+2 Accountancy
Solution Book

5. Addmission of a Partner

TEXTBOOK SELF-EXAMINATION QUESTIONS SOLVED

I. Choose the correct answer:

1. Revaluation A/c is a ....

   (*a*) Real A/c (*b*) Nominal A/c (*c*) Personal A/c (*d*) Impersonal A/c

Ans. (*b*) **Nominal A/c**

2. On revaluation, the increase in the value of assets leads to ....

   (*a*) Gain (*b*) Loss

   (*c*) Expense (*d*) None of these

Ans. (*a*) **Gain**

3. The profit or loss on revaluation of assets and liabilities is transferred to the capital account of ....

   (*a*) The old partners (*b*) The new partner

   (*c*) All the partners (*d*) The Sacrificing partners

Ans. (*a*) **The old partners**

4. If the old profit sharing ratio is more than the new profit sharing ratio of a partner, the difference is called ....

   (*a*) Capital ratio (*b*) Sacrificing ratio (*c*) Gaining ratio (*d*) None of these

Ans. (*b*) **Sacrificing ratio**

5. At the time of admission, the goodwill brought by the new partner may be credited to the capital accounts of ....

   (*a*) all the partners (*b*) the old partners

   (*c*) the new partner (*d*) the sacrificing partners

Ans. (*d*) **the sacrificing partners**

6. Which of the following statements is not true in relation to admission of a partner?

   (*a*) Generally mutual rights of the partners change

   (*b*) The profits and losses of the previous years are distributed to the old partners

   (*c*) The firm is reconstituted under a new agreement

   (*d*) The existing agreement does not come to an end

Ans. (*d*) **The existing agreement does not come to an end**

7. Match List I with List II and select the correct answer using the codes given below:

List I	List II
(i) Sacrificing ratio	1. Investment fluctuation fund
(ii) Old profit sharing ratio	2. Accumulated profit
(iii) Revaluation Account	3. Goodwill
(iv) Capital Account	4. Unrecorded liability

Codes:

	(i)	(ii)	(iii)	(iv)
(*a*)	1	2	3	4
(*b*)	3	2	4	1
(*c*)	4	3	2	1
(*d*)	3	1	4	2

Ans. (*b*) **3 2 4 1**

8. Select the odd one out:

   (*a*) Revaluation profit (*b*) Accumulated loss

   (*c*) Goodwill brought by new partner (*d*) Investment fluctuation fund

Ans. (*c*) **Goodwill brought by new partner**

9. James and Kamal are sharing profits and losses in the ratio of 5:3. They admit Sunil as a partner giving him 1/5 share of profits. Find out the sacrificing ratio.

(*a*) 1:3 (*b*) 3:1 (*c*) 5:3 (*d*) 3:5

Ans. (*c*) **5:3**

10. Balaji and Kamalesh are partners sharing profits and losses in the ratio of 2:1. They admit Yogesh into partnership. The new profit sharing ratio between Balaji, Kamalesh and Yogesh is agreed to 3:1:1. Find the sacrificing ratio between Balaji and Kamalesh.

(*a*) 1:3 (*b*) 3:1

(*c*) 2:1 (*d*) 1:2

Ans. (*d*) **1:2**

II. Very Short Answer Questions:

1. What is meant by revaluation of assets and liabilities?

Ans. When a partner is admitted into the partnership the assets and liabilities are revealed as the current value may differ from the book value. Determination of current values of assets and liabilities is called revaluation of assets and liabilities.

2. How are accumulated profits and losses distributed among the partners at the time of admission of a new partner?

Ans. Profits and losses of previous years which are not distributed to the partners are called accumulated profit and losses. This belong to the old partners and hence these should be distributed to the old partners in the old profit sharing ratio.

3. What is sacrificing ratio?

Ans. Sacrificing ratio is the proportion of the profit which is sacrificed or foregone by the old partners in favour of the new partner. The purpose of finding the sacrificing ratio is to share the goodwill brought in by the new partner.

Sacrifice Ratio = Old share – New share

4. Give the journal entry for writing off existing goodwill at the time of admission of a new partner.

Ans.

Journal Entry

Date	Particulars	L.F.	Debit ₹	Credit ₹
	Old Partner's Capital/Current A/c (in old ratio) To Goodwill A/c (Existing goodwill written off)		....	 ....

5. State whether the following will be debited or credited in the revaluation account.

(a) Depreciation on assets **(b) Unrecorded liability**

(c) Provision for outstanding expenses **(d) Appreciation of assets**

Ans. (*a*) Depreciation on assets – Debited

(*b*) Unrecorded liability – Debited

(*c*) Provision for outstanding expenses – Debited

(*d*) Appreciation of assets – Debited

III. Short Answer Questions:

1. What are the adjustments required at the time of admission of a partner?

Ans. The following adjustments are necessary at the time of admission of a partner.

1. Distribution of accumulated profits, reserves and losses
2. Revaluation of assets and liabilities
3. Determination of new profit sharing ratio and sacrificing ratio
4. Adjustment for goodwill
5. Adjustment of capital on the basis of new profit sharing ratio

2. What are the journal entries to be passed on revaluation of assets and liabilities?

Ans.

Date	Particulars		L.F.	Debit ₹	Credit ₹
	1) For the increase in the value of assets				
	Concerned Assets A/c	Dr.		....	
	To Revaluation A/c				....
	2) For decrease in the value of asset				
	Revaluation A/c	Dr.		....	
	To Concerned asset A/c				....
	3) For increase with the amount of liabilities				
	Revaluation A/c	Dr.		....	
	To Concerned liability				....
	4) For decrease in the amount of liabilities				
	Concerned liability A/c	Dr.		....	
	To Revaluation A/c				....
	5) For recording an in recorded asset				
	Concerned asset A/c	Dr.		....	
	To Revaluation A/c				....
	6) For recording an in recorded liability				
	Revaluation A/c	Dr.		....	
	To Concerned liability				....
	7) For transfering the balance in the revaluation				
	(a) If there is profit on revaluation				
	Revaluation A/c	Dr.		....	
	To old partners capital A/c (individually in old ratio)				....
	(b) If there is loss in revaluation old partners.				
	Capital A/c	Dr.		....	
	(individually in old ratio)				....
	To Revaluation A/c				

3. Write a short note on accounting treatment of goodwill.

Ans. (i) For the goodwill brought in cash credited to old partner's capital account

Date	Particulars		L.F.	Debit (₹)	Credit (₹)
	Cash/Bank A/c	Dr.		....	
	To old partner's capital/current A/c				....
	(in sacrificing ratio)				

(ii) For the goodwill brought in kind (in the form of asset) credited to old partner's capital account

Date	Particulars		L.F.	Debit (₹)	Credit (₹)
	Respective Asset A/c	Dr.		....	
	To old partner's capital/current A/c				....
	(in sacrificing ratio)				

(iii) For withdrawal of cash received for goodwill by the old partners

Date	Particulars		L.F.	Debit (₹)	Credit (₹)
	Old partners capital/current A/c	Dr.		....	
	To Cash/Bank A/c				....

III. Exercises:

1. Arul and Anitha are partners sharing profits and losses in the ratio of 4:3. On 31.3.2018, Ajay was admitted as a partner. On the date of admission, the book of the firm showed a general reserve of ₹ 42,000. Pass the journal entry to distribute the general reserve.

Date	Particulars		L.F.	Debit (₹)	Credit (₹)
	General Reserve A/c	Dr.		42,000	
	To Arul's Capital A/c				24,000
	To Anitha's Capital A/c				18,000
	(Distribution of accumulated profits to old partners capital)				

2. Anjali and Nithya are partners of a firm sharing profits and losses in the ratio of 5:3. They admit Pramila on 1.1.2018. On that date, their balance sheet showed accumulated loss of ₹40,000 on the asset side of the balance sheet. Give the journal entry to transfer the accumulated loss on admission.

Date	Particulars		L.F.	Debit (₹)	Credit (₹)
	Anjali Capital A/c	Dr.		25,000	
	Nithya Capital A/c	Dr.		15,000	40,000
	To Profit and Loss A/c				
	(Accumulated loss distributed to old partners in old profit ratio)				

3. Oviya and Kavya are partners in a firm sharing profits and losses in the ratio of 5:3. They admit Agalya into the partnership. Their balance sheet as on 31st March, 2019 is as follows:

Balance Sheet as on 31st March 2019

Liabilities		₹	Assets	₹
Capital accounts:			Buildings	40,000
Oviya	50,000		Plant	50,000
Kavya	40,000	90,000	Furniture	30,000
Profit and loss appropriation A/c		40,000	Debtors	20,000
General reserve		8,000	Stock	10,000
Workmen's compensation fund		12,000	Cash	20,000
Sundry creditors		20,000		
		1,70,000		1,70,000

Pass journal entry to transfer the accumulated profits and reserve on admission.

Date	Particulars		L.F.	Debit ₹	Credit ₹
	Profit and loss appropriation A/c	Dr.		40,000	
	General Reserve A/c	Dr.		8,000	
	Workmen's Compensation Fund A/c	Dr.		12,000	
	To Oviya Capital A/c				37,500
	To Kavya Capital A/c				22,500
	(Undistributed profit distributed to old partners old ratio)				

4. Hari, Madhavan and Kesavan are partners, sharing profits and losses in the ratio of 5:3:2. As from 1st April 2017, Vanmathi is admitted into the partnership and the new profit sharing ratio is decided as 4:3:2:1. The following adjustments are to be made.

(a) Increase the value of premises by ₹ 60,000.

(b) Depreciate stock by ₹ 5,000, furniture by ₹ 2,000 and machinery by ₹ 2,500.

(c) Provide for an outstanding liability of ₹ 500.

Pass journal entries and prepare revaluation account.

Journal Entries

Date	Particulars		L.F.	Debit ₹	Credit ₹
	Revaluation A/c	Dr.		10,000	
	To Stock A/c				5,000
	To Furniture A/c				2,000
	To Machinery A/c				2,500
	To Outstanding liability				500
	(Loss items entered is debited)				

	Premises A/c Dr. To Revaluation A/c (Profit items entered is credited)		60,000	 60,000
	Revaluation A/c Dr. To Hari's Capital A/c To Madhavan's Capital A/c To Kesavan's Capital A/c (Profit on revaluation A/c transferred to old partners old ratio)		50,000	 25,000 15,000 10,000

Dr. Revaluation Account Cr

Particulars		₹	Particulars	₹
To Stock A/c		5,000	By Premises A/c	60,000
To Furniture A/c		2,000		
To Machinery A/c		2,500		
To Outstanding liability		500		
To Hari's Cap A/c	25,000			
Madhavani's Cap A/c	15,000			
Kesavan's Cap A/c	10,000	50,000		
		60,000		60,000

5. Seenu and Siva are partners sharing profits and losses in the ratio of 5:3. In the view of Kowsalya admission, they decided

(a) To increase the value of building by ₹ 40,000.

(b) To bring into record investments at ₹ 10,000, which have not so far been brought into account.

(c) To decrease the value of machinery by ₹ 14,000 and furniture by ₹ 12,000.

(d) To write off sundry creditors by ₹ 16,000.

Pass journal entries and prepare revaluation account.

Date	Particulars	L.F.	Debit ₹	Credit ₹
	Revaluation A/c Dr. To Machinery A/c To Furniture A/c (Loss items entered in debit side)		26,000	 14,000 12,000
	Building A/c Dr. Investment A/c Dr. Sundry Creditors A/c Dr. To Revaluation A/c (Profit items entered in credit side)		40,000 10,000 16,000	 66,000

	Revaluation A/c Dr. To Seenu's Capital A/c To Siva's Capital A/c (Profit of revaluation A/c transferred to old partners capital old ratio)		40,000	 25,000 15,000

Dr. **Revaluation Account** **Cr**

Particulars		₹	Particulars	₹
To Machinery A/c		14,000	By Building A/c	40,000
To Furniture A/c		12,000	By Investment A/c	10,000
To Seenu's Cap.	25,000	40,000	By Sundry Creditors A/c	16,000
Siva's Cap.	15,000			
		66,000		66,000

6. Sai and Shankar are partners, sharing profits and losses in the ratio of 5:3. The firm's balance sheet as on 31st December, 2017, was as follows:

Liabilities	₹	₹	Assets	₹	₹
Capital accounts:			Building		34,000
Sai	48,000		Furniture		6,000
Shankar	40,000	88,000	Investment		20,000
Creditors		37,000	Debtors	40,000	
Outstanding wages		8,000	Less: Provision for		
			bad debts	3,000	37,000
			Bills receivable		12,000
			Stock		16,000
			Bank		8,000
		1,33,000			1,33,000

On 31st December, 2017 Shanmugam was admitted into the partnership for 1/4 share of profit with ₹ 12,000 as capital subject to the following adjustments.

(a) Furniture is to be revalued at ₹ 5,000 and building is to be revalued at ₹ 50,000

(c) Provision for doubtful debts is to be increased to ₹5,500

(d) An unrecorded investment of ₹ 6,000 is to be brought into account

(e) An unrecorded liability ₹ 2,500 has to be recorded now

Pass journal entries and prepare Revaluation Account and capital account of partners after admission.

Journal Entries

Date	Particulars		L.F.	Debit ₹	Credit ₹
	Revaluation A/c	Dr.		6,000	
	To Furniture A/c				1,000
	To Provision for Bad and Doubtful				2,500
	To Unrecorded liabilities				2,500
	(Loss items entered in Revaluation)				
	Building A/c	Dr.		16,000	
	Investment A/c	Dr.		6,000	
	To Revaluation A/c				22,000
	(Profit items entered in Revaluation)				
	Revaluation A/c	Dr.		16,000	
	To Sai's Capital A/c				10,000
	To Shankar's Capital A/c				6,000
	(Profit on revaluation tr to Cap A/c)				
	Bank A/c	Dr.		12,000	
	To Shanmugam's Capital A/c				12,000
	(Incoming partner brings the capital)				

Dr. Revaluation Account Cr.

Particulars		₹	Particulars	₹
To Furniture A/c		1,000	By Building A/c	16,000
To Prov. for bad and doubtful		2,500	By Investment A/c	6,000
To Unrecorded liability		2,500		
To Sai's Cap A/c	10,000			
Shankar's Cap A/c	6,000	16,000		
		22,000		22,000

Dr. Capital Account Cr

Particulars	Sai's	Shankar	Shanmugam	Particulars	Sai	Shankar	Shanmugam
To Balance c/d	58,000	46,000	12,000	By Balance b/d	48,000	40,000	--
				By Bank	-	-	12,000
				By Revaluation	10,000	6,000	-
	58,000	46,000	12,000		58,000	46,000	12,000
				By Bal b/d	58,000	46,000	12,000

7. Amal and Vimal are partners in a firm sharing profits and losses in the ratio of 7:5. Their balance sheet as on 31st March, 2019, is as follows:

Liabilities	₹	₹	Assets	₹
Capital accounts:			Land	80,000
Amal	70,000		Furniture	20,000
Vimal	50,000	1,20,000	Stock	25,000
Sundry creditors		30,000	Debtors	30,000
Profit and loss A/c		24,000	Bank	19,000
		1,74,000		1,74,000

Nirmal is admitted as a new partner on 1.4.2018 by introducing a capital of ₹ 30,000 for 1/3 share in the future profit subject to the following adjustments.

(a) Stock to be depreciated by ₹5,000

(b) Provision for doubtful debts to be created for ₹3,000

(c) Land to be appreciated by ₹ 20,000

Prepare revaluation account and capital account of partners after admission.

Dr. Revaluation Account Cr.

Particulars		₹	Particulars	₹
To Stock A/c		5,000	By Land	20,000
To Prov. for bad and doubtful		3,000		
To Amal's Cap A/c	7,000			
Vimal's Cap A/c	5,000	12,000		
		20,000		20,000

Dr. Capital Account Cr

Particulars	Amal	Vimal	Nirmal	Particulars	Amal	Vimal	Nirmal
To Balance c/d	91,000	65,000	30,000	By Balance b/d	70,000	50,000	-
				By Profit and Loss A/c	14,000	10,000	-
				By Revaluation A/c	7,000	5,000	-
				By Bank A/c			30,000
	91,000	65,000	30,000		91,000	65,000	30,000
				By Balance b/d	91,000	65,000	30,000

8. Praveena and Dhanya are partners sharing profits in the ratio of 7:3. They admit Malini into the firm. The new ratio among Praveena, Dhanya and Malini is 5:2:3. Calculate the sacrificing ratio.

Sacrificing Ratio = Old Ratio – New Ratio

Praveena $= \frac{7}{10} - \frac{5}{10} = \frac{2}{10}$

Dhanya $= \frac{3}{10} - \frac{2}{10} = \frac{1}{10}$

Sacrificing Ratio = 2 : 1

9. Ananth and Suman are partners sharing profits and losses in the ratio of 3:2. They admit Saran for 1/5 share, which he acquires entirely from Ananth. Find out the new profit sharing ratio and sacrificing ratio.

New Profit Sharing Ratio:

Ananth $= \frac{3}{5} - \frac{1}{5} = \frac{2}{5}$

Suman $= \frac{2}{5} - \quad = \frac{2}{5}$

Ananth $= \frac{1}{5} - \quad = \frac{1}{5}$

New Profit sharing Ratio = 2 : 2 : 1

Sacrificing Ratio = 1 : 0

10. Raja and Ravi are partners, sharing profits in the ratio of 3:2. They admit Ram for 1/4 share of the profit. He takes 1/20 share from Raja and 4/20 from Ravi. Calculate the new profit sharing ratio and sacrificing ratio.

New Profit Sharing Ratio = Old Ratio – Sacrificing Ratio

Raja $= \frac{3}{5} - \frac{1}{20} = \frac{12-1}{20} = \frac{11}{20}$

Ravi $= \frac{2}{5} - \frac{4}{20} = \frac{8-4}{20} = \frac{4}{20}$

Ram $= \frac{1}{20} + \frac{4}{20} = \frac{5}{20}$

New Profit sharing Ratio = 11 : 4 : 5

Sacrificing Ratio $= \frac{1}{20} : \frac{4}{20}$

11. Vimala and Kamala are partners, sharing profits and losses in the ratio of 4:3. Vinitha enters into the partnership and she acquires 1/14 from Vimala and 1/14 from Kamala. Find out the new profit sharing ratio and sacrificing ratio.

New Profit Sharing Ratio = Old Ratio – Sacrificing Ratio

Vimala $= \frac{4}{7} - \frac{1}{14} = \frac{8-1}{14} = \frac{7}{14}$

Kamala $= \frac{3}{7} - \frac{1}{14} = \frac{6-1}{14} = \frac{5}{14}$

Vinitha	$= \frac{1}{14}+\frac{1}{14}=\frac{2}{14}$
New Profit Sharing Ratio	= 7 : 5 : 2
Sacrificing Ratio	= 1 : 1

12. Govind and Gopal are partners in a firm sharing profits in the ratio of 5:4. They admit Rahim as a partner. Govind surrenders 2/9 of his share in favour of Rahim. Gopal surrenders 1/9 of his share in favour of Rahim. Calculate the new profit sharing ratio and sacrificing ratio.

New Profit Sharing Ratio:

Govind	$= \frac{5}{9}\times\frac{2}{9}=\frac{10}{81};\frac{5}{9}-\frac{10}{81}=\frac{45-10}{81}=\frac{35}{81}$
Gopal	$= \frac{4}{9}\times\frac{1}{9}=\frac{4}{81};\ \frac{4}{9}-\frac{4}{81}=\frac{36-4}{81}=\frac{32}{81}$
Rahim	$= \frac{2}{9}+\frac{1}{9}=\frac{3}{9};\ \frac{10}{81}+\frac{4}{81}=\frac{14}{81}$
New Profit Sharing Ratio	= 35:32:14
Sacrificing Ratio	$= \frac{10}{81}:\frac{4}{81}=5:2$

13. Prema and Chandra share profits in the ratio of 5:3. Hema is admitted as a partner. Prema surrendered 1/8 of her share and Chandra surrendered 1/8 of her share in favour of Hema. Calculate the new profit sharing ratio and sacrificing ratio.

New Profit Sharing Ratio:

Prema	$= \frac{5}{8}\times\frac{1}{8}=\frac{5}{64};\ \frac{5}{8}-\frac{5}{64}=\frac{40-5}{64}=\frac{35}{64}$
Chandra	$= \frac{3}{8}\times\frac{1}{8}=\frac{3}{64};\ \frac{3}{8}-\frac{3}{64}=\frac{24-3}{64}=\frac{21}{64}$
Hema	$= \frac{5}{64}+\frac{3}{64}=\frac{8}{64}$
New Profit Sharing Ratio	= 35 : 21 : 8
Sacrificing Ratio	= 5 : 3

14. Karthik and Kannan are equal partners. They admit Kailash with 1/4 share of the profit. Kailash acquired his share from old partners in the ratio of 7:3. Calculate the new profit sharing ratio and sacrificing ratio.

New Profit Sharing Ratio:

Karthik	$= \frac{1}{4}\times\frac{7}{10}=\frac{7}{40};\ \frac{1}{2}-\frac{7}{40}=\frac{20-7}{40}=\frac{13}{40}$
Kannan	$= \frac{1}{4}\times\frac{3}{10}=\frac{3}{40};\ \frac{1}{2}-\frac{3}{40}=\frac{20-3}{40}=\frac{17}{40}$

Kailash $= \frac{1}{4} \times 10 = \frac{10}{40}$

New Profit Sharing Ratio = 13 : 17 : 10

Sacrificing Ratio = 7 : 3

15. Selvam and Senthil are partners sharing profit in the ratio of 2:3. Siva is admitted into the firm with 1/5 share of profit. Siva acquires equally from Selvam and Senthil. Calculate the new profit sharing ratio and sacrificing ratio.

New Profit Sharing Ratio:

Siva's share $= \frac{1}{5} \times \frac{1}{2} = \frac{1}{10}$

Selvam's share $= \frac{2}{5} - \frac{1}{10} = \frac{4-1}{10} = \frac{3}{10}$

Senthil's share $= \frac{3}{5} - \frac{1}{10} = \frac{6-1}{10} = \frac{5}{10}$

Siva's share $= \frac{1}{10} + \frac{1}{10} = \frac{2}{10}$

New Profit sharing Ratio = 3 : 5 : 2

Sacrificing Ratio = 1 : 1

16. Mala and Anitha are partners, sharing profits and losses in the ratio of 3:2. Mercy is admitted into the partnership with 1/5 share in the profits. Calculate new profit sharing ratio and sacrificing ratio.

Calculate New Profit Sharing Ratio $= 1 - \frac{1}{5} = \frac{4}{5}$

Mala $= \frac{3}{5} \times \frac{4}{5} = \frac{12}{25}$

Anitha $= \frac{2}{5} \times \frac{4}{5} = \frac{8}{25}$

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

New Profit Sharing Ratio = 12:8:5

Sacrificing Ratio = Old share – New share

Mala $= \frac{3}{5} - \frac{12}{25} = \frac{15-12}{25} = \frac{3}{25}$

Anitha $= \frac{2}{5} - \frac{8}{25} = \frac{10-8}{25} = \frac{2}{25}$

Sacrificing Ratio = 3:2

17. Ambika, Dharani and Padma are partners in a firm sharing profits in the ratio of 5:3:2. They admit Ramya for 25% profit. Calculate the new profit sharing ratio and sacrificing ratio.

Ramya share = 25% = 100% – 25% = 75% = $\frac{3}{4}$

Ambika's share = $\frac{5}{10} \times \frac{3}{4} = \frac{15}{40}$

Dharani's share = $\frac{3}{10} \times \frac{3}{4} = \frac{9}{40}$

Padma's share = $\frac{2}{10} \times \frac{3}{4} = \frac{6}{40}$

Mercy's share = $\frac{1}{4} \times 10 = \frac{10}{40}$

New Profit Sharing Ratio = 15:9:6:10

Sacrificing Ratio = Old share – New share

Ambika's share = $\frac{5}{10} - \frac{15}{40} = \frac{20-15}{40} = \frac{5}{40}$

Dharani's share = $\frac{3}{10} - \frac{9}{40} = \frac{12-9}{40} = \frac{3}{40}$

Padma's share = $\frac{2}{10} - \frac{6}{40} = \frac{8-6}{40} = \frac{2}{40}$

Sacrificing Ratio = 5 : 3 : 2

18. Aparna and Priya are partners who share profits and losses in the ratio of 3:2. Brindha joins the firm for 1/5 share of profits and brings in cash for her share of goodwill of ₹ 10,000. Pass necessary journal entry for adjusting goodwill on the assumption that the fluctuating capital method is followed and the partners withdraw the entire amount of their share of goodwill.

Adjustment of goodwill **Journal Entries**

Date	Particulars	L.F.	Debit ₹	Credit ₹
	Bank A/c Dr. To Aparna's Capital A/c To Priya's Capital A/c (Cash brought for goodwill credited to Aparna and Priya in sacrificing ratio)		10,000	 6,000 4,000
	Aparna's Capital A/c Dr. Priya's Capital A/c To Bank A/c (Amount withdrawn by the partners)		6,000 4,000	 10,000

19. Deepak, Senthil and Santhosh are partners sharing profits and losses equally. They admit Jerald into partnership for 1/3 share in future profits. The goodwill of the firm is valued at ₹ 45,000 and Jerald brought cash for his share of goodwill. The existing partners withdraw half of the amount of their share of goodwill. Pass necessary journal entries for adjusting goodwill on the assumption that the fluctuating capital method is followed.

Journal Entries

Date	Particulars		L.F.	Debit ₹	Credit ₹
	Bank A/c	Dr.		15,000	
	To Deepak's Capital A/c				5,000
	To Senthil's Capital A/c				5,000
	To Santhosh's Capital A/c				5,000
	(Cash brought for goodwill credited to old partner's capital a/c in sacrificing ratio)				
	Deepak's Capital A/c	Dr.		2,500	
	Senthil's Capital A/c	Dr.		2,500	
	Santhosh's Capital A/c	Dr.		2,500	
	To Bank A/c				7,500
	(Cash withdrawn by the partner)				

Jerald's Share of goodwill = ₹ 45000 × 1/3 = ₹ 1,500

As the sacrifice made by the existing partners is not mentioned. It is assumed that they sacrifice in their old share profit ratio = 1:1:1.

Therefore, Sacrificing ratio = 1:1:1.

20. Malathi and Shobana are partners sharing profits and losses in the ratio of 5:4. They admit Jayasri into partnership for 1/3 share of profit. Jayasri pays cash ₹ 6,000 towards her share of goodwill. The new ratio is 3:2:1. Pass necessary journal entry for adjusting goodwill on the assumption that the fixed capital method is followed.

Adjusting Goodwill: Old share – New Share

Malathi's share $= \frac{5}{9} - \frac{3}{6} = \frac{10-9}{18} = \frac{1}{18}$

Shobana's share $= \frac{4}{9} - \frac{2}{6} = \frac{8-6}{18} = \frac{2}{18}$

21. Anu and Arul were partners in a firm sharing profits and losses in the ratio of 4:1. They have decided to admit Mano into the firm for 2/5 share of profits. The goodwill of the firm on the date of admission was valued at ₹ 25,000. Mano is not able to bring in cash for his share of goodwill. Pass necessary journal entry for goodwill on the assumption that the fluctuating capital method is followed.

Date	Particulars		L.F.	Debit ₹	Credit ₹
	Mano's Capital A/c	Dr.		10,000	
	To Anu's Capital A/c				8,000
	To Arul's Capital A/c				2,000
	(Mano's Share of goodwill credited to the old partners capital A/c in the sacrificing ratio)				

22. Varun and Barath are partners sharing profits and losses 5:4. They admit Dhamu into partnership. The new profit sharing ratio is agreed at 1:1:1. Dhamu's share of goodwill is valued at ₹ 15,000 of which he pays ₹10,000 in cash. Pass necessary journal entries for adjustment of goodwill on the assumption that the fluctuating capital method is followed.

Dhamu's share of goodwill against sacrificing ratio:

Sacrificing Ratio = Old share - New share

$$\text{Varun} = \frac{5}{9} - \frac{1}{3} = \frac{5-3}{9} = \frac{2}{9}$$

$$\text{Barath} = \frac{4}{9} - \frac{1}{3} = \frac{4-3}{9} = \frac{1}{9}$$

$$\text{Goodwill value} = \frac{15000}{3} = ₹\ 5000.$$

Date	Particulars		L.F.	Debit ₹	Credit ₹
	Cash A/c	Dr.		10,000	
	Dhamu's capital A/c	Dr.		5,000	
	To Varun's Capital A/c				10,000
	To Barath's Capital A/c				5,000
	(Share of goodwill of Dhamu's credited to old partners capital A/c)				

23. Sam and Jose are partners in a firm sharing profits and losses in the ratio of 3:2. On 1st April 2018, they admitted Joel as a partner. On the date of Joel's admission, goodwill appeared in the books of the firm at ₹ 30,000. By assuming fluctuating capital method, pass the necessary journal entry if the partners decide to

(a) write off the entire amount of existing goodwill

(b) write off ₹ 20,000 of the existing goodwill.

Journal Entries

(*a*) Write off the entire amount of existing goodwill

Date	Particulars		L.F.	Debit ₹	Credit ₹
	Sam's Capital A/c	Dr.		18,000	
	Jose's Capital A/c	Dr.		12,000	
	To Goodwill A/c				30,000
	(Existing goodwill written off)				

(*b*) Write off ₹ 20,000 of the existing goodwill

Date	Particulars		L.F.	Debit ₹	Credit ₹
	Sam's Capital A/c	Dr.		12,000	
	Jose's Capital A/c	Dr.		8,000	
	To Goodwill A/c				20,000
	(Existing goodwill of Rs 20,000 extend written off)				

24. Rajan and Selva are partners sharing profits and losses in the ratio of 3:1. Their balance sheet as on 31st March 2017 is as under:

Liabilities	₹	₹	Assets	₹
Capital accounts:			Building	25,000
Rajan	30,000		Furniture	1,000
Selva	16,000	46,000	Stock	20,000
General reserve		4,000	Debtors	16,000
Creditors		37,500	Bills receivable	3,000
			Cash at bank	12,500
			Profit and loss account	10,000
		87,500		87,500

On 1.4.2017, they admit Ganesan as a new partner on the following arrangements:

(i) Ganesan brings ₹10,000 as capital for 1/5 share of profit.

(ii) Stock and furniture is to be reduced by 10%, a reserve of 5% on debtors for doubtful debts is to be created.

(iii) Appreciate buildings by 20%.

Prepare revaluation account, partners' capital account and the balance sheet of the firm after admission.

Revaluation Account

Particulars		₹	Particulars	₹
To Furniture		100	By Building	5,000
To Stock		2,000		
To Prov. for bad and doubtful		800		
To Rajan's Cap	1,575			
Selva's Cap	525	2,100		
		5,000		5,000

Dr. **Capital Account** Cr

Particulars	Rajan	Selva	Ganesan	Particulars	Rajan	Selva	Ganesan
To Profit & Loss A/c	7,500	2,500	-	By Balance b/d	30,000	16,000	-
To Balance c/d	27,075	15,025	10,000	By General Reser	3,000	1,000	-
				By Bank A/c	-	-	10,000
				By Revaluation	1,575	525	-
	34,575	17,525	10,000	By Balance b/d	34,575	17,525	10,000

Balance Sheet

Particulars		₹	Particulars		₹
Sundry Credit		37,500	Building	25,000	
Capital			(+) Revaluation	5,000	30,000
Rajan	27,075		Furniture	1,000	
Selva	15,025		(–) Revaluation	100	900
Ganesan	10,000	52,100	Stock	20,000	
			(+) Revalued	2,000	18,000
			Debtors	16,000	
			(–) Provision 5%	800	15,200
			Bills Receivable		3,000
			Bank	12,500	
			(+) Ganesan Cap	10,000	22,500
		89,600			89,600

25. Sundar and Suresh are partners sharing profits in the ratio of 3:2. Their balance sheet as on 1st January, 2017 was as follows:

Liabilities	₹	₹	Assets	₹
Capital accounts:			Buildings	40,000
Sundar	30,000		Furniture	13,000
Suresh	20,000	50,000	Stock	25,000
Creditors		50,000	Debtors	15,000
General reserve		10,000	Bills receivable	14,000

Workmen compensation fund		15,000	Bank	18,000
		1,25,000		1,25,000

They decided to admit Sugumar into partnership for 1/4 share in the profits on the following terms:

(a) Sugumar has to bring in ₹ 30,000 as capital. His share of goodwill is valued at ₹ 5,000. He could not bring cash towards goodwill.

(b) That the stock be valued at ₹ 20, 000.

(c) That the furniture be depreciated by ₹ 2,000.

(d) That the value of building be depreciated by 20%.

Prepare necessary ledger accounts and the balance sheet after admission.

Dr. **Revaluation Account** **Cr.**

Particulars	₹	Particulars		₹
To Building	8,000	Loss transferred to		
To Furniture	2,000	Sundar capital	9,000	
To Stock	5,000	Suresh capital	6,000	15,000
	15,000			15,000

Dr. **Capital Account** **Cr**

Particulars	Sundar	Suresh	Sugumar	Particulars	Sundar	Suresh	Sugumar
To Revaluation Loss	9,000	6,000	--	By Balance b/d	30,000	20,000	-
To Balance c/d	39,000	26,000	25,000	By General Reserve	6,000	4,000	-
				By Workers compensation fund	9,000	6,000	
				By Bank			25,000
				By Goodwill	3,000	2,000	-
	48,000	32,000	25,000		48,000	32,000	25,000

Balance Sheet as on 31.12.17

Liabilities	₹	₹	Assets	₹	₹
Creditors		50,000	Buildings	40,000	
Capital Account			(–) Revalued	8,000	32,000
Sundar Cap	39,000		Furniture (–) Revalued	13,000 2,000	11,000
Suresh Cap	26,000		Stock (–) Revalued	25,000 5,000	20,000
Sugumar Cap	25000	90,000	Debtors		15,000
			Bills Receivable		14,000

			Bank	18,000	
			(+) Sugumar Cap	25000	43,000
			Goodwill		5,000
		1,40,000			1,40,000

26. The following is the balance sheet of James and Justina as on 1.1.2017. They share the profits and losses equally.

Liabilities	₹	₹	Assets	₹
Capital accounts:			Building	70,000
James	40,000		Stock	30,000
Justina	50,000	90,000	Debtors	20,000
Creditors		35,000	Bank	15,000
Reserve fund		15,000	Prepaid insurance	5,000
		1,40,000		1,40,000

On the above date, Balan is admitted as a partner with 1/5 share in future profits. Following are the terms for his admission:

(i) Balan brings ₹ 25,000 as capital.

(ii) His share of goodwill is ₹10, 000 and he brings cash for it.

(iii) The assets are to be valued as under:

Building ₹ 80, 000; Debtors ₹ 18,000; Stock ₹ 33,000

Prepare necessary ledger accounts and the balance sheet after admission.

Revaluation Account

Particulars	₹	₹	Particulars	₹	₹
To Debtors A/c		2,000	By Building A/c		10,000
To profit on revaluation transferred to			By Stock A/c		3,000
James Capital A/c	5,500				
Justin;s Capital A/c	5,500	11,000			
		13,000			13,000

Dr. **Capital Account** **Cr**

Particulars	James	Justin	Balan	Particulars	James	Justin	Balan
To Balance c/d	58,000	68,000	25,000	By Balance b/d	40,000	50,000	–
				By Resere Fund	7,500	7,500	–

				By Bank A/c	–	–	25,000
				By Revaluation	5,500	5,500	–
				By Bank A/c			
				(Share Goodwill)	5,000	5,000	
	58,000	68,000	25,000		58,000	68,000	25,000
				By Balance b/d	58,000	68,000	25,000

Dr. **Cash Account** **Cr.**

Particulars	₹	₹	Particulars	₹
To Balance b/d		15,000	By Balance c/d	50,000
To Balan Capital A/c		25,000		
To James Capital A/c		5,000		
To Justin's Capital A/c		5,000		
		50,000		50,000

Balance Sheet as on 01.01.2017

Liabilities	₹	₹	Assets	₹	₹
Capital Accounts		1,20,000	Building	7,000	
James A/c	58,000	10,000	Add: Appreciation	10,000	80,000
Justin A/c	68,000		Stock	30,000	
Balan A/c	25,000	1,51,000	Add: Appreciation	3,000	33,000
Creditors A/c		35,000	Debtors	20,000	
			(–) Unvalued	2,000	18,000
			Bank		50,000
			Prepaid inusrance		5,000
		1,86,000			1,86,000

27. Anbu and Shankar are partners in a business sharing profits and losses in the ratio of 7:5. The balance sheet of the partners on 31.03.2018 is as follows:

Liabilities	₹	₹	Assets	₹
Capital accounts:			Computer	40,000
Anbu	4,00,000		Motor car	1,60,000
Shankar	3,00,000	7,00,000	Stock	4,00,000
Profit and loss		1,20,000	Debtors	3,60,000

Creditors		1,20,000	Bank	40,000
Workmen compensation fund		60,000		
		10,00,000		10,00,000

Rajesh is admitted for 1/5 share on the following terms:

(i) Goodwill of the firm is valued at ₹ 80,000 and Rajesh brought cash ₹ 6,000 for his share of goodwill.

(ii) Rajesh is to bring ₹ 1,50,000 as his capital.

(iii) Motor car is valued at ₹ 2,00,000; stock at ₹ 3,80,000 and debtors at ₹ 3,50,000.

(iv) Anticipated claim on workmen compensation fund is ₹10,000

(v) Unrecorded investment of ₹ 5,000 has to be brought into account.

Prepare revaluation account, capital accounts and balance sheet after Rajesh's admission.

Revaluation Account

Particulars	₹	₹	Particulars	₹	₹
To Stock		20,000	By Motor Car		40,000
To Debtors		10,000	By Unrecorded Investment		5,000
To Anbu Capital A/c	8,750				
Shankar Capital A/c	6,250	15,000			
		45,000			45,000

Dr. **Capital Account** **Cr**

Particulars	Anbu	Shankar	Rajesh	Particulars	Anbu	Shankar	Rajesh
To Balance c/d	5,11,419	3,79,581	1,50,000	By Balance b/d	4,00,000	3,00,000	
				By Profit and Loss A/c	1,70,000	50,000	
				By Workers compensation	29,169	20,831	-
				By Bank	-	-	1,50,000
				By Revaluation	8,750	6,250	
				By Goodwill	3,500	2,500	-
	5,11,419	3,79,581	1,50,000		5,11,419	3,79,581	1,50,000

Balance Sheet as on 31.03.2018

Particulars	Sundar	Suresh	Sugumar	Particulars	Sundar	Suresh	Sugumar
To Revaluation			-	By Balance b/d	30,000	20,000	
Loss	9,000	6,000	--	By General Reserves	6,000	4,000	-

To Balance c/d	39,000	26,000	25,000	By Workers compensation fund	9,000	6,000	
				By Bank			25,000
				By Goodwill	3,000	2,000	-
	48,000	32,000	25,000		48,000	32,000	25,000

Liabilities	₹	₹	Assets	₹	₹
Sundry Creditor		1,20,000	Computer		40,000
Workman compensation fund		10,000	Motorcar (+) Revalued	1,60,000 40,000	2,00,000
Capital			Stock (–) Revalued	4,00,000 20,000	3,80,000
Anbu Cap	5,11,419		Sundry Debtors (–) Revalued	3,60,000 10,000	3,50,000
Shankar Cap	3,79,581		Bank	40,000	
Rajesh Cap	1,50,000	10,41,000	(+) Rajesh Cap	1,50,000	1,90,000
			Investment		5,000
			Goodwill		6,000
		11,71,000			11,71,000