Reconstitution of a Partnership Firm –Admission of a Partner

Sacrificing Ratio

The ratio in which the old partners agree to sacrifice their share of profit in favour of the incoming partner is called sacrificing ratio. The sacrifice by a partner is equal to :

Old Share of Profit – New Share of Profit.

As stated earlier, the new partner is required to compensate the old partner's for their loss of share in the super profits of the firm for which he brings in an additional amount known as premium or goodwill. This amount is shared by the existing partners in the ratio in which they forego their shares in favour of the new partner which is called sacrificing ratio. The ratio is normally clearly given as agreed among the partners which could be the old ratio, equal sacrifice, or a specified ratio. The difficulty arises where the ratio in which the new partner acquires his share from the old partners is not specified. Instead, the new profit sharing ratio is given. In such a situation, the sacrificing ratio is to be worked out by deducting each partner's new share from his old share. Look at the illustrations 6 to 8 and see how sacrificing ratio is calculated in such a situation.

Illustration 6

Rohit and Mohit are partners in a firm sharing profits in the ratio of 5:3. They admit Bijoy as a new partner for 1/7 share in the profit. The new profit sharing ratio will be 4:2:1. Calculate the sacrificing ratio of Rohit and Mohit.

Solution

Rohit's old share	=	$\frac{5}{8}$
Rohit's new share	=	$\frac{4}{7}$
Rohit's sacrifice	=	$\frac{5}{8} - \frac{4}{7} = \frac{3}{56}$
Mohit's old share	=	$\frac{3}{8}$
Mohit's new share	=	$\frac{2}{7}$
Mohit's sacrifice	=	$\frac{3}{8} - \frac{2}{7} = \frac{5}{56}$

Sacrificing ratio among Rohit and Mohit will be 3:5.

Illustration 7

Amar and Bahadur are partners in a firm sharing profits in the ratio of 3:2. They admitted Marry as a new partner for 1/4 share. The new profit sharing ratio between Amar and Bahadur will be 2:1. Calculate their sacrificing ratio.

Solution

Marry's share	=	$\dfrac{1}{4}$
Remaining share	=	$1 - \dfrac{1}{4} = \dfrac{3}{4}$

This 3/4 share is to be shared by Amar and Bahadur in the ratio of 2:1.
Therefore,

Amar's new share	=	$\dfrac{2}{3}$ of $\dfrac{3}{4} = \dfrac{6}{12}$ or $\dfrac{2}{4}$
Bahadur's new share	=	$\dfrac{1}{3}$ of $\dfrac{3}{4} = \dfrac{3}{12}$ or $\dfrac{1}{4}$

New profit sharing ratio of Amar, Bahadur and Marry will be 2:1:1.

Amar's sacrifice	=	$\dfrac{3}{5} - \dfrac{2}{4} = \dfrac{2}{20}$
Bahadur's sacrifice	=	$\dfrac{2}{5} - \dfrac{1}{4} = \dfrac{3}{20}$

Sacrificing ratio among Amar and Bahadur will be 2:3.