DK Goel

Class 12

Accountancy Solutions

Vol.-1

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CHAPTER-3 - Admission of A Partner

Q1
Solution:

Journal Entry					
Date	**Details**		**L.F**	**Debit (₹)**	**Credit (₹)**
01	Bank A/c	Dr.		50,000	
	To Premium for Goodwill A/c (Being a portion of C's share of premium, goodwill by cheque)				50,000
02	Premium for Goodwill A/c Current Account (A/c) of C	Dr. Dr.		50,000 40,000	
	To Capital Account (A/c) of A				60,000
	To Capital Account (A/c) of B (Being the premium, goodwill credited towards both A, B into their SR A:B= 2:1)				30,000

Working Notes:

1) Sacrificing Ratio:
   A:B => 1/6:1/12

   = 2/12:1/12

   = 2:1

2) A's Capital = 2/3 x 90,000 = Rs. 60,000

3) B's Capital = 1/3 x 90,000 = Rs. 30,000

Q2
Solution:

Journal Details					
Date	**Details**		**L.F**	**Debit (₹)**	**Credit (₹)**
1	Capital Account (A/c) of A	Dr.		1,50,000	
	Capital Account (A/c) of B	Dr.		1,50,000	
	To Goodwill Account (A/c) (Being existing goodwill waived)				3,00,000
2	Bank Account (A/c)	Dr.		60,000	
	To Premium for Goodwill A/c (Being a part of C's share of goodwill/premium brought in by cheque)				60,000
3	Premium for Goodwill A/c	Dr.		60,000	
	Current Account (A/c) of C	Dr.		1,20,000	
	Capital Account (A/c) of A				60,000
	Capital Account (A/c) of B (Being premium, goodwill credited to A, B into their SR A:B= 1:1)				60,000

Working Notes:

1) Sacrificing Ratio

A:B => 1:1 (SR in old PSR as no information has been given)

2) A's Capital = 1/2 x 1,80,000 = Rs. 90,000
3) B's Capital = 1/2 x 1,80,000 = Rs. 90,000

Q3
Solution:

Journal Entry					
Date	**Details**		**L.F**	**Debit (₹)**	**Credit (₹)**
1	Bank Account (A/c)	Dr.		1,80,000	
	Capital Account (A/c) of Z				1,20,000
	To Premium for Goodwill Account (A/c) (Being capital and premium for goodwill brought in by C)				60,000
2	The premium for Goodwill Account (A/c)	Dr.		60,000	
	To Capital Account (A/c) of X (Being goodwill/premium credited to A due to sacrifice)				60,000

Working Notes:

1) Calculating the revised PSR:

C = 1/4th of profits

Therefore, the balance profit = ¾

The revised share of X = 3/8 (i.e. 3/4 x ½)

The revised share of Y = 3/8 (i.e. 3/4 x ½)

New PSR=> X:Y:Z = 3:3:2

2) Sacrifice Ratio

X = 5/8 – 3/8

=2/8

Y = 3/8 – 3/8 = 0

Since X is the lone partner to sacrifice, the total amount of goodwill premium that is brought by Z, is sanctioned to him.

Q4
Solution:

Journal					
Date	**Details**		**L.F**	**Debit (₹)**	**Credit (₹)**
1-4-2018	Profit and Loss Account (A/c) Workmen Compensation Reserve Account (A/c)	Dr. Dr.		1,30,000 60,000	
	To Capital Account (A/c) of P To Capital Account (A/c) of Q (Being profits and reserves transferred to existing partners in old PSR)				1,18,750 71,250

	To Capital Account (A/c) of P To Capital Account (A/c) of Q	Dr. Dr.		18,750 11,250	
	Advertisement Expenditure Account (A/c) (Being accumulated losses transferred to existing partners in old PSR)				30,000
	Bank Account (A/c)	Dr.		4,00,000	
	To Capital Account (A/c) of R (Being capital introduced by R)				4,00,000
	To Current Account (A/c) of R	Dr.		80,000	
	To Capital Account (A/c) of P To Capital Account (A/c) of Q (Being premium, goodwill credited to P, Q into their SR P:Q= 3:1)				60,000 20,000

Working Notes:

1) Calculation of hidden goodwill

Capital in full based on R's capital – of the new firm: 3/1 x ₹4,00,000		12,00,000
Less: Total value of new partnership		
1) Adjusted capital (P)	3,50,000	
2) Adjusted capital (Q)	2,10,000	
3) Capital of R	4,00,000	9,60,000
Amount of the firm's goodwill		**2,40,000**
Share of R in the goodwill = 1/3 x ₹2,40,000 = ₹ 80,000		

Adjusted capital of P = ₹2,50,000 + ₹1,18,750 – ₹18,750

= Rs. 3,50,000

Adjusted capital of Q = ₹1,50,000 + ₹71,250 – ₹11,250

= Rs. 2,10,000

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