

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

Adjustment for raising &amp; 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 &amp; 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
	<b>1,65,750</b>	<b>95,250</b>

**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
	<b>1,43,333</b>	<b>71,667</b>

**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
<b>Total</b>	<b>1,65,750</b>	<b>2,38,583</b>	<b>71,667</b>
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 7.5% on 3,30,000 24,750	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**

Dr. **Realisation A/c** Cr.

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

Dr. **Cash and Bank A/c** Cr.

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

Dr. **YTR Pvt. Ltd.** Cr.

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

Dr. **Partners' Capital Accounts** Cr.

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
<b>Less:</b> 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
<b>Less:</b> Cash and Bank balances	12,500
Current Account	10,000
	97,500
<b>Add:</b> Goodwill	18,000
	1,15,500
<b>Less:</b> 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



**Working Notes**

1. Goodwill =  $(60,000 + 72,000 + 84,000 + 12,000) / 3 \times 2 \text{ Years} = 1,52,000$

\* 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
		<b>6,28,000</b>
Less: Liabilities taken over:		
Creditors	96,000	
Loan Creditors	80,000	
Bank Overdraft	<u>32,000</u>	2,08,000
Purchase Consideration		<b>4,20,000</b>

**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
	<b>3,49,600</b>			<b>3,49,600</b>

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		
	<b>4,79,600</b>		<b>4,79,600</b>

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				
		<b>1,65,600</b>	<b>1,45,600</b>			<b>1,65,600</b>	<b>1,45,600</b>
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
		<b>1,98,800</b>	<b>1,80,800</b>			<b>1,98,800</b>	<b>1,80,800</b>

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

Particulars	Amt (Rs)
Total Assets as per Balance Sheet	3,49,600
<b>Less: Liabilities</b>	
Creditors	(60,000)
Bank O.D	(40,000)
NAV (or) Closing combined capitals	2,49,600
<b>Less : Opening Capitals after P&amp;L A/c (Dr) Written off &amp; Drawings</b>	
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
<b>Add: Drawings 1/2 of Profits</b>	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
<b>Add: Goodwill</b>	1,30,000
Purchase Consideration	<b>3,79,600</b>

**PROBLEM NO: 8**

Dr.

Realisation Account

Cr.

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	5,40,000		
	<b>22,83,500</b>		<b>22,83,500</b>

Dr.

Partners' Capital Accounts

Cr.

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
		<b>9,50,000</b>	<b>9,70,000</b>			<b>9,50,000</b>	<b>9,70,000</b>

**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 (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
		<b>Less: Provision for doubtful debts</b>	<b>(9,000)</b>
			<b>1,31,000</b>
A	22,000	Cash & Bank	70,000
C	18,000		
Creditors	1,75,000		
	<b>6,45,000</b>		<b>6,45,000</b>

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

	A's Capital (Rs.)	B's Capital (Rs.)
<b>X &amp; Co.</b> Profit and loss sharing ratio 3:2		
Balance as per Balance Sheet	1,50,000	1,00,000
<b>Add: Reserves</b>	30,000	20,000
Revaluation profit (Building)	30,000	20,000
<b>Less: Revaluation loss (Machinery)</b>	<b>(12,000)</b>	<b>(8,000)</b>
Provision for doubtful debt	(3,000)	(2,000)
	<b>1,95,000</b>	<b>1,30,000</b>

	B's Capital (Rs.)	C's Capital (Rs.)
<b>Y &amp; Co.</b> Profit and loss sharing ratio 5:3		
Balance as per Balance sheet	75,000	50,000
<b>Add: Reserves</b>	25,000	15,000
<b>Less: Revaluation (vehicle)</b>	<b>(10,000)</b>	<b>(6,000)</b>
Provision for doubtful debts	(2,500)	(1,500)
	<b>87,500</b>	<b>57,500</b>

**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.]	1,72,000	2,15,000	43,000
Transfer to Current Account	22,000	---	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	-	-
				By Y's current A/c(W.N.2)	20,000	-	-

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

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
		-	<b>31,674</b>	<b>26,432</b>			-	<b>31,674</b>	<b>26,432</b>

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

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

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.
	<u>45,000 Cr.</u>	<u>30,000 Dr.</u>	<u>15,000 Dr.</u>

## 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.
	<u>30,000 Cr.</u>	<u>20,000 Dr.</u>	<u>10,000 Dr.</u>

**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
<b>Less:</b> 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
	<b>1,59,296</b>		<b>1,59,296</b>

**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	47,511		
of Z - 15,837			
	<b>1,80,000</b>		<b>1,80,000</b>

**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
	<b>1,80,000</b>		<b>1,80,000</b>

**PROBLEM NO: 11****(i) In the books of XYZ & Co.****Dr.****Realisation Account****Cr.**

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
	<b>9,50,000</b>		<b>9,50,000</b>

**Dr.****Partners' Capital Accounts****Cr.**

	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
	<b>2,60,000</b>	<b>3,40,000</b>	<b>1,30,000</b>		<b>2,60,000</b>	<b>3,40,000</b>	<b>1,30,000</b>

Dr.	Cash and Bank Account				Cr.
	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				
	<b>80,000</b>	<b>10,000</b>		<b>80,000</b>	<b>10,000</b>

\*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. Dr. 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)	6,00,000	5,00,000 1,00,000
4.	Trade Payables Account Dr. To Trade Receivables Account (Being mutual owings eliminated)	1,00,000	1,00,000

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

Particulars	Note no.	Rs.
<b>Equity and Liabilities</b>		
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
<b>Total</b>		<b>48,50,000</b>
<b>Assets</b>		
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
<b>Total</b>		<b>48,50,000</b>

**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	1,00,000	
Capital Reserve	25,000	
General Reserve	<u>7,00,000</u>	8,25,000
3. Tangible assets		
Plant and Machinery (5,00,000 + 16,00,000)	21,00,000	
Furniture and fixture (50,000 + 2,25,000)	<u>2,75,000</u>	23,75,000
4. Cash and cash equivalent		
Cash at Bank	4,00,000	
Cash in hand	<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.

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To **MASTER MINDS**, GUNTUR

**THE END**