VIDYA BHAWAN BALIKA VIDYA PITH

शक्तिउत्थानआश्रमलखीसरायबिहार

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Teacher name – Ajay Kumar Sharma

Illustration 14

Mohit, Neeraj and Sohan are partners in a firm sharing profits in the ratio of 2 : 1 : 1. Neeraj retires and Mohit and Sohan decided that the capital of the new firm will be fixed at Rs. 1,20,000. The capital accounts of Mohit and Sohan show a credit balance of Rs. 82,000 and Rs. 41,000 respectively after making all the adjustments. Calculate the actual cash to be paid off or to be brought in by the continuing partners and pass the necessary journal entries.

Solution

The New Profit Sharing Ratio between Mohit and Sohan = 2 : 1

	Mohit	*Sohan*
New Capital based new ratio is	80,000	40,000
Existing Capital (after adjustments) is	82,000	41,000
Cash to be brought in on (Paid off)	2,000	1,000

Books of Mohit and Sohan
Journal

Date	Particulars		L.F.	Debit Amount (Rs.)	Credit Amount (Rs.)
	Mohit's Capital A/c	Dr.		2,000	
	Sohan's Capital A/c	Dr.		1,000	
	To Cash A/c				3,000
	(Excess capital withdrawn by Sohan)				

2. When the total capital of new firm is not specified.

Illustration 15

Asha, Deepa and Lata are partners in a firm sharing profits in the ratio of 3 : 2 : 1. Deepa retires. After making all adjustments relating to revaluation, goodwill and accumulated profit etc., the capital accounts of Asha and Lata showed a credit balance of Rs. 1,60,000 and Rs. 80,000 respectively. It was decided to adjust the capitals of Asha and Lata in their new profit sharing ratio. You are required to calculate the new capitals of the partners and record necessary journal entries for bringing in or withdrawal of the necessary amounts involved.

Solution

a. Calculation of new capitals of the existinging partners

Balance in Asha's Capital (after all adjustments)	= 1,60,000
Balance in Lata's Capital	= 80,000
Total Capital of the New Firm	= 2,40,000

Based on the new profit sharing ratio of 2:1

Asha's New Capital = Rs. $2,40,000 \times \frac{3}{4} = 1,80,000$

Lata's New Capital = Rs. $2,40,000 \times \frac{1}{4} = 60,000$

Note :The total capital of the new firm is based on the sum of the balance in the capital accounts of the continuing partners.

b. Calculation of cash to be brought in or withdrawn by the continuing partners :

	Asha (Rs.)	Lata (Rs.)
New Capitals	1,80,000	60,000
Existing Capitals	1,60,000	80,000
c. Cash to be brought in on (paid off)	20,000	20,000

Books of Asha and Lata
Journal

Date	Particulars		L.F.	Debit Amount (Rs.)	Credit Amount (Rs.)
	Cash A/c To Asha Capital A/c (Cash brought by Asha)	Dr.		20,000	 20,000
	Lata's Capital A/c To Cash A/c (Surplus capital withdrawn by Lata)	Dr.		20,000	 20,000

3. When the amount payable to retiring partner will be contributed by continuing partners in such a way that their capitals are adjusted proportionate to their new profit sharing ratio:

Illustration 16

Lalit, Pankaj and Rahul are partners sharing profits in the ratio of 4 : 3 : 3. After all adjustments, on Lalit's retirement with respect to general reserve, goodwill and revaluation etc., the balances in their capital accounts stood at Rs. 70,000, Rs. 60,000 and Rs. 50,000 respectively. It was decided that the amount payable to Lalit will be brought by Pankaj and Rahul in such a way as to make their capitals proportionate to their profit sharing ratio. Calculate the amount to be brought by Pankaj and Rahul and record necessary journal entries for the same. Also record necessary entry for payment to Lalit.

After Lalit's retirement, the new profit sharing ratio between Pankaj and Rahul is 3 : 3, i.e. 1 : 1.

Solution

a. *Calculation of total capital of the new firm*

Balance in Pankaj's Capital account (after adjustment)	=	60,000
Balance in Rahul's Capital account (after adjustment)	=	50,000
Amount payable to Lalit (Retiring partner)	=	70,000
Total capital of new firm (i) + (ii) + (iii)	=	1,80,000

b. *Calculation of new capitals of the continuing partners*

Pankaj's New Capital $= \text{Rs. } 1{,}80{,}000 \times \frac{1}{2}$ = Rs. 90,000

Rahul's New Capital $= \text{Rs. } 1{,}80{,}000 \times \frac{1}{2}$ = Rs. 90,000

c. *Calculation of the amounts to be brought in or withdrawn by the continuing partners*

	Pankaj (Rs.)	*Rahul (Rs.)*
New Capital (Rs. 1,80,000 in the ratio of 1 : 1)	90,000	90,000
Existing capital (after adjustment)	60,000	50,000
Cash to be brought in	30,000	40,000

Books of Pankaj and Rahul
Journal

Date	*Particulars*	*L.F.*	*Debit Amount (Rs.)*	*Credit Amount (Rs.)*
	Cash A/c	Dr.	70,000	
	To Pankaj's Capital A/c			30,000
	To Rahul's Capital A/c			40,000
	(Amounts brought by Pankaj and Rahul)			
	Lalit's Capital A/c	Dr.	70,000	
	To Cash A/c			70,000
	(Amount paid to Lalit on retirement)			