

ASSIGNMENT – ADMISSION OF A PARTNER

1. R and M were partners in a firm sharing profits in 3:2 ratio. They admitted S and N as a new partners' sacrificed  $\frac{1}{3}$ <sup>rd</sup> of his share in favour of S and M sacrificed  $\frac{1}{2}$  of his share in favour of N. Calculate the new profit sharing ratio.
2. Find out the sacrificing ratio and new ratio in the following cases:-
  - (a) A and B are partners sharing profits and losses in the ratio of 3:2. C is admitted for  $\frac{1}{4}$ <sup>th</sup> share. A and B decide to share equally in future.
  - (b) A and B are partners. They admit C for  $\frac{1}{4}$ <sup>th</sup> share. In future the ratio between A and B would be 2:1.
3. A and B are partners sharing profits and losses in the ratio of 4:1. They admit C into partnership for  $\frac{1}{6}$ <sup>th</sup> share for which he pays Rs.20,000 for goodwill. A, B and C decide to share future profits in the ratio of 3:2:1. Give the necessary journal entries.
4. X and Y are in partnership sharing profit and losses in the ratio of 3:2. Their balance sheet as on 31<sup>st</sup> March, 2012 was as under:

| Liabilities       | Rs.      | Assets          | Rs.      |
|-------------------|----------|-----------------|----------|
| Creditors         | 15,000   | Cash            | 5,000    |
| General Reserve   | 12,000   | Debtors         | 20,000   |
| Capital Accounts: |          | Less: provision | 800      |
| X                 | 60,000   | Patents         | 14,800   |
| Y                 | 30,000   | Investment      | 8,000    |
| Current Accounts: |          | Fixed assets    | 72,000   |
| X                 | 10,000   | Goodwill        | 10,000   |
| Y                 | 2,000    |                 |          |
|                   | 1,29,000 |                 | 1,29,000 |

They admit Z on the following terms:-

- a. A provision of 5% is to be created on debtors.
  - b. Accrued income of Rs.1,500 does not appear in the books and Rs.5,000 are outstanding for salaries.
  - c. Present market value of investment is Rs.6,000. X takes over the investments at this value.
  - d. New profit sharing ratio of partners will be 4:3:2. Z will bring in Rs.20,000 as his capital.
  - e. Z is to pay in cash an amount equal to his share in firm's goodwill valued at twice the average profits of the last 3 years which were Rs.30,000; Rs.26,000 and Rs.25,000 respectively.
  - f. Half the amount of goodwill is withdrawn by old partners.
- You are required to pass journal entries, prepare revaluation A/c, capital A/cs, current A/cs and the balance sheet.
5. The following is the balance sheet at 31<sup>st</sup> March, 2010, of A and B who are in partnership and share profits and losses in the proportion of  $\frac{3}{5}$  and  $\frac{2}{5}$  respectively.

| Liabilities            | Rs.    | Assets              | Rs.    |
|------------------------|--------|---------------------|--------|
| Creditors              | 15,000 | Cash                | 1,660  |
| Bills payable          | 4,310  | Debtors             | 22,500 |
| Provision for doubtful | 4,000  | stock               | 12,500 |
| Capital Accounts:      | 24,000 | Investment          | 4,250  |
| A                      | 9,000  | Furniture           | 900    |
| B                      |        | Machinery and Plant | 4,500  |
|                        |        | Freehold premises   | 10,000 |
|                        | 56,310 |                     | 56,310 |

They admit C into partnership from 1<sup>st</sup> April, 2010. The terms of agreement are as under:

- C to bring in Rs.6,000 as capital and rs.4,800 for goodwill in order to get  $\frac{2}{7}$ th share in profit.
- Rs.4,800 paid by C to be credited to the loan accounts of A and B in respective proportions.
- Freehold premises is undervalued by Rs.5,000.
- Machinery and Plant is overvalued by Rs.500.
- Stock to be discounted at 10% and provision for doubtful debts be reduced by Rs.1,000.
- Investment are to be brought down at their market price being Rs.3,200.

Prepare revaluation, capital a/c and balance sheet.

6. X and Y are in partnership, sharing profits in the ratio of 5:3 respectively. Their balance sheet is as follows:

| Liabilities                 | Rs.      | Assets          | Rs.      |
|-----------------------------|----------|-----------------|----------|
| Creditors                   | 28,000   | Cash            | 7,800    |
| Z's loan A/c                | 30,000   | Debtors         | 40,000   |
| Workmen's compensation fund | 4,000    | Less: provision | 1,800    |
| Capital Accounts:           |          | stock           | 56,000   |
| A                           | 50,000   | Investment      | 10,000   |
| B                           | 40,000   | Goodwill        | 10,000   |
|                             | 90,000   | Plant           | 30,000   |
|                             | 1,52,000 |                 | 1,52,000 |

Z admitted into partnership on the following terms:-

- The new profit sharing ratio will be 4:3:2 between X, Y and Z respectively.
- Z's loan should be treated as his capital.
- Goodwill of the firm is valued at Rs.27,000.
- Rs.8,000 of investment were to be taken over by X and Y in their profit sharing ratio.
- Stock be reduced by 10%.
- Provision for doubtful debts should be @5% on debtors and a provision for discount on debtors @2% should also be made.
- X is to withdrawn Rs.6,000 in cash.

Prepare necessary accounts

7. The following is the Balance sheet of R and S who share profits in the ratio of 2:1.

| Liabilities       | Rs.      | Assets          | Rs.      |
|-------------------|----------|-----------------|----------|
| Creditors         | 20,000   | Debtors         | 40,000   |
| Reserve fund      | 12,000   | Less: provision | 3,600    |
| Bank overdraft    | 15,000   | stock           | 20,000   |
| Capital Accounts: |          | Building        | 25,000   |
| A                 | 40,000   | Patent          | 2,000    |
| B                 | 30,000   | Machinery       | 33,600   |
|                   | 70,000   |                 |          |
|                   | 1,17,000 |                 | 1,17,000 |

C admitted into partnership on the following terms:-

New profit sharing ratio is agreed 3:2:1. C brings in proportionate capital after the following Adjustment:-

- C brings in Rs. 10,000 in cash as his share of goodwill.
- Provision for doubtful debts is to be reduced by Rs.2,000.
- There is an old typewriter valued Rs.2,600. It does not appear in the books of the firm. It is to be recorded.
- Patents are valueless.
- 2% discount is to be received from creditors.

Prepare Revaluation A/c, capital A/cs and Balancesheet.

8. The Balance sheet of R and S, who were sharing profits in the ratio of 3:1, on 31<sup>st</sup> March 2009 was as follows:-

| Liabilities              | Rs.    | Assets          | Rs.    |
|--------------------------|--------|-----------------|--------|
| Creditors                | 2,800  | Cash at Bank    | 2,000  |
| Employees provident fund | 1,200  | Debtors         | 6,500  |
| General reserve          | 2,000  | Less: provision | 500    |
| Capital Accounts:        |        | stock           | 3,000  |
| R                        | 6,000  | Investment      | 5,000  |
| S                        | 4,000  |                 |        |
|                          | 10,000 |                 |        |
|                          | 16,000 |                 | 16,000 |

They decided to admit M on 1<sup>st</sup> April 2009 for 1/5<sup>th</sup> share on the following terms:-

- M shall bring Rs.6,000 as his share of premium.
- That unaccounted accrued income of Rs.100 be provided for.
- The market value of investment was Rs.4,500.
- A debtor whose dues of Rs.500 was written off as bad debts paid Rs.400 in full settlement.
- M to bring in capital to the extent of 1/5<sup>th</sup> of the total capital of the new firm.

Prepare Revaluation A/c, partners capital A/cs and balancesheet of the firm.

9. The following is the balancesheet of A, B and C sharing profits and losses in Proportion of 6:5:3:-

| Liabilities       | Rs.      | Assets          | Rs.      |
|-------------------|----------|-----------------|----------|
| Creditors         | 18,900   | Cash at Bank    | 1,890    |
| Bills payable     | 6,300    | Debtors         | 26,460   |
| General reserve   | 10,500   | stock           | 29,400   |
| Capital Accounts: |          | Furniture       | 7,350    |
| A      35,400     |          | Land & building | 45,150   |
| B      29,850     |          | Goodwill        | 5,250    |
| C      14,550     | 79,800   |                 |          |
|                   | 1,15,500 |                 | 1,15,500 |

They decided to admit D for  $\frac{1}{8}$ <sup>th</sup> share on the following terms:-

- That furniture be depreciated by Rs.920.
- An old customer, whose account was written off as bad, has promised to pay Rs.2,000 in full settlement of his debt.
- That a provision of Rs.1,320 be made for outstanding repair bills.
- That the value of Land & building having appreciated be brought upto Rs.54,910.
- That D should bring in Rs.14,700 as his capital.
- That D should bring in Rs.14,070 as his share of goodwill.
- That after making the above adjustment the capital accounts of old partners be adjusted on the basis of the proportion of D's capital to his share in business i.e., actual cash to be paid off or brought in by the old partners, as the case may be.

Prepare the necessary ledger accounts.

10. A, B and C are partners in a firm sharing profits and losses in the ratio of 3:2:1. Their Balance sheet as at 31<sup>st</sup> March, 2007 is as follows:-

| Liabilities       | Rs.      | Assets                              | Rs.      |
|-------------------|----------|-------------------------------------|----------|
| Creditors         | 36,000   | Cash                                | 14,000   |
| Reserve fund      | 15,000   | Debtors                      50,000 |          |
| Bank overdraft    | 20,000   | Less: provision            2,500    | 47,500   |
| Capital Accounts: |          | stock                               | 60,000   |
| A      60,000     |          | Fixed assets                        | 98,500   |
| B      60,000     |          | Patent                              | 6,000    |
| C      50,000     |          | Goodwill                            | 15,000   |
|                   | 1,70,000 |                                     |          |
|                   | 2,41,000 |                                     | 2,41,000 |

On 1<sup>st</sup> April, 2007, D is admitted into the firm with  $\frac{1}{4}$ <sup>th</sup> share in the profits, which he gets  $\frac{1}{8}$ <sup>th</sup> from A and  $\frac{1}{8}$ <sup>th</sup> from B.

- D will introduce Rs.60,000 as his capital and pay Rs.18,000 as his share of goodwill.
- 20% of the reserve is to be remain as a provision against bad and doubtful debts.
- A liability to the extent of Rs.1,000 be created in respect of a claim for damages against the firm
- An item of Rs.4,000 included in creditors is not likely to be claimed.
- Stock is to be reduced by 30% and Patents to be written off in full.
- A is to pay off the Bank overdraft.

After making the above adjustments the capital accounts of the old partners be adjusted on the Basis of D's capital to his share in the business i.e., actual cash to be paid off to, or brought in by the old partners as the case may be.

Prepare necessary accounts and give journal entries.

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