



INDIAN SCHOOL DARSAIT DEPARTMENT OF COMMERCE



Subject : Accountancy	Topic : Change in Profit sharing Ratio of Existing Partners	Date of Issue: __/__/2017 Worksheet No.4
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Name of the Student : _____	Class & Division : XII__	Roll Number : __

1. A,B and C are partners sharing profits and losses in the ratio 3:2:1 respectively. W.e.f. 1st Jan.2014, they agreed to share profits equally. The goodwill of the firm is valued at ₹ 72,000. Make the necessary journal entry.
2. A,B and C are partners sharing profits and losses in the ratio 9:6:5 respectively. With effect from 1st Jan.2014, they agreed to share profits in the ratio 3:5:2. The goodwill of the firm is valued at ₹ 1,00,000. Make the necessary journal entry.
3. P,Q and R are partners sharing profits and losses in the ratio 3:3:2. W.e.f. 1st Jan.2014, they agreed to share profits equally. On that date the profit and loss account showed a Credit balance of ₹ 48,000 and Advertisement Suspense account ₹12,000. It was decided to make an adjustment entry reflecting the change in the profit sharing ratio. Make the necessary journal entry.
4. X,Y and Z are partners sharing profits and losses in the ratio 3:2:1. With effect from 1st Jan.2014, they agreed to share profits equally. On that date the profit and loss account showed a Credit balance of ₹ 60,000 and a General Reserve of ₹30,000. Pass Journal entry in the following cases.
 - (i) When partners decided to close the Profit and loss account and General Reserve a/c
 - (ii) When partners decided to pass an adjustment entry without closing the Profit and loss account and General Reserve a/c.
5. X,Y and Z are partners sharing profits and losses in the ratio 3:2:1. With effect from 1st Jan.2014, they agreed to share profits equally. On that date the profit and loss account showed a Debit balance of ₹ 1,80,000 and a General Reserve of ₹90,000. Pass Journal entry in the following cases.
 - (i) When partners decided to close the Profit and loss account and General Reserve a/c
 - (ii) When partners decided to pass an adjustment entry without closing the Profit and loss account and General Reserve a/c.

6. Rajan and Suman are partners in a firm sharing profit in the ratio of 3:2. Their Balance Sheet as at March 31, 2013 was as follows:
Balance Sheet of the firm as at March 31, 2013.

Liabilities	₹	Assets	₹
Rajan's Capital	45,000	Cash	15,000
Suman's Capital	30,000	Plant	30,000
Creditors	30,000	Building	60,000
	1,05,000		1,05,000

The goodwill of the firm has been valued at ₹30,000 and the building at ₹ 75,000 on March 31, 2013. The partners decide to share profits equally with effect from April 1, 2013. You are required to record the necessary adjusting entries to be made in the books of the firm on account of change in the profit sharing ratio.

7. A,B and C are partners in a firm sharing profits in the ratio 2:2:1. Their Balance sheet as at 31st March,2013 was as follows:

Balance sheet as on 31st March, 2013

Liabilities	₹	Assets	₹
Creditors	50,000	Furniture	50,000



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Bills Payable	25,000	Building	50,000
General Reserve	20,000	Machinery	1,00,000
A's Capital	1,00,000	Stock	50,000
B's Capital	50,000	Debtors	15,000
C's Capital	25,000	Bank	5,000
	2,70,000		2,70,000

On 1st April 2013, they have decided to change the profit sharing ratio in to 1:1:1. (a) The goodwill is valued at ₹30,000 (b) Furniture should be revalued at ₹80,000 and Building should be depreciated at 6%. (c) Creditors not likely to be claimed ₹400. Answer the question in the following cases:-

- I. Prepare Revaluation A/c, Capital A/c and Balance sheet

Or

Partners **decided to show the altered Value of Assets and liabilities** in the Balance Sheet.

- II. Record necessary journal entries **without opening revaluation account**, Prepare Capital account and the new Balance sheet.

Or

Partners decided **NOT to show the altered Value of Assets and liabilities** in the Balance Sheet.

8. A and B were partners in a firm sharing profits in the ratio of 3:1. With effect from 1st January 2013 they agreed to share profits in the ratio of 2:1. For this purpose the goodwill of the firm was valued at ₹ 50,000. General reserves appear in the books at ₹ 40,000. Partners neither want to show goodwill in the books nor want to distribute the reserves. You are required to record the change by passing a single journal entry.

9. A,B and C are partners in a firm sharing profits and losses in the ratio of 4:2:1. Their Balance Sheet as on 31st March 2013 stood as follows.

Liabilities	₹	Assets	₹
Sundry Creditors	80,000	Land and Building	5,00,000
Reserves	2,60,000	Machinery	4,00,000
Profit & Loss A/c (Profits)	1,00,000	Furniture	3,00,000
Capital Accounts :		Debtors	1,20,000
A 4,00,000		Bill Receivable	80,000
B 4,00,000		Cash	40,000
C 2,00,000	10,00,000		
	14,40,000		14,40,000

From 1st April 2013, the partners decided to change their profit sharing ratio to 5:3:2. For this purpose goodwill was valued at ₹2,00,000. The partners do not want to record the goodwill and also do not want to distribute the reserves and profits. You are required to record the change by passing adjusted journal entries. Also prepare the revised balance sheet.

10. A ,B and C are partners sharing profits and losses in the ratio of 3:3:2. Their balance sheet as on 31st March 2013 was as follows:

Liabilities	₹	Assets	₹
Sundry Creditors	24,000	Cash at Bank	37,000
General Reserve	36,000	Sundry Debtors	44,000
Capital Accounts ;		Stock	1,20,000
A 2,00,000		Machinery	1,59,000
B 1,50,000		Building	2,00,000
C 1,50,000	5,00,000		
	5,60,000		5,60,000

Partners decided that with effect from 1st April 2013, they would share profits and losses in the ratio of 4:3:2. It was agreed that:

- Stock be valued at ₹ 1,10,000.



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- Machinery is to be depreciated by 10%.
- A provision for doubtful debts is to be made on debtors @5%.
- Building to be appreciated by 20%.
- A liability for ₹ 2,500 included in sundry creditors is not likely to arise.

Partners agreed that the revised values of assets and liabilities are to be recorded in the books. Prepare the revised balance sheet.

11. B, C and D are partners sharing profits and losses in the ratio of 3:2:1. Their balance sheet as on 31st December 2015 was as follows:

Liabilities	₹	Assets	₹
Creditors	87,000	Cash	30,000
Reserves	42,000	Debtors	62,000
Profit & Loss A/c (Profits)	21,000	Less Prov.	2,000
Capital Accounts:			60,000
B	3,00,000	Stock	1,80,000
C	3,00,000	Furniture	30,000
D	50,000	Plant	2,00,000
		Building	3,00,000
	8,00,000		8,00,000

The partners agreed that w.e.f 1st January 2016 they will share profits and losses in the ratio of 2: 2:1. It was agreed that:

- Stock is to be valued at 20% less.
- Provision for doubtful debts to be increased by ₹1,500.
- Furniture is to be depreciated by 20% and plant by 15%.
- ₹3,500 are outstanding for salaries.
- Building is to be valued at ₹ 3,50,000.
- Goodwill is valued at ₹ 45,000.

Partners do not want to record the altered values of assets and liabilities in the books and want to leave the reserves and profits undisturbed. They also decided not to show goodwill in the books. You are required to pass a single journal entry to give effect to the above. Also prepare the revised balance sheet.

Capital Adjustment

12. A, B and C were partners sharing profits and losses in the ratio of 5:3:2. Their Balance Sheet as on 1st January, 2015 was as follows: They have decided to change the profit sharing ratio into 2:2:1 from 1st January 2015.

Liabilities	₹	Assets	₹
Sundry Creditors	10,000	Cash	2,000
Employee's Provident Fund	5,000	Sundry Debtors	8,000
Reserve Fund	6,000	Stock	40,000
Workmen's Compensation Fund	2,000	Furniture	13,000
Capitals:		Patents	4,000
A	50,000	Buildings	60,000
B	35,000	Goodwill	6,000
C	25,000		
	1,10,000		
	1,33,000		1,33,000

(i) Goodwill is to be valued at two year's purchase of the average profits of last four years Profits were: 2011- ₹ 14,400, 2012- ₹ 20,000, 2013- ₹ 10,000 (Loss), 2014- ₹ 15,600.

(ii) 5% provision for doubtful debts to be made on debtors.

(iii) Stock be appreciated by 10%.

(iv) Patents are valueless.

(v) Buildings be appreciated by 20%.

(vi) Sundry Creditors to be paid ₹ 2,000 more than the book value.

Adjust the Capital account of the partners according to the new profit sharing ratio.

Pass Journal entries and prepare Revaluation Account, Capital Accounts and the Balance Sheet.



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13. A, B and C were in partnership sharing profits and losses in the proportions of 3:2:1. On 1st January, 2015, On that date, they have decided to change the profit sharing ratio in to 5:3:2. Their Balance Sheet was as follows:

	₹		₹
Trade Creditors	3,000	Cash in hand	9,000
Bills Payable	2,700	Debtors	16,000
Expenses owing	4,500	Less: Provision	1,000
Reserve Fund	10,500	Stock	12,000
Workmen's Compensation Fund	4,800	Factory Premises	22,500
Capitals:		Investments	8,000
A	20,000	Loose Tools	4,000
B	15,000		
C	10,000		
	45,000		
	70,500		70,500

The terms were:

- (a) Goodwill of the firm to be valued at 2 times of Average Super Profits of last three years . Taking into consideration the risk of the business , normal profits of the firm are estimated at ₹ 50,000 every year. But actual profits of last three years were as 2012- ₹ 60,000, 2013- ₹ 55,000 , 2014- ₹ 57,500.
- (b) Expenses owing to be brought down to ₹ 3,750.
- (c) Investments are revalued at ₹ 7,200 . A took over investments at this value.
- (d) Factory premises is to be revalued at ₹ 24,300; and Loose tools at ₹ 3,600.
- (e) Provision for Doubtful Debts to be increased by ₹ 1,950.
- (f) Claim on account of Workmen's Compensation is ₹ 1,800.

Adjust the capital of the partners according to the new profit sharing ratio.

Show Journal entry for goodwill adjustment; prepare necessary ledger accounts and the Balance sheet.

14. Balance sheet of X, Y and Z who were sharing profits and losses in the ratio of 3:2:1 respectively. On 01-04-2016, they have decided to change the profit sharing ratio into 2:1:1.

Liabilities	₹	Assets	₹
Bills Payable	6,400	Cash	25,650
Sundry Creditors	12,500	Bills Receivable	5,400
Capital		Debtors	17,800
X	40,000	Stock	22,300
Y	25,000	Furniture	5,500
Z	20,000	Plant and Machinery	7,750
Profit and Loss a/c	4,500	Building	24,000
	1,08,400		1,08,400

They have decided to revalue the assets and reassessed the liabilities as follows:

Stock ₹ 20,000, Furniture ₹ 3,000. Plant and Machinery ₹ 9,000, Building ₹ 20,000. ₹ 850 was to be provided for doubtful debts.

The goodwill of the firm was valued at ₹ 6000.

Adjust the Capital of the partners in to the new profit sharing ratio and partners decided not to alter the value of assets and liabilities. Prepare Revaluation A/c, Capital A/cs and the Balance sheet

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