INTERNATIONAL INDIAN SCHOOL BURAIDAH

ACCOUNTANCY /WS-3

CHAPTER-3RECONSTITUTION OF PARTNERSHIP FIRM –ADMISSION OF A PARTNER

1.Kamal and Rahul are partner's in a firm sharing profits and losses in the ratio of 7:3. They admit Kaushal as a partner for 1/5th share. Kaushal acquires his share from Kamal and Rahul in the ratio of 3:2. The goodwill of the firm has been valued at Rs.25000. Kaushal paid Rs.10000 privately to X and Y as his share of goodwill. What should be the journal entry

1. No entry will be passed

Rahul A/c Dr. Kamal A/c Dr. To Kaushal A/c

2.
3.

Kamal A/c Dr. Cash A/c Dr. To Goodwill A/c

4.

Rahul A/c Dr. LoanA/c Dr. To Cash A/c

2. Being Chander brought rs 20000 for his share of goodwill. Which account should be debited?
   1. Goodwill A/c
   2. Cash/Bank A/c
   3. Profit and Loss A/c
   4. Partner's capital account
3. If goodwill already existing in the ———, it should be written off by debiting old partners in their old profit sharing ratio
   1. Trading account
   2. Balance sheet
   3. Trial Balance
   4. Profit and loss account
4. In case of undistributed accumulated losses whose account should be debited
   1. New partner's A/c
   2. Old partner's Capital A/c
   3. Gaining Partner's A/c
   4. Goodwill A/c
5. What treatment should be given to Employee's Provident Fund appearing in the liabilities side of the Balance Sheet in case of admission of a partner
   1. Not to be distributed
   2. Should be distributed in equal ratio
   3. Should be distributed as a part of reserve
   4. Both treatment can be done

6. A and B were partners in a firm sharing profits and losses in the ratio of 5 : 3. They admitted C as a new partner. The new profit sharing ratio between A, B and C was 3: 2 : 3. A surrendered 1/5 th of his share in favour of C. Calculate B's sacrifice.
7. Accounting Standard-26 requires that goodwill is to be recorded in the books of accounts only when money or money's worth has been paid for it. How will you deal with the issue, if the new partner is unable to bring in his share of goodwill ?

8. 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.

9. (All partners sacrifice) : A and B partners sharing profits and losses in the ratio of 3:2. They admit C into partnership for 1/4 share in profits. C's brings Rs. 3,00,000 as capital and Rs. 1,00,000 as goodwill. New profit sharing ratio of the partners shall be 3:3:2. Pass necessary Journal entries.

10. At the time of admission of a new partner, new profit-sharing ratio is ascertained. The new of incoming partner acquires the share from old partners and as a result profit share of old partners is reduced. What is it known as and why is it important to ascertain it?

11. A and B who shared profits in the proportion of 5 : 3 had capitals of Rs 70,000 and Rs 40,000 respectively. They agree to admit C into partnership for 110110th share in future profits. C brings Rs 30,000 as capital and is unable to bring Rs 1,600 as his share of goodwill in cash. Give journal entries.
12. Asha and Aditi are partners in a firm sharing profits and losses in the ratio of 3 : 2 They admit Raghav as a partner for 1414th share in the profits of the firm Raghav brings Rs.6,00,000 as his capital and his share of goodwill in cash. Goodwill of the firm is to be valued at two year's purchase of average profits of the last four years. The profits of the firm during the last four years are given below:

Year	**Profit (Rs.)**
2013 – 14	3,50,000
2014 – 15	4,75,000
2015 – 16	6,70,000
2016 – 17	7,45,000

The following additional information is given.

1. To occur management cost an annual charge or Rs. 56,250 should be made for the purpose of valuation of goodwill.
2. The closing stock for the year ended 31st March 2017 was overvalued by Rs. 15,000 Pass necessary journal entries on Raghav's admission showing the working notes clearly.

13. X and Y are partners in a firm sharing profits in the ratio of 4 : 3. On 1st April, 2012, they admitted Z as a new partner. Z brought in Rs 1,00,000 for his capital and Rs

21,000 for 1/3 rd share of goodwill premium. On Z's admission goodwill appeared in the books of the firm at Rs 28,000. Record the necessary journal entries on Z's admission

14. A, B and C were partners in a firm sharing profits in the ratio of 3:2:1. On 31st March, 2019 their balance sheet was as follows

Balance Sheet

Liabilities		**Amit (Rs)**	**Assets**	**Amt (Rs)**
Creditors		84,000	Bank	17,000
General Reserve		21,000	Debtors	23,000
Capital A/cs			Stock	1,10,000
A	60,000		Investments	30,000
B	40,000		Furniture and Fittings	10,000
C	20,000	1,20,000	Machinery	35,000
		2,25,000		2,25,000

as at 31st March**,** 2015
On the above date, D was admitted as a new partner and it was decided that

1. The new profit sharing ratio between A, B, C and D will be 2: 2: 1: 1.
2. Goodwill of the firm was valued at Rs 90,000 and D brought his share of goodwill premium in cash.
3. The market value of investments was Rs 24,000.
4. Machinery will be reduced to Rs 29,000.
5. A creditor of Rs 3,000 was not likely to claim the amount and hence to be written-off.
6. D will bring proportionate capital so as to give him l/6th share in the profits of the firm.
   Prepare revaluation account, partners' capital accounts and the balance sheet of the reconstituted firm.

15. On 31st March, 2010 the balance sheet of W and R who shared profits in 3: 2 ratio was as follows

Liabilities		**Amt (Rs)**	**Assets**		**Amt (Rs)**
Creditors		20,000	Cash		'5,000
Profit and Loss A/c		15,000	Sundry Debtors	20,000	
Capital A/cs			(-) Provision for Doubtful Debts	(700)	19,300

W	40,000		Stock		25,000
R	30,000	70,000	Plant and Machinery		35,000
			Patents		20,700
		1,05,000			1,05,000

Balance Sheet
as at 31st March, 2010
On this date, B was admitted as a partner on the following conditions

1. B will get 4/15th share of profits.
2. B had to bring Rs 30,000 as his capital to which amount other partners' capital shall have to be adjusted.
3. He would pay cash for his share of goodwill which would be based on 2.5 years' purchase of average profits of past 4 years.
4. The assets would be revalued as under Sundry debtors at book value less 5% provision for bad debts, stock at ? 20,000, plant and machinery at Rs 40,000.
5. The profits of the firm for the year's ending on 31st March, 2007, 2008 and 2009 were Rs 20,000, Rs 14,000 and Rs 17,000 respectively.
   Prepare revaluation account, partners' capital account and balance sheet of the new firm.

16. A and B share profits and losses in the Ratio of 4:3, they admit C with 3/7th share; which he gets 2/7th from A and 1/7 from B. What is the new profit sharing ratio? (Ans : New Profit sharing Ratio is 2:2:3)

17. A & B are partners sharing in the ratio of 3:2. C is admitted. C gets 3/20th from A and 1/20th from B. calculate new and sacrifice ratio (Ans : 9: 7: 4)

18. X & Y are partners share profits in the ratio of 5:3. Z the new partner gets 1/5 of X's share and 1/3rd of Y's share. Calculate new ratio. (Ans: 4:2:2)

19. P & Q are partners sharing in the ratio of 5:3. They admit R for 1/4th share and agree to share between them in the ratio of 2:1 in future. Calculate new ratio.(Ans: 2:1:1)

20. A, B and C are partners sharing in the ratio of 7:5:8. D was admitted to 1/4th of the future profits. B sacrificed 1/5th from his profit, while the balance was sacrificed by A and C in the ratio of 3:1. D brings Rs. 120000 as his capital but nothing for goodwill which was valued at Rs. 200000 for the firm. Calculate NPSR and SR and pass necessary journal entry for the treatment of goodwill.