

1. 2022 December [10Marks]

In the books of X, Y and Z  
Revaluation Account

Particulars	₹	Particulars	₹
To Plant	5,000	By Building	45,000
To Bad Debts	2,400	By Salary Payable	800
To Provision for Doubtful Debts	1,800		
To Stock	600		
To Furniture	3,500		
To Bills receivable	500		
To Profit on revaluation			
X	12,800		
Y	19,200		
	45,800		45,800

Partners' Capital A/c's

Particulars	X	Y	Z	Particulars	X	Y	Z
To X and Y (Goodwill adjustment)	-	-	24,000	By Balance b/d	60,000	1,40,000	-
To Balance c/d	98,400	1,97,600	76,000	By Bank	-	-	1,00,000
				By Z	9,600	14,400	-
				By General Reserve	16,000	24,000	-
				By Revaluation	12,800	19,200	-
	98,400	1,97,600	1,00,000		98,400	1,97,600	1,00,000

Balance Sheet as on 1<sup>st</sup> April, 2022 (after admission)

Liabilities	₹	Assets	₹
Capital Accounts:		Building	1,05,000
X	98,400	Plant	40,000
Y	1,97,600	Furniture	20,000
Z	76,000	Debtors*	34,200
Creditors	42,600	Bills Receivable	12,000
Bills Payable	15,400	Stock	42,000
Salary Payable	1,200	Bank	1,78,000
	4,31,200		4,31,200

\* Debtors: (38,400 – 2,400 – 1,800) = ₹ 34,200

2. 2022 December [5Marks]

(i) Capitalization Method:

Total Capitalised Value of the firm

$$= \frac{\text{Average Profit} \times 100}{\text{Normal Rate of Return}} = ₹ 6,50,000 \times 100 / 20 = ₹ 32,50,000$$

Goodwill = Total Capitalised Value of Business – Capital Employed

$$= ₹ 32,50,000 - ₹ 26,00,000 \text{ [i.e., ₹ 14,00,000 (R) + ₹ 12,00,000 (S)]}$$

$$\text{Goodwill} = ₹ 6,50,000$$

(ii) Super Profit Method:

Normal Profit = Capital Employed x Normal rate of return i.e. ₹ 26,00,000 x 20/100

$$= ₹ 5,20,000$$

Average Profit = ₹ 6,50,000

Super Profit = Average profit – Normal Profit

$$= ₹ 6,50,000 - ₹ 5,20,000 = ₹ 1,30,000$$

Goodwill = Super Profit x Number of years' purchase

$$= ₹ 1,30,000 \times 6 = ₹ 7,80,000$$

3. 2022 May [5Marks]

Computation of Goodwill of Mr. X

Average maintainable profits:		₹
Trading profit during	2018	2,40,000
	2019	2,16,000
	2021	3,00,000
		7,56,000
Less: Loss during	2020	(36,000)
Total		7,20,000
Average Profits (₹ 7,20,000 / 4)		1,80,000
Less: Remuneration for the proprietor		(36,000)
Average maintainable Profit		1,44,000
Less: Normal Profit (11% on capital employed of ₹ 9,00,000)		(99,000)
Super Profit		45,000
Goodwill at 6 year's purchase of Super Profit		2,70,000

Alternative:

₹

$$\text{Total profit (₹ 2,40,000 + ₹ 2,16,000 + ₹ 3,00,000 - ₹ 36,000)} = ₹ 7,20,000$$

$$\text{Normal Profit (11% on capital employed of ₹ 9,00,000)} = (99,000)$$

$$\text{Remuneration for the proprietor} = \underline{(36,000)}$$

$$(1,35,000)$$

$$\text{Average Profits (₹ 7,20,000 / 4)} \quad 1,80,000$$

$$\text{Super Profit} \quad 45,000$$

$$\text{Goodwill at 6 year's purchase of Super Profit} = 2,70,000$$

4. 2022 May[10Marks]

X, Y and Z are partners sharing profits and losses in the ratio of 1:2:3. Their Balance Sheet as on 31<sup>st</sup> March,2021 was as follows:

Liabilities	Amount (₹)	Assets	Amount (₹)
Capitals:		Building	2,50,000
X	1,75,000	Machinery	3,37,500
Y	2,50,000	Debtors	3,25,000
Z	4,00,000	Stock	4,00,000
General Reserve	3,00,000	Bank	62,500
Trade Creditors	2,50,000		
<b>Total</b>	<b>13,75,000</b>	<b>Total</b>	<b>13,75,000</b>

Z retired from business on 1<sup>st</sup> April,2021 on the following terms:

- (i) Building to be appreciated by 25%.
- (ii) X and Y to bring in additional capital of ₹ 5,00,000 each.
- (iii) Machinery to be depreciated by 10%.
- (iv) Stock is revalued at ₹ 3,72,250.
- (v) Provision for Doubtful Debts to be created at 4%.
- (vi) Goodwill was to be valued at 3 years' purchase of average profits of past 3 years. The profits of past 3 years were ₹ 2,75,000, ₹ 2,50,000 and ₹ 1,95,000 respectively.
- (vii) Goodwill was not to be raised in the Books of Accounts.
- (viii) Balance payable to Z was to be paid immediately.

Prepare Revaluation Account, Bank Account and Partners' Capital Accounts after giving effect to Z's retirement, Also show the valuation of Goodwill and pass a Journal Entry for adjustment of Goodwill.

5. 2021 December[5Marks]

Particulars	A	B	C	Total Profit of firm
(b) Amount already credited:				
Share of profit (in the ratio of 1:1:1) (2019-20,2020-21)	26,000	26,000	26,000	78,000
(c) Amount which should have been credited:				
C's Salary (2019-20,2020-21)			10,000	
Interest on Capital (2019-20,2020-21)	5,000	2,500	2,500	
Share of Profit	29,000	14,500	14,500	58,000
	34,000	17,000	27,000	
Net effect (I-II)	(8,000)	9,000	(1,000)	-

The necessary journal entry will be:

Particulars	Debit (₹)	Credit (₹)
B's Current A/c	9,000	
To A's Current A/c		
To C's Current A/c		1,000
(Salary to C, Interest on capital charged and profit shared among partners in the ratio of capital)		

#### 6. 2021 December [10Marks]

#### Revaluation Account

Particulars	Amount ₹	Particulars	Amount ₹
To Furniture	1,000	By Land and Building	50,000
To Stock	20,000		
To Provision for doubtful debts	8,000		
To Revaluation Profit	21,000		
A (21,000 x $\frac{3}{4}$ )	15,750		
B (21,000 x $\frac{1}{4}$ )	5,250		
	50,000		50,000

#### Partners' Capital Accounts

	A	B ₹	C ₹		A ₹	B ₹	C
To 'B's Current A/c (bal fig)	-	45,250	-	By Balance b/d	2,85,000	1,55,000	-
To Balance c/d	4,20,000	1,40,000	1,40,000	By General reserve	45,000	15,000	-
				By Revaluation Profit	15,750	5,250	
				By Bank A/c	-	-	1,40,000
				By C's Current A/c (Goodwill)	30,000	10,000	-
				By As Current A/c (bal fig)	44,250	-	-
	4,20,000	1,85,250	1,40,000		4,20,000	1,85,250	1,40,000

#### Working Notes:

(1) Calculation of total Capital

C's capital contribution of ₹ 1,40,000 consists of  $\frac{1}{5}$ th of capital.

Therefore, total capital of firm should be ₹ 1,40,000 x 5 = ₹

7,00,000

Hence, ₹ 5,60,000 (7,00,000 - 1,40,000) will be shared by A and B in the ratio of 3:1 i.e., A's capital ₹ 4,20,000 and B's capital ₹ 1,40,000

(2) Calculation of New Profit Sharing ratio

$$A = \frac{3}{4} \times \frac{4}{5} = \frac{12}{20} = \frac{3}{5}$$

$$B = \frac{1}{4} \times \frac{4}{5} = \frac{4}{20} = \frac{1}{5}$$

$$C = \frac{1}{5} = \frac{4}{20} = \frac{1}{5} \quad \text{or} \quad 3 : 1 : 1$$

OR

Calculation of sacrificing ratio

Partners	New share	Old share	Sacrifice	Gain
A	$\frac{3}{5}$	$\frac{3}{4}$	$\frac{-3}{20}$	-
B	$\frac{1}{5}$	$\frac{1}{4}$	$\frac{-1}{20}$	-
C	$\frac{1}{5}$	-	-	$\frac{1}{5}$

(3) Goodwill

C's share in Goodwill = 40,000 (2,00,000x1/5) is adjusted through C's Current

Account because capitals of old partners are also adjusted on the basis of C's Capital.

Therefore, Journal entry for goodwill will be

C's Current A/c	Dr. 40,000	
	To A's Capital A/c	30,000
	To B's Capital A/c	10,000

7. 2021 July[5Marks]

#### Joint Life Policy Account

		₹			₹
10 <sup>th</sup> June, 2017	To Bank Account	3,000	31 <sup>st</sup> Dec., 2017	By Profit and Loss A/c	3,000
10 <sup>th</sup> June, 2018	To Bank Account	3,000	31 <sup>st</sup> Dec., 2018	By Profit and Loss A/c	2,100
				By Balance c/d	900
		3,000			3,000
1 <sup>st</sup> January, 2019	To Balance b/d	900	31 <sup>st</sup> Dec., 2019	By Profit and Loss A/c	1,900
10 <sup>th</sup> June, 2019	To Bank Account	3,000		By Balance c/d	2,000
		3,900			3,900
1 <sup>st</sup> January, 2020	To Balance b/d	2,000	31 <sup>st</sup> Dec., 2020	By Profit and Loss A/c	1,400
10 <sup>th</sup> June, 2020	To Bank Account	3,000		By Balance c/d	3,600
		5,000			5,000
1 <sup>st</sup> January, 2021	To Balance b/d	3,600	15 <sup>th</sup> April, 2021	By Bank	3,600
		3,600			3,600

8. 2021 July[10Marks]

Ram's Capital Account

Date 2020	Particulars	₹	Date 2020	Particulars	₹
Sep. 30	To Ram's current Account	1,920	Sep. 30	By bal b/d	21,600
Sep. 30	To Ram's Executor A/c	1,00,802	Sep. 30	By Bharat Capital A/c and Laxman Capital A/c (Share of goodwill)	81,122
		1,02,722			1,02,722

Date 2020	Particulars	₹	Date 2020	Particulars	₹
31.3.2021	To Bank A/c (25,200.50+2,520)	27,720.50	1.10.2020	By Capital A/c	1,00,802.00
	To Balance c/d	75,601.50	31.3.2021	By Interest (1,00,802 x 2.5%)	2,520.00
		1,03,322.00			1,03,322
30.9.2021	To bank A/c (25,200.50+1,890)	27,090.50	1.4.2021	By Balance b/d	75,601.50
31.3.2022	To bank A/c (25,200.50+1,260)	26,460.50	30.9.2021	By Interest (75,601.50 x 2.5%)	1,890.00
31.3.2022	To balance c/d	25,200.50	30.3.2022	By Interest (25,200.50 x 2) x 2.5%	1,260.00
		78,751.50			78,751.50
30.9.2022	To bank A/c (25,200.50+630)	25,830.50	1.4.2022	By balance b/d	25,200.50
		25,830.50	30.9.22	By Interest (25,200.50 x 2.5%)	630.00
					25,830.50

Working notes

1.	<b>Ascertainment of Value of Goodwill</b>	
	2017	70,400
	2018	56,320
	2019	48,160
	2020	17,408
	Total Profit for 4 years	1,92,288
	Average Profit	48,072
	Goodwill - 3 years	
	Purchase of Average Profit	1,44,216
	Ram's Share of goodwill (9/16 of ₹1,44,216)	81,122
* Profit sharing ratio between Ram, Laxman and Bharat = 9:4:3, Therefore Ram's share of Profit = 9/16		

2. Calculation of amount of each instalment (without interest) = ₹1,00,802 / 4 = 25,200.50

9. 2021 January[10Marks]

P's Capital Account

2020		₹	2020		₹
Sep. 30	To Current A/c (30,000 - 5000)	25,000	Jan. 1	By Balance b/d	30,000
Dec. 31	To Profit and Loss Adj. (Unrecorded Liability)	3,000	Dec. 31	By Profit and Loss A/c : Interest on Capital	2,400
Dec. 31	To Balance Transferred to P's Executor's A/c	38,465	Dec. 31	Share of Profit	4,735
			Dec. 31	Q&R (Goodwill)	11,830
			Dec. 31	Insurance Policies A/c	17,500
		66,465			66,465

Working Notes:

1. Valuation of Goodwill

Year	Profit before Interest on fixed capital ₹	Interest ₹	Profit after interest ₹
2017	29,340	4,000	25,340
2018	26,470	4,000	22,470
2019	(-) 8,320	4,000	(-) 12,320
	<u>47,490</u>	<u>12,000</u>	<u>35,490</u>

₹

Average 11,830

Goodwill at two years purchase of average net profits 23,660

Share of P in the goodwill 11,830

2. Profit on Separate Life Policy:

P's policy 25,000

Q and R's policy @ 20% of ₹ 50,000

10

.000 3

5,000

Share of P (1/2) 17,500

3. Share in profit for 2020:

Profit for the year 13,470

Less : Interest on capitals (4,000)

9,470

P's share in profit (1/2) 4,735

10. 2019 November [10Marks]

(i) Ascertainment of Swarup's Share of Profit		(ii) Ascertainment of Value of Goodwill	
2016	51,000	2016	51,000
2017	39,000	2017	39,000
2018	<u>45,000</u>	2018	45,000
Total Profit	<u>1,35,000</u>	Total Profit for 3 years	1,35,000
Average Profit	45,000	Average Profit	45,000
4 months' Profit	15,000	Goodwill - 3 years	
Swarup's Share in Profit (2/5th of ₹15,000)	6,000	Purchase of Average Profit	1,35,000
		Swarup's Share of goodwill (2/5 of ₹1,35,000)	
			54,000

**Working Note:**

Profit sharing ratio between Arup and Swarup =  $\frac{1}{2}$ ;  $\frac{1}{3}$ ; = 3: 2, Therefore Swarup's share of Profit =  $\frac{2}{5}$

**Swarup's Executors Account**

Date 2019	Particulars	₹	Date 2019	Particulars	₹
May 1	To Swarup's Loan A/c	1,38,000	Jan. 1	By Capital A/c	60,000
			May 1	By Reserves (2/5th of ₹45,000)	18,000
			May 1	By Arup's Capital A/c (Share of goodwill)	54,000
			May 1	By P&L Suspense A/c (Share of Profit)	6,000
		<u>1,38,000</u>			<u>1,38,000</u>

11. 2019 May [10Marks]

**Revaluation Account**

Particulars	₹	Particulars	₹
To Stock	1,500	By Land & Building	25,000
To Partners: (Revaluation Profit)		By Provision for doubtful debt	2,000
Monika	8,500		
Yedhant	8,500		
Zoya	8,500		



	27,000		27,000
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### Partners' Capital Accounts

Particulars	Monika	Yedhant	Zoya	Particulars	Monika	Yedhant	Zoya
To Zoya	4,375	4,375	-	By Bal b/d.	1,00,000	75,000	75,000
To Zoya's Executor	-	-	98,125	By General reserve	4,000	4,000	4,000
To Bal. c/d	1,08,125	83,125		By Monika & Yedhant	-	-	8,750
				By Profit and Loss Adjustment* (suspense) A/c	-	-	1,875
				By Revaluation	8,500	8,500	8,500
	1,12,500	87,500	98,125		1,12,500	87,500	98,125

\*Profit and Loss Adjustment =  $[(25,000 + 20,000 + 22,500)/3] \times 3/12 \times 1/3 = 1,875$

#### Balance Sheet of Firm as on 1.7.2018

Particulars	₹	Particulars	₹
Monika	1,08,125	Land & Building	1,75,000
Yedhant	83,125	Investment	65,000
Zoya Executor	98,125	Stock	13,500
Creditors	20,000	Trade receivable	35,000
		Profit & Loss Adjustment	1,875
		Cash in hand	7,000
		Cash at bank	12,000
	3,09,375		3,09,375

#### Calculation of goodwill and Zoya's share

Average of last five year's profits and losses for the year ended on 31<sup>st</sup> March

31.3.2014	28,750
31.3.2015	35,000
31.3.2016	22,500
31.3.2017	20,000
31.3.2018	<u>25,000</u>
Total	<u>1,31,250</u>
Average profit	26,250

Goodwill at 1 year purchase = ₹ 26,250 x 1 = ₹ 26,250

Zoya's Share of Goodwill = ₹ 26,250 x 1/3

= ₹ 8,750

Which is contributed by Monika and Yedhant in their gaining Ratio

Monika = ₹ 8750 x 1/2 = ₹ 4375

Yedhant = ₹ 8750 x 1/2 = ₹ 4375

12. 2018 November[15Marks]

Revaluation Account

2018			₹	2018		₹
April 1	To Provision for bad and doubtful debts		535	April 1	By Inventory in trade	1,400
	To Furniture and fittings		720		By Land and Building	5,600
	To Capital A/cs: (Profit revaluation transferred)					
	Dinesh	2,872.50				
	Ramesh	1,915.00				
	Naresh	957.50	5,745			
			7,000			7,000

Partners' Capital Accounts

Particulars	Dinesh ₹	Ramesh ₹	Naresh ₹	Suresh ₹	Particulars	Dinesh ₹	Ramesh ₹	Naresh ₹	Suresh ₹
To Dinesh & Ramesh			1,500	4,500	By Balance b/d	15,000	15,000	10,000	-
To Balance c/d	26,972.50	21,015	10,757.50	3,500	By General Reserve	3,900	2,600	1,300	
					By Cash	-	-	-	8,000
					By Naresh & Suresh	4,500	1,500	-	-
					By Outstanding Liabilities (Ram)	700	-	-	-
					By Revaluation A/c	2,872.50	1,915	957.50	-
	26,972.50	21,015	12,257.50	8,000		26,972.50	21,015	12,257.50	8,000

Working Note:

Calculation of sacrificing ratio

Partners	New share	Old share	Sacrifice	Gain
Dinesh	1/4	3/6	6/24	
Ramesh	1/4	2/6	2/24	
Naresh	1/4	1/6		2/24
Suresh	1/4			6/24

Entry for goodwill adjustment

Naresh (2/24 of ₹18,000)	Dr.		1,500	
Suresh (6/24 of ₹18,000)	Dr.		4,500	
To Dinesh (6/24 of ₹18,000)				4,500
To Ramesh (2/24 of ₹18,000)				1,500

**Balance Sheet of M/s. Dinesh, Ramesh, Naresh and Suresh as on 1-4-2018**

<i>Liabilities</i>	₹	₹	<i>Assets</i>	₹	₹
Trade payables		22,500	Land and Buildings		42,600
Outstanding Liabilities (2,200-700)		1,500	Furniture		6,480
Capital Accounts of Partners :			Inventory of goods		14,000
Mr. Dinesh	26,972.50		Trade receivables	10,700	
Mr. Ramesh	21,015.00		Less: Provisions	(535)	10,165
Mr. Naresh	10,757.50		Cash in hand		2,800
Mr. Suresh	3,500.00	62,245	Cash at Bank (2,200+8,000)		10,200
		86,245			86,245

13. 2018 May[10Marks]

**Revaluation Account**

	₹		₹
To Furniture A/c	40,000	By Office equipment A/c	47,000
To Stock A/c	50,000	By Building A/c	5,00,000
To Joint life policy	10,000	By Provision for doubtful debts	15,000
To Partners' capital A/cs:			
A      2,31,000			
B      1,54,000			
C <u>77,000</u>	<u>4,62,000</u>		
	<u>5,62,000</u>		<u>5,62,000</u>

**Partners' Capital Accounts**

	A ₹	B ₹	C ₹		A ₹	B ₹	C ₹
To B's capital A/c	90,000	-	30,000	By Balance b/d	8,00,000	4,20,000	4,00,000
To B's loan A/c		8,14,000		By General Reserve	1,80,000	1,20,000	60,000
To Balance c/d	11,21,000		5,07,000	By revaluation reserve	2,31,000	1,54,000	77,000
				By A's capital A/c		90,000	
				By C's capital A/c		30,000	
	<u>12,11,000</u>	<u>8,14,000</u>	<u>5,37,000</u>		<u>12,11,000</u>	<u>8,14,000</u>	<u>5,37,000</u>

**Balance Sheet as on 1.4.2018 (After B's retirement)**

<i>Liabilities</i>	₹	₹	<i>Assets</i>	₹	₹
Capital accounts:			Building		15,00,000
A	11,21,000		Furniture		2,00,000
C	<u>5,07,000</u>	16,28,000	Office equipment		3,27,000
B's loan account		8,14,000	Stock		2,00,000
Sundry creditors		3,70,000	Sundry debtors	3,00,000	
			Less: Provision for doubtful debts	<u>(15,000)</u>	2,85,000
			JLP		1,50,000
			Cash at bank		<u>1,50,000</u>
		<u>28,12,000</u>			<u>28,12,000</u>

**Working Notes:**

**Calculation of goodwill:**

1. Average of last 4 year's profit

$$= (90,000 + 1,40,000 + 1,20,000 + 1,30,000) / 4$$

$$= ₹ 1,20,000$$

2. Goodwill at three years' purchase

$$₹ 1,20,000 \times 3 = ₹ 3,60,000$$

**Goodwill adjustment**

	<i>Share of goodwill (Old ratio)</i>	<i>Share of goodwill (New ratio)</i>	<i>Adjustment</i>
A	1,80,000	2,70,000	90,000 (Dr.)
B	1,20,000	-	1,20,000 (Cr.)
C	60,000	90,000	30,000 (Dr.)