Q31. A and B are partners sharing profits and losses in the ratio of 3:1. On 1st Jan. 2015 they admitted C as a new partner for 1/4 share in the profits of the firm. C brings Rs.20,000 as for his 1/4 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 capitals 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?

Solution.

| Books of A, B and C<br>Journal Entries | | | | | |
|---|---|---|---|---|---|
| Date | Particulars | | L.F. | Dr.<br>Rs. | Cr.<br>Rs. |
| 2015 | | | | | |
| Jan 01 | A's Capital A/c | Dr. | | 5,000 | |
| | To Cash A/c | | | | 5,000 |
| | (Being excess capital withdrawn by A) | | | | |
| | | | | | |
| | Cash A/c | Dr. | | 3,000 | |
| | To B's Capital A/c | | | | 3,000 |
| | (Being capital brought in by B to make in proportion to the profit sharing) | | | | |
| | | | | | |

1. Calculation of New Profit sharing Ratio

C's Shares = $\frac{1}{4}$

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

A's new share = $\frac{3}{4}\times\frac{3}{4}=\frac{9}{16}$

B's new share = $\frac{1}{4}\times\frac{3}{4}=\frac{3}{16}$

C's new share= $\frac{1}{4}\times\frac{4}{4}=\frac{4}{16}$

New profit sharing ratio of A, B and C will be 9:3:4

2. New capital of A and B.

C bring ₹20,000 for 1/4$^{th}$ share of profit in the new firm.

Thus, total capital of firm on the basis of C's share = $20,000\times\frac{4}{1}=80,000$

A's Capital = $\frac{9}{16}\times 80,000 = 45,000$

Thus, A will withdraw = $50,000-45,000=5,000$

B's Capital = $\frac{3}{16}\times 80,000 = 15,000$

Thus, B's will bring $15,000-12,000=3,000$

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 1/4 share in the profits of the firm, which he gets 1/8 from Pinky, and 1/16 each from Qumar 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 1/4 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?

Solution.

1. Calculation of new profit sharing Ratio = Old Ratio - Sacrificing Ratio

$$\text{Pinky} = \frac{3}{6} - \frac{1}{8} = \frac{12-3}{24} = \frac{9}{24}$$

$$\text{Qumar} = \frac{2}{6} - \frac{1}{16} = \frac{16-3}{48} = \frac{13}{48}$$

$$\text{Roopa} = \frac{1}{6} - \frac{1}{16} = \frac{8-3}{48} = \frac{5}{48}$$

New profit sharing ratio between Pinky, Qumar, Roopa and Seema

$$= \frac{9}{24} : \frac{13}{48} : \frac{5}{48} : \frac{1}{4}$$

$$= \frac{18}{48} : \frac{13}{48} : \frac{5}{48} : \frac{12}{48}$$

$$= 18 : 13 : 5 : 12$$

2. Required capital of all partners in the new firm

$$\text{Pinky's Capital} = 2,40,000 \times \frac{18}{48} = 90,000$$

$$\text{Qumar's Capital} = 2,40,000 \times \frac{13}{48} = 65,000$$

$$\text{Roopa's Capital} = 2,40,000 \times \frac{5}{48} = 25,000$$

$$\text{Seema's Capital} = 2,40,000 \times \frac{12}{48} = 60,000$$

3. Amount to be brought by each partner

Pinky = 90,000 - 80,000 =10,000

Qumar = 65,000 - 30,000 =35,000

Roopa = 25,000 - 20,000 =5,000

$$\text{Seema} = 2,40,000 \times \frac{1}{4} = 60,000$$

Books of Pinky, Qumar, Roopa and Seema

Journal Entries

| Date | Particulars | | L.F. | Dr. Rs. | Cr. Rs. |
|---|---|---|---|---|---|
| | Bank A/c | Dr. | | 60,000 | |
| | To Seema Capital A/c | | | | 60,000 |
| | (Being seema bring her share of Capital) | | | | |
| | | | | | |
| | Bank A/c | Dr. | | 50,000 | |
| | To Pinky's Capital A/c | | | | 10,000 |
| | To Qumar's Capital A/c | | | | 35,000 |
| | To Roopa's Capital A/c | | | | 5,000 |

| | | | | | |
|---|---|---|---|---|---|
| | (Being amount brought by Pinky, Qumar and Roopa to make capital equal to their proportion) | | | | |
| | | | | | |

*********** END **********