INDIAN SCHOOL MUSCAT

Senior Section

Department of Commerce and Humanities

Class : XII **Worksheet-No 4: Admission of a Partner** **Reference: T.S.Grewal**

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	Multiple Choice Questions
1	When a new partner brings his share of goodwill in cash, the amount is to be debited to: (a) Premium A/c (b) Cash A/c (c) Capital A/cs of old partners (d) Capital A/cs of new partner
2	A and B are partners sharing profits in equal ratio. A's capital is ₹ 90,000 and B's capital is ₹ 60,000. They admit C and agree to give 1/5th share in future profit, C brings ₹ 70,000 as his capital. Value of hidden goodwill at the time of admission of C is: (a) ₹ 70,000 (b) ₹ 1,30,000 (c) ₹ 3,50,000 (d) ₹ 1,50,000
3	The new partner's share of goodwill is taken by old partners in their: (a) New profit sharing ratio (b) Old profit sharing ratio (c) Gaining ratio (d) Sacrificing ratio
4	Revaluation Account is a (a) Personal Account (b) Real Account (c) Nominal Account (d) None of the above
5	X and Y are partners in a firm sharing profits and losses in the proportion of 2:1. They admit a new partner Z for 1/6 th share in profit. What is the new profit sharing ratio of X,Y and Z? (a) 5:3:10 (b) 2:1:6 (c) 1:1:1 (d) 10:5:3
6	In case of Workmen Compensation Reserve, if the amount claimed is more than the amount lying in WCR, then the shortfall will be recorded in: (a) Revaluation Account (b) Partner's Capital Account (c) Balance Sheet (d) None of these
7	State whether the following statements are true or false: a) Payment of premium for Goodwill is the method of compensating sacrificing partners for the sacrifice they make in favour of new partner.

	b) Contingent liability becoming a certain liability is credited to Revaluation Account at the time of admission of a partner. c) On revaluation of assets and reassessment of liabilities, capital accounts of old partners remain unchanged. d) At the time of admission of a partner, capital of partners cannot be adjusted on the basis of old partner's capitals. e) Employees Provident Fund is a liability and therefore it will not be distributed.
8	For any increase in the value of asset, the Revaluation Account is _____.
9	Investment Fluctuation Reserve is a reserve set aside out of profit to adjust the difference between _____ and _____ of investment.
10	If goodwill is appearing in the Balance Sheet at the time of admission of a new partner; the existing goodwill is written off among _____ partners in _____ ratio.
11	P and Q are in partnership sharing profits and losses in the ratio of 3:2 respectively. R joins the partnership for 25% share. Calculate the new profit sharing ratio and sacrificing ratio after R's admission.
12	P and Q are in partnership sharing profits and losses in the ratio of 2:1 respectively. R joins the partnership for 1/5th share. Calculate the new profit sharing ratio and sacrificing ratio after R's admission.
13	X and Y are in partnership sharing profits and losses in the ratio of 3:2. Z is admitted for 1/4th share. Afterwards W enters for 20%. Compute the profit sharing ratio of X, Y, Z and W after W's admission
14	T and U are in partnership sharing profits and losses in the ratio of 2:1 respectively. V joins the partnership for 1/5th share and the share becomes 8:4:3. Calculate the Sacrificing Ratio. The new partner is physically challenged. State the value highlighted.
15	E and F are in partnership sharing profits and losses in the ratio of 3:2 respectively. R joins the partnership for 25% share and new ratio becomes 9:6:5. Calculate the sacrificing ratio.
16	A and B are partners sharing profits in the ratio of 3:2. A surrenders 1/6th of his share and B surrenders 1/4th of his share in favour of C, a new partner. What is the new ratio?
17	R and T are partners in a firm sharing profits in the ratio of 3:2. S joins the firm. R surrenders ¼ th of his share and T 1/5th of his share in favour of S. Find the new profit sharing ratio.
18	D and R are partners in a firm, sharing profits in the ratio of 7:3. They admit S for 3/7th share of profits, which he takes 2/7th from D and1/7th from R. Calculate their new profit sharing ratio.
19	A and B are partners in a firm, sharing profits in the ratio of 7:5. They admit C for 1/6th share of profits, which he takes 1/24th from A and 1/8th from B. Calculate the new profit sharing ratio.

20	A, B, C and D are in partnership sharing profits and losses in the ratio of 36:24:20:20 respectively. E joins the partnership for 1/5th share. A, B, C and D would share profits in future among themselves as 3:4:2:1. Calculate the new profit sharing ratio.
21	X and Y are partners in a firm sharing profits and losses in the ratio of 3:2. Z is admitted as partner with 1/8th share in profits. It is decided that X and Y will share profits and losses in future in the ratio of 4:3. Calculate the new profit sharing ratio.
22	X, Y and Z are partners in the ratio of 3:2:1. W is admitted with 1/6th share in profits. Z would retain his original share. Find out new profit sharing ratio.
23	Ram and Shyam share profits and losses in the ratio of 5:3. Bhushan is admitted for 3/10th share of profits half of which was gifted by Ram and the remaining share was taken by Z equally from Ram and Sham. Calculate the new ratio.
24	Ram and Shyam are partners in a firm sharing profits and losses in the ratio of 3:2. They admit Rahim as a partner for 1/5th share. Rahim acquires his share from Ram and Shyam in the ratio 2:3. The goodwill stands in the books at ₹ 25,000. Rahim paid ₹ 15,000 privately to Ram and Shyam as his share of goodwill. Journalise.
25	Amit and Bablu are partners sharing profits in the ratio of 3:2. Chintu is admitted paying a premium for 1/4th share of profit of which he acquires 1/6th from Amit and 1/12th from bablu. Goodwill of the firm is valued at ₹ 8,400. Goodwill already appears in the books at ₹ 5,000. Partners withdrew 40% of goodwill credited to them. Give journal entries.
26	Raj and Nath are partners in a firm sharing profits in the ratio of 3:2. On 1st April, 2017 they admit Singh as a new partner for 3/13th share in the profits. The new ratio will be 5:5:3. Singh contributed the following assets towards his capital and for his share of goodwill. Stock ₹1,00,000, Debtors ₹ 90,000, Land ₹ 70,000, Plant and Machinery ₹ 1,10,000. On the date of admission of Singh, the goodwill of the firm was valued at ₹ 6,50,000. Journalise in the books of the firm.
27	Ranvir and Seth are partners in a firm sharing profits and losses in the ratio of 3:2. They admit Zaman as a new partner for 1/5th of share as are between them. Ranvir and Seth decide to share future profits and losses in the ratio of 13:7. The goodwill of the firm is valued at ₹ 25,000. Goodwill already appears in the books at ₹ 20,000. Z brings in 60% of his requisite share of firm's goodwill and ₹ 1,00,000 as his capital in cash. The amount of goodwill brought in cash is withdrawn by the concerned partners to the extent of 30% of what is credited to them. The profits for the first year of new partnership amounts to ₹ 50,000. Journalise.
28	A and B are partners in a firm sharing profits and losses in the ratio of 3:2. They admit Z as a partner for 1/5th share. Z acquires his share from A and B in the ratio of 2:3. The goodwill of the firm has been valued at ₹ 20,000. Z brings in ₹ 1,00,000 as his capital but is unable to bring in the necessary amount in cash as his share of firm's goodwill. Pass journal entries under each of the following cases, assuming the capitals are fixed. : Case (a) When no goodwill appears in the books. Case (b) When goodwill appears in the books at ₹15,000
29	Sethi and Brij are friends and after completion of their study they started a business of readymade garments by constituting a partnership firm with a profit sharing ratio

of 3:2 respectively. Their partnership firm earned huge profits during few years. They decided to start a scholarship of ₹ 10,000 p.a. for meritorious and poor students. On January, 1st 2014 they admit Manoj for 1/5th share in future profits and bring ₹ 40,000 as capital. Manoj belongs to a religious community and is expert in business management. Journalise. Identify the value involved in this question and

Balance Sheet as at 1st January 2014

Liabilities	₹.	Assets	₹.
Capital A/cs		Fixed Assets	80,000
Sethi 40,000		Goodwill	20,000
Brij 30,000	70,000	Stock	80,000
General Reserve	60,000	Cash at Bank	56,000
Profit & Loss A/c	6,000		
Sundry Creditors	1,00,000		
	2,36,000		**2,36,000**

30 Arjun, Ranveer and Shahid were partners in a firm sharing profits and losses in the ratio of 3:1:1. On April, 1st 2017 their Balance Sheet stood as follows:

Liabilities		Assets	₹
Capital A/cs		Building	1,50,000
Arjun 1,00,000		Machinery	50,000
Ranveer 30,000		Horse Cart	17,000
Shahid 20,000	1,50,000	Fixture	10,000
Reserve Fund	25,000	Investment (Market Value ₹ 28,000)	30,000
Profit & Loss A/c	35,000	Advertisement Expenditure	25,000
Investment Fluctuation Fund	20,000	Sundry Debtors	1,18,000
Workmen Compensation Reserve	23,000		
Machine Replacement Fund	17,000		
Employees Provident Fund	30,000		
Bills Payable	1,00,000		
	4,00,000		**4,00,000**

They agreed to take Ritesh into Partnership for 1/5th share of profits on the above date. A claim on account of Workmen's Compensation is estimated at ₹ 13,000 only. Give the necessary journal entries to adjust the accumulated profits and losses.

31 The following was the balance sheet of Anurag and Bhawna, who were sharing profits in the ratio of 2/3 and 1/3 as at 31st March, 2019.

Liabilities	₹	Assets	₹
Creditors	65,900	Cash	1,200
Capitals:		Sundry Debtors	9,700
Anurag	30,000	Stock	20,000
Bhawna	20,000	Plant & Machinery	35,000
		Building	50,000
	1,15,000		**1,15,000**

On 1st April, 2019 they agreed to admit Monika into partnership on the following terms.

(a)Monika was to be given 1/3rd share in profits, and was to bring ₹15,000 as capital and ₹ 6,000 as share of goodwill.

(b)That the value of stock and plant and machinery were to be reduced by 10%.

(c)That a provision of 5% was to be created for doubtful debts.

(d)That the building account was to be appreciated by 20%

(e)Investments worth ₹1,400 (not mentioned in the Balance Sheet) were to be taken into account.
(f)That the amount of goodwill was to be withdrawn by the old partners.
Pass necessary journal entries and prepare the Revaluation A/c, Capital Accounts and the Opening Balance Sheet of the new firm.

32 X and Y were partners in a firm sharing profits and losses in the ratio of 3:2. Their Balance Sheet as at 31st March 2016 was as follows:

Liabilities	₹	Assets	₹
Creditors	42,000	Current Assets	2,00,000
Employees' Provident Fund	20,000	Investments	50,000
Contingency	30,000	Furniture	20,000
Profit & Loss Account	45,000	Machinery	90,000
Workmen Compensation Reserve	18,000	Advertisement Expenditure (Deferred Revenue Exp)	20,000
Investment Fluctuation Reserve	25,000		
Capitals : X 1,20,000			
Y 80,000	2,00,000		
	3,80,000		**3,80,000**

They admit Z into partnership on 1st April, 2016 and the new profit sharing ratio is agreed at 2:1:1. It is estimated that :
(i)Claim on account of Workmen's Compensation is estimated at ₹ 10,000
(ii)Market value of Investments is ₹ 46,000
Give necessary journal entries to adjust accumulated profits and losses.

33 A and B share profits of a business in the ratio of 5:3. They admit C, a differently abled person, who is an MBA from Delhi University into the firm for 1/4th share in the profits to be contributed equally by A and B. On the date of admission of C, the Balance Sheet of the firm was as follows :

Liabilities	₹	Assets	₹
A's Capital	40,000	Machinery	30,000
B's Capital	30,000	Furniture	20,000
Workmen's Compensation Reserve	4,000	Stock	15,000
Creditors	2,000	Debtors	15,000
Provident Fund	10,000	Bank	6,000
	86,000		**86,000**

Terms of C's admission were as follows:
(i)C will bring ₹. 30,000 for his share of capital and goodwill.
(ii)Goodwill of the firm valued at 3 year's purchase of the average super profits of last four years. Average profits of the last four years are ₹. 20,000 while normal profits that can be earned with the capital employed are ₹ 12,000.
(iii)Furniture is undervalued by ₹ 12,000 and the value of stock is reduced to ₹ 13,000. Provident Fund be raised by ₹ 1,000.
(iv)Creditors are unrecorded to the extent of ₹ 6,000
Prepare Revaluation Account, Partners' Capital Accounts and the new Balance Sheet of A, B and C. Also identify the values involved in the question.

34 Jagriti and Ravi are partners sharing profit and loss in the ratio 3:2. Their Balance Sheet stood as under on 31st December 2019.

Liabilities		₹	Assets	₹
Capital Account			Furniture	5,000
Jagriti	26,000		Machine	19,000
Ravi	13,000	39,000	Building	35,000
Contingency Reserve		2,500	Stock	15,000
Workmen Compensation Reserve		2,500	Sundry Debtors 8,400 (-)Provision for D/D (400)	9,000
Employees' Provident Fund		4,000	Cash in hand	2,000
Sundry Creditors		38,500	Prepaid Insurance	1,500
		86,500		**86,500**

Gautam is admitted as a partner introducing a capital of ₹ 16,000. The new profit sharing ratio is decided as 5:3:2. Gautam is unable to bring in any cash for goodwill. So, it is decided to calculate the amount of goodwill on the basis of Gautam's share in profits and the capital contributed by him. Following revaluations are made :

1) Stock to depreciate by 5%.
2) Provision for doubtful debt to be made at ₹ 500.
3) Furniture to depreciate by 10%.
4) Buildings are valued at ₹ 40,000.

Prepare necessary ledger accounts.

35 Madhavi and Karen are partners in a firm sharing profits and losses in the ratio of 3:2. On 31st December, 2019 their Balance Sheet was as under:

Liabilities		₹	Assets	₹
Capital Accounts			Furniture	10,000
Madhavi	48,000		Plant & Machinery	48,000
Karen	40,000	88,000	Land & Building	50,000
Public Deposits		61,000	Stock	32,000
Sundry Creditors		16,000	Sundry Debtors 28,800 (-)Provision for D/D (800)	28,000
Bank Overdraft		6,000	Cash in hand	1,200
Outstanding Liabilities		2,000	Cash at Bank	2,800
			Prepaid Insurance	1,000
		1,73,000		**1,73,000**

On the above date, the partners decide to admit Kajol as a partner on the following terms: The new profit sharing ratio of Madhavi, Karen and Kajol will be 5:3:2.

(i)Kajol shall bring ₹. 32,000 as her capital. Kajol is unable to bring in any cash for her share of goodwill. Partners, therefore, decide to calculate goodwill on the basis of Kajol's share in the profits and the capital contribution made by her in the firm.

(ii)Plant is to be valued at ₹ 60,000, Stock ₹ 40,000 and the Provision for Doubtful Debts is to be maintained at ₹ 4,000.

(iii)Value of Land & Building has appreciated by 20%. Furniture has depreciated by 10%.

(iv)There is an additional liability of ₹ 8,000 being outstanding salary payable to employees of the firm. This liability is not included in the outstanding liabilities, stated in the above Balance Sheet. Partners decide to show this liability in the books of accounts of the reconstituted new firm.

Prepare Revaluation Account, Partners' Capital Account and Balance Sheet.

36 A, B and C are partners in a firm sharing profits and losses in the ratio of 2:3:5. They were running a business in Pune and wanted to open a branch of their office in the nearby village to promote the youth of that area so that they could get jobs in their native place rather than migrating to other areas in search of jobs. With this

movement they admitted C as a new partner which will help them in their business activity and also promote the cause for which they started this move. State the values highlighted in the above question.

Balance Sheet as on 31st March 2017

Liabilities		₹	Assets	₹
Capital Accounts			Furniture	21,000
A	27,000		Plant & Machinery	25,500
B	33,000		Goodwill	15,000
C	39,000	99,000	Investment	24,000
Employees' Provident Fund		24,000	Stock	33,000
Workmen Compensation Reserve		10,500	Sundry Debtors	31,500
Sundry Creditors		48,000	Bills Receivable	18,000
			Cash in Hand	13,500
		1,81,500		**1,81,500**

They admit D into partnership on the following terms:
(i)Furniture, Investments and Machinery to be depreciated by 15%.
(ii)Stock to be revalued at ₹ 36,000.
(iii)Goodwill to be valued at ₹ 18,000 and D brings his share in cash.
(iv)Outstanding rent ₹ 1,350. Prepaid Salaries ₹ 600.
(v)D brings ₹ 24,000 towards Capital for 1/6th share and partners to readjust their capital accounts on the basis of their profit sharing ratio. Adjustment of capital to be made in cash.

37 The following is the Balance Sheet of A, B and C sharing profits and losses in proportion to 6:5:3 respectively.

Liabilities		₹	Assets	₹
Creditors		18,900	Cash	1,890
Bills Payable		6,300	Debtors	26,460
General Reserve		10,500	Stock	29,400
Capitals			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 agreed to take D into partnership and give him 1/8th share on the following terms:
(i)That furniture be depreciated by ₹ 920
(ii)An Old Customer, whose account was written off as bad, has promised to pay ₹ 2,000 in full settlement of his full debt.
(iii)That a provision of ₹ 1,320 be made for outstanding repair bills.
(iv)That the value of Land & Building having appreciated be brought upto ₹ 54,910.
(v)That D should bring in ₹14,700 as his capital.
(vi)That D should bring in ₹14,070 as his share of Goodwill.
(vii)That after making the above adjustments, the capital accounts of old partners be adjusted on the basis of the proportion of D's Capital to share in business, i.e. actual cash to be paid off or brought in by the old partners, as the case may be.
Pass the necessary journal entries and prepare the Balance Sheet of the new firm.

38 Jain and Gupta were partners sharing profits in the ratio of 3:2. Their Balance Sheet as at 31st March 2016 was as follows.

Liabilities	₹	Assets	₹
Creditors	20,000	Cash	14,800
Bills Payable	3,000	Debtors 20,500 (-)Provision for Bad Debt300	20,200
Bank Overdraft	17,000	Stock	20,000
Reserve	15,000	Plant	40,000
Jains's Capital	70,000	Buildings	70,000
Gupta's Capital	60,000	Motor Vehicles	20,000
	1,85,000		**1,85,000**

They agreed to admit Mishra for 1/4th share from 1-4-2016 subject to the following terms:
(a)Mishra to bring in capital equal to 1/4th of the total capital of Jain and Gupta after all adjustments including premium for goodwill.
(b)Buildings to be appreciated by ₹ 14,000 and Stock to be depreciated by ₹. 6,000.
(c)Provision for Bad Debts on debtors to be raised to ₹. 1,000
(d)A provision be made for ₹ 1,800 for outstanding legal charges.
(e)Mishra's share of goodwill/ premium was calculated at ₹ 10,000 which is brought by him in cash.
Prepare Revaluation Account, Partners' Capital Accounts and Balance Sheet of the new firm on Mishra's admission.

39 A and B are partners and profit is divided as follows : 1/2 to A; 1/3 to B and 1/6 carried to Reserve Account. They admit C as a partner on 1st April,2017 at which date the Balance Sheet of the firm is as under :

Liabilities		₹	Assets	₹
Creditors		1,60,000	Cash at Bank	20,000
Outstanding Expenses		12,000	Debtors	2,20,000
Reserve		90,000	Stock	1,80,000
Capital A/Cs			Plant & Machinery	1,50,000
A	3,18,000		Buildings	2,00,000
B	2,00,000	5,18,000	Advertisement Expenditure	10,000
		7,80,000		**7,80,000**

Following terms were agreed upon :
(i)Stock is undervalued by 10%
(ii)Depreciation of ₹. 30,000 had been omitted on plant & machinery for the year ended 31st March 2017.
(iii)Creditors include a contingent liability of ₹ 50,000 which has been decided by the court at ₹ 43,000
(iv)In respect of debtors, the following debts proved bad or doubtful :
₹ 15,000 due from Ram- bad to the full extent
₹ 20,000 due from Shyam – insolvent, estate expected to pay only 40%
(v)Goodwill of the firm is valued at ₹ 60,000. However, C is unable to bring the share of goodwill in cash.
(vi)C is given 1/5th share of profits which he acquires equally from A and B. C is to bring in capital proportionate to his share of profits in the firm.
(vii)The partners decide that 5% of profit of each year be given to a N.G.O which is working for cleanliness in the area.
You are required to prepare Revaluation Account, Capital Accounts and the New Balance Sheet of the firm. Also identify the values in the question.

40 X and Y share profits in the ratio of 3:1. Their Balance Sheet as at 31st March 2015 was as under:

Liabilities	₹	Assets	₹
Outstanding Expenses	5,000	Cash	7,800
Sundry Creditors	36,000	Sundry Debtors	24,000
Provision for Doubtful Debts	800	Stock	5,000
Capital Accounts :		Fixed Assets	80,000
X	68,000	Goodwill	8,000
Y	31,000	P & L A/C	16,000
	1,40,800		**1,40,800**

On 1st April, 2015 Z is admitted into partnership on the following terms:
(i)Fixed assets are to be depreciated by 20%.
(ii)Provision for doubtful debts should remain at 5% on debtors.
(iii)The new profit sharing ratio will be 5:3:2.
(iv)Z will pay ₹ 20,000 as capital and the capitals of old partners will be adjusted on the basis of new partner's capital and his share in the business, actual cash to be brought in or withdrawn by old partners, as the case may be.
(v)Goodwill of the firm is valued at ₹ 20,000.
Prepare journal entries, Capital Accounts and the opening Balance Sheet of the new firm.

41 X and Y are partners in a firm sharing profits in 5:3 ratio. They admitted Z as a new partner for 1/3rd share in the profits. Z was to contribute ₹ 20,000 as his capital. The Balance Sheet of X and Y as at 1-4-2017 the date of Z's admission was as follows:

Liabilities		₹	Assets		₹
Creditors		27,000	Land & Building		25,000
Capital :			Plant & Machinery		30,000
X	50,000		Stock		15,000
Y	35,000	85,000	Debtors	20,000	
			(-)Provision for D/D	1,500	18,500
General reserve		16,000	Investment		20,000
			Cash		19,500
		1,28,000			**1,28,000**

Other terms agreed upon were :
(i)Goodwill of the firm was valued at ₹ 12,000
(ii)Land & Building were to be valued at ₹ 35,000 and Plant & Machinery at ₹ 25,000.
(iii)The Provisions for Doubtful Debts was found to be in excess by ₹ 400.
(iv)A liability for ₹ 1,000 included in creditors was not likely to arise.
(v)The capitals of the partners be adjusted on the basis of Z's contribution of capital in the firm.
(vi)Excess or shortfall if any to be transferred to current accounts.
Prepare Revaluation Account, Partners' Capital Accounts and Balance Sheet of the new firm.

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