

10. ADVANCED CONCEPTS RELATING WITH DISSOLUTION OF PARTNERSHIP FIRMS**ASSIGNMENT SOLUTIONS****PROBLEM NO:1**

Adjustment for raising & writing off of Good will

Goodwill raised in old firms			Total (Rs.)		Written off new ratio (Rs.)		Difference (Rs.)	
Partner	S & co (Rs.)	T & co (Rs.)						
B	45,000	-	45,000	Cr	55,000	Dr	10,000	Dr
S	15,000	33,333	48,333	Cr	36,666	Dr	11,667	Cr
T	-	16,667	16,667	Cr	18,334	Dr	1,667	Dr

Journal entries in the books of BST & CO

Date	Particulars	Debit (Rs.)	Credit (Rs.)
31-10	Cash A/c Dr.	10,000	
	Bank A/c Dr.	15,000	
	T&CO A/c Dr.	50,000	
	Debtors A/c Dr.	80,000	
	Stock A/c Dr.	60,000	
	Furniture A/c Dr.	10,000	
	Machinery A/c Dr.	90,000	
	Building A/c Dr.	50,000	
	To Provision for Bad debts A/c		4,000
	To X&CO A/c		40,000
	To Creditors A/c		60,000
	To B's Capital A/c (W.N.1)		1,65,750
	To S Capital A/c (W.N.1)		95,250
	(Being asset & liability of S&CO recorded)		
	Cash A/c Dr.	5,000	
	Bank A/c Dr.	20,000	
	X&CO A/c Dr.	30,000	
	Debtors A/c Dr.	1,00,000	
	Stock A/c Dr.	70,000	
	Furniture A/c Dr.	3,000	
	Vehicles A/c Dr.	1,00,000	
	To Provision for Bad debts		5,000
	To S&CO		50,000
	To Sundry Creditors		58,000
	To S Capital (W.N.2)		1,43,333
	To T Capital (W.N.2)		71,667
	(Being assets & liability of T&CO recorded)		
	B's Capital A/c Dr.	10,000	
	T's Capital A/c Dr.	1,667	
	To S's Capital A/c		11,667
	(Being difference in goodwill adjusted)		
	S&CO A/c Dr.	50,000	
	To T & CO		50,000
	(Being inter firm owings eliminated)		
	B's Current A/c Dr.	54,250	
	To B's Capital A/c		54,250
	(Being B's Capital to bring cash debited to B's Current A/c)		
	S's Capital A/c Dr.	1,10,250	
	To S's Current A/c		1,10,250
	(Being surplus amount in S's capital transferred to current A/c)		

W.N 1: Capital Balance in S & CO:

Particulars	B Capital (Rs)	S Capital (Rs)
Balances	1,20,000	80,000
Add: Reserves	18,750	6,250
Add: Profit on revaluation after adjustment of provision (40,000 - 4,000)	27,000	9,000
	1,65,750	95,250

W.N 2: Capital Balance in T & CO

Particulars	S Capital (Rs)	T Capital (Rs)
Balances	1,00,000	50,000
Add: Reserves	33,333	16,667
Add: Profit on revaluation after adjustment of provision (20,000 - 5,000)	10,000	5,000
	1,43,333	71,667

W.N 3: Capitals in New firm BST & CO

Particulars	B (Rs.)	S (Rs.)	T (Rs.)
Balance Credited from S & CO	1,65,750	95,250	-
Balance Credited from T & CO	-	1,43,333	71,667
Total	1,65,750	2,38,583	71,667
Goodwill Adjustment	(10,000)	11,667	(1,667)
	1,55,750	2,50,250	70,000
Proportionate capitals based on T's Share (3:2:1)	(2,10,000)	1,40,000	70,000
Adjusted in current accounts	54,250	1,10,250	-
	Deficiency	Surplus	

Note: T Capital is Rs. 70,000 and it is 1/6 of total. The total there fore is Rs. 4,20,000

PROBLEM NO: 2**Books of Partnership Firm****Realisation Account**

Particulars	Amount (Rs.)	Particulars	Amount (Rs.)
To Land and Buildings	5,00,000	By Sundry Creditors	3,00,000
To Furniture	2,00,000	By Sargam Ltd.: Purchase consideration (W.N.1)	13,85,000
To Stock	5,00,000	By Sargam Ltd.: Sundry Debtors 3,30,000 Less: Commission 24,750 7.5% on 3,30,000	3,05,250
To Debtors	3,30,000		
To Sargam Ltd. (Sundry Creditors)	2,90,000		
To Sargam Ltd.: Commission (4.5% on Rs.2,90,000)	13,050		
To Profits transferred to Sunil's Capital A/c 78,600 Sachin's Capital A/c 78,600	1,57,200		
	19,90,250		19,90,250

Capital Accounts of Partners

Particulars	Sunil	Sachin	Particulars	Sunil	Sachin
To Shares in Sargam Ltd. (W.N.2)	8,15,520	5,69,480	By Balance b/d	7,50,000	5,00,000
To Cash: Final Payment	13,080	9,120	By Realisation A/c - Profit	78,600	78,600
	8,28,600	5,78,600		8,28,600	5,78,600

Cash A/c

Particulars	Rs.	Particulars	Rs.
To Balance B/d	20,000	By Sunil's Capital A/c- Final payment	13,080
To Sargam Ltd. (Amount realized from Debtors less amount paid to creditors): (W.N.3)	2,200	By Sachin's Capital A/c- Final Payment	9,120
	22,200		22,200

Working Notes:

1. Calculation of Purchase consideration:

Particulars	Rs.
Land & Building	6,25,000
Furniture	1,60,000
Stock	4,00,000
Goodwill	2,00,000
	13,85,000

2. Shares received from Sargam Ltd:

The shares received from Sargam Ltd have been distributed between the two partners Sunil & Sachin in the ratio of their final claims i.e., 8,28,600: 5,78,600.

$$\text{No. of shares received from the company} = \frac{13,85,000}{20} = 69,250$$

$$\text{Sunil gets } \frac{69,250 \times 8,28,600}{14,70,200} = 40,776 \text{ shares valued at Rs. 20} = \text{Rs. } 8,15,520$$

Sachin gets the remaining 28,474 shares, valued at Rs. 5,69,480 (28,474 x 20)

3. Calculation of net amount received from Sargam Ltd

Particulars	Rs.
Amount realized from Debtors	3,30,000
Less: Commission for realization from debtors (7.5% on Rs. 3,30,000)	24,750
	3,05,250
Less: Amount paid to creditors	2,90,000
	15,250
Less: Commission for cash paid to creditors (4.5% on Rs. 2,90,000)	13,050
Net amount received	2,200

PROBLEM NO: 3

Necessary Ledger Accounts in the books of Partnership Firm

Realization Account

Particulars	Rs.	Particulars	Rs.
To Goodwill	10,000	By provision to doubtful Debts	2,000
To land	20,000	By Trade creditors	96,000
To Buildings	1,10,000	By Bills Payable	14,000
To Machinery	50,000	By Bank overdraft	60,000
To Motor Car	28,000	By Mrs. Aman's loan	15,000
To Furniture	12,000	By ABC Ltd. (Purchase price)	1,95,500
To Investments	18,000	By Aman's Capital A/c (Investments taken over)	13,000
To Loose tools	7,000	By Cash A/c:	
To Stock	18,000	Debtors	20,000
To Bill receivable	20,000	Motor Car	24,000
To Debtors	40,000	Furniture	4,000
To Aman's Capital A/c (Mrs. Aman's Loan)	15,000	Loose tools	1,000
			49,000

To Cash A/c:			
Creditors	94,000		
Realization expenses	500	94,500	
To Profit on Realization t/f to:			
Aman's Capital A/c	1,000		
Baal's Capital A/c	667		
Chand's Capital A/c	333	2,000	
		4,44,500	4,44,500

ABC Ltd. Account

Particulars	Rs.	Particulars	Rs.
To Realization A/c	1,95,500	By Cash A/c	75,500
		By Shares in ABC Ltd.	1,20,000
	1,95,500		1,95,500

Partners' Capital Accounts

Particulars	Aman	Baal	Chand	Particulars	Yash	Baal	Chand
To Profit and Loss A/c	6,000	4,000	2,000	By Balance b/d	70,000	80,000	10,000
To Realization A/c	13,000	-	-	By Chand's Loan A/c	-	-	33,000
To Chand's Current A/c	-	-	56,000	By Investment Fluctuation Fund*	2,000	1,333	667
To shares in ABC Ltd.	60,000	40,000	20,000	By Realization A/c	1,000	667	333
To Cash A/c	18,000	44,000	-	By Realization A/c (Mrs. Aman's loan A/c)	15,000	-	-
				By Cash A/c	-		31,000
	97,000	88,000	78,000		97,000	88,000	78,000

*Alternatively, Investment Fluctuation Fund Account may be transferred to Realization Account.

Chand's Current Account

Particulars	Rs.	Particulars	Rs.
To Balance b/d	56,000	By Chand's Capital A/c-transfer	56,000
	56,000		56,000

Shares in ABC Ltd. Account

Particulars	Rs.	Particulars	Rs.
To ABC Ltd. Account	1,20,000	By Aman's Capital A/c	60,000
		By Baal's Capital A/c	40,000
		By Chand's Capital A/c	20,000
	1,20,000		1,20,000

Cash A/c

Particulars	Rs.	Particulars	Rs.
To Balance b/d	1,000	By Realization A/c (Liabilities & exp.)	94,500
To ABC Ltd.	75,500	By Aman's Capital A/c	18,000
To Realization A/c (sale of assets)	49,000	By Baal's Capital A/c	44,000
To Chand's Capital A/c	31,000		
	1,56,500		1,56,500

PROBLEM NO: 4**Realisation A/c**

Particulars	Rs.	Particulars	Rs.
To Sundry Assets:		By Unsecured loans	15,000
Fixed assets	45,000	By Current liabilities	15,000
Investments	15,000	By YTR Ltd (W.N.2)	85,500
Stock	10,000		
Debtors	27,500		
To Bank A/c (Realisation expenses)	5,000		

To profit on realization transferred to			
Yash	6,500		
Tanish	4,333		
Ruchika	2,167	13,000	
		1,15,500	1,15,500

Cash and Bank A/c

Particulars	Rs.	Particulars	Rs.
To Balance B/d	12,500	By Realisation - Expenses	5,000
To YTR (P) Ltd.	8,667	By Ruchika Capital A/c	16,617
	21,167		21,167

YTR Pvt. Ltd.

Particulars	Rs.	Particulars	Rs.
To Realisation A/c	85,500	By Cash and Bank A/c	8,667
		By Equity shares in YTR Pvt. Ltd	76,833
	85,500		85,500

Partners' Capital Accounts

Particulars	Yash	Tanish	Ruchika	Particulars	Yash	Tanish	Ruchika
To Current A/c	-	10,000	-	By Balance B/d	50,000	20,000	10,000
To Cash and Bank A/c	-	-	16,167	By Current A/c	6,000	-	4,000
To Equity shares in YTR Ltd. (in 3:2)	46,100	30,733	-	By Realisation A/c	6,500	4,333	2,167
To Tanish's Capital A/c - adjustment	16,400			By Yash's Capital A/c - adjustment		16,400	-
	62,500	40,733	16,617		62,500	40,733	16,617

Working notes:**1. Calculation of Goodwill**

Particulars	Rs.
Actual profits	20,000
Less: Normal rate of return @ 17.5% of fixed capital worth Rs.80,000	14,000
Super profits	6,000
Goodwill valued at 3 years' Purchase	18,000

2. Calculation of Purchase consideration

Particulars	Rs.
Total value of assets as per balance sheet	1,20,000
Less: Cash and Bank balances	12,500
Current Account	10,000
	97,500
Add: Goodwill	18,000
	1,15,500
Less: Liabilities taken over	
Unsecured Loan	15,000
Current liabilities	15,000
Purchase consideration	85,500

Note: In the above answer, goodwill has not been raised but has been considered for the purpose of computation of purchase consideration.

PROBLEM NO: 5

In the books of 3R Enterprises

Dr.		Realisation Account		Cr.	
Particulars	Rs.	Particulars	Rs.		
To Land and Buildings	14,00,000	By Creditors	6,00,000		
To Machinery	11,00,000	By 3R Enterprises (Pvt.) Ltd. A/c	42,00,000		
To Furniture	6,10,000				
To Stock	8,40,000				
To Debtors	6,00,000				
To Cash at Bank	1,90,000				
To Ramesh's capital	30,000				
To Roshan's capital	20,000				
To Rohan's capital	10,000				
	48,00,000		48,00,000		

Dr.				Partners' Capital Accounts				Cr.			
Particulars	Ramesh	Roshan	Rohan	Particulars	Ramesh	Roshan	Rohan				
To Shares in 3R Enterprises (Pvt.) Ltd. A/c	21,00,000	14,00,000	7,00,000	By Bal. b/d	16,80,000	11,60,000	6,70,000				
To Bank A/c (Settlement)	-	-	85,000	By General Reserve	3,15,000	2,10,000	1,05,000				
				By Realization A/c (Profit)	30,000	20,000	10,000				
				By Bank A/c (Settlement)	75,000	10,000	-				
	21,00,000	14,00,000	7,85,000		21,00,000	14,00,000	7,85,000				

In the Books of 3R Enterprises (Private) Ltd

Journal Entries

	Particulars	Rs.	Rs.
1.	Business Purchase A/c Dr. To M/s 3R Enterprises (Consideration payable for business purchased)	42,00,000	42,00,000
2.	Land and Buildings A/c Dr. Machinery A/c Dr. Furniture A/c Dr. Stock A/c Dr. Debtors A/c Dr. Bank A/c Dr. To Creditors A/c To Provision for doubtful debts A/c To Business Purchase A/c To Capital Reserve A/c (balancing figure) (Assets and liabilities taken over for Rs. 42,00,000; balance credited to capital reserve)	16,40,000 9,90,000 6,10,000 8,40,000 6,00,000 1,90,000	6,00,000 30,000 42,00,000 40,000
3.	Capital reserve A/c (Expenses of takeover) Dr. To Bank A/c (Expenses for take over debited to capital reserve)	23,000	23,000
4.	M/s 3R Enterprises A/c Dr. To Equity share capital A/c (Allotment of fully paid equity shares to discharge consideration for business)	42,00,000	42,00,000
5.	Preliminary expenses A/c Dr. To Bank A/c (Expenses incurred to get the company incorporated)	57,000	57,000

PROBLEM NO: 6

Books of Arun and Varun

Realisation Account

Particulars	Amount	Amount	Particulars	Amount
To Sundry debtors		1,20,000	By Sundry creditors	96,000
To Bills receivable		20,000	By Loan creditors	80,000
To Stock in trade		72,000	By Bank overdraft	32,000
To Patents		16,000	By Purchasing Company (W.N. 2)	4,20,000
To Plant and Machinery		32,000		
To Land and Building		1,20,000		
To Capital A/c (Profit)				
Arun	1,24,000			
Varun	1,24,000	2,48,000		
		6,28,000		6,28,000

Partners' Capital Accounts

Particulars	Amount	Amount	Particulars	Amount	Particulars
To Shares in Purchasing Co.	2,10,000	2,10,000	By Balance b/d	80,000	80,000
			By Reserves	6,000	6,000
			By Realization A/c	1,24,000	1,24,000
	2,10,000	2,10,000		2,10,000	2,10,000

Working Notes

1. Goodwill = $(60,000 + 72,000 + 84,000 + 12,000^*) / 3 \text{ years} = 1,52,000$

* Profit transferred to reserve @ Rs.4,000 for 3 years.

2. Purchase Consideration

	Amount	Amount
Assets taken over:		
Goodwill (W.N.1)		1,52,000
Land and Buildings		2,00,000
Plant and Machinery		48,000
Sundry Debtors		1,20,000
Bills Receivable		20,000
Stock in trade		72,000
Patents		16,000
		6,28,000
Less: Liabilities taken over:		
Creditors	96,000	
Loan Creditors	80,000	
Bank Overdraft	<u>32,000</u>	2,08,000
Purchase Consideration		4,20,000

PROBLEM NO: 7

Balance sheet of firm as on 30-6-2014

Liabilities	Amount Rs.	Assets	Amount Rs.	Amount Rs.
Capitals		Plant	1,60,000	
P	1,33,800	Less: Depreciation	<u>(8,000)</u>	1,52,000
Q	1,15,800	Building	48,000	
Creditors	60,000	Less: Written off	<u>(2,400)</u>	45,600
Bank O.D	40,000	Debtors		68,000
		Stock		84,000
	3,49,600			3,49,600

Dr.		Realisation A/c		Cr.	
Particulars	Amount Rs	Particulars	Amount Rs		
To Plant A/c	1,52,000	By Trade creditors A/c	60,000		
To Building A/c	45,600	By Bank O.D A/c	40,000		
To Stock A/c	84,000	By PQ Ltd (P.C) (W.N-2)	3,79,600		
To Debtors A/c	68,000				
To Partner's Capital A/c (Profit)					
P's Capital	65,000				
Q's Capital	65,000				
	4,79,600				4,79,600

Dr.				Partner's capital A/c				Cr.							
Date		Particulars		P (Rs.)		Q (Rs.)		Date		Particulars		P (Rs.)		Q (Rs.)	
01.01.14		To P & L A/c		15,000		15,000		01.01.14		By Bal. b/d		1,50,000		1,30,000	
01.01.14		To Drawings A/c		9,000		7,000		30.06.14		By Profit (W.N-1)		15,600		15,600	
30.06.14		To Drawings A/c (W.N-1)		7,800		7,800									
30.06.14		To Bal. c/d		1,33,800		1,15,800									
				1,65,600		1,45,600						1,65,600		1,45,600	
30.06.14		To Shares in PQ. Ltd.		1,98,800		1,80,800		30.06.14		By Balance b/d		1,33,800		1,15,800	
								30.06.14		By Realisation A/c (Profit)		65,000		65,000	
				1,98,800		1,80,800						1,98,800		1,80,800	

W.N: 1 Calculation of profit up to 30-6-2014

Particulars	Amt (Rs)
Total Assets as per Balance Sheet	3,49,600
Less: Liabilities	
Creditors	(60,000)
Bank O.D	(40,000)
NAV (or) Closing combined capitals	2,49,600
Less : Opening Capitals after P&L A/c (Dr) Written off & Drawings	
P (1,50,000 – 15,000 – 9,000)	(1,26,000)
Q (1,30,000 – 15,000 – 7000)	(1,08,000)
Profit after Drawings	15,600
Add: Drawings 1/2 of Profits	15,600
Actual profit for six months before drawings.	31,200
Share of 'P'	15,600
Share of 'Q'	15,600

W.N-2 Calculation of P.C

Particulars	Amt (Rs.)
Net Assets	2,49,600
Add: Goodwill	1,30,000
Purchase Consideration	3,79,600

PROBLEM NO: 8**Realisation Account**

Particulars	Amount	Particulars	Amount
To Sundry assets:		By Creditors	2,77,500
Stock	3,17,000	By Bills payables	51,000
Debtors	3,25,000	By Bank overdraft	75,000
Plant	1,63,875	By Shares in ST Ltd. (W.N.3)	18,80,000
Building	8,64,500		
Furniture	73,125		
To Profit:			
S	2,70,000		
T	2,70,000		
	22,83,500		22,83,500

Partners' Capital Accounts

Date	Particulars	S	T	Date	Particulars	S	T
2011	To Cash -			2011	By Balance b/d	6,40,000	6,60,000
April 01	Drawings (W.N.2)	20,000	20,000	April 01	By Profit (W.N.2)	40,000	40,000
Sept 30	To Shares in ST Ltd.	9,30,000	9,50,000	Sept 30	By Realisation A/c (Profit)	2,70,000	2,70,000
		9,50,000	9,70,000			9,50,000	9,70,000

Working Notes:

1. Ascertainment of total capital:

Balance Sheet as at 30th September, 2011

Liabilities	Rs.	Assets	Rs.
Sundry creditors	2,77,500	Building	9,10,000
Bills payable	51,000	Less: Depreciation	(45,500)
Bank overdraft	75,000	Plant	1,72,500
Total capital (bal. fig.)	13,40,000	Less: Depreciation	(8,625)
		Furniture	75,000
		Less: Depreciation	(1,875)
		Stock	3,17,000
		Debtors	3,25,000
	17,43,500		17,43,500

2. Profit earned during six months to 30 September, 2011

	Rs.	Rs.
Total capital (of S and T) on 30th September, 2011 (W.N.1)		13,40,000
Capital on 1st April, 2011		
S	6,40,000	
T	6,60,000	13,00,000
Net increase (after drawings)		40,000
Since drawings are half of profits therefore actual profit earned is Rs. 40,000 x 2 = Rs. 80,000 (shared equally by partners S and T). Half of the profits, has been withdrawn by both the partners equally i.e. drawings Rs. 40,000 (Rs. 80,000 x ½) withdrawn by S and T in 1:1 ratio i.e. Rs. 20,000 each).		

3. Purchase consideration:

	Rs.
Total assets (W.N.1)	17,43,500
Add: Goodwill	5,40,000
	22,83,500
Less: Liabilities (277500 + 51,000 + 75,000)	(4,03,500)
Purchase consideration	18,80,000

Note: The above solution is given on the basis that reduction in bank overdraft is after surrender of Joint life policy.

PROBLEM NO: 9

i) Adjustment for raising and writing off of goodwill

	Raised in old profit sharing ratio		Total (Rs.)	Written off in new ratio	Difference (Rs.)
	X & Co. (3:2)	Y & Co. (5:3)		4:5:1	
A	45,000	---	45,000 Cr.	46,000 Dr.	1,000 Dr.
B	30,000	25,000	55,000 Cr.	57,500 Dr.	2,500 Dr.
C	---	15,000	15,000 Cr.	11,500 Dr.	3,500 Cr.
	75,000	40,000	1,15,000	1,15,000	Nil

ii) Balance Sheet of X Y & Co.(New firm) as on 31.3.2012

Liabilities	Rs.	Assets	Rs.
Capital Accounts:		Vehicle	74,000
A	1,72,000	Machinery	1,00,000
B	2,15,000	Building	2,00,000
C	43,000	Stock	70,000

Current Accounts:		Debtors	1,40,000	
		Less: Provision for doubtful debts	(9,000)	1,31,000
A	22,000	Cash & Bank		70,000
C	18,000			
Creditors	1,75,000			
	6,45,000			6,45,000

Working Notes:**1. Balance of Capital Accounts at the time of amalgamation of firms**

	A's Capital (Rs.)	B's Capital (Rs.)
X & Co. Profit and loss sharing ratio 3:2		
Balance as per Balance Sheet	1,50,000	1,00,000
Add: Reserves	30,000	20,000
Revaluation profit (Building)	30,000	20,000
Less: Revaluation loss (Machinery)	(12,000)	(8,000)
Provision for doubtful debt	(3,000)	(2,000)
	1,95,000	1,30,000
	B's Capital (Rs.)	C's Capital (Rs.)
Y & Co. Profit and loss sharing ratio 5:3		
Balance as per Balance sheet	75,000	50,000
Add: Reserves	25,000	15,000
Less: Revaluation (vehicle)	(10,000)	(6,000)
Provision for doubtful debts	(2,500)	(1,500)
	87,500	57,500

2. Balance of Capital Accounts in the balance sheet of the new firm as on 31.3.2012

	A	B	C
Balance b/d : X & Co.	1,95,000	1,30,000	--
Y & Co.	--	87,500	57,500
	1,95,000	2,17,500	57,500
Adjustment for goodwill	(1,000)	(2,500)	3,500
	1,94,000	2,15,000	61,000
Total capital Rs. 4,30,000 [(B's capital* i.e. Rs. 2,15,000 x 2) to be contributed in 4:5:1 ratio.]	<u>1,72,000</u>	<u>2,15,000</u>	<u>43,000</u>
Transfer to Current Account	<u>22,000</u>	---	18,000

* B's Capital Rs. 21,500 being one-half of the total capital of the firm.

PROBLEM NO: 10

Dr.

Partners Current Accounts (1.04.20X1 to 31.03.20X2)

Cr.

Particulars	X	Y	Z	Particulars	X	Y	Z
1.03.20X1				31.03.20X1			
To Bal. b/d	-	-	10,000	By Bal. b/d	40,000	30,000	-
To x's current a/c – goodwill – (W.N.1)	-	30,000	15,000	By Y's current A/c (goodwill): (W.N.1)	30,000	-	-
To X's current A/c – Revaluation profit – (W.N.2)	-	20,000	10,000	By Z's current A/c (goodwill) - (W.N.1)	15,000	-	-
To X's Capital A/c - Transfer	121000	-	-	By Y's current A/c(W.N.2) (Revaluation Profit)	20,000	-	-
				By Z's current A/c (W.N.2) (Revaluation Profit)	10,000	-	-
				By Joint life policy (52,000 - 40,000)	6,000	4,000	2,000
				By Bal. c/d	-	16,000	33,000
	1,21,000	50,000	35,000		1,21,000	50,000	35,000
(01.04.X1)				(31.03.X2)			
To Bal. b/d	-	16,000	33,000	By Profit & Loss appropriation	-	29,136	14,568
(31.03.X2)	-	15,000	8,000	(31.03.X2)	-	1,864	26,432
To Drawings				By Bal. c/d			
		31,000	41,000			31,000	41,000

Dr. **Partners Current Accounts (01.04.20X2 to 30.06.20X2)** Cr.

Date	Particulars	X	Y	Z	Date	Particulars	X	Y	Z
01.04.X2	To Bal. b/d	-	1,864	26,432	30.6.X2	By realization A/c	-	31,674	15,837
	To Y's Capital	-	29,810	-		By Z's capital	-	-	10,595
		-	31,674	26,432			-	31,674	26,432

Dr. **Partner's capital Accounts** Cr.

Date	Particulars	X	Y	Z	Date	Particulars	X	Y	Z
01.04.X1	To X's Execution	1,81,000	-	-	01.04.X1	By Bal. b/d	60,000	40,000	20,000
	To Bal. c/d	-	40,000	20,000		By X's Current A/c	1,21,000	-	-
		1,81,000	40,000	20,000			1,81,000	40,000	20,000
31.03.X2	To Bal. c/d	-	40,000	20,000	01.04.X1	By Bal. b/d	-	40,000	20,000
		1,81,000	40,000	20,000			1,81,000	40,000	20,000
01.04.X2	To Z's Current A/c	-	-	10,595	01.04.X2	By Bal. b/d	-	40,000	20,000
30.06.X2	To Bank	-	69,810	9,405	01.04.X2	By Y's Current A/c	-	29,810	-
		-	69,810	20,000			-	69,810	20,000

Dr. **X's Executor's Account** Cr.

Date	Particulars	Amount	Date	Particulars	Amount
01.04.X1	To Bank	30,000	01.04.X1	By X's Capital	1,81,000
01.04.X1	To Bal. b/d	1,51,000			1,81,000
		1,81,000			1,81,000
30.09.X1	To Bank	30,000	01.04.X1	By Bal. b/d	1,51,000
30.09.X1	To Bal. b/d	1,25,530	30.09.X1	By Interest (1,51,000 x 6%) x(6/12)	4,530
		1,55,530			1,55,530
31.03.X2	To Bank	30,000	01.10.X1	By Bal. b/d	1,25,530
	To Bal. b/d	99,296	31.03.X2	By Interest (1,25,530 x 6%) x(6/12)	3,766
		1,29,296			1,29,296
30.06.X2	To Bank	1,00,785	30.06.X2	By Bal. b/d	99,296
		1,00,785	30.06.X2	By Interest (99,296 x 6%) x(3/12)	1,489
					1,00,785

Working notes:

1. Adjustment of Goodwill

Particulars	X	Y	Z
Share of goodwill before death	45,000 Cr.	30,000 Cr.	15,000 Cr.
Share of goodwill after death	-	60,000 Dr.	30,000 Dr.
	45,000 Cr.	30,000 Dr.	15,000 Dr.

2. Adjustment in relation to revaluation of assets

Particulars	X	Y	Z
Share of profit on revaluation credited to partners	30,000 Cr.	20,000 Cr.	10,000 Cr.
Debited to continuing parties	-	40,000 Dr.	20,000 Dr.
	30,000 Cr.	20,000 Dr.	10,000 Dr.

3. Ascertainment of profit in the year 31-03-20X2

Particulars	X
Profit before changing interest on balance due to X's Executor	52,000
Less: Interest payable to X's executor	
From 1-04-20X1 to 30-09-20X1	4,530
From 1-10-20X1 to 31-03-20X2	3,766
Balance of profit to be shared by Y and Z in 2:1	43,704

4. Ascertainment of sundry Assets in the year 31-03-20X2

Liabilities	Amount (Rs.)	Assets	Amount (Rs.)
Capital of Y	40,000	Sundry Assets (b / f)	1,31,000
Capital of Z	20,000	Partner's current A/c	
X's Executor	99,296	Y	1,864
		Z	26,432
	1,59,296		1,59,296

5. Dr.		Realisation A/c		Cr	
Particulars	Amount (Rs.)	Particulars	Amount (Rs.)		
To Sundry Assets	1,31,000	By Bank A/c	1,80,000		
To Interest A/c	1,489	(Purchase Consideration)			
To Partners Account of Y - 31,674 of Z - 15,837	47,511				
	1,80,000		1,80,000		

6. Dr.		Bank A/c		Cr	
Particulars	Amount	Particulars	Amount		
To Purchase consideration	1,80,000	By X's Executors A/c	1,00,785		
		By Y	69,810		
		By Z	9,405		
	1,80,000		1,80,000		

PROBLEM NO: 11

(i) In the books of XYZ & Co.

Realisation Account

Particulars	Amount	Particulars	Amount
To Plant & Machinery	5,00,000	By Trade payables	3,00,000
To Furniture & Fixture	50,000	By ABC Ltd. (Refer W.N.)	6,00,000
To Inventories	2,00,000	By Partners' Capital Accounts(loss):	
To Trade receivables	2,00,000	X's Capital A/c	20,000
		Y's Capital A/c	20,000
		Z's Capital A/c	10,000
	9,50,000		9,50,000

Partners' Capital Accounts

	X	Y	Z		X	Y	Z
To Realisation A/c	20,000	20,000	10,000	By Balance b/d	2,00,000	3,00,000	1,00,000
To Shares in ABC Ltd.	2,40,000	2,40,000	1,20,000	By Gen. Reserve	40,000	40,000	20,000
To Cash A/c	-	80,000	-	By Cash A/c	20,000	-	10,000
	2,60,000	3,40,000	1,30,000		2,60,000	3,40,000	1,30,000

Cash and Bank Account

	Cash	Bank		Cash	Bank
To Balance b/d	40,000	10,000	By Cash A/c(Contra)*		10,000
To Bank A/c (Contra)*	10,000		By Y	80,000	
To X	20,000				
To Z	10,000				
	80,000	10,000		80,000	10,000

*It is assumed that cash at bank has been withdrawn to pay Rs. 80,000 to partner Y. However, payment to Y of Rs. 80,000 can also be made by cash Rs. 70,000 & by cheque Rs. 10,000.

(ii) In the Books of ABC Ltd.:

Journal Entries

	Particulars	Rs.	Rs.
1	Business Purchase Account Dr. To XYZ & Co. (Being business of XYZ & Co. purchased and payment due)	6,00,000	6,00,000
2.	Plant and Machinery Account Dr. Furniture and Fixture Account Dr. Inventories Account Dr. Trade Receivables Account Dr. To Trade Payables Account To Unrecorded Liability Account To Business Purchase Account To Capital Reserve Account (Bal. Fig.) (Being takeover of all assets and liabilities)	5,00,000 50,000 2,00,000 2,00,000 3,00,000 25,000 6,00,000 25,000	

3.	XYZ & Co. To Equity Share Capital Account To Securities Premium Account (Being purchase consideration discharged in the form of shares of Rs. 10 each issued at a premium of Rs. 2 each)	Dr.	6,00,000	5,00,000 1,00,000
4.	Trade Payables Account To Trade Receivables Account (Being mutual owings eliminated)	Dr.	1,00,000	1,00,000

Balance Sheet of ABC Ltd. (After takeover of XYZ & Co.) as at 31.3.2017

	Note no.	
Equity and Liabilities		
1. Shareholder's funds		
a) Share capital	1	25,00,000
b) Reserve and Surplus	2	8,25,000
2. Current liabilities:		
a) Trade Payables (3,00,000 + 13,00,000 – 1,00,000)		15,00,000
b) Others (Unrecorded Liability)		25,000
Total		48,50,000
Assets		
1. Non-current assets:		
a) Fixed assets		
i) Tangible assets	3	23,75,000
2. Current assets:		
a) Inventories (2,00,000 + 8,50,000)		10,50,000
b) Trade Receivables (2,00,000 + 8,25,000 – 1,00,000)		9,25,000
c) Cash and cash equivalent	4	5,00,000
Total		48,50,000

Notes to Accounts

1. Share Capital 2,50,000, Equity shares of Rs. 10 each fully paid up (out of which 50,000 shares has been issued for consideration other than cash)		25,00,000
2. Reserve and Surplus Securities Premium Capital Reserve General Reserve	1,00,000 25,000 <u>7,00,000</u>	8,25,000
3. Tangible assets Plant and Machinery (5,00,000 + 16,00,000) Furniture and fixture (50,000 + 2,25,000)	21,00,000 <u>2,75,000</u>	23,75,000
4. Cash and cash equivalent Cash at Bank Cash in hand	4,00,000 <u>1,00,000</u>	5,00,000

Working Note:**Computation of purchase consideration:**

50,000, Equity shares of Rs. 12 (10+2) each = Rs. 6,00,000

Equity shares distributed among partners:

Partner X = 20,000 shares @ Rs. 12 = Rs. 2,40,000

Partner Y = 20,000 shares @ Rs. 12 = Rs. 2,40,000

Partner Z = 10,000 shares @ Rs. 12 = Rs. 1,20,000

Rs. 6,00,000

Note: In the problem Trade receivables of ABC Ltd., was given as Rs. 8,50,000 but it need to rectified as Rs. 8,25,000 to get accurate answer.

THE END