1 Mark Questions

1. J.F = Journal Folio
2. L.F = Ledger Folio
3. ICAI = Institute of Charted Accountants of India
4. SEBI = Securitirs Exchange Board of India
5. DRR = Debenture Redemption Reserve
6. DRF = Debentures Redemption Fund
7. DRFI = Debentures Redemption Fund Investment
8. MCA = Ministry of Corporate Affairs
9. IFRS = International Financial Reporting Stndards
10. Ind. AS = Indian Accounting Standard
11. PAT = Profit After Tax
12. PBT = Profit Before Tax
13. SWOT = Strength-Weakness-Opportunity-Threat
14. ROCE = Return On Capital Employed
15. PBIT = Profit Before Interest and Tax
16. EPS = Earning per Share
17. RONW = Return on Net Worth
18. P/E Ratio = Price Earning Ratio
19. OPC = One Person Company
20. BOD = Bank Over Draft
21. RFO = Revenue From Operation
22. ROI = Return On Investment
23. TDS = Tax Deducted at Source
24. B/f = Balancing Figure
25. CDT = Corporate Dividend Tax
26. LLP = Limited Liability Partnership
27. AIFI = All India Financial Instiutions
28. COGS = Cost of Goods Sold
29. DDT = Dividend Distribution Tax
30. IOC = Interest on Capital
31. IOD = Interest on Drawings
32. ATP = Average Time Period
33. P/L = Profit and Loss
34. B/S = Balance Sheet
35. NPSR = New Profit Sharing Ratio
36. SR = Sacrifice Ratio
37. GR = Gain Ratio
38. OR = Old Ratio
39. AS 10 = Accounting Standard 10
40. AS 26 = Accounting Standard 26
41. PDD = Provision for Doubtfull Debts
42. PBD = Provison For Bad debts
43. PBDD = Provision for Ba[illegible]d and Doubtful Debts
44. SHF = Share Holders Fund
45. NCL = Non-Current Liability
46. CI = Current Liability
47. CA = Current Assets
48. NCA = Non Current Assets

Chapter - 01

Accounting for Partnership
[Fundamentals or Basic Concepts]

* Partnership

Defination :-

Under section 4 of the Indian Partnership act, 1932 defines partnership has " The Relation between persons who have agreed to share the profits of the business carry down by all or any of them acting for all."

* Meaning :-

The Partnership results with an agreement executed by competent person to run a business with the main object of sharing profit & losses ~~covering~~ arising firm.

Indian Partnership Act, 1932 regulates the partnership business in India. As per this Act, it is not compulsory for the partnership firms to get registered in India. It is optional

* Features of Partnership —

1. Two or More Partners :-

There must be atleast two ~~partners~~ Persons to form a partnership.

2. Agreement [Deed] :-

Partnership agreement can be either oral or in ~~return~~ written...

3. Lawful business :-
Business with the intention of Earning profits and such business must be within the limits of law.

4. Sharing of Profits :-
The partners may share the profits in any ratio they like has per the agreement

5. Unlimited liability :-
The liability of ~~patners~~ partners is unlimited, each partner is jointly and severally liable for all the debts of the firm...

★ Partnership deed
✓ The documents which contains the terms of partnership agreement is called partnership deed. Terms may be profit sharing ratio, interest on capital and so on. It should be duly stamped as per the provision of the stamp act and signed by all the partners.

★ Contents of Partnership Act
1. Name and address of the firm (~~partners~~)
2. Name and address of the partners
3. Profit and loss sharing ratio
4. The principal place of business
5. The Nature of the business
6. The date and Commencement of business

★ Provisions of Indian Partnership Act 1932 in the absence of partnership deed :-

1. **Profit sharing propostion** -> [Equal]
The partners have equal shares in the profit of the firm and liable to contribute equally to the losses of the firm.

2. **Intrest on capital** => Not Entitled
Partners are not Entitled for intrest on their capital balances.

3. **Intrest on drawings** => Not Entitled.
No intrest to be charged on the drawings made by the partners.

4. **Remuneration for Firms Work**
No partner is Entitled to get salary or any other remuneration for taking part in the conduct of the business of the firm...

★ **Maintaince of Capital Accounts of Partners**
All transaction relating to partners of the firm are recorded in the books of the firm through their capital accounts. There are two methods by which the capital accounts of partners can be maintained.

1. Fixed Capital Method
2. Flucetuating Capital method

1) **Fixed Capital Method :-**

Under this method the original capital invested by the partners is Entered in the capital a/c and all other adjustments like drawings share of drawings, share of profit or loss. Intrest on capital, intrest on drawings salary or commision payable to partners current a/c opend in the name of each partners.

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2) **Fluctuating Capital Method :-**

Under these method the capital of partners fluctuate from year to year. All the adjustments such as drawings, intrest on drawings, intrest on capital, salary or commission to partners share of profit or loss etc are recorded directly on the capital a/c of the partners.

Intrest on Partners Drawings

Intrest on partners drawings are calculated in three methods :-

(i) **Direct Method :-**

$$\text{Intrest on drawing} = \text{Amount of drawings} \times \text{Rate} \times \frac{\text{No. of outstanding months}}{12}$$

(ii) **Product Method :-**

Product method of Intrest calculation is done when the partners withdrawn amount is different dates during the accounting period at the specific rate.

Formula:- Intrest on drawings = Total product × Rate × $\frac{1}{12}$

(iii) Average Period Method [Shortcut Method] :-
This Method is used when the partners withdrawn the amount in uniform amount for period.

Formula:- Intrest on drawings = Total drawings × Average period rate × $\frac{1}{12}$

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* Sum on Direct Method [Specific period Method]

1) Mr. Kumar a partners of a firm withdrawn Rs. 6000/- on first june 2022. The rate of intrest on partners drawings is 8% per annum. The accounts of the firm are closed on 31st march 2023. Calculate intrest on drawings of Mr. Kumar.

⇒ Intrest on drawings = Amount of drawings × Rate × $\frac{\text{No. of outstanding months}}{12}$

$= 6000 \times \frac{8}{100} \times \frac{10}{12}$

= Rs. 400//

∴ Intrest on drawings of Mr. Kumar is Rs. 400//

2) Shekar, a partner of a firm has withdrawn the following amounts during the year Ended 31st march 2023. Calculate the interest on drawings at 6% per annum.

(i) on 1st july 2022 Rs. 5000/
(ii) on 1st NOV 2022 Rs. 3000/
(iii) on 31 January 2023 Rs. 2000/-

i) Intrest on drawings = Amount of drawings × Rate × $\frac{\text{No. of outstanding months}}{12}$

$$= 5000 \times \frac{6}{100} \times \frac{9}{12}$$

= Rs. 225//

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ii) Intrest on drawings =

= Amount of drawings × Rate × $\frac{\text{No. of outstanding months}}{12}$

$$= 3000 \times \frac{6}{100} \times \frac{5}{12}$$

= Rs. 75//

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iii) Intrest on drawings

= Amount of drawings × Rate × $\frac{\text{No. of outstanding months}}{12}$

$$= 2000 \times \frac{6}{100} \times \frac{2}{12}$$

= Rs. 20//

∴ Intrest on drawings of Mr. Shekar = 225 + 75 + 20
Rs. 320//

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3) Mr. Sachin, a partner has withdrawn the following amt
a) on July 2023 Rs. 4800
b) on 30 Sep 2023 Rs. 3600
c) on 31st Dec 2023 Rs. 2400

Intrest on drawings is chargable at 10% per annum Calculat intrest on Sachin drawing under specific period Method.

a) Intrest on Drawings = Amount q drawings × Rate × $\frac{\text{No. q outstanding}}{12}$

$= 4500 \times \frac{10}{100} \times \frac{8}{12}$

= Rs. 300

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b) Intrest on drawings = Amount q drawings × Rate × $\frac{\text{No. q outstanding mon}}{12}$

$= 3600 \times \frac{10}{100} \times \frac{6}{12}$

= Rs. 180

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c) Intrest on drawings = Amount q drawings × Rate × $\frac{\text{No. q outstanding month}}{12}$

$= 2400 \times \frac{10}{100} \times \frac{3}{12}$

= Rs. 60

∴ Intrest on drawings q Mr. Sachin is 300 + 180 + 60 = 540//

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4) A and B are partners in a firm Mr. A's drawings for the year 2023 & 2024 are given as

a) On 1st June 2023 Rs. 4000
b) On 30th September 2023 Rs. 6000
c) On 30th November 2023 Rs. 2000
d) On 1st Jan 2024 Rs. 3000

Calculate intrest on Mr. A's drawings at 8% per annum under product method

Calculation of Intrest on Drawings

Date of Drawing	Amount of Drawings	outstanding months	Total Product
01/06/23	4000	10	40,000
30/09/23	6000	6	36000
30/09/23	2000	4	8000
01/01/24	3000	3	9000
			93000

Intrest on drawings = Total Product × Rate × $\frac{1}{12}$

$= 93,000 \times \frac{8}{100} \times \frac{1}{12}$

= Rs. 620//

∴ Intrest on drawing of Mr. A & B Rs. 620//

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5) X and y are partners sharing profit & losses Equally. According to partnership ~~deep~~ deed, intrest on drawing at 10% per annum the drawings of partners during the year was as follows :-

Mr X

i) on 1st ~~July~~ May 2023 Rs. 3000
ii) on 31st July 2023 Rs. 2500
iii) On 1st Jan 2024 Rs. 3500

Mr Y

i) on 1st june 2023 Rs. 3500
ii) On 1st August 2023 Rs. 4000
iii) On 31st December 2023 Rs. 3800

Calculate intrest on drawings of each partners on product method

Calculation on Intrest of drawings of Mr. X

Date of Drawings	Amount of Drawings	outstanding month	Total Product
1/5/23	3000	11	33000
31/7/23	2500	8	20,000
01/1/24	3500	3	10,500
		Total Product	63,500

Intrest on Drawings = Total product × Rate × $\frac{1}{12}$

$= 63,500 \times \frac{10}{100} \times \frac{1}{12}$

$=$ Rs. 529.16

∴ Intrest on drawing of Mr. X Rs. 529.16

Mr. Y

Calculation on Intrest of drawings of Mr. Y

Date of Drawings	Amount on Drawings	outstanding Month	Total Product
1/6/23	3500	10	35000
1/8/23	4000	8	32000
31/12/23	3800	3	11,400
		Total Product	78,400

Intrest on Drawings - Total Product × Rate × $\frac{1}{12}$

$= 78,400 \times \frac{10}{100} \times \frac{1}{12}$

$=$ Rs. 653.33

∴ Intrest on drawings of Mr. Y Rs. 653.33

6) Ramesh and Rakesh are partners are sharing profits and losses in the ratio q 3:2 Mr. Ramesh drew regularly ₹800 on 1st q Every month for six month Ending 30th sep, 2023. Calculate interest on drawings at 8% per annum under product method.

→ Calculation on Interest of drawings q Mr. Ramesh

Date of Drawings	Amount of Drawing	outstanding Month	Total Product
01/04/23	800	12	9600
01/05/23	800	11	8800
01/06/23	800	10	8000
01/07/23	800	9	7200
01/08/23	800	8	6400
01/09/23	800	7	5600
		Total Product	45,600

Interest on Drawings = Total Product × Rate × $\frac{1}{12}$

$$= 45,600 \times \frac{8}{100} \times \frac{1}{12}$$

$$= \underline{\text{Rs. } 304}$$

∴ Interest on drawings q Mr. Ramesh Rs. 304

7) Mr. Suresh Withdraw Rs. 800 at the middle q Every month for the year Ending 31st march 2024 Calculate interest on drawings q Mr. Suresh at 12% per annum under product method

=> Calculation on Intrest of drawings q Mr. Suresh

Date of Drawings	Amount of Drawings	outstanding Month	Total Product
15/04/23	800	11.5	9,200
15/05/23	800	10.5	8,400
15/06/23	800	9.5	7,600
15/07/23	800	8.5	6,800
15/08/23	800	7.5	6000
15/09/23	800	6.5	5,200
15/10/23	800	5.5	4,400
15/11/23	800	4.5	3,600
15/12/23	800	3.5	2,800
15/1/24	800	2.5	2000
15/2/24	800	1.5	1.200
15/3/24	800	0.5	400
		Total Product	57,600

Intrest on Drawings = Total Product × Rate × $\frac{1}{12}$

$$= 57,600 \times \frac{12}{100} \times \frac{1}{12}$$

$$= \text{Rs. } \underline{576}$$

∴ Intrest on drawing q Mr. Suresh Rs. 576//

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8) Mr. Prajwal, a partner withdraw Rs. 1000 for whole year ending 31st march 2024. Calculate interest on drawing at 6% per annum under product method if

a) If he withdrawn ~~begging~~ beginning q Every month
b) If he withdraw ~~begging~~ q middle q Every month
c) If he withdraw last q Every month.

(Beginning)

8) => Calculation on Intrest of drawings of Mr. Prajwal

Date of drawings	Amount of Drawings	outstanding Month	Total Product
01/4/23	1000	12	12000
01/5/23	1000	11	11,000
01/6/23	1000	10	10,000
01/7/23	1000	9	9,000
01/8/23	1000	8	8,000
01/9/23	1000	7	7,000
01/10/23	1000	6	6,000
01/11/23	1000	5	5,000
01/12/23	1000	4	4,000
01/01/24	1000	3	3,000
01/02/24	1000	2	2,000
01/03/24	1000	1	1,000
		Total Product	78,000

∴ Intrest on drawings = Total Product × Rate × $\frac{1}{12}$

$$= 78,000 \times \frac{6}{100} \times \frac{1}{12}$$

$$= \underline{\underline{Rs.\ 390}}$$

∴ Intrest on drawings of Mr. Prajwal is Rs. 390

8) -> Calculation on Intrest of drawings of Mr. Prajwal [Middle of the every month]

Date of Drawings	Amount of Drawings	outstanding month	Total Product
15/4/23	1000	11.5	11,500
15/5/23	1000	10.5	10,500
15/6/23	1000	09.5	9,500
15/7/23	1000	08.5	8,500
15/8/23	1000	07.5	7,500
15/9/23	1000	06.5	6,500
15/10/23	1000	05.5	5,500
15/11/23	1000	04.5	4,500
15/12/23	1000	03.5	3,500
15/1/24	1000	02.5	2,500
15/2/24	1000	01.5	1,500
15/3/24	1000	0.5	500
		Total Product	72,000

Intrest on Drawings $= \text{Total product} \times \text{Rate} \times \frac{1}{12}$

$= 72{,}000 \times \frac{6}{100} \times \frac{1}{12}$

$=$ Rs. 360

∴ Intrest on Drawings of Mr. Prajwal is Rs. 360//

8 => Calculation on Intrest of Drawings of Mr. Prajwal
[End of the year last] [Every month]

Date of Drawings	Amount of Drawing	outstanding month	Total Product
30/4/23	1000	11	11,000
30/5/23	1000	10	10,000
30/6/23	1000	9	9,000
30/7/23	1000	8	8,000
30/8/23	1000	7	7,000
30/9/23	1000	6	6,000
30/10/23	1000	5	5,000
30/11/23	1000	4	4,000
30/12/23	1000	3	3,000
30/1/24	1000	2	2,000
30/2/24	1000	1	1,000
30/3/24	1000	0	0
		Total Product	66,000

Intrest on Drawings = Total Product × Rate × $\frac{1}{12}$

$$= 66{,}000 \times \frac{6}{100} \times \frac{1}{12}$$

= Rs. 330

∴ Intrest on drawings of Mr. Prajwal is ₹ 330//

9) Ram and Raheem are partners sharing profit & loss in the ratio of 3:2. Ram drew regularly ₹1000 for 6 months, year ending of yearly 30th Sep 2023 Calculate interest on drawings of Ram at the rate of 8% per annum

a) If he withdrew first of every month
b) If he withdrew middle of every month
c) If he withdrew last of every month (End)

a) ⟹ Calculation on Interest of drawings of Mr. Ram (First)

Date of Drawings	Amount of Drawings	outstanding month	Total Product
01/4/23	1000	6	6000
01/5/23	1000	5	5000
01/6/23	1000	4	4000
01/7/23	1000	3	3000
01/8/23	1000	2	2000
01/9/23	1000	1	1000
		Total Product	21,000

Interest on Drawings = Total Product × Rate × $\frac{1}{12}$

$= 21{,}000 \times \frac{8}{100} \times \frac{1}{12}$

= Rs. 140

Therefore, Interest on Drawings of Mr. Ram is ₹ 140//

b) ⟹ Calculation on Interest of drawings of Mr. Ram (Middle of month)

Date of Drawings	Amount of Drawings	outstanding month	Total Product
15/04/23	1000	5.5	5,500
15/05/23	1000	4.5	4,500
15/06/23	1000	3.5	3,500
15/07/23	1000	2.5	2,500
15/08/23	1000	1.5	1,500
15/09/23	1000	0.5	500
		Total Product	18,000

Intrest on Drawings = Total Product × Rate × $\frac{1}{12}$

$$= 18{,}000 \times \frac{8}{100} \times \frac{1}{12}$$

$$= \underline{Rs.\ 120}$$

∴ Intrest on drawings of Mr. Ram is ₹120//

c) => Calculation on Interest Drawings of Mr. Ram [End of Every month]

Date of Drawings	Amount of Drawings	outstanding month	Total Product
30/4/23	1000	5	5000
30/5/23	1000	4	4000
30/6/23	1000	3	3000
30/7/23	1000	2	2000
30/8/23	1000	1	1000
30/9/23	1000	0	0
		Total Product	15,000

Intrest on Drawings = Total Product × Rate × $\frac{1}{12}$

$$= 15{,}000 \times \frac{8}{100} \times \frac{1}{12}$$

$$= \underline{Rs.\ 100}$$

∴ Intrest on drawings of Mr. Ram is ₹100//

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10) Bharath & Sharath are partners sharing profits & losses in the ratio of 4:3. Mr. Bharath withdrawn Rs. 3000 at the beginning of once in Every 2 months for the year Ending 31st march 24. The intrest is charged on Bharath's at 6% perom

=> Calculation on Intrest of drawings of Mr. Bharath

Date of Drawings	Amount of Drawings	outstanding months	Total Product
1/4/23	3000	12	36,000
1/6/23	3000	10	30,000
1/8/23	3000	8	24,000
1/10/23	3000	6	18,000
1/12/23	3000	4	12,000
1/2/24	3000	2	6000
		Total Product	1,26,000

Intrest on Drawings = Total Product X Rate X $\frac{1}{12}$

$= 1,26,000 \times \frac{6}{100} \times \frac{1}{12}$

= Rs. 360

Therefore, Intrest on drawings of Mr. Bharath is ₹630//

11) Suresh and Mahesh are partners in a firm Suresh withdrawn ₹ 2000 at the end of one in every 2 months. Calculate Intrest on drawings at 8% per annum, for the year ending 31st march 2024. Under product method.

a) What if he withdrew middle of one in every 2 months

⟹ Calculation on Intrest of Drawing Mr. Suresh [End of every month]

Date of Drawings	Amount of Drawings	outstanding month	Total Product
30/4/23	2000	11	22,000
30/6/23	2000	9	18,000
30/8/23	2000	7	14,000
30/10/23	2000	5	16,000
30/12/23	2000	3	6000
1/2/24	2000	1	2000
		Total Product	72,000

Intrest on Drawing = Total Product × Rate × $\frac{1}{12}$

$= 72{,}000 \times \frac{8}{100} \times \frac{1}{12}$

= Rs. 480

Therefore, Intrest on drawing of Mr. Suresh is ₹480//

a) Calculation on Intrest of Drawing Mr. Suresh [Middle]

Date of Drawings	Amount of Drawings	outstanding month	Total Product
15/4/23	2000	11.5	23,000
15/6/23	2000	9.5	19,000
15/8/23	2000	7.5	15,000
15/10/23	2000	5.5	11,000
15/12/23	2000	3.5	7000
15/2/24	2000	1.5	3000
		Total Product	78,000

Intrest on drawing = Total Product × Rate × $\frac{1}{12}$

$= 78000 \times 8/100 \times 1/12$

= Rs. 520

∴ Intrest on drawings of Mr. Suresh is ₹520//

13) Mr. A Withdrew Rs. 2000 in Each quarter Intrest is charged at 12% per annum. For the year Ending 31st march 2024. Calculate intrest on drawings.

a. If he withdraw middle of Every quarter
b. If he withdraw End of Every quarter

April
15/05/24 May } Q_1
June

Oct
15/11/24 Nov } Q_3
Dec

July
15/08/24 Aug } Q_2
Sep

Jan
15/02/24 Feb } Q_4
Mar

=> Calculation on Intrest of drawings of Mr. A [Middle]

Date of Drawings	Amount of Drawings	outstanding month	Total Product
15/5/24	2000	10.5	21,000
15/08/24	2000	7.5	15,000
15/11/24	2000	4.5	9000
15/02/25	2000	1.5	3000
		Total Product	48,000

Intrest on Drawings = Total Product × Rate × $\frac{1}{12}$

$= \cancel{488}\ 48{,}000 \times \frac{12}{100} \times \frac{1}{12}$

= Rs. 480

∴ Intrest on Drawings of Mr. A is ₹ 480//

=> Calculation on Intrest of drawings of Mr. A [End]

Date of Drawings	Amount of Drawings	outstanding month	Total Product
30/5/24	2000	10	20,000
30/8/24	2000	7	14,000
30/11/24	2000	4	8000
30/2/25	2000	1	2000
		Total Product	44,000

$$\text{Intrest on Drawings} = \text{Total product} \times \text{Rate} \times \frac{1}{12}$$

$$= 44{,}000 \times \frac{12}{100} \times \frac{1}{12}$$

$$= \text{Rs. } 440$$

Therefore, Intrest on drawings of Mr. A is ₹ 440//

★ Average Period Method / Short Cut Method

Formula :-

$$\text{Average Period} = \frac{\text{longer Period outstanding} + \text{Shortest Period outstanding}}{2}$$

1) Ravi & uday are partners sharing profits & losses Equally Mr. Ravi drew regularly ₹ 2000 at the End of Every month for the half year Ending 30^{th} Sep 2023 & also Uday withdraws ₹ 1000 beginning of Every month for the half year Calculate interest on drawings at 10% per annum. under short cut method.

→ Calculation on Intrest of drawings of Mr. Ravi [End]

Date of Drawings	Outstanding Month
30/4/23	5
30/5/23	4
30/6/23	3
30/7/23	2
30/8/23	1
30/9/23	0

Total drawings = 2000 × 6 month
= 12000

Average Period

Intrest on drawings = Total drawings × average Period × Rate × $\frac{1}{12}$

$= 12000 \times \frac{5+0}{2} \times \frac{10}{100} \times \frac{1}{12}$

$= 12000 \times 2.5 \times \frac{10}{100} \times \frac{1}{12}$

= Rs. 250

∴ The Intrest on drawings of Mr. Ravi is ₹250//

⇒ Calculation on Intrest of drawings of Mr. Uday (Begining

Date of Drawings	Outstanding Month
1/4/23	6
1/5/23	5
1/6/23	4
1/7/23	3
1/8/23	2
1/9/23	1

Total drawings = 1000 × 6 months
= Rs. 6000//

Average Period

Interest on drawings = Total drawings × Average period × Rate × $\frac{1}{12}$

$$= 6000 \times \frac{6+1}{2} \times \frac{10}{100} \times \frac{1}{12}$$

$$= \text{Rs. } 175//$$

Therefore, Interest on drawings of Mr. uday is ₹ 175//

Average Period

	1/2 Year	Full year
Beggining of month	$\frac{6+1}{2}$ 30/9	$\frac{12+1}{2}$ 31/3
Mid of month	$\frac{5.5+0.5}{2}$	$\frac{11.5+0.5}{2}$
End of month	$\frac{5+0}{2}$	$\frac{11+0}{2}$

Formulas

	1/2 Year [30/9]	1 Year [31/3
Beginning of month	Interest on drawings ⇒ Total drawings × $\frac{7}{2}$ × Rate × $\frac{1}{12}$	Interest on drawings ⇒ Total drawings ⇒ × $\frac{13}{2}$ × Rate × $\frac{1}{12}$
Middle of month	Total drawings × $\frac{6}{2}$ × Rate × $\frac{1}{12}$	Total drawing × $\frac{12}{2}$ × Rate × $\frac{1}{12}$
End of month	Total drawings × $\frac{5}{2}$ × Rate × $\frac{1}{12}$	Total Drawings × $\frac{11}{2}$ × Rate × $\frac{1}{12}$

2) Sharath & Bharath are partners sharing profits & losses Equally. Sharath withdrawn ₹ 1500 at the beginning of Every month & bharath withdrawn ₹ 2000 at the mid of Every month for the year Ending 31st march 2024.

Calculate interest on drawings at 12% per annum under Average period method or shortcut method

⟹ Calculation of Interest of drawings of Mr. Sharath

Given :- Amount ; => ₹1500
Beginning of Every month, Year Ending -31/3
Rate -12% per annum

Total Drawings = 1500 X 12months
= 18000

Interest on drawings ~~= Total Drawings × $\frac{13}{2}$ × Rate × $\frac{1}{12}$~~

= Total drawings × Average period × Rate × $\frac{1}{12}$

Total Interest on drawings = Total drawings × $\frac{13}{2}$ × $\frac{12}{100}$ × $\frac{1}{12}$

= 18000 × $\frac{13}{2}$ × $\frac{12}{100}$ × $\frac{1}{12}$

= Rs. 170

∴ Interest on drawings of Mr. Sharath is ₹170//

→ Calculation of Intrest on drawings of Mr. Bharath

Given :- Amount → 2000
Mid of Every month,
Rate 12 % per annum

Total drawings = 2000 × 12 months
= 24000

Intrest on drawings = Total drawings × Average Period × Rate × $\frac{1}{12}$

Intrest on drawings = $24000 \times \frac{12}{12} \times \frac{12}{100} \times \frac{1}{12}$

= Rs. 1440

∴ Intrest on drawings of Mr. Bharath is ₹ 1440//

3) Mr. A a partner Withdrawn ₹ 3000, at the beginning of Every month & also mr. Y a partner, Withdrawn ₹ 2,800 at the End of Every month. The rate of Intrest on partners drawings at 6% per annum. At the End of 31st march ~~2024~~ 2023 - 24

⟹ Calculation on Intrest of drawings of Mr. A

Given :- Amount → ₹ 3000
Beginning of Every month
Rate 6%

Total drawings = 3000 × 12 month
= 36000

Intrest on drawings = Total drawings × Average Period × Rate × $\frac{1}{12}$

= $36000 \times \frac{13}{2} \times \frac{6}{100} \times \frac{1}{12}$

= Rs. ~~1080~~ 1170

∴ Intrest on drawings of mr. A is ~~to~~ ₹ 1170//

⟹ Calculation on Interest of drawings of Mr. Y

Given :- Amount ⟹ ₹ 2,800
End of Every month
Rate 6 %

Total drawings = 2,800 × 12 months
= 33,600

Interest on drawings = Total drawings × Average period × Rate × $\frac{1}{12}$

$= 33,600 \times \frac{11}{2} \times \frac{6}{100} \times \frac{1}{12}$

= ₹ 924

∴ Interest on drawings of Mr. B is Rs. 924 //

---

4) A, B & C were partners sharing profits & losses equally. Mr. A withdrawn ₹ 2,250, at the beginning of every month, Mr. B withdrawn ₹ 1,750 at the middle of every month, Mr. C withdrawn ₹ 1,1.50 at the end of every month.

Calculate interest on drawings at the rate of 10 % per annum for the year ending 31st march 2024

⟹ Calculation of Interest on drawings of Mr. A [Beginning]

Given :- Amount ⟹ ₹ 2,250
Beginning of every month
Rate 10 %

Total Drawings = 2,250 × 12 months
= 27000

Intrest on drawings = Total drawings × Average period × Rate × $\frac{1}{12}$

$= 27000 \times \frac{13}{2} \times \frac{10}{100} \times \frac{1}{12}$

= Rs. 1462.5

∴ Intrest on drawings of Mr. A is Rs. 1462.5//

=> Calculation of Intrest on drawings of Mr. B [Middle]

Given :- Amount => ₹ 1,750
Mid of Every month
Rate 10%

Total Drawings = 1,750 × 12 months
= 21000

Total Intrest on drawings = Total drawings × Average Period × Rate × $\frac{1}{12}$

$= 21,000 \times \frac{12}{2} \times \frac{10}{100} \times \frac{1}{12}$

= ₹ 1050//

∴ Intrest on drawings of Mr. B is Rs. 1050//

=> Calculation of Intrest on drawings of Mr. C [End]

Given :- Amount => 1,150
End of the Every month
Rate 10%

Total drawings = 1,150 × 12 months
= 13,800

Intrest on drawings = Total drawings × Average period × Rate × $\frac{1}{12}$

$= 13,800 \times \frac{4}{2} \times \frac{10}{100} \times \frac{1}{12}$

$=$ Rs. 632.5

∴ Interest on drawings of Mr. C is Rs. 632.5//

---

5) X, Y & Z Wari partners sharing profits & losses Equally. Mr. X Withdrawn ₹2000 at the beginning of Every month, Mr. Y Withdrawn ₹ 2,500 ~~at the~~ ~~m~~ on 15th of Every month, Mr. Z Withdrawn ₹3000 at the End of Every month for the half year Ending 30th Sep 2023. Calculate Interest on drawings of Each partners at the rate of 12% per annum

⟹

X	Y	Z
2000	2500	3000
12%	12%	12%
30/9/23	30/9/23	30/9/23

⟹ Calculation of Interest on Drawings of Mr. X [Beginning]

Total drawings ⟹ 2000 × 6 month

= ₹ ~~12%~~ 12,000

Interest on drawings = Total drawings × Average period × Rate × $\frac{1}{12}$

$= 12000 \times \frac{7}{2} \times \frac{12}{100} \times \frac{1}{12}$

$=$ Rs. 420

∴ Interest on drawings of Mr. X is Rs. 420//

=> Calculation of Intrest on drawings of Mr. Y [Middle]

Total drawings => 2500 × 6 months

$= 15,000$

Intrest on drawings = Total drawings × Average period × Rate × $\frac{1}{12}$

$$= 15,000 \times \frac{6}{2} \times \frac{12}{100} \times \frac{1}{12}$$

$= \text{Rs. } 450$ //

∴ Intrest on drawings of Mr. Y is Rs. 450 //

=> Calculation of Intrest on drawings of Mr. Z [End]

Total drawings => 3000 × 6 months

$= 18,000$

Intrest on drawings = Total drawings × Average period × Rate × $\frac{1}{12}$

$$= 18,000 \times \frac{5}{2} \times \frac{12}{100} \times \frac{1}{12}$$

$= \text{Rs. } 450$

∴ Intrest on drawings of Mr. Z is Rs. 450 //

---

imp => A & B were partners sharing profits & losses in the ratio of 3:2. Mr. A withdrawn ₹2,500 at the beginning of every quarter. Mr. B withdrawn ₹3000 quarterly quarterly at end the end of every quarter for the year ending 31st march 2024.

Calculate intrest on drawings of each partner at the rate of 8%.

1/4/23	April May June	July Aug Sep	Oct Nov Dec	Jan Feb Mar
	Q_1	Q_2	Q_3	Q_4
				31/3/24

=> Calculation of Intrest on Drawings q Mr. A [Beginning Quarter]

Total drawings = $2{,}500 \times 4$

$= 10{,}000$

Intrest on drawings => Total drawings × Average period × Rate × $\frac{1}{12}$

$= 10{,}000 \times \frac{12+3}{2} \times \frac{8}{100} \times \frac{1}{12}$

$=$ Rs. 500//

∴ Intrest on drawings q Mr. A is Rs. 500//

=> Calculation q Intrest on drawings q Mr. B [End]

Total drawings = 3000×4

$= 12000$

Intrest in drawings = Total drawings × Average period × Rate × $\frac{1}{12}$

$= 12{,}000 \times \frac{9}{2} \times \frac{8}{100} \times \frac{1}{12}$

$=$ Rs. 360

∴ Intrest on drawings q Mr. B is Rs. 360//

* Profit and loss appropriation account

Profit & loss appropriation account is an account which is Extension of the profit & loss account of the firm. It starts with net profit and shows how the profits are appropriated or distributed among the partners.

* Format of Profit & loss appropriation account

Dr(-) (+) Cr

Particulars	Amount	Particulars	Amount
To P/L a/c [Net loss b/d]	--	By P/L a/c [Net profit b/d]	--
To Salary to partners	---	By Int on drawings A B	- -
To Commission to Partners	--		
To Int on Capital A B			
To Partners of Capital Distribution of Profit			

1) A & B were partners commenced business with Capital Investments of ₹80,000 & ₹60,000 respectively. on 1st April 2023. They agreed to have share profits & losses in the ratio 3:2

For the year ending 31st march 2024 they earned a Profit of ₹24,000 before allowing the following

a) Intrest on capital at 6% per annum

b) Annual Salary to Mr. B Rs. 5000

c) Intrest on Drawings at 10% per

The drawings of Mr. A is Rs. 15000 & Mr. B Rs. 10,000 respectively.

Prepare P&L appropriation account for the year Ending 31st march 2024

Dr (-) (+) Cr

Particulars	Amount	Particulars	Amount
To Intrest on capital		By P/L a/c	24,000
A => 80,000 × $\frac{6}{100}$ => 4,800		[Net profit b/d]	
B => 60,000 × $\frac{6}{100}$ => 3,600	8,400	By Int on drawings	
		A => 15,000 × $\frac{10}{100}$ => 1,500	
To Annual Salary to Mr. B	5000		
		B => 10,000 × $\frac{10}{100}$ => 1000	2,500
To Partners Capital a/c	13,100		
[Distribution of Profit]	26,500		26,500
A => 13,100 × 3/5 => 7860		By Partners Capital a/c	13,100
B => 13,100 × 2/5 => 5240			

2) M & N are Equal partners with Capitals of Rs. 1,80,000 & ₹1,40,000 respectively on 1st April 2023. The partnership deed provided for intrest on Capital at 5% per annum, intrest on drawings being Mr. M ₹540 & Mr. N ₹360 and annual commission of Rs. 8,000 to Mr. M. ~~During the year M~~ withdrawn ₹18,000 & N withdrawn Rs. 12,000 for their private use. The profit before adjustments was Rs. ~~42,000~~ to 42,100 for the year

ending 2024. Prepare Profit and loss a/c appropriation account

Dr.(-) (+) Cr

Particulars	Amount	Particulars	Amount
To intrest on Capital		By Profit & loss a/c [Net profit b/d]	42100
M = 180,000 × $\frac{5}{100}$ => 9000			
N = 140000 × $\frac{5}{100}$ => 7000	16000		
		By intrest on drawings	
		M = 540	
		N = (+) 360 →	900
To Annual Commission to mr 'm'	8000		
To Partners capital a/c	19000		
(Distribution of Profit)			
M => 19000 × 1/2 => 9500	~~430~~		
N => 19000 × 1/2 => 9500			
	43000		43000
		By Partners Capital a/c	19000

3) A & B were partners with a Capital of Rs. 100000 and Rs. 80000 respectively. They Earned a net profit for the year ending 31st march 2024 Amounted to Rs. 40,000. The partners agreed to share their profits Equally. Partnership deed provides the following:

a) A and B will be allowed to get a salary of Rs. 300 & Rs. 400 per month.

b) Mr. B who manages the sales department will be allowed a commission Equal to 10% of net profit after allowing Mr. A salary

c) 7% intrest will be allowed on partners fixed Capital

d) 5% interest will be charged on partners annual drawings. The drawings g Mr. A and B were Rs. 16,000 and Rs. 14000 respectively.
Compute profit & loss appropriation a/c

Dr(-) (+) Cr.

Particulars	Amount	Particulars	Amount
To salary to Partners		By Profit & loss a/c	40000
A => $300 \times 12 \Rightarrow 3600$		[Net profit b/d]	
B => $400 \times 12 \Rightarrow 4800$ →	8,400		
To Commission to Mr. B		By Interest on drawings	
$\left[(40000-3600) \times \frac{10}{100}\right]$	3,640	A => $16,000 \times \frac{5}{100} \Rightarrow 700$	
		B => $14,000 \times \frac{5}{100} \Rightarrow 800$ →	1,500
To interest on Capital			
A => $100000 \times \frac{7}{100} \Rightarrow 70000$			
B => $80000 \times \frac{7}{100} \Rightarrow 5600$ →	12,600		
To Partners Capital a/c	16,860		
[Distribution q profit]			
A => $16,860 \times 1/2 \Rightarrow 8430$			
B => $16,860 \times 1/2 \Rightarrow 8430$			
	41500		41500

4) X and Y are partners with a capital g Rs. 100000 and Rs. 60000 respectively. They agreed to share profit & losses in the proportion opening capital. It was agreed to allow interest on capitals at 6% per annum Mr. Y is allowed a monthly salary g Rs. 750x12 per month (Mr. X is allowed an annual commission g Rs. 7000) During the year X and Y withdrawn Rs. 12,000 and 16,000 Respectively. And the interest on that

drawings amounted to Rs. 600 and Rs. 800 respectively. The profit of the firm for the year Ending before adjustments was Rs. 38,600.

Prepare profit and loss appropriation a/c

Particulars	Amount	Particulars	Amount
To intrest on capital. X = 1,00,000 × $\frac{10}{100}$ = 10,000 Y = 60,000 × $\frac{10}{100}$ = 6,000	16,000	By Profit and loss a/c [Net profit B/d]	38,600
		By Intrest on drawings X = 600 Y = 800 →	1,400
To Salary to Mr. Y ₹750 × 12	9,000		
To Commision to Mr. X	7,000		
To Partners Capital a/c [Distribution of Profit] X = 8000 × $\frac{5}{8}$ = 5,000 Y = 8000 × $\frac{3}{8}$ = 3,000	8,000		
	40000		40,000

5) X & Y are partners sharing profits & losses Equally. They agreed they Earned a profit of Rs. 35,000 for the year Ending 31st march 2024 before allowing the following adjustments

a) Mr. X will be allowed a monthly salary of Rs. 200

b) Mr. Y is allotted a 10% commission on net profit after allowing mr. X salary for his sales promotion

c) 10% Intrest will be allowed on Partners capital

d) 8% intrest will be charged on partners annual drawings

e) The capitals of X & Y are Rs. 70,000 & 50,000 respectively. their annual drawings were ₹10,000 each.

Prepare profit and loss appropriation a/c

Particulars	Amount	Particulars	Amount
To Salary to mr. x (2000 x 12 months)	2,400	By profit & loss a/c [Net profit b/d]	35,000
To commission to mr. y $\left[(35,000 - 2400) \times \frac{10}{100}\right]$	3,260	By Interest on drawings $x = 10000 \times \frac{8}{100} \Rightarrow 800$	
To Interest on capital $x \Rightarrow 70000 \times \frac{10}{100} \Rightarrow 7000$ $y \Rightarrow 50000 \times \frac{10}{100} \Rightarrow 5000$	12,000	$y = 10000 \times \frac{8}{100} \Rightarrow 800$	1600
To Partners capital a/c $\left[x \Rightarrow 18940 \times 1/2 = 9470\right.$ $\left.y \Rightarrow 18940 \times 1/2 = 9740\right]$	18,940		
	36600		36,600

6) Arun & Varun are partners sharing profits in the proportion of 3/5 & 2/5 with capital of Rs. 50000 and Rs. 30000 respectively. Interest on capital is agreed to be payed at 6% per annum. Mr. Varun is allowed a salary of Rs. ~~2000~~ 2500 per annum. During the year the profits prior to the calculation on interest on capital after charging Varun's salary amounted to ₹12,500. A provision of 5% of profits is to be made in respect of managers commission to mr. Arun who manages the sales department. Prepare profit & loss appropriation a/c

Profit & loss appropriation a/c

Particulars	Amount	Particulars	Amount
To salary to Varun	2500	By Profit & loss a/c [Net profit b/d] [12500 + 2500]	15000
To interest on capital			
Arun => 50,000 x $\frac{6}{100}$ => 3000			
Varun => 30,000 x $\frac{6}{100}$ => 1800	4,800		
To Provision on Commission to Varun [15000 x 5/100]	750		
To Partners Capital a/c [Distribution of Profit]	6950		
Arun => 6950 x 3/5 = 4170			
Varun => 6950 x 2/5 = 2780			
	15,000		15,000

7) A, B & C started a business on 1st April 2023 by contributing Rs. 500000, Rs. 400000, & Rs. 300000 as their capital and decided to share profits ~~& losses~~ in the ratio 3:2:1

a) Salary payable to each partners Rs. 1000 per month
b) Interest on capital will be allowed at 6% per annum
c) Drawings during the year ₹60,000, ₹40,000 & ₹20000 respectively
d) Interest on drawings charged at ~~₹~~5% per annum. ~~There~~
e) There net profit for the year ending as per P/L a/c for the year ending ~~the~~ 31st march 2024 is Rs. 3,56,600

Profit and loss appropriation a/c

Particulars	Amount	Particulars	Amount
To Salary to partners		By Profit & loss a/c	
A = 1000 × 12 = 12,000		[Net profit b/d]	3,56,000
B = 1000 × 12 = 12,000			
C = 1000 × 12 = 12,000	36000	By Interest on drawings	
		A = 60000 × 5/100 = 3000	
To Interest on capital		B = 40,000 × 5/100 - 2000	
A = 50,0000 × 6/100 = 30000		C = 20,000 × 5/100 - 1000	6000
B = 400000 × 6/100 = 24,000			
C = 300000 × 6/100 = 18000	72,000		
To Partners capital a/c	254600		
[Distribution of Profit]			
A = 254600 × 3/6 = 1,27,300			
B = 254600 × 2/6 = 84867			
C = 254600 × 1/6 = 42433			
	362,600		3,62,600

★ **Guarantee of ~~to~~ profit to a partner :-**

Sometimes a partner is admitted into the firm with a guarantee of certain ~~amo~~ minimum amount of profit. Such guarantee (assurance) may be given by all the old partners in a certain ratio or by any of the old partners individually to the new partner.

The minimum guaranteed amount shall be paid to such new partner when his share of profit as per the profit sharing ratio is less than the guarantee amount.

1. A, B & C are partners sharing profit in the ratio of 3:2:1. Mr. C's share in profit has been guarantied by A & B to be a minimum sum of Rs. 8000. Profits for the year ending 31st march 2018 was Rs. 36,000. Divide profits among the partners

⟹ Profit & loss appropriation a/c

Particular	Amount	Particular	Amount

I. Calculation of Profit & Defiency

Profit of firm => 36,000

Distribution

A = 36000 × $\frac{3}{6}$ => 18,000

B = 36000 × $\frac{2}{6}$ => 12,000

C = 36000 × $\frac{1}{6}$ => 6000

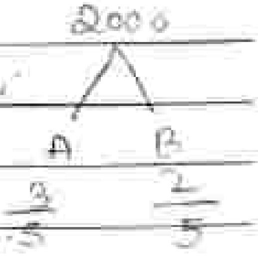
II. Defficiency

Guarantied amount for Mr. C → 8000
Actual Profit → 6000
Defiency => 2000

Defiency

A = 2000 × $\frac{3}{5}$ => 1200

B = 2000 × $\frac{2}{5}$ => 800



Profit & loss appropriation a/c

To A's Capital a/c Profit 18000 less: Deficiency to 1200 →	16,800	By P/L a/c [Net profit b/d]	36,000
To B's Capital a/c Profit 12000 less: Deficiency to 800 →	11,200		
To C's Capital a/c profit 6000 Add Deficiency 'A' 12000 Add Deficiency 'B' 800 →	8,000		
	36,000		36,000

2. X & Y were partners in a firm sharing profit & losses in the ratio of 3:2. They admitted Mr. Z for 1/6 share in profit & guaranted that his profit share will not be less then Rs. 25,000. Total profit of the firm were Rs. 90,000. Calculate share of profit for each partner when guarante is given by Mr. X. New profit sharing ratio is 3:2:1 Prepare P/L appropriation a/c

→ Calculation of Profit & Defficiency

Profit of firm => 90,000 → X 3/6, → Y 2/6, → Z 1/6

Distribution

X = 90000 × 3/6 => 45000

Y = 90000 × 2/6 => 30000

Z = 90000 × 1/6 => 15000

ii) Defficiency

Guaranted Amt => 25000

Actual Profit => 15000

Defficiency => 10000

Profit & loss appropriati a/c

Particular	Amount	Particular	Amount
To x's Capital a/c Profit 45000 less) Defficiency 10000 →	35000	By P/L a/c (Net profit b/d)	90000
To y's Capital a/c	30000		
To z's Capital a/c profit 15000 Add) Defficiency for x 10000 →	25,000		
	90000		90000

3. X, Y & Z are partners in a firm sharing profit & losses in the ratio of 3 : 2 : 1. They admitted Mr. Z for 1/6 share in profit & guaranted that his profit share will not be less than Rs 25,000. Total profit share will ~~not~~ be Rs. 90,000, Calculate share of profit for each partner when guarante is given by both X & Y.

⇒ Calculation of Profit & Defficiency

Profit of firm => 90,000 → 3/6
→ 2/6
→ 1/6

Distribution

X = 90000 × 3/6 => 45000
Y = 90000 × 2/6 => 30000
Z = 90000 × 1/6 => 15000

II: Deficiency

Guaranted Amount -> 25,000
Actual Profit -> 15000
Deficiency -> 10,000

Deficiency

X = 10000 × 3/5 => ~~9000~~ 6000
Y = 10000 × 2/5 => ~~6000~~ 4000

Profit & loss appropriate a/c

Particulars	Amount	Particular	Amount
To X's Capital a/c		By P/L a/c	90,000
Profit 45,000		[Net profit b/d]	
less(-) deficiency to 6000 →	39,000		
To Y's Capital a/c			
Profit 30,000			
less(-) deficiency to 4000 →	26000		
To C's Capital a/c			
Profit 15,000			
Add Deficiency 'A' 6000			
Add Deficiency 'B' 4000 →	25,000		
	90,000		90,000

4. A, & B share profit & losses in the ratio of 3:2. They admitted Mr. C into their firm for 1/6 share in profit. Mr. A personally guaranted to Mr. C's share of profit after charging intrest on capital at 10% per annum could not be less than Rs. 15,000 in any year. The capital provided was as follows :-

I) Mr. A Rs. 1,35,000, Mr. B 1,00,000, Mr. C 75,000

The profit for year ending 31st march 2024 amounted to Rs. 75000 before providing intrest on capital. Show the P/L appropriation a/c if new profit sharing ratio is 3:2:1

⇒ Profit before int on Capital => 75000
less - int on Capital => 30000
45000

A = 45000 × 3/6 -> 2250
B = 45000 × 2/6 -> 1500
C = 45000 × 1/6 -> 750

II) Deficiency

Guaranted Amt -> 15000
Profit -> 7500
Deficiency - 7500

Profit & loss appropriation a/c

Particulars	Amount	Particulars	Amount
To interest on Capital		By P/L a/c	75,000
$A = 12{,}500 \times \frac{10}{100} \Rightarrow 12{,}500$		[Net profit bld]	
$B = 100000 \times \frac{10}{100} \Rightarrow 10000$			
$C = 75000 \times \frac{10}{100} \Rightarrow 7500$	30,000		
To A's Capital a/c			
Profit 22500			
less Deficiency to C 7500	15000		
To B's Capital a/c	15000		
To C's Capital a/c			
Profit 75,00			
Add Deficiency 'A' 7500	15,000		
~~Add Deficiency 'B'~~			
	75,000		75,000

5. P & Q share profit & losses in the ratio of 2:1. They admitted Mr. R into their firm who is to be given a share of 1/10 of the profit with a guarantee minimum amount of Rs. 50,000 P & Q were agreed for the above condition. The profit of the firm for the year ending 31st march 2024 Amounted to Rs. 2,40,000. New profit sharing ratio is 6:3:1. prepare p/L appropriation a/c

=> **Calculation of Profit & Deficiency**

Profit of the firm => 2,40,000 → P => 6/10 → Q => 3/10 → R => 1/10

~~II Deficiency~~

Distribution

$P = 2,40,000 \times \frac{6}{10} = 1,44,000$

$Q = 2,40,000 \times \frac{3}{10} = 72,000$

$R = 2,40,000 \times \frac{1}{10} = 24,000$

II **Deficiency**

Guarantied Amount	=	50,000
Profit	=	24000
Deficiency	=	26,000

Deficiency

P = 26,000 X => 15,600

Q = 26,000 X => 7,800

Chapter - 02

Reconst of A Partnership ->
[Admission of a partner]

-> **Introduction**

According to section 31 of the Indian Partnership Act, 1932 any eligible person can be admitted into the partnership with the constent of all partners or unless provided in the partnership deed. The partners may be admitted into the partnership for following reasons :-

a> To increase the capital
b> To expand the business
c> To improve managerial ability
d> To increase the good will of the firm.

=> **Meaning of Admission of a partner**

It refers to taking a person into the partnership firm as a partner for the benefit of the firm.

=> **Ratios inconnection with admission of a partner :-**

a> Sacrifice ratio
b> New profit sharing ratio

★ **Sacrifice Ratio :-**

Sacrifice ratio is the ratio in which the whole partner. Sacrifice or surrender a part of their share of profits to the new partner on admission

$\boxed{\text{Sacrifice ratio = Old share − New share}}$

CASE 1 :-

WHEN THE OLD RATIO OF THE OLD PARTNERS AND THE SHARE OF NEW PARTNER IS GIVEN IN THE PROBLEM. In this case, old ratio will be the sacrifice ratio.

Problems

1) A & B are partners sharing profits & losses in the ratio of 2:1. They are admit C into a partnership and give him $\frac{1}{5}$th share. Calculate the sacrifice ratio

⟶ Given :- old ratio A B
2 : 1

New partners share C 1/5th share

$\boxed{\text{Sacrifice ratio 2:1}}$

2) X & Y are partners sharing profit & losses in the ratio 3:2. They admit Z into a partnership and giving 1/4th of share. Calculate sacrifice ratio.

⟹ Given :- old ratio X Y
3 : 2

New partner share Z 1/4th share

$\boxed{\text{Sacrifice ratio : 3 : 2}}$

CASE 2 :-

WHEN THE OLD RATIO OF THE OLD PARTNERS. THE SHARE OF NEW PARTNER AND THE SHARE ACQUIRED BY THE NEW PARTNER ARE GIVEN

In this case, Sacrifice ratio will be share sacrifice by old partner.

Problem

1) X & Y are partners sharing profits & losses in the ratio of 2:1 They admit Z into the partnership and offer him 1/4th share which he acquires in the proportion of 3/20 & 2/20 from X & Y. Calculate sacrifice ratio.

⇒ Given :-

X Y

OR = 2 : 1

Z = 1/4th share

Share sacrificed by X & Y = $\frac{3}{20} : \frac{2}{20}$

$$SR = \frac{3}{\cancel{20}} : \frac{2}{\cancel{20}}$$

$$\boxed{SR = 3:2}$$

2) Amar & Akbar are partners sharing profit & losses in the ratio 3:2. They admit Antony into the partnership & offer him 1/6th share which he acquire in the proportion of 2/25 & 3/25 from Amar & Akbar Calculate Sacrifice ratio

⇒ Given :-

Amar Akbar

OR = 3 : 2

Antony 1/6th share

Share Sacrified by Aman & Akbar = $\frac{2}{25} : \frac{3}{25}$

$$SR = \frac{2}{\cancel{25}} : \frac{3}{\cancel{25}}$$

$$\boxed{SR = 2 : 3}$$

CASE 3 :-

When the old partners surrender a part of their share to the new partner.

In this case, Sacrified Share = old share X Surrendered share

Problems

1) D & E are partners sharing P/L in the ratio 3:2 They admit F into the partnership D agrees to surrender 1/2 of his share & E agrees to surrender 1/4 of his share in favour of F. Calculate sacrifice ratio

⇒ Given :

D E

3 : 2

F

Share surrendered by D & F $\frac{1}{2} : \frac{1}{4}$

Sacrified share = old share X surrendered share

D's sacrified share = $\frac{3}{5} \times \frac{1}{2} = \frac{3}{10}$

E's Sacrified share = $\frac{2}{5} \times \frac{1}{4} = \frac{2}{20}$

Sacrified share = $\frac{3}{10} : \frac{2}{20}$

$\frac{6}{20} : \frac{2}{20}$

10 | 10, 20
2 | 1, 2
1, 1

6 : 2

$\boxed{SR = 3 : 1}$

$\frac{3}{\cancel{10}} \times \cancel{20}^{2}$

10 × 2 × 1 × 1
= 20

$\frac{2}{\cancel{10}} \times 20$

2) Rama & lakshmana are partners sharing profits & losses Equally. They admit Bharatha into partnership. Ram agrees to surrender 1/3 of his share & lakshmana agrees to surrender 1/4th of his share to bharath Calculate the sacrifice ratio

⟹ Rama Lakshmana

Given OR 1 = 1

Share surrendered by rama & lakshmana 1/3 : $\frac{1}{4}$

Sacrified ratio = old ratio × surrendered ~~ratio~~ share

Ram's S.S = $\frac{1}{2} \times \frac{1}{3} = \frac{1}{6}$

Lakshmana's S.S = $\frac{1}{2} \times \frac{1}{4} = \frac{1}{8}$

Sacrified ratio = $\frac{1}{6} : \frac{1}{8}$ //

$\frac{4}{24} : \frac{3}{24}$

2 | 6, 8
3 | 3, 4
4 | 1, 4
1, 4

$\boxed{SR = 4 : 3}$

$1/6 \times \cancel{6}^{24} = 24$

$1/8 \times \cancel{24}^{3} = 24$

3) X & Y are partners sharing profits & losses in the ratio 3:2. They admit Z into partnership, X agrees to surrender 1/3 of his share & Y agrees to surrender 1/6 of his share to Z. Calculate the sacrifice ratio

⇒ X Y

Given :- OR = 3 : 2

Z

Share surrendered by X & Y = 1/3 : 1/6

Sacrifice ratio = old ratio x surrendered share

$$X's \text{ sacrificed share} = \frac{3}{5} \times \frac{1}{3} = \frac{3}{15}$$

$$Y's \text{ sacrificed share} = \frac{2}{5} \times \frac{1}{6} = \frac{2}{35}$$

$$\text{Sacrificed share} = \frac{3}{15} : \frac{2}{35}$$

$$SR = \frac{10}{\cancel{75}} : \frac{6}{\cancel{75}}$$

SR = 10 : 6

$\boxed{SR = 5 : 3}$

$$\frac{2}{\cancel{15}} \times \overset{5}{\cancel{75}} = 10$$

$$\frac{2}{\cancel{35}_5} \times \overset{3}{\cancel{75}} = 6$$

working

5	15, 35
3	3, 5
5	1, 5
	1, 1

5×3×5 = 75

CASE 4 :-

When old ratio & new ratio are given

In this case, sacrifice ratio, old ~~ratio~~ share, New share

1) Ganesh & Girish are partners sharing profit and losses in the ratio of 3:2. They admit mahesh into the partnership. The profit sharing ratio in 4:3:3 Calculate sacrifice ratio of Ganesh & Girish

⇒ Given :-

Ganesh : Girish

Old ratio 3 : 2

New ratio 4 : 3 : 3 [Mahesh]

Sacrifice ratio = Old Share − New Share

Ganesh SR = $\frac{3}{5} - \frac{4}{10} = \frac{6-4}{10} = \frac{2}{10}$

Girish SR = $\frac{2}{5} - \frac{3}{10} = \frac{4-3}{10} = \frac{1}{10}$

= $\frac{2}{10} : \frac{1}{10}$

$\boxed{SR = 2:1}$

5 | 5, 10
2 | 1, 2
1, 1

$\frac{3}{\cancel{5}} \times \cancel{10}^{2}$
= 5×2×1×1
= 10

2> Ram & Rahem are partners sharing profit & losses in the ratio of 5:3. They admit Robert into the partnership the new profit sharing ratio is 3:2:1 Calculate the sacrifice ratio of ram & rahem

Ans Given :-

Ram Rahem

Old ratio 5 : 3

New ratio 3 : 2 : 1 [Robert]

Sacrifice ratio = Old Share − New ratio

= $\frac{5}{8} - \frac{3}{8} = \frac{15-12}{8} = \frac{3}{24}$

= $\frac{3}{5} - \frac{2}{5} = \frac{9-8}{24} = \frac{1}{24}$

= $\frac{3}{24} = \frac{1}{24}$

$\boxed{SR = 3:1}$

3) A & B are partners sharing profit & losses in the ratio of 4:3. They admit C into the partnership the new profit sharing ratio is 2:1:1 Calculate the sacrifice ratio of old partners.

⇒ Given :-

		A	B	
Old ratio	4	:	3	
New ratio	2	: 1	: 1	[C]

Sacrifice ratio = old ratio - New ratio

A's ratio = $\frac{4}{7} - \frac{2}{4} = \frac{16-21}{28} = \frac{2}{28}$

B's ratio = $\frac{3}{7} - \frac{1}{4} = \frac{12-7}{28} = \frac{5}{28}$

$= \frac{2}{28} = \frac{5}{28}$

$\boxed{SR = 2:5}$

4) Surya & Chandra are partners sharing profits & losses in the ratio of 3:2. They admitted bhoomi into the partnership & all partners share profit & losses Equally. Calculate the sacrifice ratio of old partners.

⇒ Given :-

	Surya	Chandra	
Old ratio	3 :	2	
New ratio	1 :	1 :	1

Sacrifice ratio = old ~~ratio~~ Share - New Share

Surya's ratio = $\frac{3}{5} - \frac{1}{3} = \frac{9-5}{15} = \frac{4}{15}$

Chandra's ratio = $\frac{2}{5} - \frac{1}{3} = \frac{6-5}{15} = \frac{1}{15}$

$= \frac{4}{15} : \frac{1}{15}$

$\boxed{SR = 4:1}$

5) Rashmi & Ramya are partners sharing profits & losses Equally. They admitted radha into the partnership the new profit Sharing ratio 5:3:2 Calculate the sacrifice ratio of old partners.

⇒ Given :-

	Rashmi		Ramya		
old ratio	1	:	1		
new ratio	5	:	3	:	2 [Radha]

Sacrifice ratio = old share − New share

$$\text{Rashmi's} = \frac{1}{2} - \frac{5}{10} = \frac{5-5}{10} = \frac{0}{10}$$

$$\text{Ramya's} = \frac{1}{2} - \frac{3}{10} = \frac{5-3}{10} = \frac{2}{10}$$

$$= \frac{0}{10} = \frac{2}{10}$$

$\boxed{SR = 0:2}$

CASE 5 :-

When the old ratio of the old partner & the share of new partner are given & also state that The ratio in which the remaining share is shared by the old partner.

In this case, first we have to calculate the remaining share. Then we should divide the remaining share between the old partners in agreed ratio. To get new ratio. Then sacrified shared is calculated by suptracting new share from old share

New profit sharing profit. Agreed Share + Remaining Share
Sacrified ratio = old Share - New Share.

Rocky & Jokey are partners sharing profits & losses in the ratio of 7:5. They admit Vicky into the partnership & give him 1/4th share & rocky & Jockey agreed to share in the ratio of 2:1 Calculate sacrifice ratio

⟹ Given :-

Rocky Jockey

Old ratio

Vicky 1/4th Share

New ratio = ?

Agreed ratio = 2 : 1

Let profit is 1

Vicky share 1/4

$= 1 - \frac{1}{4}$

Remaining Share $= \frac{4-1}{4}$

$= 3/4$

NPSR = Agreed Share x Remaining share

Rocky's NPSR $= \frac{2}{3} \times \frac{3}{4} = \frac{6}{12}$

Jocky's NPSR $= \frac{1}{3} \times \frac{3}{4} = \frac{3}{12}$

New ratio $= \frac{6}{\cancel{12}} : \frac{3}{\cancel{12}} : \frac{3}{\cancel{12}}$

New ratio = 6 : 3 : 3 or
2 : 1 : 1 //

Sacrified ratio = Old Share - New Share

Rocky's ratio = $\frac{7}{12} - \frac{2}{4} = \frac{7-6}{12} = \frac{1}{12}$

Jocky's ratio = $\frac{5}{12} - \frac{1}{4} = \frac{5-3}{12} = \frac{2}{12}$

$= \frac{1}{\cancel{12}} = \frac{2}{\cancel{12}}$

$\boxed{SR = 1:2}$

2) P & Q are partners sharing profit & losses in the ratio of 2:1. They admit R into the partnership & give him 1/6th share. P & Q agreed to share the remaining share in the ratio 3:2 calculate the Sacrifice ratio.

⟹ Given :-

P Q

old ratio 2 : 1

R 1/6th share

New ratio = 2

Agreed ~~ratio~~ share = 3 : 2

let the profit is 1

R share 1/6

$= 1 - \frac{1}{6}$

$= \frac{6-1}{6}$

Remaining share = $\frac{5}{6}$

NPSR = Agreed share × Remaining share

P's NPSR = $\frac{3}{5} \times \frac{5}{6} = \frac{15}{30}$

$Q = \frac{2}{5} \times \frac{5}{6} = \frac{10}{30}$

New profit sharing ratio is $\frac{15}{\cancel{30}} : \frac{10}{\cancel{30}} : \frac{5}{\cancel{30}}$

$= 15 : 10 : 5$

NPSR $= 3 : 2 : 1$

Sacrified ratio = Old share − New share

P's share $= \frac{2}{3} - \frac{3}{6} = \frac{4-3}{6} = \frac{1}{6}$

Q's share $= \frac{1}{3} - \frac{2}{6} = \frac{2-2}{6} = \frac{0}{6}$

$= \frac{1}{\cancel{6}} = \frac{0}{\cancel{6}}$

$\boxed{\text{Sacrified ratio} = 1 : 0}$

3) Anu & Manu are partners sharing profits & losses in the ratio 3:2. They admit bhanu into the partnership & give him 1/5th share & Anu & manu agreed to share remaining share in the ratio of 5 : 3 Calculate sacrifice ratio.

⇒ Given :-

	Anu	Manu
Old ratio	3 :	2

Bhanu 1/5th share

Agreed share = 5 : 3

Let the profit is 1

Bhanu's share $\frac{1}{5}$

$= 1 - \frac{1}{5}$

Remaining share $= \frac{5-1}{7}$

remaining share = $\frac{4}{5}$

New profit sharing ratio = Agreed ratio × Remaining ratio

Anu's new profit sharing ratio = $\frac{5}{8} \times \frac{4}{5} = \frac{20}{40}$

Manu's new profit sharing ratio = $\frac{3}{8} \times \frac{4}{5} = \frac{12}{40}$

New ratio = $\frac{20}{\cancel{40}} : \frac{12}{\cancel{40}} : \frac{8}{\cancel{40}}$

New ratio = 20 : 12 : 8

New ratio = 10 : 6 : 4 = 5 : 3 : 2

Sacrified ratio = old share − New share

Anu's ratio = $\frac{3}{5} - \frac{5}{10} = \frac{6-5}{10} = \frac{1}{10}$

Manu's ratio = $\frac{2}{5} - \frac{3}{10} = \frac{4-3}{10} = \frac{1}{10}$

= $\frac{1}{10} : \frac{1}{10}$

$\boxed{\text{Sacrified ratio} = 1 : 1}$

★ **New Profit sharing ratio**

It refers to the ratio in which all the partners share the future profit & losses of the firm. It is the difference between the old share & the share sacrified.

New share = old share − share sacrified

★ **Purpose for calculating New profit sharing ratio [NPSR]**

★ To share the future profit & losses in the firm

★ To re-adjust the partners capital a/c. [If any]

★ To Distribute written of quotion of valued good will of the firm.

Case I :-

When sacrified share of old partners are given In this case. New ratio can be calculated by subtracting sacrified share from the old share of the old partners...

1) Arun & Varun are partners sharing profits & losses in the ratio 2:1. They admit Tharun into the partnership and offer him $1/4^{th}$ share which he acquires in the proportion of 3/20 & 2/20 from arun & Varun. Calculate the new profit sharing ratio.

=> Given :-

	Arun		Varun
Old share	2	:	1

Tharun $1/4^{th}$ share

Share sacrified by arun & Varun = $\frac{3}{20} : \frac{2}{20}$

New Share = Old Share - Sacrified Share

Arun's Share = $\frac{2}{3} - \frac{3}{20} = \frac{40-1}{60} = \frac{39}{60}$

Varun's Share = $\frac{1}{3} - \frac{2}{20} = \frac{20-6}{60} = \frac{14}{60}$

New Share = $\frac{31}{60} : \frac{14}{60} : \frac{15}{60}$

$\boxed{\text{New Share} = 31 : 14 : 15}$

2) A & B are partners sharing profit & losses in the ratio 3:2. They admit C into the partnership for $1/5^{th}$ share, which he acquires in the proportion of 2/15 & 1/15 from A & B. Calculate the new profit sharing ratio.

⟹ **Given :-**

A B

Old ratio 3 : 2

C 1/5th share

Share Sacrified by A & B = $\frac{2}{15} : \frac{1}{15}$

New Share = Old Share - Sacrified Share

A's Share = $\frac{3}{5} - \frac{2}{15} = \frac{9-2}{15} = \frac{7}{15}$

B's Share = $\frac{2}{5} - \frac{1}{15} = \frac{6-1}{15} = \frac{5}{15}$

5 | 5, 15
3 | 1, 3
1, 1 = 15

New Share = $\frac{7}{\cancel{15}} - \frac{4}{\cancel{15}} : \frac{\cancel{8}\,3}{\cancel{15}\,15}$

$\boxed{\text{New Share} = 7 : 4 : 3}$

3) Amar & Akbar are partners sharing profit & losses in the ratio 3:2. They admit Antony into the partnership for 1/6th share, which he acquires in the proportion of 1/24 & 1/8 from the old partners calculate the new profit sharing profit.

⟹ **Given :-**

Amar Akbar

Old ratio 3 : 2

Antony 1/6th Share

Share Sacrified by Amar & Akbar = $\frac{1}{24} = \frac{1}{8}$

New Share - Old Share - Sacrified ~~s~~Share

Amar's Share = $\frac{3}{5} - \frac{1}{24} = \frac{72-5}{120} = \frac{67}{120}$

5 | 5, 24
24 | 1, 24
1, 1

Akbar's Share = $\frac{2}{5} - \frac{1}{8} = \frac{16-5}{40} = \frac{11 \times 3}{40 \times 3}$

5 | 5, 8
8 | 1, 8
1, 1

New Share = $\frac{67}{120} - \frac{33}{120} : \frac{20}{120}$

$\boxed{\text{New Share} = 67 : 33 : 30}$

Akash's Share = $\frac{7}{12} - \frac{1}{12} = \frac{7-1}{12} = \frac{\cancel{6}^{3}}{\cancel{12}_{6}} = \frac{1}{2}$

Ajay's Share = $\frac{5}{12} - \frac{1}{24} = \frac{10-1}{24} = \frac{9}{24}$

CASE 2 :-

When Sacrifice ratio is given. In this case, first we have to calculate the share sacrificed by the old partners. It can be calculated multiplying sacrifice ratio of old partners with the share of new partner. Then the sacrifice share is subtracted from the old share to find new profit sharing ratio

Share Sacrificed = Sacrifice ratio x New partner share

New Share = Old Share - Share Sacrificed

1) Asha & Usha are partners sharing profit & losses in the ratio of 5:3. They admit Nisha into the partnership and offer her 1/6th share, which she acquires in the ratio of 3:1 from the old partners. Calculate new profit sharing ratio

⇒ Given :-

Asha Usha

Old Ratio 5 : 3

Nishas Share = 1/6th

Sacrifice ratio = 3:1

Share Sacrificed = Sacrifice ratio x New partner share

Asha's share = $\frac{3}{4} \times \frac{1}{6} = \frac{3}{24}$

Usha's share = $\frac{1}{4} \times \frac{1}{6} = \frac{1}{24}$

New Share = Old Share - Share Sacrifices

Asha = $\frac{5}{8} - \frac{3}{24} = \frac{15-3}{24} = \frac{12}{24}$

Usha = $\frac{3}{8} - \frac{1}{24} = \frac{9-1}{24} = \frac{8}{24}$

Nisha = $\frac{1 \times 4}{6 \times 4} = \frac{4}{24}$

$\frac{12}{\cancel{24}} : \frac{8}{\cancel{24}} = \frac{4}{\cancel{24}}$

New Share = 12 : 8 : 4

New Share = 3 : 2 : 1

2) A & B are partners sharing profit & losses in the ratio 7:5. They admit C into partnership and offer him 1/4th share which he acquires equally from A & B. Calculate new profit sharing ratio.

⟹ Given :-

A . B

Old ratio 7 : 5

C's Share = 1/4th Share

Sacrifice ratio = 1 : 1

Share sacrificed = Sacrifice ratio x New partner Share

A's Share = $\frac{1}{2} \times \frac{1}{4} = \frac{1}{8}$

B's Share = $\frac{1}{2} \times \frac{1}{4} = \frac{1}{8}$

New Share = Old Share - Share Sacrificed

A's Share = $\frac{7}{12} - \frac{1}{8} = \frac{14-3}{24} = \frac{11}{24}$

B's Share = $\frac{5}{12} - \frac{1}{8} = \frac{10-3}{24} = \frac{7}{24}$

C's Share = $\frac{1}{4} \times 6 = \frac{6}{24}$

$\frac{11}{\cancel{24}} : \frac{7}{\cancel{24}} : \frac{6}{\cancel{24}}$

11 : 7 : 6

New Share = 11 : 7 : 6 //

3> X & Y are partners sharing profit & losses in the ratio of 3:2. They admit Z into the partnership and offer him 1/4th share, which he acquires in the ratio 2:3 from the old partners Calculate NPSR

⇒ Given :-

X Y

Old ratio 3 : 2

Z's ratio = 1/4

Sacrificed ratio = 2:3

Share sacrificed = Sacrificed ratio × New partner share

X's share = $\frac{2}{5} \times \frac{1}{4} = \frac{\cancel{2}}{\cancel{10}} = \frac{2}{20}$

Y's Share = $\frac{3}{4} \times \frac{1}{4} = \frac{3}{20}$

New Share = Old share − ~~Share Sacrificed~~

X's Share = $\frac{2}{5} \times \frac{1}{4} = \frac{\cancel{2}}{\cancel{20}} = \frac{2}{20}$

Y's Share = $\frac{3}{5} \times \frac{1}{4} = \frac{3}{20}$

New Share = Old Share − Share Sacrificed

X's Share = $\frac{3}{5} - \frac{2}{20} = \frac{12-2}{20} = \frac{10}{20}$

Y's Share $= \frac{2}{5} - \frac{3}{20} = \frac{8-3}{20} = \frac{5}{20}$

Z's Share $= \frac{5}{10}$

$\frac{10}{\cancel{20}} : \frac{5}{\cancel{20}} : \frac{5}{\cancel{20}}$

New Share = 10 : 5 : 5

New Share = 2 : 1 : 1

CASE 3 :-

When old partners surrender part of their Share to the new partner.
In this case, we have to calculate the share sacrified by the old partners. It can be calculated by multiplying old share & share surrendered by old partners. Then the sacrified share is ~~sacrified~~ subtracted from the old share to find new share. The sum of the share sacrified by the old partners will be the new partner share.

Share Sacrified = Old Share X Surrendered Share
New Share = Old Share - Share Sacrified
New Share of new partner = sum of sacrified share of old partners

17 A & B are partners sharing profit & losses in the ratio of 7:3. They admit Mr. C into the partnership. Mr. A agreed to surrender 1/2 of his share & Mr. B agreed to surrender 1/4th of his share in favour of Mr. C Calculate new profit sharing ratio.

⇒ Given :-

	A	B	C
Old ratio	$\frac{7}{10}$	$\frac{3}{10}$	—
Share's sacrified	$\frac{1}{2}$	$\frac{1}{4}$	—

Sacrified Share – Old share x surrendired share

A's share $= \frac{7}{10} \times \frac{1}{2} = \frac{7}{20}$

B's share $= \frac{3}{10} \times \frac{1}{4} = \frac{3}{40}$

New share = old share – share sacrified

A's share $= \frac{7}{10} - \frac{7}{20} = \frac{14-7}{20} = \frac{7}{20}$

B's share $= \frac{3}{10} - \frac{3}{40} = \frac{12-3}{40} = \frac{9}{40}$

C's share $= \frac{7}{20} + \frac{3}{40} = \frac{14+3}{40} = \frac{17}{40}$

New ratio $= \frac{7}{20} \times 2 = \frac{14}{40}$

New ratio $= \frac{14}{\cancel{40}} : \frac{9}{\cancel{40}} : \frac{17}{\cancel{40}}$

$\boxed{\text{New ratio} = 14:9:17}$ //

2) X & Y are partners sharing profits & losses in the ratio of 3:2. They admit Mr. Z into the partnership and agreed to surrender 1/4th of this share Calculate New profit sharing ratio

⇒ Given

	Y	Z
Old ratio	$\frac{3}{5}$	$\frac{2}{5}$
Share	$\frac{1}{4}$	$\frac{1}{4}$

Sacrifice share = Old ratio x Surrendered ratio

X's share = $\frac{3}{5} \times \frac{1}{4} = \frac{3}{20}$

Y's share = $\frac{2}{5} \times \frac{1}{4} = \frac{2}{20}$

New share = Old share - Share sacrificed

X's share = $\frac{3}{5} - \frac{3}{20} = \frac{12-3}{20} = \frac{9}{20}$

Y's share = $\frac{2}{5} - \frac{2}{20} = \frac{8-2}{20} = \frac{6}{20}$

Z's share = $\frac{9}{20} + \frac{6}{20} = \frac{9+6}{20} = \frac{15}{20}$

New share = $\frac{9}{\cancel{20}} : \frac{6}{\cancel{20}} : \frac{15}{\cancel{20}}$

New share = 9 : 6 : 15

New share = 3 : 2 : 5

CASE 4 :-

When old ratio of the old partners and the share of new partner only given. In this case, first we have to calculate remaining share. It can be calculated by subtracting the new partner's share from 1. Then the remaining share is multiplied with old share to calculate new ratio.

1) A & B are partners sharing profits & losses in the ratio of 3:2. They admit Mr. C into the partnership & give him 1/6th share. Calculate new profit sharing ratio

⟹ New sharing ratio = old share x Remaining share

Given :-

A B C :

Old ratio $\frac{3}{5}$ $\frac{2}{5}$ -

New share - - 1/6

Let the firms share b 1

Remaining share => $1 - \frac{1}{6} = \frac{5}{6}$

New share of A => $\frac{5}{6} \times \frac{3}{5} = \frac{15}{30}$

New Share of B => $\frac{5}{6} \times \frac{2}{5} = \frac{10}{30}$

2) X & Y are partners sharing profits & losses in the ratio 4:3. They admit Z into the partnership and give him 2/9th share. Calculate new profit sharing ratio

=> Given :- X Y Z

Old ratio $\frac{4}{7}$ $\frac{3}{7}$ -

New share - - 2/9

Let the firms share be 1.

Remaining share = $1 - \frac{2}{9} \Rightarrow \frac{9-2}{9} \Rightarrow \frac{7}{9}$

New sharing ratio = Old share X Remaining share

New share of X = $\frac{7}{7} \times \frac{4}{7} = \frac{28}{63}$

New share of Y = $\frac{7}{7} \times \frac{4}{7} = \frac{6}{23}$

New share = A B C

New share = $\frac{28}{63}$ $\frac{21}{63}$ $\frac{2}{9} \times 7 = \frac{14}{63}$

New Share = 28 : 21 : 14
New Share = 4 : 3 : 2

CASE 5:-

When the Share of the partner is given and also states the ratio in which the remaining Share is shared by the old partners.
In this case, First we have to calculate remaining Share. It can be calculated by subtracting the new partner share from 1. Then the remaining Share is divided among the old partners in the ratio in which they agreed to share the remaining share; to calculate new ratio.
New Share = Agreed Share × Remaining Share

⊳ Raja & Rani are partners sharing profits & losses in the ratio of 5:3. They admit mantri into the partnership for 1/5th share. Raja & Rani agreed to share the remaining share in the ratio of 3:2. Calculate the new profit sharing ratio.

⇒ Given :-

	Raja	Rani
Old Ratio	5	3

Mantri Share 1/5
Agreed Share 3:2

Let the share be 1
Mantri's share 1/5

Remaining Share = $1 - \frac{1}{5} \Rightarrow \frac{5-1}{5} = \frac{4}{5}$

New Share = Agreed Share × Remaining Share

Raja's Share = $\frac{3}{5} \times \frac{4}{5} = \frac{12}{25}$

Rani's Share = $\frac{2}{5} \times \frac{4}{5} = \frac{8}{25}$

Mantri's Share = $\frac{1}{5} \times \frac{5}{5} = \frac{5}{25}$

New Share = $\frac{12}{\cancel{25}} : \frac{8}{\cancel{25}} : \frac{5}{\cancel{25}}$

$\boxed{\text{New Share} = 12 : 8 : 5}$

2) Uma & Suma are partners sharing profits & losses in the ratio of 4:3. They admit hema into the partnership & give her 1/6th share. Uma & Suma agreed to share the remaining share equally Calculate the new profit sharing ratio

⟹ Given

	Uma	Suma
old ratio	4	3

Hema's ratio 1/6

Agreed Share 1:1

Let the Share be 1

Hema's share 1/6

Remaining share = $1 - \frac{1}{6} = \frac{6+1}{6} = \frac{5}{6}$

New Share = Agreed Share × Remaining share

Uma's share = $\frac{1}{2} \times \frac{5}{6} = \frac{5}{12}$

Suma's share = $\frac{1}{2} \times \frac{5}{6} = \frac{5}{12}$

Hema's share = $\frac{1}{6} \times \frac{2}{2} = \frac{2}{12}$

New Share = $\frac{5}{12} : \frac{5}{12} : \frac{2}{12}$

$\boxed{\text{New Share} = 5 : 5 : 2}$

★ Adjustments in Connection with admission of a new Partner

1) Revaluation of assets and liabilities of the firm
2) Distribution of reserves and undistributed profit or loss
3) Capital brought by the new partner in Cash or other asset
4) Good will & its treatment
5) Adjustment of old partners capital after admission in their new ratio on the basis of new partners capital & adjustments to be made in cash

★ Revaluation of assets & liabilities of the firm

At the time of admission, retirement or death of a partner, the assets and liabilities of the firm are revalued in order to ascertain through position of the business. On account of revaluation, the value of sum of the assets & liabilities may be increased or decreased to record the increase or decrease in the value of assets & liabilities, revaluation account is prepared.

★ Meaning of Revaluation account

It is an account prepared inconnection with recording of increase or decrease in the value of assets & liabilities & to find out the profit & loss on revaluation.

★ Circumstances under which revaluation account is prepared

It is prepared in the following cases :-

a) Admission of a Partner
b) Retirement of a Partner
c) Death of a Partner
d) Change in Profit sharing ratio

★ Preparation of Revaluation account

It is a nominal account. Increase in asset, decrease in liability and unrecorded asset is a profit, it should be credited to revaluation account. On other hand decrease in asset, increase in liability and unrecorded liability should be debited to revaluation account.

Dr   Revaluation a/c   Cr

Particulars	Amount	Particulars	Amount
To decrease in asset	xxx	By increase in asset	xxx
To increase in liability	xxx	By decrease in liability	xxx
To unrecorded liability	xxx	By unrecorded asset	xxx
To old partners capital and [Profit]	xxx	By old partners capital a/c [loss]	xxx
	xxx		xxx

Profit : Dr
loss : Cr

1) A & B are partners sharing profits in the ratio 5:3. They admit C as a new partner, who brings ₹ 60,000 as capital & ₹ 30,000 as good will. Before C's admission, the following revaluation were made

- * Furniture was increased by ₹ 8000
- * Stock was reduced by ₹ 6000
- * A debtor of ₹ 2500 became bad debt
- * outstanding Expenses of ₹ 3500 were not recorded earlier

Revaluation a/c

Particulars	Amount	Particulars	Amount
To Stock a/c [Decrease]	6000	By Furniture a/c [Increase]	8000
To Bad debts	2500		
To O/s Expenses [unrecorded]	3500	By old Partners Capital a/c	
		A => [4000 × 5/8] 2500	
		B => [4000 × 3/8] 1500	4000
	12,000		12,000

2) X & Y are partners sharing profit & losses Equally. They admit Z into the partnership, & asking him to bring ₹ 80,000 as capital & ₹ 40,000 as good will. Before Z's admission the following revaluations

- * Machinery increased by ₹ 15,000
- * Stock was over valued by ₹ 5000, so it was reduced
- * A creditor appreciated by ~~₹10,000~~ 7000
- * Investments appreciated by ₹ 10,000

Prepare revaluation a/c

Dr Revaluation a/c Cr

Particulars	Amount	Particulars	Amount
To Stock [Decrease]	5000	By machinery a/c [Incr]	15,000
To Creditor [Unrecorded]	7000	By Investment [app]	10,000
To Old Partners capital a/c			
x => 13000 × 1/2 => 6500			
y => 13000 × 1/2 => 6500	13000		
	25000		25000

★ Journal entries in connection with recording of changes in the value assets & liabilities on account of revaluation

★ For increase in asset
Asset a/c ... Dr
To Revaluation a/c

★ For Decrease in asset
Revaluation a/c ... Dr
To Asset a/c

★ For increase in ~~asset~~ liability
Revaluation a/c Dr
To liability a/c

★ For Decrease in liability
Liability a/c ... Dr
To Revaluation a/c

* For recording unrecorded asset.
Unrecorded asset a/c Dr
To Revaluation a/c

* For recording unrecorded liability
Revaluation a/c Dr
To unrecorded liability a/c.

* For transfer of Profit on revaluation
~~Old Partners~~ Revaluation a/c ---- Dr
To old partners Capital a/c

* For transfer of loss on revaluation
Old partners Capital a/c ---- Dr
To Revaluation a/c

* For recording general reserves, reserve fund or any other reserves
General reserves / Reserve fund / other reserves a/c Dr
To old partners capital a/c

* a) For recording P&L a/c balance appearing in liability side of the balance sheet [i.e, credit balance or accumulated Profit]
Profit & loss a/c Dr
To Old partners Capital a/c

b) P&L a/c balance appearing in asset side of the balance sheet [i,e debit balance or accumulated loss]
Old partners Capital a/c Dr
To P&L a/c

* Capital Brought by the new Partner

The new partner shall have right on the firm asset. It return he brings capital into the business new partner brings in capital by cash or in the form of other assets or both. In such a case new partners capital a/c should be credited & cash or bank or concerned asset should be debited

For capital brought by the new partner
Cash / Bank a/c Dr
Concerned asset a/c Dr
To new partners capital a/c

* Meaning of Good will

Good will defined as " The capacity of a business to earn profits in future is basically what is meant by the term good will".

Good will is the value of good name or reputation of business which attracts more customers & helps the firm to earn more profits. Good will is an intangible asset

* Factors affecting Good will

* Past profits of the business
* Location of the business
* Earning capacity of the business
* Nature of business
* Efficiency of management & employees

★ Methods of Valuation of good will

- * Average profit method
- * Super profit method
- * Capitalization method

★ Average Profit Method

Under this method, that given numbers of years of profits & loss are averaged and the average profit is multiplied with the agreed number of years of purchases to ascertain good will

$$\text{Average Profit} = \frac{\text{Sum of all the years Profit}}{\text{No. of Years}}$$

Good will = Average profit X No. of years of Purchase

1) Good will of the firm is valued at 2 times the average profit of last 3 years. The profits for last 3 years were 16000, 12,000 & 8000. Calculate Good will of the firm

⟹ $$\text{Average profit} = \frac{\text{Sum of all the years profit}}{\text{No. of years}}$$

$$= \frac{16000 + 12000 + 8000}{3}$$

$$= 12{,}000$$

Good will = Avg Profit X No. of Year of Purchases
= 12000 X 2
= 24,000

2) Good will of the firm was valued at 2years of Purchase of the average profit for last 4 years. The profit & loss for the 4 years was

2010 - 11 = ₹ 6000 profit

2011 - 12 = ₹ 2000 loss
2012 - 13 = ₹ 10000 Profit
2013 - 14 = ₹ 12000 profit. Calculate good will of the firm

⇒ Average Profit = $\frac{\text{Sum of all the years Profit}}{\text{No. of years}}$ *

$= \frac{6000 + 2000 + 10,000 + 12000}{4}$

= 6500

Good will = Avg profit × No. of years of Purchases
= 6500 × 2
= 13000

* Treatment of good will on admission of Partner

* Good will brought in cash & withdrawn
* Good will brought in cash & ~~received~~ retained
* Good will raised & retained
* Good will raised & written off

CASE 1

Good will brought in cash & withdrawn

Journal Entries

1) For Good will brought in cash by the new Partner
⇒ Cash on bank a/c ... Dr
To Good will a/c

2) For distribution of Good will among the old Partners
⇒ Good will a/c Dr
To old Partners Capital a/c
[sacrifice ratio]

3) For Withdrawing of Good will by the Old Partners

-> Old Partners capital a/c Dr.
[Sacrifice ratio]
To Cash | Bank a/c

★ Preparation of Partners capital a/c

Capital accounts of all partners are prepared in order to record the following

- ✱ Capital balance of the old partners appearing in the balance sheet
- ✱ Profit & loss on revaluation of assets & liabilities
- ✱ Undistributed reserves & P&L a/c balance appearing in the balance sheet
- ✱ Capital brought in by new partner in cash & other assets
- ✱ Distribution of good will
- ✱ Balancing of capital a/c

1) Ajay & Vijay are partners sharing profits & losses in the ratio 3:2. Their balance sheet as on 31st march 2023 was as follows :-

Liabilities	Amt	Amt	Assets	Amt	Amt
Sundry Creditors L		50,000	Cash Cash a/c		20,000
Bills Payable L		25,000	Stock Asset		25,000
Reserve fund P.cr		25,000	Debtors Asset		20,000
Capital			Furniture Asset		20,000
Ajay P.c(cr)	60,000		Machinery Asset		40,000
Vijay	40,000 →	1,00,000	Buildings Asset		50,000
			Investment Asset		20,000
			P&L a/c P. Dr		5000
		2,00,000			2,00,000

On 1-4-2023, Sujay is admitted into the Partnership on the following terms.

a) He brings in ₹30,000 as Capital & ₹10,000 towards Good will for 1/4th Share in future Profits. Good will amount is withdrawn by the old Partners.

b) Depreciate machinery & Furniture by 10% ✓

c) Provision for doutful debts is maintained at 5% ✓ on debtors

d) Appreciate buildings by ₹11,000 ✓

e) Provide ₹1000 for o/s Salaries ✓

f) Investments are to be valued at ₹25000 ✓

Prepare

a) revaluation a/c

b) Partners Capital a/c

c) Cash a/c

d) Balance Sheet of the firm after admission

Revaluation a/c

Particulars	Amount	Particulars	Amount
To Machinery a/c [Decrease]	4000	By Building a/c [Increase]	11,000
[40,000 × 10%]		By Investments	5000
To Furniture a/c [Decrease]	2000	(25000 − 20,000)	
[20,000 × 10%]			
To Prov. for doubt dbts	1000		
[20,000 × 5%]			
To O/S Salaries	1000		
To old Partners capital a/c			
Ajay (8000 × 3/5) => 4800			
Vijay (8000 × 2/5) => 3200	8000		
	16000		16000

Partner's Capital a/c

Particulars	Ajay	Vijay	Sujay	Particulars	Ajay	Vijay	Su
To P&L a/c (3:2)	3000	2000	—	By balance b/d	60,000	40,000	
To Cash a/c (Withdrawn G.W.)	6000	4000	—	By revaluation a/c (Profit)	4800	3200	—
				By reserve fund (3:2)	15000	10,000	—
				By Cash a/c			30,0
				By Cash a/c Good will (3:2)	6000	4000	—
To Balance c/d	76,800	57,200	30,000				
	85,800	57,200	30,000		85,800	57,200	30,0
				By balance b/d	76,800	57,200	30,0

Cash a/c

Particulars	Amount	Particulars	Amount
To Balance b/d	20,000	By Ajay's Capital a/c	6000
To Sujay's Cap a/c	30,000	By Vijay's capital a/c	4000
To Good will a/c	10,000		
		By Balance c/d	50,000
	50,000		50,000
To balance b/d	50,000		

Balance Sheet

Liabilities	Amount	Asset	Amount
Sundry Creditors	50,000	Cash	50,000
Bills Payable	25,000	Stock	25,000
		Debtors 20,000	
Capital		(-) doubtful debts 1000 →	19,000
Ajay 76,800		Furniture 20,000	
Vijay 51,200		(-) Depreciation 2000 →	3000
Sijay 30,000 →	1,58,000	Machinery 40000	
		(-) Depreciation 400 →	36,000
O/S Salary	1000	Buildings 50,000	
		(+) appreciation 11,000 →	61,000
		Investments 20,000	
		(+) increase 50,00 →	25000
	2,34,000		2,34,000

2) P & Q are partners in a firm. Their balance sheet as on 31st march 2024 was as follows :-

Balancesheet as on 31st march 2024

Liabilities	Amount	Assets	Amount
Capitals		Cash at Bank	10,000
P} P.C ~~70,000~~	70,000	Stock	30,000
Q} ~~50,000~~	50,000	Debtors	20,000
creditors B.S	40,000	Motor Car	20,000
Bank loan B.S	25,000	Plant & Machinery	30,000
Reserve fund B.B	16,000	Buildings	60,000
		Investments	10,000
		Bills receivable	16,000
		P&L a/c P.C DV	5000
	2,01,000		2,01,000

=> on 1-04-2024, R is admitted into the partnership on the following terms :-

a) He brings ₹40,000 as capital & ₹9,000 towards Goodwill for 1/4th share in future profits. Goodwill is to be withdrawn by the old partners

* b) Depreciate machinery & Car by 5% & 20% respectively

c) Provision for doubtfull debts is to be maintained at 5% on debtors & Bills receivable

d) Increase the value of buildings & investments by 10% & 7.5% respectively

e) Commission receivable ₹150

f) outstanding Expenses ₹300

Prepare revaluation a/c, Partners capital a/c, Bank a/c New balance sheet of P, Q & R.

Revalution a/c

Particulars	Amount	Particulars	Amount
To Machinery a/c (Decrease)	1,500	By Buildings (Increase)	6000
(30,000 × 5%)		(60,000 × 10%)	
To car (Decrease)	4,000	By Investment (Increase)	750
		(10,000 × 7.5%)	
To Provision for doubtful debts			
- Drs (20,000 × 5%) => 1000		By Commission Receivable	150
- Bills Receivable (16,000 × 5%) 800	1,800		
		By old partners capital a/c	
To outstanding Expenses	300		
		P (700 × 1/2) 350	
		Q (700 × 1/2) 350	700
	7,600		7,600

Dr Partner's Capital a/c Cr

Particulars	P	Q	R	Particulars	P	Q	R
To P&L a/c (1:1)	2500	2500	-	By Balance b/d	70,000	50,000	-
To Revaluation a/c (loss)	350	350	-	By Reserve fund (1:1)	8000	8000	-
To Bank a/c (G.W withdrawn)	4,500	4,500	-	By Bank a/c (Cap)	-	-	[illegible]
				By Bank a/c (G.W)	4,500	4,500	-
To Balance c/d	75,50	55,150	40,000				
	82,500	62,500	40,000		82,500	62,500	[illegible]
				By Balance b/d	75,50	55,150	[illegible]

Bank a/c

Particulars	Amt	Particulars	Amount
To Bal b/d	10,000	By P's Capital a/c	4,500
To R's Capital a/c	40,000	By Q's Capital a/c	4,500
To P's Capital a/c	4,500		
To Q's Capital a/c	4,500	By Balance c/d	50,000
	59,000		59,000
To Balance b/d	50,000	NB/SA	

Dr **New Balance Sheet as on 01/4/24** Cr

Particulars		Amount	Particulars		Amount
Capital a/c			Cash at Bank		50,000
P	75,150		Stock		30,000
Q	55,150		Debtors	20,000	
R	40,000	1,70,300	(-) Doubtfull debts	1000	19,000
			Machinery (B.S) A		25,000
			Buildings (B.S) A		32,000
		1,71,000			1,71,000

PDD

New Balance Sheet as on 1/04/23

Liabilities		Amt	Asset		Amt
Creditors	70000		Cash @ Bank		61,500
(-) Crs not claimed	2000	68000	(21500 + 40000)		
Bills Payable		7500	Stock		39000
Capitals			Debtors	60000	
A =	81600		(-) PDD	3000	
B =	44400		(-) New PDD	3000	54000
C =	35000	161000	Furniture	10000	
			(-) Dep	1000	9000
			Buildings	40000	
			(+) Appreciati	8000	48000
			Machinery		25000
		2,36,500			3,36,500

Dr | New Balance sheet as on 01/4/24 | Cr

Particulars		Amount	Particulars		Amount
Capital a/c			Cash at Bank		50,000
P	75,150		Stock		30,000
Q	55,150		Debtors	20,000	
R	40,000	1,70,300	(-) Doutfull debts	1,000	19,000
Creditors		40,000	Motor car	20,000	
Bank loan		25,000	(-) Depriciation	4000	16,000
			Plant & Machinery	30,000	
			(-) Depreciation	1500	28,500
			Buildings	60,000	
			(+) Appreciation	6000	66,000
			Investments	10000	
			(+) Increase	750	10,750
			Bills Receivable	16,000	
			(+) Doutfull debts	800	15,200
			Commission Receivable		150
		2,35,600			2,35,600

3) Sikh & Singh are Partners sharing Profit & losses equally. There Balance sheet as on 31st march 2024. Should as follows.

Liabilites	Amount	Assets	Amount
Creditors	35,000	Cash at Bank Bank	12,000
Reserve fund	6000	Motor vehicle B.S (A)	13,000
Loan	10000	Stock (B.S) A	30,000
Capitals		debtors (B.S) A	20,000
Sikh P/L a/c Cr	70,000	Computers (B.S) A	15,000
Singh	50,000	Furniture (B.S) A	26,000
		Machinery (B.S) A	25,000
		Buildings (B.S) A	32,000
	1,71,000		1,71,000

Dr **Partner's Capital a/c** Cr

Particulars	Sikh	Singh	Sardar	Particulars	Sikh	Singh	Sardar
To Bank a/c (half withdraw)	2000	2000	–	By Balance b/d	70,000	50,000	–
				By revaluation (Profit)	950	950	–
				By reserve fund (1:1)	3000	3000	–
To Balance c/d	75,950	55,950	62,000	By Bank a/c	–	–	30,000
				By Machinery a/c	–	–	14,000
				By Stock a/c	–	–	8000
				By Furniture a/c	–	–	10,000
				By Bank a/c (Good will) (1:1)	4000	4000	–
	77,950	57,95	62,000		77,950	57,95	62000
				By Balance c/d	75,950	55,950	62,000

Dr. **Bank a/c**

Particular	Amount	Particular	Amount
To balance b/d	12,000	By Sikh Capital	2000
To Sardar cap a/c	30,000	By Singh Capital	2000
To Sikh capital	4000	By Balance c/d	46000
To Singh Capital	4000		
	50,000		50,000
To Balance b/d	46000	N.B/s (A)	

New Balance Sheet

Particulars	Amount	Particulars	Amount
Creditors	35,000	Cash at bank	46000
Loan	10,000	Motor Vehicle 13000	
Capital :		(-) Depreciation 1300	11,700
Sikh 75,950		Stock 30,000	
Singh 35,950		(-) Depreciation 3000	
Sardar 62,000	1,93,900	27,000	
		(+) New Partner 8000	35000
		Debtors	20,000
		Computer	15,000
		Furniture (24,000 + 10,000)	34,000
		Machinery 25000	
		(+) increased 2500	
		27,500	
		(+) New Partner Share 14000	41,500
		Buildings 32000	
		(+) Appreciation 3200	35,200
		Unrecorded investment	500
	2,38,900		2,38,900

4) Sindu and Bindu are partners sharing profit & losses in the ratio 3:2. There balance sheet as on 31st march 2023 was as follows :-

Liabilities	Amount	Assets	Amount
BS(L) Creditors	52,000	BS Cash at Bank	15,000
BS(L) Bills Payable	30,000	BS(A) Stock	40,000
P&L Reserve fund	20,000	BS(A) Debtors 40,000	
P&L Capitals		(-) Provision 1,000	39,000
Sindu	60,000	BS(A) Furniture	10,000
Bindu	40,000	BS(A) Plant & Machinery	40,000
P&L (Cr) P&L a/c	8000	BS(A) Buildings	50,000
		BS(A) Investments	5000
		BS(A) Bills Receivable	11,000

On 1/04/2023 Bindu is admitted into the partnership on the following terms

- ★ She brings ₹40,000 as capital at ₹10,000 towards good will for 1/5th share in future profits
- ★ Half of the good will amount is to be withdrawn by old partners
- ★ Depreciate plant & machinery & furniture at 10% each
- ★ Provision for doutfull dibts is to be maintained by 10% on debtors
- ★ Buildings are to be Valued at ₹60,000

Make a provision for Compensation to the workers who were injured in the accident ₹15,000

Prepare revaluation a/c, Partners Capital a/c, and new balance sheet.

Dr Revaluation a/c Cr

Particulars	Amount	Particulars	Amount
To Plant & Machinery a/c	4000	By Buildings a/c	10000
[40000 x 10%)		[60000 – 50000)	
To Furniture a/c	1000	By Partners Cap a/c	
[10,000 x 10%)		Sindu = [13000 x 3/5) = 7800	
		Bindu = [13,000 x 2/5) = 5200 →	13000
To PDD a/c [working note)	3000		
To Compensation a/c	15,000		
	23000		23000

Partner's capital a/c

Particulars	sindhi	Bindu	Indu	Particulars	S.	B	I
To Revaluation a/c	7800	52000	-	By bal b/d	60000	40000	-
To Bank a/c	3000	2000	-	By reserve fund (3:2)	12000	8000	-
[GW wd]				By P&L a/c (3:2)	4800	3200	-
To bal c/d	72000	48000	40000	By bank a/c	—	—	4000
				By bank a/c [3:2]	6000	4000	-
	32800	55200	40000		32800	55200	4000

Bank a/c

Particulars	Amount	Particulars	Amount
To Indhu cap a/c	40000	By Sindu cap [1/2 GW]	3000
To Sindu cap a/c (GW)	6000	By Bindu cap [1/2 GW]	2000
To Bindu cap a/c (GW)	4000	By balance c/d	60000
	65000		65000
To Balance b/d	60,000		

New balance sheet of sindhu, Bindhu & Indhu on 1/4/23

Liabilities	Amount	Assets		Amount
Creditors	52000	Cash at bank		60,000
Bills Payable	30000	Stock		40000
Capitals		Debtors	40000	
Sindu - 72,000		- Provision	4000	36000
Bindu - 48000		Furniture	10000	
Indu - 40000	160000	- Depreciation	1000	9000
		Plant & Machinery	40000	
Provision for	15,000	- Depreciation	4000	36000
Compensation (loss)		Buildings	50,000	
		+ Increase	10000	60,000
		Investments		5000
		Bills receivable		11000
	2,57,000			2,57,000

5> Asha and Varsha are partners sharing profit & losses in the ratio of 5:3. Their balance sheet as on 31st March 2024 as follows :-

Balance Sheet

Liabilities	Amount	Assets	Amount
Creditors	50,000	Cash D	15,000
Bank overdraft	80,000	Stock BA	40,000
Reserve fund	20,000	Debtors BP 40000	
Capitals		(-) Provision 1000 →	39,000
Asha	60,000	Furniture BA	60,000
Varsha	40,000	Machinery BA	40,000
P & L a/c	8000	Buildings BA	50,000
		Investments BA	5000
		Bills receivable BA	9000
	2,08,000		2,08,000

On 1/4/2024, Nisha is admitted into the Partnership on the following terms :-

* She brings ₹26,000 as capital & ₹14,000 towards goodwill for 1/5th share in the firm future profits, which she acquires
~~5> Asha & Varsha are Partners Sharing Profits & losses~~ in the ratio of 2:1 from old partners

* Half of the goodwill amount is to be withdrawn by old partners

* Stock & furniture are to be valued at 8% less than book value & depreciate machinery by 10%.

* Provision for doubtful debts is to be increased to 10% on debtors

* Buildings are to be value at ₹60000

* Interest on bank OD at 10% per annum o/s since 1 year

* Prepaid Insurance ₹800

Revaluation a/c

Particulars	Amount	Particulars	Amount
To Stock a/c	3,200	By Building	10,000
[40,000 × 8%]		[60,000 − 50,000]	
To Furniture a/c	800	By Prepaid Insurance	800
[10,000 × 8%]		By Old Partners Cap a/c	
To Machinery a/c	4000	Asha [3200 × 5/8] = 2000	
[40,000 × 10%]		Varsha [3200 × 3/8] = 1200	3200
To PoD [W.N 1]	3000		
To Int Bank o/d			
[30,000 × 10% × 1]	3000		
	1,400		1,400

Partner's Capital a/c

Particulars	Asha	Varsha	Nisha	Particulars	Asha	Varsha	Nisha
To Revaluation a/c	2000	1200	-	By balance b/d	60,000	40,000	-
To Cash a/c	4000	2000	-	By reserve fund [5:3]	12,500	7500	-
[1/2 G.W wd]				By P&L a/c [5:3]	5000	3000	-
				By Capital a/c	-	-	26000
				By cash a/c [G.W]	8000	4000	
				[2:1]			
	85,000	54,500	26,000		85,000	54,500	26,000

Bank a/c

Particulars	Amount	Particulars	Amount
To balance b/d	15000	By Asha Capital	4000
To Nish cap a/c	26000	[1/2 G.W wd]	
To Asha a/c	8000	By Varsh cap a/c	2000
To Varsha a/c	4000	[1/2 G.W wd]	
		By Balance c/d	47,000
	63000		63000
To Bal b/d	47,000		

New Balance Sheet

Liabilities		Amount	Assets		Amount
Creditors		50,000	Cash		47,000
Bank old	30,000		Stock	40,000	
+ 10% Int	3000 →	33,000	(-) RDD	3200 →	36,800
Capital			Debtors	40,000	
Asha	79,500		(-) RDD	4000 →	36,000
Varsha	51,300		Furniture	10,000	
Nisha	26,000 →	1,56,800	(-) Dec	800 →	9200
			Machinery	40,000	
			(-) Dep	4000 →	36,000
			Buildings	50,000	
			(+) Increase	10,000 →	60,000
			Investment		5000
			Bills receivable		9000
			Prepaid Insurance		800
		2,39,800			2,39,800

6) Ravi & Shankar are Partners Sharing Profits & losses in the ratio of 5:3. Their Balance Sheet as on 31st march 2023 as follows

Liabilities	Amount	Assets	Amount
Creditors	50,000	Cash	10,000
Bills Payable	40,000	Bank	32,000
Reserve funds	80,000	Bills receivable	10,000
Capital		Debtors	40,000
Ravi	50,000	Furnitures	15,000
Shankar	35,000	Building	40,000
		Plant & machinery	40,000
		P&L a/c	80,000
	1,95,000		1,95,000

Prasad is admitted on 1/4/24 on the following terms

- ✱ He brings ₹15,000 as a goodwill and ₹30,000 as capital. For 1/6th share which he acquires in the ratio of 2:1 from Ravi & Shankar
- ✱ Half of the goodwill amount is to be withdrawn by old partners
- ✱ Building is revalued at ₹55,000 maintain RDD at 10% on debtors & bills payable
- ✱ Depreciate furniture and plant & machinery at 10
- ✱ Outstanding legal Expenses ₹ 500

⇒ Prepare revaluation a/c,
Prepare Partners Capital a/c,
Cash a/c
New balance sheet, after admission

Revaluation a/c

Particular	Amount	Particular	Amount
To RDD on Debtors (40,000 × 10%)	4000	By Building	15,000
To Bills receivable [10,000 × 10%]	1000	[55,000 − 40,000]	
To Furniture [15,000 × 10%]	1500		
To Plant & machinery	4000		
[40,000 × 10%]			
To O/S Expenses	500		
To Capitals			
Ravi (4000 × 5/8) = 2500			
Sankar (4000 × 3/8) = 1500 →	4000		
	15,000		15,000

To

Partner's capital a/c

Particulars	Ravi	Shankar	Prasad	Particulars	Ravi	Shankar	Prasad
To P&L a/c	5000	3000	-	By Balance b/d	50,000	35,000	-
To cash a/c (GW)	5000	2500.	-	By Revaluation	2500	1500	-
				By Reserve fund (5:3)	12,500	7500	-
				By Cash a/c	-	-	30,000
				By Cash a/c [GW] 2:1	10,000	5000	-
To bal c/d	65000	45000	30,000				
	75,000	49000	3000		75,000	49000	3000
				By balance b/d	65000	45000	30,000

Bank a/c

Particulars	Amount	Particulars	Amount
To bal b/d	10,000	By Ravi capital a/c	5000
To prasad cap a/c	30,000	By shankar cap a/c	2500
To Ravi cap a/c	10,000		
To shankar cap a/c	5000		
		By Balance c/d	47,500
	55,000		55,000
To balance b/d	47,500		

New balance sheet

Liabilities		Amount	Assets		Amount
Creditors		50,000	Cash		47,500
Bills Payable		40,000	Stock		32,000
Capitals			Bills receivable	10,000	
Ravi	65000		(-) Dep	1000 →	9000
Shankar	43,500		Debtors	40,000	
Prasad	30000 →	1,38,500	(-) RDD	4000 →	36,000
O/S Expenses		500	Furniture	15,000	
			(-) Dep	1500 →	13,500
			Buildings	40,000	
			(+) Increase	15000 →	55,000
			Plant & Machinery	40,000	
			(-) Dep	4000 →	36000
		229,000			2,29,000

★ CASE 2 :-

Good will brought in Cash and retained

Journal Entries

1) For good will brought in Cash by new partner

Cash / bank a/c Dr

To Good will a/c

2) For Distribution of good will among the old partner is

Good will a/c ... Dr

To old partner capital a/c [Sacrifice ratio]

Problem

Q1) Anil & sunil are partners sharing profit & losses in the ratio of 3:2. There balance sheet as on 31st March 2024 was as follows:-

Liabilities	Amount	Asset	Amount
Creditors B.S.A	20,000	Cash at Bank	5000
Bills Payable	6000	Debtors	18000
General reserve (R.A)	4000	Stock B.S.(A)	17000
Capitals		Buildings B.S.(A)	30000
Anil	40,000	Furniture B.S.(A)	10,000
Sunil	30,000	Machinery B.S.(A)	20,000
	1,00,000		1,00,000

On 1/04/2024 Vimil is admitted in the Partnership on the following terms:-

- * He brings ₹25,000 as capital and ₹8,000 towards Goodwill for 1/6th share in the profits. Goodwill amount is retained in business.
- * Depreciate machinery by 10% & furniture by 5%.
- * Provision for doubtful debts is maintained at 5% on debtors.
- * Appreciate buildings by 20%.
- * Provide ₹400 for repair charges

Prepare necessary ledger accounts

Revaluation alc

Particulars	Amount	Particulars	Amount
To Machinery alc	2,000	By Buildings	6000
[20,000 X 10%)		[30,000 X 20%]	
To Furniture alc	500		
[10,000 x 5%]			
To prov. on Doubtfuldebt	900		
[18000x 5%]			
To Repair charges	400		
To old Partner capalc			
Anil (2200 x3/5)=1,320			
Sunil (2200 x 2/5)= 880	2,200		
	6000		6000

Partners capital alc

Particulars	Anil	Sunil	Vimal	Particulars	Anil	Sunil	Vimil
				By Balance bld	40,000	30,000	-
				By Rev alc (P)	1320	880	-
				By General Reserve	2400	1,600	-
				By Bank alc	--	-	25,000
				By Bank alc	4800	3,200	-
To bal cld	48520	35,680	26,000	[W.N]. [3:2]			
	48,520	35,680	26,000		48620	35680	26,000
				By Balance bld	48,520	35,680	26,000

Bank alc

To bal bld	5000		
To Vimal alc	25000		
To Anil capalc	48,000		
To Sunil cap alc	3,200		
		By Balance cld	38000
	38000		38000
To Bal bld	38000		

New Balance Sheet as on 1/04/24

Liabilities	Amount	Asset	Amount
Creditors	20,000	Cash at Bank	38,000
Bills Payable	6000	Debtors 18000	
Capitals		(-) PDD 900	17,100
Anil 48,580		Stock	17000
Sonil 35,680		Buildings 30,000	
Vimal 25000	1,09,260	(+) Apprciation 6000	36,000
Repair changes	400	Furniture 10,000	
		(-) Deprciate 500	9,500
		Machinery 20,000	
		(-) Deprciate 2000	18,000
	1,35,600		1,35,600

2) Suman and Joseph are Partners sharing Profits & losses in the ratio of 2:1 Their balance sheet as on 31st march 2024 as follows :-

Liabilities	Amount	Asset	Amount
Sundry creditors	40,000	Cash in hand	7000
P & L a/c	12,000	Sundry debtors	20,000
Capitals		Stock	24,000
Suman	50,000	Buildings	36,000
Joseph	30,000	Motor Vehicle	10,000
		Machinery	20,000
		Investments	15,000
	1,32,000		1,32,000

On 1/4/24 Salman is admitted into the Partnership on the following terms

- * He brings in ₹20,000 as capital ₹10,000 towards goodwill for 1/6th Share in future profits which he acquire in the ratio 3:2 from the old partners. Good will amount is obtained in the business.
- * Depreciate Machinery by 10% and motor vehicle by 15%.
- * Provision for doubtful debts is to be maintained at 5% on debtors
- * Increase buildings & stock by 10%
- * Provide ₹900 for legal Charges
- * Prepaid Expenses ₹1,200

Prepare Necessary ledger accounts

Rc

Revaluation a/c

Particulars	Amount	Particulars	Amount
To Machinery	2000	By Buildings	3,600
[20,000 x 10%]		[36,000 x 10%]	
To Motor Vehicle	1500	By Stock	2,400
[10,000 x 15%]		[24000 x 10%]	
To Prov for doubtful	1000	By Prepaid Expenses	1200
[20,000 x 5%]			
To legal charges	900		
To old partners capital			
Aaiman (1800 x 3/5)=>1080			
Joseph (1800 x 3/5)=>720	1,800		
	7200		7200

Partners capital a/c

Particulars	Suman	Joseph	Salmon	Particulars	Suman	Joseph	Salmon
				By Balance b/d	50,000	30,000	-
				By revaluation a/c	1080	720	-
				By P&L a/c [3:2]	8000	4000	-
$				By Cash a/c	-	-	7000
				By Cash a/c [GW] [3:2]	6000	4000	-
				By revaluati a/c	1200	600	-
By Balance C/d	65,200	38,600	20,000				
	65,200	33,600	20,000		65,200	38600	20000
				By Balance b/d	65200	33600	20000

Cash a/c

Particular	Amount	Particular	Amount
To Salmon Cap a/c	20000		
To Suman Cap a/c [GW]	6000		
To Joseph Cap a/c [GW]	4000		
To balance b/d	7000		
	37,000		37,000
To balance b/d	37,000		

New Balance Sheet as on 01/04/24

Liabilities	Amount	Assets	Amount
Sundry creditors	40000	Cash in hand	37000
Capitals		debtors 20000	
Suman 65200		(-) Less RDD 1000	19,000
Joseph 38,600		Stock 24000	
Salmon 20000	1,23,800	(+) Appreciation 2400	26400
Legal Charges	900	Buildings 36000	
		(+) Appreciation 3600	39,600
		Motor Vehicle 10000	
		(-) depreciation 1500	8500

		Machinery 20000 (−) depreciation 2000 →	18,000
		Investment	15000
		Prepaid Expenses	1200
	1,67,700		1,67,700

* Capital Adjustments

1) A & B are Partners in a firm their balance sheet as on 31st March 2014 is as follows

Balance Sheet as on 31st March 2014

Liabilities	Amount	Asset	Amount
Creditors BS(L)	20,000	Cash at Bank BS(A)	7000
Bills Payable BS(L)	4000	Stock BS(A)	15,000
Capitals		Debtors BS(A) 16,000	
A PCA (Cr)	40,000	Less Provision 500 →	15,500
B	20,000	Furniture BS(A)	4,500
		Plant & Machinery BS(A)	18,000
		BS(A) Land & Buildings	20,000
		Patents (BS(A))	4000
	84,000		84,000

On 1/4/2014 C is admitted into the partnership for 1/6th share in Profits on the following terms

* C Pays ₹13[illegible],000 as Capital
* Good will of the firm is valued at ₹7000 ~~& is to remain in business~~
* Provision for doubtfull debts is to be increased by ₹1,200
* Stock & buildings are to be increased by 8%.

- * Patents & Machinery are to reduced by 20% & ₹2000 respectively
- * The Capital accounts of all the partners be adjusted in their new profit sharing ratio that is 3:2:1, based on C is Capital. (Adjustments to be made in cash)

Prepare A> revaluation a/c, B> Partner's cap a/c c> Bank a/c & d> New Balance sheet

Revaluation a/c

Liabilities	Amount	Asset	Amount
To PDD	1200	By Stock	1,200
To Patents	800	[5000 x 8%]	
(4000 x 20%)		By land & building	1,600
To Machinery	2000	[2000 x 8%]	
		By old Partners cap	
		A (1200 x 1/2) 600	
		B (1200 x 1/2) 600	1,200
	4000		4000

Working note no 2 :-

C's Capital = 13,000
Share = 1/6
Total Capital = 13000 x 6/1
= 78,000

A = 78,000 x 3/6 = 39,000
B = 78,000 x 2/6 = 26,000
C = 78,000 x 1/6 = 13,000

NPSR = 3:2:1

Partner's capital a/c

Particulars	A	B	C	Particulars	A	B	C
To Revaluation a/c	800	600	–	By Bal b/d	40,000	20,000	–
To A Cap	–	–	833	By Bank a/c	–	–	13,000
To B Cap	–	–	834	By C's cap a/c	833	834	–
To Cash a/c (b/f)	1,233			By Cash a/c (b/f)	–	5766	1,667
To Bal b/d	39,000	26,000	13,000				
[WN 2]	40,833	26,600	14,667		40,833	26,600	14,667

Cash a/c

Particular	Amount	Particular	Amount
To bal b/d	7000	By A's cap a/c	1,233
To C's cap a/c	13,000	By Bal c/d	26,200
To B's cap a/c	5,766		
To C's Cap a/c	1,667		
	27,433		27,433
To Bal b/d	26,200 →	New B/S	

New Balance Sheet as on 01/4/2014

Liabilities		Amount	Assets		Amount
Creditors		20,000	Cash at Bank		26,200
Bills payable		4000	Stock	15000	
Capital a/c			(-) Increase. By	1200 →	16,200
A	39,000		Debtors	16000	
B	26,000		(-) Less provision	1700 →	14,300
C	13,000 →	78,000	Furniture		4,500
			Plant & machinery	18000	
			(-) Dep	2000 →	16,000
			Land & Building	20000	
			(+) Increase	1600 →	21,600
			Patent	4000	
			(-) W.N	800 →	3,200
		1,02,000			1,02,000

2) Anagha & archana are partners in a firm sharing profit & losses in the ratio 3:2. There balancesheet as on 31st March 2024 stood as follows :-

Balance Sheet as on 31st March 2024

Liabilities	Amount	Asset	Amount
Creditors	23,000	Cash in hand	8000
Bank overdraft	8000	Debtors 16000	
Capitals		(-) Less PDD 2000	14,000
Anagha 45000		Motor Vehicle BS(A)	20,000
Archana 24000	69,000	Investments BS(A)	12,000
P&L a/c	7000	Priminses BS(A)	25,000
		Stock BS(A)	10,000
		Plant & machinery	18,000
	1,07,000		1,07,000

On 1/4/24 they admitt arpitha into the partnership on the following terms :-

a) She brings ₹20,000 as capital & the capitals of anagha & archana are to adjusted accordingly in their NPSR.

b) She brings ₹12,000 as goodwill & half of the goodwill is withdrawn by old partners

c) PDD is to be reduced by ₹ 900

d) Primises are to be valued at ₹ 29,000 R(LF)

e) Machinery turned motor vehicle are to be depreciated by 10%

f) Investments are reduced by ₹1,200

h) Insurance prepaid ₹ 1,100

i) The NPSR are is 5:3:2 (Adjustments of capitals to be made in cash)

Revaluation a/c

Particulars	Amount	Particulars	Amount
To Machinery	1,800	By PDD	900
(18,000 × 10%)		By Premises	4000
To Motor Vehicle	2000	(29000 - 25000)	
(20,000 × 10%)		By Prepaid Insurn.	100
To Investment	1200		
	–		
	5000		5000

Partner's Capital a/c

Particulars	Anagha	archana	Arpita	Particulars	An	ar	Arpita
				By Bal b/d	45,000	24,000	-
To Cash a/c	36,000	2,400	–	By P&L a/c (3:2)	4200	2800	-
(Charg of the G.W. withdrawn)				By Cash a/c (cap)	-	-	20,000
To Cash a/c (b/f)	2,800			By Cash a/c (G.W.)	7,200	4800	-
To Bal c/d	50,000	30,000	20,000				
				By Cash (b/f)	-	800	
	56,400	32,400	20,000		56,400	32,400	20,000
				By Bal b/d	50,000	30,000	20,000

Working Note 1 :- Old RDD - 2000
↓ by 900 (Revaluation a/c)
1,100 NB/S

Working Note 2 :- Arpita = 20,000 × $\cancel{7}/1\cancel{0}$, 5
NPSR = 5 : 3 : 2
Total Capital = 20000 × 5/1
Total Cap = 1,00,000

5/10	3/10	2/10
50,000	30,000	20000

Cash a/c

Particulars	Amount	Particulars	Amount
To Balance b/d	8000	By Anagha cap a/c	3600
To Aspitha cap a/c	20,000	By Aspitha cap a/c	2400
To Anagha cap a/c	7200	By Archana cap a/c	2800
To Archana cap a/c	4800		
To Archana cap a/c	800		
		By Balance c/d	32000
	40,800		40,800
To Balance b/d	32,000		

New Balance Sheet as on 1/4/24

Liabilities		Amount	Asset		Amount
Creditors		23000	Cash in hand		32000
Bank overdraft		8000	Debtors	16,000	
Capitals			(-) PDD	1,100	14,900
Anagha	50,000		Motor Vehicle	20,000	
Archana	30,000		(-) Depreciation	2000	18,000
Aspita	20000	1,00,000	Investment	12000	
			(-) Dep	1200	10,800
			Premises	25,000	
			(+) Appreciation	4000	29,000
			Stock		10,000
			Plant & machinery	18000	
			(-) Depreciation	1800	16,200
			Prepaid Insurance		100
		1,31,000			1,31,000

1,31,000

3. A & B are partners in a firm, Sharing Profits & losses in the ratio 2:1. They admit C into the partnership for 1/6th Share. C Should bring 12000 as capital. The good will of the firm is Valued at 1800 and good will Should remain in business only.

As between A & B it was agreed that a

- Land and Building are increased by 10%
- Machinery is reduced by 5%.
- Provision for doubtful debts is increased by ₹300
- A sum of ₹150 is a payable in respect of repairs
- The capital a/c of all the Partners be adjusted in their NSPR that is 10:5:3 Based on the C's. Capital

[Adjustments Should be made in cash]

Their balance Sheet as on 31st March 2024

Liabilities	Amount	Asset	Amount
Creditors	5,300	Cash at Bank	5,300
General reserve	5,400	Debtors 12000	
Capitals		(-) less PDD 1,600 →	10,400
A	30,000	Machinery	15000
B	20,000	land & Building	30,000
	60,700		60,700

Working note (Capital adjustments)

C's Capital = 12,000
C's Share = 1/6
Total Cap = 12,000 × 6/1
$\boxed{\text{Total Cap} = 72,000}$
A = 72,000 × 10/18 = 40000
B = 72,000 × 5/18 = 20000
C = 72,000 × 3/18 = 12,000

G.W of the firm = 18000 × 1/6
C's G.W = 3000

A | B
= 300 × 2/3 | 300 × 1/3
= 200 | = 100

Revaluation a/c

Particulars	Amount	Particulars	Amount
To ~~Land & Building~~	3000	By Building a/c	3000
~~[30,000 x 10%}~~		(30000 x 10%)	
To PDD	300		
To Repair	150		
To Partners Cap			
A -> 1800 x 2/3 = 1200			
B -> 1800 x 1/3 = 600	1800		
	3000		3000

Partners Capital a/c

Particulars	A	B	C	Particulars	A	B	C
To A Cap a/c	-	-	200	By Balance b/d	30,000	20,000	-
To B Cap a/c	-	-	100	By Revaluation a/c	1200	100	-
				By General reserve (2:1)	3600	1800	-
				By Bank a/c	-	-	12,000
				By C's capital a/c	200	100	-
To Cash a/c (b/f)	-	2500					
To Bal c/d	40,000	20,000	12,000	By Cash a/c (b/d)	5000		
	40,000	22,500	2,300		40,000	22,500	2,300

Cash a/c

Particulars	Amount	Particulars	Amount
To Balance b/d	5,300	By B's Capital a/c	2,500
To C's Cap a/c	12,000	By Balance c/d	20,100
To A's Cap a/c	5000		
To B's Cap a/c	300		
	22,600		22,600
To Balance b/d	20,100		

New Balance Sheet

Liabilities		Amount	Asset		Amount
Creditors		5,300	Cash at Bank		20,100
Capital a/c			Debtors	12000	
A	40,000		⊖ PDD	1900	
B	20,000		(1600 + 300) →		10,100
C	12,000 →	72,000	Machinery	15,000	
			⊖ Dep	750 →	14,250
Outstanding repairs		150	Land & Building	30,000	
			⊕ Increase	3000 →	33,000
		77,450			77,450

Chapter - 03

Reconstitution of a Partnership firm
A) Retirement of a partner

★ **Meaning of Retirement of a Partner**

A partner is said to be retired from a firm, when his relation with the firm as a partner comes to an end due to retirement of a partner the Existing partnership deed comes to an End & in its place a new partnership deed needs to be form, where by the remaining partners continue to do their business in the same name and style on changed terms & conditions.

★ Ratio's incollection with retirement a Partner

They are :-

a) Gain ratio or benefit ratio
b) New Profit Sharing ratio

a) **Gain Ratio :-**

The gain ratio or benefit ratio of the remaining partners is the ratio in which the remaining partners gain or acquire. The share of retiring partners on his retirement.

⇒ In other Words, it is the ratio in which the retiring partners share of profit taken over or benefitted by the continuing partners.

★ Calculation of Gain Ratio :-

There are three different cases for calculation of gain ratio. They are

Case 1 :- When old ratio and gain ratio or share gain are given.

When ratio and gain ratio are given in the problem, then no need to calculate. The gain ratio specified in the problem can be taken as the gain ratio of the remaining partner.

1. A, B & C are partners in a firm sharing profits & losses in the ratio of 5 : 3 : 2. C retires and C's share is gained by A & B in the ratio of 3 : 2. Calculate the gain ratio of remaining partners

⇒ Given :-

$$\begin{array}{llll} & A & B & \boxed{C} \rightarrow \text{retirement} \\ \text{Old ratio} & 5 : & 3 : & \boxed{2} \end{array}$$

Gain ratio = 3 : 2

The above problem, the gain ratio of A & B is clearly given. So we need not calculate the gain ratio of A & B.

★ Case 2 :-

When only old ratio's are given. When only the old ratio's are given, then remaining partners is the same as old ratio that existed prior to the retirement of a partner.

1. X, Y & Z are partners, in a firm sharing profits & losses in the ratio of 4:3:2 you are require to calculate the gain ratio

a) When X retires
b) When Y retires
c) When Z retires

=> Given :- X Y Z
Old ratio :- 4 : 3 : 2

a) When X retires = Gain ratio of Y & Z = 3:2
b) When Y retires = Gain ratio of X & Z = 4:2
c) When Z retires = Gain ratio of X & Y = 4:3

★ Case 3 :-

When the old ratio and new ratio's are given.

In this case, the given ratio is calculated by deducting the old ratio from the new ratio.

$$\boxed{\text{Gain ratio} = \text{new ratio} - \text{Old ratio}}$$

OR

$$\boxed{\text{Share gained} = \text{New Share} - \text{Old Share}}$$

1. Amar, Akbar & Anthony were partners sharing profits & losses in the ratio of 3:2:1 respectfully. Akbar retires, the new profit sharing ratio of Amar & Antony will be 3:1. Calculate the gain ratio.

⟹ <u>Given</u> :-

	Amar ~~Akbar~~		Akbar		Antony
Old Ratio	3	:	$\boxed{2}$	:	1
New Ratio	3	:		:	1

Given ratio = New ratio - Old ratio

Amar's GR = $\frac{3}{4} - \frac{3}{6} = \frac{9-6}{12} = \frac{3}{12}$

Antony's GR = $\frac{1}{4} - \frac{1}{6} = \frac{3-2}{12} = \frac{1}{12}$

$$\begin{array}{r|l} 2 & 4, 6 \\ \hline 2 & 2, 3 \\ \hline 3 & 1, 3 \\ \hline \end{array}$$

$\frac{3}{\cancel{4}} \times \cancel{12}^{3}$

$\frac{3}{\cancel{6}} \times \cancel{12}^{2}$

$\frac{3}{\cancel{12}} : \frac{1}{\cancel{12}}$

Gain ratio of Amar & Anthony = 3 : 1 //

2) A, B & C are partners in a firm sharing profits & losses in the ratio of 4:3:2. A retires from the firm B & C agreed to share in the ratio of 5:3 in future. Calculate gain ratio of B & C.

⟹ Given :-

	A		B		C
Old Ratio	4	:	3	:	2
New Ratio			5	:	3

Gain Ratio = New ratio - Old Ratio

B's Gain Ratio = $\frac{5}{8} - \frac{3}{9} = \frac{45-24}{72} = \frac{21}{72}$

C's Gain Ratio = $\frac{3}{8} - \frac{2}{9} = \frac{27-16}{72} = \frac{11}{72}$

$\therefore \frac{21}{\cancel{72}} : \frac{17}{\cancel{72}} = 21 : 11$

Gain Ratio = 21 : 11 //

3) Vani, Rani & Soni are partners in a firm sharing profit & losses in the ration of 4:3:2. Soni retires from the firm. Vani & rani agreed to share equally in future. Calculate gain ratio of Vani & Rani

=> Given :- Vani Rani Soni

Old Ratio 4 : 3 : 2

New Ratio 1 : 1 : 0

Gain Ratio = New Ratio − Old Ratio

Vani's gain Ratio = $\frac{1}{2} - \frac{4}{9} = \frac{9-8}{18} = \frac{1}{18}$

Rani's gain Ratio = $\frac{1}{2} - \frac{3}{9} = \frac{9-6}{18} = \frac{3}{18}$

$\frac{1}{\cancel{18}} : \frac{3}{\cancel{18}}$

$1:3_{11}$

The Gain Ratio of Vani & Rani $1:3_{11}$

4) Anitha, Jaya & Nisha are Partners sharing Profit & losses in the ratio of 1:1:1. Jaya retires from the firm. Anitha & Nisha decided to Continue the firm to share the profit in futur 4:3. Calculate gain ratio

=> Given :- A J N

Old Ratio 1 : 1 : 1

New Ratio 4 : 3

Gain Ratio = New ratio − Old Ratio

Anitha's G R = $\frac{4}{7} - \frac{1}{3} = \frac{12-7}{21} = \frac{5}{21}$

$\frac{4}{\cancel{7}_{1}} \times \cancel{21}^{3}$

$\frac{1}{\cancel{3}_{1}} \times \cancel{21}^{3}$

Ashok's Gain Ratio = $\frac{3}{5} - \frac{1}{2} = \frac{6-5}{10} = \frac{1}{10}$

2 | 5, 2

Vijay's Gain Ratio = $\frac{3}{7} - \frac{1}{3} = \frac{9-7}{21} = \frac{2}{21}$

$\frac{1}{10} : \frac{5}{21} = \frac{2}{21} = \frac{1}{10} : \frac{2}{10}$

Gain ratio = 5:2 //

4) Ashok, Anil & Vijay are Partners Sharing profits & losses in the ratio $\frac{1}{2}, \frac{3}{10}, \frac{1}{5}$. Anil retires from the firm. Ashok & Vijay decide to share future profits in the ratio of 3:2. Calculate the gain ratio.

⇒ Given :- Ashok Anil & Vijay

Old Ratio $\frac{1}{2} : \frac{3}{10} : \frac{1}{5}$

New ratio 3 : 1 2

Gain Ratio = New ratio − Old ratio

Ashok's Gain Ratio = $\frac{3}{5} - \frac{1}{2} = \frac{6-5}{100} = \frac{1}{10}$

Vijay's Gain Ratio = $\frac{2}{5} - \frac{1}{5} = \frac{2-1}{5} = \frac{1}{5}$

$\frac{1}{10} = \frac{1}{5} \times \frac{2}{2} = \frac{2}{10} = \frac{1}{10} : \frac{2}{10}$

Gain Ratio = 1:2 //

5) A, B & C are Partners Sharing Profits in a ratio of 2:2:1, B retires, the new ratio of A & C will be 3:1. Calculate gain ratio of A & C

⇒ Given :- A B C

Old Ratio 2 : 3 : 1

New Ratio 3 : 1

Gain ratio = New ratio - Old Ratio

~~Ashok's~~ Gain Ratio = $\frac{3}{4} - \frac{2}{5}$

$= \frac{15 - 8}{20}$

$= 7/20$

$2 \,|\, 4, 5$
$2 \,|\, 2, 5$
$5 \,|\, 1, 5$
$1, 1$

C's Gain Ratio = $\frac{1}{4} - \frac{1}{5} = \frac{5-4}{20} = \frac{1}{20}$

$\frac{7}{20} : \frac{1}{20}$

Gain Ratio = 7:1

$\frac{3}{\cancel{4}_1} \times \overset{5}{\cancel{20}}$

$\frac{2}{\cancel{5}_1} \times \overset{4}{\cancel{20}}$

$\frac{1}{\cancel{4}_1} \times \overset{5}{\cancel{20}}$

$\frac{1}{\cancel{5}_1} \times \overset{4}{\cancel{20}}$

★ <u>New Profit Sharing Ratio</u> :-

It is the ratio in which the remaining partners share their future profits after the retirement of any partner.

★ <u>Purpose of Calculating ~~NSP~~ NPSR</u> :-

* To Share the future profit of the firm
* To Write of the firms good will
* To Adjust the remaining Partners Capital

<u>Case 1</u> :-

When only the old Ratio is given

1) A, B & C are partners sharing profit & losses in the ratio of 5 : 3 : 2. Find out the NPSR of remaining Partners, If
a) A retires
b) B retires
c) C retires

⇒ <u>Given</u> :- A B C
Old Ratio 5 : 3 : 2

a) If A retires = New Ratio = 3 : 2
b) If B retires = New ratio = 5 : 2
c) If C retires = New Ratio = 5 : 3

Case 2 :-

When old Ratio & share gain are given

$$\boxed{\text{New Share} = \text{Old share} + \text{Share gain}}$$

1) M, N & O are partners sharing Profits & losses in the ratio of 4 : 3 : 2. N retires from the business his share is gained by M & O as $\frac{2}{9}$ & $\frac{1}{9}$. Calculate the NPSR of M & O.

⟹ Given :- M N O

Old Ratio :- 4 : 3 : 2

Gain Ratio :- $\frac{2}{9}$ $\frac{1}{9}$

New Share = Old Share + Share gain

M's NS = $\frac{4}{9} + \frac{2}{9} = \frac{6}{9}$

O's NS = $\frac{2}{9} + \frac{1}{9} = \frac{3}{9}$

$$\frac{6}{\cancel{9}} : \frac{3}{\cancel{9}} = 6 : 3$$

∴ $\boxed{\text{New Ratio} = 2 : 1}$

2) X, Y & Z are Partners sharing Profits & losses in the ratio 2 : 1 : 2. Z retires & his ~~[illegible]~~ share is entirely gained by Y only. Calculate New Profit Sharing ratio [NPSR]

⇒ Given :- X Y Z

Old Ratio . 2 : 1 : 2

Gain Ratio . Nil $\frac{2}{5}$

New Share = Old Share + Share gain

X's New Share = $\frac{2}{5}$ + Nil = $\frac{2}{5}$

Y's New Share = $\frac{1}{5} + \frac{2}{5} = \frac{3}{5}$

$$\frac{2}{\cancel{5}} : \frac{3}{\cancel{5}}$$

$\therefore$ $\boxed{\text{New Ratio} = 2:3}$

Case 3 :- When old ratio & gain ratio are given

When the old ratio of all the partners and gain ratio of the remaining are given in the problem then new profit sharing ratio is ascertain in three steps.

1> Share gaine
2> New Share
3> New Profit Sharing Ratio

1> A, B & C are partners sharing profit & losses in the ratio of 5 : 3 : 2. A B retires from business. His share is shared by A & C in the ratio of 2 : 1. Calculate the NPSR

⇒ Given :- A B C

Old ratio :- 5 : 3 : 2

Gain ratio :- 2 : 1

NPSR = Old Ratio + Share gained

$A's = \frac{5}{10} + \frac{2}{3} = \frac{15+20}{30} = \frac{35}{30}$

$C's = \frac{2}{10} + \frac{1}{3} = \frac{6+10}{30} = \frac{16}{30}$

$\frac{35}{\cancel{30}} : \frac{16}{\cancel{30}}$

$\boxed{\text{New Ratio} = 35:16}$

* **Adjustments in Connection with the retirement of a Partner :-**

At the time of retirement of a partner, Certain adjustments become necessary in the books of accounts of the reconstituted firm. The various adjustments in connection with the retirement of a partner are :-

1) Revaluation of asset & liabilities of the firm
2) Distribution of reserves & Undistributed Profit or loss.
3) Treatment of good will
4) Settlement of amount due to the retiring Partner
5) Adjustment of continuing Partner's Capital

Retirement Partner

=> **12 Marks Problems :-** **Calculation of G.W**

G.W = 18000 < S, G, M → 6000
(1:1:1)
(18,000 × 1/3)

Prblm 6)

Revaluation a/c

Particulars	Amount	Particulars	Amount
To PDD (20,000 x 5%)	1000	By Stock	4000
To Machinery a/c	3,200	By Partners Cap a/c	
(32,000 x 10%)		Srikanth (2700 x 1/3) 900	
To Furniture a/c	2,500	Girish (2700 x 1/3) 900	
(25,000 x 10%)		manju (2700 x 1/3) 900	2,700
			2,700
	6,700		6,700

Partners capital a/c

Particulars	S	G	M	Particulars	S	G	M
To Revaluation (L)	900	900	900	By Balance b/d	60,000	50,000	30,000
To P&L a/c (1:1:1)	2000	2000	2000	By Reserve fund (1:1:1)	5000	5000	5000
To manju cap (G.W)	3000	3000	-	By S'Cap a/c (GW)	-	-	3000
To manjus loan (b/f)			38,100	By Giri Cap a/c (GW)	-	-	3000
To Bal c/d	59,100	49,100	-				
	65,000	55,000	41,000		65,000	55,000	41,000
				By Bal b/d	59,100	49,100	-

New Balance Sheet as on 1/4/23

Liabilities		Amount	Asset		Amount
Creditors		30,000	Cash		24,000
Bills payable		20,000	Bills receivable		28,000
Bank overdraft		25,000	Stock	36,000	
Manju loan a/c		38,100	(+) ↑	4000	40,000
Capital			Investment		9000
Srikant	59,100		D&S	20,000	
Girish	49,100	1,08,200	(-) PDD	1000	19000
			Furniture	25000	
			(-) Dep	2500	22,500
			Machinery	32,000	
			(-) Dep	3200	28,800
			Building		50,000
		2,21,300			2,21,300

New PDW 4000 (NBS)
(40000 x10%)
(-) Old PDW 2000

GW: 15000 x 1/5 = 3000
(2:2:1) 3000
1/2 1,500 1/2 1,500

Pblm 7)

Revaluation a/c

Particulars		Amount	Particulars	Amount
To RDD (WN->1)		2000	By Stock	4000
To Machinery		2000	(20,000 x 20%)	
(20,000 x 10%)			By Buildings	10,000
To Furniture		1000	(60,000 - 50,000)	
(10,000 x 10%)				
To Partners Cap a/c				
X (90000 x 2/5)	3600			
Y (90000 x 2/5)	3600			
Z (90000 x 1/5)	18000	9000		
		14,000		14000

Partners Cap a/c

Particulars	X	Y	Z	Particulars	X	Y	Z
To Z Cap a/c	1,500	1,500	-	By Balance b/d	50,000	30,000	20,000
To Z's loan a/c	-	-	29,300	By Rev a/c (P)	3600	3600	1800
To Bal c/d	61,100	41,100	-	By R/L a/c (2:2:1)	8000	8000	4000
				By P&L a/c	1000	1000	500
				By X Cap a/c (GW)	—	—	1500
				By Y Cap a/c (GW)	—	-	1500
	62000	42,600	29,300		62,000	42,600	29,300
				By Bal b/d	61,100	41,100	

New B/S as on 1/4/23

Creditors		35,500	Cash		20,000
Z's loan a/c		29,300	Debtors	40,000	
Capitals			(-) PDD	4000	36,000
X	61,100		Stock 20,000 + 4000		24000
Y	41,100	1,02,200	Machinery 20,000 - Dep(2000)		18000
			Furniture	10,000	
			(-) Dep	1000	9000
			Building 50,000 + 10,000		60,000
		1,67,700	(+) Increase		1,67,700

Calculation of Akbar's G.W
G.W = 60000 × 2/5 = 24000

Problm i)

Revaluation a/c

Particulars		Amount	Particulars	Amount
To PDD		2000	By Buildings a/c (15000 × 10%)	15000
To Patents		10,000		
To Partners Capital a/c				
Amar (3000 × 2/5)	1200			
Akbar (3000 × 2/5)	1200			
Anthoni (3000 × 1/5)	600	3000		
		15,000		15,000

Partner's Capital a/c

Particulars	Akbar	Amar	Anthoni	Particulars	Akbar	Amar	Anthoni
To Akbar's Cap a/c	16000	–	8000	By Bal b/d	8000	6000	75000
To Akbar's (B/S) loan a/c	–	93200	–	By rev a/c (P)	1200	1200	600
				By reserves (2:2:1)	8000	8000	4000
To bal c/d	73200	–	71600	By Amar Cap a/c	–	16000	–
				By Anthoni Cap (G.W)	–	8000	-
	89200	93200	79600		89200	93200	79600
				By Bal b/d	73200	-	71600

New Balance Sheet as on 1/4/23

Liabilities		Amount	Asset		Amount
Creditors		50000	Cash		15000
Akbar's loan		93,200	Debtors	20000	
			(–) Dep	2000	18000
Capitals			Stock		40000
Amar	73200		Buildings	1,50,000	
Anthoni	71600	144800	(+) Appreciation	15000	165,000
			Machinery		50000
			Patents	10000	
			(–) Dep	10000	
		2,38,000			

Working Note :- 1
O/S → 5000
(-) ↓ 3750
1250 → RCR

Working Note :- 2 (G.W) calculated ...
G.W = 6000 × 2/6 = 2000
(3:2:1) (3:1)
2000 → Pradeep → 1500
2000 → Sundar → 500

Pablm 2)

Revaluation a/c

Particulars	Amount	Particulars	Amount
To Machinery (8000×10%)	800	By o/s Expenses (WN-1)	1250
To Loose (5000×10%)	500	By Factory Premises (25,550 - 22,500)	3050
To Old partners Capital			
Pradeep (3000 × 3/6) 1500			
Sudeep (3000 × 2/6) 1000			
Sundar (3000 × 1/6) 500	3000		
	4300		4300

Partner's Capital a/c

Particulars	Pradeep	Sudeep	Sundar	Particulars	Pradeep	Sudeep	Sundar
To Sudeep Cap a/c	1500	–	500	By Balance b/d	20000	1500	10000
To Sudeep's loan a/c (B/f)	–	22000	–	By Rev a/c (P)	1500	1000	500
				By G.R (3:2:1)	6000	4000	2000
To balance c/d	26000	–	12000	By Pradeep Cap (GW)	–	1500	–
				By Sundar's Cap (GW)	–	500	–
	27500	22000	12500		27500	22000	12500
				By Balance b/d	26000	–	12,000

New Balance sheet as on 1/4/24

Liabilities	Amount	Asset	Amount
Trade Creditors	10000	Cash at Bank	12,500
O/S Expenses 5000		Debtors	15000
(-) Dep 1250	3750	Stock	12000
Bills Payable	3000	Factory Premises 22500	
Sudeep's Loan	22006	(+) Appreciation 3050	25550
Capital a/c		Machinery 8000	
Pradeep 26000		(-) Depreciation 800	7,200
Sundar 12000	38000	Loose Tools 5000	
		(-) Depreciation 500	4500
	76750		76750

Calculation of Brijesh's Gain

Gain = 60000 x 2/5 = 24000

(2:2:1)

(2:1)

Digvijay 2/3 → 16000 Prakaram 1/3 → 8000

Ques 1)

Revaluation a/c

Particulars	Amount	Particulars		Amount
To PDD	2000	By old partners cap a/c		
To Patents	9000	Digvijay (11000 x 2/5)	4400	
		Brijesh (11000 x 2/5)	4400	
		Prakaram (11000 x 1/5)	2200	11000
	11000			11000

Partner's Capital a/c

Particulars	Digvijay	Brijesh	Prakaram	Particulars	D	B	P
To Rev a/c (L)	4400	4400	2200	By Balance b/d	82000	60000	75500
To Brijesh Cap a/c	16000	–	8000	By RF (2 : 2:1)	7400	7400	3700
To Brijesh loan a/c (b/f)	–	87000	–	By Digvijay Cap (Gain)	–	16000	–
				By Prakaram Cap (Gain)	–	8000	–
To bal c/d	69000	–	69000				
	89400	91400	79200		89400	91400	79200
				By balance b/d	69000	–	69000

New Balance Sheet as on 1/4/24

Liabilities		Amount	Asset		Amount
Creditors		49000	~~Assets~~ Cash		8000
Brijesh's loan		87000	Debtors	19000	
Capitals a/c			(–) Dep	2000	17000
Digvijay	69000		Stock		42000
Prakaram	69000	13,800	Buildings		2,07,000
			Patents	9000	
			(–) Dep	9000	Nil
		274000			274000

Working Note :-1 Calcul of PDD

New PDD (6000 × 10%) 600 (NBS)
(-) old PDD 500
100 → Revalu Dr

Working Note :- 2 Calculation of G.W

G.W = 40000 × 5/10 = 20000
(5:3:2) 20000
Kavitha 3-5 12000
Sunitha 2-5 8000

Pbblm 3)

Revaluation a/c

Particular	Amount	Particular	Amount
To Stock (9000 × 10%)	900	By Premises (80,000 × 20%)	16000
To PDD (WN-1)	100	By Furniture (45000 - 40000)	5000
To Partner's Cap a/c			
Anitha (20000 × 5/10) 10000			
Kavitha (20000 × 3/10) 6000			
Sunitha (20000 × 2/10) 4000	20,000		
	21,000		21,000

Partner's Capital a/c

Particulars	A	K	S	Particulars	A	K	S
To Anitha's Cap a/c	-	12,000	8000	By Balance b/d	50,000	39,000	20,000
To Bank a/c	50,000			By revaluation a/c (Profit)	10,000	6000	4000
To Anitha's loan a/c	35,000	-	-	By General reserve (5:3:2)	5000	3000	2000
To Balance c/d	—	27,000	18000	By Kavitha's Cap a/c	12,000	-	-
				By Sunitha's Cap a/c	8000	-	-
	85000	39000	26000		85000	39000	26000
				By Balance b/d	—	27,000	18,000

New Balance Sheet as on 1/4/23

Liabilities	Amount	Asset	Amount
Sundry Creditors	15000	Debtors 6000	
Bills Payable	12,000	(-) PDD 600	5400
P L D	6000	Stock 9000	
Bank overdraft	41500	(-) dep 900	8,100
Capital a/c		Furniture 40000	
Kavitha 27000		(+) Increase 5000	45,000
Sunitha 18000	45,000	Premises 80000	
Anitha's loan a/c	35,000	(+) Appreciation 16000	96,000
	1,54,500		1,54,500

Calculation of Jayanti's Goodwill

GW = 30,000 × 2/10 = 6000

Arati 3/5 [3600]   Bharati 2/5 [2400]

Problem 4)

Revaluation a/c

Particulars	Amount	Particulars	Amount
To Stock a/c [18000 - 1500]	3000	By land & Building [70,000 - 60,000]	10,000
To office furn [25000 - 24000]	1000		
To P & M [42000 - 40000]	2000		
To PDD	1500		
To Partner's cap a/c			
Arati [2500 × 5/10] = 1250			
Bharati [2500 × 3/10] = 750			
Jayanti [2500 × 2/10] = 500	2500		
	10,000		10,000

Partner's Capital a/c

Particulars	Arati	Bharati	Jaya	Particulars	Arati	Bharati	Jaya
To Jayanti Cap a/c	36000	24000	-	By Balance b/d	40,000	60,000	20,000
To cash a/c [b/f]	-	-	14,500	By revaluation a/c	1250	750	500
To Jayanti's loan a/c	-	-	15,000	By P&L a/c [5:3:2]	7500	4500	3000
				By Arati Cap a/c	-	-	3600
				By Bharati Cap a/c	-	-	2400
To Balance c/d	45180	62850	-				
	48750	65250	29500		48750	65250	29500
				By Balance b/d	45180	62850	-

New Balance Sheet of Arati & Bharati as on 1-4-24

Sundry creditors		20,000	Sundry debtors (5000 - 1500)		3500
O/s Telephone bills		500	Stock (18000 - dep 3000)		15000
Accounts Payable		9,500	Land & Building	60,000	
Bank overdraft		9500	(-) Dep	10,000	50,000
Capitals			office furniture	25000	
Arati	45,150		(-) Dep	1000	24000
Bharati	62,550	1,08,000	Plant & Machinery	42000	
Jayanti's loan		15000	(-) Dep	2000	40,000
		1,62,500			1,64,500

Calculation of Ashok Gwl

G.W = 18000 × 1/3 = 6000

Anil 3000 Sunil 3000

Pablm 5)

Revaluation a/c

Particulars	Amount	Particulars	Amount
To PDD [30,000 × 5%]	1500	By Stock	6000
To Machine [50,000 × 10%]	5000	By Partner's cap a/c	
To Furniture [25000 × 10%]	2500	Anil [3000 × 1/3] = 1000	
		Sunil [3000 × 1/3] = 1000	
		Ashok [3000 × 1/3] = 1000	3000
	9000		9000

Partner's Capital a/c

Particulars	Anil	Sunil	Ashok	Particulars	Anil	Sunil	Ash
To Rev a/c [1:1:1]	1000	1000	1000	By Balance b/d	60,000	50,000	30,00
To P&L a/c	2000	2000	2000	By reserve fund (1:1:1)	5000	5000	500
To Ashok's Cap a/c	3000	3000	-	By Anil Cap a/c	-	-	300
To Ashok's loan (H)	-	-	33000	By Sunil Cap a/c	-	-	3000
To Balance b/d	59000	49000	-				
	65000	55000	41000		65000	55000	4100
				By Balance c/d	59000	49000	-

New Balance Sheet of Anil & Sunil as on 1/4/24

Liabilities		Amount	Asset		Amount
Creditors		30,000	Cash		26000
Bank overdraft		25000	Bills receivable		28000
Capitals			Stock	45000	
Anil	59000		(+) Increase	6000	51000
Sunil	49000	1,08,000	Debtors	30,000	
			(-) Dep	1500	28,500
			Furniture	25000	
			(-) Dep	2500	22,500
			To Machinery	50,000	
			(-) Dep	5000	
		2,01,000			2,01,000

★ Capital Adjustments

Rtn (3)

Working Note 1

A B C

80,000 ~~40,000~~ 40,000

8 : 4 : 4

OR = $\boxed{2 : 1 : 1}$

A B C

Working Note 2

New RDD 3000 → NB/S

(20,000 × 15%)

(−) Old RDD 1000

2000 Reval c DS

Working Note 3

Goodwill = 72,000

Bhima's Share = 72000 × 1/4

= 18000

A C

2 : 1

12,000 6000

Working Note 4

Total Capital = 1,20,000

A = 1,20,000 × 2/3 = 80,000

C = 1,20,000 × 1/3 = 40,000

Revaluation a/c

Particulars	Amount	Particulars	Amount
To Machinery [50,000 × 20%]	1000	By Buildings [1,00,000 × 20%]	20,000
To PDD	2000		
Capitals a/c			
Amit (8000 × 2/4) 4000			
Bhima (8000 × 1/4) 2000			
Chandru (8000 × 1/4) 2000 →	8000		
	20000.		20000

1

Partner's Capital a/c

Particulars	Amit	Bhima	chandra	Particulars	Amit	Bhima	chan
To Bhima cap a/c	12,000	-	6,000	By Balance b/d	80,000	40,000	40,00
To Cash a/c (b/f)	2000	-	2000	By Rev a/c (P)	4000	2000	20
				By General reserve (2:1:1)	10,000	5000	5000
				By Anitha's Cap a/c [WN 3] G.W	-	12000	-
To Bhima loan a/c (b/f)	-	65000	-	By Chandra Cap a/c [WN.3] Goodwill	-	6000	-
To Balance C/d	80,000	-	40,000				
	94000	65000	47000		94000	65000	4700
				By Balance b/d	80,000	-	40,00

Cash a/c

Particulars	Amount	Particulars	Amount
To Balance b/d	14,000	By ~~Anitha's~~ Amit's Cap a/c	2000
		By Chandra Cap a/c	1000
		By Balance C/d	11,000
	14000		14000
To Balance b/d	11,000		

New Balance Sheet as on 1/04/24

Liabilites	Amount	Asset		Amount
Creditors	21,000	Buildings	1,00,000	
Capital a/c's		(+) Appreciation	20,000	1,20,000
A 80,000		Machinery	50000	
C 40,000	1,20,000	(-) dep	10,000	40,000
		Stock		13,000
B's loan a/c	65,000	Debtors	20000	
		(-) PDD	3000	17,000
		Cash @ Bank		11,000
	2,06,000			2,06,000

Problem 11)

Working Note :- 1

8000 : 4000 : 4000

8 : 4 : 4

$\boxed{2 : 1 : 1}$

Working Note : 2

New PDD ∴ 3000 (NB15)

(20,000 x 15%)

(-) Old RDD 1000

2000 -> Revalu Dr

Working Note : 3

Good will = 72,000

G.W = 72000 x 1/4 = 18000

18000

A B

2 1

12000 6000

Working Note : 4

Total Capital = 1,20,000

Anil = 12,000 x 2/3 = 80,000

Vishal = 1,20,000 x 1/3 = 40,000

Revaluation a/c

Particulars	Amount	Particulars	Amount
To Machinery	10,000	By Buildings	20,000
[50,000 x 20%]		[1,00,000 x 20%]	
To PDD [WN 2]	2000		
To Partners Cap a/c			
Anil [8000 x 2/4] = 4000			
Vishal [8000 x 1/4] = 2000			
Sumit [8000 x 1/4] = 2000	8000		
	20,000		20,000

Partner's capital a/c

Particulars	Anil	Vishal	Sumit	Particulars	Anil	Vishal	Sumit
To Vishal a/c	12000	–	6000	By Balance b/d	80,000	40,000	40,000
To Cash a/c (W)	2000	–	1000	By Revaluation a/c (P)	4,000	2,000	2,000
To Vishal loan		63000		By General Reserve	6000	3000	3000
				By Anil's Cap a/c (GH)		12000	
				By Sumit Cap a/c (GH)		6000	
By Balance c/d	80,000	–	40,000				
	90,000	63000	45000		90,000	63000	45000

Cash a/c

Particulars	Amount	Particulars	Amount
To balance b/d	18000	By balance c/d	16000
To Anil Capital a/c	2000		
To Sumit Capital a/c	1000		
	16000		16000
To Balance b/d	16000		

New Balance Sheet as on 1/4/2024

Liabilities		Amount	Assets		Amount
Creditors		25000	Buildings	1,00,000	
Capitals			(+) Increase	20,000 →	1,20,000
Anil	80,000		Machinery	50,000	
Sumit	40000 →	1,20,000	(−) Dep	10,000 →	40,000
To Vishal's loan a/c		63000	Stock		18000
			Cash at Bank		16000
			Debtors	20,000	
			(−) PDD	3000	17000
		2,11,000			2,11,000

Prblm 12)

Working note :-1 Good will

48000 × 2/6 = 16000

16000

Mahesh 3 — 12,000

Suresh 1 — 4000

Working note :- 2

Total capital a/c = 80,000

New Ratio = 3 : 1

80,000

80,000 × 3/4 = 60,000

80,000 × 1/4 = 20,000

Revaluation a/c

Particulars	Amount	Particulars	Amount
To Machinery [25000 × 10%]	2500	By Building (46500 - 45000)	1500
To Prov. for PDD	2000	To Partner's capital a/c Mahesh [3000 × 3/6] = 1500 Suresh [3000 × 2/6] = 1000 Sandesh [3000 × 1/6] = 500	3000
	4500		4500

Dr — Partner's capital a/c — Cr

Particulars	Mah	Sur	San	Particulars	Mah	Sur	San
To Revaluation a/c	1500	1000	500	By Balance b/d	40000	30,000	20,00
To Suresh Cap a/c	1200		4000	By P/L a/c [3:2:1]	6000	4000	2000
To Cash a/c [b/f] (Settled immediately)	—	49000	—	By Mahesh Cap a/c	—	12000	—
				By Sandesh cap a/c	—	4000	—
To Balance b/d	40000	—	20000	By Cash a/c	27500	—	2500
	73500	50,000	24,500		73500	50,000	24,5
				By Balance b/d	40,000		2000

Cash a/c

Particulars	Amount	Particulars	Amount
To Balance b/d	25000	By Suresh cap a/c	49000
To Mahesh Cap a/c	27500		
To Sandesh Cap a/c	2500		
		By Balance c/d	6000
	55000		55000
To Balance b/d	6000		

New Balance Sheet as on 1/4/2024

Liabilities		Amount	Asset		Amount
Sundry creditors		23000	Building	45000	
Bills payable		15000	(+) Revalued	1500 →	46,500
Capitals			Machinery	25000	
Mahesh	60,000		(−) Dep	2500 →	22,500
Sandesh	20,000 →	80,000	Stock		15000
			Debtors	20,000	
			(−) PDD	2000 →	18000
			Bills receivable		10,000
			Cash		6000
		1,18,000			1,18,000

* Death of a Partner :-

* Introduction :-

A Partnership will come to an end on the death of a partner. The partnership firm may continue the same business even after the death of a Partner with a new agreement between the remaining partners. If the firm continue its business the amount payable to the deceased Partner is required to be calculated and to be Paid to his legal heirs Called Executors.

Executors are the legal representatives of a deceased partner in a Partnership firm. When a partner dies, the final balance due to the deceased partner will be paid to his legal heirs Caled Executors.

* Accounting Treatment :-

The accounting procedure involved in Case of death of a partner is almost similar to that of retirement of a Partner but in case of retirement, a partner usually retires only at the end of an accounting year where as in case of death of a partner, as the death is uncertain it may occur at any time during the year because of this factor one additional adjustment becomes necessary on a death of a Partner, that is ascertainment of deceased partner share of accured profit & loss.

=> Format of Deceased Partner capital a/c

--> Format of Deceased partner Executors a/c

→ Format of Deceased Partner Capital a/c

Dr Deceased Partner Capital a/c Cr

Particulars	Amount	Particulars	Amount
To Drawings a/c	xxx	By Balance b/d	xxx
To Int on drawings	xxx	By Revaluation a/c	xxx
To Deceased Partner		By P&L a/c	xxx
Executors a/c	xxx	By reserve fund	xxx
[Balancing figure]		By continuing Partners	xxx
		Cap a/c	
		[Share of G/w in G/R]	
		By joint life policy a/c	xxx
		By commission a/c	xxx
		By P&L Suspense a/c	xxx
		By Int on Capital	xxx
	xxx		xxx

Deceased Partner Executors a/c

Dr Cr

Particulars	Amount	Particulars	Amount
To Bank/cash a/c	xxx	By Deceased Partner Cap a/c	xxx
[If Paid Immediately]		[Transfer from Cap a/c]	
	xxx		xxx

→ Problems

1) Akash & Anil, Adarsh are partners sharing profit & losses in the ratio of 3:2:1. Their capitals as on 1-4-2022 were ₹ 70,000 & ₹ 90,000 & ₹ 60,000 respectively. Akash died on 31-12-2022 and the partnership deed provide the following:-

a) Intrest on Akash Capital at 8% p.a

b) Akash Salary ₹ 2000 p.m

c) His share of accured profit up to the date of death based on previous years profit. Firms profit for 2021-22 ₹ 24000

d) His share of Good will ₹ 12000

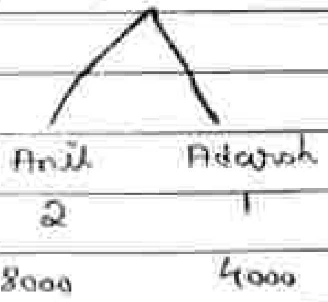
Ascertain the amount payable to Akash Executors by Preparing Akash Capital a/c

Solution :- Akash's Capital a/c

Particulars	Amount	Particulars	Amount
To Akash Executors account [Balancing Figure]	1,13,200	By Balance b/d	70,000
		By Intrest on Cap [70,000 × 8% × 9/12]	4,200
		By Salary (2000 × 9)	18,000
		By P & L a/c suspense a/c [24000 × 3/6 × 9/12]	9000
		By Anil Cap a/c [Good will]	8000
		By Adarsh Cap a/c [Good will]	4000
	1,13,200		1,13,200

Working Note :- 1

Goodwill = 1,20,000



Problem 1 :- Dr(-) Partner's capital a/c Cr(+)

Particulars	Amount	Particulars	Amount
		By Balance b/d	1,00,000
To Rakesh Executors	1,35000	By Interest on capital	5000
account		[100000 × 10% × 6/12]	
[Balancing figure]		By Salary	12000
		(2000 × 6)	
		By P&L a/c	6000
		[24000 × 3/6 × 6/12)	
		By Rajesh Cap a/c (GW)	8000
		By Ramesh Cap a/c [GW]	4000
	1,35,000.		1,35,000

Problem 3):- Dinesh's Partners Capital a/c

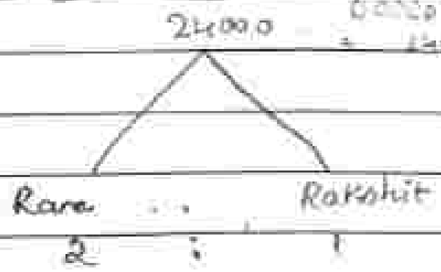
Particulars	Amount	Particulars	Amount
To Drawings a/c	5000	By Balance b/d	1,00,000
		By Interest on capital	9000
To Dinesh Executors	15000	[1,00,000 × 12% × 9/12]	
a/c [B/f]		By Mahesh cap a/c	2,500
		[GW WN 1]	
		By Ramesh Cap a/c	2500
		[GW WN 2]	
		By P&L ~~a/c~~ suspence a/c	6000
		(20000 × 4/10 × 9/12)	
	1,20,000		1,20,000

Pblm 2:- Dr(-) **Rahim's capital a/c** Cr (+)

Particulars	Amount	Particulars	Amount
		By Balance b/d	60,000
		By Int on Capital a/c	1500
		[60,000 x 10% x 3/12]	
		By Salary	6000
		[2000 x 3]	
		By P & L ~~a/c~~ suspense a/c	4000
To Rahim's Executors	95,500	[40,000 x 2/5 x 3/12]	
a/c [b/f]		By Ram Capital a/c [WN]	16000
		By Rakshit Cap a/c [WN]	8000
	95,500		95,500

Working Note :- 1

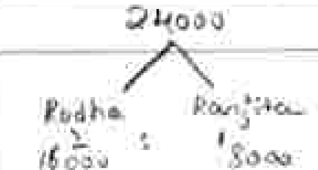
6000 x 2/5
= 24000



Pblm 4:- **Rukmini Capital a/c**

Particulars	Amount	Particulars	Amount
		By Balance b/d	50,000
		By Interest on Cap a/c	2,250
		[50,000 x 6% x 9/12]	
		By Salary [1000 x 9]	9000
To Rukmini's Executors		By Radha's Cap a/c	16000
a/c [b/f]	88,250	By Ranjita's Cap a/c	8000
		By Commission [4000 x 9/12]	3000
	88,250		88,250

Working Note :- 1 Total GW = 60000 x 2/5
= 24000



Problem 6) Raja & Rani are Partners Sharing Profit & losses in the ratio of 2:2:1. The balance sheet of the firm as on 31-03-2022 was as following

Balance sheet as on 31-03-2022

Liabilities	Amount	Assets	Amount
Creditors	40,000	Cash	20,000
Bills payable	20,000	Stock	40,000
Capitals		Debtors	90,000
Raja	1,00,000	Buildings	100000
Rani	60,000	Plant & Machinery	10000
Mantri	40000		
	2,60,000		2,60,000

Raja died on 31-12-2022, his Executors are Entitled to the following

a) His capital on the date of his death
b) His share of Profit till the date of his death Estimated profit for the current year ₹ 80,000
c) Interest on capitals allowed at 10% per
d) His drawings till death amounted to ₹20,000
e) Salary of Raja ₹ 1000 P.m

Solution:- Raja's Capital a/c

Particulars	Amount	Particulars	Amount
To Drawings a/c	20,000	By Balance b/d	1,00,000
		By P&L [illegible] a/c [80000 × 2/5 × 9/12]	24000
		By Int on Capital	7500
To Rajas Executors	1,20,500	[100000 × 10% × 9/12]	
a/c [b/f]		By Salary [1000×9]	9000
	1,40,500		1,40,500

17) Arun, Varun & Tharun are partners sharing Profit & losses in the ratio 2:2:1 The balance sheet of the firm as on 31-03-2022 was as following

Balance Sheet as on 31-03-2022

Particulars	Amount	Particulars	Amount
Creditors	20,000	Cash in hand	10000
Bills payable	10,000	Stock in trade	20,000
Capitals		Debtors	15000
Arun	50,000	Plant & Machinery	30000
Varun	30,000	Buildings	43000
Tharun	20,000	P & L a/c 10000 × 2/5	
	1,30,000		1,30,000

Arun died on 31/12/22 his Executors are Entitled to the following :-

a) His capital on the date of death
b) His share of profit & loss a/c
c) His share of profit till the date of death the profit of the current year is Estimated at ₹40,000
d) Interest on capital is allowed at 10%.
e) His drawings till death amounted to ₹10,000

Solution :-

Arun's Capital a/c

Particulars	Amount	Particulars	Amount
To P & L a/c	4000	By Balance b/d	50000
[10000 × 2/5]		By P & L a/c Suspense a/c	12000
To Drawings a/c	10000	[40000 × 2/5 × 9/12]	
To Arun's Executors	51,750	By Interest on capital	3750
a/c [b/f]		[50000 × 10% × 9/12]	
	65,750		65,750

Vani Rani

3) ~~Ramesh, Prakash, Suresh were Partners in a firm sharing Profit & losses in the ratio of 5:3:2 on 31st March 2024 there balance sheet as on~~

~~Balance Sheet as on 31st March 2023~~

~~Liabilities Amount Asset Amount~~

Pblm 6 :- Working Note :- Calculation of Good Will

Average Profit :- $\frac{12000 + 20,000 + 13000 + 15000}{4}$

$\boxed{A.P = 15000}$

G.W Formula :- Avg Profit × No. of years of Purchase

$= 15000 \times 2$

$\boxed{GW = 30000}$

Veena's GW = 30000 × 5/10 = 15000 → Vani 3/5 9000, Rani 2/5 6000

Veena's Capital a/c

Particulars	Amount	Particulars	Amount
		By Balance b/d	30000
		By Rev a/c (P)	5000
		By R/F (60,000 × 5/10)	3000
		By Vani cap a/c [GW W.N → 1]	9000
To Veena's Executor a/c (b/f)	58,550	By Rani Cap a/c [GW WN 1]	6000
		By P&L Suspense a/c [15000 × 5/10 × 6/12]	3750
		By Interest on Cap	1,800
	58,550		58,550

Problem 8) :- **Working Note** :- **Calculation of G.W**

A.P = $\frac{80,000 + 50,000 + 40,000 + 30,000}{4}$

$\boxed{A.P = 50,000}$

G.W Formula :- Average Profit × No. of years Purchase

= 50,000 × 3

$\boxed{G.W = 1,50,000}$

Revatis G.W :- 1, 50,000 × 1/5

= 30,000

Sujatha : Sangeetha

2 : 2

15000 : 15000

Revatis Capital a/c

Particulars	Amount	Particulars	Amount
		By Balance b/d	40,000
		By Reserve fund (50,000 × 1/5)	10,000
		By P & L Suspense a/c [30,000 × 1/5 × 6/12]	3000
To Drawings a/c	10,000	By Sujatha cap a/c (G.W WN 1)	15000
To Revati's Executors Capital a/c [b/f]	75,400	By Sangeetha cap a/c [G.W WN 1)	15000
		By Interest on capital [40000 × 12% × 6/12]	2,400
	85,400		85,400

Prblm 7 :- Working Note 1 :- Calculation of Accured profit

$$A\ P = \frac{16000 + 17000 + 15000}{3}$$

$$\boxed{A.P = 16000}$$

Share of Rakshitha = 16000 × 1/4 × 3/12
= 1000

Working Note 2 :- Calculation of Good will

G.W = AP × N.Y.P
= 16000 × 3

$$\boxed{G.W = 48000}$$

Rakshitha's Share = 48000 × 1/4
= 12000 < Ranya 2 = 8000 ; Bhavya 1 = 4000

Rakshitha's cap a/c

Particulars	Amount	Particulars	Amount
		By Balance b/d	10,000
		By ~~Revaluation~~ Reserve fund a/c (CP)	5000
To Drawings a/c	5000	[20,000 × 1/4]	
To Rakshitha's Executors a/c (b/f)	23,308	By P&L Suspense a/c	1000
		By IoC [10000 × 12 × 3/4)	3000
		By Rakshitha Cap a/c	8000
		By Bhavya cap a/c	4000
	28,300		28,300

Rakshitha's Executors a/c

Particulars	Amount	Particulars	Amount
		By Rakshitha cap a/c (tran/a)	23,300
	23,300		23,300

Problm 10) :- Working note 1 :- Calculation of Average Profit

$$A.P = \frac{13000 + 12000 + 15000 + 16000}{4}$$

$$\boxed{A.P = 14000}$$

Share of Parimala = 14000 × 2/10 × 7/12

= 1633.3

Working Note 2 :- Calculation of Goodwill

GW = AP × N.Y.P

= 14000 × 2.5

$$\boxed{G.W = 35000}$$

Parimala's Share = 35000 × 2/10

= 7000

Deepa 5 4375

Pushpa 3 2625

Parimalas Cap a/c

Particulars	Amount	Particulars	Amount
		By Balance b/d	20,000
To Cash a/c	5000	By Reserve fund [6000 × 2/10]	1200
		By P&L Suspense a/c	1633
To Parimala Executors a/c (b/f)	24,833	By Deepa cap a/c (GW)	4375
		By Pushpa Cap a/c (GW)	2625
	29,833		29,833

Parimala's Executors a/c

Particulars	Amount	Particulars	Amount
		By Parimala a/c (Transfer)	24833
	24,833		24,833

Chapter - 04

Dissolution of a Partnership Firm

★ **Meaning :-**

It means some of the Partners terminate their connection with the firm and the remaining Partners continue the business of the firm under the another name with an agreement. In other words, it means all the Partners of the firm cut off their connections with the firm and the business of the firm is closed down.

★ **Definition :-**

According to Section 39 of the partnership Act, 1932 & defines the dissolution of Partnership between all the partners of a firm is called dissolution of the firm.

★ **Factors of Dissolution of Partnership Firm**

★ Mutual Agreement
★ Insolvency of a Partner
★ Mis - Conduct of a Partner
★ Court order
★ Illegality of business

★ **Settlement of Accounts :-**

In Case of Dissolution of a firm, the firm disposes off (that is sales) all its assets and make payment in the following manner :-

- * First, Payment of outside liability like Creditors, bills payable & Bank loan.
- * The Payment of Partners loan
- * Finally, Payment of Partner's Capital.

★ Accounting Treatment :-

When the firm is dissolved, usually the following accounts are prepared :

a) Realisation a/c
b) Partner's Capital a/c
c) Cash / Bank a/c

a) Realisation a/c :-

It is an account prepared at the time of dissolution of a firm to ascertain the profit or loss on the realisation of assets and payment of liabilities. The profit or loss is transferred to partners Capital a/c in their profit sharing ratio.

★ Accounting Entries on the dissolution of Partnership firm :-

1. For Transfer of realisable asset at book values

Realisation a/c ..... Dr
To Each asset a/c

2. For Transfer of External liabilities at book values

Each liability a/c .... Dr
To Realisation a/c

9. For transfer of reserve fund or general reserve in profit sharing ratio

Reserve Fund / General reserve a/c ---- Dr

To Partner's Capital a/c

10. For Transfer of Profit and loss account balance in profit sharing ratio

A) In case of Credit balance

Profit or loss a/c ---- Dr

To partners capital a/c

B) In case of Debit balance

Partner's capital a/c ---- Dr

To profit or loss a/c

11. For Transfer of fictitious assets in profit sharing ratio

Partner's capital a/c ---- Dr

To fictitious asset a/c

12. For Payment of loan due to Partner

Partner's loan a/c ---- Dr

To cash or bank a/c

13. For Settlement of Partners Capital a/c

A) If capital a/c of a partner shows Debit balance

Cash or Bank a/c ---- Dr

To Partners capital a/c

B) If the capital account of a Partners shows a credit balance

Partner's capital a/c .... Dr

To Cash or Bank a/c

★ Format of Realisation account

Dr Realisation a/c Cr

Particulars	Amount	Particulars	Amount
To Realisable asset at book values	xxx	By External liabilities at book values	xxx
To Reserve for liability	xxx	By Reserve for asset	xxx
To Cash or bank a/c [Liabilities Paid]	xxx	By Cash or Bank a/c [Asset realised]	xxx
To Partners capital a/c [Liabilities take over partner]	xxx	By Partners capital a/c [Asset taken over by Partner]	xxx
To Cash or Bank a/c [Realisation Expenses Paid]	xxx	By all the partners Capital a/c [Loss on realisation]	xxx
To all the partners capital a/c [Profit on realisation]	xxx		
	xxx		xxx

★ Format of Cash or Bank a/c

Particulars	Amount	Particulars	Amount
To Balance b/d	xxx	By Realisation a/c [Liabilities Paid]	xxx
To Realisation a/c [Asset realise]	xxx	By Realisation a/c [Realisation Expenses Paid]	xxx
To Partners Capital a/c [Deficiency made good]	xxx	By Partners loan a/c	xxx
		By Partners Cap a/c [Final claim paid off]	xxx

Problem :- [Sums]

Q1. Supriya & Monika are partners, who share profit in the ratio of 3 : 2, Following is the balancesheet as on 31/03/2023

Liabilities	Amount	Asset		Amount
Supriya's Capital	32,500	Cash at Bank		40,500
Monika Capital	11,500	Stock		7,500
Sundry Creditors	48,000	Sundry debtors	21,500	
Reserve fund	13,500	(-) PDD	500	21000
		Fixed Assets		36,500
	1,05,500			1,05,500

The firm was dissolved on 31st March 2023. Close the books of the firm with the following information

- * Debtors realised at the discount of 5%.
- * Stock realised at ₹ ~~42,000~~ 7000
- * Fixed asset realised at ₹ 42000
- * Realisation Expenses ₹ 1500
- * Creditors are paid in full
- * Prepare realisation a/c, Partners Capital a/c, Bank a/c

Dr ⟹ Realisation a/c Cr

Particulars	₹	Amount	Particulars	₹	Amount
To Stock		7500	By PDD		500
To Debtors		21,500	By Sunday creditors		48,000
To Fixed asset		36,500			
To Bank a/c			By Bank a/c		
[Liabilities Paid]			[Asset realised]		
Sunday creditors		48000	Sunday Debtors	~~21,500~~	
To Bank a/c			(-) Drs 21500 1,075 →	20,425	
[Realisation Expenses]		1,500	(21500 x 5%)		
To Partner's cap a/c			Stock	7000	
Supriya [2925 x 3/5]	1,755		Fixed Asset	42000 →	69,425
Monika [2,925 x 2/5]	1,170 →	2,925			
		1,17,925			1,17,925

Dr Partner's capital a/c Cr

Particulars	Supriya	Monika	Particulars	S	M
			By Balance b/d	32500	11,500
			By Realisation a/c (P)	1755	1,170
To Balance a/c [b/f]	42,355	18,070	By Reserve fund (3:2)	8100	5400
	42,355	18,070		42,355	18,070

Dr Bank a/c Cr

Particulars	Amount	Particulars	Amount
To balance b/d	40,500	By Realisation a/c [Liabilities Paid]	48000
To Realisation a/c [Asset realised]	69,425	By Realisation a/c [Expenses]	1500
		By Supriya Capital a/c	42,355
		By Monika's Capital a/c	18,070
	1,09,925		1,09,925

Q1 ⟹ Dr Realisation a/c Cr

Particulars	Amount	Particulars		Amount
To Debtors	55000	By PDD		3000
To Stock	40000	By Bills Payable		10000
To Furniture	15000	By Creditors		50000
To Machinery	25000	By Reserve fund.		15000
To Buildings	81000	By Bank [Asset Realised]		
To Bank [Liabilities paid]		Debtors	52000	
Bills payable (10000 - 500) 9500 5%		Stock	39000	
Creditors [50000 - 2500) 47500	57000	Machinery	24000	
To Bank [Dissolution Exp]	4000	Buildings	81000	
		Furniture	13000	2,03,000
		By Partner's Cap a/c		
		Medha (11000 × 1/2)	5500	
		Vidya (11000 × 1/2)	5500	11000
	2,77,000			2,77,000

Partner's Capital a/c

Particulars	Medha	Vidya	Particulars	Medha	Vidya
To Realisation a/c [Loss]	5500	5500	By Balance b/d	60,000	80,000
			By Reserve fund (1:1)	7500	7500
To P&L a/c (1:1)	6000	6000			
To Bank a/c (b/f)	56000	76,000			
	67500	87500		67500	87500

Bank a/c

To Balance b/d	15000	By Realisation (L P)	57000
To Realisation a/c	2,03,000	By Realisation (D E)	4000
		By Medha Cap a/c	56000
		By Vidya Cap a/c	76000
		By Vidya Cap a/c (loan)	25000
	2,18,000		2,18,000

Q2 => Dr Realisation a/c Cr

Particulars	Amount	Amount	Particulars	Amount	Amount
To Debtors		25000	By creditors		15000
To Bills receivable		5000	By Bills payable		10000
To investment		18000	By bank loan		8000
To Machinery		25000	By Bank (Asset realised)		
To Furniture		16000	- Debtors	24000	
To Bank a/c [Liability Paid]			- Bills receivable	4000	
- Creditors (15000 - 5% 750)	14,250		- Investment	15000	
- B.P (10000 - 5% 500)	9500	~~23,750~~	Machinery	22000	
~~To Bank a/c~~ To Bank a/c		2,250	Unrecorded ~~[illegible]~~	4000	69000
Bank loan	8000	31,750	By Chandu Cap a/c		10000
			[Furniture + 10]		
			By Partner cap a/c		
			A (11000 × 2/5) ~~4400~~	4400	
			C (11000 × 2/5) ~~4400~~	4400	
			V (11000 × 1/5) ~~2200~~	2200	11000
		1,23,000			1,23,000

Partner's Capital a/c

Particulars	A	C	V	Particulars	A	C	V
To Realisation (L)	4400	4400	2200	By Balance b/d	20000	20000	10000
To Real a/c	-	10000	-	By P&L a/c (2:2:1)	8800	8800	4400
To Bank a/c (b/f)	24,400	14,400	12,200				
	28,800	28800	14,400		28,800	28,800	14,400

Bank a/c

To Balance b/d	21000	By Realisation a/c (LP)	31,750
[16000 + 5000]		By Realisation a/c (DE)	2,250
To Realisation a/c (AR)	69000	By Anand Cap a/c	24400
		By Chandu Cap a/c	14,400
		By Vinay Cap a/c	12,200
		By Anand loan a/c	5000
	90000		90000

Q5 ⟹ Dr Realisation a/c Cr

Particulars	Amount	Amount	Particulars	Amount	Amount
To Debtors		30000	By Creditors		30,000
To Stock		30000	By Bills Payable		20000
To Furniture		22000	~~By General Reserve~~		10000
To Machinery		20000	By Bank [Asset realised]		
To Buildings		50,000	-Drs (30,000 $\overset{10\%}{-}$ 3000)	27000	
To Bank a/c [Liabilities Paid]			-Stock (30000 $\overset{15\%}{+}$ 4500)	34,500	
-Crs (3000-1500) 5%	28,500		Buildings	60000 →	1,21,500
-BP (20000-1000) 5%	19000 →	47,500	To Shruthi Capital a/c		20000
To Bank a/c (DC)		1500	(Furniture takenover)		
To Partners Cap a/c			To Shilpa Capital a/c		15000
Shruthi (5500 × 2/5)	2200		(Machinery takenover)		
Shilpa (5500 × 2/5)	2200				
Shreya (5500 × 2/5)	1100 →	5,500			
		2,06,500			2,06,500

Partner's Capital a/c

Particulars	Shruthi	Shilpa ~~Shreya~~	Shreya	Particulars	Shruthi	Shilpa	Shreya
To Realisation a/c	20,000	-	-	By Balance b/d	40,000	30,000	20,000
(Furniture taken)				By realisation (Profit)	2200	2200	1100
To Realisation a/c	-	15000		By General Reserve	4000	4000	2000
(Machinery taken)				(2 : 2 : 1)			
To Balance c/d C/f	26,200	21,200	23,100				
	46,200	36,200	23,100		46,200	36,200	23,100

Bank a/c

Particulars	Amount	Particulars	Amount
To Balance b/d	6000	By Realisation a/c	47,500
To Realisation a/c	1,21,500	[Liabilities Paid]	
(Assets realised)		By Realisation a/c	1500
		(Dissolution Expenses)	
		By Shruthi cap a/c	26,200
		By Shilpa cap a/c	21,200
		By Shreya cap a/c	23,100
		By Shreya loan a/c	8000
	1,27,500		1,27,500

Q6 => Dr Realisation a/c Cr

Particulars	Amount	Amount	Particulars	Amt	Amt
To Debtors		8,600	By Creditors		15 000
To Investments		10,000	By Bills Payable		1,800
To Stock		13,700	By Cash Bank (Asset realised)		
To Furniture		5,100	Debtors	8000	
To Buildings		22,900	Investments	8950	
To Cash a/c [L.P]			Stock	15,600	
Creditors		15000	Furniture	4500	37,050
To Deepa Capital a/c		1800	To Disha Capital a/c		27,750
[~~Liabilities~~ B.P taken over]			(Buildings taken over)		
To Cash a/c [R.E]		600			
To Partners Cap a/c					
Disha (3900 × 1/3)	1300				
Divya (3900 × 1/3)	1300				
Deepa (3900 × 1/3)	1300	3900			
		81,600			81,600

Dr Partner's capital a/c Cr

Particulars	Disha	Divya	Deepa	Particulars	Disha	Divya	Deep
To Realisation	27750	-	-	By Balance b/d	22000	12000	10000
[Asset T/o]				By realisation (P)	1300	1300	1300
To Cash a/c	-	15300	15100	By R.F (1:1:1)	2000	2000	2000
[b/f]				By Realisation a/c	-	-	1800
				[Liabilities T/o]			
				By cash a/c [b/f]	2450	-	-
	27750	15300	15100		27750	15300	15100

Dr Cash a/c Cr

Particulars	Amount	Particulars	Amount
To Balance b/d	6500	By Realisation a/c (LP)	15000
To Realisation a/c	37050	By Realisation a/c [RE]	600
To Disha cap a/c	2450	By Divya cap a/c	15300
		By Deepa cap a/c	15100
	46000		46000

Q7 ⇒ Dr Realisation a/c Cr

To Bills receivable			10000	By Sundry cr's		10000
To Sundry Debtors			20000	By bills payable		10000
To Stock			15000	By bank a/c (AR)		
To Machinary			15000	- B.R	7500	
To Furniture			10000	- S.R (20000 - 200)	18000	
To Goodwill			30000	- Stock (15000 - 1500)	13500	
To bank a/c (LP)				- Machinary (1500 + 750)	15750	
- B.P	10000	10000		Goodwill	12000	66750
S. Cr's	10000	10000	20000	By Geetha cap a/c		8000
To bank a/c			600	By Partners cap a/c		
(D.E)				Rashmi (25850 x 3/5)	15510	
				Geetha (25850 x 2/5)	10340	25850
			12,06,00			12,06,00

Dr Partner's capital a/c Cr

Particulars	Rashmi	Geetha	Particulars	Rashmi	Geetha
To Realisation (L)	15510	10340	By Balance b/d	30000	40000
To Realisation (AR)	-	8000	By R.F (3:2)	6000	4000
To Bank a/c (b/f)	20490	25660			
	36000	44000		36000	44000

Dr Bank a/c Cr

Particulars	Amount	Particulars	Amount
To balance b/d	5000	By Realisation a/c (LP)	20000
To Realisation (AR)	66750	Realisation a/c (DE)	600
		By Rashmi Cap a/c	20490
		By Geetha Cap a/c	25660
		By Rashmi Cap a/c	5000
	71750		71750

Q4 => Dr Realisation a/c Cr

Particulars	Amount	Particulars	Amount
To Debtors	15000	By Creditors	20,000
To Stock	18000	By Bills payable	6000
To Furniture	12000	By Bank overdraft	4000
To Machinery	20000	By Vani's loan	5000
To Buildings	60000	By Cash a/c [Asset realised]	
To Cash a/c [Liabilities Paid]		- Drs 13500	
Crs ($20000^{10\%}$ - 2000) 18000		Stock 19800	
Bills payable 6000		Buildings 62000	
Bank o/d 4000		U.R Vehicle 4000	
Interest on o/d 400	28,400	Machinery 20000	1,19,300
To Divya cap a/c	5000	By Ramya cap a/c	9000
(Vani loan t/o)		(Furniture t/o)	
To cash a/c (R.E)	4000		
To Partner's cap a/c			
Ramya (900 × 1/4) 225			
Kavya (900 × 2/4) 450			
Divya (900 × 1/4) 225	900		
	1,63,300		1,63,300

Partner's Capital a/c

Particulars	R	K	D	Particulars	R	K	D
				By Balance b/d	42000	35000	20,000
To Realisation a/c	9000	-	-	By Realisation (P)	225	450	225
(Asset taken over)				By Reserve (1:2:1)	2000	4000	2000
				By Realisation a/c	-	-	5000
To Cash a/c	35,225	39450	27225	[Liabilities t/o]			
(b/f)							
	44225	39,450	27,225		44225	39450	27,

Cash a/c

Particulars	Amount	Particulars	Amount
To balance b/d	15000	By Realisation (LP)	28,400
To Realisation a/c	1,19,300	By Realisation (PE)	4000
[Asset realised]		By Ramya capital a/c	35,225
		By Kavya capital a/c	39450
		By Divya capital a/c	27,225
	1,34,300		1,34,300

Q11 ⇒ Realisation a/c

Particulars	Amount	Amount	Particulars	Amount	Amount
To Bills receivable		6000	By Sundry creditors		12000
To Debtors		25000	By Bank loan		24000
To Stock		20000	By Bank a/c [AR]		
To Investments		8000	- B R	5000	
To Furniture		10000	Debtors	23500	
To Buildings		85000	Stock	18000	
To Bank a/c [LP]			Buildings	95000 →	141500
Creditors	12000		By Kiran cap a/c		10000
Bank loan	24000 →	36000	[Ion To]		
To Bank a/c (PE)		2500	By Arjun cap a/c		8000
			(Furniture Takenover)		
To Partners cap a/c					
Arun (3000 × 1/3)	1000				
Kiran (3000 × 1/3)	1000				
Arjun (3000 × 1/3)	1000 →	3000			
		195500			1,95,500

Dr Partner's capital a/c Cr

Particulars	Arun	Kiran	Arjun	Particulars	Arun	Kiran	Arjun
To Real (ATo)	–	10000	–	By Balance b/d	40000	30000	20000
To Real (ATC)			3000	By Real a/c (P)	1000	1000	1000
To cash a/c (b/f)	45000	25000	17000	By Reserve (1:1:1)	4000	4000	4000
	45000	35000	35000		45000	35000	25000

Dr Cash a/c Cr

Particulars	Amount	Particulars	Amount
To Balance b/d	6000	By realisation a/c (LP)	36000
To Realisation (AR)	141500	By realisation a/c (DE)	2500
		By Arun Capital a/c	45000
		By Kiran Capital a/c	25000
		By Arjun Capital a/c	17000
		By Arun's loan	22000
	1,47,500		1,47,500

Q12 => Dr Realisation a/c Cr

Particulars	Amount	Amount	Particulars	Amount	Amount
To Debtors		9000	By Creditors		25000
To Stock		15000	By Bills payable		17000
To investments		5000	By Cash a/c (Asset realisation)		
To Furniture		14000	Debtors (27000 $-\overset{10\%}{2700}$)	24,300	
To Buildings		40,000	Investments (5000 $+\overset{20\%}{1000}$)	6000	
To Good will		20,000	Buildings	60000	
To Cash a/c (L.P)			Stock	12000	
Crs (25000 $-\overset{5\%}{1250}$)	23,750		Furniture	15000	1,17,300
B.P (17000 $-\overset{5\%}{850}$)	16150	39,900	By Mohan Cap a/c		15000
To Cash (R.E)		2000	(Good will t/o)		
To Partner's cap a/c					
Mohan (11400 × 4/9)	5067				
Naga (11400 × 3/9)	3800				
Prakash (11400 × 2/9)	2533	11,400			
		1,74,300			1,74,300

Dr Partner's Capital a/c Cr

Particulars	Mohan	Naga	Prakash	Particulars	M	N	P
To Realisation a/c	15000	-	-	By Balance b/d	30,000	20000	10000
(Asset takenover)				By Realisation (Profit)	5067	3800	2533
To Cash a/c	28067	29800	16,533	By Reserve fund (4:3:2)	8000	6000	4000
	43067	29800	16533		43067	29800	16533

Dr Cash a/c Cr

To Balance b/d	9000	By Realisation a/c (LP)	39,900
To Real a/c (Realisation asset)	1,17,300	By Realisation a/c (RE)	2000
		By Mohan Cap a/c	28,067
		By Nagaraju Cap a/c	29,800
		By Prakash Cap a/c	16,533
		By Prakash loan a/c	10,000
	1,26,300		1,26,300

Q14 → Dr Realisation a/c Cr

Particulars	Amount	Amount	Particulars	Amount	Amount
To Debtors		20000	By creditors		20,000
To Stock		25000	By ~~Act~~ Akshay loan a/c		2,000
To Furniture		10000	By Bank a/c [Asset realised]		
To Machinery		15000	Debtors (20000 10% - 2000)	18000	
To Bank [Liabilities Paid]			Stock (25000 10% + 2500)	27,500	45,500
Creditors (20000 5% - 1000)		19000	By Appu ~~cap~~ a/c		8000
To Bank a/c [R.E]		500	[Furniture t/o]		
			By Abhi a/c		12000
			[Machinery t/o]		
			To Partner's cap a/c		
			APPU (4000×2/4)	2000	
			Abhi (4000×1/4)	1000	
			Akash (4000×1/4)	1000	4000
		89500			89500

Dr Partner's capital a/c Cr

Particulars	Appu	Abhi	Akash	Particulars	Appu	Abhi	Akash
To Realisation (L)	2000	1000	1000	By Bal b/d	20000	15000	10000
To Real (ATO)	8000	-	-	By P&L a/c	3000	1500	1500
To Real (ATO)	-	12000	-				
To Bank a/c (b/f)	13000	3500	10500				
	23000	16500	11500		23000	16500	11500

Dr Bank a/c Cr

To bal b/d	8000	By Realisation (LP)	19000
To Realisation (AR)	45500	By Realisation (DE)	500
		By Appu cap a/c	13000
		By Abhi Cap a/c	3500
		By Akash Cap a/c	10500
		By Appu loan a/c	5000
		By Akash loan a/c	2000
	53500		

Q18 => Dr Realisation a/c Cr

Particulars	Amount	Amount	Particulars	Amount	Amount
To Debtors		15000	By Creditors		10000
To Stock		18000	By Bills payable		6000
To Furniture		12000	By Bank over draft		4000
To Machinery		20000	By Cash a/c [Asset realised]		
To Buildings		50000	Debtors (15000 $\overset{10\%}{-}$ 1500)	13500	
To Goodwill		10000	Stock [18000 $\overset{10\%}{+}$ 1800)	19800	
To Cash a/c [LP]			~~Building~~ Buildings	62000	
Crs (10000 - 1000)	9000		Unrecorded Vehicle	4000	
- Bank O/D	4000		Machinery	20000	119800
- Int on O/D	500		By appu Cap a/c [F-TO]		9000
- Bills payable	6000	19500			
To Arasu Cap a/c	~~5000~~	5000			
To Cash a/c [DE]		3000			
To Partners Cap a/c					
Appu (800 x 1/2)	400				
Arasu (800 x 1/2)	400	800			
		153300			153300

Dr Partner's Capital a/c Cr

Particulars	Appu	Arasu	Particulars	Appu	Arasu
To Realisation (FTO)	9000		By Balance b/d	52000	45000
To Cash a/c [b/f]	47400	54400	By Realisation (P)	400	400
			By P & L a/c [1:1]	4000	4000
			By Realisation [LTO]	-	5000
	56400	54400		56400	54400

Dr Bank a/c Cr

To Balance b/d	5000	By Realisation a/c [LP]	19500
To Realisation a/c	119300	By Realisation a/c (DE)	3000
[Asset realised]		By Appu Cap a/c	47400
		By Arasu Cap a/c	54400
	1,24,300		1,24,300

Q19 ⇒ Realisation a/c

Particulars	Amount	Amount	Particulars	Amount	Amount
To Bills recievable		20000	By creditors		50000
To Stock		30000	By Bills Payable		30000
To Debtors		40000	By Bank a/c [AR]		
To Buildings		50000	- Stock	30400	
To Motor Car		20000	- Bills recievable	19000	
To Furniture		40000	- Furniture	33000	
To bank a/c [LP]			- Drs with Int	42600	
- ~~Crs~~ - Creditors	50000		- Bad debts recover	2000 →	1,27,000
- Bills payable	30000 →	80000	By Ganga Cap a/c		60000
			[Building Taken over]		
			By Yamuna Cap a/c		26600
To Partner's cap a/c					
Ganga [8600 × 1/2]	4300				
Yamuna [8600 × 1/2]	4300 →	8600			
		293600			293600

Partner's capital a/c

Particulars	Ganga	Yamuna	Particulars	Ganga	Yamuna
To Realisation a/c [ATO]	60000	-	By Balance b/d	75000	60000
			By Realisation (Profit)	4300	4300
To Realisation a/c	-	26600	By ~~Realisation~~ (1:1) Reserve fund	5000	5000
To Bank a/c [b/f]	24300	42700.			
	84300	69300		84300	69300

Bank a/c

To Balance b/d	25000	By Realisation (LP)	80000
To Realisation a/c (Asset realised)	1,27,000	By Realisation (RF)	5000
		By Ganga cap a/c	24300
		By Yamuna Cap a/c	42700
	1,52,000		1,52,000

Q20 ⟹ Realisation a/c

Particulars	Amount	Amount	Particulars	Amount	Amount
To Machinery		70000	By Creditors		60000
To Investments		50000	By Bills Payable		20,000
To Stock		22000	By Bank a/c (A.R)		
To Sundry Debtors		1,03,000	Debtors	51000 →	51000
To Bank a/c (LP)			By Tanu Cap a/c		50000
- Creditors	60000		[Investments T/o]		
(Machinery Takeover)			By Anu Cap a/c		
- Bills Payable	20000 →	80000	(50000 − 10% 5000)		45000
(Stock Takeover)			To Partner's Cap a/c		
To Bank a/c (RE)		2000	Anu (21000 × 3/5)	12600	
			Tanu (21000 × 2/5)	8400 →	21000
		247000			247000

Partner's Capital a/c

Particulars	Anu	Tanu	Particulars	Anu	Tanu
To Realisation (L)	12600	8400	To Balance b/d	90000	30000
To Realisation (Dto)	45000		By Reserve fund (3:2)	6000	4000
To Realisation (Invts)		50000			
To Bank a/c (b/f)	38400	25600			
	96000	84000		96000	84000

Bank a/c

Particulars	Amount	Particulars	Amount
To Balance b/d	15000	By Realisation a/c	2000
To Realisation a/c	51000	(Realisation Exp.)	
(Asset realised)		By Anu's Cap a/c	38400
		By Tanu's Cap a/c	25600
	66000		66000

Q13 →

Realisation a/c

Particulars	Amount	Amount	Particulars	Amount	Amount
To Bills Recievable		6000	By PDD		3000
To Stock		18000	By creditors		25000
To Debtors		25000	By Bills Payable		10000
To Buildings		23000	By Bank a/c (AR)		
To Machinery		38000	- Stock	25000	
To Bank (LP)			- Debtors	20000	
- Bills pay (10000 - 5% 500)		9500	- Bills Recievable	4000	
To harish cap a/c		25000	- Machinery	33000	
suresh cap a/c		2000	- Buildings	23000 →	1,05,000
[1000 + 1000]			By Partners Cap a/c (L)		
			Harish (2500×1/2)	1250	
			Suresh (2500 × 1/2)	1250 →	2,500
		1,45,500			1,45,500

Partner's capital a/c

Particulars	Harish	Suresh	Particulars	Harish	Suresh
To Realisation (L)	1250	1250	By Balance b/d	40000	30000
To realisation a/c			~~By Realisation (Loss)~~	~~1250~~	~~1250~~
[Liabilities To]			By Reserve fund (1:1)	2500	2500
			By Realisation [L/To]	25000	-
			By Realisation (Remuneration)	-	2000
To Bank a/c (b/f)	66,250	33,250			
	67,500	34,500		67,500	34,500

Bank a/c

To Balance b/d	14000	By Realisation a/c [LP]	9500
To Realisation a/c	1,05,000	~~By Realisation [Reserve fund]~~	~~2500 1000~~
(Asset realised)		By Harish Cap a/c	66,250
		By Suresh Cap a/c	33,250
		By Suresh loan a/c	10000
	1,19,000		1,19,000

Q8 =>

Realisation a/c

Particulars	Amount	Amount	Particulars	Amount	Amount
To Machinery		40,500	By Mrs. Y loan		10000
To Investment		20,830	By Creditors		18500
To Stock in trade		17,550	By Life Policy fund		14000
To Joint life Policy		14000	By Investment F. Fund		6000
To Debtors		8700	By ~~Cash~~ Bank [Asset Realised]		
To ~~Cash~~ Bank [Liability Paid]			- Joint life Policy	12000	
Creditors (18500-3000)	~~15500~~	15500	- Machinery	55000	
~~Life Policy fund~~	~~14000~~		- Stock	15000	
~~Investment F.F~~	~~6000~~	~~35,500~~	- Debtors	6150	88,150
To Mr. Y cap a/c		10000	By Mr. x capital a/c		17500
[Mrs. Y loan a/c]			[Investment T/o]		
To Bank a/c		600			
[Realisation Exp]					
To Partner's Cap					
x (26470 x 3/6)	13235				
y (26470 x 2/6)	8823				
z (26470 x 1/6)	4412	26470			
		1,54,150			1,54,150

Partner's Capital a/c

Particulars	X	Y	Z	Particulars	X	Y	Z
To P&L a/c (3:2:1)	750	500	250	By Balance b/d	30000	20000	10000
To Real a/c	17500	-	-	By Real a/c (P)	13235	8823	4412
(A t/o)				By Real a/c (LTO)	-	10000	-
To Bank a/c [b/f]	24985	33323	14162				
	43,235	38,323	14,162		43,235	33,323	14,162

Bank a/c

Particulars	Amount	Particulars	Amount
To Bal b/d	5,420	By Realisation (LP)	15,500
To Real a/c (AR)	88,150	By Real a/c (R.E)	600
		By X Cap a/c	24,985
		By Y Cap a/c	38,323
		By Z Cap a/c	14,162
	93,570		93,570

Q9 => Realisation a/c

Note :- Though life Policy fund, investment fluctuation fund are considered as intangible liabilities where we are taking in the liabilities but these items are not considered while paying liabilities because these funds are utilized only during existing of the Partnership firm.

18Q **Note** :- Goodwill is an intangible asset, where it is going to be consider as asset where transfer to debit side, if Good will is not realising hence it is not going to consider under asset realised.

* Good will can also be considered only when partners are taken over.

Q16 ⇒ Realisation a/c

Particulars	Amount	Amount	Particulars	Amt	Amt
To Bills receivable		4000	By PDD		300
To Stock		9400	By Creditors		2400
To Debtors		3000	By Bills receivable		5400
To land & building		12000	By Bank (Asset realised)		
To Bank a/c (LP)			Bills receivable	3850	
Creditors		2400	Debtors (3000 - 5% 150)	2850	
To hari cap a/c			Unrecorded asset	450 →	6,850
Bills payable		5400	Suri Capital a/c		13200
To Realisation Exp		450	(L & B Taken over)		
To Partners cap a/c					
Hari (900 × 1/3)	300				
Giri (900 × 1/3)	300				
Suri (900 × 1/3)	300 →	900			
		37,500			37,500

Partner's capital a/c

Particulars	Hari	Giri	Suri	Particulars	Hari	Giri	Suri
To P & L a/c (1:1:1)	300	300	300	By Balance b/d	10000	11000	6200
To Real a/c	–	–	13200	By Revaluation a/c (P)	300	300	300
(land & building)				By realisation (BP)	5400	–	–
To Bank a/c (b/f)	15400	11000	–	By Bank a/c (b/f)	–	–	7000
	15700	11300	13500		15700	11300	13500

Bank a/c

Particulars	Amount	Particulars	Amount
To Balance b/d [illegible]	6000	By Realisation a/c (LP)	2400
To Realisation a/c	16250	By Realisation (RE)	450
(Asset realised)		By Hari Cap a/c	15400
To Suri Cap a/c	7000	By Giri Cap a/c	11000
	29,250		29,250

Note 1 :- 50% on Inv t/o by Anitha
(20000 × 50%) 10000
(-) 10% (10000×10%) 1000
9000

b) 50% Inv sold
(20000 × 50%) 10000
(+) Profit @ 20%
(10000×20%) 2000
12000

Q3 ⇒

Realisation a/c

Particulars	Amount	Amount	Particulars	Amount	Amount
To Debtors		28000	By PBD		2000
To Stock		40000	By Bills Payable		6000
To Investment		29000	By Creditors		20000
To Furniture		14000	By Vanitha's loan		5000
To Buildings		60000	By Bank (AR)		
To Bank (LP)			Drs (Debtors)	25600	
To Bills payable	6000		Stock	39000	
To creditors	20000		Buildings	66000	
To Vanitha	5000	31000	Investment (WN 1b)	12000	1,42,600
To Anitha cap a/c		2600	By Anitha cap a/c		9000
To Partners cap			(Inv t/o) W/a		
Anitha (1000×1/2)	500		By Sunitha cap a/c		12000
Sunitha (1000×1/2)	500	1000	[Furniture t/o]		
		1,96,600			1,96,600

Partner's Capital a/c

Particulars	Anitha	Sunitha	Particulars	Anitha	Sunitha
To Realisation a/c	9000	-	By Balance b/d	50000	50000
(I t/o)			By Realisation (Profit)	500	500
To Realisation a/c		12000	By Reserve fund (1:1)	15000	15000
(furniture t/o)					
To Bank a/c	59,100	53,500			
	68,100	65,500		68,100	65,500

B Cash a/c

To Balance b/d	6000	By Realisation a/c (LP)	31000
To Realisation a/c	1,42,600	By onitha loan a/c	5000
(Asset realised)		By Anitha cap a/c	59,100
		By Sunitha cap a/c	53,500
	1,48,600		1,48,600

Q17 => Realisation a/c

Particulars	Amt	Amt	Particulars	Amt	Amt
To Stock		75000	By Sundry creditors		62000
To Sundry debtors		55000	By Bills payable		32000
To Investments		70000	By Bank loan		50000
To Motor car		90000	By Bank Asset Reals		
To Machinery		45000	Stock	10000	
To Fixtures		9000	Investments	76000	
To Tanu cap a/c	₹	50000	Fixtures	4000	90000
(Bank loan Paid)			By Tanu cap a/c		55000
To Sonu cap a/c		30,400	(Sundry Drs t/o)		
(32000 5% 1600)			By Sonu cap a/c		40000
To Bank a/c (RE)		2200	(Machinery t/o)		
			By Tanu cap a/c		60000
			(Motor car t/o)		
			By Partners cap a/c		
			Tanu (37600 x 5/8)	23500	
			Sonu (37600 x 3/8)	14,100	37600
		4,26,600			4,26,600

Partner's Capital a/c

Particulars	Tanu	Sonu	Particulars	Tanu	Sonu
To Tanu cap a/c	55000	–	By Balance b/d	1,10,000	90000
To Sonu cap (M/t)	–	40000	By Realisation a/c (Loss)	23,500	14,100
To Tanu cap (M c/o)	60000		By Reserve fund (5:3)	10000	6000
To Cash a/c	31500	72300			
	1,43,500	110100		1,43,500	110100

Cash a/c

Particulars	Amount	Particulars	Amount
To Balance b/d	16000	By realisation a/c	2200
To Realisation a/c	90000	(Realisation Expenses)	
(Asset realised)		By Thanu cap a/c	31500
		By Sonu cap a/c	72300
	1,06,000		1,06,000

Q21 ⇒ Realisation a/c

Particulars	Amount	Particulars	Amount
To Plant	90,000	By Creditors	80000
To Debtors	60000	By Bills payable	30000
To Furniture	32000	By Cash (Asset realised)	
To Stock	60000	Plant 72000	
To Investment	70000	Debtors 54000	
To Bills receivable	36000	Furniture 18000	
To Cash (L P)		Stock 54000	
– Creditors 78700		(60000 x 90%)	
(80000 - 1300)		Investments 76000	
- Bills Payable 30000	1,08,700	Bills receivable 31000	3,05,000
To Sundry cap a/c		To Partner's cap a/c	
Commission 3800		Sanjay (60000 x 3/5) 36000	
Realisation Expenses 4500	18300	Veeneth (60000 x 2/5) 24000	60000
(3,05,000 x 6%)			
	4,75,000		4,75,000

Partner's capital a/c

Particulars	Sanjay	Vaneth	Particulars	Sanjay	Vereet
To Real a/c (Loss)	36000	24000	By Balance b/d	1,50,000	1,20,000
			By Real a/c (C&RE)	18,300	-
To Cash a/c (b/f)	1,32,300	96000			
	1,68,300	1,20,000		1,68,300	1,20,000

Cash a/c

Particulars	Amount	Particulars	Amount
To Balance b/d	32000	By Real a/c (LP)	1,08,700
To Real a/c (AR)	3,05,000	By Sanjay Cap a/c	1,32,300
		By Veneet Cap a/c	96000
	3,37,000		3,37,000

14/7/25

Chapter -

Financial Statements of a Company

★ **Meaning of Financial Statement :-**

Financial Statements are the basic and formal annual reports through which the Corporate management communicates financial information to its owners and various other external Parties. These statement into

a) Positive Statement (Balance Sheet)
b) The Statement of Profit & loss a/c

★ **Nature of Financial Statements**

1. It Prepared on the basis of facts in the form of Cost data recorded in accounting books.

2. It Prepares according to accounting conventions

3. It is Prepared to give Personal judgements about organisation

4. It is prepared on Certain basic assumptions known as Postulates.

★ **Objectives of Financial Statement**

* To Provide information about assets & liabilities of business
* To Provide information about earning facility of business
* To Provide information about Cash & flows
* To judge effectiveness of management
* To Provide information about activities of business affecting the society...

★ Format of Statement of P&L a/c

Statement of Profit & loss a/c

Particulars	Note No	Amount
I Revenue from operations		
II Other Income		
III TOTAL REVENUE (I+II)		
IV EXPENSES		
Cost of material consumed		
Purchase of stock in trade		
Changes in inventories		
Work in Progress & stock in trade		
Employee benefit expenses		
Finance cost		
Depreciation and amortalisation exp		
Other Expenses		
Total Expenses		
V PROFIT BEFORE TAX (III-IV)		
VI Tax Expense		
i) current tax		
VII PROFIT AFTER TAX		

Sum

=> From the following equation Prepare Statement of P&L a/c for the year Ended 31/3/24

Particulars	Amount
Revenue from operation	500000
Other income	20000
Employee benefit Expenses	60000
Cost of material Consumed	300000
Other Expenses	40000
Income tax 30%	

Ans :- Statement of Profit & loss a/c for Year 31-3-24

Particulars	Note No	Amount
I. Revenue from Operations		500000
Other income		20000
Total revenue		52000
Expenses		
- Employee benefit Expenses		60000
- Cost of material Consumed		300000
Other Expenses		40000
Total Expenses		400000
PROFIT BEFORE TAX (III-IV)		1,20,000
Tax Expenses (120000 X 30%)		36000
PROFIT AFTER TAX		84000

Problem's (6Marks)

Note 1 EBE

Q1 =>

Particulars	Note No	Amount
Salaries to Employee		40000
Leave Encashment		10000
		50000

Note 2 OE

Particulars	Note No	Amount
Rent & taxes		30000
Repairs to Machinery		20000
		50000

Statement of P&L A/c
for Year Ending 31/03/24

Particulars	Note No	Amount
I Revenue from operations		5,00,000
II other Income		-
III TOTAL INCOME		5,00,000
IV EXPENSES		
- Purchase of Stock in trade		3,00,000
- Employee Benefit Expenses	1	50000
- Other Expenses	2	50000
TOTAL EXPENSES		4,00,000
V PROFIT BEFORE TAX (III-IV)		1,00,000
(-) Tax (1,00,000 x 30%)		30000
PROFIT AFTER TAX		70000

Q2 ⇒

Note 1 Finance cost

Particulars	Amount
Interest on debenture	30000
Intrest on Borrowing	20000
	50000

Note 2 Depreciation & amortization

Particulars	Amount
Depreciation on P & M	4000
Amort of Good will	6000
	10000

Statement of P & L a/c
for Year Ending 31/03/24

Particulars	Note No	Amount
I. Revenue from operations - Sales		3,00,000
II. Other Income		-
III. TOTAL INCOME		3,00,000
IV. EXPENSES		
- Purchase of SIT	2	1,80,000
- Depreciation & Amortization	2	10,000
- Finance cost	1	50000
TOTAL EXPENSES		2,40,000
V. PROFIT BEFORE TAX (III - IV)		60000
(-) Tax (60000 x 30%)		18000
PROFIT AFTER TAX		42000

Q3 =>

Note 1 Purchase of Stock in trade

Particulars	Amount
Cal ~~Credit~~ Purchases	2,00,000
Credit Purchases	4,00,000
	6,00,000
(−) Purchases returns	20000
	5,80,000

Note 2 Outstanding Expenses

Particulars	Amount
Power & Fuel	30000
Consumption of Stores	50000
	80,000

Statement of P&L a/c
of the year ending 31/03/24

Particulars	Note No	Amount
I Revenue from Operation		
- Sales		10,00,000
II Other Income		–
III Total Income		10,00,000
IV Expenses		
- Purchase of Stock in trade	1	5,80,000
- Finance Cost		30000
- Other Expenses	2	80000
Total Expenses		6,90,000
V PROFIT BEFORE TAX (III - IV)		3,10,000
(−) Tax (3,10,000 × 30%)		93000
VI PROFIT AFTER TAX		2,17,000

Q7 =>

Note 1 Finance Cost

Particulars	Amount
Intrest on Loan	30000
Intrest on Debentures	20000
	50000

Statement of P&L a/c for
the year ending 31/03/24

Particulars	Note No	Amount
I Revenue from operations		3,85,000
II Other Income		75000
III TOTAL INCOME		4,60,000
IV Expenses		
- Purchase of stock in trade		97000
- Employee benefit Expenses		1,03,000
- Finance Cost	1	50,000
- Depreciation & Amortisation Expen		83000
- Other Expenses		1,08,000
TOTAL EXPENSES		4,41,000
V PROFIT BEFORE TAX (III - IV)		19000
(-) Tax (19000 x 30%)		5700
VI PROFIT AFTER TAX		13,300

Q8 => Note 1 Depreciation & Amortisation Cost

Particulars	Amount
Depreciation on tangible assets	40000
Amortisation of Intangible assets	50000
	9000 0

Statement of P&L a/c for
the year ending 31/03/24

Particulars	Note No	Amount
I. Revenue from operations		
- Sales		9,47,000
II Other Income		-
III TOTAL INCOME		9,47,000
IV Expenses		
- Cost of Material Consumed		3,25,000
- Employee Benefit Expenses		1,75,000
- Finance cost		16000
- Depreciation & Amortisation Exp	1	90000
- Other Expenses		40000
TOTAL EXPENSES		6,46,000
V. BEt PROFIT BEFORE TAX (III - IV)		3,01,000
(-) Tax (3,01,000 × 30%)		90,300
VI. PROFIT AFTER TAX		2,10,700

Q9 => Note 1 Employee Benefit Expenses

Particulars	Amount
Salaries	2,09,000
Contribution to Provident fund	50,000
	1,50,000

Note 2 Other Expenses

Particulars	Amount
Rent	25000
Administration Expenses	50 000
	75000

Statement of P&L a/c for
the year ending 31/03/24

Particulars	Note No	Amount
I Revenue from operations		6,35,500
II Other Income		–
III TOTAL INCOME		6,35,500
IV Expenses		
- Purchase of stock in trade		2,72,000
- Employee benefit Expenses	1	1,50,000
- Depreciation & Amortisation Exp		60000
- Other Expenses	2	75000
TOTAL EXPENSES		5,57,000
V PROFIT BEFORE TAX (III - IV)		78000
- Tax (72000 X 30%)		23,400
VI PROFIT AFTER TAX		52,600

Q10 => Note 1 Other Expenses

Particulars	Amount
Rent	25000
Administration Expenses	30000
	55000

Statement of P&L a/c for
the year ending 31/03/24

Particulars	Note No	Amount
I Revenue from operations		8,70,000
II Other Income		–
III TOTAL INCOME		8,70,000
IV Expenses		
- Purchase for stock in trade		4,50,000

- Employee Benefit Expenses		95000
- Finance Cost		30,000
- Depreciation & Amortisation Exp		40,000
- other Expenses	1	55000
- TOTAL EXPENSES		6,70,000
V PROFIT BEFORE TAX (III - IV)		2,00,000
(-) Tax (200,000 x 30%)		60000
VI PROFIT AFTER TAX		1,40,000

Q4 =>

Note 1 Employee Benefit Expenses

Particulars	Amount
Salaries	90,000
Wages	1,10,000
	2,00,000

Note 2 Changes in Inventory

Particulars	Amount
Opening Stock	1,50,000
(-) Closing Stock	-
	1,50,000

Statement of P&L a/c

I Revenue from operation		10,00,000
II outstanding Exp		-
III TOTAL INCOME		10,00,000
IV Expenses - Pur of stock		4,00,000
Employee Benefit Expenses	1	2,00,000
Depreciation & Amortization		16000
Change in Inv	2	1,50,000
TOTAL Expenses		7,66,000
V PROFIT BEFORE TAX		2,34,000
(-) Tax (2,34,000 x 30%)		70,200
V PROFIT AFTER TAX		1,63,000

Finance Cost
(1,00,000 x 12
12000

Q5 =>

Note 1 Revenue from operations

Particulars	Amount
Cash Sales	2,00,000
Credit Sales	3,00,000
	5,00,000
(-) Returns	20,000
	4,80,000

Note 2 Depreciation & Amortization

Particulars	Amount
Depreciation on Building (2,00,000 × 10%)	20000 +
Depreciation on machinery (1,50,000 × 10%)	15000
	35000

Statement of P&L a/c for the Year Ending 31/03/24

Particulars	Note No	Amount
I Revenue from operations		4,80,000
II Other Income		-
III TOTAL INCOME		4,80,000
IV Expenses		
Cost of material Consumed		3,00,000
Depreciation & Amortization	2	35000
Other Expenses (Bad debts)		5000
TOTAL EXPENSES		3,40,000
V PROFIT BEFORE TAX		1,40,000
- Tax (1,40,000 × 30%)		42000
VI PROFIT AFTER TAX		98000

Q6 => Note 1 Employee Benefit Expenses

Particulars	Amount
Wages & Salaries	50,000
Contribution to provident fund	10000
	60000

Note 2 Depreciation & Amortisation

Particulars	Amount
- Depreciation on Plant & Mac (200,000 × 10%)	20000
- Good will (2,40,000 × 10%)	24000
~~- Int on Debentures~~	~~30,000~~
~~(3,00,000 × 10%)~~	~~30,000~~

Note :- If Debentures is given in Trial balance with interest rate, Need to calculate Interest on debentures & under the head of Finance Cost.

Note 3 Finance Cost

Particulars	Amount
Interest on Debentures (3,00,000 × 10%)	30,000
	30,000

Statement of P & L a/c

Particulars	Note No	Amount
I Revenue from operations		15,00,000
II Other Income		–
III TOTAL Income		15,00,000
IV Expenses	1	~~60,000~~
Employee Benefit Expenses		60,000 ~~10,00,000~~
Purchase Stock in Trade		10,00,000
Finance Cost (3,00,000 × 10%)	3	30,000
Depreciation & Amortization	2	44000
TOTAL EXPENSES		11,34,000
V PROFIT BEFORE Tax		3,66,000
(–) Tax (3,66,000 × 30%)		1,09,800
V PROFIT AFTER TAX		2,56,200

★ Format of Balance Sheet

Particulars	Note No	Amount
I. EQUITY & LIABILITIES		
1) Share holder funds		
a) Share Capital		
b) Reserves & Surplus		
2) Non-Current LIABILITIES		
a) Long-term borrowings		
3) CURRENT LIABILITIES		
a) Short-term borrowings		
b) Trade Payables		
c) Other current liabilities		
d) Short term Provisions		
Total		
II. ASSETS		
1) Non-Current Asset		
a) Fixed Asset		
i) Tangible Asset		
ii) - In Tangible Assets		
b) Non-Current Investment		
c) Other non Current asset		
2) Current Asset		
a) Investments		
b) Inventories		
c) Trade Receivables		
d) Cash ~~Ag~~ & Cash Equivalents		
e) Shor-term loans & Advances		
f) Other Current Asset		
Total		

Sums

Q2 =>

Balance Sheet of Jindal Company limited as on 31/03/2024

Particulars	Note No	Amount
I. Equity & Liabilities		
1) Share holder Fund		
a) Share capital		10,00,000
b) Reserves & Surplus		5,00,000
2) Non current Liabilities		
a) Long term borrowings	I	5,00,000
3) Current Liabilities		–
a) Short term borrowings		–
b) Trade Payables	2	5,00,000
c) other current liabilities		–
d) Short term Provisions		–
TOTAL		25,00,000
II. ASSETS		
1) Non current Asset		
a) Fixed Asset		15,00,000
i) Tangible Asset		
ii) In-Tangible Asset		
b) Non current Investment		
c) other non current asset		
2) Current Asset		
a) Investments		2,00,000
b) Inventories		–
c) Trade receivable		5,00,000
d) Cash & Cash Equivalents		3,00,000
e) Short term loans & advances		–
f) other current asset		–
TOTAL		25,00,000

Note 1 :-

Long Term borrowing

- 10% Deb 5,00,000

5,00,000

Note 2 :-

Trade Payables

Creditors 3,00,000

Bills payable 2,00,000

5,00,000

Q1 =>

Note 1:-
Share cap [illegible]
Securities [illegible] 700
3,66,700

Note 2 :-
Long term borrowings
15% Deb 125000
125000

Balance sheet as on

Particulars	Note No	Amount
I Equity & liabilities		
1) Share holders fonds		
a) Share Capital	1	3,66,700
b) Reserves & Surplus		50000
2) Non - Current liabilities		
a) Long term borrowings	2	1,25,000
3) Current liabilities		
a) Short - term borrowings		
b) Trade Payables		59000
c) others Current liabilities		92,400
d) Short term Provisions		
TOTAL		6,87,100
II ASSETS		
1) Non - Current asset		
a) Fixed Asset		4,05,900
i) Tangible asset		
ii) In- tangible asset		
b) Non Current Investment		
c) others non- Current Investment		
2) Current Asset		
a) Investments		
b) Inventories		48,500
c) Trade receivables		95000
d) Cash & Cash Equivalent		1,37,700
e) Short term loans & Advance		
f) others Current assets		
TOTAL		6,87,100

Q10 =>

Balance Sheet

Particulars	Note No	Amount
I. Equity & liabilities		
1) Share holder funds		
a) Share capital		4,00,000
b) Reserves & surplus		1,24,750
2) Non-current liabilities		
a) Long term borrowings		1,00,000
3) Current Liabilities		
a) Short-term borrowings		
b) Trade payables		85000
c) other current liabilities		
d) Short term Provisions		1,13,750
TOTAL		8,23,500
II. ASSETS		
1) Non-current asset		
a) Fixed Asset	1	4,85,500
i) Tangible asset		
ii) In tangible asset		
b) Non-current Investment		
c) other non-current Investment		
2) Current Asset		
a) Investments		45000
b) Inventories		
c) Trade receivables		1,60,000
d) Cash & Cash Equivalent		1,33,000
e) Short term loans & advances		
f) other current assets		
TOTAL		8,23,500

Total of Fixed Asset

Furniture 3,00,000

P&M 1,15,500

4,25,500

Q8 => Balance sheet as on —

Particulars	Note No	Amount
I Equity & liabilities		
1) Share holder funds		
a) Share capital		9,00,000
b) Reserves & Surplus		72,560
2) Non-current liabilities		
a) Long term Borrowings	01	3,00,000
3) Current liabilities		
a) Short term borrowings		
b) Trade Payables		97000
c) other current liabilities		63000
d) Short term Provisions		
TOTAL		14,32,560
II ASSETS		
1) Non-current asset		
a) Fixed Asset	2	1006,850
i) Tangible asset		
ii) In-tangible asset		
b) Non Current Investment		
c) Other non-current Investment		
2) Current Asset		
a) Investments		
b) Inventories		1,23,900
c) Trade receivables		2,15,370
d) Cash & Cash Equivalent		86,540
e) Short term loans & advances		
f) other current Assets		
TOTAL		1,43,2560

NOTE 1:-

Long term Borrowing

8% Deb 3,00,000

NOTE 2:- Fixed asset

Buildings 6,75,000

Furniture 3,31,850

1006850

Note 1 :- Share capital

Equity share capital	16,00,000
Preference share capital	6,00,000
	22,00,000

Note 2 Fixed asset

P & M	8,00,000
L & B	[illegible]
	34,00,000

Q11 => Balance Sheet as on 31/03/24

Particulars	Note No	Amount
I Equity and Liabilities		
1) Share holder funds		
a) Share capital	01 3,30,000	22,00,000
b) Reserves & surplus		15,00,000
2) Non-Current liabilities		
a) Long-term Borrowings		12,00,000
3) Current Liabilities		
a) Short term borrowings		2
b) Trade payables		3,59000
c) other current liabilities		
d) Short term Provisions		2,50,000
TOTAL		46,00,000
II ASSETS		
1) Non Current asset		
a) Fixed asset	02	3400000
i) Tangible asset		
ii) In-tangible asset		
b) Non Current Investment		
c) other non Current Investment		
2) Current asset		
a) Investments		
b) Inventories		7,00,000
c) Trade & receivables		
d) Cash & Cash Equivalent		5,00,000
e) Short term loans & advances		
f) Others current assets		
TOTAL		46,000,00

Note 1 :- Share holder fund

Share Capital	2,00,000
Preference SC	3,00,000
	5,00,000

Note 2 :- Fixed Asset

T A	4,50,000
I A	2,00,000
	6,50,000

Q4 =>

Balance Sheet as of Stars ltd
for the year Ending 31/03/24

Particulars	Note No	Amount
I. Equity & liabilities		
1) Share holder funds		
a) Share Capital	01	500000
b) Reserves & Surplus		3,00,000
2) Non-Current liabilities		
a) Long term Borrowings		
3) Current liabilities		
a) Short term borrowings		
b) Trade payables		
c) other Current liabilities		2,00,000
d) Short term Provisions		
TOTAL		10,00,000
II. ASSETS		
i) Non Current asset		
a) Fixed Asset	2	6,50,000
i) Tangible Asset		
ii) In-tangible Asset		
b) Non Current Investment		
c) Other non-Current Investment		
2) Current Asset		
a) Investments		
b) Inventories		
c) Trade Receivables		3,50,000
d) Cash & Cash Equivalent		
e) Short term loans & advances		
f) others Current Assets		
TOTAL		10,00,000

Q5 =>

Balance Sheet as on Surya Ltd
for the year Ending 31/03/24

	Particulars	Note No	Amount
	I Equity and Liabilities		
Note1: Share holder	1) Share holder Fund		
funds	a) Share Capital	01	32,00,000
ESC 20,00,000	b) Reserves & Surplus		
PSC 12,00,000	2) Non-Current Liabilities		
32,00000	a) Long term Borrowings		[illegible]
	3) Current Liabilities		
	a) Short Term borrowings		16,00,000
	b) Trade Payables		5,00,000
	c) other current Liabilities		4,00,000
	d) short term Provisions		5,00,000
	TOTAL		62,00,000
Note2:- Fixed asset	II Assets		
Plant & Machine 10,0000	1) Non-Current asset		
Land & building 20,0000	a) Fixed Asset	02	30,00,000
30,0000	i) Tangible Asset		
	ii) In-Tangible Asset		
	b) Non Current Investment		
	c) other non Current Investment		
	2) Current Asset		
	a) Investments		8,00,000
	b) Inventories		14,00,000
	c) Trade Receivables		
	d) Cash & Cash Equivalent		10,00,000
	e) Short Term loans & advances		
	f) other Current Assets		
	TOTAL		62,000,00

Q7 =>

Balance Sheet as on - for
the year Ending 31/03/24

Particulars	Note No	Amount
I Equity and Liabilities		
1) Share Holders Funds		
a) Share Capital		9,56,000
b) Reserves & Surplus		
2) Non Current Liabilities		
a) Long term Borrowings		2,00,000
3) Current Liabilities		
a) Short term borrowings		
b) Trade Payables		
c) other Current liabilities		
d) Short term Provisions		96000
TOTAL		11,72,000
II Assets		
1) Non Current asset		
a) Fixed Asset	01	5,17,000
i) Tangible Asset		
ii) In-Tangible Asset		
b) Non Current Investment		
c) other non Current Investment		
2) Current Asset	02	2,60,000
a) Investments		
b) Inventories		
c) Trade & recievables		1,40,000
d) Cash & Cash Equivalent		1,20,000
e) Short term loans & advances		1,35,000
f) Other Current Assets		
TOTAL		11,72,000

Note 1:- Fixed Asset

Goodwill	30000
Loose tools	17000
Motor vehicles	4,70,000
	5,17,000

Note 2:- Current Asset

P. Expense	2,40,000
D in Share	20,000
	2,60,000

Q9 ->

Balance Sheet as on -

Particulars	Note No	Amount
I Equity and Liabilities		
1) Share Holder Fund		–
a) Share Capital		7,00,000
b) Reserves & Surplus		2,10,000
2) Non Current liabilities		–
a) Long term Borrowings		2,25—
3) Current Liabilities		–
a) Short term Borrowings		2,25,000
b) Trade Payables		1,25,000
c) other Current liabilities		–
d) Short term Provisions		1,8,175
TOTAL		14,39,175
II. Assets		
1) Non Current asset		–
a) Fixed Asset	01	7,36,000
i) Tangible Asset		–
ii) In-tangible asset		–
b) Non Current Investment		–
c) other non current Investment		–
2) Current Asset		–
a) Investments		–
b) Inventories		1,45,000
c) Trade & Receivables		2,45,000
d) Cash & Cash Equivalent		2,25,000
e) Short-term loans & advances		88,175
f) Other Current liab Assets		–
TOTAL		14,39,175

ote 1:- Fixed Asset

uildings 5,24,000

oodwill 2,12,000

7,36,000

Note 1:- Fixed Asset
Gross Block 9,00,000
(-) Depreciation 70,000
8,30,000

Note 2:- Reserves & Surplus
General reserve 3,00,000
→ Previous year profit 1,20,000
[illegible]

Q6 =>

Balance Sheet as of White Ltd
for the year Ending 31/03/24

Particulars	Note No	Amount
I Equity and liabilities		—
a) Share capital		5,00,000
b) Reserves & Surplus	02	4,20,000
-		-
2) Non Current liabilities		
a) Long term borrowings		3,00,000
3) Current liabilities		2,50,000
a) Short term borrowings		-
b) Trade Payables		-
c) other current liabilities		-
d) Short term Provisions		-
TOTAL		14,70,000
II Assets		
1) Non Current asset		
a) Fixed asset		8,30,000
i) Tangible asset		
ii) In tangible asset		
b) Non Current Investment		
c) other non Current Investment		
2) Current Asset		30,000
a) Investments		
b) Inventories		
c) Trade receivables		
d) Cash & Cash ~~[illegible]~~ Equivalent		6,10,000
e) Short term loan & advances		
f) Other Current Assets		
TOTAL		14,70,000

Part- 02

Chapter - 04

Analysis of Financial Statement

★ **Meaning of Analysis of Financial Statement :-** The Process of critical evolution of the financial information contained in the financial statements in order to understand & make decisions regarding the operations of the firm is called financial statement analysis.

★ **Significance of Analysis of Financial Statement**

i) **Finance manager :-** It helps the finance manager to determine the continuity of the operating policies, investment value of the business, credit rating, testing the efficiency of operations & in the area of financial control.

ii) **Top Management :-** It helps the management in measuring the success of the companies operation appraising the individual performance & evaluating the system of internal control.

iii) **Trade Payables :-** It helps to know the ability of the company to meet its short term obligation by evaluating the firms liquidity positions

iv) **Lenders :-**

They analize the firms profit ability over a period of time, its ability to generate Cash, to be able to pay interest & re pay the Principal. long term lenders analysis the historical financial statement to assist its future Solvance & Profitability.

v) **Investors :-**

Concentrate on the analysis of the firms Present & future Profitability. They also Evaluate the Efficiency of the management

vi) Other's like Economist & researcher analyse the financial statements to study the present business & Economic conditions. The government agency need it for Price regulations, Taxation & other Similar Purpose.

★ Objectives of Financial Statement Analysis

1) To assist the Current Profitability & operational Efficiency of the firm has a whole as well as its different department so has judge the financial help of the firm

2) To ascertain the relative importance of a different components of the financial position of the firm

3) To Identify the reasons for a change in the profitability or financial Position of the firm

Q1 => Prepare a Comparitive Statement of Profit & loss for the year 2023 & 2024 from following information

Particulars	2023	2024
Revenue from operation	60,000^{00}	75,00,000
Other Income	1,50,000	1,20,000
Expenses	44,00,000	50,60,000
Income tax	35%	40%

Ans :- Comparitive Income statement for the year Ending 31/03/23 & 31/03/24

Particulars	2023	2024	Increase or Decrease	% Increase or Decrease
I Revenue from operation	60,00,000	75,00,000	15,00,000	25%
II Other Income	1,50,000	1,20,000	(30,000)	(20)%
III TOTAL INCOME	61,50,000	76,20,000	14,70,000	23.9%
IV Expenses	44,00,000	50,60,000	6,60,000	15%
V TOTAL EXPENSES	44,00,000	50,60,000	6,60,000	15%
VI PROFIT BEFORE TAX (III - V).	17,50,000	25,60,000	8,10,000	46.28%
(-) Income tax	6,12,500	10,24,000	4,11,500	67.18%
PROFIT AFTER TAX	11,37,500	15,36,000	3,98,500	35.02%

Part - D

Q1 => Comparitive statement of Soundarya Company for the year Ending 31/03/23 & 31/03/24

Particulars	2023	2024	Increase or Decrease	Increase or Decrease
I Revenue from operations	7,25,000	8,15,000	90,000	12.41%
(-) Less Returns	25000	15000	(10,000)	(40)%
~~II. Other Revenue Income~~	7,00,000	8,00,000	11,00,000	14.2%
II Other Revenue Income	1200	8000	6400	366.67%
III TOTAL REVENUE	1,01,200	8,08,000	1,06,800	15.83%
IV Expenses				
Employee Benefit Expenses	5,95,000	6,15,000	20,000	3.36%
Depreciation	12,700	12,500	(200)	(1.57)%
Finance cost	23000	24000	1000	4.34%
Other Expenses	1500	2000	500	33.37%
X TOTAL EXPENSES	6,32,200	6,53,500	21,300	3.37%
V PROFIT BEFORE TAX	69000	1,54,500	85,500	123.9%

Q2 => Comparitive Statement for the year 31/3/23 & 31/3/24

Particulars	2023	2024	Increase or Decrease	Increase or Decrease
I Revenue from operations	8,00,000	9,00,000	1,00,000	12.5%
II Other Income	20,000	40,000	20,000	100%
III TOTAL INCOME	8,20,000	9,40,000	1,20,000	14.63%
IV Expenses				
Employee Benefit Expenses	1,00,000	1,20,000	20,000	20%
Cost of materials Consumed	4,00,000	5,00,000	1,00,000	25%
Finance costs	30,000	20,000	(10,000)	(33.33%)
Depreciation	70,000	70,000	-	-
Other Expenses	20,000	30,000	10,000	33.33%
V TOTAL EXPENSES	6,20,000	7,40,000	1,20,000	19.35%
VI PROFIT BEFORE TAX	2,00,000	2,00,000	-	-
VII Income tax	60,000	60,000	-	-
PROFIT AFTER TAX	1,40,000	1,40,000	-	—

Q3 => Comparative Income Statement for the year 23 & 24

Particulars	2023	2024	Increase or Decrease	% Increase or Decrease
I Revenue from operations	6,00,000	8,00,000	2,00,000	33.33%
II Other Income	60,000	70,000	10,000	16.6%
III TOTAL INCOME	6,60,000	8,70,000	2,10,000	31.81%
IV Expenses				
Purchases of Stock in trade	3,00,000	5,00,000	2,00,000	66.6%
Employee Benefit Expenses	1,00,000	1,50,000	50,000	50%
Finance Costs	30,000	40,000	10,000	33.33%
Depreciation	50,000	60,000	10,000	20%
~~VI PROFIT BEFORE TAX~~				
Total Expenses	4,80,000	7,50,000	2,70,000	56.25%
V PROFIT BEFORE TAX	1,80,000	1,20,000	(60,000)	(33.33)%
VI Income Tax	54000	36000	(18000)	(33.33)%
VII PROFIT AFTER TAX	1,26,000	84000	(42000)	33.33%

Q4 => In the books of GPR Co. Ltd

Particulars	2023	2024	Increase or Decrease	% Increase or Decrease
I Revenue from operations	21,50,000	25,00,000	3,50,000	16.27%
II Other Income	-	-	-	-
III TOTAL INCOME	21,50,000	25,00,000	3,50,000	16.27%
IV Expenses				
Purchases of Stock in trade	13,00,000	14,50,000	1,50,000	11.53%
Employee Benefit Expenses	2,10,000	1,80,000	(30,000)	(14.2)%
Finance Costs	1,40,000	1,20,000	(20,000)	(14.29)%
Other Expenses	1,90,000	2,50,000	60,000	31.58%
V TOTAL EXPENSES	18,40,000	20,00,000	1,60,000	8.70%
VI PROFIT BEFORE TAX (III-IV)	3,10,000	5,00,000	190000	61.29%
VII Income Tax	93000	1,50,000	57000	61.29%
VIII PROFIT BEFORE TAX AFTER	93000	1,50,000	57000	61.29%

Q5 => In the books of PMT Co.ltd for the year 31/3/23 & 31/3/24

Particulars	2023	2024	↑ or ↓	% ↑ or ↓
I Revenue from operations	4,00,000	6,00,000	2,00,000	50%
II Other Income	50,000	60,000	10,000	20%
III TOTAL INCOME	4,50,000	6,60,000	2,10,000	46.66%
IV Expenses				
Purchase of Stock in trade	2,00,000	2,50,000	50,000	25%
Employee Benefit Expenses	19000	22000	3000	15.79%
Depreciation	6000	8000	2000	33.33%
Other Expenses	11000	14000	3000	27.57%
V TOTAL EXPENSES	2,36,000	2,94,000	58000	24.58%
VI PROFIT BEFORE TAX (III-V)	2,14,000	3,66,000	1,52,000	71.03%
VII Income Tax	64,200	1,09,800	45,600	71.03%
VIII PROFIT AFTER TAX (V-VI)	1,49,800	2,56,200	1,06,400	71.03%

★ Problems on Comparative Balance Sheet

Q6 => Balance Sheet of Alpha Ltd
for the year Ending 31/03/23 & 2024

Particulars	31/03/23	31/03/24	Increase or Decrease	% Increase Decrease
I Equity & Liabilities				
1) Share holder Fund				
a) Equity Share Capital	2,00,000	4,00,000	2,00,000	100%
b) Reserves & Surplus	1,00,000	1,50,000	50,000	50%
2) Non Current liability				
a) Long term Borrowings	2,00,000	3,00,000	1,00,000	50%
3) Current Liabilities	1,20,000	1,70,000	50,000	41.6%
TOTAL	6,20,000	10,20,000	400000	64.51%
II ASSETS				
1) Non Current Asset	2,00,000	5,00,000	3,00,000	150%
a) Fixed Asset	1,00,000	1,25,000	25000	25%
b) Non Current Investment				
2) Current Asset	2,55,000	3,25,000	70,000	27.4%
3) Loans & Advances	65,000	70,000	5000	7.69%
TOTAL	6,20,000	10,20,000	4,00,000	64.5%

Q7 => Comparative Balance Sheet

I Equity & Liabilities				
1) Share holder fund				
a) Equity Share Capital	4,00,000	5,00,000	1,00,000	25%
b) Reserves & Surplus	50,000	60,000	10,000	20%
2) Non Current liability				
a) Long term Borrowings	15,000	20,000	5000	33.33%
3) Current Liabilities	50,000	70,000	20,000	40%
TOTAL	5,16,000	650000	135000	26.21%
II ASSETS				
1) Non Current Assets				
~~a) Building~~ ~~b) Machin~~				

a) Buildings	2,00,000	2,50,000	50,000	25%
b) Machinery	1,50,000	2,00,000	50,000	33.33%
2) Current Assets				
a) Stock	1,00,000	1,10,000	10,000	10%
b) Trade Receivables	65,000	90,000	25000	38.4%
TOTAL	515,000	6,50,000	13,5000	26.21%

Q8 => Comparative Balance Sheet of SunStar Co. Ltd
for the year Ending 31/03/23 & 31/03/24

Particulars	2023	2024	Increase Decrease	Increase % Decrease
I Equity and Liabilities				
a) Equity Share Capital	5,50,000	10,50,000	5,00,000	90.90%
b) Reserves & Surplus	2,00,000	2,50,000	50,000	25%
2) Non Current Liabilities				
a) Long Term Borrowings	1,00,000	2,50,000	1,50,000	150%
3) Current Liabilities				
a) Trade Payables	1,50,000	3,00,000	1,50,000	100%
TOTAL	10,00,000	18,50,000	8,50,000	85%
II ASSETS				
1) Non Current Assets				
a) Fixed Assets				
b) Tangible Assets	5,00,000	10,00,000	5,00,000	100%
c) Long Term Investments	2,00,000	2,50,000	50,000	25%
2) Current Assets				
a) Inventories	2,25,000	3,25,000	1,00,000	44.44%
b) Trade Receivable	75,000	2,75,000	2,00,000	266.66%
TOTAL	10,00,000	18,50,000	8,50,000	85%

Q9 => Comparative Balance Sheet

Particulars	2023	2024	↑ or ↓	% ↑ or ↓
I Equity & liabilities				
a) Share capital	8,00,000	10,00,000	2,00,000	25%
b) Reserves & Surplus	1,00,000	1,20,000	20,000	20%
2) Long term Borrowings	50,000	50,000	-	-
3) Current Liabilities				
a) Trade Payables	8,0000	1,00,000	20000	25%
TOTAL	10,30,000	12,70,000	2,40,000	23.30%
II ASSETS				
1) Non Current Asset				
a) Fixed Assets	7,00,000	9,00,000	2,00,000	28.57%
b) Inventories	2,00,000	1,80,000	(20,000)	(10)%
Trade Receivables	1,00,000	1,50,000	50,000	50%
Cash & Cash Equivalents	30,000	40,000	10,000	33.33%
TOTAL	10,30,000	12,70,000	2,40,000	23.30%

Q10 => Comparative Balance Sheet of Star Co. Ltd
for the year Ending 31/03/23 & 31/03/24

Particulars	2023	2024	Increase or Decrease	% Increase and Decrease
I Equity & liabilities				
1) Share holder fund				
a) Equity share capital	6,00,000	8,00,000	2,00,000	33.3%
b) Reserves & Surplus	3,30,000	2,22,000	(1,08,000)	(32.72)%
2) Non Current liabilities				
a) Long term Borrowings	3,50,000	5,00,000	1,50,000	42.85%
3) Current Liabilities				
a) Trade Payables	1,55,000	1,75,000	20,000	12.90%
TOTAL	14,35,000	16,97,000	2,62,000	18.25%
II Assets				
1) Non Current Assets				
a) Fixed Assets				

b)	Tangible Assets	8,14,000	9,25,000	111000	13.63%
2)	Current Assets				
a)	Inventories	2,50,000	3,50,000	1,00,000	40%
b)	Trade Receivables	3,50,000	3,40,000	(10,000)	(2.85)%
c)	Cash & Cash Equivalent	21000	82000	61000	290.47%
	TOTAL	14,35,000	16,97,000	2,62,000	18.25%

★ Pro Common Size Income Statement :-

Those are the statements which indicates the relationship of different items of a financial statement with a common item by expressing each item as a percentage (%) of that common ~~height~~ item

There are two Common Size Statement

a) Common Size Income Statement
b) Common Size Balance Sheet

★ Format of Common Size Statement (Income Statement)

=> Common Size Statement (Income Statement)
for the year Ending 31/03/23 & 31/03/24

Particulars	Amount		% of each item to net revenue operations	
	31/3/23	31/3/24	31/3/23	31/3/24

★ Common Size Income Statement (Problems)

Q1 => Common Size Statement (Income Statement) for the year ending 31/03/23 & 31/03/24

Particulars	Amount		% of each item to the revenue from operation	
	31/3/23	31/3/24	31/3/23	31/3/24
I Net revenue from operation	60,000	86000	100%	100%
II other Income	300	400	0.5%	0.46%
III Total Revenue (A)	60,300	86,400	100.5%	100.46%
IV Expenses				
Cost of materials consumed	18000	20000	30%	23.25%
Employee benefits Expense	9000	10000	15%	11.62%
Finance Cost	3000	3400	5%	3.95%
other Expenses	6000	6600	10%	7.67%
IX Total Expenses (B)	36000	40000	60%	46.51%
V PROFIT BEFORE TAX (3-4)	24000	46400	40.5%	53.95%
Less Income tax	7200	13,920	12%	16.18%
PROFIT AFTER TAX	17,100	32,480	28.5%	37.76%

Q2 => Common Size Statement for year ending 31/03/23 to 24

Particulars	Amt 31/3/23	31/3/24	% of each item 31/3/23	31/3/24
I Net revenue from operation	5,00,000	4,00,000	100%	100%
II other Income	20,000	10,000	4%	25%
III Total Revenue	5,20,000	4,10,000	104%	102.5%
IV EXPENSES	~~3,00,000~~	~~2,00,000~~		
Cost of material consumed	[illegible]	2,00,000	60%	50%
E B E	60,000	40000	12%	10%
Finance cost	10,000	15000	2%	3.75%
Depreciation	20,000	25000	4%	6.25%
other Expenses	40000	30000	8%	7.7%
TOTAL EXPENSES	4,30000	3,10,000	86%	77.5%
V PBT (III - IV)	90000	100000	18.1%	25%
VI (-) Income tax	36000	40000	7.21%	10%
PROFIT AFTER TAX	54,000	60,000	10.81%	15.1%

Q3 => Common Size Statement (Income Statement)
for the year Ending 31/03/23 & 31/03/24

Particulars	Amount		% of each item to Revenue operation	
	31/3/23	31/3/24	31/3/23	31/3/24
I Net Revenue from operations	10,00,000	15,00,000	100%	100%
II Other Income	2,00,000	1,80,000	20%	12%
III TOTAL REVENUE (A)	12,00,000	[illegible]	120%	112%
IV Expenses				
Cost of materials consumed	5,00,000	9,00,000	50%	90%
Employee benefit Expenses	40,000	50,000	0.04%	3.33%
Finance Cost	30,000	40,000	3%	2.66%
Other Expenses	40,000	80,000	4%	5.33%
Total EXPENSES (B)	6,10,000	10,70,000	61%	~~101~~ 101.33%
V Profit Before Tax (A - B)	59000	61000	5.9%	4.066%
VI (-) Income Tax	17,700	18,300	1.77%	1.22%
PROFIT BEFORE TAX	41,300	42,700	7.67%	5.28%

Q4 => CSS (Income Statement) for Year Ending 31/03/23 & 31/03/24

Particulars	Amt 31/3/23	31/3/24	% of each item to R.O 31/3/23	31/3/24
I Net revenue from operations	3,50,000	4,50,000	100%	100%
II Total Revenue (A)	3,50,000	4,50,000	100%	100%
III Expenses				
Purchase of Stock in trade	1,90,000	2,15,000	54.28%	47.77%
Employee benefit Expenses	50,000	72000	14.28%	16%
Finance Cost	20,000	17000	5.71%	3.77%
Other Expenses	10,000	12000	2.85%	2.66%
TOTAL EXPENSES (B)	2,70,000	3,16,000	77.14%	70.22%
IV Profit Before Tax (A-B)	80,000	1,34,000	22.85%	29.77%
V (-) Income tax	32000	53600	9.14%	11.91%
PROFIT BEFORE TAX	48000	80,400	13.71%	17.86%

Q5 → Common Size Statement (Income Statement)
for the year ending 31/03/23 & 31/03/24

Particulars	Amount		% of each item of revenue operation	
	31/03/23	31/03/24	31/03/23	31/03/24
I Revenue from operations	5,00,000	7,00,000	100%	100%
II. Other Income	20,000	30,000	4%	4.28%
III. TOTAL REVENUE (A)	5,20,000	7,30,000	104%	104.28%
IV Expenses				
Cost of materials consumed	3,00,000	4,00,000	60%	57.14%
Employee benefit expenses	50,000	70,000	10%	10%
Depreciation & amortization	20,000	22,000	4%	3.14%
Other Expenses	40,000	50,000	8%	7.14%
TOTAL EXPENSES (B)	4,10,000	5,42,000	82%	77.42%
Profit Before Tax (A-B)	1,10,000	1,88000	22%	26.85%
V (-) Less Income Tax	33000	56,400	6.6%	8.05%
PROFIT AFTER TAX	77000	1,31,600	15.4%	18.8%

★ Common Size Balance Sheet (Problems)

Q1 => Common Size Statement (Balance Sheet)
for the Year 31/03/23 & 31/03/24

Particulars	·Amt		% of ~~Each item of net Revenue Operation~~	
	2023	2024	2023	2024
I Equity & Liabilities				
Equity Share Capital	5,00,000	6,00,000	34.48 %	38.09 %
Reserves & Surplus	3,00,000	3,50,000	20.68 %	22.22 %
Non Current liabilities				
Long term liabilities	4,00,000	3,00,000	27.58 %	19.04 %
Current liabilities	2,50,000	3,25,000	17.24 %	20.64 %
TOTAL	14,50,000	15,75,000	100 %	100 %
II Assets				
Fixed Assets :				
Tangible Assets	5,50,000	7,00,000	37.93 %	44.44 %
Intangible Assets	2,00,000	2,50,000	13.79 %	15.87 %
Current Assets	7,00,000	6,25,000	48.27 %	39.68 %
TOTAL	14,50,000	15,75,000	100 %	100 %

Q2 => In the books of Karnataka company ltd (Balance sheet)
for the Year 31/03/23 & 31/03/24 Total % of A&L

Particulars	2023 ₹	2024	2023 %	2024
I Equity & Liabilities				
Equity Share Capital	8,50,000	10,00,000	54.83 %	54.05 %
Reserves & Surplus	1,00,000	50,000	6.45 %	2.70 %
Non Current liabilities				
Long term liabilities	4,50,000	5,75,000	29.03 %	31.08 %
Current liabilities				
Short term borrowings	1,50,000	2,25,000	9.67 %	12.16 %
TOTAL	15,50,000	18,50,000	100 %	100 %
II Assets				

Fixed Assets				
Tangible Assets	7,50,000	9,00,000	48.38 %	48.64 %
Intangible Assets	4,00,000	4,50,000	0.25 %	24.32 %
Current Assets				
Inventories	1,00,000	2,00,000	6.45 %	10.81 %
other Current assets	3,00,000	3,00,000	19.35 %	16.21 %
TOTAL	15,50,000	18,50,000	100 %	100 %

Q3 => In the books of Indian Industries Ltd

Common Size Statement (B.S) for Year 23 & 24

Particulars	Amount		Total % of Asset & Liabilities	
	2023	2024	2023	2024
I Equity & liabilities				
Share Capital	2,00,000	2,50,000	25 %	27.77 %
Reserves	1,00,000	1,50,000	12.5 %	16.66 %
Long term loans	2,00,000	1,00,000	25 %	11.11 %
Trade Payables	3,00,000	4,00,000	37.5 %	44.44 %
TOTAL	8,00,000	9,00,000	100 %	100 %
II Asset FA				
Buildings	2,00,000	2,50,000	25 %	27.77 %
Plant	2,00,000	2,50,000	25 %	27.77 %
Inventories	3,50,000	3,25,000	43.75 %	36.11 %
Cash & Cash Equivalents	50,000	75,000	6.25 %	8.33 %
TOTAL	8,00,000	9,00,000	100 %	100 %

Q4 => In the books of Rajesh Exports ltd
Common Size Statement (B.S) for the year 23 & 24

Particulars	Amount		Total % of Asset liabilities	
	2023	2024	2023	2024
I Equity & Liabilities				
Equity share Capital	13,00,000	16,00,000	35.61 %	35.16 %
Reserves & Surplus	6,00,000	6,00,000	16.43 %	13.18 %
Non Current Liabilities				
Long term borrowings	6,00,000	7,00,000	16.43 %	15.38 %
Current Liabilities				
Trade Payables	11,50,000	16,50,000	31.50 %	36.26 %
TOTAL	36,50,000	45,50,000	100 %	100 %
II Assets				
Non Current Assets				
Fixed Assets :-				
Tangible assets	11,00,000	16,00,000	30.13 %	35.16 %
Intangible assets	11,00,000	16,00,000	30.13 %	35.16 %
Non Current Investments	11,00,000	11,00,000	30.13 %	24.17 %
Current Assets :-				
Inventories	3,50,000	2,50,000	9.58 %	5.49 %
TOTAL	36,50,000	45,50,000	100 %	100 %

Q5 => In the books of Raju Co. ltd Common Size Statement
Balance sheet for the year 31/03/23 & 31/03/24

Particulars	Amount		Total % of Asset & Liabilities	
	2023	2024	2023	2024
I Equity & Liabilities				
Shareholder's Fund				
Equity Share capital	12,00,000	15,00,000	36.92 %	36.14 %
Reserves & Surplus	5,00,000	5,00,000	15.38 %	12.04 %
Long term borrowings	5,00,000	6,00,000	15.38 %	14.45 %
Trade Payables	10,50,000	15,50,000	32.30 %	37.34 %
TOTAL	31,50,000	41,50,000	100 %	100 %

II Assets :				
Non Current Assets				
Fixed Assets :	10,00,000			
Tangible Assets	10,00,000	15,00,000	30.76%	36.05%
Intangible Assets	10,00,000	15,00,000	30.76%	36.05%
Non Current investments	10,00,000	10,00,000	30.76%	24.03%
Current Assets				
Other Current assets	2,50,000	1,50,000	7.69%	3.60% 36.05%
TOTAL	32,50,000	41,60,000	100%	100%

3/9/15

V. Good

Chapter - 06

Cash Flow Statement

★ **Cash flow :-**

It is the third important financial Statement which shows inflow's & outflow's of Cash & Cash Equivalent from various activities of a company during a specific Period.

★ **Objectives of Cash flow Statement :-**

* To Provide useful information about Cash flows (Income inflows & outflows) of an Enterprise during a Particular Period under various heads that is operating activity, Investing activity & financing activity.

* To Provide a bases to assist the ability of the Enterprise to generate Cash & Cash Equivalent & the needs of the Enterprise to utilize those Cashflows.

★ **Benefits of Cash flow Statement :-**

* It Provides information that Enables users to Evaluate Changes in net asset of an Enterprise & its financial Structure.

* ~~it~~ Cash flow information is useful in assessing the ability of the Enterprise to generate Cash & Cash Equivalent.

* It also Enhance the Comparability of the reporting of operating Performance by different Enterprises.

* It also helps in balancing its Cash inflow & Cash outflow, keeping in response to change in Condition.

★ **Cash Flows :-**

It means movement of Cash in & Cash out due to some non cash items.

★ **Classification of activities for Preparation of Cash flow Statement**

1) **Operating Activities :-**

Those activities are that constitute the Primary or main activities of an Enterprise.

Ex :- For manufacturing garment company, Operating activities are Procurement of raw material, manufacturing Expenses Etc...

2) Ex 2 :- Cash receive from fees, Commission or any other incomes

Ex 3 :- Cash Payment to the Employee

Ex 4 :- Cash Payment to suppliers of goods & services etc.

2) **Investing Activities :-**

Are the aquiresation & disposal of long term assets & other investments not included in Cash to Equivalence. Investing activities relat to Purchase & sale of long term assets or fixed assets.

Ex1 :- Cash Payment to acquire fixed assets

Ex2 :- Cash receive from disposal of fixed assets

3) **Financing Activities :-**

Are activities that result in changes in the size of Composition of owner's Capital & borrowings of the Enterprise. They relate to long term

funds & capital of an enterprise.
Ex :- Issue of Equity Shares
Ex :- Interest Paid to debentures
Ex :- Divident Paid on Equity Shares

⇒ Ascertaining cash flow from operating activity as Per AS3 (indirect method)

Cash flows from operating activity
(indirect method)

Particulars	Amount
Net Profit / Loss before tax	
+ Deduction of non cash items such as depreciation, goodwill	xxx
+ Deduction of non operating items such as interest	xxx
- Incomes of non operating items such as dividend received, Profit on sale of fixed asset operating Profit before working capital change	xxx
+ ↑ in Current liability	xxx
+ Increase in current asset	xxx
- Increase in Current asset	xxx
↓ Decrease in Current liability	xxx
Cash flows from OA before tax	xxx
- Income tax	xxx
NET CASH FROM OPERATIONS ACTIVITIES	xxx

1) Compute cash flow from operation from the following information

2 a) Profit for the year ending 31/3/18 was ₹ 20000 after providing depreciation q ₹ 5000

b) The Current assets & Current liability q the business for the year ended 31/3/22 & 23 as follows

Particulars	31/3/22	31/3/23
Trade Receivable	10000	20000
Trade Payable	15000	5000
Inventories	10000	20000
Prepaid Expenses	2000	3000

⇒ Cashflows from operating activity
(indirect method)

Particulars	Amount
Net Profit/Loss - before tax Ads for	20000
(+) Non Cash item - Depreciation	5000
Operating Profit before working capital chg	25000
(-) Increased in TR (20000 - 10000)	(10000)
(-) Decrease in TP (5000 - 15000)	(10000)
(-) Increase in Inv (20000 - 10000)	(10000)
(-) Increase in PE (3000 - 2000)	(1000)
Cash flows from OA before tax	(6000)
(-) Income tax	
NET CASH FROM OPERATING ACTIVITIES	(6000)

2) Anand Ltd arrived at a net income of ₹500000 for the year ended 31/3/23.
Depreciation for the year was ₹200000 There was a Profit of ₹50000 on assets sold which was transfer to Statement of P&L. Trade receivable increased during the year was ₹40000 and trade Payables also increased ~~during the yea~~ ₹60000, Comput Cash flow from operating activities by indirect method :-

⟹ Cash flows from operating activity
[Indirect Method]

Particulars	Amount
Net Profit / Loss before tax	500000
Adjustments for	
(+) Depreciation	200000
(−) Profit on sale of building	(50000)
operating Profit before working Capital change	65000
(−) Increase in Trade receivable	(40000)
(+) Increase in Trade Payable	60000
Cash flows from OA before tax	670000
(−) Income tax	–
NET CASH FROM OPERATING ACTIVITIES	6700000

3) Excel ltd are a net Profit ₹ 400000 for the year ended 31/3/23. Depreciation charged on fixed assets during the year was ₹100000 there was a loss of ₹ 40000 on the sale of Old machinery which was transfers to Statement of Profit & loss. During the year, inventories were decreased by ₹ 50000 and other current liability were decreased by 30000. Compute the Cash flow from operating activity by Indirect method :-

⟹ Cash flows ~~before~~ from operating activity
(Indirect method)

Particulars	Amount
Net Profit / Loss before tax	400000
Adjustments for	
(+) Depreciation	100000
(+) Loss on sale of Machinery	40000
op profit before working capital change	540000
(+) Decrease in inventories	50000
(-) Decrease in current liabilities	(30000)
	560000
(-) Income tax	-
NET CASH FROM OPERATING ACTIVITIES	560000

4) Compute cash from operations from the following information

a) Profit for the year 2023-24 is a sum of ₹10000 after Providing for depreciation of ₹2000

* b) The current assets & liabilities of the business for the year ended 2023 & 2024 are as follows

Particulars	2023	2024
Trade receivables	14000	15000
PDD	1000	1200
Trade Payables	13000	15000
Inventories	5000	8000
Others current asset	10000	12000
Expenses Payable	1000	1500
Prepaid Expenses	2000	1000
Accrued Expenses	3000	4000
Income received in advance	2000	1000

⇒ Net Profit for the year Adjustments for	10000
(+) Depreciation	2000
Operating profit before working capital	12000
(-) Increase in TR (15000 - 14000)	(1000)
(+) Increase in PDD (1200 - 1000)	200
(+) Increase in TP (15000 - 13000)	2000
(-) Increase in Inv (8000 - 5000)	(3000)
(-) Increase in O.C.A	(2000)
(+) Increase Expenses Payable	500
(+) Decreases Prepaid Expenses	1000
(-) Increase in accrued income	(1000)
(-) Decrease Income received in advance	(1000)
Cash flow from OA before tax	7700
(-) Income tax	-
NET CASH FROM OPERATING ACTIVITIES	7700

5) Net Profit of LG Company ltd Rs 700000 after charging depreciation of ₹150000 Profit of ₹60000 on asset sold was transfer to Statement of P&L trade Payable decreased during the year by Rs 45000 and trade receivable also decreased by Rs 55000. Calculate cash from operating activities under indirect method.

⇒ Cash flow from operating activity
(indirect method)

Particulars	Amount
Net Profit for the year	700000
Adjustments for	
(+) Depreciation	150000
(-) Profit	(60000)
Operating Profit before Working Capital Changes	790000
(-) Decrease in Trade Payable	(45000)
(+) Decrease in Trade Receivable	55000
Cash flow from OA before tax	800000
(-) Income tax	-
NET CASH FROM OPERATING ACTIVITIES	800000

6) The Statement of P&L a/c of Yamuna Ltd for the year Ended 31/03/2023

Particulars	Amount
Revenue from operations	1000000
Expenses	
Cost of material Consumed	50000
Purchase of Stock in trade	500000
other Expenses	3000000
Total Expenses	~~8000~~ 8,50,000
Profit before tax	1,50,000

~~Addit~~

~~Addo~~ Additional Information

a) Trade receivables decreased by ₹ 30,000 during the year (+)

b) Prepaid Expenses increased by ₹ 5000 during the year (−)

c) Trade Payables increased by ₹ 15000 during the year (+)

d) outstanding Expenses increased by ₹ 3000 during the year (+)

e) others Expenses included depreciation, ₹ 25000 (+)

Compute net cash from operations for the ended 31/03/23 by the indirect method :-

⟹ Cash flow from operating activity
(Indirect method)

Particulars	Amount
Net Profit for the year	1,50,000
Adjustments for	
(+) Depreciation	25000
Operating Profit before Working Capital Changes	175000
(+) Decrease in Trade receivable	30000
(-) Increase in Prepaid Expenses	(5000)
(+) Increase in Trade Payable	15000
(+) Increase in outstanding Expenses	3000
Cash flow from operating b.T	2,18,000
(-) Income tax	-
NET CASH FROM OPERATING ACTIV	2,18,000

* ~~Problems Format~~

★ Problems on Investing activities

1) From the following Particulars Calculate Cash flow from Investing activities

Particulars	Purchase	Sale
Buildings	5,00,000	-
Machinery	-	1,00,000
Investments	1,00,000	4,00,000

Intrest received on debentures held as Investment of ₹ 20000.

Divident received on shares held as Investment ₹ 30,000

⇒ Cash from Investing Activities

Particulars	Amount
Purchase of Buildings	(5,00,000)
Sale or Machinery	1,00,000
Purchase on Investment	(1,00,000)
~~Pur~~ Sale on Investment	4,00,000
Intrest on debentures	20,000
Intrest on divident	30,000
NET CASH FLOW FROM I.A	(50,000)

2) From the following Particulars Calculate Cash flow from investing activities

Particulars	Purchase	Sale
Machinery	2,00,000	-
Investments	1,50,000	60,000
Patents	-	50000
Land	1,00,000	-

a) Divident received ₹ 35000
b) Intrest recived ₹ 20000

⇒

Particulars	Amount
Purchase of machinery	(200000)
Purchase of Investment	(15000)
Sale of Investment	60000
Sale of Patents	50000
Purchase of land	(100000)
Intrest on dividend	35000
Intrest recieved	20000
NET CASH FLOW FROM I.A	(285000)

3) From the following particulars, Calculate cash flows from investing activities

- * Machinery Purchased ₹ 450000
- * Investment sold ₹ 600000
- * Dividend recieve on share held as investment ₹ 35000
- * Furniture Purchased for ₹ 27000
- * ~~Investm~~ Intrest recieved on debentures held as invt ₹ 58000
- * Income tax Paid ₹ 50000

⇒ CASH FROM INVESTING ACTIVITIES

Particulars	Amount
Purchase of Machinery	(450000)
Sale of Investment	6,00,000
Intrest on dividend	35000
Purchase of furniture	(27000)
Intrest on debenture	58000
NET CASH FLOW FROM I.A	216000

4) National trading company ltd has given the following information :-

- Purchased Plant ₹4,40,000, Sold Plant ₹50,000
- Investment Purchased ₹1,30,000, Sold Investment ₹1,00,000
- Purchase of Good Will ₹2,00,000,
- Sale of Patints ₹1,00,000
- Interest received on debentures held as investments ₹60,000
- Divident received on shares held as investments ₹10,000
- A Plot of land had been Purchased for Investment Purpose and was let out for commercial use & rent received ₹30,000

⇒ Cash from Investing activities

Particulars	Amount
Purchase of Plant	(4,40,000)
Sale of Plant	50,000
Purchase of ~~Goo~~ Investment	(1,80,000)
Sale of Investment	1,00,000
Purchase of Good Will	(2,00,000)
Sale of Patents	1,00,000
Interest received on debenture	60,000
Interest received on Divident	10,000
Purchase of land (Rent received)	(30,000)
NET CASH FLOW FROM INVESTING ACTIVITIES	(4,70,000)

Issue increase (+)
Redemption decrease (-)

★ Problems on Financing Activities

1) From the following information Calculate Cash from financing activities

Particulars	1/4/22	31/3/23	
Equity Share Capital	5,00,000	8,00,000	(+) Issue
Preference Share Capital	2,00,000	3,00,000	(+) Issue
Debentures	4,00,000	3,00,000	(-) Redemption
Secured loan	3,00,000	2,00,000	(-) [illegible]

Divident Paid ~~for~~ ₹1,00,000 for the year

⟹ Cash flow from financing activities

Particulars	Amount
Issue of Equity Share Capital	3,00,000
Issue of Preference Share capital	1,00,000
Redemption of Debentures	(1,00,000)
Redemption of Secured loans	(1,00,000)
Dividend Paid	(1,00,000)
NET CASH FLOW FROM FINANCING ACTIVITIES	(1,00,000)

2) From the following Particulars Calculate Cash flow from financing activities

Particulars	1/4/22	31/3/22	
Debentures	4,00,000	5,00,000	(+) Issue
Bank Loan (LT)	2,00,000	3,00,000	(+) Issue

* Divident Paid ₹1,20,000 (-)
* Divident tax Paid ₹ 20,000 (-)

* Intrest Paid on dibentures ₹ 20,000 (-)
* Intrest on dibentures due but not Paid ✗

⟹ Cash flow from financing activities

Issue of dibenture	1,00,000
Issue of bank loan	1,00,000
Divident Paid	(1,20,000)
Divident tax Paid	(20,000)
Intrest Paid on dibenture	(20,000)
NET CASH FLOW FROM F.A	40,000

Note :- Debenture intrest due but not Pay does not involve any Cash flow. Therefore, this item is not Considered while Computing Cash flow from financing activities.

3) From the following information Calculate Cash flow from financing activities

Particulars	1/4/22	31/3/22
Preference Share capital	5,00,000	4,00,000
Long term borrowings	6,00,000	5,00,000

* Divident Paid on Equity Share Capital ₹ 50,000
* Divident tax Paid ₹ 10000
* Intrest Paid on long term borrowings ₹ 30,000

⇒ Cash flow from financing activities

Particulars	Amount
Redemption of Preference Share capital	(1,00,000)
Redemption of Long term borrowing	(1,00,000)
Divident Paid on Equity Share	(50,000)
Divident tax Paid	(10,000)
Intrest Paid on L.T.B	(30,000)
NET CASH FLOW FROM F.A	(2,90,000)

4) ~~From the following information Calculate Cash from financing activities~~

Chapter - 05

Accounting for Share Capital and debenchers

→ **Meaning of Joint Stock Company :-**

Joint Stock Company is an association of Person form to carry on business with a view to earn Profit. Having a Common Stock called as Share capital which is divided into equal units called as Shares held by Person called as Share holders. Such company as a separate identity apart from its owners.

Defination :-

"A Voluntary association or organisation of many Persons who contribute money or money's worth through a Common Stock & Employee it in some trade or business and share the Profit or loss araising from it". Written by Justice Sir Lindley.

→ **Features of Joint Stock Company**

1. Company is an association of Person created to earn Profit.
2. Registred under companies act 2013
3. Perpectual succession, untill demise or insolvency.
4. It is a legal Person & hold, Purchase, sell Property, incure debts, or be sued in its own name.
5. It is an artifical Person, but acts through directors
6. The liability of the members are generally limited to the Phase value of the Share issued to them.
7. The shares of company are freely transferable

→ **Shares - Meaning and Types :-**

Share has been defined by Indian Companies Act 1956. A Share is the Share in the Share Capital of the Company.

Types of Shares

1. Preference Share
2. Equity Share

1. Preference Share is the type of Share with preferencial right.

Preference Share can be

* Qumulative Preference Share
* Non- Qumulative Preference Share
* Participating Preference Share
* Non Participating Preference Share
* Redeemable Preference Share
* Converstable Preference Share
* Non- Converstable Preference Share.

2. **Equity Shares :-**

According to Companies Act 1956 the Equity Shares are the Shares which are not Preference Share. The Equity Share do not have preferencial rights for the dividend or Capital Payment at the time of Winding up the Company.

* **Issue of Proppector :-**

Whenever Shares are issued to the public the company issued a prospectus. It means an open invitation to the public to take up the Shares of the Company. It contains complete information about the

Company and the manner in which money will be Collected from the Investors.

2. Minimum Subscription :-

Minimum Subscription what public have to buy Shares from the Company, for the Company to Proceed with the allotment Process. Minimum 90% of the Shares which are issued should be subscribed by the Public.

3. Application for Shares :-

When, the Prospectus is issued to the Public, investors intending to subscribe the Share of issuing Company make an application along with the application money. They deposit the Same with a Schedule bank as specified in the Prospectours. Application money Should be at least 5% of the Phase Value of Share.

4. Allotment of Shares :-

If minimum subscription has been received Company Can go on with allotment. Allotment of Share means distribution of Share to the applicant.

Letter of allotment will be Sent to whom Shares are alloted and letter of regret will be Sent to whom the shares are not alloted.

5. **Calls on Share :-**

After alloting the Shares directors of the company Can Call for the balance of Share to be paid in one or more than one Instalment.

→ **Journal Entries Relating To Issue of Share**

1. For Recieved application money along with share

Bank a/c Dr

To Share application a/c

2. For the application money on the Share alloted transferred to Share Capital a/c

Share application a/c Dr

To Share Capital a/c

3. Share application a/c Dr

To Bank a/c

4. For allotment money due

Share allotment money a/c Dr

To Share Capital a/c

5. For allotment money received

Bank a/c Dr

To Share allotment a/c

6. For Call money due

Share Call a/c Dr

To Share Capital a/c

7. For reciving the call money
Bank a/c Dr
To share call a/c

→ **Calls in Arrears :-**

Sometimes some of the shareholders. fail to ~~m~~ pay the amount due from them on allotment or on call. This amount which remained unpaid is called as calls in arrear.

Call in arrear a/c Dr (with amt not recieve)
Bank a/c Dr (Amt recieved)
To share call a/c a/c

→ **Calls in Advance :-**

Sometime company recieves the Entire amount due on the shares Even though the amout has not called up by the company.

Bank a/c Dr
To calls in advance a/c

When the call is made, the calls in advance should be transfer to the concerned share call a/c

Calls in advance a/c Dr
To concerned share call a/c

Page No.
Date : / /

Problems

1. Bangalore Software Company Limited issued 5000 Equity Shares Rs.10 each.
   a) 2Rs on application
   b) 2Rs on allotment
   c) 3Rs on 1st Call
   d) 3Rs on 2nd & Final Call.

Ans :	SL.No	Particulars	LF	Debit	Credit
	01.	Bank a/c Dr (5000X2)		10000	–
		To Share application a/c		–	10000
Receiving Entry					
		Share Application a/c Dr		10000	–
		To Share capital a/c		–	10000
due Entry					
	02.	Share allotment a/c Dr		10000	–
due Entry		To share Capital a/c		–	10000
		Bank a/c Dr		10000	–
Receiving Entry		To Share allotment a/c		–	10000
	03	Share 1st call a/c (5000x3) Dr		15000	–
due Entry		To Share Cap a/c		–	15000
		Bank a/c Dr		15000	–
Receiving Entry		To Share 1st Call a/c		–	15000
	04	Share 2nd & Final call Dr		15000	–
due Entry		To Share Cap a/c		–	15000
Receiving Entry		Bank a/c Dr		15000	–
Entry		To Share 2nd & final a/c		–	15000

2. Vijayalakshmi with a nominal capital of 50000 shares of 10Rs each Issued 20000 shares for Public subscription the amount payable are as follows:-

a) 2Rs on application
b) 3Rs on allotment
c) 5Rs on first call

All the shares are subscribed and money duly recieved, Except 1000 shares final call. Pass the necessary journal Entry.

Ans :-

Sl.No	Particulars	L.F	Debit	credit
1.	Bank a/c (20000×2) Dr		40000	—
	To Share application a/c		—	40000
	Share Application a/c Dr		40000	—
	To Share Capital a/c		—	40000
2.	Share allotment a/c (20000×3) Dr		60000	—
	To Share Capital a/c		—	60000
	Bank a/c Dr		60000	—
	To Share allotment a/c		—	60000
	(20000×5)			
3.	Share 1st & final Call a/c		100000	—
	To Share Capital a/c		—	100000
	Bank a/c Dr		95000	—
	To Share final Call a/c		—	95000
	Dr			
	Bank a/c Dr		100000	—
	To First & final call		—	95000
	To F & final Call arrears			5000

→ Issue of Shares at a Premium :-

Sometime Company may Issue Share higher than the face Value which is called as a Premium.
Share Premium - issued Price - faceValue

Share Premium is a capital Profit therefore it is credited to a separate account called Security Premium a/c

→ Journal Entry

1. If Premium is Payable along with the application money
Share Application a/c Dr
To Share Premium a/c
To Share Capital a/c

2. If the Premium is Payable on allotment
Share Allotment a/c Dr
To Share Capital a/c
To Premium a/c

3. If Premium is Payable on Call
Share Call a/c Dr
To Share capital a/c
To Share Premium a/c

→ If Shares are issued at discount :-

Sometimes Company in order to raise ~~Statement~~ additional Capital, and there is no demand of its shares may issue its share at discount. Issue at discount means issuing at lower than face value.

Share allotment a/c Dr
Discount on issued of Share capital Dr
To Share Capital a/c

Sum 1 :-

1) Davangere Mills Ltd issued 5000 Shares ₹10 each at a Premium of 2
a) ₹2 on application
b) ₹5 on allotment including Premium
c) ₹5 on first & final call
The shares are subscribed except 1000 shares failed to pay final call

Ans :-

SL.No	Particulars	LF	Debit	credit
01.	Bank a/c Dr (5000×2)		10000	–
	To Share application a/c		–	10000
02.	Share application a/c ..... Dr		10000	–
	To Share Capital a/c		–	10000
03.	Share allotment a/c (4000×5) Dr		25000	–
	To Share capital a/c (5000×3)		-	15000
	To Share Premium a/c (5000×2)		-	10000
04.	Bank a/c Dr (4000×5)		25000	–
	To Share allotment a/c		–	25000
05.	Share first & final Call a/c		25000	–
	To Share Capital a/c		–	25000
	Bank a/c Dr		20000	–
	To Share 1st & final call a/c		–	20000

→ **Over subscription and Under subscription**

Over subscription :-

Sometimes in case of certain company Public may apply more than the share issued. This situation called as over subscription.

When there is over subscription some applicants may be alloted few share and some applicant may not be alloted any share at all. The excess application money is received is not returned, instead it is adjusted towards allotment or call

Share application a/c Dr
To Call in advance a/c
[When the excess application money adjusted towards allotment]

Share application a/c
To Bank a/c
[Excess of application money return to the applicant]

Sum

1) Rajesh motor ltd with a registered capital of 50000 shares ₹10 each issued 22000 shares for a subscription The amount payable ~~Rs. 2 applical~~
a) ₹2 Application
b) ₹3 allotment
c) ₹3 first & final call
Public subscribe 25000 shares money duly received except 500 shares on first of call & thousand shares on the final call.

Ans :- 50000 Shares authorised
22000 Share Issued @10
25000 Share application @10

Sl.No	Particulars	LF	Debit	Credit
01.	Bank a/c Dr (25000 x 2)		50000	-
	To Share application a/c		-	50000
02.	Share application a/c Dr		50000	-
	(22000 x 2) To Share Capital a/c		-	44000
	(3000 x 2) To Share allotment a/c		-	6000
	(Calls in advance a/c)			
03	Share allotment a/c Dr		66000	-
	(22000 x 3) To Share Capital a/c		-	66000
04	Bank a/c Dr		60000	-
	To Share allotment a/c		-	60000
05	1st Call a/c Dr (22000 x 3)		66000	-
	To Share Capital a/c		-	66000
06	Bank a/c Dr (21500 x 3)		64500	-
	To Share 1st Call a/c		-	64500
07	2nd Call a/c Dr (22000 x 2)		44000	-
	To Share Capital a/c		-	44000
	Bank a/c Dr (21000 x 2)		42000	-
	To 2nd Call a/c Or		-	42000
	Bank a/c Dr (21000 x 2)		42000	
	Calls in arrears a/c Dr		2000	
	To Share 2nd Call a/c		-	44000

→ **Pro- rata allotment :-**

This is the most logical & impartical method every applicant is treated Equal There is no discrimination. The mathematical principle of ratio & proportion is applied here. Suppose the company offers 20000 shares at the rate of ₹10 for each subscription. If the application is recieved for 40000 shares the application is recieved for 40,000 shares the applicant will be alloted one share for every 2 share applied.

Sum :-

i) B Company ltd invities application for 10000 shares ₹100 each, ~~₹10 pr~~

a) ₹10 premium recieved on allotment
b) ₹ 20 application
c) ₹ 40 allotment
d) ₹ 30 first call
e) ₹ 20 second & final call

13000 application recieved, 2000 application rejected calls are made and duely recieved except 300 shares of the final call failed to pay. Journalised the above transactions.

Ans :-

SL.NO	Particulars	LF	Debit	Credit
01	Bank a/c Dr (13000 × 20)		2,60,000	-
	To Share application a/c		-	2,60,000
02	Share application a/c Dr		2,60,000	-
	To Share capital a/c (10000×20)		-	2,00,000
	(Extra) To Share allotment (1000× 20)		-	20000
	(Rejected) To Bank a/c (2000×20)		-	40000

(10000 X 40)

03.	Share allotment alc Dr	4,00,000	-
	(10000x30) To Share capital a/c	—	300000
	(10000x10) To Share Premium a/c	—	100000
04.	Bank alc Dr	3,80,000	-
	To Share allotment alc	-	3,80,000
05.	First call alc Dr (10000x30)	3,00,000	-
	To Share Capital alc	—	3,00,000
06.	Bank alc Dr	3,00,000	—
	To 1st Call alc	—	3,00,000
07.	2nd Call alc Dr (10000x20)	2,00,000	-
	To Share Capital alc	—	2,00,000
08.	Bank alc Dr (9700 x 20)	1,94,000	-
	To 2nd Call alc	—	1,94,000
09.	Bank alc Dr	194000	-
	Calls ~~Rs~~ in arrear alc Dr	6000	-
	To Share 2nd & final call alc	—	200000

→ <u>Forfeiture of Shares</u> :-

Forfeiture of share means cancellation of the rights of share holder for the non-payment of allotment of money or call money or both on such shares. Before the forfeiture notice should be sent to the share holder with a stipulated time period to pay the calls from failing which directors can forfeit the shares. The money already received on those shares will not be refunded.

→ Journal Entries

i) Entry for recording forfeiture of Shares issued at Par.

Share Capital a/c Dr (With full amount)
To Share forfeiture a/c (With the amt recieved already)
To Share Call a/c
(Amount not yet recieved)

Sum :-

1. Rose Company Ltd with a registered Capital of 75000 Shares of 10 Rs Each, of this 5000 Shares issued to the Public

a) Application for 65000 Share at ₹1 recieved per Share
b) Allotment 50000 Shares was done 10000 Rs returned to those who have not alloted any Share
c) 5000 Rs of application adjusted towards allotment
d) Recieved 45000 Rs towards allotment made a first call of ₹2 on July 5
e) Received 99000 Rs on a/c of 1st Call

Journalize the above transaction

Ans :-

SL No	Particulars	LF	Debit	Credit
a)	Bank a/c Dr (65000 × 1)		65000	-
	To Share application a/c		-	65000
b)	Share Application a/c Dr		65000	-
	To Share capital (1×50000)		-	50000
	To Share allotment (1×5000)			5000
	To Bank a/c (1×10000)			10000

c)	Share allotment a/c Dr		50000	-
	To Share capital a/c		-	50000
d)	Bank a/c Dr		45000	-
	To Share allotment a/c		-	45000
e)	Share 1st Call a/c Dr (5000×4)		1,00,000	-
	To Share capital a/c		-	1,00,000
f)	Bank a/c Dr		99000	-
	Calls in arrears a/c Dr		1000	-
	To Share 1st call a/c		-	1,00,000

2. B Company ltd issued 10000 shares 100 Rs each →
a) ₹ 20 on application
b) ₹ 40 on allotment
c) ₹ 40 on first & final call
15000 share application received

- * 3000 shares application rejected
- * 10000 shares alloted Excess money Paid adjusted towards allotment
- * All the calls were made & money duely received accept 500 shares final call

Ans :-

SL.No	Particulars	LF	Debit	Credit
01	Bank a/c Dr (15000×20)		3,00,000	-
	To share application a/c		-	3,00,000
02	Share application a/c Dr		3,00,000	-
	To share cap a/c		-	2,00,000
	To Share allotment a/c		-	40000
	To Bank a/c		-	60000

1.

03	Share allotment a/c Dr		400000	-
	To Share Capital a/c		-	400000
04	Bank a/c Dr		3,60,000	-
	To Share capital a/c		-	3,60,000
05	Share 1st & final call a/c Dr		40000	-
	(40x1000) To Share Capital a/c		-	40000
06	Bank a/c Dr		38000	-
	Calls in arrears Dr		2000	-
	To Share 1st & final call		-	40000

→ <u>Forfeiture of the Share issued at Premium</u>

Share Capital a/c Dr (Share Call amount)
Security Premium a/c Dr (Premium amt remaining paid)
To forfeiture a/c (Amt already received)
To Share allotment a/c (Amt not yet received)
(or)
To Share call a/c

Sum

1. X Company Ltd issued 5000 shares 10Rs each 2Rs Premium amount receivable
a) 2Rs Application
b) 5Rs Allotment (Including Premium)
c) 5Rs on 1st & final Call
All the Calls where made money received Except 200 shares for 1st & final Call.

Ans : [Total amount]	Share capital a/c Dr (200×10)	2000 -	
(Amount received]	To Share forefeiture a/c (200×5)	-	1000
[Amount not received]	To 1st & final Call a/c (200×5)	-	1000
	Share capital a/c Dr (500×100)	50000 -	
	To Share forefeiture a/c	-	30000
	To 1st & final call a/c (500×40)	-	20000

2. Z Company Ltd issued Share of 10Rs Each.

a) ₹2 Premium
b) ₹2 Application
c) ₹5 allotment (including Premium).
d) ₹5 1st & final Call

Mr. Balu holding 300 Shares did not pay the allotment & Call his Shares are forefeited. Pass the journal Entry :-

Ans :-	Share Capital a/c Dr (300×10)	3000 -	
	Premium a/c Dr (300×2)	600 -	
	To Forefeiture a/c (300×2)	-	600
	To allotment a/c (300×5)	-	1500
	To 1st & final a/c (300×5)	-	1500

Note 1 :- If Premium is not received, it Should be shown in the journal Entry on the ~~bas~~ debit Side. If it is received it Should not Shown in journal Entry.

Note 2 :- The amount which are already received Should be shown in forefeiture a/c in the Credit Side of the journal Entry.

The amount which are not receive for different calls i.e, allotment, first call, second call should be shown separately in the credit side of journal entry. If premium is given in the question and it is not received it should be shown with the call in the credit side.

Example :-

Share Capital a/c (300×10)	300	–
To forfeiture a/c (300×5)	–	1500
To 1st & final Call a/c (300×5)		1500

→ Forfeiture of Share Issued at discount

1. Vijaya holding 200 shares 10Rs each issued at 10% discount. He paid Rs 2 on application but could not pay the allotment money of 4Rs & first & final call of Rs. 3, Pass the necessary journal entry Amount are after discount

Ans :-

Share Capital a/c Dr (200×10)	2000	–
To Share discount a/c (200×1)	–	200
To Forfeiture a/c (200×2)	–	400
To Allotment a/c (200×4)	–	800
To 1st & final Call (200×3)	–	600

2. ABC Ltd issued 10000 shares for subscription public as subscribed 12000 shares. Company returned 1000 shares money & adjusted the rest. Amount payable as follows :-
a) 2Rs on application
b) 3Rs on allotment (1Rs Premium)
c) 3Rs on 1st Call (1Rs Premium)
d) 4Rs on final call

Mr. Ali who holds 100 shares did not pay any amount after the allotment. His share are forfeited. Pass the necessary journal entry for application, allotment, 1st call, final call and forfeiture.

Ans:-

Sl	Particulars	LF	Debit	Credit
01.	Bank a/c Dr (12000x2)		24000	–
	To Share application a/c		–	24000
02.	Share application a/c Dr		24000	–
	To Share Cap a/c (10000x2)		–	20000
	To Bank a/c (1000x2)		–	2000
	To Allotment a/c (1000x2)		–	2000
03	Share allotment a/c (10000x3) Dr		30000	–
	(10000x2) To Share Capital a/c		–	20000
	(10000x1) To Share Premium a/c		–	10000
04	~~Shoo~~ Bank a/c Dr		28000	–
	To Share allotment a/c		–	28000
05	Share 1st Call a/c Dr (10000x3)		30000	–
	To Share Capital a/c		–	20000
	To Share Premium a/c		–	10000
06	Bank a/c Dr. (9900x3)		2,9700	–
	To 1st Call a/c		–	29700
07	Share final call a/c Dr		40000	–
	To Share Capital a/c		–	40000
	(10000x4)			

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Note :- What happens to the money left out in the forfeiture a/c

Forfeiture a/c Dr
To Capital reserve a/c

⇒ **Sums**

Q1 A Company issued 5000 Share ₹100 each all the money due was received with the exception of the amount on the final call 50 shares & had ₹20 each. Due from A. The director forfeited this share & re issued at ₹70 fully Paid up. Write the Journal entry.

Ans :- (₹100)

Not Received = 20 / Received = 80

S.No	Particulars	LF	Debit	Credit
01	Share capital a/c (50×100) Dr		5000	—
	(50×80) To forfeiture a/c		—	4000
	(50×20) To Final call a/c		—	1000
02	Bank a/c Dr (50×70)		3500	—
	Forfeiture a/c Dr (50×30)		1500	-
	To Share capital a/c		—	5000
03	Forfeiture a/c Dr		2500	-
	To Capital Reserve		—	2500

~~Total~~

Q2. Apparna Ltd forfeited 600 shares at ₹100 each for non payment of 1st call & final call ~~due~~ i.e ₹10 & ₹10 & reissued this share at ₹80 fully Paid up. Keep the necessary journal entry

Ans :-

SL NO	Particulars	LF	Debit	Credit
01	Share capital a/c Dr		80,000	–
	To forfeiture a/c		–	30,000
	To first call a/c		–	24,000
	To final call a/c		–	60,000
02	Bank a/c Dr		48000	
	Forfeiture a/c Dr		12000	
	To share capital a/c		—	60000
03	Forfeited a/c Dr		18000	–
	To capital reserve		–	18000

Q3 Moonlight Company ltd nominal capital of ~~4,00,000~~ ₹400000 Equity share of ₹10 Each 30,000 shares issued to the Public Payable has follows :-

₹3 application
₹2 Allotment
₹3 first call
₹2 final call

All the shares subscribed Except final call of 2000 shares directors forfeited & Re issued the shares at the rate of ₹7 Per share fully Paidup Pass the necessary journal Entry

Ans :-

SLNO	Particulars	LF	Debit	Credit
01	Bank a/c Dr (30,000×3)		90,000	–
	To share application a/c		–	90,000
02	Share Capital a/c Dr		90,000	–
	To Equity share ap a/c		–	90,000
03	Equity share allotment a/c Dr		60,000	–
	(30,000×2) To Equity capital a/c		—	60,000

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	04	Bank alc Dr	60,000	-
		To Equity share capital alc	-	60,000
	05	Equity Share 1st call alc Dr	90,000	-
		To Equity share cap alc	-	90,000
	06	Bank alc Dr	90,000	-
		To Equity share 1st call	-	90,000
	07	Equity share final call alc Dr	60,000	-
		(30,000×2) To Share capital alc	-	60,000
	08	Bank alc Dr	56,000	-
		(2800×2) To Share final call alc	-	56,000
	09	Share Capital alc Dr (2000×10)	20,000	-
Received		To forfeiture alc (2000sh×8)	-	16000
not received		To final call alc (2000×2)	-	4000
Re-issue of	10	Bank alc Dr (2000×7)	14,000	-
forfeited share		Forfeiture alc Dr (2000×3)	6000	-
		To Share Capital alc	-	20,000
	11	Forfeiture alc Dr	10,000	-
		To Capital reserve	-	10,000

Q4. Vijay trading company ltd issued 10000 Equity shares ₹10 each, ₹2 Premium payable as follows

₹2 Application

₹5 Allotment including Premium

₹3 First Call

₹2 Final Call

All the shares are subscribed money duly received

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Except final call on 1000 shares directed forfeited & reissued & ₹8 at ₹8 fully Paidup.

Ans :-

Sl.No	Particulars	LF	Debit	Credit
01	Bank a/c Dr		20,000	–
	(10,000×2) To Share application a/c		–	20,000
02	Equity Share ~~Capital~~ application a/c Dr		20,000	–
	To Equity Share Capital a/c		–	20,000
03	Equity Share allotment a/c Dr		50,000	–
	(10,000×5) To Equity Share Capital a/c		–	50,000
04	Bank a/c Dr		50,000	–
	To Equity Share Cap a/c		–	50,000
05	Equity Share 1st call a/c Dr		30,000	–
	(10,000×3) To Equity Share capital a/c		–	30,000
06	Bank a/c Dr		30,000	–
	To Equity Share 1st call a/c		–	30,000
07	Equity Share final call a/c Dr		20,000	–
	(10,000×2) To Share capital a/c		–	20,000
(10000 - 1000) 08	Bank a/c Dr		18000	–
	(9000×2) To Share final Call a/c		–	18000
09	Share capital a/c Dr (1000×10)		10000	–
	To forfeiture a/c (1000×8)		–	8000
	To final Call a/c (1000×2)		–	2000
10	Bank a/c Dr (1000×8)		8000	–
	Forfeiture a/c Dr (1000×2)		2000	–
	To Share capital a/c		–	10,000

11	Forfeiture a/c Dr	6000	–
	To Capital reserve a/c	–	6000

Q5 B Company ltd invites application to subscribe 10000 Equity Shares ₹10 each. At a premium of ₹10 Payable as follows :-

₹ 20 application
₹ 40 Allotment including Premium
₹ 30 first Call
₹ 20 Second Call.

13000 share appⁿ received, 2000 share appⁿ rejected and rest ₹1000 share money of appⁿ adjusted in allotment all the calls are made & received Except final call on 3000 Share, Shares are forfeited & reissued at ₹85 fully Paidup.

01	Bank a/c Dr (13000 × 20)	2,60,000	–
	To Share application a/c	–	26000 2,60000
02	Share application a/c Dr	2,00,000	–
	(10000 × 20) To Share Cap a/c	–	2,00,000
03	Share allotment a/c Dr	20000	–
	(1000 × 20) To Share Capital a/c	–	20000
04	Share allotment a/c Dr (40 × 10)	4,00,000	–
	To Security Premium a/c	–	1,00,000
	To Share Capital a/c	–	3,00,000
05	Bank a/c Dr (40000.		
	To Share allotment a/c		

(300×20 = 6000)

Payable [illegible]

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Ans :-

Sl No	Particulars	LF	Debit	Credit
01	Bank a/c Dr (13000×20)		2,60,000	–
	To Share application a/c		–	2,60,000
02	Share application a/c Dr		2,60,000	–
	To Share Capital a/c		–	2,00,000
	To Bank a/c		–	40,000
	To Allotment a/c		–	20,000
03	Share Allotment a/c Dr		40,000	–
	(10,000×10) To Share Premium a/c		–	1,00,000
	(10,000×30) To Share Capital a/c		–	3,00,000
04	Bank a/c Dr		3,80,000	–
	To Share Allotment a/c		–	3,80,000
05	~~First~~ Call a/c Dr		3,00,000	–
	(10,000×30) To Share Capital a/c		3,–	3,00,000
06	Bank a/c Dr		3,00,000	–
	To first Call a/c		–	3,00,000
07	Final Call a/c Dr (10,000×20)		2,00,000	–
	To Share capital a/c		–	2,00,000
08	~~Bank a/c Dr~~			
	~~To final call a/c~~			
08	Calls in arrear a/c Dr (300×20)		6000	–
	Bank a/c Dr (9700×20)		1,94,000	–
	To final call a/c		–	2,00,000

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09	Share capital a/c Dr (300×100)		30,000	-
	To forfeited a/c (300×80)		-	24,000
	To final call a/c (300×20)		-	6000
10	Bank a/c Dr (300×85)		25,500	-
	Forfeiture a/c Dr (300×15)		4500	-
	To Share capital a/c		-	30,000
11	Forfeiture a/c Dr		19,500	-
	To Capital reserve a/c		-	19,500

Q6. ABc ltd issued 20000 shares ₹10 each they will payable
₹2 Application
₹3 Allotment
₹5 First & final call
26000 Share Appⁿ received Prorata allotment as follows
1) Application for 12000 shares => Full
2) Application of 10000 shares => 8000 shares
3) Application of 4000 shares => Nill
All the money dully received Except first & final call on 2000 shares. Directors forfeited this shares & reissued at the rate of ₹7 fully Paid up. Pass the necessary Journal Entry

Ans :-

SL NO	Particulars		Debit	Credit
01	Bank a/c Dr (26000×2)		52,000	-
	To Share application a/c		-	52,000
02	Share application a/c Dr		52000	-
	(20000×2) To Share capital a/c		-	40,000
	(2000×2) To Share allotment a/c		-	4000
	(4000×2) To Bank a/c		-	8000

Ans 8-	03	Share Allotment a/c Dr	60,000	—
		To Share Capital a/c	—	60,000
	04	Bank a/c Dr	56000	—
		To Share Allotment a/c	—	56000
	05	First & final call a/c Dr	1,00,000	—
		(20000×5) To Share Capital a/c	—	1,00,000
	06	~~Bank a/c Dr~~	~~1,00,000~~	—
		~~To first & final Call~~	—	~~1,00,000~~
	06	Bank a/c Dr (18000×5)	90,000	—
		Calls in arrears a/c (2000×5)	10,000	—
		To first & final Call a/c	—	1,00,000
	07	Share Capital a/c Dr (2000×10)	20,000	—
		To forfeiture a/c (2000×5)	—	10,000
		(2000×5) To first & final call a/c	—	10,000
	08	Bank a/c Dr (2000sh×7)	14000	—
		Forfeiture a/c Dr (2000sh×3)	6000	-
		To Share Capital a/c	-	20,000
	09	Forfeiture a/c Dr	4000	—
		To Capital reserve a/c	—	4000

Debentures

★ **Introduction :-**

A Company is empowered to borrow money from the Public. The most common form in which a Company borrow money from the Public is by the issue of debenture.

Meaning :-

A debenture is an instrument issued by the Company under the common seal acknowledging its debts to the holder & promising to repay the debt after a certain period of time & in the mean while to pay interest there on at fixed rate at regular intervals.

Definition :-

Section 2 (12) "Debentures includes debenture stock, bonds & any other securities of a Company with a constituting a charge on the asset of the Company or not."

★ **Types of Debenture**

1) Registered debenture
2) Bearer debenture
3) Simple, naked or unsecured debenture
4) Mortgage or Secured debenture
5) Redeemable debenture -> which is having time period
6) Irredeemable debenture -> no time period
7) Convertible debenture -> which can be converted into Equity shares
8) Unconvertible debenture -> which cannot be converted into Equity shares

* Difference between Share & debenture

	Share	Debenture
*	Shares Constituted the Capital of company.	Debenture are part of the loan of the company.
*	Shareholders are owners of the company	Debenture holders are the creditors of the company
*	Shareholders are having voting rights	Debenture holders do not having voting rights.
*	Shareholders are entitled to dividend	Debenture holder will get interest
*	The rate of dividend Changes except preference Shares	Interest on debentures Could be the a Constant
*	Dividend on Share is a appropriation of profit	Interest on debenture is charged to the profit
*	Shares Can be issued at discount on Conditions laid down by Companies act 2013	Debentures Can be issued at discount & there is no restriction
*	Shares are not secured by any asset of Company	Debentures are secured by asset of the company
*	Shares are not repaid during the life of Company.	Debentures generally have a time period.
*	Shares Cannot be Converted into debenture	Debentures Can be Converted into Shares.

★ Issue of debenture for Cash

★ Entries for the Issue of debenture at Par

1) On the receipt of debenture application money.
Bank a/c Dr
To Debenture application a/c

2) on the allotment of application money on debenture
Debenture application a/c Dr
To Debenture a/c

3) Debenture allotment money due
Debenture allotment a/c due Dr
To Debenture a/c

Bank a/c Dr
To Debenture allotment a/c

4) For Making the 1st Call
Debenture 1st Call a/c Dr
To Debenture a/c

5) Receiving the Money
Bank a/c Dr
To Debenture 1st Call a/c

★ Issue of debenture for other than Cash

Journal Entries

1) On Purchase of asset
Sundry asset Dr
To Vendor a/c

2) On the issue q debentures

a) At Par
Vendor a/c Dr
To Debenture a/c

b) At Premium
Vendor a/c Dr
To Debenture a/c
To Premium a/c

c) At Discount
Vendor a/c Dr
Debenture a/c Dr
To discount a/c

★ <u>Issue of debenture as Collatral</u> :-

Issue of debenture by a company to the lender as additional security when it borrows loan from a bank or any other NBFC [Non banking financial Cooperation]

1) Vijaya Company ltd issued 10000 12% debenture q 100Rs each
₹10 Application
₹50 Allotment
₹40 first call
All the debentures are subscribed money duely received journalize the above transaction :-

=>

	Particulars	LF	Debit	Credit
01	Bank a/c Dr (100 x 10)		100000	–
	To Debenture application a/c		–	100000
02	Debenture application a/c Dr		1,00,000	–
	To Debenture Capital a/c		–	1,00,000
03	Debenture allotment a/c Dr		500,000	–
	(1000 x 50) To Debenture a/c		–	5,00,000
04	Bank a/c Dr		5,00,000	–
	To Debenture allotment a/c		–	5,00,000
05	Debenture 1st Call a/c Dr		4,00,000	–
	([illegible] x4) To Debenture a/c		–	4,00,000
06	Bank a/c Dr		4,00,000	– *
	To Debenture 1st Call a/c		–	4,00,000

2) Gopal Ltd issued 3000 6% debenture of 100 each Payable as follows :-

₹20 on application
₹30 on allotment

All the debentures are duly taken up
Journalize the above transaction

=>

Sl No	Particulars	Debit	Credit
01	Bank alc Dr (3000 x 20)	60000	–
	To Debenture application alc	–	60000
02	Debenture application alc Dr	60000	–
	To Debenture capital alc	–	60000
03	Debenture allotment alc Dr	90000	–
	(3000 x 30) To Debenture alc	–	90000
04	Bank alc Dr	90000	–
	To Debenture allotment	–	90000
05	Debenture 1st Call alc Dr	150000	–
	(3000 x 50) To Debenture alc	–	150000
06	Bank alc Dr	150000	–
	To Debenture 1st Call alc	–	150000

3) K Ltd Purchased furniture for 99000 from M Ltd The Payment was made by Issued of 6% debenture of 100 Rs Each. Pass necessary journal Entries for the purchase of furniture when :-

- * debentures are Issued at Par
- * When debentures are issued at discount of 10%
- * When debentures are Issued at Premium of 10%

Calculation

$$\frac{110\%}{100} = 99000$$

$$\frac{99000}{110} \times 100 = ~~99~~\ 90000$$

FV 100% + Pre 10% = total 110%

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Par

Discount

Premium

⇒

SL No	Particulars	LF	Debit	Credit
01	Furniture a/c Dr		99000	–
	To M ltd		–	99000
02	M ltd a/c Dr		99000	–
	To 6% Debenture a/c		–	99000
03	Furniture a/c Dr		99000	–
	To M ltd		–	99000
04	M ltd a/c Dr		99000	–
	Discount a/c Dr		9,900	–
	To 6% Debenture a/c		–	1,10,000
05	M ltd a/c Dr		99000	–
	To 6% Debenture a/c		–	90,000
	To Premium a/c		–	9000

4) Reddy Co.ltd issued 2000 10% debenture 100Rs each at a discount of 10% Payable
20Rs on application
20Rs on allotment
Balance in final call all the debentures are subscribed & duly received, Pass the necessary journal entries

⇒

SL No	Particulars	LF	Debit	Credit
01	Bank a/c Dr (2000×20)		40000	–
	To debenture application a/c		–	40000
02	Debenture application Dr		40000	–
	To debenture a/c		–	40000

03	Debenture allotment alc Dr		40000	–
	(2000×20) To debenture alc		–	40000
04	Bank alc Dr		40000	–
	To Debenture allotment alc		–	40000
05	Discount alc (2000×10) Dr		20000	–
	Debenture final call alc (2000×50) Dr		100000	–
	(2000×60) To Debenture alc		–	12 0000
06	Bank alc Dr		100000	–
	To Debenture final alc		–	100000

5) S ltd Purchased a machine 198000 from supplier ltd Payment was made by issue of 12% debenture of 100 each Pass necessary journal Entries for Purchase of machinery & issue of debenture when

a) Debenture are issued at Par
b) Debenture are issued at discount 10%
c) Debenture issued at 10% Premium

⇒

SL No	Particulars	LF	Debit	Credit
01	Machinery alc Dr		1,98,000	–
	To S ltd alc		–	1,98,000
02	S. ltd alc Dr		1,98,000	–
Par	To 12% debenture alc		–	1,98,000
03	S. ltd alc Dr		1,98,000	–
discount	Discount alc Dr		22,000	–
	10% To Debenture alc		–	2,20,000

Premium

04	S ltd a/c Dr		1,98,000	-
	To Debenture a/c		-	1,80,000
	To Premium a/c		-	18,000

6) Worth 4950000 ₹ issued debenture to the Vendor as Purchase consideration Pass the necessary Journal Entries

* If 10% Debenture of ₹100 are issued to the Vendor at Par
* If 10% Debenture of ₹100 are issued to the Vendor at a Premium of 7.5%
* and If 10% Debenture of ₹100 each are issued to the Vendor at a discount of 5.25%

⇒

SL.No	Particulars	LF	Debit	Credit
01	Building a/c Dr		4950000	-
	To Ultd Company		-	4950000
02	Vendor a/c Dr		4,95,000	-
	To Debenture a/c		-	4,95,000
03	Vendor a/c Dr		495000	-
	Discount a/c Dr		2,74,274	-
	To Debenture a/c		-	52,24,274
04	Vendor a/c Dr		4,95,000	-
	To Debenture a/c		-	4,604651
	To Premium a/c		-	3,45,349

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★ Terms of Issue of Debenture

i) Issued at Par redeemed at Par

a) Bank a/c Dr
To Debenture appⁿ & allotment
(Receipt of appⁿ & allotment money)

ii) B) deb appⁿ of allotment
To Debenture a/c
(Being app & allotment happen)

ii) Issued at discount redeemed at Par

a) Bank a/c Dr
To Debenture appⁿ & allotment a/c
[Receipt of appⁿ money]

B) Debenture appⁿ & allotment Dr
Discount on issue of Debenture a/c Dr
To Debenture a/c
[Being allotment of Debenture at discount recorded)

iii) Issued at Premium redemision at Par

a) Bank a/c Dr
To ~~Re~~ debenture appⁿ & allotment a/c
[Receipt of appⁿ money] recorded]

B) Debenture application allotment a/c Dr
To Debenture a/c
To Premium a/c
[Being allotment of Debenture at Premium recorded]

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iv) Issued at Par redemable at Premium

a) Bank a/c Dr
To debenture appⁿ & allotment a/c
[Receipt of appⁿ money & allotment money received]

B) Debenture appⁿ & allotment a/c Dr
Loss of issue of debenture a/c Dr [With
[i] Premium on redemtion]
To Debenture a/c [with nominal value
of debenture]
To Premium on redemition on debenture
[with premium on dedemtion]

v) Issued at discount redemption at Premium

a) Bank a/c Dr
To debenture appⁿ & allotment a/c
[Being receipt of appⁿ & allotment money]

b) Debenture appⁿ & allotment a/c Dr
Loss on issue of debenture a/c Dr [With
discount on issue + Premium on redemtion]
To Debenture a/c [With nominal value of debenture]
To Premium on redemition on debenture a/c
[With Premium on redemition]

vi) Issued at Premium redemable at Premium

a) Bank a/c Dr
To debenture appⁿ & allotment a/c

b) Debenture appⁿ & allotment a/c Dr
Loss on issue of debenture a/c Dr [With Premium on
redemition] ~~to debenture a/c~~
To debenture a/c [With nominal value of debenture]

To Security Premium reserve a/c [with Premium on Issue]
To Premium on redemption on debenture a/c [with Premium on redemption]

Problems

1) Give the journal entries for the following at the time of issue

a) Issue of ₹1,00,000 9% debenture of 100 each at Par and redeemable at Par

Bank a/c	Dr	1,00,000	
To 9% debenture app^n & allotment a/c			1,00,000
Debenture app^n ---	Dr	1,00,000	
To app^n & allotment a/c			1,00,000

b) Issue of ₹1,00,000 9% debenture of ₹100 each at Premium of 5% at redeemable at Par

Bank a/c	Dr	1,05,000	
To debenture app^n & allotment a/c			1,05,000
Debenture app^n & allotment a/c	Dr	1,05,000	
To 9% debenture a/c			1,00,000
To debenture Premium a/c			5000

c) Issue of ₹1,00,000 9% debenture ₹100 each at a discount of 5% Payable at Par

Bank a/c	Dr	95000	
To 9% debenture app^n & allotment a/c			95000
9% debenture app^n & allotment a/c	Dr	95000	
Discount on issue of debenture	Dr	5000	
To 9% debenture a/c			100000

d) Issue of 1,00,000 9% debentur ₹100 Each at Par but Payable at Premium of 5%

Bank a/c	Dr	100000	
To 9% debentur appⁿ & allotment a/c			100000
Debentur appⁿ & allotment a/c	Dr	100000	
Loss of on issue of debenture a/c	Dr	5000	
To 9% Debentur a/c			100000
To ~~Security~~ Premium on redemption a/c			5000

e) Issue of ₹1,00,000 9% debentur ₹100 Each at a discount of 5% & redemable on Premium 5%.

Bank a/c	Dr	95000	
To 9% debenture appⁿ & allotment a/c			95000
Debenture appⁿ & allotment a/c	Dr	95000	
Loss on Issue of Debentur a/c	Dr	10000	
To 9% debenture a/c			100000
To Premium on redemption			5000

f) Issue of ₹100000 9% debentur ₹100 Each at Premium of 5% & redemable at Premium of 5%.

Bank a/c	Dr	1,05,000	
To debenture appⁿ & allotment a/c			10,000
Debenture appⁿ & allotment a/c	Dr	105000	
Loss on issue of debenture a/c	Dr	5000	
To 9% debenture a/c			100000
To Premium on redemption a/c			5000
To Security Premium reserve			5000

~~1) Issue~~

2) Issue q ₹2,00,000 10% debenture ₹100 each at Par and redemable at Premium q 5%.

Bank a/c Dr	2,00,000	
To debenture app^n & allotment a/c		2,00,000

Debenture app^n & allotment a/c Dr	200000	
Loss on issue q debenture a/c Dr	10,000	
To 9% debenture a/c		200000
To Premium on redemption		10000

3) Issue q ₹ 2,00,000 10% debenture ₹100 each at Premium q 5% & redemable at discount q 5%

Bank a/c Dr	2,10,000	
To debenture app^n & allotment a/c		2,10,000

Debenture app^n & allotment a/c Dr	2,10,000	
~~Loss on issue q debenture a/c Dr~~		
To 9% debenture a/c		200000
~~To Premium on Redemption~~		
To Security Premium a/c		10000

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Chapter - 05

Accounting Ratios

* **Meaning of Ratio :-**
A ratio is a mathematical no. calculated as reference to relationship of two or more numbers and can be expressed as a fraction, proportion, percentage & no. of times

* **Meaning of Accounting Ratio :-**
When the no. is calculated by referring to accounting numbers derived from the accounting statement it is termed as accounting ratio.

$$GPR = \frac{\text{Gross Profit of the business}}{\text{Revenue from operation}}$$

* **Meaning of Ratio Analysis :-**
Is an important tool of financial statement analysis. It is a part of interpretation of results reveled by financial statements.

* **Objective of Ratio Analysis :-**

1> To know the areas of business which require more attention
2> To know about potential areas which can be improved
3> To provide a deeper analysis the profitability liquidity, solvency & efficiency level in the business

* Advantage of Ratio Analysis

1) It simplifies complex numbers & establish relationship
2) It is helpfull in comparative analysis
3) It helps the business identifying the problem areas
4) It enables the firm to do its own ~~to~~ 'SWOT' analysis.

* Limitations of Ratio Analysis

1) Lack of ability to resolve problem
2) There is lack of standardize definaction of various concept used in ratio analysis
3) Lack of universaly accepted standard level
4) Ratio based on unrelated figures would essentially be a meaningless exercise

* Type of Ratios

1) Profit and loss ratios
2) Balance sheet ratios
3) Composite ratio

* Functional Classification

1) liquidity ratio
   a) Current ratio
   b) quick ratio = $\frac{\text{Quick Asset}}{\text{Current liabilities}}$ [Current Asset - Stock - Prepaid Expenses - advance tax]

Formula for Current ratio

$$\text{Current ratio} = \frac{\text{Current Asset}}{\text{Current liability}}$$

2) Solvency ratio :-

Is the ratio calculated to determine the ability of the business to repay its debt in the long run

Types of solvency ratio are as follows :-
- * Debt Equity ratio
- * Proprietary ratio

3) Activity Ratio or Turn over Ratio :-

The ratio which indicates the speed at which the activities of business are being performed are called activity ratio. They express the numbers the times about asset employed is turned into sales during an accounting period.

Ex :- Inventory turnover ratio
Trade receivable turn over ratio

4) Profitability Ratio :-

Are the ratio's calculated to analyse the earning capacity of the business

Ex :- Gross profit Ratio, net profit ratio
operating ratio etc.

$$\text{Debt Equity Ratio} = \frac{\text{Long term debts}}{\text{Share holders fund}}$$

Long term debt = Debentures + long term borrowings

Share holder fund = Equity capital + Preference share capital + reserve & surplus including reserve fund + Statement of P&L

Another formula for Share holder fund

SHF = Non Current asset + Working cap - Non current liabilities

* Working capital = Current asset - Current liabilities

* Share ~~fo~~ holder fund = Non current asset + Current asset - Non current liabilities + Current liabilities

* **Debt to Capital Employed ratio**

$$\frac{\text{Long term debt}}{\text{Capital Employed}}$$

$$\frac{\text{Long term debt}}{\text{Net asset}}$$

* Capital Employee = Shareholders fund + long term debt

* Net Asset = fixed Asset - depreciation - fictitious Asset + Working Capital

* Examples of fictitious Asset :-

Pt Preliminary Expenses, discount on issue of debenture Under~~writi~~ writing Commission

* **Proprietary ratio :-**

$$P.R = \frac{\text{Share holder fund}}{\text{Capital Employee}}$$

$$P.R = \frac{\text{Shareholder funds}}{\text{Net Asset or Net Investment}}$$

* **Interest Coverage ratio :-**

$$ICV = \frac{EBIT}{\text{Interest on long term debts}}$$ (Earning before Interest & tax)

3) * Turn over Ratio or Activity Ratio

* Inventory turn over ratio

$$= \frac{\text{Cost of Revenue from operation}}{\text{Average inventory}}$$

1) Cost of revenue from operation = Revenue from op - GP

2) Revenue from operation = Sales both cr & Cash

3) Cost of revenue from operation or COGS = Opening stock + Purchase + direct Expenses - Closing stock

*-> Average Inventory = $\frac{\text{Opening inventory + Closing inventory}}{2}$

* Trade receivable Turnover ratio

$$= \frac{\text{Net Credit Sales}}{\text{Average trade receivables}}$$

Average trade receivables = $\frac{\text{opening trade receivable + Closing trade receivable}}{2}$ ~~closing tra~~

* Trade Payable Turnover ratio

$$= \frac{\text{Net Credit Purchase}}{\text{Average trade Payable}}$$

Average ~~Pay~~ trade Payable

Average trade Payable = $\frac{\text{Opening trad Payable + closing trade Payable}}{2}$

* Net Asset turnover ratio or Capital Employed turn over ratio

- $$\frac{\text{Revenue from operation}}{\text{Capital Employed}}$$

- $$\frac{\text{Sales}}{\text{Capital Employed}}$$

* Fixed Asset turnover Ratio

$$\frac{\text{Net revenue from operation}}{\text{Net fixed asset}}$$

4) * **Profitability Ratio :-**

i) Gross Profit Ratio

$$\frac{\text{Gross Profit}}{\text{Net revenue from operation}} \times 100$$

Gross Profit = Revenue from operation - Cost of revenue from operation

* Operating ratio :-

$$\frac{\text{Operating cost}}{\text{Net revenue from operation}} \times 100$$

Operating Cost = Cost of revenue from operation + operating Expenses

* Operating Profit ratio

= 100 - Operating ratio

$$\text{Operating Profit ratio} = \frac{\text{Operating Profit}}{\text{revenue from operation}} \times 100$$

Operating Profit = Revenue from operation - Operating Cost

Operating Cost = Cost of revenue from operation + Operation Expenses

* **Net Profit ratio :-**

$$\text{NPR} = \frac{\text{Net profit}}{\text{revenue from operation}} \times 100$$

Net Profit = Profit After tax

* **Returned on Capital Employed or Investment :-**

$$= \frac{\text{Profit before interest \& tax}}{\text{Capital Employed}} \times 100$$

* **Returns on Share holders Fund :-**

$$= \frac{\text{Profit After tax}}{\text{Share holders fund}} \times 100$$

* **Earning Per Share :-**

$$= \frac{\text{Profit available for Equity holders}}{\text{No. of Equity Shares}}$$

* **Book Value Per Share :-**

$$= \frac{\text{Equity Share holders Fund}}{\text{No. of Equity Shares}}$$

Equity Share holders fund = Share holders fund − Prefere Share Capital

Equity Share holders fund = Equity Capital + Reserve & Surplus + Profit & loss balance

* **Dividend Payout ratio :-**

$$= \frac{\text{Dividend Per Share}}{\text{Earning Per Share}}$$

* **Price Earning Ratio :-**

$$PER = \frac{\text{Market Price of a Share}}{\text{Earning Per Share}}$$

* **Problems on Ratios :-**

1) From the following information Calculat Current ratio & Quick ratio :-

a) Current asset ₹ 2,40,000
b) Current liability ₹ 60000
c) Inventory ₹ 1,20,000

=> **Current ratio** $= \frac{\text{Current asset}}{\text{Current liability}}$

$$= \frac{2,40,000}{60,000}$$

Current ratio = 4 //

Quick Ratio = Current Asset - Stock

$$= \frac{2,40,000 - 1,20,000}{60,000}$$

$$= \frac{1,20,000}{60}$$

$$= \frac{2}{1}$$

Quick Ratio = 2:1 //

2) ~~Current Asset ₹2,40,000~~

2) Calculate Current Ratio & Quick ratio from the following :-

a) Stock ₹25000 CA
b) Debtor ₹ 20000 CA
c) BR ₹ 5000 CA
d) Advance tax ₹2000 CA
e) Cash ₹15000 CA
f) Creditors ₹30000 CL
h) ~~Bloo~~ Bills payable ₹20000 CL
I) Bank over draft ₹2000

⇒ Current Ratio = $\frac{\text{Current Asset}}{\text{Current liability}}$

$$= \frac{65000 - 52000 - 2000}{52000}$$

$$= \frac{65000}{52000}$$

Current Ratio = 1:29:1 //

Current Asset = Stock - Prepaid Expenses

$$= 67000 - 25000 - 2000$$

$$= \frac{40000}{52000}$$

Quick ratio = 0.76:1 //

3) Calculate Current Ratio & Quick ratio from the following :-

a) Stock ₹ 50000
b) debtor ₹ 40000
c) Bills receivable ₹ 10000
d) Advance tax ₹ 4000
e) Cash ₹ 40000
f) Creditor ₹ 60000
h) Bills payable ₹40000
I) BOD ₹ 4000

$$\Rightarrow \text{Current Ratio} = \frac{\text{Current Asset}}{\text{Current liability}}$$

$$= \frac{1,44,000}{1,04,000}$$

Current Ratio = 1.38 : 1 //

<u>Quick</u> <u>Ratio</u> :-

$$\frac{\text{Quick Asset}}{\text{Current liability}}$$

$$= \frac{90000}{104000}$$

$$= 0.86$$

Quick Ratio = 0.86 : 1 //

4) Calculate Current Ratio & Quick ratio from the following :-

a) Current Asset ₹35000
b) Current liability ₹17,500
c) Inventory ₹15000
d) Operating Expenses ₹20000
e) Revenue from operation ₹60000
f) Cost of revenue from operation ₹30000

⇒ Current Ratio = $\frac{\text{Current Asset}}{\text{Current Liability}}$

$$= \frac{35000}{17,500}$$

Current Ratio = ~~2~~ 2:1

Quick Ratio :- $\frac{\text{Quick Asset}}{\text{Current Liability}}$

$$= \frac{20000}{17500}$$

$$= 1.14$$

Quick Ratio = 1.14:1

Quick Asset = Current asset − Inventory
= 35000 − 15000
= 20000

5> From the following balance sheet calculate Current ratio & Quick ratio :-

Liabilities	Amount	Asset	Amount
Equity Capital	240000	Building	
P & L	60000	8% debenture	
Bank over draft	60000	Stock	
Creditors	24000	Debtors	
Provision for the taxation	6000	Cash	
		Prepaid Expenses	

Solution :-

⟹ CA = Stock - 126000 Creditors - 240000
Cash - 22800 BOP - 60000
Debtors - 90000 Provision for tax - 6000
Prepaid - 7200 306000
CA 246000

Current Asset = $\frac{CA}{CL}$

$= \frac{2,46,000}{3,06,000} = 0.80$

$= 0.80 : 1$

Quick Ratio = $\frac{QA}{CL}$

$= \frac{112800}{306000}$

$= 0.37$

$= 0:37:1$

6) Equ From the following information calculate debt ratio, Proprietary ratio, debt capital employed ratio

Share ~~hot~~ Capital ₹ 400000 Total = 700000
Reserve & surplus ₹ 100000
Long term borrowings ₹1,50,000
Current liability ₹ 50000
Fixed Asset ₹ 400000
Investment ₹ 100000
Current Asset ₹ 200000

⟹ Debt Equity Ratio = $\frac{\text{Long term debts}}{\text{Share holder funds}}$

$= \frac{1,50000}{500000}$

$= 0.3$

Debt Equity Ratio = 0.3:1

Proprietary Ratio = $\frac{\text{Share holder fund}}{\text{Capital Employed}}$

~~Capital Employee = Share hos~~ $\frac{500000}{650000}$

$= 0.77$

Proprietary Ratio = 0:77:1

Debt to Capital Employee = $\frac{\text{long term debt}}{\text{Capital Employed}}$

= 150000 / 650000

Debt to Capital Employee = 0.23

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7) Calculate debt equity ratio, & the Proprietary ratio

Current Asset ₹ 400000
13% debenture ₹ 200000
COGS ₹ 600000
Paid up capital ₹ 500000
Net sales ₹ 100000
Current liability ₹ 2,80,000
Average inventory ₹ 1,50,000

= 1000000 - 600000
= 900000

SHF
= 500000 + 400000
= 900000

=> Debt Equity Ratio = $\frac{\text{Long term debt}}{\text{Share holder fund}}$

$= \frac{200000}{900000}$

Debt Equity Ratio = 0.22 : 1

Proprietary Ratio = $\frac{\text{Share holder Fund}}{\text{Capital Employed}}$

$= \frac{900000}{1100000}$

= 0.82

Proprietary Ratio = 0.82 : 1

8) ~~Inventory 10000~~

$$\begin{array}{r} 3,40,000 \\ -\ 1,20,000 \\ \hline 2,20,000 \end{array} \rightarrow \text{Gross profit}$$

6m ar
12n

8) Revenue from operation ₹3,40,000
Cost of RFO ₹1,20,000
Selling Expenses ₹80,000
Administrative Expenses ₹40,000
Calculate goods gross profit ratio & Operating ratio

1,20,000
+ 80,000
+ 40000
= 2,4

$$\Rightarrow \underline{\text{Gross profit Ratio}} = \frac{\text{GP}}{\text{Net revenue from operation}} \times 100$$

$$= \frac{2,20,000}{3,40,000} \times 100$$

Gross profit Ratio = 64.7 //

$$\underline{\text{Operating Ratio}} = \frac{\text{Operating } \cancel{\text{Profit}} \text{ Cost}}{\text{Revenue from operation}} \times 100$$

$$= \frac{2,40,000}{3,40,000} \times 100$$

Operating Ratio = 70.5 //

9) RFO ₹1000000
GP ₹ 200000
Average inventory ₹1,00,000
Net credit Revenue from ops ₹600000
Average Trade receivable ₹1,50,000
Net credit Purchase ₹5,00,000
Average trade Payable ₹2,50,000
operating expenses ₹100000
Net Profit ₹100000

600000 | 15000

Calculate Inventory turn over, Trade receivable turnover ratio, Trade Payable turnover ratio, GPR, Operating ratio & net profit Ratio

=> Inventory turnover Ratio $= \dfrac{\text{Cost of RFO}}{\text{Average inventory}}$

$$= \frac{1000000 - 200000}{1,00,000}$$

$$= \frac{800000}{100000}$$

Inventory turnover Ratio $= 8$ //

Trade receivable turnover Ratio $= \dfrac{\text{Net credit sales}}{\text{Average trade receivab}}$

$$= \frac{600000}{1,59000}$$

$= 4$ //

Trade Payable turnover Ratio $= \dfrac{\text{Net credit Purchase}}{\text{Average trade Payable}}$

$$= \frac{500000}{2,50,000}$$

$= 2$ //

Gross Profit Ratio $= \dfrac{\text{GP}}{\text{NRFO}} \times 100$

$$= \frac{200000}{1000000}$$

$= 20$ //

Operating Ratio $= \frac{\text{Operating cost}}{\text{RFO}} \times 100$

$$\cancel{= \frac{100000}{1000000} \times 100}$$

$$= \frac{800000 + 100000}{1000000} \times 100$$

$$= 90_{//}$$

Net Profit Ratio $= \frac{\text{Net Profit}}{\text{RFO}} \times 100$

$$= \frac{100000}{1000000} \times 100$$

$$= 10_{//}$$