

Q41. Pass entries in the firm's Journal for the following on admission of a partner:

1. Machinery is reduced by 16,000 and Building be appreciated by 40,000.
2. A provision be created for Doubtful Debts @ 5% Debtors amounting to 80,000.
3. Provision for warranty claims is increased by 12,000.
4. Furniture (Book value 50,000) is to be reduced by 40%.
5. Furniture (Book Value 50,000) is to be reduced to 40%.

Solution –

Journal Entry

Date	Particulars	L.F.	DR	CR
(1)	Revaluation A/c .....Dr To Machinery A/c (Being value of machinery decreased)		16,000	16,000
	Building A/c .....Dr To Revaluation A/c (Being Value of building increased)		40,000	40,000

(2)	Revaluation A/c To Provision for Doubtful Debts A/c (Being Provision created on debtor)	....Dr	4,000	4,000
(3)	Revaluation A/c To Provision for Warranty Claims A/c (Being Liability recorded)	....Dr	12,000	12,000
(4)	Revaluation A/c To Furniture A/c (Being Furniture (Book value 50,000) id to be reduced by 40%)	.....Dr	20,000	20,000
(5)	Revaluation A/c To Furniture A/c (Being Furniture (Book value 50,000) is to be reduced by 40%)	.....Dr	30,000	30,000

Q42. Pass entries in firm's Journal for the following on admission of a partner:

- 1. Unrecorded Investments of 20,000 are to be accounted.**
- 2. Unrecorded liability towards suppliers for 5,000 is to be accounted.**
- 3. An item of 1,600 included in Sundry Creditors is not likely to be claimed and hence should be written back.**

Solution – Journal Entry

Date	Particulars	L.F.	DR	CR
(1)	Investment A/c .....Dr To Revaluation A/c (Being Investment recorded)		20,000	20,000
(2)	Revaluation A/c .....Dr To Creditors A/c (Being Liability recorded)		5,000	5,000
(3)	Creditors A/c .....Dr To Revaluation A/c (Being Liability decreased)		1,600	1,600

Q43. X and Y are partners in a firm sharing profits in the ratio of 3:2. They admitted Z as a partner and fixed new profit-sharing ratio as 3:2:1. At the time of admission of Z, Debtors and Provision for Doubtful Debts existed at 50,000 and 5,000 respectively. All debtors are good. Pass the necessary Journal entries.

Solution – Journal Entry

Date	Particulars	L.F.	DR	CR
(1)	Provision for Doubtful A/c .....Dr To Revaluation A/c (Being Provision on Debtors reduced)		5,000	5,000

(2)	Revaluation A/c To X's Capital A/c To Y's Capital A/c (Being Profit on Revaluation transferred to partners' capital A/c)Dr	5,000	3,000 2,000
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Q44. X and Y are partners sharing profits in the ratio of 3:2. They admitted Z as partner for $\frac{1}{4}$ th share of profits. At the time of admission of Z, investments appeared at 80,000. Half of the investments to be taken by X and Y in their profit-sharing ratio at book value .Remaining investments were valued at 50,000. Pass the necessary Journal entries.

Solution – Journal Entry

Date	Particulars	L.F	DR	CR
	X's Capital A/c Y's Capital A/c To Investments A/c (Being Half of the investment taken over by X and Y)	....Dr	24,000 16,000	40,000
	Investment A/c To Revaluation A/c	....Dr	10,000	10,000

	(Being Value of Investments increased)			
	Revaluation A/c .....Dr		10,000	
	To X's Capital A/c			6,000
	To Y's Capital A/c			4,000
	(Being Profit on revaluation transferred to Partners Capital A/c)			

Q45. Ashok and Bhaskar are partners in a firm sharing profits in the ratio of 3:2. They admitted Chaman as a partner for $\frac{1}{4}$ th share of profits. At the time of admission of Chaman, Sundry Debtors and provision for doubtful debts existing at 76000 and 8000 respectively . 6000 debtors proved bad. A provision of 5% is to be created on Sundry Debtors for Doubtful debts. Pass the necessary Journal entries.

Solution –

Journal Entry

Date	Particulars	L.F.	DR	CR
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	Bad Debts A/cDr To Debtors A/c (Being Bad debts incurred)		6,000	6,000
	Provision for Doubtful Debts A/cDr To Bad Debts A/c (Being debts adjusted)		6,000	6,000
	Revaluation A/c .....Dr To Provision for Doubtful Debts A/c (Being Provision created)		1,500	1,500
	Ashok's Capital A/c .....Dr Bhaskar's Capital .....Dr To Revaluation A/c (Being Loss on revaluation transferred to partners' capital A/c)		900 600	1,500

Working Note:-

Calculation of Provision for Doubtful Debts

Provision to be created = $(76,000 - 6,000) \times 5/100 = 3,500$

Old Provision = 2,000

New Provision to be created = $3,500 - 2,000 = 1,500$

Q46. At the time of admission of a partner Suresh, assets and liabilities of Ramesh and Naresh were revalued as follows:

- a) A Provision for Doubtful Debts @ 10% was made on Sundry Debtors (Sundry Debtors 50,000).
- b) Creditors were written back by 5,000.
- c) Building was appreciated by 20% (Book value of Building 2, 00,000).
- d) Unrecorded Investments were valued at 15,000.
- e) A Provision of 2,000 was made for an Outstanding Bill for repairs.
- f) Unrecorded Liability towards suppliers was 3,000.

Pass necessary Journal entries.

Solution –

Journal Entry

Date	Particulars	L.F	DR	CR
	Creditors A/c .....Dr Building A/c .....Dr Investments A/c .....Dr To Revaluation A/c (Being Increase in assets and decrease in liabilities transferred to Revaluation Account)		5,000 40,000 15,000	60,000
	Revaluation A/c .....Dr To Provision for Doubtful Debts A/c To Reserve for outstanding Repairs Bill A/c		10,000	5,000 2,000

	To Creditors A/c (Being Increased in liabilities decrease in assets and creation of reserve and provisions transferred to Revaluation Account)			3,000
	Revaluation A/c To Ramesh Capital A/c To naresh capital a/c (Being Profit on Revaluation transferred to partners' capital)	....Dr	50,000	25000 25000

Q47. Om and Shiv are partners in a firm sharing profits equally.

Balance Sheet (Extract)

Liabilities	Amount	Assets	Amount
		Debtors 1,50,000	
		Less: Provision for Doubtful Debts 15,000	1,35,000

An amount of 12,000 due from Mohan, a debtor, is to be written off as no longer receivable. Provision for Doubtful Debts on remaining debtors is to be maintained at the current rate.

What amount of Provision for Doubtful Debts should be credited to maintain its current rate?

Solution – Debtors – 1, 50,000

Provision for Doubtful Debts – 15,000

Current rate of provision = $15,000 \times 100 / 1, 50,000 = 10\%$ (Predict)

Debtors = 1, 50,000

Bad Debts = - 12,000

1, 38,000

10% Provision 13,800

1, 24,200

Provision For Doubtful Debts 15,000

- New Bad debts 12,000

Remaining Bad debts 3,000

Amount of Provision for Doubtful Debts to be credited to maintain its current rate 10%

New Provision for Bad Debts 13,800

- Remaining Bad Debts 3,000

10,800

So Provision of Only 10,800 is required to be Credited through Revaluation.

48. Ashish and vishesh were partners sharing profit and losses in the ratio of 3:2 their balance sheet as at 31st march 2024 was as under

BALANCESHEET OF ASHISH AND VISHESH as at 31st march 2024

Liabilities	Amount	Assets	Amount
Creditors	30,000	Cash at bank	50,000
Outstanding electricity bill	20,000	Debtors 80,000	
		Less provision 2000	78000

Capital a/c			for bad debts	
Ashish	300,000		Stock	112000
Vishesh	200,000	500,000	Machinery	300,000
			Profit and loss a/c	10,000
		550,000		550,000

On 1st April 2024 manya was admitted into the firm with 1/4th share in the profit on the following term

- Manya will bring 100,000 as her capital and 50,000 as her share of goodwill premium in cash
- Outstanding electricity bill will be paid off
- Stock was found over valued 12000

Pass necessary journal entry in the books of the firm on manya admission.

1.	Bank a/c Dr.	150,000	
	To Manya capital a/c		100,000
	To premium for goodwill a/c		50,000
2.	Premium for goodwill a/c Dr.	50,000	
	To Ashish capital a/c Dr.		30,000
	To Vishesh capital a/c Dr.		20,000
3.	Outstanding electricity bill a/c Dr.	20,000	

	To bank a/c		20,000
4.	Revaluation a/c Dr.	12000	12000
	To stock a/c		
5.	Ashish capital a/c Dr.	7200	
	Vishesh capital a/c Dr.	4800	12,000
	To revaluation a/c		
6.	Ashish capital a/c Dr.	6000	
	Vishesh capital a/c Dr.	4000	10,000
	To profit and loss a/c		

RESERVES AND ACCUMULATED PROFIT/LOSSES AND PREPARATION OF REVALUATION ACCOUNT:-

Q49. Ram and Shyam were partners in a firm sharing profits and losses in the ratio of 2:1. Mohan was admitted for $\frac{1}{3}$ rd share in the profits. On the date of

Mohan's admission, the Balance Sheet of Ram and Shyam showed General Reserve of 2, 50,000 and a credit balance of 50,000 in Profit & Loss Account. Pass necessary Journal entries on the treatment of these items on Mohan's admission.

Solution – Journal Entry

Date	Particulars	L.F.	DR	CR
	General Reserve A/c .....Dr		2,50,000	
	Profit and Loss A/c .....Dr		50,000	
	To Ram's Capital A/c			2,00,000
	To Shyam's Capital A/c			1,00,000
	(Being Adjustment of balance in General Reserve A/c and P&L A/c in old ratio)			

Working Note:-

Calculation of Share of General Reserve & P & L A/c

Ram's share = 3, 00,000 x 2/3 = 2, 00,000

Shyam's share = 3, 00,000 x 1/3 = 1, 00,000

Q50. X and Y are partners in a firm sharing profits and losses in the ratio of 3:2. On 1st April, 2022, they admit Z as a partner for 1/5th share in profits. On that date, there was a balance of 1, 50,000 in General Reserve and a debit balance of 20,000 in the Profit & Loss Account of the firm. Pass necessary Journal entries regarding adjustment of reserve and accumulated profit/loss.

Solution –**Journal Entry**

Date	Particulars	L.F.	DR	CR
2019 April 1	General Reserve A/c .....Dr To X's Capital A/c To Y's Capital A/c (Being Adjustment of balance in General Reserve A/c in old ratio)		1,50,000	90,000 60,000
	X's Capital A/c .....Dr Y's Capital A/c .....Dr To Profit and Loss A/c (Being Adjustment of loss in P & L A/c in old ratio)		12,000 8,000	20,000

Working Note:-

Calculation of Share of General Reserve:-

X's share = $1,50,000 \times \frac{3}{5} = 90,000$

Y's share = $1,50,000 \times \frac{2}{5} = 60,000$

Calculation of Share of Debit Balance in P & L A/c:-

X's share = $20,000 \times \frac{3}{5} = 12,000$

Y's Share = $20,000 \times \frac{2}{5} = 8,000$