Q19. A and B are partners in a firm sharing profits and losses in the ratio of 3:2. They decide to admit C into partnership with 1/4 share in profits. C will bring in Rs.30,000 for capital and the requisite amount of goodwill premium in cash. The goodwill of the firm is valued at Rs.20,000. The new profit sharing ratio is 2:1:1. A and B withdraw their share of goodwill. Give necessary journal entries?
Solution:

Journal Entries					
Date	Particulars		L.F.	Dr. **Rs.**	Cr. **Rs.**
	Cash A/c	Dr.		35,000	
	To C's Capital A/c				30,000
	To Premium for Goodwill A/c				5,000
	(Being amount of capital and share of goodwill brought by C)				
	Premium for Goodwill A/c	Dr.		5,000	
	To A's Capital A/c				2,000
	To B's Capital A/c				3,000
	(Being C's share of goodwill credited to old partners in their sacrificing ratio)				
	A's Capital A/c	Dr.		2,000	
	B's Capital A/c	Dr.		3,000	
	To Cash A/c				5,000
	(Being share of goodwill withdrawn by old partners)				

Sacrificing Ratio = Old Ratio -New Ratio

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

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

Rao: Swami

$$\text{Sacrifice Ratio} = \frac{2}{20} : \frac{3}{20}$$

= 2: 3

Goodwill of the firm = ₹20,000

$$C's\ share\ of\ Goodwill = 20,000 \times \frac{1}{4} = Rs\ 5,000$$

$$A\ will\ receive = 5,000 \times \frac{2}{5} = 2,000$$

$$B\ will\ receive = 5,000 \times \frac{3}{5} = 3,000$$

Q20. Arti and Bharti are partners in a firm sharing profits in 3:2 ratio, They admitted Sarthi for 1/4 share in the profits of the firm. Sarthi brings Rs.50,000 for his capital and Rs.10,000 for his 1/4 share of goodwill. Goodwill already appears in the books of Arti and Bharti at Rs.5,000. the new profit sharing ratio between Arti, Bharti and Sarthi will be 2:1:1. Record the necessary journal entries in the books of the new firm?

Solution:

Journal Entries					
Date	Particulars		L.F.	Dr. Rs.	Cr. Rs.
	Arti's Capital A/c	Dr.		3,000	
	Bharti's Capital A/c	Dr.		2,000	
	To Cash A/c				5,000
	(Being goodwill written off in old ratio)				
	Cash A/c	Dr.		60,000	
	To Sarthi's Capital A/c				50,000

	To Premium for Goodwill A/c				10,000
	(Being amount of capital and share of goodwill brought by Sarthi)				
	Premium for Goodwill A/c	Dr.		10,000	
	To Arti's Capital A/c				4,000
	To Bharti's Capital A/c				6,000
	(Being premium for goodwill credited to old partners in their sacrificing ratio)				

	Arri:	Bharti
Old Ratio=	3:	2

Sarthi admitted for $\frac{1}{4}$ share of profit in new firm

	Arri:	Bharti:	Sarthi
New Ratio=	2:	1:	1

Sacrificing Ratio = Old Ratio - New Ratio

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

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

$$\text{Arti will receive} = 10,000 \times \frac{2}{5} = 4,000$$

$$\text{Bharti will receive} = 10,000 \times \frac{3}{5} = 6,000$$

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