Exemplar Questions

1. Why it is necessary to ascertain new profit sharing ratio even for old partners when a new partner is admitted?
2. Why should a new partner contribute for goodwill on his admission?
3. If some amount of goodwill already exists in the books of the firm and the new partner brings in his share of goodwill in cash, what will the treatment of goodwill in the books of the firm?
4. Why there is a need for the revaluation of assets and liabilities on the reconstitution of the firm?
5. Explain how will you deal with goodwill when new partner is not in a position to bring his share of goodwill in cash?
6. How would you deal with the accumulated profits and losses and reserves on the admission of a new partner?
7. Why the value of goodwill determined when a firm is reconstituted?
8. What will be the ratio of sacrifice of the old partners in the case of admission of a new partner when nothing is stated?
9. Change in profit-sharing ratio amounts to dissolution of partnership? Comment?
10. Anshu and Bunty are partners in a firm sharing profits and losses in the ratio of 5:3. They admit Chirag into partnership with 1/5 share in the profits. Calculate the new profit sharing ratio?
11. Aakaash, Bobby and Chitra are partners in a firm sharing profits in 3:2:1 ratio. They admitted Dinkar for 20% share in profits. Calculate the new profit sharing ratio?
12. Avinash and Bhawna are partners sharing profits in 5:3 ratio admitted Kavita for 1/6 share in profits which he acquired equally from Avinash and Bhawna. Calculate new profit sharing ratio?
13. Amit, Sumit and Sonu are partners sharing profits and losses in the ration of 9:5:4 from April 01 , 2018, they decided to share profits and losses equally. Calculate each partner's gain or sacrifice due to the change in profit sharing ratio.
14. Under what circumstances premium for goodwill paid by the new partner is not recorded in the books of the firm.
15. Who decide about the profit sharing ratio among partners in case of admission of a partner?
16. Asha and Beena share profits and losses in the ratio of 4:3. They admit chetna with $3/7^{th}$ share, which she gets $2/7^{th}$ from Asha and 1/7 from Beena. What is the new profit-sharing ratio?
17. Aradhya and Ayan are partners in a firm sharing profits and losses in the ratio of 3:2. They admit Lakshit and decide that the profit-sharing ratio between Aradhya and Lakshit shall be same as existing between Aradhya and Ayan. Calculate new profit-sharing ratio and sacrificing ratio of partners.
18. Hardik and Piyush are partners in a firm sharing profits and losses in the ratio of 3:2. The partnership deed provides for the following:
    i. Hardik is entitled to receive commission @ 12% of net profits before charging any commission.
    ii. Piyush is entitled to get a commission @ 10% og net profits after charging all commissions.

    Show the distribution of profits if Piyush's share in profits is Rs. 40,000. Record necessary journal entries in books of the firm.

19. Aradhya and Ayaan are partners in a firm sharing profits and losses in the ratio of 3:2. The partnership agreement provides that:
    i. Interest on capital is to be allowed @ 9% p.a.
    ii. Interest on Drawings is to be charged @ 12 p.a.

    During the year 2017-18:

    i. Aradhya has withdrawn Rs. 15,000 out of her capital as on October 01, 2017.
    ii. Ayaan has witdrawn for personal use at the beginning of every quarter through the year.

    On the basis of above information, fill the missing figures:

Profit and Loss Appropriation Account

Particulars	Amount (Rs.)	Particulars	Amount (Rs.)
Interest on Capital:		Profit and Loss	38,000
Aradhya ………		Interest on drawings	…………
Ayaan ………	……………		
Profit transferred to partner's capital	……………		
	…………..		…………….

Partner's Capital Account

Dr.									Cr.
Date	Particulars	J.F.	Aradhya (Rs.)	Ayaan (Rs.)	Date	Particulars	J.F.	Aradhya (Rs.)	Ayaan (Rs.)
2017 Oct, 01	………		………..		2017 Apr, 01	Bal b/d		1,80,000	1,65,000
2018 March 31	……….			……….	2018 March 31	……….		……….	……….
March 31	……….			………..	March 31	……….		……….	……….
March 31	Bal c/d								
			…………	…………					……….

20. Sanchi, Yashika and Kavish set up a partnership on July 01, 2017 with a capital of Rs. 6,00,000 and Rs. 6,00,000; Rs. 8,00,000 and Rs. 7,00,000 respectively. The interest on capital is to be allowed @ 10% p.a. interest on Drawings is to be charged @ 8%. Salary to partners: Sanchi- Rs. 6,000 per month; Yashika Rs. 12,000 per month. The partners have withdrawn the following amounts during the year: Sanchi- Rs. 6,000 per month at the beginning of each month; Yashika Rs. 8,000 per month at the end of each month; Kavish Rs. 15,000 per month in the middle of each quarter. Sanchi has also advanced a loan of Rs. 1,00,000 to the firm on October 1, 2017 without any agreement. The firm has earned a net profit of Rs. 2,60,000 for the period ended on March 31, 2018. Prepare necessary accounts to show the distribution of profits among partners.

21. Alka, Ashok and Preeti are partners in a firm sharing profits and losses in the ratio of 5:3:2. Their fixed capital accounts showed balances of Rs. 2,50,000; 2,00,000 anjd Rs. 3,00,000 respectively on March 31, 2018. The drawings for the year 2017-18 were: Alka Rs. 20,000; Ashok Rs. 30,000 and Preeti Rs. 25,000. The partnership deed provides for the following: Interest on capital @ 9% per annum; Interest on drawings is to be charged @ 12% per annum. While distributing profits for the year ended March 31, 2018, interest on capital was wrongly allowed @ 12% per annum and interest on drawings was wrongly charged @ 9%. You are requested to record the necessary journal entry clearly showing the working notes.

22. Muskan, Vanshika and Priyanka started a new partnership firm on October 01, 2017 with capitals of Rs. 12,00,000, Rs. 18,00,000 and Rs. 20,00,000 respectively. The partnership deed provides for the following:

   i. Interest on Capital @ 6% p.a
   ii. Salary of Rs. 15,000 p.m. each to Vanshika and Priyanka as working partners .
   iii. Profit and loss to be shared according to their capital ratio.
   iv. Muskan guaranteed Vanshika that her share in profit will not be less than Rs. 2,00,000 in a year excluding her salary and interest on capital.

   Partnership firm earned a net profit of Rs. 6,30,000 for the period ending March 31, 2018.. You are required to prepare Profit and Loss Appropriation Account to show distrinution of profits among partners.

23. Vineet, Vivek and Pawan are partners in a firm sharing profits and losses in the ratio of 3:2:1. The partnership agreement provides that :

   i. Interest on capital is to be allowed @ 10 % per annum.
   ii. Interest on drawing is to be charged @ 8 % per annum.
   iii. Vivek will be allowed a monthly salary of ₹ 4,000.
   iv. Pawan who manages the sales department will be allowed a commission equal to 10 % of net profits after allowing Vivek's salary.
   v. Vineet has to get a minimum of Rs.1,05,000 irrespective of the profits of the firm.

The fixed capitals of Vineet, Vivek and Pawan are Rs. 2, 50,000; Rs. 2,00,000 and ₹ 1,50,000 respectively. Their annual drawing was Rs. 18,000, Rs.16, 000 and Rs.20, 000 respectively for Vineet, Vivek and Pawan. The net profits of the firm for the year ended on March31, 2018 amounted to Rs. 2,85, 840.Prepare firm's profit and loss Appropriation Account.

24. Rohit and Sunil are partners in a firm sharing profits and losses in the ratio of 3:2. Calculate value of goodwill of the firm by super profit method if it is valued at 3 years' purchase of super profits if the profits for the past four years were:

Years Ended	**Profit Amount (Rs.)**
March 31, 2015	90,000
March 31, 2016	(30,000)
March 31, 2017	1,50,000
March 31, 2018	1,00,000

Additional Information:

a) In the year ended on March31, 2016 closing stock was undervalued by Rs. 10,000.

b) On [t]April 01, 2017 Rs. 20,000 spent on installation of a new machinery, was wrongly debited to wages account. Depreciation is charged on Machinery @ 10 % per annum on written down value.

c) Insurance claim of Rs. 30,000 was received during the year 2016-17 and it was credited to profit and loss Account.

d) To cover management cost, an annual charge of ₹ 24,000 should be provided for the purpose of goodwill valuation.

e) Capital invested in the business throughout the above mentioned period has been Rs. 5,00,000. The normal rate of return in this loss of business is 10 %.

25. Rakesh, Vikas and Tanvi are partners in a firm sharing profits and losses in theratio of 3:3:4. They decide to share the profits & Losses equally w.e.f. April 1, 2018.Their Balance sheet as at March 31, 2018 was as follows :

Liabilities		*Amount Rs.)*	*Assets*	*Amount Rs.)*
Sunday Creditors		1,75,000	Cash at Bank Bills	70,000
General Reserve		1,20,000	Receivables Sunday	50,000,
Investment		20,000	Debtors. Inventories	90,000
Fluctuation Reserve			Investments Fixed	1,35,000
Partner's Loan :			Assets	1,00,000
Rakesh :	50,000			2,00,000
Tanvi :	40,000	90,000		
Partners Capital				
Rakesh :	90,000			
Vikas :	90,000			
Tanvi :	60,000	2,40,000		
		6,45,000		**6,45,000**

It is also decided that:

1. Fixed Assets to be increased to Rs.2, 19,500.
2. A provision of 5 % on Sunday Debtors to be made for doubtful Debts.
3. Market value of Investment is Rs.89,000.
4. Goodwill of the firm is valued at Rs.96000.
5. Capital of the partners is to be adjusted according to the new profit sharing ratio by bringing or paying cash as the case may be.

   Prepare Revaluation Account, Partner's Capital Account and the Balance Sheet of the Reconstituted firm.

26. Rajesh, Sankalp and Deram are partners in a firm sharing profits and losses in the ratio of 5:3:2. They decide to share the profits & losses in the ratio of 2:3:5 with effect from April 1, 2018. There Balance sheet as at March 31, 2008 was as follows :

Liabilities	*Amount (Rs.)*	*Assets*	*Amount (Rs.)*

Sunday Creditors	50,000	Advertisement Suspense A/C	1,000
Workmen	15,000	Cash at Bank	83,000
Compensations	25,000	Inventories Sundry Debtors	90,000
Reserve	24,000	Fixed Assets Goodwill	80,000
Employees'			3,00,000
Provident fund			60,000
General reserve			
Partner's capital A/C			
Rajesh : 2,00,000			
Sankalp :2,00,000			
Deram : 1,00,000	5,00,000		
	6,14,000		**6,14,000**

It is also decided that:

i. Goodwill to be valued on the basis of three years purchases of the super profit of the last three years:

2015-16 : Rs. 55,000 (including gain of Rs. 5000 on sale of Investment.)

2016-17 : Rs. 20,00 (Including Abnormal loss Rs. 80,000)

2017-18 : Rs. 1,00,000

ii. In the same type of business, the Normal rate of return is 10 % of the capital Om played.

iii. The capital of the partner's will be adjusted according to the new profit sharing ratio by opening partners' current accounts.

Prepare necessary ledger and balance sheet of reconstituted firm.

27. Following is the Balance sheet of Abha and Vibha, who shared profits and losses in the ratio of 2:1 as at April1, 2018.

Liabilities	*Amount (Rs.)*	*Assets*	*Amount (Rs.)*

Sunday Creditors	50,000	Land and Building	2,20,000
Workmen	20,000	plant & Machinery	1,00,000
Compensations	60,000	Furniture stock	50,000
Reserve	55,000	Debtors : 90,000	
General Reserve		Loss - Provision -	
Outstanding Exp.		5,000	85,000
Partners Capital		Good will	30,000
Abha : 2,00,000			
Vibha : 1,00,000	30,0000		
	485000		**4,85,000**

From the above date, the partners decided to change their profit - sharing ratio to 3:2 and agreed upon the following :

1. Goodwill of the firm valued at **Rs.**45000.
2. Creditors of Rs. 8000 is not likely to be claimed any hence should be written off.
3. Land and Building is overvalued by 10 %.
4. Provision for doubtful debts to be reached by Rs.3000.

The partners neither want to record the goodwill nor to distribute the general reserve. Record the necessary journal entries and prepare the balance sheet of reinstituted firm.

28. Rajesh, Rajeev and Rajan are partners in a firm sharing profits and losses in the ratio of 5:3:2. The new profit sharing ratio among Rajesh, Rajan and Rajeev w.r.t. April 1, 2018 will be 4:3:7 respectively. Their Balance sheet as at March31, 2018 was as follows :

Liabilities	*Amount (Rs.)*	*Assets*	*Amount Rs.)*

Partners Capital Rajesh : 2,50,000 Rajeev : 2,00,000 Rajan : 2,00,000	6,30,000	Fixed Assets Sundry Debtors : 10,000 Less Provision : 400 For Doubtful Debit Inventory cash at Bank	5,60,000 9600 48,000 62,400
Contingency Reserve	90,000	Good will	1,20,000
Outstanding expenses	2,000		
Sundry Creditors.	78,000		
	8,00,000		**8,00,000**

It is also decided that:

i. Bad Debts to be written off Rs. 600.
ii. Provision for Doubtful Debt to be made @ 5 % on Debtors.
iii. Fined assets is found undervalued by 20 %.
iv. Inventory is found overvalued by Rs. 4,000.
v. Outstanding expanses is not payable anymore.
vi. Total capital of the firm will be Rs. 7,00,000, which will be shared by partners in the new profit sharing ratio.

29. Sudhir, Anil and Geetika are partners in a firm sharing profits and losses in ratio of 3:2:1. They decide to share the profits losses in the ratio of 5:3:2 w.r.t April 1, 2018.

Liabilities	*Amount (Rs.)*	*Assets*	*Amount Rs.)*
Partner's Capital :		Fixed Assets	1,80,000
Sudhir : 50,000		Debtors	50,000
Anil : 30,000		Bills Receivables	25,000
Geetika : 20,000	100,000	Stock	36,000
Partner's Current account:		Cash at Bank	15,500
		Good will	18,000
Anil 5000	7,000	Sudhir's Current A/C	500
Geetika 12,000	1,50,000		

General Reserve	30,000		
Workman Compensation Reserve	38,000		
Sundry Creditors			
	3,25,000		**3,25,000**

It is agreed that:

1. Bad Debts to be written-off Rs. 5000.
2. Provision for doubtful debts to be made @ 5 % on debtors.
3. General Reserve to be maintained at Rs. 30,000.
4. Claim for workman compensation is ascertained Rs. 45000.
5. Investment of Rs. 5,000 which did not appear in books should be recorded.
6. Out of the amount of insurance premium which was debited to profit and loss account, Rs. 5000 be carried forward as unexpired insurance.
7. Expenses on revaluation of assets and reassessment of liabilities amount to Rs. 1200 is paid by firm.
8. The total capital of the new firm will be 20 % more than the old capital which will be shared by the partners in the new profit sharing ratio.

Give the journal entries and prepare ledger account and balance sheet of reconstituted firm.

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