

## VIDYA BHAWAN BALIKA VIDYA PITH

शक्ति उत्थान आश्रम लखीसराय बिहार

class 12 commerce Sub. ACT. Date 30.5.2020

Teacher name – Ajay Kumar Sharma

### Reconstitution of a Partnership Firm – Admission of a Partner

Alternatively, it is credited to the new partner's capital account and then adjusted in favour of the existing partners in their sacrificing ratio. In that case the journal entries will be as follows:

(i)	Cash A/c To New Partner's Capital A/c (Amount brought by new partner for his share of goodwill)	Dr.		
(ii)	New Partner's Capital A/c To Existing Partner's Capital A/cs (Individually) (Goodwill brought by new partners distributed among the existing partners in their sacrificing ratio)	Dr.		

If the partners decide that the amount of premium credited to their capital accounts should be retained in business, there is no need to pass any additional entry. If, however, they decide to withdraw their amounts, (in full or in part) the following additional entry will be passed:

Existing Partner's Capital A/c (Individually)      Dr.  
To Cash A/c  
(The amount of goodwill withdrawn by the existing partners)

#### **Illustration 16**

Sunil and Dalip are partners in a firm sharing profits and losses in the ratio of 5:3. Sachin is admitted in the firm for  $\frac{1}{5}$  share of profits. He is to bring in Rs. 20,000 as capital and Rs. 4,000 as his share of goodwill. Give the necessary journal entries,

- When the amount of goodwill is retained in the business.
- When the amount of goodwill is fully withdrawn.
- When 50% of the amount of goodwill is fully withdrawn.

#### **Solution**

- When the amount of goodwill credited to existing partners is retained in business

**Books of Sunil and Dalip  
Journal**

<i>Date</i>	<i>Particulars</i>	<i>L.F.</i>	<i>Debit (Rs.)</i>	<i>Credit (Rs.)</i>
(i)	Cash A/c Dr. To Sachin's Capital A/c To Goodwill A/c (The amount brought in by Sachin as Capital and Goodwill)		24,000	20,000 4,000
(ii)	Goodwill A/c Dr. To Sunil's Capital A/c To Dalip's Capital A/c (Goodwill transferred to Sunil and Dalip in the ratio of 5:3)		4,000	2,500 1,500

*Note:* It assumed that the sacrificing ratio is the same as old profit sharing ratio.

- (b) When the amount of goodwill credited to existing partners is fully withdrawn.

**Journal**

<i>Date</i>	<i>Particulars</i>	<i>L.F.</i>	<i>Debit (Rs.)</i>	<i>Credit (Rs.)</i>
1.	Same as in (a) above			
2.	Same as in (a) above,			
3.	Sunil's Capital A/c Dr. Dalip's Capital A/c Dr. To Cash A/c (Cash withdrawn by Sunil and Dalip equal to their share of goodwill)		2,500 1,500	4,000

- (c) When 50% of the amount of goodwill credited to existing partners is withdrawn.

**Journal**

<i>Date</i>	<i>Particulars</i>	<i>L.F.</i>	<i>Debit (Rs.)</i>	<i>Credit (Rs.)</i>
1.	Same as in (a) above,			
2.	Same as in (a) above			
3.	Sunil's Capital A/c Dr. Dalip's Capital A/c Dr. To Cash A/c (Cash withdrawn for 50% of their share of goodwill)		1,250 750	2,000