TS Grewal

Class 12

Accountancy Solutions

Vol.-1

CHAPTER-4 – Change in Profit – Sharing Ratio Among the Existing Partners

Solution 1

Old Ratio of A & B = 1:1
New Ratio of A & B = 4:3
Sacrificing Ratio = Old Ratio – New Ratio
Gaining Ratio = New Ratio – Old Ratio
A's share = 1/2 – 4/7 = 7 – 8/14 = -1/14 (Gain)
B's share = 1/2 – 3/7 = 7 – 6/14 = 1/14
Therefore, A's gain = 1/14 and B's sacrifice = 1/14

Solution 2

Old Ratio of X, Y and Z = 5:3:2
New Ratio of X, Y and Z = 5:2:3
Sacrificing Ratio = Old Ratio – New Ratio
Gaining Ratio = New Ratio – Old Ratio
X's share = 5/10 – 5/10 = 0
Y's share = 3/10 – 2/10 = 1/10
Z's share = 2/10 – 3/10 = -1/10 (Gain)
Therefore, Y's sacrifice = 1/10 and Z's gain = 1/10 and X doesn't sacrifice or gain.

Solution 3

Old Ratio of X, Y and Z = 5:3:2
New Ratio of X, Y and Z = 1:1:1
Sacrificing Ratio = Old Ratio – New Ratio
Gaining Ratio = New Ratio – Old Ratio
X's share = 5/10 – 1/3 = 15 – 10/30 = 5/30

Y's share = 3/10 – 1/3 = 9 – 10/30 = -1/30 (Gain)
Z's share = 2/10 – 1/3 = 6 – 10/30 = -4/30 (Gain)
Therefore, Y's Gain = 1/30, Z's Gain = 4/30 and X's Sacrifice = 5/30

Solution 4

Case 1:

Old Ratio of A, B and C = 5:4:1
A's Sacrifice =1/5 to C
C's Gain = 1/5
Therefore,
A's New Share = 5/10 -1/5 = 5 – 2/10 = 3/10
B's Share = 4/10
C's New Share = 1/10 + 1/5 = 1 + 2/10 = 3/10
Therefore, New Ratio of A, B and C = 3:4:3

Case 2:

Old Ratio of A, B and C = 5:4:1
A's Sacrifice = 1/10 to C
B's Sacrifice = 1/10 to C
C's gain = 1/5
Therefore,
A's New Share = 5/10 – 1/10 = 4/10
B's New Share = 4/10 – 1/10 = 3/10
C's New Share = 1/10 + 1/5 = 1+2/10 = 3/10
Therefore, New Ratio of A, B and C = 4:3:3

Case 3:
Old Ratio of A, B and C = 5:4:1
New Ratio of A, B and C = 1:1:1
Sacrificing Ratio = Old Ratio − New Ratio
Gaining Ratio = New Ratio – Old Ratio
Therefore,
A = 5/10 – 1/3 = 15 – 10/30 = 5/30
B = 4/10 – 1/3 = 12 – 10/30 = 2/30
C = 1/10 – 1/3 = 3 – 10/30 = -3/10
Therefore, A's sacrifice = 5/30, B's sacrifice = 2/30 and C's gain = 3/10

Case 4:
Old Ratio of A, B and C = 5:4:1
A's sacrifice = 5/10 x 1/10 = 1/20 to C
B's sacrifice = 4/10 x 1/2 = 4/20 to C
C's gain = 1/20 x 4/20 = 5/20
Therefore,
A's New Share = 5/10 – 1/20 = 10 – 1/20 = 9/20
B's New Share = 4/10 – 4/20 = 8 – 4/20 = 4/20
C's New Share = 1/10 + 5/20 = 5 + 2/20 = 7/20
Therefore, New Ratio of A, B and C = 9:4:7

<u>Solution 5</u>
Old Ratio of A, B and C = 3:2:1
New Ratio of A, B and C = 1:1:1
Sacrificing Ratio = Old Ratio − New Ratio
Gaining ratio = New Ratio – Old Ratio
A = 3/6 – 1/3 = 3/6 – 2/6 = 1/6

B = 2/6 – 1/3 = 2/6 – 2/6 = 0
C = 1/6 – 1/3 = 1/6 – 2/6 = -1/6 (Gain)
Adjustment of Goodwill = ₹18,000
Therefore,
A = 18,000 x 1/6 = ₹3,000
C = 18,000 x 1/6 = ₹3,000

a) When goodwill is adjusted through Partner's Capital Accounts:

Please find below the journal entries of the transactions:

	Journal Book				
Date	**Particular**		**L.F.**	**Amount**	**Amount**
1st April	C's Capital A/c (18,000 x 1/6)	Dr.		3,000	
	To A's Capital A/c (18,000 x 1/6)				3,000
	(Being adjustment of goodwill)				
	Total			**3,000**	**3,000**

b) When goodwill is raised and written off:

Please find below the journal entries of the transactions:

Journal Book					
Date	**Particular**		**L.F.**	**Amount**	**Amount**
1st April	Goodwill A/c	Dr.		18,000	
	To A's Capital A/c (18,000 x 3/6)				9,000
	To B's Capital A/c				6,000

	(18,000 x 2/6)				
	To C's Capital A/c (18,000xx 1/6)				3,000
	(Being goodwill raised)				
	A's Capital A/c (18,000 x 1/3)	Dr.		6,000	
	B's Capital A/c (18,000 x 1/3)	Dr.		6,000	
	C's Capital A/c (18,000 x 1/3)	Dr.		6,000	
	To Goodwill A/c				18,000
	(Being goodwill raised & written off)				
	Total			**36,000**	**36,000**

Solution 6

Old Ratio of X, Y and Z = 5:3:2

New Ratio of X, Y and Z = 1:1:1

Calculation of Sacrificing and Gaining Ratio:

Sacrificing Ratio = Old Ratio − New Ratio

X = 5/10 – 1/3 = 15 – 10/30 = 5/30

Y = 3/10 = 1/3 = 9 – 10/30 = -1/30 (Gain)

Z = 2/10 – 1/3 = 6 – 10//30 = - 4/30 (Gain)

Calculation of Goodwill:

Goodwill = Average Profit x Number of Years of Purchase

Average Profit = 70,000 + 85,000 + 45,000 + 35,000 – 10,000 /5 = ₹45,000

Number of Years of Purchase = 2 years

Therefore, Goodwill = 45,000 x 2 = ₹90,000

Adjustment of Goodwill:
Amount credited to X's Capital A/c = 90,000 x 5/30 = ₹15,000
Amount credited to Y's Capital A/c = 90,000 x 1/30 = ₹3,000
Amount credited to Z's Capital A/c = 90,000 x 4/30 = ₹12,000

Please find below the journal entries of the transactions:

	Journal Book				
Date	**Particulars**		**L.F.**	**Amount**	**Amount**
1st April	Y's Capital A/c	Dr.		3,000	
	Z's Capital A/c	Dr.		12,000	
	To X's Capital A/c				15,000
	(Being adjustment of goodwill on change in profit sharing ratio)				
	Total			**15,000**	**15,000**

Solution 7
Calculation of Sacrificing or Gaining Ratio:
Old Ratio of Mandeep, Vinod, and Abbas = 3:2:1
New Ratio of Mandeep, Vinod, and Abbas = 1:1:1
Sacrificing Ratio = Old Ratio − New Ratio
Mandeep = 3/6 – 1/3 = 3 – 2/6 = 1/6
Vinod = 2/6 – 1/3 = 2 – 2/6 = 0
Abbas = 1/6 – 1/3 = 1 – 2/6 = -1/6 (Gain)
Calculation of Goodwill:
Goodwill = Average Profit x Number of Years of Purchase
Average Profit = Total Profits/Total Number of Years

= 1,00,000 + 1,50,000 + 2,00,000 + 2,00,000 – 50,000/5 = ₹1,20,000
Number of Years of Purchase = 3
Therefore, Goodwill = ₹1,20,000 x 3 = ₹3,60,000

Adjustment of Goodwill:

Amount debited to Abbas's Capital A/c = 3,60,000 x 1/6 = ₹60,000
Amount credited to Mandeep's Capital A/c = 3,60,000 x 1/6 = ₹60,000

Please find below the journal entries of the transactions:

Journal Book					
Date	**Particulars**		**L.F.**	**Amount**	**Amount**
1st April	Abbas's Capital A/c	Dr.		60,000	
	To Mandeep's Capital A/c				60,000
	(Being made an adjustment on change in ratio)				
	Total			**60,000**	**60,000**

Solution 8

Calculation of Sacrificing Ratio:

Old Ratio of X, Y and Z = 5:3:2
New Ratio of X, Y and Z = 1:1:1
Sacrificing Ratio = Old Ratio − New Ratio
X = 5/10 – 1/3 = 15 - 10/30 = 5/30
Y = 3/10 – 1/3 = 9 – 10/30 = -1/30 (Gain)
Z = 2/10 – 1/3 = 6 – 10/30 = -4/30 (Gain)

Calculation of Old Goodwill Written Off:

X = 12,000 x 5/10 = ₹60,000
Y = 12,000 x 3/10 = ₹3,600
Z = 12,000 x 2/10 = ₹2,400

Adjustment of Goodwill:

Amount credited to X's Capital A/c = 30,000 x 5/30 = ₹5,000
Amount debited to Y's Capital A/c = 30,000 x 1/30 = ₹1,000
Amount debited to Z's Capital A/c = 30,000 x 4/30 = ₹4,000

Please find below the journal entries of the transactions:

	Journal Book				
Date	**Particulars**		**L.F.**	**Amount**	**Amount**
1st April	X's Capital A/c	Dr.		6,000	
	Y's Capital A/c	Dr.		3,600	
	Z's Capital A/c	Dr.		2,400	
	To Goodwill A/c				12,000
	(Being Goodwill written off)				
1st April	Y's Capital A/c	Dr.		1,000	
	Z's Capital A/c	Dr.		4,000	
	To X's Capital A/c				5,000
	(Being adjustment of goodwill on change in profit sharing ratio)				
	Total			**17,000**	**17,000**

Solution 9

Calculation of Gaining and Sacrificing Ratio:
Old Ratio of A and B = 2:1
New Ratio of A and B = 3:2
Sacrificing Ratio = Old Ratio − New Ratio
A = 2/3 – 3/5 = 10 – 9/15 = 1/15
B = 1/3 – 2/5 = 5 -6/15 = -1/15 (Gain)

Adjustment of Profit:
Amount of Profit debited to A's Capital A/c = 90,000 x 3/5 = ₹6,000
Amount of Profit credited to B's Capital A/c = 90,000 x 3/5 = ₹6,000
Calculation of New Goodwill:
Goodwill = Profit during 14-15 + Profit during 15-16
= 60,000 + 75,000 = ₹1,35,000
Adjustment of Goodwill:
Amount of Goodwill debited to A's Capital A/c = 1,35,000 x 1/15 = ₹9,000
Amount of goodwill credited to A's Capital A/c = 1,35,000 x 1/15 = ₹9,000

Please find below the journal entries of the transactions:

Journal Book

Date	Particulars	L.F.	Debit ₹	Credit ₹
1st April	A's Capital A/c		6,000	
	To B's Capital A/c			6,000
	(Being profit adjustment for the year 18-19 on change in profit sharing ratio)			
1st April	B's Capital A/c		9,000	
	To A's Capital A/c			9,000
	(Being adjustment of goodwill made on change in profit sharing ratio)			
	Total		**15,000**	**15,000**

Please find the transactions under partner's capital accounts:

Partners' Capital Accounts

Dr.					**Cr.**
Particulars	**A**	**B**	**Particulars**	**A**	**B**
To B's Capital A/c (Profit Adjustment)	6,000	–	By Balance b/d	1,50,000	90,000
			By A's Capital A/c (Profit Adjustment)	–	6,000
To A's Capital A/c (Adjustment of Goodwill)	–	9,000			
			By B's Capital A/c (Adjustment of oodwill)	9,000	–
To Balance c/d	1,53,000	87,000			

Total	1,59,000	96,000	Total	1,59,000	96,000

Solution 10

Calculation of Sacrificing or Gaining Ratio:

Sacrificing Ratio = Old Ratio − New Ratio

Jai = 3/5 – ½ = 1/10

Raj = 2/5 – 1/2 = 1/10 (Gain)

Adjustment of Goodwill:

Adjusted Goodwill = 1,00,000 – 25,000 = 75,000

Amount of goodwill credited to Jai's Capital A/c = 75,000 x 1/10 = ₹7,500

Amount of goodwill debited to Raj's Capital A/c = 75,000 x 1/10 = ₹7,500

Please find below the journal entries of the transactions:

Journal Book					
Date	**Particulars**		**L.F.**	**Debit**	**Credit**
1st April	Raj's Capital A/c	Dr.		7,500	
	To Jai's Capital A/c				7,500
	(Being adjustment of goodwill)				
	Total			**7,500**	**7,500**

Solution 11

Please find below the journal entries of the transactions:

Journal Book				
Date	**Particulars**	**L.F.**	**Debit**	**Credit**

1st April	Profit & Loss A/c	Dr.		1,50,000	
	To X's Capital A/c				90,000
	To Y's Capital A/c				60,000
	(Being balance adjusted in profit and loss account in old ratio)				
	Total			**1,50,000**	**1,50,000**

Calculation of Profit and Loss:

X's Share = 1,50,000 x 3/5 = ₹90,000

Y's Share = 1,50,000 x 2/5 = ₹60,000

Solution 12

Please find below the transactions under journal book:

Journal Book					
Date	**Particulars**		**L.F.**	**Debit ₹**	**Credit ₹**
1st April	A's Capital A/c	Dr.		90,000	
	B's Capital A/c	Dr.		60,000	
	To Profit & Loss A/c				1,50,000
	(Being profit distributed in profit sharing ratio)				
	Total			**1,50,000**	**1,50,000**

Solution 13

Please find below the transactions under journal book:

	Journal Book				
Date	**Particulars**		**L.F.**	**Debit**	**Credit**
1st	Z's Capital A/c	Dr.		5,400	

April					
	To X's Capital A/c				5,400
	(Being general reserve, profit and loss A/c, and advertisement suspense account adjusted on change in PSR)				
	Total			**5,400**	**5,400**

Adjustments made on net amount = 6,000 + 24,000 – 12,000 = ₹18,000

Calculation of Gaining or Sacrificing Ratio:

Old Ratio of X, Y and Z = 5:3:2

New Ratio of X, Y and Z = 2:3:5

Sacrificing Ratio = Old Ratio − New Ratio

X = 5/10 – 2/10 = 3/10

Y = 3/10 – 3/10 = 0

Z = 2/10 – 5/10 = -3/10 (Gain)

Amount credited to X's Capital A/c = 18,000 x 3/10 = ₹5,400

Amount debited to Z's Capital A/c = 18,000 x 3/10 = ₹5,400

Solution 14

Please find below the journal entries for the transactions:

Journal Book				
Date	**Particulars**	**L.F.**	**Debit ₹**	**Credit ₹**

	Workmen Compensation Reserve A/c	Dr.		1,20,000	
	To A's Capital A/c				60,000
	To B's Capital A/c				36,000
	To C's Capital A/c				24,000
	(Being distribution of Workmen Compensation Fund)				
	Total			**1,20,000**	**1,20,000**

Distribution for workmen compensation reserve will be in the old ratio 5:3:2.

Solution 15

Please find below the journal entries of the transactions:

	Journal				
Date	**Particulars**		**L.F.**	**Debit**	**Credit**
	Workmen Compensation Reserve A/c	Dr.		1,20,000	
	To X's Capital A/c				20,000
	To Y's Capital A/c				12,000
	To Z's Capital A/c				8,000
	To Workmen Compensation Claim A/c				80,000
	(Being adjustment of balance in workmen compensation reserve account, distributed in old ratio)				
	Total			**1,20,000**	**1,20,000**

Working Notes: Workmen Compensation Reserve Evaluation

Amount credited to X's Capital A/c = 40,000 x 5/10 = ₹20,000
Amount credited to X's Capital A/c = 40,000 x 3/10 = ₹12,000
Amount debited to Z's Capital A/c = 40,000 x 2/10 = ₹8,000

Solution 16

Please find below the journal entries of the transactions:

Journal Book					
Date	**Particulars**		**L.F.**	**Debit**	**Credit**
1st April	Workmen Compensation Reserve A/c	Dr.		1,20,000	
	Revaluation A/c	Dr.		30,000	
	To Provision for Workmen Compensation Claim A/c (Being creation of provision and shortfall charged to Revaluation A/c)				1,50,000
	X's Capital A/c	Dr.		15,000	
	Y's Capital A/c	Dr.		9,000	
	Z's Capital A/c	Dr.		6,000	
	To Revaluation A/c				30,000
	(Being loss on revaluation transferred to Partners' Capital A/c)				
	Total			**1,80,000**	**1,80,000**

Solution 17

Please find below the journal entries of the following transactions:

	Journal Book				
Date	**Particulars**		**L.F.**	**Amount**	**Amount**
	Investment Fluctuation Reserve A/c	Dr.		5,000	
	To Investments A/c				5,000
	(Being adjustment for decrease in investment value)				
	Investment Fluctuation Reserve A/c	Dr.		15,000	
	To A's Capital A/c				7,500
	To B's Capital A/c				4,500
	To C's Capital A/c				3,000
	(Being adjustment of balance in Investment Fluctuation Reserve A/c, distributed in old ratio)				
	Total			**20,000**	**20,000**

Calculation of Investment Fluctuation Reserve:

Amount credited to X's Capital A/c = 15,000 x 5/10 = ₹7,500

Amount credited to X's Capital A/c = 15,000 x 3/10 = ₹4,500

Amount credited to Z's Capital A/c = 15,000 x 2/10 = ₹3,000

Solution 18

Please find below the journal entries of the transactions:

	Journal Book

Date	Particulars		L.F.	Debit	Credi
(i)	Investment Fluctuation Reserve A/c	Dr.		60,000	
	To Nitin's Capital A/c				20,000
	To Tarun's Capital A/c				20,000
	To Amar's Capital A/c				20,000
	(Being Investment Fluctuation Reserve distribution)				
(ii)	Investment Fluctuation Reserve A/c	Dr.		60,000	
	To Nitin's Capital A/c				20,000
	To Tarun's Capital A/c				20,000
	To Amar's Capital A/c				20,000
	(Being Investment Fluctuation Reserve distribution)				
(iii)	Investment Fluctuation Reserve A/c	Dr.		60,000	
	To Nitin's Capital A/c				20,000
	To Tarun's Capital A/c				20,000
	To Amar's Capital A/c				20,000
	(Being distribution of Investment Fluctuation Reserve)				
	Investments A/c	Dr.		24,000	
	To Revaluation A/c				24,000
	(Being revaluation of investments)				

	Revaluation A/c	Dr.		24,000	
	To Nitin's Capital A/c				8,000
	To Tarun's Capital A/c				8,000
	To Amar's Capital A/c				8,000
	(Being profit on revaluation transferred to Partners' Capital A/c)				
(iv)	Investment Fluctuation Reserve A/c	Dr.		60,000	
	To Investment A/c				30,000
	To Nitin's Capital A/c				10,000
	To Tarun's Capital A/c				10,000
	(Being distribution of Investment Fluctuation Reserve)				10,000
(v)	Investment Fluctuation Reserve A/c	Dr.			
	Revaluation A/c	Dr.		60,000	
	To Investment A/c (Being decrease in investments set off against IFR and debited balance to revaluation account)			30,000	
	Nitin's Capital A/c	Dr.			90,000
	Tarun's Capital A/c	Dr.		10,000	
	Amar's Capital A/c	Dr.		10,000	
	To Revaluation A/c			10,000	
	(Being realisation loss transferred to partners'				30,000

	capital account)				
	Total			**4,08,000**	**4,08,000**

Solution 19

(i) When General Reserve is not shown in Balance sheet:

Please find below the journal entries of the transactions:

	Journal Book				
Date	**Particulars**		**L.F.**	**Amount**	**Amount**
1st April	General Reserve A/c	**Dr.**		60,000	
	To X's Capital A/c				40,000
	To Y's Capital A/c				20,000
	(Being adjustment of balance in general reserve in partners' old ratio)				
	Total			**60,000**	**60,000**

Calculation of General Reserve:

X = 60,000 x 2/3 = ₹40,000

Y = 60,000 x 1/3 = ₹20,000

(ii) If they want to show General Reserve in the new Balance Sheet

Please find below the journal entries of the transactions:

	Journal Book				
Date	**Particulars**		**L.F.**	**Amount**	**Amount**
1st April	Y's Capital A/c	Dr.		4,000	
	To X's Capital A/c				4,000
	(Being adjustment of balance in general reserve				

	account)				
	Total			**4,000**	**4,000**

Calculation of General Reserve:

Sacrificing Ratio = Old Ratio – New Ratio

X = 3/5 – 2/3 = 1/15

Y = 1/3 – 2/5 = -1/15 (Gain)

Therefore, amount to be compensated by X = 60,000 x 1/15 = ₹4,000

Solution 20

Please find below the journal entries of the transactions:

Journal Entries

In the books of Bhavya and Sakshi

Date	Particulars		L.F.	Amount	Amount
31st March	Investment Fluctuation Fund A/c	**Dr.**		20,000	
	To Investments A/c				10,000
	To Bhavya's Capital A/c				6,000
	To Sakshi's Capital A/c				4,000
	(Being adjustment made in the market value of investment)				
31st March	Sakshi's Capital A/c (24,000 x 1/10)	**Dr.**		2,400	
	To Bhavya's Capital A/c (24,000 x 1/10)				2,400
	(Being adjustment of goodwill after change in				

	PSR)				
31st March	Sakshi's Capital A/c (23,400 x 1/10)	**Dr.**		2,340	
	To Bhavya's Capital A/c (23,400 x 1/10)				2,340
	(Being adjusted general reserve not being distributed)				
	Total			**24,740**	**24,740**

Working Notes:

Particulars	**Bhavya**	**Sakshi**
Old Ratio	3/5	2/5
New Ratio	½	1/2
Gain/Sacrifice	3/5 – 1/2 = 1/10 (Sacrifice)	2/5 – 1/2 = -1/10 (Gain)

Solution 21

Please find below the transactions under journal:

	Journal Book				
Date	**Particulars**		**L.F.**	**Debit**	**Credit**
1st April	Z's Capital A/c	Dr.		760	
	To X's Capital A/c				760
	(Being revaluation adjustment profit)				
	Total			**760**	**760**

Calculation of profit or Loss:

Particulars	Amount
Increase in Investment	3,000
(-) Decrease in Plant and Machinery	(5,000)
Increase in Land and Building	10,000
(-) Increase in Outstanding Expenses	(400)
(-) Decrease in Sundry Debtors	(10,000)
Decrease in Trade Creditors	10,000
Profit on Revaluation	7,600

Calculation of Sacrificing or Gaining Ratio:

Old Ratio of X, Y and Z = 5:3:2

New Ratio of X, Y and Z = 4:3:3

Sacrificing Ratio = Old Ratio – New Ratio

X= 5/10 – 4/10 = 1/10

Y = 3/10 – 3/10 = 0

Z = 2/10 – 3/10 = -1/10 (Gain)

Calculation of Revaluation Profit

Amount credited to X = 7,600 x 1/10 = ₹760

Amount credited to X = 7,600 x 1/10 = ₹760

Solution 22

Please find below the transactions under journal:

	Journal Book				
Date	**Particulars**		**L.F.**	**Debit ₹**	**Credit ₹**
1st April	General Reserve A/c	Dr.		90,000	
	To Ashish's Capital A/c				30,000

	To Aakash's Capital A/c				30,000
	To Amit's Capital A/c				30,000
	(Being distribution of reserve)				
1st April	Ashish's Capital A/	Dr.		2,000	
	Aakash's Capital A/c	Dr.		2,000	
	Amit's Capital A/c	Dr.		2,000	
	To Advertisement Suspense A/c				6,000
	(Being distribution of advertisement suspense account)				
1st April	Revaluation A/c	Dr.		54,000	
	To Stock A/c				15,000
	To Machinery A/c				25,000
	To Provision for Doubtful Debts A/c				4,000
	To Aakash's Capital A/c (Remuneration)				10,000
	(Being revaluation of assets)				
1st April	Land & Building A/c	Dr.		62,000	
	To Revaluation A/c				62,000
	(Being revaluation of assets)				
1st	Revaluation A/c	Dr.		8,000	

April					
	To Ashish's Capital A/c				2,666
	To Aakash's Capital A/c				2,666
	To Amit's Capital A/c				2,667
	(Being profit made and distribution of profit)				
	Total			**2,20,000**	**2,20,000**

Solution 23

Please find below the journal entries for the transactions:

	Journal Book				
Date	**Particulars**		**L.F.**	**Debit**	**Credit**
1st April	General Reserve A/c	Dr.		60,000	
	To A's Capital A/c				30,000
	To B's Capital A/c				18,000
	To C's Capital A/c				12,000
	(Being distribution of reserve)				
	A's Capital A/c	Dr.		2,500	
	B's Capital A/c	Dr.		1,500	
	C's Capital A/c	Dr.		1,000	
	To Advertisement Suspense A/c				5,000
	(Being distribution of advertisement suspense a/c)				
	Investment Fluctuation Reserve A/c	Dr.		30,000	
	To Investment A/c				10,000

	To A's Capital A/c				10,000
	To B's Capital A/c				6,000
	To C's Capital A/c				4,000
	(Being distribution of Investment Fluctuation Reserve)				
	Machinery A/c	Dr.		12,000	
	Motorcycle A/c	Dr.		20,000	
	Creditors A/c	Dr.		10,000	
	To Revaluation A/c (Being revaluation of assets)				42,000
	Revaluation A/c	Dr.		25,000	
	To Land & Building A/c				17,500
	To Provision for Doubtful Debts A/c				2,500
	To Bank A/c (Remuneration) (Being revaluation of assets)				5,000
	Revaluation A/c	Dr.		17,000	
	To A's Capital A/c				8,500
	To B's Capital A/c				5,100
	To C 's Capital A/c				3,400
	(Being transfer of profit on revaluation to partners' capital accounts)				
	B's Capital A/c	Dr.		10,000	
	C 's Capital A/c	Dr.		40,000	

	To A's Capital A/c				50,000
	(Being adjustment of goodwill)				
	Total			**2,29,000**	**2,29,000**

Please find below the transactions under revaluation account:

Revaluation A/c			
Dr.			**Cr.**
Particulars	**Amount**	**Particulars**	**Amount**
To Land & Building A/c	17,500	By Machinery A/c	12,000
To Provision for Doubtful Debts A/c	2,500	By Motorcycle A/c	20,000
To Bank A/c (Remuneration)	5,000	By Creditors A/c	10,000
To Profit transferred to: A: 8,500 B: 5,100 C: 3,400	17,000 42,000		42,000
Total	**42,000**	**Total**	**42,000**

Calculation of Sacrificing or Gaining Ratio:

Old Ratio of A, B and C = 5:3:2

New Ratio of A, B and C = 1:1:1

Sacrificing = Old Ratio – New Ratio

A = 5/10 – 1/3 = 15 – 10/30 = 5/30

B = 3/10 – 1/3 = 9 – 10/30 = -1/30 (Gain)

C = 2/10 – 1/3 = 6 - 10/30 = 4/30 (Gain)

Calculation of Goodwill:

Goodwill = Average Profit x Numer of Years of Purchase
= 1,50,000 x 3 = ₹3,00,000

Calculation of Adjustment on Goodwill:

Amount credited to A = 3,00,000 x 5/30 = ₹50,000
Amount debited to B = 3,00,000 x 1/30 = ₹10,000
Amount debited to C = 3,00,000 x 4/30 = ₹40,000

Solution 24

Please find below the journal entries of the transactions:

Journal					
Date	**Particulars**		**L.F.**	**Debit**	**Credit**
2019 1st April	A's Capital A/c (30,000 x 1/10)	Dr.		3,000	
	To B's Capital A/c				3,000
	(Being adjustment entry for change in ratio)				
	Total			**3,000**	**3,000**

Calculation of Sacrificing and Gaining Ratio:

Old Ratio of A, B and C = 2:2:1
New Ratio of A, B and C = 5:3:2
Sacrificing Ratio = Old Ratio – New Ratio
A = 2/5 – 5/10 = 4-5/10 = -1/10 (Gain)
B = 2/5 – 3/10 = 4-3/10 = 1/10
C = 1/5 – 2/10 = 2-2/10 = 0

Solution 25

Please find below the journal entries of the transactions:

	Journal Book				
Date	**Particulars**		**L.F.**	**Debit**	**Credit**
1st April	X's Capital A/c	Dr.		15,000	

	Y's Capital A/c	Dr.		5,000	
	To Z's Capital A/c				20,000
	(Being adjustment on goodwill, general reserve and profit and loss account made on change in profit sharing ratio)				
	Total			**20,000**	**20,000**

Please find below the extract of balance sheet of the transactions:

Balance Sheet
as on 1st April, 2019

Liabilities	Amount	Assets	Amount
Capital A/c: X: 1,95,000 Y: 1,45,000 Z: 1,40,000	4,80,000	Sunday Assets	7,00,000
General Reserve	65,000		
Profit and Loss A/c	25,000		
Creditors	1,30,000		
Total	**7,00,000**	**Total**	**7,00,000**

Working Notes:

Calculation of Sacrificing Ratio:

Old Ratio of X, Y and Z = 7:5:4

New Ratio of X, Y and Z = 3:2:1
Sacrificing Ratio = Old Ratio – New Ratio
X = 7/16 – 3/6 = 21 – 24/48 = -3/48 (Gain)
Y = 5/16 – 2/6 = 15 – 16/48 = -1/48 (Gain)
Z = 4/16 – 1/16 = 12-8/48 = 4/48

Adjustment of Reserve, Profit and Loss A/c and Goodwill

Reserve + Profit & Loss + Goodwill Adjustment = 65,000 + 25,000 + 1,50,000 = ₹2,40,000
Amount debited to X's Capital = 2,40,000 x 3/48 = ₹15,000
Amount debited to Y's Capital = 2,40,000 x 1/48 = ₹5,000
Amount credited to Z's Capital = 2,40,000 x 4/48 = ₹20,000

Calculation of Partner's Capital A/c:

Partners' Capital Accounts							
Dr.							**Cr.**
Particulars	**X**	**Y**	**Z**	**Particulars**	**X**	**Y**	**Z**
To Z's Capital A/c	15,000	5,000	–	By Balance b/d	2,10,000	1,50,000	1,20,000
				By X's Capital A/c	–	–	15,000
				By Y's Capital A/c	–	–	5,000
To Balance c/d	1,95,000	1,45,000	1,40,000				
Total	**2,10,0**	**1,50,0**	**1,40,0**	**Total**	**2,10,0**	**1,50,0**	**1,40,0**

	00	**00**	**00**		**00**	**00**	**00**