

61 Old Profit Sharing Ratio

Madhu	Vidhi	Total
2	3	5

New Partner Admitted
C's Share in profits

Gayatri
1/2

Calculation of Sacrificing ratio

New Profit Sharing Ratio

Madhu	Vidhi	Gayatri	Total
2	3	5	10

Sacrificing Ratio

Madhu	Vidhi	Total
1/5	3/10	or
2	3	5

Sacrifice Sacrifice

Cash A/c	Dr..	550000	
	To Gayatri's Capital A/c		400000
	To Premium for Goodwill A/c		150000 (300000 X 1/2)

Premium for Goodwill A/c	Dr..	150000	
	To Madhu's Capital A/c		60000
	To Vidhi's Capital A/c		90000

Revaluation A/c

Particulars	Amount	Particulars	Amount
To Prov for Doubtful Debts	5000	By Land and Buildings	26000
To Workmen Comp Claim	6000		

To Profit on Revaluation :			
To Madhu's Capital A/c	6000		
To Vidhi's Capital A/c	9000		
	<u>26000</u>		<u>26000</u>
			-15000

Partners Capital A/c

Particulars	Madhu	Vidhi	Gayatri	Particulars	Madhu	Vidhi	Gayatri
				By Balance B/d	520000	300000	
				By Revaluation A/c-Profit	6000	9000	
				By Bank A/c			400000
				By Premium for Goodwill A/c	60000	90000	
				By General Reserve	12000	18000	
			0				
To Balance c/d	598000	417000	400000				
Total	<u>598000</u>	<u>417000</u>	<u>400000</u>	Total	<u>598000</u>	<u>417000</u>	<u>400000</u>

Balance Sheet

Liabilities	Amount	Assets	Amount
Bills Payable	150000	Land and Building	326000
Workmen Comp Claim	6000	Machinery	280000
		Stock	80000
		Debtors	300000
Madhu's Capital A/c	598000	Less - Prov	15000
Vidhi's Capital A/c	417000	Bank	600000
Gayatri's Capital A/c	400000		

	1571000	1571000

0

Cash/Bank A/c

Particulars	Amount	Particulars	Amount
To Balance B/d	50000	By Balance C/d	600000
To Premium for Goodwill	150000		
To C's Capital A/c	400000		
Total	600000	Total	600000

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Old Profit Sharing Ratio

Shyam	Sanjay
2	3

New Partner Admitted

Shanker

New Partners Share

1/3

New Partner share of Goodwill

20000

Shyam's share in Goodwill

8000

Sanjay's share in Goodwill

12000

Revaluation A/c

Particulars	Amount	Particulars	Amount
To Stock A/c	1800	By Building A/c	15000

To Furniture A/c	440	By Accrued Income	2400	
To Prov for Doubtful Debts	275	By Bank A/c	2400	
To O/s rent	4800			
To Profit on Revaluation :				
To Shyam's Capital A/c	4994			
To Sanjay's Capital A/c	7491			
	<u>19800</u>		<u>19800</u>	-12485

Partners Capital A/c

Particulars	Shyam	Sanjay	Shanker	Particulars	Shyam	Sanjay	Shanker
				By Balance B/d	34050	34050	
				By Revaluation A/c-Profit	4994	7491	
				By Bank A/c			30000
				By Premium for Goodwill	8000	12000	
			0				
To Balance c/d	47044	53541	30000				
Total	<u>47044</u>	<u>53541</u>	<u>30000</u>	Total	<u>47044</u>	<u>53541</u>	<u>30000</u>

Balance Sheet

Liabilities	Amount	Assets	Amount
Sundry Creditors	12435	Cash in hand	710
O/s Rent	4800	Cash at Bank	64325
		Sundry Debt	5500

	0	Less- Prov	275	5225	
Shyam's Capital A/c	47044	Stock		16200	16200
Sanjay's Capital A/c	53541	Furniture		3960	
Shanker's Capital A/c	30000	Building		55000	
		Accrued Income		2400	
	147820			147820	

0

Bank A/c

Particulars	Amount	Particulars	Amount
To Balance B/d	11925		
To Premium for Goodwill	20000		
To Shanker's Capital A/c	30000	By Balance C/d	64325
To Revaluation A/c	2400		
Total	64325	Total	64325

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Old Profit Sharing Ratio

A	B	C
3	2	1

New Partner Admitted

D

New Partners Share

1/4

New Partner share of Goodwill

A's share in Goodwill

0

B's share in Goodwill

0

**** D is admitted for equal share means that he will be given 1/4 share**

1/4 share since there are 4 partners here.

If 3 partners then equal share means 1/3 share

**** The future profit sharing ratio for old partners is not clear in the question**

Note that for solving this question it is actually not required

In this question we only need the old profit sharing ratio

Sacrificing ratio not required as there is no Goodwill

**** There is no Goodwill in this question**

There is no mention in the question

Even if we try to calculate then the firms assets are already higher so there is no hidden Goodwill

As per D's Capital ($50000 \times \frac{4}{1}$) = Rs 200000

Firms assets (Rs 200000+ Rs 50000- revaluation Loss) which is already higher than Rs 200000

Journal Entries (Shown only for understanding, not part of solution)

Point (a)	Creditors A/c	Dr..	10000	
	Bank A/c	Dr..	40000	
		To D's Capital A/c		50000
Point (b)	Prepaid Expenses A/c	Dr..	1200	
		To Revaluation A/c		1200
Point (c)	B's Capital A/c	Dr..	2000	
		To Revaluation A/c		2000
Point (d)	Debtors A/c	Dr..	4000	

To Bank A/c 4000
 (Bills receivable Dishonoured)

Point (d) Revaluation A/c Dr.. 1700
 To Prov for Bad Debts A/c 1700
 (Being prov made on debtors)

Point (f) **If payment made by partner**
 Revaluation A/c Dr.. 2100
 To A's Capital A/c 2100
 (Revaluation Expenses paid by A)

A's Capital A/s Dr.. 300
 B's Capital A/s Dr.. 200
 C's Capital A/s Dr.. 100
 To Revaluation A/c 600
 (Being revaluation loss)

Revaluation A/c

Particulars	Amount	Particulars	Amount
To A's Capital A/c	2100	By Prepaid Adv Exp	1200
To Prov for Doubtful	1700	By B's Capital A/c	2000
		By Loss on Revaluation :	
		By A's Capital A/c	300
		By B's Capital A/c	200
		By C's Capital A/c	100

600

3800

3800

Partners Capital A/c

Particulars	A	B	C	D	Particulars	A	B	C	D
To Revaluation A/c-Loss	300	200	100		By Balance B/d	60000	60000	40000	
To Revaluation A/c		2000			By Bank A/c				40000
					By Creditors A/c				10000
					By Revaluation A/c-Expenses	2100			
To Balance c/d	61800	57800	39900	50000					
Total	62100	60000	40000	50000	Total	62100	60000	40000	50000

- ** New partner will be contributing Rs 40000 cash and Rs 10000 through creditors balance
- ** On dishonour of B/R the entry is Debtors A/c Dr.. To Bank A/c
- ** The prov for Doubtful Debts will be created on Debtors opening Balance + B/R Dishonoured
- ** Entry for personal expenses rectified will be B's Capital A/c Dr.. To Revaluation A/c
- ** Entry for prepaid adv expenses will be Prepaid Advertisement A/c To Revaluation A/c

Balance Sheet

Liabilities	Amount	Assets	Amount
Creditors	20000	Land and Building	50000
Bills Payable	10000	Plant and Machinery	40000
		Furniture	30000
	0	Stock	20000
A's Capital A/c	61800	Debtors	34000
B's Capital A/c	57800	Less - Prov	1700
C's Capital A/c	39900	Bills Receivable	20000
D's Capital A/c	50000	Bank	46000
		Prepaid Adv Expenses	1200
	<u>239500</u>		<u>239500</u>

(30000+4000)

(10000+40000-4000)

0

Bank A/c

Particulars	Amount	Particulars	Amount
To Balance B/d	10000	By Debtors	4000
To D's Capital A/c	40000	By Balance C/d	46000
Total	<u>50000</u>	Total	<u>50000</u>

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Old Profit Sharing Ratio

Abhir	Divya
3	1

New Partner Admitted

Vibhor

New Partners Share

1/5

New Partner share of Goodwill	80000
Abhir's share in Goodwill	60000
Divya's share in Goodwill	20000

Revaluation A/c

Particulars	Amount	Particulars	Amount
To Stock A/c	20000	By Bank A/c	4000
To O/s Salary	12000		
		By Loss on Revaluation :	
		By Abhir's Capital A/c	21000
		By Divya's Capital A/c	7000
			28000
	<u>32000</u>		<u>32000</u>

Partners Capital A/c

Particulars	Abhir	Divya	Vibhor	Particulars	Abhir	Divya	Vibhor
To Revaluation A/c-L	21000	7000		By Balance B/d	600000	400000	
				By Bank A/c			303000
				By Premium for Goodwill	60000	20000	
				By Inv fluc Fund	30000	10000	
				By Gen Reserve	90000	30000	

To Balance c/d	759000	453000	303000			
Total	780000	460000	303000	Total	780000	460000 303000

Find total capital of the new firm :

Abhir 759000
 Divya 453000

Total 1212000 4/5
 Total Share of Old partners 4/5 ('1-1/5)

Total Capital of the new firm 1515000

Capital of the new partner 303000 (1515000 - 1212000)

Let the total capital of the firm be x
 old partner capital x X 4/5
 x X 4/5 = 1212000
 1212000 X 5 /4

Balance Sheet

Liabilities	Amount	Assets	Amount
Creditors	220000	Cash at Bank	527000 (140000+80000+303000)
Employees PF	100000	Debtors 650000	
O/s Salary	12000	Less - Prov 50000	600000
Capitals :	0		
Abhir's Capital A/c	759000	Stock	280000
Divya's Capital A/c	453000	Investments	440000
Vibhor's Capital A/c	303000		

	1847000		1847000
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0

Bank A/c

Particulars	Amount	Particulars	Amount
To Balance B/d	140000		
To Premium for Goodwill	80000		
To Vibhor's Capital A/c	303000	By Balance C/d	527000
To Revaluation A/c	4000		
Total	527000	Total	527000

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Old Profit Sharing Ratio

X	Y
5	3

New Partner Admitted

Z

New Partners Share

1/8

New Partner share of Goodwill

12000

X's share in Goodwill

12000

Y's share in Goodwill

0

Revaluation A/c

Particulars	Amount	Particulars	Amount
To Employees PF	5000	By Prov for Doubtful Deb	600
To Stock A/c	3000		
To Creditors	1000		

To Fixed Assets	10000			
		By Loss on Revaluation :		
		By X's Capital A/c	11500	
		By Y's Capital A/c	6900	
				18400
	19000		19000	

Partners Capital A/c

Particulars	X	Y	Z	Particulars	X	Y	Z
To Revaluation A/c-Loss	11500	6900		By Balance B/d	70000	31000	
To Profit & Loss A/c	1500	900		By Bank A/c			20000
				By Premium for Goodwill A/c	12000	0	
				By Workmen Compensation Res	3625	2175	
To Balance c/d	72625	25375	20000				
			0				
Total	85625	33175	20000	Total	85625	33175	20000

Balance Sheet

Liabilities	Amount	Assets	Amount
Creditors	16000	Sundry Debtors	20000
Employees provident Fund	15000	Stock	22000
		Land and Building	5000
	0	Fixed Assets	70000

X's Capital A/c	72625	Cash at Bank	32000
Y's Capital A/c	25375		
Z's Capital A/c	20000		
	<u>149000</u>		<u>149000</u>

0

Cash/Bank A/c

Particulars	Amount	Particulars	Amount
To Balance B/d	0		
To Premium for Goodwill	12000		
To Z's Capital A/c	20000	By Balance C/d	32000
Total	<u>32000</u>	Total	<u>32000</u>

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Old Profit Sharing Ratio

Sushil	Satish	Total
3	2	5

New Partner Admitted

Samir

New Partners Share

1/6

New Partner share of Goodwill

3000

Sushil's share in Goodwill

1800 *(Sacrificing ratio same as old ratio)*

Satish's share in Goodwill 1200 *(Sacrificing ratio same as old ratio)*

Goodwill Valuation:

Total Profits for last 3 years	60000	(10000 + 20000 + 30000)
Average profits for last 3 years	20000	(60000 / 3)
1.5 Times (No of years purchase	30000	
Less -	12000	(Note the comma after ...last 3 years)
Goodwill of the firm	18000	

Journal Entries (Only for understanding, not required as part of solution)

At the time of making the provision

For Point No (iii)

Bad Debts A/c	Dr..	4000		Expenses
	To Prov for Bad Debts		4000	Liability

Actual bad Debts are of Rs 6000

Prov for Bad Debts A/c	Dr..	4000	
	To Debtors A/c		4000

Bad Debts A/c	Dr..	2000	
	To Debtors A/c		2000

Revaluation A/c	Dr..	2000	
	To Bad Debt		2000

OR Single Entry

Revaluation A/c	Dr..	2000	
Prov for bad Debts A/c	Dr..	4000	
	To Debtors A/c		6000

Goodwill entries

Samir Current A/c	Dr..	3000		
	To Sushil Cap A/c		1800	3000 X 3/5
	To Satiish Cap A/c		1200	3000 X 2/5

(When new partner current A/c is used)

Revaluation A/c

Particulars	Amount	Particulars	Amount
To Debtors	2000	By O/s Rent	1800 (13000 - 11200)
To Creditors	2000		
To Claim for Damage	2000		
		By Loss on Revaluation :	
		By Sushil's Capital A/c	2520
		By Satish's Capital A/c	1680
			4200
	<u>6000</u>		<u>6000</u>

Partners Capital A/c

Particulars	Sushil	Satish	Samir	Particulars	Sushil	Satish	Samir
To Revaluation A/c-Loss	2520	1680		By Balance B/d	50000	60000	
To Profit & Loss A/c	2400	1600		By Bank A/c			40000
To Balance c/d	48440	58960	40000	By Samir's Current A/c	1800	1200	
				By Workmen Compensation Res	1560	1040	
Total	53360	62240	40000	Total	53360	62240	40000

Samir Current A/c

Particulars	Amount	Particulars	Amount
To Sushil Cap A/c	1800		
To Satish Cap A/c	1200		
Total	3000	Total	0

Balance Sheet

Liabilities	Amount	Assets	Amount
O/s Rent	11200	Cash	50000
Creditors	22000	Sundry Debtors	74000
Workment Compensation Liabil	3000	Stock	20000
O/s Claim for Damages	2000	Machinery	38600
Sushil's Capital A/c	48440	Samir Current A/c	3000
Satish's Capital A/c	58960		
Samir's Capital A/c	40000		

	<u>185600</u>		<u>185600</u>

0

Cash/Bank A/c

Particulars	Amount	Particulars	Amount
To Balance B/d	10000	By Balance C/d	50000
To Samir's Capital A/c	40000		
Total	<u>50000</u>	Total	<u>50000</u>

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Old Profit Sharing Ratio

Rajesh	Ravi
3	2

New Partner Admitted

Raman

New Partners Share

1/5

New Partner share of Goodwill

3270 (16350 X 1/5)

Rajesh's share in Goodwill

1635 (In Sacrificing Ratio 1:1)

Ravi's share in Goodwill

1635

Goodwill Valuation:

Capital based on New partner share

80000 (16000 / 1/5)

Total Capital of New Firm

63650 (29000 + 15000 + 16000 + Rev Gain) **** Always take capital of the new firm**

Goodwill i.e. Difference 16350

**** So it will include Revaluation Gain/Loss**

Find Sacrificing Ratio :

Old Profit Sharing Ratio

Rajesh	Ravi
3	2

New Profit Sharing Ratio

Rajesh	Ravi	Raman
5	3	2

Sacrificing Ratio

Rajesh	Ravi	or
1/10	1/10	
1	1	

Revaluation A/c

Particulars	Amount	Particulars	Amount
To Stock A/c	750	By Building	5000
To Prov for Doubtful Debts	100		
To Furniture	500		
To Profit on Revaluation :			
To Rajesh's Capital A/c	2190		
To Ravi's Capital A/c	1460		
	<u>5000</u>		<u>5000</u>

-3650

Partners Capital A/c (Before Adjustment of G/w)

Particulars	Rajesh	Ravi	Raman	Particulars	Rajesh	Ravi	Raman
				By Balance B/d	29000	15000	
				By Revaluation A/c-Profit	2190	1460	
				By Bank A/c			16000
To Balance c/d	31190	16460	16000				
Total	31190	16460	16000	Total	31190	16460	16000

Partners Capital A/c (After Adjustment of G/w)

Particulars	Rajesh	Ravi	Raman	Particulars	Rajesh	Ravi	Raman
				By Balance C/d	31190	16460	16000
To Balance C/d	32825	18095	16000	By Raman's Current A/c	1635	1635	
	32825	18095	16000		32825	18095	16000

Raman Current A/c

Particulars	Amount	Particulars	Amount
To Rajesh Cap A/c	1635		
To Ravi Cap A/c	1635		
		By Balance C/d	3270
Total	3270	Total	3270

Balance Sheet

Liabilities	Amount	Assets	Amount
Creditors	38500	Cash	18000
Outstanding Rent	4000	Stock	14250
		Prepaid Insurance	1500
		Debtors	9400
		Less - Prov	500
		Machinery	19000
Rajesh's Capital A/c	32825	Building	40000
Ravi's Capital A/c	18095	Furniture	4500
Raman's Capital A/c	16000	Raman Current A/c	3270
	<u>109420</u>		<u>109420</u>

0

Cash/Bank A/c

Particulars	Amount	Particulars	Amount
To Balance B/d	2000		
To Raman's Capital A/c	16000		
		By Balance C/d	18000
Total	<u>18000</u>	Total	<u>18000</u>

A	B	Total
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3	2	5
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New Partner Admitted C
 C's Share in profits 1/5

Cash A/c Dr.. 150000
 To C's Capital A/c 100000
 To Premium for Goodwill A/c 50000

Premium for Goodwill A/c Dr.. 50000
 To A's Capital A/c 30000 (*Sacrificing ratio same as old ratio*)
 To B's Capital A/c 20000

Revaluation A/c

Particulars	Amount	Particulars	Amount
To O/s Salaries	2000	By Bank	12000
To Profit on Revaluation :			
To A's Capital A/c	6000		
To B's Capital A/c	4000		
	12000		12000

-10000

Partners Capital A/c

Particulars	A	B	C	Particulars	A	B	C
				By Balance B/d	160000	140000	

				By Revaluation A/c-Profit	6000	4000	
				By Bank A/c			100000
				By Premium for Goodwill A/c	30000	20000	
				By General Reserve	15000	10000	
				By Inv Fluctuation Fund	1200	800	
			0				
To Balance c/d	212200	174800	100000				
Total	212200	174800	100000	Total	212200	174800	100000

Balance Sheet

Liabilities	Amount	Assets	Amount
Creditors	30000	Cash at Bank	182000
O/s Salaries	2000	Debtors	85000
		Less - Prov	5000
		Stock	130000
A's Capital A/c	212200	Investments	50000
B's Capital A/c	174800	Furniture	77000
C's Capital A/c	100000		
	519000		519000

0

Cash/Bank A/c

Particulars	Amount	Particulars	Amount
To Balance B/d	20000		
To Premium for Goodwill	50000		
To C's Capital A/c	100000	By Balance C/d	182000
To Revaluation A/c- B/D Rec	12000		

Total	182000	Total	182000
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Old Profit Sharing Ratio	Divya	Yasmin	Fatima	Total
	11	7	2	20

New Partner Admitted Aditya
 New Partners Share 1/5
 New Partner share of Goodwill 200000 (1000000 X 1/5)

Valuation of Goodwill

2016-2017 200000
 2017-2018 600000
 Total profits for last 2 years 800000
 Average profits for last 2 years 400000
 No of years Purchase 2.5
Value of Goodwill of Firm 1000000

Total Goodwill for firm 1000000

Divya Share in Goodwill 110000 (**Sacrificing ratio same as old ratio**)
 Yasmin Share in Goodwill 70000
 Fatima Share in Goodwill 20000

Revaluation A/c

Particulars	Amount	Particulars	Amount
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To Creditor	7000	By Plant and Machinery	20000	
		By O/s Expenses	1000	
To Profit on Revaluation :				
To Divya's Capital A/c	7700			
To Yasmin's Capital A/c	4900			
To Fatima's Capital A/c	1400			-14000
	<u>21000</u>		<u>21000</u>	

Partners Capital A/c

Particulars	Divya	Yasmin	Fatima	Aditya	Particulars	Divya	Yasmin	Fatima	Aditya
To Furniture A/c	80000	80000	80000		By Balance B/d	510000	300000	500000	
					By Revaluation A/c-Profit	7700	4900	1400	
					By Bank A/c				450000
					By Premium for Goodwill	110000	70000	20000	
					By Bank A/c		50000		
					By Reserve Fund	49500	31500	9000	
To Balance c/d	597200	376400	450400	450000					
Total	677200	456400	530400	450000	Total	677200	456400	530400	450000

Balance Sheet

Liabilities	Amount	Assets	Amount
Creditors	77000	Factory Building	735000
Public Deposits	119000	Plant and Machinery	200000
O/s Expenses	9000	Furniture	20000
		Stock	145000
A's Capital A/c	597200	Debtors	150000
B's Capital A/c	376400	Less - Prov	30000
C's Capital A/c	450400	Cash at Bank	859000
D's Capital A/c	450000		
	<u>2079000</u>		<u>2079000</u>

0

Cash/Bank A/c

Particulars	Amount	Particulars	Amount
To Balance B/d	159000		
To Aditya's Capital A/c	450000		
To Premium for Goodwill	200000	By Balance C/d	859000
To Yasmin Capital A/c	50000		
Total	<u>859000</u>	Total	<u>859000</u>

Working Note :

In this question partners have withdrawn the furniture

Revaluation A/c

Particulars	Amount	Particulars	Amount
To Debtors	4000	By Stock A/c	2000
		By Creditors	800
		By Loss on Revaluation :	
		By A's Capital A/c	720
		By B's Capital A/c	480
	<u>4000</u>		<u>4000</u>

1200

** Stock

If Actual Value Rs 100

In Books Rs 90

Now

In Books Rs 90

Actual Value Rs 100

In Books Rs 1

Actual Value Rs 100/Rs 90

In Books Rs 18000

Actual Value Rs 100/90* 20000

** The 50% less expected recovery will be recognised immediately as per conservatism and booked as provision

Partners Capital A/c

Particulars	A	B	C	Particulars	A	B	C
To Revaluation A/c-Loss	720	480		By Balance B/d	50000	40000	
				By Bank A/c - C's Capital			25000

To Balance c/d	58280	45520	25000
Total	59000	46000	25000

By Premium for Goodwill
By Reserve

Total

3000	2000	
6000	4000	
59000	46000	25000

Balance Sheet

Liabilities	Amount	Assets	Amount
Creditors	19200	Building	50000
Outstanding Expense	5000	Plant and Machinery	30000
		Stock	20000
		Debtors	20000
		Less - Prov	2000
		Bank	35000
A's Capital A/c	58280		
B's Capital A/c	45520		
C's Capital A/c	25000		
	<u>153000</u>		<u>153000</u>

0

Cash/Bank A/c

Particulars	Amount	Particulars	Amount
To Balance B/d	5000		
To C's Capital A/c	25000		
To Premium for Good	5000	By Balance C/d	35000

| Total

35000

Total

35000
