INDIAN SCHOOL MUSCAT

Senior Section

Department of Commerce and Humanities

Class : XII | **Worksheet-No 3: Change in Profit Sharing Ratio among the Existing Partners** | **Reference: T.S.Grewal**

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	Multiple Choice Questions
1	Any change in the relationship of existing partners which results in an end of the existing agreement and enforces making of new agreement is called: (a) Revaluation of partnership (b) Reconstitution of partnership (c) Realization of partnership (d) None of the above
2	The ratio in which a partner surrenders his share in favor of a partner is known as : (a) New profit sharing ratio (b) Sacrificing ratio (c) Gaining ratio (d) Capital ratio
3	The ratio in which a partner receives a rise in his share of profit is known as: (a) New ratio (b) Sacrificing ratio (c) Capital ratio (d) Gaining ratio
4	Reserves and accumulated profits are transferred to partner's capital accounts at the time of reconstitution in: (a) Old profit sharing ratio (b) Sacrificing ratio (c) Gaining ratio (d) New profit sharing ratio
5	Increase and decrease in the value of assets and liabilities are recorded through: (a) Partner's capital account (b) Revaluation account (c) Profit and loss Appropriation a/c (d) Balance sheet
6	Sacrificing ratio is the difference between: (a) New ratio and old ratio (b) Old ratio and new ratio (c) New ratio and gaining ratio (d) Old ratio and gaining ratio
7	A and B are partners in a firm sharing profits in the ratio of 3:2. They decided to share future profits equally. Calculate A's gain or sacrifice. (a) $^{2}/_{10}$ (sacrifice) (b) $^{5}/_{10}$ (gain) (c) $^{1}/_{10}$ (gain) (d) $^{1}/_{10}$ (sacrifice)

8	A change in profit sharing ratio among the existing partner result in _____ of the partnership firm.
9	X, Y and Z are partners sharing profits in the ratio of 5:3:2. Then they decided to share profit equally in future. In this case X's sacrifice is _____.
10	Decrease in the value of liabilities on reconstitution of the partnership firm result into _____.
11	X, Y and Z are partners sharing profits and losses in the ratio 2:2:1. From 1st April, 2018 they decide to share profits & losses equally. Calculate the sacrificing ratio.
12	A, B and C are partners sharing profits equally. They decided that in future C will get 1/5th share in profits and remaining profit will be shared by A and B equally. On the day of change, firm's goodwill is valued at ₹ 60,000. Give journal entries arising on account of change in profit sharing ratio.
13	A, B and C are partners sharing profits in the ratio of 2:2:1. On 1.4.2018 they decided to share the profits in the ratio of 2:1:1. On that date following balances were appearing in the Balance Sheet: Profit & Loss (Cr.) ₹15,000 General Reserve ₹30,000 Deferred Revenue Expenditure ₹20,000 Pass necessary journal entries.
14	A, B and C were partners sharing profits and losses in the ratio of 3:2:1. On 1.1.2019, they decided that in future they will share profits in the ratio of 2:2:3. Calculate sacrificing ratio and gaining ratio.
15	P, Q and R were partners sharing profits and losses in the ratio of 1:2:2. On 1st April, 2019 it was decided that P will get ¼ of the total profit and remaining share will be taken by Q and R equally. Calculate sacrificing and gaining ratios.
16	X, Y and Z were partners sharing profits and losses in the ratio of 4:3:2. Goodwill does not appear in the books but it is worth ₹ 36,000. The partners decided to share future profits in equal proportions. Give a journal entry to record the above change. Also indicate the individual partners' gain or loss due to change in ratio. Show your workings clearly.
17	A, B and C are partners in a firm sharing profits and losses in the ratio of 3:2:1. In future they decided to share profits in the ratio of 6:5:2. For this purpose, the goodwill of the firm was valued at ₹ 78,000. Pass necessary journal entry for the treatment of goodwill due to change in profit sharing ratio. Also show your workings clearly.
18	A, B and C are partners sharing profits and losses in the ratio 5:4:1. On 1st January 2015, they decided to share profits and losses equally in future profits. The goodwill of the firm is valued at ₹ 90,000. Give necessary journal entry.
19	Chandra and Anita were partners in a firm sharing profits in the ratio 2:1. They decide that with effect from January, 2016 they would share profits in the ratio of 3:2. But, this decision was taken after the profits of the year 2016 amounting to ₹ 30,000 has been distributed in the old ratio. Goodwill was to be valued at the aggregate of two years' profits preceding the date decision became effective. The profits for 2014 and 2015 were ₹ 20,000 and ₹ 25,000

	respectively. It was decided that no goodwill would be raised and the necessary adjustments be made through capital accounts which on March 31st 2016 stood at ₹ 50,000 for Chandra and ₹ 30,000 for Anita. Record the necessary journal entries.
20	P, Q and R sharing profits and losses in the ratio of 5:3:2 decided to share profits and losses equally with effect from 1st April, 2018. Goodwill of the firm is valued at ₹ 90,000. Pass journal entries under each of the following cases : Case 1When goodwill does not appear in the books. Case 2 When goodwill appears in the books at ₹ 60,000.
21	Rita and Nita are partners sharing profits and losses in the ratio of 4:1. They decided to share profits in the ratio 3:2 w.e.f 1st April, 2017. However, the decision to change the profit sharing ratio was taken after crediting share of profit for the year ended 31st March, 2018 to respective Capital Accounts, which was ₹. 1,00,000. Goodwill of the firm as at 1st April, 2017 was valued at ₹ 75,000. Capital Accounts credit balances as at 31st March, 2018 were Rita ₹ 5,00,000 and Nita ₹ 6,00,000. Pass necessary journal entries and prepare Capital Accounts.
22	A, B and C are partners sharing profits equally. On 1.1.2015 they decided to share their future profits in the ratio of 1:2:2. On the same date the firm has a balance of ₹ 30,000 as General Reserve and ₹ 18,000 in Profit and Loss A/c (Dr.). Journalise.
23	A, B and C are partners sharing profits and losses in the ratio 2:3:4. They decided to share future profits and losses in the ratio of 4:3:2. They also decided to record the effect of the following without affecting their book values: General Reserve ₹ 40,000 Profit & Loss A/c ₹ 20,000 Advertisement Suspense A/c ₹ 15,000 You are required to give the necessary single journal entry.
24	A, B and C are partners in a firm sharing Profits in the ratio of 3:3:2. They decided to share profits equally w.e.f 1st April, 2018. On that date, Profit & Loss A/c showed credit balance of ₹ 72,000. Instead of closing the Profit & Loss A/c, it was decided to record an adjustment entry reflecting the change in the profit sharing ratio. Pass journal entry to give effect to the same.
25	P, Q and R are sharing profits and losses in the ratio of 5:3:2. They decided to share profits and losses in the ratio of 2:3:5 with effect from 1st April, 2018. The Goodwill of the firm was valued at ₹ 1,50,000.They also decide to record the effect of the following without affecting their book values, by passing an adjustment entry.
26	X, Y and Z are partners sharing profits and losses in the ratio of 2:2:1 respectively. With effect from 1.4.2016 they decided to share future profits equally. For this purpose the assets and liabilities were revalued as under:

Particulars	Old Values ₹	Revised Values ₹
Machinery	30,000	42,000
Computers	58,000	49,000
Land & Building	3,90,000	4,50,000
Sundry Debtors	40,900	50,900
Sundry Creditors	32,800	30,800

Prepare Revaluation A/c and give necessary journal entries for recording the above changes in assets and liabilities.

27 P, Q and R are partners sharing profits and losses in the ratio of 5:3:2 respectively. With effect from 1.4.2015 they decided to share future profits equally. For this purpose the assets and liabilities were revalued as under.

Particulars	Old Values (₹)	Revised Values (₹)
Fax Machine	4,000	7,900
Computers	45,800	34,900
Sundry Debtors	46,980	58,870
Bills Payable	1,870	3,760

Give necessary adjusting entries because of the above changes assuming that the assets and liabilities will continue to appear in their old values in the revised books.

28 Following is the balance sheet of X, Y and Z sharing profits and losses in the ratio 3:3:2.

Balance Sheet
as at 31.3.2015

Liabilities		₹	Assets	₹
Creditors		30,000	Cash	20,000
Bills Payable		40,000	Debtors	50,000
Capitals :			Stock	25,000
X	50,000		Buildings	75,000
Y	30,000			
Z	20,000	1,00,000		
		1,70,000		**1,70,000**

On 1st April, 2015 the partners decided to share future profits in the ratio 5:3:2 and the following revaluations were made :-
(i)Building was to be appreciated by 20%
(ii)10% of debtors were bad
(iii)A provision for discount on creditors was to be made @2%
Prepare Revaluation Account, Partners' Capital Accounts and Balance Sheet of the re-constituted firm.

29 Sonu, Anil and Monu are partners sharing profits & Losses in the ratio 5:3:2. Their Balance Sheet on 31st March, 2015 was as follows:

Balance Sheet
as at 31.3.2015

Liabilities		₹	Assets	₹
Creditors		70,000	Cash	20,000
Bills Payable		55,000	Debtors	45,000
Workmen's Compensation Reserve		25,000	Stock	75,000
Capitals :			Furniture	35,000
Sonu	75,000		Buildings	1,00,000
Anil	45,000		Profit & Loss a/c	25,000
Monu	30,000	1,50,000		
		3,00,000		**3,00,000**

On 1st April, 2015 they decided to share future profits and losses in the ratio 3:2:1 and following adjustments were agreed upon.
(i)A provision for bad debt @5% is to be made on debtors.
(ii)Building is to be appreciated by 25%

(iii)5% stock has been spoiled.
(iv)Furniture to be decreased by 10%
(v)Goodwill is to be valued at ₹ 90,000.
Prepare Revaluation Account, Partners' Capital Accounts and Balance Sheet of the re-constituted firm.

30 Ram, Shyam and Hari were in partnership sharing profits in the ratio of 3:2:1. Their Balance Sheet as at 31.03.2015 was as follows.

Balance Sheet as at 31.3.2015

Liabilities		₹	Assets	₹
Bills Payable		20,000	Cash	40,000
Creditors		20,000	Bills Receivables	5,000
General Reserve		30,000	Debtors	15,000
Capitals			Stock	50,000
Ram	50,000		Furniture	20,000
Shyam	30,000		Machinery	30,000
Hari	25,000	1,05,000	Goodwill	15,000
		1,75,000		**1,75,000**

On 1.4.2015 partners decided to share profits equally. For this purpose it was further agreed that.
(i)Goodwill of the firm should be valued at ₹ 30,000
(ii)Furniture and Machinery is to be revalued at ₹.25,000 and ₹ 35,000 respectively.
(iii)Value of stock is to be reduced by ₹ 4,000.
You are required to give necessary journal entries to give effect to the above arrangement and prepare Revaluation Account, Partners' Capital Accounts and Balance Sheet of the firm after reconstitution.

31 X, Y and Z were in partnership sharing profits in the ratio of 1:2:2. Their Balance Sheet as at 31st March, 2015 was as follows:

Balance Sheet as at 31.3.2015

Liabilities		₹	Assets	₹
Profit & Loss A/c		16,000	Cash	26,000
Creditors		19,000	Debtors	20,000
Bills Payable		11,000	Stock	25,000
Capitals			Furniture	15,000
X	20,000		Investments	30,000
Y	30,000		Machinery	20,000
Z	40,000	90,000		
		1,36,000		**1,36,000**

All the partners decided to share profits in the ratio of 2:1:1 w.e.f April 1, 2015. It was further agreed that :
(i)Value of Stock and Machinery is to be reduced by ₹ 3,000 and ₹ 2,000 respectively.
(ii)Value of furniture is to be increased to ₹ 16,000.
(iii)The goodwill of firm should be valued at ₹ 25,000.
You are required to record necessary journal entries to give effect to the above arrangement without opening Revaluation Account and to prepare Balance Sheet of the firm after reconstitution of the firm.

32 Pankaj and Parul are partners sharing profits in the following ratio 3:2. With effect from 1.4.2015, they decided to share future profits equally. The following information is furnished:
(i)Bills Payables were found to be undervalued by ₹ 15,000
(ii)Machinery was found to be undervalued by ₹ 20,000
(iii)Creditors were found to be overvalued by ₹ 15,000

(iv)Furniture was found to be overvalued by ₹ 15,000
Identify the values which according to you motivated the partners to revalue assets and liabilities.
Pass necessary journal entries and prepare the Revaluation A/c to record the above changes in assets and liabilities.

33 A, B and C were in partnership sharing profits in the ratio of 3:2:1. Their Balance Sheet as at 31.3.2015 was as follows:

Balance Sheet as at 31.03.2015

Liabilities		₹	Assets	₹
Capitals			Goodwill	10,000
A	80,000		Machinery	25,000
B	50,000		Debtors	35,000
C	20,000	1,50,000	Bank	40,000
General Reserve		30,000	Stock	50,000
Bank Loan		20,000	Furniture	20,000
Creditors		20,000	Investments	40,000
		2,20,000		**2,20,000**

On 1.4.2015 partners decided to share profits equally. For this purpose it was further agreed that
(a)Goodwill of the firm should be valued at ₹ 45,000
(b)Furniture and Machinery is to be revalued at ₹ 15,000 and ₹ 35,000 respectively.
(c)Value of Stock is to be reduced by ₹ 2,000
Identify the values which according to you have motivated the partners for revaluation of assets and liabilities.
You are required to give necessary journal entries to give affect to the above arrangement and prepare Revaluation Account, Partners' Capital Accounts and Balance Sheet of the firm after reconstitution.

34 Pal And Lal were partners sharing profits in the ratio of 3:1. Their books showed ₹ 1,00,000 in the shape of Workmen's Compensation Reserve. On 1.4.2015 they decided to change their sharing ratio to equal. For this purpose assets and liabilities were revalued and found that there is net increase in assets by ₹ 4,000. Claim on account of Workmen's Compensation is estimated as ₹ 70,000. Firm decided to offer a job to the son of the injured worker.
(i)Identify the values according to you that motivated the partners to create Workmen's Compensation Reserve.
(ii)Pass necessary journal entries in the reconstituted firm.

35 A, B, C and D were partners in a firm sharing profits in the ratio of 1.4.3. On 1st April, 2016, their Balance Sheet was as follows:

Balance Sheet as on 1st April, 2016

Liabilities		₹	Assets	₹
Capital A/c			Fixed Assets	12,70,000
A	2,00,000		Current Assets	5,30,000
B	3,00,000			
C	4,00,000			
D 5,00,000		14,00,000		
Sundry Creditors		2,30,000		
Workmen Compensation Reserve		1,70,000		
		18,00,000		**18,00,000**

From the above data, partners decided to share the future profits equally. For this purpose the goodwill of the firm was valued at ₹ 2,70,000.
The partners also agreed to the following:
(i)Claim against Workmen Compensation Reserve was estimated at ₹ 2,00,000.
(ii)Capitals of the partners were to be adjusted according to the new profit sharing ratio by bringing or paying cash as the case maybe.
Prepare Revaluation Account, Partners' Capital Accounts and Balance Sheet of the reconstituted firm.

36 Following is the Balance Sheet of A and B for the year ended 31/12/2016 who share profits in the ratio of 2:1.

Balance Sheet

Liabilities	₹	Assets	₹
A's Capital A/c	30,000	Land & Building	29,000
B's Capital A/c	20,000	Furniture	10,000
Reserves	21,000	Current Assets	31,000
Creditors	19,000	Cash	20,000
	90,000		**90,000**

The partners decided to change the profit sharing ratio to 3:2 from 1/1/2017. They further agreed that :
(i)Reserves be maintained at ₹ 30,000
(ii)Land & Building be agreed at ₹ 50,000
(iii)The entire capital of firm be agreed at ₹ 60,000
Prepare Revaluation A/c, Partners' Capital Accounts and Revised Balance Sheet.

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