

Unit 2:
RECONSTITUTION OF PARTNERSHIP

ADMISSION OF A PARTNER

- Q.1 On what occasions does the need for valuation of goodwill arise?
- Q.2 Why is it necessary to revalue assets and liabilities at the time of admission of a new partner?
- Q.3 What is meant by sacrificing ratio?
- Q.4 State two occasions when sacrificing ratio may be applied.
- Q.5 A business has earned average profit of Rs. 60,000 during the last few years. The assets of the business are Rs. 5,40,000 and its external liabilities are Rs. 80,000. The normal rate of return is 10%. Calculate the value of goodwill on the basis of capitalisation of super profits.
- Q.6 The capital of a firm of Arpit and Prajwal is Rs. 10,00,000. The market rate of return is 15% and the goodwill of the firm has been valued Rs. 1,80,000 at two years purchase of super profits. Find the average profits of the firm.
- Q.7 The average profits for last 5 years of a firm are Rs. 20,000 and goodwill has been worked out Rs. 24,000 calculated at 3 years purchase of super profits. Calculate the amount of capital employed assuming the normal rate of interest is 8 %.
- Q.8 Rahul and Sahil are partners sharing profits together in the ratio of 4:3. They admit Kamal as a new partner. Rahul surrenders $\frac{1}{4}^{\text{th}}$ of his share and Sahil surrenders $\frac{1}{3}^{\text{rd}}$ of his share in favour of Kamal. Calculate the new profit sharing ratio.
- Q.9 Ajay and Naveen are partners sharing profits in the ratio of 5:3. Surinder is admitted in to the firm for $\frac{1}{4}^{\text{th}}$ share in the profit which he acquires from Ajay and Naveen in the ratio of 2:1. Calculate the new profit sharing ratio.
- Q.10 A and B were partners sharing profits in the ratio of 3:2. A surrenders $\frac{1}{6}^{\text{th}}$ of his share and B surrenders $\frac{1}{4}^{\text{th}}$ of his share in favour of C, a new partner. What is the new ratio and the sacrificing ratio.
- Q.11 Aarti and Bharti are partners sharing profits in the ratio of 5:3. They admit Shital for $\frac{1}{4}^{\text{th}}$ share and agree to share between them in the ratio of 2:1 in future. Calculate new and sacrificing ratio.
- Q.12 X and Y divide profits and losses in the ratio of 3:2. Z is admitted in the firm as a new partner with $\frac{1}{6}^{\text{th}}$ share, which he acquires from X and Y in the ratio of 1:1. Calculate the new profit sharing ratio of all partners.
- Q.13 Rakhi and Parul are partners sharing profits in the ratio of 3:1. Neha is admitted as a partner. The new profit sharing ratio among Rakhi, Parul and Neha is 2:3:2. Find out the sacrificing ratio.

Q.14 X and Y are partners sharing profits in the ratio of 5:4. They admit Z in the firm for $\frac{1}{3}$ rd profit, which he takes $\frac{2}{9}$ th from X and $\frac{1}{9}$ th from Y and brings Rs. 1500 as premium. Pass the necessary Journal entries on Z's admission.

Q.15 Ranzeet and Priya are two partners sharing profits in the ratio of 3:2. They admit Nilu as a partner, who pays Rs. 60,000 as capital. The new ratio is fixed as 3:1:1. The value of goodwill of the firm was determined at Rs. 50,000. Show journal entries if Nilu brings goodwill for her share in cash.

Q.16 A and B are partners sharing profits equally. They admit C into partnership, C paying only Rs. 1000 for premium out of his share of premium of Rs. 1800 for $\frac{1}{4}$ th share of profit. Goodwill account appears in the books at Rs. 6000. All the partners have decided that goodwill should not appear in the new firms books.

Q.17 A and B are partners sharing profits in the ratio of 3:2. Their books showed goodwill at Rs. 2000. C is admitted with $\frac{1}{4}$ th share of profits and brings Rs. 10,000 as his capital but is not able to bring in cash goodwill Rs. 3000. Give necessary Journal entries.

Q.18 Piyush and Deepika are partners sharing in the ratio of 7:3. they admit Seema as a new partner. The new ratio being 5:3:2. Pass journal entries.

Q.19 A and B are partners with capital of Rs. 26,000 and Rs. 22,000 respectively. They admit C as partner with $\frac{1}{4}$ th share in the profits of the firm. C brings Rs. 26,000 as his share of capital. Give journal entry to record goodwill on C's admission.

Q.20 A and B are partners sharing profits in the ratio of 3:2. They admit C into partnership for $\frac{1}{4}$ th share. C is unable to bring his share of goodwill in cash. The goodwill of the firm is valued at Rs. 21,000. give journal entry for the treatment of goodwill on C's admission.

Q.21 A and B are partners with capitals of Rs. 13,000 and Rs. 9000 respectively. They admit C as a partner with $\frac{1}{5}$ th share in the profits of the firm. C brings Rs. 8000 as his capital. Give journal entries to record goodwill.

Q.22 A, B and C were partners in the ratio of 5:4:1. On 31st Dec. 2006 their balance sheet showed a reserve fund of Rs. 65,000, P&L A/C (Loss) of Rs. 45,000. On 1st January, 2007, the partners decided to change their profit sharing ratio to 9:6:5. For this purpose goodwill was valued at Rs. 1,50,000.

The partners do not want to distribute reserves and losses and also do not want to record goodwill.

You are required to pass single journal entry for the above.

Q.23 A and B were partners in the ratio of 3:2. They admit C for $\frac{3}{13}$ th share. New profit ratio after C's admission will be 5:5:3. C brought some assets in the form of his capital and for the share of his goodwill.

Following were the assets:

Assets	Rs.
Stock	2,44,000
Building	2,40,000
Plant and Machinery	1,40,000

At the time of admission of C goodwill of the firm was valued at Rs. 12,48,000.
Pass necessary journal entries.

Q.24 X, Y and Z are sharing profits and losses in the ratio of 5:3:2. They decide to share future profits and losses in the ratio of 2:3:5 with effect from 1st April, 2002. They also decide to record the effect of the reserves without affecting their book figures, by passing a single adjusting entry.

Book Figure

General Reserve	Rs. 40,000
Profit & loss A/C	Rs. 10,000
Advertisement Suspense A/C	Rs. 20,000

Pass the necessary single adjusting entry.

RETIREMENT /DEATH OF A PARTNER

- Q.1 Distinguish between Sacrificing Ratio and Gaining Ratio.
- Q.2 Kamal, Kishore and Kunal are partners in a firm sharing profits equally. Kishore retires from the firm. Kamal and Kunal decide to share the profits in future in the ratio 4:3. Calculate the Gaining Ratio.
- Q.3 P, Q and R are partners sharing profits in the ratio of 7:2:1. P retires and the new profit sharing ratio between Q and R is 2:1. State the Gaining Ratio.
- Q.4 A, B and C are partners in a firm sharing profits in the ratio of 2:2:1. B retires and his share is acquired by A and C equally. Calculate new profit sharing ratio of A and C.
- Q.5 X, Y and Z are partners sharing profits in the ratio of $\frac{4}{9}$, $\frac{1}{3}$ and $\frac{2}{9}$. X retires and surrenders $\frac{2}{3}^{\text{rd}}$ of his share in favour of Y and remaining in favour of Z. Calculate new profit sharing ratio and gaining ratio.
- Q.6 X, Y and Z have been sharing profits and losses in the ratio of 3:2:1. Z retires. His share is taken over by X and Y in the ratio of 2:1. Calculate the new profit sharing ratio.
- Q.7 P, Q and R were partners in a firm sharing profits in 4:5:6 ratio. On 28-02-2008 Q retired and his share of profits was taken over by P and R in 1:2 ratio. Calculate the new profit sharing ratio of P and R.
- Q.8 Mayank, Harshit and Rohit were partners in a firm sharing profits in the ratio of 5:3:2. Harshit retired and goodwill is valued at Rs 60000. Mayank and Rohit decided to share future profits in the ratio 2:3. Pass necessary journal entry for treatment of goodwill.
- Q.9 Ramesh, Naresh and Suresh were partners in a firm sharing profits in the ratio of 5:3:2. Naresh retired and the new profit sharing ratio between Ramesh and Suresh was 2:3. On Naresh retirement the goodwill of the firm was valued at Rs. 120000. Pass necessary journal entry for the treat.
- Q.10 L, M and O were partners in a firm sharing profits in the ratio of 1:3:2. L retired and the new profit sharing ratio between M and O was 1:2. On L's retirement the goodwill of the firm was valued Rs. 120000. Pass necessary journal entry for the treatment of goodwill.
- Q.11 State the journal entry for treatment of deceased partners share of profit for his life period in the year of death.
- Q.12 X, Y and Z were partners in a firm sharing profits and losses in the ratio of 3:2:1. The profit of the firm for the year ended 31st March, 2007 was Rs. 3,00,000. Y dies on 1st July 2007. Calculate Y's share of profit up to date of death assuming that profits in the year 2007- 2008 have been accrued on the same scale as in the year 2006-07 and pass necessary journal entry.
- Q.13 A, B and C were partners in a firm sharing profits in 3:2:1 ratio. The firm closes its books on 31st March every year. B died on 12-06-2007. On B's death the goodwill of the firm was valued at Rs. 60,000. On B's death his share in the profit of the firm till the time of

his death was to be calculated on the basis of previous years which was Rs.150000. Calculate B's share in the profit of the firm. Pass necessary journal entries for the treatment of goodwill and B's share of profit at the time of his death.

- Q.14 A, B and C were partners in a firm sharing profits in the ratio of 2:2:1. C dies on 31st July, 2007. Sales during the previous year upto 31st march, 2007 were Rs. 6,00,000 and profits were Rs. 150000. Sales for the current year upto 31st July were Rs. 250000. Calculate C's share of profits upto the date of his death and pass necessary journal entry.

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DISSOLUTION OF PARTNERSHIP FIRM

- Q.1 Distinguish between dissolution of partnership and dissolution of partnership firm on the basis of continuation of business.
- Q.2 Why is Realisation Account prepared on dissolution of partnership firm?
- Q.3 State any one point of difference between Realisation Account and Revaluation Account.
- Q.4 All partners wish to dissolve the firm. Yastin, a partner wants that her loan of Rs. 2,00,000 must be paid off before the payment of capitals to the partners. But, Amart, another partner wants that the capital must be paid before the payment of Yastin's loan. You are required to settle the conflict giving reasons.
- Q.5 On a firm's dissolution debtors as shown in the Balance sheet were Rs. 17,000 out of these Rs. 2,000 became bad. One debtor of Rs. 6,000 became insolvent and 40% could be recovered from him. Full recovery was made from the balance debtors. Calculate the amount received from debtors and pass necessary journal entry.
- Q.6 On dissolution of a firm, Kamal's capital account shows a debit balance of Rs. 16,000. His share of profit on realization is Rs. 11,000. He has taken over firm's creditors at Rs. 9,000. Calculate the final payment due to /from him and pass journal entry.
- Q.7 A and B were partners in a firm sharing profits and losses equally. Their firm was dissolved on 15th March, 2004, which resulted in a loss of Rs. 30,000. On that date the capital A/C of A showed a credit balance of Rs. 20,000 and that of B a credit balance of Rs. 30,000. The cash account has a balance of Rs. 20,000. You are required to pass the necessary journal entries for the (i) Transfer of loss to the capital accounts and (ii) making final payment to the partners.
- Q.8 What journal entries would be passed in the books of A and B who are partners in a firm, sharing profits in the ratio of 5:2, for the following transactions on the dissolution of the firm after various assets (other than cash) and third party liabilities have been transferred to Realisation Account?
- (a) Bank loan Rs. 16,000 is paid.
 - (b) Stock worth Rs. 6,000 is taken over by B.
 - (c) Loss on Realisation Rs. 14,000.
 - (d) Realisation expenses amounted to Rs. 2,000, B has to bear these expenses.
 - (e) Deferred Revenue Advertising Expenditure appeared at Rs. 28,000.
 - (f) A typewriter completely written off in the books of the firm was sold for Rs. 200.