



ITL PUBLIC SCHOOL
Active Engagement of Young Minds during Summer Vacations 2023
Class XII:- Accountancy

I Drafting of Partnership Deed

Draft a partnership deed covering all the essential characteristics of it namely

- The name of the firm.
- Name and addresses of the partners.
- Nature of the business.
- The term or duration of the partnership.
- The amount of capital to be contributed by each partner.
- The drawings that can be made by each partner.
- The interest to be allowed on capital and charged on drawings.
- Rights of partners.
- Duties of partners.
- Remuneration to partners.
- The method used for calculating goodwill.
- Profit and loss sharing ratio
- The salary and commission if applicable that is payable to partners.
- The process of admission or retirement of a partner.
- The method used for calculating goodwill.
- The procedure that must be followed in cases of dispute arising between partners.
- Procedure for cases where a partner becomes insolvent.
- Procedure for settlement of accounts in the event of dissolution of a firm



Students may present their work using Google Docs / Canva / or any other such app. This activity may be done either individually or in a group (not consisting of more than 4 students)

II Practice Assignment

Unit II- Partnership :- Chapter 1:- Fundamental of Partnership

1. Nusrat and Sonu were partners in a firm sharing profits in the ratio of 3: 2. During the year ended 31st March, 2015 Nusrat had withdrawn Rs. 15,000. Interest on her drawings amounted to Rs. 300. Pass necessary Journal entry for charging interest on drawings assuming that the capitals of the partners were fixed.(1)

2. One of the partners in a partnership firm has withdrawn Rs. 9,000 at the end of each quarter, throughout the year. Calculate interest on drawings at the rate of 6% per annum.(1)

3. When the partners' capitals are fixed, where will the drawings made by a partner be recorded?(1)

4. Anna and Bobby were partners sharing profits and losses in the ratio of 5: 3. On 1st April, 2014, their Capital Accounts showed balances of Rs. 3,00,000 and Rs. 2,00,000 respectively. Calculate the amount of profit to be distributed between the partners if the Partnership Deed provided for Interest on Capital @ 10% p.a. and the firm earned a profit of Rs. 45,000 for the year ended 31st March, 2015.

5. X and Y are partners in a firm sharing profits and losses in the ratio of 2:1. Their fixed capitals are Rs. 5,00,000 and Rs. 3,00,000 respectively. Interest on capital is allowed @ 9% p.a. while interest on drawings is charged @ 12% p.a. X is allowed a salary of Rs. 4,000 per month. Interest on Y's loan of Rs. 2,00,000 is to be provided @ 6% p.a. During the year ended 31st March, 2019, X's drawings were Rs. 60,000 and Y's drawings were Rs. 72,000. 5% of the Net Profit is to be transferred to General Reserve. Incomplete Profit and Loss Appropriation Account for the year ended 31st March, 2019 prepared by the firm is given below:

Dr PROFIT AND LOSS APPROPRIATION ACCOUNT for the year ended 31st March, 2019				Cr.
Particulars		Rs.	Particulars	Rs.
To Interest on Capital:			By Profit and Loss A/c:	
X's Current A/c	?		Net Profit b/d	?
Y's Current A/c	?		By Interest on Drawings:	
To Salary:			X's Current A/c ?	
X's Current A/c		?	Ys Current A/c ?	?
To General Reserve		15,000		
To Profit transferred to:				
X's Current A/c	?			
Ys Current A/c	?	?		
		?		?

Complete the Profit and Loss Appropriation Account of X and Y for the year ended 31st March, 2019.(6)

6. During the year ended 31st March 2019, Avi, a partner withdrew Rs.10,000 for personal use out of profits on 31st July, 2018. He withdrew goods costing Rs.20,000 (selling price Rs. 28,000) on 1st February, 2019. He also withdrew Rs. 40,000 out of capital on 1st March 2019. Calculate interest on drawings when it is charged @10% p.a for the year ending 31st march 2019.(1)

7. X, Y and Z are in partnership with capital of 1,20,000 (Credit) , 1,00,000 (Credit) and 8,000 (Debit) respectively on April 1 , 2017. The partnership deed provides for the followings

7 ½ % of net profit to be transferred to General Reserve.Partners are allowed interest on capital @ 5% p.a. and are to be charged interest on drawings @ 6 % p.a.Z is entitled to a salary of 7,000 p.a..X is entitled to a remuneration of 10% of the net profit before making any appropriation.Y is also entitled to a commission of 8 % of the net profit before charging interest on drawings but after making all appropriations including commission.During the year X withdrew 1,000 at the beginning of every month , Y 1,000 in the middle of every month and Z 1,000 at the end of every month. On 1st October, 2017, Z granted a loan of 6,00,000. The net profit of the firm for the year ended on March 31, 2018 before providing for any of the above adjustments was 1,38,000.

Prepare Profit and Loss Appropriation A/C for the year ended on March 31 2018 (6)

8. Ahmad, Bheem and Daniel are partners in a firm. On 1st April, 2013 their capital accounts stood at ₹8,00,000, ₹6,00,000 and ₹4,00,000 respectively. They shared profit and losses in the proportion of 5 : 3 : 2. Partners are entitled to interest on capital @ 5% per annum and salary to Ahmed and Bheem @ ₹3,000 per month and commission of ₹12,000 to Daniel respectively as per the provisions of the partnership deed. Ahmad's share profit (excluding interest on capital but including salary) is guaranteed at a not less than ₹25,000 p.a. Bheem's share of profit, including interest on capital but excluding salary, is guaranteed at not less than ₹55,000 p.a. Any deficiency arising on that account shall be met by Daniel. The profit of the firm for the year ended 31st March, 2014 amounted to ₹2,16,000.

Prepare Profit and Loss Appropriation Account for the year ended 31st March, 2014

Chapter 2:- Valuation of Goodwill

- Rita and Mita are running a partnership firm R & M designers successfully for the past five years. Mita husband Ramesh recently lost job and she is interested in bringing her husband to their business as a third partner. Rita agrees to it and it is decided that Ramesh will bring capital Rs. 100,000 and his hare of goodwill in cash .

For this purpose goodwill is valued at on the basis of capitalization of super profit method. Similar business earn a normal rate of return is 10% . The average profits of R7M designers for the past five years is Rs. 60,000

Liabilities	Amt	Assets	Amt
Creditors	2,70,000	Bank	1,35,000
Outstanding expenses	30,000	Debtors	1,35,000
General Reserve	1,20,000	Goodwill	1,50,000
Commission received in advance	90,000	Land and building	5,00,000
Capital A/cs: Rita	2,00,000	Plant and machinery	1,00,000
Mita	3,00,000	Investments	20,000
Current a/c Rita	10,000	advertisement suspense account	40,000
Mita	60,000		
	10,80,000		10,80,000

Based on the above text answer the following questions :-

- Calculate the amount of amount of goodwill of the firm
- Name two circumstances other than admission of a partner when goodwill is required to be valued
- As per Accounting Standard _____ goodwill is to recorded in books only when some consideration in money or money's worth has been paid for it .
 - AS 9
 - AS3
 - AS26
 - AS 10
- Goodwill is a fictitious assets . True / False . Give reasons

2. Average Profit is Rs. 6,00,000, Capital Employed is Rs. 20,00,000, Normal Rate of Return is 15%..

3. Calculate the value of Goodwill on the basis of Capitalisation of Super Profit.

Kamal and Kishore are partners sharing profits and losses in the ratio of 3 : 2. They admit Kranti into partnership of 1/4th share in goodwill. Kranti brings in his share of goodwill in cash. Goodwill for this purpose shall be calculated at two year's purchase of the average normal profit of past three years. Profits of the last three years were:

2004 – ₹50,000 (including profits on sale of assets ₹5,000)

2005 – ₹20,000 (including loss by fire ₹30,000)

2006 – ₹70,000 (including insurance claim received ₹18,000 and interest on investments and dividend received ₹8,000)

□ Calculate the value of goodwill. Also calculate the goodwill brought in by Kranti.

4. The average net profits expected in the future by Khosala firm are ₹36,000 per year. The average capital employed in the business by the firm is ₹2,00,000. The rate of interest expected from capital invested in this class of business is 10 %. The remuneration of the partners is estimated to be ₹6,000 per annum. Find out the value of goodwill on the basis of two years' purchase of super profits.

5. Chaman, Chucha and Champak are partners sharing profit and losses equally. They agreed to admit Chaudhary for equal share. For this purpose, value of goodwill is to be calculated on the basis of Four year' purchase of average profit of last five years. These profits were:

Year	2009	2010	2011	2012	2013
Profit/loss ₹	30,000 (profit)	70,000 (profit)	1,00,000 (profit)	1,40,000 (profit)	1,20,000 (loss)

On 1st January, 2013, a Moped costing ₹20,000 was purchased and debited to Travelling Expenses Account, on which depreciation is to be charged @ 25%. Calculate value of goodwill after adjusting the above.

Ans: ₹ 1,88,000.

6. Suraj and Dilip are partners in a firm dealing in stationery items. The firm is well managed and enjoys the advantage of being cost effective. It buys stationery items at reasonable cost from Dilip's relative who is manufacturer of stationery items. The firm's sales outlet is situated near a school. As a result, the firm has a steady demand of stationery items and is earning good profits. The firm is donating 10% of its profits to the nearby school for the education of the students of below poverty line. State any two factors affecting the value of goodwill of the firm.

7. The profit of a firm for the last 4 years are as under: 2013 – ₹18,000; 2014 – ₹23,000; 2015 – ₹29,000 and 2016 – ₹35,000.

Compute goodwill of the firm on the basis of 2 years' purchased of weighted average of profits. The weight are – 1, 2, 3 and 4.

Ans: ₹58,200

8. The capital employed by a firm is ₹3,00,000. The annual profit of firm is ₹60,000 including ₹9,600 received as compensation. The money could be invested in the bank for 5 years @ 10% p.a.

Considering 2% as fair compensation for the risk involved in the firm, compute goodwill of the firm on the basis of capitalisation of super profit.

Chapter 4:- Admission of a Partner

1. Harbhajan, Mikka and Hardik are partners in a firm sharing profits in the ratio of 4 : 3 : 3. They admitted Sidhu as a new partner. Harbhajan, Mikka and Hardik each surrendered $\frac{1}{3}$ rd of his share in favour of Sidhu. Calculate new profit sharing ratio of Harbhajan, Mikka, Hardik and Sidhu.

Ans: 4 : 3 : 3 : 5

2. Tulsian and Arihant were partners in a firm sharing profits in the ratio of 3 : 1. They admitted Sharma and Verma as new partners. Tulsian surrendered $\frac{1}{2}$ nd of his share in favour of Sharma and Arihant surrendered $\frac{1}{4}$ th of his share in favour of Verma. Calculate new profit sharing ratio of Tulsian, Arihant, Sharma and Verma.

Ans: 6 : 3 : 6 : 1.

3. Vikram and Betal are partners sharing profits in the ratio of 3 : 2. Mojo Jojo is admitted as a new partner for $\frac{1}{3}$ rd share in the profit. $\frac{1}{3}$ rd of Mojo Jojo's share was gifted to him by Vikram and balance share was taken by him from Vikram and Betal equally. Compute the profit sharing ratio of Vikram, Betal and Mojo Jojo.

Ans: 17 : 13 : 15.

4. Rohan and Mohan are partners in a firm sharing profits in the ratio 5 : 3 respectively. They admitted Bhim as a new partner for $\frac{1}{7}$ th share in the profit. The new profit sharing ratio is 4 : 2 : 1. Calculate sacrificing ratio of Rohan and Mohan.

7. Tukka Lal and Feku Lal are partners sharing profit equally. They admitted Lapetu Lal into partnership. Lapetu Lal paying only ₹1,000 for premium out of his share of premium of ₹1,800 for $\frac{1}{4}$ th share of profit. Goodwill account appears in the books at ₹6,000.

Give the necessary journal entries to record the above arrangements.

5. Ella and Frandy were partners in a firm sharing profits in the ratio of 3 : 1. They admitted Germy as a new partner on 1st April, 2014 for $\frac{1}{3}$ share. It was decided that Ella, Frandy and Germy will share future profits equally. Germy brought ₹50,000 in cash and machinery worth ₹70,000 for his share of profit as premium for goodwill. Pass necessary journal entries in the books of the firm.

Ans: Ella's sacrifice $\frac{5}{12}$ th, Frandy's gain $\frac{1}{12}$ th

6. Ram and Mohan were partners in a firm sharing profits in the ratio of 4 : 1. On 01.04.2014, they admitted Sohan as a new partner for $\frac{1}{3}$ rd share in the profits of the firm. They fixed the new profit sharing ratio as 4 : 2 : 3.

On the date of Sohan's admission. The P&L A/c on the date of admission showed a Balance of ₹32,000 (DR). the firm also had a reserve of ₹1,00,000. Sohan is to bring ₹60,000 as premium for his share of goodwill. Pass the necessary journal entries.

Ans: Ram's sacrifice $\frac{16}{45}$, Mohan's Gain $\frac{1}{45}$, Mohan's share of Goodwill ₹3,750.

7. Nike and Puma are partners in a firm sharing profits in the ratio of 3 : 2. They admitted Rupa as a new partner and fixed the new profit sharing ratio 3 : 3 : 2. At the time of admission of Rupa,

Stock (Book Value ₹50,000) is to be reduced by 40% and Furniture (Book value ₹30,000) is to be reduced to 40%. Pass the necessary Journal entries.

8. On the date of Sameer's admission, an extract of the Balance sheet of Mohit and Rohit sharing profits and losses in the ratio of 3 : 2 was as under:

Liabilities	₹	Assets	₹
General Reserve	5,000	Investment (Market Value ₹19,000)	20,000
Contingencies Reserve	450	Machinery Replacement Fund	1,000
Profit and Loss A/c	3,000	Advertisement Expenditure (Deferred Revenue)	1,000
Investment Fluctuation Reserve	1,500		
Workmen's Compensation Reserve	12,00		
Machinery Replacement Fund	1,000		
Employees' Reserve Fund	2,000		

New partner Sameer was admitted for 1/5th share of profits. A claim in account of workmen's compensation is estimated at ₹150 only.

Pass the necessary journal entries to adjust accumulated profits and losses.

9. Balance Sheet of Amar, Akbar and Anthony sharing profits in the ratio of 3 : 2 : 1. Is given below:

Liabilities	₹	Assets	₹
Amar's Capital	4,00,000	Bank	40,000
Akbar's Capital	4,00,000	Debtors 2,00,000	
Anthony's Capital	2,00,000	Less: Provision 3,000	1,97,000
Contingency Reserves	60,000	Stock	2,03,000
Trade Creditors	1,60,000	Furniture	30,000
Employees' Provident Fund	20,000	Machinery	5,30,000
Workmen Compensation Fund	60,000	Building	3,00,000
	13,00,000		13,00,000

It was decided to admit Akbar into partnership on the following terms and conditions:

- New profit Sharing Ratio between Amar, Akbar, Anthony and Akbar will be 3:3 : 3 : 2.
- Goodwill of the firm is valued at ₹3,00,000. Akbar brings his share of goodwill in cash which is created to the old partners.
- Akbar brings ₹1,50,000 as his share of capital. It is decided the capitals of the partners in the new firm shall be in their new profit sharing ratio, taking Akbar capital as the base. Any adjustments to be done through cash
- Contingency Reserve is not required any more.
- Provision for Doubtful Debts to be raised to 5% on debtors.
- Machinery is revalued at ₹5,00,000 and Building is revalued at ₹3,67,000

□ Prepare Revaluation A/c Capital A/c of Amar, Akbar, Anthony and Akbar, and the Balance Sheet of the firm after Akbar's admission.

10. Lalan and Mangal share the profits of a business in the ratio of 5 : 3. They admit Dharam into the firm for 1/4th share in the profits to be contributed equally by Lalan and Mangal. On the date of admission the Balance Sheet of the firm was as follows:

Liabilities	₹	Assets	₹
Lalan's Capital	30,000	Machinery	26,000
Mangal's Capital	20,000	Furniture	18,000
Contingency Reserve	2,000	Stock	10,000
Workmen's Compensation Fund	2,000	Debentures	8,000
Bank Loan	12,000	Bank	6,000
Creditors	1,000		
Employees' provision Fund	1,000		
	68,000		68,000

Terms of Dharam's admission were as follows:

- Dharam will bring in ₹25,000 as his capital, and the partners decide to adjust their capitals in the new profit sharing ratio, keeping Dharam capital as the base. Any surplus / deficit capital to be adjusted by opening current account.

- (ii) Goodwill of the firm is to be valued at 4 years' purchase of the average superprofits of the last three years. Average profits of the last three years are ₹20,00, while the normal profits that can be earned with capital employed are ₹12,000. No goodwill is to appear in the books.
- (iii) Furniture is to be appreciated by ₹6,000 and the value of stock to be reduced by 20%.

11. Usha and Asha are partners in a firm sharing ratio of 3 : 2. Their Balance Sheet was as follows:

Liabilities	₹	Assets	₹
Creditors	27,000	Cash	24,000
General reserve	18,000	Debtors 48,000	
Bills Payable	5,000	Less: Provision 4,800	43,200
Usha's Capital	40,000	Stock	30,000
Asha's Capital	35,000	Patents	7,400
		Building	20,400
	1,25,000		1,25,000

Neelam is admitted into Partnership giving her 1/5th share in the profits. Neelam to bring proportionate Capital and her share of Goodwill in Cash subject to the following terms:

- (i) Goodwill of the firm to be valued at 50,000.
- (ii) Stock to be reduced by 10% and Provision for Bad Debts to be reduced ₹2,400.
- (iii) Patents are valueless.
- (iv) There was a claim against the firm for damages amounting to ₹2,000. The claim has now been accepted.

□ Prepare Revaluation Account, Partners' Capital Account and the Balance sheet of the new firm.

12. Balance sheet of Ram and Sham who share profits and losses in the ratio of 3 : 2 as at 31st March, 2015 was:

Liabilities	₹	Assets	₹
Sundry Creditors	1,00,000	Cash at Bank	10,000
Reserve	60,000	Debtor	50,000
Profit and Loss A/c	25,000	Stock	70,000
Ram's Capital	48,000	Furniture	20,000
Sham's Capital	32,000	Plant and Machinery	1,00,000
		Advertisement	15,000
	2,65,000	Expenditure	2,65,000

They admit Mohan as a partner from 1st April, 2015 with 1/5th share in the profits of the firm. Mohan brings ₹50,000 as his capital. Give Journal entry for the adjustment of goodwill.

Retirement and Death of a Partner

1. Sun light, Moon light and Star light are equal partners in a firm. Moon light retires and the remaining partners decide to share the profits of the new in the ratio of 5 : 4. Calculate the gaining ratio.

Ans: 2 : 1.

2. Simran, Raj and Kanta are partners in a firm sharing profits ratio of 4 : 3 : 1. Simran retires and her share is taken up by Raj and Kanta equally. Find the new profit sharing ratio and the gaining ratio.

Ans: 5 : 3.

3. Amar, Amit and Akram were partners sharing profits in the ratio of 6 : 4 : 5. Their capitals were Amar – ₹1,00,000, Amit – ₹80,000 and Akram – ₹60,000. Amit retired from the firm and the new profit-sharing ratio between Amar and Akram was decided as 11 : 4. On Amit's retirement, the goodwill of the firm was valued at ₹1,80,000. Showing your calculations clearly pass the necessary Journal entry for the treatment of goodwill on Amit's retirement.

Ans: Amar's Gain 5/15, Akram's Sacrifice 1/15, Amit's Share of Goodwill ₹48,000

4. Arjun, Bhim and Nakul are partners sharing profits and losses in the ratio of 14 : 5 : 6 respectively. Bhim retires and surrenders his $\frac{5}{25}$ th share in favour of Arjun. The goodwill of the firm is valued at 2 years purchase of super profits based on average profit of last 3 years. The profits for the last 3 years are ₹50,000, ₹55,000 and ₹60,000 respectively. The normal profits for the similar firm are ₹30,000. Goodwill already appears in the books of the firm at ₹75,000. The profit for the first year after Bhim's retirement was ₹1,00,000. Pass the necessary Journal Entries to adjust Goodwill and distribute profits showing your workings.

Ans: Goodwill ₹50,000, Bhim's Share ₹10,000, New Ratio: 19 : 6.

5. Akshay, Amit, Ankur and Aakash are partners sharing profit in the ratio of 3 : 3 : 2 : 2 respectively. Aakash retires. Akshay, Amit and Ankur decide to share the future profits in the ratio of 3 : 2 : 1. Goodwill of the firm is valued at ₹6,00,000. Goodwill already appears in the books at ₹4,50,000. The profits for the first year after Aakash's retirement amount to ₹12,00,000. Give necessary Journal Entries to record Goodwill and to distribute the profits. Show your calculations clearly.

Ans: Gain of Share: Akshay $\frac{12}{60}$, Amit $\frac{2}{60}$, Ankur's Sacrifice $\frac{2}{60}$, Debit Akshay ₹1,20,000 and Amit ₹20,000, Credit Ankur ₹20,000 and Aakash ₹1,20,000.

6. The Balance sheet of Apple, LG and Sony sharing profits and losses in the ratio of 2 : 3 : 2, is given below:

Liabilities	₹	Assets	₹
Capital Accounts:		Land and Buildings	4,00,000
Apple	4,00,000	Machinery	6,00,000
LG	6,00,000	Closing Stock	2,00,000
Sony	4,00,000	Sundry Debtors	2,20,000
Workmen C.R	30,000	Less: Provision	20,000
Sundry Creditors	1,00,000	Cash at Bank	2,00,000
Employee P.F	70,000		
	16,00,000		16,00,000

On same date Apple retires on the following terms:

- Land & Buildings be appreciated by 30%.
- Machinery be depreciated by 30%.
- Bad debts ₹37,000.
- The claim on account of Workmen Compensation Fund was estimated at ₹16,000.
- Goodwill of the entire firm valued at ₹2,80,000. LG and Sony decided to share the future profit & Losses in the ratio of 3 : 4.
- The total capital of the firm is to be the same as before retirement. Individual capitals be in their profit sharing ratio.
- Amount due to Apple is to be settled by paying ₹1,00,000 in cash and balance by transferring to loan account.

Prepare Revaluation Account, Capital Accounts of Partners, Balance Sheet of New Firm.

Ans: Loss on Revaluation ₹77,000, only Sony gains $\frac{2}{7}$ th, LG brings ₹27,000, Sony brings in ₹4,98,000, Apple's loan ₹3,62,000, Capital A/c Balances LG ₹6,00,000, Sony ₹8,00,000, B/S Total ₹19,48,000.

7. Leena, Madan and Naresh were partners in a firm sharing profits and losses in the ratio of 2 : 2 : 3.

On March 31, 2015, their Balance Sheet was as follows:

Liabilities	₹	Assets	₹
Trade Creditors	1,60,000	Land & Buildings	10,00,000
Bank Over Drafts	44,000	Machinery	5,00,000
Long-term Debts	4,00,000	Furniture	7,00,000
Employees P.F.	76,000	Investments	2,00,000
Capitals:		Closing Stock	8,00,000
Leena 12,50,000		Sundry Debtors	4,00,000
Madan 8,00,000		Bank	80,000
Naresh 10,50,000	31,00,000	Deferred Advertisement Exp.	1,00,000
	37,80,000		37,80,000

On March 31st, 2015, Madan retired from the firm and the remaining partners decided to carry on the business. It was decided to revalue assets and liabilities as under:

- Land and Building de appreciated by ₹ 2,40,000 and Machinery be depreciated by 10%.
- 50% on Investments were taken over by retiring partner at book value.
- An old customer, Mohit whose account was written off as bad debts had promised to pay ₹ 7,000 in settlement of his full debts of ₹ 10,000.
- Provision for doubtful debts was to be made at 5% on debtors.
- Closing stock will be valued at market price which is ₹ 1,00,000 less than the book value.
- Goodwill of the firm be valued at ₹ 5,60,000 and Madan's share of goodwill be adjusted in the accounts of Leena and Naresh. Leena and Naresh decided to share future profits and losses in the ratio of 3 : 2.
- The total capital of new firm will be ₹ 32,00,000 which will be in the proportion of the profit sharing ratio of Leena and Naresh.
- Amount due to Madan was settled by accepting a bill of exchange in his favour payable after 4 months.

Prepare Revaluation Account, Partner's Capital Accounts and Balance Sheet of the firm after Madan's retirement.

8. The Balance Sheet of Max, Sam and Tom who were sharing profits in ratio of 5 : 3 : 2 as at 31st March, 2017:

<i>Liabilities</i>	₹	<i>Assets</i>	₹
Creditors	50,000	Cash at Bank	40,000
Employee's P.F	10,000	Sundry Debtors	1,00,000
Profit & Loss	85,000	Stock	80,000
A/c Capital		Fixed Assets	60,000
A/cs:			
Max 40,000			
Sam 62,000			
Tom 33,000	1,35,000		
	2,80,000		2,80,000

Max retired on 31st March, 2017 and Sam and Tom decided to share profit in future in the ratio of 2 : 3 respectively. The other terms on retirement were as follows:

- Goodwill of the firm is to be valued at ₹ 80,000.
- Fixed Assets are to be depreciated to ₹ 57,500.
- Make a provision for doubtful debts at 5% on debtors.
- A liability for claim included in creditors for ₹ 10,000 is settled for cash at ₹ 8,000.

The amount to be paid to Max by Sam and Tom in such a way that their capitals are proportionate to their profits sharing ratio and leave a balance of ₹ 15,000 in the bank account.

Prepare Profit & Loss Adjustment Account, Partners' Capital Account and Balance Sheet of New Firm.

9. Mukesh, Ramesh and Suresh were partners in a firm sharing Profit's in the ratio of 5 : 3 : 2. On 31-03-2015, their Balance sheet was as follows:

Balance Sheet of Mukesh, Ramesh and Suresh
as on 31st March, 2015

<i>Liabilities</i>	₹	<i>Assets</i>	₹
Creditors	21,000	Land &	62,000
Investment Fluctuation fund	10,000	Building Motor Vans	20,000
Profit and Loss A/c	40,000	Investments	19,000
Mukesh 50,000		Machinery 40,000	12,000
Suresh 40,000		Stock 3,000	15,000
Ramesh 20,000	1,10,000	Debtors	
		Less: Provision	37,000
		Cash	16,000
	1,81,000		1,81,000

On the above date, Suresh retired and Mukesh and Ramesh agreed to continue the business on the following terms:

- (a) Goodwill of the firm was valued at ₹ 51,000.
- (b) There was a claim of ₹ 4,000 for Workmen's Compensation.
- (c) Provision for bad debts was to be reduced by ₹ 1,000.

- (d) Suresh will be paid ₹ 8,200 in cash and the balance will be transferred in the loan account which will be paid in four equal yearly installments together with interest @ 10% p.a.
 - (e) The new profit sharing ratio between Mukesh and Naresh will be 3 : 2 and their capitals will be in their new profit sharing ratio. The capital adjustments will be done by opening current accounts.
- Prepare Revaluation Account, Partners' Capital account and the Balance Sheet of the reconstituted firm.

10. Aman and Raman are partners. The Partnership deed provides inter alia:-

- (a) That the accounts be balanced on 31st December in each year.
- (b) That the profits be divided as follows: Aman one-half, Raman one-third and carried to a Reserve Account one-sixth.
- (c) That in event of the death of a partner, his executors be entitled to be paid out:
 - (i) The Capital to his credit at date of death.
 - (ii) His proportion of profits to date of death based on the average profits of the last three complete years.
 - (iii) By way of Goodwill, his proportion of the total profits for the three preceding years.
- (d) The Balance sheet as at 31st Dec.

Liabilities	₹	Assets	₹
Aman Capital A/c	9,000	Sundry Assets	21,000
Raman Capital A/c	6,000		
Contingency Reserve	3,000		
Creditors	2,000		
Employees' Provident Fund	1,000		
	21,000		21,000

The profits for three years were: I ₹ 4,200; II ₹ 3,900; III ₹ 4,500. Raman died on 1st May.

Prepare the necessary accounts.

Ans: Deceased Partner's Share: Goodwill ₹ 5,040, Profits ₹ 560, Reserve ₹ 1200, Total Amount Due ₹ 12,800.

11. Rahul, Sameer and Tarun were partners sharing profits and losses in the ratio of 5 : 3 : 2 respectively. On 31st December 2013. Their Balance Sheet stood as under:

Liabilities	₹	Assets	₹
Sundry Creditors	50,000	Goodwill	25,000
Employees' P.F	5,000	Lease hold	1,00,000
Contingency Reserve	20,000	Patents	30,000
Employees' C.R	10,000	Machinery	1,50,000
Rahul Capital	1,50,000	Stock	50,000
Sameer Capital	1,25,000	Debtors	40,000
Tarun Capital	75,000	Cash at Bank	40,000
	4,35,000		4,35,000

Tarun died on 1st May, 2014. It was agreed that:

- (a) Goodwill to be valued at 2½ years' purchase of last four years' average profits which were: I ₹ 65,000, II ₹ 60,000, III ₹ 80,000 and IV ₹ 75,000.
- (b) Machinery be valued at ₹ 1,40,000; Patents be valued at ₹ 40,000; Leasehold be valued at ₹ 1,25,000 on 1st May, 2014.
- (c) For the purpose of calculating Tarun's share in the profit to 2014, the profits in 2014 should be taken to have accrued on the same scale as in 2013.

- (d) A sum of ₹ 21,000 to be paid immediately to the executors of Tarun and the balance to be paid in four equal half-yearly installments together with interest @ 10% per annum.
Pass the necessary journal entries to record the above transactions and Tarun's executors account for 2014.

Ans:

Deceased Partner's Share: Goodwill ₹ 35,000, Profits ₹ 5,000, Reserves ₹ 6,000, Profit on revaluation ₹ 5,000, Total Amount Due ₹ 1,21,000, Goodwill w/o ₹ 5,000