

51	General Reserve A/c	Dr..	250000		
	P & L A/c	Dr..	50000		
		To Ram's Capital A/c		200000	(300000X2/3)
		To Shyam's Capital A/c		100000	(300000X1/3)

** Balances in General Reserve and P & L A/c transferred to old partners capital A/c in old profit sharing ratio

** One combined entry can also be passed

52	General Reserve A/c	Dr..	150000		
		To X's Capital A/c		90000	150000 X 3/5
		To Y's Capital A/c		60000	150000 X 2/5
	X's Capital A/c	Dr..	12000		20000X3/5
	Y's Capital A/c	Dr..	8000		20000X2/5
		To P & L A/c		20000	

** Balances in General Reserve and P & L A/c transferred to old partners capital A/c in old profit sharing ratio

53 (a)	General Reserve A/c	Dr..	36000		
	Contingency Reserve A/c	Dr..	6000		
	Profit & Loss A/c	Dr..	18000		
		To X's Capital A/c		30000	(60000*5/10)
		To Y's Capital A/c		18000	(60000*3/10)

	To Z's Capital A/c		12000	(60000*2/10)
	X's Capital A/c	Dr..	12000	(24000*5/10)
	Y's Capital A/c	Dr..	7200	
	Z's Capital A/c	Dr..	4800	
	To Advertisement Suspense A/c		24000	
53(b)	Workmen Compensation Reserve A/c	Dr..	72000	** Profit sharing ratio is assumed to be equal
	To X's Capital A/c		36000	
	To Y's Capital A/c		36000	
53(c)	Workmen Compensation Reserve A/c	Dr..	72000	** Profit sharing ratio is assumed to be equal
	To X's Capital A/c		12000	
	To Y's Capital A/c		12000	
	To Workmen Compensation Claim		48000	
53(d)	Investment Fluctuation Reserve A/c	Dr..	24000	** Profit sharing ratio is assumed to be equal
	To Investments A/c		10000	(120000 - 110000)
	To X's Capital A/c		7000	
	To Y's Capital A/c		7000	
53(e)	General Reserve A/c	Dr..	4800	** Profit sharing ratio is assumed to be equal
	To Investment Fluctuation Reserve A/c		960	(4800 X 20 / 100)
	To X's Capital A/c		1920	
	To Y's Capital A/c		1920	
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54 (a)	Murari Capital A/c	Dr..	3600	
	Vohra Capital A/c	Dr..	2400	

To Advertisement Expenditure A/c			6000
General Reserve A/c	Dr..	30000	
Contingency Reserve A/c	Dr..	2700	
Profit and Loss A/c	Dr..	18000	
To Murari Capital A/c			30420
To Vohra Capital A/c			20280
Workmen Compensation Reserve A/c	D	7200	
To Workmen Compenastion Claim			900
To Murari Capital A/c			3780
To Vohra Capital A/c			2520
Investment Fluctuation Reserve A/c	Dr..	9000	
To Investments A/c			6000
To Murari Capital A/c			1800
To Vohra Capital A/c			1200

54(b) General Reserve		150000
Contingency Reserve		60000
Profit and Loss A/c (Cr)		90000
Less - Advertisement Suspense (Dr)		-120000
	Net Adjustm€	180000

Old Profit Sharing Ratio

A	B	C	Total
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6	3	1	10
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New Profit Sharing Ratio

A	B	C	D	Total
3	3	3	1	10

Sacrificing Ratio

A	B	C
3/10	0	- 1/5
Sacrifice	No Change	Gain

A's Sacrifice	180000 X 3/10	54000
C's Gain	180000 X 1/5	36000
D's Gain	180000 X 1/10	18000

C's Current A/c	Dr..	36000	
D's Current A/c	Dr..	18000	
	To A's Current A/c		54000

55

Revaluation A/c

Particulars	Amount	Particulars	Amount
To Stock A/c	4000	By Machinery A/c	20000
To Creditors	1000	By Building	15000
To Prov for Doubtful Debts	3000		
To Profit on Revaluation :			
To Amit Capital A/c	18000		
To Anil Capital A/c	9000		
			-27000

35000

35000

Partners Capital A/c

Particulars	Amit	Anil	Ankit	Particulars	Amit	Anil	Ankit
To Amit Cap A/c (Gen Res)			2000	By Balance B/d	180000	150000	
To Anil Cap A/c (Gen Res)			1000	By Cash A/c			100000
				By Premium for Goodwill	40000	20000	
				By Ankit Capital A/c(Gen Res)	2000	1000	
				By Revaluation A/c	18000	9000	
To Balance c/d	240000	180000	97000				
Total	240000	180000	100000	Total	240000	180000	100000

56

Revaluation A/c

Particulars	Amount	Particulars	Amount
		By Machinery A/c	7000
		By Stock	1000
To Profit on Revaluation :			
To Vimal Capital A/c	5000		
To Nirmal Capital A/c	3000		
	8000		

-8000

Partners Capital A/c

Particulars	Vimal	Nirmal	Kailash	Particulars	Vimal	Nirmal	Kailash
To Goodwill A/c	5000	3000		By Balance B/d	32000	34000	
				By Cash A/c			30000
				By Kailash Current A/c	2500	1500	
				By General Reserve	5000	3000	
				By Revaluation A/c	5000	3000	
To Balance c/d	39500	38500	30000				
Total	44500	41500	30000	Total	44500	41500	30000

Goodwill Valuation

1 Average Profits X no of years purchase

6000*2

12000

2 Kailash Share 1/3

4000

57	Cash A/c	Dr..	33000	
	To W's Capital A/c			18000
	To Premium for Goodwill A/c			15000
	Premium for Goodwill A/c	Dr..	15000	
	To X's Capital A/c			5000
	To Y's Capital A/c			5000

To Z's Capital A/c			5000
Revaluation A/c	Dr..	2700	
To Motors A/c			2500
To Furniture A/c			200
X's Capital A/c		900	
Y's Capital A/c		900	
Z's Capital A/c		900	
To Revaluation A/c			2700
(Being loss on revaluation transferred to old partners capital A/c)			

Balance Sheet of the new firm

Liabilities	Amount	Assets	Amount
X's Capital A/c	19100	Motor	9500
Y's Capital A/c	21600	Furniture	3800
Z's Capital A/c	24100	Stock	26500
W's Capital A/c	18000	Debtors	37800
Liabilities	30000	Cash	35200
Total	112800	Total	112800

Memorandum Balance Sheet

Liabilities	Amount	Assets	Amount
X's Capital A/c	15000	Motor	12000
Y's Capital A/c	17500	Furniture	4000
Z's Capital A/c	20000	Stock	26500
		Debtors	37800
Liabilities	30000	Cash	2200
		(Balancing Figure)	
Total	82500	Total	82500

** Partners Capital A/c in new firm =
Balance in old firm + Share in Goodwill - Revaluation Loss

** This is a case where the cash balance in the old firm is not given so we have to prepare a memorandum balance sheet

58	Revaluation A/c	Dr..	1750	
	To Stock A/c			500
	To Plant and Machinery			875
	To Prov for Doubtful Debts			375
	Buildings A/c	Dr..	2500	
	To Revaluation A/c			2500
	Revaluation A/c	Dr..	750	
	To A's Capital A/c			500
	To B's Capital A/c			250
	Cash A/c	Dr..	10500	
	To C's Capital A/c			7500
	To Premium for Goodwill A/c			3000
	Premium for Goodwill A/c	Dr..	3000	
	To A's Capital A/c			2000
	To B's Capital A/c			1000

Old Profit Sharing Ratio

A	B
2	1

New Partner Admitted

C

New Partners Share

1/4

New Partner share of Goodwill

3000

A's share in Goodwill

2000

B's share in Goodwill

1000

Revaluation A/c

Particulars	Amount	Particulars	Amount
To Stock A/c	500	By Building A/c	2500
To Plant and Machinery	875		
To Prov for Doubtful Debts	375		
To Profit on Revaluation :			
To A's Capital A/c	500		
To B's Capital A/c	250		
	<u>2500</u>		<u>2500</u>

-750

Partners Capital A/c

Particulars	A	B	C	Particulars	A	B	C
				By Balance B/d	15000	10000	
				By Revaluation A/c-Profit	500	250	
				By Cash A/c			7500
				By Premium for Goodwill A/c	2000	1000	
			0				
To Balance c/d	17500	11250	7500				
Total	<u>17500</u>	<u>11250</u>	<u>7500</u>	Total	<u>17500</u>	<u>11250</u>	<u>7500</u>

Balance Sheet

Liabilities	Amount	Assets	Amount
Sundry Creditors	32950	Building	27500
		Plant and Machinery	16625
		Stock	9500
		Sundry Debt	4850
A's Capital A/c	17500	Less - Prov	375
B's Capital A/c	11250	Cash in Hand	11100
C's Capital A/c	7500		
	<u>69200</u>		<u>69200</u>

0

Cash/Bank A/c

Particulars	Amount	Particulars	Amount
To Balance B/d	600		
To Premium for Goodwill	3000		
To C's Capital A/c	7500	By Balance C/d	11100
Total	<u>11100</u>	Total	<u>11100</u>

59	Total profits for last 3 years	70560	21000 + 24000 + 25560
	Average profits for the last 3 years	23520	70560/3
	Goodwill i.e. 2 times	47040	23520 X 2
	C's Share in profits	1/8	47040 X 1/8
	C's Share in Goodwill	5880	

Journal Entries

Cash A/c	Dr..	20880	
To C's Capital A/c			15000
To Premium for Goodwill A/c			5880
Premium for Goodwill A/c	Dr..	5880	
To A's Capital A/c			3528
To B's Capital A/c			2352
A's Capital A/c	Dr..	12000	Old partners old ratio
B's Capital A/c	Dr..	8000	
To Goodwill A/c			20000
(Being existing goodwill written off)			
General Reserve A/c	Dr..	20000	
To A's Capital A/c			12000
To B's Capital A/c			8000
(Being general reserve distributed among old partners)			

Calculation of New profit sharing ratio

Old Profit Sharing Ratio

A	B	Total
3	2	5

C Admitted for 1/4 share

Let the total profits be 1 1
 C's Share is 1/4 1/8
 Balance for old partners 7/8

A's Share 21/40
 B's Share 7/20

New Profit Sharing ratio

A	B	C
21/40	7/20	1/8
21	14	5

or

Partners Capital A/c

Particulars	A	B	C	Particulars	A	B	C
To Goodwill (w/o)	12000	8000		By Balance B/d	51450	36750	
				By Bank A/c			15000
				By Premium for Goodwill A/c	3528	2352	
				By General Reserve	12000	8000	
To Balance c/d	54978	39102	15000				
Total	66978	47102	15000	Total	66978	47102	15000

Balance Sheet of the new firm			
Liabilities	Amount	Assets	Amount

Creditors	11800	Cash	22380	(1500+15000+5880)
A's Capital	54978	Stock	28000	
B's Capital	39102	Debtors	19500	
C's Capital	15000	Furniture	2500	
		Machinery	48500	
Total	120880	Total	120880	

60	Cash A/c	Dr..	400000	
	To M's Capital A/c		300000	
	To Premium for Goodwill A/c		100000	
(a)	Premium for Goodwill A/c		100000	
	To J's Capital A/c		60000	3 : 2
	To K's Capital A/c		40000	
	** Here sacrificing ratio will be same as profit sharing ratio			
(b)	Premium for Goodwill A/c		100000	
	To J's Capital A/c		50000	1:1
	To K's Capital A/c		50000	
	** Here sacrificing ratio will be Equal			
(c)	Premium for Goodwill A/c		100000	
	To J's Capital A/c		75000	3 : 1
	To K's Capital A/c		25000	

** Here sacrificing ratio will be 3:1

Calculation of New Profit Sharing Ratio

(a) Old Profit Sharing Ratio

J	K
3	2

M Admitted for 1/2 share

Let the total profits be 1 1
M's Share is 1/2 1/2
Balance for old partners 1/2

A's Share 3/10 3/10
B's Share 1/5 1/5

New Profit Sharing ratio

J	K	M
3/10	1/5	1/2
3	2	5

or

(b) Old Profit Sharing Ratio

J	K
3	2

M Admitted for 1/2 share 1/2

Sacrificing Ratio	J	K
	1	1

J sacrificed	1/4
K sacrificed	1/4

J new shar	$3/5 - 1/4$	$7/20$	$3/5 - 1/4$
K new shar	$2/5 - 1/4$	$3/20$	$2/5 - 1/4$

New Profit Sharing ratio	J	K	Z
	7/20	3/20	1/2
	7	3	10

or
or

(c) Old Profit Sharing Ratio

J	K
3	2

1/2

M Admitted for 1/2 share 1/2

Sacrificing Ratio	X	Y	Total
	3	1	4

J sacrificed	3/8	$1/2 * 3/5$
K sacrificed	1/8	

J new shar	$3/5 - 3/8$	$9/40$
K new shar	$2/5 - 1/8$	$11/40$

New Profit Sharing ratio	J	K	Z
	9/40	11/40	1/2
	9	11	20

or

9	11	20
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or

Partner Capital A/c							
PARTICULARS	J	K	M	PARTICULARS	J	K	M
				By Bal B/d	150000	100000	
				By Cash			300000
				By Prem for G/w	60000	40000	
To Bal C/d	270000	180000	300000	By Gen Res	60000	40000	

Cash A/c			
Particulars	Amount	Particulars	Amount
To Bal B/d	200000		
To Pre for G/w	100000		
To M Cap A/c	300000	By Bal C/d	600000

Balance Sheet of the new firm

Liabilities	Amount	Assets	Amount
		Cash	600000
		Other Assets	150000
J's Capital A/c	270000		
K's Capital A/c	180000		
M's Capital A/c	300000		
Total	750000	Total	750000

* **Old partners Capital A/c = Opening Balance + Reserves + Share in Goodwill**

** for cases (b) and (c) only the balance of Old partners capital a/c will change

Rest of the Balance Sheet will be same