

21 Old profit sharing ratio

M	N	O
3	2	1

N retires

New Profit sharing ratio

M	O
1	1

Gaining ratio = New ratio - old ratio

M's gaining ratio

$$1/2 - 3/6$$

0
1/3

O's Gaining Ratio

$$1/2 - 1/6$$

Final Gaining ratio

A	C
0	1

N's share of Goodwill

Total Goodwill is

60000

N's share $2/6$ or $1/3$

N's share of Goodwill

20000

Only O is gaining

So contribution by O

20000

Journal Entry

O's Capital A/c

Dr

20000

To N's Capital A/c

20000

22 Old profit sharing ratio

A	B	C	D
2	1	2	1

C retires

New Profit sharing ratio

A	B	D
1	1	1

Gaining ratio = New ratio - old ratio

A's gaining ratio

$1/3 - 2/6$	0.00
$1/3 - 1/6$	$1/6$
$1/3 - 1/6$	$1/6$

B's Gaining Ratio

D's Gaining Ratio

Final Gaining ratio

A	B	D
0	1	1

C's share of Goodwill

Total Goodwill is

180000

C's share $2/6$ or $1/3$

C's share of Goodwill

60000

B will contribute

30000

D will contribute 30000

Note : A is not gaining anything and hence will not contribute

Journal Entry

B's Capital A/c	Dr	30000	
D's Capital A/c	Dr	30000	
To C's Capital A/c			60000

23 Old profit sharing ratio

A	B	C
6	5	4

A retires

New Profit sharing ratio

B	C
1	4

Gaining ratio = New ratio - old ratio

B's gaining ratio	$1/5 - 5/15$	<table border="1"><tr><td>-</td><td>2/15</td></tr></table>	-	2/15	(Sacrifies)
-	2/15				
C's Gaining Ratio	$4/5 - 4/15$	<table border="1"><tr><td></td><td>8/15</td></tr></table>		8/15	(Gains)
	8/15				

Total Goodwill is 180000
 A's share 6/15
 A's share of Goodwill 72000

On A's retirement B is also losing 2/15 share
 So B will also receive share in Goodwill

B's share 2/15

B's share of Goodwill 24000 *(180000 X 2/15)*

Journal Entry

C's Capital A/c	Dr	96000.00	
To A's Capital A/c			72000
To B's Capital A/c			24000

	Account	Dr/Cr	Dr Amt	Cr Amt
24	Furniture A/c	Dr	12000	
	To Revaluation A/c			12000
	Revaluation A/c	Dr	10000	
	To Stock A/c			10000
	Revaluation A/c	Dr	5000	
	To Machinery A/c			5000
	Revaluation A/c	Dr	2000	
	To Prov for Doubtful Debts			2000
	Investment A/c	Dr	10000	
	To Revaluation A/c			10000

Bills Payable A/c	Dr	1000	
To Revaluation A/c			1000
Revaluation A/c		6000	
To Sangeeta's Capital A/c			3000
To Saroj's Capital A/c			1800
To Shanti's Capital A/c			1200

Working Note:

Revaluation A/c not asked in Question.
It is shown here only for understanding

Revaluation A/c			
Particulars	Amount	Particulars	Amount
To Stock A/c	10000	By Furniture A/c	12000
To Machinery A/c	5000	By Investment A/c	10000
To Prov for Doubtful De	2000	By Bills Payable A/c	1000
To Profit transferred to :			
Sangeeta's Capital A/c	3000		
Saroj's Capital A/c	1800		
Shanti's Capital A/c	1200		
Total	23000	Total	23000

6000

25	Account	Dr/Cr	Dr Amt	Cr Amt
	Building A/c	Dr	20000	
	To Revaluation A/c			20000
	Revaluation A/c	Dr	4000	
	To Plant & Machinery A/c			4000

Revaluation A/c	Dr	1000	
To Prov for Doubtful Debts			1000
Revaluation A/c	Dr	2000	
To Stock of Raw Material A/c			2000
Stock of FG A/c	Dr	5000	
To Revaluation A/c			5000
Bank A/c	Dr	2000	
To Revaluation A/c			2000
(Amount received on scrap sale)			
Revaluation A/c	Dr	5000	
To Bank A/c			5000
(Amount paid as compensation to injured employee)			

If we assume that the Firm has already paid then the above entry)

We can also assume that there is liability but the amount is not actually paid yet, In that case the following entry

Revaluation A/c	Dr	5000	
To Workmen Compensation Claim A/c			5000
(Amount payable as compensation to injured employee)			

Revaluation A/c			
Particulars	Amount	Particulars	Amount
To Plant & Machinery A/c	4000	By Building A/c	20000
To Prov for Doubtful Debts	1000	By Stock of FG A/c	5000
To Stock of Raw Material A/c	2000	By Bank A/c	2000
			15000

To Stock of Raw Material A/c	2000	By Bank A/c-Scrap	2000	15000
To Bank A/c - Compensation	5000			
To Profit transferred to :				
X's Capital A/c	6000			
Y's Capital A/c	6000			
Z's Capital A/c	3000			
Total	27000	Total	27000	

26	Asset/Liability	Book Values	Revised Values	Gain	Loss
	Land	550000	850000	300000	
	Building	250000	210000		40000
	Computers	100000	70000		30000
	Computer Softwares	500000	400000		100000
	Sundry Creditors	70000	60000	10000	
	Workmen Compensation Claim		5000		5000
		1470000	1595000	310000	175000
	Net Gain/Loss			135000 (Gain)	
	Akshit Share in Profits			1/3	
	Akshit share in revaluation Profit			45000.00	

Old profit sharing ratio

Punit	Ramit	Akshit	Total
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1	1	1	3
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A retires

New Profit sharing ratio

Punit	Ramit	Total
3	2	5

Gaining ratio = New ratio - old ratio

Punit's gaining ratio

$3/5 - 1/3$	$4/15$
Ramit's Gaining Ratio	$2/5 - 1/3$
	$1/15$

Ramit's Gaining Ratio

Gaining Ratio

Punit	Ramit	Total
4	1	5

Journal Entry

Punit Capital A/c	Dr..	36000	or	45000 X 4/5
Ramit Capital A/c	Dr..	9000		45000X1/5
	To Akshit Capital A/c	45000.00		

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Account	Dr/Cr	Dr Amt	Cr Amt
General Reserve A/c	Dr	180000	
To X's Capital A/c			90000
To Y's Capital A/c			60000
To Z's Capital A/c			30000
X's Capital A/c	Dr	15000	

Y's Capital A/c	Dr	10000	
Z's Capital A/c	Dr	5000	
To P & L A/c			30000
 Workmen Compensation Reserve A/c	Dr	24000	
To X's Capital A/c			12000
To Y's Capital A/c			8000
To Z's Capital A/c			4000

No entry to be passed for Employees Provident Fund as it is not part of distributable reserves and profits.
This is a third party liability

28 Old profit sharing ratio

Asha	Naveen	Shalini	Total
5	3	2	10

Naveen retires

New Profit sharing ratio

Asha	Shalini	Total
2	3	5

Gaining ratio = New ratio - old ratio

Asha's gaining ratio

$2/5 - 5/10$

-	$1/10$
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(Sacrifice)

Shalini's Gaining Ratio

$3/5 - 2/10$

$2/5$

(Gain)

Total Goodwill is

120000

Naveen's share 3/10
 Naveen's share of Goodwill 36000

On Naveen's retirement Asha is also losing 1/10 share
 So Asha will also receive share in Goodwill

Asha's share 1/10
 Asha's share of Goodwill 12000

Journal Entry

Asha's Capital A/c	Dr	40000	
Naveen's Capital A/c	Dr	24000	
Shalini's Capital A/c	Dr	16000	
To Goodwill A/c			80000
(G/w existing in the books written off)			
General Reserve A/c	Dr	40000	
To Asha's Capital A/c			20000
To Naveen's Capital A/c			12000
To Shalini's Capital A/c			8000
Shalini's's Capital A/c	Dr	48000	
To Naveen's Capital A/c			36000
To Asha's Capital A/c			12000

old ratio

3	2	1
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Laxman retires

New Profit sharing ratio

Ram	Bharat	Total
2	1	3

Gaining ratio = New ratio - old ratio

Ram's gaining ratio

$2/3 - 3/6$	$1/6$
Bharat's Gaining Ratio	$1/3 - 1/6$
	$1/6$

Bharat's Gaining Ratio

Final Gaining Ratio

Ram	Bharat
1	1

Total Goodwill is

252000

Laxman's share $2/6$ or $1/3$

Laxman's share of Goodwill

84000 $252000 \times 2/6$

Ram will contribute

42000

Bharat will contribute

42000

Journal Entry

Ram's Capital A/c	Dr	90000		$120000 \times 3/6$
Laxman's Capital A/c	Dr	60000		$120000 \times 2/6$
Bharat's Capital A/c	Dr	30000		$120000 \times 1/6$
To Goodwill A/c			180000	

G/W existing in the books written off			
Ram's Capital A/c	Dr	42000	
Bharat's Capital A/c	Dr	42000	
To Laxman's Capital A/c			84000
(Goodwill share given to retiring partner)			
P & L Appropriation A/c	Dr	120000	
To Ram's Capital A/c			80000
To Bharat's Capital A/c			40000
(Profits for first year after retirement distributed)			

30 Computation of C's Share of profits

Profits for year ended 31-Mar-2018	2800		
Profits for year ended 31-Mar-2019	2200		
Profits for year ended 31-Mar-2020	1600		
Average annual profits	2200 (average profits for one year)		
		2019	2800
Profits for 6 months ended 30-Sep-2020	1100 (2200 /12 X 6)	2020	2200
		2021	1600
C's share	550 (1100*1/2)		
		Total	6600
Valuation of Goodwill		Average	2200 (6600/3)
Average profits of 3 preceeding years	2200		
1.5 times (No of years purchase)	3300 (2200 X 1.5)		

C's will be paid half the amount

1650 (Ignore the profit share)

Total Payment to C

Cr Balance in Capital A/c	6000
Less - Dr Balance in Current A/c	500 less
Add - Share of profits for 6 months	550
Add - Share of Goodwill	1650

Total Amount due to C

7700

