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## CHAPTER-2 - Change in Profit Sharing Ratio Among the Existing Partners

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**Q1**

**Solution:**

| Dr.                             | Profit and Loss Appropriation<br>Account<br>For the year ended 31st March<br>2018 |                         | Cr.      |
|---------------------------------|---|-------------------------|----------|
| Particular                      | ₹   | Particular              | ₹        |
| To Charu's<br>Commission        | 44,000  | By Profit & Loss<br>A/c | 4,40,000 |
| To Divya's<br>Commission        | 39,600  |                         |          |
| To Profit transferred to:       | 3,56,400  |                         |          |
| Charu's Capital A/c<br>1,78,200 |   |                         |          |
| Divya's Capital A/c<br>1,78,200 |   |                         |          |

**Working Notes:**

- 1) Charu's Commission =  $10/100 \times 4,40,000 = \text{Rs. } 44,000/-$
  - 2) Divya's Commission =  $10/100 \times (4,40,000 - 44,000) = \text{Rs. } 39,600/-$
  - 3) Profit =  $4,40,000 - (44,000 + 39,600) = \text{Rs. } 3,56,400/-$
  - 4) Charu's Profit =  $\frac{1}{2} \times 3,56,600 = \text{Rs. } 1,78,200/-$
  - 5) Divya's Profit =  $\frac{1}{2} \times 3,56,600 = \text{Rs. } 1,78,200/-$
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## Q2

### Solution:

| Profits            | ₹      |
|--------------------|--------|
| 2013- 14           | 40,000 |
| 2014-15            | 49,000 |
| ₹46,000            |        |
| Add: Abnormal Loss |        |
| ₹ 3,000            |        |
| 2015-16            | 52,000 |

Average Profit =  $(40,000 + 49,000 + 52,000) / 3 = \text{Rs. } 47,000 /-$

Goodwill = Average Profit x Number of year's purchase

$$= 47,00 \times 2$$

Therefore, Goodwill = ₹94,000/-

## Q3

### Solution:

Old PSR  $\Rightarrow X:Y:Z = 1:2:2$

New PSR  $\Rightarrow X:Y:Z = 1:1:1$

Sacrifice Ratio:

$$X \Rightarrow 1/5 - 1/3$$

$$= 3-5 / 15$$

$$= 2/15 \text{ (Gain)}$$

$$Y \Rightarrow 2/5 - 1/3$$

$$= 6-5 / 15$$

$$= 1/ 15 \text{ (Sacrifice)}$$

$$Z = \frac{2}{5} - \frac{1}{3}$$

$$= \frac{6-5}{15}$$

$$= \frac{1}{15} \text{ (Sacrifice)}$$

| Date  | Particular  |     | L.F | Dr. (₹) | Cr. (₹) |
|-------|---|-----|-----|---------|---------|
| 2016  | X's Capital A/c   | Dr. |     | 16,000  |         |
| April | To Y's Capital A/c  |     |     |         | 8,000   |
| 1     | To Z's Capital A/c<br>(Adjustment in P/L A/c balance<br>on change in PSR) |     |     |         | 8,000   |

### Working Notes:

- 1) X's Capital =  $\frac{2}{15} \times 1,20,000 = \text{Rs. } 16,000/-$
- 2) Y's Capital =  $\frac{1}{15} \times 1,20,000 = \text{Rs. } 8,000/-$
- 3) Z's Capital =  $\frac{1}{15} \times 1,20,000 = \text{Rs. } 8,000/-$

### Q4

#### Solution:

|                   |            |
|-------------------|------------|
| Value of Goodwill | ₹ 1,80,000 |
| Reserve           | ₹ 60,000   |
| Total             | 2,40,000   |

Old PSR => A:B:C:D= 2:2:1:1

New PSR => A:B:C:D= 4:3:2:1

Sacrifice Ratio:

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$$A \Rightarrow \frac{2}{6} - \frac{4}{10}$$

$$= \frac{10-12}{30}$$

$$= \frac{2}{30} \text{ (Gain)}$$

$$B = \frac{2}{6} - \frac{3}{10}$$

$$= \frac{10-9}{30}$$

$$= \frac{1}{30} \text{ (Sacrifice)}$$

$$C = \frac{1}{6} - \frac{2}{10}$$

$$= \frac{5-6}{30}$$

$$= \frac{1}{30} \text{ (Gain)}$$

$$D = \frac{1}{6} - \frac{1}{10}$$

$$= \frac{5-3}{30}$$

$$= \frac{2}{30} \text{ (Sacrifice)}$$

| Date | Particular  | L.F | Dr. (₹) | Cr. (₹) |
|------|---|-----|---------|---------|
|      | A's Capital A/c (2/30 of 2,40,000)  | Dr. | 16,000  |         |
|      | C's Capital A/c (1/30 of 2,40,000)  | Dr. | 8,000   |         |
|      | To B's Capital A/c (1/30 of 2,40,000)   |     |         | 8,000   |
|      | To D's Capital A/c (2/30 of 2,40,000)<br>(Adjustment in P/L A/c balance on change in PSR) |     |         | 16,000  |

### Working Notes:

1) A's Capital =  $\frac{2}{30} \times 2,40,000 = \text{Rs. } 16,000/-$

2) B's Capital =  $\frac{1}{30} \times 2,40,000 = \text{Rs. } 8,000/-$

3) C's Capital =  $\frac{1}{30} \times 2,40,000 = \text{Rs. } 8,000/-$

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4) D's Capital =  $\frac{2}{30} \times 2,40,000 = \text{Rs. } 16,000/-$

