



Q4. On what occasions sacrificing ratio is used?

Solution: Sacrificing ratio is used on the following occasions:

1. When the existing partners of the partnership firm mutually decide to change the profit-sharing ratio among them.
2. When a new partner is admitted in the partnership firm and the amount brought by him/her as goodwill is transferred between the old partners in their sacrificing ratio.

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

Solution: If goodwill already exists in the books of the old firm before the new partner/s bring in his/her share of goodwill in cash, then the existing goodwill should be written off between the old partners in their old profit-sharing ratio. Journal entry passed for the following:

Old Partner's Capital A/c	Dr.
To Goodwill A/c	
(Being goodwill written off in the old ratio between old partners)	

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

Solution: When a new partner is admitted in the firm, it becomes essential to revalue assets and liabilities of the partnership firm for determining its true and fair value. Revaluation is done because the value of assets and liabilities may have increased or decreased and thus their corresponding figures in the old balance sheet may be either understated or overstated. Also, it may be possible that some of the assets and liabilities are left to be recorded. Hence, to record the increase and decrease in the market value of the assets and liabilities, the revaluation account is prepared and any profits (or losses) linked with this increase or decrease will be distributed between the old partners of the firm in their old profit-sharing ratio.

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