NCERT SOLUTIONS

CLASS - 12th

Class : 12th

Subject : Accountancy

Chapter : 3

Chapter Name : Reconstitution of a partnership firm – Admission of a partner

Q1 Identify various matters that need adjustments at the time of admission of a new partner?

Answer. The various matters that need adjustments at the time of admission of a new partner are –

- Profit sharing ratio
- Goodwill
- Revaluation of assets and liabilities
- Distribution of accumulated profits
- Adjustments of partner's capital.

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Q2 Why it is necessary to ascertain new profit sharing ratio even for old partners when a new partner is admitted?

Answer. At time of admission of a new partner, old partners sacrifice their share in favour of new partner, thus reducing their share of profits and new partner is admitted to the share of profit. Hence, it is necessary to ascertain new profit sharing ratio even for old partners when a new partner is admitted.

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Q3 What is sacrificing ratio? Why is it calculated?

Answer. Sacrificing ratio is the ratio at which old partners agree to sacrifice their share in favour of a new partner at the time of admission of a partner to the partnership firm. It is calculated as old ratio less new ratio.

Since old partners sacrifice their share in favour of new partner, new partner needs to compensate old partner for their sacrifice in share. The new partner compensate the old partner by making payment to them in the form of goodwill brought in by new partner transferred to sacrificing partners in sacrificing ratio.

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Q4 On what occasion sacrificing ratio is used?

Answer. i) When new partner is admitted to the firm and he compensates old partner by transferring the goodwill brought by him to the sacrificing partners in sacrificing ratio.

ii) When partners agree to change the profit sharing ratio among themselves. The gaining partners compensate sacrificing partners in sacrificing ratio.

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Q5 If some goodwill already exists in the books and new partner brings in his share of goodwill in cash, how will you deal with the existing amount of goodwill?

Answer. The existing amount of goodwill will be written off among the old partners in the old profit sharing ratio.

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Q6 Why there is need for revaluation of assets and liabilities on the admission of a partner?

Answer. It is necessary for the revaluation of assets and liabilities so as to ascertain whether the assets and liabilities are shown in the books at their current value. This is done because the value of assets and liabilities may have increased or decreased, so it is important that their true and fair values are reflected as on the date of reconstitution of firm in the form of admission of a new partner.

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Q1 Do you advise that assets and liabilities must be revalued at the time of admission of a partner? If so, why? Also describe how is this treated in the book of account?

Answer. Yes it is advisable to revalue the assets and liabilities of the firm at the time of admission of a new partner.

This is done because the value of assets and liabilities may have increased or decreased in due time. So to ascertain their true and fair value and record the new value in balance sheet it becomes important to revalue the assets and liabilities.

The increase in value of assets or decrease in value of liabilities shown in the credit side of revaluation account as it is gain. Similarly, the decrease in value of assets or increase in value of liabilities is shown in the debit side of revaluation account. The net profit or loss of revaluation is transferred to old partner’s capital account. The new value of assets and liabilities is recorded in balance sheet.

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Q2 What is goodwill? What factors affect goodwill?

Answer. Goodwill is the value of the reputation of a firm in respect of the profits expected in future over and above the normal profits.

Factors affecting goodwill are:-

- Nature of business: A firm producing good quality products and maintaining a stable demand will earn more profit and have more goodwill.
- Location: If business is located at a central place, easily accessible to the people, then it will have more goodwill.
- Efficiency of management: A well-managed business concern has higher productivity and provides good services and hence has more goodwill.
- Market situation: If the firm has more control over the market situation, it tends to have more goodwill as it earns high profits.

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Q3 Explain various methods of valuation of goodwill.

Answer. Various methods of valuation of goodwill are as follows –

- Average profit method: Under this method, the goodwill is valued at agreed number of years purchase of the average profits of the past few years. Example, if past average profit of business comes out as 10000 and is likely to continue for another 2 years. The value of goodwill be 10000 times 2 = 20000.

Goodwill = Average profit X no. of years purchase

- Super profit method: Under this, goodwill is ascertained on the basis of excess profit over normal profit known as super profit. Here are the steps involved-

  a) Calculate average profit of firm.

  b) Calculate normal profit of firm on capital employed on the basis of normal rate of return.

  c) Calculate super profit by deducting normal profit from average profit.

  d) Calculate goodwill by multiplying super profit by given number of years purchase.

- Capitalization method: Under this method, goodwill is calculated in two ways a) by capitalizing average profits or b) by capitalizing the super profits.

a) Capitalization of average profit: This involves following steps -

· Ascertain the average profit of firm.

· Capitalize average profit on the basis of normal rate of return to ascertain capitalized value of average profit as follows:

Average profit $\times \frac{100}{Normal rate of return}$

· Ascertain actual capital employed by deducting outside liabilities from total assets.

· Compute goodwill by deducting the capital employed from capitalized value of average profits.

b) Capitalization of super profits: Under this following steps are involved –

- Calculate capital employed of firm.

Capital employed = Total Assets – Outside Liabilities

- Calculate average profits on capital employed.
- Calculate super profit of firm

Super profit = Average profit – Normal profit

- Multiply super profit by the normal rate of return

Goodwill = Super profit $\times \frac{100}{Normal rate of return}$

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Q4 If it is agreed that capital of all partners should be proportionate to the new profit sharing ratio, how will you work out the new capital of each partner? Give examples and state how necessary adjustments will be made.

Answer. To work out the capital of partners following steps are taken –

- First ascertain the total capital of firm on the basis of new partner's share.
- Now ascertain the share of each partner on the total capital of firm on the basis of new profit sharing ratio.
- Compare the new capital with old capital after make necessary adjustments.
- The partners whose capital fall short will bring more cash and whose have surplus will withdraw the excess amount of capital through cash.

Example: A,B are partners in firm sharing profit and loss in the ratio 2:1. After all adjustments their capitals are 45000 and 15000 respectively. C is admitted as new partner for $\frac{1}{4}$ share of profit. He brings in 20000 as his share of capital. Now we need to ascertain the new capital of partners on the basis of new profit sharing ratio.

Solution: C's share $=\frac{1}{4}$

Total capital on basis of C's share = 20,000 $\times$ 4

= 80,000

Remaining share = 1- $\frac{1}{4}$ = $\frac{3}{4}$

New share of A = $\frac{3}{4}\times\frac{2}{3}=\frac{6}{12}$

New share of B = $\frac{3}{4}\times\frac{1}{3}=\frac{3}{12}$ $\therefore$ New profit sharing ratio = 6:3:3

= 2:1:1

Capital as per new profit sharing ratio:

A's new capital = $\frac{2}{4}\times$ 80,000 = 40,000

B's new capital = 9.6 80,000 = 20,000

A's old capital is 4500 so he will withdraw 5000 to bring his capital to 40,000. B's old capital is 15000 so he will bring in more 5000 to make his capital 20,000.

The following entry will be passed:

A's capital A/c Dr. To cash A/c (Excess capital withdrawn.)		5000	5000
Cash A/c Dr. To B's capital A/c (Cash brought by B.)		5000	5000

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Q5 Explain how will you deal with goodwill when new partner is not in a position to bring his share of goodwill in cash.

Answer. The goodwill value is adjusted from the new partner's capital account when the partner is unable to bring goodwill in cash and is transferred to sacrificing partners in sacrificing ratio.

For example, A and B are partners in a firm sharing profit and loss in the ratio 2:1. They admit C as a partner for $\frac{1}{4}$ share. C is unable to bring 5000 his share of goodwill in cash.

Sol.

C's capital A/c Dr To A capital A/c To B capital A/c		6000	 4000 2000

(Being goodwill charged from capital A/c)			

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Q6 Explain various methods for treatment of goodwill on admission of a new partner?

Answer. Goodwill is treated in two ways-

a) Premium method b) Revaluation method

a) Premium method: This method is followed when new partner brings in his share of goodwill in cash. The goodwill amount is shared by sacrificing partners in their sacrificing ratio. If this amount is paid to the partners privately no entry is made in the books of the firm.

The following journal entries are passed –

i)	Cash A/c Dr To premium for goodwill A/c (Being goodwill brought by new partner)			
ii)	Premium for goodwill A/c Dr To Sacrificing partner's A/c (Bring goodwill shared to the sacrificing partners in sacrificing ratio)			

Sometimes the partners may withdraw the amount then following entry is passed -

	Partner's capital A/c Dr To bank A/c (Bing amount withdrawn)			

b) Revaluation Method: This method is followed when partner does not bring his share of goodwill in cash. Here the goodwill is charged from capital A/c and transferred to sacrificing partners in sacrificing ratio. If at that time goodwill also exists in the books of accounts, then it is written off in the old partner's capital A/c.

Following journal entry is passed –

i)	New partner's capital A/c Dr To sacrificing partner capital A/c (Being new partner's goodwill adjusted to his capital and shared by sacrificing partners in sacrificing ratio)			
ii)	Old partner's capital A/c Dr To goodwill A/c (Being goodwill is books written off to old partner's capital A/c)			

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Q7 How will you deal with the accumulated profits and losses and reserves on admission of a new partner?

Answer. Accumulated profits and reserves are distributed to the old partners' capital a/c in their old profit sharing ratio and losses are charged to the old partner’s capital a/c at time of admission of the new partner. Following entries are made-

	Particular	L/F	Dr amount	Cr amount
i)	Reserves/Profit A/c Dr To old Partner’s capital A/c (Being profit distributed to old partners in old profit sharing ratio)			
ii)	Old partner’s capital A/c Dr To losses A/c To deferred advertisement A/c (Being losses charged to old partner’s capital A/c in old profit sharing ratio)			

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Q8 At what figures the value of assets and liabilities appear in the books of the firm after revaluation has been done. Show with the help of an imaginary balance sheet.

Answer. After revaluation has been done, the assets and liabilities appear at their current values in the revised balance sheet.

Let us understand this with an imaginary illustration:

Opening Balance Sheet

Liabilities	Amount	Assets	Amount
Bills payable	5000	Stock	15000
Creditors	10000	Debtors	40000
Capital Account:		Furniture	30000
A : 37500		Bank	5000
B : 37500	75000		
	90000		**90000**

- The value of stock has increased by 3000.
- The reused value of furniture is 29000.
- Creditors of 1000 are not likely to arise.
- New partner brings in 20000 as capital for $\frac{1}{4}$ share.

Revaluation A/c

Particulars	Amount	Particulars	Amount
To Furniture	1000	By stock	3000
To profit on revaluation:		By creditors	1000

A : 1500			
B : 1500	3000		
	4000		**4000**

Partner capital A/c

Particulars	A	B	Particulars	A	B
To bal c/d	39000	39000	By balance b/d	37500	37500
			By profit on revaluation	1500	1500
	39000	**39000**		**39000**	**39000**

Revised Balance sheet

Liabilities	Amount	Assets	Amount
Bills payable	5000	Stock	18000
Creditors	9000	Debtors	40000
Partner's Capital:		Furniture	29000
A : 39000		Bank 5000	

B : 39000		Add: Capital 20000	25000
C : 20000	98000		
	112000		**112000**

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Q1 A and B were partners in a firm sharing profits and losses in the ratio of 3:2. They admit C into the partnership with $\frac{1}{6}$ share in the profits. Calculate the new profit sharing ratio? $\frac{1}{6}$ share in the profits. Calculate the new profit sharing ratio?

Answer.

Old profit sharing ratio = 3:2

Share of C, new partner = $\frac{1}{6}\frac{1}{6}$

Let the total share be 1

$\therefore$ Remaining share = 1-$\frac{1}{6}=\frac{5}{6}$ $\therefore$ Remaining share = 1-$\frac{1}{6}=\frac{5}{6}$

Now, $\frac{5}{6}$ will be divided in the ratio 3:2, $\frac{5}{6}$ will be divided in the ratio 3:2,

Therefore, share of A = $\frac{3}{5}\times\frac{5}{6}=\frac{15}{30}\frac{3}{5}\times\frac{5}{6}=\frac{15}{30}$

share of B = $\frac{2}{5}\times\frac{5}{6}=\frac{10}{30}\frac{2}{5}\times\frac{5}{6}=\frac{10}{30}$

share of C = $\frac{1}{6} \times \frac{1}{6} \times \frac{5}{5} = \frac{5}{30}$ $\frac{1}{6} \times \frac{1}{6} \times \frac{5}{5} = \frac{5}{30}$

$\therefore$ New profit sharing ratio = 15:10:5 $\therefore$ New profit sharing ratio = 15:10:5

= 3:2:1.

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Q2 A,B,C were partners in a firm sharing profits in 3:2:1 ratio. They admitted D for 10% profits. Calculate the new profit sharing ratio?

Answer.

Old profit sharing ratio = 3:2:1

D is admitted for 10% profit which is equal to R^2_{oos} $\frac{1}{10}$

Let the total share of profits be 1

Share of D $= dfrac110 \ _r$

Remaining share $= 1 - \frac{1}{10} = \frac{9}{10}$ $=1-\frac{1}{10}=\frac{9}{10}$

$\frac{9}{10}$ share will be divided in the ratio 3:2:1 $midpoint = (\frac{5-1}{2}, \frac{-2-3}{2})$ share will be divided in the ratio 3:2:1

Share of A $\frac{-5}{2}$ $\frac{-5}{2}$

Share of B $= \frac{2}{6} \times \frac{9}{10} = \frac{18}{60}$ $= \frac{2}{6} \times \frac{9}{10} = \frac{18}{60}$

Share of C $= \frac{1}{6} \times \frac{9}{10} = \frac{9}{60}$ $= \frac{1}{6} \times \frac{9}{10} = \frac{9}{60}$

Share of D $= \frac{1}{10} = \frac{1}{10} \times \frac{6}{6} = \frac{6}{60}$ $= \frac{1}{10} = \frac{1}{10} \times \frac{6}{6} = \frac{6}{60}$

$\therefore$ New profit sharing ratio = 27:18:9:6 $v = \int a\mathrm{d}t$ New profit sharing ratio = 27:18:9:6

= 9:6:3:2

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Q3 X and Y are partners sharing profits in 5:3 ratio admitted Z for $\frac{1}{10}$ share which he acquired equally for X and Y. Calculate new profit sharing ratio? $\frac{1}{10}$ share which he acquired equally for X and Y. Calculate new profit sharing ratio?

Answer.

Share of X and Y = 5:3

Share of Z $= \frac{1}{10}$ $= \frac{1}{10}$

Sacrificing ratio of X and Y = 1:1

Share of X $= \frac{5}{8} - \frac{1}{2} \times \frac{1}{10} = \frac{5}{8} - \frac{1}{20} = \frac{92}{160}$ $= \frac{5}{8} - \frac{1}{2} \times \frac{1}{10} = \frac{5}{8} - \frac{1}{20} = \frac{92}{160}$

Share of Y $= \frac{3}{8} - \frac{1}{2} \times \frac{1}{10} = \frac{3}{8} - \frac{1}{20} = \frac{52}{160}$ $= \frac{3}{8} - \frac{1}{2} \times \frac{1}{10} = \frac{3}{8} - \frac{1}{20} = \frac{52}{160}$

Share of Z $= \frac{1}{10} \times \frac{16}{16} = \frac{16}{160}$ $= \frac{1}{10} \times \frac{16}{16} = \frac{16}{160}$

$\therefore$ New ratio = 92:52:16 $\therefore$ New ratio = 92:52:16

= 23:13:4.

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Q4 A,B and C are partners sharing profits in 2:2:1 ratio admitted D for x_1 share which he acquired entirely from A. Calculate new profit sharing ratio? $\frac{1}{8}$ share which he acquired entirely from A. Calculate new profit sharing ratio?

Answer.

Old profit sharing ratio = 2:2:1

Share of D $=\frac{1}{8}u$

New share of A $=\frac{2}{5}-\frac{1}{8}=\frac{16-5}{40}=\frac{11}{40}=\frac{2}{5}-\frac{1}{8}=\frac{16-5}{40}=\frac{11}{40}$

Share of B $=\frac{2}{5}=\frac{2}{5}\times\frac{8}{8}=\frac{16}{40}=\frac{2}{5}=\frac{2}{5}\times\frac{8}{8}=\frac{16}{40}$

Share of C $\frac{11}{3}\cdot M_2=1$ $\frac{11}{3}\cdot M_2=1$

Share of D $=\frac{1}{8}=\frac{1}{8}\times\frac{5}{5}=\frac{5}{40}=\frac{1}{8}=\frac{1}{8}\times\frac{5}{5}=\frac{5}{40}$

$\therefore$ New ratio = 11:16:8:5. $\therefore$ New ratio = 11:16:8:5.

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Q5 P and Q are partners sharing profits in 2:1 ratio. They admitted R into partnership giving him $\frac{1}{5}$ share which he acquired from P and Q in 1:2 ratio. Calculate new profit sharing ratio? $\frac{1}{5}$ share which he acquired from P and Q in 1:2 ratio. Calculate new profit sharing ratio?

Answer.

Old ratio (given) = 2:1

Share of R $= \frac{1}{5}$ $= \frac{1}{5}$

Sacrificing ratio of:

P $= \frac{1}{5} \times \frac{1}{3} = \frac{1}{15}$ $= \frac{1}{5} \times \frac{1}{3} = \frac{1}{15}$

Q $= \frac{1}{5} \times \frac{2}{3} = \frac{2}{15}$ $= \frac{1}{5} \times \frac{2}{3} = \frac{2}{15}$

New share = Old share – Sacrificing share

$\therefore$ New share of P $= \frac{2}{3} - \frac{1}{15} = \frac{10-1}{15} = \frac{9}{15}$ $\therefore$ New share of P $= \frac{2}{3} - \frac{1}{15} = \frac{10-1}{15} = \frac{9}{15}$

New share of Q $= \frac{1}{3} - \frac{2}{15} = \frac{5-2}{15} = \frac{3}{15}$ $= \frac{1}{3} - \frac{2}{15} = \frac{5-2}{15} = \frac{3}{15}$

Share of R $= \frac{1}{5} \times \frac{3}{3} = \frac{3}{15}$ $= \frac{1}{5} \times \frac{3}{3} = \frac{3}{15}$

$\therefore$ New profit sharing ratio = 9:3:3 $\therefore$ New profit sharing ratio = 9:3:3

= 3:1:1.

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Q6 A, B and C are partners sharing profits in 3:2:2 ratio. They admitted D as a new partner for $\frac{1}{5}$ share which he acquired from A, B and C in 2:2:1 ratio respectively. Calculate new profit sharing ratio? $\frac{1}{5}$ share which he acquired from A, B and C in 2:2:1 ratio respectively. Calculate new profit sharing ratio?

Answer.

Old profit sharing ratio = 3:2:2

Share of D $=\frac{1}{5}$ $=\frac{1}{5}$

Sacrificing ratio of:

A $\cot,\csc,\sec$ $\cot,\csc,\sec$

B $\cot,\csc,\sec$ $\cot,\csc,\sec$

C $=\frac{1}{5}\times\frac{1}{5}=\frac{1}{25}$ $=\frac{1}{5}\times\frac{1}{5}=\frac{1}{25}$

$\therefore$ New ratio = old ratio – sacrificing ratio $\therefore$ New ratio = old ratio – sacrificing ratio

$\therefore$ New share of A $=\frac{3}{7}-\frac{2}{25}=\frac{75-14}{7\times 25}=\frac{61}{7\times 25}$ $\therefore$ New share of A $=\frac{3}{7}-\frac{2}{25}=\frac{75-14}{7\times 25}=\frac{61}{7\times 25}$

New share of B $=\frac{2}{7}-\frac{2}{25}=\frac{50-14}{7\times 25}=\frac{36}{7\times 25}$ $=\frac{2}{7}-\frac{2}{25}=\frac{50-14}{7\times 25}=\frac{36}{7\times 25}$

New share of C $=\frac{2}{7}-\frac{1}{25}=\frac{50-7}{7\times 25}=\frac{85}{25\times 7}$ $=\frac{2}{7}-\frac{1}{25}=\frac{50-7}{7\times 25}=\frac{85}{25\times 7}$

Share of D $=\frac{1}{5}=\frac{1}{5}\times\frac{5\times 7}{5\times 7}=\frac{85}{25\times 7}$ $=\frac{1}{5}=\frac{1}{5}\times\frac{5\times 7}{5\times 7}=\frac{85}{25\times 7}$

$\therefore$ New profit sharing ratio = 61:36:43:35. $\therefore$ New profit sharing ratio = 61:36:43:35.

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Q7 A and B were partners in a firm sharing profits in 3:2 ratio. They admitted C for $\frac{3}{7}$ share which he took $\frac{2}{7}$ from A and $\frac{1}{7}$ from B. Calculate new profit sharing ratio? $\frac{3}{7}$ share which he took E from A and $\frac{1}{7}$ from B. Calculate new profit sharing ratio?

Answer.

Old profit sharing ratio = 3:2

Share of C $< A, A >$ $= \frac{3}{7}$

New share of A $= \frac{1}{2}k(A^2 - x^2)$ $= \frac{1}{2}k(A^2 - x^2)$

New share of B $= \frac{2}{5} - \frac{1}{7} = \frac{14-5}{35} = \frac{9}{35}$ $= \frac{2}{5} - \frac{1}{7} = \frac{14-5}{35} = \frac{9}{35}$

Share of C $= \frac{3}{7} = \frac{3}{7} \times \frac{5}{5} = \frac{15}{35}$ $= \frac{3}{7} = \frac{3}{7} \times \frac{5}{5} = \frac{15}{35}$

$\therefore$ New profit sharing ratio = 11:9:15. $\therefore$ New profit sharing ratio = 11:9:15.

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Q8 A, B and C were partners in a firm sharing profits in 3:3:2 ratio. They admitted D as a new partner for $\frac{4}{7}$ profit. D acquired his share $\frac{2}{7}$ from A. $\frac{1}{7}$ from B and $\frac{1}{7}$ from C. Calculate new profit sharing ratio? $\frac{4}{7}$ profit. D acquired his share $\frac{2}{7}$ from A. $\frac{1}{7}$ from B and $\frac{1}{7}$ from C. Calculate new profit sharing ratio?

Answer.

Old profit sharing ratio = 3:2:2

Share of D $= \frac{4}{7}$ $= \frac{4}{7}$

Sacrificing ratio of A,B,C $= \frac{2}{7}, \frac{1}{7}, \frac{1}{7}$ $= \frac{2}{7}, \frac{1}{7}, \frac{1}{7}$

New share = old share – sacrificing share

$\therefore$ New share of A $= \frac{3}{8} - \frac{2}{7} = \frac{21-16}{8\times 7} = \frac{5}{8\times 7}$ $\therefore$ New share of A $= \frac{3}{8} - \frac{2}{7} = \frac{21-16}{8\times 7} = \frac{5}{8\times 7}$

New share of B $= \frac{3}{8} - \frac{1}{7} = \frac{21-8}{8\times 7} = \frac{13}{8\times 7}$ $= \frac{3}{8} - \frac{1}{7} = \frac{21-8}{8\times 7} = \frac{13}{8\times 7}$

New share of C $= \frac{2}{8} - \frac{1}{7} = \frac{14-8}{8\times 7} = \frac{6}{8\times 7}$ $= \frac{2}{8} - \frac{1}{7} = \frac{14-8}{8\times 7} = \frac{6}{8\times 7}$

$\therefore$ New profit sharing ratio = 5:13:6:32. $\therefore$ New profit sharing ratio = 5:13:6:32.

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Q9 Radha and Rukmani are partners in a firm sharing profits in 3:2 ratio. They admitted Gopi as a new partner. Radha surrendered $\frac{1}{3}$ of her share in favour of Gopi and Rukmani surrendered $\frac{1}{4}$ of her share in favour of Gopi. Calculate new profit sharing ratio? $\frac{1}{3}$ of her share in favour of Gopi and Rukmani surrendered $\frac{1}{4}$ of her share in favour of Gopi. Calculate new profit sharing ratio?

Answer. Old profit sharing ratio = 3:2

Sacrificing share of Radha = $\frac{1}{3}$rd of share $\frac{1}{3}$rd of share

Sacrificing ratio of Rukmani $= \frac{1}{4}$ th of share $= \frac{1}{4}$ th of share $= \frac{1}{4}$ th of share

$$= \frac{1}{4} \times \frac{2}{5} = \frac{2}{20} = \frac{1}{4} \times \frac{2}{5} = \frac{2}{20} = \frac{1}{4} \times \frac{2}{5} = \frac{2}{20}$$

$\therefore$ New share = old share – sacrificing share $\therefore$ New share = old share – sacrificing share $\therefore$ New share = old share – sacrificing share

$\therefore$ New share of Radha $= \frac{3}{5} - \frac{3}{15} = \frac{9-3}{15} = \frac{6}{15} \times \frac{20}{20}$ $\therefore$ New share of Radha $= \frac{3}{5} - \frac{3}{15} = \frac{9-3}{15} = \frac{6}{15} \times \frac{20}{20}$ $\therefore$ New share of Radha $= \frac{3}{5} - \frac{3}{15} = \frac{9-3}{15} = \frac{6}{15} \times \frac{20}{20}$

New share of Rukmani $= \frac{2}{5} - \frac{2}{20} = \frac{8-2}{20} = \frac{6}{20} \times \frac{15}{15} = \frac{90}{20 \times 15}$ $= \frac{2}{5} - \frac{2}{20} = \frac{8-2}{20} = \frac{6}{20} \times \frac{15}{15} = \frac{90}{20 \times 15} = \frac{2}{5} - \frac{2}{20} = \frac{8-2}{20} = \frac{6}{20} \times \frac{15}{15} = \frac{90}{20 \times 15}$

New share of Gopi $= \frac{3}{15} + \frac{2}{20} = \frac{60+30}{15 \times 20} = \frac{90}{15 \times 20} = \frac{3}{15} + \frac{2}{20} = \frac{60+30}{15 \times 20} = \frac{90}{15 \times 20}$ $= \frac{3}{15} + \frac{2}{20} = \frac{60+30}{15 \times 20} = \frac{90}{15 \times 20}$

$\therefore$ New ratio = 120:90:90 $\therefore$ New ratio = 120:90:90 $\therefore$ New ratio = 120:90:90

= 40:30:30

=4:3:3.

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Q10 Singh, Gupta and Khan are partners in a firm sharing profits in 3:2:3 ratio. They admitted Jain as a new partner. Singh surrendered $\frac{1}{3}$ of his share in favour of Jain: Gupta surrendered of his share in favour of Jain and Khan surrendered $\frac{1}{5}$ in favour of Jain. Calculate new profit sharing ratio? $\frac{1}{3}$ of his share in favour of Jain: Gupta surrendered $\frac{1}{4}$ of his share in favour of Jain and Khan surrendered $\frac{1}{5}$ in favour of Jain. Calculate new profit sharing ratio? $\frac{1}{3}$ of his share in favour of Jain: Gupta surrendered $\frac{1}{4}$ of his share in favour of Jain and Khan surrendered $\frac{1}{5}$ in favour of Jain. Calculate new profit sharing ratio?

Answer. Old profit sharing ratio = 3:2:3

Share sacrificed by:

Singh $= \frac{1}{3}$ rd of his share $= \frac{1}{3} \times \frac{3}{8} = \frac{3}{24}$ $= \frac{1}{3}$ rd of his share $= \frac{1}{3} \times \frac{3}{8} = \frac{3}{24} = \frac{1}{3}$ rd of his share $= \frac{1}{3} \times \frac{3}{8} = \frac{3}{24}$

Gupta $= \frac{1}{4}$ of his share $= \frac{1}{4} \times \frac{2}{8} = \frac{2}{32}$ $= \frac{1}{4}$ of his share $= \frac{1}{4} \times \frac{2}{8} = \frac{2}{32} = \frac{1}{4}$ of his share $= \frac{1}{4} \times \frac{2}{8} = \frac{2}{32}$

Khan $= \frac{1}{5}$ of his share $= \frac{1}{5} \times \frac{3}{8} = \frac{3}{40}$ $= \frac{1}{5}$ of his share $= \frac{1}{5} \times \frac{3}{8} = \frac{3}{40} = \frac{1}{5}$ of his share $= \frac{1}{5} \times \frac{3}{8} = \frac{3}{40}$

$\therefore$ New profit share = old share – sacrificing share $\therefore$ New profit share = old share – sacrificing share $\therefore$ New profit share = old share – sacrificing share

New share of Singh $= \frac{3}{8} - \frac{3}{24} = \frac{9-3}{24} = \frac{6}{24} = \frac{1}{4}$ $= \frac{3}{8} - \frac{3}{24} = \frac{9-3}{24} = \frac{6}{24} = \frac{1}{4} = \frac{3}{8} - \frac{3}{24} = \frac{9-3}{24} = \frac{6}{24} = \frac{1}{4}$

New share of Gupta $= \frac{2}{8} - \frac{2}{32} = \frac{8-2}{32} = \frac{6}{32} = \frac{3}{16}$ $= \frac{2}{8} - \frac{2}{32} = \frac{8-2}{32} = \frac{6}{32} = \frac{3}{16} = \frac{2}{8} - \frac{2}{32} = \frac{8-2}{32} = \frac{6}{32} = \frac{3}{16}$

New share of Khan $= \frac{3}{8} - \frac{3}{40} = \frac{15-3}{40} = \frac{12}{40} = \frac{3}{10}$ $= \frac{3}{8} - \frac{3}{40} = \frac{15-3}{40} = \frac{12}{40} = \frac{3}{10} = \frac{3}{8} - \frac{3}{40} = \frac{15-3}{40} = \frac{12}{40} = \frac{3}{10}$

New share of Jain $=\frac{3}{24}+\frac{2}{32}+\frac{3}{40}=\frac{3}{24}+\frac{2}{32}+\frac{3}{40}=\frac{3}{24}+\frac{2}{32}+\frac{3}{40}$

$\therefore$ New ratio $=\frac{1}{4}:\frac{3}{16}:\frac{3}{10}:\frac{42}{160}$ $\therefore$ New ratio $=\frac{1}{4}:\frac{3}{16}:\frac{3}{10}:\frac{42}{160}$ $\therefore$ New ratio $=\frac{1}{4}:\frac{3}{16}:\frac{3}{10}:\frac{42}{160}$

= 40:30:48:42

= 20:15:24:21.

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Q11 Sandeep and Navdeep are partners in a firm sharing profits in 5:3 ratio. They admit C into the firm and the new profit sharing ratio was agreed at 4:2:1. Calculate the sacrificing ratio?

Answer. Old ratio = 5:3

New ratio = 4:2:1

Sacrificing ratio = old ratio – new ratio

$\therefore$ Sacrificing ratio of: $\therefore$ Sacrificing ratio of: $\therefore$ Sacrificing ratio of:

Sandeep $=\frac{5}{8}-\frac{4}{7}=\frac{35-32}{56}=\frac{3}{56}=\frac{5}{8}-\frac{4}{7}=\frac{35-32}{56}=\frac{3}{56}=\frac{5}{8}-\frac{4}{7}=\frac{35-32}{56}=\frac{3}{56}$

Navdeep $=\frac{3}{8}-\frac{2}{7}=\frac{21-16}{56}=\frac{5}{56}=\frac{3}{8}-\frac{2}{7}=\frac{21-16}{56}=\frac{5}{56}=\frac{3}{8}-\frac{2}{7}=\frac{21-16}{56}=\frac{5}{56}$

Sacrificing ratio =3:5.

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Q12 Rao and Swami are partners in a firm sharing profits and losses in 3:2 ratio. They admit Ravi as a new partner for $\frac{1}{4}$ share in the profits. The new profit sharing ratio between Rao and Swami is 4:3. Calculate new profit sharing ratio and sacrificing ratio? $\frac{1}{8}$ share in the profits. The new profit sharing ratio between Rao and Swami is 4:3. Calculate new profit sharing ratio and sacrificing ratio? share in the profits. The new profit sharing ratio between Rao and Swami is 4:3. Calculate new profit sharing ratio and sacrificing ratio?

Answer. Old ratio = 3:2

Ravi's share

Remaining share

This 7 will be shared by rao swami in the ratio 4:3.

Rao's new share Rao's new share Rao's new share

Swami's new share

New profit sharing ratio = 4:3:1 New profit sharing ratio = 4:3:1 New profit sharing ratio = 4:3:1

Rao's sacrifice

Swami's sacrifice

Therefore, sacrificing ratio = 4:1.

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Q13 Compute the value of goodwill on the basis of four years' purchase of the average profits based on the last five years? The profits for the last five years were as follows:

	Rs.
2013	40,000
2014	50,000
2015	60,000
2016	50,000
2017	60,000

Answer. Average profit

Goodwill = 4 year purchase of average profit

= 4 52000 52000 52000

= 208000.

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Q14 Capital employed in a business is Rs. 2,00,000. The normal rate of return on capital employed is 15%. During the year 2015 the firm earned a profit of Rs. 48,000. Calculate goodwill on the basis of 3 years purchase of super profit?

Answer. Capital employed = 200000

Normal rate of return = 15%

Profit earned = 48,000

Normal profit = Normal rate of return capital employed capital employed capital employed

= 30,000

Super profit = 48000 – 30000 Super profit = 48000 – 30000 Super profit = 48000 – 30000

= 18000

Goodwill =18000 3 3 3

= 54000.

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Q15 The books of Ram and Bharat showed that the capital employed on 31.12.2016 was Rs.5,00,000 and the profits for the last 5 years : 2015 Rs.40,000; 2014 Rs.50,000; 2013 Rs.55,000; 2012 Rs.70,000 and 2011 Rs.85,000. Calculate the value of goodwill on the basis of 3 years purchase of the average super profits of the last 5 years assuming that the normal rate of return is 10%?

Answer. Capital employed = 5,00,000

Normal rate of return = 10%

Profit earned = 48,000

Normal profit = Normal rate of return capital employed capital employed capital employed

= 50,000

Average profit of 5 years

= 60000

Super profit = 60000 – 50000 Super profit = 60000 – 50000 Super profit = 60000 – 50000

= 10000

Goodwill =10000 3 3 3

= 30000.

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Q16 Rajan and Rajani are partners in a firm. Their capitals were Rajan Rs. 3,00,000; Rajani Rs. 2,00,000. During the year 2015 the firm earned a profit of Rs. 1,50,000. Calculate the value of goodwill of the firm assuming that the normal rate of return is 20%?

Answer. Capital of Rajan = 3,00,000

Capital of Rajani = 2,00,000

Normal rate of return = 20%

Profit earned = 1,50,000

Total capital employed

= 5,00,000

Normal profit = Normal rate of return capital employed capital employed capital employed

= 1,00,000

Super profit = 150000 – 100000

= 50000

Goodwill

= 250000.

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Q17 A business has earned average profits of Rs. 1,00,000 during the last few years. Find out the value of goodwill by capitalization method, given that the assets of the business are Rs. 10,00,000 and its external liabilities are Rs. 1,80,000. The normal rate of return is 10%?

Answer. Average profits = 1,00,000

Assets = 10,00,000

External rate of return = 1,80,000

Normal rate of return =10%

Now,

Capitalized value of average profit

=10,00,000

Net assets = Assets – External liabilities

= 10,00,000 -1,80,000

= 8,20,000

Goodwill = Capitalized value – Net Assets Goodwill = Capitalized value – Net Assets
Goodwill = Capitalized value – Net Assets

= 10,00,000 – 8,20,000

=1,80,000.

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Q18 Verma and Sharma are partners in a firm sharing profits and losses in the ratio of 5:3. They admitted Ghosh as a new partner for share of profits. Ghosh is to bring in Rs. 20,000 as capital and Rs. 4,000 as his share of goodwill premium. Give the necessary journal entries: share of profits. Ghosh is to bring in Rs. 20,000 as capital and Rs. 4,000 as his share of

goodwill premium. Give the necessary journal entries: share of profits. Ghosh is to bring in Rs. 20,000 as capital and Rs. 4,000 as his share of goodwill premium. Give the necessary journal entries:

a) When the amount of goodwill is retained in the business.

b) When the amount of goodwill is fully withdrawn.

c) When 50% of the amount of goodwill is withdrawn.

d) When goodwill is paid privately.

Answer. Old profit sharing ratio = 5:3

Share of ghost

Remaining share

This 4 will be shared between verma and sharma in ratio 5:3.

New share of verma or or or

New share of sharma or or or

New ratio = 20:12:8

= 5:3:2

Sacrifice of verma or or or

Sacrifice of sharma

Sacrificing ratio = 10:6 = 5:3 Sacrificing ratio = 10:6 = 5:3 Sacrificing ratio = 10:6 = 5:3

a) When the amount of goodwill is retained in business.

Particulars	L/F	Dr amount ₹	Cr amount ₹
Bank A/c Dr To Ghosh's capital A/c To premium for goodwill A/c (Being capital and goodwill brought in cash)		24000	 20000 4000
Premium for goodwill A/c Dr To Verma's capital A/c To Sharma's capital A/c (Being goodwill shared by old partners in sacrificing ratio 5:3)		4000	 2500 1500

b) When the amount of goodwill is fully withdrawn.

Particulars	L/F	Dr amount ₹	Cr amount ₹

Bank A/c Dr To Ghosh's capital A/c To premium for goodwill A/c (Being capital and goodwill brought in cash)		24000	 20000 4000
Premium for goodwill A/c Dr To Verma's capital A/c To Sharma's capital A/c (Being goodwill shared by old partners in sacrificing ratio 5:3)		4000	 2500 1500
Verma's capital A/c Dr Sharma's capital A/c Dr To Bank A/c (Being goodwill withdrawn)		2500 1500	 4000

c) When 50% of the amount of goodwill is withdrawn.

Particulars	L/F	Dr amount ₹	Cr amount ₹

Bank A/c Dr To Ghosh's capital A/c To premium for goodwill A/c (Being capital and goodwill brought in cash)		24000	 20000 4000
Premium for goodwill A/c Dr To Verma's capital A/c To Sharma's capital A/c (Being goodwill shared by old partners in sacrificing ratio 5:3)		4000	 2500 1500
Verma's capital A/c Dr Sharma's capital A/c Dr To Bank A/c (Being 50% of amount withdrawn)		1250 750	 2000

d) When goodwill is paid privately.

Particulars	L/F	Dr amount ₹	Cr amount ₹
Bank A/c Dr To Ghosh's capital A/c (Being capital brought in cash)		20000	 20000

Note: No entry for goodwill is done if paid privately.

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Q19 A and B are partners in a firm sharing profits and losses in the ratio of 3:2. They decide to

admit C into partnership with share in profits. C will bring in Rs. 30,000 for capital and the requisite amount of goodwill premium in cash. The goodwill of the firm is valued at Rs, 20,000. The new profit sharing ratio is 2:1:1. A and B withdraw their share of goodwill. Give

necessary journal entries? share in profits. C will bring in Rs. 30,000 for capital and the requisite amount of goodwill premium in cash. The goodwill of the firm is valued at Rs, 20,000. The new profit sharing ratio is 2:1:1. A and B withdraw their share of goodwill. Give necessary

journal entries? share in profits. C will bring in Rs. 30,000 for capital and the requisite amount of goodwill premium in cash. The goodwill of the firm is valued at Rs, 20,000. The new profit sharing ratio is 2:1:1. A and B withdraw their share of goodwill. Give necessary journal entries?

Answer. Sacrifice of A

Sacrifice of B

Sacrificing ratio = 2:3 Sacrificing ratio = 2:3 Sacrificing ratio = 2:3

Goodwill of firm = 20,000

C's share of goodwill

= 5000

Journal entries

	Particulars	L/F	Dr amount	Cr amount

			₹	₹
i)	Bank A/c Dr To C's capital A/c To Premium for goodwill A/c (Being capital and goodwill brought in by new partner)		35000	 30000 5000
ii)	Premium for goodwill A/c Dr To A's capital A/c To B's capital A/c (Being goodwill distributed in sacrificing ratio i.e, 2:3)		5000	 2000 3000
iii)	A's capital A/c Dr B's capital A/c Dr To Bank A/c (Being amount withdrawn by the partners).		2000 3000	 5000

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Q20 Arti and Bharti are partners in a firm sharing profits in 3:2 ratio, They admitted Sarthi for

share in the profits of the firm. Sarthi brings Rs. 50,000 for his capital and Rs. 10,000 for his share of goodwill. Goodwill already appears in the books of Arti and Bharti at Rs. 5,000. the new profit sharing ratio between Arti, Bharti and Sarthi will be 2:1:1. Record the

necessary journal entries in the books of the new firm? share in the profits of the firm. Sarthi

brings Rs. 50,000 for his capital and Rs. 10,000 for his share of goodwill. Goodwill already appears in the books of Arti and Bharti at Rs. 5,000. the new profit sharing ratio between Arti, Bharti and Sarthi will be 2:1:1. Record the necessary journal entries in the books of the new

firm? share in the profits of the firm. Sarthi brings Rs. 50,000 for his capital and Rs. 10,000 for

his share of goodwill. Goodwill already appears in the books of Arti and Bharti at Rs. 5,000. the new profit sharing ratio between Arti, Bharti and Sarthi will be 2:1:1. Record the necessary journal entries in the books of the new firm?

Answer. Sacrificing share = Old share – New share

Sacrifice by Arti

Sacrifice by Bharti

Sacrificing ratio = 2:3 Sacrificing ratio = 2:3 Sacrificing ratio = 2:3

Journal entries in the book of –

	Particulars	L/F	Dr amount ₹	Cr amount ₹

i)	Bank A/c Dr To Sarthi's capital A/c To Premium for goodwill A/c (Being capital and goodwill brought in by new partner)		60000	 50000 10000
ii)	Premium for goodwill A/c Dr To Arti's capital A/c To Bharti's capital A/c (Being goodwill distributed in sacrificing ratio i.e, 2:3)		10000	 4000 6000
iii)	Arti's capital A/c Dr Bharti's capital A/c Dr To Goodwill A/c (Being goodwill in the books distributed to old partners in the old profit sharing ratio 3:2).		3000 2000	 5000

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Q21 X and Y are partners in a firm sharing profits and losses in 4:3 ratio. They admitted Z for

share. Z brought Rs.20,000 for his capital and Rs.7,000 for his share of goodwill. Subsequently X, Y and Z decided to show goodwill

in their books at Rs.40,000. Show necessary journal entries in the books of X, Y and Z?

share. Z brought Rs.20,000 for his capital and Rs.7,000 for his share of goodwill. Subsequently X, Y and Z decided to show goodwill in their books at Rs.40,000. Show necessary

journal entries in the books of X, Y and Z? share. Z brought Rs.20,000 for his

capital and Rs.7,000 for his share of goodwill. Subsequently X, Y and Z decided to show goodwill in their books at Rs.40,000. Show necessary journal entries in the books of X, Y and Z?

Answer. Old ratio = 4:3

Z share

Remaining share

This share will be distributed in X and Y in ratio 4:3. share will be distributed in X and Y in

ratio 4:3. share will be distributed in X and Y in ratio 4:3.

X new share X new share X new

share

Y new share

New profit sharing ratio = 28:21:7 New profit sharing ratio = 28:21:7
New profit sharing ratio = 28:21:7

= 4:3:1

Sacrifice by X

Sacrifice by Y

Sacrificing ratio = 4:3 Sacrificing ratio = 4:3 Sacrificing ratio = 4:3

Journal entries in the book of –

	Particulars	L/F	Dr amount ₹	Cr amount ₹
i)	Bank A/c Dr To Z's capital A/c To Premium for goodwill A/c (Being capital and goodwill brought in by new partner)		27000	 20000 7000
ii)	Premium for goodwill A/c Dr To X's capital A/c To Y's capital A/c (Being goodwill distributed to sacrificing partners in sacrificing ratio 4:3)		7000	 4000 3000

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Q22 Aditya and Balan are partners sharing profits and losses in 3:2 ratio. They admitted

Christopher for share in the profits. The new profit sharing ratio agreed was 2:1:1. Christopher brought Rs.50,000 for his capital. His share of goodwill was agreed to at Rs. 15,000. Christopher could bring only Rs.10,000 out of his share of goodwill. Record necessary

journal entries in the books of the firm? share in the profits. The new profit sharing ratio agreed was 2:1:1. Christopher brought Rs.50,000 for his capital. His share of goodwill was agreed to at Rs. 15,000. Christopher could bring only Rs.10,000 out of his share of goodwill.

Record necessary journal entries in the books of the firm? share in the profits. The new profit sharing ratio agreed was 2:1:1. Christopher brought Rs.50,000 for his capital. His share of goodwill was agreed to at Rs. 15,000. Christopher could bring only Rs.10,000 out of his share of goodwill. Record necessary journal entries in the books of the firm?

Answer. Old ratio = 3:2

New ratio = 2:1:1

Sacrifice share =Old ratio – new ratio

Sacrifice by Aditya

Sacrifice by Balan

Sacrificing ratio = 2:3 Sacrificing ratio = 2:3 Sacrificing ratio = 2:3

Journal entries in the book of –

	Particulars	L/F	Dr amount ₹	Cr amount ₹

i)	Bank A/c Dr To Christopher's capital A/c (Being capital brought in by new partner)		50000	 50000
ii)	Bank A/c Dr Christopher's capital A/c Dr To Premium for goodwill A/c (Being goodwill brought in cash and remaining goodwill amount adjusted to his capital account)		10000 5000	 15000
iii)	Premium for goodwill A/c Dr To Aditya's capital A/c To Balan's capital A/c (Being goodwill distributed to sacrificing partners in sacrificing ratio 2:3).		15000	 6000 9000

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Q23 Amar and Samar were partners in a firm sharing profits and losses in 3:1 ratio. They

admitted Kanwar for share of profits. Kanwar could not bring his share of goodwill premium in cash. The Goodwill of the firm was valued at Rs. 80,000 on Kanwar's admission. Record necessary journal entry for goodwill on Kanwar's admission. share of profits. Kanwar could not bring his share of goodwill premium in cash. The Goodwill of the firm was valued at Rs. 80,000

on Kanwar's admission. Record necessary journal entry for goodwill on Kanwar's admission. share of profits. Kanwar could not bring his share of goodwill premium in cash. The Goodwill of the firm was valued at Rs. 80,000 on Kanwar's admission. Record necessary journal entry for goodwill on Kanwar's admission.

Answer. Old ratio = 3:1

Kanwar's share

Sacrificing ratio = 3:1

(When nothing is mentioned, the old ratio is taken as sacrificing ratio).

Goodwill of firm = 80000

Goodwill of kanwar Goodwill of kanwar

Goodwill of kanwar

Journal entries in the book of –

	Particulars	L/F	Dr amount ₹	Cr amount ₹
i)	Kanwar's capital A/c Dr To Premium for goodwill A/c (Being goodwill brought adjusted to capital account as not brought in cash)		20000	20000

ii)	Premium for goodwill A/c Dr To Amar’s capital A/c To Samar’s capital A/c (Being goodwill distributed to sacrificing partners in sacrificing ratio).		20000	 15000 5000

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Q24 Mohan Lal and Sohan Lal were partners in a firm sharing profits and losses in 3:2 ratio.

They admitted Ram Lal for share on 1.1.2013. It was agreed that goodwill of the firm will be valued at 3 years purchase of the average profits of last 4 years which were Rs.50,000 for 2013, Rs.60,000 for 2014, Rs.90,000 for 2015 and Rs.70,000 for 2016. Ram Lal did not bring his share of goodwill premium in cash. Record the necessary journal entries in the books of the firm

on Ram Lal’s admission when: share on 1.1.2013. It was agreed that goodwill of the firm will be valued at 3 years purchase of the average profits of last 4 years which were Rs.50,000 for 2013, Rs.60,000 for 2014, Rs.90,000 for 2015 and Rs.70,000 for 2016. Ram Lal did not bring his share of goodwill premium in cash. Record the necessary journal entries in the books of the

firm on Ram Lal’s admission when: share on 1.1.2013. It was agreed that goodwill of the firm will be valued at 3 years purchase of the average profits of last 4 years which were Rs.50,000 for 2013, Rs.60,000 for 2014, Rs.90,000 for 2015 and Rs.70,000 for 2016. Ram Lal did not bring his share of goodwill premium in cash. Record the necessary journal entries in the books of the firm on Ram Lal’s admission when:

a) Goodwill already appears in the books at Rs.2,02,500.

b) Goodwill appears in the books at Rs.2,500.

c) Goodwill appears in the books at Rs.2,05,000.

Answer. Old ratio = 3:2

Sacrificing ratio will also be 3:2 since nothing is mentioned in question.

Average profit

= 67,500

Goodwill = 3 67500 = 2,02500 67500 = 2,02500 67500 = 2,02500

Ram lal's share of goodwill

= Rs. 50625

a) Goodwill appear in the books at Rs. 202500

Journal entries in the book of –

	Particulars	L/F	Dr amount ₹	Cr amount ₹
i)	Ram Lal's capital A/c Dr To Mohan lal's capital A/c To Sohan lal's capital A/c (Being ram lal's share of goodwill charges from his capital and distributed to sacrificing partners in sacrificing ratio)		50625	 30375 20250

ii)	Mohan lal's capital A/c Dr Sohan lal's capital A/c Dr To goodwill A/c (Being goodwill appearing in books distributed to old partners)		121500 81000	 202500

b) Goodwill appear in the books at Rs 2500

	Particulars	L/F	Dr amount ₹	Cr amount ₹
i)	Ram Lal's capital A/c Dr To Mohan lal's capital A/c To Sohan lal's capital A/c (Being ram lal's share of goodwill charges from his capital and distributed to sacrificing partners in sacrificing ratio)		50625	 30375 20250

ii)	Mohan lal's capital A/c Dr Sohan lal's capital A/c Dr To goodwill A/c (Being goodwill appearing in books distributed to old partners in old ratio 3:2)		1500 1000	 2500

c) Goodwill appear in books at Rs 205000.

	Particulars	L/F	Dr amount ₹	Cr amount ₹
i)	Ram Lal's capital A/c Dr To Mohan lal's capital A/c To Sohan lal's capital A/c (Being ram lal's share of goodwill charges from his capital and distributed to sacrificing partners in sacrificing ratio)		50625	 30375 20250

ii)	Mohan lal's capital A/c Dr Sohan lal's capital A/c Dr To goodwill A/c (Being goodwill appearing in books distributed to old partners in old ratio 3:2)		123000 82000	 202000

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Q25 Rajesh and Mukesh are equal partners in a firm. They admit Hari into partnership and the new profit sharing ratio between Rajesh, Mukesh and Hari is 4:3:2. On Hari's admission goodwill of the firm is valued at Rs.36,000. Hari is unable to bring his share of goodwill premium in cash. Rajesh, Mukesh and Hari decided not to show goodwill in their balance sheet. Record necessary journal entries for the treatment of goodwill on Hari's admission.

Answer. Old ratio = 1:1

New ratio = 4:3:2

Sacrificing by Rajesh

Sacrificing by Mukesh

Sacrificing ratio = 1:3

Hari's share of goodwill

Journal entries

	Particulars	L/F	Dr amount ₹	Cr amount ₹
i)	Hari's capital A/c Dr To Rajesh's capital A/c To Mukesh's capital A/c (Being goodwill charges to new partner's capital account and distributed to sacrificing partners in sacrificing ratio)		8000	 2000 6000

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Q26 Amar and Akbar are equal partners in a firm. They admitted Anthony as a new partner and the new profit sharing ratio is 4:3:2. Anthony could not bring this share of goodwill Rs.45,000 in cash. It is decided to do adjustment for goodwill without opening goodwill account. Pass the necessary journal entry for the treatment of goodwill?

Answer. Old ratio = 1:1

New ratio = 4:3:2

Sacrificing ratio = old ratio – new ratio

Sacrifice by amar

Sacrifice by amar

Sacrifice by amar

Sacrifice by akbar

Sacrificing ratio = 1:3

Journal entries

	Particulars	L/F	Dr amount ₹	Cr amount ₹
i)	Anthony's capital A/c Dr To Amar's capital A/c To Akbar's capital A/c (Being goodwill adjusted to new partner's capital account and distributed to sacrificing partners in sacrificing ratio 1:3)		45000	 11250 33750

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Q27 Given below is the Balance Sheet of A and B, who are carrying on partnership business on 31.12.2016. A and B share profits and losses in the ratio of 2:1.

Balance Sheet of A and B as on December 31, 2016

Liabilities	Amount (Rs.)	Assets	Amount (Rs.)
Bills payable	10000	Cash in hand	10000
Creditors	58000	Cash in bank	40000
Outstanding Expenses	2000	Sundry debtors	60000

Capitals:		Stock	40000
A 180000		Plant	100000
B 150000	330000	Buildings	150000
	400000		**400000**

C is admitted as a partner on the date of the balance sheet on the following terms:

(i) C will bring in Rs.1,00,000 as his capital and Rs.60,000 as his share of goodwill for share

in the profits. share in the profits. share in the profits.

(ii) Plant is to be appreciated to Rs.1,20,000 and the value of buildings is to be appreciated by 10%.

(iii) Stock is found over valued by Rs.4,000.

(iv) A provision for bad and doubtful debts is to be created at 5% of debtors.

(v) Creditors were unrecorded to the extent of Rs.1,000.

Pass the necessary journal entries, prepare the revaluation account and partners' capital accounts, and show the Balance Sheet after the admission of C.

Answer.

Journal entries in the books of-

	Particulars	L/F	Dr amount ₹	Cr amount ₹

i)	Bank A/c Dr To C's capital A/c To Premium for goodwill A/c (Being new partner brought capital and share of goodwill)		160000	 100000 60000
ii)	Premium for goodwill A/c Dr To A's capital A/c To B's capital A/c (Being goodwill distributed to the sacrificing partners in sacrificing ratio 2:1)		60000	 40000 20000
iii)	Plant A/c Dr Building A/c Dr To Revaluation A/c (Being increase in value of assets)		20000 15000	 35000

iv)	Revaluation A/c Dr To stock A/c To Provision for doubtful debt A/c To creditors A/c (Being revaluation of assets and liabilities)		8000	 4000 3000 1000
v)	Revaluation A/c Dr To A's capital A/c To B's capital A/c (Being profit on revaluation transferred to old partners A/c)		27000	 18000 9000

Revaluation A/c

Particulars	Amount ₹	Particulars	Amount ₹
To stock A/c	4000	By plant A/c	20000
To provision for doubtful debts	3000	By building A/c	15000
To creditors	1000		
To profit on revaluation:			

A's capital : 18000			
B's capital : 9000	27000		
	35000		**35000**

Partner's capital A/c

Particulars	A	B	C	Particulars	A	B	C
To balance c/d	238000	179000	100000	By balance b/d	180000	150000	
				By bank A/c			100000
				By premium for goodwill	40000	20000	
				By profit on revaluation	18000	9000	
	238000	**179000**	**100000**		**238000**	**179000**	**100000**

Balance sheet

Liabilities	Amount ₹	Assets	Amount ₹
Bills payable	4000	Plant	120000
Creditors	3000	Building	165000

Outstanding	1000	Stock	36000
Capital A/c:		Sundry debtors 60000	
A : 238000		Less: Provision <u>3000</u>	57000
B : 179000		Cash in hand	10000
C : 100000	517000	Bank : 40000	
		Add: C's capital 100000	
		Add: goodwill 6000	200000
	<u>588000</u>		**<u>588000</u>**

Working note:

1) Old ratio is taken as sacrificing ratio since nothing is question.

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Q28 Leela and Meeta were partners in a firm sharing profits and losses in the ratio of 5:3. In Jan. 2017 they admitted Om as a new partner. On the date of Om's admission the balance sheet of Leela and Meeta showed a balance of Rs. 16,000 in general reserve and Rs. 24,000 (Cr) in Profit and Loss Account. Record necessary journal entries for the treatment of these items on Om's admission. The new profit sharing ratio between Leela, Meeta and Om was 5:3:2.

Answer.

Journal entries

	Particulars	L/F	Dr amount ₹	Cr amount ₹
i)	General reserves A/c Dr To Leela's capital A/c To Meeta's capital A/c (Being distribution of general reserve to old partner's in old ratio)		16000	 10000 6000
ii)	Profit and loss A/c Dr To Leela's capital A/c To Meeta's capital A/c (Being profit distributed to old partners in old ratio)		24000	 15000 9000

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Q29 Amit and Viney are partners in a firm sharing profits and losses in 3:1 ratio. On 1.1.2017 they admitted Ranjan as a partner. On Ranjan's admission the profit and loss account of Amit and Viney showed a debit balance of Rs. 40,000. Record necessary journal entry for the treatment of the same.

Answer.

	Particulars	L/F	Dr amount ₹	Cr amount ₹
i)	Amit's capital A/c Dr Viney's capital A/c. Dr To Profit and loss A/c (Being debit balance of P/L a/c charged in old partner's capital A/c)		30000 10000	 40000

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Q30 A and B share profits in the proportions of and . Their Balance Sheet on Dec. 31, 2016 was as follows: and . Their Balance Sheet on Dec. 31, 2016 was as follows: and . Their Balance Sheet on Dec. 31, 2016 was as follows:

Balance Sheet of A and B as on December 31, 2016

Liabilities	Amount (Rs.)	Assets	Amount (Rs.)
Sundry creditors	10000	Cash in bank	26500
Reserves fund	58000	Bills Receivable	3000
Capitals:		Debtors	16000

A	30000	Stock	20000
B	16000	Fixture	1000
		Land & Building	25000
	91500		**91500**

On Jan. 1, 2017, C was admitted into partnership on the following terms:

(a) That C pays Rs.10,000 as his capital.

(b) That C pays Rs.5,000 for goodwill. Half of this sum is to be withdrawn by A and B.

(c) That stock and fixtures be reduced by 10% and 5%, provision for doubtful debts be created on Sundry Debtors and Bills Receivable.

(d) That the value of land and buildings be appreciated by 20%.

(e) There being a claim against the firm for damages, a liability to the extent of Rs.1,000 should be created.

(f) An item of Rs.650 included in sundry creditors is not likely to be claimed and hence should be written back.

Record the above transactions (journal entries) in the books of the firm assuming that the profit sharing ratio between A and B has not changed. Prepare the new Balance Sheet on the admission of C.

Answer.

Journal entries

	Particulars	L/F	Dr amount ₹	Cr amount ₹

i)	Bank A/c Dr To C's capital A/c To Premium for goodwill A/c (Being new partner brought capital and share of goodwill)		15000	 10000 5000
ii)	Premium for goodwill A/c Dr To A's capital A/c To B's capital A/c (Being goodwill distributed to the sacrificing partners in sacrificing ratio)		5000	 3750 1250
iii)	Land and building A/c Dr Sundry creditors A/c Dr To Revaluation A/c (Being revaluation of assets and liabilities)		5000 650	 5650

iv)	Revaluation A/c Dr To stock A/c To fixtures A/c To Provision for debtors A/c To provision for bills receivable A/c (Being revaluation of assets and liabilities)		4050	 2000 100 950 1000
v)	A's capital A/c Dr B's capital A/c Dr To Bank A/c (Being half goodwill withdrawn by partners)		1875 625	 2500
vi)	Reserves fund A/c Dr To A's capital A/c To B's capital A/c (Being Reserve fund distributed to old partners in old ratio)		4000	 3000 1000

.

Revaluation A/c

Particulars	Amount ₹	Particulars	Amount ₹

To Stock	2000	By land and building	5000
To fixtures	100	By sundry creditors	650
To provision for doubtful debts:			
Debtors : 800			
Bills receivable : 150	950		
To profits:			
A : 1200			
B : 400	1600		
	5650		**5650**

Partner's capital A/c

Particulars	A	B	C	Particulars	A	B	C
To bank A/c	1875	625		By bank A/c			10,000
To bal c/d	36075	18025	10,000	By premium for goodwill A/c	3750	1250	

				By balance b/d	30000	16000	
				By profit on revaluation	1200	400	
				By reserve	3000	1000	
	37950	**18650**	**10000**		**37950**	**18650**	**10000**

Balance sheet

Liabilities	Amount ₹	Assets	Amount ₹
Creditors 41500		Bills receivable	2850
650	40850	Sundry debtors	15200
Capital Account:		Stock (20000-2000)	18000
A : 36075		Fixtures (1000-100)	900
B : 18025		Land and building	30000
C : 10000	64100	Bank	39000
Claim for damage	1000		
	105950		**105950**

Working note:

i) Bank A/c

Particulars	Amount ₹	Particulars	Amount ₹
To bal b/d	26500	By A's capital A/c	1875
To C's capital A/c	10000	By B's capital A/c	625
To Premium for goodwill	5000	By bal c/d	39000
	41500		**41500**

ii) Old ratio will be taken as sacrificing ratio.

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Q31 A and B are partners sharing profits and losses in the ratio of 3:1. On Ist Jan. 2017 they

admitted C as a new partner for share in the profits of the firm. C brings Rs. 20,000 as for his

share in the profits of the firm. The capitals of A and B after all adjustments in respect of goodwill, revaluation of assets and liabilities, etc. has been worked out at Rs. 50,000 for A and Rs.12,000 for B. It is agreed that partner's capital's will be according to new profit sharing ratio. Calculate the new capitals of A and B and pass the necessary journal entries assuming that A and B brought in or withdrew the necessary cash as the case may be for making their capitals in proportion to their profit sharing ratio?

share in the profits of the firm. C brings Rs. 20,000

as for his share in the profits of the firm. The capitals of A and B after all adjustments in respect of goodwill, revaluation of assets and liabilities, etc. has been worked out at Rs. 50,000 for A and Rs.12,000 for B. It is agreed that partner’s capital’s will be according to new profit sharing ratio. Calculate the new capitals of A and B and pass the necessary journal entries assuming that A and B brought in or withdrew the necessary cash as the case may be for making their capitals in proportion to their profit sharing

ratio? share in the profits of the firm. C brings Rs.

20,000 as for his share in the profits of the firm.
The capitals of A and B after all adjustments in respect of goodwill, revaluation of assets and
liabilities, etc. has been worked out at Rs. 50,000 for A and Rs.12,000 for B. It is agreed that partner’s capital’s will be according to new profit sharing ratio. Calculate the new capitals of A and B and pass the necessary journal entries assuming that A and B brought in or withdrew the necessary cash as the case may be for making their capitals in proportion to their profit sharing ratio?

Answer. C’s share

Capital brought in by C = 20,000

Capital of the firm as per C’s share = 20,000 4 4 4

= 80,000

Remaining share

A’s new share

B’s new share

C’s share

New profit sharing ratio = 9:3:4 New profit sharing ratio = 9:3:4 New profit sharing ratio = 9:3:4

A's share of capital

B's share of capital

C's share of capital

Partner's capital A/c

Particulars	A	B	Particulars	A	B
To bank A/c	5000		By balance c/d	50000	12000
To balance c/d	45000	15000	By bank A/c		3000
	50000	**15000**		**50000**	**15000**

Journal entries

	Particulars	L/F	Dr amount ₹	Cr amount ₹

i)	A's capital A/c Dr To Bank A/c (Being A withdrawn 5000 to adjust his capital as per new profit sharing ratio)		5000	5000
ii)	Bank A/c Dr To B's capital A/c (Being B bringing in 3000 to adjust his capital as per new profit sharing ratio)		3000	3000

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Q32 Pinky, Qumar and Roopa partners in a firm sharing profits and losses in the ratio of 3:2:1.

S is admitted as a new partner for share in the profits of the firm, which he gets from

Pinky, and each from Qmar and Roopa. The total capital of the new firm after Seema's

admission will be Rs.2,40,000. Seema is required to bring in cash equal to of the total capital of the new firm. The capitals of the old partners also have to be adjusted in proportion of their profit sharing ratio. The capitals of Pinky, Qumar and Roopa after all adjustments in respect of goodwill and revaluation of assets and liabilities have been made are Pinky Rs. 80,000, Qumar Rs.30,000 and Roopa Rs.20,000. Calculate the capitals of all the partners and record the necessary journal entries for doing adjustments in respect of capitals according to the

agreement between the partners? share in the profits of the firm, which he gets

from Pinky, and each from Qmar and Roopa. The total capital of the new firm after Seema's

admission will be Rs.2,40,000. Seema is required to bring in cash equal to of the total capital of the new firm. The capitals of the old partners also have to be adjusted in proportion of their profit sharing ratio. The capitals of Pinky, Qumar and Roopa after all adjustments in respect of goodwill and revaluation of assets and liabilities have been made are Pinky Rs. 80,000, Qumar Rs.30,000 and Roopa Rs.20,000. Calculate the capitals of all the partners and record the necessary journal entries for doing adjustments in respect of capitals according to the

agreement between the partners? share in the profits of the firm, which he gets

from Pinky, and each from Qmar and Roopa. The total capital of the new firm after

Seema's admission will be Rs.2,40,000. Seema is required to bring in cash equal to of the total capital of the new firm. The capitals of the old partners also have to be adjusted in proportion of their profit sharing ratio. The capitals of Pinky, Qumar and Roopa after all adjustments in respect of goodwill and revaluation of assets and liabilities have been made are Pinky Rs. 80,000, Qumar Rs.30,000 and Roopa Rs.20,000. Calculate the capitals of all the partners and record the necessary journal entries for doing adjustments in respect of capitals according to the agreement between the partners?

Answer. Old ratio = 3:2:1

Pinky's new share

Qumar's new share

Roopa's new share

Seema's share

New profit sharing ratio = 36:26:10:24 New profit sharing ratio = 36:26:10:24 New profit sharing ratio = 36:26:10:24

= 18:13:5:12

Capital as per new profit sharing ratio:

Seema’s share of capital

Pinky’s capital

Qumar capital

Roopa capital

Partner’s capital A/c

Particulars	Pinky	Qumar	Roopa	Particulars	Pinky	Qumar	Roopa
To bal c/d	90000	65000	25000	By balance b/d	80000	30000	20000
				By bank A/c	10000	35000	5000
	90000	**65000**	**25000**		**90000**	**65000**	**25000**

Journal entries

	Particulars	L/f	Dr amount ₹	Cr amount ₹
i)	Bank A/c Dr To Seema's capital A/c (Being capital brought by A)		60000	60000

ii)	Bank A/c Dr To Pinky's capital A/c To Qumar's capital A/c To Roopa's capital A/c (Being cash brought in by partners to adjust capital A/c as per new profit sharing ratio)		50000	 10000 35000 5000

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Q33 The following was the Balance Sheet of Arun, Bablu and Chetan sharing profits and losses

in the ratio of respectively. respectively. respectively.

Liabilities	Amount (Rs.)	Assets	Amount (Rs.)
Bills payable	3000	Land and Buildings	24000
Creditors	9000	Furniture	3500
Capitals:		Stock	14000
Arun 180000		Debtors	12600
Bablu 150000		Cash	900

Chetan 8000	43000		
	55000		**55000**

They agreed to take Deepak into partnership and give him a share of on the following terms:

on the following terms: on the following terms:

(a) that Deepak should bring in Rs. 4,200 as goodwill and Rs. 7,000 as his Capital;

(b) that furniture be depreciated by 12%;

(c) that stock be depreciated by 10%

(d) that a Reserve of 5% be created for doubtful debts:

(e) that the value of land and buildings having appreciated be brought upto Rs. 31,000 ;

(f) that after making the adjustments the capital accounts of the old partners (who continue to share in the same proportion as before) be adjusted on the basis of the proportion of Deepak's Capital to his share in the business, i.e., actual cash to be paid off to, or brought in by the old partners as the case may be.

Prepare Cash Account, Profit and Loss Adjustment Account (Revaluation Account) and the Opening Balance Sheet of the new firm.

Answer.

Cash A/c

Particulars	Amount ₹	Particulars	Amount ₹
To balance b/d	900	By Arun's capital a/c	1750
To Deepak's capital a/c	7000	By bablu capital	1625

To premium for goodwill	4200	By balance c/d	9350
To chetan capital	625		
	12725		**12725**

Revaluation A/c

Particulars	Amount ₹	Particulars	Amount ₹
To furniture	420	By land & building	7000
To reserve for bad debt	630		
To Stock	1400		
To profit on revaluation:			
Arun's capital 1950			
Bablu's capital 1625			
Chetan's capital 975	4550		
	7000		**7000**

Balance sheet

Liabilities	Amount	Assets	Amount

	₹		₹
Creditors	9000	Land & Building	31000
Bills payable	3000	Furniture	3000
Capital A/c		Stock	12600
Arun: 21000		Debtors	11970
Bablu: 17500		Cash	9350
Chetan: 10500			
Deepak: 7000	56000		
	68000		**68000**

Partner's capital A/c

Particulars	Arun	Babul	Chetan	Deeak	Particulars	Arun	Babul	Chetan	Deepak
To bank	1750	1625			By bal b/d	19000	16000	8000	
To bal c/d	21000	17500	10500	7000	By bank A/c				7000
					By premium for goodwill A/c	1800	1500	900	

					By profit on revaluation	1950	1625	975	
					By bank (bal fig)			625	
	22750	**19125**	**10500**	**7000**		**22750**	**19125**	**10500**	**7000**

Working Note:

Share of deepak

Remaining share

New share of Arun

New share of babul

New share of chetan

Deepak

New profit sharing ratio = 42:35:21:14 New profit sharing ratio = 42:35:21:14 New profit sharing ratio = 42:35:21:14

= 6:5:3:2

Capital of firm as per Deepak's share = 7000 8 8 8

= 56000

Arun's share Arun's share Arun's

share

Bablu's share

Chetan's share

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Q34 Azad and Babli are partners in a firm sharing profits and losses in the ratio of 2:1. Chintan

is admitted into the firm with share in profits. Chintan will bring in Rs. 30,000 as his capital and the capital's of Azad and Babli are to be adjusted in the profit sharing ratio. The Balance Sheet of Azad and Babli as on December 31, 2016 (before Chintan's admission) was as follows:

share in profits. Chintan will bring in Rs. 30,000 as his capital and the capital's of Azad and Babli are to be adjusted in the profit sharing ratio. The Balance Sheet of Azad and Babli as on

December 31, 2016 (before Chintan's admission) was as follows: share in profits. Chintan will bring in Rs. 30,000 as his capital and the capital's of Azad and Babli are to be adjusted in the profit sharing ratio. The Balance Sheet of Azad and Babli as on December 31, 2016 (before Chintan's admission) was as follows:

Balance sheet of Azad and Babli as on 31.12.2016

Liabilities	Amount (Rs.)	Assets	Amount (Rs.)
Bills payable	4000	Cash in hand	2000
Creditors	8000	Cash at bank	10000
General Reserve	6000	Sundry debtors	8000

Capitals		Stock	10000
Azad : 50000		Furniture	5000
Babli : 32000	82000	Machinery	25000
		Building	40000
	100000		**100000**

It was agreed that:

i) Chintan will bring in Rs.12,000 as his share of goodwill premium.

ii) Buildings were valued at Rs.45,000 and Machinery at Rs.23,000.

iii) A provision for doubtful debts is to be created @ 6% on debtors.

iv)The capital accounts of Azad and Babli are to be adjusted by opening current accounts.

Record necessary journal entries, show necessary ledger accounts and prepare the Balance Sheet after admission.

Answer.

Journal entries

	Particulars	L/F	Dr amount ₹	Cr amount ₹

i)	Bank A/c Dr To Chintan's capital A/c To Premium for goodwill A/c (Being new partner brought capital and goodwill)		42000	 30000 12000
ii)	Premium for goodwill A/c Dr To Azad's capital A/c To Babli's capital A/c (Being goodwill distributed to the sacrificing partners in sacrificing ratio 2:1)		12000	 8000 4000
iii)	General Reserve A/c Dr To Azad capital A/c To Babli capital A/c (Being general reserves distributed to old partners)		6000	 4000 2000

iv)	Revaluation A/c Dr To machinery A/c A/c To Provision for doubtful debt A/c (Being loss on revaluation)		2480	 2000 480
v)	Building A/c Dr To Revaluation A/c (Being increase in value of building)		5000	 5000
vi)	Revaluation A/c Dr To Azad's capital A/c To Babli's capital A/c (Being profit on revaluation transferred to old partners A/c)		2520	 1680 840

Revaluation A/c

Particulars	Amount ₹	Particulars	Amount ₹
To machinery	2000	By building	5000

To provision for doubtful debts	480		
To profit on revaluation			
Azad: 1680			
Babli: 840	2520		
	5000		**5000**

Partner's capital A/c

Particulars	Azad	Babli	Chintan	Particulars	Azad	Babli	Chintan
To current A/c (bal. fig)	3680	8840		By bal b/d	50000	32000	
To bal c/d	60000	30000	30000	By premium for goodwill	8000	4000	
				By bank			30000
				By general reserve	4000	2000	
				By profit on revaluation	1680	840	
	63680	**38840**	**30000**		**63680**	**38840**	**30000**

Balance sheet

Liabilities	Amount ₹	Assets	Amount ₹
Sundry creditors	3000	Buildings	45000
Bills payable	4000	Machinery	23000
Partner's current A/c		Debtors 8000	
Azad: 3680		Less: Provision 480	7520
Babli: 8840	12520	Stock	10000
Partner's capital A/c		Furniture	5000
Azad: 60000		Cash in hand	2000
Babli: 30000		Cash at bank 10000	
Chintan: 30000	120000	Add: Chintan capital: 30000	
		Add: goodwill 12000	52000
	144520		**144520**

Working note:

Share of chintan

Remaining share

New share of Azad

Chintan

New profit sharing ratio = 6:3:3 New profit sharing ratio = 6:3:3 New profit sharing ratio = 6:3:3

= 2:1:1

Now,

Capital by Chintan = 30000

Therefore, total capital of firm = 30000 4 4 4

Capital of Azad

Capital of babli

* Old ratio is taken as sacrificing ratio.

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Q35 Ashish and Dutta were partners in a firm sharing profits in 3:2 ratio. On Jan. 01, 2015 they

admitted Vimal for share in the profits. The Balance Sheet of Ashish and Dutta as on Jan. 01,

2016 was as follows: share in the profits. The Balance Sheet of Ashish and Dutta as on Jan.

01, 2016 was as follows: share in the profits. The Balance Sheet of Ashish and Dutta as on Jan. 01, 2016 was as follows:

Balance sheet of A and B as on 31.12.2016

Liabilities	Amount (Rs.)	Assets	Amount (Rs.)
Bills payable	10000	Land & Building	35000
Creditors	15000	Plant	45000
Capitals:		Debtors 22000	
Ashish	80000	Less: Provision 2000	20000
Dutta	35000	Stock	35000
		Cash	5000
	140000		**140000**

It was agreed that:

i) The value of Land and Building be increased by Rs.15,000.

ii) The value of plant be increased by 10,000.

iii) Goodwill of the firm be valued at Rs. 20,000.

iv) Vimal to bring in capital to the extent of th of the total capital of the new firm. th of the total capital of the new firm. th of the total capital of the new firm.

Record the necessary journal entries and prepare the Balance Sheet of the firm after Vimal's admission.

Answer.

Journal entries

	Particulars	L/F	Dr amount ₹	Cr amount ₹
i)	Land and Building A/c Dr Plant A/c. Dr To Revaluation A/c (Being increase in value of land & building & plant)		15000 10000	 25000
ii)	Revaluation A/c Dr To Ashish's capital A/c To Dutta's capital A/c (Being profit on revaluation transferred to old partner A/c)		25000	 15000 10000
iii)	Bank A/c Dr To Vimal capital A/c (Being visual bringing in capital)		36000	 36000

iv)	Vimal current A/c Dr To Ashish's capital A/c To Dutta''s capital A/c (Being goodwill charged to vimal current a/c and distributed to sacrificing partners)		4000	 2400 1600

Revaluation A/c

Particulars	Amount ₹	Particulars	Amount ₹
To profit on revaluation:		By land & Building	15000
Ashish's capital A/c: 15000		By Plant	10000
Dutta's capital A/c: 10000	25000		
	25000		**25000**

Partner's capital A/c

Particulars	Ashish	Dutta	Vimal	Particulars	Ashish	Dutta	Vimal
To balance c/d	97400	46600	36000	By balance b/d	80000	35000	

				By profit on revaluation	15000	10000	
				By bank A/c			36000
				By Vimal current A/c	2400	1600	
	97400	**46600**	**36000**		**97400**	**46600**	**36000**

Balance sheet

Liabilities	Amount ₹	Assets	Amount ₹
Creditors	15000	Land and Building	50000
Bills payable	10000	Plant	55000
Capital A/c		Sundry debtors: 22000	
Ashish: 97400		Less: Provision 2000	20000
Dutta: 46600		Stock	35000
Vimal: 36000	180000	Cash at bank	41000
		Vimal current A/c	4000
	205000		**205000**

Working notes:

1) Cash at bank balance = 5000

Add: capital by vimal = 36000

Balance 41000

2) Vimal share

Remaining share

Ashish new share

Dutta's new share

Vimal's share

New profit sharing ratio = 12:8:5

Capital of Ashish = 97400

Capital of Dutta = 46600

144000

th share has 144000 capital th share has 144000 capital th share has 144000 capital

Total capital of firm = 144000 = 1,80,000 Total capital of firm = 144000 = 1,80,000 Total capital of firm = 144000 = 1,80,000

Vimal's share of capital = 1800000 = 36000. Vimal's share of capital = 1800000 = 36000. Vimal's share of capital = 1800000 = 36000.

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