BRAIN INTERNATIONAL SCHOOL

SUBJECT: ACCOUNTANCY CLASS: XII JULY'24

CHAPTER 3: CHANGE IN PROFIT RATIO AMONGST EXISTING PARTNERS

1. A and B were partners in a firm sharing profit or loss equally. With effect from 1st April 2019, they agreed to share profits in the ratio of 4:3. Due to change in profit sharing ratio, A's gain or sacrifice will be:
   a. Gain 1/14 b. Sacrifice 1/14 c. Gain 4/7 d. Sacrifice 3/7
2. A, B and C are partners sharing profits in the ratio of 4:3:2 decided to share profits equally. Goodwill of the firm is valued at Rs.10,800. In adjustment entry for goodwill:
   a) A's Capital A/c Cr. by Rs.4,800; B's Capital A/c Cr. by Rs.3,600; C's Capital A/c Cr. by Rs.2,400.
   b) A's Capital A/c Cr. by Rs.3,600; B's Capital A/c Cr. by Rs.3,600; C's Capital A/c Cr. by Rs.3,600.
   c) A's Capital A/c Dr. by Rs.1,200; C's Capital A/c Cr. by Rs.1,200.
   d) A's Capital A/c Cr. by Rs.1,200; C's Capital A/c Dr. by Rs.1,200.
3. Vinod and Swami are partners in a firm sharing profits in the ratio 2:3. The balance sheet of the firm as on 31 March 2015 is given below:

Balance Sheet

Liabilities		Amount `	Assets	Amount `
Sundry Creditors		3,10,000	Land	5,00,000
Outstanding Expenses		70,000	Building	7,20,000
Capitals:			Plant	8,00,000
Vinod	8,00,000		Furniture	1,20,000
Swami	12,00,000	20,00,000	Stock	1,80,000
General Reserve		1,20,000	Sundry Debtors	1,50,000
			Cash in hand	30,000
		25,00,000		25,00,000

The partners decided to share profits in equal ratio w.e.f. 1 April 2015. The following adjustments were agreed upon:
   a. Goodwill of the firm was valued at Rs.4,00,000, but it was not to appear in the books.
   b. They decided to show the General Reserve in the new Balance Sheet without affecting its book value.
   c. Land was valued at `8,00,000, Plant at Rs.7,20,000 and Furniture at Rs.1,00,000 and were to appear at revalued amounts in the balance sheet. Pass necessary journal entries to give effect to the above and prepare the Balance Sheet.
4. A, B and C are partners sharing profits and losses in the ratio of 5:3:2. Their

position on 31st March 2018 was as follows:

Liabilities	Amount	Assets	Amount
Bills Payable	22,000	Cash in hand	4,000
General Reserve	10,000	Cash at bank	11,000
Capital: A	1,40,000	Debtors 28,000 Less: Provision for Doubtful Debts (3,000)	25,000
B	1,40,000	Stock	1,40,000
C	50,000	Machinery	77,000
		Building	1,00,000
		P & L A/c	5,000
	3,62,000		**3,62,000**

It was decided that with effect from 1st April 2018 profit and loss sharing ratio will be 3:3:1. They agreed on the following terms:

i. Goodwill of the firm be valued at Rs.42,000

ii. Machinery be valued at Rs.61,500

5. Partners do not want to record the altered values of assets and liabilities in the books and general reserve. Pass an entry to give effect to the above.

CHAPTER 5: RETIREMENT OF A PARTNER

1. A, B and C were partners in a firm sharing profits in the ratio of 4:3:3. On 1st April 2021, C decided to retire from the firm and his share was taken by A and B in the ratio of 2:1. Investment Fluctuation Reserve of ₹10,000 was available at the time of retirement of C, when current investment (realisable value ₹55,000) appears at ₹60,000. Give the journal entry for the treatment of Investment Fluctuation Reserve on C's retirement from the firm.
2. A, B and C were partners in a firm sharing profits in 3:2:1 ratio. On 31st March 2020, B retired. On the date of his retirement, the balance in his Capital Account was ₹3,50,000. The other assets and liabilities of the firm on that date were as follows:

Cash ₹1,50,000; Building ₹10,00,000; Plant and Machinery ₹4,00,000; Stock ₹2,00,000; Debtors ₹2,00,000; and Furniture ₹3,00,000, Investment ₹1,00,000, Investment Fluctuation Reserve ₹10,000.

Following was agreed among the partners on B's retirement:

(a) Building to be appreciated by 20%.

(b) Plant and Machinery to be depreciated by 10%.

(c) A provision of 5% on debtors to be created for doubtful debts.

(d) Stock was to be valued at ₹1,80,000 and Furniture at ₹3,50,000.

(e) An old photocopier previously written off was sold for ₹20,000.

(f) Partners had to pay ₹50,000 to the family of an employee who died in an accident.

(g) Market value of Investments ₹85,000.

(h) B was paid ₹1,00,000 in cash.

Pass the necessary Journal entries to record the above adjustments. The firm closes its books on 31st March every year.

3. A, B and C were partners in a firm sharing profits and losses in the ratio of 3:2:3. On 31^{st} March 2021, C decided to retire from the firm and his share was taken by A and B in the ratio of 1:2. Workmen compensation reserve of ₹50,000 was available at the time of retirement of C. There was a claim of ₹30,000 on account of workmen compensation which was accepted by the firm. Journalise for the treatment of workmen compensation reserve at the time of C's retirement.
4. A, B and C were partners in a firm sharing profits in the ratio of 8:4:3. B retires and his share is taken up equally by A and C. Find the new profit-sharing ratio.
5. Gautam, Yashika, Asma are partners sharing profits and losses in the ratio of 4/9:1/3:2/9. Yashika retires and gives $1/9^{th}$ of her share to Gautam and the remaining to Asma. Calculate the new profit-sharing ratio and gaining ratio.
6. M, N and G were partners in a firm sharing profits and losses in the ratio of 5:3:2. On 31-3-2019, there Balance Sheet was as under:

Balance Sheet of M, N and G
as on 31-3-2019

Liabilities	(₹)	Assets	(₹)
Creditors	55,000	Cash	40,000
General Reserve	30,000	Debtors	
Capitals:		45,000	40,000
M		Less: Provision 5,000	50,000
1,50,000		Stock	1,50,000
N	3,50,000	Machinery	30,000
1,25,000		Patents	1,00,000
G		Building	25,000
75,000	4,35,000	Profit and Loss A/c	4,35,000

M retired on the above date and it was agreed that:

(i) Debtors of ₹2,000 will be written off as bad debts and a provision of 5% on debtors for bad and doubtful debts will be maintained.

(ii) Patents will be completely written off and stock, machinery and building will be depreciated by 5%.

(iii) An unrecorded creditor of ₹10,000 will be taken into account.

(iv) N and G will share the future profits in the ratio of 2:3.

(v) Goodwill of the firm on M's retirement was valued at ₹3,00,000.

Prepare Revaluation Account, Partners Capital Account and Balance Sheet.