

SMART NOTES

BOOK-KEEPING & ACCOUNTANCY

S.Y.J.C.

MAHARASHTRA STATE BOARD

(As per the new textbook published by Maharashtra State Bureau of Textbook Production and Curriculum Research, Pune. w.e.f. Academic Year 2020-21)

Salient Features:

- ☞ Based on the new textbook
- ☞ Exhaustive coverage of theory
- ☞ All solved examples and practice sums of textbook covered
- ☞ Ample sums provided for additional practice
- ☞ Relevant board questions covered from Mar'14 to Mar'20
- ☞ Type-wise bifurcation of sums for systematic study
- ☞ Illustrative solved examples for conceptual clarity
- ☞ 'Higher Order Thinking Sums (HOTS)' provided to challenge students
- ☞ All type of objective questions covered
- ☞ Final answers for all questions provided at the end of the book
- ☞ Includes Board Question Paper of March 2022 (Solution in pdf format through QR code)

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PREFACE

'Smart Notes Book-Keeping & Accountancy' is a book curated to facilitate learning & instil conceptual understanding within students. This treasure trove of knowledge fosters robust conceptual clarity and inspires confidence within the nimble mind of young learners.

This book is a 'question book' developed with a view to enable students to get enough practice. We have covered the theory of each chapter in detail to enable the students to understand each concept of the chapter in greater depth. We have not only 'covered the problems given in the textbook' but have provided 'ample sums for students' practice'. The additional sums are at par with the sums given in the textbook. Questions from previous board exams from Mar'14 to Mar'20 relevant to the current syllabus have been included in each chapter in a separate section to add to the students' confidence. The 'illustrative solved example' will provide the students with a deeper understanding of how to solve a problem step by step. 'Higher Order Thinking Sums (HOTS)' give the students an opportunity to challenge themselves. The 'final solution' for all sums is provided at the end of the book for your reference.

The journey to create a complete book is strewn with triumphs, failures and near misses. If you think we've nearly missed something or want to applaud us for our triumphs, we'd love to hear from you.

Please write to us at : mail@targetpublications.org

From,
Publisher

Edition: Fourth

Disclaimer

This reference book is transformative work based on 'Book - Keeping & Accountancy; First Reprint: 2021' published by the Maharashtra State Bureau of Textbook Production and Curriculum Research, Pune. We the publishers are making this reference book which constitutes as fair use of textual contents which are transformed by adding and elaborating, with a view to simplify the same to enable the students to understand, memorize and reproduce the same in examinations.

This work is purely inspired upon the course work as prescribed by the Maharashtra State Bureau of Textbook Production and Curriculum Research, Pune. Every care has been taken in the publication of this reference book by the Authors while creating the contents. The Authors and the Publishers shall not be responsible for any loss or damages caused to any person on account of errors or omissions which might have crept in or disagreement of any third party on the point of view expressed in the reference book.

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Why to study Book-Keeping & Accountancy?

Apart from the basic objective of doing well in your exams, there are various reasons for studying Book Keeping & Accountancy (BK):

1. BK is the fundamental subject of commerce. Most courses of commerce have BK as one of the primary subjects.
2. Finance is the core of any business. It is difficult to understand finance without the basic knowledge of accounts.
3. All organizations have to regularly maintain books of accounts and file income tax returns. All these organizations require qualified accountants to finalize their books of accounts.
4. Accounts is required everywhere from household budget to national budget.

How to study from this book ?

1. It is advisable that you begin by reading the theory of the chapter. This will help you to understand the basics & aid in solving sums.
2. We have placed illustrative solved examples at specific places in the chapter. These illustrative examples can be downloaded by scanning the QR code besides it. The illustrative examples will give you a good idea about solving a sum.
3. You can then proceed to solve “textbook problems”. All problems in the book have been arranged type-wise (as per the adjustments) to help you learn the chapter gradually step-by-step.
4. Solving the “homework problems” will help you gain perfection in solving sums.
5. Finally, gain the required confidence for your exams by solving previously asked board questions.
6. Quickly study all the objectives, which you will now be able to solve or answer easily considering you have fair knowledge of the entire chapter.
You are now ready to go to the next level 😊

KEY FEATURES

Conceptual clarity is utmost important and in a subject like accountancy that can be achieved better through an illustrative example. That is why we have incorporated a number of illustrative examples in this book through QR Codes.

A separate section covering the sums asked in previous board exams from March 14 to March 20 has been incorporated in all the relevant chapters. This will boost the confidence of the students and also give them a fair idea of their preparations.

Solution to Board Question Paper of March 2022 has been provided in pdf format through QR code

Type-wise bifurcation of sums

All the sums in the books have been bifurcated on the basis of their type. This will facilitate systematic study and will enable the students to understand each concept thoroughly.

QR Codes For Illustrative examples

HOTS

We have included HOTS (Higher Order Thinking Sums) in all the relevant chapters to give the students an opportunity to challenge themselves.

Covers Board Questions

Chapter Assessment

Chapter assessment is provided at the end of every chapter for self-evaluation. The answer key of assessment is provided in the form of QR Code.

Board Paper Solution

PAPER PATTERN

Q. No.	Questions	Marks per Que.		Marks	
				without option	with option
1.	From the following types of sub questions any 4 will be asked.				
	A. Select the correct option and rewrite the sentence.	1	5	} 20	20
	B. Give one word / Phrase / term.	1	5		
	C. State true or false with reasons.	2 ½	5		
	D. Find the odd one	1	5		
	E. Complete the sentences.	1	5		
	F. Answer in one sentence only.	1	5		
	G. Do you agree or disagree with the following statements.	1	5		
	H. Calculate the following.	1	5		
	I. Give Specimen of Bill of Exchange	5	5		
	J. Complete the following table	1	5		
2.	Solve any one from the following Admission of a partner / Retirement of Partner Dissolution of Partnership firm/Bill of Exchange (Any two problems will be asked)		10	10	20
3.	Solve any one from the following Admission of a partner / Retirement of Partner Dissolution of Partnership firm/Bill of Exchange (Any Two remaining problems from Q.2. will be asked)		10	10	20
4.	Solve any one from the following Death of a partner / Issue of shares / Analysis of financial statements / Computer Accounting (Any two problems will be asked)		08	08	16
5.	Solve any one from the following Death of a partner / Issue of shares / Analysis of financial statements / Computer Accounting (Any two remaining problems from Q.4. will be asked)		08	08	16
6.	Problem On 'Not for Profit Concern'		12	12	24
7.	Problem On 'Partnership Final Accounts'		12	12	24
	Total			80	116

Division of Marks as per type of question

Sr.No.	Objectives	Marks	Marks With Option	Percentage
1	Objective	20	20	25%
2	Problems	60	96	75%
	Total	80	116	100%

Unit Wise Weightage

Sr. No.	Unit/sub-units	Marks		Marks	
		Problem	Objective	Problem	Objective
1	Introduction to Partnership and Partnership Final Accounts	12	04	12	04
2	Accounts of 'Not for Profit' Concerns	12	04	12	04
3	Reconstitution of Partnership (Admission of Partner)	20	02	40	02
4	Reconstitution of Partnership (Retirement of Partner)		02		02
5	Dissolution of Partnership Firm		02		02
6	Bills of Exchange		02		02
7	Reconstitution of Partnership (Death of Partner)	16	01	32	01
8	Company Accounts - Issue of Shares		01		01
9	Analysis of Financial Statements		01		01
10	Computer In Accounting		01		01
	Total	60	20	96	20
	Grand Total	80		116	

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Note:

- Questions marked with (S) represent solved problems of textbook.
- Questions marked with (P) represent practice problems of textbook.
- All objective questions from the textbook are represented by (T) mark.
- The sums in the textbook are in a certain order. However, in order to enable the students to study the chapter in a systematic step-by-step manner, we have rearranged the sums type-wise on the basis of adjustments. A table for the same is provided at the start of some chapters. Therefore, the order of sums in textbook and this book for some chapters will not match.

Scan the given Q.R. Code in *Quill - The Padhai App* to access the Paper Pattern for year 2021-22



Scan the adjacent QR Code to know more about our ***“Supplementary Questions Book”*** for Std. XII (Comm). Get sufficient practice of all objective questions across all subjects.



Sr. No.	Problem Type	Textual Problem Section Q. No.	Homework Problem Section Q. No.
1.	Profit and Loss Adjustment Account, Partners' Capital Account and Balance Sheet	Q. 1 to Q. 4	Q. 1 to Q. 5
2.	Capital Account and / or Profit and Loss Adjustment Account and / or Working notes	Q. 5 to Q. 12	Q. 6 to Q. 12

Introduction and Meaning

A partner will cease to be a partner on his death. Death is hence considered as compulsory retirement. Partnership business may be continued by surviving partners if partnership firm makes provision in Partnership Deed. Partners make arrangement to settle account of deceased partner with his legal representative who will be entitled, at their choice, to interest at 6% per annum on amount due. The interest shall be paid for a period from date of death to date of payment.

New and Gain Ratio

New ratio is the ratio in which the continuing partners decide to share the future profits and losses of the firm. On death of partner, profit sharing ratio of remaining partners changes.

Benefit or Gain Ratio is a ratio by which surviving partners are benefited due to death of a partner. The extra share which they are getting is added to their old share. Such extra share which they are getting is called as 'Gain' and the ratio in which they get this extra share is called as 'Gain Ratio'. This ratio is normally used to write off the goodwill created or raised to the extent of deceased partner's share only. It is calculated by using following formula:

Gain ratio = New ratio – Old ratio

New and Gain ratio are to be calculated in the same manner as in the Chapter 4 : Reconstitution of Partnership (Retirement of a Partner)

Note : If the old ratio and the new ratio of the continuing partners is same, then their gain ratio is also same.

Other concepts

1. Revaluation of assets and liabilities

Similar to admission and retirement of a partner, assets and liabilities are revalued at the time of death of a partner as well. The benefit as well as the loss of revaluation will have to be enjoyed / suffered by all the partners including deceased partner. To show the changes in the value of assets and liabilities, Revaluation Account is opened. After recording all the effects of revaluation of assets and liabilities, the balance appearing in the account is transferred to Partners' Capital Account in their existing profit sharing ratio.

2. Amount due to deceased partner's executor / nominee / administrator

The amount due to deceased partner is calculated on the basis of balance of capital of deceased partner shown in the last balance sheet, share of profit or loss on revaluation, general reserve, accumulated profit or loss, share of goodwill, salary of partner, interest on capital, interest on drawings, profit up to the date of death etc.

3. Settlement of amount due

The amount due to deceased partner is transferred to his Executor / Nominee / Administrator's Loan Account and it is paid to them after completing all legal formalities and procedure.

4. Settlement of amount due

The accounting treatment for preparing the account of deceased partner is similar to that of retirement of a partner.



Textual Problems

Profit and Loss Adjustment Account, Partners' Capital Account and Balance Sheet

Q.1. Rajesh, Rakesh and Mahesh were equal partners on 31st March, 2019. Their Balance Sheet was as follows:

(P)

Balance Sheet as on 31st March, 2019

Liabilities	Amount ₹	Assets	Amount ₹
Capital A/c:		Land and Building	4,00,000
<i>Rajesh</i>	5,00,000	Furniture	3,00,000
<i>Rakesh</i>	2,00,000	Debtors	3,00,000
<i>Mahesh</i>	2,00,000	Stock	1,00,000
Sundry Creditors	90,000	Cash	1,00,000
Bills Payable	60,000		
Bank loan	1,50,000		
	12,00,000		12,00,000

Mr. Rajesh died on 30th June, 2019 and the following adjustment were agreed as:

- Furniture was to be adjusted to its market price of ₹ 3,40,000.
- Land and Building was to be depreciated by 10%.
- Provide R.D.D. 5% on Debtors.
- The profit upto the date of death of Mr. Rajesh is to be calculated on the basis of last year's profit which was ₹ 1,80,000.

Prepare:

- Profit and Loss Adjustment Account
- Partners' Capital Account
- Balance Sheet of the continuing firm

Q.2. Rekha, Menaka, Mukta were partners in a business sharing profits and losses in the ratio of 2:1:1 respectively. Their Balance sheet as on 31st March, 2019:

(S)

Balance Sheet as on 31st March, 2019

Liabilities	Amount ₹	Assets	Amount ₹
Capital A/c:		Plant and Machinery	60,000
<i>Rekha</i>	60,000	Debtors	50,000
<i>Menaka</i>	70,000	Furniture	30,000
<i>Mukta</i>	34,000	Bank	60,000
Creditors	18,000		
Bills Payable	2,000		
General Reserve	16,000		
	2,00,000		2,00,000

Mukta died on 1st July, 2019.

- Plant and Machinery was to be revalued to ₹ 70,000 and R.D.D. is to be created of ₹ 2,000
- The drawings of Mukta up to the date of her death amounted to ₹ 10,000
- Charge interest on drawings ₹ 1,000
- Her share of goodwill should be calculated at three year purchase of the profits for the last four years which were I year - ₹ 1,50,000, II year - ₹ 1,30,000, III year - ₹ 70,000, IV year - ₹ 50,000
- The deceased partners share of profit upto the date of death to be calculated on the basis of average profit of last two years. (III and IV year)

Prepare: Profit and Loss Adjustment Account, Partners Capital Accounts, Balance Sheet of the continuing firm, Give Working Note of Profit of Goodwill.



Q.3. Rakesh, Mahesh and Mukesh were partners sharing profits and losses in the ratio 3:2:1 respectively. Their Balance Sheet as on 31st March, 2019 is as under: (S)

Balance Sheet as on 31st March, 2019

Liabilities	Amount ₹	Amount ₹	Assets	Amount ₹	Amount ₹
Capital A/c:			Plant and Machinery		40,000
<i>Rakesh</i>		30,000	Motor Truck		20,000
<i>Mahesh</i>		20,000	Debtors	16,000	
<i>Mukesh</i>		10,000	<i>Less: R.D.D.</i>	2,000	14,000
Creditors		8,000	Investment		18,000
Bank Loan		20,000	Bank		14,000
Bills Payable		18,000			
		1,06,000			1,06,000

Mukesh died on 30th June, 2019 and the following adjustments were made:

- Assets were revalued as: Plant and Machinery ₹ 44,000, Motor Truck ₹ 18,000, Investment ₹ 17,000.
- All Debtors were good.
- Goodwill of the firm valued at two times the average profits of the last five years. It is raised to the extent of the deceased partner's share. No Goodwill account to be shown in the books of the firm.
- Mukesh's share of profit up to his death to be calculated on the basis of average profits of last two years.
- Five years profits were I year - ₹ 6,000, II year - ₹ 11,000, III year - ₹ 7,000, IV year - ₹ 12,000, V year - ₹ 24,000 respectively.

Prepare: Profit and loss Adjustment Account, Partners Capital Account and Balance Sheet on 1st July, 2019

[Note : This question has been modified.]

Q.4. Anita, Sunita and Kavita were partners in a business sharing profits and losses in the ratio of 2:2:1 respectively. Their Balance Sheet as on 31st March, 2019 is as under: (S)

Balance Sheet as on 31st March, 2019

Liabilities	Amount ₹	Amount ₹	Assets	Amount ₹	Amount ₹
Capital A/c:			Plant and Building		55,800
<i>Anita</i>		40,000	Investment		30,000
<i>Sunita</i>		40,000	Furniture		16,000
<i>Kavita</i>		20,000	Debtors	20,800	
Creditors		30,000	<i>Less: R.D.D.</i>	800	20,000
Bills Payable		2,000	Bank		8,200
Bank Loan		8,000	Goodwill		10,000
		1,40,000			1,40,000

On 1st July, 2019 Kavita died and the following adjustments were made:

- All the Debtors were considered as good.
- A contingent liability for a compensation of ₹ 900 was provided.
- Investment were sold out in the market at 10% profit.
- Loan was paid off.
- Land and Building were depreciated by ₹ 800 and Furniture by ₹ 1,100.
- Goodwill of the firm was valued at ₹ 15,000. It was to be raised in the Books.
- Kavita was entitled to get her share in the profit upto the date of her death. Profit for 2019-20 was estimated at ₹ 10,000.
- The amount due to Kavita's executors was paid by NEFT.

Prepare: Revaluation Account, Partners Capital Account, Balance sheet of new firm.



Capital Account and / or Profit and Loss Adjustment Account and / or Working notes

Q.5. Rahul, Rohit and Ramesh are in a business sharing profits and losses in the ratio of 3:2:1 respectively. Their Balance Sheet as on 31st March, 2017 was as follows: (P)

Balance Sheet as on 31st March, 2017

Liabilities	Amount ₹	Amount ₹	Assets	Amount ₹	Amount ₹
Capital A/c:			Debtors	1,00,000	
<i>Rahul's</i>		2,20,000	<i>Less: R.D.D</i>	10,000	90,000
<i>Rohit's</i>		2,10,000	Plant and Machinery		85,000
<i>Ramesh's</i>		2,40,000	Investment		3,50,000
Creditors		80,000	Motor lorry		1,00,000
Bills Payable		7,000	Building		80,000
General Reserve		96,000	Bank		1,48,000
		8,53,000			8,53,000

On 1st October, 2017 Ramesh died and the partnership deed provided that:

- R.D.D. was maintained at 5% on Debtors.
- Plant and Machinery and Investment were valued at ₹ 80,000 and ₹ 4,10,000 respectively.
- Of the creditors an item of ₹ 6,000 was no longer a liability and hence was properly adjusted.
- Profit for 2017-18 was estimated at ₹ 1,20,000 and Ramesh's share in it up to the date of his death was given to him.
- Goodwill of the Firm was valued at two times the average profit of the last five years which were:
2012-13 : ₹ 1,80,000, 2013-14 : ₹ 2,00,000, 2014-15 : ₹ 2,50,000, 2015-16 : ₹ 1,50,000, 2016-17 : ₹ 1,20,000
Ramesh's share in it was to be given to him
- Salary ₹ 5,000 p.m. was payable to him
- Interest on capital at 5% was payable and on drawings ₹ 2,000 was charged.
- Drawings made by Ramesh's up to September 2017 were ₹ 5,000 p.m.

Prepare: Ramesh Capital Account showing the amount payable to his executors. Give working of profit and goodwill.

Q.6. Ram, Madhav and Keshav are partners sharing profit and losses in the ratio 5:3:2 respectively. Their Balance Sheet as on 31st March, 2018 was as follows: (P)

Balance Sheet as on 31st March, 2018

Liabilities	Amount ₹	Assets	Amount ₹
General Reserve	25,000	Goodwill	50,000
Creditors	1,00,000	Loose Tools	50,000
Unpaid Rent	25,000	Debtors	1,50,000
Capital A/c:		Live Stock	1,00,000
<i>Ram</i>	1,00,000	Cash	25,000
<i>Madhav</i>	75,000		
<i>Keshav</i>	50,000		
	3,75,000		3,75,000

Keshav died on 31st July, 2018 and the following adjustments were agreed by as per partnership deed:

- Creditors have increased by ₹ 10,000.
- Goodwill is to be calculated at 2 years purchase of average profits of 5 year.
- The profits of the preceding 5 years were
2013-14 : ₹ 90,000, 2014-15 : ₹ 1,00,000, 2015-16 : ₹ 60,000, 2016-17 : ₹ 50,000, 2017-18 : ₹ 50,000 (Loss)
Keshav's share in it was to be given to him.
- Loose Tools and Live stock were valued at ₹ 80,000 and ₹ 1,20,000 respectively.



- v. R.D.D. was maintained at ₹ 10,000.
 - vi. Commission ₹ 2,000 p.m. was payable to Keshav. Profit for 2018 -19 was estimated at ₹ 45,000. Keshav's share in it up to the date of his death was given to him.
- Prepare Revaluation A/c, Keshav's Capital Account showing the amount payable to his executors.

Q.7. Virendra, Devendra and Narendra were partners sharing profit and losses in the ratio of 3:2:1. Their Balance Sheet as on 31st March, 2019 was as follows: (P)

Balance Sheet as on 31st March, 2019

Liabilities	Amount ₹	Assets	Amount ₹
Bank Loan	25,000	Furniture	50,000
Creditors	20,000	Land and Building	50,000
Bills Payable	5,000	Motor Car	20,000
Reserve Fund	30,000	Sundry Debtors	50,000
Capital A/c:		Bills Receivable	20,000
<i>Virendra</i>	90,000	Investments	50,000
<i>Devendra</i>	60,000	Cash at Bank	20,000
<i>Narendra</i>	30,000		
	2,60,000		2,60,000

Mr. Virendra died on 31st August, 2019 and the Partnership deed provided that, in the event of the death of Mr. Virendra, his executors be entitled to be paid out:

- i. The capital to his credit at the date of death.
 - ii. His proportion of Reserve at the date of last Balance sheet.
 - iii. His proportion of profits to date of death based on the average profits of the last four years.
 - iv. His share of Goodwill should be calculated at two years purchase of the profits of the last four years.
- Profits were as follows:
2016 : ₹ 40,000, 2017 : ₹ 60,000, 2018 : ₹ 70,000, 2019 : ₹ 30,000
- v. Mr. Virendra's has drawn ₹ 3,000 p.m. till the date of death. There is no increase and decrease in the value of assets and liabilities.

Prepare Mr. Virendra's Executor's Account.

Q.8. The Balance Sheet of Sohan, Rohan and Mohan who were sharing profits and losses in the ratio of 3:2:1 is as follows: (P)

Balance Sheet as on 31st March 2019

Liabilities	Amount ₹	Assets	Amount ₹
Bank Overdraft	18,000	Bank	48,000
Creditors	85,000	Debtors	30,000
Bills payable	40,000	Land and Building	40,000
Bank Loan	1,50,000	Machinery	80,000
General Reserve	27,000	Investments	40,000
Capital A/c:		Computers	40,000
<i>Sohan</i>	20,000	Stock	90,000
<i>Rohan</i>	20,000	Patents	12,000
<i>Mohan</i>	20,000		
	3,80,000		3,80,000

Mr. Rohan died on 1st October, 2019 and the following adjustments were made:

- i. Goodwill of the firm is valued at ₹ 30,000.
- ii. Land and Building and Machinery were found to be undervalued by 20%.
- iii. Investments are valued at ₹ 60,000.
- iv. Stock to be undervalued by ₹ 5,000 and a provision of 10% on Debtors was required.



- v. Patents were value less.
vi. Mr. Rohan was entitled to share in profits up to the date of death and it was decided that he may be allowed to retain his drawings as his share of profit. Rohan's drawings till date of death was ₹ 25,000.
Prepare Partners' Capital Account.

Q.9. Rohit, Sachin and Virat were sharing profits and losses in the ratio of 7 : 5 : 4 respectively. Their Balance Sheet as on 31st March, 2017 was as follows: (S)

Balance Sheet as on 31st March, 2017

Liabilities	Amount ₹	Assets	Amount ₹
Capital A/c:		Stock	17,000
Rohit	23,000	Furniture	18,000
Sachin	15,000	Land and Building	16,000
Virat	12,000	Bank	37,000
Bills Payable	2,000		
Creditors	8,000		
Bank Loan	12,000		
General Reserve	16,000		
	88,000		88,000

Mr. Virat died on 30th June, 2017 and the following adjustments were agreed as per deed:

- Stock, Furniture and Land and Building are to be revalued at ₹ 16,700, ₹ 16,200, ₹ 30,100 respectively.
- Virat's share in goodwill is to be valued from firm's goodwill which was valued at three times of the average profit of last four years. Profit of the last four years : Year I ₹ 30,000, Year II ₹ 25,000, Year III ₹ 25,000, Year IV ₹ 40,000
- His profit upto the death is to be calculated on the basis of profit of last year.
- Virat was entitled to get a salary of ₹ 1,200 per month.
- Interest on capital at 10% to be allowed.
- Virat's drawing up to the date of death was ₹ 900 per month.

Prepare: Virat's Capital Account showing amount payable to his executor. Give working notes for share of Goodwill and Profit.

Q.10. Sonu, Maneka and Karina were partners sharing profits and losses in the ratio 2:2:1 respectively. Their Balance Sheet as on 31st March, 2018 was as follows: (S)

Balance Sheet as on 31st March, 2018

Liabilities	Amount ₹	Amount ₹	Assets	Amount ₹	Amount ₹
Capital A/c:			Plant and Machinery		50,000
Sonu		40,000	Stock of Goods		50,000
Maneka		40,000	Debtors	22,000	
Karina		20,000	Less: R. D. D.	2,500	19,500
General Reserve		10,000	Investment		10,000
Creditors		10,000	Cash		500
Bills Payable		6,000			
Bank loan		4,000			
		1,30,000			1,30,000

Adjustment:

Karina died on 1st Oct, 2018 and the adjustments were agreed as per the deed as follows:

- Plant and Machinery to be valued at ₹ 60,000 and all Debtors were good.
- Stock of goods to be reduced by ₹ 3,000.
- The drawings of Karina up to the date of her death amounted to ₹ 400 per month.
- Interest on capital was to be allowed at 10% p.a.



- v. The deceased partners share of Goodwill is to be valued at 2 years purchase of average profit for last 3 years. The profits were
2015-16 : ₹ 15,000, 2016-17 : ₹ 17,000, 2017-18 : ₹ 13,000
- vi. The deceased partners share of profit up to the date of her death should be based on average profit of last two years.

Prepare: Profit and Loss Adjustment Account, Karina’s Capital Account showing the balance payable to her Executor’s Loan Account, Working note for share of Goodwill and Profit up to the date of death.

Q.11. Ajay, Sanjay and Vijay were partners sharing profits and losses in the proportion to their capital. Their Balance Sheet as on 31st March, 2019 was as follows: (S)

Balance Sheet as on 31st March, 2019

Liabilities	Amount ₹	Amount ₹	Assets	Amount ₹	Amount ₹
Capital A/c:			Land and Building		80,000
Ajay		60,000	Motor Lorry		40,000
Sanjay		40,000	Debtors	32,000	
Vijay		20,000	Less: R. D. D.	4,000	28,000
Creditors		50,000	Furniture		36,000
Outstanding Salary		6,000	Bank		28,000
Reserve Fund		36,000			
		2,12,000			2,12,000

Vijay died on 1st August, 2019 and the following adjustments were made:

- i. Assets to be revalued as under: Land and Building ₹ 88,000, Motor Lorry ₹ 36,000 and Furniture ₹ 34,000
- ii. All Debtors were good.
- iii. Goodwill of the firm valued at two times the average profit of the last 4 years profit.
- iv. Vijay’s share of profit to be calculated on the basis of average profit of last three years.
- v. Profit for 4 years were 1st year ₹ 12,000, 2nd year ₹ 24,000, 3rd year ₹ 14,000, 4th year ₹ 22,000

Prepare:

- i. Vijay’s Capital Account, showing amount payable to his executor.
- ii. Give working of Vijay’s share of Goodwill and profit upto the date of his death.

Q.12. Prem, Verma, Sharma were partners sharing profits and losses in the ratio 2:1:1. Their Balance sheet as on 31st March, 2019 is as follows: (S)

Balance Sheet as on 31st March, 2019

Liabilities	Amount ₹	Assets	Amount ₹
Creditors	20,000	Premises	2,40,000
Bank Loan	90,000	Debtors	2,00,000
Bills Payable	10,000	Furniture	60,000
General Reserve	64,000	Stock	1,00,000
Capital A/c:		Cash	2,00,000
Prem	2,40,000		
Verma	2,00,000		
Sharma	1,76,000		
	8,00,000		8,00,000

- i. Prem died on 30th June 2019 and the following adjustments were made. Prem’s share of profit is to be calculated on the average profit of the last two years.
- ii. Prem’s share in the Goodwill of the firm be given to him. Goodwill will be valued at three times of the average profits of the last four years. The profits were.
2015-16 : ₹ 1,60,000, 2016-17 : ₹ 1,20,000, 2017-18 : ₹ 80,000, 2018-19 : ₹ 40,000
- iii. Premises be valued at ₹ 2,80,000 and R.D.D. of ₹ 8,000 be created on debtors.



- iv. Drawings of Prem up to the date of his death was ₹ 15,000 per month.
v. Interest on capital is allowed at 10% p.a. and to be charged on drawing at ₹ 4,000.
vi. The amount due to Prem be transferred to his Executor's Loan Account.
Prepare: Prem's Capital Account, Give working of Prem's share in Goodwill, and Interest on capital



Board Problems

- Q.1. Pravin, Prakash and Paresh were partners sharing profits and losses in the proportion to their capitals. The balance sheet of the firm on 31st March, 2013 was as under:**

Balance Sheet as on 31st March, 2013

Liabilities	Amount ₹	Amount ₹	Assets	Amount ₹	Amount ₹
Capital A/c:			Land and Building		80,000
Pravin	60,000		Investments		40,000
Prakash	40,000		Debtors	32,000	
Paresh	20,000	1,20,000	Less: R.D.D.	4,000	28,000
Creditors		56,000	Stock		36,000
Reserve fund		36,000	Cash		28,000
		2,12,000			2,12,000

Paresh died on 1st August, 2013 and the following adjustments were made:

- i. Assets were revalued as – Land and Building ₹ 88,000, Investments ₹ 36,000 and Stock ₹ 34,000.
ii. All Debtors were good.
iii. Goodwill of the firm valued at two times the average profit of the last 4 years profit.
iv. Paresh's share of profit upto his death to be calculated on the basis of average profit of the last two years.
v. Profits for the last four years were: ₹ 12,000; ₹ 24,000; ₹ 14,000 and ₹ 22,000.

Prepare:

- i. Profit and Loss Adjustment Account.
ii. Paresh's Capital Account, showing the amount payable to his executor.
iii. Give working of Paresh's share in Goodwill and Profit.

[Mar 14]

- Q.2. Supriya, Surekha and Sujata were partners sharing profits and losses in the ratio of 2 : 2 : 1 respectively. Their Balance Sheet as on 31st March, 2012 was as follows:**

Balance Sheet as on 31st March, 2012

Liabilities	Amount ₹	Amount ₹	Assets	Amount ₹	Amount ₹
Capital A/c:			Land and Building		50,000
Supriya		40,000	Stock		30,000
Surekha		40,000	Debtors	37,500	
Sujata		20,000	Less: R.D.D.	2,500	35,000
Reserve fund		10,000	Furniture		10,000
Creditors		16,000	Cash at Bank		5,000
Outstanding Expenses		4,000			
		1,30,000			1,30,000

Sujata died on 1st July, 2012 and the adjustments were agreed to as per the deed as follows:

- i. Land and Building to be valued at ₹ 60,000 and all Debtors were good.
ii. Stock be depreciated by 10%.
iii. The drawings of Sujata upto the date of her death amounted to ₹ 2,000.
iv. Interest on capital was to be allowed at 10% p.a.
v. The deceased partner's share of goodwill is to be valued at 2 year's purchase of average profit of last 3 year's. The profits were: 2009-10 : ₹ 15,000; 2010-11 : ₹ 17,000; 2011-12 : ₹ 13,000



- vi. The deceased partner's share of profit upto the date of her death should be based on average profit of the last two years.

You are required to prepare:

- i. Profit and Loss Adjustment Account.
- ii. Sujata's Capital Account showing the balance payable to her Executor's Loan Account.
- iii. Working notes for calculation of:
 - a. Goodwill and
 - b. Profit till the date of Sujata's death. **[Oct 14]**

Q.3. Shanti, Samadhan and Sangharsh were sharing profits and losses in the ratio of 7 : 5 : 4. Their Balance Sheet as on 31st March, 2013:

Balance Sheet as on 31st March, 2013

Liabilities	Amount ₹	Assets	Amount ₹
Capital A/c:		Furniture	17,000
<i>Shanti</i>	23,000	Machinery	18,000
<i>Samadhan</i>	15,000	Building	16,000
<i>Sangharsh</i>	12,000	Cash	37,000
Bills Payable	4,000		
Creditors	8,000		
Loan	10,000		
General Reserve	16,000		
	88,000		88,000

Sangharsh died on 30th June, 2013, and the following adjustments were agreed as per deed:

- i. Furniture, Machinery and Building are to be revalued at ₹ 16,700, ₹ 16,200 and ₹ 30,100 respectively.
- ii. Sangharsh's share in goodwill to be valued from firm's goodwill which was valued at two times of the average profit of last three years. Profits of last three years ₹ 30,000, ₹ 25,000, ₹ 20,000.
- iii. His profit upto the date of death is to be calculated on the basis of last years' profit.
- iv. Sangharsh was entitled to get a salary of ₹ 800/- per month.
- v. Interest on capital at 10% to be allowed.
- vi. Sangharsh's drawings upto date of death were ₹ 600 per month.

Prepare:

- i. Sangharsh's Capital Account showing amount payable to his executor;
- ii. Give working of share of goodwill and profit. **[July 17]**

Q.4. Ashish, Satish and Manish were partners in a business sharing profits and losses in the ratio of 3 : 1 : 1 respectively. Their Balance Sheet as on 31st March, 2016 was as follows:

Balance Sheet as on 31st March, 2016

Liabilities	Amount ₹	Assets	Amount ₹
Capital A/c:		Plant and Machinery	70,000
<i>Ashish</i>	80,000	Stock	50,000
<i>Satish</i>	60,000	Debtors	40,000
<i>Manish</i>	50,000	Cash	60,000
Creditors	10,000		
Reserve fund	20,000		
	2,20,000		2,20,000

Manish died on 1st October, 2016 and the partnership deed provided that:

- i. The deceased partner to be given his share of profit upto the date of death on the basis of the profit of the previous year.
- ii. His share of goodwill will be calculated on the basis of two years' purchase of average profit of the last four years.



The net profits for the last four years were:

First year: ₹ 1,40,000, Second year: ₹ 1,10,000, Third year: ₹ 90,000, Fourth year: ₹ 60,000.

- iii. Plant and Machinery to be valued at ₹ 80,000. Reserve for doubtful debts of ₹ 4,000 to be created.
- iv. The drawings of Manish upto the date of death amounted to ₹ 40,000.
- v. Interest on capital is to be allowed at 10% p.a. and interest on drawings is charged at 6% p.a.

Prepare:

- i. Profit and Loss Adjustment Account
- ii. Manish's Capital Account
- iii. Working of Manish's share in profit and goodwill

[Mar 18]

**Q.5. Following is the financial position of Sunil, Anil and Vishal, who were equal partners:
Balance Sheet as on 31st March, 2016**

Liabilities	Amount ₹	Assets	Amount ₹
Capital A/c:		Goodwill	12,000
<i>Sunil</i>	24,000	Machinery	32,000
<i>Anil</i>	18,000	Stock	22,000
<i>Vishal</i>	16,000	Debtors	18,000
Creditors	12,000	Bank	16,000
Reserve fund	18,000		
Profit and loss	12,000		
	1,00,000		1,00,000

On 1st October, 2016 Vishal died and following adjustments were made:

- i. Goodwill of the firm was appreciated by ₹ 7,200. However, only Vishal's share in the appreciated value was raised in the books.
- ii. R. D. D. was maintained at 5% on Debtors.
- iii. Reserve fund of Sunil and Anil kept in the business.
- iv. Stock is valued at ₹ 20,000 and Machinery at ₹ 29,800.
- v. Vishal was to be given his share in the profit upto the date of death. The estimated profit based on the previous year's profit ₹ 24,000.
- vi. Amount due to Vishal was transferred to his Executor's Loan Account.

Prepare:

- i. Profit and Loss Adjustment Account.
- ii. Balance sheet of Sunil and Anil.

[July 19]



Homework Problems

Profit and Loss Adjustment Account, Partners' Capital Account and Balance Sheet

Q.1. Rahul, Kishan and Gopal are three partners sharing profits and losses equally. Their Balance Sheet as on 31st March, 2019 is as under:

Balance Sheet as on 31st March, 2019

Liabilities	Amount ₹	Amount ₹	Assets	Amount ₹	Amount ₹
Capital A/c:			Plant and Machinery		10,000
<i>Rahul</i>		30,000	Building		20,000
<i>Kishan</i>		30,000	Furniture		10,000
<i>Gopal</i>		30,000	Stock		40,000
Reserve Fund		15,000	Debtors	30,000	
Creditors		10,000	<i>Less : R.D.D.</i>	2,000	28,000
Bills Payable		5,000	Cash		12,000
		1,20,000			1,20,000



Rahul died on 30th September, 2019 and the following adjustments were made in the books :

- i. Plant and Machinery to be revalued to ₹ 9,000.
 - ii. Building to be revalued to ₹ 25,000.
 - iii. Furniture was overvalued by 25% whereas stock was undervalued by 20%.
 - iv. Rahul was entitled to his share of profit of the current year. Current year's profit is to be estimated at average profit of last 2 years.
 - v. Rahul was entitled to his share of goodwill. Goodwill to his share's extent was to be raised. Goodwill was calculated on the basis of 2.5 years purchase of average profits of last 3 years.
2018-19 : ₹ 69,000, 2017-18 : ₹ 51,000, 2016-17 : ₹ 60,000
 - vi. Partners decided that goodwill will not appear in the new Balance Sheet.
- Prepare: Profit and Loss Adjustment Account, Partners' Capital Account and Balance Sheet of the firm.

Q.2. Vilas, Mangal, Guru were partners in a business sharing profits and losses in the ratio of 2 : 1 : 1 respectively. Their Balance Sheet as on 31st March, 2019 was as follows:

Balance Sheet as on 31st March, 2019

Liabilities	Amount ₹	Assets	Amount ₹
Capital A/c:		Land and Building	6,000
<i>Vilas</i>	6,000	Debtors	5,000
<i>Mangal</i>	7,000	Stock	3,000
<i>Guru</i>	3,400	Cash	6,000
Creditors	2,000		
General Reserve	1,600		
	20,000		20,000

Guru died on 1st July, 2019.

- i. Land and Building was to be revalued to ₹ 7,000 and R.D.D. was to be created of ₹ 200.
- ii. The drawings of Guru upto the date of his death amounted to ₹ 1,000/-.
- iii. Charge interest on drawings ₹ 100/-.
- iv. His share of goodwill should be calculated at 'three' years purchase of the profits for the last four years which were ₹ 15,000, ₹ 13,000, ₹ 7,000, ₹ 5,000.
- v. The deceased partner's share of profit upto the date of his death is to be calculated on the basis of average profit of last two years.

Prepare: Profit and Loss Adjustment account; Partners Capital Account; Balance Sheet of the continuing firm and give working of share of profit and goodwill.

Q.3. Minaxi, Ramesh and Poonam were partners sharing profits and losses in the proportion to their capitals. The Balance Sheet of the firm on 31st March, 2019, was as under:

Balance Sheet as on 31st March, 2019

Liabilities	Amount ₹	Amount ₹	Assets	Amount ₹	Amount ₹
Capital A/c:			Land and Building		40,000
<i>Minaxi</i>		30,000	Investment		20,000
<i>Ramesh</i>		20,000	Debtors	16,000	
<i>Poonam</i>		10,000	<i>Less: R.D.D.</i>	2,000	14,000
Creditors	28,000		Stock		18,000
Reserve	18,000		Cash		14,000
		1,06,000			1,06,000

Poonam died on 1st August, 2019 and the following adjustments were made:

- i. Assets revalued as under - Land and Building ₹ 44,000, Investment ₹ 18,000, Stock ₹ 17,000.
- ii. All debtors were good.
- iii. Goodwill of the firm was valued at two times the average profits of the last 4 years. No goodwill account to be shown in the books of the firm.


Capital Account and / or Profit and Loss Adjustment Account and / or Working notes

Q.6. The Balance Sheet of Mohan, Subhash and Babi as on 31st December, 2019 was as under; they were sharing profits and losses in the ratio of 2 : 1 : 1.

Balance Sheet as on 31st December, 2019

Liabilities	Amount ₹	Assets	Amount ₹
Capital A/c:		Investments	20,000
Mohan	25,000	Buildings	33,000
Subhash	15,000	Debtors	12,000
Babi	15,000	Stock	28,000
Creditors	30,000	Cash	8,000
Reserve	16,000		
	1,01,000		1,01,000

Babi died on 1st July, 2020, and partnership deed provided that in the event of death of the partner, his executor will be entitled to be paid out:

- Capital to the credit at the date of last Balance Sheet.
- Proportion of reserves.
- Proportion of goodwill to be calculated twice the average profits of last three years.
- His proportion of profits to the date of death based on the average profits of the last three year plus 20%.
- The net profits for last 3 years : ₹ 18,000, ₹ 18,000 and ₹ 16,500.
- Bab had withdrawn ₹ 6,000/- till the date of his death.
- The investments were sold at par and the amount was paid off to Babi's executor and the balance was transferred to Loan Account.

Prepare Babi's Capital Account only.

Q.7. Aftab, Amar and Ashish are three partners sharing profits and losses in the ratio 2 : 2 : 1. Their Balance Sheet as on 31st March, 2019 is as under :

Balance Sheet as on 31st March, 2019

Liabilities	Amount ₹	Amount ₹	Assets	Amount ₹	Amount ₹
Capital A/c:			Plant and Machinery		40,000
Aftab		50,000	Furniture		47,000
Amar		75,000	Building		60,000
Ashish		60,000	Stock		45,000
General Reserve		20,000	Debtors	35,000	
Bills Payable		30,000	Less : R.D.D.	2,000	33,000
Creditors		20,000	Bank		30,000
		2,55,000			2,55,000

Ashish died on 30th June, 2019 and following adjustments were made in the books :

- Plant and Machinery was to be depreciated by 10% and Furniture by 20%.
 - Building was to be revalued to ₹ 75,000.
 - R.D.D. to be maintained at 10% on Debtors.
 - Ashish was entitled to his share of profit of current year. Current year's profit is estimated to ₹ 60,000.
 - Goodwill is to be valued at 2 years purchase of average profit of last 3 years. The profit of last 3 years is as under : 2018 – 19 : ₹ 55,000; 2017 – 18 : ₹ 45,000; 2016 – 17 : ₹ 53,000
 - Ashish was entitled to interest on capital at 10% p.a.
 - His drawings till the date of his death amounted to ₹ 20,000. Interest on drawings to be charged ₹ 600.
- Prepare Ashish's Capital Account.



**Q.8. Abe, Joy and Rozy were partners in a business sharing profits and losses in the ratio of 4 : 1 : 1 respectively.
Balance Sheet as on 31st Mar, 2019**

Liabilities	Amount ₹	Assets	Amount ₹
Capital A/c:		Plant and Machinery	50,000
<i>Abe</i>	30,000	Furniture	10,000
<i>Joy</i>	15,000	Debtors	7,000
<i>Rozy</i>	20,000	Stock	3,000
Creditors	12,000	Cash	1,000
Bills Payable	6,000	Profit and Loss A/c	12,000
	83,000		83,000

Joy died on 31st August, 2019 and the partnership deed provided that:

- The deceased partner to be given his share of profit to the date of his death on the basis of the average profit of the previous 5 years which is ₹ 24,000.
- His share of goodwill amounted to ₹ 3,000 which was written off by remaining partners.
- Plant and Machinery to be revalued at ₹ 52,000 and Furniture to be depreciated by ₹ 1,000.
- Reserve for doubtful debts of ₹ 400 to be created.
- The drawings of Joy upto date of his death amounted to ₹ 3,000.
- Interest on capital at 10% is to be allowed and ₹ 100 to be charged on drawings.

Prepare Joy's Capital Account showing the amount payable and Goodwill Account.

Q.9. Prakash, Pravin and Pratap were partners sharing profits and losses in the ratio of their capitals.

Balance Sheet as on 31st March, 2019

Liabilities	Amount ₹	Amount ₹	Assets	Amount ₹	Amount ₹
Sundry Creditors		23,400	Bank		14,500
Bills Payable		13,600	Investments		19,000
Reserve Fund		6,000	Debtors	20,000	
Loan		15,000	<i>Less: R.D.D.</i>	1,000	19,000
Capital A/c:			Stock		10,000
<i>Prakash</i>	25,000		Furniture		14,500
<i>Pravin</i>	15,000		Vehicles		18,000
<i>Pratap</i>	10,000	50,000	Land and Building		13,000
		1,08,000			1,08,000

Pravin's died on 31st July, 2019 and the following adjustments as per partnership deed have to be followed:

- Assets and Liabilities to be revalued as:
Land and Building to be appreciated by 20%, Vehicles to be appreciated by ₹ 2,000. Stock to be revalued at ₹ 7,500, Furniture ₹ 20,000, Bills Payable at ₹ 13,000 and R.D.D. at 10% on Debtors.
- Pravin's share of profit upto the date of death to be based on average profit of last 3 years.
- Pravin's share of goodwill to be calculated at 2 times the average profit of last 5 years which were:
2007-08 : ₹ 6,000 profit; 2008-09 : ₹ 3,000 loss; 2009-10 : ₹ 5,000 profit; 2010-11 : ₹ 10,000 profit and 2011-12 : ₹ 12,000 profit.
- Pravin had withdrawn ₹ 3,000 upto the date of his death.
- Interest on capital is to be allowed at 10% p.a. and interest on drawings to be charged ₹ 30.

Prepare Pravin's Capital Account and give the working of Goodwill and working of Pravin's share of Profit upto the date of death.



Q.10. Parag, Siddhesh, Nishu were partners sharing profit and losses in the ratio of 4:3:3. Their balance sheet was as follows:

Balance Sheet as on 31st Mar, 2019

Liabilities	Amount ₹	Amount ₹	Assets	Amount ₹	Amount ₹
Capital A/c:			Sundry Assets		80,000
<i>Parag</i>		40,000	Stock		30,000
<i>Siddhesh</i>		40,000	Debtors	40,000	
<i>Nishu</i>		30,000	<i>Less: R.D.D.</i>	2,000	30,000
Creditors		22,000	Cash		12,000
General Reserve		12,000			
Profit and Loss Account		16,000			
		1,60,000			1,60,000

Nishu died on 1st July, 2019 and the following adjustments were agreed:

- Sundry assets revalued to ₹ 90,000/-.
- R.D.D was maintained at 10% on Debtors.
- A provision for outstanding expenses was to be made for ₹ 1,000/-.
- His share of goodwill to be calculated on 3 years purchases of average profit of last 4 years. Profits of last four years were – ₹ 20,000, ₹ 22,000, ₹ 18,000, ₹ 12,000.
- The deceased partner to be given his share of profit to the date of his death on the basis of average profits of last two years.
- His drawings till the death amounted to ₹ 27,825.

Prepare:

- Nishu's Capital account showing the amount payable to his Executor.
- Give the working of goodwill and profit.

Q.11. Vishnu, Prabhakar and Krishna were partners in a business, sharing profits and losses in the ratio of 3 : 1 : 1 respectively. Their Balance Sheet as on 31st March, 2019 was as follows:

Balance Sheet as on 31st March, 2019

Liabilities	Amount ₹	Assets	Amount ₹
Capital A/c:		Plant and Machinery	35,000
<i>Vishnu</i>	40,000	Stock	25,000
<i>Prabhakar</i>	30,000	Debtors	20,000
<i>Krishna</i>	25,000	Cash	30,000
Creditors	5,000		
Reserve Fund	10,000		
	1,10,000		1,10,000

Krishna died on 1st October, 2019 and the partnership deed provided that:

- The deceased partner to be given his share of profit to the date of death on the basis of the profit of previous year.
- His share of goodwill will be calculated on two years' purchase of average profit of the last 4 years. The Net Profit for last 4 years were ₹ 70,000, ₹ 55,000, ₹ 45,000 and ₹ 30,000.
- Plant and Machinery to be valued at ₹ 40,000. Reserve for Doubtful Debts of ₹ 2,000 to be created.
- The drawings of Krishna's upto the date of death amounted to ₹ 20,000.
- Interest on capital at 10% p.a. is to be allowed and interest on drawing to be charged ₹ 600.

Prepare: Krishna's Capital Account and Profit and Loss Adjustment Account



Q.12. A, B and C share profit and losses in the ratio of 2:2:1

Balance Sheet as on 31.03.2019

Liabilities	Amount ₹	Amount ₹	Assets	Amount ₹	Amount ₹
Capital A/c:			Cash at Bank		10,500
A		20,000	Building		32,000
B		26,000	Sundry Debtors	14,000	
C		24,000	Less: R.D.D.	500	13,500
Reserve Fund		6,000	Plant and Machinery		14,000
Bills Payable		9,000	Stock		15,000
Sundry Creditors		8,000	Goodwill		8,000
		93,000			93,000

B died on 01.10.2019 and following charges were effected:

- Goodwill of firm was revalued at ₹ 10,000.
- Building was found to be undervalued by 20%.
- Stock was over valued by 20%.
- R.D.D. was increased upto ₹ 1,200.
- B's share of profit was calculated on the basis of last 2 years profit i.e. ₹ 16,000 and ₹ 8,000.
- Drawings upto date of death was ₹ 12,000
- Interest on capital and drawings was provided at 10% p.a. and ₹ 720 respectively

Prepare Partner's Capital Account.



HOTS Problems

Q.1. Rakesh, Rupesh and Ratan were partners in a business sharing profit and losses in the ratio of 3:1:1 respectively

Balance Sheet as on 31st March, 2019

Liabilities	Amount ₹	Assets	Amount ₹
Capital A/c:		Plant and Machinery	70,000
Rakesh	80,000	Stock	50,000
Rupesh	60,000	Debtors	40,000
Ratan	50,000	Cash	60,000
Creditors	10,000		
Reserve Fund	20,000		
	2,20,000		2,20,000

Ratan died on 1st October, 2019 and Partnership Deed provided for:

- The deceased partner to be given his share of profit to the date of death on basis of profit of previous year.
- Goodwill of the firm will be calculated on two years' purchase of average profit of last 4 years. The net profit of last 4 years were ₹ 1,40,000, ₹ 1,10,000, ₹ 90,000 and ₹ 60,000.
- Plant and Machinery to be valued of ₹ 80,000. Reserve for doubtful debts of ₹ 4,000 to be created.
- The drawings of Ratan upto the date of death amounted to ₹ 40,000.
- Interest on Capital at 10% p.a. is to be allowed. Interest on drawings to be charged at ₹ 1,200.
- Ratan was entitled to get a salary of ₹ 500 per month.
- Ratan was entitled for commission of ₹ 10,000 p.a.
- Reserve Fund of Rakesh and Rupesh's was kept in business.

Prepare Profit and Loss Adjustment Account, Partners' Capital Account, Profit and Loss Suspense Account, Cash Account and Balance Sheet of continuing firm.



(E) Complete the sentences.

1. Benefit ratio = New Ratio – _____. **(T)**
2. On death of a partner, a ratio in which the continuing partners get more share of profits in future is called as _____ ratio. **(T)**
3. Deceased partner’s executor’s account is shown on the _____ side of the Balance Sheet. **(T)**
4. Deceased partner’s share of profit up to the death is shown on _____ side of Balance Sheet. **(T)**
5. On transfer of share of profit of deceased partner upto the date of death, _____ account is debited.
6. When Goodwill is raised at its full value and it is written off, _____ account is to be credited. **(T)**

Old Ratio
Gain
Liability
Asset
Profit & Loss Suspense
Goodwill

(F) Answer in one sentence only. (T)

1. How death of a partner is a compulsory retirement?

Ans: When one member ceases to be a partner and the remaining partners continue to carry on the business of the firm it is called as Retirement of a Partner. On account of death, that partner ceases to be a partner in the firm. Hence, death of a partner is a compulsory retirement.

2. What is gain ratio?

Ans: Gain Ratio is a ratio by which surviving or continuing partners are benefited due to death or retirement of a partner.

3. In which ratio is general reserve distributed on death of a partner?

Ans: General reserve is distributed among all the partners in their profit sharing ratio.

4. To whom do you distribute general reserve on death of a partner?

Ans: General reserve is usually distributed among all the partners on death of a partner.

5. To which account Profit is to be transferred upto the date of his death?

Ans: Profit upto the date of the death is to be transferred to deceased partner’s capital account. The second effect is given to Profit and Loss Suspense Account.

(G) Calculate the following.

1. Existing profit sharing ratio of X, Y and Z is 4 : 3 : 3. Z expires and his share is acquired by X and Y in the ratio of 1 : 1. Find the new profit sharing ratio.

Ans. Old ratio between X, Y and Z = X : Y : Z = 4 : 3 : 3.

Z expires. His share is $\frac{3}{10}$. Z’s share is acquired by X and Y in 1 : 1 ratio.

$$X's \text{ gain} = \frac{3}{10} \times \frac{1}{2} = \frac{3}{20}$$

$$Y's \text{ gain} = \frac{3}{10} \times \frac{1}{2} = \frac{3}{20}$$

$$X's \text{ new share} = \frac{4}{10} + \frac{3}{20} = \frac{8+3}{20} = \frac{11}{20}$$

$$Y's \text{ new share} = \frac{3}{10} + \frac{3}{20} = \frac{6+3}{20} = \frac{9}{20}$$

New profit sharing ratio between X and Y is 11 : 9.



2. Existing profit sharing ratio of P, Q, and R is 1 : 2 : 1. Q passed away and the new profit sharing ratio of P and R is 3 : 2. Goodwill of the firm was valued for ₹ 10,000. It was decided that only Q's share would be raised and written off. Find out the amount written off in each individual partners' capital account.

Ans. Old ratio of P, Q and R is 1 : 2 : 1.

New ratio of P and R is 3 : 2.

Gain Ratio = New Ratio – Old Ratio

$$P's \text{ share} = \frac{3}{5} - \frac{1}{4} = \frac{12-5}{20} = \frac{7}{20}$$

$$R's \text{ share} = \frac{2}{5} - \frac{1}{4} = \frac{8-5}{20} = \frac{3}{20}$$

Gain ratio of P and R = 7 : 3

Goodwill of the firm = ₹ 10,000

$$Q's \text{ share} = 10,000 \times \frac{2}{4} = ₹ 5,000$$

₹ 5,000 will be written off in Gain Ratio.

$$\text{Amount debited in P's Capital A/c} = 5,000 \times \frac{7}{10} = ₹ 3,500$$

$$\text{Amount debited in Q's Capital A/c} = 5,000 \times \frac{3}{10} = ₹ 1,500$$

(H) Complete the table.

1.	Old Ratio	New Ratio	Gain Ratio	
	<input type="text" value="3/5"/>	<input type="text" value="8/10"/>	<input "="" type="text" value="?"/>	<input type="text" value="2/10"/>
2.	Old Ratio	New Ratio	Gain Ratio	
	<input "="" type="text" value="?"/>	<input type="text" value="4/10"/>	<input type="text" value="1/10"/>	<input type="text" value="3/10"/>

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CHAPTER ASSESSMENT

Time: 1 hour

Marks: 20

Q.1. Complete the sentence.

[4]

- Deceased partner's executor's account is shown on the _____ side of the Balance Sheet.
- Benefit ratio = New Ratio – _____.
- On death of a partner, a ratio in which the continuing partners get more share of profits in future is called as _____ ratio.
- On transfer of share of profit of deceased partner up to the date of death, _____ account is debited.

Q.2 Give one word/term/phrase for each of the following statement.

[3]

- A Person who represents the deceased partner on the death of the Partner.
- Excess of credit side over debit side of profit and loss adjustment account.
- The Partner who died.

**Q.3. State true or false with reasons.****[3]**

- A deceased partner is entitled to his share of General Reserve.
- For recording profit or loss upto the date of death, Profit and Loss Appropriation Account is operated.
- Goodwill raised to the extent of deceased partners' share is written off in new ratio.

Q.4. Shrikant, Anita, Pardeshi were equal partners. Their Balance Sheet as on 31st March, 2019 was as under:**[10]****Balance Sheet as on 31st March, 2019**

Liabilities	Amount ₹	Amount ₹	Assets	Amount ₹	Amount ₹
Capital A/c:			Machinery		20,000
<i>Shrikant</i>		15,000	Stock		9,000
<i>Anita</i>		12,000	Goodwill		10,000
<i>Pardeshi</i>		8,000	Debtors	12,000	
Creditors	14,000		<i>Less: R.D.D.</i>	1,000	11,000
Reserve Fund	9,000		Bank		14,000
Profit and Loss A/c	6,000				
		64,000			64,000

On 1st Oct, 2019, Pardeshi died and the following adjustments were made in the books:

- Machinery revalued at ₹ 19,000 and stock ₹ 8,500.
- R.D.D was maintained at ₹ 4,000.
- Goodwill of the firm was appreciated by ₹ 3,000; however only Pardeshi's share in the appreciated value was raised in the books.
- Pardeshi was given his share of profit upto the date of death on the basis of estimated profit which was ₹ 3,600/- for the year 2019-2020.
- Reserve fund of Shrikant and Anita kept in the business.
- Amount due to Mr. Pardeshi's was to be transferred to his executor's loan account.

Prepare:

- Profit and Loss Adjustment A/c.
- Partner's Capital Accounts.
- Balance Sheet of Shrikant and Anita.

Scan the given Q. R. Code in *Quill - The Padhai App* to view the answers of the Chapter Assessment.

