MPVM GANGA GURUKULAM

HOLIDAY HOME WORK SESSION – (2022-23)

CLASS – XII ACCOUNTANCY

WORKSHEET ON ACCOUNTING FOR PARTNERSHIP – ADMISSSION OF A PARTNER

Chapter Summary and Board Exam Questions

According to the Partnership Act 1932, a new partner can be admitted into the firm only with the consent of all the existing partners unless otherwise agreed upon. With the admission of a new partner, the partnership firm is reconstituted and a new agreement is entered into to carry on the business of the firm. A newly admitted partner acquires two main rights in the firm–

1. Right to share the assets of the partnership firm; and
2. Right to share the profits of the partnership firm.

Following are the other important points which require attention at the time of admission of a new partner:

1. New profit sharing ratio;
2. Sacrificing ratio;
3. Valuation and adjustment of goodwill;
4. Revaluation of assets and Reassessment of liabilities;
5. Distribution of accumulated profits (reserves); and
6. Adjustment of partners’ capitals.

NEW PROFIT SHARING RATIO

At the time of admission of a new partner, the old partners sacrifice a share of their profit in favour of the new partner. After they admit the new partner sharing of profit will be as per the calculated new profit sharing ratio. But, what will be the share of new partner and how he will acquire it from the existing partners is decided mutually among the old partners and the new partner.

1. **When only the ratio of new partner is given**
2. **When the new partner purchases his share of profit from the old partners equally**
3. **When new partner purchases his share from the old partners in a particular ratio**
4. **When old partners surrender a particular fraction of their share in favour of the new partner**

SACRIFICING RATIO

The ratio in which the old partners agree to sacrifice their share of profit in favour of the incoming partner is called sacrificing ratio. The sacrifice by a partner is equal to :

Sacrificing Ratio = Old Share of Profit – New Share of Profit

The ratio is normally clearly given as agreed among the partners which could be the old ratio, equal sacrifice, or a specified ratio.

TREATMENT OF GOODWILL

The incoming partner who acquires his share in the profits of the firm from the existing partners brings in some additional amount to compensate them for loss of their share in super profits. It is termed as his share of goodwill (also called premium).

1. **When premium for goodwill will brought by new partner**

Cash A/c Dr.

To Goodwill A/c

(Amount brought by new partner as premium)

2. **When Goodwill distributed among the existing partners**

Goodwill A/c Dr.

To Existing Partners Capital A/c (Individually)

(Goodwill distributed among the existing partners in their sacrificing ratio)

3. **When the amount of goodwill withdrawn by the existing partners**

Existing Partner's Capital A/c (Individually) Dr.

To Cash A/c

(The amount of goodwill withdrawn by the existing partners)

4. **When goodwill already exists in books**

Old Partner's Capital A/c Dr.

To Goodwill A/c

(Goodwill written-off in old ratio)

5. **When The New Partner Does Not Bring Goodwill In Cash, Partly Or Fully**

Incoming (New) Partners Current A/c Dr.

To Sacrificing Partners Capital A/c (individually)

(Account of goodwill not brought in by new partner)

HIDDEN GOODWILL

Sometimes the value of goodwill is not given at the time of admission of a new partner. In such a situation it has to be inferred from the arrangement of the capital and profit sharing ratio.

ADJUSTMENT FOR ACCUMULATED PROFITS AND LOSSES

General Reserve	**a/c**	**Dr**
Profit & Loss	**a/c**	**Dr**
Workman Compensation reserve	**a/c**	**Dr**
Investment Fluctuation Reserve	**a/c**	**Dr**

To Old Partner's Capital a/c (Individually)

(Reserves & Accumulated Profit are transferred to old partners capital account in old ratio)

Old Partner's Capital (Individually) a/c Dr

To Profit & Loss a/c

To Advertisement Suspense a/c

To Deferred Revenue Expenditure a/c

(Accumulated Losses are transferred to old partners capital account in old ratio)

REVALUATION OF ASSETS AND REASSESSMENT OF LIABILITIES

The journal entries recorded for revaluation of assets and reassessment of liabilities are as follows:

(i) For increase in the value of an asset

Asset A/c Dr.

To Revaluation A/c (Gain)

(ii) For reduction in the value of an asset

Revaluation A/c Dr.

To Asset A/c (Loss)

(iii) For appreciation in the amount of a liability

Revaluation A/c Dr.

To Liability A/c (Loss)

(iv) For reduction in the amount of a liability

Liability A/c Dr.

To Revaluation A/c (Gain)

(v) For an unrecorded asset

Cash A/c Dr.

To Revaluation A/c (Gain)

(vi) For an unrecorded liability

Revaluation A/c Dr.

To Cash A/c (Loss)

(vii) For transfer of gain on Revaluation if credit balance

Revaluation A/c Dr.

To Old Partners Capital A/cs (Old ratio)

(individually)

(viii) For transferring loss on revaluation

Old partner’s Capital A/cs Dr.(Individually) (Old ratio)

To Revaluation A/c

Dr Revaluation A/C Cr

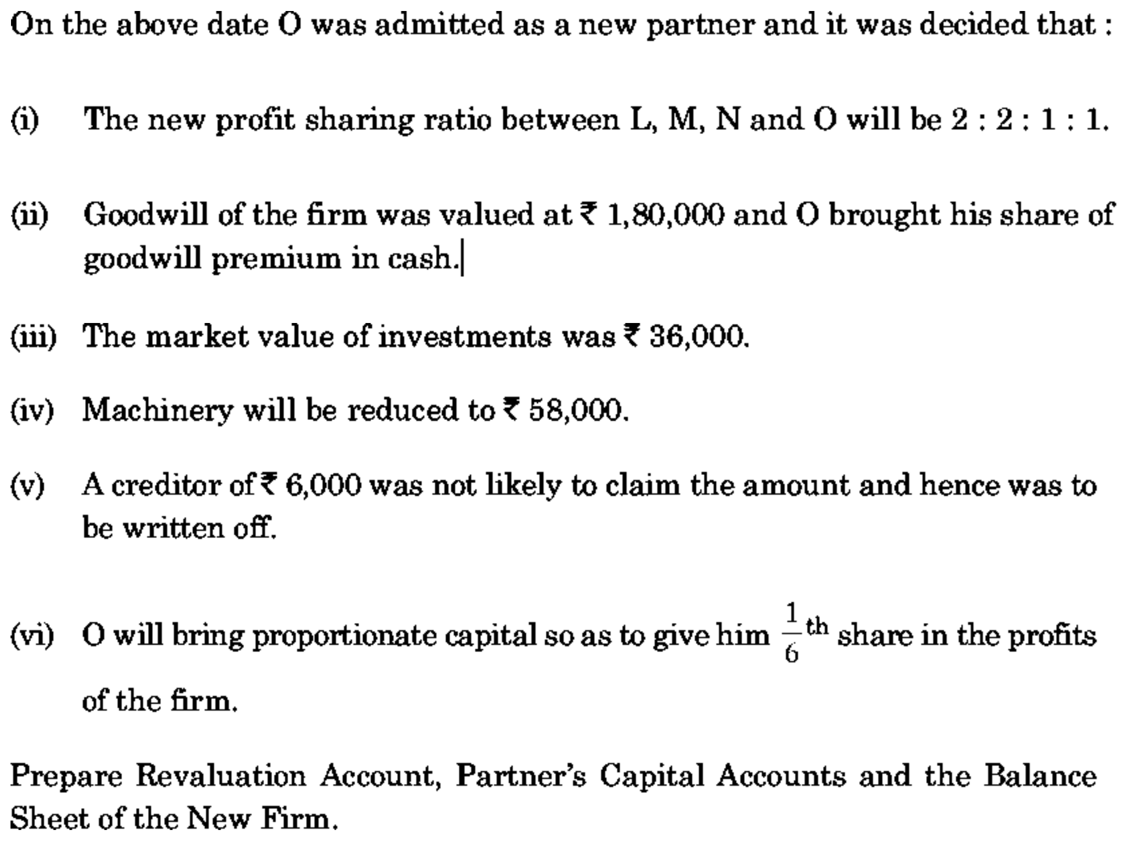
Particular	Amount	Particular	Amount
Decrease in Assets Increase in Liabilities Provision for doubtful debts Unrecorded liabilities Profit transferred to partner's capital a/c	XXX XXX XXX XXX XXX	Increase in Assets Decrease in Liabilities Unrecorded Assets Loss (if any) transferred to partner's capital a/c	XXX XXX XXX XXX XXX
	XXXX		XXXX

Preparation of Final Account

- Revaluation Account
- Calculation of New and Sacrificing Ratio
- Preparation of Capital Accounts
- Final Balance Sheet

2016 – Outside Delhi

<table>
<tr><td>Q. No.</td><td>Questions</td><td>Time</td></tr>
<tr><td>1.
One Mark</td><td>P, Q and R were partners in a firm sharing profits in the ratio of 3 : 2 : 1. They admitted S as a new partner for $\frac{1}{8}$th share in the profits which he acquired $\frac{1}{16}$th from P and $\frac{1}{16}$th from Q.
Calculate new profit sharing ratio of P, Q, R and S.</td><td>3 minutes</td></tr>
<tr><td>2.
4 Mark</td><td>Vikas and Vivek were partners in a firm sharing profits in the ratio of 3 : 2. On 1.4.2014 they admitted Vandana as a new partner for $\frac{1}{8}$th share in the profits with a guaranteed profit of ₹ 1,50,000. The new profit sharing ratio between Vivek and Vikas will remain the same but they decided to bear any deficiency on account of guarantee to Vandana in the ratio 2 : 3. The profit of the firm for the year ended 31.3.2015 was ₹ 9,00,000.
Prepare Profit and Loss Appropriation Account of Vikas, Vivek and Vandana for the year ended 31.3.2015.</td><td>5-7 minutes</td></tr>
<tr><td>3.
8 Mark</td><td>L, M and N were partners in a firm sharing profits in the ratio of 3 : 2 : 1. Their Balance Sheet on 31.3.2015 was as follows :
Balance Sheet of L, M and N as on 31.3.2015
<table>
<tr><th>Liabilities</th><th>Amount
₹</th><th>Assets</th><th>Amount
₹</th></tr>
<tr><td>Creditors</td><td>1,68,000</td><td>Bank</td><td>34,000</td></tr>
<tr><td>General Reserve</td><td>42,000</td><td>Debtors</td><td>46,000</td></tr>
<tr><td>Capitals :</td><td></td><td>Stock</td><td>2,20,000</td></tr>
<tr><td>L 1,20,000</td><td></td><td>Investments</td><td>60,000</td></tr>
<tr><td>M 80,000</td><td></td><td>Furniture</td><td>20,000</td></tr>
<tr><td>N 40,000</td><td>2,40,000</td><td>Machinery</td><td>70,000</td></tr>
<tr><td></td><td>4,50,000</td><td></td><td>4,50,000</td></tr>
</table></td><td>15-20 minutes</td></tr>
</table>

	 On the above date O was admitted as a new partner and it was decided that : (i) The new profit sharing ratio between L, M, N and O will be 2 : 2 : 1 : 1. (ii) Goodwill of the firm was valued at ₹ 1,80,000 and O brought his share of goodwill premium in cash. (iii) The market value of investments was ₹ 36,000. (iv) Machinery will be reduced to ₹ 58,000. (v) A creditor of ₹ 6,000 was not likely to claim the amount and hence was to be written off. (vi) O will bring proportionate capital so as to give him $\frac{1}{6}$th share in the profits of the firm. Prepare Revaluation Account, Partner's Capital Accounts and the Balance Sheet of the New Firm.	
	2016 – Foreign Question	
4. **One Mark**	Ram, Mohan and Sohan were partners in a firm sharing profits in the ratio of 5:3:2. They admitted Hari as a new partner for 1/5th share in the profit which he acquired from Ram and Mohan in the ratio of 3:2. Calculate, the new profit sharing ratio of Ram, Mohan, Sohan and Hari.	3 minutes
5. 8 Marks	P, Q and R were partners in a firm sharing profits in the ratio of 3 : 2 : 1. On 31-3-2015 their Balance Sheet was as follows :	15 - 20 minutes

Balance Sheet of P, Q and R as on 31-3-2015

Liabilities	Amount ₹	Assets	Amount ₹
Creditors	2,52,000	Bank	51,000
General Reserve	63,000	Debtors	69,000
Capitals :		Stock	3,30,000
P. 1,80,000		Investments	90,000
Q. 1,20,000		Furniture	30,000
R. 60,000	3,60,000	Machinery	1,05,000
	6,75,000		**6,75,000**

On the above date S was admitted as a new partner and it was decided that :

(i) The new profit sharing ratio between P, Q, R and S will be 2:2:1:1.

(ii) Goodwill of the firm was valued at ₹ 2,70,000 and S will bring his share of goodwill premium in cash.

(iii) The market value of investments was ₹ 64,000.

(iv) Machinery will be reduced to ₹ 87,000.

(v) A creditor of ₹ 9,000 was not likely to claim the amount and hence, to be written-off.

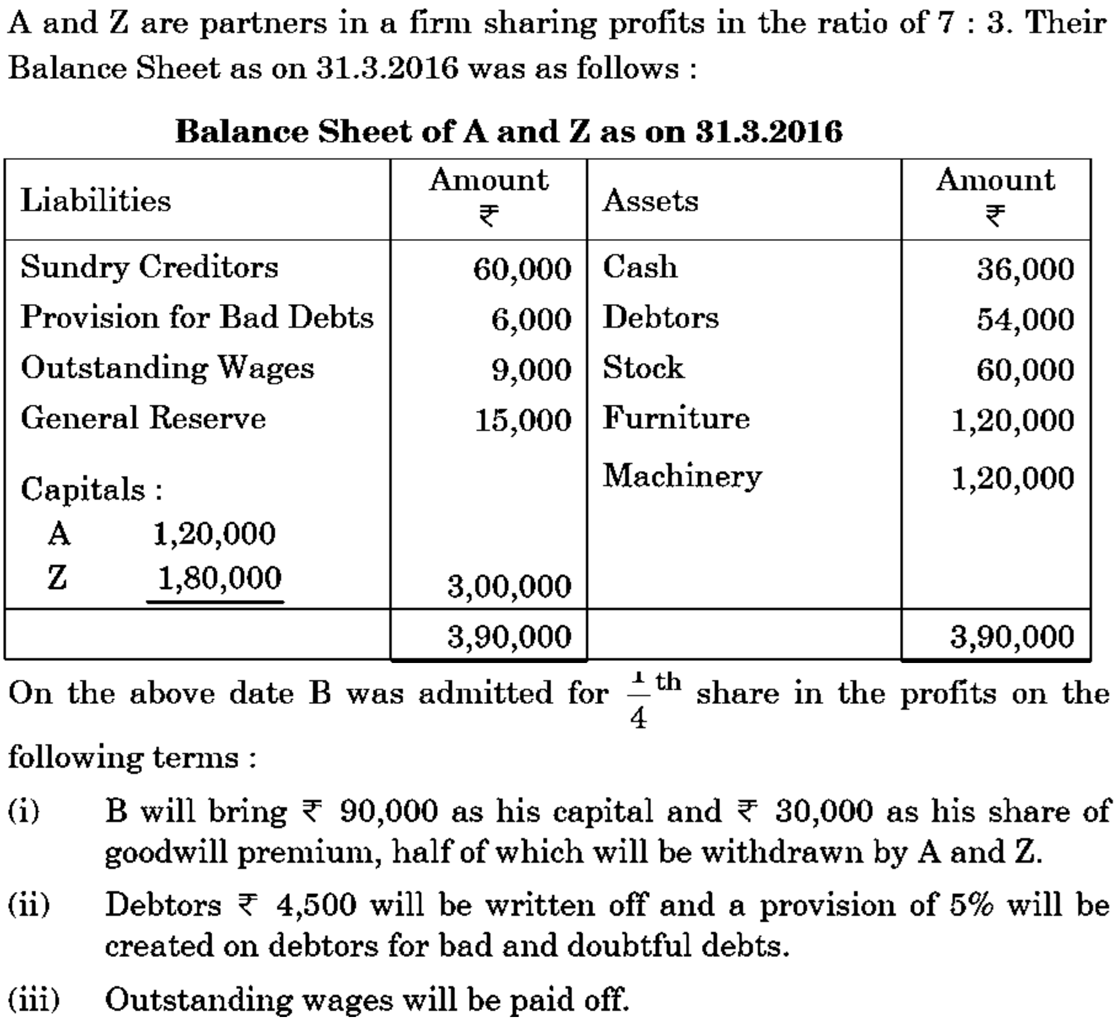
(vi) S will bring proportionate capital so as to give him 1/6th share in the profits of the firm.|

Prepare Revaluation Account, Partners' Capital Accounts and the Balance Sheet of P, Q, R and S.

Foreign 2017

6. **One Mark**	Reena and Raman are partners in a firm sharing profits in the ratio of 4 : 3. They admitted Roma as a new partner. The new profit sharing ratio between Reena, Raman and Roma was 3 : 2 : 2. Raman surrendered 1/3rd of his share in favour of Roma. Calculate Reena's sacrifice.	3 minutes

<table>
<tr><td></td><td></td><td></td></tr>
<tr><td>7.
4 Marks</td><td>Pankaj and Naresh were partners in a firm sharing profits in the ratio of 3 : 2. Their fixed capitals were Rs. 5,00,000 and Rs. 3,00,000 respectively. On 1.1.2017, Saurabh was admitted as a new partner for 1/5th th share in he profits. Saurabh acquired his share of profit from Pankaj. Saurabh brought Rs. 3,00,000 as his capital which was to be kept fixed like the capitals of Pankaj and Naresh.
Calculate the goodwill of the firm on Saurabh’s admission and the new profit sharing ratio of Pankaj, Naresh and Saurabh. Also, pass necessary journal entry for the treatment of goodwill.</td><td>5-7 minutes</td></tr>
<tr><td>8.

8 Mark</td><td>
A and Z are partners in a firm sharing profits in the ratio of 7 : 3. Their Balance Sheet as on 31.3.2016 was as follows :

Balance Sheet of A and Z as on 31.3.2016
<table>
<tr><th>Liabilities</th><th>Amount
₹</th><th>Assets</th><th>Amount
₹</th></tr>
<tr><td>Sundry Creditors</td><td>60,000</td><td>Cash</td><td>36,000</td></tr>
<tr><td>Provision for Bad Debts</td><td>6,000</td><td>Debtors</td><td>54,000</td></tr>
<tr><td>Outstanding Wages</td><td>9,000</td><td>Stock</td><td>60,000</td></tr>
<tr><td>General Reserve</td><td>15,000</td><td>Furniture</td><td>1,20,000</td></tr>
<tr><td>Capitals :
A 1,20,000
Z 1,80,000</td><td>3,00,000</td><td>Machinery</td><td>1,20,000</td></tr>
<tr><td></td><td>3,90,000</td><td></td><td>3,90,000</td></tr>
</table>
On the above date B was admitted for $\frac{1}{4}$th share in the profits on the following terms :
(i) B will bring ₹ 90,000 as his capital and ₹ 30,000 as his share of goodwill premium, half of which will be withdrawn by A and Z.
(ii) Debtors ₹ 4,500 will be written off and a provision of 5% will be created on debtors for bad and doubtful debts.
(iii) Outstanding wages will be paid off.</td><td>15 - 20 minutes</td></tr>
</table>

	(iv) Stock will be depreciated by 10%, furniture by ₹ 1,500 and machinery by 8%. (v) Investments of ₹ 7,500 not shown in the Balance Sheet will be recorded. (vi) A creditor of ₹ 6,300 not recorded in the books was to be taken into account. Pass necessary journal entries for the above transactions in the books of the firm on B's admission.	
Delhi 2017		
9. One Mark	A and B were partners in a firm sharing profits and losses in the ratio of 4 : 3. They admitted C as a new partner. The new profit sharing ratio between A, B and C was 3 : 2 : 2. A surrendered ¼ of his share in favour of C. Calculate B's Sacrifice.	2-3 minutes
10. One Mark	Gupta and Sharma were partners in a firm. They wanted to admit two more members in the firm. List the categories of individuals other than minors who cannot be admitted by them.	2-3 minutes
11. 4 Mark	Karan and Varun were partners in a firm sharing profits and losses in the ratio of 1 : 2. Their fixed capitals were ₹ 2,00,000 and ₹ 3,00,000 respectively. On 1st April, 2016 Kishore was admitted as a new partner for $\frac{1}{4}^{th}$ share in the profits. Kishore brought ₹ 2,00,000 for his capital which was to be kept fixed like the capitals of Karan and Varun. Kishore acquired his share of profit from Varun. Calculate goodwill of the firm on Kishore's admission and the new profit sharing ratio of Karan, Varun and Kishore. Also, pass necessary Journal Entry for the treatment of Goodwill on Kishore's admission considering that Kishore did not bring his share of goodwill premium in Cash.	5-7 minutes
12. 8 Mark	W and R are partners in a firm sharing profits in the ratio of 3 : 2. Their Balance Sheet as on 31st March, 2016 was as follows :	15-20 minutes

Balance Sheet of W and R as on 31-3-2016

Liabilities	Amount ₹	Assets	Amount ₹
Sundry Creditors	20,000	Cash	12,000
Provision for Bad Debts	2,000	Debtors	18,000
Outstanding Salary	3,000	Stock	20,000
General Reserve	5,000	Furniture	40,000
Capitals :		Plant & Machinery	40,000
W 60,000			
R 40,000	1,00,000		
	1,30,000		**1,30,000**

On the above date C was admitted for $\frac{1}{6}$th share in the profits on the following terms :

(i) C will bring ₹ 30,000 as his capital and ₹ 10,000 for his share of goodwill premium, half of which will be withdrawn by W and R.

(ii) Debtors ₹ 1,500 will be written off as bad debts and a provision of 5% will be created for bad and doubtful debts.

(iii) Outstanding salary will be paid off.

(iv) Stock will be depreciated by 10%, furniture by ₹ 500 and Plant and Machinery by 8%.

(v) Investments ₹ 2,500 not mentioned in the balance sheet were to be taken into account.

(vi) A creditor of ₹ 2,100 not recorded in the books was to be taken into account.

Pass necessary Journal Entries for the above transactions in the books of the firm on C's admission.

Delhi - 2018

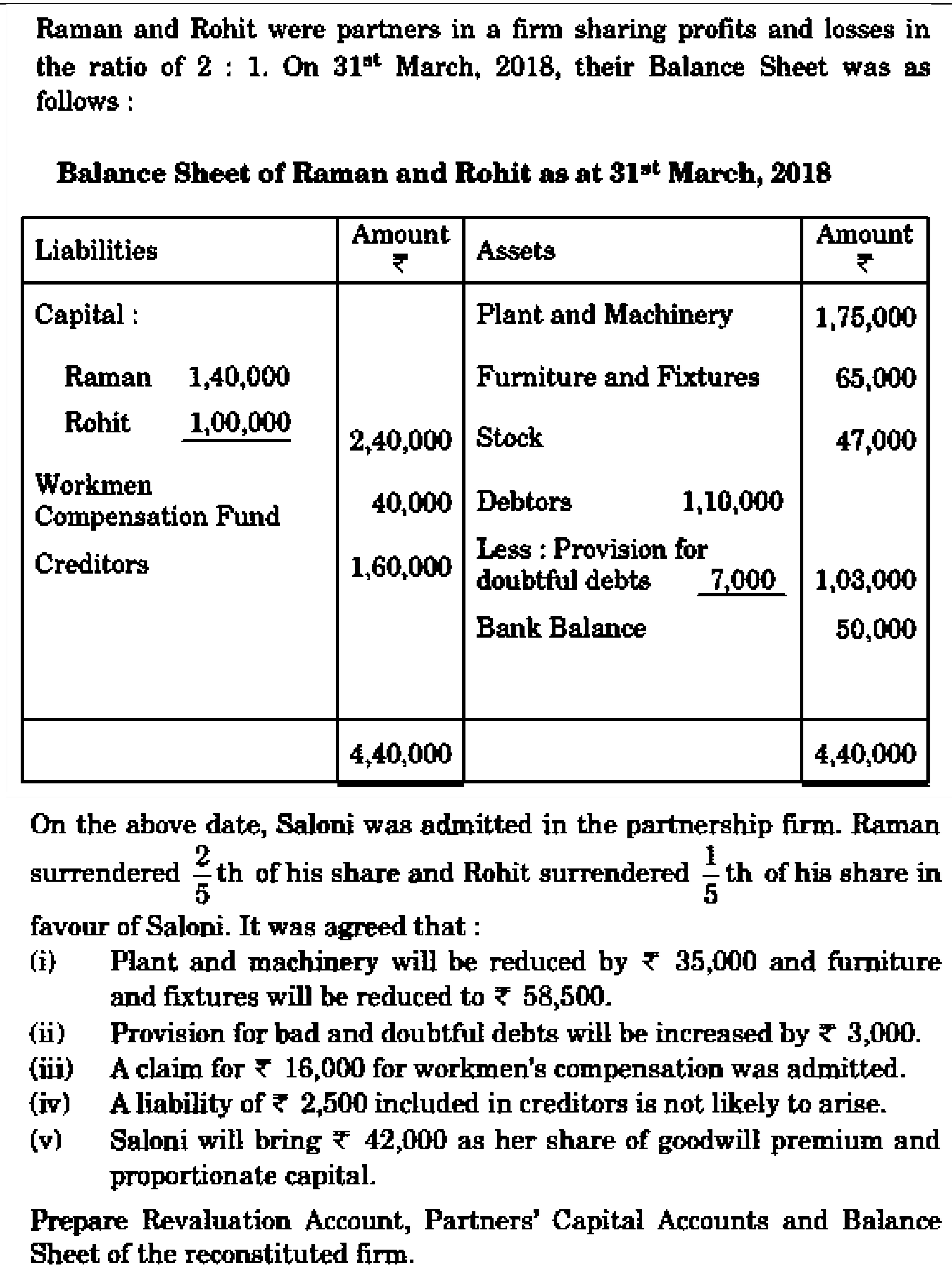
13. One Mark	Amit and Beena were partners in a firm sharing profits and losses in the ratio of 3 : 1. Chaman was admitted as a new partner for $\frac{1}{6}$th share in the profits. Chaman acquired $\frac{2}{5}$th of his share from Amit. How much share did Chaman acquire from Beena ?	15-20 minutes

<table>
<tr>
<td>14.
4
Mark</td>
<td>
Asha and Aditi are partners in a firm sharing profits and losses in the ratio of 3 : 2. They admit Raghav as a partner for $\frac{1}{4}$th share in the profits of the firm. Raghav brings ₹ 6,00,000 as his capital and his share of goodwill in cash. Goodwill of the firm is to be valued at two years' purchase of average profits of the last four years.
The profits of the firm during the last four years are given below :
<table>
<tr><th><i>Year</i></th><th><i>Profit (₹)</i></th></tr>
<tr><td>2013 – 14</td><td>3,50,000</td></tr>
<tr><td>2014 – 15</td><td>4,75,000</td></tr>
<tr><td>2015 – 16</td><td>6,70,000</td></tr>
<tr><td>2016 – 17</td><td>7,45,000</td></tr>
</table>
The following additional information is given :
(i) To cover management cost an annual charge of ₹ 56,250 should be made for the purpose of valuation of goodwill.
(ii) The closing stock for the year ended 31.3.2017 was overvalued by ₹ 15,000.
Pass necessary journal entries on Raghav's admission showing the working notes clearly.
</td>
<td>7-10 minutes</td>
</tr>
<tr>
<td>15.
8
Mark</td>
<td>
Chander and Damini were partners in a firm sharing profits and losses equally. On 31st March, 2017 their Balance Sheet was as follows :
Balance Sheet of Chander and Damini as on 31.3.2017
<table>
<tr><th>Liabilities</th><th>Amount ₹</th><th>Assets</th><th>Amount ₹</th></tr>
<tr><td>Sundry Creditors</td><td>1,04,000</td><td>Cash at Bank</td><td>30,000</td></tr>
<tr><td>Capitals</td><td></td><td>Bills Receivable</td><td>45,000</td></tr>
<tr><td>Chander 2,50,000</td><td></td><td>Debtors</td><td>75,000</td></tr>
<tr><td>Damini 2,16,000</td><td>4,66,000</td><td>Furniture</td><td>1,10,000</td></tr>
<tr><td></td><td></td><td>Land and Building</td><td>3,10,000</td></tr>
<tr><td></td><td>5,70,000</td><td></td><td>5,70,000</td></tr>
</table>
</td>
<td>15-20 minutes</td>
</tr>
</table>

	On 1.4.2017, they admitted Elina as a new partner for $\frac{1}{3}^{rd}$ share in the profits on the following conditions : (i) Elina will bring ₹ 3,00,000 as her capital and ₹ 50,000 as her share of goodwill premium, half of which will be withdrawn by Chander and Damini. (ii) Debtors to the extent of ₹ 5,000 were unrecorded. (iii) Furniture will be reduced by 10% and 5% provision for bad and doubtful debts will be created on bills receivables and debtors. (iv) Value of land and building will be appreciated by 20%. (v) There being a claim against the firm for damages, a liability to the extent of ₹ 8,000 will be created for the same. Prepare Revaluation Account and Partners' Capital Accounts.	
	Delhi 2019	
16. One mark	Atul and Neera were partners in a firm sharing profits in the ratio of 3 : 2. They admitte Mitali as a new partner. Goodwill of the firm was valued at ₹ 2,00,000. Mitali brings he share of goodwill premium of ₹ 20,000 in cash, which is entirely credited to Atul' Capital Account. Calculate the new profit sharing ratio.	3minute

17.

8 Mark



Raman and Rohit were partners in a firm sharing profits and losses in the ratio of 2 : 1. On 31st March, 2018, their Balance Sheet was as follows :

Balance Sheet of Raman and Rohit as at 31st March, 2018

Liabilities	Amount ₹	Assets	Amount ₹
Capital :		Plant and Machinery	1,75,000
Raman 1,40,000		Furniture and Fixtures	65,000
Rohit 1,00,000	2,40,000	Stock	47,000
Workmen Compensation Fund	40,000	Debtors 1,10,000	
Creditors	1,60,000	Less : Provision for doubtful debts 7,000	1,03,000
		Bank Balance	50,000
	4,40,000		4,40,000

On the above date, Saloni was admitted in the partnership firm. Raman surrendered $\frac{2}{5}$th of his share and Rohit surrendered $\frac{1}{5}$th of his share in favour of Saloni. It was agreed that :

(i) Plant and machinery will be reduced by ₹ 35,000 and furniture and fixtures will be reduced to ₹ 58,500.

(ii) Provision for bad and doubtful debts will be increased by ₹ 3,000.

(iii) A claim for ₹ 16,000 for workmen's compensation was admitted.

(iv) A liability of ₹ 2,500 included in creditors is not likely to arise.

(v) Saloni will bring ₹ 42,000 as her share of goodwill premium and proportionate capital.

Prepare Revaluation Account, Partners' Capital Accounts and Balance Sheet of the reconstituted firm.

15-20 minutes

Delhi 2020

<table>
<tr>
<td>18
One mark</td>
<td>

Mona and Tina were partners in a firm sharing profits in the ratio of 3 : 2. Naina was admitted with $\frac{1}{6}$th share in the profits of the firm. At the time of admission, Workmen's Compensation Reserve appeared in the Balance Sheet of the firm at ₹ 32,000. The claim on account of workmen's compensation was determined at ₹ 40,000. Excess of claim over the reserve will be :

(A) Credited to Revaluation Account.
(B) Debited to Revaluation Account.
(C) Credited to old partner's Capital Account.
(D) Debited to old partner's Capital Account.

</td>
<td>2 minutes</td>
</tr>
<tr>
<td>19.
8 mark</td>
<td>

Badal and Bijli were partners in a firm sharing profits in the ratio of 3 : 2. Their Balance Sheet as at 31st March, 2019 was as follows :

Balance Sheet of Badal and Bijli as at 31st March, 2019

<table>
<tr><th>Liabilities</th><th></th><th>Amount ₹</th><th>Assets</th><th>Amount ₹</th></tr>
<tr><td>Capitals :</td><td></td><td></td><td>Building</td><td>1,50,000</td></tr>
<tr><td>Badal</td><td>1,50,000</td><td></td><td>Investments</td><td>73,000</td></tr>
<tr><td>Bijli</td><td>90,000</td><td>2,40,000</td><td>Stock</td><td>43,000</td></tr>
<tr><td>Badal's Current A/c</td><td></td><td>12,000</td><td>Debtors</td><td>20,000</td></tr>
<tr><td>Investment Fluctuation Reserve</td><td></td><td>24,000</td><td>Cash</td><td>22,000</td></tr>
<tr><td>Bills Payable</td><td></td><td>8,000</td><td>Bijli's Current A/c</td><td>2,000</td></tr>
<tr><td>Creditors</td><td></td><td>26,000</td><td></td><td></td></tr>
<tr><td></td><td></td><td>3,10,000</td><td></td><td>3,10,000</td></tr>
</table>

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<td>15-20 minutes</td>
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</table>

Raina was admitted on the above date as a new partner for $\frac{1}{6}^{th}$ share in the profits of the firm. The terms of agreement were as follows :

(i) Raina will bring ₹ 40,000 as her capital and capitals of Badal and Bijli will be adjusted on the basis of Raina's capital by opening current accounts.

(ii) Raina will bring her share of goodwill premium for ₹ 12,000 in cash.

(iii) The building was overvalued by ₹ 15,000 and stock by ₹ 3,000.

(iv) A provision of 10% was to be created on debtors for bad debts.

Prepare the Revaluation Account and Current and Capital Accounts of Badal, Bijli and Raina.