Girl's High School and College, Prayagraj

2020-2021

Class 12-C

Accountancy

Worksheet-7

Note:-Parents please ensure that your ward refers to the text book New I.S.C. Accountancy by D.K. Goel and/or www.studiestoday.com/the extra class/By JU's.com to study the topic : Partnership Admission.

New Profit Sharing Ratio :

New Profit Sharing Ratio = Old Ratio - Sacrificing Ratio

or Sacrificing Ratio = Old Ratio - New Ratio.

Q1. X and Y are partners sharing profits in the ratio of 2 : 1. Z is admitted with 5/11th share which he takes 3/11th from X and 2/11th from Y. Calculate the new profit sharing ratio of the partners.

Q2. A and B are partners sharing profits in the ratio of 3 : 2. They admit C into partnership giving him 1/2 share in profits which he acquires from A and B in the ratio of 3 : 1. Calculate the new profit ratio.

Q3. X and Y are partners in a firm sharing profits and losses in the ratio of 9 : 6. A new partner Z is admitted. X surrenders 3/15th

share of his profit in favour of Z and Y 5/15th of his share in favour of Z. Calculate new profit sharing ratio.

Q4. X and Y are partners sharing profits and losses in the ratio of 3:2. They admit Z as a new partner who gets 1/5th share. Calculate the new profit sharing ratio in each of the following cases :

Q5. L, M and N are partners sharing profits in the ratio of 3 : 2 : 1. They admit O into partnership. O brings in cash Rs. 4,50,000 as capital and Rs. 1,50,000 as goodwill for 1/5th share of profits. Pass journal entries and find out new profit sharing ratios when : (a) Goodwill is retained in the firm; (b) goodwill is withdrawn by old partners.

Q6. P and Q are partners sharing profits and losses in the ratio of 2:1. They admit R into partnership for 4/9th share in profits which he acquires equally from P and Q. R brings in cash Rs. 2,50,000 as capital and Rs. 1,80,000 as goodwill.

Pass journal entries and find out new profit sharing ratios.

Q7. A, B and C were partners in a firm sharing profits and losses in the ratio of 3 : 2 : 1. They admit D into partnership with 1/4th share which he acquires from A and B in the ratio of 2 : 1. On D's admission the goodwill of the firm is valued at Rs.

6,00,000. However, D is unable to bring his share of goodwill in cash.

Pass necessary journal entry and also calculate the new profit sharing ratio.

Note 2: AS 26 specifies that only purchased goodwill can be recorded in the books.

When a new partner does not bring his share of goodwill/ Premium in Cash - wholly or partially, then the following journal entry is passed.

New Partner's Current A/c Dr.

To sacrificing Partner's Capital A/c

(In Sacrificing Ratio)

Q8. X, Y and Z were partners sharing profits and losses as to X one-half, Y One-third, and Z one-sixth. As from 1st April, 2020, they agreed to admit A into partnership for one-sixth share in profits and losses, which he acquires equally from X and Y, and is to bring in Rs. 50,000 for his capital and Rs. 20,000 as premium for goodwill. A paid in his capital money but in respect of premium for goodwill, he could bring in only Rs. 15,000.

You are required to :

(i) give the journal entries to carry out the above arrangements, and

(ii) work out the new profit-sharing ratio of the partners.

Q9. X and Y are partners sharing profits in the ratio of 3 : 1. Z is admitted as a partner for which he pays Rs. 30,000 for goodwill in cash. X, Y and Z decided to share future profits in equal proportion. You are required to pass a single journal entry to give effect to the above.

Note : 3 Revaluation of assets and liabilities is done with the help of a new account called Revaluation Account. Sometimes this account is called as 'Profit & Loss Adjustment A/c'. This account is a nominal account in nature. Therefore, if there is a loss due to revaluation, revaluation account is debited and if the revaluation results in a profit, the revaluation account is credited.

Q10. Pass Journal entries to record the following transactions on the admission of a new partner :

(i) Land and Building is undervalued by Rs. 2,00,000.

(ii) Stock is overvalued by 20% (Book Value of Stock Rs. 60,000)

(iii) Provision to be made for compensation of Rs. 20,000 to an ex-employee.

(iv) Sundry Debtors appeared in the books at Rs. 1,50,000. They are estimated to produce not more than Rs. 1,30,000.

(v) Creditors include an amount of Rs. 10,000 received as commission.

(vi) A bill of exchange of Rs. 40,000 which was previously discounted with the banker, was dishonoured on 31st March, 2018 but no entry has been passed for it.

(vii) Value of Machinery is to be decreased to Rs. 1,20,000 (Book Value Rs. 2,00,000).

(viii) Value of Machinery is to be decreased by Rs. 1,20,000 (Book Value Rs. 2,00,000)

(ix) Expenses on revaluation amount to Rs. 8,000 have been paid by partner X.

Q11. Khushi and Sukhi are partners in a firm sharing profits in the ratio of 5 : 4. On April 1, 2020, they admit Muskan as a new partner and the new ratio is agreed at 3 : 2 : 1. On that date there was a balance of Rs. 63,000 in the profit and loss account and a balance of Rs. 45,000 in general reserve. Record the necessary journal entries.

Q12. A and B were partners in a firm sharing profits in the ratio of 7:3. On 1-3-2020, they admitted C as a new partner for $1/6^{th}$ share in the profits of the firm. They fixed the new profit sharing ratio as 3 : 2 : 1. The P & L A/c on the date of admission showed a balance of Rs. 20,000 (Cr.). The firm also had a reserve of Rs. 1,50,000. C is to bring Rs. 40,000 as premium for his share of goodwill.

Showing your calculations clearly, pass necessary journal entries to record the above transactions.

<u>Note : 4 Workmen Compensation Reserve</u>

It is Created to compensate the employees. Before admission of the new partner, adjustments related to workmen compensation Reserve need to be done.

(1) If there is no claim on WCR :

All the amount of WCR is distributed among the old Partners in O.P.S.R.

WCR A/c Dr

To Old Partners Capital A/c

(O.P.S.R.)

(2) If the claim is equal to WCR :

The Entire amount of WCR is transferred to provision for workmen compensation claim A/c.

WCR A/c Dr.

To Provision for workmen compensation claim A/c

(3) If the claim for workmen Compensation is lower than the amount of WCR :

WCR A/c Dr.

To provision for workmen compensation claim A/c (with the amount of claim)

To old partner Capital A/c (balance Amount)

(4) If the claim is more than the amount of Workmen Compensation Reserve .

WCR A/c Dr. (with the amount of Reserve)

Revaluation A/c Dr. (with that additional amount of liability)

To provision for workmen compensation claim A/c (with the amount of claim).

Q13. X and Y are partners in a firm. On 1st April, 2017, they admitted Z as a partner and new profit sharing ratio is agreed at 3 : 2 : 1. Their Balance Sheet disclosed 'Workmen Compensation Reserve' amounting to Rs. 1,00,000 on this date. Show the accounting treatment, if

i) Claim for Workmen Compensation is estimated at Rs. 1,20,000.

ii) Claim for Workmen Compensation is estimated at Rs. 90,000.

Q14. P and Q were partners sharing profits in the ratio of 2 : 1. On 1st April, 2017, they admitted R as a new partner and the new profit sharing ratio of P, Q and R is agreed at 3 : 1 : 1. R brought in Rs. 2,00,000 as his capital and Rs. 60,000 as his share of premium for goodwill.

On the date of R's admission, the Balance Sheet of P and Q showed a credit balance of Rs. 45,000 in Profit and Loss A/c and Workmen Compensation Reserve of Rs. 80,000. It was agreed that there was a claim of Workmen Compensation for Rs. 50,000.

Pass necessary journal entries on R's admission.

Q15. X and Y share profits in the ratio of 5 : 3. Their balance sheet as at 31st March, 2020, was as follows :

Liabilities	Rs.	Assets		Rs.
Creditors	15,000	Cash at Bank		5,000
Provident Fund	10,000	Sundry Debtors	20,000	
Workmen's Compensation Reserve	5,800	Less: Provision	600	19,400
		Stock		25,000
Capitals :		Fixed Assets		80,000
X	70,000	Profit & Loss A/c		2,400
Y	31,000			
	1,31,800			1,31,800

They admit Z into partnership on 1st April, 2020 with 1/8th share in profits. Z brings Rs. 20,000 as his capital and Rs. 12,000 for goodwill in cash. Z acquires his share entirely from X. Following revaluations are also made :

1. Provident fund is to be increased by Rs. 5,000.
2. Debtors are all good. Therefore, no provision is required on debtors.
3. Stock includes Rs. 3,000 for obsolete items.
4. Creditors are to be paid Rs. 1,000 more.
5. Fixed Assets are to be revalued at Rs. 70,000.

Prepare Journal entries, necessary accounts and new balance sheet. Also calculate the new profit sharing ratio.