Class 12 Accountancy Vol 1
Chapter 4 - Change in Profit - Sharing Ratio Among the Existing Partners

TS Grewal Solutions for Class 12 Accountancy Chapter 4- Change in Profit - Sharing Ratio Among the Existing Partners is considered to be an essential concept to be learnt completely by the students. Here, we have provided TS Grewal Accountancy solutions for class 12 in a simple and a step by step manner, which is helpful for the students to score well in their upcoming board examinations.

Board	CBSE
Class	Class 12
Subject	Accountancy
Chapter	Chapter 4
Chapter Name	Change in Profit - Sharing Ratio Among the Existing Partners
Number of questions solved	06
Category	TS Grewal

Chapter 4- Change in Profit - Sharing Ratio Among the Existing Partners explains the below-mentioned concepts:

- New profit sharing ratio
- Gaining of ratio
- Adjustment of Goodwill
- Adjustments of Reserves, Accumulated Profits, and Losses

One of the methods of reconstitution of the enterprise is Change in Profit Sharing Ratio among Existing Partners. In this context, there exists no difference in the partners bearing on the company of the enterprise.

TS Grewal Solutions for Class 12 Accountancy Chapter 4 Change in Profit - Sharing Ratio Among the Existing Partners

Question 1

X and Y are partners sharing the profits and losses equally. With effect from 1st April 2018, they agree to share profits in the ratio of 5:4. Now, compute the individual partner's gain or sacrifice due to the change in ratio.

Solution:

Old ratio = 1:1

New Ratio = 5:4

Sacrificing ratio (gaining) = Old ratio - New ratio

X's share = 1/2 - 5/9 = 9/18 - 10/18 = -1/18 [gain]

Y's share = 1/2 - 4/9 = 9/8 - 8/18 = 1/18 [sacrifice]

Therefore, X's gain is 1/18 and Y's sacrifice is 1/18

Question 2

A, B and C are sharing profits in the ratio of 6:4:3 with effect from 1st April 2018, the ascertained to share the profits and losses equally. Compute each partner's sacrifice or gain due to the change in ratio.

Solution:

Old ratio [A, B and C] = 6:4:3

New ratio [A, B and C] = 1:1:1

Sacrificing (or gaining) ratio = Old ratio - New ratio

A's share = 6/13 - 1/3 = 18/39 - 13/39 = 5/39 [Sacrifice]

B's share = 4/13 - 1/3 = 12/39 - 13/39 = -1/39 [Gain]

C's share = 3/13 - 1/3 = 9/39 - 13/39 = -4/39 [Gain]

Therefore, B's gain = 1/39, C's gain = 4/39 and A's sacrifice = 5/39

Question 3 ***(Change in Profit-sharing ratio)***

A and B shared profits and losses in the ratio of 4:3 with effect from 1st April 2019, they gave their consent to share their profits equally. Goodwill of the enterprise was valued at ₹. 70,000/-. Pass necessary Journal entries for the accounting of the goodwill.

- When goodwill is adjusted through the partner’s capital account
- When goodwill is raised and written off

Solution:

- When goodwill is adjusted through the partner’s capital account:

Journal Entries

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
April, 2019	B’s Capital A/c [70,000 X 1/10] Dr. To A’s capital A/c (Being the goodwill adjusted on the change in the profit sharing ratio) [Please check the Working note 1]		70,000	 70,000

Working Note 1:

Calculation of share of profit sacrificed or gained:

Sacrificing or Gaining ratio = Old share - New share

[latex]A \, = \, \frac{4}{7}\, \, -\, \frac{1}{2}\, =\, \frac{8-7}{14}\, =\, \frac{1}{14}\left (Sacrifice \, made \right)[/latex]

[latex]B\, =\, \frac{3}{7}\, -\, \frac{1}{2}\, =\, \frac{6-7}{14}\, =\, \frac{-1}{14}\, =\, \left (Being \, negative \, it \, is \, a \, gain \right)[/latex]

- When goodwill is raised and written off

Journal Entries

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Goodwill A/c Dr. To A’s capital A/c To B’s capital A/c (Being the account raised and credited to partners in old profit - sharing ratio)		70,000	 40,000 30,000
	A’s capital A/c Dr. B’s capital A/c Dr. To Goodwill A/c (Being the goodwill debited to partners in new profit		35,000 35,000	 70,000

	- sharing ratio)			

Question 4

Riya and Diya are partners sharing profits and losses in the ratio of 5:2. They ascertain to share the profits in the ratio of 4:3 with effect from April 1st, 2018. However, the decision to change the profit-sharing ratio was taken after crediting share of profit for the year ended 31st March 2019 to the respective capital account, which was ₹. 2,00,000/-.

Goodwill of the firm as at 1st April 2018, was valued at ₹. 75,000/-. Capital accounts credit balances as at 31st March 2019 were: Riya - ₹. 6,00,000/- and Diya - ₹. 7,00,000/-. Pass the necessary journal entries and prepare capital accounts.

Solution:

Journal Entries

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Diya's capital A/c Dr. To Riya's capital A/c (Being the amount of goodwill payable by Diya to Riya debited and credited to respective capital A/c)		10,714	10,714
	Riya's capital A/c Dr. To Diya's capital A/c (Being the adjustment for distribution of profit to the year-end, 31st March 2019.)		28,573	28,573

Dr. Partner's Capital Account Cr.

Particulars	Riya	Diya	Particulars	Riya	Diya
To Riya's capital a/c	-	10,714	By balance b/d	6,00,000	7,00,000
To Diya's capital a/c	28,573	-	By Diya's capital a/c	10,714	-
To balance c/d	5,82,141	7,17,859	By Riya's capital a/c	-	28,573
	6,10,714	7,28,573		6,10,714	7,28,573

Working Note 1:

- Calculation of sacrificing/ gaining share of each partner:

	Riya	Diya
Existing share	5/7	2/7
New share	4/7	3/7
	5/7-4/7	2/7-3/7
Sacrifice or gain (A-B)	1/7	-1/7 (Gain)

- Value of Goodwill = 75,000/-

  Therefore, Diya (gaining partner) will compensate Riya (sacrificing partner) ₹.10,714/,- (i.e., 1/7th of ₹.75,000/-)

- Adjustment for the share of profit:

	Riya	**Diya**
Profit already distributed in the old ratio (5:2), now debited	1,42,858	57,142
Profit to be distributed in the new ratio (4:3), now credited	1,14,285	85,715
Difference	28,573 (Dr.)	28,573 (Cr.)

Question 5

A and B are partners sharing profits in the ratio of 4:1. They ascertain to share the profits equally with effect from 1st April 2019. Their balance sheet showed a balance of advertisement suspense of ₹. 30,000/- on the date of change in profit sharing ratio. Pass the journal entry at the time of change of profit sharing ratio.

Solution:

Journal Entries

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
1st April, 2019	A's capital A/c Dr. B's capital A/c Dr. To advertisement suspense A/c (Being the advertisement suspense A/c written-off		24,000 6,000	 30,000

Question 6

P and Q are partners in an enterprise sharing profits in the ratio of 3:2. They decided to share future profits equally. On the date of a change in the profit sharing ratio, profit and loss account showed a debit balance of ₹.70,000/-. Pass journal entry for allocation of balance in the profit and loss account immediately before the change in the profit sharing ratio.

Solution:

Journal Entries

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	P's capitalA/c Dr. Q's capital A/c Dr. To Profit and Loss A/c (Being the undistributed loss transferred to the capital accounts of the partners on the change in the profit sharing ratio)		42,000 28,000	 70,000

The above-provided solutions are considered to be the best solutions for 'TS Grewal Solutions Class 12 Accountancy Vol 1 Chapter 4- Change in Profit - Sharing Ratio Among the Existing Partners'. Stay tuned to BYJU'S to learn more and score well in the upcoming board examinations.

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