**Q1) (A) Answers**

1) Revaluation

2) Cash / Bank

3) Deficit capital

4) Sacrifice

5) 3:2:1:1

**(B) Answers**

1) True

2) False

3) True

4) True

5) True

**(C) Answers**

1) Revaluation or Profit and Loss Adjustment A/c

2) Profit on Revaluation

3) Ratio of Sacrifice

4) Surplus Capital

5) Goodwill

**(D) Answers**

**Step No. 1: Calculation of Average Profit**

Average Profit = =

,, = = ` 41, 250/-

**Step No. 2 Calculation of Normal Profit:**

Normal Profit = Capital Employed x

,, = 2,50,000 x

,, = ` 30,000/-

**Step No. 3: Calculation of Super Profit**

Super Profit = Average Profit - Normal Profit

,, = 41, 250 - 30, 000

,, = ` 11, 250/-

**Step No. 4: Calculation of Goodwill:**

Goodwill = Super Profit x No. of year’s purchase

,, = 11, 250 x 3

,, = ` 33, 750/-

**Q2) Answer**

**Dr. Revaluation A/c Cr.**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Particulars** | **Amt. `** | **Amt. `** | **Particulars** | **Amt. `** | **Amt. `** |
| To Furniture A/c  To Profit on Revaluation  transferred to  Shekhar’s capital (3/5)  Shridhar’s capital A/c (2/5) | 4, 800  3, 200 | 1, 000  8, 000 | By Stock A/c  By Creditors A/c  By Rent |  | 6, 000  2, 000  1, 000 |
|  | **9, 000** | **9, 000** |

**Dr. Partner’s Capital Accounts Cr.**

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Particulars** | **Shekhar (**`) | **Shridhar (**`) | **Murlidhar (**`) | **Particulars** | **Shekhar**  **(**`) | **Shridhar (**`) | **Murlidhar**  **(**`) |
| To Profit  and Loss A/c  To Balance c/d | 12, 000  98, 000 | 8, 000  72, 000 | \_\_\_\_\_\_  24, 000 | By Balance b/d  By Cash / Bank A/c  By Goodwill A/c  By General  Reserve  By Revaluation  A/c (Profit) | 80, 000  \_\_\_\_\_\_\_  10, 800  14, 400  4, 800 | 60, 000  \_\_\_\_\_\_\_  7, 200  9, 600  3, 200 | \_\_\_\_\_\_  24, 000  \_\_\_\_\_\_  \_\_\_\_\_\_  \_\_\_\_\_\_ |
|  | **1, 10,000** | **80, 000** | **24, 000** |  | **1, 10,000** | **80, 000** | **24, 000** |

**Balance sheet as on 1st April, 2012**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Liabilities** | **Amt. `** | **Amt. `** | **Assets** | **Amt. `** | **Amt. `** |
| Capital A/c’s  Shekhar  Shridhar  Murlidhar  Creditors  (-) unclaimed  50% General Reserve | 98, 000  72, 000  24, 000 | 1, 94,000  30, 000  24, 000 | Building  Furniture  Less: Depreciation  Stock  Add: Appreciation  Debtors  Rent Receivable  Cash / Bank | 20, 000  1, 000 | 40, 000  19, 000  30, 000  80, 000  1, 000  78, 000 |
| 24, 000  6, 000 |
| 32, 000  2, 000 |
|  |
|  |
| **2, 48,000** | **2, 48,000** |

**Note:** General Reserve ` 24, 000 can be deducted from Debtor instead of showing on liability side of Balance Sheet.

**Working Note: 1) Balance of Cash A/c**

**Dr. Cash A/c Cr.**

|  |  |  |  |
| --- | --- | --- | --- |
| **Particulars** | **Amt. `** | **Particulars** | **Amt. `** |
| To Balance bId  To Murlidhar Cap A/c  To Goodwill A/c | 36, 000  24, 000  18, 000 | By Balance c/d | 78, 000 |
| 78, 000 | 78, 000 |

**II) Treatment of Goodwill**

**Dr. Goodwill A/c Cr.**

|  |  |  |  |
| --- | --- | --- | --- |
| **Particulars** | **Amt. `** | **Particulars** | **Amt. `** |
| To Shekhar’s Cap A/c  To Shridhar’s Cap A/c | 10, 800  7, 200 | By Cash A/c | 18, 000 |
| **18, 000** | **18, 000** |

**Q3) Answer**

**Journal Entries in the books of Umesh and Prakash**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Date** | **Particulars** | **L.F.** | **Debit Amt. `** | **Credit Amt. `** |
| 1  2  3  4  5  6  7  8  9  10  11  12 | Bank A/c Dr.  To Cash A/c  (Being cash deposited into bank) |  | 500  1, 38,750  7, 500  6, 000  3, 750  9, 000  94, 500  20, 000  15, 000  3, 000  6, 000  6, 000  4, 200  2, 800  61, 200  25, 800 | 500  33, 750  67, 500  22, 500  15, 000  17, 250  5, 400  3, 600  94, 500  20, 000  15, 000  3, 000  6, 000  6, 000  7, 000  87, 000 |
| Realisation A/c Dr.  To Debtors A/c  To Stock A/c  To Machinery A/c  To Furniture A/c  (Being assets transferred to realisation A/c) |
| Sundry Creditors A/c Dr.  Umesh’s Wife Loan A/c Dr.  R.D.D. A/c Dr.  To Realisation A/c  (Being third party liabilities and R.D.D. transferred to realisation account) |
| Profit and Loss A/c Dr.  To Umesh’s Capital A/c  To Prakash Capital A/c  (Being accumulated profits transferred to  partners’ capital account) |
| Bank A/c Dr.  To Realisation A/c  (Being assets realised) |
| Prakash’s Capital A/c Dr.  To Realisation A/c  (Being machinery taken over) |
| Umesh’s Capital A/c Dr.  To Realisation A/c  (Being furniture taken over) |
| Realisation A/c Dr.  To Bank A/c  (Being dissolution expenses paid) |
| Realisation A/c Dr.  To Umesh’s Capital A/c  (Being wife’s loan taken over) |
| Realisation A/c Dr.  To Bank A/c  (Being creditors paid off.) |
| Umesh’s Capital A/c Dr.  Prakash’s Capital A/c Dr.  To Realisation A/c  (Being loss on realisation transferred) |
| Umesh’s Capital A/c Dr.  Prakash’s Capital A/c Dr.  To Bank A/c  (Being amount paid on account for final settlement) |
| **Total** | **4, 04,000** | **4, 04,000** |

**Working Note:-**

**Ledger Accounts**

**Realisation Account**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Date** | **Particulars** | **`** | **Date** | **Particulars** | **`** |
|  | To Debtors A/c  To Stock A/c  To Machinery A/c  To Furniture A/c  To Umesh’s Capital A/c  (Wife’s loan taken over)  To Bank A/c  (Realisation exp.)  To Bank A/c  (Creditors Paid off.) | 33,750  67,500  22,500  15,000  6, 000  3,000  6,000 |  | By Sundry Creditors A/c  By Umesh’s Wife’s loan A/c  By R.D.D. A/c  By Bank A/c  Goodwill 7,500  Stock 60,000  Debtors 27,000  (Assets Realised)  By Prakash Capital A/c  (Machinery taken over)  By Umesh Capital A/c  (Furniture taken over)  By Umesh Capital A/c (Loss)  By Prakash Capital A/c (Loss) | 7,500  6,000  3,750  94,500  20,000  15,000  4,200  2,800 |
| **1,53,750** | **1,53,750** |

**Dr. Partner’s Capital Accounts Cr.**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Particulars** | **Umesh `** | **Prakash `** | **Particulars** | **Umesh `** | **Prakash `** |
| To Realisation A/c  (assets taken over)  To Realisation A/c  (Loss on Realisation)  To Bank A/c  (Final Payments) | 15,000  4,200  61,200 | 20,000  2,800  25,800 | By Bal. b/d  By Profit & Loss A/c  By Realisation A/c | 69,000  5,400  6,000 | 45,000  3,600  -------- |
| **80,400** | **48,600** | **80,400** | **48,600** |

**Dr. Bank Account Cr.**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Date** | **Particulars** | **`** | **Date** | **Particulars** | **`** |
|  | To Balance b/d  To Cash A/c  To Realisation A/c  (Assets Realised) | 1, 000  500  94, 500 |  | By Realisation A/c  (Diss. Expenses)  By Realisation A/c  (Creditors paid off)  By Umesh’s Capital A/c  By Prakash’s Capital A/c | 3, 000  6, 000  61, 200  25, 800 |
| **96, 000** | **96, 000** |