400		Add: Appreciation	12,000	72,000
Ravi	58,600	1,01,000	Machinery	70,000	
Ramesh's loan		31,000	Less: Depreciation	7,000	63,000

Liabilities	Rs.	Rs.	Assets	Rs.	Rs.
Sundry creditors		50,000	Stock	20,000	
			Add: Appreciation	2,000	22,000
			Debtors	18,000	
			Less: Provision for bad debts	2,000	16,000
			Cash at bank		9,000
		1,82,000			1,82,000

138) Muthu, Murali and Manoj are partners in a firm and sharing profits and losses in the ratio 3:1:2. Their balance sheet as on 31st December, 2018 is given below:

Liabilities	Rs.	Rs.	Asset	Rs.	Rs.
Capital accounts:			Machinery		45,000
Muthu	20,000		Furniture		5,000
Murali	25,000		Debtors		30,000
Manoj	20,000	65,000	Stock		20,000
General reserve		6,000			
Creditors		29,000			
		1,00,000			1,00,000

Manoj retires on 31st December, 2018 subject to the following conditions:
(i) Muthu and Murali will share profits and losses in the ratio of 3:2
(ii) Assets are to be revalued as follows:
Machinery Rs. 43,000, stock Rs. 27,000, debtors Rs.28,000.
(iii) Goodwill of the firm is valued at Rs.30,000
(iv) The final amount due to Manoj is not paid immediately
Prepare necessary ledger accounts and the balance sheet immediately after the retirement of Manoj.

Answer :

Dr. Revaluation Account Cr.

Particulars	Rs.	Rs.	Particulars	Rs.
To Machinery A/c		2,000	By Stock A/c	7,000
To Debtors A/c		2,000		
To Profit on revaluation transferred to				
Muthu's capital A/c	1,500			
Murali's capital A/c	500			
Manoj's capital A/c	1,000	3,000		
		7,000		7,000

Dr. Capital Account Cr.

Particulars	Muthu Rs.	Murali Rs.	Manoj Rs.	Particulars	Muthu Rs.	Murali Rs.	Manoj Rs.
To Manoj’s capital A/c	3,000	7,000	-	By Balance b/d	20,000	25,000	20,000
To Manoj's loan A/c			33,000	By General reserve A/c	3,000	1,000	2,000
To Balance c/d	**21,400**	**19,500**		By Revaluation A/c (profit)	1,500	500	1,000

Particulars	Muthu Rs.	Murali Rs.	Manoj Rs.	Particulars	Muthu Rs.	Murali Rs.	Manoj Rs.
				By Muthu's capital A/c			3,000
				By Manoj's capital A/c	-	-	7,000
	24,500	26,500	33,000		24,500	26,500	33,000
				By Balance b/d	21,500	19,500	

Balance sheet as on 31st March 2019

Liabilities	Rs.	Rs.	Assets	Rs.	Rs.
Capital accounts:			Machinery	45,000	
Muthu	21,500		Less: Depreciation	2,000	43,000
Murali	19,500	41,000	Furniture		5,000
Manoj's loan A/c		31,000	Debtors	30,000	63,000
Creditors		29,000	Less: Provision for bad debts	2,000	28,000
			Stock	20,000	
			Add: Appreciation	7,000	27,00
		1,03,000			1,03,000

139) Sundar, Vivek and Pandian are partners, sharing profits in the ratio of 3:2:1. Their balance sheet as on 31st December, 2018 is as under:

Balance Sheet as on 31st December, 2018

Liabilities	Rs.	Rs.	Asset	Rs.
Capital accounts:			Land	80,000
Sundar	50,000		Stock	20,000
Vivek	40,000		Debtors	30,000
Pandian	10,000	1,00,000	Cash at bank	14,000
General reserve		36,000	Profit and loss A/c (loss)	6,000
Sundry creditors		14,000		
		1,50,000		1,50,000

On 1.1.2019, Pandian died and on his death the following arrangements are made:
(i) Stock to be depreciated by 10%
(ii) Land is to be appreciated by Rs. 11,000
(iii) Reduce the value of debtors by Rs. 3,000
(iv) The final amount due to Pandian was not paid
Prepare revaluation account, partners' capital account and the balance sheet of the firm after death.

Answer :

Dr. Revaluation Account Cr.

Particulars	Rs.	Rs.	Particulars	Rs.
To Stock A/c		2,000	By By Land A/c	11,000
To Debtors A/c		3,000		
To Profit on revaluation transferred to				

Particulars	Rs.	Rs.	Particulars	Rs.
Sundar's capital A/c (3/6)	3,000			
Vivek's capital A/c (2/6)	2,000			
Pandian's capital A/c (1/6)	1,000	6,000		
		11,000		11,000

Dr. Capital Account Cr.

Particulars	Sundar Rs.	Vivek Rs.	Pandian Rs.	Particulars	Sundar Rs.	Vivek Rs.	Pandian Rs.
To Profit and loss A/c	3,000	2,000	1,000	By Balance b/d	50,000	40,000	10,000
To Pandian's Executor A/c			16,000	By General reserve	18,000	12,000	6,000
To Balance c/d	**68,000**	**52,000**		By Revaluation A/c (profit)	3,000	2,000	1,000
	71,000	54,000	17,000		71,000	54,000	17,000
				By Balance b/d	68,000	52,000	

Balance Sheet as on 1st January, 2019

Liabilities	Rs.	Rs.	Assets	Rs.	Rs.
Capital account:			Land	80,000	
Sundar	68,000		Add: Appreciation	11,000	91,000
Vivek	52,000	1,20,000	Stock	20,000	
Pandian's Executor A/c		16,000	Less: Decrease	2,000	18,000
Sundry creditors		14,000	Debtors	30,000	
			Less: Decrease	3,000	27,000
			Cash at bank		14,000
		1,50,000			1,50,000

140) Ramesh, Ravi and Akash are partners who share profits and losses in their capital ratio. Their balance sheet as on 31.12.2017 is as follows:

Balance Sheet as on 31st December, 2017

Liabilities	Rs.	Rs.	Asset	Rs.	Rs.
Capital accounts:			Plant and machinery		45,000
Ramesh	30,000		Stock		22,000
Ravi	30,000		Debtors		15,000
Akash	20,000	80,000	Cash at bank		10,000
General reserve		8,000	Cash in hand		4,000
Creditors		8,000			
		96,000			96,000

Akash died on 31.3.2018. On the death of Akash, the following adjustments are made:

(i) Plant and machinery is to be valued at Rs. 54,000

(ii) Stock is to be depreciated by Rs. 1,000

(iii) Goodwill of the firm is valued at Rs. 24,000
(iv) Share of profit of Akash is to be calculated from the closing of the last financial year to the date of death on the basis of the average of the three completed years' profit before death. Profit for 2015, 2016 and 2017 were Rs. 66,000, Rs. 60,000 and Rs. 66,000 respectively.
Prepare the necessary ledger accounts and the balance sheet immediately after the death of Akash.

Answer :

Dr. Revaluation Account Cr.

Particulars	**Rs.**	**Rs.**	**Particulars**	**Rs.**
To Stock A/c		1,000	By Plant and Machinery A/c	9,000
To Profit on revaluation transferred to Ramesh's capital A/c (3/8 Ravi's capital A/c (3/8) Akash's capital A/c (2/8)	 3,000 3,000 2,000	 8,000		
		9,000		9,000

Dr. Capital Account Cr.

Particulars	**Ramesh Rs.**	**Ravi Rs.**	**Akash Rs.**	**Particulars**	**Ramesh Rs.**	**Ravi Rs.**	**Akash Rs.**
To Akash's capital A/c	3,000	3,000		By Balance b/d	30,000	30,000	20,000
To Akash's Executor A/c			34,000	By General reserve A/c	3,000	3,000	2,000
To Balance c/d	**33,000**	**33,000**		By Revaluation A/c (profit)	3,000	3,000	2,000
				By Profit and loss suspense A/c			4,000
				By Ramesh's capital A/c			3,000
				By Ravi's capital A/c			3,000
	36,000	36,000	34,000		36,000	36,000	34,000
				By Balance b/d	33,000	33,000	

Balance Sheet as on 31st December, 2018

Liabilities	**Rs.**	**Rs.**	**Assets**	**Rs.**	**Rs.**
Capital accounts:			Plant and machinery	45,000	
Ramesh	33,000		Add: Appreciation	9,000	54,000
Ravi	33,000	66,000	Stock	22,000	

Liabilities	Rs.	Rs.	Assets	Rs.	Rs.
Akash's Executor's A/c		34,000	Less: Depreciation	1,000	21,000
Sundry creditors		8,000	Debtors		15,000
			Cash at bank		10,000
			Cash in hand		4,000
			Profit and loss suspense A/c		4,000
		1,08,000			1,08,000

141) Chandru, Vishal and Ramanan are partners in a firm sharing profits and losses equally. Their balance sheet as on 31st March, 2018 is as follows:

Liabilities	Rs	Rs	Asset	Rs	Rs
Capital accounts:			Furniture		60,000
Chandru	60,000		Machinery		1,20,000
Vishal	70,000		Sundry debtors	33,000	
Ramanan	70,000	2,00,000	Less: Provision for doubtful debts	3,000	30,000
Bills payable		80,000	Bills receivable		50,000
			Cash at bank		20,000
		2,80,000			2,80,000

Ramanan retired on 31st March 2019 subject to the following conditions:
(i) Machinery is valued at Rs. 1,50,000
(ii) Value of furniture brought down by Rs. 10,000
(iii) Provision for doubtful debts should be increased to Rs. 5,000
(iv) Investment of Rs. 30,000 not recorded in the books is to be recorded now.
Pass necessary journal entries and prepare revaluation account.

Answer :

Journal entries

Date	Particulars		L.F	Debit Rs	Credit Rs
2018 March 31	Machinery A/c	Dr		30,000	
	To Revaluation A/c				30,000
	(Increase in the value of Machinery accounted)				
2018 March 31	Revaluation AI c	Dr		12,000	10,000
	To Furniture AI c				
	To Provision for doubtful debts A/c				
	(Furniture and provision made for doubtful debts adjusted)				
2018 March 31	Investments A/c	Dr		30,000	
	To Revaluation A/c				30,000

Date	Particulars		L.F	Debit Rs	Credit Rs
	(Unrecorded investment brought into accounts)				
2018 March 31	Revaluation A/c	Dr.		48,000	
	To Chandrus capital A/c				16,000
	To Vishal's capital A/c				16,000
	To Ramanans capital A/c				16,000
	(Parnosffietrroend retvoalcuaaptiitoanl account)				

Dr Revaluation A/c Cr

Particulars	Rs	Rs	Particulars	Rs
To Furniture A/c		10,000	By Machinery A/c	30,000
To Provision for doubtful debts A/c		2,000	By Investments A/c	30,000
To Profit on revaluation transferred to				
Chandrus capital A/c (48,000 x 113)	16,000			
Vishal's capital A/c (48,000 x 113)	16,000			
Ramanan's capital A/c (48,000 x 113)	16,000			
		48,000		
		60,000		60,000

142) Manju, Charu and Lavanya are partners in a firm sharing profits and losses in the ratio of 5:3:2. Their balance sheet as on 31st March, 2018 is as follows:

Liabilities	Rs	Rs	Asset	Rs	Rs
Capital accounts:			Buildings		1,00,000
Manju	70,000		Furniture		80,000
Charu	70,000		Stock		60,000
Lavanya	70,000	2,10,000	Debtors		40,000
Sundry creditors		40,000	Bills receivable		50,000
Profit and loss A/c		50,000	Cash at bank		20,000
		3,00,000			3,00,000

Manju retired from the partnership firm on 31.03.2018 subject to the following adjustments:

(i) Stock to be depreciated by Rs. 10,000

(ii) Provision for doubtful debts to be created for Rs. 3,000.

(iii) Buildings to be appreciated by Rs. 28,000

Prepare revaluation account and capital accounts of partners after retirement

Answer :

Dr Revaluation A/c Cr

Particulars	Rs	Rs	Particulars	Rs
To Stock A/c		10,000	By Buildings A/c	28,000
To Provision for doubtful debts				
To Profit on revaluation transferred to		3,000		
Manju's Capital A/c (15,000 x 5/10)	7,500			
Charus capital A/c (15,000 x 3/10	4,500			
Lavanya's capital A/c (15,000 x 2/10)	3,000	15,000		
		28,000		28,000

Dr Capital Account Cr

Particulars	Manju Rs	Charu Rs	Lavanya Rs	Particulars	Manju Rs	Charu Rs	Lavanya Rs
To Balance c/d	-	89,500	83,000	By Balance b/d	70,000	70,000	70,000
To Manjus				By Revaluation A/c	7,500	4,500	3,000
loan A/c	1,02,500	-	-	By Profit and loss A/c	25,000	15,000	10,000
	1,02,500	89,500	83,000		1,02,500	89,500	83,000
				By Balance b/d	-	89,500	83,000

143) Kannan, Rahim and John are partners in a firm sharing profit and losses in the ratio of 5:3:2. The balance sheet as on 31st December, 2017 was as follows:

Liabilities	Rs	Rs	Asset	Rs	Rs
Capital accounts:			Buildings		90,000
Kannan	1,00,000		Machinery		60,000
Rahim	80,000		Debtors		30,000
John	40,000	2,10,000	Stock		20,000
Workmen compensation fund		30,000	Cash at bank		50,000
Creditors		20,000	Profit and loss A/c (loss)		20,000
		2,70,000			2,70,000

John retires on 1st January 2018, subject to following conditions:

(i) To appreciate building by 10%

(ii) Stock to be depreciated by 5%.

(iii) To provide Rs.1,000 for bad debts

(iv) An unrecorded liability of Rs. 8,000 have been noticed.

(v) The retiring partner shall be paid immediately.

Prepare revaluation account, partners' capital account and the balance sheet of the firm after retirement.

Answer :

Dr Revaluation A/c Cr

Particulars	Rs	Rs	Particulars	Rs	Rs
To stock A/c		1,000	By Building A/c		9,000
To Deptors A/c		1,000	By Loss on revaluation transferred to		
To Unrecorded liability A/c		8,000			
			Kannans capital A/c (1,000 x 5/10)	500	
			Rahim's capital A/c (1,000 x 3/10)	300	
			John's capital A/c	200	
					1,000
		10,000			10,000

Dr Capital Account Cr

Particulars	Kannan Rs	Rahim Rs	John Rs	Particulars	Kannan Rs	Rahim Rs	John Rs
To Profit and Loss A/c	10,000	6,000	4,000	By Balance b/d	1,00,000	80,000	40,000
To Revaluation A/c	500	300	200	By Workmens Compensation fund	15,000	9,000	6,000
To Bank	-	-	41,800	compensation			
To Balance c/d	1,04,500	82,700	-	fund	15,000	9,000	6,000
	1,15,000	89,000	46,000		1,15,500	89,000	46,000
				By Balance b/d	1,04,500	82,700	

Dr Capital Account Cr

Particulars	Kannan Rs	Rahim Rs	John Rs	Particulars	Kannan Rs	Rahim Rs	John Rs
To Profit and Loss A/c	10,000	6,000	4,000	By Balance b/d	1,00,000	80,000	40,000
To revaluation a/c	500	300	200	By workman's			
To Bank	-	-	41,800	compensation			
To Balance c/d	1,04,500	82,700	-	fund	15,000	9,000	6,000
	1,15,000	89,000	46,000		1,15,500	89,000	46,000
				By Balance b/d	1,04,500	82,700	-

Balance Sheet as on 31st December 2017

Liabilities	Rs	Rs	Assets	Rs	Rs
Capital accounts			Buildings	90,000	

Liabilities	Rs	Rs	Assets	Rs	Rs
			Add:Appreciation	9,000	99,000
Kannan	1,04,500		Machinary		60,000
Rahim	82,700	1,87,200			
			Deptors	30,000	
Sudry creditors		20,000	Less,Bad debts	1,000	29,000
Unrecorded liability		8,000			
			Stock	20,000	
			Less: Depreciation	1,000	19,000
			Cash at bank	50,000	
			Less: Amount paid to John	41,800	8,200
		2,15,200			2,15,200

144) Saran, Arun and Karan are partners in a firm sharing profits and losses in the ratio of 4:3:3. Their balance sheet as on 31.12.2016 was as follows:

Liabilities	Rs	Rs	Asset	Rs	Rs
Capital accounts:			Buildings		90,000
Saran	60,000		Machinery		40,000
Arun	50,000		Investment		20,000
Karan	40,000	1,50,000	Stock		12,000
General reserve		15,000	Debtors	25,000	
			Less: Provision		
Creditors		35,000	Provision for bad debts	1,000	24,000
			Cash at bank		44,000
		2,00,000			2,00,00

Karan retires on 1.1.2017 subject to the following conditions:
(i) Goodwill of the firm is valued at Rs. 21,000
(ii) Machinery to be appreciated by 10%
(iii) Building to be valued at Rs. 80,000
(iv) Provision for bad debts to be raised to Rs. 2,000
(v) Stock to be depreciated by Rs. 2,000
(vi) Final amount due to Karan is not paid immediately
Prepare the necessary ledger accounts and show the balance sheet of the firm after retirement.

Answer :

Dr Revaluation A/c Cr

Partivulars	Rs	Rs	Particulars	Rs
To StockA/c		2,000	By Machinery Al/c	4,000·
To Provision for bad debts		1,000	By Building A/c	20,000
To Profit on revaluation transferred to				
Saran's capital A/c	8,400			
Arun's capital A/c	6,300			
Karan's capital a/c	6,300	21,000		
		24,000		24,000

Dr Capital Account Cr

Particulars	Saran Rs	Arun Rs	Karan Rs	Particulars	Saran Rs	Arun Rs	Karan Rs
To Karan's capital A/c	3,600	2,700	-	By Balance b/d	60,000	50,000	40,000
To Karan's loan A/c	-	-	57,100	By Reserve fund A/c	6,000	4,500	4,500
To Balance c/d	70,800	58,100	-	By Revaluation A/c	8,400	6,300	6,300
				By Saran's capital A/c	-	-	3,600
				By Arun's capital A/c	-	-	2,700
	74,400	60,800	57,100		74,400	60,800	57,100
				By Balance b/d	70,800	58,100	-

Balance Sheet as on 31st January 2017

Liabilities	Rs	Rs	Assets	Rs	Rs
Capital Accounts	-		Buildings	60,000	
Saran	70,800		Add: Appreciation	20,000	80,000
Arun	58,100	1,28,900			
Karan's loan		57,100	Add: Appreciation	4,000	44,000
Sundry creditors		35,000	Investment		20,000
			Stock	12,000	
			Less: Depreciation	2,000	10,000
			Debtors	25,000	
			Less: Provision for bad Debts	2,000	23,000
			Cash at bank		44,000
		2,21,000			2,21,000

NOTE:

I. As new profit sharing ratio and proportion of gain is not given, it is assumed that the continuing partners gain in their old profit sharing ratio of 4:3 ratio.

2.Karan share of goodwill= $21,000 \times \frac{3}{10}$

= Rs.6,300

Goodwill of Karan to be borne by

Saran: 6,300 x 4/7 = 3,600

Arun: 6,300 x 3/7 = 2,700

145) Rajesh, Sathish and Mathan are partners sharing profits and losses in the ratio of 3:2:1 respectively. Their balance sheet as on 31.3.2017 is given below

Liabilities	Rs	Rs	Asset	Rs	Rs
Capital accounts:			Premises		4,00,000

Liabilities	Rs	Rs	Asset	Rs	Rs
Rajesh	4,00,000		Machinery		4,20,000
Sathish	3,00,000		Debtors		1,60,000
Mathan	2,50,000	9,50,000	Stock		3,00,000
General reserve		1,20,000	Cash at bank		20,000
Creditors		50,000			
Bills payable		1,80,000			
		13,00,000			13,00,000

Mathan retires on 31st March, 2017 subject to the following conditions:
(i) Rajsh and Sathish will share profits and losses in the ratio of 3:2
(ii) Assets are to be revalued as follows:
Machinery Rs. 3,90,000, Stock Rs. 2,90,000, Debtors Rs. 1,52,000.
(iii) Goodwill of the firm is valued at Rs. 1,20,000
Prepare necessary ledger accounts and the balance sheet immediately after the retirement of Mathan.

Answer :

Dr Revaluation A/c Cr

Particulars	Rs	Rs	Particulars	Rs	Rs
To Machinary A/c		30,000	By Profit on revaluation transferred		
To Stock A/c		10,000	Rajesh capital A/c	24,000	
To Debtors A/c		8,000	$\left(48,000 \times \frac{3}{6}\right)$		
			Sathish's capital A/c	16,000	
			$\left(48,000 \times \frac{2}{6}\right)$		
			Mathan's capital A/c	8,000	48,000
			$\left(48,000 \times \frac{1}{6}\right)$		
		48,000			48,000

Dr Capital Account Cr

Particulars	Rajesh Rs	Sathish Rs	Mathan Rs	Particulars	Rajesh Rs	Sathish Rs	Mathan Rs
To Mathan's capital A/c	12,000	28,000	-	By Balance b/d	4,00,000	3,00,000	2,50,000
To Revaluation A/c	24,000	16,000	8,000	By General			
To Mathans loan A/c	-	-	3,02,000	revenue	60,000	40,000	20,000
To Balance c/d	4,24,000	2,96,000	-	By Rajesh's capital A/c	-	-	12,000
				By Mathans capital A/c	-	-	28,000

Particulars	Rajesh Rs	Sathish Rs	Mathan Rs	Particulars	Rajesh Rs	Sathish Rs	Mathan Rs
	4,60,000	3,40,000	3,10,000		4,60,000	3,40,000	3,10,000
				By Balance b/d	4,24,000	2,96,000	-

NOTE:

(i) Computing of gaining ratio

Share gained = New share - Old Share

Rajesh = $\frac{3}{5} - \frac{3}{5} = \frac{18-25}{30} = \frac{3}{30}$ Sathish = $\frac{2}{5} - \frac{1}{6} = \frac{12-5}{30} = \frac{7}{30}$

Therefore, the gaining of Rajesh and Sathish is 3:7

(ii) Adjustment for goodwill

Goodwill of the firm = Rs. 1,20,000

Share of goodwill of Mathan = $Rs1,20,000 \times \frac{2}{6} = Rs.40,000$

It is to be adjusted in the capital accounts of Rajesh and Sathis in the gaining ratio 3:7

That is,

Rajesh: $40,000 \times \frac{3}{10} = Rs12,000$

Sathish : $40,000 \times \frac{7}{10} = Rs28,000$

Balance Sheet as on 31st March 2017

Liabilities	Rs	Rs	Assets	Rs	Rs
Capital accounts			Premises		4,00,000
Rajesh	4,24,000		Machinery	4,20,000	
Sathish	2,96,000	7,20,000	Less: Depreciation	30,000	3,90,000
Mathans loan A/c		3,02,000	Debtors	1,60,000	
Creditors		50,000	Less: Depreciation	8,000	1,52,000
Bills payable		1,80,000			
			Stock	3,00,000	
			Less: Depreciation	10,000	2,90,000
			Cash at bank		
		12,52,000			12,52,000

146) Varsha, Shanthi and Madhuri are partners, sharing profits in the ratio of 5:4:3. Their balance sheet as on 31st December 2017 is as under:

Balance Sheet as on 31st December 2017

Liabilities	Rs.	Rs.	Asset	Rs.
Capital accounts:			Premises	1,20,000
Varsha	80,000		Stock	40,000
Shanthi	60,000		Debtors	50,000
Madhuri	20,000	1,60,000	Cash at bank	18,000

Liabilities	Rs.	Rs.	Asset	Rs.
General reserve		48,000	Profit and loss A/c (loss)	12,000
Sundry creditors		32,000		
		2,40,000		2,40,000

On 1.1.2018, Madhuri died and on her death the following arrangements are made:
(i) Stock to be depreciated by Rs. 5,000
(ii) Premises is to be appreciated by 20%
(iii) To provide Rs. 4,000 for bad debts
(iv) The final amount due to Madhuri was not paid
Prepare revaluation account, partners' capital account and the balance sheet of the firm after death.

Answer :

Dr Revaluation Account Cr

Particulars	Rs	Rs	Particulars	Rs
To Stock A/c		5,000	Premises A/c	24,000
To Debtors A/c		4,000		
To Profit on revaluation transferred to				
Marsha's capital A/c (15,000 x 5/12)	6250			
Shanthi's capital A/c (15,000 x 4/12)	5,000			
Madhuri's capital A/c (15,000 x 3/12)	3,750	15,000		
		24,000		24,000

Dr Capital Account Cr

Particulars	Varsha Rs	Shanthi Rs	Madhuri Rs	Particulars	Varsha Rs	Shanthi Rs	Madhuri Rs
To Profits and loss Alc	5000	4,000	3,000	By Balance b/d	80,000	60,000	20,000
To Madhuri's Executor's A/c	-	-	32,750	By General reserve A/c	20,000	16,000	12,000
To Balance c/d	1,01,250	77,000	-	By Revaluation Alc (profit)	6,250	5,000	3,750
	1,06,250	81,000	35,750		1,06,250	81,000	35,750
				By Balance b/d	1,01,250	77,000	-

Balance Sheet as on 31'1 December 2017

Liabilities	Rs	Rs	Assets	Rs	Rs
Capital Account			Premises	1,20,000	
Varsha	1,01,250		Add:		
Shanthi	77,000	1,78,250	Appreciation	24,000	1,44,000
Madhuri's			Stock	40,000	

Liabilities	Rs	Rs	Assets	Rs	Rs
Executor's A/c		32,750	Less: Depreciation	5,000	35,000
Sundry creditors		32,000			
			Debtors	50,000	
			Less: Bad debts	4,000	
			Cash at bank		46,000
					18,000
		2,43,000			2,43,000

147) Vijayan, Sudhan and Suman are partners who share profits and losses in their capital ratio. Their balance sheet as on 31.12.2018 is as follows

Balance Sheet as on 31.12.2018

Liabilities	Rs.	Rs.	Asset	Rs.
Capital accounts:			Building	80,000
Vijayan	70,000		Stock	45,000
Sudhan	50,000		Debtors	25,000
Suman	20,000	1,50,000	Cash at bank	20,000
General reserve		18,000	Cash in hand	15,000
creditors		17,000		
		1,85,000		1,85,000

Suman died on 31.3.2019. On the death of Suman, the following adjustments are made:

(i) Building is to be valued at Rs. 1,00,000

(ii) Stock to be depreciated by Rs. 5,000

(iii) Goodwill of the firm is valued at Rs. 36,000

(iv) Share of profit from the closing of the last financial year to the date of death on the

basis of the average of the three completed years'

profit before death. Profit for 2016, 2017 and 2018 were Rs. 40,000, Rs. 50,000 and Rs. 30,000 respectively.

Prepare the necessary ledger accounts and the balance sheet immediately after the death of Suman.

Answer :

Dr Revaluation Account Cr

Particulars	Rs	Rs	Particulars	Rs
To Stock A/c		5,000	By Buildings A/c	20,000
To Profit on revaluation transferred to				
Vijayan's capital A/c (15,000 x 5/12)	7,000			
Sudhan's capital A/c (15,000 x 4/12)	5,000			
Suman's capital A/c (15,000 x 3/12)	3,000	15,000		
		20,000		20,000

Dr Capital Account Cr

Particulars	Vijayan Rs	.Sudhan Rs	Suman Rs	Particulars	Vijayan Rs	Sudhan Rs	Suman Rs

Particulars	Vijayan Rs	.Sudhan Rs	Suman Rs	Particulars	Vijayan Rs	Sudhan Rs	Suman Rs
To Suman's capital A/c	4,200	3,000	-	By Balance b/d	70,000	50,000	30,000
To Suman's				By Gene reserve	8,400	6,000	3,600
To Balance c/d	81,200	58,000	-	A/c (profit)	7,000	5,000	3,000
				By Vijayan's capital A/c			4,200
				BySudhan's capital A/c			3,000
	85,400	61,000	43,800		85,400	61,000	43,800
				By Balanced b/d	81,200	58,000	-

Balance Sheet as on 31st March 2019

Liabilities	Rs	Rs	Assets	Rs	Rs
Capital accounts			Building	80,000	
Vijayan	81,200		Add: Appreciation	20,000	1,00,000
Sudhan	58,000	1,39,200	Stock	45,000	
			Less: Deprec	5,000	40,000
Suman's Executor's A/c		43,800	Debtors		25.000
		17,000	Cash at bank		20,000
					15,000
		2,00,000			2,00,000

Working Notes:

(i) Profit sharing ratio = capital ratio = 70,000 : 50,000 : 30,000 that is 7 : 5 : 3

Gaining ratio between Vijayan and Sudhan = old profit sharing ratio =7: 5

(ii) Calculation of current year's profit

Average profit = $\frac{40,000+50,000+30,000}{3}=\frac{1,20,000}{3}=40,000$ Current year's profit = $40,000\times\frac{3}{12}=10,000$

Suman's Share of current year's profit = = $10,000\times\frac{3}{15}=2,000$

(iii) Suman's Share of good will = $36,000\times\frac{3}{15}=7,200$

It is to be borne by Vijayan and Sudhan in the gaining ratio 7:5

148) Karan, Vinoth and Vinay are Partners sharin profits in the ratio of 3:2: 1. Karan retires and the new profit sharing ratio between Vinoth and vinaya is 2:3. Calculate the gaining ratio?

Answer : Share gained = New share - Old share

Vinoth = $\frac{2}{5} - \frac{2}{6} = \frac{12-10}{30} = \frac{2}{10}$

Vinay = $\frac{3}{5} = \frac{1}{6} = \frac{18-5}{30} = \frac{13}{30}$

Therefore, the gaining ratio of Vinoth and Vinay is 2: 13.

149) Sun, Moon and Jupiter are partners sharing profits and losses in the ratio of 5:3:2. Jupiter retires and the share is taken by Sun and Moon in the ratio of 3:2. Find out the new profit sharing ratio and gaining ratio

Answer : Jupiter's share $\frac{2}{10}$

Share gained = Retiring partner's share x Proportion of share gained

Sun = $\frac{2}{10} \times \frac{3}{5} = \frac{6}{50}$

Moon = $\frac{2}{10} \times \frac{2}{5} = \frac{4}{50}$

Gaining ration = $\frac{6}{50} : \frac{4}{50}$ that is,3:2

New share of continuing partner = Old share + share gained

Sun = $\frac{5}{10} + \frac{6}{50} = \frac{25+6}{50} = \frac{31}{50}$

Moon = $\frac{3}{10} + \frac{4}{50} = \frac{15+4}{50} = \frac{19}{50}$

The new of Sun and Moon is $\frac{31}{50} : \frac{19}{50}$

that is 31: 19

150) Kalai, Iothi and Mala are partners sharing profits and losses in the ratio of 113, 113 and 116 respectively.

Mala retires and her share is taken up by Kalai and [othi equally. Find out the new profit sharing ratio and gaining ratio

Answer : Gaining ratio is 1 : 1 Mala's share is taken up by Kalai and Iothi equally.

Mala's share = $\frac{1}{6}$

Share gained = Retiring partner's share x Proportion of share gained

Kalai = $\frac{1}{6} \times \frac{1}{3} = \frac{1}{18}$

Jothi = $\frac{1}{6} \times \frac{1}{3} = \frac{1}{18}$

New share of continuing partner = Old share + Share gained

Kalal= $\frac{1}{3} + \frac{1}{18} = \frac{6+1}{18} = \frac{7}{18}$

Jothi = $\frac{1}{3} + \frac{1}{18} = \frac{6+1}{18} = \frac{7}{18}$

Therefore, new ratio of Kalai and Jothi is
$\frac{7}{18} : \frac{7}{18}$ that is 7:7

151) Priya, Latha, and Kalai are partners sharing profits and losses in the ratio of 3:2:1 respectively. Priya died on 31st December, 2018 Final amount due to her showed a credit balance of Rs.1,20,000. Pass journal entries if
(a) The amount due is paid off immediately,·
(b) The amount due is not paid immediately,
(c) Rs.80,000 is paid and the balance in future.
Answer :

Journal entries

Date	Particulars		L.F	Debit Rs	Credit Rs
	a)Priya's Executors A/c	Dr		1,20,000	
	To BankA/c				1,20,000
	(b)Priya's Executors A/c	Dr		1,20,000	
	To Priya Executor's loan A/c				1,20,000
	(Amount due transferred to loan account				
	(c) Priyas Executors A/c	Dr		1,20,000	
	To BankA/c				80,000
	To Priya's Executors loan A/c				40,000
	Rs.80,000 paid and the balance transferred to loan account				

152) Mukil, Mohit and Sonu are partners sharing profit in the ratio 3:2: 1. Mukil retires from the partnership.
In order to settle his claim, the following revaluation of assets and liabilities was agreed upon:
(i) The value of Machinery is increased by Rs. 25,000.
(ii) The value of Investment-is-increased by Rs 2,000.
(ill) A Provision for outstanding bill standing in the books at Rs.1,000 is now not required.
(iv) The value of Land and Building is decreased by Rs.12,000.
Give journal entries and prepare Revaluation account
Answer :

Journal entries

Date	Particulars		L.F	Depit Rs	Credit Rs
	Machinery A/c	Dr		25,000	
	Investments A/c	Dr		2,000	
	Provision for outstanding bill A/c	Dr		1,000	
	To Revaluation A/c				28,000
	(Increase in value of Assets i.e., Machinery and investment and reduction in provision)				

Date	Particulars		L.F	Depit Rs	Credit Rs
	Revaluation A/c	Dr		12,000	
	To Land and Building A/c				12,000
	(Decrease in value of assets)				
	Revaluation A/c	Dr		16,000	
	To Mukil's capital A/c				8,000
	To Mohit's capital A/c				5,333
	To Sonus capital A/c				2,667
	(Profit on revaluation credited to all partners capital Ale in old profit sharing ratio)				

Dr Revaluation Account Cr

Particulars		Rs	Particulars	Rs
Land and Building		12,000	Machinery	25,000
Profit transferred to			Investments	2,000
Mukil's capital	8,000			
Mohit's capital	5,333			
Sonu's capital	2,667	16,000		
		28,000		28,000

153) Thangamuthu, Anaimuthu and Vairamuthu are partners sharing profit and loss in the ratio of 3:3:2.
Thangamuthu wanted to retire on 1st June 2018, the firms books showed a general reserve of~40,000.
Pass entry.
Answer :

Journal entries

Date	Particulars	L.F	Debit Rs	Credit Rs
2018 June 1	General reserve A/c		40,000	
	To Thangamuthu's capital A/c (40,000 x 3/8)			15,000
	To Anaimuthu's capital A/c (40,000 x 3/8)			15,000
	To Vairamuthu's capital A/c (40,000 x 2/8)			10,000
	(General reserve transferred Partner's capital account			

154) Surya, Ramesh and Rajesh are partners sharing profits is the ratio of 5:3:2. Ramesh decided to retire. Goodwill of the firm is to be valued at Rs.40,000. Give journal entries if
(a) There is no goodwill in the books of the firm,
(b) the goodwill appears at Rs.30,000
(c) the goodwill appears at Rs. 50,000
Answer :

Journal entries

Date	Particulars		L.F	Debit Rs.	Credit Rs.
	(a) Goodwill A/c	Dr		40,000	
	To Surya's capital A/c (40,000 x 5/10)				20,000

Date	Particulars		L.F	Debit Rs.	Credit Rs.
	To Ramesh's capital A/c (40,000 x 3/10)				12,000
	To Rajesh's capital A/c (40,000 x 2/10)				8,000
	(Goodwill raised and transferred to old partners in the old ratio)				
	(b) Goodwill A/c	Dr		10,000	
	To Surya's capital A/c (10,000 x 5/10)				5,000
	To Ramesh's capital A/c (10,000 x 3/10)				3,000
	To Rajesh's capital A/c (10,000 x 2/10)				2,000
	(Increase in goodwill transferred)				
	(c) Surya's capacital A/c (10,000 x 5/10)	Dr		5,000	
	Ramesh's capital A/c (10,000 x 3/10)	Dr			
	Rajeshs capital A/c (10,000 x 2/10)	Dr		3,000	
	To Goodwill A/c			2,000	
	(Decrease in goodwill transferred to the old partners in the old ratio)				10,000

155) Selvam, Saravanan and Santhosh were partners of a firm sharing profits and losses in the ratio of 3: 2 : 1. Set out below was their balance sheet as on 31't December 2018.

Liabilities	Rs.	Rs.	Assets	Rs.
Bills payable		15,000	Cash in hand	3,000
Sundry creditors		25,000	Cash at bank	35,000
Capital Accounts			Bill receivable	11,000
Selvam	80,000		Book debts	18,000
Sarvanan	50,000		Stock	36,000
Santhosh	40,000	1,70,000	Furniture	7,000
Profit and Loss A/c		30,000	Plant & Machinery	50,000
			Buildings	80,000
		2,40,000		2,40,000

Selvam retired from the partnership on 1st January 2019 on the following terms:

(i) Goodwill of the firm was to be valued at Rs. 30,000

(ii) Assets are to be valued as under: stock Rs. 30,000 plant and machinery Rs. 40,000; Buildings Rs.1,00,000

(iii) A provision for doubtful debts be created at Rs.1,000

(iv) Rs.21,500 was to be paid to Selvam immediately and the balance was transferred to his loan account.

Show revaluation account, capital accounts, bank account and the balance sheet of the
reconstituted Partnership.

Answer :

Dr Revaluation Account Cr

Particulars	Rs	Rs	Particulars	Rs	Rs
To Stock A/c		6,000	By Buildings A/c		20,000
Plant and Machinery A/c		10,000			
To Provision for doubtful debts A/c		1,000			
To Profit on revaluation A/c					
Selvam	1,500				

Particulars	Rs	Rs	Particulars	Rs	Rs
Saravanan	1,000				
1,000	500	3,000			
		20,000			20,000

Dr Capital Account Cr

Particulars	Selvam Rs	Saravanan Rs	Santhosh	Particulars	Selvam Rs	Saravanan Rs	Santhosh Rs
To Bank A/c	21,500	-	-	By Balanced b/d	80,000	50,000	40,000
To Selvam's loan A/c	90,000	-	-	By Revaluation A/c	1,500	1,000	500
To Balance C/d	-	71,000	50,500	By profit and loss A/c	15,000	10,000	5,000
				By Goodwill	15,000	10,000	5,000
	1,11,500	71,000	50,500		1,11,500	71,000	50,500
				By Balance b/d		71,000	50,500

Dr Bank Account Cr

Particulars	Rs	Particulars	Rs
To Balance b/d	35,000	By Selvam A/c	21,500
		By Balance c/d	13,500
	35,000		35,000

Balance sheet as on 1.1.2018

Liabilities	Rs	Rs	Assets	Rs	Rs
Bills payable		15,000	Cash in hand		3,000
Sundry creditors		25,000	Cash at bank		13,500
Selvam's loan A/c		90,000	Bills receivable		11,000
Capital Accounts			Book debts	18,000	
Saravanan	71,000		Less: provision for bad debts	1,000	17,000
Santhosh	50,500	1,21,500			
			Stock	36,000	
			Less: Decreased	6,000	30,000
			Furniture		7,000
			Plant and Machinery	50,000	
			Less: depreciation	10,000	40,000
			Building	80,000	
			Add: Appreciation	20,000	1,00,000
			Good will		30,000
		2,51,500			51,500

156) A, B, and C are partners in affirm sharing profits and losses equally. Their balance sheet as on 31st 1March 2018 is as follows

Liabilities	Rs	Rs	Assets	Rs	Rs
Capital accounts			Office equipment		70,000
A	80,000		Machinery		1,40,00
B	60,000		Sundry debtors	52,000	
C	1,00,000	2,40,000	Less: Provision for doubtful debts	2,000	50,000
Sundry creditors		1,20,000			
			Stock		60,000
			Cash at bank		40,000
		3,60,000			3,60,000

'C' Retired on 31st March 2018 Subject to the following conditions
(i) Machinery is valued at Rs.1,30,000
(ii) Value of office equipment is brought down by Rs. 2,000
(iii) Provision for doubtful debts should be increased to Rs.3,000
(iv) Investment of Rs..25,000 not recorded in the books is to be recorded now. Pass necessary journal entries and prepare revaluation account and capital account of partners

Answer :

Journal entries

Date	Particulars		L.F	Depit Rs	Credit Rs
2018 Dec.31	Revaluation A/c	Dr		13,000	
	To Machinery A/c				10,000
	To Office equipment A/c				2,000
	To Provision for doubtful debts A/c				1,000
	(Depreciation on machinery and furniture and provision made for doubtful debts adjusted)				
2018 Dec.31	Investments A/c	Dr		25,000	
	To Revaluation A/c				25,000
	(unrecorded investment brought into accounts)				
2018 Dec.31	Revaluation A/c	Dr		12,000	
	To A's capital A/c				4,000
	To B's capital A/c				4,000
	To C's cpital A/c				4,000
	(profit on revaluation transferred to capital accounts)				

Dr Revaluation Account Cr

Particulars	Rs	Rs	Particulars	Rs	Rs

Particulars	Rs	Rs	Particulars	Rs	Rs
To Machinery A/c		10,000	By Investments A/c		25,000
To office equipment /c		2,000			
provision for doubtful debts		1,000			
To profit on revaluation transferred to					
A's capital A/c (12,000 X1/3)	4,000				
B's capital A/c (12,000 X1/3)	4,000				
C's capital A/c (12,000 X1/3)	4,000	12,000			
		25,000			25,000

Dr Capital Account Cr

Particulars	A Rs	B Rs	C Rs	Particulars	A Rs	B Rs	C Rs
To Balance c/d	84,000	64,000		By Balance b/d	80,000	60,000	1,00,000
To C's loan Ale			1,04,000	By Revaluation A/c	4,000	4,000	4,000
	84,000	64,000	1,04,000		84,000	64,000	1,04,000
				By Balanced b/d	84,000	64,000	

157) Shankar, Saleem and Pandian are partners, sharing profits in the ratio of 3:2:1. Their balance sheet as an 31st December 2018 is as under

Answer :

Balance sheet as on 31'1 December 2018

Liabilities	Rs	Rs	Assets	Rs
Capital accounts:			Land	80,000
Sankar	50,000		Stock	20,500
Saleem	40,000		Debtors	30,000
Pandiyan	10,000	1,00,000	Cash at bank	14,000
General reserve		36,000	Profit and loss Ale (loss)	6,000
Sundry creditors		14,000		
	1,50,000			1,50,000

158) On 1.1.2019, Pandiyan died and on his death the following arrangements are made:

(i) Stock to be depreciated by 10 %

(ii) Land is to be apprecia!.e4. by Rs.11,000

(iii) To provide 3,000 for bad debts

(iv) The final amount due to Pandiyan was not paid

Prepare revaluation account, partner's capital account and the balance sheet of the firm after
death

Answer :

Dr Revaluation Account Cr

Particulars	Rs	Rs	Particulars	Rs
To Stock A/c		2,000	ByLand A/c	11,000
To Debtors A/c		3,000		
To Profit on revaluation transferred to				
Sankar's capital Ale (6,000 x 3/6)	3,000			
Saleem's capital Ale (6,000 X 2/6)	2,000			
Pandian's capital Ale (6,000 X 1/6)	1,000	6,000		
		11,000		11,000

Capital Account

Particulars	Sankar Rs	Saleem Rs	Pandiyan Rs	Particulars	Sankar Rs	Saleem Rs	Pandiyan Rs
To profit and loss				By Balance b/d	50,000	40,000	10,000
A/c	3,000	2,000	1,000	By General reserve	18,000	12,000	6,000
				reserve	18,000	12,000	6,000
To Pandian's Executor's A/c			16,000	By Revaluation			
To Balance c/d	68,000	52,000		Ale (profit)	3,000	2,000	1,000
	71,000	54,000	17,000		71,000	54,000	17,000
				By Balance b/d	68,000	52,000	

Balance sheet as on 31st December 2018

Liabilitie	Rs	Rs	Assets	Rs	Rs
Capital account			Land	80,000	
Sankar	68,000		Add: Appreciation	11,000	91,000
Saleem	52,000	1,20,000			
Pandians Executor's A/c		16,000	Stock	20,000	
		14,000	Less: Depreciation	2,000	18,000
			Debtors	30,000	
			Less: Bad debts	3,000	27,000
		1,50,000	Cash at bank		14,000
					1,50,000