KENDRIYA VIDYALAYA SANGATHAN – AHMEDABAD REGION

CH-3 & 4 – CHANGE IN PROFIT SHARING RATIO & ADMISSION OF A PARTNER

Worksheet-1

NAME OF STUDENT:

DATE:

1	State the ratio in which the partners share profits or losses on revaluation of assets and liabilities, when there is a change in profit sharing ratio amongst partners ?	1
A	In case of change in profit sharing ratio, profit or losses on revaluation of assets & liabilities are shared in old profit sharing ratio / existing profit sharing ratio.	
2	Kamal and Vimal were partners in a firm sharing profits in the ratio of 3 : 2. Ghosh was admitted as a new partner for $1/5^{th}$ share in the profits. On Ghosh's admission the Balance Sheet of the firm showed a credit balance of Rs.10,000 in its Profit and Loss Account which was debited by the accountant of the firm in the accounts of Kamal and Vimal. Did the accountant give correct treatment to the balance of Profit and Loss Account ? If 'yes' give the reason and if 'not' give the correct treatment.	1
A	No, the accountant's didn't give correct treatment. **Reason:** As credit balance in Profit and Loss Account indicates undistributed profits. It should have been credited to Kamal and Vimal's Capital Account.	

D	Particulars	Dr. Amt	Cr. Amt
	Profit & Loss A/c Dr.	10,000	
	To Kamal's Capital Account		6,000
	To Vimal's Capital A/c		4,000

3	Anurag and Bhawana entered into partnership on 1.4.2014. On 1.1.2015 they admitted Monika as a new partner for $3/10^{th}$ share in the profits which she acquired equally from Anurag and Bhawana. The new profit sharing ratio of Anurag, Bhawana and Monika was 4 : 3 : 3. Calculate the profit sharing ratio of Anurag and Bhawana at the time of forming the partnership	1
A	Anurag's Sacrifice = 3/10 x ½ = 3/20 Bhawana's Sacrifice = 3/10 x ½ = 3/20 Anurag's old share = 4/10 + 3/20 = 11/20 Bhawana's old share = 3/10 + 3/20 = 9/20 **Anurag and Bhawana's profit sharing ratio = 11:9**	
4	Geeta, Sunita and Anita were partners in a firm sharing profits in the ratio of 5 : 3 : 2. On 1.1.2015 they admitted Yogita as a new partner for 1/10th share in the profits. On Yogita's admission, the Profit and Loss Account of the firm was showing a debit balance of Rs. 20,000 which was credited by the accountant of the firm to the capital accounts of Geeta, Sunita and Anita in their profit sharing ratio. Did the accountant give correct treatment ? Give reason in support of your answer.	1
A	No, the accountant didn't give correct treatment as capital account of the partners are to be debited.	
5	When a new partner is admitted, the balance of 'General Reserve' appearing in the Balance Sheet at the time of admission is credited to : (a) Profit and Loss Appropriation Account. (b) Capital Accounts of all the partners. (c) Capital Accounts of old partners. (d) Revaluation Account.	1
A	(c) Capital Accounts of old partners.	
6	Anant, Gulab and Khushbu were partners in a firm sharing profits in the ratio of 5 : 3 : 2. From 1.4.2014, they decided to share the profits equally. For this purpose the goodwill of the firm was valued at Rs. 2,40,000. Pass necessary journal entry for the treatment of goodwill on change in the profit sharing ratio of Anant, Gulab and Khushbu.	1

A	

D	Particulars		Dr. Amt	Cr. Amt
	Gulab's Capital A/c	Dr.	8000	
	Khushbu's Capital A/c	Dr.	32000	
	To Anant's Capital A/c			40000

7 A, B, C and D were partners in a firm sharing profits in the ratio of 4 : 3 : 2 : 1. On 1-1-2015 they admitted E as a new partner for share in the profits. E brought Rs.10,000 for his share of goodwill premium which was correctly recorded in the books by the accountant. The accountant showed goodwill at Rs.1,00,000 in the books. Was the accountant correct in doing so ? Give reason in support of your answer. 1

A No, the accountant was not correct.
Reason: Since the new partner brought his share of goodwill in cash it cannot be shown in the books.

8 Kajal, Neerav and Alisha are partners in a firm sharing profits in the ratio of 3 : 2 : 1. They decided to admit Rajan, their landlord as a partner in the firm. Rajan brought sufficient amount of capital and his share of goodwill premium. The accountant of the firm passed the entry of rent paid for the building to Rajan in 'Profit and Loss Appropriation Account'. Is he correct in doing so ? Give reason in support of your answer. 1

A No, he is not correct.
Reason: Because rent paid is a charge against profits so it should be debited to Profit & Loss Account.

9 Abhay and Beena are partners in a firm. They admit Chetan as a partner with 1/4th share in the profits of the firm. Chetan brings Rs. 2,00,000 as his share of capital. The value of the total assets of the firm is Rs. 5,40,000 and outside liabilities are valued at Rs. 1,00,000 on that date. Give the necessary entry to record goodwill at the time of Chetan's admission. Also show your working notes. 4

A

D	Particulars		Dr. Amt	Cr. Amt
	Chetan's Capital A/c	Dr.	40,000	
	To Abhay's Capital A/c			20,000
	To Beena's Capital A/c			20,000

10 Kumar, Gupta and Kavita were partners in a firm sharing profits and losses equally. The firm was engaged in the storage and distribution of canned juice and its godowns were located at three different places in the city. Each godown was being managed individually by Kumar, Gupta and Kavita. Because of increase in business activities at the godown managed by Gupta, he had to devote more time. Gupta demanded that his share in the profits of the firm be increased, to which Kumar and Kavita agreed. The new profit sharing ratio was agreed to be 1 : 2 : 1. For this purpose the goodwill of the firm was valued at two years purchase of the average profits of last five years. The profits of the last five years were as follows: 4

Year	I	II	III	IV	V
Profit (Rs)	4,00,000	4,80,000	7,33,000	(33,000)	2,20,000

You are required to :

(i) Calculate the goodwill of the firm.

(ii) Pass necessary Journal Entry for the treatment of goodwill on change in profit sharing ratio of Kumar, Gupta and Kavita.

A (i) **Calculation of Goodwill of the firm**

Average Profit = Rs. (4,00,000 + 4,80,000 + 7,33,000 – 33,000 + 2,20,000) / 5
= Rs. 3,60,000

Goodwill of the firm = 2 x 3,60,000 = Rs. 7,20,000

A (ii)	D	Particulars	Dr. Amt	Cr. Amt	
		Gupta's Capital A/c Dr. To Kumar's Capital A/c To Kavita's Capital A/c	1,20,000	 60,000 60,000	
11	Anu and Bhagwan were partners in a firm sharing profits in the ratio of 3 : 1. Goodwill appeared in the books at Rs. 4,40,000. Raja was admitted to the partnership. The new profit sharing ratio among Anu, Bhagwan and Raja was 2 : 2 : 1. Raja brought Rs. 1,00,000 for his capital and necessary cash for his goodwill premium. The goodwill of the firm was valued at Rs. 2,50,000. Record the necessary journal entries in the books of the firm for the above transactions.				4
	D	Particulars	Dr. Amt	Cr. Amt	
		Anu's Capital A/c Dr. Bhagwan's Capital A/c Dr. To Goodwill A/c	3,30,000 1,10,000	 4,40,000	
		Cash A/c Dr. To Raja's Capital A/c To Premium for goodwill A/c	1,50,000	 1,00,000 50,000	
		Premium for Goodwill A/c Dr. Bhagwan's Capital A/c Dr. To Anu's Capital A/c	50,000 37,500	 87,500	

KENDRIYA VIDYALAYA SANGATHAN – AHMEDABAD REGION		
CH-3 & 4 – CHANGE IN PROFIT SHARING RATIO & ADMISSION OF A PARTNER		
WORKSHEET-2		
NAME OF STUDENT:		
DATE:		
1	Meera, Myra and Neera were partners sharing profits in the ratio of 2 : 2 : 1. They decided to share future profits in the ratio of 7 : 5 : 3 with effect from 1st April, 2019. Their Balance Sheet as on that date showed a balance of ₹ 45,000 in Advertisement Suspense Account. The amount to be debited respectively to the capital accounts of Meera, Myra and Neera for writing off the amount in Advertisement Suspense Account will be : (A) ₹ 18,000, ₹ 18,000 and ₹ 9,000 (B) ₹ 15,000, ₹ 15,000 and ₹ 15,000 (C) ₹ 21,000, ₹ 15,000 and ₹ 9,000 (D) ₹ 22,500, ₹ 22,500 and Nil	1
A	(A) ₹ 18,000, ₹ 18,000 and ₹ 9,000	
2	Mona and Tina were partners in a firm sharing profits in the ratio of 3 : 2. Naina was admitted with th share in the profits of the firm. At the time of admission, Workmen's Compensation Reserve appeared in the Balance Sheet of the firm at ₹ 32,000. The claim on account of workmen's compensation was determined at ₹ 40,000. Excess of claim over the reserve will be : (A) Credited to Revaluation Account. (B) Debited to Revaluation Account. (C) Credited to old partner's Capital Account. (D) Debited to old partner's Capital Account.	1
A	B) Debited to Revaluation Account.	
3	X and Y were partners in a firm sharing profits in the ratio of 7 : 3. Z was admitted for 1/5th share in the profits which he took 75% from X and remaining from Y. Calculate the sacrificing ratio of X and Y.	1
A	Sacrificing Ratio of P and Q – 3:1	
4	Sun and Star were partners in a firm sharing profits in the ratio of 2 : 1. Moon was admitted as a new partner in the firm. New profit sharing ratio was 3 : 3 : 2. Moon brought the following assets towards his share of goodwill and his capital : ₹ ₹ ₹ ₹ Machinery 2,00,000 Furniture 1,20,000 Stock 80,000 Cash 50,000 If his capital is considered as ₹ 3,80,000, the goodwill of the firm will be : (A) ₹ 70,000 (B) ₹ 2,80,000 (C) ₹ 4,50,000 (D) ₹ 1,40,000	1
	(A) ₹ 70,000	
5	Milan, Khilan and Silam were partners sharing profits in the ratio of 2 : 2 : 1. They decided to share future profits in the ratio of 7 : 5 : 3 with effect from 1st April, 2019. After the revaluation of assets and re-assessment of liabilities, Revaluation Account showed a loss of ₹ 15,000. The amount to be credited in the capital account of Milan because of loss on revaluation will be : (A) ₹ 15,000 (B) ₹ 6,000 (C) ₹ 1,000 (D) ₹ 5,000	1
A	1,000	
6	Reena and Raman are partners in a firm sharing profits in the ratio of 4 : 3. They admitted Roma as a new partner. The new profit sharing ratio between Reena, Raman and Roma was 3 : 2 : 2. Raman surrendered 1/3rd of his share in favour of Roma. Calculate Reena's sacrifice.	1
A	Raman's Old Share = 3/7 Raman's Sacrifice = 1/3 of 3/7 = 1/7 Roma's Share = 2/7 Reena's Sacrifice = Roma's share – Raman's sacrifice = 2/7 – 1/7 = 1/7	

7	A, B and C were partners in a firm sharing profits in the ratio of 3:2:1. They admitted D as a new partner for 1/8th share in the profits, which he acquired 1/16th from B and 1/16th from C. Calculate the new profit sharing ratio of A, B, C and D.	1
A	B's share = 2/6 – 1/ 16 = 26/96 C's share = 1/6 – 1/16 = 10/96 ½ D's share = 1/8 Thus, the New Profit sharing ratio for A, B, C and D will be = 3/6: 26/96: 10/96: 1/8 = 24:13:5:6	
8	Ram, Mohan and Sohan were partners in a firm sharing profits in the ratio of 5:3:2. They admitted Hari as a new partner for 1/5th share in the profit which he acquired from Ram and Mohan in the ratio of 3:2. Calculate, the new profit sharing ratio of Ram,Mohan, Sohan and Hari.	1
A	Ram's share = 5/10 – 3/25 = 19/50 Mohan's share = 3/10-2/25 = 11/50 Sohan's share = 2/10 X 5/5 = 10/50 ½ Hari's share = 1/5 X 10/10 = 10/50 Thus, the New Profit sharing ratio for Ram, Mohan, Sohan and Hari will be = 19:11:10:10	
9	A and B were partners in a firm sharing profits and losses in the ratio of 5 : 3. They admitted C as a new partner. The new profit sharing ratio between A, B and C was 3 : 2 : 3. A surrendered 1/5th of his share in favour of C. Calculate B's sacrifice.	1
A	A's Old Share = 5/8 A's Sacrifice = 1/5 of 5/8 = 1/8 C's Share = 3/8 B's Sacrifice = C's share – A's sacrifice = 3/8 – 1/8 = 2/8	
10	Durga and Naresh were partners in a firm. They wanted to admit five more members in the firm. List any two categories of individuals other than minors who cannot be admitted by them.	1
A	**Any two** of the following: Persons of unsound mind / Lunatics Insolvent persons Any other individual who have been disqualified by law	
11	A and B were partners in a firm sharing profits and losses in the ratio of 4 : 3. They admitted C as a new partner. The new profit sharing ratio between A, B and C was 3 : 2 : 2. A surrendered ¼ of his share in favour of C. Calculate B's Sacrifice.	1
	A's Old Share = 4/7 A's Sacrifice = ¼ of 4/7 = 1/7 C's Share = 2/7 B's Sacrifice = C's share – A's sacrifice = 2/7 – 1/7 = 1/7	
12	State the ratio in which the partners share the gain or loss on revaluation of assets and liabilities.	1
A	Old Ratio	
13	Jay, Vijay and Ajay are sharing profits and losses in the ratio of 5:3:2. They decided to share profits and losses in the ratio of 2:3:5 with effect from 1st April, 2023. They also decide to record the effect of the following revaluations without affecting the book values of the assets and liabilities by passing and Adjustment Entry:	4

	Book Values (₹)	Revised Values (₹)
Land and Building	10,00,000	11,00,000
Plant and Machinery	5,00,000	4,80,000
Sundry Creditors	1,20,000	1,10,000
Outstanding Expenses	1,20,000	1,50,000

Pass the necessary Adjustment Entry.

A Calculation of Net Effect of Revaluation:

Increase in value of Land and Building	1,00,000

Decrease in amount of sundry Creditors	10,000
Decrease in value of Plant and Machinery	(20,000)
Increase in the amount of outstanding Expenses	(30,000)
Gain in the amount of Outstanding Expenses	60,000

Calculation of Sacrificed (Gained) Profit Share:

	Jay	Vijay	Ajay
Old Profit Share	5/10	3/10	2/10
New Profit Share	2/10	3/10	5/10
Sacrificed (Gained) Profit Share	3/10	…..	-3/10

Calculation of Proportionate of share of Gain on Revaluation:

Jay's Sacrificed=3/10*60,000=18,000

Ajay's Gain= 3/10*60,000=18,000

Journal

Date	Particulars	L.F.	Dr. ₹	Cr. ₹
	Ajay's Capital A/c Dr.		18,000	
	To Jay's Capital A/c			18,000

14 Karan and Varun were partners in a firm sharing profits and losses in the ratio of 1 : 2. Their fixed capitals were ₹ 2,00,000 and ₹ 3,00,000 respectively. On 1st April, 2016 Kishore was admitted as a new partner for 1/4th share in the profits. Kishore brought ₹ 2,00,000 for his capital which was to be kept fixed like the capitals of Karan and Varun. Kishore acquired his share of profit from Varun.
Calculate goodwill of the firm on Kishore's admission and the new profit sharing ratio of Karan, Varun and Kishore. Also, pass necessary Journal Entry for the treatment of Goodwill on Kishore's admission considering that Kishore did not bring his share of goodwill premium in Cash. 4

A a) Calculation of Hidden Goodwill:

Kishore's share = ¼

Kishore's Capital = 2,00,000

(a) Total capital of the new firm = 2,00,000 X 4 = 8,00,000

(b) Existing total capital of Karan, Varun and Kishore = ` 2,00,000 + ` 3,00 000 + ` 2,00,000 = 7,00,000

Goodwill of the firm = 8,00,000-7,00,000 = **1,00,000**

Thus, Kishore's share of goodwill = ¼ X 1,00,000 = **25,000**

(b) Calculation of New Profit Sharing ratio :

Karan's new share = 1/3 i.e. 4/12

Varun's new share = 2/3 - 1/4 = 5/12

Kishore's share = ¼ X 3/3 = 3/12

New Ratio = 4:5:3

Books of the firm

Journal

Date	Particulars	L.F.	Dr. ₹	Cr. ₹
	Kishore's Current A/c Dr.		25,000	
	To Varun's Current A/c			25,000

15 Pankaj and Naresh were partners in a firm sharing profits in the ratio of 3 : 2. Their fixed capitals were ₹ 5,00,000 and ₹ 3,00,000 respectively. On 1.1.2017, Saurabh was admitted as a new partner for $1/5^{th}$ share in the profits. Saurabh acquired his share of profit from Pankaj. Saurabh brought ₹ 3,00,000 as his capital which was to be kept fixed like the capitals of Pankaj and Naresh.
Calculate the goodwill of the firm on Saurabh's admission and the new profit sharing ratio of Pankaj, Naresh and Saurabh. Also, pass necessary journal entry for the treatment of goodwill. 4

A a)Calculation of Hidden Goodwill:

	Saurabh's share = 1/5 Saurabh's Capital = 3,00,000 (a) Total capital of the new firm = 3,00,000 X 5 = 15,00,000 (b) Existing total capital of Pankaj, Naresh and Saurabh = 5,00,000 + 3,00 000+ 3,00,000 = 11,00,000 Goodwill of the firm = 15,00,000-11,00,000 = 4,00,000 Thus, Saurabh's share of goodwill = 1/5 X 4,00,000 = 80,000 (b)Calculation of New Profit Sharing ratio : Pankaj's new share = 3/5 – 1/5 = 2/5 Naresh's new share = 2/5 Saurabh's share = 1/5 New Ratio = 2:2:1	

Books of the firm

Journal

Date	Particulars	L.F.	Dr. ₹	Cr. ₹
	Saurabh's Current A/c Dr.		80,000	
	To Pankaj's Current A/c			80,000

16	S, T, U and V were partners in a firm sharing profits in the ratio of 4 : 3 : 2 : 1. On 1-4-2016 their Balance Sheet was as follows :	6

Balance Sheet of S, T, U and V as on 1-4-2016

Liabilities	Amount ₹	Assets	Amount ₹
Capitals :		Fixed Assets	4,40,000
S 2,00,000		Current Assets	2,00,000
T 1,50,000			
U 1,00,000			
V 50,000	5,00,000		
Sundry Creditors	80,000		
Workmen Compensation Reserve	60,000		
	6,40,000		6,40,000

From the above date partners decided to share the future profits in 3 : 1 : 2 : 4 ratio. For this purpose the goodwill of the firm was valued at ` 90,000. The partners also agreed for the following :

(i) The claim for workmen compensation has been estimated at ₹ 70,000.

(ii) To adjust the capitals of the partners according to new profit sharing ratio by opening partners current accounts.

Prepare Revaluation Account, Partners' Capital Accounts and the Balance Sheet of the reconstituted firm.

Revaluation A/c

Particulars	₹	Particulars	₹
To Claim for Workmen Compensation	10,000	By loss on revaluation transferred to Partners' Capital A/cs S 4,000 T 3,000 U 2,000 V 1,000	10,000
	10,000		10,000

Partners' Capital Accounts

Particulars	₹	₹	₹	₹	Particulars	₹	₹	₹	₹
To Rev. A/c	4,000	3,000	2,000	1,000	By Bal b/d	2,00,000	1,50,000	1,00,000	50,000
To S's Capital A/c	------	------	------	9,000	By V's Capital A/c	9,000	18,000		
To T's Capital A/c	-------	------	------	18,000	By V's Current A/c	-----	------	-------	1,74,000
To Partner's Cu.A/c	58,000	1.,16,000	------	-------					
To Balance c/d	1,47,000	49,000	98,000	1,96,000					
	2,09,000	1,68,000	100000	2,24,000		2,09,000	1,68,000	100000	2,24,000

Balance Sheet

Liabilities		₹	Assets	₹
Sundry Creditors		80,000	Fixed Assets	4,40,000
Partners' Capital A/c:			Current Assets	2,00,000
S	1,47,000		V's Current A/c	1,74,000
T	49,000			
U	98,000			
V	1,96,000	4,90,000		
Claim for Workmen Compensation		70,000		
Partners' Current A/c:				
S	58,000			
T	1,16,000	1,74,000		
		8,14,000		8,14,000

KENDRIYA VIDYALAYA SANGATHAN – AHMEDABAD REGION

CH-3 & 4 – CHANGE IN PROFIT SHARING RATIO & ADMISSION OF A PARTNER

WORKSHEET-3

NAME OF STUDENT:

DATE:

1 For which of the following situations, the old profit sharing ratio of partners is used at the time of admission of a new partner ? **(1)**

(A) When new partner brings only a part of his share of goodwill.
(B) When new partner is not able to bring his share of goodwill.
(C) When, at the time of admission, goodwill already appears in the balance sheet.
(D) When new partner brings his share of goodwill in cash.

A (C) When, at the time of admission, goodwill already appears in the balance sheet.

2 Dinesh, Ramesh and Rajesh were partners sharing profits in the ratio of 4:4:2. They decided to share future profits in the ratio of 14:10:6 with effect from 1st April,2021. Their Balance Sheet as on that date showed a balance of ₹ 90,000 in Advertisement Suspense Account. The amount to be debited respectively to the capital accounts of Dinesh, Ramesh and Rajesh for writing off the amount in Advertisement Suspense Account will be: **(1)**

(A) ₹ 36,000, ₹ 36000 and ₹ 18,000 (B) ₹ 30,000, ₹ 30,000 and ₹ 30,000
(C) ₹ 42,000, ₹ 30,000 and ₹ 18,000 (D) ₹ 45,000, ₹ 45,000 and Nil

A (A) ₹ 36,000, ₹ 36000 and ₹ 18,000

3 Mona and Tina were partners in a firm sharing profits in the ratio of 3:2. Naina was admitted with 1/6th share in the profits of the firm. At the time of admission, Workmen's Compensation Reserve appeared in the Balance Sheet of the Balance Sheet of the firm at ₹ 32,000. The claim on account of workmen's compensation was determined at ₹ 40,000.Excess of claim over the reserve will be : **(1)**

(A) Credited to Revaluation Account (B) Debited to Revaluation Account.
(C) Credited to old partner's Capital Account (D) Debited to old partner's Capital Account.

A (B) Debited to Revaluation Account

4 Avya, Divya and Kavya were equal partners. They decided to change the profit sharing ratio to 4:3:2. For this purpose the goodwill of the firm was valued at ₹ 90,000. The journal entry for the treatment of Goodwill will be: **(1)**

Date	Particulars	L.F.	Dr. Amt. ₹	Cr. Amt. ₹
	(a) Kavya's Capital A/c Dr. To Avya's Capital A/c		10,000	 10,000
	(b) Divya's Capital A/c Dr. To Avya's Capital A/c		10,000	 10,000
	(c) To Avya's Capital A/c Dr. To Kavya's Capital A/c		90,000	 90,000
	(d) To Avya's Capital A/c Dr. To Kavya's Capital A/c		10,000	 10,000

A (D)

5 At the time of admission of a new partner in the firm, the new partner compensates the old partners for their loss of share in the _________ of the firm for which he brings in an additional amount which is known as Premium for goodwill. **(1)**

(A) Average profit (B) Normal profit
(C) Super profit (D) Actual profit

A (C) Super Profit

6 Samiksha, Ash and Divya were partners in a firm sharing profits and losses in the ratio of 5:3:2. With effect from 1st April,2022, they agreed to share future profits and losses in the ratio of 2:5:3. Their Balance Sheet showed a debit balance of ₹ 50,000 in the Profit and Loss Account and a balance of ₹ 40,000 in the Investment Fluctuation Fund. **(3)**

(i) Goodwill of the firm be valued at ₹ 3,00,000.

	(ii) Investments of book value of ₹ 5,00,000 be valued at ₹ 4,80,000. Pass the necessary journal entries to record the above transactions in the books of the firm.	

A

Date	Particulars	L.F.	Dr. ₹	Cr. ₹
	Samiksha's Capital A/c Dr.		25,000	
	Ash's Capital A/c Dr.		15,000	
	Divya's Capital A/c Dr.		10,000	
	To Profit and Loss A/c			50,000
	Investment Fluctuation Fund A/c Dr.		40,000	
	To Investment A/c			20,000
	To Samiksha's Capital A/c			10,000
	To Ash's Capital A/c			6,000
	To Divya's Capital A/c			4,000
	To Ash's Capital A/c		60,000	
	To Divya's Capital A/c		30,000	
	To Samiksha's Capital A/c			90,000

7 Raka, Seema and Mahesh were partners sharing profit and losses in the ratio of 5:3:2. With effect from 1st April, 2022 they manually agreed to share profits and losses in the ratio of 2:2:1. On that date, there was a workmen's compensation fund of ₹ 90,000 in the books of the firm. It was agreed that goodwill of the firm be valued at ₹ 70,000. Claim for workmen's compensation amounted ₹ 40,000. Profit on revaluation of assets and re-assessment amounted to ₹ 40,000.
Pass necessary journal entries for the above transaction in the book of the firm. 3

A

Date	Particulars	L.F.	Dr. ₹	Cr. ₹
	Seema's Capital A/c Dr.		7,000	
	To Raka's Capital A/c			7,000
	WCF A/c Dr.		90,000	
	To WCF Claim A/c			40,000
	To Raka's Capital A/c			25,000
	To Seema's Capital A/c			15,000
	To Mahesh's Capital A/c			10,000
	Revaluation A/c Dr.		40,000	
	To Raka's Capital A/c			20,000
	To Seema's Capital A/c			12,000
	To Mahesh's Capital A/c			8,000

8 Yash and Karan were partners in an interior designer firm. Their fixed capitals were ₹ 6,00,000 and ₹ 4,00,000 respectively. There were credit balance in their current accounts of ₹ 4,00,000 and ₹ 5,00,000 respectively. The firm had a balance of ₹ 1,00,000 in General Reserve. The firm did not have any liability. They admitted Radhika into partnership for 1/4th share in the profits of the firm. The averge profits of the firm for the last five years were ₹ 5,00,000. Calculate the value of goodwill of the firm by capitalisation of average profits method. The normal rate of return in the business is 10%. 3

A Capitalised value of the firm = Average Profits × 100/NRR
= ₹ 5,00,000 × 100/10 = ₹ 50,00,000
Firm's Capital = Yash's Capital + Karan's capital + Yash's Current Account + Karan's Current Account + General reserve
= ₹ 6,00,000 + ₹ 4,00,000 + ₹ 4,00,000 + ₹ 5,00,000 + ₹ 1,00,000 = ₹ 20,00,000
Goodwill = Capitalised value of the firm – Firm's capital
= ₹ 50,00,000 – ₹ 20,00,000 = ₹ 30,00,000

9 Badal and Bijli were partners in a firm sharing profits in the ratio of 3:2. Their Balance Sheet as at 31st March,2022 was as follows : 6

Liabilities	Amount ₹	Assets	Amount ₹
Capitals :		Building	1,50,000
Badal 1,50,000		Investments	73,000

Bijli 90,000	2,40,000	Stock	43,000
Badal's Current A/c	12,000	Debtors	20,000
Investment Fluctuation Reserve	24,000	Bank	22,000
Creditors	26,000	Bijli's Current A/c	2,000
	3,10,000		3,10,000

Raina was admitted on the above date as a new partners for 1/6th share in the profits. The terms of agreement were as follows :

(i) Raina will bring ₹ 40,000 as her capitals of Badal and Bijli will be adjusted on the basis of Raina's capital by opening current accounts.

(ii) Raina will bring her share of goodwill premium for ₹ 12,000 in cash.

(iii) The building was overvalued by ₹ 15,000 and stock by ₹ 3,000.

(iv) A provision of 10% was to be created on debtors for bad debts.

Prepare the Revaluation Account and Current and Capital Account of Badal, Bijli and Raina.

Revaluation A/c

Particulars	₹	Particulars	₹
To Building	15,000	By Loss on Revaluation to:	
To Stock	3,000	Badal's Current A/c 12,000	
To Provision for Bad Debts	2,000	Bijli's Current A/c 8,000	
	20,000		20,000

Partners' Capital Accounts

Particulars	Badal	Bijli	Raina	Particulars	Badal	Bijli	Raina
To Badal's Current A/c	30,000			By Balance b/d	1,50,000	90,000	
To Bijli's Current A/c		10,000		By Bank A/c			40,000
To Bal c/d	1,20,000	80,000	40,000				
	1,50,000	90,000	40,000		1,50,000	90,000	40,000

Partners' Current Accounts

Particulars	Badal	Bijli	Particulars	Badal	Bijli
To Balance b/d		2,000	By Balance b/d	12,000	
To Revaluation A/c	12,000	8,000	By Premium for Goodwill A/c	7,200	4,200
To Balance c/d	51,600	14,400	By Invest. Fluctuation Res.	14,400	9,600
			By Badal's Capital A/c	30,000	
			By Bijli's Capital A/c		10,000
	63,600	24,400		63,600	24,400

KENDRIYA VIDYALAYA SANGATHAN – AHMEDABAD REGION

CH-3 & 4 – CHANGE IN PROFIT SHARING RATIO & ADMISSION OF A PARTNER

WORKSHEET-4

NAME OF STUDENT:

DATE:

1	Akshita and Anurag are partners in a firm sharing profits in the ratio of 2 : 1. Akshat is admitted in the firm with 1/3 share in profits. Akshat acquires 2/3 of his share from Akshita and 1/3 of his share from Anurag. The new profit sharing ratio of Akshita, Anurag and Akshat will be : (a) 3:2:4 (b) 4:3:2 (c) 2:1:1 (d) 4:2:3	1
A	(d) 4:2:3	
2	Rohit and Mohit were partners sharing profits and losses in the rtio of 2:1. Their capital accounts as on 31.03.2021 had a credit balance of ₹ 1,09,000 and ₹ 66,000 respectively.They admitted Sahil as a new partner on 1^{st} April, 2021 for $1/5^{th}$ share in profits. Sahil brought ₹ 25,000 as his share of goodwill premium. He agreed to contribute capital in new profit-sharing ratio. The amount of capital brought by Sahil was: (a) ₹ 40,000 (b) ₹ 32,000 (c) ₹ 12,50,000 (d) ₹ 50,000	1
A	(d) ₹ 50,000	
3	On the reconstitution of a firm the value of furniture increased from ₹ 7,00,000 to ₹ 8,00,000 and stock reduced to ₹ 4,00,000 from ₹ 4,20,000. Gain or loss on revaluation will be : (a) ₹ 80,000 (b) ₹ 80,000 (c) ₹ 8,00,000 (d) ₹ 1,20,000	1
A	(a) ₹ 80,000	
4	At the time of change in profit sharing ratio among existing partners, Reserves are transferred to Partners in the following ratio :: (a) Sacrificing ratio (b) Gaining ratio (c) Old profit sharing ratio (d) New profit sharing ratio	1
A	(c) Old profit sharing ratio	
5	Asha and Nisha were partners in a firm sharing profits and losses in the ratio 3:1. Charu was admitted as a new partner for $1/4^{th}$ share in the profits of the firm which she acquired equally from Asha and Nisha. The new profit sharing ratio of Asha, Nisha and Charu will be : (a) 3:1:4 (b) 1:1:2 (c) 5:1:2 (d) 1:2:1	1
A	(c) 5:1:2	
6	Anu, Manu, Tanu and Kanu were partners in a firm sharing profits and losses in the ratio of 2 : 1 : 2 : 1. They decided to share profits and losses in the ratio of 4 : 2 : 3 : 1 with effect from 1st April, 2022. On this date, goodwill of the firm was valued at ₹ 1,20,000 and General Reserve appeared in the books at ₹ 36,000. Pass necessary journal entries for the above transactions. Show your workings clearly.	3
A	(see journal below)	

Date	Particulars	L.F.	Dr. ₹	Cr. ₹
	General Reserve A/c Dr.		36,000	
	To Anu's Capital A/c			12,000
	To Manu's Capital A/c			6,000

	To Tanu's Capital A/c			12,000
	To Kanu's Capital A/c			6,000
	Anu's Capital A/c Dr.		8,000	
	Manu's Capital A/c Dr.		4,000	
	To Tanu's Capital A/c			4,000
	To Kanu's Capital A/c			8,000

7 Mita, Geeta and Mohit were partners in a firm sharing profits and losses in the ratio of 5:3:2. With effect from 1st April, 2022, they mutually agreed to share profits and losses in the ratio of 2:2:1. It was agreed that : 3

(i) Goodwill of the firm was valued at ₹ 1,40,000.

(ii) Profit on revaluation of assets and re-assessment of liabilities amounted to ₹ 1,20,000.

Pass necessary journal entries for the above transactions in the books of the firm. Show your working notes clearly.

A

Date	Particulars	L.F.	Dr. ₹	Cr. ₹
	Geeta's Capital A/c Dr.		14,000	
	To Mita's Capital A/c			14,000
	Revaluation A/c Dr.		1,20,000	
	To Mita's Capital A/c			60,000
	To Geeta's Capital A/c			36,000
	To Mohit's Capital A/c			24,000

Working Notes:-

Calculation of Gain/Sacrifice= New Share-Old Share

Mita's share=5/10 -2/5 =1/10 (Sacrifice)

Geeta's share=3/10-2/5=(-1/10) (Gain)

Mohit's share =2/10-1/5=Nil

8 Aruna and Karuna are partners in a firm. They admit Varuna on 1st April, 2023 for 1/4th share in the profits of the firm. On an average, profit earned by Aruna and Karuna is ₹ 1,00,000. Average capital employed by the firm is ₹ 8,00,000. Normal rate of return in a similar type of business is 10%. Value of firm's goodwill is to be determined on the basis of Capitalisation of Super Profit. 3

You are required to:

(*i*) Calculate goodwill of the firm.

(*ii*) Pass the Journal entries in the books of the firm if Varuna brings her share of goodwill in cash.

(i)

Average Profit = ₹ 1,00,000 (Given)

Normal Profit = ₹ 8,00,000 × 10/100 = ₹ 80,000

Super Profit = ₹ 1,00,000 – ₹ 80,000 = ₹ 20,000

Firm's Goodwill = ₹ 20,000 × 100/10 = ₹ 2,00,000

Varuna's Share of Goodwill = ₹ 2,00,000 × 1/4 = ₹ 50,000.

(ii)

Date	Particulars	L.F.	Dr. ₹	Cr. ₹
	Bank A/c Dr.		50,000	
	To Premium for Goodwill A/c			50,000
	Premium for Goodwill A/c Dr.		50,000	
	To Aruna's Capital A/c			25,000
	To Karuna's Capital A/c			25,000

9	Yuv and Veer were partners in a firm sharing profits and losses in the ratio of 3 : 1. Their Balance Sheet as on 31st March, 2022 was as under :	6

Balance Sheet of Yuv and Veer as at 31st March, 2022

Liabilities	Amount ₹	Assets	Amount ₹
Creditors	41,000	Plant and machinery	60,000
General Reserve	80,000	Building	40,000
Outstanding Exp.	12,000	Investments	60,000
Capitals:		Stock	50,000
Yuv 79,000		Debtors 38,000	
Veer 48,000	1,27,000	Less : Prov. for	
		Dbt. Debts 4,000	34,000
		Cash	16,000
	2,60,000		2,60,000

They decided to admit Yash in the firm on 1st April, 2022 for ¼ share in profits on the following terms :

(i) Yash will bring in proportionate capital and ₹ 4,000 as his share of goodwill premium in cash.

(ii) Investments were valued at ₹ 68,000.

(iii) Plant and Machinery was to be depreciated by 10%.

Prepare Revaluation Accounts and Partners' Capital Accounts.

Revaluation A/c

Particulars	₹	Particulars	₹
To Plant & Machinery A/c	6,000	By Investment A/c	8,000
To Profit transferred to partnrs' Capital A/cs:			
Yuv 1,500			
Veer 500	2,000		
	8,000		8,000

Partners' Capital Accounts

Particulars	Yuv	Veer	Yash	Particulars	Yuv	Veer	Yash
To Balance c/d	1,43,000	69,500	71,000	By Balance b/d	79,000	48,000	
				By Gen Res. A/c	60,000	20,000	
				By Prem. For goodwill A/c	3,000	1,000	
				By Rev.A/c	1,500	500	
				By Cash A/c			71,000
	1,43,000	69,500	71,000		1,43,000	69,500	71,000