

8. PARTNERSHIP ACCOUNTS

ASSIGNMENT SOLUTIONS

PROBLEM NO:1

(i) Dr. Realisation Account		Cr.	
Particulars	Rs.	Particulars	Rs.
To Fixed assets	5,00,000	By Creditors	3,20,000
To Stock in trade	3,00,000	By Cash (5,20,000 + 4,40,000)	9,60,000
To Debtors	5,00,000	By Y (Stock taken over)	2,50,000
To Cash - Expenses	6,000	By Loss transferred to partner's capital accounts	
To Cash - Creditors (3,20,000 x 95%)	3,04,000	X	35,555
		Y	26,667
		Z	17,778
	16,10,000		16,10,000

(ii) Dr. Partners' Capital Accounts				Cr.			
Particulars	X	Y	Z	Particulars	X	Y	Z
To Realisation A/c	35,555	26,667	17,778	By Bal b/d	4,00,000	3,00,000	2,00,000
To Realisation A/c	-	2,50,000	-	By General reserve	40,000	30,000	20,000
To Cash	4,04,445	53,333	2,02,222				
	4,40,000	3,30,000	2,20,000		4,40,000	3,30,000	2,20,000

(iii) Dr. Cash Account		Cr.	
Particulars	Amount (Rs.)	Particulars	Amount (Rs.)
To Balance b/d	10,000	By Realisation A/c (Exp.)	6,000
To Realisation A/c (Fixed assets and book debts realized)	9,60,000	By Realisation A/c (Creditors)	3,04,000
		By X	4,04,445
		By Y	53,333
		By Z	2,02,222
	9,70,000		9,70,000

PROBLEM NO: 2

a) Dr. Partner's Capital A/c				Cr.			
Particulars	A (Rs.)	B (Rs.)	C (Rs.)	Particulars	A (Rs.)	B (Rs.)	C (Rs.)
To Cash A/c	15,636	-	-	By bal. b/d	12,000	9,000	6,000
To Realisation A/c (Bal)	-	17,762	11,438	By Realisation A/c	3,636	2,424	1,212
				By Cash A/c	-	6,338	4,226
	15,636	17,762	11,438		15,636	17,762	11,438

b) Opening entry in the book new firm:

Particulars	Amount (Rs.)	Amount (Rs.)
Stock A/c Dr.	4,000	
Loose tools A/c Dr.	500	
Motor vehicles A/c Dr.	2,500	
Plant & Machinery A/c Dr.	7,800	
Free hold premises A/c Dr.	8,400	
Goodwill A/c Dr.	6,000	
To B Capital A/c		17,762
To C Capital A/c		11,438
(Being assets and capitals incorporated in new firm)		

c) Balance sheet of B & C as on 30.06.2003.

Liabilities	Amount (Rs.)	Assets	Amount (Rs.)
Capitals		Stock A/c	4,000
B	17,762	Loose tools A/c	500
C	11,438	Motor vehicles A/c	2,500
		Plant & Machinery A/c	7,800
		Free hold premises A/c	8,400
		Good will A/c	6,000
	29,200		29,200

W.N-1:

Dr.	Cash A/c		Cr.
Particulars	Amount (Rs.)	Particulars	Amount (Rs.)
To Bal. b/d	2,500	By Creditors A/c	3,328
To Debtors A/c	5,900		
To B Capital A/c	6,338	By A Capital A/c	15,636
To C Capital A/c	4,226		
	18,964		18,964

W.N-2:

Dr.	Realisation A/c		Cr.
Particulars	Rs.	Particulars	Rs.
To Debtors	6,200	By Creditors	3,400
To Stock	3,700	By Cash (debtors realization)	5,900
To Loose tools	800	By B & C Capital A/c	29,200
To Motor vehicle	1,200		
To Plant & Machinery	6,000		
To Freehold premises	10,000		
To Cash A/c (creditors)	3,328		
To Capital A/c			
A A/c 3,636			
B A/c 2,424			
C A/c <u>1,212</u>	<u>7,272</u>		
	38,500		38,500

PROBLEM NO: 3

Dr.	Realisation Account				Cr.
Particulars	Amount	Amount	Particulars	Amount	Amount
To Assets:			By Liabilities:		
Plant & Machinery A/c		7,97,850	Sundry Creditors A/c		4,25,250
Furniture A/c		48,487	Joint Life Policy		
Stock A/c		1,77,525	Reserve A/c		1,99,125
Sundry Debtors A/c		4,00,500	Cash A/c:		
Joint Life Policy A/c		1,99,125	Joint Life Policy		1,74,375
Commission		1,05,413	Commission		1,05,413
Receivable			Receivable		
To L's Capital A/c:		13,500	By L's Capital A/c:		
Dissolution Expenses			Plant and Machinery	6,75,000	
To Cash A/c:		23,062	Furniture, Stocks	<u>1,35,000</u>	8,10,000
Bill dishonoured			By M 's Capital A/c:		
To Partner's Capital A/c's:			Furniture and stocks		1,35,000
(Profit on realisation)					
L	41,851				
M	27,900				
N	13,950	83,701			
		18,49,163			18,49,163

Dr. Partner's Capital Accounts				Cr.			
Particulars	L	M	N	Particulars	L	M	N
To Realisation A/c:				By Balance b/d	3,15,000	1,68,750	90,000
Plant & Machinery	6,75,000	-	-	By Bank O.D A/c	4,54,837	-	-
Furniture, Stocks	1,35,000	1,35,000		By Loan from Mrs. L A/c	1,12,500	-	-
To Cash A/c (Bal. fig)	1,27,688	61,650	1,03,950	By Realisation A/c:			
				Dissolution Expenses	13,500	-	-
				Profit on realisation	41,851	27,900	13,950
	9,37,688	1,96,650	1,03,950		9,37,688	1,96,650	1,03,950

Dr. Cash Account				Cr.			
Particulars	Amount (Rs.)	Particulars	Amount (Rs.)				
To Balance b/d	36,562	By Realisation A/c:					
To Realisation A/c:		Bill dishonoured	23,062				
Joint Life Policy	1,74,375	By Partners' Capital Accounts:					
Commission		L	1,27,688				
Receivable A/c	1,05,413	M	61,650				
		N	1,03,950				
	3,16,350		3,16,350				

Note: No entry is required regarding assignment of sundry debtors to sundry creditors in full satisfaction of their claims.

PROBLEM NO: 4

Dr. Realisation A/c				Cr.			
Particulars	Amount (Rs.)	Particulars	Amount (Rs.)				
To Fixed Assets A/c	1,00,000	By Cash A/c	60,000				
		By Partners Capitals A/c					
		P - 20,000					
		Q - 12,000					
		R - 8,000	40,000				
	1,00,000		1,00,000				

Dr. Bank Loan A/c				Cr.			
Particulars	Amount (Rs.)	Particulars	Amount (Rs.)				
To Cash A/c	42,000	By Balance b/d	60,000				
To Deficiency A/c	18,000						
	60,000		60,000				

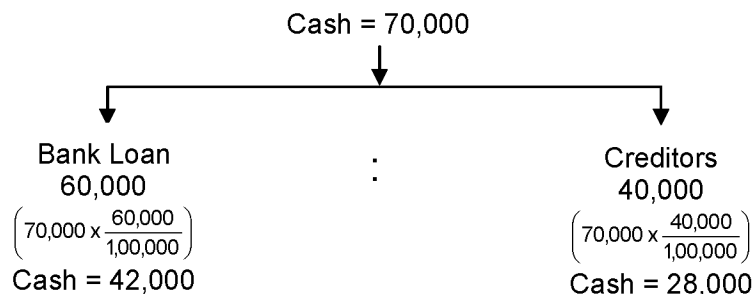
Dr. Creditors A/c				Cr.			
Particulars	Amount (Rs.)	Particulars	Amount (Rs.)				
To Cash A/c	28,000	By Bal b/d	40,000				
To Deficiency A/c	12,000						
	40,000		40,000				

Dr. Cash A/c				Cr.			
Particulars	Amount (Rs.)	Particulars	Amount (Rs.)				
To Balance b/d	10,000	By Bank Loan A/c	42,000				
To Realisation A/c	60,000	By Creditors A/c	28,000				
	70,000		70,000				

Dr. Deficiency A/c				Cr.			
Particulars	Rs.	Amount (Rs.)	Particulars	Amount (Rs.)			
To Partners Capital A/c's			By Bank Loan	18,000			
P	15,000		By Creditors	12,000			
Q	9,000						
R	6,000	30,000					
		30,000		30,000			

Dr. Partner's Capital A/c				Cr.			
Particulars	P (Rs.)	Q (Rs.)	R (Rs.)	Particulars	P (Rs.)	Q (Rs.)	R (Rs.)
To Realisation A/c	20,000	12,000	8,000	By Balance b/d	5,000	3,000	2,000
				By Deficiency A/c	15,000	9,000	6,000
	20,000	12,000	8,000		20,000	12,000	8,000

WORKING NOTE: Distribution of Available Cash Based On the Outstanding Balance Ratio



PROBLEM NO: 5

Dr. Realisation A/c		Cr.	
Particulars	Amount (Rs.)	Particulars	Amount (Rs.)
To Fixed Assets A/c	40,000	By Provision for Bad debts A/c	5,000
To Stock A/c	25,000	By Creditors (25,000 + 4,000)	29,000
To Debtors A/c	25,000	By Mrs. X Loan A/c	10,000
To Cash A/c (expenses)	1,080	By Cash A/c (20,000 + 21,000 + 20,500)	61,500
To Cash A/c (Creditors)	28,420	By Partner's capital A/c	
To X Capital A/c (Mrs. X Loan)	10,000	X - 9,600	
		Y - 9,600	
		Z - 4,800	24,000
	1,29,500		1,29,500

Dr. Z's Loan A/c		Cr.	
Particulars	Amount (Rs.)	Particulars	Amount (Rs.)
To Cash A/c	5,000	By Balance b/d	5,000
	5,000		5,000

Dr. Cash A/c		Cr.	
Particulars	Amount (Rs.)	Particulars	Amount (Rs.)
To Balance b/d	1,000	By Realisation A/c (Creditors)	28,420
To Realisation A/c - Assets realised	61,500	By Realisation A/c (expenses)	1,080
		By Z's loan A/c	5,000
To X's Cap A/c*	9,600	By X's Cap A/c	34,300
To Z's Cap A/c*	4,800	By Z's Cap A/c	8,100
	76,900		76,900

*X and Z bring these amounts to make good their share of loss on realization. In actual practice they will not be bringing any cash, only a notional entry will be made.

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To **MASTER MINDS**, Guntur

Dr.

Partner's Capital A/c

Cr.

Particulars	X (Rs.)	Y (Rs.)	Z (Rs.)	Particulars	X (Rs.)	Y (Rs.)	Z (Rs.)
To Creditors A/c	1,600	1,600	800	By Balance b/d	29,200	10,800	10,000
To Balance c/d	27,600	9,200	9,200				
	29,200	10,800	10,000		29,200	10,800	10,000
To Advance	-	4,000	-	By Balance b/d	27,600	9,200	9,200
To Realisation A/c (loss)	9,600	9,600	4,800	By Realisation A/c (Mrs. X Loan)	10,000	-	-
To Y's cap	3,300	-	1,100	By Cash (Real. Loss)	9,600	-	4,800
				By X's cap	-	3,300	-
To Cash A/c (Bal.fig)	34,300	-	8,100	By Z's cap	-	1,100	-
	47,200	13,600	19,000		47,200	13,600	14,000

NOTE: Y's deficiency comes to Rs.4,400 (difference in the two sides of his Capital Account); this has been debited to X and Z in the ratio of 27,600 : 9,200 i.e., capital standing up just before dissolution but after correction of error committed while drawing up the accounts for 2012

PROBLEM NO: 6

Statement of Distribution of Cash

	Realisation	Interest on loans from partner's Spouses	Interest on loans from partner's	Partners' Capitals			Total
				A	B	C	
Balances due (1)		2,000	1,000	9,600	6,000	8,400	24,000
i) Sale of investments	1,000	(1,000)	-				
		1,000	1,000				
ii) Sale of furniture	2,000	(1,000)	(1,000)				
		-	-				
iii) Sale of machinery	1,200						
Maximum possible loss (total of capitals Rs. 24,000 less cash available Rs. 1,200) allocated to partners in the profit sharing ratio i.e. 5 : 3 : 2	Rs. 22,800			(11,400)	(6,840)	(4,560)	(22,800)
Amounts at credit				(1,800)	(840)	3,840	1,200
Deficiency of A and B written off against C				1,800	840	(2,640)	-
Amount paid (2)				-	-	1,200	1,200
Balances in capital accounts (1 - 2) = (3)				9,600	6,000	7,200	22,800
iv) Sale of stock Maximum possible loss (Rs. 22,800 - Rs.4,000) Allocated to partners in the ratio 5 : 3 : 2	4,000 18,800			(9,400)	(5,640)	(3,760)	(18,800)
Amounts at credit and cash paid (4) (4,000)				200	360	3,440	4,000
Balances in capital accounts left unpaid - Loss (3 - 4) = (5)				9,400	5,640	3,760	18,800

PROBLEM NO: 7

Maximum Loss method

Statement Showing distribution of cash

Particulars	Creditors (Rs.)	Amar's loan (Rs.)	Capital Balances (Rs.)		
			Amar	Akbar	Antony
Balance due	80,000	20,000	1,00,000	30,000	90,000
15 April					
Cash Realized 60,000	(60,000)	-	-	-	-
Balance due	20,000	20,000	1,00,000	30,000	90,000
1 st May Realised 1,46,000					
Paid	(20,000)	(20,000)	-	-	-
Balance due			1,00,000	30,000	90,000
Maximum loss					
(1,06,000 - 1,00,000 - 30,000 - 90,000) = (1,14,000)					
distribution of loss 5:3:2	-	-	(57,000)	(34,200)	(22,800)
			43,000	(4,200)	67,200
Akbar's Deficiency shared to	-	-	(2,210)	4,200	(1,990)
Cash paid			40,790	-	65,210
Balance due			59,210	30,000	24,790
31 st May realized 94,000					
Maximum loss (94,000 - 59,210 - 30,000 - 24,790) = (20,000)					
Distribution of loss	-	-	(10,000)	(6,000)	(4,000)
Cash paid			49,210	24,000	20,790
Balance loss on realisation			10,000	6,000	4,000

Dr.		Cash A/c		Cr.	
Particulars	Amount (Rs.)	Particulars	Amount (Rs.)		
To Realisation A/c	60,000	By Creditors A/c	60,000		
To Realisation A/c	1,46,000	By Creditors A/c	20,000		
To Realisation A/c	94,000	By Amar's loan A/c	20,000		
		By Amar's capital A/c	40,790		
		By Antony's capital A/c	65,210		
		By Amar's capital A/c	49,210		
		By Akbar's capital A/c	24,000		
		By Antony's capital A/c	20,790		
	3,00,000		3,00,000		

Dr.				Partner's Capital A/c				Cr.							
Particulars		Amar (Rs.)		Akbar (Rs.)		Antony (Rs.)		Particulars		Amar (Rs.)		Akbar (Rs.)		Antony (Rs.)	
To Cash A/c		40,790		-		65,210		By Balance b/d		1,00,000		30,000		90,000	
To Cash A/c		49,210		24,000		20,790									
To Balance c/d (Realisation loss)		10,000		6,000		4,000									
		1,00,000		30,000		90,000				1,00,000		30,000		90,000	

*If no further realisation takes place then Amar, Akbar and Anthony will bear loss on realisation respectively Rs.10,000, Rs.6000, Rs.4000

PROBLEM NO: 8

Statement showing distribution cash to Creditors and Bank loan:

Particulars	Cash Balance (Rs.)	Creditors (Rs.)	Bank loan (Rs.)
Balance due		2,00,000	5,00,000
1. Realisation	5,00,000		
Less: Liquidation expenses	(1,00,000)		
	4,00,000		

Cash paid on outstanding ratio (2:5)	(4,00,000)	(1,14,286)	(2,85,714)
Balance due	-	85,714	2,14,286
2. Realisation	15,00,000		
Less: Cash paid	(3,00,000)	(85,714)	(2,14,286)
Balance	12,00,000	-	-

Statement showing distribution cash to partners

Particulars	Balance (Rs.)	L's Loan (Rs.)	L (Rs.)	M (Rs.)	S (Rs.)
Balance due	12,00,000	10,00,000	15,00,000	10,00,000	5,00,000
Less: Cash paid	(10,00,000)	(10,00,000)	-	-	-
Balance due	2,00,000	-	15,00,000	10,00,000	5,00,000
Less: Paid (W.N-1)	(2,00,000)	-	(2,00,000)	-	-
Balance due	-	-	13,00,000	10,00,000	5,00,000
3. Realisation	15,00,000				
Less: Paid	(3,00,000)	-	(3,00,000)	-	-
Balance due	12,00,000	-	10,00,000	10,00,000	5,00,000
Less: Paid	(10,00,000)	-	(5,00,000)	(5,00,000)	-
Balance due	2,00,000	-	5,00,000	5,00,000	5,00,000
Less: Paid	(2,00,000)	-	(66,667)	(66,667)	(66,666)
Balance due	-	-	4,33,333	4,33,333	4,33,334
4. Realised	30,00,000				
Cash paid (1:1:1)	(30,00,000)	-	(10,00,000)	(10,00,000)	(10,00,000)
Profit			(5,66,667)	(5,66,667)	(5,66,677)
5. Realised	30,00,000				
Less: paid to all	(30,00,000)	-	(10,00,000)	(10,00,000)	(10,00,000)
Total Realisation profit	-		(15,66,667)	(15,66,667)	(15,66,666)

W.N 1:**(i) Scheme of payment of surplus amount of Rs. 2,00,000 out of second instalment**

Particulars	L (Rs.)	M (Rs.)	S (Rs.)
Capital balance	15,00,000	10,00,000	15,00,000
P&L ratio	1	1	1
Proportionate Capitals taking as 'S' Capital	(5,00,000)	(5,00,000)	(5,00,000)
Surplus	10,00,000	5,00,000	-
Profit sharing Ratio	1	1	
Proportionate Capital taking as 'M' Capital	(5,00,000)	(5,00,000)	
Higher relative capital	5,00,000	-	

So, Mr. L should get Rs. 5,00,000 first which will bring down his capital account balance from Rs. 15,00,000 to Rs. 10,00,000. Accordingly, surplus amounting to Rs. 2,00,000 will be paid to Mr. L towards higher relative capital.

(ii) Scheme of payment of Rs. 15,00,000 realised in 3rd Instalment:

- Payment of Rs.3,00,000 will be made to Mr. L to discharge higher relative capital. This makes the higher capital of both Mr. L and Mr. M Rs. 5,00,000 as compared to capital of Mr. S.
- Payment of Rs. 5,00,000 each of Mr. L & Mr. M to discharge the higher capital.
- Balance Rs. 2,00,000 equally to L, M and S, i.e., Rs. 66,667 Rs. 66,667 and Rs. 66,666 respectively.

PROBLEM NO: 9

	Cash	Creditors	Capitals		
			P (Rs.)	Q (Rs.)	R (Rs.)
Balance due after loan		16,000	52,000	43,500	32,000
January					
Balance available	9,000				
Realization less expenses and cash retained	10,000				
Amount available and paid	19,000	(16,000)	-	-	3,000
Balance due	-	-	52,000	43,500	29,000

February					
Opening Balance	6,000				
Expenses paid and cash carried forward	3,000				
Available for distribution	3,000				
Cash paid to Q and Machinery given to R			-	3,000	9,000
Balance due	-		52,000	40,500	20,000
March					
Opening Balance	2,000				
Amount realized less expenses	87,300				
Amount paid to partners	89,300		41,689	32,767	14,844
Loss			10,311	7,733	5,156

Working Note:**(i) Highest Relative Capital Basis**

	P(Rs.)	Q(Rs.)	R(Rs.)
Scheme of payment for January 2014			
Balance of Capital Accounts	65,000	50,500	32,000
Less: Loans	(13,000)	(7,000)	-
(A)	52,000	43,500	32,000
Profit Sharing Ratio	4	3	2
Capital / Profit sharing Ratio	13,000	14,500	16,000
Capital in profit sharing ratio, taking P's capital as base (B)	52,000	39,000	26,000
Excess of R's capital and Q's Capital (A - B) (i)		4,500	6,000
Profit Sharing Ratio		3	2
Capital / Profit sharing Ratio		1,500	3,000
Capital in profit sharing ratio, taking Q's capital as base (ii)		4,500	3,000
Excess of R's Capital over Q's capital (i - ii)			3,000

(ii) Scheme of distribution of available cash for March:

	P (Rs.)	Q (Rs.)	R (Rs.)
Balance of Capital Accounts end of February (A)	52,000	40,500	20,000
Profit Sharing Ratio	4	3	2
Capital / Profit sharing Ratio	13,000	13,500	10,000
Capital in profit sharing ratio, taking R's capital as base (B) (i)	40,000	30,000	20,000
Excess of P's Capital and Q's Capital (A - B) (i)	12,000	10,500	
Profit Sharing Ratio	4	3	
Capital / Profit sharing Ratio	3,000	3,500	
Capital in profit sharing ratio taking P's capital as base (ii)	12,000	9,000	
Excess of Q's Capital over P's Capital (i - ii)		1,500	
Payment Rs. 1500 (C)		(1,500)	
Balance of Excess Capital (i - C)	12,000	9,000	
Payment Rs. 21000 (D)	(12,000)	(9,000)	
Balance due (A - C - D)	40,000	30,000	20,000
Balance cash Payment (Rs. 89,300 - Rs. 22,500) = Rs. 66,800 (E)	(29,689)	(22,267)	(14,844)
Total Payment (Rs. 89,000) (C + D + E) (iii)	41,689	32,767	
			14,844
Loss (A - iii)	10,311	7,733	5,156

PROBLEM NO: 10**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: 11**(i) Adjustment for raising & writing off of goodwill**

	Goodwill raised in old profit sharing ratio		Total	Goodwill written off in new ratio	Difference
	AB & Co.	CD & Co.		AD & Co.	
A	50,000		50,000 Cr.	31,250 Dr.	18,750 Cr.
B	25,000		25,000 Cr.	15,625 Dr.	9,375 Cr.
C		30,000	30,000 Cr.	46,875 Dr.	16,875 Dr.
D		<u>20,000</u>	<u>20,000 Cr.</u>	<u>31,250 Dr.</u>	11,250 Dr.
	75,000	50,000	1,25,000	1,25,000	

(ii) In the books of AD & Co.**Journal Entries**

Date	Particulars	Debit	Credit
April 1, 2011	Building A/c Dr.	1,00,000	
	Machinery A/c Dr.	1,25,000	
	Furniture A/c Dr.	15,000	
	Stock A/c Dr.	24,000	
	Debtors A/c Dr.	65,000	
	CD & Co. A/c Dr.	47,000	
	Cash at bank A/c Dr.	18,000	
	Cash in hand A/c Dr.	4,000	
	To Provision for doubtful debts A/c		5,000
	To Creditors A/c		52,000
	To A's capital A/c (W.N. 2a)		2,10,667
	To B's capital A/c (W.N.2 a)		1,30,333
	(Being the sundry assets and liabilities of AB & Co. taken over at the values stated as per the agreement)		
April 1, 2011	Building A/c Dr.	1,25,000	
	Machinery A/c Dr.	1,10,000	
	Furniture A/c Dr.	12,000	
	Stock A/c Dr.	36,000	
	Debtors A/c Dr.	78,000	
	Cash at bank A/c Dr.	15,000	
	Cash in hand A/c Dr.	5,000	
	To Provision for doubtful debts A/c		8,000
	To Creditors A/c		35,000
	To AB & Co. A/c		47,000
	To C's capital A/c (W.N. 2b)		1,74,600
	To D's capital A/c (W.N. 2b)		1,16,400
	(Being the sundry assets and liabilities of CD & Co. taken over at the values stated as per the agreement)		
	C's capital A/c Dr.	16,875	
	D's capital A/c Dr.	11,250	

To A's capital A/c To B's capital A/c (Being adjustment in capital accounts of the partners on account of goodwill)			18,750 9,375
AB & Co. A/c Dr. To CD & Co. A/c (Being mutual indebtedness of AB & Co. and CD & Co. cancelled)	47,000		47,000
A's Capital A/c Dr. To A's Current A/c (Being excess amount in A's capital A/c transferred to A's current A/c – refer W.N.3)	1,24,267		1,24,267
B's Capital A/c Dr. To B's Current A/c (Being excess amount in B's capital A/c transferred to B's current A/c – refer W.N.3)	87,133		87,133

Working Notes:**1. Profit on Revaluation**

	AB & Co.	CD & Co.
Building (1,00,000 – 75,000) (1,25,000 – 90,000)	25,000	35,000
Machinery (1,25,000 – 1,20,000) (1,10,000 – 1,00,000)	5,000	10,000
	30,000	45,000
Less: Provision for doubtful debts	(5,000)	(8,000)
	25,000	37,000

2. Balance of capital accounts of partners on transfer of business to AD & Co.**a) AB & Co.**

	A's Capital	B's Capital
Balance as per the Balance Sheet	1,50,000	1,00,000
Reserves in the profits and losses sharing ratio	44,000	22,000
Profit on revaluation in the profits and losses sharing ratio (W.N.1)	16,667	8,333
	2,10,667	1,30,333

b) CD & Co.

	C's Capital	D's Capital
Balance as per the Balance Sheet	1,20,000	80,000
Reserves in the profits and losses sharing ratio	32,400	21,600
Profit on revaluation in the profits and losses sharing ratio (W.N.1)	22,200	14,800
	1,74,600	1,16,400

3. Calculation of capital of each partner in the new firm

Particulars	A (Rs.)	B (Rs.)	C (Rs.)	D (Rs.)
Balance as per W.N.2	2,10,667	1,30,333	1,74,600	1,16,400
Adjustment for goodwill	18,750	9,375	(16,875)	(11,250)
	2,29,417	1,39,708	1,57,725	1,05,150
Total capital Rs. 4,20,600* in the new ratio of 2:1:3:2	(1,05,150)	(52,575)	(1,57,725)	(1,05,150)
Transfer to Current Account	1,24,267 Cr.	87,133 Cr.	-	-

* Taking D's capital as the base which is 2/8th of total capital; total capital will be 1,05,150 x 8/2 i.e. Rs. 4,20,600.

PROBLEM NO: 12

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	(8,000)	1,52,000
Q	1,15,800	Building	48,000	

Creditors	60,000	Less: Written off	(2,400)	45,600
Bank O.D	40,000	Debtors		68,000
		Stock		84,000
	3,49,600			3,49,600

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

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. Cr. **Partner's capital A/c**

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: 13

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	5,40,000		
	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 (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: 14

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.]	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: 15

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

(01.04.X1) To Bal. b/d (31.03.X2) To Drawings				By Bal. c/d	-	16,000	33,000
	1,21,000	50,000	35,000		1,21,000	50,000	35,000
	-	16,000	33,000	(31.03.X2) By Profit & Loss appropriation	-	29,136	14,568
	-	15,000	8,000	(31.03.X2) By Bal. c/d	-	1,864	26,432
		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	01.04.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: 16

(i) In the books of XYZ & Co.

Realisation Account

Particulars	Amount	Particulars	Amounts
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 General 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 To XYZ & Co. (Being business of XYZ & Co. purchased and payment due)	Dr.	6,00,000	6,00,000
2.	Plant and Machinery Account Furniture and Fixture Account Inventories Account Trade Receivables Account 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)	Dr. Dr. Dr. Dr. Dr.	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 + 12,00,000 – 1,00,000)		15,00,000
b) Others (Unrecorded Liabilities)		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.

PROBLEM NO: 17**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: 18

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 To M/s 3R Enterprises (Consideration payable for business purchased)	Dr.	42,00,000	42,00,000
2.	Land and Buildings A/c Machinery A/c Furniture A/c Stock A/c Debtors A/c Bank A/c 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)	Dr. Dr. Dr. Dr. Dr. Dr. 	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) To Bank A/c (Expenses for take over debited to capital reserve)	Dr.	23,000	23,000
4.	M/s 3R Enterprises A/c To Equity share capital A/c (Allotment of fully paid equity shares to discharge consideration for business)	Dr.	42,00,000	42,00,000
5.	Preliminary expenses A/c To Bank A/c (Expenses incurred to get the company incorporated)	Dr.	57,000	57,000

PROBLEM NO: 19

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	4,20,000
To Plant and Machinery		32,000	(W.N. 2)	
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 = $(60,000 + 72,000 + 84,000 + 12,000^*)/3 \times 2 \text{ Years} = 1,52,000$

* 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
		6,28,000
Less: Liabilities taken over:		
Creditors	96,000	
Loan Creditors	80,000	
Bank Overdraft	32,000	2,08,000
Purchase Consideration		4,20,000

PROBLEM NO: 20

Dr. **Realisation Account** Cr.

Particulars	Amount (Rs.)	Particulars	Amount (Rs.)
To Plant and machinery	30,000	By Provision for doubtful debts	400
To Fixtures and fittings	2,000	By JLP Reserve	12,400
To Stock	10,400	By Creditors	17,800
To Debtors	16,400	By Cash	
To Joint Life Policy	15,000	Plant and machinery	17,000
To Patents	10,000	Fixtures and fittings	1,000
To Cash:		Stock	9,000
- Creditors (17,800 - 4,500 - 500)	12,800	Debtors	16,500
- Loan on Hypothecation	3,200	JLP	10,200
To cash (realisation expenses)	2,300	Patents and Trademarks	2,000
		By Add's Capital A/c (5,000 + 300)	5,300
		By Loan on Hypothecation	6,200
		By Partners' Capital Accounts	
		Read	2,800
		Write	1,400
		Add	2,100
	1,04,100		6,300
			1,04,100

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

Particulars	Read Rs.	Write Rs.	Add Rs.	Particulars	Read Rs.	Write Rs.	Add Rs.
To Realisation A/c	-	-	5,300	By Balance b/d	30,000	10,000	2,000
To Realisation A/c (loss)	2,800	1,400	2,100	By Cash A/c (bal. fig.)	-	-	5,400
To Cash (Bal. Fig.)	27,200	8,600	-				
	30,000	10,000	7,400		30,000	10,000	7,400

Dr. **Cash Account** Cr.

Particulars	Rs.	Particulars	Rs.
To Balance b/d	8,000	By Read's Loan A/c	15,000
To Realisation A/c	55,700	By Realisation A/c	
To Add's Capital A/c	5,400	- Creditors A/c	12,800
		- Loan	3,200

		- Expenses	2,300
		By Partner's capital A/c	
		- Read	27,200
		- Write	8,600
	69,100		69,100

Working Note:

Dr.		Read's Loan A/c		Cr.
Particulars	Amount (Rs.)	Particulars	Amount (Rs.)	
To Cash A/c	15,000	By Balance b/d	15,000	
	15,000		15,000	

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To **MASTER MINDS**, Guntur

THE END