VIDYA BHAWAN BALIKA VIDYA PITH

शक्ति उत्थान आश्रम लखीसराय बिहार

Class 12 commerce   Sub. ACT.   Date 23.6.2020

Teacher name – Ajay Kumar Sharma

Reconstitution of a Partnership Firm –Admission of a Partner

Question 29:

Amit and Viney are partners in a firm sharing profits and losses in 3:1 ratio. On 1.1.2017 they admitted Ranjan as a partner. On Ranjan's admission the profit and loss account of Amit and Viney showed a debit balance of Rs 40,000. Record necessary journal entry for the treatment of the same.

ANSWER:

Books of Amit, Viney and Ranjan

Journal

Date	Particulars	L.F.	Amount Rs	Amount Rs
2017				
Jan 1	Amit's Capital A/c Dr.		30,000	
	Viney's Capital A/c Dr.		10,000	
	To Profit and Loss A/c			40,000
	(Debit Balance in Profit and Loss Account written off)			

Question 30:

A and B share profits in the proportions of 3/4 and 1/4. Their Balance Sheet on Dec. 31, 2016 was as follows:

Balance Sheet of A and B as on December 31, 2016

Liabilites	Amount (Rs)	Assets	Amount (Rs)
Sundry creditors	41,500	Cash at Bank	26,500
Reserve fund	4,000	Bills Receivable	3,000
Capital Accounts		Debtors	16,000
A	30,000	Stock	20,000
B	16,000	Fixtures	1,000
		Land & Building	25,000
	91,500		91,500

On Jan. 1,2017, C was admitted into partnership on the following terms:

(a) That C pays Rs 10,000 as his capital.

(b) That C pays Rs 5,000 for goodwill. Half of this sum is to be withdrawn by A and B.

(c) That stock and fixtures be reduced by 10% and a 5%, provision for doubtful debts be created on Sundry Debtors and Bills Receivable.

(d) That the value of land and buildings be appreciated by 20%.

(e) There being a claim against the firm for damages, a liability to the extent of Rs 1,000 should be created.

(f) An item of Rs 650 included in sundry creditors is not likely to be claimed and hence should be written back.

Record the above transactions (journal entries) in the books of the firm assuming that the profit sharing ratio between A and B has not changed. Prepare the new Balance Sheet on the admission of C.

ANSWER:

Books of A, B and C

Journal

Date	Particulars		L.F.	Amount Rs	Amount Rs
2017					
Jan. 01	Bank A/c	Dr.		15,000	
	To C's Capital A/c				10,000
	To Premium for Goodwill A/c				5,000
	(Capital and Premium for goodwill brought by C for 1/5 th share)				
Jan. 01	Premium for Goodwill A/c			5,000	
	To A's Capital A/c				3,750
	To B's Capital A/c				1,250
	(Amount of goodwill brought by C is transferred to old partners' capital account in their sacrificing ratio, 3:1)				
Jan. 01	A's Capital A/c	Dr.		1,875	
	B's Capital A/c	Dr.		625	
	To Bank A/c				2,500
	(Half of amount withdrawn by old partners)				
Jan. 01	Revaluation A/c	Dr.		4,050	
	To Stock A/c				2,000
	To Fixture A/c				100
	To Provision for doubtful Debts on Debtors A/c				800
	To provision for doubtful Debts on Bills Receivable A/c				150
	To Claim for Damages A/c				1,000
	(Assets and liabilities are revalued)				

Jan. 01	Land and Building A/c	Dr.	5,000	
	Sundry Creditors A/c		650	
	To Revaluation A/c			5,650
	(Asset and liability are revalued)			
Jan. 01	Revaluation A/c	Dr.	1,600	
	To A's Capital A/c			1,200
	To B's Capital A/c			400
	(Profit on Revaluation transferred to old partners' capital)			
Jan. 01	Reserve Fund A/c	Dr.	4,000	
	To A's Capital A/c			3,000
	To B's Capital A/c			1,000
	(Reserve Fund distributed among old partners)			

Balance Sheet as on January 01, 2007

Liabilities		Amount (Rs)	Assets		Amount (Rs)
Sundry Creditors		40,850	Cash at Bank		39,000
Claim for Damages		1,000	Bills Receivable	3,000	
A	36,075		*Less*: Provision	150	2,850
B	18,025		Debtors	16,000	
C	10,000	64,100	*Less*: Provision	800	15,200
			Stock		18,000
			Fixtures		900
			Land and Building		30,000

	1,05,950		1,05,950

Working Note:

1)

Partners' Capital Account

Dr. **Cr.**

Particulars	A	B	C	Particulars	A	B	C
Bank	1,875	625		Balance b/d	30,000	16,000	
Balance c/d	36,075	18,025	10,000	Bank			10,000
				Premium for Goodwill	3,750	1,250	
				Revaluation	1,200	400	
				Reserve Fund	3,000	1,000	
	37,950	18,650	10,000		37,950	18,650	10,000

2)

Bank Account

Dr. **Cr.**

Particulars	Amount Rs	Particulars	Amount Rs
Balance b/d	26,500	A's Capital A/c	1,875
C's Capital A/c	10,000	B's Capital A/c	625
Premium for Goodwill	5,000	Balance c/d	39,000
	41,500		41,500

3)

Sacrificing ratio = Old Ratio − New Ratio

$$\text{A's Sacrificing Share} = \frac{3}{4} - \frac{3}{5} = \frac{12-9}{20} = \frac{3}{20}$$

$$\text{B's Sacrificing Share} = \frac{1}{4} - \frac{1}{5} = \frac{5-4}{20} = \frac{1}{20}$$

Note: Assuming that ratio between A and B has not change hence sacrificing ratio should be same as old ratio.