

ગુજરાત રાજ્યના શિક્ષણવિભાગના પત્ર-ક્રમાંક
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SELF-LEARNING BOOK

ELEMENTS OF ACCOUNTS

(Part 1)

Standard 12



PLEDGE

India is my country.

All Indians are my brothers and sisters.

I love my country and I am proud of its rich and varied heritage.

I shall always strive to be worthy of it.

I shall respect my parents, teachers and all my elders and treat everyone with courtesy.

I pledge my devotion to my country and its people.

My happiness lies in their well-being and prosperity.

રાજ્ય સરકારની વિનામૂલ્યે યોજના હેઠળનું પુસ્તક



Gujarat State Board of School Textbooks
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PREFACE

In accordance with the new national syllabi of the N.C.E.R.T., New Delhi, Gujarat Secondary and Higher Secondary Education Board, Gandhinagar has prepared the syllabi for different subjects for the students of Gujarat studying in standards 9 to 12, which are approved by the Government of Gujarat. The textbooks based on the new syllabi are prepared by Gujarat State Board of School Textbooks. Accordingly, the new textbooks, for standards 9 and 11 from June 2016, for standards 10 and 12 from June 2017 and published and implemented in all the secondary and higher secondary schools of the state.

In order to help the students reinforce the content of the syllabi through self-learning and comprehend it thoroughly, the Academic Committee of the Secondary and Higher Secondary Education Board, Gandhinagar suggested to publish self-learning books for six major subjects of standard 11 and 12. (i) Elements of Accounts (ii) Statistics (iii) Organisation of Commerce and Management (iv) Economics (v) Gujarati (First Language) (vi) English (Second Language). In the light of this resolution Gujarat State Board of School Textbooks, Gandhinagar, prepared the manuscripts of the self-learning books for the said six subjects; inviting eminent experts, textbook writers, method masters from B.Ed. Colleges and Secondary and Higher Secondary Teachers teaching the concerned subjects. It is a matter of great pleasure for the Board to publish these self-learning books for the students of standard 12. Exercises of the self-learning books are prepared considering the objectives of knowledge, comprehension, use and skills.

The question-paper format of each of the said subjects prepared by Secondary and Higher Secondary Education Board, Gandhinagar, had also been kept in mind while preparing the manuscripts of the self-learning books. Hence the exercises given in these books will be very useful to the students in the preparation for the public examination.

Each self-learning book is prepared keeping in view the syllabus and textbook of the subject concerned. If the students study the textbooks thoroughly and do the exercises given in the textbooks under their teachers' guidance and thereafter do the exercises given in the self-learning books on their own, they will gain confidence that they have mastered the main subjects and are thoroughly prepared for the public examination. The students may take help of their subject teachers whenever necessary and the teachers are expected to guide them individually as well as collectively.

The Board is thankful to all the experts who have extended their services in the preparation of the self-learning books.

The Board has taken enough care to make these self-learning books interesting, useful and error-free. However, suggestion from academicians, parents, teachers and students are welcome.

P. Bharti (IAS)

Director

Executive President

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FUNDAMENTAL DUTIES

It shall be the duty of every citizen of India :*

- (a) to abide by the Constitution and respect its ideals and institutions, the National Flag and the National Anthem;
- (b) to cherish and follow the noble ideals which inspired our national struggle for freedom;
- (c) to uphold and protect the sovereignty, unity and integrity of India;
- (d) to defend the country and render national service when called upon to do so;
- (e) to promote harmony and the spirit of common brotherhood amongst all the people of India transcending religious, linguistic and regional or sectional diversities; to renounce practices derogatory to the dignity of women;
- (f) to value and preserve the rich heritage or our composite culture;
- (g) to protect and improve the natural environment including forests, lakes, rivers and wild life, and to have compassion for living creatures;
- (h) to develop the scientific temper, humanism and the spirit of inquiry and reform;
- (i) to safeguard public property and to abjure violence;
- (j) to strive towards excellence in all spheres of individual and collective activity so that the nation constantly rises to higher levels of endeavour and achievement;
- (k) who is a parent or guardian to provide opportunities for education to his child or, as the case may be, ward between the age of six and fourteen years.

*Constitution of India : Section 51-A

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About Self-Learning Book...

It is novel experiment to study through Exercise Book. This new approach by the Gujarat State Board of School Textbook will prove to be advantageous to the students. Eklavya is the best example of self-study which must have been known to everyone. He adopted the mode of self-study to learn archery. Eklavya proved to be more talented than Arjuna, the son of Pandava. History is witness to the fact that students can achieve the highest degree of excellence through Self-Study.

A student can attain excellence under the guidance of a teacher and in the accompaniment of Exercises for Self-Learning. Having read the whole lesson with concentration the student starts writing all the questions of the Exercises for Self-Learning. It is beginning of the self-study. The Exercises for Self-Learning leads to development of mental and intellectual ability of the student. He develops the insight to attempt even a complicated question. There is an increase in his courage, faith and self-confidence and is never afraid of a question paper. He develops a habit of preparing for the ensuing examination.

There is an end to all difficulties as the student practises attempting the questions of the Exercises for Self-Learning in the presence of the teacher in the class-room. The reason is that the student gets constant guidance from the teacher. The self-confidence to study is doubled. Alongwith that all the skills related to study like grasping, analysis, co-ordination etc. improve to a great extent. In the developed Nation the experiment of self-learning through assignment book has proved to be most profitable. For the geographical school environment this ambitious experiment would be very congenial where a genius, brilliant, mediocre, ordinary student will have an opportunity to make progress at a proper a pace.

The questions, in the Assignment Book have been framed keeping four objectives in mind i.e. Knowledge, understanding, usage and skill. If a student of XII standard undertake practice of this Exercises for Self-Learning with love and intense desire to obtain knowledge and at the

same time to reveal the dormant qualities than all his difficulties in learning will not come in his way. If one attempt these assignments with self-confidence, than he/she can attain decent knowledge of the subject.

Dear Students, the content of this subject can be understood through assignments. Many of the aspects of this subject are being studied at 11th standard. Hence the acquired knowledge will be strengthened with the use of Exercises for Self-Learning. Moreover, the terminology selected to this subject principles, examples, figures and graphs as well as images will be more clear and the pleasure for assignment will be increased beyond doubt.

With self-efforts and independent attempts, one shall climb higher staircase of the success. All have deep faith in your latent talents and skill.

We welcome yours suggestions regarding the Exercises for Self-Learning.

– **Authors**

Introduction to Partnership

Section A

Select the correct option for each question from the given options :

- Determine number of months. Monthly interest chargeable if a partner has withdrawn the same amount in the beginning of every month of a year. []
(A) 12 (B) 66
(C) 72 (D) 78
- In which proportion the profit or loss will be distributed between the partners if no provision is made in the partnership contract ? []
(A) Capital proportion (B) Equal proportion
(C) Sacrificed proportion (D) Gained proportion
- What is the nature of partner's liability in a partnership firm ? []
(A) Limited (B) Unlimited
(C) Confined to capital (D) Partially limited
- Where will you record the interest on credit balance of current account, when the fixed capital accounts of partners are maintained ? []
(A) Credit side of capital account
(B) Debit side of current account
(C) Credit side of current account
(D) Credit side of profit and loss appropriation account
- A partner withdraws ₹ 600 at the end of every month. What will be the interest on drawings, if the interest on drawings is 8 % p.a. ? []
(A) ₹ 48 (B) ₹ 576
(C) ₹ 312 (D) ₹ 264
- A partner Bajpayee has closing balance of capital ₹ 40,000, in which ₹ 4000 of drawings are included. Determine interest at 12 % on capital. []
(A) ₹ 4000 (B) ₹ 4320
(C) ₹ 4800 (D) ₹ 5280
- Interest on loan given by partner to the firm is recorded on side. []
(A) Debit side of profit and loss account
(B) Credit side of current account of partner
(C) Credit side of profit and loss appropriation account
(D) Credit side of partner's capital account

8. Where will you record the credit balance of profit and loss appropriation account amongst partners in their profit and loss proportion ? []
- (A) Asset side of balance sheet
 (B) Credit side of profit and loss appropriation account
 (C) Credit side of partners capital / current account
 (D) Debit side of partners capital / current account
9. When fixed capital accounts are maintained and in such a case to close drawing accounts account will be debited. []
- (A) Profit and loss appropriation (B) Capital
 (C) Current (D) Profit and loss account
10. In case of flexible capital account, when additional capital is introduced by the partner it will be recorded on []
- (A) Credit side of current account (B) Credit side of capital account
 (C) Debit side of current account (D) Debit side of capital account
11. Jashoda, Rajkumar and Sharma are partners sharing profit and loss in equal proportion. Their total capital is ₹ 6,00,000 and their capital proportion is 2:3:5. Firm pays interest on capital at 6 %. What interest amount will be received by Sharma ? []
- (A) ₹ 7200 (B) ₹ 10,800
 (C) ₹ 18,000 (D) ₹ 12,000
12. Determine the divisible profit if the manager has received commission of ₹ 2980 at 5 % from profit after deduction of his commission ? []
- (A) ₹ 29800 (B) ₹ 59,600
 (C) ₹ 56,900 (D) ₹ 62,580
13. Closing capital of Ashwin is ₹ 35,000, in which ₹ 15,000 of divisible profit is included. What will be the amount of interest at 10 % p.a. on opening capital ? []
- (A) ₹ 2000 (B) ₹ 3500
 (C) ₹ 5000 (D) ₹ 1500
14. The capital proportion of X, Y and Z is 2:1:4 and X has received ₹ 15,000 as share in profit, what will be the total profit of the firm ? []
- (A) ₹ 30,000 (B) ₹ 60,000
 (C) ₹ 45,000 (D) ₹ 1,05,000
15. A partner named Kashvi has withdrawn ₹ 12,000 on 30-11-2019. Interest rate on drawings is 12 % p.a. determine the amount of interest on drawings upto the date 31-03-2020. []
- (A) ₹ 1440 (B) ₹ 720
 (C) ₹ 600 (D) ₹ 480

Section B

Answer the following questions in one sentence each :

1. What is partnership firm ?

2. What is partnership ?

3. How partnership is created ?

4. Which balance of partners' current account is shown at capital and liability side of the balance sheet ?

5. What is fixed capital account method ?

6. How would you identify capital account method ?

7. Which act is applicable to partnership ?

8. Why is profit and loss appropriation account prepared ?

9. What is debit balance of profit and loss account ?

10. Why are current accounts of the partners opened ?

11. To which account, the divisible profit is credited, when flexible capital accounts are maintained ?

12. Write the formula when commission is paid after deduction of such commission from the profit to the partner or manager of the firm.

13. Where would you record the commission of manager ?

14. What is another name of temporary capital account ?

15. Where will you disclose loan given to firm by partner in final accounts ?

Section C

Answer the following questions as asked :

1. A partner of the firm withdraws identical amount in the beginning of every month. Total annual withdrawal at the end of the year was ₹ 36,000. Interest payable on drawings is 9 % p.a. Calculate amount of interest chargeable on drawings.

2. Vandana, Rudra and Arvind are partners of a firm. Their capital ratio is 2:1:3. 6 % commission is payable to Rudra from profit after deduction of his such commission. If total profit for the year ending on 31-3-2020 is ₹ 62,964, determine the total amount payable to Mr. Rudra.
3. Surabhi, Sanket and Sheela are partners of a firm, sharing profit and loss in the proportion of 2:2:1. 10 % commission is payable to Surbhi from profit, after deduction of her such commission. Sheela receives profit of ₹ 36,000. Determine the total amount received by Surbhi and the total profit before deduction of commission of Surbhi.
4. Profit-loss sharing ratio of Dipak, Pankaj and Harpal is 3:4:5. Manager Parag received commission of ₹ 7200 at 8 % from profit after deduction of his such commission. Distribute the profit amongst all partners and the profit before commission of Parag.

5. Geeta received two and half than that of Kaushik and Mehta received $\frac{3}{4}$ share of Kaushik. If the total profit of the firm is ₹ 5,10,000 then determine the amount of profit to be received by each partner.
6. A partnership firm of Durgashankar, Ashwin and Vinod had distributed profit of ₹ 2,25,000 in the proportion of 2:3:4 instead of 2:1:2. What accounting treatment will be given to the capital account to rectify this mistake.
7. Suresh, Sharda and Jamna are partners sharing profit in the proportion 2:4:3. Suresh and Sharda have assured Jamna, that she will get minimum ₹ 1,02,000 from profit. The profit for the year ending on 31-03-2020 is ₹ 2,88,000, distribute profit amongst partners.

8. Meena, Anant and Luhana are partners sharing profit-loss in equal proportion. Their total capital is ₹ 4,95,000 and their capital proportion is 5:2:4. The firm pays interest 6 % p.a. on capital. Anant receives ₹ 55,400 inclusive of interest on capital. What amount including interest on capital will be received by Meena and Luhana ?
9. Zeel, Parth and Chirag are partners sharing profit-loss in the proportion of 1:2:4. They have withdrawn ₹ 10,000, ₹ 20,000 and ₹ 5000 respectively in the beginning of the year. During the preparation of accounts it was reported that interest on drawings at 6 % was not charged. Write journal entry to rectify it.
10. Seema, Isha and Tarun are partners of partnership firm. Their opening capital was ₹ 70,000, ₹ 30,000 and ₹ 60,000. After distribution of profit it was reported that interest on capital at 6 % was not recorded. Write journal entry to rectify it.

11. Closing capital of Saksham is ₹ 1,20,000, where ₹ 8000 of drawings, ₹ 6000 of salary, ₹ 10,000 of bonus and loss of ₹ 18,000 of current year are recorded. What will be the total amount of interest at 7 % on opening capital ?

12. Surabhi and Vismay are partners of a firm. Surabhi withdraws ₹ 800 in the beginning of every month. Vismay withdraws ₹ 900 at the end of every month. What will be the difference in amount of interest of both partners, if interest is charged at 12 % p.a. ?

13. The profit before manager's commission and development fund was ₹ 1,38,000. Calculate the amount of commission of manager and development fund, after the transfer of ₹ 6000 to development fund and after deduction of the commission of the manager which is to be paid of 10 % commission on net profit.

14. Ranjan, Sushma and Shruti are partners of a firm. Their opening capital respectively was ₹ 1,50,000, ₹ 1,00,000 and ₹ 50,000. Profit of the year is ₹ 30,000. Determine the profit to be received by each partner, if half of the profit is distributed in equal proportion and half of the profit is distributed in the proportion of their opening capital.

Section D

Answer the following questions as asked : (8 marks each)

1. Hiral and Bhadresh are partners of a firm on 1-4-18. Their capital was ₹ 80,000 and ₹ 1,30,000 respectively. On 1-10-18 Hiral has withdrawn ₹ 60,000 while Bhadresh has withdrawn ₹ 40,000 on 1-1-19. Provisions of partnership deed are as follows :
- (1) Provide 8 % interest per annum on capital.
 - (2) 12 % interest per annum to be charged on drawings.
 - (3) Hiral is to be paid salary of ₹ 2500 per month being an active partner and 5 % commission on profit is payable to Bhadresh.

On 1-8-18 Hiral has provided loan of ₹ 50,000 to the firm. No provision is made in partnership regarding interest on such loan, he is claiming 10 % interest per annum.

Profit for the year ending on 31-3-19 before considering above stated provisions and after calculated interest on loan of Hiral was ₹ 1,02,000.

From the above information prepare profit and loss of appropriation account and partners accounts.

2. Hansa and Vijay are partners of a firm. Their profit-loss sharing ratio was 2:1. Total capital of partners on 1-4-18 was ₹ 4,00,000. Their fixed capital was in the proportion of 5:3. On the same day balances of their current accounts ₹ 36,000 credit for Hansa and ₹ 35,000 debit for Vijay.

As per partnership deed annually 10 % interest is to be paid on capital and 12 % interest is to be paid on opening balance of current account. 9 % interest is chargeable on drawings done by the partner. Hansa will be paid monthly salary of ₹ 3200 for her active role in the firm. On 1-8-18 Hansa has withdrawn ₹ 40,000. On 1-2-19 Vijay has withdrawn ₹ 48,000. Vijay is entitled for 10 % commission on net profit after deduction of his such commission.

Before consideration of above stated adjustments the profit of the year completed on 31-3-19 of the firm was ₹ 4,05,400.

From the above information prepare profit and loss appropriation account, fixed capital accounts and current capital accounts of the partners.

3. Sharda, Jamna and Ganesh are partners of a partnership firm. On 1-4-18 their capital respectively was ₹ 90,000, ₹ 60,000 and ₹ 30,000. During the year, the total drawings of partners were ₹ 30,000, which was in the proportion of 2:3:5. As per partnership deed :
- (1) Annually 6 % interest is to be paid on opening capital.
 - (2) On drawings ₹ 300, ₹ 450 and ₹ 750 are to be charged for interest respectively.
 - (3) Monthly salary of ₹ 2000 for six months shall be paid to Sharda.
 - (4) Half of the profit shall be shared amongst partners in equal proportion and half shall be in proportion of their opening capital.

After charging interest on drawings but before consideration of other adjustments, profit for the year ending on 31-3-19 was ₹ 98,800.

25 % amount of profit (maximum of ₹ 16,000) to be transferred to development fund after consideration of above stated adjustments but before distribution of profit to the partners.

It was decided that closing capital of the firm shall be equal to opening capital after having incorporation of above stated adjustments and distribution of profit. This closing capital shall be in the proportion of 2:1:2, for which necessary amount will be introduced by the partners or will be paid to the partners.

From the above information prepare profit and loss appropriation account for the year ending on 31-3-2019 and partners capital accounts.

4. Filomina, Akshara and Hitesh are partners of a firm. On 1-4-18 their balances in fixed capital accounts were ₹ 50,000, ₹ 60,000 and ₹ 45,000 respectively and in current accounts were as follows :

Filomina ₹ 6000 (Debit), Akshara ₹ 7000 (Credit), Hitesh ₹ 4000 (Debit).

The average drawings of partners were ₹ 8000, ₹ 1000 and ₹ 5000 respectively. On 30-8-18 Akshara gave loan to the firm of ₹ 6000 and ₹ 5000 on 1-1-19. An additional capital was introduced by Hitesh on 30-9-18 was ₹ 30,000.

As per partnership deed :

- (1) 10 % annual interest to be paid on capital.
- (2) On drawings annual 9 % interest will be charged for the average period of 4 months.
- (3) Provide 8 % interest on opening balance of current accounts.
- (4) Due to active participation in the firm monthly salary of ₹ 2000 shall be paid to Filomina from 1-1-2019.
- (5) ₹ 6000 shall be transferred to general reserve account.

The total loss of the firm for the period ending on 31-3-2019 before accounting of above stated adjustments but after interest payment on loan of Akshara was ₹ 7660.

From the above information prepare profit and loss appropriation account of the firm and partners capital accounts and current accounts.



Final Accounts [Financial Statements] of Partnership Firm

Section A

Select the correct option for each question from the given options :

1. What rate of interest will be paid, when no provision is made pertaining to interest on capital in the partnership deed ? []
 (A) 6 % (B) 9 %
 (C) 12 % (D) No interest
2. What is credit goods return ? []
 (A) Purchase (B) Purchase return
 (C) Sales (D) Sales return
3. In which account and on which side the debit balance of partner's current account is recorded ? []
 (A) Debit to profit and loss appropriation account
 (B) Credit to profit and loss appropriation account
 (C) Liability side of balance sheet
 (D) Assets side of balance sheet
4. What is the debit balance of trading account ? []
 (A) Gross profit (B) Gross loss
 (C) Net profit (D) Net loss
5. In which account and on which side the closing stock of trial balance is recorded ? []
 (A) Debit to trading account (B) Credit to trading account
 (C) Assets side of balance sheet (D) Liability side of balance sheet

Section B

Answer the following questions in one sentence each :

1. Give formula of adjusted purchase.

2. On which debtors, discount reserve is calculated ?

3. Where will you disclose the effect of debit balance of suspense account ?

4. What is balance of outstanding expense ?

5. Where will you disclose interest on provident fund in annual accounts ?

Section F

Answer the following questions as asked :

1. Laukik and Pratiksha are partners of a firm sharing profit-loss in the proportion 3:2. From the following information, prepare final accounts of the firm :

Trial balance of partnership firm of Laukik and Pratiksha as on 31-3-2020

Debit balance	Amount (₹)	Credit balance	Amount (₹)
Drawing :		Capital account :	
Laukik	12,500	Laukik	1,37,500
Pratiksha	12,500	Pratiksha	1,12,500
Debtors	1,49,625	General reserve	5000
Office machinery	1,25,000	Creditors	62,500
Leasehold building	1,50,000	Discount receive	1000
(From 1-4-19 for 10 years)		Bills payable	12,500
Selling-distribution expenses	875	Bank overdraft	44,625
Furniture-fixtures	12,500	Laukik's loan (from 1-7-2019)	1,25,000
Carriage outward	3000	Commission	6250
Bad debts	3000	Trading account	2,43,125
Salary	18,750		
Bonus	14,750		
Cash balance	15,000		
Bills receivable	50,000		
Stock (31-3-2020)	1,82,500		
	7,50,000		7,50,000

Other information :

- (1) Provide depreciation at 6 % on machinery and 20 % on furniture fixtures.
- (2) Outstanding salary of ₹ 7500.
- (3) Annual salary of ₹ 12,500 and ₹ 10,000 payable to Laukik and Pratiksha respectively.
- (4) Commission ₹ 1250 is receivable.
- (5) Written off ₹ 1250 from debtors as bad debts.

2. From the following trial balance and additional information, prepare final accounts of the firm. Partners share profit upto ₹ 28,000 in capital ratio and remaining in equal ratio.

Trial balance of partnership firm of Vedant and Dev as on 31-3-2020

Particulars	Debit (₹)	Credit (₹)
Capital and drawings :		
Vedant	6000	60,000
Dev	4000	80,000
Payable and receivable	48,000	30,000
Cash and Bank	2000	16,000
Demurrage	10,000	—
Trading expenses	14,000	—
Goodwill	50,000	—
Land-Building	80,000	—
Furniture and Fittings	34,000	—
Packing material stock (31-3-2020)	4000	—
Goods given as donation	—	2000
Goods accounts	82,000	2,00,000
Professional tax	4000	—
Tolai (Weighing machine charges)	10,000	—
20 % loan on Smt. Vedant (From 1-10-2019)	—	12,000
Goods stock (1-4-2019)	24,000	—
Goods stock (31-3-2020)	28,000	—
	4,00,000	4,00,000

Adjustments :

- (1) Total of sales book is overcast by ₹ 2000 on 31-3-2020.
- (2) One debtors of ₹ 8000 become insolvent and 25 paise per rupee dividend is received which is unrecorded. Provide 5 % bad debts reserve on debtors.
- (3) ₹ 4000 of fittings recorded in the book is useless. Which is not recorded in book.
- (4) A court has finalised claim of ₹ 4000, for not meeting agreement to provide goods to customer.
- (5) Outstanding wages of ₹ 2000 is recorded to wages account but outstanding wages account is not recorded in the trial balance.

3. From the following trial balance dated 31-3-2020 and adjustment, prepare final account of partnership firm of Manali and Devanshi.

Trial balance as on 31-3-2020 of the partnership firm of Manali and Devanshi

Particulars	Debit (₹)	Credit (₹)
Office plant	80,000	—
Furniture	20,000	—
Goods stock (31-3-2020)	1,09,200	—
Capital accounts : Manali	—	3,20,000
Devanshi	—	2,40,000
Cash on hand	1120	—
Bank balance	28,000	—
Supplier's deposit	1,60,000	—
Person's account	73,600	44,000
Land-building	2,40,000	—
Current accounts : Manali	20,000	—
Devanshi	—	80,000
Discount reserve	—	1520
Office salary	74,000	—
Sales commission	4000	—
Leasehold office plant (From 1-4-2019, for 5 years)	1,20,000	—
Audit fee	2400	—
Bad debts and bad debts reserve	800	4000
Trading account	—	1,23,600
Manali's loan (From 1-10-2019)	—	1,20,000
	9,33,120	9,33,120

Adjustments :

- (1) Provide depreciation at 20 % on office plant and 5 % on furniture.
- (2) Discount reserve on debtors is not required now.
- (3) ₹ 800 prepaid commission is included in sales commission.
- (4) Devanshi withdraw goods costing ₹ 8000 for personal use. It is not recorded in the books.
- (5) Goods of ₹ 16,000 purchased at the end of accounting year, which is not recorded.
- (6) From debtors ₹ 1600 is not recoverable. Provide 5 % bad debts reserve on debtors.

4. From the following trial balance dated 31-3-2020 and adjustment prepare final account of partnership firm of Trushit and Aakash.

Trial balance as on 31-3-2020 of the partnership firm of Trushit and Aakash

Debit Balances	Amount (₹)	Credit Balances	Amount (₹)
Purchase	1,57,000	Capital :	
Goods return	3400	Trushit	46,000
Debtors	1,01,500	Aakash	55,000
Bad debts	3100		
Bills receivable	4000	Sales	2,77,000
Goods stock (1-4-2019)	25,000	Goods return	2800
Salary (11 months)	22,000	Creditors	55,000
Office expenses	20,500	Bills payable	3700
Carriage outward	7750	Bad debts reserve	10,000
Carriage inward	5500	Bank loan	21,250
Bank balance	14,500	Loan taken	17,000
Investments	22,000	General reserve	15,400
Building	82,000		
Drawings :		Current accounts :	
Trushit	19,500	Trushit	5500
Aakash	25,500	Aakash	4600
	5,13,250		5,13,250

Adjustments :

- (1) Value of closing stock is ₹ 30,000 but value of 10 % stock is 10 % more than book value.
- (2) Bad debts reserve is to be maintained at ₹ 4000 and provide 6 % discount reserve on debtors.
- (3) Purchase of ₹ 4000 is not recorded but included in the closing stock.
- (4) The value of investment is determined at ₹ 19,000 and adjustment of difference is to be transferred to general reserve.
- (5) 5 % interest is payable on capital of partners.

5. From the following information, prepare final accounts.

Trial balance as on 31-3-2020 of partnership firm of Kiran and Sunil

Particulars	Debit (₹)	Credit (₹)
Capital and Drawing :		
Kiran	19,000	2,20,000
Sunil	39,000	2,30,000
Opening stock	1,19,000	—
Purchase and Sales	1,21,000	1,50,000
Provident fund and contribution and provident fund	1000	4000
Salary-wages	23,000	—
Dead-stock	43,000	—
Tolai	1000	—
Custom Duty	39,000	—
Factory building	2,00,000	—
Depreciation on factory building	20,000	—
Demurage	400	—
Mahajan ligo	3000	—
Kiran's loan (From 1-7-2019)	—	20,000
Cash and bank overdraft	10,000	92,000
Bills	59,000	20,000
Professional tax	4000	—
Insurance premium	12,400	—
Prepaid insurance premium	1200	—
Customers and traders	39,000	10,000
Bad debts and Bad debts reserve	2000	8000
Outstanding salary		2000
Total	7,46,000	7,46,000

Adjustments :

- (1) Value of closing stock is ₹ 60,000 but its market value is 25 % less than the book value.
- (2) 10 % interest is payable on capital and 5 % interest is chargeable on drawing.
- (3) Kiran has withdrawn goods of ₹ 4000 and Sunil has withdrawn goods of ₹ 3000 for personal use is recorded in sales book as credit sales.
- (4) Outstanding professional tax is ₹ 2000.
- (5) Provide bad debts reserve of ₹ 2000 and keep 10 % discount reserve on debtors.

6. Sangharsh and Anand had started partnership on 1-4-2019. Partners are entitled to 10 % interest on capital. 5 % commission is payable to Anand on profit, after deduction of such commission from the profit. Partners share profit-loss in the proportion of 3:2. There are several mistakes in the trading account and the profit-loss account prepared by an unexperienced accountant. You are asked to prepare annual accounts from the given trading account and profit-loss account and list of assets and liabilities and other information.

Trading account and Profit and loss account for the year ended 31-3-2020

Dr		Cr	
Particulars	Amount (₹)	Particulars	Amount (₹)
To Purchase	4,97,200	By Sales	6,64,800
+ Goods return credit	4800	– Goods return debit	1200
	5,02,000		6,63,600
+ Closing stock	1,08,000	By Interest	1200
Demurrage	2400	+ Discount received	1600
To carriage inward	16,000		2800
– Carriage outward	8000	By Net loss	62,400
To Salary	38,000		
To Insurance premium	44,000		
To Postage expense	2400		
To Sundry expenses	400		
To Electricity expenses	2000		
To Sangharsh's drawing	12,000		
To Anand's drawing	9600		
	7,28,800		7,28,800

Adjustments :

- (1) Write off bad debts of ₹ 5600.
- (2) Provide 2 % discount reserve on debtors.
- (3) Maintain bad debts reserve at ₹ 14,400.
- (4) Provide 5 % depreciation on office machinery and building.

The position of assets and liabilities as on 31-3-2020 was as follows :

Assets : Debtors ₹ 2,00,000, Office machinery ₹ 40,000, Building ₹ 1,00,000, Cash on hand ₹ 12,000, Bank balance ₹ 40,000, Stock ₹ 1,08,000

Liabilities : Bills payable ₹ 28,000, Creditors ₹ 80,000, Sangharsh's capital ₹ 2,00,000, Anand's capital ₹ 60,000

7. From the following trial balance dated 31-3-2020 and adjustments, prepare final account of partnership firm of Yash and Rajnish.

Trial balance as on 31-3-2020 of the partnership firm of Yash and Rajnish

Debit Balances	Amount (₹)	Credit Balances	Amount (₹)
Opening Stock	20,000	Capital :	
Purchase	3,80,000	Yash	1,25,000
Carriage inward	18,000	Rajnish	<u>1,25,000</u>
Carriage outward	20,000		2,50,000
Recoverable claims	6000	Sales	5,00,000
Advertisement suspense A/c	10,000	Creditors	50,000
Debtors	1,60,000		
Salary	52,000		
Insurance premium	8000		
Rent-taxes	4000		
Bad debts	2000		
Electricity expenses	4000		
Bills receivable	10,000		
Cash and bank	73,000		
Furniture-Fittings	23,000		
(Cost price - ₹ 30,000)			
12 % Tender deposit	10,000		
(From 1-7-2019)			
	8,00,000		8,00,000

Adjustments :

- (1) Value of closing stock ₹ 1,00,000.
- (2) Provide 10 % depreciation on furniture and fittings by straight line method.
- (3) Recoverable claim from insurance co. settled for ₹ 4000.
- (4) From the advertisement suspense account write off 50 % as an advertisement expense for current year.
- (5) A discounted bill of ₹ 4000 was dishonoured on 31-3-2020, which was earlier discounted with the bank.

8. Palak and Raghav are partners sharing profit-loss in proportion of 3:2. Their trial balance as on 31-3-2020 was as under. Prepare annual accounts.

Trial balance of the partnership firm of Palak and Raghav as on 31-3-2020

Particulars	Debit (₹)	Credit (₹)
Capital account :		
Palak		25,000
Raghav		15,000
Provident fund and contribution to provident fund	200	4000
Bank and cash	12,500	18,000
Opening stock	10,000	
Purchase and Sales	18,000	35,000
Receivable and payable	15,000	8800
Goods returned	1000	600
Stationery stock (1-4-2019)	300	
Stationery purchase	900	
Bank interest	250	
Building	15,000	
Discount	150	300
Office Machineries	18,000	
Depreciation on Office Machineries	1000	
Patent	9000	
Bad debts recovered		1500
Railway Freight	200	
Salary and wages	3000	
Demurrage	200	
Discount reserve		250
Bad debts reserve		1000
Insurance premium (Out of which premium of ₹ 600 is for the year ending on 30-6-2020)	800	
Furniture	2000	
Provident fund investment	5000	
Interest on provident fund investment		250
Dead-stock	100	
9 % Kanaiya's loan (1-6-2019)		8000
Interest on loan	360	

Current accounts :		
Palak	4500	
Raghav		500
Sundry expenses	740	
	1,18,200	1,18,200

Adjustments :

- (1) Value of closing stock is ₹ 20,000, out of which 10 % and 15 % of goods have market value less than book value by 10 % and 20 % respectively.
- (2) Stationery stock as on 31-3-2020 was ₹ 600.
- (3) A furniture of ₹ 800, sold to Raman for ₹ 600 on 1-10-2019, which is recorded in the sales book.
- (4) Increase the rate of depreciation to 10 % on Office Machines.
- (5) Goods of ₹ 2000 withdrawn by Raghav for personal use on 1-1-2020 is recorded in the sales book.
- (6) Provide ₹ 1500 for bad debt reserve and discount reserve ₹ 500 on debtors.
- (7) Calculate 10 % p.a. interest on capital of partners and ₹ 2000 annual salary will be given to Palak for his active participation in business.

9. Anil and Mukesh are partners sharing profit-loss in the proportion of 6:4. From the following trail balance and adjustment, prepare annual account of partnership firm of Anil and Mukesh.

Trial balance as on 31-3-2020 of the partnership firm of Anil and Mukesh

Debit Balances	Amount (₹)	Credit Balances	Amount (₹)
Opening Stock	2250	Capital accounts :	
Purchase	1,68,750	Anil	30,000
Travelling expenses :		Mukesh	<u>25,000</u>
Anil	3800		55,000
Salesman's salary	6000	Sales	2,80,000
Carriage (goods)	9200	Purchase return	1500
Discount and allowance	5600	Bank account	5000
Donation	12,000	Creditors	2250
Taxes	15,500	Borrowed amount from friend	3500
Interest on bank overdraft	8000	Discount and allowance	2250
Fixed assets	51,250	Commission	550
Cash balance	4450		
Goodwill	30,000		
Bank commission	750		
Debtors	18,000		
Shop rent	1800		
Salary	2500		
Drawing :			
Anil	6000		
Mukesh	<u>4000</u>		
	10,000		
Advertisement expenses	200		
	<u>3,50,050</u>		<u>3,50,050</u>

Adjustments :

- (1) Value of closing stock ₹ 25,650.
- (2) There is doubtful recovery of ₹ 500.
- (3) Shop rent is paid for 12 months for the year ending on 30-4-2020.
- (4) ₹ 250 interest is outstanding on loan of friend.
- (5) Every month ₹ 400 is payable to Anil for travelling expenses done for business.
- (6) Provide 10 % interest on capital of partners and 5 % on drawings.

10. Annual accounts of Nistha and Shruti are as follows; their profit-loss proportion is 3:2.

**Profit and loss account for the year ended on 31-3-2020 of
partnership firm of Nistha and Shruti**

Particulars	Amount (₹)	Particulars	Amount (₹)
To Office expenses	30,000	By Sales	2,52,000
To Selling expenses	22,000	By Sundry income	4000
To Sundry expenses	8000		
To Financial expenses	10,000		
To cost of goods sold	1,49,000		
To Partners capital A/c			
Nistha	22,200		
Shruti	14,800		
	37,000		
	2,56,000		2,56,000

Balance sheet as on 31-3-2020 of partnership firm of Nishta and Shruti

Liabilities	Amount (₹)	Assets	Amount (₹)
Capital :		Non-current assets :	
Nishta	60,000	Tangible assets :	
+ Net profit	22,200	Fixed assets :	80,000
	82,200	Investment	18,000
– Drawing	18,000		
	64,200	Current assets (Including debtors)	38,000
Shruti	40,000		
+ Net profit	14,800		
	54,800		
– Drawing	10,000		
	44,800		
Liabilities	20,000		
Suspens account	7000		
	1,36,000		1,36,000

After preparation of annual accounts the following adjustments are reported :

- (1) 5 % interest on capital is not calculated.
- (2) Maintain bad debts reserve at ₹ 1300.
- (3) Purchase of ₹ 1800 is not recorded in the books.

- (4) 10 % depreciation on fixed assets is to be provided.
- (5) Prepaid rent is ₹ 600.
- (6) Interest on investment is not received ₹ 1400.
- (7) Total of sales book is under cast by ₹ 7000.

Write adjustment entries and prepare revised final accounts from the above information.

11. Vinod and Keval are partners sharing profit-loss in proportion of 3:2. Their trial balance as on 31-3-2020 was as under. Taking adjustment into consideration and prepare final accounts.

Trial balance as on 31-3-2020 of the partnership firm of Vinod and Keval

Particulars	Debit (₹)	Credit (₹)
Vinod's capital and drawing	20,000	1,00,000
Keval's capital and drawing	12,500	75,000
Stock (1-4-2019)	22,500	—
Purchase and Sales	2,07,500	3,06,500
12 % Vinod's loan (1-1-2020)	—	40,000
Contribution to P.F. and P.F.	3500	15,000
Bad debts and Bad debts reserve	2500	5000
Bills receivable	10,000	—
Customers and traders	1,50,000	1,12,000
Goods return	6500	4500
Investment of P.F. and its interest	15,000	1500
Salary	35,000	—
Outstanding salary	—	6000
Cash and bank	11,500	59,000
Building	1,50,000	—
Rent	10,000	—
Insurance premium (₹ 6000 for the year ended Dt. 30-6-2020)	7500	—
Discount	11,750	4750
Prepaid wages	1500	—
Furniture	55,500	—
Printing and stationery	3500	—
General reserve	—	9750
Dead-stock	1750	—
	7,38,000	7,39,000

Adjustments :

- (1) Value of closing stock ₹ 42,500.
- (2) Provide 8 % interest on capital.
- (3) Provide 10 % depreciation on furniture.
- (4) ₹ 750 is closing stock of stationery at the year ended.
- (5) ₹ 500 note is cancelled so nothing can yield from that.
- (6) Write off ₹ 1500 from debtors as bad debts and provide 5 % bad debts reserve on debtors.

12. Prepare final account from the following trial balance and adjustments :

Trial balance as on 31-3-2020

Debit Balances	Amount (₹)	Credit Balances	Amount (₹)
Bills receivable	2000	Bills payable	1800
Drawing : Arpana	1500	Capital : Arpana	40,000
Aarushi	2500	Aarushi	60,000
Stock (Dt. 1-4-2019)	5750	Purchase return	6000
Sales-return	4000	Sales	90,000
Purchase	64,250	Creditors	21,700
Demurrage	350	Interest received	5400
Salary	6000	Goods given as free sample	2100
Rent	4000	Goods withdrawn for personal use	1300
Taxes	920	Dividend	1700
Carriage inward	650		
Bad debts	800		
Building	50,000		
Investment in shares	20,560		
Bank balance	14,940		
Discount	2780		
Advertisement expenses	3000		
Cash balance	1000		
Debtors	35,000		
Furniture	10,000		
	2,30,000		2,30,000

Adjustments :

- (1) Value of closing stock ₹ 24,350.
- (2) Outstanding salary ₹ 1200 prepaid rent ₹ 400. Receivable commission ₹ 400. Advance amount received for interest ₹ 300.
- (3) 10 % interest on capital is to be allowed and 12 % interest is chargeable on drawing.
- (4) Write off ₹ 1000 from debtors for bad debts.
- (5) Provide 5 % depreciation on building and 10 % on furniture.

13. Ajay and Arun are partners sharing profit-loss in proportion of capital. Prepare annual accounts.

Trial balance as on 31-3-2020

Debit Balances	Amount (₹)	Credit Balances	Amount (₹)
Drawing : Ajay	7500	Capital : Ajay	1,40,000
Arun	5000	Arun	1,20,000
Opening stock	15,000	Sales	1,20,000
Purchase	80,000	Goods return debit	2000
Goods return credit	3000	Payables	79,000
Receivables	27,400	Outstanding wages	700
Salary (upto Dt. 28-2-2020)	13,200	Arun's loan	30,000
Office Machinery	71,760	Bad debts return	6600
Depreciation on Office machinery	6240	Bank overdraft	2800
Royalty	1600	Arun's current A/c	14,000
Insurance premium	1800		
Interest on loan	1200		
Furniture	1,67,000		
Stationery expenses	10,200		
Advertisement expenses	36,000		
Cash balance	51,200		
Ajay's current A/c	17,000		
	5,15,100		5,15,100

Adjustments :

- (1) Value of closing stock ₹ 21,000 which includes ₹ 2000 stationery stock.
- (2) The rate of depreciation increase to 10 % on office machinery.
- (3) ₹ 1000 credit sales is recorded in purchase return by mistake.
- (4) $\frac{1}{4}$ th of advertisement expenses to be carried forward to next year.

Prepare necessary accounts and balance sheet.

14. From the following trial balance dated 31-3-2020 and adjustment. Prepare final accounts of partnership firm of Sharda and Jamna.

Trial balance as on 31-3-2020 of partnership firm of Sharda and Jamna

Debit Balances	Amount (₹)	Credit Balances	Amount (₹)
Goods stock (Dt. 31-3-2020)	54,600	Trading A/c	61,800
Current A/c : Jamna	10,000	Current A/c : Sharda	40,000
Cash balance	560	Capital : Sharda	1,60,000
Current A/c in bank	14,000	Jamna	1,20,000
Fixed deposit in Dena bank	80,000	Jamna's loan (Dt. 1-10-2019)	60,000
Debtors	36,800	Discount reserve on debtors	760
Salary	39,000	Bad debts reserve	2000
Land and Building	1,20,000	Creditors	24,000
Office machineries	40,000		
Furniture-Fixtures	10,000		
Leasehold computers (Dt. 1-4-2019 from 5 years)	60,000		
Postage-stationery	3200		
Bad debts	400		
	4,68,560		4,68,560

Adjustments :

- (1) Goods of ₹ 4000 withdrawn by Sharda for personal use, but not recorded in the books.
- (2) Goods purchased ₹ 8000 on the last day of the year but due to negligence of accountant, these goods are not recorded in the purchase book.
- (3) Write off ₹ 800 receivable from debtors, which are not recoverable and provide 5 % bad debts reserve on debtors.
- (4) Discount reserve on debtors is not required.
- (5) Provide depreciation on office machineries at 20 % and Furniture-fixtures at 5 %.

15. Kiyansh and Tajagna are partners sharing profit-loss in 3:2 ratio. Prepare final accounts for the year ending on 31-3-2020 of their firm.

Trial balance as on 31-3-2020

Particulars	Debit (₹)	Credit (₹)
Capital and drawing : Kiyansh	7000	25,000
Tajagna	3000	15,000
Current accounts : Kiyansh	5000	—
Tajagna	—	10,000
Tajagna's loan		5000
Insurance (Including ₹ 400 for the year ended Dt. 30-6-2020)	600	—
Interest on loan	200	—
Salary and outstanding salary	5000	1290
Furniture	1500	—
Motorcar	12,000	—
Goods return	1000	500
Provident fund and contribution to provident fund	200	4000
Cash and bank	2500	19,865
Stock of goods (Dt. 1-4-2019)	9000	—
Bank interest	155	
Patent	21,450	—
Discount	925	—
Goods account	20,400	32,250
Stationery-Stock (Dt. 1-4-2019)	200	—
Stationery-Purchase	1000	—
Bad debts and Bad debts return	500	1000
Sales of scrap of goods	—	5225
Creditors-Debtors	16,000	3960
Office Machinery	8325	—
Depreciation on Office machinery	675	—
Provident fund investment and its interest	4000	240
Advance payment of rent	2000	—
Advance received commission	—	3000
Royalty	3700	—
	1,26,330	1,26,330

Adjustments :

- (1) Value of closing stock is ₹ 15,000.
- (2) Stationery stock is ₹ 200.
- (3) Increase the rate of depreciation to 10 % on office machinery and provide depreciation on furniture at 5 %.
- (4) Write off ₹ 200 from debtors as bad debts and provide 5 % bad debts reserve on debtors.
- (5) Goods of ₹ 15,000 are destroyed by fire and insurance company accepted the claim of ₹ 12,000.



Valuation of Goodwill

Section A

Select the correct option for each question from the given options :

- An intangible asset which shows the reputation of a firm in the market means
(A) Copyright (B) Goodwill
(C) Patent (D) Trademark
- Goodwill is for a high value added product produce by business.
(A) Less (B) Zero
(C) More (D) Negative
- From the following, which factor affects the value of goodwill ?
(A) Location of business (B) Location of customer
(C) Customers income (D) Capital employed
- In the method of capitalization of profit, goodwill =
(A) Average profit \times No. of years purchase (B) Capitalised profit – Capital employed
(C) Capitalised profit \times Capital employed (D) Capitalised profit + Capital employed
- Goodwill is, where business has monopoly condition or limited competition.
(A) More (B) Mixed
(C) Less (D) Zero
- How many methods are there for valuation of goodwill ?
(A) 2 (B) 4
(C) 6 (D) 8
- No. of years for which average profit can be maintained means
(A) No. of years of purchase of goodwill (B) No. of years of business
(C) Competition years (D) Monopoly's years
- is given in weighted average profit method.
(A) More weightage given to recent years (B) More weightage given to distant years
(C) Less weightage given to recent years (D) Equal weightage given to each years

9. Expected profit =
- (A) Capital employed \times Expected rate of return
 (B) Average profit \times Expected rate of return
 (C) Assets \times Expected rate of return
 (D) Super profit \times Expected rate of return
10. Average profit of a firm for last three years is ₹ 63,000. Value of goodwill on the basis of 2 years purchase of average profit is
- (A) ₹ 1,26,000 (B) ₹ 42,000
 (C) ₹ 1,89,000 (D) ₹ 6,90,000
11. For finding the value of goodwill, capitalised profit is compared with
- (A) Business assets (B) Capital employed
 (C) Business creditors (D) Business debtors
12. Capital employed in the business equals to
- (A) Total assets + Total liabilities (B) Total assets \times Total liabilities
 (C) Total assets \div Total liabilities (D) Total assets – Total liabilities
13. When average profit is more than expected profit, then such additional profit is called
- (A) Super profit (B) Average profit
 (C) Capitalised profit (D) Real profit
14. Normally, the goodwill is when there is favourable location for business.
- (A) More (B) Less
 (C) Zero (D) Negative
15. Weighted average profit =
- (A) Total weighted profit \div Total weight (B) Total weighted profit \times Total weight
 (C) Total weighted profit – Total weight (D) Total weighted profit + Total weight
16. Average profit of a firm is ₹ 56,000 and expected rate of return is 10 %. So, the capitalised profit is
- (A) ₹ 5,60,000 (B) ₹ 5600
 (C) ₹ 6,50,000 (D) ₹ 65,000

Section B

Answer the following questions in one sentence each :

1. On what is the valuation of goodwill mainly based ?

2. State the formula for goodwill valued by weighted average profit method.

3. When business profit shows continuously increasing or continuously decreasing trend, which average is considered for valuation of goodwill ?

4. How does the number of years of business affect the goodwill ?

5. When is the goodwill required to be valued ?

6. State two methods used for valuation of goodwill.

7. By which another name the capital employed is recognised ?

8. State the formula for valuation of goodwill by superprofit capitalization method.

9. What is the value of goodwill, if the superprofit is zero or negative in the business ?

10. What is the value of goodwill, if the business enjoys special benefits ?

11. Give the name of any two factors affecting valuation of goodwill.

12. Under which method of valuation of goodwill, the capital employed is considered ?

Section D

Answer the following questions as asked :

1. Radha and Meera are partners of a firm sharing profit and loss in the ratio of 2:1. Find the value of goodwill, if goodwill is to be determined on the basis of 3 years.

Purchase of last 5 years average profit. The profits were :

Years	2015-16	2016-17	2017-18	2018-19	2019-20
Profit (₹)	12,000	15,000	10,000	16,000	14,000

2. Ram and Shyam are partners of a firm sharing profit and loss in the ratio of 2:1. From the information given, calculate value of goodwill, if it is to be determined on the basis of 3 years purchase of last 4 years average profit.

Years	2016-17	2017-18	2018-19	2019-20
Profit (₹)	1,20,000	1,60,000	(80,000)	1,00,000

3. Determine the value of goodwill based on 4 years purchase of last 5 years average profit.

Years	2015-16	2016-17	2017-18	2018-19	2019-20
Profit (₹)	80,000	1,00,000	60,000	1,20,000	1,10,000

4. From the following information find out weighted average profit.

Years	2015-16	2016-17	2017-18	2018-19
Profit (₹)	50,000	60,000	80,000	1,00,000

5. From the following information compute the value of goodwill of Aman and Kajal's firm at 4 years' purchase of weighted average profit on the basis of last five years.

Years	2015-16	2016-17	2017-18	2018-19	2019-20
Profit (₹)	40,000	60,000	90,000	1,20,000	1,50,000

6. From the following information compute the value of goodwill at 3 year's purchase of weighted average profit.

Years	2015-16	2016-17	2017-18	2018-19
Profit (₹)	1,10,000	1,00,000	80,000	70,000

7. Ganga and Kaveri are partners of a firm. They want to change the profit and loss sharing ratio from 3:2 to 3:1. They decided to determine the valuation of goodwill. On the basis of the firm's profit and other information, determine the valuation of goodwill on the basis of six years purchase of super profit.

Assets : ₹ 10,00,000, Liabilites : ₹ 4,00,000, Expected rate of return 10 %

Years	2016-17	2017-18	2018-19
Profit (₹)	80,000	60,000	1,00,000

8. From the following information, determine the value of goodwill on the basis of two years purchase of super profit.

Capital employed : 3,00,000, Expected rate of return 10 %

Years	2015-16	2016-17	2017-18	2018-19
Profit (₹)	20,000	40,000	50,000	60,000

9. From the following information of A and B's firm, determine the value of goodwill by capitalised average profit method.

Additional information : (1) Assets business : 10,50,000

(2) Liabilities of business : 3,50,000

(3) Normal expected rate of return of business is 10 %.

Years	2015-16	2016-17	2017-18	2018-19	2019-20
Profit (₹)	40,000	50,000	70,000	1,00,000	1,20,000

10. From the following information of Aastha and Nishtha's firm determine the value of goodwill by capitalised average profit method.

Years	2015-16	2016-17	2017-18	2018-19
Profit (₹)	20,500	26,800	18,900	21,200

Additional information : (1) Capital employed : 1,90,000

(2) Normal expected rate of return of business is 10 %.

11. Determine the value of goodwill of Suresh and Mukesh's firm as per the capitalisation of super-profit method.

Additional information : (1) Capital employed : 1,00,000

(2) Expected rate of return 12 %.

Years	2016-17	2017-18	2018-19	2019-20
Profit (₹)	10,000	15,000	12,000	16,000



Reconstruction of Partnership

Section A

Select the correct option for each question from the given options :

1. At the time of reconstitution of a partnership firm, at which value is all the assets shown in the balance sheet after the revaluation ?
(A) Revalued (B) Old
(C) Purchase price (D) Cost price
2. What is the credit balance of revaluation account ?
(A) Loss (B) Profit
(C) Provision (D) Reserve
3. The amount of undistributed profit is credited to which account at the time of reconstitution of partnership ?
(A) Profit and loss account (B) Revaluation account
(C) Profit and loss appropriation account (D) Partners' capital account
4. At the time of reconstitution of partnership, the balance of accumulated profit and reserve fund belongs to whom ?
(A) New partners (B) Old partners
(C) All partners including new partner (D) Only retired partner
5. Changes in partnership due to several reasons means
(A) Organisation of partnership (B) Reconstruction of partnership
(C) Dissolution of partnership (D) Formation of partnership
6. What is workers profit sharing fund for partnership firm ?
(A) Reserve (B) Liability
(C) Receivables (D) Asset
7. Which effect is given for accrued income or prepaid expenses not recorded on the reconstitution of the partnership ?
(A) Revaluation account will be debited (B) Revaluation account will be credited
(C) Partner's capital account will be debited (D) Partner's capital account will be credited
8. Which of the following is the balance of accumulated profit ?
(A) Provident fund (B) Worker profit sharing fund
(C) Reserve fund (D) Bills payable

9. Profit-loss sharing ratio between continuing partners is
 (A) Changed by consent of all partners
 (B) Always in equal ratio
 (C) Never be changed
 (D) Changed by consent of majority of partners
10. What is debit balance of revaluation account ?
 (A) Profit (B) Liabilities
 (C) Loss (D) Receivable
11. Which of the following is credited to partner's capital account ?
 (A) General reserve (B) Workers' saving account
 (C) Loss of revaluation account (D) Workers' profit sharing fund
12. X and Y are partners in a firm sharing profit and loss in the ratio of 2:1. They decided to share profit and loss in the ratio of 1:2 in the future. In these circumstances, what is the effect ?
 (A) Both gain (B) Y gains and X sacrifices
 (C) X gains and Y sacrifices (D) Both sacrifice
13. When partner sacrifice is zero, what it will be caused ?
 (A) Partner gets gain. (B) Partners' new profit share is more.
 (C) Partners' old profit share is more. (D) Partners' does not get gain or loss.
14. Ram, Shyam and Ghanshyam are partners in a partnership firm sharing profit and loss in 5:3:2. They decide to change profit and loss sharing ratio to 2:2:1 in future. In these case, what is the sacrifice of Ram ?
 (A) $\frac{1}{15}$ (B) $\frac{1}{20}$
 (C) Zero (D) $\frac{1}{10}$
15. Due to changes in the ratio of A, B and C; B sacrifices $\frac{1}{15}$ from his share and C sacrifices $\frac{1}{15}$ from his share, what is the gain of A ?
 (A) $\frac{2}{15}$ (Gain) (B) $-\frac{1}{10}$ (Gain)
 (C) $-\frac{2}{10}$ (Gain) (D) $\frac{2}{10}$

Section B

Answer the following questions in one sentence each :

1. Give any two reasons for reconstitution of partnership.

2. State mathematical formula for calculating sacrifice.

3. What is gain ?

4. What is the credit balance of revaluation account ?

5. In which ratio is the profit or loss arising on revaluation of assets and liabilities distributed among partners ?

6. Why are partners' capital accounts prepared after revaluation ?

7. Where is the credit balance of revaluation account shown at the time of the reconstitution of partnership ?

8. How is the accumulated profit or loss is distributed at the time of the reconstitution of partnership ?

9. What is the meaning of partners' negative sacrifice ?

10. What is the meaning of partners' negative gain ?

11. Which account is opened to record changes in the value of assets and liabilities at the time of admission of a new partner.

12. What is the accounting treatment of increase in the value of assets at the time of the reconstitution of partnership ?

13. What is the accounting treatment of decrease in the value of assets at the time of the reconstitution of partnership ?

14. What is the accounting treatment of decrease in the liabilities at the time of the reconstitution of partnership ?

15. Write journal entry for distribution of accumulated loss at the time of reconstitution of partnership.

16. What is the accounting entry for increase in bad debts reserve ?

17. Which effect is given when the value of bad debts reserve is decreased at the time of the reconstitution of partnership ?

Section C

Answer the following questions as asked :

1. Nirali and Aaradhya are partners in a firm sharing profit and loss in the ratio of 4:1. They decide to share profit and loss in the ratio of 1:3 in future. In these circumstances, calculate which partner has sacrificed and how much ?

2. Chintan, Dakshay and Nishith are the partners in a firm sharing profit and loss in the ratio of 3:2:1. They decide to share profit and losses in the ratio of 2:2:1 in future. From this information calculate sacrifice and gain by using sacrifice formula and find their ratio.

3. Hardik, Pransul and Pranshi are the partners in a firm sharing profit and loss in the ratio of 5:3:2. They decide to share profits and losses in the ratio of 3:2:1 in future. From this information, calculate the sacrificing ratio.

4. Hetal and Vipul are the partners in a firm sharing profit and loss in the ratio of 5:3. Piyu is entered as a new partner and they decide to share future profit and loss in the ratio of 3:2:1. From the above information, find the sacrifice of Hetal and Vipul.
5. Priti, Saurav and Priya are the partners in a firm sharing profit and losses in the ratio of 4:4:2. All partners have decided to change their profit and loss ratio to 6:4:2. Calculate the sacrifice ratio of partners.

6. Nidhi, Rahul and Manav are the partners in a firm sharing profit and losses in the ratio of 1:2:3. All partners have decided to change their profit and loss ratio to 3:4:5. Calculate the gain of partners.
7. Chirag, Ami and Kabir are the partners in a firm sharing profit and losses in the ratio of 2:1:2. All partners have decided to change their profit and loss ratio to 5:3:2. Calculate the gaining ratio of partners.

8. Nirav, Khushboo and Milit are the partners in a firm sharing profit and losses in the ratio of 3:2:5. They have decided to change their profit and loss ratio to 5:3:2. Calculate the gain ratio of partners.
9. Nayana, Bharati and Mina are the partners in a firm sharing profit and loss in the ratio of 4:3:3. All the partners have decided to change their new profit and loss ratio to 3:2:1. From these information, calculate gaining ratio of partners.

10. M/s Ramanand Gau-seva-Mastramabapa's partnership firm. Write journal entries in the books of a firm for revaluation of assets and liabilities :

Assets and Liabilities	Book value (₹)	Revaluation value (₹)
Plant Machinery	5,00,000	4,00,000
Building	6,00,000	10,00,000
Creditors	50,000	45,000
Investments	40,000	35,000
Outstanding expenses	—	6000
Income receivable	—	4000

11. Mitali and Devanshi are the partners of a partnership firm. Profit-loss sharing ratio between them is 3:2. The following are the balances in the books of the firm as on 31-3-2019.

Profit-loss A/c (Credit balance)	₹ 30,000
Reserve fund	₹ 45,000
Worker's accident compensation fund	₹ 42,000

On the above date, Mitali and Devanshi decided to change new profit sharing ratio at 2:1. A claim of ₹ 12,000 is outstanding against the worker's accident compensation fund. Pass journal entries showing distribution of accumulated profit and losses in the books of the firm.

12. Vatsal and Jinal are the partners of a partnership firm. Their profit-loss sharing ratio is 2:1. Balance of the firm as on 31-3-2019 is as follows :

Liabilities		Amount (₹)	Assets		Amount (₹)
Capital : Vatsal	50,000	80,000	Building		56,000
Jinal	30,000		Machinery		13,000
Creditors		10,000	Closing stock		6000
Bills payable		2000	Debtors		12,000
Provident fund		5000	Patents		5000
			Cash balance		5000
		97,000			97,000

Dt. 1-4-2019, they change their profit loss sharing ratio in equal proportion and decided for revaluation of assets and liabilities of business as follows :

- (1) Building value is increased by ₹ 4000.
- (2) Machinery valued at ₹ 20,000.
- (3) The value of stock is to be decreased by ₹ 4000.
- (4) Provide 5 % for bad debts reserve.
- (5) Creditors are now payable at ₹ 8000.
- (6) Patent valued at ₹ 8000.

Pass necessary journal entries and prepare revaluation account in the books of partnership firm for above changes.

13. Janki and Om are the partners of a partnership firm. Profit-loss sharing ratio between them is 2:1. The following are the balances as on Dt. 31-3-2019.

(1) Profit-loss A/c (Debit balance)	₹ 60,000
(2) Accident fund	₹ 45,000
(3) General reserve	₹ 30,000
(4) Worker profit-sharing fund	₹ 15,000

On the above date, Janki and Om decided a new profit sharing ratio at 3:2. Pass necessary journal entries showing distribution of accumulated profit or losses in the books of the firm.

14. Mandviya, Sarvaiya and Baraiya are the partners of partnership firm sharing equally profit-loss between them. Following is the balance sheet of a firm.

Balance sheet as on 31-3-2019

Liabilities	Amount (₹)	Assets	Amount (₹)
Capital accounts :		Building	80,000
Mandaviya 80,000		Investments	10,000
Sarvaiya 50,000		Stock	30,000
Baraiya 30,000	1,60,000	Bills receivable	20,000
Creditors	70,000	Debtors	50,000
Bills payable	20,000	Cash balance	40,000
Provident fund	50,000	Machinery	70,000
	3,00,000		3,00,000

Dt. 1-4-2019 they change their profit-loss sharing ratio to 2:2:1 and decided for revaluation of assets and liabilities of business as follows :

- (1) Building valued at ₹ 70,000.
- (2) Stock valued at decreased by ₹ 5000.
- (3) Provide 5 % for bad debts reserve.
- (4) Machinery is to be increased by ₹ 15,000.
- (5) An amount of ₹ 2500 is not to be paid to creditors.

From the above information, write journal entries in the books of the partnership firm and also prepare the revaluation account.

15. Daksha, Sanjana and Rutva are the partners of a partnership firm. Profit-loss sharing ratio between them in 5:3:2. The following are the balances in the books of the firm as on 31-3-2019.

- (1) Capital reserve ₹ 50,000
- (2) Research and development expense ₹ 75,000
- (3) Investment fluctuation fund ₹ 10,000
- (4) Workers saving account ₹ 20,000

On the above date, Daksha, Sanjana and Rutva decided to change their profit-loss ratio to 2:2:1. Pass necessary journal entries showing distribution of accumulated profit or losses in the books of the firm.



Admission of a Partner

Section A

Select the correct option for each question from the given options :

- Admission of a partner is
(A) Dissolution of partnership firm (B) Establishment of partnership
(C) Sale of partnership firm (D) Reconstitution of partnership
- is not a reason for new partner's admission in continuing partnership firm.
(A) More capital required in a firm (B) More management power requirement
(C) Any partner retires or dies (D) As per partnership Act, 1932
- Balance of reserve is transferred to at the time of the admission of a new partner.
(A) Old partner's capital account, in old profit loss sharing ratio on credit side
(B) Old partner's capital account, in old profit loss sharing ratio on debit side
(C) Old partner's capital account, in sacrifice ratio on credit side
(D) All partners including new partners' capital account, in new profit-loss sharing ratio on credit side.
- Goodwill appearing in the books of the firm at the time of admission of the new partner is recorded as
(A) Credited to old partner's capital accounts in their old profit-loss sharing ratio
(B) Debited to old partner's capital accounts in their old profit-loss sharing ratio
(C) Credited to old partner's capital accounts in their sacrificing ratio
(D) Credited to all partner's capital accounts including new partners in their new profit-sharing ratio
- ₹ 30,000 and ₹ 3000 shown as the balance of debtors and bad debts reserve respectively in the balance sheet, at the time of admission of a partner. Out of the debtors, write off ₹ 2000 as bad debts and on remaining debtors provide 10 % bad debts reserve. How much amount is debited to revaluation account ?
(A) ₹ 2800 (B) ₹ 4800
(C) ₹ 3000 (D) ₹ 1800

6. When the new partner pays amount of his share in goodwill privately, then that amount is in the books of firm.
 (A) debited to cash account (B) debited to goodwill account
 (C) credited to capital account (D) No entry
7. There is unrecorded liability at the time of admission of partner. It is recorded in new firm as
 (A) Liability (B) Assets
 (C) Receivable (D) Profit
8. Ashwin and Mahesh are partners sharing profit loss in 3:2 ratio. They admitted Pankaj as a new partner for $\frac{1}{6}$ th share in profit. is new profit-loss sharing ratio of partners.
 (A) 1:1:1 (B) 3:2:1
 (C) 2:3:1 (D) 1:2:3
9. Bajpai and Sardar are the partners sharing profit and loss in the ratio of 5:3. They admitted Shahu as a new partner. Bajpai sacrifices $\frac{1}{4}$ th from his share and Sardar sacrifices $\frac{1}{8}$ th from his share in favour of Shahu respectively. is the new profit-loss ratio of all partners.
 (A) 5:3:3 (B) 1:1:1
 (C) 3:2:3 (D) 3:2:1
10. Urvi and Eva are the partners sharing profit and loss in the ratio of 2:1. They admitted Poonam as a new partner for $\frac{1}{5}$ th share in profit. The amount of goodwill brought in cash by Poonam is distributed to Urvi and Eva in ratio.
 (A) 1:1 (B) 2:1
 (C) 3:2 (D) 2:3

Section B

Answer the following questions in one statement :

1. State the type of account for revaluation account and partner's capital account.

2. State any two reasons for admission of a new partner.

3. How will you find new profit-loss sharing ratio when old partner's sacrifice is given ?

4. State the accounting treatment of goodwill shown in old balance sheet at the time of admission of a new partner.

5. Goodwill, of the firm valued at the time of admission of a partner is internally generated value of goodwill or value of goodwill paid as consideration ?

6. Give the reason for distributing the amount of goodwill brought by new partner between the old partners in their sacrificing ratio.

7. State whether following are reserves or provisions :

(1) Reserve fund (2) Provident fund (3) Worker compensation fund (4) Investment fluctuation fund (5) Bad debts reserve (6) Worker profit-sharing fund (7) Worker's savings account

8. State the accounting treatment for advertisement campaign expenses shown in the balance sheet of old firm at the time of admission of a new partner.

Section C

Answer the following questions as asked :

1. 'A' and 'B' are partners sharing profit-loss in the ratio of 3:2. They admitted 'C' as a new partner. 'A' sacrifices $\frac{1}{3}$ rd of his share and 'B' sacrifices $\frac{2}{3}$ rd of his share in favour of 'C'. Calculate sacrificing ratio and new profit and loss sharing ratio of three partners.

2. 'A' and 'B' are partners sharing profit-loss in the ratio of 2:1. They admitted 'C' as a new partner. 'C' will bring ₹ 30,000 as capital and ₹ 20,000 as his share of goodwill in cash. Goodwill appears in the balance sheet of 'A' and 'B' at ₹ 15,000. If their new profit and loss sharing ratio of all partners is 3:1:2, pass necessary journal entries in the books of the firm related to goodwill.

Section E

Answer the following questions as asked :

1. Anil and Sunil are partners in a firm sharing profit and loss in the ratio of 3:2. Balance sheet of their firm on 31-3-2020 was as under :

Balance sheet as on 31-3-2020

Liabilities	Amount (₹)	Assets	Amount (₹)
Capital :		Land-building	1,00,000
Anil 2,50,000		Plant	80,000
Sunil 1,50,000	4,00,000	Investment	60,000
Worker accident fund	16,000	(Market value ₹ 30,000)	
Investment fluctuation fund	20,000	Debtors	70,000
Creditors	1,00,000	– Bad debts reserve	5,000
Bills payable	24,000	Stock	1,50,000
		Cash	1,05,000
	5,60,000		5,60,000

They admitted Rahul as a new partner for $\frac{1}{5}$ th share of profit on 1-4-2020 on following terms. Rahul will bring a total of ₹ 2,00,000 as capital and goodwill. Partners' revalued assets and liabilities in following ways :

- (1) Value of land and building is ₹ 1,20,000.
- (2) Value of plant is to be reduced by ₹ 6000.
- (3) Provision for bad debts at 10 % on debtors.
- (4) Goodwill of firm is valued at ₹ 1,00,000.
- (5) Outstanding salary of ₹ 3000 is not recorded in the books.

From the above information, prepare revaluation a/c and partners' capital account and balance sheet.

2. Ashok and Bimal are partners in a firm. Balance sheet of their firm was as under :

Balance sheet as on 31-3-2020

Liabilities	Amount (₹)	Assets	Amount (₹)
Capital :		Cash-bank	2,00,000
Ashok 3,00,000		Debtors 3,00,000	
Bimal 2,00,000	5,00,000	– Bad debts reserve 20,000	2,80,000
Creditors	6,00,000	Stock	70,000
Outstanding expenses	50,000	Furniture	1,30,000
General reserve	30,000	Plant	3,00,000
Investment reserve	40,000	Building	2,00,000
Worker compensation reserve	20,000	Investments	60,000
	12,40,000		12,40,000

They admitted Rajal as a new partner on 1-4-2020 on following terms :

- (1) Rajal brings ₹ 3,00,000 as capital and ₹ 48,000 as his share of goodwill in cash. Goodwill amount is to be withdrawn by Ashok and Bimal.
- (2) Provision for doubtful debt is to be made at 5 % on debtors.
- (3) Workmen compensation claim is accepted at ₹ 12,000.
- (4) Plant and building are to be depreciated by 10 %.
- (5) Value of furniture is to be reduced upto ₹ 1,20,000.
- (6) Value of stock is to be increased by ₹ 5000.
- (7) New profit and loss sharing ratio is to be kept at 4:3:3.

From the above information, prepare revaluation account, partners' capital A/c and opening balance sheet of the new firm.

3. Manav and Aarav are partners in a firm. Balance sheet of their firm as on 31-3-2020 was as under :

Balance sheet as on 31-3-2020

Liabilities	Amount (₹)	Assets	Amount (₹)
Capital :		Goodwill	40,000
Manav 4,80,000		Land-building	3,00,000
Aarav 1,60,000	6,40,000	Plant	1,20,000
Reserve fund	20,000	Investments	1,50,000
Investment fluctuation fund	30,000	Vehicles	1,80,000
Worker accident compensation fund	70,000	Stock	30,000
Provident fund	80,000	Debtors 50,000	
Creditors	60,000	– Bad debts reserve 3000	47,000
		Cash-Bank	33,000
	9,00,000		9,00,000

Manav and Aarav are partners in a firm sharing profit and loss in their capital ratio. They admitted Aarjav as a new partner from 1-4-2020 on the following conditions :

- (1) Aarjav will bring ₹ 5,00,000 as capital and ₹ 80,000 as his share of goodwill in cash. 50 % amount of goodwill is withdrawn by old partners.
- (2) Market value of investment is ₹ 1,40,000.
- (3) Write off ₹ 7000 from debtors as bad debts.
- (4) Workmen accident compensation claim is accepted ₹ 80,000.
- (5) Market value of land and building is ₹ 3,30,000.
- (6) New profit and loss sharing ratio of all partners is decided at 2:1:2.

From the above information, prepare necessary accounts and balance sheet after admission.

4. Rajesh and Rajvi are partners in a firm sharing profit and loss in the ratio of 5:3. Balance sheet of their firm on 31-3-2020 was as under :

Balance sheet as on 31-3-2020

Liabilities	Amount (₹)	Assets	Amount (₹)
Capital :		Goodwill	24,000
Rajesh	48,000	Building	48,000
Rajvi	40,000	Stock	32,000
General reserve	8000	Debtors	30,000
Profit-loss A/c	4000	– Bad debts reserve	2000
Worker profit sharing fund	12,000	Cash-Bank	4000
Creditors	16,000		
Bank loan	8000		
	1,36,000		1,36,000

On Dt. 1-4-2020 they admitted Ravi as a new partner on following terms.

- (1) Rajesh sacrificed $\frac{1}{2}$ of his share and Rajvi sacrificed $\frac{1}{4}$ th of her share in favour of Ravi.
- (2) Ravi will bring ₹ 50,000 as his capital, ₹ 8000 in cash and motor car of ₹ 18,000 as goodwill.
- (3) Building valued at ₹ 60,000 and stock valued at ₹ 30,000.
- (4) Reconstitution expenses paid by Rajvi ₹ 2000.
- (5) Bills discounted of ₹ 12,000 with bank is dishonoured which is not recorded.

Prepare revaluation account, partner's capital accounts and cash-bank account. Prepare balance sheet after admission.

5. Riya and Shiya are the partners sharing profit and loss in the ratio of 2:3. The balance sheet of their firm as on 31-3-2020 was as under :

Balance sheet as on 31-3-2020

Liabilities	Amount (₹)	Assets	Amount (₹)
Capital :		Building	1,00,000
Riya 50,000		Plant	40,000
Shiya 90,000	1,40,000	Stock	50,000
Contingency reserve fund	20,000	Debtors	30,000
Workers compensation fund	30,000	Investments	20,000
Investment fund	10,000	Cash-Bank	14,000
Creditors	60,000	Advertisement campain expenses	12,000
Bad debts reserve	6000		
	2,66,000		2,66,000

They admitted Roshan as a partner on 1-4-2020 on the following terms :

- (1) Roshan will have a share of $\frac{1}{5}$ in new firm which will given by Riya and Shiya in equal ratio.
- (2) Goodwill of the firm is valued at ₹ 60,000.
- (3) Roshan will bring ₹ 1,00,000 as his capital and ₹ 8000 as his share of goodwill in cash.
- (4) Provision for bad debt is not required.
- (5) Workmen compensation claim is accepted at ₹ 30,000.
- (6) Investments are sold at ₹ 22,000.
- (7) 10 % creditors are not to be paid.
- (8) Market value of plant is 10 % less than the book value.

Prepare necessary accounts and balance sheet of new firm after admission.

6. Vihan and Viraj are partners sharing profit-loss in the ratio of 5:3 of a partnership firm. The balance sheet of their firm as on 31-3-2020 was as under :

Balance sheet as on 31-3-2020

Liabilities		Amount (₹)	Assets		Amount (₹)
Provident fund		40,000	Bank		80,000
Creditors		1,60,000	Debtors		1,20,000
Bad debts reserve		10,000	Stock		60,000
Capital accounts :			Building		2,00,000
Vihan	1,80,000		Investments		74,000
Viraj	1,60,000	3,40,000	Goodwill		16,000
		5,50,000			5,50,000

They admitted Vimal as a new partner on 1-4-2020. Following are the term of admission.

- (1) Vimal will bring his personal furniture of ₹ 80,000 as the capital in the firm.
- (2) Out of creditors ₹ 20,000 are payable to Vimal which is to be transferred to his capital account. Vimal will not bring any cash for capital and goodwill.
- (3) Goodwill of firm is valued at ₹ 1,20,000.
- (4) Credit sales of ₹ 10,000 was not recorded in debtors account and sales account.
- (5) Market value of stock of ₹ 40,000 is ₹ 36,200.
- (6) Write off ₹ 6000 as bad debts from debtors and provide 5 % bad debts reserve on remaining debtors.
- (7) New profit and loss sharing ratio of all partners is decided at 3:4:1.

Prepare balance sheet after admission and pass necessary journal entries for goodwill.

7. Ram and Shyam are partners sharing profit and loss in the ratio of 2:1 of a partnership firm. The balance sheet of their firm as on 31-3-2020 was as under :

Balance sheet as on 31-3-2020

Liabilities	Amount (₹)	Assets	Amount (₹)
Creditors	1,25,000	Plant	1,30,000
Bad debts reserve	12,000	Debtors	1,80,000
10 % loan	1,00,000	Stock	34,000
Capital accounts :		Cash-Bank	1,00,000
Ram	1,60,000	Investments	80,000
Shyam	1,30,000	Profit and loss account	9000
Current account : Ram	30,000	Current account : Shyam	18,000
		Goodwill	6000
	5,57,000		5,57,000

They admitted Gopal as a partner on 1-4-2020 on the following terms in partnership :

- (1) New profit and loss sharing ratio is to be kept as 5:5:2.
- (2) Gopal brings ₹ 1,60,000 as fixed capital in cash.
- (3) Gopal will not bring his share of goodwill ₹ 12,000 in cash and goodwill is to be adjusted to old partners' current account.
- (4) Out of debtors, write off ₹ 4000 as bad debts and provide bad debts reserve ₹ 5000.
- (5) Book value of investment is 20 % less than its market value.
- (6) Workmen accident compensation claim is accepted at ₹ 6000.
- (7) Interest on loan for 6 months is outstanding.

Prepare revaluation A/c, partner's capital A/c, partners' current A/c and balance sheet after admission and pass journal entries for goodwill.

8. Aaliya and Maliya are partners in a firm sharing profit and loss in the ratio of 3:2. Balance sheet of their firm on 31-3-2020 was as under :

Balance sheet as on 31-3-2020

Liabilities	Amount (₹)	Assets	Amount (₹)
Capital accounts :		Goodwill	10,000
Aaliya 3,00,000		Building	3,00,000
Maliya 2,00,000	5,00,000	Plant	1,20,000
Investment fluctuation fund	12,000	10 % Investments (face value)	80,000
Worker profit sharing fund	80,000	Debtors	1,60,000
Provision for doubtful debts	8000	Stock	70,000
Provident fund	1,00,000	Cash	39,000
Worker compensation fund	30,000	Advertisement campaign expenses	5000
Creditors	70,000	Research and development expenses	16,000
	8,00,000		8,00,000

They admitted Soniya as a new partner from 31-3-2020 on following terms in the partnership firm :

- (1) New profit and loss sharing ratio is to be kept 4:5:1.
- (2) Soniya brought ₹ 2,00,000 as capital and ₹ 10,000 as her share of goodwill in cash.
- (3) Plant is recorded in the books at 20 % more than its market value. Record plant at its market value.
- (4) Interest on investment is receivable from dt. 1-1-2020.
- (5) Market value of investment is ₹ 82,000 which is to be taken by Aliya at market value.
- (6) Insurance premium paid ₹ 20,000 of which ₹ 6000 is to be carried forward to next year.
- (7) Provision for bad debt is not required.

Prepare necessary accounts and balance sheet after admission.

9. Hency and Princy are partners in a firm sharing profit and loss in the ratio of 2:3. Their balance sheet as on 31-3-2020 was as under.

Balance sheet as on 31-3-2020

Liabilities	Amount (₹)	Assets	Amount (₹)
Capital accounts :		Building	1,40,000
Hency 2,20,000		Furniture	60,000
Princy 50,000	2,70,000	Stock	51,800
Contingency reserve	20,000	Debtors 1,20,000	
General reserve	12,000	– Bad debt reserve 4000	1,16,000
Creditors	78,000	Rent receivable	4200
Bills payable	20,000	Bank	22,000
		Profit and loss A/c	6000
	4,00,000		4,00,000

They admitted Shaily as a new partner from 1-4-2020 on the following term :

- (1) Shaily will be given $\frac{1}{5}$ th share of profit. Shaivi gets $\frac{1}{20}$ th share of her share from Hency and $\frac{3}{20}$ from Princy.
- (2) Goodwill of the firm is valued at ₹ 2,00,000.
- (3) Shaily brings her share of goodwill and ₹ 1,00,000 as capital in cash.
- (4) All debtors are good.
- (5) Credit purchase of ₹ 20,000 which was not recorded in creditors account and purchase account but it is included in closing stock.
- (6) Personal expenses ₹ 4000 of Princy was debited to the profit and loss account.
- (7) Capital of Hency and Princy in the firm should be kept in new profit and loss ratio by taking Shaily's capital as base. For this purpose necessary adjustment are to be made in bank account.

Prepare necessary account and balance sheet after admission.

10. Maya and Mamta are the partners sharing profit and loss in the ratio of 4:1. Balance sheet of their firm as on 31-3-2020 was as under :

Balance sheet as on 31-3-2020

Liabilities	Amount (₹)	Assets	Amount (₹)
Capital accounts :		Goodwill	10,000
Maya	1,50,000	Land-building	80,000
Mamta	70,000	Furniture	50,000
	2,20,000	Investments	30,000
Current accounts :		Stock	32,000
Maya	10,000	Debtors	40,000
Mamta	12,000	– Bad debts reserve	5,000
	22,000		35,000
General reserve	10,000	Cash-Bank	33,000
Creditors	12,000		
Bills payable	6,000		
	2,70,000		2,70,000

On the above date, they admitted Priyanka as a new partner on the following terms :

- (1) Priyanka will be given $\frac{1}{5}$ th share in future which Maya and Mamta will give in 2:1 ratio.
- (2) Priyanka brought ₹ 90,000 as capital and ₹ 18,000 as her share of goodwill in cash. Half the amount of goodwill is withdrawn by the old partners.
- (3) Provide 10 % as bad debt reserve on debtors.
- (4) Bank charges paid ₹ 3,000 which not recorded.
- (5) Value of investment is ₹ 40,000 which is taken over by Maya.
- (6) Bills payable of ₹ 4,000 are accepted but not recorded in the books.
- (7) Capital of the partners shall be proportionate to their new profit sharing ratio, taking Priyanka's capital as the base, necessary effect is to be given in current A/c.

Prepare the necessary account and balance sheet after admission of Priyanka.

11. Aanya and Aashu are the partners sharing profit and loss in the ratio of 5:3. The balance sheet of their firm as on 31-3-2020 was as under.

Balance sheet as on 31-3-2020

Liabilities	Amount (₹)	Assets	Amount (₹)
Creditors	30,000	Land-building	60,000
Bills payable	24,000	Plant-Machinery	50,000
Capital :		Stock	30,000
Aanya 80,000		Debtors 40,000	
Aashu 90,000	1,70,000	– Bad debts reserve 3000	37,000
Investment reserve	32,000	Investments	50,000
		Cash	29,000
	2,56,000		2,56,000

They admitted Aneri as a new partner with $\frac{1}{3}$ rd share. Following conditions are agreed for admission.

- (1) Aneri will bring her capital in proportionate to her profit-loss ratio and brings her share of goodwill in cash.
- (2) Goodwill of the firm is to be valued at ₹ 2,40,000.
- (3) Value of land and building is to be increased by ₹ 20,000 and plant-machinery is to be decreased upto ₹ 45,000.
- (4) Bad debts reserve is more by ₹ 2000.
- (5) ₹ 7000 of creditors are not to be paid now.

Prepare revaluation A/c, partner's capital A/c and balance sheet.

12. X and Y are partners in a firm sharing profit-loss in 3:2 ratio. Balance sheet of their firm as on 31-3-2020 was as under :

Balance sheet as on 31-3-2020

Liabilities	Amount (₹)	Assets	Amount (₹)
Creditors	1,60,000	Building	1,50,000
General reserve	30,000	Plant	62,500
Investment fluctuation fund	15,000	Investments	2,25,000
Worker profit sharing fund	1,12,500	Debtors	2,00,000
Capital accounts :		– Bad debts reserve	10,000
X	3,00,000	Bank	1,40,000
Y	<u>1,50,000</u>		
	7,67,500		7,67,500

On 1-4-2020, they admitted Z as a new partner on following conditions :

- (1) Z will bring his share of goodwill and will bring capital as 20 % of total capital of new firm in cash. Goodwill of the firm is to be valued ₹ 1,00,000.
- (2) Z will be given $\frac{1}{5}$ th share as profit which he receives from X.
- (3) ₹ 10,000 for bad debt recovered is not recorded, which is to be recorded in the books.
- (4) Plant is to be reduced to 90 %.
- (5) Value of building is to be increased to ₹ 2,50,000.
- (6) Market value of investments is ₹ 2,46,250.
- (7) Total capital of old partner X and Y after all adjustment will be maintained in their relative new ratio.

Prepare necessary accounts and balance sheet.

13. Vimal and Chintan are partners sharing profit and loss in the ratio of 1:2. The balance sheet of their firm as on 31-3-2020 was as under :

Balance sheet as on 31-3-2020

Liabilities	Amount (₹)	Assets	Amount (₹)
Capital accounts :		Goodwill	1,21,500
Vimal 4,50,000		Land-building	6,75,000
Chintan 6,75,000	11,25,000	Machinery	2,25,000
Profit-loss A/c	1,08,000	Stock	90,000
Creditors	1,12,500	Debtors	1,80,000
Bad debts reserve	36,000	Bank	90,000
	13,81,500		13,81,500

On the above date, they admitted Pravin as a new partner on the following condition :

- (1) Vimal sacrifices $\frac{1}{3}$ rd of his share and Chintan sacrifices $\frac{1}{6}$ th share from his share in favour of Pravin.
- (2) Goodwill of firm is valued at ₹ 1,21,500. Pravin will bring his share of goodwill in cash.
- (3) Provision for bad debts reserve on debtors ₹ 22,500.
- (4) Value of land-building is to be increased by 10 %.
- (5) Book value of machinery is 25 % more than its market value.
- (6) Value of stock is to be decreased by 10 %.
- (7) Creditors of ₹ 27,000 are not recorded in the books.
- (8) Total capital of new partnership firm is fixed at ₹ 14,40,000 which is shown in their new profit-loss sharing ratio. Pravin will bring his proportionate share of capital in cash. For this necessary adjustment of Vimal and Chintan's capital shall be made through their current accounts.

Prepare necessary accounts and balance sheet after admission.



Retirement/Death of a Partner

Section A

Select the correct option for each question from the given options :

1. is not a case of retirement as per Indian Partnership Act 1932.

(A) By consent of all	(B) By notice
(C) By contract	(D) Voluntary retirement due to personal reasons

2. partner is required to give public notice compulsorily for his retirement.

(A) Active	(B) Nominal
(C) Inactive	(D) Minor

3. P, Q and R are partners sharing profit-loss in ratio of 3:2:1. R retires. is the new profit-sharing ratio of P and Q.

(A) 1:1	(B) 3:2
(C) 2:3	(D) 3:1

4. At the time of retirement, continuing partners' gain =

(A) Equal ratio	(B) New share – Old share
(C) Old share – New share	(D) Zero

5. From the following entry for goodwill, is the gain ratio for partner. 'A' and 'B', at the time of retirement of C.

A's capital A/c Dr. ₹ 6000	
B's capital A/c Dr. ₹ 4000	
To C's capital A/c ₹ 10,000	

(A) 3:2	(B) 2:3
(C) 1:1	(D) Not decided

6. A, B and C are partners sharing profit-loss sharing of 2:2:1. At the retirement of C, gaining ratio of partner A and B is 3:2. New profit-loss sharing ratio is

(A) 13:12	(B) 12:13
(C) 1:1	(D) 2:1

7. P, Q and R are partners sharing profit-loss sharing of 5:3:2. R retires and after retirement of R, P maintains his share of profit. New profit and loss sharing ratio of P and Q will be
- (A) 5:3 (B) 3:5
(C) 1:1 (D) 4:1
8. M, N and O are partners sharing profit loss as $\frac{4}{9}$, $\frac{1}{3}$ and $\frac{1}{6}$ respectively. If M retires, new profit and loss sharing ratio of N and O will be
- (A) 1:1 (B) 4:3
(C) 4:1 (D) 2:1
9. Monti retires from partnership firm. His capital, share in reserves and revaluation A/c's profit is ₹ 1,80,000. Firm has agreed to pay him ₹ 2,00,000 in full settlement of his claim. Then the difference of ₹ 20,000 received by Monti will be
- (A) balance of their current accounts (B) Goodwill amount
(C) share in credit balance of profit-loss (D) difficult to state
10. Retiring partner's capital A/c Dr.
- To Profit and loss suspense A/c
- This entry shows
- (A) Goodwill received by retiring partner
(B) Profit share upto the retirement date
(C) Retiring partners' share loss upto retirement date
(D) Share in loss shown in old partnership balance sheet

Section B

Answer the following questions in one sentence each :

1. State the accounting treatment of profit and reserves appearing in the balance sheet of the firm at the time of the retirement of a partner.
- _____
- _____
- _____

2. State the accounting treatment of profit and loss account debit balance appearing in the balance sheet of the firm at the time of the retirement of a partner.

3. Which amounts are payable to the deceased partners' executor ?

4. Which amounts are debited to deceased partners' capital account ?

5. On which different basis is the deceased partner paid his share in profit from the date of last balance sheet to the date of death ?

6. Write journal entry for profit share to be given to retiring partner.

7. How is the accumulated profit and accumulated loss distributed at the time of retirement ?

8. Upto which date is the share of retiring partner in the firm calculated ?

Section C

Answer the following questions as asked :

1. A, B and C are partners sharing profit and loss in the ratio of $\frac{1}{2}$, $\frac{1}{6}$ and $\frac{1}{3}$. B retires. A gains $\frac{1}{3}$ rd share of B and C gains the remaining share from B. Calculate gaining ratio of A and C and their new profit and loss sharing ratio.

2. A, B and C are partners sharing profit and loss in the ratio of 5:3:2. From 1-4-2020 partner C retires. A and B decided new profit-loss sharing ratio 1:1 after retirement of C. Goodwill of the firm is valued at ₹ 80,000, at the time of retirement of C. Balance sheet of the old firm shows goodwill at ₹ 50,000 at the time of retirement of C. Pass necessary journal entries for goodwill.

Section E

Answer the following questions as asked :

1. Tapu, Goli and Sonu are partners sharing profit and loss in the ratio of 2:2:1. Sonu retires from 1-4-2020. Balance sheet of the firm as on 31-3-2020 was as under :

Balance sheet as on 31-3-2020

Liabilities	Amount (₹)	Assets	Amount (₹)
Capital :		Goodwill	60,000
Tapu	3,60,000	Land-building	5,00,000
Goli	2,16,000	Plant	1,20,000
Sonu	1,80,000	Investments	2,00,000
General reserve	72,000	Stock	30,000
Sonu's loan	60,000	Debtors	40,000
Worker compensation fund	28,000	Bank	1,05,000
Investment fluctuation fund	40,000	Advertisement campaign expenses	10,000
Worker profit sharing fund	50,000	Profit and loss A/c	5000
Creditors	64,000		
	10,70,000		10,70,000

Conditions of retirement were as under :

- (1) Goodwill of the firm is valued at ₹ 2,00,000.
- (2) Value of land-building is to be increased upto ₹ 5,52,000.
- (3) ₹ 6000 of creditors are not recorded.
- (4) Unrecorded furniture of ₹ 5000 is sold for ₹ 6000.
- (5) Claim of ₹ 30,000 is accepted for workmen compensation.
- (6) Market value of investment is ₹ 1,90,000.

From the above information, pass necessary journal entries and prepare revaluation account, partner's capital account and balance sheet after retirement.

2. Bharat, Kunjal and Ramesh are the partners of firm. Their profit-loss sharing ratio 20 %, 30 % and 50 %. Balance sheet of the firm as on 31-3-2020 was as under :

Balance sheet as on 31-3-2020

Liabilities	Amount (₹)	Assets	Amount (₹)
Capital :		Goodwill	80,000
Bharat 1,20,000		Land-building	3,00,000
Kunjal 1,40,000		Plant	2,40,000
Ramesh 3,00,000	5,60,000	Investments	1,80,000
Investment fluctuation fund	50,000	Debtors 60,000	
Worker's compensation fund	75,000	– Bad debts reserve <u>10,000</u>	50,000
Creditors	1,00,000	Stock	15,000
Provident fund	1,50,000	Cash	70,000
	9,35,000		9,35,000

Ramesh retired on 1-4-2020, terms of retirement are as under :

- (1) ₹ 8000 to be written off from debtors as bad debts.
- (2) Value of land-building is to be reduced by 20 %.
- (3) Stock shown in the books is ₹ 2000 more than cost. Stock to be recorded at cost.
- (4) Goodwill of the firm is valued at ₹ 2,00,000.
- (5) Bharat and Kunjal will share future profit in the ratio of 9:11.

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

3. Shah, Pandya and Raval are the partners sharing profit and loss in the ratio of $\frac{1}{3}$, $\frac{1}{2}$ and $\frac{1}{6}$.
Balance sheet of the firm on 31-3-2020 was as under :

Balance sheet as on 31-3-2020

Liabilities	Amount (₹)	Assets	Amount (₹)
Capital :		Goodwill	60,000
Shah	1,70,000	Trademark	50,000
Pandya	1,20,000	Land-building	2,00,000
Raval	1,40,000	Investments	1,00,000
Reserve fund	30,000	Debtors	1,40,000
Investment reserve	20,000	– Doubtful debts reserve	10,000
Worker compensation fund	40,000	Bank	24,000
Creditors	80,000	Advertisement campaign expenses	6,000
		Shah's loan	30,000
	6,00,000		6,00,000

Shah retired on 1-4-2020. Terms of retirement are as under :

- (1) ₹ 10,000 to be written off from debtors as bad debts and 10 % bad debts reserve is to be maintained.
- (2) Trade mark to be written off fully.
- (3) Market value of investments is ₹ 98,000. Shah will take over the investment at market value.
- (4) Claim of ₹ 34,000 is accepted for workmen compensation.
- (5) Out of creditors ₹ 20,000 of creditors are paid at 10 % discount.
- (6) ₹ 1000 insurance premium is paid in advance.
- (7) Goodwill of the firm is valued at ₹ 60,000.
- (8) Pandya and Raval will share future profit in the ratio of 1:2.

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

4. X, Y and Z are partners of a firm. Balance sheet of the firm as on 31-3-2020 was as under :

Balance sheet as on 31-3-2020

Liabilities	Amount (₹)	Assets	Amount (₹)
Creditors	75,000	Goodwill	15,000
Partner's loan :		Building	1,80,000
X	20,000	Plant	1,60,000
Y	30,000	Investments	40,000
Capital accounts :	50,000	Debtors	50,000
X	1,30,000	– Bad debts reserve	8000
Y	80,000	Bank	20,000
Z	90,000	Current A/c : X	9000
Current accounts :	3,00,000	Advertisement campaign expenses	6000
Y	10,000		
Z	7000		
Contingency reserve	17,000		
	30,000		
	4,72,000		4,72,000

X retired on 1-4-2020. Terms of retirement are as under :

- (1) Goodwill of the firm is valued at ₹ 1,80,000.
- (2) Investments sold at ₹ 38,000 and that amount to be paid to X.
- (3) Book value of building is 10 % less than market value.
- (4) ₹ 10,000 to be written off from debtors as bad debts and 5 % bad debts reserve is to be maintained.
- (5) On 1-6-2019 insurance premium was paid ₹ 6000 of which policy date completes on 30-5-2020.
- (6) X will give $\frac{2}{9}$ to Y from his share and $\frac{1}{9}$ to Z.

Prepare revaluation account, partner's capital account and balance sheet after retirement.

5. Amina, Aanand and Aarti are partners sharing profit and loss in the ratio of 1:2:3. Balance sheet of the firm as on 31-3-2020 was as under :

Balance sheet as on 31-3-2020

Liabilities	Amount (₹)	Assets	Amount (₹)
Capital accounts :		Building	2,50,000
Amina 3,00,000		Patent	1,10,000
Aanand 1,00,000		Investments	1,75,000
Aarti 1,20,000	5,20,000	Stock	1,20,000
Creditors	1,12,000	Debtors 40,000	
Workers compensation fund	50,000	– Doubtful debts reserve 3000	37,000
Employees' provident fund	18,000	Cash-Bank	32,000
Employees' profit sharing fund	24,000		
	7,24,000		7,24,000

Aarti retired on 1-4-2020 as partner. Following conditions were decided between partners :

- (1) Value of patent is to be reduced upto 20 %.
- (2) Value of building is to be increased by 20 %.
- (3) All debtors are good.
- (4) Claim of ₹ 60,000 is accepted for workmen compensation.
- (5) ₹ 3000 received from bad debts written off earlier ₹ 5000.
- (6) Goodwill of the firm is valued at ₹ 90,000.
- (7) ₹ 24,000 to be paid to Aarti in cash and the balance amount will be retained as a loan.

Prepare revaluation account, partners' capital account and balance sheet.

6. Deep, Hima and Niyati are partners sharing profit and loss in the capital ratio of a firm. Balance sheet of the firm as on 31-3-2020 was as under :

Balance sheet as on 31-3-2020

Liabilities	Amount (₹)	Assets	Amount (₹)
Capital accounts :		Land-building	7,20,000
Deep	7,20,000	Plant	10,80,000
Hima	10,80,000	Debtors	3,96,000
Niyati	7,20,000	– Bad debts reserve	36,000
Loan	1,24,000	Stock	4,00,000
Profit and loss A/c	56,000	Bank	3,20,000
Creditors	1,80,000		
	28,80,000		28,80,000

Deep retired from 1-4-2020. Conditions of retirement were as under :

- (1) Goodwill of the firm is valued at ₹ 5,04,000. Hima and Niyati will receive the goodwill from Deep in 2:1 ratio.
- (2) Value of land-building is to be considered at 130 %.
- (3) Value of machinery is to be reduced upto 70 %.
- (4) ₹ 62,000 to be written off from debtors as bad debts.
- (5) ₹ 15,000 included in creditors is no longer payable.
- (6) Total capital of the new firm will be the same as before retirement, which Hima and Niyati will maintain in their new profit and loss sharing ratio.
- (7) ₹ 1,00,000 to be paid to Deep immediately in cash and the balance amount will be retained as a loan.

Prepare revaluation account, partners' capital account and balance sheet after retirement and also pass journal entries for goodwill.

7. Bunty, Birva and Bindiya are partners sharing profit and loss in the ratio 3:1:1. Balance sheet of the firm as on 31-3-2020 was as under :

Balance sheet as on 31-3-2020

Liabilities	Amount (₹)	Assets	Amount (₹)
Capital accounts :		Land-building	2,70,000
Bunty 2,70,000		Plant	3,60,000
Birva 2,62,000		Debtors 1,80,000	
Bindiya 2,60,000	7,92,000	– Bad debts reserve 9000	1,71,000
Profit and loss A/c	1,00,000	Furniture	1,06,000
Creditors	2,00,000	Stock	2,00,000
Workers saving A/c	78,000	Cash-bank	63,000
	11,70,000		11,70,000

On the above date Bindiya retired. Terms of retirement are as under :

- (1) ₹ 20,000 is to be paid to Bindiya as her share in goodwill.
- (2) New profit and loss sharing ratio of Bunty and Birva is to be kept at 1:1.
- (3) Value of land-building is to be increased by 20 %, while value of machinery is to be reduced by 10 %.
- (4) Bad debts reserve on debtors is to be increased upto ₹ 15,000.
- (5) Claim of ₹ 2000 is accepted for workmen compensation.
- (6) 10 % are paid to Bindiya out of total amount payable and balance will be kept as loan.
- (7) After retirement of Bindiya Bunty and Birva will maintain their capital in the new profit and loss sharing ratio and difference is to be transferred to their current account.

Prepare necessary accounts and balance sheet after retirement.

8. Aditi, Bageshri and Nisha are partners of a firm. Balance sheet of the firm as on 31-3-2020 was as under :

Balance sheet as on 31-3-2020

Liabilities	Amount (₹)	Assets	Amount (₹)
Capital accounts :		Patent	18,000
Aditi	36,000	Land-building	40,000
Bageshri	32,000	Investments (X Co.Ltd. 100 shares)	10,000
Nisha	40,000	Stock	20,000
Profit for year 2019-20	12,000	Debtors	36,000
Investment fluctuation reserve	4000	– Bad debts reserve	8000
Creditors	24,000	Bills receivable	40,000
Bills payable	12,000	Cash-Bank	4000
	1,60,000		1,60,000

Bageshri retired from 1-4-2020. Partners decided at the time of retirement :

- (1) Goodwill is to be valued at two times the average. Profit of last three years :
Profit for the year 2017-18 and 2018-19 was ₹ 36,000 and ₹ 24,000 respectively.
- (2) Bageshri's share of profit, will be distributed among Aditi and Nisha in the ratio of 3:1.
- (3) ₹ 6000 to be written off from debtors and 10 % bad debts reserve is to be maintained.
- (4) Market value of X Co. Ltd. share is ₹ 90 per share. X Co. Ltd. shares is to taken by all partners at market value in profit-loss sharing ratio.
- (5) Book value of land-building is 20 % less than market value.
- (6) ₹ 3000 to be written off from patent.
- (7) Amount due to Bageshri is to be paid in cash and the same amount brought in cash by Aditi and Nisha is such a manner that their capital may remain in their new profit-loss sharing ratio in the new firm.

Prepare necessary accounts and balance sheet after retirement.

9. Sachin, Shweta and Chetan are partners sharing profit and loss in the ratio of 5:3:2 of a firm. Balance sheet of the firm as on 31-3-2020 was as under :

Balance sheet as on 31-3-2020

Liabilities	Amount (₹)	Assets	Amount (₹)
Capital accounts :		Goodwill	5000
Sachin 1,00,000		Land-building	1,00,000
Shweta 80,000		Plant	80,000
Chetan 50,000	2,30,000	Debtors 22,000	
Profit and loss A/c	10,000	– Bad debts reserve 2000	20,000
Worker compensation reserve	16,000	Stock	70,000
Creditors	44,000	Cash-bank	25,000
	3,00,000		3,00,000

Chetan retired from 1-4-2020. At the time of retirement, partners decided that :

- (1) Goodwill of the firm is to be valued at ₹ 40,000. Chetan's share of goodwill is to be adjusted in partners' capital account.
- (2) New profit and loss sharing ratio of Sachin and Shweta is to be kept as 3:2.
- (3) Market value of land-building is ₹ 1,20,000.
- (4) Out of the stock, market value of 20 % stock is 20 % less.
- (5) Claim of ₹ 23,200 is accepted for workmen compensation.
- (6) Sachin and Shweta will bring necessary amount in cash in such a manner that amount due to Chetan is to be paid in cash and balance of cash remain in the firm as working capital of ₹ 40,000 and their capital in the new firm become proportionate to their new profit-loss sharing ratio.

From the above information, prepare necessary accounts and balance sheet after retirement.

- 10 X, Y and Z are partners sharing profit and loss in the capital ratio. Balance sheet of the firm as on 31-3-2020 was as under :

Balance sheet as on 31-3-2020

Liabilities	Amount (₹)	Assets	Amount (₹)
Capital accounts :		Goodwill	10,000
X 80,000		Building	1,74,000
Y 80,000		Debtors	45,000
Z 40,000	2,00,000	Stock	22,000
Reserve fund	20,000	Bank	59,000
Worker profit sharing fund	30,000		
Creditors	54,000		
Outstanding expenses	6000		
	3,10,000		3,10,000

Z retired on 1-4-2020. Conditions of retirement were as under :

- (1) Goodwill of the firm is valued at ₹ 1,00,000.
- (2) Z's profit share will be taken by X and Y in the ratio of 3:2.
- (3) ₹ 28,000 is paid for final settlement for workmen profit sharing fund.
- (4) Market value of building ₹ 2,00,000.
- (5) Stock is shown in the books at 10 % more than its cost. Stock to be recorded at cost.
- (6) ₹ 10,000 debtors are solvent. Out of the debtors, ₹ 5000 to be written off from remaining debtors and 10 % bad debts reserve is to be maintained on remaining debtors.
- (7) Personal expense of Z paid by the firm is debited to profit and loss account ₹ 4000.
- (8) After retirement of Z, total capital of X and Y is to be kept at ₹ 1,75,000 in their new profit sharing ratio and difference is to be transferred to current account.

Prepare necessary accounts and balance sheet.

11 A, B and C are the partners sharing profit and loss in the ratio of 5:3:2. Balance sheet balances of the firm as on 31-3-2020 was as under :

- (1) Capital : A ₹ 60,000, B ₹ 70,000, C ₹ 50,000
- (2) Worker compensation fund ₹ 90,000
- (3) Profit and loss A/c (Debit balance) ₹ 50,000
- (4) Goodwill ₹ 20,000
- (5) C's loan ₹ 36,000 (Credit balance)

C died on 30-6-2020. Following conditions were provided in partnership deed.

- (1) Goodwill of the firm is to be valued at two times of average profit of last four years.
Profit of last four years were as follows :

2019-20 ₹ 50,000 (loss)	2017-18 ₹ 60,000
2018-19 ₹ 50,000	2016-17 ₹ 1,00,000
- (2) Profit share of deceased partner till the date of death is to be decided on the basis of average profit of last 3 years.
- (3) Annual salary of C is ₹ 36,000.
- (4) Interest on capital is to be allowed at 12 % per annum.
Prepare C's capital account.

12. P, Q and R are the partners sharing profit and loss in the ratio of 1:1:2. Balance sheet of the firm as on 31-3-2020 was as under :

Balance sheet as on 31-3-2020

Liabilities		Amount (₹)	Assets		Amount (₹)
Capital accounts :			Goodwill		20,000
P	1,80,000		Land-building		3,00,000
Q	1,20,000		Investments		1,70,000
R	<u>1,00,000</u>	4,00,000	Stock		80,000
General reserve		50,000	Debtors		30,000
Creditors		1,30,000	Cash		27,500
Loan		1,20,000	Q's loan		12,500
			Profit and loss A/c		60,000
		7,00,000			7,00,000

Q died on 1-10-2020. As per partnership deed, following accounting treatment are necessary to be given at the time of death of a partner.

- (1) Goodwill of the firm is valued at ₹ 1,20,000.
- (2) 50 % of investment is taken over by Q at ₹ 80,000.
- (3) Market value of the stock is ₹ 75,000 which is to be recorded at market value.
- (4) Q is to be given profit share till the date of death on the basis of the profit of last year.
- (5) Interest on drawing is to be charged ₹ 250. Q was withdrawing ₹ 4750 from the last date of balance sheet to the date of death.
- (6) Payable amount to Q to be paid to Q's executor in two equal yearly instalments with interest at 10 % per annum.

Prepare Q's account and his executor's account till final payment.

- 13 R, S and T are the partners sharing profit and loss in the ratio of $\frac{1}{2} : \frac{1}{3} : \frac{1}{6}$. Balance sheet of the firm on 31-3-2019 was as under :

Balance sheet as on 31-3-2019

Liabilities	Amount (₹)	Assets	Amount (₹)
Capital accounts :		Land-building	2,00,000
R 90,000		Plant	1,70,000
S 1,00,000		Stock	60,000
T 60,000	2,50,000	Debtors	26,000
Profit and loss A/c	60,000	Cash	14,000
Creditors	1,40,000	Advertisement suspense A/c	30,000
Outstanding expenses	50,000		
	5,00,000		5,00,000

R died on 1-1-2020. As per partnership agreement among partners, following accounting treatments are necessary.

- (1) Interest on capital is to be allowed at 6 % per annum.
- (2) Interest on drawing is to be charged at 6 % per annum. R has withdrawn ₹ 20,000 on 1-7-2019.
- (3) Goodwill of the firm is valued at ₹ 1,20,000.
- (4) Profit share to be given on the basis of sales and profit of previous year. Sales and profit of previous year ₹ 10,00,000 and ₹ 2,00,000 respectively. For the year 2019-20, sales is ₹ 15,00,000 upto 1-1-2020.

Prepare R's executors account.



Dissolution of Partnership Firm

Section A

Select the correct option for each question from the given options :

- When business is not closed down due to admission of a partner, retirement of a partner, death of a partner or insolvency of a partner and remaining partners continue the business it is called
(A) Dissolution of firm (B) Dissolution of partnership
(C) Establishment of partnership (D) Amalgamation of partnership
- When all partners agree to dissolve the firm, it is called dissolution.
(A) compulsory (B) as per act
(C) voluntary (D) by the court
- Which amount is not transferred to realisation account at the time of the dissolution of a firm ?
(A) Stock account (B) Investments account
(C) Debtors account (D) Cash account
- What is the last payment made from the realisation of assets, at the time of the dissolution of a firm ?
(A) Partners' capital (B) Partners' loan
(C) Dissolution expenses (D) Liabilities towards third parties
- If the wife of a partner has given a loan to the firm from her personal fund it is to be paid
(A) before third parties liabilities (B) with third parties liabilities
(C) after third parties liabilities (D) after all types of payment
- Where will you show the balance of depreciation fund at the time of dissolution of partnership firm ?
(A) Debited to realisation A/c (B) Credited to cash A/c
(C) Credited to realisation A/c (D) Credited to capital A/c
- Which of the following amount will be recorded on the debit side of realisation account, when there is balance of debtors ₹ 24,500 and bad debts reserve of ₹ 2500 in the balance sheet at the time of dissolution of a firm ?
(A) ₹ 2500 (B) ₹ 22,000
(C) ₹ 27,000 (D) ₹ 24,500

8. Where will you show the balance of worker profit sharing fund at the time of dissolution of partnership firm ?
 (A) Realisation account (B) Partners' capital account
 (C) Revaluation account (D) Partners' current account
9. At the time of dissolution, ₹ 20,000 of unrecorded assets given to creditors of ₹ 30,000, the cash account will be credited by
 (A) ₹ 20,000 (B) ₹ 10,000
 (C) ₹ 30,000 (D) ₹ 50,000
10. To close assets and liabilities, they are transferred to realisation account by which value at the time of the dissolution of firm ?
 (A) Cost price (B) Market value
 (C) Book value (D) Amount paid

Section B

Answer the following questions in one sentence each :

1. How many methods are there for dissolution of a partnership firm ? Which ?

2. State the conditions for compulsory dissolution as per act.

3. In which specific circumstances, firm will be automatically dissolved ?

4. In which types of partnership, the partnership is dissolved by notice ?

5. State any two grounds on which the firm is dissolved by court.

6. State the legal provision pertaining to the loss of dissolution of a partnership firm.

7. State the legal provisions of dissolution of partnership firm pertaining to loan of partner's wife.

8. What is paid first out of the realisation of assets at the time of the dissolution of a firm ?

9. Why realisation account is opened ?

10. Write the journal entry for closing assets account on dissolution of partnership firm.

11. Write the journal entry for closing liabilities account on dissolution of partnership firm.

12. Write the journal entry for closing provisions account on dissolution of partnership firm.

13. On which side of realisation account, the sale of assets is recorded on dissolution of partnership firm.

14. Which account is debited if partners take over any assets on dissolution of partnership firm.

15. Why no accounting entry is passed when unrecorded assets is given to recorded creditors against payable amount ?

16. What accounting entry will be passed when a partner accepts to pay dissolution expenses which is to be borne by the firm ?

17. When partners' loan to the firm is paid on dissolution of partnership firm ?

18. Who will pay partnership firm's liability from their personal assets when any partner or partners become insolvent ?

19. Where will you transfer the partners' current account after the settlement of accounts on dissolution of partnership firm ?

20. Where will you transfer the partners' capital account after the settlement of accounts on dissolution of partnership firm ?

Section C

Answer the following questions as asked :

1. Write short note on : Dissolution of partnership firm by the court.

2. Distinguish between : Dissolution of partnership and dissolution of partnership firm.

3. How would you deal with the following balances appearing in the balance sheet at the time of dissolution of partnership firm :
- (1) Reserve fund (2) Provident fund (3) Depreciation fund

4. How would you deal with the following balances disclosed in the balance sheet at the time of dissolution of partnership firm :
- (1) Profit and loss A/c (Debit balance) (2) Creditors (3) Bad debts reserve

5. How would you deal with the following balances disclosed in the balance sheet at the time of dissolution of partnership firm :
- (1) Investment fluctuation fund (2) Worker profit sharing fund (3) Discount reserve on debtors

6. How would you deal with the following balances disclosed in the balance sheet at the time of dissolution of partnership firm :
- (1) Profit and loss A/c (Credit balance) (2) Bank overdraft
(3) Worker accident compensation fund

7. Total assets ₹ 3,00,000 of Kiyansh and Aayush's partnership firm which include cash ₹ 20,000. Net assets of firm ₹ 2,00,000. The proportion of capital and general reserve is 4:1. The capital of Kiyansh is more than capital of Aayush by ₹ 40,000. The realisation account shows loss ₹ 40,000. Firm is dissolved. Prepare opening balance sheet and find opening capital of Kiyansh and Aayush.

Section D

Pass necessary journal entries for the following transaction of firm in the case of firm's dissolution :

- A.**
1. Goodwill is disclosed in the books at ₹ 20,000. ₹ 25,000 are realised during dissolution.
 2. Land-building ₹ 5,00,000 and Plant-Machinery ₹ 2,00,000 are disclosed in the balance sheet at the time of dissolution of the firm ₹ 7,00,000 and 1,50,000 are realised respectively from them.
 3. Creditors ₹ 80,000 disclosed in the balance sheet at the time of dissolution of firm paid at 25 % discount.

- B.**
1. At the time of dissolution of firm goodwill is disclosed in the books at ₹ 50,000. No amount is realised.
 2. At the time of dissolution of firm, the value of machinery was of ₹ 60,000. It is taken by partner Vinod at ₹ 50,000.
 3. Income tax liability of partnership firm is determined ₹ 10,000. It is not recorded in the books which is paid.

- C.
1. There is no value of goodwill in the books of a firm, but at the time of dissolution of firm, ₹ 30,000 realised from it.
 2. At the time of dissolution total assets of the firm are ₹ 4,00,000. Out of that 40 % are current assets (Including cash of ₹ 20,000). Assets are realised at book value.
 3. Partner Dipak accepted to pay ₹ 20,000 for bills payable.

- D.**
1. At the time of dissolution of firm, the value of laptop was ₹ 40,000. It is taken by partner Suresh at ₹ 30,000.
 2. Bad debts ₹ 12,000 was written off in past, out of which ₹ 8000 is received.
 3. Dissolution expenses of the firm paid ₹ 7000.

- E.**
1. At the time of dissolution of firm the value of machinery was ₹ 3,00,000. No information for its realisation is given.
 2. Any partner has accepted responsibility for dissolution procedure of the firm. A firm has decided to pay remuneration of ₹ 10,000 for this work. A firm has paid him ₹ 7000 for expenses.
 3. One partner accepts to pay loan of his wife ₹ 50,000.

- F.**
1. At the time of dissolution total assets of the firm are ₹ 5,00,000. Out of that 40 % are current assets in which cash included is ₹ 20,000. Fixed assets are realised at 120 % and 80 % realised from current assets.
 2. At the time of dissolution; creditor Pankaj was ₹ 35,000. Unrecorded furniture of ₹ 20,000 given to him and remaining amount paid in cash.
 3. After making payment of all liabilities and loan of partners of firm. Surplus of assets is ₹ 1,50,000. The profit and loss sharing ratio of partners X, Y and Z are 5:3:2. Pass entry for its realisation.

- G.** 1. At the time of dissolution of partnership firm following assets appeared in the books.
Building : ₹ 3,00,000, Plant-Machinery : ₹ 1,00,000, Furniture : ₹ 50,000,
Goodwill : ₹ 40,000
₹ 3,50,000 realised from building, ₹ 80,000 from plant-machinery and furniture at book value. No value is realised for goodwill. Pass necessary entry for it.
2. There are debtors of ₹ 1,50,000 and creditors of ₹ 80,000 at the time of dissolution of firm. One partner Mahesh has taken debtors at 20 % less than book value and accepted to pay creditors.
3. At the time of dissolution of partnership firm, value of motor car is ₹ 2,00,000. One partner Pratap takes over motor car at 10 % less value.

- H.**
1. At the time of dissolution of partnership firm, ₹ 25,000 realised for unrecorded vehicles.
 2. Partner Durgesh accepted to pay ₹ 20,000 for bills payable.
 3. ₹ 50,000 of creditor are shown in books of firm. At the time of dissolution out of total creditors. 20 % creditors are given unrecorded investment of ₹ 5000 and remaining paid in cash, while remaining creditors were paid at 10 % discount.



First Test : Question Paper - 1

Subject : Elements of Accounts

Time : 3 Hours

Total Mark : 100

Section A

Select the correct option for each question from the given options : (10)

(Question 1 to 10 – Each question for 1 mark)

- In which method, the interest on the capital keeps on changing every year due to the changes in the amount of capital ?
(A) Fluctuating capital account method (B) Fixed capital account method
(C) Current account method (D) None of the above
- Divisible profit has which balance in what kind of account ?
(A) Debit balance of profit and loss account
(B) Credit balance of profit and loss account
(C) Debit balance of profit and loss appropriation account
(D) Credit balance of profit and loss appropriation account
- Goodwill depends on which aspect ?
(A) On employee of business enterprise
(B) On management of business enterprise
(C) On assets of business enterprise
(D) On future maintainable profit of business enterprise
- A firm's last four years weighted average profit is ₹ 44,000. Determine the value of goodwill on the basis of two years purchase of weighted average profit.
(A) ₹ 8800 (B) ₹ 88,000
(C) ₹ 11,000 (D) ₹ 22,000
- In which ratio is reserve fund distributed between the partners, at the time of reconstruction ?
(A) Old profit-loss ratio (B) New profit-loss ratio
(C) Sacrifice ratio (D) Capital ratio
- Changes in partnership due to several reasons mean
(A) Reconstruction of partnership (B) Dissolution of partnership
(C) Organization of partnership (D) None of the above
- When only old profit-loss sharing ratio is given, then sacrificing ratio of partners =
(A) Equal part (B) Old ratio
(C) Old share - New share (D) Can not be calculated
- ~~How to show the workers profit sharing fund in the balance sheet at the time of retirement~~

of a partner ?

- (A) As receivable (B) As payable
(C) As reserve (D) As asset

9. What is the type of realisation account ?

- (A) Balance sheet (B) Personal
(C) Real (D) Nominal

10. Which of the amount for debtors will be written at the debit side of realisation account, when there is balance of debtors of ₹ 40,000 after deducting ₹ 2000 as bad debt reserve at the time of dissolution ?

- (A) ₹ 42,000 (B) ₹ 40,000
(C) ₹ 2000 (D) ₹ 44,000

Section B

Give answer in one line for the following questions :

(10)

(Question 11 to 20 – Each of 1 mark)

11. How are the administrative problems solved, when no written agreement is signed between the partners ?

12. Which type of asset is 'goodwill' ?

13. Give a formula of super profit.

14. Which is the other name known for the revaluation account ?

15. What is sacrificing ratio ?

16. Why a new partner brings capital and his share of goodwill in cash ?

17. When the new partner is not able to bring his share of premium of goodwill in cash, then how to record his share for premium of goodwill ?

18. Who gives the share of goodwill to the retiring or deceased partner ? Why ?

19. What is the dissolution of a partnership firm ?

20. Why is the realisation account opened ?

Section C

Answer the following questions as required :

(18)

(Question 21 to 26 – Each of 3 marks)

21. Jay receives his share four times of Ajay. While Abhay receives half of share of Jay. Profit of firm at the end of the year is ₹ 87,500. Determine the share in profit of each partner.

22. Profit of the partnership firm of Aayush, Vedant and Pratik is ₹ 1,35,000. They have shared profit in the ratio 2:1:3 instead of 3:2:3. What accounting treatment is to be given to the capital account to rectify this error ?

23. Rajdeep, Rohit and Chandresh are the partners of a partnership firm. Their profit-loss sharing ratio is 1:2:3, which is decided to be changed to 2:2:1 respectively for future. Under these circumstances, calculate what gain is received by which partners ?

24. Yuvraj and Ajay are the partners of a partnership firm. Profit-loss sharing ratio among them is 2:1. As on 31-3-2019, the following are the balances in the books of firm :

Profit and loss A/c (Debit balance)	₹ 21,000
Reserve fund	₹ 27,000
Provident fund	₹ 24,000
Investment	₹ 50,000
Investment fluctuation fund	₹ 21,000

They decided new profit-loss ratio as 1:1. Value of investment to be realised is ₹ 47,000. Pass entries showing distribution of accumulated profit-loss in the books of firm.

25. State whether the following statement is correct or wrong. Write the correct statement, if it is wrong :
- (1) Liabilities of all the partners in partnership firm is limited upto their capital.
 - (2) At the time of dissolution of a firm, provisions account against assets are not to be closed.
 - (3) Dissolution expenses of the firm is the liability to be paid by the firm.

- 26.** Pass journal entries for the following transactions of firm in the case of firm's dissolution :
- (1) Value of machine is ₹ 40,000, which is taken over by one partner for ₹ 30,000.
 - (2) A partner has accepted to pay loan of ₹ 40,000 of his Smt. (wife), which was given to the firm.
 - (3) Past bad debts was written off ₹ 11,000 out of which ₹ 6000 are recovered.

Section D

Give the answer of the following questions as required :

(16)

(Question 27 to 30 – Each of 4 marks)

27. Determine the value of goodwill of Roshani and Riya's partnership firm as per the capitalisation of super profit method :

- (1) Capital employed = ₹ 9,00,000
- (2) Expected rate of return = 12 %
- (3) Last 5 years profit =

Year	Profit (₹)
2015-16	1,00,000
2016-17	1,40,000
2017-18	1,30,000
2018-19	1,50,000
2019-20	1,80,000

28. From the following information compute the value of goodwill of Hiral and Miral's partnership firm at three year's purchase of weighted average profit on the basis of last five years :

Year	Profit (₹)
2015-16	30,000
2016-17	60,000
2017-18	70,000
2018-19	90,000
2019-20	1,20,000

29. A, B and C are the partners sharing profit and loss in the ratio of 3:2:4. They maintain their capital accounts by fixed capital method. They admitted D as a new partner. D brought ₹ 70,000 as capital and ₹ 30,000 as share of goodwill in cash. At the time of admission of D, the balance of goodwill was ₹ 45,000 in the balance sheet of the firm. At the time of admission, goodwill valued is of ₹ 1,80,000. New ratio of A, B, C and D decided at 1:1:1:1. Old partners withdrew 50 % amount from amount credited as goodwill. Pass necessary journal entries.

- 30.** Pass journal entries for the following transactions of firm in the case of firm's dissolution :
- (1) Goodwill is not disclosed in the book. But ₹ 30,000 are realised on sale during dissolution.
 - (2) In the balance sheet land-building ₹ 5,00,000 and machinery ₹ 2,50,000 are disclosed at the time of dissolution of firm. Respectively ₹ 6,00,000 and ₹ 2,00,000 are realised from them.
 - (3) Total assets of the firm are ₹ 3,00,000, out of which 40 % are of current assets (including cash of ₹ 20,000). Book value is realised.
 - (4) Income tax liability have to be paid ₹ 20,000; which is not recorded in the book. Now it is paid.

Section E

Give answer of the following question as required : **(24)**

(Question 31 to 33 – Each of 8 marks)

- 31.** Nidhi and Riddhi are partners in a firm sharing profit and loss in the ratio of 2:1. Their balance sheet as on 31-3-2020 was as under :

Balance sheet

Liabilities	Amount (₹)	Assets	Amount (₹)
Capital accounts :		Goodwill	18,000
Nidhi 80,000		Land-building	72,000
Riddhi 60,000	1,40,000	Machinery	40,000
General reserve	15,000	Stock	36,000
Workmen compensation reserve	7500	Debtors 24,000	
Investment fluctuation reserve	1500	– Bad debts reserve 2000	22,000
Creditors	30,000	Investments	8000
Bills payable	10,000	Cash-bank	2000
		Advertisement campaign expenditure	6000
	2,04,000		2,04,000

They admitted Pragati as a new partner from 1-4-2020 on the following conditions :

- (1) Pragati will bring ₹ 1,00,000 as her capital and ₹ 24,000 as goodwill in cash.
- (2) Value of land and building is to be increased by ₹ 17,000.
- (3) Value of machinery is to be decreased upto ₹ 32,000.
- (4) Provision for bad debt is to be kept at 10 % on debtors.
- (5) Provision for outstanding stationery expenses is to be made at ₹ 1100.
- (6) New profit sharing ratio of all partners is to be kept as 2:1:2.

Prepare revaluation account, partners' capital account, cash-bank account and balance sheet after admission.

32. Honey, Aketa and Urvi are partners in a firm sharing profit and loss in the ratio of their capitals. Balance sheet of the firm as on 31-3-2020 was as under :

Balance sheet

Liabilities	Amount (₹)	Assets	Amount (₹)
Capital accounts :		Goodwill	40,000
Honey 2,00,000		Land-building	2,00,000
Aketa 1,20,000		Patent	60,000
Urvi 80,000	4,00,000	Machinery	80,000
Workmen compensation reserve	12,000	Debtors 35,000	
Workment profit sharing fund	30,000	– Bad debts reserve 5000	30,000
Provident fund	25,000	Stock	53,000
Creditors	36,000	Bank	40,000
	5,03,000		5,03,000

Urvi retires on the above date. Partners decided the following terms of retirement :

- (1) The new profit-loss sharing ratio of Honey and Aketa is to be kept at 2:3.
 - (2) Goodwill of the firm is to be valued at ₹ 80,000.
 - (3) Paid ₹ 60,000 for patents during current year which is for total 4 years.
 - (4) Machinery is to be depreciated by 10 %.
 - (5) Bad debt on debtors is to be written off ₹ 3000.
 - (6) ₹ 20,000 is to be paid to Urvi.
 - (7) Market value of stock is ₹ 54,000.
 - (8) New firm's total capital will be equal to total capital of old firm. The entire capital of the new firm is to be kept in new profit and loss sharing ratio of Honey and Aketa.
- All necessary adjustments are to be made through cash.

Prepare revaluation account, capital accounts of partners, bank account and balance sheet after retirement of Urvi.

33. Mehul, Harsh and Himanshu are the partners of a firm sharing profit and loss in the ratio of 2:2:1. Balance sheet of their firm on 31-3-20 was as under :

Balance sheet

Liabilities	Amount (₹)	Assets	Amount (₹)
Capital accounts :		Goodwill	8000
Mehul 20,000		Building	37,000
Harsh 12,500		Debtors	13,000
Himanshu 5000	37,500	Stock	5500
General reserve	5000	Cash	2000
Creditors	20,000		
Outstanding expenses	3000		
	65,500		65,500

Himanshu retired on 1-4-2020. Terms of retirement were decided as under :

- (1) Market value of building is ₹ 50,000.
- (2) Book value of stock is 10 % more than its cost. Stock is to be recorded at its cost.
- (3) Personal expenses of Himanshu ₹ 500 was debited to profit and loss account.
- (4) Goodwill of the firm is valued at ₹ 80,000.
- (5) Mehul will gain $\frac{5}{40}$ and Harsh will gain $\frac{3}{40}$ from Himanshu's share of profit.
- (6) Amount due to Himanshu is to be paid in cash and the same amount will be brought in cash by Mehul and Harsh in such a manner that their capital may remain in their new profit-loss sharing ratio in the new firm and ₹ 2000 remain as cash balance.

Prepare necessary accounts and balance sheet of the new firm.

Section F

Give answer of following questions as required :

(22)

(Question 34 and 35 – Each of 11 marks)

- 34.** Himani and Namrata are partners sharing profit-loss in their capital ratio. From the following information prepare their final accounts.

Trial Balance of Partnership Firm of Himani and Namrata as on 31-3-2020

Debit Balance	Amount (₹)	Credit Balance	Amount (₹)
Drawings : Himani	7500	Capital accounts : Himani	1,40,000
Namrata	5000	Namrata	1,20,000
Opening stock	15,000	Goods return debit	2000
Purchase	80,000	Sales	1,20,000
Goods return credit	3000	Payables	79,000
Receivables	27,400	Wages outstanding	700
Salary (upto 28-2-2020)	13,200	Loan of Himani	30,000
Office Machinery	71,760	Discount received	6600
Depreciation on office machinery	6240	Bank overdraft	2800
Building	80,000	Current accounts : Namrata	14,000
Wages	1600		
Insurance premium	1800		
Discount allowed	3200		
Interest on loan	1200		
Furniture	87,000		
Stationery expense	7000		
Advertisement expense	36,000		
Cash balance	51,200		
Current account : Himani	17,000		
	5,15,100		5,15,100

Adjustments :

- (1) Closing stock is of ₹ 19,000.
- (2) On office machinery, depreciation rate is to be increased upto 10 %.
- (3) Credit sales of ₹ 1000, is recorded in the purchase return book by mistake.
- (4) $\frac{1}{4}$ share of advertisement expense is to be carry forwarded to the next year.
- (5) Stock of stationery is ₹ 2000.

35. With consideration of following trial balance and adjustments of Kiritbhai and Anilbhai prepare final accounts for the year ending on 31-3-2020 of their firm :

Trial Balance of Partnership Firm of Kiritbhai and Anilbhai as on 31-3-2020

Particulars	Debit (₹)	Credit (₹)
Capital and drawings : Kiritbhai	5000	35,000
Anilbhai	2500	15,000
Goodwill	5000	—
Patent and Trade-mark	2700	—
Receivables and payables	31,000	25,000
Accounts of goods	40,000	89,250
Plant	15,000	—
Opening stock	6000	—
Furniture	3000	—
Goods return accounts	7500	5000
Wages	4000	—
Depreciation on furniture	300	—
Stationery and printing	1550	—
Building	46,000	—
Legal charges	6500	—
Cash balance	300	—
Railway freight	600	—
Insurance premium	1150	—
Bills	4000	2500
Postage expense	2000	—
Bad debts and debts reserve	1500	2000
Discounts	750	1500
Stamps on hand and bad debts return	150	1250
12 % SBI loan (1-7-2019)	—	10,000
Total	1,86,500	1,86,500

Adjustments :

- (1) Closing stock ₹ 10,000 out of which 50 % stock has no market value.
- (2) Legal charges of building purchase ₹ 4000 is included in legal charges.
- (3) Provide 5 % bad debts reserve on debtors.
- (4) Provide depreciation 10 % on furniture and 5 % on building.
- (5) $\frac{1}{3}$ share of patent and trade mark is to be written off.



First Test : Question Paper - 2

Subject : Elements of Accounts

Time : 3 Hours

Total Mark : 100

Section A

Select the correct option for each question from the given options : (10)
(Question 1 to 10 – Each question for 1 mark)

- How would you consider the interest on debit balance of partner's current account for firm ?
(A) An expense (B) Liability
(C) Income (D) Loss
- What percentage of interest will be paid on the loan lent by the firm to the partner, when no such provision is made in the partnership deed ?
(A) 6 % (B) 9 %
(C) 12 % (D) Not considered (No interest)
- Total weightage profit for last three years of a firm is ₹ 1,50,000. What will be the value of goodwill at two year's purchase of weighted average profit ?
(A) 1,00,000 (B) 50,000
(C) 25,000 (D) 1,50,000
- Goodwill is where individual skill is important.
(A) more (B) less
(C) zero (D) negative
- Revaluation account is also known as
(A) Capital reserves account (B) Profit-loss appropriation account
(C) Profit-loss adjustment account (D) Profit-loss account
- At the time of the reconstruction of a partnership firm, investment are shown at in the balance sheet after the revaluation.
(A) Book value - market value (B) Cost value
(C) Market value (D) Face value
- Revaluation account is type of account.
(A) Personal (B) Nominal
(C) Real (D) Temporary
- If partnership deed is silent, interest is payable at on unpaid amount payable to the retiring partner.
(A) 10 % (B) 12 %
(C) 6 % (D) zero

9. Which is the first payment made from the realisation of assets, at the time of the dissolution of a firm ?
 (A) Dissolution expense (B) Loan of partner's wife
 (C) Liabilities of third parties (D) Partners' loan
10. Which of the following amount will be written at the debit side of realisation account, when there is balance of debtors ₹ 24,500 and bad debts reserve of ₹ 2500 in the balance sheet at the time of the dissolution of a firm ?
 (A) ₹ 24,500 (B) ₹ 2500
 (C) ₹ 22,000 (D) ₹ 27,000

Section B

Give answer in one line for the following questions : (10)

(Question 11 to 20 – Each of 1 mark)

11. What is a partnership deed for a firm ?

12. What is goodwill ?

13. Write a formula of expected profit ?

14. What is reconstruction of a partnership firm ?

15. What is gain ratio ?

16. When is goodwill to be shown as assets in the books as per accounting standard-26 ?

17. Why is a new partner required to bring cash for capital and goodwill at the time of admission ?

18. State the circumstances of the retirement of a partner.

19. State the methods for dissolution of partnership firm.

20. What is voluntary dissolution ?

Section C

Give answer the following questions as required : (18)

(Question 21 to 26 – Each of 3 mark)

21. A partner withdraws identical amount at the end of each month from the firm. At the end of the year total drawings is ₹ 12,000. If 12 % p.a. interest is chargable on drawings, than calculate the amount of interest on drawings of the year.

22. Amruta and Divya are the partners of a firm. Their capital ratio is 3:2. Amruta is to be paid 8 % commission on net profit, after deduction of such commission. What amount will be received by Amruta if profit of the year is ₹ 96,876.
23. Hely, Megh and Jeal are the partners of a partnership firm. Their profit-loss sharing ratio is 5:2:2. All the partners have decided to change the profit-loss sharing ratio to $\frac{2}{9}$, $\frac{3}{9}$ and $\frac{4}{9}$ as new ratio. From this information find out what sacrifice has been made by which partner by using sacrifice formula.

24. Alay and Sanket are the partners of a partnership firm. Profit-loss sharing ratio among them is 2:1. As on 31-3-2020, the following are the balances in the books of firm.

Profit and loss A/c (Debit balance)	₹ 18,000
Reserve fund	₹ 27,000
Workers' profit sharing fund	₹ 33,000
Workers' accident compensation fund	₹ 21,000

On the above date, Alay and Sanket decided to change their profit-loss sharing ratio to 1:1. A claim of ₹ 6000 is outstanding payable to workers against workers accident compensation fund. Pass journal entries showing distribution of accumulated profit-loss in the books of firm.

25. State whether the following statements are right or wrong. If a statement is wrong, write a right statement after correction.
- (1) At the time of dissolution of partnership firm, if there is no instruction for realisation of any fixed asset which is disclosed in the books, then it is not recorded in the books.
 - (2) Court can interfere for dissolution of partnership firm.
 - (3) Partner's wife has given a loan from her personal fund then it will be paid before third parties liability.

26. Pass journal entries for the following transactions, when realisation account is prepared :

- (1) Book value of machine is ₹ 50,000, which is taken over by partner Darshan for ₹ 55,000.
- (2) Partner Bimal has accepted to pay bills payable of ₹ 15,000.
- (3) Past bad debts was written off ₹ 11,000, out of which ₹ 6000 are recovered.

Section D

Give answer to the following questions as required :

(16)

(Question 27 to 30 – Each of 4 marks)

27. Determine the value of goodwill of Sachin and Vivek's partnership firm as per the capitalisation of super profit method :

- (1) Capital employed = ₹ 7,80,000
- (2) Expected rate of return = 12 %
- (3) Last 5 years profit :

Year	2015-16	2016-17	2017-18	2018-19	2019-20
Profit (₹)	2,00,000	2,70,000	2,40,000	2,50,000	2,30,000

28. From the following information of partnership firm of Aryan and Himani, determine the value of goodwill by capitalised weighted average profit method :

Year	2015-16	2016-17	2017-18	2018-19	2019-20
Profit (₹)	90,000	1,00,000	1,10,000	1,30,000	1,50,000

Additional information : (1) Assets of business ₹ 13,40,000 (2) Liabilities of business ₹ 3,40,000 (3) Normal expected rate of return of business is 10 %.

29. P, Q and R are the partners sharing profit and loss in the ratio of 3:2:1. They maintain their capital account by fixed capital method. They admitted S as a new partner. S brought cash ₹ 50,000, furniture ₹ 40,000 and motor car ₹ 60,000 as his capital and share of goodwill. Goodwill is valued at ₹ 2,40,000. At the time of S's admission goodwill appeared in the books of the firm at ₹ 90,000. New profit-loss sharing ratio of all the partners is decided at 4:3:2:3. Old partners withdrew 50 % goodwill of their share in cash.
Pass necessary journal entries for the above transactions.

30. Pass journal entries for the following transactions of firm in case of firm's dissolution :

- (1) At the time of dissolution the book value of goodwill is ₹ 56,000. No amount is realised.
- (2) In the balance sheet land-building ₹ 8,00,000 and investments of ₹ 2,00,000 are disclosed. Respectively ₹ 9,00,000 and ₹ 1,50,000 are realised from them.
- (3) Total assets of the firm are ₹ 2,00,000 out of which 40 % are of current assets (including cash of ₹ 10,000). Book value is realised.
- (4) Goodwill is not disclosed in the book. But ₹ 50,000 are realised during dissolution.

Section E

Give answer the following questions as required : (24)

(Question 31 to 33 – Each of 8 marks)

- 31.** Kiya and Zara are partners in a firm sharing profit and loss in the ratio of their capital. Balance sheet of their firm as on 31-3-2020 was as under :

Balance sheet as at 31-3-2020

Liabilities	Amount (₹)	Assets	Amount (₹)
Capital accounts :		Building	90,000
Kiya 50,000		Furniture	17,500
Zara 1,50,000	2,00,000	Machinery	1,07,500
Reserve fund	30,000	Stock	17,500
Creditors	40,000	Debtors	30,000
Outstanding expenses	1500	Cash-Bank	8250
		Accrued income	750
	2,71,500		2,71,500

They admitted Honey as a new partner for $\frac{1}{5}$ th share of profit on 31-3-2020 on following terms :

- (1) Honey brought ₹ 62,500 as capital and ₹ 24,000 as her share of goodwill in cash. 60 % amount of goodwill is withdrawn by the old partners.
- (2) Market value of stock and machinery is ₹ 20,000 and ₹ 1,20,000 respectively.
- (3) Provision for bad debts at 10 % and 2 % discount reserve on debtors is to be made.
- (4) Creditors are to be paid ₹ 30,000.
- (5) Value of building is to be increased by 15 % and value of furniture is to be increased by 20 %.
- (6) Outstanding wages of ₹ 460 is not recorded in the books.

From the above information prepare necessary accounts and new balance sheet of the firm.

32. P, Q and R are partners in a firm sharing profit and loss equally. Balance sheet of their firm as on 31-3-2020 was as under :

Balance sheet as on 31-3-2020

Liabilities	Amount (₹)	Assets	Amount (₹)
Capital accounts :		Trade-mark	5400
P 9000		Land-building	10,000
Q 6000		X Ltd.'s share	1500
R 6000	21,000	Stock	3000
General reserve	1200	Debtors	3000
Investment fluctuation fund	360	– Bad debt reserve	240
Creditors	4600	Cash-bank	1500
		Profit and loss A/c	3000
	27,160		27,160

R retired 31-3-2020, following terms were decided at the time of retirement :

- (1) Goodwill is to be valued at 3 times the average profit of last five years.
 - (2) Value of land-building is ₹ 15,000.
 - (3) Market value of X Ltd.'s share is ₹ 1200.
 - (4) All debtors are good.
 - (5) A provision of ₹ 2000 for outstanding salary is to be made.
 - (6) Last four years profit of the firm was as under :

2015-16	₹ 6000
2016-17	₹ 2000
2017-18	₹ 3000
2018-19	₹ 2000
 - (7) Share of R will be gained by P.
 - (8) Amount due to R is to be paid in cash which is brought in by P and Q in such a way as to make their capitals in proportionate to their new profit and loss sharing ratio.
- Prepare necessary accounts and new balance sheet.

33. Rohit, Mohit and Virat are partners sharing profit and loss in the ratio of 4:3:2. Balance sheet of the firm as on 31-3-2020 was as under :

Balance sheet as on 31-3-2020

Liabilities	Amount (₹)	Assets	Amount (₹)
Capital accounts :		Goodwill	36,000
Rohit	1,60,000	Land-building	1,50,000
Mohit	96,000	Machinery	90,000
Virat	80,000	Stock	85,000
	3,36,000	Debtors	60,000
Reserve fund	45,000	– Bad debts reserve	4,000
Workmen compensation reserve	13,500	Bank	63,000
Partner's loan :	1,500	Advertisement campaign	
Rohit	10,000	expenditure	4,500
Mohit	16,000		
	26,000		
Creditors	64,000		
	4,84,500		4,84,500

Rohit retired on 1-4-2020. Terms of retirement is as under :

- (1) Value of land-building is ₹ 1,80,000.
- (2) Value of machinery is to be reduced by ₹ 15,000.
- (3) Provision for doubtful debt is to be kept at 10 % on debtors.
- (4) ₹ 5,000 not payable to creditors.
- (5) Valuation of goodwill is ₹ 1,80,000.
- (6) New profit-loss sharing ratio of Mohit and Virat is 2:1.
- (7) ₹ 20,000 are to be paid to Rohit and balance will be kept as loan.

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

Section F

Give answer the following questions as required :

(22)

(Question 34 to 35 – Each of as 11 marks)

34. Following is the trial balance of partnership firm of Ganga and Jamna as on 31-3-2020 :

Trial Balance of partnership firm of Ganga and Jamna as on 31-3-2020

Debit Balances	Amount (₹)	Credit Balances	Amount (₹)
Drawings :		Capital :	
Ganga	12,000	Ganga	30,000
Jamna	12,000	Jamna	36,000
Purchase	1,04,000	Current accounts :	
Goods return	1600	Ganga	3000
Goods stock (1-4-2019)	16,000	Jamna	2400
Salary	18,000	Sales	1,84,000
Office expenses	9000	Goods returned	1200
Carriage inward	3000	Bad debts reserve	6000
Carriage outward	4500	Bank loan	13,500
Bad debts	1400	Creditors	36,000
Debtors	67,000	Bills payable	1800
Bills receivable	2000	Loan borrowed	4000
Cash on hand	3400	General reserve	9600
Bank balance	5600		
Investments	14,000		
Office Machinery	30,000		
Building	24,000		
	3,27,500		3,27,500

Adjustments :

- (1) Value of closing stock is ₹ 28,600.
- (2) 5 % interest is payable on capital to partners and annual bonus of ₹ 2000 payable to each other.
- (3) Bad debts reserve is to be maintained of ₹ 3000 and provide 5 % discount reserve on debtors.
- (4) Provide 10 % depreciation on building and office machinery.
- (5) Purchase of ₹ 4000 is not recorded but included in the closing stock.
- (6) The value of investment is determined at ₹ 12,000 and adjustment of difference is to be transferred to general reserve.

Prepare annual accounts of partnership firm.

35. Man and Mohan are partners of a firm sharing profit and loss in the proportion of 1:1. From the given below trial balance and adjustments prepare final accounts for the year ending on 31-3-2020 :

Trial Balance of Partnership Firm of Man and Mohan as on 31-3-2020

Particulars	Debit (₹)	Credit (₹)
Capital and drawings : Man	3000	2,80,000
Mohan	4500	2,20,000
Purchase-Sales	80,000	1,20,000
Advertisement expense	7000	—
Carriage outward	850	—
Office Machinery	1,50,000	—
Purchase of office machine (1-4-2019)	40,000	—
Building	2,50,000	—
Office salary	15,000	—
Customers - suppliers	25,000	35,000
Goods returned	16,000	14,000
Weight charges	450	—
Loan of Man	—	10,000
Carriage inward	1300	—
Goods stock (1-4-2019)	42,000	—
Trading expense	1300	—
Wages and outstanding wages	750	2600
Commission paid in advance	350	—
Bank account and cash account	20,700	3000
Interest on loan	400	—
Investment in 8 % govt. security	30,000	—
Current accounts : Man	8000	—
Mohan	—	12,000
Total	6,96,600	6,96,600

Adjustments :

- (1) The value of closing stock is ₹ 80,000. It's market value is 10 % more.
- (2) Provide depreciation at 10 % on office machinery and building.
- (3) Debtor of ₹ 10,000 become insolvent. 50 % amount will be received as per instructions of his receiver. Provide 5 % bad debt reserve.
- (4) 10 % interest is outstanding on bank overdraft.
- (5) Goods of ₹ 2000 is missed out to record in sales return book.



Answers

Chapter 1 : Introduction to Partnership

Section A

- | | | | | |
|---------|---------|---------|---------|---------|
| 1. (D) | 2. (B) | 3. (B) | 4. (C) | 5. (D) |
| 6. (D) | 7. (A) | 8. (C) | 9. (C) | 10. (B) |
| 11. (C) | 12. (B) | 13. (A) | 14. (C) | 15. (D) |

Section C

- ₹ 1755
- Rudra's commission ₹ 3564, Divisible profit ₹ 19,800, Total amount ₹ 23,364
- Gross profit before commission (Divisible profit) ₹ 1,98,000
Amount received to Surbhi = Divisible profit + Commission
= ₹ 72,000 + 18,000 = ₹ 90,000
- Profit before commission = ₹ 90,000 + 7200 = 97,200
Divisible profit : Dipak ₹ 22,500, Pankaj ₹ 30,000, Harpal ₹ 37,500, Profit after commission (divisible profit) = ₹ 90,000
- Profit-loss sharing ratio = 10 : 4 : 3
Divisible profit : Gita ₹ 3,00,000, Kaushik ₹ 1,20,000, Mehta ₹ 90,000
- Ashwin's capital / current A/c Dr. ₹ 30,000
Vinod's capital / current A/c Dr. ₹ 10,000
To Durgashankar's capital / current A/c ₹ 40,000
- Suresh ₹ 62,000, Sharda ₹ 1,24,000, Janma ₹ 1,02,000
- Meena ₹ 63,500, Anant ₹ 55,400, Luhana ₹ 60,800
- Zeel's capital / current A/c Dr. ₹ 300
Parth's capital / current A/c Dr. ₹ 600
To Chirag's capital / current A/c ₹ 900
- Isha's capital / current A/c Dr. ₹ 1400
To Seema's capital / current A/c ₹ 1000
To Tarun's capital / current A/c ₹ 400
- Opening capital ₹ 1,30,000, Interest on capital ₹ 9100
- Interest on Surbhi's drawing ₹ 624, Interest on Vishmay's drawing ₹ 594, Difference of both the interest ₹ 30.
- Commission to manager = ₹ 12,000
Divisible profit = ₹ 1,20,000
- Divisible profit : Ranjana ₹ 12,500, Sushma ₹ 10,000, Shruti ₹ 7500

Section D

1. Commission to Bhadresh ₹ 3000, Divisible profit ₹ 57,000, Share in divisible profit : Hiral ₹ 28,500, Bhadresh ₹ 28,500, Closing balance of partner's capital account Hiral ₹ 81,300, Bhadresh ₹ 1,30,700
2. Commission to Vijay ₹ 30,000, Divisible profit ₹ 3,00,000, Share in divisible profit : Hansa ₹ 2,00,000, Vijay ₹ 1,00,000, Closing balance of partner's capital accounts : Hansa ₹ 2,50,000, Vijay ₹ 1,50,000 Closing balance of current accounts : Hansa ₹ 2,61,320 (Credit), Vijay ₹ 57,080 (Credit)
3. Development reserve account ₹ 16,000, Divisible profit : ₹ 60,000
Share in divisible profit : Sharda ₹ 25,000 (₹ 10,000 + ₹ 15,000), Jamna ₹ 20,000 (₹ 10,000 + ₹ 10,000), Ganesh ₹ 15,000 (₹ 10,000 + ₹ 5000)
Closing balance of partners' capital account : Sharda ₹ 72,000, Jamna ₹ 36,000, Ganesh ₹ 72,000, Excess capital ₹ 54,100 of Sharda and ₹ 38,150 of Jamna will be withdrawn from firm, while Ganesh will introduce capital deficit ₹ 40,950 in firm.
4. Divisible loss ₹ 30,000; Share in divisible loss to each partner ₹ 10,000
Closing balance of capital accounts : Filomeena ₹ 50,000, Akshara ₹ 60,000, Hitesh ₹ 75,000
Closing balance of current accounts : Filomeena ₹ 13,720 (Debit), Akshara ₹ 2530 (Credit), Hitesh ₹ 13,470 (Debit)

Chapter 2 : Final Accounts of Partnership Firm

Section A

1. (D) 2. (D) 3. (D) 4. (B) 5. (C)

Q. No.	Gross Profit (₹)	Net Profit (₹)	Divisible Profit (₹)	Current / capital Account balance	Total of Balance sheet
1.	—	1,71,875	1,49,375	2,27,125 / 1,69,750	6,59,625
2.	74,000	38,800	38,800	71,400 / 97,400	2,34,000
3.	1,15,600	(9080)	(9080)	67,460(Cr) / 24540(Dr)	8,11,060
4.	1,14,900	59,700	54,650	15,625 / 9175	2,41,150
5.	(1,08,400)	(1,50,700)	(1,92,800)	1,21,650 / 1,12,650	3,85,200
6.	2,53,600	1,31,000	1,00,000	2,68,000 / 1,01,400	4,77,400
7.	1,82,000	82,900	82,900	1,66,450 / 1,66,450	3,82,900
8.	24,800	17,560	11,560	6936 / 4624	90,850
9.	1,26,950	76,800	67,000	67,900 / 50,100	1,29,000
10.	1,08,200	34,900	29,900	62,940 / 43,960	1,28,700
11.	1,17,000	39,075	25,075	1,03,045 / 78,530	4,26,025
12.	48,750	33,150	23,630	54,135 / 75,015	1,54,150
13.	41,400	(13,000)	(13,000)	31,500(Dr) / 3000(Cr)	3,78,300
14.	57,800	(6940)	(6940)	32,530(Cr) / 13,470(Dr)	4,06,330
15.	33,875	21,330	21,330	798 / 15,532	93,785

Chapter 3 : Valuation of Goodwill

Section A

- | | | | | |
|---------|---------|---------|---------|---------|
| 1. (B) | 2. (C) | 3. (A) | 4. (B) | 5. (A) |
| 6. (B) | 7. (A) | 8. (A) | 9. (A) | 10. (A) |
| 11. (B) | 12. (D) | 13. (A) | 14. (A) | 15. (A) |
| 16. (A) | | | | |

Section D

- | | |
|--|------------------------|
| 1. Average profit ₹ 13,400 | Goodwill ₹ 40,200 |
| 2. Average profit ₹ 75,000 | Goodwill ₹ 2,25,000 |
| 3. Average profit ₹ 94,000 | Goodwill ₹ 3,76,000 |
| 4. Average profit ₹ 81,000 (Weighted) | |
| 5. Weighted average profit ₹ 1,10,666.67 | Goodwill ₹ 4,42,666.67 |
| 6. Weighted average profit ₹ 83,000 | Goodwill ₹ 2,49,000 |
| 7. Super profit ₹ 20,000 | Goodwill ₹ 1,20,000 |
| 8. Super profit ₹ 19,000 | Goodwill ₹ 38,000 |
| 9. Capitalised profit ₹ 9,00,000 | Goodwill ₹ 2,00,000 |
| 10. Capitalised profit ₹ 2,18,500 | Goodwill ₹ 28,500 |
| 11. Super profit ₹ 1250 | Goodwill ₹ 10,417 |

Chapter 4 : Reconstruction of Partnership

Section A

- | | | | | |
|---------|---------|---------|---------|---------|
| 1. (A) | 2. (B) | 3. (D) | 4. (B) | 5. (B) |
| 6. (B) | 7. (B) | 8. (C) | 9. (A) | 10. (C) |
| 11. (A) | 12. (B) | 13. (D) | 14. (D) | 15. (A) |

Section C

- | | | | |
|---|------------------------------------|---------------------------------------|--|
| 1. Sacrifice of Nirali = $\frac{11}{20}$ | Gain of Aaradhya = $\frac{11}{20}$ | | |
| 2. Sacrifice of Chintan = $\frac{3}{30}$ | Gain of Dakshay = $\frac{2}{30}$ | Gain of Nishidh = $\frac{1}{30}$ | |
| Gaining ratio = Dakshay : Nishidh = 2:1 | | | |
| 3. Sacrifice of Hardik = Zero | Gain of Pranshul = $\frac{1}{30}$ | Sacrifice of Pranshi = $\frac{1}{30}$ | |
| 4. Sacrificing ratio = Hetal : Vipul = 3:1 | | | |
| 5. Sacrificing ratio = Saurav : Priya = 2:1 | | | |
| 6. Gain of Nidhi = $\frac{1}{12}$ | Gain of Rahul = 0 | Sacrifice of Manav = $\frac{1}{12}$ | |
| 7. Gaining ratio = Chirag : Ameer = 1:1 | | | |

8. Gaining ratio = Nirav : Khushboo = 2:1
9. Gaining ratio = Nayana : Bharati = 3:1
12. Profit of revaluation account of ₹ 11,400
14. Total of both sides of revaluation account is ₹ 17,500

Chapter 5 : Admission of a Partner

Section A

- | | | | | |
|--------|--------|--------|--------|---------|
| 1. (D) | 2. (D) | 3. (A) | 4. (B) | 5. (D) |
| 6. (D) | 7. (A) | 8. (B) | 9. (C) | 10. (B) |

Section C

1. Sacrificing ratio of A and B = 3 : 4 New ratio = 6 : 2 : 7
2. Sacrificing ratio = 1 : 1

Section E

1. Loss of revaluation A/c ₹ 1000, Sacrificing ratio 3:2, Balance of capital accounts : Anil ₹ 2,71,000, Sunil ₹ 1,64,000, Rahul ₹ 1,80,000, Total of balance sheet ₹ 7,42,000
2. Loss of revaluation A/c ₹ 50,000, Sacrificing ratio 1:2, Balance of capital accounts : Ashok ₹ 3,14,000, Bimal ₹ 2,14,000, Rajal ₹ 3,00,000, Total of balance sheet ₹ 14,90,000
3. Profit of revaluation A/c ₹ 16,000, Sacrificing ratio 7:1, Balance of capital accounts : Manav ₹ 5,27,000, Aarav ₹ 1,69,000, Aarjav ₹ 5,00,000, Total of balance sheet ₹ 14,16,000
4. Profit of revaluation A/c ₹ 8000, Sacrificing ratio 10:3, Balance of capital accounts : Rajesh ₹ 65,500, Rajvi ₹ 46,500, Ravi ₹ 50,000, Total of balance sheet ₹ 1,98,000
5. Profit of revaluation A/c ₹ 10,000, Sacrificing ratio 1:1, Balance of capital accounts : Riya ₹ 67,200, Shiya ₹ 1,12,800, Roshan ₹ 96,000, Total of balance sheet ₹ 3,60,000
6. Profit of revaluation A/c ₹ 4000, Sacrifice of Vihan = $\frac{1}{4}$, Gain of Viraj = $\frac{1}{8}$

Journal entry for goodwill : Viraj's capital A/c Dr. 15,000

Vimal's capital A/c Dr. 15,000

To Vihan's capital A/c 30,000

Balance of capital A/c : Vihan ₹ 2,02,500, Viraj ₹ 1,40,500, Vimal ₹ 85,000

Total of balance sheet ₹ 6,08,000

7. Profit of revaluation A/c ₹ 12,000, Sacrifice of Ram = $\frac{1}{4}$, Gain of Shyam = $\frac{1}{12}$

Journal entry for goodwill : Shyam's current A/c Dr. 6000

Gopal's current A/c Dr. 12,000

To Ram's current A/c Dr. 18,000

Balance of capital accounts : Ram ₹ 1,60,000, Shyam ₹ 1,30,000, Gopal ₹ 1,60,000

Balance of current accounts : Ram ₹ 46,000 (Credit balance), Shyam ₹ 25,000 (Debit balance), Gopal ₹ 12,000 (Debit balance)

Total of balance sheet ₹ 7,32,000

8. Loss of revaluation A/c ₹ 2000, Sacrifice of Aliya = $\frac{1}{5}$, Gain of Maliya = $\frac{1}{10}$

Journal entry for goodwill : (1) Cash A/c Dr. 10,000

To Premium for goodwill A/c 10,000

(2) Premium for goodwill A/c Dr. 10,000

Maliya's capital A/c Dr. 10,000

To Aliya's capital A/c 20,000

Balance of capital accounts : Aliya ₹ 2,43,400, Maliya ₹ 1,93,600, Soniya ₹ 2,00,000,

Total of balance sheet ₹ 8,87,000

9. Loss of revaluation A/c ₹ 12,000, Sacrificing ratio 1:3, New ratio 7:9:4

Balance of capital accounts : Hency ₹ 1,75,000, Princy ₹ 2,25,000, Shaily ₹ 1,00,000,

Princy brought ₹ 1,40,600, Hency withdrawn ₹ 60,600.

Bank balance ₹ 2,42,000, Total of balance sheet ₹ 6,18,000

10. Profit of revaluation A/c ₹ 8000, Sacrificing ratio 2:1, New profit-loss ratio 10:2:3

Balance of capital accounts : Maya ₹ 3,00,000, Mamta ₹ 60,000, Priyanka ₹ 90,000

Balance of capital accounts : Maya ₹ 1,67,600 (Debit balance), Mamta ₹ 26,600 (Credit balance)

Total of balance sheet ₹ 4,94,600, Bank balance ₹ 1,29,000

11. Profit of revaluation A/c ₹ 24,000, Sacrificing ratio 5:3

Balance of capital accounts : Aanaya ₹ 1,65,000, Aashu ₹ 1,41,000, Aneri ₹ 1,53,000

Total of balance sheet ₹ 5,06,000

12. Profit of revaluation A/c ₹ 1,25,000

Balance of capital accounts : X ₹ 3,20,000, Y ₹ 3,20,000, Z ₹ 1,60,000

X withdrawn ₹ 1,02,000, Y brought ₹ 1,02,000.

Total of balance sheet ₹ 10,72,500

13. No profit-loss of revaluation A/c, Sacrificing ratio = 2:3

New profit-loss ratio = 4:9:5

Balance of capital accounts : Vimal ₹ 3,20,000, Chintan ₹ 7,20,000, Pravin ₹ 4,00,000

Balance of current accounts : Vimal ₹ 1,39,000 (Credit), Chintan ₹ 33,750 (Debit)

Total of balance sheet ₹ 17,18,500, Bank balance ₹ 5,23,750

Chapter 6 : Retirement / Death of a partner

Section A

- | | | | | |
|--------|--------|--------|--------|---------|
| 1. (D) | 2. (A) | 3. (B) | 4. (B) | 5. (A) |
| 6. (A) | 7. (C) | 8. (D) | 9. (B) | 10. (C) |

Section C

1. Gain ratio = 1:2 New ratio = 5:4

2. Journal entry :

(1) B's capital A/c Dr.	16,000	
	To C's capital A/c	16,000
(2) A's capital A/c Dr.	25,000	
B's capital A/c Dr.	15,000	
C's capital A/c Dr.	10,000	
	To goodwill A/c	50,000

Section E

1. Tapu and Goli = 1:1 Profit of revaluation A/c ₹ 50,000
Balance of capital : Tapu ₹ 3,70,800, Goli ₹ 2,26,800
Balance of Sonu's loan ₹ 2,95,400 Total of balance sheet ₹ 10,43,000
2. Gaining ratio of Bharat and Kunjal : 1:1 Loss of revaluation A/c ₹ 60,000
Balance of capital : Bharat ₹ 67,000, Kunjal ₹ 85,500
Balance of Ramesh's loan ₹ 3,92,500 Total of balance sheet ₹ 7,95,000
3. Sacrifice of Pandya = $\frac{1}{6}$, Gain of Raval = $\frac{3}{6}$ Loss of revaluation A/c ₹ 60,000

Journal entry of goodwill : (1) Raval's capital A/c Dr. ₹ 30,000

	To Pandya's capital A/c	₹ 10,000
	To Shah's capital A/c	₹ 20,000

(2) Shah's capital A/c Dr. ₹ 20,000

Pandya's capital A/c Dr.	₹ 30,000	
Raval's capital A/c Dr.	₹ 10,000	
	To goodwill A/c	₹ 60,000

Balance of capital : Pandya ₹ 94,000, Raval ₹ 98,000, Shah's loan ₹ 38,000
Total of balance sheet ₹ 3,24,000

4. Gaining ratio of Y and Z = 2:1
Profit of revaluation A/c ₹ 15,000
Balance of capital accounts : Y ₹ 80,000, Z ₹ 90,000, X's loan ₹ 1,71,000
Balance of current accounts : Y ₹ 22,000 (Debit), Z ₹ 5000 (Debit)
Total of balance sheet ₹ 4,46,000
5. Gaining ratio of Amina and Anand = 1:2
Loss of revaluation A/c ₹ 42,000
Balance of capital accounts : Amina ₹ 2,78,000, Anand ₹ 56,000, Aarti's loan ₹ 1,20,000
Total of balance sheet ₹ 6,68,000
6. Loss of revaluation A/c ₹ 1,19,000
Gaining ratio of Hima and Niyati = 2:1
Balance of capital accounts : Hima ₹ 15,60,000, Niyati ₹ 9,60,000

Deep's loan : ₹ 7,46,000 Hima brought : ₹ 6,03,000
 Niyati brought : ₹ 3,06,000 Bank balance : ₹ 11,29,000
 Total of balance sheet ₹ 35,55,000

New profit-loss ratio of Hima and Niyati = 13:8

7. Profit of revaluation A/c ₹ 10,000

Sacrifice of Bunty : $\frac{1}{10}$, Gain of Birva = $\frac{3}{10}$

Journal entry of goodwill : (1) Birva's capital A/c Dr. ₹ 30,000

To Bunty's capital A/c ₹ 10,000

To Bindiya's capital A/c ₹ 20,000

Balance of capital A/c : Bunty ₹ 3,00,000, Birva : ₹ 3,00,000

Bindiya's loan : ₹ 2,71,800, Cash paid to Bindiya : ₹ 30,200

Bunty brought ₹ 46,000, Bunty withdrawn ₹ 46,000.

Bank balance ₹ 32,800, Total of balance sheet ₹ 11,97,800

8. Profit of revaluation A/c ₹ 6000 Gaining ratio of Aditi and Nisha = 3:1

New profit-loss ratio of Aditi and Nisha = 7:5

Balance of capital A/c : Aditi ₹ 70,000, Nisha ₹ 50,000, Paid to Bageshri ₹ 52,000

Aditi brought : ₹ 42,000, Nisha brought ₹ 10,000. Total of balance sheet ₹ 1,56,000

9. Profit-loss of revaluation A/c = 10,000 Gaining ratio of Sachin and Shweta = 1:1

New profit-loss ratio of Sachin and Shweta = 3:2

Balance of capital accounts : Sachin ₹ 1,56,000, Shweta ₹ 1,04,000

Sachin brought : ₹ 52,500, Shweta brought ₹ 23,500

Bank balance ₹ 40,000, Paid to Chetan ₹ 61,000. Total of balance sheet ₹ 3,27,200

10. Profit of revaluation A/c = ₹ 22,000 Gaining ratio of X and Y = 3:2

New profit-loss ratio of X and Y = 13:12

Capital : X ₹ 91,000, Y ₹ 84,000, Z's loan ₹ 62,400

Balance of current accounts : X ₹ 10,200 (Debit), Y ₹ 800 (Credit)

Total of balance sheet ₹ 2,98,200

11. Amount to be paid to C's executor = ₹ 1,18,040

C's share in goodwill = ₹ 16,000; C's share in profit ₹ 1000; Salary to C = ₹ 9000

Interest on capital = ₹ 1500, Interest on loan ₹ 540

12. Amount to be paid to executor of Q = ₹ 35,000 Goodwill to be paid to Q = ₹ 30,000

Q's share in loss of revaluation A/c ₹ 2500 Q's share in loss ₹ 7500

Interest of first year = ₹ 1750

Interest of second year = ₹ 1750 + ₹ 875

Interest of third year = ₹ 875

13. Amount to be paid to executor of R = ₹ 2,98,450

R's share in profit = ₹ 1,50,000

R's share in goodwill : ₹ 60,000; Interest on drawings : ₹ 600, Interest on capital : ₹ 4050

Chapter 7 : Dissolution of Partnership Firm

Section A

- | | | | | |
|--------|--------|--------|--------|---------|
| 1. (B) | 2. (C) | 3. (D) | 4. (A) | 5. (B) |
| 6. (C) | 7. (D) | 8. (A) | 9. (B) | 10. (C) |

Section C

7. Kiyansh's Capital ₹ 1,00,000, Aayush's Capital ₹ 60,000, General reserve ₹ 40,000

Section D

- A.** (1) (i) Realisation A/c Dr. ₹ 20,000
 To Goodwill A/c ₹ 20,000
(ii) Cash A/c Dr. ₹ 25,000
 To Realisation A/c ₹ 25,000
- (2) (i) Realisation A/c Dr. ₹ 7,00,000
 To Land-building A/c ₹ 5,00,000
 To Plant-machinery A/c ₹ 2,00,000
(ii) Cash A/c Dr. ₹ 8,50,000
 To Realisation A/c ₹ 8,50,000
- (3) (i) Creditors A/c Dr. ₹ 80,000
 To Realisation A/c ₹ 80,000
(ii) Realisation A/c Dr. ₹ 60,000
 To Cash A/c ₹ 60,000
- B.** (1) (i) Realisation A/c Dr. ₹ 50,000
 To Goodwill A/c ₹ 50,000
(ii) Realised value is not given so, no entry for realisation.
- (2) (i) Realisation A/c Dr. ₹ 60,000
 To Machinery A/c ₹ 60,000
(ii) Vinod's capital A/c Dr. ₹ 50,000
 To Realisation A/c ₹ 50,000
- (3) Realisation A/c Dr. ₹ 10,000
 To Cash A/c ₹ 10,000
- C.** (1) Cash A/c Dr. ₹ 30,000
 To Realisation A/c ₹ 30,000

	(2) (i) Realisation A/c Dr.	₹ 3,80,000	
	To Fix Assets A/c		₹ 2,40,000
	To Current Assets A/c		₹ 1,40,000
	(ii) Cash A/c Dr.	₹ 3,80,000	
	To Realisation A/c		₹ 3,80,000
	(3) (i) Bills payable A/c Dr.	₹ 20,000	
	To Realisation A/c		₹ 20,000
	(ii) Realisation A/c Dr.	₹ 20,000	
	To Dipak's Capital A/c		₹ 20,000
D.	(1) (i) Realisation A/c Dr.	₹ 40,000	
	To laptop A/c		₹ 40,000
	(ii) Suresh's Capital A/c Dr.	₹ 30,000	
	To Realisation A/c		₹ 30,000
	(2) Cash A/c Dr.	₹ 8000	
	To Realisation A/c		₹ 8000
	(3) Realisation A/c Dr.	₹ 7000	
	To Cash A/c		₹ 7000
E.	(1) (i) Realisation A/c Dr.	₹ 3,00,000	
	To Machinery A/c		₹ 3,00,000
	(ii) Cash A/c Dr.	₹ 3,00,000	
	To Realisation A/c		₹ 3,00,000
	(2) (i) Realisation A/c Dr.	₹ 10,000	
	To Partner's capital A/c		₹ 10,000
	(ii) Partner's capital A/c Dr.	₹ 7000	
	To Cash A/c		₹ 7000
	(3) (i) Shrimatiji's loan A/c Dr.	₹ 50,000	
	To Realisation A/c		₹ 50,000
	(ii) Realisation A/c Dr.	₹ 50,000	
	To Partner's capital A/c		₹ 50,000
F.	(1) (i) Realisation A/c Dr.	₹ 4,80,000	
	To Fixed assets A/c		₹ 3,00,000
	To Current assets A/c		₹ 1,80,000
	(ii) Cash A/c Dr.	₹ 5,04,000	
	To Realisation A/c		₹ 5,04,000
	(2) (i) Creditor's A/c Dr.	₹ 35,000	
	To Realisation A/c		₹ 35,000
	(ii) Realisation A/c Dr.	₹ 15,000	
	To Cash A/c		₹ 15,000

	(3) (i)	Realisation A/c Dr.	₹ 1,50,000	
		To X's Capital A/c		₹ 75,000
		To Y's Capital A/c		₹ 45,000
		To Z's Capital A/c		₹ 30,000
G.	(1) (i)	Realisation A/c Dr.	₹ 4,90,000	
		To Building A/c		₹ 3,00,000
		To Plant-machinery A/c		₹ 1,00,000
		To Furniture A/c		₹ 50,000
		To Goodwill A/c		₹ 40,000
	(ii)	Cash A/c Dr.	₹ 4,80,000	
		To Realisation A/c		₹ 4,80,000
	(2) (i)	Realisation A/c Dr.	₹ 1,50,000	
		To Debtors A/c		₹ 1,50,000
	(ii)	Creditor's A/c Dr.	₹ 80,000	
		To Realisation A/c		₹ 80,000
	(iii)	Mahesh's capital A/c Dr.	₹ 1,20,000	
		To Realisation A/c		₹ 1,20,000
	(iv)	Realisation A/c Dr.	₹ 80,000	
		To Mahesh's capital A/c		₹ 80,000
	(3) (i)	Realisation A/c Dr.	₹ 2,00,000	
		To Motor-car A/c		₹ 2,00,000
	(ii)	Pratap's capital A/c Dr.	₹ 1,80,000	
		To Realisation A/c		₹ 1,80,000
H.	(1) (i)	Cash A/c Dr.	₹ 25,000	
		To Realisation A/c		₹ 25,000
	(2) (i)	Bills payable A/c Dr.	₹ 20,000	
		To Realisation A/c		₹ 20,000
	(ii)	Realisation A/c Dr.	₹ 20,000	
		To Durgesh's capital A/c		₹ 20,000
	(3) (i)	Creditor's A/c Dr.	₹ 50,000	
		To Realisation A/c		₹ 50,000
	(ii)	Realisation A/c Dr.	₹ 41,000	
		To Cash A/c		₹ 41,000

First Test : Question Paper - 1

Section A

- | | | | | |
|--------|--------|--------|--------|---------|
| 1. (A) | 2. (D) | 3. (D) | 4. (B) | 5. (A) |
| 6. (A) | 7. (B) | 8. (B) | 9. (D) | 10. (A) |

Section C

21. Jay ₹ 50,000, Ajay ₹ 12,500, Abhay ₹ 25,000
22. Pratik's capital A/c Dr. ₹ 16,875, To Ayush's capital A/c ₹ 5625, To Vedant's capital A/c ₹ 11,250
23. Rajdeep = $\frac{7}{30}$, Rohit = $\frac{2}{30}$, Chandresh = $-\frac{9}{30}$ (Sacrifice)
25. (i) Wrong (ii) Wrong (iii) Right

Section D

27. Goodwill = ₹ 2,66,667
28. Goodwill = ₹ 2,64,000

Section E

31. Profit of revaluation A/c ₹ 7500, Closing cash balance ₹ 1,26,000,
Closing capital ₹ 1,01,000, ₹ 70,500, ₹ 1,00,000
Total of balance sheet ₹ 3,12,600
32. Loss of revaluation A/c ₹ 20,000, Closing cash balance ₹ 1,54,400,
Closing capital ₹ 1,60,000, ₹ 2,40,000
Urvi's loan = ₹ 66,400, Total of balance sheet ₹ 5,57,400
33. Profit of revaluation A/c ₹ 13,000, Closing cash balance ₹ 2000
Closing capital ₹ 24,675, ₹ 22,325
Amount paid to Himanshu = ₹ 22,500, Total of balance sheet ₹ 70,000

Section F

34. Gross profit = ₹ 41,400, Net/Divisible loss = ₹ 13,000
Balance of current account = Himani ₹ 31,500 (Debit), Namrata : 3000 (Credit)
Total of balance sheet ₹ 3,78,300
35. Gross profit = ₹ 41,150, Net/Divisible profit = ₹ 30,270
Closing capital = ₹ 45,135, ₹ 27,635
Total of balance sheet ₹ 1,11,170

First Test : Question Paper - 2

Section A

- | | | | | |
|--------|--------|--------|--------|---------|
| 1. (C) | 2. (D) | 3. (B) | 4. (B) | 5. (C) |
| 6. (C) | 7. (B) | 8. (C) | 9. (A) | 10. (A) |

Section C

21. Interest of drawing ₹ 660
22. Total amount received by Amruta ₹ 52,026
23. Hely = $\frac{3}{9}$, Megh = $-\frac{1}{9}$ (Gain), Jeel = $-\frac{2}{9}$ (Gain)
25. (i) Wrong (ii) Right (iii) Wrong

Section D

27. Goodwill = ₹ 12,03,333
28. Goodwill = ₹ 2,60,000

Section E

31. Profit of revaluation A/c ₹ 38,000, Closing cash balance ₹ 80,350
Closing capital ₹ 69,400, ₹ 2,08,200, ₹ 62,500
Total of balance sheet ₹ 3,72,060
32. Profit of revaluation A/c ₹ 3240, Closing cash balance ₹ 1500
Closing capital ₹ 15,000, ₹ 7500, Amount paid to R ₹ 8500
Total of balance sheet ₹ 29,100
33. Profit of revaluation A/c ₹ 18,000, Closing cash balance ₹ 43,000
Closing capital ₹ 48,000 and ₹ 68,000
Rohit's loan = ₹ 2,46,000, Total of balance sheet ₹ 4,37,000

Section F

34. Gross profit = ₹ 85,200, Net profit = ₹ 46,700
Divisible profit ₹ 39,400, Balance of current accounts = ₹ 14,200, ₹ 13,900
Total of balance sheet ₹ 1,61,000
35. Gross profit = ₹ 71,500, Net / Divisible loss = ₹ 800
Balance of current account = Man ₹ 11,400 (Debit), Mohan ₹ 7100 (Credit),
Total of balance sheet ₹ 5,58,200

