

2. The value of stock is to be reduced by 10% and bad debts reserve is to be created at 5% on debtors.
 3. An amount of Rs. 2000 included in creditors is not likely to be claimed.
 4. Hasrat brings in Rs. 40000 as capital.
 5. The goodwill account is to be created by Rs. 20000 and it is to be written off after the admission of Hasrat.
 6. The new profit sharing ratio is agreed upon as 2:1:1.
- From the above particulars, Prepare Profit and Loss Adjustment Account, Cash Account, Capital Accounts of partners and Balance Sheet of the new firm. Also pass necessary journal entries regarding goodwill.

Q.2

- (A) Write note on Payment to retiring partner. (05)
- (B) A, B and C are partners. B retires. Goodwill appears in the books at Rs. 20000 but it is revalued at Rs. 80000. On B's retirement Goodwill is to be brought in to books to the extent of retiring partner's share only and the entire amount of Goodwill is to be written off in the new firm. (05)
Pass necessary journal entries.
- (C) X, Y and Z are partners in a firm. X retires. Y and Z agree to acquire X's share in the ratio of 5:3. Find out new profit sharing ratio. (05)

OR

- Q.2 A, B and C are partners sharing profit and loss in equal proportion. Their balance sheet on 31-3-16 was as follows. (15)

Balance Sheet

Liabilities	Rs.	Assets	Rs.
Capital Account:		Goodwill	14400
A 80000		Land & Building	80000
B 48000		Investments	
C 72000	200000	(cost price)	16000
General reserve	14400	Furniture	36000
Creditors	41600	Stock	26240
Investment fluctuation fund	1440	Debtors 51200	
		– BDR 1600	49600
		Cash balance	16000
		Profit & Loss a/c	19200
	257440		257440

C retires on the above date subject to the following terms.

1. The goodwill of the firm is valued at Rs. 24000.
2. Land and Building is to be valued at Rs. 88000.
3. Investment fluctuation fund will be Rs. 960.
4. There is no need to create Bad Debts Reserve (BDR) on debtors.
5. Stock is to be decreased by 25%.
6. Provision for discount reserve at the rate of 4% on creditors.
7. Rs. 64000 is to be retained as C's loan in the firm and remaining amount is to be paid in cash.

Prepare necessary accounts and Balance sheet of New firm after retirement of C.