

Q41. Lisa, Monika & Nisha were partners in a firm sharing profits and losses in the ratio of 2:2:1. On 31st March, 2019, their Balance Sheet was as follows:

Liabilities		Amount	Assets		Amount
Trade Creditors		1,60,000	Land & Building		10,00,000
Bills Payable		2,44,000	Machinery		12,00,000
Employees Provident Fund		76,000	Stock		10,00,000
Capital:-			Sundry Debtors		4,00,000
Lisa	14,00,000		Bank		40,000
Monika	14,00,000				
Nisha	3,60,000	31,60,000			
		36,40,000			36,40,000

On 31st March, 2019, Monika retired from the firm and the remaining partners decided to carry on the business. It was agreed that:

- Land & Building be appreciated by 2,40,000 and machinery be depreciated by 10%
- 50% of the stock was taken over by the retiring partner at book value.
- Provision for doubtful debts was to be made at 5% on debtors.
- Goodwill of the firm be valued at 3, 00,000 and Monika's share of goodwill be adjusted in the accounts of Lisa & Nisha.
- The total capital of the new firm be fixed at 27, 00,000 which will be in the proportion of the new profit-sharing ratio of Lisa & Nisha. For this purpose, current Accounts of the partners were to be opened.

Prepare Revaluation Account, Partners' Capital Accounts and the Balance Sheet of the reconstituted firm on Monika's retirement.

Solution –

Dr		Revaluation Account		Cr	
Particulars		Amount	Particulars	Amount	
To Provision for Doubtful Debts		20,000	By Land & Building	2,40,000	

To Machinery A/c		1,20,000		
To Capital A/c				
Lisa's	40,000			
Monika's	40,000			
Nisha's	20,000	1,00,000		
		2,40,000		2,40,000

Dr Partners' Capital Accounts Cr

Particulars	Lisa	Monika	Nisha	Particulars	Lisa	Monika	Nisha
Monika's Capital A/c	80,000		40,000	Balance b/d	14,00,000	14,00,000	3,60,000
To Stock		5,00,000		Lisa's Capital A/c		80,000	
Monika's Loan A/c		10,60,000		Nisha's Capital A/c		40,000	
Balance c/d	13,60,000		3,40,000	Revaluation A/c	40,000	40,000	20,000
	14,40,000	15,60,000	3,80,000		14,40,000	15,60,000	3,80,000
Balance c/d	18,00,000		9,00,000	By balance b/d	13,60,000		3,40,000
				By Current A/c	4,40,000		5,60,000
	18,00,000		9,00,000		18,00,000		9,00,000

Balance Sheet

Liabilities	Amount	Assets	Amount
Trade Creditors	1,60,000	Land & Building	12,40,000
Bills Payable	2,44,000	Machinery	10,80,000

Employees Provident fund	76,000	Stock	5,00,000
Capital A/c:		Sundry Debtors A/c	
Lisa 18,00,000	27,00,000	4,00,000	3,80,000
Nisha 9,00,000	10,60,000	Less: Provision for DD	
Monika's Loan		20,000	
		Bank	
		Lisa's Current A/c	40,000
		Nisha's Current A/c	4,40,000
			5,60,000
	42,40,000		42,40,000

Working Note:-

Calculation of gaining & Sacrificing Ratio:-

Old ratio – 2:2:1

New ratio – 2:1

Gaining ratio = New ratio – Old Ratio

Lisa's – $\frac{2}{3} - \frac{2}{5} = \frac{4}{15}$

Nisha's – $\frac{1}{3} - \frac{1}{5} = \frac{2}{15}$

Gaining ratio – 2:1

Treatment of goodwill:-

Firm goodwill – 3, 00,000

Monika share – $1, 20,000 \times \frac{2}{5} = 1, 20,000$

Lisa's Compensated – $1, 20,000 \times \frac{2}{3} = 80,000$

Nisha Compensated – $1, 20,000 \times \frac{1}{3} = 40,000$

Lisa's Capital – $27, 00,000 \times \frac{2}{3} = 18, 00,000$

Nisha's Capital – $27, 00,000 \times \frac{1}{3} = 9, 00,000$

Q42. On 31st March, 2024, the Balance Sheet of A, B & C who were sharing profits and losses in proportion to their capitals stood as:

Liabilities		Amount	Assets		Amount
Creditors		10,800	Cash at Bank		13,000
Bills Payable		5,000	Debtors		10,000
Capital:-			Less: Provision for DD		200
A	45,000		Stock		9,000
B	30,000		Machinery		24,000
C	15,000	90,000	Freehold Premises		50,000
		1,05,800			1,05,800

B retired on 1st April, 2024 and following adjustments were agreed to determine the amount payable to B:

- Out of the amount of Insurance premium debited to Profit & Loss Account, 1,000 be carried forward as prepaid insurance.
- Freehold Premises be appreciated by 10%
- Provision for Doubtful Debts is brought up to 5% on Debtors
- Machinery be reduced by 5%
- Liabilities for Workmen Compensation to the extent of 1,500 would be created
- Goodwill of the firm be fixed at 18,000 and B's share of the same be adjusted into the Capital Accounts of A & C who will share future profits in the ratio of $\frac{3}{4}^{\text{th}}$ & $\frac{1}{4}^{\text{th}}$
- Total capital of the firm as newly constituted be fixed at 60,000 between A & C in the Proportion of $\frac{3}{4}^{\text{th}}$ and $\frac{1}{4}^{\text{th}}$ after passing entries in their accounts for adjustment, i.e., actual cash to be paid or to be brought in by continuing partners as the case may be.
- B is paid 5,000 in cash and the balance be transferred to his Loan Account.

Prepare Capital Accounts of Partners and the Balance Sheet of the firm of A & C.

Solution –

Dr		Revaluation Account		Cr	
Particulars	Amount	Particulars	Amount		
To Provision for Doubtful Debts (10,000x 5%=500-200)	300	By unexpired insurance	1,000		
To Machinery A/c	1,200	By Freehold premises	5,000		
To Workmen Compensation liabilities	1,500				
To Capital A/c					
A = 3,000 x 3/6 – 1,500					
B = 3,000 x 2/6 – 1,000					
C = 3,000 x 1/6 - 500					
	3,000				6,000
	6,000				

Dr		Partners' Capital Accounts				Cr	
Particulars	A	B	C	Particulars	A	B	C

B's Capital A/c	4,500		1,500	Balance b/d	45,000	30,000	15,000
To Cash A/c		5,000		A's Capital A/c		4,500	
To B's Loan A/c		32,000		C's Capital A/c		1,500	
	42,000		14,000	Revaluation A/c	1,500	1,000	500
Balance c/d	46,500	37,000	15,500		46,500	37,000	15,500
	45,000		15,000	By balance b/d	42,000		14,000
Balance c/d				By Bank A/c	3,000		1,000
	45,000		15,000		45,000		15,000

Balance Sheet

Liabilities	Amount	Assets	Amount
Creditors	10,800	Cash at Bank	12,000
Bills Payable	5,000	Debtors A/c	
Workers Compensation Liabilities	15,000	10,000	
Capital A/c:		Less: Provision for DD	500
A	45,000	Stock	9,500
		Unexpired insurance	9,000
			1,000

B	15,000	60,000	Machinery	22,800
B's Loan		32,000	Freehold premises	55,000
		1,09,300		1,09,300

Working Note:

Calculation of New & Gaining Ratio:-

Old ratio – 3:2:1

New ratio – 3:1

Gaining ratio = New ratio – Old ratio

A's = $\frac{3}{4} - \frac{3}{6} = \frac{6}{24}$

C's = $\frac{1}{4} - \frac{1}{6} = \frac{2}{24}$

Gaining ratio – 3:1

Treatment of Goodwill:-

Goodwill of the firm – 18,000

B share– $18,000 \times \frac{2}{6} = 6,000$

A compensated – $6,000 \times \frac{3}{4} = 4,500$

C compensated – $6,000 \times \frac{3}{4} = 1,500$

Capital Adjustment:-

A capital – $60,000 \times \frac{3}{4} = 45,000$

C's capital – $60,000 \times \frac{1}{4} = 15,000$

Closing bank balance = $13,000 - 5,000 + 3,000 + 1,000 = 12,000$

Q43. X, Y & Z were in partnership sharing profits in proportion to their capitals. Their Balance Sheet as on 31st March, 2018 was as follows:

Liabilities	Amount	Assets	Amount
Sundry Creditors	16,600	Cash	15,000

Workmen Compensation Fund	9,000	Debtors	21,000
General Reserve		Less: Provision for DD (1,400)	19,600
Capital:-	6,000	Stock	19,000
X 45,000		Machinery	58,000
Y 30,000		Building	1,00,000
Z 15,000			
	1,80,000		
	2,11,600		2,11,600

On the above date, Y retired owing to ill health, the following adjustments were agreed upon for calculation of amount due to Y:

- Provision for Doubtful Debts to be increased to 10% of Debtors
- Goodwill of the firm be valued at 36,00 and be adjusted into the Capital Accounts of X & Z, who will share profits in future in the ratio of 3:1
- Included in the value of Sundry Creditors was 2,500 for an outstanding legal claim, which will not arise
- X & Z also decided that the total capital of the new firm will be 1,20,000 in their profit-sharing ratio. Actual cash to be brought in or to be paid off as the case may be.
- Y to be paid 9,000 immediately and balance to be transferred to his Loan Account.

Prepare Revaluation Account, Partners' Capital Accounts and Balance Sheet of the new firm after Y's retirement.

Solution -

Dr		Revaluation Account		Cr	
Particulars	Amount	Particulars	Amount		
To Provision for Doubtful Debts	700	By Sundry Creditors	2,500		
To Capital A/c					
X = $1,800 \times \frac{3}{6}$ -	900				
Y = $1,800 \times \frac{2}{6}$ -	600				
Z = $1,800 \times \frac{1}{6}$ -	300				
	1,800				
	2,500			2,500	

Dr				Partners' Capital Accounts				Cr			
Particulars	X	Y	Z	Particulars	X	Y	Z				
Y's Capital A/c	9,000		3,000	Balance b/d	90,000	60,000	30,000				
To Cash A/c		9,000		X's Capital A/c		9,000					
Y's Loan A/c		68,600		Z's Capital A/c		3,000					
Balance c/d	89,400		29,800	Workers Compensation fund	4,500	3,000	1,500				
				General Reserve	3,000	2,000	1,000				
				Revaluation A/c	900	600	300				
	98,400	77,600	32,800		98,400	77,600	32,800				
	90,000		30,000	By balance b/d	89,400		29,800				
Balance c/d				By Current A/c	600		200				
	90,000		30,000		90,000		30,000				

Balance Sheet

Liabilities	Amount	Assets	Amount
Sundry Creditors	14,100	Cash	6,800
Capital A/c:		Debtors	
X 90,000		21,000	18,900
z 30,000	1,20,000	Less: Provision for DD	19,000
Y's Loan	68,600	2,100	
		Stock	58,000
			1,00,000
	2,02,700	Machinery	
		Buildings	2,02,700

Working Note:-

Calculation of New & Gaining ratio:-

Old ratio – 3:2:1

New ratio – 3:1

Gaining ratio = New ratio – Old ratio

X's – $\frac{3}{4} - \frac{3}{6} = \frac{6}{24}$

Z's – $\frac{1}{4} - \frac{1}{6} = \frac{2}{24}$

Gaining ratio – 3:1

Treatment of Goodwill:-

Goodwill of the firm – 36,000

Y share – $36,000 \times \frac{2}{6} = 12,000$

X compensated – $12,000 \times \frac{3}{4} = 9,000$

Z compensated – $12,000 \times \frac{1}{4} = 3,000$

Capital adjustment:-

X's capital – $1,20,000 \times \frac{3}{4} = 90,000$

Z's Capital – $1,20,000 \times \frac{1}{4} = 30,000$

When existing total capital of remaining partners is to be in New Ratio:-

When existing total capital of remaining partners is to be in new profit sharing ratio

44. Shweta, Meenu and Asha were partners in a firm sharing profits and losses in the ratio of 3:5:2. Meenu retired on 1st April, 2022. After making all adjustments relating to revaluation, goodwill and accumulated profits, etc., Capital Accounts of Shweta and Asha showed credit balance of 3,00,000 and 1,00,000 respectively. It was decided to adjust the capitals of Shweta and Asha in their new profit- sharing ratio.

Pass necessary Journal entries for bringing in or withdrawal of the necessary amounts involved. Show your working clearly. (CBSE 2023)

Date	Particulars	Amount Dr.	Amount Cr.
	Bank a/c Dr. To Aastha capital a/c (bearing amount bought)	60,000	60,000
	Shweta capital a/c Dr. To bank a/c (bearing amount withdraw)	60,000	60,000

Total capital of Asha and Shweta=300,000+100,000=400,000

New ratio=3:2

Sweta=400,000 x3/5

Asha =400,000 x 2/5

Sweta capital=300,000-240,000=60,000(amount withdraw)

Astha capital=100,000-160,000=60,000(amount brought)

45. Amit, Balan and Chander were partners in a firm sharing profits in the proportion of 1/2, 1/3 & 1/6 respectively. Chander retired on 1st April, 2014, the Balance Sheet of the firm on the date of Chander's retirement was as follows:

Liabilities	Amount	Assets	Amount
Sundry Creditors	12,600	Bank	4,100
Provident Fund	3,000	Debtors	30,000
General Reserve	9,000	Less: Provision for DD	1,000
Capital:-		Stock	29,000
Amit	40,000	Investments	25,000
Balan	36,500	Patents	10,000
Chander	20,000	Machinery	5,000
	96,500		48,000
	1,21,100		1,21,100

It was agreed that:

- Goodwill will be valued at 27,000
- Depreciation of 10% was to be provided on machinery
- Patents were to be reduced by 20%
- An old photocopier previously written off was sold for 600
- Chander took over investments for 15,800

f) Amit and Balan decided to adjust their capitals in proportion of their profit-sharing ratio by opening Current Accounts.

Prepare Revaluation Account and Partners' Capital Accounts on Chander's retirement.

Solution –

Dr		Revaluation Account		Cr	
Particulars	Amount	Particulars	Amount		
Machinery	4,800	Investments A/c	5,800		
Patents	1,000	Provident Fund A/c	600		
Profit transferred to:					
Amit's Capital A/c 300					
Balan's Capital A/c 200					
Chander's Capital A/c 100	600				
	6,400				6,400

Dr				Partners' Capital Accounts				Cr			
Particulars	Amit	Balan	Chander	Particulars	Amit	Balan	Chander	Particulars	Amit	Balan	Chander
Investments A/c			15,800	Balance b/d	40,000	36,500	20,000				
Chander's Capital A/c				Revaluation A/c (profit)	300	200	100				
Loan A/c	2,700	1,800		General Reserve	4,500	3,000	1,500				
			10,300	Amit's Capital A/c			2,700				
Current a/c				Balan's Capital A/c			1,800				
		5,900		By Current A/c	5,900						

Balance c/d	48,000	32,000					
	50,700	39,700	26,100		50,700	39,700	26,100

Working Note:-

Adjustment of Goodwill:-

Chander's goodwill – $27,000 \times \frac{1}{6} = 4,500$

Amit – $4,500 \times \frac{3}{5} = 2,700$

Balan – $4,500 \times \frac{2}{5} = 1,800$

Adjustment of Capital

Old capitals of Amit = $44,800 (40,000 + 4,500 + 300) - 2,700 = 42,100$

Old capitals of Balan = $39,700 (36,500 + 3,000 + 200) - 1,800 = 37,900$

Total adjusted capital – $42,100 + 37,900 = 80,000$

New profit sharing ratio – 3:2

Amit's – $80,000 \times \frac{3}{5} = 48,000$

Balan's – $80,000 \times \frac{2}{5} = 32,000$

Q46. N, S & B were partners in a firm sharing profits & Losses in proportion of $\frac{1}{2}$, $\frac{1}{6}$ & $\frac{1}{3}$ respectively. The balance Sheet of the firm as at 31st March, 2017 was as follows:

Liabilities	Amount	Assets	Amount
Capital:-		Freehold Premises	40,000
N 30,000		Machinery	30,000
S 30,000		Furniture	12,000
B 28,000	88,000	Stock	22,000
Bills Payable	12,000	Sundry Debtors 20,000	
General Reserve	12,000	Less: Provision for DD 1,000	19,000

Sundry Creditors	18,000	Cash	7,000
	1,30,000		1,30,000

B retired from the business on the above date and the partners agreed to the following:

- I. Freehold premises and stock were to be appreciated by 20% & 15% respectively.**
- II. Machinery and furniture were to be depreciated by 10% & 7% respectively.**
- III. Provision for bad debts was to be increased by 1,500.**
- IV. On B's retirement goodwill of the firm was valued at 21,000.**
- V. The continuing partners decided to adjust their capitals in their new profit-sharing ratio after retirement of B. Surplus/deficit, if any, in their Capital Accounts was to be adjusted through their Current Accounts.**

Prepare Revaluation Account, Partners' Capital Accounts & the Balance Sheet of the reconstituted firm.

Solution –

Dr		Revaluation Account		Cr	
Particulars	Amount	Particulars	Amount		
Machinery	3,000	Freehold Premises	8,000		
Furniture	840	Stock	3,300		
Provision for Doubtful Debts	1,500				
Profit transferred to:					
N's Capital A/c	2,980				
S's Capital A/c	993				
B's Capital A/c	1,987				
	6,960				
	11,300				11,300

Dr				Partners' Capital Accounts				Cr			
Particulars	N	S	B	Particulars	N	S	B				

B's Capital A/c	5,250	1,750		Balance b/d	30,000	30,000	28,000
B's Loan A/c			40,987	General Reserve	6,000	2,000	4,000
Balance c/d	33,730	31,243	40,987	N's Capital A/c			5,250
				B's Capital A/c			1,750
				Revaluation A/c	2,980	993	1,987
	38,980	32,993	40,987		38,980	32,993	40,987
Y's Current A/c		7,500		Balance b/d	33,730	31,243	
Balance c/d	48,730	16,243		X's Current A/c	15,000		
	48,730	31,243			48,730	31,243	

Balance Sheet
As on April 1, 2017

Liabilities		Amount	Assets		Amount
Bills Payable		12,000	Freehold Premises		48,000
Sundry Creditors		18,000	Machinery		27,000
B's Loan		40,987	Furniture		11,160
Capital A/c:			Stock		25,300
N	48,730		Sundry Debtors		
S	16,243	64,973	20,000		18,500

S's Current A/c	15,000	Less: Provision for DD (2,500)	7,000
			15,000
	1,50,960	Cash	1,50,960
		N's Current A/c	

Working Note:-

Calculation of Profit Sharing Ratio:-

Old Ratio – 3:1:2

B retires from the firm

New ratio – 3:1

Gaining ratio – 3:1

Adjustment of Goodwill:-

Goodwill of the firm – 21,000

B's Goodwill – $21,000 \times \frac{2}{6} = 7,000$

When total capital of new firm is equal to total capital before retirement of a partner

Q47. Following is the Balance Sheet of Kusum, Sneh & Usha as on 31st March, 2024, who have agreed to share profits & losses in proportion of their capitals:

Liabilities	Amount	Assets	Amount
Capital:-		Land & Building	4,00,000
Kusum 4,00,000		Machinery	6,00,000
Sneh 6,00,000		Closing Stock	2,00,000
Usha 4,00,000	14,00,000	Sundry Debtors 2,20,000	
Employees Provident Fund	70,000	Less: Provision for DD 20,000	2,00,000
Workmen Compensation Reserve	30,000	Cash at Bank	2,00,000
Sundry Creditors	1,00,000		
	16,00,000		16,00,000

On 1st April, 2024, Kusum retired from the firm and the remaining partners decided to carry on the business. It was agreed to revalue the assets and reassess the liabilities on that date, on that date, on the following basis:

- Land & Building be appreciated by 30%
- Machinery be depreciated by 30%
- There were Bad Debts of 35,000
- The Claim against Workmen Compensation Reserve was estimated at 15,000
- Goodwill of the firm was valued at 2, 80,000 and Kusum's share of goodwill was adjusted against the capital accounts of the continuing partners Sneh & Usha who have decided to share future profits in the ratio of 3:4 respectively.

f) Capital of the new firm in total will be the same as before the retirement of Kusum and will be in the new profit-sharing ratio of the continuing partners.

g) Amount due to Kusum be settled by paying 1, 00,000 in cash and balance by transferring to her Loan Account which will be paid later on.

Prepare Revaluation Account, Capital Accounts of Partners and Balance Sheet of the new fir after Kusum's retirement.

Solution –

Dr		Revaluation Account		Cr	
Particulars	Amount	Particulars	Amount		
Machinery A/c	1,80,000	Land & Building A/c	1,20,000		
Bad Debts A/c	15,000	Loss on Revaluation			
		Transferred to:			
		Kusum	21,429		
		Sneh	32,142		
		Usha	21,429	75,000	
	1,95,000			1,95,000	

Dr		Partners' Capital Accounts				Cr	
Particulars	kusum	sneh	usha	Particulars	kusum	sneh	usha
Revaluation A/c	21,429	32,142	21,429	Balance b/d	4,00,000	6,00,000	4,00,000
Usha's Capital			80,000	Workmen Compensation Fund	4,286	6,428	4,286
Bank A/c	1,00,000			Usha's Capital A/c	80,000		
Kusum's Loan	3,62,857						
Balance c/d		5,74,286	3,02,857				
	4,84,286	6,06,428	4,04,286		4,84,286	6,06,428	4,04,286
Balance c/d		6,00,000	8,00,000	Balance b/d		5,74,286	3,02,857
				Bank A/c			

						25,714	4,97,143
		6,00,000	8,00,000			6,00,000	8,00,000

Balance Sheet

As on March 31, 2024

Liabilities	Amount	Assets	Amount
Creditors	1,00,000	Land & Building	5,20,000
Employees provident fund	70,000	Machinery	4,20,000
Workmen Compensation Claim	15,000	Stock	2,00,000
Kusum's Loan	3,62,857	Sundry Debtors	1,85,000
Capital A/c:		Bank	6,22,857
Sneh 6,00,000			
Usha 8,00,000	14,00,000		
	19,47,857		19,47,857

Working Note:-

Calculation of Gaining Ratio:-

Old Ratio – 2:3:2

New Ratio – 3:4

Gaining Ratio = New Ratio – Old Ratio

Sneh's – $\frac{3}{7} - \frac{3}{7} = \text{Nil}$

$$\text{Usha's} - 4/7 - 2/7 = 2/7$$

Adjustment of Goodwill

Total Goodwill of the firm – 2, 80,000

$$\text{Kusum's} = 2, 80,000 \times 2/7 = 80,000$$

Only usha compensate to kusum full amount 80,000

Adjustment of Capital

Firm capital before Kusum's retirement – 14, 00,000

New ratio – 3:4

$$\text{Sneh's} - 14, 00,000 \times 3/7 = 6, 00,000$$

$$\text{Usha} - 14, 00,000 \times 4/7 = 8, 00,000$$

When the Retiring Partner is to be paid from amount brought by the remaining partners in a manner to make their capitals Proportionate to New Profit-Sharing Ratio

When the retiring partner is to be paid from amount brought by the remaining partner in a manner to make their capital proportionate to new profit sharing ratio

Q48. Lal, Bal & Pal are partners sharing profits in the ratio of 5:3:7. Lal retired from the firm. Bal & Pal decided to share future profits in the ratio of 2:3. The adjusted Capital Accounts of Bal & Pal showed balances of 49,500 & 1, 05,750 respectively. The total amount to be paid to Lal is 1, 35,750. This amount is to be paid by Bal & Pal in a manner that their capitals become proportionate to their new profit-sharing ratio.

Calculation the amount to be brought or to be paid to partners

Solution –

$$\text{New Capital} = 49,500 + 1, 05,750 + 1, 35,750 = 2, 91,000$$

$$\text{BAL's New Capital} = 2, 91,000 \times 2/5 = 1, 16,400$$

$$\text{Pal's New Capital} = 2, 91,000 \times 3/5 = 1, 74,600$$

$$\text{BAL} = 1, 16,400 - 49,500 = 66,900$$

$$\text{Pal} = 1, 74,600 - 1, 05,750 = 68,850$$

Both bring the capital

Q49. Balance Sheet of X, Y & Z who shared profits in the ratio of 5:3:2, as on 31st March, 2024 was as follows:

Liabilities		Amount	Assets		Amount
Sundry Creditors		39,750	Bank		15,000
Employees Provident Fund		5,250	Debtors		97,500
Workmen Compensation Reserve		22,500	Stock		82,500
Capital Accounts:-			Fixed Assets		1,87,500
X	1,65,000				
Y	84,000				
Z	66,000	3,15,000			
		3,82,500			3,82,500

Y retired on 1st April, 2024 and it was agreed that:

- I. Goodwill of the firm is valued at 1,12,500 & Y's share of it be adjusted into the Capital Accounts of X & Z who are going to share future profits in the ratio of 3:2
- II. Fixed Assets be appreciated by 20%
- III. Stock is reduced to 75,000.
- IV. Y is paid amount brought by X & Z so as to make their capital proportionate to their new profit-sharing ratio.

Prepare Revaluation Account, Capital Accounts of all partners and the balance Sheet of the New Firm.

Goodwill of the firm = $112500 \times \frac{3}{10} = 33750$

X contribute = $33750 \times \frac{1}{3} = 11250$

Y contribute = $33750 \times \frac{2}{3} = 22500$

When the Retiring Partner is to be paid from amount brought by the remaining partners in a manner to make their Capital Proportionate to New Profit-sharing Ratio and also leave a desired cash/bank Balance

Q50. Sushil, Satish and Samir are partners sharing profits in the ratio of 5:3:2. Satish retires on 1st April, 2024 from the firm, on which date capitals of Sushil, Satish and Samir after all adjustments are 1, 03,680, 87,840 & 26,880 respectively. The Cash and Bank Balance on that date was 9,600. Satish is to be paid through amount brought by Sushil and Samir in such a way as to make their capitals proportionate to their new profit-sharing ratio which will be Sushil $\frac{3}{5}$ & Samir $\frac{2}{5}$. Calculate the amount to be paid or to be brought by the continuing partners if minimum Cash and Bank balance of 7,200 was to be maintained and pass the necessary Journal entries.

Solution –

Capital of firm before retirement – $1, 03,680 + 87,840 + 26,880 = 2,18,400$

Availability of cash = $9,600 - 7,200 = 2,400$

Combined new capital of Sushil & Samir = $2, 16,000 (218400 - 2400)$

Sushil's new capital = $2, 16,000 \times \frac{3}{5} = 1, 29,600$

Existing capital = 1, 03,680

So, Sushil's new capital = $2, 16,000 - 1, 03,680 = 25,920$

Samir's new capital = $2, 16,000 \times \frac{2}{5} = 86,400$

Existing capital = 26,880

So, Samir has to bring = $86,400 - 26,880 = 59,520$