

CBSE Test Paper 05
Ch-4 Admission of a Partner

1. New profit sharing ratio means
 - a. Two partner(including new) share future profit and losses
 - b. All partner(including new) share future profit and losses in this new ratio
 - c. All partner(excluding old) share future profit and losses
 - d. Partners will share future profits equally
2. A and B are partners in a firm sharing profits in the ratio of 5 : 3. They admit C as a new partner for $\frac{1}{5}$ share. New Ratio will be 3 : 1 : 1. Sacrificing ratio will be:
 - a. 2 : 1
 - b. 1 : 2
 - c. 1 : 7
 - d. 5 : 3
3. Is admission of a new partner a reconstitution of partnership firm:
 - a. It is called merger
 - b. It is dissolution of firm
 - c. Yes
 - d. No
4. X and Y are partners sharing profits in the ratio of 5:3. Z is admitted for $\frac{1}{6}$ share. All partners have decided to share future profits equally. At the time of admission of Z, balance sheet shows balance of profit and loss account ₹16,000. This profit will be shared by ____ partners in ____ ratio.
 - a. Old partners in old ratio
 - b. All partners in new ratio
 - c. Old partners in sacrificing ratio
 - d. Old partners in new ratio
5. Ram and Shyam are partners in a firm sharing profits in the ratio of 3:2. They admit Ghanshyam as a partner. Ram Surrendered $\frac{1}{4}$ th of his share and Shyam $\frac{1}{3}$ rd of his share in favor of Ghanshyam. Find out the new ratio.
 - a. 27:16:17
 - b. 27:17:15
 - c. 3:2:1

d. 25:20:15

6. A, B, C and D were partners in a firm sharing profits in the ratio of 4:3:2:1. On 1st January, 2015, they admitted E as a new partner for $\frac{1}{10}$ th share in the profits. E brought Rs10,000 for his share of goodwill premium which was correctly recorded in the books by the accountant. The accountant showed goodwill at Rs1,00,000 in the books. Was the accountant correct in doing so? Give reason in support of your answer.
7. Under what circumstances the premium for goodwill paid by the incoming Partner will not recorded in the book of A/C?
8. Atul and Neera were partners in a firm sharing profits in the ratio of 3 : 2. They admitted Mitali as a new partner. Goodwill of the firm was valued at Rs.2,00,000. Mitali brings her share of goodwill premium of Rs.20,000 in cash, which is entirely credited to Atul's Capital Account. Calculate the new profit sharing ratio.
9. What is meant by sacrificing ratio?
10. P, Q and R were partners in a firm sharing profits in the ratio of 3: 2: 1. They admitted S as a new partner for $\frac{1}{8}$ th share in the profits which he acquired $\frac{1}{16}$ th from P and $\frac{1}{16}$ th from Q. Calculate new profit sharing ratio of P, Q, R and S.
11. Kiya and Leela are partners sharing profits in the ratio of 3 : 2. Kiran was admitted as a new partner with $\frac{1}{5}$ th share in the profits and brought in Rs. 24,000 as her share goodwill premium that was credited to the capital to the capital accounts of Kiya and Leela respectively with Rs. 18,000 and Rs. 6,000. Calculate the new profit sharing ratio of Kiya, Leela, and Kiran.
12. Following is the Balance Sheet of Shashi and Ashu sharing profit as 3 : 2.

Liabilities	(Rs.)	Assets	(Rs.)
Creditors	18,000	Debtors 22,000 Less: Provision for DD 1,000	21,000
General reserve	25,000	Land and Building	18,000

Workmen's compensation fund	15,000	Plant and machinery	12,000
Capital : Shashi	15,000	Stock	11,000
Ashu	10,000	Bank	21,000
	83,000 =====		83,000 =====

On admission of Tanya for $\frac{1}{6}$ the share in the profit it was decided that :

- i. Provision for doubtful debts to be increased by Rs. 1,500.
- ii. Value of land and building to be increased to Rs. 21,000.
- iii. Value of stock to be increased by Rs. 2,500.
- iv. The liability of workmen's compensation fund was determined to be Rs. 12,000.
- v. Tanya brought in as her share of goodwill Rs. 10,000 in cash.
- vi. Tanya was to bring further cash of Rs. 15,000 for her capital.

Prepare Revaluation A/c, Capital A/cs and the Balance Sheet of the new firm

13. 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 $\frac{1}{4}$ 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?
14. Anthony and Boni were partners in a firm sharing profit in ratio o 5 : 3. There Balance sheet as on 31-3-2015 was as follows:

Liabilities	Amount (Rs.)	Assets	Amount (Rs.)
Bank overdraft	60,000	Cash	20,000
Creditors	50,000	Debtors 100,000	
General reserve	48,000	Less: Provision 2,000	98,000
Capital Accounts:		Bills Receivables	38,000

Anthony 1,50,000		Stock	40,000
		Building	1,50,000
Boni 1,00,000	2,50,000	Land	62,000
	4,08,000 =====		4,08,000 =====

On 01.04.2015, they admitted Heena into a partnership for 1/4th share in full profits of the firm. Assets and liabilities were revealed. Goodwill of the firm valued at Rs. 80,000. Fill in the missing information/figure in the following ledger accounts and Balance Sheet .

Revaluation A/c

Dr. Cr.

Particulars	Amount (Rs.)	Particulars	Amount (Rs.)
To provision for bad debts A/c	3,000		
To Stock A/c	2,000	By Land A/c	
To Profit transferred to			

Partner's Capital Account

Dr. Cr.

Particulars	Anthony Amount Rs	Boni Amount Rs	Heena Amount Rs	Particulars	Anthony Amount Rs	Boni Amount Rs	Heena Amount Rs
				By Balance A/c	-	-	-
				By Gen. Reserve	-	-	-

To balance c/d	-	-	80,000	By Rev. A/c	-	-	-
				By Premium A/c for Goodwill	-	-	-
				By	-	-	-

Balance Sheet

As on 01.04.2015

Liabilities	Amount (Rs.)	Assets	Amount (Rs.)
Bank Overdraft		Cash	
Creditors		Debtors	
Capital A/c	60,000	Bill Receivable	38,000
Anthony	50,000	Stock	
Boni		Building	1,50,000
Heena 80,000		Land	68,200

15. The balance sheet of Ram and Shyam, who were sharing profits in the ratio of 3:1, on 31st March, 2019 was as follows

Liabilities		Amt(Rs)	Assets		Amt(Rs)
Creditors		2,800	Cash at Bank		2,000
Employees' Provident Fund		1,200	Debtors	6,500	
General Reserve		2,000	(-) Reserve for Doubtful Debts	(500)	6,000
Capital A/cs			Stock		3,000
Ram	6,000		Investments		5,000

Shyam	4,000	10,000			
		16,000			16,000

They decided to admit Mohan on 1st April, 2019 for 1/5th share on the following terms

- i. Mohan shall bring Rs 6,000 as his share of premium.
 - ii. That unaccounted accrued income of Rs 100 be provided for.
 - iii. The market value of investments was Rs 4,500.
 - iv. A debtor whose dues of Rs 500 was written off as bad debts paid Rs 400 in full settlement.
 - v. Mohan to bring in capital to the extent of 1/5th of the total capital of the new firm.
- Prepare revaluation account, partners' capital account and the balance sheet of the new firm.

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Answer

1. b. All partner(including new) share future profit and losses in this new ratio
Explanation: New profit sharing ratio is fixed after the admission of the new partner. It is the ratio in which all the partners including the new partner share profits. It is the ratio of the reconstituted firm.
2. c. 1 : 7, **Explanation:** OLD RATIO OF A AND B 5 : 3
NEW RATIO OF A , B AND C IS 3 : 1: 1
SACRIFICING RATIO OF A = $5/8 - 3/5 = 1/40$
SACRIFING RATIO OF B = $3/8 - 1/5 = 7/40$
SACRIFICING RATIO OF A AND B = 1 : 7
3. c. Yes, **Explanation:** Admission of a new partner will reconstitute the partnership firm. It means it is the end of old partnership and beginning of a new partnership among the partners. It does not mean the end of the firm.
4. a. Old partners in old ratio, **Explanation:** This profit will be shared by the old partners only in their old profit sharing ratio.
 $X = 16,000 \times 5/8 = 10,000$
 $Y = 16,000 \times 3/8 = 6,000$
5. a. 27:16:17, **Explanation:** Calculation of new ratio:
Ram's old Share $3/5$ and Shyam's old share $2/5$
Share surrendered by Ram = $1/4$ th of $3/5 = 3/20$
Ram's new share = $3/5 - 3/20 = 9/20$
Share Surrender by Shyam = $1/3$ of $2/5 = 2/15$
Shyam's new share = $2/5 - 2/15 = 4/15$
New Ratio : 27:16:17
6. No, the accountant is not correct because according to **Accounting Standard (AS) 26 - Intangible Assets**, self-generated goodwill shall not be recorded in the books of accounts because it is not an identifiable resource controlled by the entity that can be measured reliably at cost.

7. When the premium for goodwill is paid **privately** to old partner by new partner then no entry will be made for premium for goodwill.

8. Firm's Goodwill = Rs. 2,00,000

Mitali brings goodwill = Rs. 20,000

So, Mitali's share in profit must be = $\frac{1}{10}$

Entire premium for goodwill is credited to Atul

means Mitali got her share totally from Atul

So, Atul's new share = $\frac{3}{5} - \frac{1}{10} = \frac{5}{10}$

Neera's share = $\frac{2}{5}$

Mitali's share = $\frac{1}{10}$

New ratio = 5 : 4 : 1

9. Sacrificing ratio is the ratio which is calculated at the time of admission of a partner. It is the proportion in which the old partners have agreed to sacrifice their share of profits in favour of new or incoming partner.

Sacrificing Ratio = Old Share - New Share

10. P, Q and R are partners in 3 : 2 : 1

S acquires $\frac{1}{16}$ th from P and $\frac{1}{16}$ th from Q

So new share of;

$$P = \frac{3}{6} - \frac{1}{16} = \frac{24-3}{48} = \frac{21}{48}$$

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

$$R = \frac{1}{6} \times \frac{8}{8} = \frac{8}{48}$$

$$S = \frac{1}{8} \times \frac{6}{6} = \frac{6}{48}$$

Therefore, New ratio among P, Q, R and S = 21 : 13 : 8 : 6.

11. Sacrificing ratio of Kiya and Leela = 3 : 1

Kiran's Share = $\frac{1}{5}$

New Share = old share - Sacrifice share

$$\text{Kiya's new share} = \frac{3}{5} - \frac{3}{20} = \frac{9}{20}$$

$$\text{Leela's new share} = \frac{2}{5} - \frac{1}{20} = \frac{7}{20}$$

$$\text{Kiran's Share} = \frac{1}{5} \times \frac{4}{4} = \frac{4}{20}$$

New ratio of Kiya, Leela and Kiran = 9 : 7 : 4

12.

Revaluation Account

Particulars	(Rs.)	Particulars	(Rs.)
To Provision for D.D.	1,500	By Land and Building A/c	3,000
To Capital A/cs: Shashi - 2,400 Ashu - 1,600	4,000	By Stock	2,500
	5,500 =====		5,500 =====

Partners' Capital Account

Particulars	Shashi	Ashu	Tanya	Particulars	Shashi	Ashu	Tanya
				By Balance b/d	15,000	10,000	-
				By general reserve	15,000	10,000	-
To Balance c/d	40,200	26,800	15,000	By Claim against workmen's compensation fund A/C	1,800	1,200	-
				By Revaluation A/c	2,400	1,600	-
				By Bank A/c	-	-	15,000
				By Premium for goodwill	6,000	4,000	-
	40,200 =====	26,800 =====	15,000 =====		40,200 =====	26,800 =====	15,000 =====

Balance Sheet of the New Firm

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Liabilities	(Rs.)	Assets	(Rs.)
Creditors	18,000	Debtors 21,000	
Claim against Workmen compensation fund	12,000	Less: Provision for DD 1,500	19,500
Capital:		Land and Building	21,000
Shashi	40,200	Plant and machinery	12,000
Ashu	26,800	Stock	13,500
Tanya	15,000	Bank	46,000
	1,12,000 =====		1,12,000 =====

13.

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Date	Particulars	L.F.	Debit Rs	Credit Rs
1	Cash A/c Dr.		35,000	
	To C's Capital A/c			30,000
	To Premium for Goodwill A/c			5,000
	(Being Capital and Premium for Goodwill brought by C.)			
2	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 Premium for Goodwill adjusted between A and B in Sacrificing Ratio,i.e., 2 : 3.)			
3	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)			
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Sacrificing Ratio = Old Ratio - New Ratio

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

$$= \frac{12-10}{20} = \frac{2}{20}$$

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

$$= \frac{8-5}{20} = \frac{3}{20}$$

Sacrificing Ratio of A and B = $\frac{2}{20} : \frac{3}{20}$ or 2 : 3

Goodwill of the firm = Rs 20,000

C's share of Goodwill = $20,000 \times \frac{1}{4} = Rs5,000$

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

Or $20,000 \times \frac{2}{20} = 2,000$

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

Or $20,000 \times \frac{3}{20} = 3,000$

14. Revaluation Account

Particulars	Amount (Rs.)	Particulars	Amount (Rs.)
To provision for bad debts A/c	3,000	By Land A/c	6,200
To Stock A/c	2,000		
To Profit transferred to			
Anthony's Capital A/c 750			
Bonis Capital A/c 450	1,200		
	6,200 =====		6,200 =====

Partner's Capital Account

Particulars	Anthony Amount Rs	Boni Amount Rs	Heena Amount Rs	Particulars	Anthony Amount Rs	Boni Amount Rs	Heena Amount Rs
				By Balance A/c	1,50,000	1,00,000	
To balance c/d	1,93,250	1,25,950	80,000	By Gen. Reserve	30,000	18,000	
				By Rev. A/c	750	450	
				By Premium A/c for Goodwill		7,500	
				By Cash A/c	12,500		80,000
	1,93,250 =====	1,25,950 =====	80,000 =====		1,93,250 =====	1,25,950 =====	80,000 =====

Balance Sheet

as on 01.04.2015

Liabilities	Amount (Rs.)	Assets	Amount (Rs.)
Bank Overdraft	60,000	Cash	1,20,000
Creditors	50,000	Debtors 1,00,000	
Capital A/c s:		Less: Provision 5,000	95,000
Anthony 1,93,250		Bill Receivable	38,000
Boni 1,25,950		Stock	38,000
Heena 80,000	3,99,200	Building	1,50,000
		Land	68,200

	5,09,200 =====		5,09,200 =====
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15. Working Note :

- i. Sacrificing Will Be Same As Old Ratio Among Old Partners Since Nothing Else Specifically Mentioned Except The Share OF New Partner. Thus, Sacrificing Ratio Of Ram And Shyam Is Same As Old Ratio i.e. 3:1.

Mohan Has Brought 6,000 For Goodwill That Will Be Distributed Between Ram And Shyam In 3:1 (Sacrifice Ratio)

- ii. Existing Capitals of Partners after Adjustments

Ram = 12,000

Shyam = 6,000

Total Capital of Old Partners = 18,000

Total Capital of New Firm As Per Old Partners Capital And Share = $18,000 \times \frac{5}{4} = 22,500$

Mohan's Capital In The Firm = $22,500 \times \frac{1}{5} = 4,500$

- iii. Employees Provident Fund Is An External Liability Hence Shall Not Be Distributed.

Revaluation A/c

Particulars	Amount	Particulars	Amount
To Investment	500	By Accrued Income	100
		By Cash	400
	500		500

Partners capital A/c

Particulars	Ram	Shyam	Mohan	Particulars	Ram	Shyam	Mohan
To Bal c/d	12,000	6,000	4,500	By Bal b/d	6,000	4,000	
				By Premium For Goodwill	4,500	1,500	
				By General Reserve	1,500	500	

				By Cash			4,500
	12,000	6,000	4,500		12,000	6,000	4,500

Balance Sheet
as at 1.4.2019

Liabilities		Amount	Assets		Amount
Sundry Creditors		2,800	Cash at Bank		12,900
Employees Provident Fund		1,200	Debtors	6,500	
Capital A/c's			(-) Reserve for Doubtful Debt	(500)	6,000
Ram	12,000		Stock		3,000
Shyam	6,000		Investment		5,000
Mohan	4,500	22,500	Accrued Income		100
		26,500			26,500