

**CHANGE IN PROFIT /LOSS SHARING RATIO AMONG EXISTING PARTNERS**

1	Why are assets and liabilities revalue at the time of change in profit sharing ratio among existing partners?	1																				
2	Why is it necessary to distribute Accumulated Profits/ Reserves at the time of reconstitution of partnership firm?	1																				
3	What is meant by reconstitution of a firm?	1																				
4	State any two occasions on which reconstitution of partnership firm can take place.	1																				
5	X, Y & Z are partners sharing profits in the ratio of 5:3:2. They decided to share future profits equally . Calculate Gaining ratio and sacrificing ratio.	1																				
6	X, Y & Z are partners sharing profits in the ratio of 3:2:1. From 1-04-14 they decided to share future profits in the ratio of 2:3:1. For the purpose goodwill of the firm be valued at three year purchase of the average profit of last five years. Profits of last five years are as follows: 2013-14- Rs 380000; 2012-13- Rs 300000; 2011-12- Rs 340000; 2010-11- Rs 140000 and 2009-10- Rs 120000. Pass journal. OR X, Y & Z are partners sharing profits in the ratio of 3:2:1. From 1-04-14 they decided to share future profits in the ratio of 2:3:1. For the purpose goodwill of the firm be valued at Rs 60000. Net profit for the year ended on 31-03-2015 amounted to Rs 36000. Pass journal.	3																				
7	X, Y & Z are partners sharing profits in the ratio of 5:3:2. They decided to share future profits in the ratio of 3:2:5 w.e.f 1-04-2014. They also decided to record the effect of following revaluations without affecting the book values of Assets and Liabilities by passing single adjusting entry.  <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th></th> <th>Book value</th> <th>Revalued Figure</th> </tr> </thead> <tbody> <tr> <td>Land and building -</td> <td>Rs 100000</td> <td>Rs 150000</td> </tr> <tr> <td>Plant and Machinery-</td> <td>Rs 150000</td> <td>Rs 140000</td> </tr> <tr> <td>Creditors -</td> <td>Rs 50000</td> <td>Rs 45000</td> </tr> <tr> <td>Outstanding Expenses-</td> <td>Rs 45000</td> <td>Rs 60000</td> </tr> </tbody> </table> Pass single adjustment entry.		Book value	Revalued Figure	Land and building -	Rs 100000	Rs 150000	Plant and Machinery-	Rs 150000	Rs 140000	Creditors -	Rs 50000	Rs 45000	Outstanding Expenses-	Rs 45000	Rs 60000	3					
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8	X, Y & Z are partners sharing profits in the ratio of 5:3:2. They decided to share future profits in the ratio of 4:3:3 w.e.f. 1-04-2014. The following balances appear in the Balance sheet as at 31-03-2014: Reserve -Rs 30000; Contingency Reserve-Rs 5000; Profit/ Loss- Rs 15000 and Advertisement Suspense -Rs 2000. Pass journal.	3																				
9	X, Y & Z are partners sharing profits in the ratio of 5:3:2. They decided to share future profits in the ratio of 3:3:4 w.e.f. 1-04-2014. The following balance appear in the Balance sheet as at 31-03-2014: Workmen compensation Reserve -Rs 30000; Show accounting treatment in the following cases:( journal) If there is no information. Liability against workmen compensation reserve determined at Rs 20000. Liability against workmen compensation reserve determined at Rs 36000.	3																				
10	X, Y & Z are partners sharing profits in the ratio of 5:3:2. They decided to share future profits in the ratio of 2:3:5 w.e.f. 1-04-2014. An extract of their Balance sheet as at 31-03-2014 is as follows: <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th>Liabilities</th> <th>Amount</th> <th>Assets</th> <th>Amount</th> </tr> </thead> <tbody> <tr> <td>Investment fluctuation fund</td> <td>15000</td> <td>Investment</td> <td>200000</td> </tr> </tbody> </table> Show the accounting treatment ( journal) in the following cases: If no information is given. If market value of Investment is Rs 200000. If market value of investment is Rs 160000. If market value of Investment is Rs 240000.	Liabilities	Amount	Assets	Amount	Investment fluctuation fund	15000	Investment	200000	3												
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12	A, B & C are partners in a firm Sharing profits in ratio of 2:3:1. Their Balance sheet on 31-03-2014 stood as follows: <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th>Liabilities</th> <th>Amount</th> <th>Assets</th> <th>Amount</th> </tr> </thead> <tbody> <tr> <td>A'S capital</td> <td>100000</td> <td>Goodwill</td> <td>12000</td> </tr> <tr> <td>B's capital</td> <td>200000</td> <td>Land &amp; Building</td> <td>250000</td> </tr> <tr> <td>C's capital</td> <td>300000</td> <td>Stock</td> <td>80000</td> </tr> <tr> <td>Investment fluctuation fund</td> <td>10000</td> <td>Debtor</td> <td>300000</td> </tr> </tbody> </table>	Liabilities	Amount	Assets	Amount	A'S capital	100000	Goodwill	12000	B's capital	200000	Land & Building	250000	C's capital	300000	Stock	80000	Investment fluctuation fund	10000	Debtor	300000	6
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Creditors	300000	Advertisement suspense	12000
Employees provident fund	60000	Investment( Market value Rs 46000)	50000
Workmen compensation fund	20000		
	1000000		1000000

They decide to share future profits in ratio of 3:2:1 w.e.f. 1-04-2014. For the purpose it was agreed that:  
Land and building found undervalued by Rs 20000' Stock was found overvalued by Rs 38000.

Provision for doubtful debts is to be made equal to 5% of the debtors.

Claim on account workmen compensation fund is Rs 8000.

10% of Creditors be written back as no longer payable.

Out of insurance which was debited entirely to P/L account Rs 5000 be carried forward as an unexpired Insurance.

Goodwill is to be valued at 2 years purchase of average profits of last 3 years which are as follows:

2013-14- Rs 138000; 2012-13- Rs 93000 and 2011-12- Rs 48000.

Prepare Revaluation account, Partners capital account and Balance sheet.

OR

A, B & C are partners in a firm Sharing profits in ratio of 2:3:1. Their Balance sheet on 31-03-2014 stood as follows:

Liabilities	Amount	Assets	Amount
A'S capital	100000	Goodwill	12000
B's capital	200000	Land & Building	250000
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You are required to pass single adjusting entry