ACCOUNTS

NCERT - NCERT ACCOUNTS(HINGLISH)

RECONSTITUTION OF A PARTNERSHIP FIRMADMISSION OF A PARTNER

Illustration

1. Anil and Vishal are partners sharing profits in the ratio of 3:2. They admitted Sumit as a new partner for $1/5$ share in the future profits of the firm. Calculate new profit sharing ratio of Anil. Vishal and Sumit.

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2. Akshay and Bharati are partners sharing profits in the ratio of 3:2. They admit Dinesh as a new partner for $1/5$ th share in the future profits of the firm which he gets equally from Akshey and Bharati. Calculate new profits sharing ratio of Akshay, Bharati and Dinesh.

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3. Anshu and Nitu are partners sharing profits in the ratio of 3:2. They admitted Jyoti as a new partner for $3/10$ share which she acquired $2/10$ from Anshu and $1/10$ from Nitu. Calculate the new profit sharing ratio of Anshu, Nitu and Jyoti.

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4. Ram and Shyam are partners in a firm sharing profits in the ratio of 3:2. They admit Ghanshyam as a new partner. Ram surrenders $1/4$ of his share and Shyam $1/3$ of his share in favour of Ghanshyam. Calculate new profit sharing ratio of Ram. Shyam and Ghanshyam.

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5. Das and Sinha are partners in a firm sharing profits in 4:1 ratio. They admitted Pal as a new partner for 1/4 share in the profits, which he acquired wholly from Das. Determine the new profit sharing ratio of the partners.

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6. Rohit and Mohit are partners in a firm sharing profits in the ratio of 5:3. They admit Bijoy as a new partner for 1/7 share in the profit. The new profit sharing ratio will be 4:2:1. Calculate the sacrificing ratio of Rohit and Mohit.

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7. Amar and Bahadur are partners in a firm sharing profits in the ratio of 3:2. They admitted Mary as a new partner for 1/4 share. The new profit sharing ratio between Amar and Bahadur will be 2:1. Calculate their sacrificing ratio.

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8. Ramesh and Suresh are partners in a firm sharing profits in the ratio of 4:3. They admitted Mohan as a new partner. The profit sharing ratio of Ramesh, Suresh and Mohan will be 2:3:1. Calculate the gain or sacrifice of old partner.

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9. The profit for the five years of a firm are as follows – year 2013 Rs. 4,00,000, year 2014 Rs.

3,98,000, year 2015 Rs. 4,50,000, year 2016 Rs. 4,45,000 and year 2017 Rs. 5,00,000. Calculate goodwill of the firm on the basis of 4 years purchase of 5 years average profits.

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10. The profits of firm for the five years are as follows:

$Year$	$Profit(Rs.)$
$2012-13$	20000
$2013-14$	24000
$2014-15$	30000
$2015-16$	25000
$2016-17$	18000

Calculate the value of goodwill on the basis of three years' purchase of weighted average profits based on weights 1,2,3,4 and 5 respectively.

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11. Calculate goodwill of a firm on the basis of three year' purchase of the weighted average profits of the last four years. The profit of the last four years were: 2012 Rs. 20,200, 2013 Rs. 24,800, 2014 Rs. 20,000 and 2015 Rs. 30,000.

The weights assigned to each year are : 2012 – 1, 2013 – 2, 2014 – 3 and 2015 – 4. You are supplied the following information:

1. On September 1, 2014 a major plant repair was undertaken for Rs. 6,000, which was charged to revenue. The said sum is to be capitalised for goodwill calculation subject to adjustment of depreciation of 10% p.a. on reducing balance method.

2. The Closing Stock for the year 2013 was overvalued by Rs. 2,400.

3. To cover management cost an annual

charge of Rs. 4,800 should be made for purpose of goodwill valuation.

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12. The books of a business showed that the capital employed on December 31, 2015, Rs. 5,00,000 and the profits for the last five years were: 2010– Rs. 40,000: 2012-Rs. 50,000, 2013-Rs. 55,000, 2014-Rs.70,000 and 2015-Rs. 85,000. You are required to find out the value of goodwill based on 3 years purchase of the super profits of the business, given that the normal rate of return is 10%.

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13. The capital of the firm of Anu and Benu is Rs. 1,00,000 and the market rate of interest is 15%. Annual salary to partners is Rs. 6,000 each. The profits for the last 3 years were Rs. 30,000, Rs. 36,000 and Rs. 42,000. Goodwill is to be valued at 2 years purchase of the last 3 years' average super profits. Calculate the goodwill of the firm.

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14. A business has earned average profits of Rs. 1,00,000 during the last few years and the normal rate of return in a similar business is 10%. Ascertain the value of goodwill by capitalisation average profits method, given that the value of net assets of the business is Rs. 8,20,000.

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15. 1. The goodwill of a firm is to be worked out at three years' purchase of the average profits of the last five years which are as follows:

Year	Profits(Loss)(Rs)
2012	10000
2013	15000
2014	4000
2015	(5000)
2016	6000

2. The capital employed of the firm is Rs. 1,00,000 and normal rate of return is 8%, the average profits for last 5 years are Rs. 12,000 and goodwill is to be worked out at 3 years'

purchase of super profits,

3. Rama Brothers earn an average profit of Rs. 30,000 with a capital of Rs. 2,00,000. The normal rate of return in the business is 10%. Using capitalisation of super profits method work out the value the goodwill of the firm.

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16. Sunil and Dalip are partners in a firm sharing profits and losses in the ratio of 5:3. Sachin is admitted in the firm for 1/5 share of profits. He is to bring in Rs. 20,000 as capital and Rs. 4,000 as his share of goodwill. Give the necessary journal entries,

(a) When the amount of goodwill is retained in the business.

(b) When the amount of goodwill is fully withdrawn.

(c) When 50% of the amount of goodwill is fully withdrawn.

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17. Vijay and Sanjay are partners in a firm sharing profits and losses in the ratio of 3:2. They decide to admit Ajay into partnership with 1/4 share in profits. Ajay brings in Rs. 30,000 for capital and the requisite amount of premium in cash. The goodwill of the firm is valued at Rs. 20,000. The new profit sharing ratio is 2:1:1. Vijay and Sanjay withdraw their share of goodwill. Give necessary journal entries

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18. Srikant and Raman are partners in a firm sharing profits and losses in the ratio of 3:2. They decide to admit Venkat into partnership with 1/3 share in the profits. Venkat brings in Rs 30,000 as his capital. He also promises to bring in the necessary amount for his share of goodwill. On the date of admission, the goodwill has been valued at Rs 24,000 and the goodwill account already appears in the books at Rs 12,000. Venkat brings in the necessary amount for his share of goodwill and agrees that the existing goodwill account be written off. Record the necessary journal entries in the books of the firm.

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19. Ahuja and Barua are partners in a firm sharing profits and losses in the ratio of 3:2. They decide to admit Chaudhary into partnership for 1/5 share of profits, which he acquires equally from Ahuja and Barua. Goodwill is valued at Rs. 30,000. Chaudhary brings in Rs. 16,000 as his capital but is not in a position to bring any amount for goodwill. No goodwill account exists in books of the firm. Goodwill account is to be raised at full value. Record the necessary journal entries.

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20. Ram and Rahim are partners in a firm sharing profits and losses in the ratio of 3:2. Rahul is admitted into partnership for 1/3 share in profits. He brings in Rs. 10,000 as capital, but is not in a position to bring any amount for his share of goodwill which has been valued at Rs. 30,000. Give necessary journal entries under each of the following situations:

(a) When there is no goodwill appearing in the books of the firm,

(b) When the goodwill appears at Rs 15,000 in the books of the firm, and

(c) When the goodwill appears at Rs. 36,000 in the books of the firm.

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21. A and B are partners sharing profits and losses equally. They admit C into partnership and the new ratio is fixed as 4:3:2. C is unable to bring anything for goodwill but brings Rs 25,000 as capital. Goodwill of the firm is valued at Rs 18,000. Give the necessary journal entries assuming that the partners do not want goodwill to appear in the Balance Sheet.

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22. Hem and Nem are partners in a firm sharing profits in the ratio of 3:2. Their capitals were Rs. 80,000 and Rs. 50,000 respectively. They admitted Sam on Jan. 1, 2017 as a new partner for 1/5 share in the future profits. Sam brought Rs. 60,000 as his capital. Calculate the value of goodwill of the firm and record necessary journal entries on Sam's admission.

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23. Rajinder and Surinder are partners in a firm sharing profits in the ratio of 4:1. On April 15, 2017 they admit Narender as a new partner. On that date there was a balance of Rs. 20,000 in general reserve and a debit balance of Rs. 10,000 in the profit and loss account of the firm. Pass necessary journal entries regarding adjustment of a accumulate a profit or loss.

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24. Following in Balance Sheet of A and B who share profits in the ratio of 3:2.

Balance Sheet of A and B as on April 1, 2015

Liabilities		Amount (Rs.)	Assets	Amount (Rs.)
Sundry creditors		20,000	Cash in hand	3,000
Captials			Debtors	12,000
A	30,000		Stock	15,000
B	20,000	50,000	Furniture	10,000
			Plant and Machinery	30,000
		70,000		**70,000**

On that date C is admitted into the partnership on the following terms: 1. C is to bring in Rs. 15,000 as capital and Rs. 5,000 as premium for goodwill for $\frac{1}{6}$ share.

2. The value of stock is reduced by 10% while plant and machinery is appreciated by 10%.

3. Furniture is revalued at Rs. 9,000.

4. A provision for doubtful debts is to be

created on sundry debtors at 5% and Rs. 200 is to be provided for an electricity bill.

5. Investment worth Rs. 1,000 (not mentioned in the balance sheet) is to be taken into account.

6. A creditor of Rs. 100 is not likely to claim his money and is to be written off. Record journal entries and prepare revaluation account and capital account of partners.

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25. Given below is the Balance Sheet of A and B, who are carrying on partnership business as on March 31,2017. A and B share profits in the ratio of 2:1.

Balance Sheet of A and B as at March 31, 2017

Liabilities		*Amount (Rs.)*	*Assets*	*Amount (Rs.)*
Bills Payable		10,000	Cash in hand	10,000
Sundry creditors		58,000	Cast at bank	40,000
Outstanding expenses		2,000	Sundry debtors	60,000
Capitals			Stock	40,000
A	1,80,000		Plant and machinery	1,00,000
B	1,50,000	3,30,000	Building	1,50,000
		4,00,000		**4,00,000**

C is admitted as a partner on the date of the balance sheet on the following terms:

1. C will bring in Rs 1,00,000 as his capital and Rs 60,000 as his share of goodwill for 1/4 share in profits.

2. Plant is to be appreciated to Rs 1,20,000 and the value of buildings is to be appreciated by 10%.

3. Stock is found overvalued by Rs 4,000.

4. A provision for doubtful debts is to be created at 5% of debtors.

5. Creditors were unrecorded to the extend of Rs 1,000. Record revaluation Account, partners' capital accounts, and the Balance Sheet of the constituted firm after admission of the new partner.

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26. A and B are partners sharing profits in the ratio of 2:1. C is admitted into the firm for 1/4 share of profits. C brings in Rs. 20,000 in respect of his capital. The capitals of old partners A and B, after all adjustments relating to goodwill, revaluation of assets and liabilities, etc., are Rs. 45,000 and Rs. 15,000 respectively. It is agreed that partners' capitals should be according to the new profit sharing ratio. Determine the new capitals of A and B and record the necessary journal entries assuming that the partner whose capital falls short, brings in the amount of deficiency and the partner who has an excess, withdraws the excess amount.

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27. A, B and C are partners in a firm sharing profits the ratio of 3:2:1. D is admitted into the firm for 1/4 share in profits, which he gets as 1/8 from A and 1/8 from B. The total capital of the firm is agreed upon as Rs. 1,20,000 and D is to bring in cash equivalent to 1/4 of this amount as his capital. The capitals of other partners are also to be adjusted in the ratio of their respective shares in profits. The capitals of A, B and C after all adjustments are Rs. 40,000, Rs. 35,000 and Rs. 30,000 respectively. Calculate the new capitals of A,B and C, and record the necessary journal entries

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28. A and B are partners in a firm sharing profits in the ratio 2:1. C is admitted into the firm with 1/4 share in profits. He will bring in Rs. 30,000 as capital and capitals of A and B are to be adjusted in the profit sharing ratio. The Balance Sheet of A and B as on March 31, 2017 (before C's admission) was as under:

Balance Sheet of A and B as at March 31,2017

Liabilities		Amount (Rs.)	Assets	Amount (Rs.)
Creditors		8,000	Cash in hand	2,000
Bills payable		4,000	Cash at bank	10,000
General Reserve		6,000	Sundry debtors	8,000
Capitals: A	50,000		Stock	10,000
B	32,000	82.,000	Furniture	5,000
			Machinery	25,000
			Building	40,000
		1,00,000		1,00,000

Other terms of agreement are as under:

1. C will bring in Rs. 12,000 as his share of goodwill.

2. Building was valued at Rs. 45,000 and Machinery at Rs. 23,000.

3. A provision for bad debts is to be created @ 6% on debtors.

4. The capital accounts of A and B are to be adjusted by opening current accounts. Record necessary journal entries, show necessary ledger accounts and prepare fund's Balance Sheet after C's admission.

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29. The Balance Sheet of W and R who shared profits in the ratio of 3 : 2 was as follows on

January. 01, 2015.

Balance Sheet of W and R as on Jan. 01, 2015

Liabilities		Amount (Rs.)	Assets		Amount (Rs.)
Sundry Creditors		20,000	Cash in hand		5,000
Partner's Capital			Sundry Debtors	20,000	
W	40,000		Less: Provision for doubtful debts	700	19,300
R	30,000	70,000	Stock		25,000
			Plant and Machinery		35,000
			Patents		5,700
		90,000			90,000

On this date B was admitted as a partner on the following conditions: ltbegt 1. He was to get 4/15 share of profit.

2. He had to bring in Rs 30,000 as his capital.

3. He would pay cash for goodwill which would be based on $2^{½}$ years purchase of the profits of the past four years.

4. W and R would withdraw half the amount of goodwill premium brought by B.

5. The assets would be revalued as: Sundry Debtors at book value less a provision of 5%, Stock at Rs 20,000, Plant and Machinery at Rs 40,000, and Patents at Rs 12,000.

6. Liabilities were valued at Rs 23,000, one bill for goods purchased having been omitted from books.

7. Profit for the past four years were :

Profit for the past four years were:

2011	15000	2013	14000
2012	20000	2014	17000

Given necessary journal entries and ledger accounts to record the above, and prepare the Balance Sheet after B's admission.

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30. Dinesh, Ramesh and Suresh are partners in a firm sharing profits and losses in the ratio of 3:3:2. They decided to share the profits equally w.e.f. April 1, 2015. Their Balance Sheet as on March 31, 2016 was as follows :

Liabilities		*Amount Rs.*	*Assets*	*Amount Rs.*
Sundry Creditors		1,50,000	Cash at Bank	40,000
General Reserve		80,000	Bills Receivable	50,000
Partner's Loan :			Sundry Debtors	60,000
Dinesh	40,000		Stock	1,20,000
Ramesh	30,000	70,000	Fixed Assets	2,80,000
Partners Capital :				
Dinesh	1,00,000			
Ramesh	80,000			
Suresh	70,000	2,50,000		
		5,50,000		5,50,000

It was also decide that :

1. The fixed assets should be valued at Rs.

3,31,000.

2. A provisions of 5% on sundry debtors be made doubtful debts.

3. The goodwill of the firm at this date be valued at 4½ years purchase of the average net profits of last, five years which were Rs. 14,000, Rs. 17,000, Rs. 20,000, Rs. 22,000 and Rs. 27,000 respectively.

4. The value of stock be reduced to Rs. 1,12,000.

5. Goodwill was not to appear in the books. Pass the necessary journal entries and prepare the revised Balance sheet of the firm.

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Test Your Understanding I

1. A and B are partners sharing profits in the ratio of 3:1. They admit C for 1/4 share in the future profits. The new profit sharing ratio will be:

A. $A\frac{9}{16}, B\frac{3}{16}, C\frac{4}{16}$

B. $A\frac{8}{16}, B\frac{4}{16}, C\frac{4}{16}$

C. $A\frac{10}{16}, B\frac{2}{16}, C\frac{4}{16}$

D. $A\frac{8}{16}, B\frac{9}{16}, C\frac{10}{16}$

Answer: A

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2. X and Y share profits in the ratio of 3:2. Z wad admitted as a partner who sets 1/5 share. New profits sharing ratio, if Z acquires, if Z acquires 3/20 from X and 1/20 from Y would be:

A. $9:7:4$

B. $8 : 8 : 4$

C. $6 : 10 : 4$

D. $10 : 6 : 4$

Answer: A

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3. A and B share profits and lossess in the ratio of $3 : 1 :, C$ is admitted into partnership for $1/4$ share. The sacrificing ratio of A and B is:

A. equal

B. $3:1$

C. $2:1$

D. $3:2$

Answer: B

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Test Your Understanding Ii

1. At the time of admission of a new partner, general reserve appearing in the old balance sheet is transferred to:

Option1 all partner's capital account

Option2 new partner's capital account

Option3 old partner's capital account

Option4 none of the above

A. all partner's capital account

B. new partner's capital account

C. old partner's capital account

D. none of the above

Answer: C

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2. Asha and Nisha are partner's sharing profit in the ratio of 2:1. Asha's son Ashish was admitted for $1/4$ share of which $1/8$ was gifted by Asha to her son. Rs. 40,000. How much of the goodwill will be credited to the old partner's capital account.

A. Rs. 2,500 each

B. Rs. 5,000 each

C. Rs. 20,000 each

D. None of the above

Answer: B

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3. A,B and C are partner's in a firm. If D is admitted as a new partner:

A. old firm is dissolved

B. old firm and old partnership is dissolved

C. old partnership is reconstituted

D. None of the above

Answer: C

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4. On the admission of a new partner increase in the value of assets is debited to:

A. Profit and Loss Adjustment account

B. Assets account

C. old partner's capital account

D. None of the above

Answer: B

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5. At the time of admission of a partner, undistributed profits appearing in the balance sheet of the old firm is transferred to the capital account of:

A. old partners in old profit sharing ratio

B. old partners in new profit sharing ratio

C. all the partner in the new profit sharing ratio

D. None of the above

Answer: B

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Short Answer Questions

1. Identify various matters that need adjustments at the time of admission of a new partner.

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2. Why it is necessary to ascertain new profit sharing ratio even for old partners when a new partner is admitted?

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3. What is sacrificing ratio? Why is it calculated?

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4. On what occasions sacrifing ratio is used?

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5. 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?

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

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Long Answer Question

1. Do you advise that assets and liabilities must be revalued at the time of admission of a partner? If so, why? Also describe how is this treated in the book of account?

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2. What is goodwill? What factors affect goodwill?

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3. Explain various methods of valuation of goodwill.

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4. If it is agreed that the capital of all the partners should be proportionate to the new profit sharing ratio, how will you work out the new capital of each partner? Give examples and state how necessary adjustments will be made.

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5. Explain how will you deal with goodwill when new partner is not in a position to bring his share of goodwill in cash.

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6. Explain various methods for the treatment of goodwill on the admission of a new partner?

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7. How will you deal with the accumulated profits and losses and reserves on the admission of a new partner?

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8. At what figures the value of assets and liabilities appear in the books of the firm after revaluation has been due. Show with the help of an imaginary balance sheet.

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Numerical Questions

1. A and B were partners in a firm sharing profits and losses in the ratio of 3:2. They admit C into the partnership with 1/6 share in the profits. Calculate the new profit sharing ratio?

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2. A,B,C were partners in a firm sharing profits in 3:2:1 ratio. They admitted D for 10% profits. Calculate the new profit sharing ratio?

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3. X and Y are partners sharing profits in 5:3 ratio admitted Z for 1/10 share which he acquired equally for X and Y. Calculate new profit sharing ratio?

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4. A,B and C are partners sharing profits in 2:2:1 ratio admitted D for $1/7$ share which he acquired entirely from A. Calculate new profit sharing ratio?

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5. P and Q are partners sharing profits in 2:1 ratio. They admitted R into partnership giving him $1/5$ share which he acquired from P and Q in 1:2 ratio. Calculate new profit sharing ratio?

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6. A,B and C are partners sharing profits in 3:2:2 ratio. They admitted D as a new partner

for $1/5$ share which he acquired from A,B and C in 2:2:1 ratio respectively. Calculare new profit sharing ratio?

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7. A and B were partners in a firm sharing profits in 3:2 ratio. They admitted C for $3/7$ share which he took $2/7$ from A and $1/7$ from B. Calculate new profit sharing ratio?

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8. A,B and C were partners in a firm sharing profits in 3:3:2 ratio. They admitted D as a new partner for $4/7$ profit D acquired his share $2/7$ from A. $1/7$ from B and $1/7$ from C. Calculate new profit sharing ratio?

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9. Radha and Rukmani are partners in a firm sharing profits in 3:2 ratio. They admitted Gopi as a new partner. Radha surrendered $1/3$ of her share in favour of Gopi and Rukmani surrendered $1/4$ of her share in favour of Gopi. Calculate new profit sharing ratio?

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10. Singh, Gupta and Khan are partners in a firm sharing profits in 3:2:3 ratio. They admitted Jain as a new partner. Singh surrendered $1/3$ of his share in favour of Jain: Gupta surrendered $1/4$ of his share in favour of Jain and Khan surrendered $1/5$ in favour of Jain. Calculate new profit sharing ratio?

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11. Sandeep and Navdeep are partners in a firm sharing profits in 5:3 ratio. They admit C into the firm and the new profit sharing ratio was agreed at 4:2:1. Calculate the sacrificing ratio?

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12. Rao and Swami are partners in a firm sharing profits and losses in 3:2 ratio. They admit Ravi as a new partner for $1/8$ share in the profits. The new profit sharing ratio between Rao and Swami is 4:3. Calculate new profit sharing ratio and sacrificing ratio?

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13. Compute the value of goodwill on the basis of four years purchase of the average profits based on the last five years? The profits for the last five years were as follows:

	Rs.
2013	40000
2014	50000
2015	60000
2016	50000
2017	60000

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14. Capital employed in a business is Rs. 2,00,000. The normal rate of return on capital employed is 15%. During the year 2015 the firm earned a profit of Rs. 48,000. Calculate goowdill on the basis of 3 years purchase of super profitgt

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15. The books of Ram and Bharti showed that the capital employed on 31.12.2016 was Rs. 5,00,000 and the profits for the last 5 years: 2015 Rs. 40,000, 2014 Rs.50,000, 2013 Rs. 55,000, 2012 Rs. 70,000 and 2011 Rs. 85,000. Calculate the value of goodwill on the basis of 3 year purchase of the average super profits of the last 5 years assuming that the normal rate of return is 10%.

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16. Rajan and Rajani are partners in a firm. Their capitals were Rajan Rs. 3,00,000, Rajani Rs. 2,00,000. During the year 2015 the firm earned a profit of Rs. 1,50,000. Calculate the value of goodwill of the firm assuming that the normal rate of return is 20%?

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17. A business has earned average profits of Rs. 1,00,000 during the last few years. Find out the value of goodwill by capitalisation method, given that the assets of the business are Rs. 10,00,000 and its external liabilities are Rs. 1,80,000. The normal rate of return is 10%?

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18. Verma and Sharma are partners in a firm sharing profits and losses in the ratio of 5:3.

They admitted Ghosh as a new partner for $1/5$ share of profits. Ghosh is to bring in Rs. 20,000 as capital and Rs. 4,000 as his share of goodwill premium. Give the necessary journal entries:

(a) When the amount of goodwill is retained in the business.

(b) When the amount of goodwill is fully withdrawn.

(c) When 50% of the amount of goodwill is withdrawn.

(d) When goodwill is paid privately.

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19. A and B are partners in a firm sharing profits and lossess 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 withdrawn their share of goodwill. Give necessary jounral entries?

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20. 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?

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21. 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?

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22. 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?

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23. Amar and Samar were partners in a firm sharing profits and losses in 3:1 ratio. They admitted Kanwar for 1/4 share of profits. Kanwar could not bring his share of goodwill premium in cash. The Goodwill of the firm was valued at Rs. 80,000 on Kanwar's admission. Record necessary journal entry for goodwill on Kanwar's admission.

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24. Mohan Lal and Sohan Lal were partners in a firm sharing profits and losses in 3:2 ratio. They admitted Ram Lal for 1/4 share on 1.1.2013. It was agreed that goodwill of the firm will be valued at 3 years purchase of the average profits of last 4 years which were Rs. 50,000 for 2013, Rs. 60,000 for 2014, Rs. 90,000 for 2015 and Rs. 70,000 for 2016. Ram Lal did not bring his share of goodwill premium in cash. Record the necessary journal entries in the books of the firm on Ram Lal's admission when:

(a) Goodwill already appears in the books at Rs. 2,02,500.

(b) Goodwill appears in the books at Rs. 2,500.

(c) Goodwill appears in the books at Rs. 2,05,000.

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25. Rajesh and Mukesh are equal partners in a firm. They admit Hari into partnership and the new profit sharing ratio between Rajesh, Mukesh and Hari is 4:3:2. On Hari's admission goodwill of the firm is valued at Rs. 36,000. Hari is unable to bring his share of goodwill premium in cash. Rajesh, Mukesh and Hari decided not to show goodwill in their balance sheet. Record necessary journal entries for the treatment of goodwill on Hari's admission

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26. Amar and Akbar are equal partners in a firm. They admitted Anthony as a new partner and the new profit sharing ratio is 4:3:2.

Anthony could not bring this share of goodwill Rs. 45,000 in cash. It is decided to do adjustment for goodwill without opening goodwill account. Pass the necessary journal entry for the treatment of goodwill?

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27. Given below is the Balance Sheet of A and B, who are carrying on partnership business on 31.12.2016. A and B share profits and losses in the ratio of 2:1.

Balance Sheet of A and B as on December 31, 2016

Liabilities		Amount (Rs.)	Assets	Amount (Rs.)
Bills Payable		10,000	Cash in Hand	10,000
Creditors		58,000	Cash at Bank	40,000
Outstanding Expenses		2,000	Sundry Debtors	60,000
Capitals			Stock	40,000
A	1,80,000		Plant	1,00,000
B	1,50,000	3,30,000	Buildings	1,50,000
		4,00,000		4,00,000

C is admitted as a partner on the date of the balance sheet on the following terms:

(i) C will bring in Rs. 1,00,000 as his capital and Rs. 60,000 as his share of goodwill for 1/4 share in the profits.

(ii) Plant is to be appreciated to Rs. 1,20,000 and the value of buildings is to be appreciated by 10%.

(iii) Stock is found over valued by Rs. 4,000.

(iv) A provision for bad and doubtful debts is to be created at 5% of debtors.

(v) Creditors were unrecorded to the extent of Rs. 1,000. Pass the necessary journal entries, prepare the revaluation account and partners' capital accounts, and show the Balance Sheet after the admission of C.

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28. Leela and Meeta were partners in a firm sharing profits and losses in the ratio of 5:3. In Jan. 2017 they admitted Om as a new partner.

On the date of Om's admission the balance sheet of Leela and Meeta showed a balance of Rs. 16,000 in general reserve and Rs. 24,000 (Cr) in Profit and Loss Account. Record necessary journal entries for the treatment of these items on Om's admission. The new profit sharing ratio between Leela, Meeta and Om was 5:3:2.

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29. Amit and Viney are partners in a firm sharing profits and losses in 3:1 ratio. On 1.1.2017 they admitted Ranjan as a partner. On Ranjan's admission the profit and loss account of Amit and Viney showed a debit balance of Rs. 40,000. Record necessary journal entry for the treatment of the same.

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30. A and B share profits in the proportions of 3/4 and 1/4. Their Balance Sheet on Dec. 31, 2016 was as follows:

Balance Sheet of A and B as on December 31, 2016

Liabilities	*Amount (Rs.)*	*Assets*	*Amount (Rs.)*
Sundry creditors	41,500	Cash at Bank	26,500
Reserve fund	4,000	Bills Receivable	3,000
Capital Accounts		Debtors	16,000
A	30,000	Stock	20,000
B	16,000	Fixtures	1,000
		Land & Building	25,000
	91,500		91,500

On Jan. 1, 2017, C was admitted into partnership on the following terms:

(a) That C pays Rs. 10,000 as his capital.

(b) That C pays Rs. 5,000 for goodwill. Half of this sum is to be withdrawn by A and B.

(c) That stock and fixtures be reduced by 10%

and a 5%, provision for doubtful debts be created on Sundry Debtors and Bills Receivable.

(d) That the value of land and buildings be appreciated by 20%.

(e) There being a claim against the firm for damages, a liability to the extent of Rs. 1,000 should be created.

(f) An item of Rs. 650 included in sundry creditors is not likely to be claimed and hence should be written back.

Record the above transactions (journal entries) in the books of the firm assuming that the profit sharing ratio between A and B has not changed. Prepare the new Balance Sheet on the admission of C.

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31. A and B are partners sharing profits and losses in the ratio of 3:1. On Ist Jan. 2017 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?

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32. 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, whichs he gets 1/8 from Pinky, and 1/16 each from Qmar 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?

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33. The following was the Balance Sheet of Arun, Bablu and Chetan sharing profits and losses in the ratio of $\frac{6}{14}:\frac{5}{14}:\frac{3}{14}$ respectively.

Liabilities		Amount (Rs.)	Assets	Amount (Rs.)
Creditors		9,000	Land and Buildings	24,000
Bills Payable		3,000	Furniture	3,500
Capital Accounts			Stock	14,000
Arun	19,000		Debtors	12,600
Bablu	16,000		Cash	900
Chetan	8,000	43,000		
		55,000		55,000

They agreed to take Deepak into partnership and give him a share of 1/8 on the following terms: (a) that Deepak should bring in Rs. 4,200 as goodwill and Rs. 7,000 as his Capital, (b) that furniture be depreciated by 12%, (c) that stock be depreciated by 10% (d) that a Reserve of 5% be created for doubtful debts: (e) that the value of land and buildings having appreciated be brought upto Rs. 31,000 ,(f) that after making the adjustments the capital accounts of the old partners (who continue to share in the same proportion as before) be adjusted on the basis of the proportion of Deepak's Capital to his share in the business, i.e., actual cash to be paid off to, or brought in by the old partners as the case may be. Prepare Cash Account, Profit and Loss Adjustment Account (Revaluation Account) and the Opening Balance Sheet of the new firm.

34. Azad and Babli are partners in a firm sharing profits and losses in the ratio of 2:1. Chintan is admitted into the firm with 1/4 share in profits. Chintan will bring in Rs. 30,000 as his capital and the capitals of Azad and Babli are to be adjusted in the profit sharing ratio. The Balance Sheet of Azad and Babli as on December 31, 2016 (before Chintan's admission) was as follows:

Balance Sheet of A and B as on 31.12.2016

Liabilities		Amount (Rs.)	Assets	Amount (Rs.)
Creditors		8,000	Cash in hand	2,000
Bills payable		4,000	Cash at bank	10,000
General reserve		6,000	Sundry debtors	8,000
Capital accounts:			Stock	10,000
Azad	50,000		Furniture	5,000
Babli	32,000	82,000	Machinery	25,000
			Buildings	40,000
		1,00,000		1,00,000

It was agreed that:

(i) Chintan will bring in Rs. 12,000 as his share of goodwill premium.

(ii) Buildings were valued at Rs. 45,000 and Machinery at Rs. 23,000.

(iii) A provision for doubtful debts is to be created @ 6% on debtors.

(iv) The capital accounts of Azad and Babli are to be adjusted by opening current accounts. Record necessary journal entries, show necessary ledger accounts and prepare the Balance Sheet after admission.

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35. Ashish and Dutta were partners in a firm sharing profits in 3:2 ratio. On Jan. 01, 2015 they admitted Vimal for 1/5 share in the profits. The Balance Sheet of Ashish and Dutta as on Jan. 01, 2016 was as follows:

Balance Sheet of A and B as on 1.1.2016

Liabilities	*Amount (Rs.)*	*Assets*		*Amount (Rs.)*
Creditors	15,000	Land & Building		35,000
Bills Payable	10,000	Plant		45,000
Ashish Capital	80,000	Debtors	22,000	
Dutta's Capital	35,000	Less : Provision	2,000	20,000
		Stock		35,000
		Cash		5,000
	1,40,000			**1,40,000**

It was agreed that:

(i) The value of Land and Building be increased by Rs. 15,000.

(ii) The value of plant be increased by 10,000.

(iii) Goodwill of the firm be valued at Rs. 20,000.

(iv) Vimal to bring in capital to the extent of 1/5th of the total capital of the new firm. Record the necessary journal entries and prepare the Balance Sheet of the firm after Vimal's admission.

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