

Chapter - 3 Admission of a Partner

SOLUTION: 1 (A).

Share given to C	$1/4$
Remaining Share	$= 1 - 1/4 = 3/4$
A's New Share	$5/8 \text{ of } 3/4 = 15/32$
B's New Share	$3/8 \text{ of } 3/4 = 9/32$
C's Share	$1/4$

SOLUTION: 1 (B).

Share given to C	$9/21$
Remaining Share	$1 - 9/21 = 12/21$
A's New Share	$21/30 \text{ of } 12/21 = 2/5$
B's New Share	$9/30 \text{ of } 12/21 = 6/35$
C's Share	$9/21$

Thus, the new profit sharing ratio = $2/5 : 6/35 : 9/21 = (42:18:45)/105$
 $= 42:18:45$ **OR** $14:6:15$

SOLUTION: 2(A).

R is given $1/7$ th share which he acquires equally from P and Q.

This means:

R acquires $1/2$ of $1/7 = 1/14$ from P

R acquires $1/2$ of $1/7 = 1/14$ from Q

Hence, the new share of P = $4/7 - 1/14 = (8 - 1)/14 = 7/14$

The new share of Q = $3/7 - 1/14 = (6 - 1)/14 = 5/14$

Share of R = $1/7$

Thus, New Profit Sharing Ratio = $7/14 : 5/14 : 1/7 = (7:5:2)/14 = 7:5:2$

SOLUTION: 2 (B).

Share of profit given to T = $1/8$

Share acquired by T from R $1/2$ of $1/8 = 1/16$

Share acquired by T from S $1/2$ of $1/8 = 1/16$

Therefore, R's new share after surrendering $1/16$ in C's favour

$= 3/5 - 1/16 = (48 - 5)/80 = 43/80$

S's new share after surrendering $1/16$ in C's favour

$= 2/5 - 1/16 = (32 - 5)/80 = 27/80$

T's share = $1/16 + 1/16 = 1/8$

Hence, new shares of R, S and T will be = $43/80 : 27/80 : 1/8 = 43 : 27 : 10$

SOLUTION: 2 (C).

New Share = Old Share - Sacrificing Share

P's new share = $3/6 - 1/16 = (24 - 3)/48 = 21/48$

Q's new share = $2/6 - 1/16 = (16 - 3)/48 = 13/48$

R's new share = $1/6$

S's share = $1/8$

New Share of P, Q, R and S = $21/48 : 13/48 : 1/6 : 1/8 = (21 : 13 : 8 : 6)/48 = 21:13:8:6$

SOLUTION: 3.

Share given to C $\frac{1}{4}$

Remaining Share = $1 - \frac{1}{4} = \frac{3}{4}$

A's new share = $\frac{3}{5}$ of $\frac{3}{4} = \frac{9}{20}$

B's new share = $\frac{2}{5}$ of $\frac{3}{4} = \frac{6}{20}$

C's share = $\frac{1}{4}$

New Ratio of A, B and C = $\frac{9}{20} : \frac{6}{20} : \frac{1}{4} = (9:6:5)/20 = 9:6:5$

Share given to D = $\frac{1}{5}$

He will acquire $\frac{1}{3}$ of $\frac{1}{5} = \frac{1}{15}$ each from A, B and C

Hence,

A's new share = $\frac{9}{20} - \frac{1}{15} = \frac{(27-4)}{60} = \frac{23}{60}$

B's new share = $\frac{6}{20} - \frac{1}{15} = \frac{(18-4)}{60} = \frac{14}{60}$

C's new share = $\frac{5}{20} - \frac{1}{15} = \frac{(15-4)}{60} = \frac{11}{60}$

D's share = $\frac{1}{5}$

$23:14:11:12$

New Ratio of A, B, C and D = $\frac{23}{60} : \frac{14}{60} : \frac{11}{60} : \frac{1}{5}$

= $(23:14:11:12)/60 = 23:14:11:12$

SOLUTION: 4 (A).

Z is given $\frac{5}{11}$ share which he acquires $\frac{3}{11}$ from X and $\frac{2}{11}$ from Y.

Hence, the new share of X = $\frac{2}{3} - \frac{3}{11} = \frac{(22-9)}{33} = \frac{13}{33}$

The new share of Y = $\frac{1}{3} - \frac{2}{11} = \frac{(11-6)}{33} = \frac{5}{33}$

Share of Z = $\frac{5}{11}$

Thus, New Profit Sharing Ratio = $\frac{13}{33} : \frac{5}{33} : \frac{5}{11}$

= $(13:5:15)/33 = 13:5:15$

SOLUTION: 4 (B).

C is given $\frac{1}{4}$ share which he acquires $\frac{1}{6}$ from A and $\frac{1}{12}$ from B.

Hence, the new share of A = $\frac{5}{8} - \frac{1}{6} = \frac{(15-4)}{24} = \frac{11}{24}$

The new share of B = $\frac{3}{8} - \frac{1}{12} = \frac{(9-2)}{24} = \frac{7}{24}$

Share of C = $\frac{1}{4}$

Thus, New Profit Sharing Ratio = $\frac{11}{24} : \frac{7}{24} : \frac{1}{4} = (11:7:6)/24 = 11:7:6$

SOLUTION: 5.

A's share = $\frac{1}{6} - \frac{1}{24} = \frac{(4-1)}{24} = \frac{3}{24}$

B's share = $\frac{2}{6} - \frac{1}{24} = \frac{(8-1)}{24} = \frac{7}{24}$

C's share = $\frac{3}{6} - \frac{1}{24} = \frac{(6-1)}{24} = \frac{5}{24}$

D's share = $\frac{1}{6}$

Thus, new profit sharing ratio of A, B, C and D will be:

$\frac{3}{24} : \frac{7}{24} : \frac{5}{24} : \frac{1}{6} = (3:7:10:4)/24 = 3:7:10:4$

SOLUTION: 6.

C is given $\frac{1}{2}$ share which he acquires from A and B in the ratio of 3 : 1.

This means:

C acquires $\frac{3}{4}$ of $\frac{1}{2} = \frac{3}{8}$ from A

C acquires $\frac{1}{4}$ of $\frac{1}{2} = \frac{1}{8}$ from B

Hence, the new share of A = $\frac{3}{5} - \frac{3}{8} = \frac{(24 - 15)}{40} = \frac{9}{40}$

New share of B = $\frac{2}{5} - \frac{1}{8} = \frac{(16 - 5)}{40} = \frac{11}{40}$

Share of C = $\frac{1}{2}$

Thus, New Profit Sharing Ratio = $\frac{9}{40} : \frac{11}{40} : \frac{1}{2} = (9 : 11 : 20)/40 = 9 : 11 : 20$

SOLUTION: 7.

Case (i):

Share given to Z = $\frac{1}{5}$, Remaining Share = $1 - \frac{1}{5} = \frac{4}{5}$

X's new share = $\frac{3}{5}$ of $\frac{4}{5} = \frac{12}{25}$

Y's new share = $\frac{2}{5}$ of $\frac{4}{5} = \frac{8}{25}$

Z's share = $\frac{1}{5}$

Thus, New Profit Sharing Ratio = $\frac{12}{25} : \frac{8}{25} : \frac{1}{5} = (12 : 8 : 5)/25 = 12 : 8 : 5$

Case (ii):

Z is given $\frac{1}{5}$ share which he acquires $\frac{3}{20}$ from X and $\frac{1}{20}$ from Y.

Hence, the new share of X = $\frac{3}{5} - \frac{3}{20} = \frac{(12 - 3)}{20} = \frac{9}{20}$

The new share of Y = $\frac{2}{5} - \frac{1}{20} = \frac{(8 - 1)}{20} = \frac{7}{20}$

Share of Z = $\frac{1}{5}$

Thus, New Profit Sharing Ratio = $\frac{9}{20} : \frac{7}{20} : \frac{1}{5} = (9 : 7 : 4)/20 = 9 : 7 : 4$

Case (iii):

Z is given $\frac{1}{5}$ share which he acquires $\frac{1}{10}$ from X and $\frac{1}{10}$ from Y.

Hence, the new share of X = $\frac{3}{5} - \frac{1}{10} = \frac{(6 - 1)}{10} = \frac{5}{10}$

The new share of Y = $\frac{2}{5} - \frac{1}{10} = \frac{(4 - 1)}{10} = \frac{3}{10}$

Share of Z = $\frac{1}{5}$

Thus, New Profit Sharing Ratio = $\frac{5}{10} : \frac{3}{10} : \frac{1}{5} = (5 : 3 : 2)/10 = 5 : 3 : 2$

Case (iv):

Z is given $\frac{1}{5}$ share which he acquires $\frac{1}{20}$ from X and $\frac{3}{20}$ from Y.

Hence, the new share of X = $\frac{3}{5} - \frac{1}{20} = \frac{(12 - 1)}{20} = \frac{11}{20}$

The new share of Y = $\frac{2}{5} - \frac{3}{20} = \frac{(8 - 3)}{20} = \frac{5}{20}$

Share of Z = $\frac{1}{5}$

Thus, New Profit Sharing Ratio = $\frac{11}{20} : \frac{5}{20} : \frac{1}{5} = (11 : 5 : 4)/20 = 11 : 5 : 4$

Case (v):

Z is given $\frac{1}{5}$ share which he acquires entirely from X.

Hence, the new share of X = $\frac{3}{5} - \frac{1}{5} = \frac{(3 - 1)}{5} = \frac{2}{5}$

The new share of Y = $\frac{2}{5}$

Share of Z = $\frac{1}{5}$

Thus, New Profit Sharing Ratio = $\frac{2}{5} : \frac{2}{5} : \frac{1}{5} = 2 : 2 : 1$

Case (vi):

Z is given $\frac{1}{5}$ share which he acquires entirely from Y.

Hence, the new share of X = $\frac{3}{5}$

The new share of Y = $\frac{2}{5} - \frac{1}{5} = \frac{(2 - 1)}{5} = \frac{1}{5}$

Share of Z = $\frac{1}{5}$

Thus, New Profit Sharing Ratio = $\frac{3}{5} : \frac{1}{5} : \frac{1}{5} = 3:1:1$

SOLUTION : 8 (A).

Calculation of surrendered share:

(i) A's old share = $\frac{2}{3}$; A surrenders $\frac{1}{4}$ of $\frac{2}{3}$ in favour of C, i.e.,

$\frac{1}{4} \times \frac{2}{3} = \frac{1}{6}$ (It means A has surrendered $\frac{1}{6}$ out of his share in favour of C)

(ii) B's old share = $\frac{1}{3}$; B surrenders $\frac{1}{5}$ of $\frac{1}{3}$ in favour of C, i.e.,

$\frac{1}{5} \times \frac{1}{3} = \frac{1}{15}$ (It means B has surrendered $\frac{1}{15}$ out of his share in favour of C)

Calculation of New Ratios:

(i) A's new share after surrendering $\frac{1}{6}$ in favour of C

= $\frac{2}{3} - \frac{1}{6} = \frac{(4 - 1)}{6} = \frac{3}{6}$

(ii) B's new share after surrendering $\frac{1}{15}$ in favour of C

= $\frac{1}{3} - \frac{1}{15} = \frac{(5 - 1)}{15} = \frac{4}{15}$

(iii) C's new share is the total of $\frac{1}{6}$ from A and $\frac{1}{15}$ from B

= $\frac{1}{6} + \frac{1}{15} = \frac{(5+2)}{30} = \frac{7}{30}$

Therefore, the new ratios of A, B and C

= $\frac{3}{6} : \frac{4}{15} : \frac{7}{30} = \frac{(15:8:7)}{30} = 15:8:7$

SOLUTION : 8 (B).

Calculation of surrendered share:

(i) A's old share = $\frac{3}{5}$; A surrenders $\frac{3}{20}$ of $\frac{3}{5}$ in favour of C, i.e.,

$\frac{3}{20} \times \frac{3}{5} = \frac{9}{100}$ (It means that A has surrendered $\frac{9}{100}$ out of his share in favour of C)

(ii) B's old share = $\frac{2}{5}$; B surrenders $\frac{1}{20}$ of $\frac{2}{5}$ in favour of C, i.e.,

$\frac{1}{20} \times \frac{2}{5} = \frac{2}{100}$ (It means that B has surrendered $\frac{2}{100}$ out of his share in favour of C)

Hence, the new share of A = $\frac{3}{5} - \frac{9}{100} = \frac{(60 - 9)}{100} = \frac{51}{100}$

The new share of B = $\frac{2}{5} - \frac{2}{100} = \frac{(40 - 2)}{100} = \frac{38}{100}$

Share of C = $\frac{9}{100} + \frac{2}{100} = \frac{11}{100}$

Thus, New Profit Sharing Ratio = 51: 38: 11.

SOLUTION : 8 (C).

Calculation of surrendered share:

(i) X's old share = $\frac{9}{15}$ X surrenders $\frac{3}{15}$ of $\frac{9}{15}$ in favour of Z, i.e.,

$\frac{3}{15} \times \frac{9}{15} = \frac{3}{25}$

(ii) Y's old share = $\frac{6}{15}$ Y surrenders $\frac{6}{15}$ of $\frac{6}{15}$ in favour of Z, i.e.,

$\frac{6}{15} \times \frac{6}{15} = \frac{4}{25}$

Hence, the new share of X = $\frac{9}{15} - \frac{3}{25} = \frac{(45 - 9)}{75} = \frac{36}{75}$

The new share of Y = $\frac{6}{15} - \frac{4}{25} = \frac{(30 - 12)}{75} = \frac{18}{75}$

Share of Z = $\frac{3}{25} + \frac{4}{25} = \frac{7}{25}$

Thus, New Profit Sharing Ratio = $\frac{36}{75} : \frac{18}{75} : \frac{7}{25} = \frac{(36: 18: 21)}{75} = 36 : 18:21$

OR 12:6: 7

SOLUTION: 9.**Calculation of Surrendered Share:**

A's old share = $\frac{4}{10}$; he surrenders $\frac{1}{4}$ of $\frac{4}{10}$ in favour of D, i.e., $\frac{1}{4}$ of $\frac{4}{10} = \frac{1}{10}$

B's old share = $\frac{3}{10}$; he surrenders $\frac{1}{5}$ of $\frac{3}{10}$ in favour of D, i.e., $\frac{1}{5}$ of $\frac{3}{10} = \frac{3}{50}$

C's old share = $\frac{3}{10}$; he surrenders $\frac{1}{6}$ of $\frac{3}{10}$ in favour of D, i.e., $\frac{1}{6}$ of $\frac{3}{10} = \frac{1}{20}$

Calculation of New Ratios:

A's new share after surrendering $\frac{1}{10}$ in favour of D = $\frac{4}{10} - \frac{1}{10} = \frac{3}{10}$

B's new share after surrendering $\frac{3}{50}$ in favour of D = $\frac{3}{10} - \frac{3}{50} = \frac{(15 - 3)}{50} = \frac{12}{50}$

C's new share after surrendering $\frac{1}{20}$ in favour of D = $\frac{3}{10} - \frac{1}{20} = \frac{(6 - 1)}{20} = \frac{5}{20}$

D's share is the total of $\frac{1}{10}$ from A, $\frac{3}{50}$ from B and $\frac{1}{20}$ from C

= $\frac{1}{10} + \frac{3}{50} + \frac{1}{20}$ or $\frac{(10 + 6 + 5)}{100} = \frac{21}{100}$

Hence, new share of A, B, C, and D = $\frac{3}{10} : \frac{12}{50} : \frac{5}{20} : \frac{21}{100}$

Or $(30:24:25:21)/100$

Or 30: 24: 25: 21

SOLUTION: 10.**Calculation of Surrendered Share:**

(i) A's old share $\frac{3}{5}$; A surrenders $\frac{1}{3}$ rd of $\frac{3}{5}$ in favour of X, i.e., $\frac{1}{3} \times \frac{3}{5} = \frac{1}{5}$

(It means that A has surrendered $\frac{1}{5}$ out of his share in favour of X)

(ii) B's old share $\frac{2}{5}$; A surrenders $\frac{1}{4}$ of $\frac{2}{5}$ in favour of Y, i.e., $\frac{1}{4} \times \frac{2}{5} = \frac{1}{10}$

(It means that B has surrendered $\frac{1}{10}$ out of his share in favour of Y)

Calculation of New Ratios:

A = $\frac{3}{5} - \frac{1}{5} = \frac{2}{5}$

B = $\frac{2}{5} - \frac{1}{10} = \frac{3}{10}$

X = $\frac{1}{5}$ & Y = $\frac{1}{10}$

New Ratio of A, B, X and Y = $\frac{2}{5} : \frac{3}{10} : \frac{1}{5} : \frac{1}{10} = \frac{(4 : 3 : 2 : 1)}{10} = 4 : 3 : 2 : 1$

SOLUTION: 11.

(i) Share acquired by C from A = $\frac{2}{5}$ of $\frac{1}{3} = \frac{2}{15}$

Share acquired by C from B = $\frac{3}{5}$ of $\frac{1}{3} = \frac{3}{15}$

Hence, A's new share = $\frac{3}{5} - \frac{2}{15} = \frac{(9 - 2)}{15} = \frac{7}{15}$

B's new share = $\frac{2}{5} - \frac{3}{15} = \frac{(6 - 3)}{15} = \frac{3}{15}$

C's share = $\frac{1}{3}$

New Ratios = $\frac{7}{15} : \frac{3}{15} : \frac{1}{3} = \frac{(7 : 3 : 5)}{15} = 7 : 3 : 5$

(ii) Share acquired by D from A = $\frac{1}{2}$ of $\frac{1}{5} = \frac{1}{10}$

Share acquired by D from C = $\frac{1}{2}$ of $\frac{1}{5} = \frac{1}{10}$

Hence, A's new share = $\frac{7}{15} - \frac{1}{10} = \frac{(14 - 3)}{30} = \frac{11}{30}$

B's new share = $\frac{3}{15}$

C's new share = $\frac{5}{15} - \frac{1}{10} = \frac{(10 - 3)}{30} = \frac{7}{30}$

D's share = $\frac{1}{3}$

New Ratios = $\frac{11}{30} : \frac{3}{15} : \frac{7}{30} : \frac{1}{3} = \frac{(11 : 6 : 7 : 6)}{30} = 11 : 6 : 7 : 6$

SOLUTION: 12.

JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2017				
March 31	Profit & Loss A/c Dr. To Profit & Loss Appropriation A/c (Transfer of profit)		2,00,000	2,00,000
March 31	Profit & Loss Appropriation A/c Dr. To P's Capital A/c To Q's Capital A/c To R's Capital A/c To S's Capital A/c (Distribution of profit in the ratio of 33 : 22 : 25 : 20)		2,00,000	66,000 44,000 50,000 40,000

Working Notes:

Let total profits of the firm be 1

Share of R and S is $\frac{1}{4}$ and $\frac{1}{5}$ respectively

Balance remaining = $1 - (\frac{1}{4} + \frac{1}{5}) = (20 - (5 + 4))/20 = \frac{11}{20}$

$\frac{11}{20}$ is to be shared by P and Q in 3 : 2

Hence, P's share = $\frac{11}{20} \times \frac{3}{5} = \frac{33}{100}$

Q's share = $\frac{11}{20} \times \frac{2}{5} = \frac{22}{100}$

New Profit sharing ratio of P, Q, R and S = $\frac{33}{100} : \frac{22}{100} : \frac{1}{4} : \frac{1}{5}$

= $(33 : 22 : 25 : 20)/100$ Or 33: 22: 25: 20

Sacrificing Ratios and New Ratios

SOLUTION: 13 (A).

Sacrifice Ratio = Old Ratio - New Ratio

Therefore, Sacrifice made by Saurabh = $\frac{1}{2} - \frac{4}{9} = (9 - 8)/18 = \frac{1}{18}$

Sacrifice made by Gaurav = $\frac{1}{2} - \frac{3}{9} = (9 - 6)/18 = \frac{3}{18}$

Thus, Sacrifice Ratio of Saurabh and Gaurav = $\frac{1}{18} : \frac{3}{18}$ or 1:3

SOLUTION: 13 (B).

Sacrifice Ratio = Old Ratio - New Ratio

(i) Therefore, Sacrifice made by A = $\frac{3}{6} - \frac{4}{12} = (6 - 4)/12 = \frac{2}{12}$

Sacrifice made by B = $\frac{2}{6} - \frac{4}{12} = (4 - 4)/12 = 0$

Sacrifice made by C = $\frac{1}{6} - \frac{2}{12} = (2 - 2)/12 = 0$

Thus, only A Sacrifices

(ii) Sacrifice made by A = $\frac{3}{6} - \frac{2}{12} = (6 - 2)/12 = \frac{4}{12}$

Sacrifice made by B = $\frac{2}{6} - \frac{4}{12} = (4 - 4)/12 = 0$

Sacrifice made by C = $\frac{1}{6} - \frac{2}{12} = (2 - 2)/12 = 0$

Thus, only A Sacrifices $\frac{4}{12}$ or $\frac{1}{3}$

SOLUTION: 14 (A).

For calculating the sacrifice ratio, we will have to calculate the new profit ratios first of all:

Share given to D = $1/6$ Remaining Share = $1 - 1/6 = 5/6$

A's New Share = $2/5$ of $5/6 = 2/6$

B's New Share = $2/5$ of $5/6 = 2/6$

C's New Share = $1/5$ of $5/6 = 1/6$

D's Share = $1/6$

Sacrificing Ratio = Old Ratio - New Ratio

Therefore, Sacrifice made by A = $2/5 - 2/6 = (12 - 10)/30 = 2/30$

Sacrifice made by B = $2/5 - 2/6 = (12 - 10)/30 = 2/30$

Sacrifice made by C = $1/5 - 1/6 = (6 - 5)/30 = 1/30$

Thus, Sacrifice Ratio of A, B and C = $2 : 2 : 1$.

SOLUTION: 14 (B).

Calculation of New Profit Sharing Ratios:

Share given to C = $1/4$; Remaining Share = $1 - 1/4 = 3/4$

A's New Share = $5/8$ of $3/4 = 15/32$

B's New Share = $3/8$ of $3/4 = 9/32$

C's Share = $1/4$

Thus, New Profit Sharing Ratio = $15/32 : 9/32 : 1/4 = (15 : 9 : 8)/32 = 15 : 9 : 8$

Calculation of Sacrifice Ratio:

Sacrificing Ratio = Old Ratio - New Ratio

Therefore, Sacrifice made by A = $5/8 - 15/32 = (20 - 15)/32 = 5/32$

Sacrifice made by B = $3/8 - 9/32 = (12 - 9)/32 = 3/32$

Thus, Sacrifice Ratio of A and B = $5 : 3$

SOLUTION: 15 (A).

(i) A surrenders $1/7$ of $7/10$ in favour of C. It means A has surrendered $1/7 \times 7/10 = 1/10$ out of his share in favour of C.

(ii) B surrenders $1/3$ of $3/10$ in favour of C. It means B has surrendered $1/3 \times 3/10 = 1/10$ out of his share in favour of C.

Sacrificing Ratio = $1/10 : 1/10 = 1 : 1$

Calculation of New Ratios:

A's new share = $7/10 - 1/10 = 6/10$

B's new share = $3/10 - 1/10 = 2/10$

C's new share = $1/10 + 1/10 = 2/10$

Therefore, the new ratio of A, B and C = $6/10 : 2/10 : 2/10 = (6 : 2 : 2)/10 = 3 : 1 : 1$

SOLUTION: 15 (B).

(i) A surrenders $1/3$ of $3/5$ in favour of C. It means A has surrendered $1/3 \times 3/5 = 1/5$ out of his share in favour of C.

(ii) B surrenders $1/4$ of $2/5$ in favour of C. It means B has surrendered $1/4 \times 2/5 = 1/10$ out of his share in favour of C.

Sacrificing Ratio = $1/5 : 1/10 = (2 : 1)/10 = 2 : 1$

Calculation of New Ratios:

A's new share = $3/5 - 1/5 = 2/5$

$$B's \text{ new share} = 2/5 - 1/10 = (4 - 1)/10 = 3/10$$

$$C's \text{ new share} = 1/5 + 1/10 = (2 + 1)/10 = 3/10$$

$$\text{Therefore, the new ratio of A, B and C} = 2/5 : 3/10 : 3/10 = (4 : 3 : 3)/10 = 4 : 3 : 3$$

SOLUTION: 16.

(i) Calculation of New Profit Sharing Ratio:

C's share = $1/5$, the remaining share = $4/5$, this is to be shared equally by A and B.

Hence, the new share of A = $1/2$ of $4/5 = 2/5$

New share of B = $1/2$ of $4/5 = 2/5$

Ratio of C = $1/5$

Thus, New Profit Sharing ratio = $2/5 : 2/5 : 1/5$ or $2 : 2 : 1$

Calculation of Sacrificing Ratio:

Sacrificing Ratio = Old Ratio - New Ratio

$$\text{Sacrifice made by A} = 4/7 - 2/5 = (20 - 14)/35 = 6/35$$

$$\text{Sacrifice made by B} = 3/7 - 2/5 = (15 - 14)/35 = 1/35$$

Thus, Sacrificing Ratio between A and B is $6 : 1$.

(ii) Calculation of New Profit Sharing Ratio:

E's share = 20% or $1/5$; Remaining Share = $1 - 1/5 = 4/5$

This is to be shared by A, B, C and D in the ratio of $3/10 : 4/10 : 2/10 : 1/10$

Hence, the new share of A = $3/10$ of $4/5 = 6/25$

New share of B = $4/10$ of $4/5 = 8/25$

New share of C = $2/10$ of $4/5 = 4/25$

New share of D = $1/10$ of $4/5 = 2/25$

Share of E = $1/5$

Thus, New Profit Sharing Ratio = $6/25 : 8/25 : 4/25 : 2/25 : 1/5 = (6 : 8 : 4 : 2 : 5)/25 = 6 : 8 : 4 : 2 : 5$

SOLUTION: 17.

Calculation of New Profit Sharing Ratio:

D's share = $1/9$; A's share = $4/9$

Remaining share of B and C = $1 - (1/9 + 4/9) = 4/9$

This will be divided between B and C in their old ratio i.e., $3 : 2$

Hence, the new share of B = $3/5$ of $4/9 = 12/45$

new share of C = $2/5$ of $4/9 = 8/45$

Thus, the new ratio of A, B, C and D = $4/9 : 12/45 : 8/45 : 1/9 = (20 : 12 : 8 : 5)/45 = 20 : 12 : 8 : 5$

Calculation of Sacrificing Ratio:

$$\text{Sacrifice made by B} = 3/9 - 12/45 = (15 - 12)/45 = 3/45$$

$$\text{Sacrifice made by C} = 2/9 - 8/45 = (10 - 8)/45 = 2/45$$

Thus, Sacrificing Ratio among A, B and C = $0 : 3 : 2$

When new partner brings goodwill/premium in cash

SOLUTION: 18.

(A) When the amount of Goodwill is retained in the firm:

JOURNAL

Date	Particulars	L.F.	Dr.(₹)	Cr.(₹)
	Bank A/c Dr.		6,00,000	
	To O's Capital A/c			4,50,000
	To Premium for Goodwill A/c			1,50,000
	(Amount of capital and goodwill/premium brought in cash by New Partner)			
	Premium for Goodwill A/c Dr.		1,50,000	
	To L's Capital A/c			75,000
	To M's Capital A/c			50,000
	To N's Capital A/c			25,000
	(Amount of goodwill/premium credited to the old partner's capitals in Sacrifice Ratio i.e., 3:2:1)			

(B) When the amount of Goodwill is withdrawn by the old partners :

JOURNAL

Date	Particulars	L.F.	Dr.(₹)	Cr.(₹)
	Bank A/c Dr.		6,00,000	
	To O's Capital A/c			4,50,000
	To Premium for Goodwill A/c			1,50,000
	(Amount of capital and goodwill/premium brought in cash by New partner)			
	Premium for Goodwill A/c Dr.		1,50,000	
	To L's Capital A/c			75,000
	To M's Capital A/c			50,000
	To N's Capital A/c			25,000
	(Amount of goodwill/premium credited to the old partner's capitals in sacrifice ratio i.e., 3:2: 1)			
	L's Capital A/c Dr.		75,000	
	M's Capital A/c Dr.		50,000	
	N's Capital A/c Dr.		25,000	
	To Bank A/c			1,50,000
	(Amount of goodwill/premium withdrawn by the old partners)			

Calculation of New Profit Sharing Ratios:

Share given to O = $1/5$ s new share

Remaining Share = $1 - 1/5 = 4/5$

L's new share = $3/6$ of $4/5 = 2/5$

M's new share = $2/6$ of $4/5 = 4/15$

N's new share = $1/6$ of $4/5 = 2/15$

O's share = $1/5$

Thus, the new profit sharing ratio = $2/5: 4/15: 2/15: 1/5 = (6 : 4 : 2 : 3)/15 = 6 : 4 : 2 : 3$

SOLUTION: 19.

JOURNAL

Date	Particulars	L.F.	Dr.(₹)	Cr.(₹)
	Bank A/c Dr.		4,30,000	
	To R's Capital A/c			2,50,000
	To Premium for Goodwill A/c			1,80,000
	(Amount of capital and goodwill/premium brought in cash)			
	Premium for Goodwill A/c Dr.		1,80,000	
	To P's Capital A/c			90,000
	To O's Capital A/c			90,000
	(Goodwill/premium transferred to old partners capitals in sacrifice ratio i.e., equally)			

Calculation of new profit sharing ratios:

R's share is $\frac{4}{9}$ which he acquires equally from P and Q.

Therefore, R gets his share from P = $\frac{1}{2}$ of $\frac{4}{9} = \frac{2}{9}$

R gets his share from Q = $\frac{1}{2}$ of $\frac{4}{9} = \frac{2}{9}$

New Ratio of P = $\frac{2}{3} - \frac{2}{9} = \frac{(6 - 2)}{9} = \frac{4}{9}$

New Ratio of Q = $\frac{1}{3} - \frac{2}{9} = \frac{(3 - 2)}{9} = \frac{1}{9}$

Thus, New Ratio of P, O and R = $\frac{4}{9} : \frac{1}{9} : \frac{4}{9}$ or 4 : 1 : 4.

SOLUTION: 20.

JOURNAL

Date	Particulars	L.F.	Dr.(₹)	Cr.(₹)
	Bank A/c Dr.		4,20,000	
	To Z's Capital A/c			3,00,000
	To Premium for Goodwill A/c			1,20,000
	(Amount of capital and goodwill/premium brought in cash)			
	Premium for Goodwill A/c Dr.		1,20,000	
	To X's Capital A/c			90,000
	To Y's Capital A/c			30,000
	(Goodwill/premium credited to old partners in their sacrifice ratio, i.e., 3:1)			
	X's Capital A/c Dr.		45,000	
	Y's Capital A/c Dr.		15,000	
	To Bank A/c			60,000
	(Half the goodwill/premium withdrawn by old partners in cash)			

Calculation of new profit sharing ratios:

Z share is $\frac{2}{7}$ of which he acquires $\frac{3}{4}$ th from X and $\frac{1}{4}$ th from Y.

Therefore, Z acquires his share from X = $\frac{3}{4}$ of $\frac{2}{7} = \frac{3}{14}$

Z acquires his share from Y = $\frac{1}{4}$ of $\frac{2}{7} = \frac{1}{14}$

New Ratio of X = $\frac{4}{7} - \frac{3}{14} = \frac{(8 - 3)}{14} = \frac{5}{14}$

New Ratio of Y = $\frac{3}{7} - \frac{1}{14} = \frac{(6 - 1)}{14} = \frac{5}{14}$

Thus, New Ratio of X, Y & Z = $\frac{5}{14} : \frac{5}{14} : \frac{2}{7} = \frac{(5 : 5 : 4)}{14} = 5 : 5 : 4$.

SOLUTION: 21.

JOURNAL

Date	Particulars	L.F.	Dr.(₹)	Cr.(₹)
	Bank A/c Dr. To Z's Capital A/c To Premium for Goodwill A/c (The amount of capital and goodwill/premium brought in cash)		1,10,000	80,000 30,000
	Premium for Goodwill A/c Dr. To K's Capital A/c To Y's Capital A/c (Goodwill/premium credited to old partners in their sacrificing ratio i.e. 2 : 3)		30,000	12,000 18,000

Calculation of new profit sharing ratios:

Z acquires his share from K = $2/5$ of $1/3 = 2/15$

Z acquires his share from Y = $3/5$ of $1/3 = 3/15$

Hence, K's new share = $3/5 - 2/15 = (9 - 2)/15 = 7/15$

Y's new share = $2/5 - 3/15 = (6 - 3)/15 = 3/15$

Z's share = $1/3$

Hence, New profit sharing ratio of K, Y and Z

= $7/15 : 3/15 : 1/3 = (7 : 3 : 5)/15 = 7 : 3 : 5$.

SOLUTION: 22.

JOURNAL

Date	Particulars	L.F.	Dr.(₹)	Cr.(₹)
	Bank A/c Dr. To Meenu's Capital A/c To Premium for Goodwill A/c (Amount of capital and goodwill/premium brought in cash)		2,96,000	2,00,000 96,000
	Premium for Goodwill A/c Dr. To Anju's Capital A/c To Manju's Capital A/c (Goodwill/premium transferred to old partners capitals in sacrifice ratio, i.e., 1:3)		96,000	24,000 72,000

New Ratios :

Anju = $7/12 - 1/24 = (14 - 1)/24 = 13/24$

Manju = $5/12 - 1/8 = (10 - 3)/24 = 7/24$

Meenu = $1/6$

Thus, New Ratio = $13/24 : 7/24 : 1/6 = (13 : 7 : 4)/24 = 13 : 7 : 4$

Share of Profit:

Anju = $4,80,000 \times 13/24 = ₹2,60,000$

Manju = $4,80,000 \times 7/24 = ₹1,40,000$

Meenu = $4,80,000 \times 4/24 = ₹80,000$

SOLUTION: 23.

JOURNAL

Date	Particulars	L.F.	Dr.(₹)	Cr.(₹)
	Bank A/c Dr. To Premium for Goodwill A/c (Premium for goodwill brought in cash)		72,000	72,000

Date	Particulars	L.F.	Dr.(₹)	Cr.(₹)
First Case	Premium for Goodwill A/c Dr. To X's Capital A/c To Y's Capital A/c (Premium brought in by Z credited to X and Y in the sacrificing ratio of 3 : 2)		72,000	43,200 28,800

Date	Particulars	L.F.	Dr.(₹)	Cr.(₹)
Second Case:	Premium for Goodwill A/c Dr. To X's Capital A/c To Y's Capital A/c (Premium brought in by Z credited to X and Y in the sacrificing ratio of 1 : 1) (1)		72,000	36,000 36,000

Note 1. Z acquires 1/2 of 1/4 or 1/8 from each of X and Y.

Date	Particulars	L.F.	Dr.(₹)	Cr.(₹)
Third Case:	Premium for Goodwill A/c Dr. To X's Capital A/c To Y's Capital A/c (Premium brought in by Z credited to X and Y in the sacrificing ratio of 2 : 3)		72,000	28,800 43,200

Date	Particulars	L.F.	Dr.(₹)	Cr.(₹)
Fourth Case:	Premium for Goodwill A/c Dr. To X's Capital A/c To Y's Capital A/c (Premium brought in by Z credited to X and T in the sacrificing ratio of 7 : 1)(2)		72,000	63,000 9,000

Calculation of new profit sharing ratio :

Case (i)

$$X = 3/5 \text{ of } 3/4 = 9/20$$

$$Y = 2/5 \text{ of } 3/4 = 6/20$$

$$Z = 1/4 \text{ or } 5/20$$

Case (ii)

$$X = 3/5 - 1/8 = 19/40$$

$$Y = 2/5 - 1/8 = 11/40$$

$$Z = 1/4 \text{ or } 10/40$$

Case (iii)

$$Z \text{ takes his share from } X = 2/5 \text{ of } 1/4 = 2/20$$

$$Z \text{ takes his share from } Y = 3/5 \text{ of } 1/4 = 3/20$$

Therefore,

$$X's \text{ share} = 3/5 - 2/20 = (12 - 2)/20 = 10/20$$

$$Y's \text{ share} = 2/5 - 3/20 = (8 - 3)/20 = 5/20$$

$$Z's \text{ share} = 1/4 = 5/20$$

Or

$$10: 5: 5 \text{ or } 2: 1: 1$$

Case (iv)

$$X = 3/5 - 7/32 = (96 - 35)/160 = 61/160$$

$$Y = 2/5 - 1/32 = (64 - 5)/160 = 59/160$$

$$Z = 1/4 \text{ or } 40/160$$

Or

$$61: 59: 40$$

SOLUTION: 24.

JOURNAL

Date	Particulars	L.F.	Dr.(₹)	Cr.(₹)
	Bank A/c Dr.		2,08,000	
	To C's Capital A/c			1,50,000
	To Premium for Goodwill A/c			58,000
	(Capital and Premium for goodwill brought in cash)			
	Premium for Goodwill A/c Dr.		58,000	
	To A's Capital A/c			40,000
	To B's Capital A/c			18,000
	(Premium brought in by C credited to A and B in the sacrificing ratio of 20 : 9)			

Note:

$$A's \text{ existing share} = 5/8$$

$$\text{Share surrendered by A} = 1/3 \text{ of } 5/8 = 5/24$$

$$B's \text{ existing share} = 3/8$$

$$\text{Share surrendered by B} = 1/4 \text{ of } 3/8 = 3/32$$

Sacrificing Ratio

$$A = 5/24 : B = 3/32 = (20 : 9)/96 = 20:9$$

New Ratio:

$$A's \text{ new share} = 5/8 - 5/24 = (15 - 5)/24 = 10/24$$

$$B's \text{ new share} = 3/8 - 3/32 = (12 - 3)/32 = 9/32$$

$$C's \text{ new share} = 5/24 + 3/32 = (20 + 9)/96 = 29/96$$

$$\text{Hence, new ratios of A, B and C} = 10/24: 9/32: 29/96 = (40 : 27 : 29)/96 = 40 : 27 : 29$$

SOLUTION: 25.

$$A's \text{ Existing Share} = 5/10$$

$$\text{Share surrendered by A} = 5/10 \times 1/5 =$$

$$B's \text{ Existing Share} = 3/10$$

Admission of a Partner

Share surrendered by B = $3/10 \times 1/6 = 1/20$

C's Existing Share = $2/10$

Share surrendered by C = $2/10 \times 1/8 = 1/40$

Sacrificing Ratio = $1/10 : 1/20 : 1/40 = (4 : 2 : 1)/40 = 4 : 2 : 1$

Date	Particulars	L.F.	Dr.(₹)	Cr.(₹)
	Bank A/c Dr. To D's Capital A/c To Premium for Goodwill A/c (amount of capital and goodwill/premium brought in cash)		7,10,000	5,00,000 2,10,000
	Premium for Goodwill A/c Dr. To A's Capital A/c To B's Capital A/c To C's Capital A/c (Goodwill/premium transferred to old partners capitals in sacrifice ratio i.e. 4:2: 1)		2,10,000	1,20,000 60,000 30,000

SOLUTION: 26.

JOURNAL

Date	Particulars	L.F.	Dr.(₹)	Cr.(₹)
	Bank A/c Dr. To D's Capital A/c To Premium for Goodwill A/c (Amount of capital and goodwill/premium brought in cash)		2,00,000	1,40,000 60,000
Case (a)	Premium for Goodwill A/c Dr. To A's Capital A/c To B's Capital A/c To C's Capital A/c (Amount of goodwill/premium transferred to old partners in sacrificing ratio i.e., 3:2:1)		60,000	30,000 10,000
Case (b)	Premium for Goodwill A/c Dr. To A's Capital A/c To B's Capital A/c (Amount of goodwill/premium transferred to old partners in sacrificing ratio i.e., 1:1)		60,000	30,000 30,000
Case (c)	Premium for Goodwill A/c Dr. To A's Capital A/c (Amount of goodwill/premium transferred to A's Capital A/c as he alone has sacrificed)		60,000	60,000

Working Note:

Calculation of Sacrificing Ration:

Sacrificing Ratio = Old Ratio - New Ratio

Case (a)

A's Sacrifice Ratio = $3/6 - 15/36 = (18 - 15)/36 = 3/36$

B's Sacrifice Ratio = $2/6 - 10/36 = (12 - 10)/36 = 2/36$

C's Sacrifice Ratio = $1/6 - 5/36 = (6 - 5)/36 = 1/36$

Admission of a Partner

Hence, Sacrificing Ratio of A, B, C = 3 : 2 : 1

Case (b)

A's Sacrifice Ratio = $3/6 - 5/12 = (6 - 5)/12 = 1/12$

B's Sacrifice Ratio = $2/6 - 3/12 = (4 - 3)/12 = 1/12$

C's Sacrifice Ratio = $1/6 - 2/12 = (2 - 2)/12 = 0$

Hence, Sacrificing Ratio of A, B, C = 1 : 1 : 0

Case(c)

A's Sacrifice Ratio = $3/6 - 2/6 = 1/6$

B's Sacrifice Ratio = $2/6 - 2/6 = 0$

C's Sacrifice Ratio = $1/6 - 1/6 = 0$

Hence, A's alone has sacrificed.

SOLUTION: 27.

JOURNAL

Date	Particulars	L.F.	Dr.(₹)	Cr.(₹)
	Bank A/c Dr. To Premium for Goodwill A/c (Premium for goodwill brought in cash by Z)		1,00,000	1,00,000
	Premium for Goodwill A/c Dr. To X's Capital A/c To Y's Capital A/c (Premium for goodwill transferred to old partners in sacrificing ratio of 9 : 1)		1,00,000	90,000 10,000

Calculation of new profit sharing ratio :

Z takes 1/4th share out of 1.

Thus, the remaining profit is 3/4; this is divided equally between X and Y.

X's new share = $3/4 \times 1/2 = 3/8$

Y's new share = $3/4 \times 1/2 = 3/8$

Sacrifice made by X = $3/5 - 3/8 = (24 - 15)/40 = 9/40$

Sacrifice made by Y = $2/5 - 3/8 = (16 - 15)/40 = 1/40$

Thus, the Sacrificing Ratio between X and Y is 9 : 1.

SOLUTION: 28.

JOURNAL

Date	Particulars	L.F.	Dr.(₹)	Cr.(₹)
	Bank A/c Dr. To Z's Capital A/c To Premium for Goodwill A/c (₹50,000 for Capital and 1/3 of 36,000 i.e., ₹12,000 for premium for goodwill brought in cash by Z)		62,000	50,000 12,000
	Premium for Goodwill A/c Dr. To X's Capital A/c (Premium for goodwill transferred to X's Capital A/c as he alone has sacrificed)		12,000	12,000

Admission of a Partner

X's Capital A/c	Dr.	12,000	
To Bank A/c			12,000
(Amount of premium for goodwill withdrawn by X)			

Calculation of Sacrificing Ratio:

Sacrificing Ratio = Old Ratio - New Ratio

Sacrifice made by X = $\frac{2}{3} - \frac{1}{3} = \frac{1}{3}$

Sacrifice made by Y = $\frac{1}{3} - \frac{1}{3} = 0$

Thus, X alone has sacrificed.

SOLUTION: 29.

JOURNAL ENTRIES

Date	Particulars	L.F.	Dr.(₹)	Cr.(₹)
2012 April 1	Bank A/c To Premium for Goodwill A/c (Amount for goodwill/premium brought in by D)	Dr.	4,00,000	4,00,000
April 1	Premium for Goodwill A/c To A's Capital A/c To B's Capital A/c To C's Capital A/c (Goodwill/premium credited to A, B and C in the sacrificing ratio of 2 : 1 : 1)	Dr.	4,00,000	2,00,000 1,00,000 1,00,000
April 1	A's Capital A/c B's Capital A/c C's Capital A/c To Bank A/c (Half of the goodwill/premium withdrawn by the old partners)	Dr. Dr. Dr.	1,00,000 50,000 50,000	2,00,000
2013 April 1	Bank A/c To Premium for Goodwill A/c (Amount for goodwill/premium brought in by E)	Dr.	5,00,000	5,00,000
April 1	Premium for Goodwill A/c To A's Capital A/c To B's Capital A/c To C's Capital A/c To D's Capital A/c (Goodwill/premium credited to A, B, C and D in the sacrificing ratio of 2 : 1 : 1 : 6)	Dr.	5,00,000	1,00,000 50,000 50,000 3,00,000

Working Notes:

(1) C has paid the premium privately and hence no entry is required to be passed for such payment.

(2) Calculation of profit sharing ratios:

(i) After C's admission:

is given $1/4$ th share. Hence, the remaining share is $1 - 1/4 = 3/4$

A's share = $2/3$ of $3/4 = 2/4$

B's share = $1/3$ of $3/4 = 1/4$

C's share = $1/4$

(ii) After D's admission:

D is given $3/5$ th share. Hence, the remaining share is $1 - 3/5 = 2/5$

A's share = $2/4$ of $2/5 = 2/10$

B's share = $1/4$ of $2/5 = 1/10$

C's share = $1/4$ of $2/5 = 1/10$

D's share = $3/5 = 6/10$

(3) As the new profit sharing ratios are not given in the question, it will be presumed that the partners have sacrificed in their old ratio.

SOLUTION: 30.

JOURNAL ENTRIES

Date	Particulars	L.F.	Dr.(₹)	Cr.(₹)
	Bank A/c Dr. To R's Capital A/c To Premium for Goodwill A/c (The amount of capital and goodwill/premium brought in cash, i.e., ₹2,00,000 + ₹75,000(1))		2,75,000	2,00,000 75,000
	Bank A/c Dr. Motor Vehicle A/c Dr. To S's Capital A/c To Premium for Goodwill A/c (The amount of capital and goodwill brought in cash, i.e., ₹1,00,000 + ₹50,000(1) and Motor Vehicle worth ₹80,000 for capital)		1,50,000 80,000	1,80,000 50,000
	Premium for Goodwill A/c Dr. To P's Capital A/c To Q's Capital A/c (The amount of goodwill/premium transferred to old partners in sacrificing ratio i.e., 9:16 (2))		1,25,000	45,000 80,000

Working Notes:

(1) Calculation of goodwill of R's share and S's share :

Value of the total goodwill of the firm = ₹3,00,000

Therefore, R's share of goodwill = ₹3,00,000 x $3/12$ = ₹75,000

S's share of goodwill = ₹3,00,000 x $2/12$ = ₹50,000

(2) Calculation of Sacrificing Ratio:

Sacrifice Ratio = Old Ratio - New Ratio

P's Sacrifice = $2/5 - 3/12 = 9/60$

Q's Sacrifice = $3/5 - 4/12 = 16/20$

Thus Sacrifice Ratio = $9/60 : 16/60$ or 9 : 16

SOLUTION: 31.
JOURNAL ENTRIES

Date	Particulars	L.F.	Dr.(₹)	Cr.(₹)
2016				
April 1	Land A/c Dr.		2,50,000	
	Plant & Machinery A/c Dr.		1,50,000	
	Stock A/c Dr.		80,000	
	Debtors A/c Dr.		70,000	
	To Raj's Capital A/c			4,30,000
	To Premium for Goodwill A/c			1,20,000
	(Assets contributed by Raj on his admission as his capital and his share of goodwill premium)			
April 1	Premium for Goodwill A/c Dr.		1,20,000	
	To Ram's Capital A/c			1,12,000
	To Rahim's Capital A/c			8,000
	(Goodwill premium transferred to the capital accounts of Ram and Rahim in sacrificing ratio of 14 : 1)			

Working Notes:

(i) Raj's share of goodwill = $5,20,000 \times \frac{3}{13} = ₹1,20,000$

(ii) Calculation of Sacrificing Ratio:

Ram = $\frac{3}{5} - \frac{5}{13} = \frac{(39 - 25)}{65} = \frac{14}{65}$

Rahim = $\frac{2}{5} - \frac{5}{13} = \frac{(26 - 25)}{65} = \frac{1}{65}$

Thus Sacrificing Ratio = 14 : 1

SOLUTION: 32 (A).
JOURNAL ENTRIES

Date	Particulars	L.F.	Dr.(₹)	Cr.(₹)
	A's Capital A/c Dr.		14,400	
	B's Capital A/c Dr.		9,600	
	To Goodwill A/c			24,000
	(Goodwill already appearing in the books, now written off in old ratio)			
	Bank A/c Dr.		58,000	
	To C's Capital A/c			50,000
	To Premium for Goodwill A/c			8,000
	(Amount of capital and goodwill/premium brought in cash by New Partner)			
	Premium for Goodwill A/c Dr.		8,000	
	To A's Capital A/c			8,000
	(Amount of goodwill/premium transferred to A's Capital Account as he alone has sacrificed)			

Working Note:

Calculation of Sacrificing Ratio : Old Ratio - New Ratio

Sacrifice made by A = $\frac{3}{5} - \frac{2}{5} = \frac{1}{5}$

Admission of a Partner

Sacrifice made by B = $\frac{2}{5} - \frac{2}{5} = 0$

Hence, A's alone has sacrificed.

SOLUTION: 32 (B).

JOURNAL ENTRIES

Date	Particulars	L.F.	Dr.(₹)	Cr.(₹)
	P's Capital A/c Dr. S's Capital A/c Dr. To Goodwill A/c (Goodwill already appearing in the books, now written off in old ratio)		12,000 8,000	20,000
	Bank A/c Dr. To R's Capital A/c To Premium for Goodwill A/c (Amount of capital and goodwill/premium brought in cash by New Partner)		30,000	20,000 10,000
	Premium for Goodwill A/c Dr. To P's Capital A/c To S's Capital A/c (Amount of goodwill/premium transferred to old partners in sacrificing ratio i.e., equally)		10,000	5,000 5,000

Working Note:

(1) Calculation of New Profit Sharing Ratios:

R is given $\frac{1}{5}$ th share which he acquires equally i.e., $\frac{1}{10}$ th from P and $\frac{1}{10}$ th from S.

Hence, P's new share = $\frac{3}{5} - \frac{1}{10} = \frac{(6 - 1)}{10} = \frac{5}{10}$

S's new share = $\frac{2}{5} - \frac{1}{10} = \frac{(4 - 1)}{10} = \frac{3}{10}$

R's share = $\frac{1}{10} + \frac{1}{10} = \frac{2}{10}$

New Ratio = 5 : 3 : 2

Division of Profit:

P $1,00,000 \times \frac{5}{10} = 50,000$

S $1,00,000 \times \frac{3}{10} = 30,000$

R $1,00,000 \times \frac{2}{10} = 20,000$

SOLUTION : 32 (C).

JOURNAL ENTRIES

Date	Particulars	L.F.	Dr.(₹)	Cr.(₹)
	A's Capital A/c Dr. B's Capital A/c Dr. To Goodwill A/c (Goodwill already appearing in the books, now written off in old ratio)		1,60,000 1,20,000	2,80,000
	Bank A/c Dr. To Premium for Goodwill A/c (Amount of goodwill/premium brought in cash by New Partner)		75,000	75,000

Admission of a Partner

Premium for Goodwill A/c Dr.	75,000	
To A's Capital A/c		42,857
To B's Capital A/c		32,143
(Amount of goodwill/premium transferred to old partners in sacrificing ratio i.e., 4 : 3)		

When New Partner does not bring Goodwill/Premium in Cash

SOLUTION: 33.

JOURNAL

Date	Particulars	L.F.	Dr.(₹)	Cr.(₹)
	Bank A/c Dr.		40,000	
	To C's Capital A/c			40,000
	(Amount of capital brought in cash)			
	C's Current A/c Dr.		5,000	
	To A's Capital A/c			3,000
	To B's Capital A/c			2,000
	(Current account of new partner debited for his share of goodwill and capital accounts of old partners credited in their sacrificing ratio i.e., 3 : 2)			

Working Note:

(1) Value of total goodwill of the firm = ₹25,000

C's share of goodwill = $25,000 \times \frac{1}{5} = ₹5,000$.

SOLUTION: 34.

JOURNAL

Date	Particulars	L.F.	Dr.(₹)	Cr.(₹)
	P's Capital A/c Dr.		25,000	
	Q' Capital A/c Dr.		15,000	
	R's Capital A/c Dr.		10,000	
	To Goodwill A/c			50,000
	(Goodwill already appearing in the books now written off in old ratio)			
	Bank A/c Dr.		30,000	
	To S's Capital A/c			30,000
	(Amount of capital brought in Cash)			
	S's Current A/c ' Dr.		20,400	
	To P's Capital A/c			6,800
	To Q's Capital A/c			6,800
	To R's Capital A/c			6,800
	(Current account of new partner debited for his share of goodwill and capital accounts of old partners credited in their sacrificing ratio i.e., equally)			

Working Note: Valuation of Goodwill:

Average Profit = $(32,000 + 38,000 + 35,000 + 31,000) \div 4 = ₹34,000$

Goodwill = $₹34,000 \times 3 = ₹1,02,000$.

Admission of a Partner

S's Share of Goodwill = ₹1,02,000 x 1/5 = ₹20,400

SOLUTION: 35.

(i) When no goodwill appears in the books:

JOURNAL

Date	Particulars	L.F.	Dr.(₹)	Cr.(₹)
	Bank A/c Dr. To C's Capital A/c (Amount of capital brought in cash by C on his admission)		2,00,000	2,00,000
	C's Current A/c Dr. To A's Capital A/c To B's Capital A/c (C's share of goodwill i.e., 1/3rd of ₹1,50,000 credited to A and B in sacrificing ratio of 3 : 2)		50,000	30,000 20,000

(ii) When goodwill appears at ₹90,000:

In such a case, the following entry will be passed first of all, in addition to the two entries mentioned in (i) above :

JOURNAL

Date	Particulars	L.F.	Dr.(₹)	Cr.(₹)
	A's Capital A/c Dr. B's Capital A/c Dr. To Goodwill A/c (Goodwill already appearing in the books written off in old ratio)		54,000 36,000	90,000

(iii) When goodwill appears at ₹1,80,000:

In such a case, the following entry will be passed first of all, in addition to the two entries mentioned in (i) above :

JOURNAL

Date	Particulars	L.F.	Dr.(₹)	Cr.(₹)
	A's Capital A/c Dr. B's Capital A/c Dr. To Goodwill A/c (Goodwill already appearing in the books written off in old ratio)		1,08,000 72,000	1,80,000

SOLUTION: 36.

(1) When goodwill is not brought in cash :

Date	Particulars	L.F.	Dr.(₹)	Cr.(₹)
	X's Capital A/c Dr. Y's Capital A/c Dr. To Goodwill A/c (Goodwill already appearing now written off in old ratio i.e., in 3 : 2)		36,000 24,000	60,000

Admission of a Partner

Z's Current A/c Dr.	50,000	
To X's Capital A/c		30,000
To Y's Capital A/c		20,000
(Z's share of goodwill credited to X and Y in sacrificing ratio)		

(2) When goodwill is brought in Cash:

Date	Particulars	L.F.	Dr.(₹)	Cr.(₹)
	X's Capital A/c Dr.		36,000	
	Y's Capital A/c Dr.		24,000	
	To Goodwill A/c			60,000
	(Goodwill already appearing now written off in old ratio i.e., in 3 : 2)			
	Bank A/c Dr.		50,000	
	To Premium for Goodwill A/c			50,000
	(Amount of goodwill/premium brought in cash by new partner)			
	Premium for Goodwill A/c Dr.		50,000	
	To X's Capital A/c			30,000
	To Y's Capital A/c			20,000
	(Amount of goodwill/premium transferred to old partners in their sacrifice ratio i.e., in 3 : 2)			

SOLUTION: 37.

JOURNAL

Date	Particulars	L.F.	Dr.(₹)	Cr.(₹)
2014	Bank Account Dr.		65,000	
April 1	To A's Capital Account			50,000
	To Premium for Goodwill Account			15,000
	(Amount of Capital and part of his share of premium for goodwill brought in by A)			
April 1	Premium for Goodwill Account Dr.		15,000	
	A's Current Account Dr.		5,000	
	To X's Capital Account			10,000
	To Y's Capital Account			10,000
	(Premium for goodwill credited to X and Y in their sacrificing ratio, i.e., 1:1)			

Calculation of New Profit Sharing Ratio:

A is given 1/6th share, which he acquires equally i.e., 1/12 from X and 1/12 from Y.

Thus, X's new share = $\frac{1}{2} - \frac{1}{12} = \frac{(6 - 1)}{12} = \frac{5}{12}$

Y's new share = $\frac{1}{3} - \frac{1}{12} = \frac{(4 - 1)}{12} = \frac{3}{12}$

Z's new share = $\frac{1}{6}$

A's new share = $\frac{1}{6}$

New Ratio of X, Y, Z, A = $\frac{5}{12} : \frac{3}{12} : \frac{1}{6} : \frac{1}{6} = (5 : 3 : 2 : 2) / 12 = 5 : 3 : 2 : 2$

SOLUTION: 38.
JOURNAL

Date	Particulars	L.F.	Dr.(₹)	Cr.(₹)
	Bank A/c Dr. To Premium for Goodwill A/c (A part of his share of goodwill/premium brought in by C)		6,00,000	6,00,000
	Premium for Goodwill A/c Dr. C's Current A/c Dr. To A's Capital A/c To B's Capital A/c (Premium for goodwill credited to old partners in their sacrificing ratio, i.e., 2:1)		6,00,000 1,20,000	4,80,000 2,40,000

SOLUTION: 39.
JOURNAL

Date	Particulars	L.F.	Dr.(₹)	Cr.(₹)
	Bank A/c Dr. To Premium for Goodwill A/c (Amount of goodwill/premium brought in by C for his 2/9th share)		2,00,000	2,00,000
	Premium for Goodwill A/c Dr. B's Capital A/c Dr. To A's Capital A/c (Goodwill/premium brought in by C credited to A alongwith 3/36 of the goodwill to be contributed by B due to gain in his profit sharing ratio)		2,00,000 75,000	2,75,000

Working Note:

Old Ratio of A and B = 3:1

New Ratio of A, B and C = 4:3:2

Sacrifice or Gain:

A = $\frac{3}{4} - \frac{4}{9} = \frac{27 - 16}{36} = \frac{11}{36}$ (Sacrifice)

B = $\frac{1}{4} - \frac{3}{9} = \frac{9 - 12}{36} = \frac{3}{36}$ (Gain)

C = $\frac{2}{9}$ or $\frac{8}{36}$ (Gain)

Only A sacrifices his share to the benefit of B and C. Consequently, not only the goodwill brought in by C will be credited to A, B must also give 3/36th share of goodwill to A. The total value of Firm's goodwill based on C's share is 2,00,000 x 9/2 or ₹9,00,000.

Hence, the amount of goodwill to be contributed by B will be (₹9,00,000 x 3/36) = ₹75,000.

This will be adjusted by debiting B's Capital and Crediting A's Capital.

SOLUTION: 40.
JOURNAL

Date	Particulars	L.F.	Dr.(₹)	Cr.(₹)
	Bank A/c To Premium for Goodwill A/c (Premium for goodwill brought in cash by Z)	Or.	30,000	30,000

Admission of a Partner

Premium for Goodwill A/c	Dr.	30,000	
Y's Capital A/c	Dr.	7,500	
To X's Capital A/c			37,500
(Premium for goodwill paid by Z credited to the sacrificing partner X and further adjustment for goodwill for acquiring 1/12 share by Y from X)			

Working Note:

Old Ratio of X and Y = 3:1

New Ratio of X, Y and Z = 1:1:1

Sacrifice or Gain:

$X = \frac{3}{4} - \frac{1}{3} = \frac{(9 - 4)}{12} = \frac{5}{12}$ (Sacrifice)

$Y = \frac{1}{4} - \frac{1}{3} = \frac{(3 - 4)}{12} = \frac{1}{12}$ (Gain)

$Z = \frac{1}{3}$ or $\frac{4}{12}$ (Gain)

Only X sacrifices his share to the benefit of Land Z. Consequently, not only the goodwill from Z will be credited to X, Y must also give 1/12th share of goodwill to X. The total value of Firm's goodwill based on Z's share is ₹30,000 x 3/1 or ₹90,000. Hence, the amount of goodwill to be contributed by Y will be (₹90,000 x 1/12) = ₹7,500. This will be adjusted by debiting Y's Capital and crediting X's Capital.

SOLUTION: 41.

JOURNAL

Date	Particulars	L.F.	Dr.(₹)	Cr.(₹)
	Bank A/c Dr.		5,60,000	
	To D's Capital A/c			5,00,000
	To Premium for Goodwill A/c			60,000
	(The amount of Capital and goodwill/premium brought in cash)			
	Premium for Goodwill A/c Dr.		60,000	
	A's Capital A/c Dr.		12,000	
	To B's Capital A/c			48,000
	To C's Capital A/c			24,000
	(Premium for goodwill brought in by D credited to B and C alongwith 1/30 of the goodwill to be contributed by A due to gain in his profit sharing ratio)			

Working Note : Old Ratio of A, B and C = 2 : 2 : 1

New Ratio of A, B, C and D = 13 : 8 : 4 : 5

Sacrifice or Gain

$A = \frac{2}{5} - \frac{13}{30} = \frac{(12 - 13)}{30} = \frac{1}{30}$ (Gain)

$B = \frac{2}{5} - \frac{8}{30} = \frac{(12 - 8)}{30} = \frac{4}{30}$ (Sacrifice)

$C = \frac{1}{5} - \frac{4}{30} = \frac{(6 - 4)}{30} = \frac{2}{30}$ (Sacrifice)

$D = \frac{5}{30}$ (Gain)

On D's admission A has also gained to the extent of 1/30. Hence, he must also compensate B and C to the extent of 1/30 of firm's goodwill.

For 1/6th share, goodwill brought in by D = ₹60,000

Total goodwill of the firm based on D's share = 60,000 x 6/1 = ₹3,60,000

A to Compensate = 3,60,000 x 1/30 = ₹12,000

Goodwill contributed by D and A = 60,000 + 12,000 = 72,000.

Admission of a Partner

It will be distributed between B and C in their sacrificing ratio.

B's share = $72,000 \times \frac{4}{6} = ₹48,000$

C's share = $72,000 \times \frac{2}{6} = ₹24,000$

SOLUTION: 42.

JOURNAL

Date	Particulars	L.F.	Dr.(₹)	Cr.(₹)
2016 March 1	Cash A/c Dr. Machinery A/c Dr. To Premium for Goodwill A/c (Cash and Machinery contributed by C on his admission as his share of goodwill premium)		20,000 60,000	80,000
	Premium for Goodwill A/c Dr. B's Capital A/c To A's Capital A/c (Premium for goodwill brought in by C credited to A along with 1/10 of the goodwill to be contributed by B due to gain in his profit sharing ratio)		80,000 40,000	1,20,000

Working Note:

Old Ratio of A and B = 4:1

New Ratio of A, B and C = 5:3:2

Sacrifice or Gain:

A = $\frac{4}{5} - \frac{5}{10} = \frac{(8 - 5)}{10} = \frac{3}{10}$ (Sacrifice)

B = $\frac{1}{5} - \frac{3}{10} = \frac{(2 - 3)}{10} = \frac{1}{10}$ (Gain)

Since B is gaining equal to $\frac{1}{10}$ in the profits, therefore, he will also have to compensate A proportionately.

Firm's goodwill on the basis of C's share in profit = $80,000 \times \frac{5}{1} = ₹4,00,000$

So, B will compensate = $₹4,00,000 \times \frac{1}{10} = ₹40,000$.

Revaluation of Assets and Liabilities

SOLUTION: 43.

JOURNAL

Date	Particulars	L.F.	Dr.(₹)	Cr.(₹)
2014 April 1	Revaluation A/c Dr. To Stock A/c To Machinery & Fixtures A/c To Provision for Doubtful Debts A/c (Reduction in the value of assets and provision made for doubtful debts)		32,600	12,600 10,000 10,000
	Land & Building A/c Dr. To Revaluation A/c (Increase in the value of Land & Building)		49,500	49,500

Admission of a Partner

Revaluation A/c To Unforeseen Liability A/c (Provision for liability)	Dr.	15,000	15,000
Accrued Commission A/c To Revaluation A/c (Accrued income)	Dr.	11,000	11,000
Revaluation A/c To A's Capital A/c To B's Capital A/c (Transfer of profit on revaluation to the capital accounts of old partners in old ratio)	Dr.	12,900	9,675 3,225
Cash A/c To C's Capital A/c To Premium for Goodwill A/c (Amount of capital and premium for goodwill brought in cash by C)	Dr.	1,50,000	1,00,000 50,000
Premium for Goodwill A/c To A's Capital A/c To B's Capital A/c (Premium for goodwill credited to old partners in the sacrificing ratio 3:1)	Dr.	50,000	37,500 12,500
A's Capital A/c Dr. B's Capital A/c Dr. To Cash A/c (Half the premium for goodwill withdrawn by old partners)		18,750 6,250	25,000

Dr.		REVALUATION ACCOUNT		Cr.	
Particulars	₹	Particulars	₹		
To Stock A/c	12,600	By Land & Building A/c	49,500		
To Machinery & Fixtures A/c	10,000	By Accrued Commission A/c	11,000		
To Provision for Doubtful Debts A/c	10,000				
To Unforeseen Liability A/c	15,000				
To Profit Transferred to Capital Accounts:					
A 9,675					
B 3,225	12,900				
	60,500				60,500

Dr.		CAPITAL ACCOUNTS			Cr.		
Particulars	A	B	C	Particulars	A	B	C
	₹	₹	₹		₹	₹	₹
To Cash A/c	18,750	6,250	—	By Bal. b/d	4,00,000	2,00,000	—
To Bal. c/d	4,28,425	2,09,475	1,00,000	By Revaluation A/c	9,675	3,225	
				By Cash A/c	—	—	1,00,000

Admission of a Partner

				By Premium for Goodwill A/c	37,500	12,500	
	4,47,175	2,15,725	1,00,000		4,47,175	2,15,725	1,00,000

OPENING BALANCE SHEET as at 1st April, 2014

Liabilities	₹	Assets	₹
Sundry Creditors	3,50,000	Cash in hand	1,65,000(1)
Unforeseen Liability	15,000	Book Debts	2,00,000
Capitals:		Less : Provision	10,000
A	4,28,425	Stock	1,67,400
B	2,09,475	Accrued Commission A/c	11,000
C	1,00,000	Machinery & Fixtures	1,90,000
	7,37,900	Land & Building	3,79,500
	11,02,900		11,02,900

Note (1):

Calculation of Cash Balance :

	₹
Opening Balance	40,000
(+) Amount of Capital brought in by the new partner in Cash	1,00,000
(+) Amount of Goodwill brought in by the new partner in Cash	50,000
	<u>1,90,000</u>
(-) Amount of Goodwill withdrawn by the old partners in Cash	25,000
Balance	<u>1,65,000</u>

SOLUTION : 44.

Books of Khushi and Sukhi JOURNAL

Date	Particulars	L.F.	Dr.(₹)	Cr.(₹)
2016 April 1	Profit & Loss A/c Dr. To Khushi's Capital A/c To Sukhi's Capital A/c (Transfer of the balance of Accumulated Profits to old partner's capital accounts on the admission of Muskan)		63,000	35,000 28,000
April 1	General Reserve A/c Dr. To Khushi's Capital A/c To Sukhi's Capital A/c (Transfer of the balance of General Reserve to old partner's capital accounts on the admission of Muskan)		45,000	25,000 20,000

SOLUTION : 45.

JOURNAL

Date	Particulars	L.F.	Dr.(₹)	Cr.(₹)
1.3.16	Profit and Loss A/c Dr. To A's Capital A/c To B's Capital A/c (Accumulated profit transferred to old partner's capital accounts on the admission of C)		20,000	14,000 6,000
1.3.16	Reserve A/c Dr. To A's Capital A/c To B's Capital A/c (Reserve transferred to old partner's capital accounts on the admission of C)		1,50,000	1,05,000 45,000
1.3.16	Bank A/c Dr. To Premium for Goodwill A/c (Premium for goodwill brought in by C for 1/6th share)		40,000	40,000
1.3.16	Premium for Goodwill A/c Dr. B's Capital A/c Dr. To A's Capital A/c (Premium for goodwill brought in by C credited to A along with 1/30 of the goodwill to be contributed by B due to gain in his profit sharing ratio)		40,000 8,000	48,000

Working Note:

Old Ratio of A and B = 7:3

New Ratio of A, B and C = 3:2:1

Sacrifice or Gain: A = $7/10 - 3/6 = (21 - 15)/30 = 6/30$ (Sacrifice)

B = $3/10 - 2/6 = (9 - 10)/30 = 1/30$ (Gain)

C = $1/6$ or $5/30$ (Gain)

Since B is gaining $1/30$ in the profits, therefore, he will also compensate A proportionately.

For $1/6$ th share C brought ₹40,000 as premium.

Therefore firm's goodwill = $40,000 \times 6/1 = 2,40,000$.

B will compensate A by ₹ $2,40,000 \times 1/30 = ₹8,000$.

Workmen Compensation Reserve

SOLUTION : 46.

JOURNAL

Date	Particulars	L.F.	Dr.(₹)	Cr.(₹)
2017	Workmen Compensation Reserve A/c Dr.		1,00,000	
April 1	Revaluation A/c Dr.		20,000	
Case (i)	To Provision for Workmen Compensation Claim A/c (Provision made for workmen claim)			1,20,000

Admission of a Partner

	Xs Capital A/c Dr. Y's Capital A/c Dr. To Revaluation A/c (Loss on revaluation debited to Partners' Capital Accounts in their old profit-sharing ratio)		10,000 10,000	20,000
Case (ii)	Workmen Compensation Reserve A/c Dr. To Provision for Workmen Compensation Claim A/c To X's Capital A/c To Y's Capital A/c (Surplus workmen compensation reserve credited to old Partners' Capital Accounts in their old profit sharing ratio)		1,00,000	90,000 5,000 5,000

SOLUTION: 47.

JOURNAL

Date	Particulars	L.F.	Dr.(₹)	Cr.(₹)
2017				
April 1	General Reserve A/c Dr.		1,50,000	
	Workmen Compensation Reserve A/c Dr.		40,000	
	Profit & Loss A/c Dr.		60,000	
	To A's Capital A/c			1,00,000
	To B's Capital A/c			1,00,000
	To C's Capital A/c			50,000
	(Accumulated profits transferred in old ratio)			
	A's Capital A/c Dr.		10,000	
	B's Capital A/c Dr.		10,000	
	C's Capital A/c Dr.		5,000	
	To Advertisement Suspense A/c			25,000
	(Advertisement Suspense transferred in old ratio)			

SOLUTION: 48.

JOURNAL

Date	Particulars	L.F.	Dr.(₹)	Cr.(₹)
2017				
April 1	Profit & Loss A/c Dr.		45,000	
	To P's Capital A/c			30,000
	To Q's Capital A/c			15,000
	(Accumulated profit distributed between the old partners in their old ratio of 2 : 1)			
	Workmen's Compensation Reserve .Dr.		80,000	
	To Provision for Workmen Compensation Claim A/c			50,000
	To P's Capital A/c			20,000
	To Q's Capital A/c '			10,000
	(Surplus Workmen Compensation Reserve credited to old partners in their old ratio of 2 : 1)			
	Bank A/c Dr.		2,60,000	

Admission of a Partner

To R's Capital A/c		2,00,000
To Premium for Goodwill A/c		60,000
(Cash brought in by R)		
Premium for Goodwill A/c Dr.	60,000	
To P's Capital A/c		20,000
To Q's Capital A/c		40,000
(Premium for goodwill transferred in sacrificing ratio of 1:2) W "		

Working Note:

Calculation of Sacrificing Ratio:

$$P = \frac{2}{3} - \frac{3}{5} = \frac{(10 - 9)}{15} = \frac{1}{15}$$

$$Q = \frac{1}{3} - \frac{1}{5} = \frac{(5 - 3)}{15} = \frac{2}{15}$$

$$\text{Sacrificing Ratio} = \frac{1}{15} : \frac{2}{15} \text{ or } 1 : 2$$

Investment Fluctuation Reserve

SOLUTION: 49.

JOURNAL

Date	Particulars	L.F.	Dr.(₹)	Cr.(₹)
Case (i)	Investments Fluctuation Reserve A/c Dr.		40,000	
	To Investments A/c			10,000
	To A's Capital A/c			18,000
	To B's Capital A/c			12,000
	(Excess investments fluctuation reserve credited to Partners' Capital Accounts in their old profit-sharing ratio)			
Case (ii)	Investments Fluctuation Reserve A/c	Dr.	40,000	
	Revaluation A/c	Dr.	15,000	
	To Investments A/c			55,000
	(Fall in book value of investments credited to investments account and excess fall charged to Revaluation Account)			
	A's Capital A/c	Dr.	9,000	
	B's Capital A/c	Dr.	6,000	
	To Revaluation A/c			15,000
	(Loss on revaluation debited to partners' Capital Accounts in their old profit-sharing ratio)			
Case (iii)	Investments Fluctuation Reserve A/c Dr.		40,000	
	To A's Capital A/c			24,000
	To B's Capital A/c			16,000
	(Investments fluctuation reserve credited to Partners' Capital Accounts in their old profit-sharing ratio)			
Case (iv)	Investments Fluctuation Reserve A/c Dr.		40,000	
	To A's Capital A/c			24,000
	To B's Capital A/c			16,000
	(Investments fluctuation reserve credited to Partners' Capital			

Admission of a Partner

Accounts in their old profit-sharing ratio)			
Investments A/c	Dr.	25,000	
To Revaluation A/c			25,000
(Value of investments brought up to market value)			
Revaluation A/c	Dr.	25,000	
To A's Capital A/c			15,000
To B's Capital A/c			10,000
(Profit on revaluation credited to partner's Capital Accounts in their old profit-sharing ratio)			

SOLUTION: 50.

JOURNAL

Date	Particulars	L.F.	Dr.(₹)	Cr.(₹)
	General Reserve A/c Dr. To Charu's Capital A/c To Deepika's Capital A/c (General Reserve distributed between the old partners in their old ratio of 3 : 2)		1,20,000	72,000 48,000
	Charu's Capital A/c Dr. Deepika's Capital A/c Dr. To Profit and Loss A/c (Accumulated loss distributed between the old partners in their old ratio of 3 : 2)		24,000 16,000	40,000
	Investment Fluctuation Reserve A/c Dr. To Charu's Capital A/c To Deepika's Capital A/c (Investment Fluctuation Reserve credited to old partners in old ratio of 3 : 2)		60,000	36,000 24,000
	Investments A/c Dr. To Revaluation A/c (Value of investments brought upto market value)		30,000	30,000
	Revaluation A/c Dr. To Charu's Capital A/c To Deepika's Capital A/c (Profit on revaluation credited to old partners in old ratio)		30,000	18,000 12,000
	Bank A/c To Esha's Capital A/c Dr. To Premium for Goodwill A/c (₹1,80,000 x 2/9) (Capital and amount of premium for goodwill brought in cash by Esha)		3,40,000	3,00,000 40,000
	Premium for Goodwill A/c Dr. To Charu's Capital A/c To Deepika's Capital A/c (Goodwill credited to sacrificing partners in their sacrificing ratio, i.e., 7:3)		40,000	28,000 12,000

Admission of a Partner

Working Note:

Calculation of Sacrificing Ratio:

Share Sacrificed = Old Share - New Share

Charu = $\frac{3}{5} - \frac{4}{9} = \frac{(27 - 20)}{45} = \frac{7}{45}$

Deepika = $\frac{2}{5} - \frac{3}{9} = \frac{(18 - 15)}{45} = \frac{3}{45}$

Sacrificing Ratio = $\frac{7}{45} : \frac{3}{45}$ or 7:3

SOLUTION: 51.

JOURNAL

Date	Particulars	L.F.	Dr.(₹)	Cr.(₹)
2009 April 1	Investment Fluctuation Reserve Dr. To Investments A/c (Value of Investments brought down to market value)		8,000	8,000
	General Reserve Dr. Workmen Compensation Reserve Dr. Investment Fluctuation Reserve Dr. To A's Capital A/c To B's Capital A/c To C's Capital A/c (Transfer of accumulated profits to old partners in their old profit sharing ratio i.e. 2:2: 1)		40,000 35,000 2,000	30,800 30,800 15,400
	A's Capital A/c Dr. B's Capital A/c Dr. C's Capital A/c Dr. To Profit & Loss A/c (Transfer of accumulated loss to old partners in their old profit sharing ratio i.e. 2:2: 1)		8,000 8,000 4,000	20,000

SOLUTION: 52(A).

JOURNAL

Date	Particulars	L.F.	Dr.(₹)	Cr.(₹)
2012 April 1	Profit & Loss A/c ' Dr. To Vimal's Capital A/c To Nirmal's Capital A/c (Transfer of Profit & Loss A/c to old partner's capital accounts)		20,000	12,000 8,000
	Revaluation A/c Dr. To Plant & Machinery A/c To Stock A/c To Provision for Doubtful Debts (Reduction in the value of assets and provision made for doubtful debts)		20,000	15,000 4,000 1,000
	Vimal's Capital A/c Dr. Nirmal's Capital A/c Dr.		12,000 8,000	

Admission of a Partner

To Revaluation A/c (Transfer of loss on revaluation to the capital accounts of old partners in old ratio)			20,000
Vimal's Capital A/c Dr. Nirmal's Capital A/c Dr.	6,000 4,000		
To Goodwill A/c (Goodwill already appearing in the books written off in the old ratio) .			10,000
Cash A/c Dr. To Kailash's Capital A/c ' To Premium for Goodwill A/c (Amount of capital and premium for goodwill brought in cash by Kailash)	60,000 20,000		40,000 20,000
Premium for Goodwill A/c Dr. To Vimal's Capital A/c To Nirmal's Capital A/c (Premium for goodwill credited to old partners in the sacrificing ratio 2:3)(1)	20,000 8,000 12,000		

Dr.		CAPITAL ACCOUNTS			Cr.		
Particulars	Vimal	Nirmal	Kailash	Particulars	Vimal	Nirmal	Kailash
	₹	₹	₹		₹	₹	₹
To Revaluation A/c	12,000	8,000	—	By Bal. b/d	60,000	32,000	—
To Goodwill A/c	6,000	4,000	—	By Profit & Loss A/c	12,000	8,000	—
To Bal. c/d	62,000	40,000	40,000	By Cash A/c	—	—	40,000
				By Premium for Goodwill A/c	8,000	12,000	
	80,000	52,000	40,000		80,000	52,000	40,000

OPENING BALANCE SHEET as at 1st April, 2012

Liabilities	₹	Assets	₹
Sundry Creditors	20,000	Cash	74,000
Capital Accounts :		Debtors	18,000
Vimal	62,000	Less : Provision	<u>1,000</u>
Nirmal	40,000	Stock	36,000
Kailash	40,000	Plant & Machinery	35,000
	1,62,000		1,62,000

Note (1): Calculation of Sacrificing Ratios :

Vimal : $3/5 - 2/4 = 2/20$

Nirmal : $2/5 - 1/4 = 3/20$ OR 2:3

SOLUTION: 52(B).

JOURNAL

Date	Particulars	L.F.	Dr.(₹)	Cr.(₹)
	General Reserve Dr. To A's Capital A/c To B's Capital A/c (Transfer of General Reserve to old partner's capital accounts)		50,000	37,500 12,500
	Revaluation A/c Dr. To Plant A/c To Outstanding Repairs A/c (Reduction in the value of plant and provision for outstanding repairs)		11,200	10,000 1,200
	Provision for Doubtful Debts A/c Dr. Creditors A/c Dr. To Revaluation A/c (Reduction in doubtful debts and creditors)		1,000 2,000	3,000
	A's Capital A/c Dr. B's Capital A/c Dr. To Revaluation A/c (Loss on revaluation transferred to the capital accounts of old partners in old ratio)		6,150 2,050	8,200
	Cash A/c Dr. To C's Capital A/c To Premium for Goodwill A/c (Amount of capital and premium for goodwill brought in cash by C)		1,36,000	1,00,000 36,000
	Premium for Goodwill A/c Dr. To A's Capital A/c To B's Capital A/c (Premium for goodwill credited to old partners in the sacrificing ratio 2:1)		36,000	24,000 12,000

Dr. RELVALUATION ACCOUNT Cr.

Particulars	₹	Particulars	₹
To Plant A/c	10,000	By Provision for Doubtful Debts A/c	1,000
To Outstanding Repairs A/c	1,200	By Creditors A/c	2,000
		By Loss transferred to Capital Accounts :	
		A 6,150	
		B 2,050	8,200
	11,200		11,200

Calculation of New Ratios :

C acquires his share of profit (1/4) from A and B in the ratio of 2 : 1. This means

Admission of a Partner

C gets $\frac{2}{3}$ of $\frac{1}{4} = \frac{2}{12}$ from A

C gets $\frac{1}{3}$ of $\frac{1}{4} = \frac{1}{12}$ from B

Hence, the new ratio of A = $\frac{3}{4} - \frac{2}{12} = \frac{(9 - 2)}{12} = \frac{7}{12}$

New ratio of B = $\frac{1}{4} - \frac{1}{12} = \frac{(3 - 1)}{12} = \frac{2}{12}$

Thus, the new profit sharing ratio for A, B and C will be:

$\frac{7}{12} : \frac{2}{12} : \frac{1}{4}$ or $(7 : 2 : 3) / 12$ or 7 : 2 : 3

SOLUTION: 53.

JOURNAL

Date	Particulars	L.F.	Dr.(₹)	Cr.(₹)
2012	X's Capital A/c - Dr.		1,500	
April	Y's Capital A/c Dr.		900	
1	To Profit & Loss A/c (Transfer of Dr. balance of Profit & Loss A/c to old partner's capital accounts)			2,400
	Workmen's Compensation Reserve A/c Dr.		5,800	
	To X's Capital A/c			3,625
	To Y's Capital A/c			2,175
	(Transfer of Workmen's Compensation Reserve to old partner's capital accounts)			
	Revaluation A/c Dr.		13,000	
	To Stock A/c			3,000
	To Fixed Assets A/c			10,000
	(Reduction in the value of assets)			
	Revaluation A/c Dr.		6,000	
	To Provident Fund A/c			5,000
	To Creditors A/c			1,000
	(Increase in liabilities)			
	Provision for Doubtful Debts A/c Dr.		600	
	To Revaluation A/c			600
	(Omitting the provision for doubtful debts)			
	X's Capital A/c Dr.		11,500	
	Y's Capital A/c Dr.		6,900	
	To Revaluation A/c			18,400
	(Transfer of loss on revaluation to the capital accounts of old partners in old ratio)			
	Bank A/c Dr.		32,000	
	To Z's Capital A/c			20,000
	To Premium for Goodwill A/c			12,000
	(Amount of capital and premium for goodwill brought in cash by Z)			
	Premium for Goodwill A/c Dr.		12,000	
	To X's Capital A/c			12,000
	(Premium for goodwill credited to X's Capital A/c he alone has sacrificed)			

Admission of a Partner

Dr.		REVALUATION ACCOUNT		Cr.	
Particulars	₹	Particulars	₹		
To Stock A/c	3,000	By Provision for Doubtful Debts A/c	600		
To Fixed Assets A/c	10,000				
To Provident Fund A/c	5,000	Capital Accounts :			
To Creditors A/c	1,000	X 11,500			
		Y 6,900			
	19,000			18,400	
				19,000	

Dr.		CAPITAL ACCOUNTS						Cr.	
Particulars	Y	Y	Z	Particulars	Y	Y	Z		
	₹	₹	₹		₹	₹	₹		
To Profit & Loss A/c	1,500	900	—	By Balance b/d	70,000	31,000	—		
To Revaluation A/c	11,500	6,900	—	By Workmen's Compensation Fund A/c	3,625	2,175	—		
To Balance c/d	72,625	25,375	20,000	By Bank A/c	—	—	20,000		
				By Premium for Goodwill A/c	12,000	—	—		
	85,625	33,175	20,000		85,625	33,175	20,000		

OPENING BALANCE SHEET as at 1st April, 2012

Liabilities	₹	Assets	₹
Creditors	16,000	Cash at Bank	37,000
Provident Fund	15,000	Sundry Debtors	20,000
Capitals :		Stock	22,000
A 72,625		Fixed Assets	70,000
B 25,375			
C 20,000	1,18,000		
	1,49,000		1,49,000

Calculation of new profit sharing ratio:

$$X = 5/8 - 1/8 = 4/8$$

$$Y = 3/8 \quad \& \quad Z = 1/8 \quad \text{OR } 4: 3: 1$$

SOLUTION: 54.

MEMORANDUM BALANCE SHEET (Before Z's Admission)

Liabilities	₹	Assets	₹
Creditors	3,20,000	Debtors	4,32,000
General Reserve	1,80,000	Stock	3,00,000
Capitals:		Patents	74,000
X 4,00,000		Building	2,04,000
Y 3,50,000	7,50,000		
		Cash (Balancing figure)	2,40,000
	12,50,000		12,50,000

Admission of a Partner

Dr. REVALUATION ACCOUNT Cr.			
Particulars	₹	Particulars	₹
To Stock	6,000	By Loss transferred to :	
To Patents		X 60,000	
To Claim for Damages	74,000	Y 40,000	1,00,000
	1,00,000		1,00,000

Dr. CAPITAL ACCOUNTS Cr.							
Particulars	X	Y	Z	Particulars	X	Y	Z
	₹	₹	₹		₹	₹	₹
To Revaluation A/c	60,000	40,000		By Balance b/d	4,00,000	3,50,000	
To Balance c/d	5,08,000	4,22,000	3,00,000	By General Reserve A/c	1,08,000	72,000	
				By Cash A/c			3,00,000
				By Premium for Goodwill A/c	60,000	40,000	
	5,68,000	4,62,000	3,00,000		5,68,000	4,62,000	3,00,000

BALANCE SHEET OF THE NEW FIRM as at 1st April, 2017

Liabilities	₹	Assets	₹
Creditors	3,20,000	Cash(2)	6,40,000
Claim for Damages	20,000	Debtors	4,32,000
Capitals :		Stock	2,94,000
X	5,08,000	Building	2,04,000
Y	4,22,000		
Z	3,00,000		
	12,30,000		
	15,70,000		15,70,000

Note:

(1) Z's Share of Goodwill = $5,00,000 \times \frac{1}{5} = ₹1,00,000$.

(2) Cash = 2,40,000 + 1,00,000 for Goodwill + 3,00,000 for Capital = ₹6,40,000

SOLUTION: 55.

JOURNAL

Date	Particulars	L.F.	Dr.(₹)	Cr.(₹)
(i)	Revaluation A/c Dr.		3,000	
	To Provision for Doubtful Debts			3,000
	(Provision made for doubtful debts)			
(ii)	Building A/c Dr.		50,000	
	To Revaluation A/c			50,000
	(increase in the value of building)			
	Revaluation A/c Dr.		20,000	
	To Machinery A/c			20,000
	(Decrease in the value of machinery)			
(iii)	Revaluation A/c Dr.		8,000	

Admission of a Partner

(iv)	To Stock A/c (Damaged stock written off)			8,000
	Creditors A/c	Dr.	6,000	
	To Revaluation A/c (Creditors written off)			6,000
	Revaluation A/c	Dr.	25,000	
	To X's Capital A/c			12,500
	To Y's Capital A/c (Transfer of profit on revaluation in old profit sharing ratio)			12,500

SOLUTION: 56.

BALANCE SHEET

(Before W's Admission) as at.....

Liabilities		₹	Assets		₹
Sundry Inabilities		3,00,000	Motors		1,20,000
Capitals :			Furniture		40,000
X	1,50,000		Stock		2,65,000
Y	1,75,000		Debtors		3,78,000
Z	2,00,000	5,25,000	Cash (Balancing Figure)		22,000
		8,25,000			8,25,000

JOURNAL

Date	Particulars	L.F.	Dr.(₹)	Cr.(₹)
	Revaluation A/c	Dr.	27,000	
	To Motors A/c			25,000
	To Furniture A/c			2,000
	(Reduction in the value of assets)			
	X's Capital A/c	Dr.	9,000	
	Y's Capital A/c	Dr.	9,000	
	Z's Capital A/c	Dr.	9,000	
	To Revaluation A/c			27,000
	(Transfer of loss on revaluation)			
	Cash A/c .	Dr.	3,30,000	
	To W's Capital A/c			1,80,000
	To Premium for Goodwill A/c			1,50,000
	(Amount brought in by new partner for capital and premium for goodwill)			
	Premium for Goodwill A/c	Dr.	1,50,000	
	To X's Capital A/c			50,000
	To Y's Capital A/c			50,000
	To Z's Capital A/c			50,000
	(Premium for goodwill credited to old partners)			

Admission of a Partner

Dr. CAPITAL ACCOUNTS Cr.

Particulars	X	Y	Z	W	Particulars	X	Y	Z	W
	₹	₹	₹	₹		₹	₹	₹	₹
To Revaluation	9,000	9,000	9,000		By Bal. b/d	1,50,000	1,75,000	2,00,000	
To Bal. c/d	1,91,000	2,16,000	2,41,000	1,80,000	By Cash				1,80,000
					By Premium for Goodwill A/c	50,000	50,000	50,000	
	2,00,000	2,25,000	2,50,000	1,80,000		2,00,000	2,25,000	2,50,000	1,80,000

OPENING BALANCE SHEET as at.....

Liabilities	₹	Assets	₹
Sundry Liabilities	3,00,000	Cash	3,52,000
Capitals :		Debtors	3,78,000
X 1,91,000		Stock	2,65,000
Y 2,16,000		Furniture	38,000
Z 2,41,000		Motors	95,000
W 1,80,000	8,28,000		
	11,28,000		11,28,000

SOLUTION: 57.

Books of A, B and C JOURNAL

Date	Particulars	L.F.	Dr.(₹)	Cr.(₹)
2016	Fixed Assets A/c Dr.		22,000	
Feb.	To Revaluation A/c			22,000
1	(Increase in the value of fixed assets)			
Feb.	Revaluation A/c Dr.		22,000	
1	To A's Capital A/c			16,500
	To B's Capital A/c			5,500
	(Transfer of profit on revaluation)			
Feb.	Bank A/c Dr.		1,50,000	
1	To C's Capital A/c			1,20,000
	To Premium for Goodwill A/c			30,000
	(Amount brought in by C for his capital and premium for goodwill)			
Feb.	Premium for Goodwill A/c Dr.		30,000	
1	To A's Capital A/c			30,000
	(Premium for goodwill credited to sacrificing partner A)			

Admission of a Partner

Feb. 1	B's Capital A/c To A's Capital A/c (Adjustment for goodwill on acquiring 1/12 share by B from A)	Dr.		15,000	15,000
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BALANCE SHEET as at 1st February. 2016

Liabilities	₹	Assets	₹
Capital Accounts :		Cash at Bank	1,84,000
A 5,11,500		Sundry Debtors	1,66,000
B 1,90,500		Stock	2,60,000
C 1,20,000	8,22,000	Fixed Assets	2,42,000
Sundry Creditors	30,000		
	8,52,000		8,52,000

Working Notes:

(1) Old Ratio of A and B = 3 : 1

New Ratio of A, B and C = 3 : 2 : 1

Sacrifice or Gain:

A = $\frac{3}{4} - \frac{3}{6} = \frac{(9 - 6)}{12} = \frac{3}{12}$ (Sacrifice)

B = $\frac{1}{4} - \frac{2}{6} = \frac{(3 - 4)}{12} = \frac{1}{12}$ (Gain)

C = $\frac{1}{6}$ or $\frac{2}{12}$ (Gain)

Value of firm's goodwill on the basis of premium paid by C = $30,000 \times \frac{6}{1} = ₹1,80,000$

Compensation paid by B = $1,80,000 \times \frac{1}{12} = ₹15,000$.

(2)

Dr.	CAPITAL ACCOUNTS						Cr.
Particulars	A	B	C	Particulars	A	B	C
	₹	₹	₹		₹	₹	₹
To A's Capital A/c		15,000		By Bal. b/d	4,50,000	2,00,000	
To Bal. c/d	5,11,500	1,90,500	1,20,000	By Rev. A/c	16,500	5,500	
				By Bank A/c			1,20,000
				By Premium for Goodwill A/c	30,000		
				By B's Capital A/c	15,000		
	5,11,500	2,05,500	1,20,000		5,11,500	2,05,500	1,20,000

SOLUTION: 58.

JOURNAL

Date	Particulars	L.F.	Dr.(₹)	Cr.(₹)
2014 April 1	Revaluation A c To Provision for doubtful debts A/c To furniture A c (Assets and liabilities revalued)	Dr.	3,400	400 3,000
	Gautam's Capital A/c Rahul's Capital A/c	Dr. Dr.	1,300 2,040	