TS Grewal

Class 12

Accountancy Solutions

Vol.-1

CHAPTER-6 –Retirement/ Death of a Partner

Solution 1

Old Ratio of A, B and C = 1/2:2/5:1/10 = 5:4:1

Note: A and B's new profit sharing ratio will be calculated by crossing out C's share because no information has been given on A and B acquiring C's profit.

A's New Share = 1/2 x 5/5 = 5/10

B's New share = 2/5 x 2/2 = 4/10

Therefore, new profit sharing ratio of A and B = 5:4

Solution 2

(a)

Old share of Mohan and Hari = 5:5:4

Mohan's Share = 5/14

Mohan's shares will be divided equally between Shiv and Hari in the ratio 1:1

Shiv's Share = 5/14 x 1/2 = 5/28

Hari's Share = 5/14 x 1/2 = 5/28

New Profit sharing Ratio = Old Profit Sharing Ratio + Mohan's Shares

Therefore,

Shiv's New Share = 5/14 + 5/28 = 10 + 5/28 = 15/28

Hari's New Share = 4/14 + 5/28 = 8 + 5/28 = 13/28

Therefore, new profit sharing ratio of Shiv and Hari = 15:13

(b)

Old Share of P, Q and R = 5:4:1

P's Share = 5/10

No information is given about the manner in which Q and R acquired P's share. Because of this, the new profit sharing ratio will be calculated by crossing out P's share.

Therefore, new profit sharing ratio of Q and R = 4:1

Solution 3

Calculation of New Profit Ratio:

Old Ratio of R and S = 2:2:1

M's Share = 1/5

R and S take over M's shares in the ratio 1:2

R's Shares = 1/5 x 1/3 = 1/15

S's Shares = 1/5 x 2/3 = 2/15

New Ratio = Old Ratio + shares Taken from M

Therefore,

R's New Share = 2/5 + 1/15 = 6 + 1/15 = 7/15

S's New Share = 2/5 + 2/15 = 6 + 2/15 = 8/15

Therefore, new profit sharing ratio of R and S = 7:8

Solution 4

Calculation of Gaining Ratio:

Old Ratio of A, B and C = 4:3:2

New Ratio of B and C = 2:1

Gaining Ratio = New Ratio – Old Ratio

Therefore,

B's Gaining Ratio = 2/3 – 3/9 = 6/9 -3/9 = 3/9

C's Gaining Ratio = 1/3 – 2/9 = 3/9 – 2/9 = 1/9

Therefore, gaining ratio of B and C = 3:1

Solution 5

Calculation of Gaining Ratio:

Old Ratio of X, Y and Z = 1/2:3/10:1/5 = 5:3:2

On Y's retirement, profit sharing ratio of X and Y = 5:2

Gaining Ratio = New Ratio – Old Ratio

Therefore,

X's Gaining Ratio = 5/7 – 5/10 = 15/70

Z's Gaining Ratio = 2/7 – 2/10 = 6/70

Therefore, new gaining ratio of X and Z = 15/70:6/70 = 5:2

Solution 6

(a) Calculation of Gaining Ratio:

Old Ratio of W, X, Y and Z = 1/3:1/6:1/3:1/6 = 2:1:2:1

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

Gaining Ratio = New Ratio – Old Ratio

Therefore,

W's Gaining Ratio = 1/3 – 2/6 = 2 – 2/6 = 0

X's Gaining Ratio = 1/3 – 1/6 = 2 – 1/6 = 1/6

Z's Gaining Ratio = 1/3 – 1/6 = 2 – 1/6 = 1/6

Therefore, gaining ratio of W, X, and Z = 0:1:1

(b) Calculation of New Profit Sharing Ratio and Gaining Ratio:

Old Ratio of W, X, Y and Z = 1/3:1/6:1/3:1/6 = 2:1:2:1

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

Gaining Ratio = New Ratio – Old Ratio

Therefore,

W's Gaining Ratio = 1/3 – 2/6 = 2-2/6 = 0

X's Gaining Ratio = 1/3 – 1/6 = 2 – 1/6 = 1/6

Z's Gaining Ratio = 1/3 – 1/6 = 2 – 1/6 = 1/6

Therefore, new gaining ratio of W, X and Z = 0:1:1

Solution 7

Calculation of Gaining Ratio and New Profit Sharing Ratio:

Lakshya and Manoj took over 3/10 of Kumar's share in the ration of 3:2

Lakshya's Share = 3/10 x 3/5 = 9/50

Manoj's Share = 3/10 x 2/5 = 6/50

Therefore, Lakshya's New Share = 2/10 + 9/50 = 19/50

Manoj's New share = 1/10 + 6/50 = 11/50

Naresh's Retained Share = 4/10 = 20/50

Therefore, new profit sharing ratio of Manoj, Lakshya and Naresh = 19:11:20310 of Kumar's share acquired by Lakshya and Manoj in 3: 2 ratio

Solution 8

Calculation of New Profit Sharing Ratio:

Old Ratio of A, B and C = 8:4:3

B's Share = 4/15 which is taken over by A and C in the ratio 1:1

A's Share = 4/15 x 1/2 = 4/30 = 2/15

C's Share = 4/15 x 1/2 = 4/30 = 2/15

New Ratio = Old Ratio + Acquired Shares

Therefore,

A's New Share = 8/15 + 2/15 = 10/15

B's New Share = 3/15 + 2/15 = 5/15

Therefore, new profit sharing ratio of A and C = 2:1

Solution 9

Calculation of Profit Sharing Ratio:
Old Ratio of A, B and C = 5:3:2
C's share of profit = 2/10 and A acquires it
New Ratio = Old Ratio + Shares Acquired
Therefore,
A's New Share = 5/10 + 2/10 = 7/10
B's Share = 3/10
Therefore, new profit sharing ratio of A and B = 7:3

Solution 10
Calculation of PSR and Gaining Ratio:
Old Ratio of P, Q and R = 7:5:3
New Ratio of Q and R = 7:5
Gaining Ratio = New Ratio – Old Ratio
Q's Gaining Ratio = 7/12 – 5/15 = 35 – 20/60 = 15/60
R's Gaining Ratio = 5/12 – 3/15 = 25-12/60 = 13/60
Therefore, gaining ration of Q and R = 15:13

Solution 11
Calculation of new PSR and Gaining Ratio:
Old Ratio of Murli, Naveen and Omprakash = 3: 4: 1
Murali's share = 3/8 out of which 2/3 is taken over by Naveen and remaining is given to Omprakash
Naveen's Share = 3/8 x 2/3 = 2/8
Omprakash's Share = 3/8 – 2/8 = 1/8
Gaining Ratio = 2:1
New Ratio = Old Ratio + Shares Acquired
Therefore,
Naveen's New Share = 4/8 + 2/8 = 6/8

Omprakash's New Share = 1/8 + 1/8 = 2/8
Therefore, new profit sharing ratio of Naveen and Omprakash = 3:1

Solution 12

Calculation of New PSR:

Old Ratio of A, B and C = 4:3:2
B's share = 3/9 A

(a) If B gives his share to A and C in the their original ratio

Old Ratio of A and C = 4:2
A's share acquired from B = 3/9 x 4/6 = 12/54
C's acquired share from C = 3/9 x 2/6 = 6/54
New Ratio = Old Ratio + Shares Acquired
Therefore,
A's Nw Share = 4/9 + 12/54 = 24 + 12/54 = 36/54
C's New share = 2/9 + 6/54 = 12 + 6/54 = 3/18
Therefore, new profit sharing ratio of A and C = 2:1

(b) If B gives his share to A and C in equal proportion

A's Acquired Share = 3/9 x 1/2 = 3/18
C's Acquired Share = 3/9 x 1/2 = 3/18
New Ratio = Old Ratio + Shares Acquired
Therefore,
A's New Share = 4/9 + 3/18 = 8 + 3/18 = 36/54
C's New Share = 2/9 + 3/18 = 4 + 3/18 = 7/18
Therefore, new profit sharing ratio of A and C = 11:7

(c) If B gives his share to A and C in the ratio of 3 : 1

A's Acquired Share = 3/9 x 3/4 = 9/36

C's Acquired Share = 3/9 x 1/4 = 3/36

New Ratio = Old Ratio – Shares Acquired

Therefore,

A's New Share = 4/9 – 9/36 = 16 - 9 = 7/36

C's New Share = 2/9 – 3/36 = 8-3/36 = 5/36

Therefore, new profit sharing ratio between A and C = 7:5

(d) If B gives his share to A only

A's New Share = A's Old Shares + B's Shares = 4/9 + 3/9 = 7/9

Therefore,

C's New Shares = 2/9

Therefore, new profit sharing ratio between A and C = 7:2

Solution 13

Please find below the journal entries of the transactions:

Journal Book				
Particulars		**L.F.**	**Amount**	**Amount**
L's Capital A/c	Dr.		13,000	
O's Capital A/c	Dr.		11,000	
To M's Capital A/c				24,000
(Being distribution of M's goodwill between partners)				
Total			**24,000**	**24,000**

Working Notes:

Calculation of Gaining Ratio

Old Ratio of L, M and O =4:3:2

New ratio of L and O = 5:3

Gaining Ratio = New Ratio – Old Ratio
L's Ratio = 5/8 – 4/9 = 45-32/72 = 13/72
O's Ratio = 3/8 = 2/9 = 27-16/72 = 11/72
Therefore, Gaining Ratio of L and O = 13:11

Calculation of Goodwill:

Goodwill of Firm = ₹72,000
M's Goodwill = 72,000 x 3/9 = ₹24,000
Goodwill is debited to Partner's Capital A/c in gaining ratio of 13:11
Amount debited from L's Capital A/c = 24,000 x 13/24 = ₹13,000
Amount debited to O's Capital A/c = 24,000 x 131/24 = ₹11,000

Solution 14

Please find below the journal entries of the transactions:

Journal Book					
Date	**Particulars**		**L.F.**	**Amount**	**Amount**
1st January	R's Capital A/c	Dr.		84,000	
	To P's Capital A/c				42,000
	To S's Capital A/c				42,000
	(Being adjustment of goodwill)				
	Total			**84,000**	**84,000**

Working Notes:

Calculation of Gaining Ratio:

Gaining Ratio = New Ratio – Old Ratio
P's ratio = 4/10 – 5/10 = -1/10 (Sacrifice)
Q's Ratio = 3/10 – 3/10 = 0
R's Ratio = 3/10 – 1/10 = 2/10

Calculation of Goodwill:
P's Goodwill = 4,20,000 x 1/10 = ₹42,000
Q's Goodwill = 4,20,000 x 2/10 = ₹84,000
R's Goodwill = 4,20,000 x 1/10 = ₹42,000

Solution 15

Please find below the journal entries of the transactions:

Journal Book					
Date	**Particulars**		**L.F.**	**Amount**	**Amount**
	Aparna's Capitals A/c	Dr.		18,000	
	Sonia's Capital A/c	Dr.		42,000	
	To Manisha's Capital A/c				60,000
	(Being adjustment of Manisha's goodwill to partners capital accounts in gaining ratio)				
	Total			**60,000**	**60,000**

Working Notes:
Calculation of Goodwill:
Manisha's Goodwill Share = Firm's Goodwill x Profit Share = 1,80,000 x 1/3 = ₹60,000
Calculation of Gaining Ratio:
Gaining Ratio = New Ratio – Old Ratio
Aparna's Ratio = 3/5 - 3/6 = 3/10
Sonia's Ratio = 2/5 – 1/6 = 7/30
Therefore, gaining ratio of Sonia and Aparna is 3:7

Solution 16

Please find below the journal entries of the transactions:

Journal Book				
Particulars		**L.F.**	**Amount**	**Amount**
A's Capital A/c	Dr.		15,000	
C's Capital A/c	Dr.		15,000	
To B's Capital A/s				30,000
(Being adjustment of B's goodwill)				
Total			**30,000**	**30,000**

Working Notes:

Old Ratio of A, B and C = 3:2:1

New ratio of A and C = 2:1

Gaining Ratio = New Ratio – Old Ratio

A's Ratio = 2/3 – 3/6 = 4 – 3/6 = 1/6

C's Ratio = 1/3 – 1/6 = 2 – 1/6 = 1/6

Therefore, Gaining Ratio of A and C = 1:1

Calculation of Adjustment of Goodwill:

Firm's Goodwill = ₹90,000

B's Goodwill = 90,000 x 2/6 = ₹30,000

Amount debited to A's Capital A/c = 30,000 x 1/2 = ₹15,000

Amount debited to C's Capital A/c = 30,000 x 1/2 = ₹15,000

Solution 17

Please find below the transactions under journal entries:

Journal Book					
Date	**Particulars**		**L.F.**	**Amount**	**Amount**
	Hanny's Capital A/c	Dr.		30,000	
	Pammy's Capital A/c	Dr.		20,000	
	Sunny's Capital A/c			10,000	
	To Goodwill A/c				60,000
	(Being goodwill written off in old ratio)				
	Hanny's Capital A/c	Dr.		14,000	
	Sunny's Capital A/c	Dr.		14,000	
	To Pammy's Capital A/c				28,000
	(Being adjustment of goodwill in gaining ratio)				
	Total			**88,000**	**88,000**

Working Notes:

Calculation of Goodwill:

Pammy's Goodwill = Goodwill of the firm x Profit Share

= 84,000 x 2/6 = ₹28,000

Calculation of Gaining Ratio:

Hanny's Ratio = 3/5 – 3/6 = 1/6

Sunny's Ratio = 1/3 – 1/6 = 1/6

Therefore, gaining ratio of Hanny and Sunny = 1:1

Solution 18

Please find below the journal entries of the transactions:

Journal Book					
Date	**Particulars**		**L.F.**	**Amount**	**Amount**
	X's Capital A/c	Dr.		30,000	
	Y's Capital A/c	Dr.		20,000	
	Z's Capital A/c	Dr.		10,000	
	To Goodwill A/c (Being written off goodwill)				60,000
	X's Capital A/c	Dr.		14,000	
	Z's Capital A/c	Dr.		14,000	
	To Y's Capital A/c				28,000
	(Being adjustment of Y's goodwill)				
	Total			**88,000**	**88,000**

Working Note:

Calculation of Goodwill:

Old Ratio of X, Y and Z = 3:2:1

New Ratio of X and Z = 2:1

Gaining Ratio = New Ratio – Old Ratio

X's Ratio = 2/3 – 3/6 = 1/6

Z's Ratio = 1/3 – 1/6 = 1/6

Therefore, gaining ratio of X and Z = 1:1

Calculation of Goodwill:

X's Goodwill = 84,000 x 3/6 = ₹42,000

Y's Goodwill = 84,000 x 2/6 = ₹28,000

Z's Goodwill = 84,000 x 1/6 = ₹14,000

Calculation of Retiring Partner's Goodwill:

Amount debited from X's Capital A/c = 84,000 x 2/3 = ₹56,000

Amount debited from Z's Capital A/c = 84,000 x 1/3 = ₹28,000

Solution 19

Please find below the journal entries of the transactions:

Journal Book					
Date	**Particulars**		**L.F.**	**Amount**	**Amount**
	A's Capital A/c	Dr.		5,850	
	C's Capital A/c	Dr.		4,950	
	To B's Capital A/c				10,800
	(Being adjustment of goodwill)				
	Total			10,800	10,800

Working Notes:

Calculation of Goodwill

Profit sharing ratio of A, B and C = 4/9:3/9:2/9

B retires partners agree to pay him ₹1,50,000

B's capital amounts to ₹1,39,200 after changes

Hidden goodwill = 1,50,000 – 1,39,200 = ₹10,800

Calculation of Gaining Ratio:

New profit sharing ratio of A and B is 5:3

Gaining Ratio = New Ratio – Old Ratio

A's Ratio = 5/8 – 4/9 = 13/72

C's Ratio = 3/8 – 2/9 = 11/72

Therefore, gaining ratio of A and C = 13:11

A and C will share B's goodwill in the ratio 13:11

Amount debited to A's Capital A/c = 10,800 x 13/24 = ₹5,850

Amount debited to C's Capital A/c = 10,800 x 11/24 = ₹4,950

Solution 20

Please find below the journal entries of the transactions:

Journal Book					
Date	**Particulars**		**L.F.**	**Amount**	**Amount**
	O's Capital A/c	Dr.		20,000	
	To N's Capital A/c				20,000
	(Being adjustment of goodwill)				
	Total			**20,000**	**20,000**

Working Notes:

Calculation of Gaining Ratio:

Old Ratio of M, N and O = 3:2:1

New Ratio of M and O = 1:1

Gaining Ratio = New Ratio – Old Ratio

M's Ratio = 1/2 - 3/6 = 3-3/6 = 0

O's Ratio = 1/2 – 1/6 = 3 – 1/6 = 2/6

O is the only partner who gains.

Calculation of Goodwill:

N's Goodwill = 60,000 x 2/6 = ₹20,000

O's Capital A/c is debited by ₹20,000