ELITE COMMERCE MINDS
COMMERCE RAMA

Concept no.8

Settlement of Loan Account of the Retiring Partner

Dr. **Sid's Loan Account** **Cr.**

Date	Particulars	Amount (₹)	Date	Particulars	Amount (₹)
2020-21 March 31	To Cash/Bank A/c (44,500 + 5,340)	49,840	2020-21 April 1	By Sid's Capital A/c	89,000
			March 31	By Interest A/c ($89,000 \times \frac{6}{100}$)	5,340
March 31	To Balance c/d	44,500			
		94,340			**94,340**
2021-22 March 31	To Cash/Bank A/c (44,500 + 2,670)	47,170	2021-22 April 1	By Balance b/d	44,500
			March 31	By Interest A/c ($44,500 \times \frac{6}{100}$)	2,670
		47,170			**47,170**

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Questions

Q.20). X, Y and Z were in partnership sharing profits in the ratio of 3 : 2 : 1. On 1st April, 2023 the Balance Sheet of the firm stood as follows :

Liabilities		₹	Assets	₹
Provision for Doubtful Debts		1,300	Cash at Bank	10,000
Sundry Creditors		15,000	Debtors	16,000
Capitals :			Stock	20,300
X	78,750		Machinery	60,000
Y	70,000		Land and Building	1,20,000
Z	61,250	2,10,000		
		2,26,300		2,26,300

Z retires on the above date and the new profit sharing ratio between X and Y will be 5 : 4. Following terms were agreed :
(a) Land and Buildings be reduced by 10%. (b) Out of the insurance premium paid during the year ₹5,000 be carried forward as unexpired.
(c) There is no need of any provision for doubtful debts.
(d) Goodwill of the firm be valued at ₹54,000.
(e) X and Y decided that their capitals will be adjusted in their new profit sharing ratio,
(f) Z is paid ₹9,300 on the date of retirement and the remaining amount in three equal instalments together with interest at the rate of 10% p.a. on the outstanding balance.
Show Z's loan a/c for 3 years.**[Ans. Loss on revaluation = ₹5,700 ;Closing Balance of X & Y Capital a/c are ₹75,000 & ₹60,000 respectively ;Z's Loan a/c ₹60,000 and BS Total ₹2,10,000]**

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Questions

Q.21). Lalit, Madhur and Neena were partners sharing profits as 50%, 30% and 20% respectively. On 31st March, 2023, their Balance Sheet was as follows :

Liabilities		₹	Assets		₹
Creditors		28,000	Cash		34,000
Provident Fund		10,000	Debtors	47,000	
Investment Fluctuation Fund		10,000	Less : Provision for Bad		
Capital A/cs :			and Doubtful Debts	3,000	44,000
Lalit	50,000		Stock		15,000
Madhur	40,000		Investment		40,000
Neena	25,000	1,15,000	Goodwill		20,000
			Profit and Loss A/c		10,000
		1,63,000			1,63,000

On this date, Madhur retired and Lalit and Neena agreed to continue on the following terms :(a) The goodwill of the firm was valued at ₹ 51,000.
(b) There was a claim for Workmen's Compensation to the extent of ₹6,000.
(c) Investment were brought down to ₹ 15,000
.(d) Provision for bad debts was reduced by ₹ 1,000.
(e) Madhur was paid ₹ 10,300 in cash and the balance was transferred to his loan account payable in two equal instalments together with interest @12% p.a.
Prepare Revaluation Account, Partners' Capital Accounts and Madhur's Loan Account till the loan is finally paid off.
[Ans. Loss on Revaluation ₹20,000; Madhur's Loan A/c ₹30,000; Capital A/cs : Lalit ₹ 14,071 and Neena ₹ 10,629.]

COMMERCE RAMA

Concept no.8

Questions

Q.22). A, B and C are partners sharing profits in 4 : 3 : 3. Their Balance Sheet as at 31st March 2023 was as follows :

Liabilities		₹	Assets		₹
Sundry Creditors		1,20,000	Land and Building		5,00,000
General Reserve		40,000	Stock		2,40,000
Capital Accounts :			Debtors	1,50,000	
A	4,00,000		Less : Provision for		
B	2,00,000		Doubtful		
C	2,00,000	8,00,000	Debts	30,000	1,20,000
			Cash at Bank		1,00,000
		9,60,000			9,60,000

C retires on 1st April, 2023 and A and B decide to share future profits in the ratio of 6 : 4. It is agreed that:

(i) Goodwill of the firm is valued at ₹80,000.(ii) Land & Building is undervalued by ₹ 1,00,000 and Stock is overvalued by 20%.

(iii) Provision for Doubtful Debts is to be decreased to ₹ 10,000.

(iv) Computer valued ₹30,000 was unrecorded in the books.

It was decided to pay off C by giving him this computer and the balance in annual instalments of ₹ 1,00,000 together with interest @ 10% p.a.

You are required to prepare :(a) Revaluation Account, (b) C's Capital Account, and (c) C's Loan Account till it is finally closed.**[Ans. Profit on Revaluation ₹ 1,10,000; Balance of C's Capital A/c transferred to his Loan A/c ₹2,39,000. Payments made : ₹1,23,900 on 31st March 2024; ₹ 1,13,900 on 31 st March 2025 and ₹42,900 on 31st March 2026.]**

END OF CONCEPT.NO-8

9 Capital Adjustments