INDIAN SCHOOL AL WADI AL KABIR

Class: XII	**Department: Commerce.**
Worksheet: 2	**Admission of a partner**

1. Chander and Damini were partners in a firm sharing profits and losses equally. On 31st March, 2023 their balance sheet was as follows:

LIABILITIES	Rs.	ASSETS	Rs.
Sundry Creditors	1,04,000	Cash at Bank	30,000
Capital A/c: Chander 2,50,000 Damini 2,16,000	4,66,000	Bills Recieveable Sundry Debtors Furniture Land & Building	45,000 75,000 1,10,000 3,10,000
	5,70,000		5,70,000

On 1st April, 2023, they admitted Elina as a new partner for 1/3 share in the profits on the following conditions.
(i) Elina will bring ₹ 3,00,000 as her capital and ₹ 50,000 as her share of goodwill premium, half of which will be withdrawn by Chander and Damini.
(ii) Debtors to the extent of ₹ 5,000 were unrecorded.
(iii) Furniture will be reduced by 10% and 5% provision for bad and doubtful debts will be created on bills receivables and debtors.
(iv) Value of land and building will be appreciated by 20%.
(v) There being a claim against the firm for damages, a liability to the extent of ₹ 8,000 will be created for the same.
Prepare revaluation account, partners' capital account and Balance sheet of the reconstituted firm.

2. On 31st March, 2023 the Balance Sheet of Arjun and Aditya who share profits and losses in the ratio of 3 : 2 was as follows :

LIABILITIES	₹	ASSETS	₹.
Creditors	28,000	Patent	57,000
General Reserve	10,000	Stock	33,000
Employees' Provident Fund	22,000	Debtors 65,000 *Less:*Provision -5,000	60,000
Arjun's capital	60,000	Cash	10,000
Aditya's capital	40,000		
	1,60,000		**1,60,000**

They decided to admit Ramesh on 1st April, 2023 for 1/5th share **which he acquired wholly from Aditya** on the following terms:
(i) Ramesh shall bring ₹10,000 as his share of premium for Goodwill and capital of ₹50,000
(ii) The Provision for bad debt to be reduced to ₹4,000
(iii) A claim of ₹5,000 on account of workmen's compensation was to be provided for.
iv) Patents were undervalued by ₹2,000.
(v)Stock in the books was valued 10% more than its market value.

Prepare Revaluation Account, Capital Accounts of the Partners and the Balance Sheet of the new firm.

3. Rajinder and Vijay were partners in a firm sharing profits in the ratio 3:2. On 31st March 2023 their balance sheet was as follows:

LIABILITIES	₹	ASSETS	₹.
Capital A/cs: Rajinder 3,00,000 Vijay 1,50,000	4,50,000	Fixed Assets (Tangible)	3,60,000
Current A/cs: Rajinder 50,000 Vijay 10,000	60,000	Goodwill	50,000
Creditors	75,000	Investments	40,000
General Reserve	60,000	Debtors 1,00,000 Less: PBDD 4,000	96,000
		Bank	25,000
		Stock	74,000
	6,45,000		**6,45,000**

With an aim to expand business it is decided to admit Ranvijay as a partner on 1st April 2023 on the following terms:
a) Provision for doubtful debts is to be increased to 6% of debtors.
b) An outstanding bill for repairs ₹ 50,000 to be accounted in the books
c) An unaccounted interest accrued of ₹ 7500 be provided for
d) Investment were sold at book value.
e) Half of stock was taken by Rajinder at ₹42,000 and remaining stock was also to be revalued at the same rate.
f) New profit-sharing ratio of partners will be 5:3:2.
g) Ranvijay will bring ₹ 1,00,000 as capital and his share of goodwill which was valued at twice the average profit of the last three years ended 31st March 2023, 2022 and 2021 were ₹ 1,50,000, ₹ 1,30,000 and ₹ 1,70,000 respectively.

Prepare Revaluation, Partners Current A/c & Partners capital A/c

4. P and Q are partners in a firm sharing profits in the ratio of 4 : 1. On 31st March, 2024, their balance sheet was as follows:

LIABILITIES	Rs.	ASSETS	Rs.
Creditors	40,000	Cash	24,000
Outstanding salary	6,000	Debtors 36,000 -Provision (4,000)	32,000
General Reserve	10,000	Stock	40,000
Capital: P: 1,20,000 Q: 80,000	2,00,000 2,56,000	Furniture Plant & Machinery	80,000 80,000 2,56,000

On 01/04/2024, E was admitted for 1/4 share in the profits on the following terms
(i) E will bring ₹ 1,00,000 as his capital and ₹ 20,000 for his share of goodwill premium, half of which will be withdrawn by P and Q.
(ii) Debtors ₹ 2,000 will be written off as bad debts and a provision of 4% will be created on debtors for bad and doubtful debts.
(iii) Stock will be reduced by ₹ 2,000, furniture will be depreciated by ₹ 4,000 and plant & machine is depreciated by 10%.
(iv) Investments ₹ 7,000 not shown in the balance sheet will be taken into account.
(v) There was an outstanding repairs bill of ₹ 2,300 which will be recorded in the books.
Prepare necessary accounts and balance sheet.

5. W and R were partners in a firm sharing profits in the ratio of 3 : 2 respectively. On 31st March, 2024, their balance sheet was as follows:

LIABILITIES	Rs.	ASSETS	Rs.
Capital: W 20,000 R 15,000	35,000	Goodwill	4,000
Investment Fluctuation Fund	4,000	Investment	10,000
Bank Loan	10,000	Patent	10,350
Creditors	17,500	Plant	17,500
		Debtors 10,000 -PBDD (350)	9,650
		Stock	12,500
		Cash	2,500
	66,500		66,500

B was admitted as a new partner on 01/04/2024 on the following conditions:
(i) B will get 4/15th share of profits.
(ii) B had to bring ₹ 15,000 as his capital.
(iii) B would pay cash for his share of goodwill based on 2.5 years purchase of average profit of last 4 years.
(iv) The profits of the firm for the years ending 31st March, 2021, 2022, 2023 and 2024 were ₹ 10,000, ₹ 7,000 , ₹ 8,500 and ₹ 7,500 respectively.
(v) Stock was valued at ₹ 10,000 and provision for doubtful debts was raised up to ₹ 500.
(vi) Plant was revalued at ₹ 20,000 and the Market value of Investment were ₹ 8,000.

Prepare revaluation account, partners' capital account and the balance sheet of the new firm.

6.Anil and Beena were partners in a firm sharing profits in the ratio of 4 : 3.
On 1st April, 2024 they admitted Chahat as a new partner for 1/4th share in the profits of the firm. On the date of Chahat's admission, the balance sheet of Anil and Beena showed a general reserve of ₹ 70,000, a debit balance of ₹ 7,000 in the profit and loss account and an investment fluctuation fund of ₹ 10,000.
The following was agreed upon, on Chahat's admission:
(i) Chahat will bring ₹ 80,000 as her capital and her share of goodwill premium of ₹ 21,000 in cash.
(ii) The market value of investments was ₹ 17,000 less than the book value.
(iii) New profit sharing ratio was agreed at 2 : 1: 1.

Pass the necessary journal entries for the above on Chahat's admission.

7.Karan and Arjun share profits and losses in the ratio of 3:1. On 1st April 2024, a new partner Jay is admitted into the Partnership and it is decided that Jay shall pay ₹ 40,000 as capital and the capital of the old partners shall be adjusted on the basis of new partner's capital. Actual cash is to be brought in or withdrawn by the old partners, as the case may be.
Calculate the New Capital of each partner, Surplus or Deficit Capital, and pass the necessary Journal entries when the New Profit Sharing Ratio is 5:3:2 and the Capital after adjustments of Karan and Arjun is ₹85,400 and ₹39,800, respectively.

8. On 31st March, 2024 the Balance Sheet of A and B who share profits and losses in the ratio of 3: 2 was as follows:

LIABILITIES	₹	ASSETS	₹.
Creditors	20,000	Plant & Machinery	20,000
General Reserve	30,000	Land & Building	16,000
Workmen Compensation Fund	10,000	Debtors 24,000 *Less:*Provision 2,000	22,000
A's capital	20,000	Stock	24,000
B's capital	20,000	Cash	8,000
		Goodwill	10,000
	1,00,000		**1,00,000**

They decided to admit C on 1st April, 2024 for $1/5^{th}$ share of profit on the following terms:
(i) Provision for doubtful debt is increased by ₹ 4,000
(ii) Land & Building is increased to ₹ 40,000.
(iii) Value of Stock is increased by ₹ 8,000.
(iv) The liability against workmen compensation reserve is determined at ₹ 4,000.
(v)C brought ₹ 60,000 in cash of which ₹ 12,000 was for his share of premium.
(vi) Capitals of A and B were adjusted on the basis of C's capital contribution and any surplus or deficit was adjusted by brining in or withdrawing cash.

Prepare Revaluation Account, and Capital Accounts of the Partners.

9. X and Y were partners in the profit-sharing ratio of 3: 2. Their balance sheet as at March 31, 2024 was as follows:

LIABILITIES	₹	ASSETS	₹.
Creditors General Reserve Capital Accounts: X 1,19,000 Y 1,12,000	56,000 14,000 2,31,000	Plant and Machinery Buildings Stock Debtors 42,000 (-)Provision - 7,000 Cash in Hand	70,000 98,000 21,000 35,000 77,000
	3,01,000		**3,01,000**

Z was admitted for 1/6th share on the following terms:
(i)Z will bring ₹ 56,000 as his share of capital, but was not able to bring any amount to compensate the sacrificing partners.
(ii)Goodwill of the firm is valued at ₹. 84,000.
(iii)Plant and Machinery were found to be undervalued by ₹ 14,000 Building was to brought up to ₹ 1,09,000.
(iv)All debtors are good.
(v) Capitals of X and Y will be adjusted on the basis of Z's share and adjustments will be done by opening necessary current accounts.
You are required to prepare revaluation account; partners' capital account and Balance Sheet after Z's admission.

10. Abha and Bimal are partners in a firm sharing profits and losses in the ratio of 3 : 2. On 31st March, 2024 they admitted Chintu into partnership for 1/5th share in the profits of the firm. On that date their balance sheet stood as under:

LIABILITIES	Rs.	ASSETS	Rs.
General Reserve	20,000	Machinery	1,30,000
Creditors	1,00,000	Furniture	25,000
Abha's Capital	1,20,000	Investment	1,00,000
Bimal's Capital	1,00,000	Debtors	50,000
		Bank	35,000
	3,40,000		3,40,000

Chintu was admitted on the following terms on 01/04/2024
(i) He will bring ₹ 80,000 as capital and ₹ 30,000 for his share of goodwill premium.
(ii) Partners will share future profits in the ratio of 5 : 3 : 2.
(iii) Profit on revaluation of assets and reassessment of liabilities was ₹ 7,000.
(iv) After making adjustments, the capital accounts of the partners will be in proportion to Chintu's capital. Balance to be paid off or brought in by the old partners by cheque as the case may be.
Prepare the capital accounts of the partners; bank account and pass the journal entries for capital adjustment.

11. Prakash and Rakesh are in Partnership sharing profits and losses in the ratio of 3:2. A new partner Suraj is admitted to the firm and agrees to bring 20% of the total capital of the new firm. If the Adjusted Capital of Prakash and Rakesh is ₹34,000 and ₹26,000, respectively, calculate the amount of the capital to be brought in by Suraj, and also pass the necessary Journal Entries.

12. On 31st March, 2024 the Balance Sheet of A and B who share profits and losses in 3 :2 was as follows :

LIABILITIES	₹	ASSETS	₹.
Creditors	10,000	Plant & Machinery	10,000
General Reserve	15,000	Land & Building	8,000
Workmen Compensation Fund	5,000	Debtors 12,000 *Less:* Provision 1,000	11,000
A's capital	10,000	Stock	12,000
B's capital	10,000	Cash	9,000
	50,000		**50,000**

They decided to admit C on 1st April, 2024 for 1/5th share of profit on the following terms :

(i) Provision for doubtful debt is increased by ₹2,000

(ii) Land & Building is increased to ₹26,000.

(iii) Value of Stock is increased by ₹4,000.

(iv) The liability against workmen compensation reserve is determined at ₹2,000.

(v)C brought his share of goodwill ₹5,000 in cash

(vi) C would bring further cash to make his capital equal to 1/5th of the total capital of the new firm after the above adjustments are carried out.

Prepare Revaluation Account, Capital Accounts of the Partners and the Balance Sheet.

13. Yuv and Veer were partners in a firm sharing profits and losses in the ratio of 3 : 1. Their Balance Sheet as on 31st March, 2022 was as under : Balance Sheet of Yuv and Veer as at 31st March, 2023

LIABILITIES	₹	ASSETS	₹.
Creditors	41,000	Machinery	60,000
General Reserve	80,000	Building	40,000
Outstanding expense	12,000	Investment	60,000
Yuv's Capital	79,000	Stock	50,000
Veer's Capital	48,000	Debtors 38,000 Less. Provision (16,000)	34,000
		Cash	16,000
	2,60,000		**2,60,000**

They decided to admit Yash in the firm on 1st April, 2023 for 1/4 share in profits on the following terms :

(i)Yash will bring in proportionate capital and ₹4,000 as his share of goodwill premium in cash.

(ii) Investments were valued at ₹68,000.

(iii) Plant and Machinery was to be depreciated by 10%.

Prepare Revaluation Accounts and Partners Capital A/c and Cash A/c.

14. Madhuri and Arsh were partners in a firm sharing profits and losses in the ratio of 3 : 1. Their Balance Sheet as at 31st March, 2019, was as follows :

Balance Sheet of Madhuri and Arsh as at 31st March, 2023

LIABILITIES	₹	ASSETS	₹.
Capitals : Madhuri 3,00,000 Arsh 2,00,000	5,00,000	Machinery	4,70,000
Workmen's Compensation Fund	60,000	Investments	1,10,000
Creditors	1,90,000	Debtors 1,20,000 Less : Provision for doubtful debts 10,000	1,10,000
Employees' Provident Fund	1,10,000	Stock	1,40,000
		Cash	1,30,000
	8,60,000		8,60,000

On 1st April, 2023, they admitted Jyoti into partnership for ¼ th share in the profits of the firm. Jyoti brought proportionate capital and ₹40,000 as her share of goodwill premium.

The following terms were agreed upon :

(i) Provision for doubtful debts was to be maintained at 10% on debtors.

(ii) Stock was undervalued by ₹10,000

(iii) An old customer whose account was written off as bad, paid ₹15,000.

(iv) 20% of the investments were taken over by Arsh at book value.

(v) Claim on account of workmen's compensation amounted to ₹70,000.

(vi). Creditors included a sum of ₹27,000 which was not likely to be claimed.

Prepare Revaluation Account, Partners' Capital Accounts.

15. Titan Enterprises is a partnership business with Ryan, Williams and Sania as partners engaged in production and sales of electrical items and equipment. Their capital contributions were ₹50,00,000, ₹50,00,000 and ₹80,00,000 respectively with the profit the sharing ratio of 5:5:8.

As they are now looking forward to expanding their business, it was decided that they would bring in sufficient cash to double their respective capitals. This was duly followed by Ryan and Williams but due to unavoidable reasons Sania could not do so and ultimately it was agreed that to bridge the shortfall in the required capital a new partner should be admitted who would bring in the amount that Sania could not bring and that the new partner would get share of profits equal to half of Sania's share which would be sacrificed by Sania only.

Consequent to this agreement Ejaz was admitted and he brought in the required capital and ₹30,00,000 as premium for goodwill.

Based on the above information you are required to answer the following questions:

1. What will be the new profit-sharing ratio of Ryan, Williams, Sania and Ejaz?
2. What is the amount of capital brought in by the new partner Ejaz?
3. What is the value of the goodwill of the firm?
4. What will be journal entry for distribution of Premium for Goodwill brought in by Ejaz?