

9. PARTNERSHIP ACCOUNTS - II**PROBLEM NO:1**

REALISATION A/C

Dr.			Cr.
Particulars	Rs.	Particulars	Rs.
To Debtors A/c	48,000	By Creditors A/c	48,000
To Stock A/c	60,000	By Cash A/c (102000+18000+84000+44400)	2,48,000
To Fixtures A/c	24,000	By Q (Unrecorded Asset) A/c	4,800
To Plant & Machinery A/c	1,08,000		
To Cash A/c	45,600		
To Cash A/c	4,200		
To Cash (Exp) A/c	1,500		
To Partners Capital (Profit) A/c			
P -	3,960		
Q -	3,960		
R -	1,980	9,900	
		3,01,200	3,01,200

CASH ACCOUNT

Dr.			Cr.	
Particulars	Rs.	Particulars	Rs	Rs.
To Balance b/d	60,000	By Realisation A/c (Creditors)		45,600
To Realisation (Assets) A/c	2,48,000	By Realisation (Exp) A/c		1,500
		By Realisation (ST) A/c		4,200
		By Partners Capital A/c		
		P	1,47,960	
		Q	71,160	
		R	37,980	2,57,100
	3,08,400			3,08,400

PARTNERS CAPITAL A/C

Dr.			Cr.				
Particulars	P (Rs.)	Q (Rs.)	R (Rs.)	Particulars	P (Rs.)	Q (Rs.)	R (Rs.)
To Realisation A/c (Asset)	-	4,800	-	By Balance b/d	1,20,000	48,000	24,000
To Cash (Bal. fig) A/c	1,47,960	71,160	37,980	By Reserve A/c	24,000	24,000	12,000
				By Realisation A/c (Profits)	3,960	3,960	1,980
	1,47,960	75,960	37,980		1,47,960	75,960	37,980

PROBLEM NO:2

a) Capital's A/c of partners

Dr.			Cr.				
Particulars	A (Rs.)	B (Rs.)	C (Rs.)	Particulars	A (Rs.)	B (Rs.)	C (Rs.)
To Cash A/c	15636	-	-	By bal. b/d	12000	9000	6000
To Bal. C/d	-	17762	11438	By Realisation A/c	3636	2424	1212
				By Cash A/c	-	6338	4226
	15636	17762	7212		15636	17762	11438

b) Opening entry in the book new firm

Particulars	Amount Rs.	Amount Rs.
Stock A/c	Dr. 4000	
Loose tools A/c	Dr. 500	
Motor vehicles A/c	Dr. 2500	
Plant & Machinery A/c	Dr. 7800	
Free hold premises A/c	Dr. 8400	
Goodwill A/c	Dr. 6000	
To B Capital A/c		17762
To C Capital A/c		11438
(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	4000
B	17762	Loose tools A/c	500
C	11438	Motor vehicles A/c	2500
		Plant & Machinery A/c	7800
		Free hold premises A/c	8400
		Good will A/c	6000
	<u>29200</u>		<u>29200</u>

W.N-1:

Cash A/c

Dr.			Cr.
Particulars	Amount (Rs.)	Particulars	Amount (Rs.)
To Bal. b/d	2500	By Creditors A/c	3328
To Debtors A/c	5900		
To B Capital A/c	6338	By A Capital A/c	15636
To C Capital A/c	4226		
	<u>18964</u>		<u>18964</u>

W.N-2:

REALISATION A/C

Dr.			Cr.
Particulars	Rs.	Particulars	Rs.
To debtors	6,200	By creditors	3,400
To stock	3,700	By B & C Capital A/c	29200
To loose tools	8,00	By cash (debtors realization)	5,900
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 3636			
B A/c 2424			
C A/c 1212	<u>7,272</u>		
	<u>38,500</u>		<u>38,500</u>

PROBLEM NO: 3

REALISATION A/C

Dr.			Cr.
Particulars	Rs.	Particulars	Rs.
To Good Will A/c	4,56,300	By Sundry Creditors A/c	5,67,000
To Plant & Machinery A/c	6,07,500	By JLP Reserve A/c	2,65,500

To Furniture A/c	64,650	By Bank (O.D) A/c	6,06,450
To Stock A/c	2,36,700	By Cash (JLP) A/c	2,32,500
To Sundry Debtors A/c	5,34,000	By Ram A/c(Goodwill & Plant)	9,00,000
To JLP A/c	2,65,500	By Ram A/c	1,80,000
To Ram (Bank O.D) A/c	6,06,450	By Rahim A/c	1,80,000
To Cash(Bill Dishonored)	30,750		
To Ram (Exp) A/c	18,000		
To Partners Capital A/c			
Ram -55,800			
Rahim -37,200			
Antony -18,600	1,11,600		
	29,31,450		29,31,450

CASH A/C

Dr.		Cr.	
Particulars	Rs.	Particulars	Rs.
To Bal b/d	48,750	By Realisation(Bill Dishonored)	30,750
To Commission	1,40,550	By Antony	1,50,000
To Realisation(JLP) A/c	2,32,500	By Ram A/c	1,62,827
		By Rahim A/c	78,223
	4,21,800		4,21,800

PARTNERS CAPITAL A/C

Dr.		Cr.					
Particulars	Ram (Rs.)	Rahim (Rs.)	Antony (Rs.)	Particulars	Ram (Rs.)	Rahim (Rs.)	Antony (Rs.)
To Realisation A/c (furniture)	1,80,000	1,80,000	-	By Bal b/d	4,20,000	2,25,000	1,20,000
To Cash A/c	-	-	1,50,000	By Loan From Mr. S	1,50,000	-	-
To Antony A/c	7,423	3,977	-	By Realisation A/c (Bank OD)	6,06,450	-	-
To Realisation A/c (Good Will)	9,00,000	-	-	By Realisation A/c (Exp)	18,000	-	-
To Cash(bal.fig) A/c	1,62,827	78,223	-	By Realisation A/c (Profit)	55,800	37,200	18,600
				By Ram A/c	-	-	7,423
				By Rahim A/c (Note 3)	-	-	<u>3,977</u>
	12,50,250	2,62,200	1,50,000		12,50,250	2,62,200	1,50,000

NOTE POINTS:

1. Journal entry not required for Assignment of Sundry Creditors to Sundry Debtors.
2. It is assumed that Cash Paid to Bank For Dishonor of Discounted Bill
3. The Excess Amount Paid to Antony Rs.11,400(1,50,000-1,38,600) Transferred to Ram & Rahim Based On their Capital Ratios.

PROBLEM NO: 4

REALISATION A/c

Dr.		Cr.	
Particulars	Rs.	Particulars	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

BANK LOAN A/c

Dr.

Cr.

Particulars	Rs.	Particulars	Rs.
To Deficiency A/c	18,000	By Balance b/d	60,000
To Cash A/c	42,000		
	60,000		60,000

CREDITORS A/c

Dr.

Cr.

Particulars	Rs.	Particulars	Rs.
To Cash A/c	28,000	By Bal b/d	40,000
To Deficiency A/c	12,000		
	40,000		40,000

CASH A/c

Dr.

Cr.

Particulars	Rs.	Particulars	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

DEFICIENCY A/c

Dr.

Cr.

Particulars	Rs.	Rs.	Particulars	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

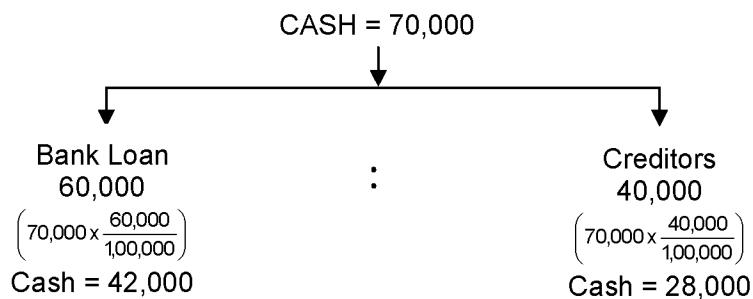
PARTNERS CAPITAL A/C

Dr.

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

Realisation A/c

Dr.

Cr.

Particulars	Amount Rs.	Particulars	Amount Rs.
To land & Building A/c	246,000	By Sundry creditors A/c	36,000

To Furniture A/c	65,000	By mortgage loan A/c	1,10,000
To stock A/c	1,00,000	By cash A/c (2,30,000 + 42,000 + 78,000 + 65,000)	4,09,00
To Debtors A/c	72,500	By Partner's capital A/c's	
To cash A/c (exp)	7,800	P - 40,120	
To cash A/c (Creditors)	54,000	Q - 30,090	
(36,000 + 18,000)		R - 20,060	
To cash A/c (Loan)	1,10,000	S - 10,030	1,00,300
	6,55,300		6,55,300

Cash A/cDr. Cr.

Particulars	Amount Rs.	Particulars	Amount Rs.
To balance b/d	15,500	By Real A/c (exp)	7,800
To Realisation A/c	4,09,000	By Realisation A/c (creditors)	84,000
To P Capital A/c	40,120	By Real A/c (Loan)	1,10,000
To Q Capital A/c	30,090	By P's Cap A/c	2,03,364
To S Capital A/c	10,030	By Q's Cap A/c	1,35,576
To S Capital A/c	6,000		
	5,10,740		5,10,740

Partners Capital A/cDr. Cr.

Particulars	P (Rs.)	Q (Rs.)	R (Rs.)	S (Rs.)	Particulars	P (Rs.)	Q (Rs.)	R (Rs.)	S (Rs.)
To balance b/d	-	-	25,000	18,000	By balance b/d	1,68,000	1,08,000	-	-
To Realisation A/c	40,120	30,090	20,060	10,030	By general Reserve A/c	38,000	28,500	19,000	9,500
To R's capital A/c (Deficiency) (W.N)	12,636	8,424	-	-	By Capital reserve A/c	10,000	7,500	5,000	2,500
To cash A/c	2,03,364	1,35,576	-	-	By Cash A/c	40,120	30,090	-	10,030
					By P's Capital A/c			12,636	
					By Q's Capital A/c			8424	
					By Cash A/c				6,000
	256,126	1,74,090	45,060	28030		2,56,120	1,74,090	45,060	28,036

(WORKING NOTE: 1)**Last agreed capital ratio**

Particulars	P (Rs.)	Q (Rs.)
Op Capital	1,68,000	1,08,000
Add : General reserve	38,000	28,500
Capital reserve	10,000	7,500
	2,16,000	1,44,000

Capital Ratio of solvent partners who are having credit balance P & Q → 3:2

Deficiency of insolvent partner = 21,060

Share of P → 12,636

Share of Q → 8,424

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To **MASTER MINDS**, Guntur

PROBLEM NO: 6**Realisation A/c**

Dr.		Cr.	
Particulars	Rs.	Particulars	Rs.
To Fixed Assets A/c	40,000	By Creditors A/c	29,000
To stock A/c	25,000	By provision for	
To Debtors A/c	25,000	Bad debts A/c	5,000
To Cash A/c (exp)	1,080	By Cash A/c (20,000 + 21,000 + 20,500)	61,500
To Cash A/c (creditors) (29000-2% on 29,000)	28,420	By partner's capital A/c	
		X - 9600	
		Y - 9600	
		Z - 4800	24,000
	1,19,500		1,19,500

Creditors A/c

Dr.		Cr.	
Particulars	Rs	Particulars	Rs
To Realisation A/c	29,000	By Balance b/d	25,000
		By partner capital A/c	4,000
		(1600+1600+800)	
	29,000		29,000

Z's Loan A/c

Dr.		Cr.	
Particulars	Rs	Particulars	Rs
To Cash A/c	5,000	By Balance b/d	5,000
	5,000		5,000

Mr's.x Loan A/c

Dr.		Cr.	
Particulars	Rs	Particulars	Rs
To x's capital A/c	10,000	By Balance b/d	10,000
	10,000		10,000

Cash A/c

Dr.		Cr.	
Particulars	Rs	Particulars	Rs
To balance b/d A/c	1000	By Realiasation A/c (creditor)	28,420
To Realisation A/c	61,500	By Realisation A/c (exp)	1080
		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	8100
	76,900		76,900

Partners Capital A/c

Dr.		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)	9600	9,6000	4,800	By Mrs.X Loan	10,000	-	-
To Y's cap	3,300	-	1,100	By cash (Real.)	9,600	-	4,800

				Loss)			
Deficiency				By X's cap	-	3,300	-
To cash A/c (Bal.fig)	<u>34,300</u>	<u>-</u>	<u>8,100</u>	By Z's cap	<u>-</u>	<u>1,100</u>	<u>-</u>
	<u>47,200</u>	<u>13,600</u>	<u>19,000</u>		<u>47,200</u>	<u>13,600</u>	<u>14,000</u>

NOTE: Difference of Y capital A/c (insolvent partners) transferred to X & Z capital Accounts (Based on capital ratios 27600 : 9,200)

PROBLEM NO:7

Realisation A/c

Dr. Cr.

Particulars	Rs	Rs	Particulars	Rs	Rs
To land A/c		50,000	By current liab		70,000
To building A/c		2,50,000	By Loan from NBFC		5,00,000
To Office equipment A/c		1,25,000	By Bank A/c		
To computers A/c		70,000	Land	1,00,000	
To Debtors A/c		4,00,000	Building	3,00,000	
To stock A/c		3,00,000	Office equipment	1,25,000	
To other current assets		22,600	Computers	49,000	
To cash A/c (liabilities)		70,000	Debtors	3,80,000	
To cash A/c (loan) (5,00,000 + 1%)		5,05,000	Stock	2,70,000	1224000
To Partner's capitals A/c			By Bank A/c		
F. Kapil	9,600		Other current asset		22600
S. kapil	9,600				
R. Dev.	2,400				
B. Dev.	2,400	<u>24,000</u>			
		<u>18,16,600</u>			<u>18,16,600</u>

Bank (or) Cash A/c

Dr. Cr.

Particulars	Rs	Particulars	Rs
To Bal b/d	75,000	By Realisation A/c	5,75,000
To Realisation A/c	12,46,600	By F. Kapil Cap A/c	2,42,600
		By S. Kapil Cap A/c	3,42,600
		By R. Dev's Cap A/c	1,61,400
	<u>13,21,600</u>		<u>13,21,600</u>

Partner's capital accounts

Dr. Cr.

Particulars	F.kapil (Rs.)	S.kapil (Rs.)	R.dev (Rs.)	B.dev (Rs.)	Particulars	F.kapil (Rs.)	S.kapil (Rs.)	R.dev (Rs.)	B.dev (Rs.)
To current A/c	-	-	-	87,400	By Balance b/d	2,00,000	2,00,000	1,00,000	-
To B. Dev A/c (50%deficiency)	-	-	42,500	-	By partner current A/c	50,000	1,50,000	1,10,000	-
To B Dev cap A/c	17,000	17,000	8,500	-	By Realisation (profit)	9,600	9,600	2,400	2,400
To Bank A/c (Bal.Fig)	2,42,600	3,42,600	1,61,400	-	By R.Dev's capital(50% deficiency)	-	-	-	42,500
					By F cap A/c	-	-	-	17,000
					By S cap A/c	-	-	-	17,000
					By R Dev cap A/c (Remaining 2:2:1)	-	-	-	8,500
	<u>2,59,600</u>	<u>3,59,600</u>	<u>2,12,400</u>	<u>87,400</u>		<u>2,59,600</u>	<u>3,59,600</u>	<u>2,12,400</u>	<u>87,400</u>

PROBLEM NO: 8**Realisation A/c**

Dr.	Cr.			
Particulars	Amount Rs	Particulars	Amount Rs	Amount Rs
To Good will A/c	40,000	By Trade creditors A/c		12,400
To Freehold property A/c	8,000	By Provision for bad debts A/c		100
To Plant & Equipment A/c	12,800	By Bank A/c (7,000+5,000+3,000+1,600)		16,600
To Motor vehicle A/c	700	By Q Capital (car) A/c		500
To Stock A/c	3,900	By Partners capital A/c		
To Sundry Debtors A/c	2,000	P	25,500	
To Bank (crs) A/c	11,700	Q	17,000	
To Bank A/c(expenses) A/c	1,500	R	8,500	51,000
	80,600			80,600

Cash / Bank A/c

Dr.	Cr.		
Particulars	Amount Rs	Particulars	Amount Rs
To Balance b/d	200	By Reliasation A/c (creditors)	11,700
To Realisation A/c (7000+5000+3000+1600) (sale of assets)	16,600	By Reliasation A/c (expenses)	1,500
To Partners capital A/c		By P's loan	8,000
P	25,500	By P's Capital	14,200
Q	17,000	By Q's Capital	24,200
R	300		
	59,600		59,600

Partner's capital accounts

Dr.	Cr.						
Particulars	P (Rs.)	Q (Rs.)	R (Rs.)	Particulars	P (Rs.)	Q (Rs.)	R (Rs.)
To current A/c	5,500	-	2,400	By Balance b/d	20,000	20,000	10,000
To Realisation A/c	25,500	17,000	8,500	By current A/c	-	5,000	-
To Realisation A/c (car)	-	500	-	By Bank A/c	-	-	300
To R's capital A/c (Deficiency)	300	300	-	By Bank A/c (Realisation loss)	25,500	17,000	-
To Bank A/c (Bal .fig)	14,200	24,200	-	By P Capital A/c			300
				By Q Capital A/c			300
	45,500	42,000	10,900		45,500	42,000	10,900

Partner's current accounts

Dr.	Cr.						
Particulars	P (Rs.)	Q (Rs.)	R (Rs.)	Particulars	P (Rs.)	Q (Rs.)	R (Rs.)
To Balance b/d	-	-	400	By Balance b/d	500	9,000	-
To P&L A/c (Loss)	6,000	4,000	2,000	By capital A/c	5,500	-	2,400
To capital A/c	-	5,000	-				
	6,000	9,000	2,400		6,000	9,000	2,400

Note: Deficiency in R's capital A/c transferred to solvent partners based on fixed capital ratio

PROBLEM NO: 9**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	-	-	(2210)	4200	(1990)
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

Cash A/c

Dr. Cr.

Date	Particulars	Amount (Rs.)	Date	Particulars	Amount (Rs.)
15-4-2010	To Realisation A/c	60,000		By creditors A/c	60,000
01-5-2010	To Realisation A/c	1,46,000		By creditors A/c	20,000
31-5-2010	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

Partner's capital account

Dr. 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 andthony will bear loss on realisation respectively Rs.10,000, Rs.6000, Rs.4000

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 To **MASTER MINDS**, Guntur

PROBLEM NO:-10

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 Reliasation profit	-	-	(15,66,777)	(15,66,777)	(15,66,666)

W.N 1: Calculation of absolute Surplus

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	-
P&L Ratio	1	1	
Proportionate Capital taking as 'M' Capital	(5,00,000)	(5,00,000)	
Absolute Surplus	5,00,000	-	

PROBLEM NO:11

Statement Showing distribution of Cash

	Particulars	Cash (Rs.)	Creditors (Rs.)	Capitals		
				A (Rs.)	B (Rs.)	C (Rs.)
July	Balance	6,000	17,000	55,000	37500	31500
	Realisation 26,500					

	Expenses (1000)					
	Retained (8000)	17,500				
		23,500				
	Paid	(17,000)	(17,000)	-	-	(6,500)
August	Balance	8000	-	55,000	37,500	25,000
	Expenses	(1500)				
	Cr. balance	2,500				
	Available	4000				
	Paid to A	(4000)	-		(4000)	(10,000)
	Equipment to C					
September (wn-2)	Balance	2,500	-	55,000	33,500	15,000
	Realized	75000				
	Expenses	(1000)				
	Available	76,500				
	Paid	76,500	-	(41,500)	(25,400)	(9,600)
	Realisation Loss			13,500	8,100	5,400

W.N 1: Calculation of Absolute Surplus**Highest Relative Capital Method**

Particulars	A (Rs.)	B (Rs.)	C (Rs.)
Capital balance	67000	45,000	31,500
Less: Loans	(12,000)	(7,500)	-
	55,000	37,500	31,500
Profit &Loss ratio	5	3	2
Capital per Share	11,000	12,500	15,750
Proportionate Capitals taking A's share as a base	(55000)	(33000)	(22,000)
Surplus Capitals	-	4500	9500
Profit/Loss ratio		3	2
Capitals per share		1500	4750
Proportionate Capitals		4500	3000
Surplus		-	6500

W.N 2: Calculation of Absolute Surplus after august settlement

Particulars	A (Rs.)	B (Rs.)	C (Rs.)
Capital balance - September	55,000	33,500	15,000
P&L ratio	5	3	2
Capital per share	11,000	11,167	7,500
Proportionate capitals taking C's share as base	37,500	22,500	15,000
Surplus	17,500	11,000	-
P&L ratio	5	3	-
Capital per share	3,500	3,667	-
Proportionate capitals taking A's share	II	17,500	10,500
Surplus	I	-	500
Payment	I		500
	II	(17,500)	(10,000)
Balance in p & l ratio			
(76,500-500-17,500-10,500) = 48,000	24,000	14,400	9,600
Total	41,500	25,400	9,600

PROBLEM NO: 12**Adjustment for Good will**

Goodwill raised in old firms			Total	Written off new ratio	Difference
Partner	S & co (Rs.)	T & co (Rs.)	(Rs.)	(Rs.)	(Rs.)
B	45,000	-	45,000	55,000	10,000

			Cr	Dr	Dr
S	15,000	33,333	48,333	36,666	11,667
			Cr	Dr	Cr
T	-	16,667	16,667	18,334	1,667
			Cr	Dr	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 owing 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	27,000	9,000
(40,000-4,000)		
	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: 13

i) Adjustment of Good will

Raising of Goodwill in old profit sharing ratio			Total	Written off 4:5:1	Difference
Partner	X&co (3:2)	Y&co (5:3)	Rs	Rs	Rs
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	-

ii) Balance sheet of XY & CO as on 31-3-2012

Liabilities	Rs.	Assets	Rs.
Capital A/c (W.N -3)		Vehicle A/c	74,000
A	1,72,000	Machinery A/c	1,00,000
B	2,15,000	Building A/c	2,00,000
C	43,000	Stock A/c	70,000
Current A/c		Debtors A/c	1,31,000
A	22,000	Cash & Bank A/c	70,000
C	18,000		
Creditors A/c	1,75,000		
	6,45,000		6,45,000

W.N 1: Capital Balance in X&CO

Particulars	A's Capital (Rs)	B's Capital (Rs)
Balances	1,50,000	1,00,000
Add : Reserves (3:2)	30,000	20,000
Add : Profit on revaluation of Bulding	30,000	20,000
Less: Loss on Machinery	(12,000)	(8,000)
Less: Provision for doubtful debts	(3,000)	(2,000)
	1,95,000	1,30,000

W.N 2: Capital Balance in Y&CO

Particulars	B's Capital (Rs)	C's Capital (Rs)
Balances	75,000	50,000
Add : Reserves (5:3)	25,000	15,000
Less: Revaluation Loss on Vehicles	(10,000)	(6,000)
Less: Provision for doubtful debts	(2,500)	(1,500)
	87,500	57,500

W.N 3: Capitals Balances in New firm :

Particulars	A (Rs.)	B (Rs.)	C (Rs.)
Balance from X&CO	1,95,000	1,30,000	-
Balance from Y&CO	-	87,500	57,500
Total	1,95,000	2,17,500	57,500
Goodwill Adjustment	(1,000) Dr	(2,500) Dr	3,500 Cr
Adjusted Capitals	1,94,000	2,15,000	61,000
Proportionate capital balances taking as B's capital as base	1,72,000	2,15,000	43,000
Difference t/r to current accounts	22,000	-	18,000
	Cr		Cr

PROBLEM NO:14

Balance sheet of firm as on 30-6-2014

Liabilities	Amount Rs.	Assets	Amount Rs.	Amount Rs.
Capitals		Plant	1,60,000	
P	133800	Less : Dep	(8,000)	1,52,000
Q	115800	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

Realisation A/c

Dr.	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

Partners capital A/c

Dr.	Cr.						
Date	Particulars	P (Rs.)	Q (Rs.)	Date	Particulars	P (Rs.)	Q (Rs.)
1.1.14	To P & L A/c	15000	15000	1.1.14	By bal. b/d	1,50,000	1,30,000
1.1.14	To drawings A/c	9000	7000	30.6.14	By profit (W.N-1)	15600	15600
30.6.14	To Drawings A/c (W.N-1)	7800	7800				
30.6.14	To Bal. c/d	133800	115800				
		165600	145600			165600	145600

30.6.14	To Shares in PQ.Ltd.	1988000	180800	30.6.14	By balance b/d	133800	115800
				30.6.14	By Realisation A/c	65000	65000
		198800	180800			198800	180800

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: 15

Business Purchase Account

	Particulars	Amount Rs.		Particulars	Amount Rs.
31.12.2012	To Balance b/d	80,000	31.12.2012	By Bank Loan	18,000
	To Investments A/c	5,000		By Gupta Capital A/c	30,000
	To Insurance policy	2,000		By Singh's capital A/c	20,000
				By Goodwill A/c	6,000
				By P&L A/c (Bal. fig profit up to 31 st March 2012)	13,000
		87,000			87,000

Profit & Loss A/c of Raman for the year ended 31st December 2012

Dr. Cr.

Particulars	Amount Rs.	Particulars	Amount Rs.
To opening stock A/c	40,000	By Sales A/c	4,00,000
To purchases A/c	3,20,000	By Closing stock A/c	50,000
To Expenses A/c	12,000		
To Business purchases (profit upto 31 st march)	13,000		
To Net Profit (t/r to Raman's capital A/c)	65,000		
	4,50,000		4,50,000

Balance Sheet of Raman as on 31st December 2012

Liabilities	Rs	Rs.	Assets	Rs.
Raman's capital A/c	30,000		Goodwill A/c	6,000
Add : Profit	65,000	95,000	Furniture A/c	3,000
Sundry creditors A/c		15,000	Stock in trade A/c	50,000
			Sundry Debtors A/c	48,000
			Cash at Bank A/c	3,000
		1,10,000		1,10,000

WORKING NOTES:

1. Goodwill

Particulars	Amount Rs.
Value of Assets taken over	
Stock	46,000
Debtors	35,000
Furniture	3,000
	84,000
Less:	
Creditors	10,000
Net Assets	74,000
Goodwill (Bal. fig)	6,000
Purchase consideration	80,000

2. Increase in net assets upto 31st march 2012

	As on 1 st January (Rs.)	As on 31 st March (Rs.)
Debtors	30,000	35,000
Stock	40,000	46,000
Furniture	3,000	3,000
	73,000	84,000
Less : Creditors	(12,000)	(10,000)
	61,000	74,000
Profit equal to net increase	13,000	-
	74,000	74,000

PROBLEM NO:16

(i) In the Books of Prabhu & co

Realisation A/c

Dr. Cr.

Particulars	Amount (Rs.)	Particulars	Amount (Rs.)
To Plant & machinery A/c	2,50,000	By Sundry Creditors A/c	1,50,000
To Furniture & Fixtures A/c	25,000	By Bhagwan Ltd (Refer W.N) A/c	3,00,000
To Stock in trade A/c	1,00,000	By Partner's Capital A/c (Loss)	
To Sundry Debtors A/c	1,00,000	Prabhu's capital A/c	10,000
		Bhola's capital A/c	10,000
		Shiva's Capital A/c	5,000
	4,75,000		4,75,000

Partner's Capital accounts

Dr. Cr.

Particulars	Prabhu (Rs.)	Bhola (Rs.)	Shiv (Rs.)	Particulars	Prabhu (Rs.)	Bhola (Rs.)	Shiv (Rs.)
To Realisation A/c	10,000	10,000	5,000	By Balance b/d	1,00,000	1,50,000	50,000
To Shares in Bhagwan Ltd A/c	1,20,000	1,20,000	60,000	By Genral reserve A/c	20,000	20,000	10,000
To Cash A/c	-	40,000	-	By Cash A/c	10,000	-	5,000
	1,30,000	1,70,000	65,000		1,30,000	1,70,000	65,000

Cash and bank A/c

Dr. Cr.

Particulars	Rs	Rs	Particulars	Rs	Rs
To Balance b/d	20,000	5,000	By Cash A/c (contra)*		5,000
To Bank A/c (contra)*	5,000	-	By Bhola	40,000	
To Prabhu	10,000	-			
To Shiv	5,000	-		-	-
	40,000	5,000		40,000	5,000

* It is assumed that cash at bank has been withdrawl to pay to partner bhola

In the books of Bhagwan Ltd

Journal entries

Date	Particulars	Debit (Rs)	Credit (Rs)
1	Business purchase A/c Dr	3,00,000	
	To Liquidators of prabhu & co A/c		3,00,000
	(Being Business of Prabhu & co purchased and payment due)		
2	Plant and Machinery A/c Dr	2,50,000	
	Furniture and Fixtures A/c Dr	25,000	
	Stock in trade A/c Dr	1,00,000	
	Sundry Debtors A/c Dr	1,00,000	
	To Sundry Creditors A/c		1,50,000
	To Unsecured Liability A/c		12,500
	To Business purchase A/c		3,00,000
	To Capital reserve A/c (Bal.fig)		12,500
	(Being take over of all assets & liabilities)		
3	Liquidators of Prabhu & co A/c Dr	3,00,000	
	To Equity share capital A/c		2,50,000
	To Securities premium A/c		50,000
	(Being Purcase consideration discharged in the form of shares of Rs.10 each isuued at a premium of Rs 2 each)		
4	Sundry Creditors A/c Dr	50,000	
	To Sundry Debtors A/c		50,000
	(Being mutual owing eliminated)		

WORKING NOTE:

1. Computation of purchase consideration

25,000 Equity Shares of Rs 12 each = 3,00,000

2. Equity Shares to be given to partners

Prabhu = 10,000 shares of @ Rs 12 = 1,20,000 Rs

Bhola = 10,000 shares of @ Rs 12 = 1,20,000 Rs

Shiv = 5,000 shares of @ Rs 12 = 60,000 Rs

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Messers A, B and C

Statement of Profit & loss for the year ended on 31-3-2012

Particulars	Amount Rs	Particulars	Amount Rs
To Dep on Bulding	3,000	By Trading Profit	40,000
To Interest on A's loan	600	By Interest on debentures	1,200
To Net Profit t/f to :			
A's capital A/c	22,560		
B's capital A/c	7,520		
C's capital A/c	7,520		
	41,200		41,200

Balance Sheet of the ABC Pvt as on 1-4-2012

Particulars	Note No	Amount Rs.
I. Equity and Liabilities		
1. Share holder's funds		1,59,120
2. Non-Current Liabilities		
Long term borrowings	1	10,600
Total		1,69,720
II. Assets		
1. Non – current assets		
a) Fixed assets		
i) Tangible assets	2	57,000
ii) In Tangible assets	3	39,600
b) Non- current investments		20,000
c) Current assets		
i) Inventories		40,000
ii) Cash & Cash equivalents		13,120
Total		1,69,720

Notes to accounts :

1. Long term borrowings		
Loan from A		10,600
2. Tangible assets		
Land and Building		57,000
3. Intangible assets		
Goodwill		39,600
4. Other income		
Int on debentures		1,200
5. Finance cost		
Interest on A's Loan		600

WORKING NOTES:

1.

Calculation of Goodwill**Year ended march 31st**

Particulars	2007 (Rs.)	2008 (Rs.)	2009 (Rs.)	2010 (Rs.)	2011 (Rs.)
Book Profits (losses)	20,000	(10,000)	20,000	25,000	30,000
Adjustment for extraneous profit 2007 and abnormal loss 2008	(30,000)	20,000	-	-	-
	(10,000)	10,000	20,000	25,000	30,000
Add Back:					
Remuneration of A	6,000	6,000	6,000	6,000	6,000
	(4,000)	16,000	26,000	31,000	36,000
Less: Debenture interest being non operating income (Note-1)	(1,200)	(1,200)	(1,200)	(1,200)	(1,200)
	(5,200)	14,800	24,800	29,800	34,800
Total profit from 2008 to 2011					1,04,200
Less : Loss for 2007					(5,200)
Total Profit					99,000
Average Profit					19,800
Goodwill equal to 2 years Purchase					39,600
Contribution from C equal to 1/5					7,920

2.

Partner's capitals accounts

Particulars	A (Rs)	B(Rs)	C(Rs)	Particulars	A (Rs)	B(Rs)	C(Rs)
To Drawings A/c	12,000	12,000	12,000	By Balance b/d	40,000	50,000	-
To Balance c/d A/c	80,320	65,360	13,440	By Genral reserve	6,000	4,000	-
				By Goodwill A/c	23,760	15,840	-
				By Bank A/c	-	-	17,920
				By P&L A/C	22,560	7,520	7,520
	92,320	77,360	25,440		92,320	77,360	25,440

3.

Balance Sheet of Raman as on 31st December 2012

Liabilities	Rs	Rs.	Assets	Rs.
A's capital A/c		80,320	Goodwill A/c	39,600
B's capital A/c		65,360	Land & Building A/c	60,000
C's capital A/c		13,440	Less : Dep	(3,000) (57,000)
			Investments A/c	20,000
A's Loan A/c	10,000		Stock-in-trade A/c	40,000
Add: Int.Due	600	10,600	Cash A/c (Bal. Fig)	13,120
		1,69,720		1,69,720

4.

Conversion into company

Particulars	Rs
Capital A	80,320
B	65,360
C	13,440
Share Capital	1,59,120

Distribution of Shares:	
A (3/5)	95,472
B (1/5)	31,824
C (1/5)	31,824

A Should Subscribe shares of Rs. 15,152 (95,472 – 80,320) and C Should Subscribe Share of Rs.18,384 (31,824 – 13,440) B withdrawls 33,536 (65,360 – 31,824) Subscription to shares worth Rs 31,824.

Note: 1 It is Shown in the Books of the firm only to determine the Closing Capital of partners inclusive of Goodwill before conversion.

Also the closing cash balance can be derived as shown below:

Particulars	Amount Rs	Amount Rs
Trading Profit (assume realized)		40,000
Add: Debenture interest		1,200
Add : Decrease in Debtors Balance		20,000
		61,200
Less : Increase in stock	10,000	
Less : Decrease in Liabilities	20,000	(30,000)
Cash profit		31,200
Add: Opening Cash Balance		10,000
Add: Cash brought in by c		17,920
		59,120
Less : Drawings	36,000	
Less : Additions to Building	10,000	46,000
		13,120

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THE END