

Chapter 5 : Admission of a Partner

Common Errors

1. While calculating new profit sharing ratio, not interpreting the term “Sacrificed **from** his share” and “Sacrificed **of** his share” correctly.
2. Distribution of incoming partner’s share of goodwill in old ratio instead of sacrificing ratio.
3. While passing journal entries, writing only Partners’ name without mentioning Capital or Current Account.
4. While calculating hidden goodwill, including only capital balances as existing capital, forgetting inclusion of balances of reserves and surplus in the existing capital.
5. In adjustment of capital questions, wrong calculation of closing cash balance due to wrongly adding or deducting cash brought in or withdrawn by the existing partners or the incoming partner.
6. In adjustment of capital questions, forgetting to show Current Account balances in the balance sheet.
7. Wasting lot of precious time in tallying balance sheet totals resulting in nervousness and loss of marks in subsequent questions.
8. In case Revaluation Account involves some increase in a new Liability or a new asset that is not there in the existing balance sheet, students forget to incorporate it in the new balance sheet.
9. In adjustment of capital questions, when the incoming partner does not bring goodwill in cash, students many times debit incoming Partner’s Capital Account instead of Partner’s Current Account.
10. Not transferring existing goodwill, reserves/surplus, advertisement suspense in Partners’ Capital Accounts.
11. Students generally do not correctly carry out adjustment for changes in Investments when Investment Fluctuation Reserve is given in the question. If a question gives market value, face value, students fail to calculate correct effect.
12. Not reading the requirement of the question. Preparing ledger accounts in a question requiring journal entries.

1 Mark Questions

1. Define sacrificing ratio. Why it is calculated at the time of admission of a partner?
2. Unless stated otherwise, what will be the ratio of sacrifice in case of admission of a partner?
3. State the ratio in which the old partners share New Partner’s Share of Goodwill.

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4. Why is it necessary to distribute Accumulated Profits, Reserves and Accumulated Losses at the time of admission of a partner?
5. Briefly explain Accounting Standard 26.
6. State the need for treatment of Goodwill on admission of a partner.
7. What is hidden goodwill? How it is calculated?
8. How will you justify the contribution of goodwill by the incoming partner?
9. Why do we revalue assets and reassess liabilities at the time of admission of a new partner?
10. What are accumulated losses? How do we deal with them at the time of admission of a new partner?
11. A and B are partners sharing profits in the ratio of 2:1. C is admitted with $\frac{5}{11}$ th share which he takes $\frac{3}{11}$ th from A and remaining from B. Calculate new profit sharing ratio.

(Ans.: New Ratio: 13:5:15)

12. A and B are partners sharing profits and losses in the ratio of 4:3. They admit C as partner for a $\frac{1}{7}$ th share in profits which he acquires equally from A and B. Calculate new profit sharing ratio.

(Ans.: New Ratio: 7:5:2)

13. X and Y were partners in a firm. They admitted Z into partnership. 'Workmen Compensation Reserve' stood at ₹ 6,00,000 on the date of admission and there was a claim of ₹ 4,00,000 against it. Pass necessary journal entry/entries.

(Ans.: Dr. Workmen Compensation Reserve A/c - ₹ 6,00,000; Cr. Workmen Compensation Claim A/c - ₹ 4,00,000, X's Capital A/c - ₹ 1,00,000, Y's Capital A/c - ₹ 1,00,000)

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14. At the time of admission of C, investments [Market value ₹ 1, 90,000] appeared at ₹ 2, 00,000 in the firm of A and B. There was 'Investment Fluctuation Reserve of ₹ 40,000. Pass necessary journal entry/entries.

(Ans.: Dr. Investment Fluctuation Reserve A/c - ₹ 40,000; Cr. Investments A/c - ₹ 10,000, A's Capital A/c - ₹ 15,000, B's Capital A/c - ₹ 15,000)

15. D, E and F were partners in a firm sharing profits in 1:2:3 ratio. They admitted G as a new partner for $\frac{1}{6}$ share. G acquired his share $\frac{1}{24}$ from D, $\frac{1}{24}$ from E and $\frac{1}{12}$ from F. Calculate new and sacrificing ratio.

(Ans.: New Ratio: 3:7:10:4 and Sacrificing Ratio: 1:1:2)

16. E and F are partners sharing profits in the ratio of 3:2. E surrenders $\frac{1}{3}$ rd of his share and F surrenders $\frac{1}{4}$ th of his share in favour of G, a new partner. Calculate sacrificing ratio.

(Ans.: Sacrificing Ratio: 2:1)

17. X and Y are two partners sharing profits in the ratio of 3:2. They admit Z into partnership as a partner. X gives $\frac{1}{3}$ rd of his share while Y gives $\frac{1}{10}$ th from his share. Calculate new profit sharing ratio.

(Ans.: New Ratio: 4:3:3)

18. Drishti and Namrata are partners sharing profits and losses in the ratio of 4:3. Mugdha is admitted for $\frac{1}{5}$ th share. Drishti and Namrata decided to share equally in future. Calculate new profit sharing ratio.

(Ans.: New Ratio: 2:2:1)

19. Sunil, Shyam, Anil and Jatin are in partnership sharing profits and losses in the ratio of 36:24:20:20 respectively. Deepak joins the partnership for 20% share, Sunil, Shyam, Anil

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and Jatin would in future share profits among themselves as $\frac{3}{10}:\frac{4}{10}:\frac{2}{10}$ and $\frac{1}{10}$. Calculate new profit sharing ratio after Deepak's admission.

(Ans.: New Ratio: 6:8:4:2:5)

20. Q, R and S are partners in the ratio of 2:3:1 T is admitted with $\frac{1}{6}$ th share in profits. S would retain his original share. Calculate sacrificing ratio.

(Ans.: Sacrificing Ratio: 1:1)

21. L and M share profits and losses in the ratio of 5:3. N is admitted for $\frac{3}{10}$ th share of profits half of which was gifted by L and the remaining share was taken by N equally from L and M. Calculate new profit sharing ratio.

(Ans.: New Ratio: 4:3:3)

22. O and P are sharing profits and losses in 4:1. They admit Q and decide that the profit sharing ratio between O and P shall be the same as existing between O and P. Calculate new profit sharing ratio.

(Ans.: New Ratio: 16:4:1)

23. L, M and N are partners sharing profits in the ratio of 3:2:5. They admitted O with $\frac{1}{4}$ th share which is contributed by L, M and N in the ratio of 1:1:3. Find new profit sharing ratio.

(Ans.: New Ratio: 5:3:7:5)

3/4 Marks Questions

24. A and B are partners in a firm with ratio of 3:1. They admit C for $\frac{1}{4}$ share. Goodwill already appears in the books at ₹ 2,00,000. Goodwill of the firm is valued at ₹ 6, 00,000. C pays his proportionate share of goodwill in cash to A and B privately. Pass necessary entries.

(Ans.: Dr. A's Capital A/c - ₹ 1,50,000 and B's Capital A/c ₹ 50,000 ; Cr. Goodwill A/c - ₹ 2,00,000 and No entry for payment of goodwill)

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25. P and Q are partners in a firm sharing profits and losses in the ratio of 3:2. They admit R into partnership for $\frac{1}{5}$ th share. R brings in ₹ 1, 50,000 as capital and ₹ 50,000 as goodwill. At the time of admission of R, goodwill appears in the Balance Sheet of P and Q at ₹ 15,000. The new profit-sharing ratio of the partners will be 5:3:2. Pass necessary entries.

(Ans.: Dr. P's Capital A/c - ₹ 9,000 and Q's Capital A/c ₹ 6,000 ; Cr. Goodwill A/c - ₹ 15,000; Dr. Bank A/c - ₹ 2,00,000 ; Cr. R's Capital A/c - ₹ 1,50,000 and Premium for Goodwill A/c ₹ 50,000; Dr. Premium for Goodwill A/c ₹ 50,000; Cr. P's Capital A/c - ₹ 25,000 and Q's Capital A/c - ₹ 25,000)

26. X and Y are in partnership sharing profits and losses as 3:1. They admit Z into the firm, Z paying a premium of ₹ 75,000 for $\frac{1}{3}$ rd sharing of the profits. As between themselves X and Y agree to share the future profits and losses equally. Pass necessary journal entries.

(Ans.: Dr. Bank A/c - ₹ 75,000 ; Cr. Premium for Goodwill A/c ₹ 75,000; Dr. Premium for Goodwill A/c ₹ 75,000 and Y's Capital A/c ₹ 18,750; Cr. X's Capital A/c - ₹ 93,750)

27. L and M are partners in a firm sharing profits and losses in the ratio of 3:2. A new partner N is admitted. L surrenders $\frac{1}{5}$ th of his share and M $\frac{2}{5}$ th of his share in favour of N. For the purpose of N's admission, goodwill of the firm is valued at ₹ 2, 25,000 and N brings in his share of goodwill in cash which is retained in the firm's books. Journalize the above transactions.

(Ans.: Dr. Bank A/c - ₹ 63,000 ; Cr. Premium for Goodwill A/c ₹ 63,000; Dr. Premium for Goodwill A/c ₹ 63,000; Cr. L's Capital A/c - ₹ 27,000 and M's Capital A/c - ₹ 36,000)

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28. U and V are partners sharing profits in the ratio of 3:1. Z is admitted as a partner for which he pays ₹ 1, 50,000 for goodwill for goodwill in cash. U, V and W decided to share the future profits in equal proportion. You are required to pass a single Journal entry to give effect to the above arrangement.

(Ans.: Dr. Bank A/c - ₹ 1,50,000 and V's Capital A/c - ₹ 37,500; Cr. U's Capital A/c - ₹ 1,87,500)

29. Vinay and Prabodh are in partnership sharing profits and losses in the ratio of 3:1. They admit Avijeet for one third share of the profits. Avijit brings ₹ 45,000 in cash for his share of goodwill. As between themselves, Vinay and Prabodh agree to share future profits and losses equally. The amount of goodwill is withdrawn by the concerned partners to the extent of 30% of what is credited to them. Draft Journal entries showing the appropriation of the premium money.

(Ans.: Dr. Bank A/c - ₹ 45,000; Cr. Premium for Goodwill A/c - ₹ 45,000; Dr. Premium for Goodwill A/c - ₹ 45,000 and Prabodh's Capital - ₹ 11,250; Cr. Vinay's Capital A/c - ₹ 56,250; Dr. Vinay's Capital A/c - ₹ 16,875; Cr. Bank A/c - ₹ 16,875)

30. A and B are partners in a firm sharing profits in the ratio of 3:2. On April 1, 2018 they admit C as a new partner. The new profit sharing ratio of A, B and C will be 5:5:3. C contributed the following assets towards his capital and for his share of Goodwill: Stock ₹ 96,000, Debtor ₹ 84,000. Plant and Machinery ₹ 1, 08,000. On the date of admission of C, the goodwill of the firm was valued at ₹ 7, 80,000. Record necessary journal entries in the books of the firm on C's admission.

(Ans.: Dr. Stock A/c - ₹ 96,000, Debtors A/c - ₹ 84,000 and Plant and Machine A/c - ₹ 1,08,000; Cr. Premium for Goodwill A/c - ₹ 1,80,000 and C's Capital A/c - ₹ 1,08,000; Dr. Premium for Goodwill A/c - ₹ 1,80,000; Cr. A's Capital A/c - ₹ 1,62,000, B's Capital A/c - ₹ 12,000)

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31. A, B and C share profits in the ratio of 5:3:2. D was admitted into partnership. D brings in ₹ 30,000 as his capital. D is entitled for $\frac{1}{5}$ th share in profits which he acquires equally from A, B and C. Goodwill of the firm is to be valued at three years' purchase of last four years' average profits. The profits of the last four years are ₹ 32,000, ₹ 38,000, ₹ 35,000 and ₹ 31,000 respectively. D cannot bring goodwill in cash. Goodwill already appears in the books at ₹ 50,000. Give Journal entries.

(Ans.: Dr. A's Capital A/c - ₹ 25,000 B's Capital A/c - ₹ 15,000 and C's Capital A/c - ₹ 10,000 ; Cr. Goodwill A/c - ₹ 50,000; Dr. D's Current A/c - ₹ 20,400 ; Cr. A's Capital A/c - ₹ 6,800, B's Capital A/c - ₹ 6,800 and C's Capital A/c - ₹ 6,800)

32. U, V and W were partners sharing profits and losses as to U one-half; V one-third; and W one-sixth. As from 1st April, 2018, they agreed to admit X into partnership for one-sixth share in profits and losses, which he acquires equally from U and V, and is to bring in ₹ 2, 50,000 for his capital and ₹ 1, 00,000 as premium for goodwill. X paid in his capital money but in respect of premium for goodwill, he could bring in only ₹ 75,000.

You are required to give the Journal entries to carry out the above arrangements.

(Ans.: Dr. Bank A/c - ₹ 3,25,000; Cr. X's Capital A/c - ₹ 2,50,000 and Premium for Goodwill ₹ 75,000 ; Dr. Premium for Goodwill A/c - ₹ 75,000 and X's Capital A/c - ₹ 25,000; Cr. U's Capital A/c - ₹ 50,000 and V's Capital A/c - ₹ 50,000)

33. P and Q are partners with capital of ₹ 26, 00,000 and ₹ 40, 00,000. They share profits in the ratio of 1:2. They admit R as a partner with $\frac{1}{5}$ th share in the profits of the firm. R brings in ₹ 24, 00,000 as his share of capital. The Profit and Loss Account showed a credit

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balance of ₹ 12, 00,000 as on the date of admission of R. Give the necessary Journal entries to record the goodwill.

(Ans.: Dr. R's Capital A/c - ₹ 3,60,000; Cr. P's Capital A/c - ₹ 1,20,000 and Q's Capital A/c - ₹ 2,40,000)

- 34.** A and B are partners in a firm sharing profits in the ratio of 3:2. They admitted C as a new partner and fixed the new profit sharing ratio as 3:3:2. At the time of admission of C, Debtors and Provision for Doubtful Debts appeared at ₹ 1, 14,000 and ₹ 12,000 respectively. ₹ 9,000 of the debtors proved bad. A provision of 5% is to be created on Sundry Debtors for doubtful debts. Pass the necessary journal entries.

(Ans.: Dr. Bad Debts A/c - ₹ 9,000; Cr. Debtors A/c - ₹ 9,000; Dr. Provision for Doubtful Debts A/c - ₹ 9,000; Cr. Bad Debts A/c - ₹ 9,000; Dr. Revaluation A/c - ₹ 2,250; Cr. Provision for Doubtful Debts A/c - ₹ 2,250)

- 35.** Ramesh and Suresh are partners sharing profits in the ratio 5:3. They admitted Naresh for 1/5th profits, for which he paid ₹ 1, 20,000 against capital and ₹ 60,000 against goodwill. What will be the capital balance for each partner taking Naresh's capital as base capital?

(Ans.: R's Capital - ₹ 3,00,000; S's Capital - ₹ 1,80,000 and S's Capital - ₹ 1,20,000)

- 36.** P and Q are in partnership sharing profits and losses in the ratio of 3:2 admit R as a partner who contributes ₹ 25,000 as capital for 1/5th share. The capitals of P and Q after adjustments are ₹ 65,000 and ₹ 35,000 respectively. The capital accounts of old partners are to be adjusted on the basis of the proportion of R's capital to his share in the business. Calculate the amount of actual cash to be paid off or brought in by the old partners for the purpose.

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(Ans.: P withdraws ` 5,000 and Q brings ` 5,000)

37. Manav and Raghav are partners in a firm having capital balances of ` 2, 70,000 and ` 1, 80,000 respectively. They admit Arnav in partnership for 1/3rd share and Arnav is to bring proportionate amount of capital. What should be the capital amount of Arnav?

(Ans. ` 2,25,000)

38. Karan and Arjun are partners sharing profits in the ratio of 2:1 respectively. Karan's Capital is ` 2, 04,000 and Arjun's capital is ` 1, 46,000. They admit Nakul and agree to give him 1/5th share in future profit. Nakul brings ` 28,000 as his share of goodwill. He agrees to contribute capital in the new profit sharing ratio. How much capital will be brought by Nakul?

(Ans. ` 94,500)

39. Lalit and Kushal share profits and losses equally. They have ` 20,000 each as capital. They admit Sanjeev as equal partner and goodwill was valued at ` 30,000. Sanjeev is to bring in ` 30,000 as his capital and necessary cash towards his share of goodwill. If profit on revaluation is ` 13,000, find the closing capital balance.

(Ans.: Lalit's Capital - ` 31,500; Kushal's Capital - ` 31,500 and Sanjeev's Capital - ` 30,000)

40. P and Q are in partnership sharing profits and losses in the ratio of 3:2. They admit R as a partner who contributes ` 25,000 as capital for 1/5th share which he takes equally from P and Q. The capitals of P and Q after adjustments are ` 65,000 and ` 35,000 respectively. The capital accounts of old partners are to be adjusted on the basis of the proportion of

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R's capital to his share in the business. Calculate the amount of actual cash to be paid off or brought in by the old partners for the purpose.

(Ans.: P withdraws ` 2,500 and Q brings ` 2,500)

41. A and B were partners in a firm. They admitted C as a new partner for 20% share in the profits. After all adjustments regarding general reserve, goodwill, gain or loss on revaluation, the balances in capital accounts of A and B were ` 3,85,000 and ` 4,15,000 respectively. C brought proportionate capital so as to give him 20% share in the profits. Calculate the amount of capital to be brought by C.

(Ans.: ` 2,00,000)

6/8 Marks Questions

42. A and B are partners in a firm sharing profits and losses in the ratio of 5:3. On 31st March, 2018, their Balance Sheet was as under:

Liabilities		‘	Assets		‘
Creditors		50,000	Bank		29,000
Provident Fund		15,000	Debtors		1, 80,000
Workmen’s Compensation			Stock		1, 25,000
Reserve		40,000	Premises		1, 50,000
Capitals A/cs :			Advertisement Expenses		16,000
A	2, 60,000				
B	1, 35,000	3, 95,000			
		5, 00,000			5, 00,000

On 1st April, 2018, C is admitted as a partner. A surrenders $\frac{1}{4}$ th of his share and B $\frac{1}{3}$ rd of his share in favour of C. Goodwill is valued at ₹ 60,000. C brings his share of goodwill in cash and ₹ 50,000 as his capital. Following terms are agreed upon:

- i. Premises is to be increased to ` 2, 00,000 and stock by ` 5,000.

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- ii. Creditors proved at ₹ 60,000, one bill for goods purchased having been omitted from the books.
- iii. Outstanding rent amounted to ₹ 12,000 and prepaid salaries ₹ 2,000.
- iv. Liabilities on account of provident fund was only ₹ 10,000.
- v. A Bill Receivable of ₹ 15,000 discounted with bank was dishonoured but no entry was passed for the same.
- vi. Liabilities for Workmen's Compensation Claim was ₹ 16,000.

Prepare Revaluation A/c, Capital A/cs and the Opening Balance Sheet.

(Ans.: Revaluation Profit - ₹ 40,000; A's Capital A/c - ₹ 3,15,000, B's Capital A/c - ₹ 1,73,000, C's Capital A/c - ₹ 1,50,000, Bank A/c - ₹ 2,09,000; Balance Sheet Total - ₹ 7,36,000)

43. Surinder and Varinder were partners in a firm sharing profits in 5:3 ratio. They admitted Jatinder as a new partner for $\frac{1}{3}$ rd share in the profits. Jatinder was to contribute ₹ 40,000 as his capital. Their Balance Sheet as at 01-04-20018 was as follows:

Liabilities		₹	Assets		₹
Creditors		54,000	Land and Building		50,000
Capitals :			Machinery		60,000
Surinder	1, 00,000		Stock		30,000
Varinder	70,000	1, 70,000	Debtors		40,000
		32,000	Less: Provision for		
			Doubtful Debts		3,000
			Investments		40,000
			Cash		39,000
		2, 56,000			2, 56,000

Jatinder will bring ₹ 40,000 as his capital and the other terms agreed upon were:

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- i. Goodwill of the firm was valued at ` 24,000.
- ii. Land and Building were to be valued at ` 70,000 and Machinery at ` 50,000.
- iii. The Provision for Doubtful Debts was found to be in excess by ` 800.
- iv. A liability for ` 2,000 included in creditors was not likely to arise.
- v. The capitals of the partners be adjusted on the basis of Jatinder's contribution of the capital in the firm.
- vi. Excess or shortfall if any to be transferred to current accounts.

Pass necessary journal entries.

(Ans.: Revaluation Profit - ` 12,800; Surinder's Capital A/c - ` 1,33,000/50,000, Varinder's Capital A/c - ` 89,800/30,000, Jatinder's Capital A/c - ` 40,000, Bank A/c - ` 2,09,000; Balance Sheet Total - ` 3,14,800, Surinder's Current A/c – Cr. ` 83,000, Surinder's Current A/c – Cr. ` 59,800 Varinder's Current A/c – Dr. ` 8,000)

44. A, B and C are partners sharing profits and losses in the ratio of 2:3:5. On 31st March, 2018 their Balance Sheet was:

Liabilities	`	Assets	`
Capital A/cs:		Cash	18,000
A 36,000		Bills Receivable	14,000
B 44,000		Stock	44,000
C 52,000	1, 32,000	Debtors	52,000
Creditors	64,000	Machinery	80,000
Bills Payable	22,000	Goodwill	24,000
General Reserve	14,000		
	2, 32,000		2, 32,000

They decided to admit D into the partnership on the following terms:

- a. Machinery is overvalued by 25%.

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- b. A is to pay Bills Payable.
- c. Debtors amounting ` 12,000 are proved bad and remaining debtors require a provision of 5%.
- d. On 31st March, 2018 stock had cost of ` 50,000 but it was valued at the realizable value due to Prudence Principle. Now it is decided to value it at cost less 5%.
- e. D is to bring in ` 30,000 as capital for 2/5th share.
- f. Revalued goodwill is same as the purchased goodwill, so partners decide to let it continue to appear in the books.

Prepare Revaluation Account, Partners' Capital Accounts, Cash Account and Balance Sheet of the new firm.

(Ans.: Revaluation Profit - ` 26,500; A's Capital A/c - ` 55,500, B's Capital A/c - ` 40,250, C's Capital A/c - ` 45,750, D's Capital A/c - ` 30,000; Balance Sheet Total - ` 2,35,500)

45. The Balance Sheet of E and F who share profits and losses in the ratio of 3:2, at 31st March, 2018 was as follows:

Liabilities	`	Assets	`
Creditors	21,600	Cash at Bank	12,000
Workmen's Compensation Fund	14,400	Debtors	78,000
Employees' Provident Fund	12,000	Less : Provision	6,000
General Reserve	24,000	Stock	36,000
E's Capital	1, 00,800	Investments	60,000
F's Capital	67,200	Patents	12,000
		Goodwill	48,000
	2, 40,000		2, 40,000

They decided to admit G on that date for 1/4th share on the following terms:

- i. New Profit Sharing Ratio will be 6:9:5. G brings in ` 49,800 as his capital.
- ii. Goodwill of the firm is to be valued at 4 years' purchase of the average profits of the last three years. Average profits of the last three years are ` 54,000. G brings in ` 14,400 cash out of his share of goodwill.
- iii. 20% of General Reserve to be transferred to Provision for Doubtful Debts.

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- iv. Annual insurance premium amounting ` 6,000 was paid on 1st November, 2017 but full amount was debited in the Profit and Loss Account.
- v. A debtors whose dues of ` 6,000 were written off as bad debts two years back, paid ` 4,800 in full settlement.
- vi. A claim of ` 3,600 on account of workmen's compensation to be provided for.
- vii. Half of investments are to be taken over by old partners in their profit sharing ratio and remaining valued at ` 24,000.

Prepare the Revaluation Account, Capital Accounts of the Partners and the Balance Sheet of the new Firm.

(Ans.: Revaluation Profit - ` 2,300, ; E's Capital A/c - ` 1,38,180, F's Capital A/c- ` 38,120, G's Capital A/c - ` 49,800; Balance Sheet Total - ` 2,63,300; Bank A/c - ` 81,000; G's Current A/c - ` 39,600)

46. P, Q and R are partners sharing profits and losses in the ratio of 2:3:5. Their Balance Sheet was as follows:

Liabilities	`	Assets	`
P's Capital	21,600	Cash	10,800
Q's Capital	26,400	Bills Receivable	14,400
R's Capital	31,200	Furniture	16,800
Creditors	38,400	Stock	26,400
Employees' Provident Fund	19,200	Debtors	25,200
Workmen Compensation Fund	8,400	Investment	19,200
		Machinery	20,400
		Goodwill	12,000
	1, 45,200		1, 45,200

They admit S into partnership on the following terms:

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- (a) Furniture, Investment and Machinery to be depreciated by 15%.
- (b) Stock is revalued at ` 28,800.
- (c) Goodwill to be valued at ` 14,400 and S brings his share in cash.
- (d) Outstanding Rent amounted to ` 1,080 and Prepaid Salaries ` 480.
- (f) S to bring ` 19,200 towards capital for 1/6th share and partners to readjust their capital accounts on the basis of their profit sharing ratio.
- (g) Adjustment of capitals to be made by cash.

Prepare Revaluation Account, Partners' Capital Accounts. Cash Account and Opening Balance Sheet of the new firm.

(Ans.: Revaluation Loss - ` 6,660, ; P's Capital A/c - ` 19,200, Q's Capital A/c- ` 28,800, R's Capital A/c - ` 48,000, S's Capital A/c - ` 19,200; Balance Sheet Total - ` 1,73,880; Cash A/c - ` 57,060; P withdraws ` 828, Q brings ` 4,758 and R brings ` 20,730)

47. D and E were partners in a firm sharing profits in the ratio of 3:1. They admitted F as a new partner for 3/8th share in the profits. The new profit-sharing ratio will be 3:2:3. F brought ` 1, 20,000 for his capital and ` 30,000 for his share of premium for goodwill. On the date of C's admission, the Balance Sheet of D and E was:

Liabilities	`	Assets	`
Creditors	36,000	Cash	54,000
Bills Payable	12,000	Debtors	48,000
Capital A/cs:		Stock	90,000
D	2, 40,000	Furniture	30,000
E	60,000	Machinery	1, 26,000

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	3, 48,000		3, 48,000
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It was agreed that

- (i) Stock to be valued at ` 1, 20,000.
- (ii) Machinery will be depreciated by 12% and Furniture by ` 1,200.
- (iii) A Provision of 5% for Doubtful Debts will be made on Debtors.
- (iv) The Capital Accounts of all the partners were adjusted in the new profit-sharing ratio after admission. For surplus or deficiency, the Current Accounts were to be opened.

Prepare the Revaluation Account, Partners' Capital Accounts and the Balance Sheet of the new firm.

(Ans.: Revaluation Profit - ` 11,280; D's Capital A/c - ` 1,20,000, E's Capital A/c- ` 80,000, F's Capital A/c - ` 1,20,000; Balance Sheet Total - ` 5,36,460; E's Current A/c Dr. - ` 27,180)

48. X and Y were partners in a firm sharing profits in the ratio of 11: 4. Z was admitted as a new partner for 1/5th share in the profits on 1st April, 2018. The Balance Sheet of X and Y as at 31st March 2018 was as follows:

Liabilities	`	Assets	`
Creditors	15,000	Bank	17,000
Bills Payable	30,000	Stock	29,000
Employees Provident Fund	20,000	Debtors	30,000
Workmen's Compensation Fund	1, 60,000	<i>Less : Provision</i>	1,000
Capital A/cs:		Plant	3, 00,000
X	20, 00,000	Land	10, 00,000
Y	5, 50,000	Building	14, 00,000
	25, 50,000		27, 75,000
	27, 75,000		27, 75,000

It was agreed that:

Admission of a Partner

- i. Z to bring capital to the extent of 1/5th of the total capital of the new firm and ` 1, 50,000 for his share of Goodwill, half of which was withdrawn by X and Y.
- ii. Building and Plant were to be depreciated by 20%.
- iii. Provision for Bad Debts was to be increased by ` 200.
- iv. Claim on account of workmen's compensation is ` 10,000.

Prepare the Revaluation Account, Partners' Capital Accounts and the Balance Sheet of the new firm.

(Ans.: Revaluation Loss - ` 3,40,200; X's Capital A/c - ` 19,15,520, Y's Capital A/c - ` 5,19,280, Z brings ` 6,08,700; Balance Sheet Total - ` 31,18,500; Bank A/c - ` 7,00,700)

49. A and B are partners in a firm sharing profits and losses in the ratio of 3:2. On 31st March, 2018, their Balance Sheet was as under:

Liabilities		、	Assets	、
Creditors		50,000	Bank	29,000
Provident Fund		15,000	Debtors	1, 80,000
Workmen's Compensation			Stock	1, 25,000
Reserve		40,000	Premises	1, 50,000
Capitals A/cs :			Advertisement Expenditure	16,000
A	2, 60,000			
B	1, 35,000	3, 95,000		
		5, 00,000		5, 00,000

On 1st April, 2018, C is admitted as a partner for $\frac{1}{4}$ th share. Goodwill is valued at ` 1, 60,000. C brings his share of goodwill in cash.

1. Premises is to be increased to ` 2, 00,000 and stock by ` 5,000.

Admission of a Partner

2. Creditors proved at ` 60,000, one bill for goods purchased having been omitted from the books.
3. Outstanding rent amounted to ` 12,000 and prepaid salaries ` 2,000.
4. Liabilities on account of provident fund was only ` 10,000.
5. Liabilities for Workmen's Compensation Claim was ` 16,000.

Total capital of the new firm is fixed at ` 10,00,000 to be contributed in the profit sharing ratio, necessary adjustments to be made through cash. Prepare Revaluation A/c, Capital A/cs and the Opening Balance Sheet.

(Ans.: Revaluation Profit - ` 40,000; A's Capital A/c - ` 4,50,000, B's Capital A/c- ` 3,00,000 C's Capital A/c - ` 2,50,000, Bank A/c - ` 5,86,000; Balance Sheet Total - ` 10,98,000, A brings ` 1,37,200 and B brings ` 1,29,800)

FILL IN THE BLANKS QUESTIONS

Q. 1 Complete the following Accounts and Balance Sheet by filling the missing amounts at the time of admission of C:

REVALUATION ACCOUNT

Dr.

Cr.

Particulars	`	Particulars	`
To Bad Debts A/c	2,000	By Land and Building A/c	1,10,000
To Provision for Doubtful Debts A/c	7,500	By Sundry Creditors A/c	?
To Stock A/c	10,000		
To Plant and Machinery A/c	10,000		
To Gain (Profit) transferred to A's Capital A/c B's Capital A/c	? ?		

Admission of a Partner

	?		?
--	---	--	---

PARTNERS' CAPITAL ACCOUNTS

Dr.

Cr.

Particulars	A 、	B 、	C 、	Particulars	A 、	B 、	C 、
To Balance c/d	10,80,000	7,20,000	4,50,000	By Balance b/d	?	?	
				By Revaluation A/c (Gain)	52,500	35,000	
				By Bank A/c			4,50,000
				By C's Current A/c	60,000	40,000	
				By Bank A/c (Deficit)	5,07,500	3,05,000	
	10,80,000	7,20,000	4,50,000		10,80,000	7,20,000	4,50,000

BALANCE SHEET (After admission of C) as at...

Liabilities	、	Assets	、
Capital A/cs:		Land and Building	4,10,000
A	10,80,000	Plant and Machinery	3,40,000
B	7,20,000	Stock	18,000
C	4,50,000	Debtors	1,60,000
Sundry Creditors		Less: Bad Debts	10,000
Bills Payable	?		1,50,000
		Less: Provision for Doubtful Debts	?
		C's Current Account	?
		Cash at Bank	13,82,500
	?		?

(Ans.: Revaluation Gain - ` 87,500; Opening Balance A - ` 4,60,000, B's Capital A/c - ` 3,40,000,; Balance Sheet Total - ` 23,93,000)

Q. 2 Complete the following Accounts and Balance Sheet by filling the missing amounts at the time of admission of Z:

Admission of a Partner

REVALUATION ACCOUNT

Dr.

Cr.

Particulars	、	Particulars	、
To Machinery A/c	?	By Land and Building A/c	?
To Stock A/c	?	By Loss transferred to X's Capital A/c 30,000 Y's Capital A/c 20,000	50,000
To Provision for Doubtful Debts A/c	20,000		
To Salary Outstanding A/c	50,000		
	3,50,000		3,50,000

PARTNERS' CAPITAL ACCOUNTS

Dr.

Cr.

Particulars	X 、	Y 、	Z 、	Particulars	X 、	Y 、	Z 、
To Revaluation A/c	?	?		By Balance b/d	?	?	
To Balance c/d	?	?	?	By Premium for Goodwill A/c	1,20,000	80,000	
				By Bank A/c			?
	?	?	?		?	?	12,00,000

BALANCE SHEET OF RECONSTITUTED FIRM as on....

Liabilities	、	Assets	、
Capital A/cs:		Land and Building (` 10,00,000 + ` 3,00,000)	13,00,000
X 18,90,000		Machinery (` 8,00,000 -- ` 80,000)	7,20,000
Y 7,60,000		Stock (` 10,00,000 -- ` 2,00,000)	8,00,000
Z 12,00,000	38,50,000	Debtors 4,00,000	

Admission of a Partner

Creditors	5,00,000	Less: Provision for Doubtful Debts ?	?
Bills Payable	?	Bank	15,00,000
Outstanding Expenses	1,50,000		
	?		?

(Ans.: Closing Balance X's Capital A/c - ` 18,90,000, Y's Capital A/c- ` 7,60,000, Z's Capital A/c- ` 12,00,000,; Balance Sheet Total - ` 47,00,000)