INDIAN SCHOOL DARSAIT
DEPARTMENT OF COMMERCE

Subject : Accountancy	Topic : Admission of a Partner Treatment of goodwill	Date of Issue:__/__/ 2016 Worksheet No.6
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(When Goodwill is paid privately)

Q.1A and B are partners in a firm sharing profits in the ratio of 3:1. On April 1,2002 they admit C as a new partner for 1\4th share. C paid ₹80,000 privately to A and B as his share of premium. Record the accounting treatment, if any in the books of A and B.

METHOD I When Goodwill/Premium brought in cash

(A) When it is retained in the business)

Q.2 A and B are partners sharing profits and losses in the ratio of 3:2 .They admit C as a new partner for 1/4 th share in the profit .The goodwill is valued at ₹ 1,00,000. C brings in the necessary amount of premium. Pass the necessary journal entries in the books of the firm on the assumption that the premium brought by C is retained in business.

Q.3 A and B are partners in a firm sharing profits in the ratio of 5:3. They admitted C as a new partner for 1/5th share in the profit. C brought ₹ 30,000 for his 1/5th share in the profit as premium. The new profit sharing ratio will be 3:1:1.Record necessary journal entries in the books of firm.

Q.4. A and B are partners in a firm sharing profits in the ratio of 5:3. They admitted C as a new partner for 1/5th share in the profit. C brought ₹1,00,000 as his Capital and ₹ 20,000 for his 1/5th share of goodwill as premium. The new profit sharing ratio will be 3:1:1.Record necessary journal entries in the books of firm.

Q.5 A and B are partners sharing profits and losses in the ratio of 3:2.They admit C in to the partnership for 1/4 th share in profits .C brings ₹2,00,000 as capital and ₹50,000 as goodwill . New profit sharing ratio of the partners shall be 3:3:2.Pass necessary journal entries.

Q.6 A and B are partners in a firm sharing profits and losses in the ratio of 3:2.A new partner C is admitted. A surrenders 1/5th of his share and B 2/5th of his share in favour of C. For the purpose of C's admission, goodwill of the firm is valued at ₹3,00,000 and C brings his share of goodwill in cash which is retained in the firm's books. Journalize the above transactions.

Q.7 A and B are partners sharing profits and losses in the ratio of 5:3. C is admitted as a new partner for 3/7th share which he acquires 2/7th from A and 1/7th from B. C brings in ₹80,000 as capital and ₹30,000 as his share of goodwill . Pass the necessary journal entries in the books of the firm.

Q.8. X and Y were partners in a firm sharing profits in the ratio of 4:3. They admitted Z as a new partner. The new profit sharing ratio will be 3:2:2. Z brought ₹ 3,00,000 for his share of goodwill premium. Pass the necessary journal entries for the treatment of goodwill assuming that partners' capitals are fixed.

Q.9. Lalu and Balu are partners in a firm sharing profits in the ratio of 3:2.On April 1, 2003 they admit Salu as a new partner for 3/13 share in the profits. Salu contributed the following assets towards his capital and for his share of goodwill:
Land ₹90,000, Machinery ₹70,000, stock ₹60,000 and debtors ₹ 40,000. On the date of admission of Salu, the goodwill of the firm was valued at ₹5,20,000. Record necessary journal entries in the books of firm.

(B) When it is withdrawn by the sacrificing Partners

Q.10. Nokia and Sony are partners in a firm sharing profits and losses in the ratio of 3:2. Hitachi is admitted into partnership for 1/5th share in profits .He brings in ₹15,000 as his share of goodwill premium. The new profit sharing ratio is 11:9:5 . Pass journal entries assuming that the amount of goodwill is withdrawn fully by the old partners.

Q.11 Prem and Kaul are partners in a firm sharing profits in the ratio of 2:3.On Jan. 1, 2013 they admit Basu as a new partner for 1/8th share in the profits .Basu brought ₹ 1,00,000 for his capital and ₹36,000 for his share of goodwill. The new profit sharing ratio will be 3:3:2 .Prem and Kaul decided to withdraw half of the premium paid by Basu. Record necessary journal entries in the books of the firm.

Q.12 A and B are partners in a firm sharing profits in the ratio of 5:3. They admitted C as a new partner for 1/5th share in the profit. C brought ₹1,40,000 as capital and ₹ 60,000 for his 1/5th share in the profit as premium. The new profit sharing ratio will be 3:1:1. A and B decided to retain half of the premium paid by C. Record necessary journal entries in the books of the firm.

Q.13. A and B are partners in a firm sharing profits and losses in the ratio of 3:2.They admit C into partnership for 1/5th share. C brings ₹80,000 as capital and ₹20,000 as goodwill. At the time admission of C, goodwill appears in the balance sheet of A and B at ₹10,000. New profit sharing ratio of the partners shall be 5:3:2.Pass necessary entries.

Q.14 Harshad and Manish are partners in a firm sharing profits in the ratio of 4:3 On Feb 1 ,2013, they admitted Harish as a new partner. The new profit sharing ratio of Harshad , Manish and Harish will be equal .Harish brought ₹50,000 for his capital and sufficient cash for 1/3rd share of goodwill premium. The goodwill of the firm is valued at ₹63,000 .On Harish's admission goodwill appeared in the books of the firm at ₹ 14,000. Record necessary journal entries on Harish's admission.

METHOD II When Goodwill premium not brought in cash)

Q.15 A and B are partners sharing profits in the ratio of 3:2. They admit C into partnership for 1/4th share. C is unable to bring his share of goodwill in cash. C brought ₹ 5,00,000 for his capital but could not bring any amount of goodwill. The goodwill of the firm is valued at ₹1,60,000. Give journal entries on C's admission.

Q.16 X and Y are partners in a firm sharing profits in the ratio of 3:2.On Jan 1 ,2013 they admit Z as a new partner for 1/6 th share in the profits. Z brought ₹ 2,00,000 for his capital but could not bring any amount for goodwill. The firm's goodwill on Z's admission was valued at ₹ 3,00,000 .Record necessary journal entries in the books of the firm.

Q.17 A and B are partners sharing profits ratio 7:5. C is admitted with 2/9share of profits .New profit sharing ratio will be 4:3:2.C brings ₹3,00,000 as his capital but he is not able to bring in cash his share of goodwill of ₹ 45,000. Pass journal entries.

Q.18 Prabhu and Dilip are partners sharing profits and losses in the ratio of 3:2. They decided to admit Pandey as a new partner and to share future profits and losses equally. Pandey brings in ₹50,000 as his capital .Goodwill of the firm is valued at ₹ 60,000. Goodwill appears in the book ₹25,000.Pass the necessary journal entries:

Q.19. Arun and Varun are partners in a firm sharing profits in the ratio of 5;3.On Jan1,2013 they admit Tarun as a new partner. The new profit sharing ratio will be 4:3:2. Tarun brought ₹ 1,00,000 for his capital but could not bring any share of goodwill. The firm's goodwill on Tarun's admission was valued at ₹ 90,000. At the time of Tarun's admission goodwill existed in the books of the firm at ₹ 48,000 .Record necessary journal entries on Tarun's admission.

METHOD III Only part of goodwill premium is brought in cash

Q.20. A and B sharing profits in the ratio of 2:1, admit C for 1/5th share in profits. C pays ₹ 90,000 for capital and ₹15,000 out of his share of ₹ 20,000 for goodwill. The new profit sharing ratio between A,B and C will be 5:3:2. Give journal entries in connection with C’s admission.

Q.21. Paru and Janu are partners in a firm sharing profits in the ratio of 3:2 .They admitted Tanu as a new partner for 2/9 th share in the profits. Tanu brought ₹ 50,000 for her capital. Her share of goodwill was ₹ 40,000.But she could bring only ₹ 25,000. The new profit sharing ratio will be 4:3:2. Record necessary journal entries in the books of the firm.

Q.22 Sheetal and Kajal share profits equally. They admit Chinki into partnership. Chinki pays only ₹12,000 for premium out of his share of premium of ₹18,000 for 1/4th share of profit. Goodwill account appears in the books at ₹9,000. All partners have decided that goodwill should not appear in the books of the new firm. Journalize.

(Sacrifice made /Gain by a partner)

Q.23 A and B are partners in a firm sharing profits in the ratio of 7:3. They admitted C as a new partner. The new profit sharing ratio will be 2:2:1. C brought ₹48,000 for his share of goodwill premium. Pass necessary journal entries for the treatment of goodwill.

Q.24. Gold and silver are partners in a firm sharing profits in the ratio of 4:1. They admit Copper as a new partner on April 1,2012 for 1/3rd share in profit.It was agreed that Gold, Silver and Copper would share profits equally in future. Copper brought ₹15,000 as goodwill (premium) for his 1/3rd share in profits. Record the necessary journal entries in the books of the firm.

Q.25. A, B and C are partners in a firm sharing profits in the ratio of 3:2:1. They admitted D as a new partner. Partners decided to share profits and losses equally. D brought ₹30,000 for his share of goodwill premium and ₹150,000 as his capital. Pass necessary journal entries for the treatment of goodwill.

Q. 26. (Hidden goodwill)

(a)A and B are partners with Capitals of ₹26,000 and ₹22,000 respectively. They admit C as a partner with 1/4th share in the profits of the firm. C brings ₹26,000 as his share of Capital. Give journal entry to record goodwill on C’s admission.

(b)Hem and Nem are partners in a firm sharing profits in the ratio of 3:2. Their capitals were ₹ 80,000 and ₹60,000 respectively. They admitted Sam on Jan 1, 2003 as a new partner for 1/5th share in the future profits. Sam brought ₹ 60,000 as his capital. Calculate the value of goodwill of the firm and record necessary journal entries when Sam brings his share of goodwill in cash.

(c) A and B are partners in a firm, sharing profits in the ratio of 3:2.They admit C as a partner for 1/4th share. C brings ₹8,00,000 as his share of capital. The value of the total assets of the firm was ₹16,00,000 and outside liabilities were valued at ₹2,00,000 on that date. Give the necessary journal entry to record the goodwill.

(d) X and Y are partners in a firm, sharing profits in the ratio of 3:2.They admit Z as a partner for 1/5th share. Z brings ₹1,20,000 as his share of capital. The value of the total assets of the firm was ₹4,00,000 and outside liabilities were valued at ₹20,000 on that date. Give the necessary journal entry to record the goodwill.

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