



Q21. X and Y are partners in a firm sharing profits and losses in 4:3 ratio. They admitted Z for 1/8 share. Z brought Rs.20,000 for his capital and Rs.7,000 for his 1/8 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?  
Solution.

Journal Entries					
Date	Particulars		L.F.	Dr. Rs.	Cr. Rs.
	Cash A/c	Dr.		27,000	
	To Z's Capital A/c				20,000
	To Premium for Goodwill A/c				7,000
	(Being amount of capital and his share of goodwill)				
	Premium for Goodwill A/c	Dr.		7,000	
	To X's Capital A/c				4,000
	To Y's Capital A/c				3,000
	(Being premium for goodwill credit to old partners in sacrificing Ratio) r				
	Goodwill Rs. 40,000 cannot be raised. According to AS - 10 Goodwill can be shown in the book if money and money value is paid for it. Here no money or money value has been paid for Goodwill.				

Note:

According to AS - 10 Goodwill can be shown in the book if money and money value is paid for it. Here, no money or money value has been paid for Goodwill. Hence, Goodwill cannot be raised to Rs.40,000.

Sacrificing Ratio will be equal to old ratio because new and sacrificing ratio is not given, if sacrificing and new ratio is not given it is assumed that old partners sacrificed in their old ratio.

Q22. Aditya and Balan are partners sharing profits and losses in 3:2 ratio. They admitted Christopher for 1/4 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? Solution..

Journal Entries				
Date	Particulars	L.F.	Dr. Rs.	Cr. Rs.
	Cash A/c	Dr.	60,000	
	To Christopher's Capital A/c			50,000
	To Premium for Goodwill A/c			10,000
	(Being amount of capital and premium for goodwill brought by Christopher)			
	Premium for Goodwill A/c	Dr.	10,000	
	Christopher's Capital A/c	Dr.	5,000	
	To Aditya's Capital A/c			6,000
	To Balan's Capital A/c			9,000
	(Being goodwill Christopher's share taken by old partner's in sacrificing ratio)			

Sacrificing Ratio = Old Ratio - New Ratio

$$\text{Aditya} = \frac{3}{5} - \frac{2}{4} = \frac{12 - 10}{20} = \frac{2}{20}$$

$$\text{Balan} = \frac{2}{5} - \frac{1}{4} = \frac{8 - 5}{20} = \frac{3}{20}$$

Sacrificing Ratio

$$= \frac{2}{20} : \frac{3}{20}$$

$$= 2 : 3$$

\*\*\*\*\* END \*\*\*\*\*