

# VIDYA BHAWAN BALIKA VIDYA PITH

शक्तिउत्थानआश्रमलखीसरायबिहार

Class 12 commerce Sub. ACT Date 02.06.2021

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Accounting for Partnership : **Admission of a Partner**

Question 11:

Sandeep and Navdeep are partners in a firm sharing profits in 5:3 ratio. They admit C into the firm and the new profit sharing ratio was agreed at 4:2:1. Calculate the sacrificing ratio?

**ANSWER:**

$$\begin{array}{l} \text{Sandeep : Navdeep} \\ \text{Old Ratio} = 5 : 3 \\ = \frac{5}{8} : \frac{3}{8} \end{array}$$

$$\begin{array}{l} \text{Sandeep : Navdeep : C} \\ \text{New Ratio} = 4 : 2 : 1 \\ = \frac{4}{7} : \frac{2}{7} : \frac{1}{7} \end{array}$$

Sacrificing Ratio = Old Ratio – New Ratio

$$\text{Sandeep} = \frac{5}{8} - \frac{4}{7} = \frac{35-32}{56} = \frac{3}{56}$$

$$\text{Navdeep} = \frac{3}{8} - \frac{2}{7} = \frac{21-16}{56} = \frac{5}{56}$$

$$\begin{array}{l} \text{Sacrificing Ratio} = \begin{array}{l} \text{Sandeep} \quad \text{Navdeep} \\ \frac{3}{56} : \frac{5}{56} \\ 3 : 5 \end{array} \end{array}$$

**Note:** As solution sacrificing ratio is 3:5,. However answer given the book is different.

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Question 12:

Rao and Swami are partners in a firm sharing profits and losses in 3:2 ratio. They admit Ravi as a new partner for  $\frac{1}{8}$  share in the profits. The new profit sharing ratio between Rao and Swami is 4:3. Calculate new profit sharing ratio and sacrificing ratio?

**ANSWER:**

$$\begin{array}{c} \text{Rao : Swami} \\ \text{Old Ratio} = 3 : 2 \end{array}$$

Ravi admits for  $\frac{1}{8}$  share of profit in the new firm.

Let the New Firm Profit = 1

Combined share of Rao and Swami in the new firm

= 1 – Ravi's share of profit

$$= 1 - \frac{1}{8}$$

$$= \frac{7}{8}$$

New Ratio = Combined Share of Rao and Swami  $\times$  Proportion of Rao and Swami in the combined share

$$\text{Rao} = \frac{7}{8} \times \frac{4}{7} = \frac{28}{56}$$

$$\text{Swami} = \frac{7}{8} \times \frac{3}{7} = \frac{21}{56}$$

$$\begin{array}{c} \text{Rao} : \text{Swami} : \text{C} \\ \text{New Ratio} = \frac{28}{56} : \frac{21}{56} : \frac{1}{8} \end{array}$$

$$\frac{28:21:7}{56}$$

4:3:1

Sacrificing Ratio = Old Ratio – New Ratio

$$\begin{aligned} \text{Roa} &= \frac{3}{5} - \frac{4}{8} = \frac{24-20}{40} \\ &= \frac{4}{40} \end{aligned}$$

$$\begin{aligned} \text{Swami} &= \frac{2}{5} - \frac{3}{8} = \frac{16-15}{40} \\ &= \frac{1}{40} \end{aligned}$$

$$\begin{aligned} \text{Sacrificing Ratio} &= \text{Rao} \quad \text{Swami} \\ &= \frac{4}{40} \quad : \quad \frac{1}{40} \\ &= 4 : 1 \end{aligned}$$

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*Question 13:*

Compute the value of goodwill on the basis of four years' purchase of the average profits based on the last five years? The profits for the last five years were as follows:

	<b>Rs</b>
2013	40,000
2014	50,000
2015	60,000
2016	50,000
2017	60,000

**ANSWER:**

Average Profit = 260000/5

<b>Year</b>	<b>Profit</b>
2013	40,000

2014	50,000
2015	60,000
2016	50,000
2017	60,000
Sum of 5 years profit	2,60,000

Average Profit = = 52,000

Goodwill = Average Profit × Number of Year's Purchases = 52,000 × 4 = Rs 2,08,000

*Question 14:*

Capital employed in a business is Rs. 2,00,000. The normal rate of return on capital employed is 15%. During the year 2015 the firm earned a profit of Rs. 48,000. Calculate goodwill on the basis of 3 years purchase of super profit?

**ANSWER:**

Capital Employed = Rs 2,00,000

Actual Profit = 48,000

Normal Rate of Return = 15%

Normal Profit = Capital Employed ×  $\frac{\text{Normal Rate of Return}}{100}$

= 2,00,000 ×  $\frac{15}{100}$

= Rs 30,000

Super profit = Actual Profit – Normal Profit

= 48,000 – 30,000

= Rs 18,000

Goodwill = Super Profit × Number of Years Purchase

$$= 18,000 \times 3$$

$$= \text{Rs } 54,000$$

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*Question 15:*

The books of Ram and Bharat showed that the capital employed on 31.12.2016 was Rs. 5,00,000 and the profits for the last 5 years : 2015 Rs. 40,000; 2014 Rs. 50,000; 2013 Rs. 55,000; 2012 Rs. 70,000 and 2011 Rs. 85,000. Calculate the value of goodwill on the basis of 3 years purchase of the average super profits of the last 5 years assuming that the normal rate of return is 10%?

**ANSWER:**

Average Actual Profit =

Year	Profit
2015	40,000
2014	50,000
2013	55,000
2012	70,000
2011	85,000
Sum of 5 years profit	3,00,000

Average Actual Profit = = Rs 60,000

Normal Profit = Capital Employed ×

$$= \text{Rs } 50,000$$

Average Super Profit = Average Actual Profit – Normal Profit

$$= 60,000 - 50,000$$

= Rs 10,000

Goodwill = Average Super Profit × Number of year purchase

= 10,000 × 3

= Rs 30,000

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*Question 16:*

Rajan and Rajani are partners in a firm. Their capitals were Rajan Rs. 3,00,000; Rajani Rs. 2,00,000. During the year 2015 the firm earned a profit of Rs. 1,50,000. Calculate the value of goodwill of the firm assuming that the normal rate of return is 20%?

**ANSWER:**

Rajan's Capital	3,00,000
Rajni's Capital	2,00,000
Total Capital Employed	5,00,000

Normal Rate of Return = 20%

Capitalised Valued = Actual Profit ×  $\frac{100}{\text{Normal Rate of Return}}$

= 1,50,000 ×  $\frac{100}{20}$

= Rs 7,50,000

Goodwill = Capitalised Value – Capital Employed

= 7,50,000 – 5,00,000

= Rs 2,50,000

**Alternative Method**

Normal Profit = Capital Employed ×  $\frac{\text{Normal Rate of Return}}{100}$

= 5,00,000 ×  $\frac{20}{100}$

$$= \text{Rs } 1,00,000$$

$$\text{Super profit} = \text{Actual Profit} - \text{Normal Profit}$$

$$= 1,50,000 - 1,00,000$$

$$= \text{Rs } 50,000$$

$$\text{Goodwill} = \text{Super Profit} \times \frac{100}{\text{Normal Rate of Return}}$$

$$= 50,000 \times \frac{100}{20}$$

$$= \text{Rs } 2,50,000$$

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*Question 17:*

A business has earned average profits of Rs. 1,00,000 during the last few years. Find out the value of goodwill by capitalisation method, given that the assets of the business are Rs. 10,00,000 and its external liabilities are Rs. 1,80,000. The normal rate of return is 10%?

**ANSWER:**

$$\text{Capital Employed} = \text{Assets} - \text{External Liabilities}$$

$$= 10,00,000 - 1,80,000$$

$$= \text{Rs } 8,20,000$$

$$\text{Normal Profit} = \text{Capital Employed} \times \frac{\text{Normal Rate of Return}}{100}$$

$$= 8,20,000 \times \frac{10}{100}$$

$$= \text{Rs } 82,000$$

$$\text{Super Profit} = \text{Actual Profit} - \text{Normal Profit}$$

$$= 1,00,000 - 82,000$$

= Rs 18,000

$$\text{Goodwill} = \text{Super Profit} \times \frac{100}{\text{Normal Rate of Return}}$$

$$= 18,000 \times \frac{100}{10}$$

= Rs 1,80,000

### **Alternative Method**

$$\text{Capitalised Value} = \text{Actual Profit} \times \frac{100}{\text{Normal Rate of Return}}$$

$$\text{Capitalised value} = 1,00,000 \times \frac{100}{10}$$

= Rs 1,00,000

$$\text{Goodwill} = \text{Capitalised Value} - \text{Capital Employed}$$

$$= 10,00,000 - 8,20,000$$

= Rs 1,80,000

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#### *Question 18:*

Verma and Sharma are partners in a firm sharing profits and losses in the ratio of 5:3. They admitted Ghosh as a new partner for 1/5 share of profits. Ghosh is to bring in Rs. 20,000 as capital and Rs. 4,000 as his share of goodwill premium. Give the necessary journal entries:

- a) When the amount of goodwill is retained in the business.
- b) When the amount of goodwill is fully withdrawn.
- c) When 50% of the amount of goodwill is withdrawn.
- d) When goodwill is paid privately.

**ANSWER:**



S.No.	Particulars	L.F.	Debit Amount Rs	Credit Amount Rs
Case (a)				
	Cash A/c	Dr.	24,000	
	To Ghosh's Capital A/c			20,000
	To Premium for Goodwill A/c			4,000
	(Capital and Goodwill his share brought by Ghosh)			
	Premium for Godwill A/c	Dr.	4,000	
	To Verma's Capital A/c			2,500
	To Sharma's Capital A/c			1,500
	(Goodwill brought by Ghosh credited to Old Partners in Sacrificing ratio)			
Case (b)				
	Cash A/c	Dr.	24,000	
	To Ghosh Capital A/c			20,000
	To Premium for Goodwill A/c			4,000
	(Capital and Goodwill brought by Ghosh for (1/5) share of profit)			
	Premium for Goodwill A/c	Dr.	4,000	
	To Verma's Capital A/c			2,500
	To Sharma's Capital A/c			1,500
	(Goodwill brought by Ghosh credited			

	in Old Partner in Sacrificing Ratio)			
	Verma's Capital A/c	Dr.	2,500	
	Sharma's Capital A/c	Dr.	1,500	
	To Cash A/c			4,000
	(Amount of Premium for Goodwill withdrawn by Old Partners)			
Case (c)	Cash A/c	Dr.	24,000	
	To Ghosh's Capital A/c			20,000
	To Premium for Goodwill A/c			4,000
	(Capital and Goodwill brought by Ghosh for (1/5) share of profit)			
	Premium for Goodwill A/c	Dr.	4,000	
	To Verma's Capital A/c			2,500
	To Sharma's Capital A/c			1,500
	(Premium for Goodwill credited to Old Partner's Capital Account in sacrificing ratio)			
	Verma's Capital A/c	Dr.	1,250	
	Sharma's Capital A/c		750	
	To Cash A/c			2,000
	(Half of the amount of premium for goodwill withdrawn by Old partners)			

Case (d)	No entry: Goodwill was not brought in to firm			
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*Question 19:*

A and B are partners in a firm sharing profits and losses in the ratio of 3:2. They decide to admit C into partnership with 1/4 share in profits. C will bring in Rs. 30,000 for capital and the requisite amount of goodwill premium in cash. The goodwill of the firm is valued at Rs, 20,000. The new profit sharing ratio is 2:1:1. A and B withdraw their share of goodwill. Give necessary journal entries?

**ANSWER:**

**Journal Entries**

Date	Particulars	L.F.	Debit Amount Rs	Credit Amount Rs
	Cash A/c Dr.		35,000	
	To C's Capital A/c			30,000
	To Premium for Goodwill A/c			5,000
	(Amount of Capital and Share of Goodwill brought by C)			
	Premium for Goodwill A/c Dr.		5,000	
	To A's Capital A/c			2,000
	To B's Capital A/c			3,000
	(C's Share of Goodwill credited to A and B in 2:3, Sacrificing Ratio)			

A's Capital A/c	Dr.	2,000	
B's Capital A/c	Dr.	3,000	
To Cash A/c			5,000
(Share of Goodwill withdrawn by Old Partners)			

Sacrificing Ratio = Old Ratio – New Ratio

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

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

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

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

	A	B
Sacrificing Ratio =	$\frac{2}{20}$	$\frac{3}{20}$
	2	3

Goodwill of the firm = Rs 20,000

C's share of Goodwill =  $20,000 \times \frac{1}{4} = \text{Rs } 5,000$

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

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

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

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

Question 20:

Arti and Bharti are partners in a firm sharing profits in 3:2 ratio, They admitted Sarthi for 1/4 share in the profits of the firm. Sarthi brings Rs. 50,000 for his capital and Rs. 10,000 for his 1/4 share of goodwill. Goodwill already appears in the books of Arti and Bharti at Rs. 5,000. the new profit sharing ratio between Arti, Bharti and Sarthi will be 2:1:1. Record the necessary journal entries in the books of the new firm?

**ANSWER:**

**Journal Entries**

Date	Particulars	L.F.	Debit Amount Rs	Credit Amount Rs
	Arti's Capital A/c	Dr.	3,000	
	Bharti's Capital A/c	Dr.	2,000	
	To Goodwill A/c			5,000
	(Goodwill written off)			
	Cash A/c	Dr.	60,000	
	To Sarthi's Capital A/c			50,000
	To Premium for Goodwill A/c			10,000
	(Amount of capital and share of goodwill brought by Sarthi)			
	Premium for Goodwill A/c	Dr.	10,000	
	To Arti's Capital A/c			4,000
	To Bharti's Capital A/c			6,000
	(Premium for Goodwill credited Arti's Capital Account)			

	Arti	:	Bharti
Old Ratio	3	:	2

Sarathi admitted for  $\frac{1}{4}$  share in new firm.

	Arti	:	Bharti	:	Sarathi
New Ratio	2	:	1	:	1

Sacrificing Ratio = Old Ratio – New Ratio

$$\text{Arti} = \frac{3}{5} - \frac{2}{4} = \frac{2}{20}$$

$$\text{Bharti} = \frac{2}{5} - \frac{1}{4} = \frac{3}{20}$$

Arti will receive  $= 10,000 \times \frac{2}{5} = 4,000$

Bharti will receive  $= 10,000 \times \frac{3}{5} = 6,000$

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