Reconstitution of Partnership
(Retirement of Partner)

EXERCISE - 4 [PAGE 182]

Exercise - 4 | Q 1 | Page 182

Select the most appropriate alternative from those given below and rewrite the sentence.

The Profit or Loss from revaluation on the retirement of a partner is shared by ______.

1. The remaining partners
2. **All the partners**
3. Only retiring partner
4. Bank

Solution: The Profit or Loss from revaluation on the retirement of a partner is shared by **all the partners**.

Exercise - 4 | Q 2 | Page 182

Select the most appropriate alternative from those given below and rewrite the sentence.

Decrease in the value of assets should be __________ to Profit and Loss Adjustment Account.

1. **Debited**
2. Credited
3. Added
4. Equal

Solution: Decrease in the value of assets should be **debited** to Profit and Loss Adjustment Account.

Exercise - 4 | Q 3 | Page 182

Select the most appropriate alternative from those given below and rewrite the sentence.

The balance of the capital account of retired partner is transferred to his _________ account if it is not paid.

1. **Loan**
2. Personal
3. Current
4. Son's

Solution: The balance of the capital account of retired partner is transferred to his **loan** account if it is not paid.

Exercise - 4 | Q 4 | Page 182

Select the most appropriate alternative from those given below and rewrite the sentence.

Gain ratio _______ Ratio less Old Ratio.

1. **New**
2. Equal
3. Capital
4. Sacrifice

Solution: Gain ratio **New** Ratio less Old Ratio.

Exercise - 4 | Q 5 | Page 182

Select the most appropriate alternative from those given below and rewrite the sentence.

New Ratio = Old Ratio + _____ Ratio

1. **Gain**
2. Capital
3. Sacrifice
4. Current

Solution: New Ratio = Old Ratio + **Gain** Ratio.

Exercise - 4 | Q 6 | Page 182

Select the most appropriate alternative from those given below and rewrite the sentence.

Apte, Bhate and Chitale are sharing 1/2, 3/10, and 1/5 if Apte retire their new ratio will be ______.

1. 5: 2

2. **3: 2**
3. 5: 3
4. 2: 5

Solution: Apte, Bhate, and Chitale are sharing 1/2, 3/10, and 1/5 if Apte retires their new ratio will be **3: 2.**

EXERCISE - 4 [PAGE 182]

Exercise - 4 | Q 1 | Page 182

Write the Word/ Term/ Phrase which can substitute of the following statement:
Credit balance of Profit and Loss Adjustment Account.
Solution: Credit balance of Profit and Loss Adjustment Account. - **Profit on revaluation Accounts.**

Exercise - 4 | Q 2 | Page 182

Write the Word/ Term/ Phrase which can substitute of the following statement:
The ratio in which the continuing partners are benefited due to the retirement of partner.
Solution: The ratio in which the continuing partners are benefited due to the retirement of partner. - **Gain Ratio**

Exercise - 4 | Q 3 | Page 182

Write the Word/ Term/ Phrase which can substitute the following statement:
Debit balance of revaluation Account.
Solution: Debit balance of revaluation account. **- Loss on revaluation**

Exercise - 4 | Q 4 | Page 182

Write the Word/ Term/ Phrase which can substitute of the following statement:
The ratio which is obtained by deducting the Old Ratio from New Ratio.
Solution: The ratio which is obtained by deducting the Old Ratio from New Ratio.
- **Gain Ratio.**

Exercise - 4 | Q 5 | Page 182

Write the Word/ Term/ Phrase which can substitute of the following statement:
Money value of business reputation earned by the firm over a number of years.

Solution: Money value of business reputation earned by the firm over a number of years. - **Goodwill**

Exercise - 4 | Q 6 | Page 182

Write the Word/ Term/ Phrase which can substitute of the following statement:

Partner's Account where Loss or Profit on revaluation is transferred.

Solution: Partner's Account where Loss or Profit on revaluation is transferred.

- **Capital/Current Account.**

EXERCISE - 4 [PAGE 183]

Exercise - 4 | Q 1 | Page 183

State whether the following statement is true or false with reason.

Gain ratio means New ratio minus Old ratio.

1. **True**
2. False

Solution: Gain ratio means New ratio minus Old ratio. - **True**

Explanation:

As per definition, the profit-sharing ratio which is acquired by the continuing partners from the retiring partner is called gain ratio. If the gain ratio added to the old ratio we will get New ratio. It means New ratio = Old ratio + Gain ratio by interchanging the terms, we will get Gain ratio = New ratio – Old ratio.

Exercise - 4 | Q 2 | Page 183

State whether the following statement is true or false with reasons.

Retiring partner's share in profit up to the date of his retirement will be debited to Profit and Loss Suspense Account.

1. **True**
2. False

Solution: Retiring partner's share in profit up to the date of his retirement will be debited to Profit and Loss Suspense Account. - **True**

Explanation:

If a partner retires from the firm during the accounting year, the profit or loss for the period from the date of last balance sheet to the date of retirement is calculated on the basis of last year's profit or average profit and it is credited to retiring partner's capital

A/c and for time being it debited to a new account called Profit and Loss Expense A/c. This is because final accounts cannot be prepared on any date during the accounting year.

Exercise - 4 | Q 3 | Page 183

State whether the following statement is true or false with reason.

On retirement of a partner, a sacrifice ratio is considered.

1. True
2. **False**

Solution: On the retirement of a partner, a sacrifice ratio is considered. - **False**

Explanation:

On the retirement of a partner, his share is acquired by continuing partners in a certain proportion and it is nothing but a gain for them. Therefore, on the retirement of a partner instead of sacrifice ratio gain ratio is considered.

Exercise - 4 | Q 4 | Page 183

State whether the following statement is true or false with reason.

Retiring partner is called an outgoing partner.

1. **True**
2. False

Solution: Retiring partner is called an outgoing partner. - **True**

Explanation:

When a person retires from the firm due to health issues, financial issues, or personal reasons then it is known as a person retires from the business, and for the business, he is an outgoing partner.

Exercise - 4 | Q 5 | Page 183

State whether the following statement is true or false with reason.

On retirement of a partner, remaining partner will share the goodwill in their profit sharing ratio.

1. True
2. **False**

Solution: On retirement of a partner, remaining partner will share the goodwill in their profit sharing ratio. - **False**

Explanation.

On the retirement of a partner, after giving retiring. partner’s share in goodwill and if goodwill is written off, then remaining partners will adjust the goodwill in their new profit sharing ratio. (If raised to full extent and written off)

Exercise - 4 | Q 6 | Page 183

State whether the following statement is true or false with reason.

Retiring partner is not entitled to share in general reserve and accumulated profit.

1. True
2. **False**

Solution: Retiring partner is not entitled to share in general reserve and accumulated profit. - **False**

Explanation:

General reserve and accumulated profit are created out of past undistributed profit, such profits are the outcome of hard work of all the partners including retiring partners. Hence, retiring partner’s has the right to share general reserve and accumulated profit. He is, therefore, entitled to get a share in general reserve and accumulated profit.

EXERCISE - 4 [PAGE 183]

Exercise - 4 | Q 1 | Page 183

Fill in the blank and rewrite the following sentence:

New Ratio (less) _________ = Gain ratio

Solution: New Ratio (less) **Old ratio** = Gain ratio

Exercise - 4 | Q 2 | Page 183

Fill in the blank and rewrite the following sentence:

Retiring Partner’s share of goodwill is ________ to the remaining partner’s capital account.

Solution: Retiring Partner’s share of goodwill is **debited** to remaining partner’s capital account.

Exercise - 4 | Q 3 | Page 183

Fill in the blank and rewrite the following sentence:

Revaluation A/c is also known as ________ account.

Solution: Revaluation A/c is also known as **Profit and Loss Adjustment** account.

Exercise - 4 | Q 4 | Page 183

Fill in the blank and rewrite the following sentence:

On retirement, the balance at a current Account of a partner is transferred to his _______ account.

Solution: On retirement, the balance at a current Account of a partner is transferred to his **Capital** account.

Exercise - 4 | Q 5 | Page 183

Fill in the blank and rewrite the following sentence:

A proportion in which the continuing partners get the share of retiring partner is known as ________ ratio

Solution: A proportion in which the continuing partners get the share of retiring partner is known as **Gain** ratio

EXERCISE - 4 [PAGE 183]

Exercise - 4 | Q 1 | Page 183

Answer the following.

What is meant by Retirement of a Partner?

Solution: Retirement of a partner refers to a process in which a partner leaves the firm or severes his relations with other partners on account of his old age, continued ill health, loss of interest in the firm, misunderstanding amongst the partners, etc.

Exercise - 4 | Q 2 | Page 183

Answer the following.

What is Benefit Ratio?

Solution: Profit sharing ratio which is acquired by the continuing partners on account of retirement or death of a partner is called Benefit ratio or Gain ratio.

Exercise - 4 | Q 3 | Page 183

Answer the following.

What is New Ratio?

Solution: The ratio in which profits or losses are shared by the continuing partners after retirement of a partner is called New Profit Sharing ratio.

Exercise - 4 | Q 4 | Page 183

Answer the following.

How is the amount due to the retiring partner settled?

Solution: The amount due to a retiring partner is settled as per the terms of partnership agreement or otherwise mutually agreed upon either in lumpsum or in instalments.

Exercise - 4 | Q 5 | Page 183

Answer the following.

How is Gain Ratio calculated?

Solution: Gain ratio is calculated at the time of retirement of a partner by deducting old ratio from new ratio.

Exercise - 4 | Q 6 | Page 183

Answer the following.

Why is retiring partner’s capital account credited with goodwill?

Solution: Goodwill is an intangible assets or benefits accrued to the firm and its benefits are transferred to retiring partner’s Capital A/c by giving credit.

PRACTICAL PROBLEMS [PAGES 183 - 186]

Practical Problems | Q 1 | Page 183

The Balance Sheet of Mr. Mama, Kaka and Mr. Baba who shared profit and losses as 4:3:3 respectively.

Balance Sheet as on 31 st March 2018					
Liabilities	**Amount ₹**	**Amount ₹**	**Assets**	**Amount ₹**	**Amount ₹**
Suppliers		7,000	Cash		4,500
Loan		5,000	Sundry Debtors	5,000	
General Reserve		6,250	Less: R:D:D	500	4,500
Capital Account:			Live Stock		12,500
Mama		20,000	Motor Car		4,000
Kaka		15,000	Furniture		17,500
Baba		12,250	Plant		22,500
		65,500			**65,500**

Kaka retires on 1st April 2018 on the following terms.

1. The share of Kaka in Goodwill of the firm is valued at ₹ 2,700
2. Furniture to be depreciated by 10% and Motor Car by 12.5%
3. Live Stock to be appreciated by 10% and Plant by 20%
4. A provision of ₹ 2,000 to be made for a claim of compensation.
5. R.D.D. is no longer necessary.
6. The amount payable to Kaka should be transferred to his Loan A/c

Solution:

Dr	In the books of Partnership Firm Profit and Loss Adjustments Account				Cr
Particulars		**Amount (₹)**	**Particulars**	**Amount (₹)**	
To Furniture A/c		1,750	By Live Stock A/c	1,250	
To Motor Car A/c		500	By Plant A/c	4,500	
To Provision for Claim A/c		2,000	By R.D.D. A/c	500	
To Partners' Capital A/cs: Profit					
Mama	800				
Kaka	600				
Baba	600	2000			
		6,250		**6,250**	

Dr	Balance Sheet as on 1st April 2018				Cr
Liabilities	**Amount (₹)**	**Amount (₹)**	**Assets**	**Amount (₹)**	**Amount (₹)**
Partners' Capital A/cs :			Furniture	17,500	
Mama	23,300		Less: Depreciation	1,750	15,750
Baba	14,725	38,025	Motor Car	4,000	
Kaka's Loan A/c		20,175	Less: Depreciation	500	3,500
Suppliers		7,000	Sundry Debtors		5,000
Loan		5,000	Live Stock	12,500	
Provision for Claim		2,000	Add: Appreciation	1,250	13,750
			Plant	22,500	

			Add: Appreciation	4,500	27,000
			Cash		4,500
			Goodwill		2,700
		72,200			**72,200**

Dr	Partners' Capital Accounts						Cr
Particulars	**Mama (₹)**	**Kaka (₹)**	**Baba (₹)**	**Particulars**	**Mama (₹)**	**Kaka (₹)**	**Baba (₹)**
To Loan A/c		20,175		By Balance b/d	20,000	15,000	12,250
To Balance c/d	23,300		14,725	By General reserve A/c	2,500	1,875	1,875
				By Profit and Loss Adjustment A/c (Profit)	800	600	600
				By Goodwill A/c		2,700	
	23,300	**20,175**	**14,725**		**23,300**	**20,175**	**14,725**

Working Notes :

(1) R.D.D. is no longer require means it is a gain for firm.

(2) A provision of ₹ 2,000 to be made for a claim of compensation, ₹ 2,000 is recorded on debit side of Profit and Loss Adjustments A/c and then on liability side of Balance Sheet.

(3) Total payable amount to Kaka ₹ 20,175 is recorded as Kaka's Loan A/c.

Practical Problems | Q 2 | Page 184

The Balance Sheet of Ram, Shyam, and Ghanshyam sharing profits and losses 3:2:1 respectively. Their position on 31-3-2019 were as follows.

Balance Sheet as on 31st March 2019			
Liabilities	**Amount ₹**	**Assets**	**Amount ₹**
Capitals :		Bank	54,000
Ram	1,20,000	Debtors	90,000
Shyam	90,000	Building	60,000
Ghanshyam	60,000	Investment	1,50,000
Creditors	22,000		
Bills payable	12,000		
Loan	50,000		
	3,54,000		**3,54,000**

Ghanshyam retired on 1st April 2019 on the following terms.

1. Building and Investment to be appreciated by 5% and 10% respectively.
2. Provision for Doubtful Debts to be created at 5% on Debtors.
3. The provision of ₹ 3,000 be made in respect of Outstanding Salary.
4. Goodwill of the firm is valued at ₹ 90,000 and partners decide that goodwill should be written back.
5. The amount payable to the Retiring partner be transferred to his Loan A/c.

Prepare : Profit and Loss Adjustment A/c, Partners Capital A/c, Balance Sheet of New Firm.

Solution:

Dr	**In the books of Partnership Firm Profit and Loss Adjustment Account**		**Cr**
Particulars	**Amount (₹)**	**Particulars**	**Amount (₹)**
To R.D.D. A/c	4,500	By Building A/c	3,000

To Provision for Outstanding Salary A/c		3,000	By Investments A/c	15,000
To Partners' Capital A/cs: Profit				
Ram	5,250			
Shyam	3,500			
Ghanshyam	1,750	10,500		
		18,000		**18,000**

Dr			**Partners' Capital Accounts**				**Cr**
Particulars	**Ram (₹)**	**Shyam (₹)**	**Ghanshyam (₹)**	**Particulars**	**Ram (₹)**	**Shyam (₹)**	**Ghanshyam (₹)**
To Loan A/c	-	-	76,750	By Balanced b/d	1,20,000	90,000	60,000
To Goodwill A/c	9,000	6,000	-	By Profit and Loss Adjustment A/c (Profit)	5,250	3,500	1,750
To Balance c/d	1,16,250	87,500	-	By Goodwill A/c	-	-	15,000
	1,25,250	**93,500**	**76,750**		**1,25,250**	**93,500**	**76,750**

Balance Sheet as on 1st April 2019					
Liabilities	**Amount (₹)**	**Amount (₹)**	**Assets**	**Amount (₹)**	**Amount (₹)**
Partners' Capital A/cs :			Bank		54,000
Ram	1,16,250		Debtors	90,000	
Shyam	87,500	2,03,750	Less: R.D.D. (5 %)	4,500	85,500
Ghanshyam's Loan A/c		76,750	Building	60,000	

Creditors		22,000	Add : Appreciation	3,000	63,000
Bills Payable		12,000	Investments	1,50,000	
Loan		50,000	Add : Appreciation	15,000	1,65,000
Provision for Outstanding Salary		3,000			
		3,67,500			**3,67,500**

Working Notes :

(1) Provision of ₹ 3,000 for outstanding salary is recorded on debit side of Profit and Loss Adjustment A/c and then on the Liability side of Balance Sheet.

(2) Goodwill of the firm is valued at ₹ 90,000 and share of retiring partner in it is ₹ 15,000 (1/6 th part) and it is to be written back means it is to be shared by remaining partners in their profit-loss ratio.

Practical Problems | Q 3 | Page 184

The Balance Sheet of the Anu, Renu, and Dinu is as follows, the partners are sharing profits and losses in the proportion of 2:2:1 respectively.

Balance Sheet as on 31st March 2019

Liabilities	Amount ₹	Amount ₹	Assets	Amount ₹	Amount ₹
Creditors		8,000	Bank		5,000
Bills Payable		2,000	Debtors	20,000	
General Reserve		5,000	Less : R.D.D	1,000	19,000
Capital Account:			Furniture		15,000

Anu		40,000	Machinery		4,000
Renu		30,000	Free hold Property		27,000
Dinu		15,000	Goodwill		30,000
		1,00,000			**1,00,000**

Dinu retires from the firms on 1st April 2019 on the following terms.

1. The assets are to be revalued as freehold property ₹ 30,000, Machinery ₹ 5000, Furniture ₹ 12000, All debtors are good.
2. Goodwill of the firm is valued at thrice the average profit for the preceding five years.

Profits of the firm for the year.

2014-15	₹ 1,000
2015-16	₹ 10,500
2016-17	₹ 10,000
2017-18	₹ 16,000
2018-19	₹ 10,000

3. Dinu should be paid ₹ 3,000 by cheque
4. The Balance of Dinu's capital A/c should be kept in the business as a loan.

Prepare: Profit and loss adjustment A/c, Capital Accounts of partners, Balance Sheet of the new firm.

Solution:

Dr	**In the books of Partnership Firm Profit and Loss Adjustment Account**				**Cr**
Particulars		**Amount (₹)**	**Particulars**	**Amount (₹)**	
To Furniture A/c		3,000	By Freehold Property A/c	3,000	
To Goodwill – Loss		1,500	By Machinery A/c	1,000	
To Partners' Capital A/cs: Profit		-	By R.D.D. A/c	1,000	
Anu	200				
Renu	200				

Dinu	100	500		
		5000		**5000**

Dr			Partners' Capital Accounts				Cr
Particulars	**Anu (₹)**	**Renu (₹)**	**Dinu (₹)**	**Particulars**	**Anu (₹)**	**Renu (₹)**	**Dinu (₹)**
To Bank A/c	-	-	3000	By Balance b/d	40,000	30,000	15,000
To Loan A/c	-	-	13,100	By General reserve A/c	2,000	2,000	1,000
To Balance c/d	42,200	32,200	-	By Profit and Loss Adjustment A/c (Profit)	200	200	100
	42,200	**32,200**	**16,100**		**42,200**	**32,200**	**16,100**

Practical Problems | Q 4 | Page 185

Rohan, Rohit, and Sachin are partners in a firm sharing profit and losses in the proportion 3:1:1 respectively. Their balance sheet as on 31st March 2018 is as shown below

Balance Sheet as on 31st March 2018			
Liabilities	**Amount ₹**	**Assets**	**Amount ₹**
Creditors	40,000	Bank	12,500
General Reserve	50,000	Debtors	60,000
Bills payable	25,000	Live Stock	50,000
Capital Accounts :		Building	75,000
Rohan	1,25,000	Plant and Machinery	35,000
Rohit	1,00,000	Motor Truck	1,00,000
Sachin	50,000	Goodwill	57,500

	3,90,000		**3,90,000**

On 1st April 2018, Sachin retired and the following adjustments have been agreed upon.

1. Goodwill was revalued at ₹ 50,000
2. Assets and Liabilities were revalued as follows. Debtors ₹ 50,000, Live Stock, ₹ 45,000; Building ₹ 1,25000, Plant and Machinery ₹ 30,000, Motor Truck ₹ 95,000 and Creditors ₹ 30,000
3. Rohan and Rohit contributed additional capital through Net Banking of ₹ 50,000 and ₹ 25,000 respectively.
4. Balance of Sachin's Capital Account is transferred to his Loan Account

Give Journal entries in the books of new firm.

Solution:

Journal entries in the books of Partnership Firm

Date	Particulars	L.F	Debit (₹)	Credit (₹)
2018 April 1	General reserve A/c Dr.		50,000	
	To Rohan's Capital A/c			30,000
	To Rohit's Capital A/c			10,000
	To Sachin's Capital A/c			10,000
	(Being General reserve distributed among partners)			
2018 April 1	Revaluation A/c Dr.		32,500	
	To Debtors A/c			10,000
	To Live Stock A/c			5,000
	To Plant and Machinery A/c			5,000
	To Motor Truck A/c			5,000

	To Goodwill A/c			7,500
	(Being assets depreciated)			
2018 April 1	Building A/c Dr.		50,000	
	Creditors A/c Dr.		10,000	
	To revaluation A/c			60,000
	(Being Building appreciated and Creditor's amount is payable less)			
2018 April 1	Revaluation A/c Dr		27,500	
	To Rohan's Capital A/c			16,500
	To Rohit's Capital A/c			5,500
	To Sachin’s Capital A/c			5,500
	(Being Profit on revaluation distributed and transferred to Capital accounts)			
2018 April 1	Bank A/c Dr.		75,000	
	To Rohan's Capital A/c			50,000
	To Rohit's Capital A/c			25,000
	(Being additional capital brought by partners)			
2018 April 1	Sachin’s Capital A/c Dr.		65,500	
	To Sachin’s Loan A/c			65,500
	(Being balance of Sachin’s Capital A/c transferred to Sachin’s Loan A/c)			
			310,500	**310,500**

Working Notes :

(1) Calculation of Profit on revaluation of Assets and Liabilities.

Dr		Revaluation Account		Cr
Particulars		**Amount (₹)**	**Particulars**	**Amount (₹)**
To Debtors A/c		10,000	By Building A/c	50,000
To Live Stock A/c		5,000	By Creditors A/c	10,000
To Plant and Machinery A/c		5,000		
To Motor Truck A/c		5,000		
To Goodwill A/c		7,500		
To Partners' Capital A/cs: Profit				
Rohan	16,500			
Rohit	5,500			
Sachin	55,500	27,500		
		60,000		**60,000**

Dr		Partners' Capital Accounts					Cr
Particulars	**Rohan (₹)**	**Rohit (₹)**	**Sachin (₹)**	**Particulars**	**Rohan (₹)**	**Rohit (₹)**	**Sachin (₹)**
To Loan A/c	-	-	65,500	By Balance b/d	1,25,000	1,00,000	50,000
To Balance c/d	2,21,500	1,40,500	-	By General reserve A/c	30,000	10,000	10,000
				By revaluation A/c (Profit)	16,500	5,500	5,500
				By Bank A/c	50,000	25,000	-
	2,21,500	**1,40,500**	**65,500**		**2,21,500**	**1,40,500**	**65,500**

Practical Problems | Q 5 | Page 186

Shah, Lodha, and Dhole were partners sharing profits and losses in the ratio of 4:3:3. Their Balance Sheet as on 31st March 2019 is a given below.

Balance Sheet as on 31st March 2019					
Liabilities	**Amount ₹**	**Amount ₹**	**Assets**	**Amount ₹**	**Amount ₹**
Sundry Creditors		20,000	Cash		9,000
Bills payable		4,000	Sundry Debtors	10,000	
Capital Account:			Less: R.D.D.	1,000	9,000
Shah		45,000	Furniture		25,000
Lodha		35,000	Computers		43,000
Dhole		27,000	Vehicles		45,000
		1,31,000			**1,31,000**

On 1st April 2019, Mr. Lodha retired from the firm on the following terms.

1. Goodwill is to be valued at average Profits and Losses of the last five years which were as follows.

Years	**Profit/Loss**
2015	₹ 35,000
2016	₹ 20,000
2017	₹ 30,000
2018	₹ 20,000
2019	₹ 25,000

2. Computers to be depreciated by 10%
3. Furniture to be revalued at ₹ 27,500
4. Vehicles appreciated by 20%
5. R.D.D. was no longer necessary
6. Shah and Dhole will share the future profits and losses in the ratio of 2:1

7. It was decided that goodwill should not appear in the books of a new firm and amount payable to Lodha is to be transferred to his Loan A/c

Prepare: Profit and Loss adjustment A/c, Partners capital accounts, Balance sheet of new firm

Solution:

Dr		In the books of Partnership Firm Profit and Loss Adjustment Account		Cr
Particulars		**Amount (₹)**	**Particulars**	**Amount (₹)**
To Computers A/c		4,300	By Furniture A/c	2,500
To Partners' Capital A/cs: Profit			By Vehicles A/c	9,000
Shah	3,280		By R.D.D. A/c	1,000
Lodha	2,460			
Dhole	2,460	8,200		
		12,500		**12,500**

Dr	Partner's Capital Account						Cr
Particulars	**Shah (₹)**	**Lodha (₹)**	**Dhole (₹)**	**Particulars**	**Shah (₹)**	**Lodha (₹)**	**Dhole (₹)**
To Goodwill A/c	17,333	-	8,667	By Balance b/d	45,000	35,000	27,000

To Balance c/d	41,347	45,260	28,593	By Profit and Loss Adjustment A/c (Profit)	3,280	2,460	2,460
To Lodha's Loan A/c	-	-	-	By Goodwill A/c	10,400	7,800	7,800
	58,680	**45,260**	**37,260**		**58,680**	**45,260**	**37,260**

Balance Sheet as on 1st April 2019					
Liabilities	**Amount (₹)**	**Amount (₹)**	**Asset**	**Amount (₹)**	**Amount (₹)**
Partners' Capital A/c:			Cash		9,000
Shah	41,347		Debtors		10,000
Dhole	28,593	69,940	Furniture	25,000	
Lodha's Loan A/c		45,260	Add : Appreciation	2,500	27,500
Sundry Creditors		20,000	Computers	43,000	
Bills Payable		4,000	Less: Depreciation	4,300	38,700
			Vehicles	45,000	
			Add: Appreciation	9,000	54,000
		1,39,200			**1,39,200**

Working Note :

Average profit $= \dfrac{\text{Total Profit}}{\text{Number of Years}}$

$$= \frac{35,000 + 20,000 + 30,000 + 20,000 + 25,000}{5}$$

$$= \frac{1,30,000}{5} = ₹\ 26,000$$

∴ Goodwill = ₹ 26,000

Goodwill should not appear in the books of accounts.

Therefore, ₹ 26,000 credited in Partners' Capital Account in partners' old profit and loss ratio.

₹ 26,000 will be debited in Partners' Capital Account in partners' new profit-loss ratio.