1. 2022 December[10Marks]

X and Y are in partnership business sharing profits and losses in the ratio of 2:3.

Their Balance Sheet as at 31st March, 2022 is as follows:

Liabilities	Amount (₹)	Assets	Amount (₹)
Capital Accounts:		*Building*	*60,000*
X	*60,000*	*Plant*	*45,000*
Y	*1,40,000*	*Furniture*	*23,500*
General Reserve	*40,000*	*Debtors*	*38,400*
Creditors	*42,600*	*Bills receivable*	*12,500*
Bills payable	*15,400*	*Stock*	*42,600*
Salary payable	*2,000*	*Bank*	*78,000*
	3,00,000		*3,00,000*

On 1st April, 2022 they decided to admit Z into the partnership giving him 1/5th share in the future profits. He brings in ₹ 1,00,000 as his share of capital. Goodwill was valued at ₹ 1,20,000 at the time of admission of Z. The partners decided to revalue the assets and liabilities as follows:

(i) *Plant ₹ 40,000, Stock ₹ 42,000, Furniture ₹ 20,000 and Bills Receivable ₹ 12,000.*

(ii) *Out of total Debtors, ₹ 2400 is bad and 5% provision is to be provided for bad and doubtful debts.*

(iii) *Building is to be appreciated by 75%.*

(iv) *Actual liability towards salary payable is ₹ 1200 only.*

You are required to show the following accounts in the books Of the firm:

1. *Revaluation Account*
2. *Partner's Capital Accounts*
3. *Balance sheet of the Firm after Admission of Z.*

2. 2022 December[5Marks]

R and S are partners in a firm with a capital of 14,00,000 and 12,00,000 respectively.
During the year ended on 31st March, 2022 firm earned a profit of ₹ 6,50,000. Assuming that the normal rate of return is 20%. Calculate the amount of Goodwill of the firm by using

(i) Capitalization method

(ii) Super Profit method, if the goodwill is valued at 6 years purchase of super profits.

3. 2022 May[5Marks]

Mr. X gives the following particulars in respect of business carried on by him:

Particulars	*Amount (₹)*
Capital Invested in business	*9,00,000*
Market rate of interest on investment	*8%*
Rate of risk return on capital invested in business	*3%*
Remuneration per annum from alternative employment of proprietor if he was not engaged in business	*36,000*

The business earned profits of ₹ 2,40,000, ₹ 2,16,000 and ₹ 3,00,000 in the years 2018, *2019 and 2021 respectively but made a loss of ₹ 36,000 in the year 2020.*

Compute the value of Goodwill on the basis of 6 years' purchase of super profits of the business, calculated on the basis of average profit of last four years.

4. 2022 May[10Marks]

In The Books of X, Y and Z
Revaluation A/c

Particulars	₹	Particulars	₹
To Provision for Doubtful Debts	13,000	By Building	62,500
To Machinery	33,750	By Loss on revaluation	
To Stock	27,750	X 2,000	
		Y 4,000	
		Z 6,000	12,000
	74,500		74,500

Partners' Capital A/c

Particulars	X	Y	Z	Particulars	X	Y	Z
To Loss on Revaluation	2,000	4,000	6,000	By Balance b/d	1,75,000	2,50,000	4,00,000
To Bank	-	-	9,04,000	By General Reserve	50,000	1,00,000	1,50,000
To Z's Capital	1,20,000	2,40,000	-	By X and Y's Capital	-	-	3,60,000
To Balance c/d	6,03,000	6,06,000	-	By Bank	5,00,000	5,00,000	-
	7,25,000	8,50,000	9,10,000		7,25,000	8,50,000	9,10,000

Bank A/c

Particulars	₹	Particulars	₹
To Balance b/d	62,500	By Z's Capital	9,04,000
To X's Capital	5,00,000	By Balance c/d	1,58,500
To Y's Capital	5,00,000		
	10,62,500		10,62,500

Valuation of Goodwill:

Total Profit of past 3 years = ₹ 2,75,000 + ₹ 2,50,000 + ₹ 1,95,000 = ₹

7,20,000 Average profit = ₹ 7,20,000 / 3 = ₹ 2,40,000

Goodwill (3 years purchase) = ₹ 2,40,000 x 3 = ₹ 7,20,000

Z's share = (3/6)th = ₹ 7,20,000 X 1/2 = ₹

3,60,000 **Journal entry for adjustment of goodwill**

X's capital A/c Dr. 1,20,000

Y's capital A/c Dr. 2,40,000

To Z's capital A/c 3,60,000

(Being Goodwill adjusted through Partners Capital account as per gaining ratio)

5. 2021 December[5Marks]

A, B and C are partners in a firm. On 1st April 2019 their fixed capital stood at

₹ 50,000, ₹ 25,000 and ₹ 25,000 respectively.

As per the provision of partnership deed:

(1) C was entitled for a salary of 5,000 p.a.

(2) All the partners were entitled to interest on capital at 5% p.a.

(3) Profits and losses were to be shared in the ratio of Capitals of the partners. Net Profit for the year ended 31st March, 2020 of ₹ 33,000 and 31st March,2021 of ₹ 45,000 was divided equally without providing for the above adjustments.

You are required to pass an adjustment journal entry to rectify the above errors.

6. 2021 December[10Marks]

A and B are partners, sharing profits and losses in the proportion of 3/4th and 1/4th As at 31st March, 2021, following is the Balance Sheet of A and B.

Balance Sheet as at 31st March, 2021

Liabilities		(₹)	Assets	(₹)
Capital accounts			Cash in hand	1,15,000
A	2,85,000		Cash at bank	1,10,000
B	1,55,000	4,40,000	Sundry Debtors	1,60,000
Creditors		3,75,000	Stock	2,00,000
General reserve		60,000	Bills receivable	30,000
			Land and building	2,50,000
			Office furniture	10,000
		8,75,000		8,75,000

They agreed to take C into Partnership on 1st April, 2021 on the following terms:

(i) Goodwill is to be valued at ₹ 2,00,000. C is unable to bring cash for his share of goodwill. So, it was decided that due credit for goodwill be given to A and B for their sacrifice in favour of C through C's current account.

(ii) C pays ₹ 1,40,000 as his capital for 1/5th share in the future profits.

(iii) Stock and Furniture to be reduced by 10%.

(iv) A provision @ 5% for doubtful debts to be created on debtors.

(v) Land and building to be appreciated by 20%.

(vi) Capital Accounts of the partners be readjusted on the basis of their profit sharing arrangement and any excess or deficiency is to be transferred to their Current Accounts.

Prepare Revaluation Account and Partners Capital Accounts.

7. 2021 July[5Marks]

Rama, Krishna and Raghu shared profits and losses in the ratio of 5:3:2. They took out a Joint Life Policy in 2017 for ₹ 50,000, a premium of ₹ 3,000 being paid annually on 10th June. The surrender value of the policy on 31st December of various years was as follows:

2017	Nil
2018	₹900
2019	₹2,000
2020	₹3,600

Rama retired on 15th April, 2021 and the policy was surrendered. You are required to prepare Joint Life Policy Account from 2017 to 2021 (assuming the Policy Account is maintained at surrendered value basis).

8. 2021 July[10Marks]

It was provided under the Partnership Agreement between Ram, Laxman and Bharat that in the event of death of a partner, the survivors would have to purchase his share in the firm on the following terms:

(i) Goodwill is to be valued at 3 year's purchase of simple average profits of last 4 completed years.

(ii) Outstanding amount due to the representative of a deceased partner shall be paid in 4 equal half yearly installments commencing 6 months after the death plus interest @ 5% p.a. on the outstanding dues.

They shared profit and loss in the ratio 9:4:3.

Ram died on 30th September 2020 and Partner's Capital account balances on that date were: Ram - ₹ 21,600, Laxman - ₹ 12,800 and Bharat - ₹ 7,200. Ram's current account on 30th September, 2020 after crediting his share of profit to that date, however showed a debit balance of ₹ 1,920.

Firm profits were for the year ended

- 31st March, 2017	₹ 70,400
- 31st March, 2018	₹ 56,320
- 31st March, 2019	₹ 48,160
- 31st March, 2020·	₹ 17,408

Show Ram's Capital Account and Executor's Account (of Ram) till full payment is made to Ram's Executor.

9. 2021 January[10Marks]

The partnership deed of a firm consisting of 3 partners - P, Q and R (profit sharing ratio being 2:1:1) and whose fixed capitals are ₹ 30,000, ₹ 12,000 and ₹ 8,000 respectively provides as follows:

(i) The partners be allowed interest @ 8% p.a. on their fixed capitals, but no interest to be allowed on undrawn profits or charged on drawings.

(ii) *That upon the death of a partner, the goodwill of the firm be valued at 2 years purchase of the average net profit (after charging interest on capital) for the 3 years to 31st December preceding the death of a partner.*

(iii) *That an insurance policy of ₹ 25,000 each was taken in individual names of each partner. The premium was charged against the profits of the firm. The surrender value of the policy was 20% of the sum assured.*

(iv) *Upon the death of a partner, he is to be credited with his share of the profits, interest on capitals, etc. calculated upto 31st December following his death.*

(v) *That the share of the partnership policy and goodwill be credited to a deceased partner as on 31st December following his death.*

(vi) *That the partnership books to be closed annually on 31st December.*

P died on 30th September, 2020. The amount standing to the credit of his current account as on 31st December, 2019 was ₹ 5,000 and from that date to the date of death he had withdrawn₹ 30,000 from the business.

An unrecorded liability of ₹ 6,000 was discovered on 30th September, 2020 and it was decided to record it and immediately pay it off.

The trading results of the firm (before charging interest on capital) had been as follows:

2017	Profit	₹ 29,340
2018	Profit	₹ 6,470
2019	Loss	₹ 8,320
2020	Profit	₹ 13,470

You are required to prepare an account showing amount due to P's legal heir as on 31st December, 2020.

10. 2019 November[10Marks]

Arup and Swarup were partners. The partnership deed provides inter alia:

(i) *That the annual accounts be balanced on 31st December each year;*

(ii) *That the profits be allocated as follows:*

Arup: One-half; Swarup: One-third and -Carried to reserve account: One sixth;

(iii) *That in the event of death of a partner, his executor will be entitled to the following:*

1. *The capital to his credit at the date of death;*
2. *His proportionate share. of profit to date of death based on the average profits of the last three completed years; and*
3. *His Share of goodwill based on three years' purchase of the average profits for the three preceding completed years.*

Trial Balance as on 31st December, 2018

Particulars	Debit (₹)	Credit (₹)
Arup's Capital		90,000
Swarup's Capital		60,000
Reserve		45,000
Bills receivable	50,000	
Investment	55,000	
Cash	1,10,000	
Trade payables		20,000
Total	2,15,000	2,15,000

The profits for the three year were 2016: ₹ 51,000; 2017: ₹ 39,000 and 2018: ₹ 45,000. Swarup died on 1st May 2019.

Show the calculation of Swarup (A) Share of profits; (B) Share of Goodwill; (C) Draw up Swarup's Executor Account as would appear in the firms' ledger transferring the amount to the Loan account.

11. 2019 May[10Marks]

Monika, Yedhant and Zoya are in partnership, sharing profits and losses equally.

Zoya died on 30th June 2018. The Balance Sheet of Firm as at 31st March 2018 stood as

Liabilities	Amount	Assets	Amount
Creditors	20,000	Land and Building	1,50,000
General Reserve	12,000	Investments	65,000
Capital Accounts:		Stock in trade	15,000
Monika	1,00,000	Trade receivables 35,000	
Yedhant	75,000	Less: Provision for doubtful debt (2,000)	33,000
Zoya	75,000	Cash in hand	7,000
		Cash at bank	12,000
	2,82,000		2,82,000

In order to arrive at the balance due to Zoya, it was mutually agreed that:

(a) *Land and Building be valued at ₹ 1,75,000*

(b) *Debtors were all good, no provision is required*

(c) *Stock is valued at ₹ 13,500*

(d) *Goodwill will be valued at one Year's purchase of the average profit of the past five years. Zoya's share of goodwill be adjusted in the account of Monika and Yedhant.*

(e) *Zoya's share of profit from 1st April 2018, to the date of death be calculated on the basis of average profit of preceding three years.*

(f) *The profit of the preceding five years ended 1st March were:*

2018	2017	2016	2015	2014
25,000	20,000	22,500	35,000	28,750

You are required to prepare:

(i) *Revaluation account*

(ii) *Capital accounts of the partners and*

(iii) *Balance sheet of the Firm as at 1st July 2018.*

12. 2018 November[15Marks]

Dinesh, Ramesh and Naresh are partners in a firm sharing profits and losses in the ratio of 3:2:1. Their Balance Sheet as on 31st March, 2018 is as below:

Liabilities		(₹)	Assets	(₹)
Trade payables		22,500	Land & Buildings	37,000
Outstanding Liabilities		2,200	Furniture & Fixtures	7,200
General Reserve		7,800	Closing stock	12,600
Capital Accounts:			Trade Receivables	10,700
Dinesh	15,000			
Ramesh	15,000			
Naresh	10,000	40,000	Cash in hand	2,800
			Cash at Bank	2,200
		72,500		72,500

The partners have agreed to take Suresh as a partner with effect from 1st April, 2018 on the following items:

(ii) Suresh shall bring ₹ 8,000 towards his capital.

(iii) The value of stock to be increased to ₹ 14,000 and Furniture & Fixtures to be depreciated by 10%.

(iv) Reserve for bad and doubtful debts should be provided at 5% of the Trade Receivables.

(v) The value of Land & Buildings to be increased by ₹ 5,600 and the value of the goodwill be fixed at ₹ 18,000.

(vi) The new profit sharing ratio shall be divided equally among the partners.

The outstanding liabilities include ₹ 700 due to Ram which has been paid by Dinesh. Necessary entries were not made in the books.

Prepare (i) Revaluation Account, (ii) Capital Accounts of the partners, (iii) Balance Sheet of the firm after admission of Suresh.

13. 2018 May[10Marks]

A, B and C are partners sharing profits in the ratio of 3:2:1. Their Balance Sheet as at 31st March, 2018 stood as:

Liabilities		₹	Assets		₹
Capital Accounts			Building		10,00,000
A	8,00,000		Furniture		2,40,000
B	4,20,000		Office equipments		2,80,000
C	4,00,000	16,20,000	Stock		2,50,000
Sundry Creditors		3,70,000	Sundry debtors	3,00,000	
General Reserves		3,60,000	Less: Provision for Doubtful debts	30,000	2,70,000
			Joint life policy		1,60,000
			Cash at Bank		1,50,000
		23,50,000			23,50,000

B retired on 1st April, 2018 subject to the following conditions:

(i) Office Equipments revalued at ₹ 3,27,000.

(ii) Building revalued at ₹ 15,00,000. Furniture is written down by ₹ 40,000 and Stock is reduced to Rs,2,00,000.

(iii) Provision for Doubtful Debts is to be created @ 5% on Debtors.

(iv) Joint Life Policy will appear in the Balance Sheet at surrender value after B's retirement. The surrender value is ₹ 1,50,000

(v) Goodwill was to be valued at 3 years purchase of average 4 years profit which were:

Year	₹
2014	90,000
2015	1,40,000
2016	1,20,000
2017	1,30,000

(vi) Amount due to B is to be transferred to his Loan Account.

Prepare the Revaluation Account, Partners' Capital Accounts and the Balance Sheet immediately after B's retirement.