Chapter 20

Admission of a Partner

1. **Revaluation A/c:**

It is prepared to find the profit or Loss on revaluation of Assets and Liabilities.

Dr. **Revaluation A/c (P & L Adjustment A/c)** **Cr.**

To Assets (decrease)	XX	By Assets (increase)	XX
To Liabilities (increase)	XX	By Liabilities (decrease)	XX
To R.D.D. (increase)	XX	By R.D.D. (decrease)	XX
To Unrecorded Liabilities	XX	By Unrecorded Asset	XX
To Profit (Old Ratio)	XX	By Loss (Old Ratio)	XX
Total	**XX**	**Total**	**XX**

Any Profit / Loss on revaluation should be distributed among the Old Partner's in their Old Profit Sharing Ratio.

2. **Accumulated Reserves/Profits/Losses :**

It should be distributed among Old Partners in their Old Profit Sharing Ratio.

3. **Goodwill treatment in Admission**

a) Method I :Goodwill brought in Cash

It means new partner brings in his share of Goodwill in cash. Goodwill is withdrawn means the cash brought in as Goodwill is withdrawn by sacrificing partner. No Entry should be passed when goodwill is retained.

b) Method II :Goodwill not brought in cash

It means Goodwill of the business should be recorded as an asset. Goodwill is written off means the Goodwill of the business should not be shown as an asset. In this caser after the admission of the partner the Goodwill should be credited and debit should be given to all the partners.

c) Method III :Hidden Goodwill :

If the amount of money brought by the new partner is given then there can be hidden goodwill.

Calculation of Hidden goodwill:

Amount brought by New Partner	xx
Less: New partners share in Capital	<u>xx</u>
Hidden Goodwill	<u>xx</u>

$$\text{New partners Capital} = \frac{\text{Combined Capital of Old Partners}}{\text{Combined share of Old Parnters}} \times \text{New partners share in profit}$$

4. Calculation of Ratios:

a) Sacrifice Ratio = Old Ratio - New Ratio

b) New ratio = Old ratio – Sacrifice

c) Sacrifice = New Partners Share x Sacrifice Ratio

d) New ratio = Old Ratio x Combined Ratio

e) Combined Ratio = 1 – New Partners share

5. Capital Adjustment : It means the closing balance of all partners should be in profit sharing ratio . Old Partners Capital should be adjusted on the basis of the new partner. Difference in Capital A/c will be transferred to Current / Cash / Bank / Loan A/c

In absence of information it should be transferred to Cash / Bank A/c.

JOURNAL ENTRIES

1	**Distribution of Acc. Profits.** Reserves/P & L A/c Dr. To Old Partners Capital A/c	2	**Distribution of acc. losses.** Old Partners Cap. A/c Dr. To Profit & Loss A/c
3	**Increase in Assets.** Assets A/c Dr. To Revaluation A/c	4	**Decrease in Assets.** Revaluation A/c Dr. To Assets A/c
5	**Increase in Liabilities.** Revaluation A/c Dr. To Liabilities A/c	6	**Decrease in Liabilities** Liabilities A/c Dr. To Revaluation A/c
7	**Increase in R.D.D.** Revaluation A/c Dr. To R.D.D. A/c	8	**Decrease in R.D.D.** R.D.D. A/c Dr. To Revaluation A/c
9.	**Unrecorded Asset** Asset A/c Dr. To Revaluation A/c	10	**Unrecorded Liability** Revaluation A/c Dr. To Liability A/c
11	**Loss on Revaluation.** Old Partners Capital A/c Dr. To Revaluation A/c	12	**Profit on revaluation** Revaluation A/c Dr. To old Partners Cap. A/c
13	**Capital brought by the new partner.** Cash/Bank A/c Dr. To New Partners Cap. A/c	14	**Unrecorded liability paid** Revaluation A/c Dr. To Cash / Bank A/c
15	**Asset taken over by partner**	16	**Liability taken over by partner**
	Partners Capital A/c Dr. To Asset A/c		Liability A/c Dr. To Partners Cap. /Cu. A/c

* **Admission of a Partner:-**

On admission of a Partner there are five changes which takes place.

1. **Change in Profit sharing Ratio:** On admission of a partner, the profit share of the old partners reduces. The difference between the old share & the new share is known as sacrifice.

- All Sacrificing partners are old partners but all old partners are need not to be sacrificing partner.

2. **Distribution of Accumulated Profits or losses:** Accumulated Profits and Losses appearing in the Balance sheet on the date of admission, will be distributed among the old partners in there old ratio. Accumulated profit means Reserve Fund, General Reserve, Profit and Loss A/c appearing in the Balance Sheet on the liability side.

   Accumulated loss means Profit and Loss A/c appearing in the Balance Sheet on the Assets side.

3. **Revaluation of Assets and Liabilities:** Assets and Liabilities appearing in the Balance Sheet are to be revalued and the Profit and Loss on revaluation will be distributed among the old partners in there old ratio. On revaluation the assets and liabilities will appear in the Balance Sheet at the Revalued figures.

   If the partners do not wish to change the value of Assets and Liabilities but want to record the profit or loss on change than a Memorandum Revaluation A/c is prepared.

   Memorandum Revaluation A/c is divided in two parts. The second part is the reversal of the first part. The profits or losses of the first parts is distributed among the partners in the old ratio and the profit or loss of the second part is distributed among the partners in there new ratio.

4. **Capital brought in by the new partner:** The new partner brings in capital in cash.

5. **Goodwill Adjustment:** On admission of a new partner goodwill has to be revalued. Goodwill adjustment can be done in two ways.

   a) **Goodwill brought in cash:** It means the new partner brings in his share of goodwill in cash.

      Goodwill is withdrawn means the cash brought in as goodwill is withdrawn by the sacrificing partners.

      i) Cash / Bank A/c Dr
         To Partners A/c [Sales Return]
         [Being Goodwill brought in cash]

      ii) Partners A/c Dr
         To Cash/Bank A/c
         [Being Goodwill is withdrawn]

   b) **Goodwill not brought in cash:** If the new partner can not bring cash for goodwill, than the <u>Goodwill of the business</u> will be recorded as an Asset. This is known as goodwill is raised.

      After admission this goodwill may be written off

      i) Goodwill A/c Dr
         To Partners A/c [OR]
         [Being Goodwill is raised]

      ii) Partners A/c [NR] Dr
         To Goodwill A/c
         [Being Goodwill is written off]

Examples:

1) A and B are partners sharing Profits in the ratio of 3 : 2. C is admitted as a partner. The new profit share is 3 : 2 : 1. The following changes took place
   1) Machinery increased by 5,000/-
   2) Debtors decreased by 2,000/-
   3) Creditors decreased by 3,000/-

   Show the effects if
   1) Revaluation A/c is prepared
   2) Memorandum Revaluation A/c is prepared

2) A and B are partners sharing profits equally. C is admitted for $\frac{1}{3}$ share. Goodwill of the business is valued at 60,000. Pass Journal entries in the following situation.
   a) C brings in Goodwill in cash
   b) The goodwill brought in by C is withdrawn by the partners
   c) C does not bring Goodwill in cash.
   d) Goodwill which was raised is now written off
   e) C brings in 50% of Goodwill in cash

3) A and B are partners sharing profit equally. C is admitted as a partners for equal share. Goodwill of the business is 60,000/-. Show necessary entries if.
   1) Goodwill is brought in cash.
   2) Goodwill is not brought in cash.
   3) 50% of Goodwill is brought in cash.
   4) 20% of Goodwill is brought in cash.
   5) 60% of Goodwill is not brought in cash.

4) A and B are partners sharing profits in the ratio of 3 : 2. C is admitted for 1/6 share for which he brings ₹14,000. Capital of A is ₹30,000 and capital of B is ₹20,000. find the amount of hidden Goodwill

MULTIPLE CHOICE QUESTIONS

1. Profit or loss on revaluation is shared among the partners in ..... ratio.
(a) Old Profit Sharing (b) New Profit Sharing (c) Capital (d) Equal

2. Balance sheet prepared after the new partnership agreement, assets and liabilities are recorded at:
(a) Original Value (b) revalued Figure (c) At realisable value (d) At current cost

3. Which of the following asset is compulsory to revalue at the time of admission of a new partner:
(a) Stock (b) Fixed Assets (c) Investment (d) Goodwill

4. On the admission of a new partner, the increase in the value of an asset is credited to
(a) P & L Adjustment a/c (b) Asset a/c
(c) old partners capital a/c (d) sacrificing partners a/c

5. An incoming partner brings his share of goodwill in cash, it should be adjusted by crediting to:
(a) His capital account (b) Old partners capital a/c
(c) Goodwill a/c (d) None

6. Old profit sharing ratio minus new profit sharing ratio is equal to
(a) Sacrificing ratio (b) Gaining ratio (c) None of these (d) None

7. Sacrificing ratio is used at the time of
(a) admission of a partner (b) retirement of a partner
(c) death of a partner (d) dissolution of firm

8. New profit sharing ratio is calculated at the time of
(a) admission of a partner (b) retirement of a partner
(c) death of a partner (d) all of the above

9. In the absence of an agreement to the contrary, it is implied that old partners will contribute to new partner's share of profit in the ratio of
(a) capital (b) old profit sharing ratio
(c) sacrificing ratio (d) equally

10. Goodwill is an asset and any revaluation of such an asset must be effected through
(a) realisation account (b) revaluation account
(c) profit and loss appropriation account (d) partners capital accounts

11. The balance of reserves and other accumulated profits at the time of admission of a new partner are transferred to
(a) all partners in the new ratio (b) old partners in the new ratio
(c) old partner in the old ratio (d) old partners in the sacrificing ratio

12. A is admitted as a new partner for 1/3 share and agrees to pay ₹5,000 as premium, but brings only ₹4,000 in cash. The balance must be debited to

(a) goodwill account (b) A's loan account (c) A's current account (d) A's capital account

13. Accumulated losses are transferred to the capital accounts of the partners at the time of admission in their .... ratio.

(a) Old Ratio (b) capital Ratio (c) New Ratio (d) Sacrifice Ratio

14. General reserve at the time of admission of a partner is transferred to -

(a) Revaluation account (b) Partner's capital accounts
(c) Coventures A/c (d) Neither of the above

15. Goodwill raised by the partners at the time of admission of a partner will be written off in

(a) Old profit sharing ratio (b) New profit sharing ratio
(c) Sacrificing ratio (d) None

16. Which of the following is true?

(a) An incoming partner acquires his share from all the old partners in their profit sharing ratio
(b) An incoming partner acquires his share from all the old partners in some agreed ratio
(c) An incoming partner acquires his share from one or more of the old partners in some agreed ratio
(d) None of these

17. Unless agreed otherwise, it is presumed that ______

(a) The new partner acquires his share in profit from all the old partners in their old profit sharing ratio
(b) The new partner acquires his share in profit from all the old partners equally
(c) The old partners continue to share the remaining profit equally
(d) None of these

18. Profit / Loss on revaluation of assets & liabilities is shared by the old partners in their:

(a) Capital Ratio (b) New Profit Sharing Ratio
(c) Sacrificing Ratio (d) Old Profit Sharing Ratio

19. In case Revaluation Account is prepared, the assets & liabilities appear in the books of reconstituted firm at their:

(a) Old book values (b) Market value (c) Revalued figures (d) Realizable value

20. Revaluation Account is debited for :

(a) an increase in provision for doubtful debts (b) an increase in value of Land & Building
(c) a decrease in amount of creditors (d) to transfer loss on revaluation

21. Goodwill bought in by incoming partners in cash for joining in a partnership firm is taken away by the old partners in:

(a) Old Profit Sharing Ratio (b) New Profit Sharing Ratio
(c) Sacrificing Ratio (d) Capital Ratio

22. A firm has an unrecorded investment of ₹5,000. Entry in the firm's journal on admission of a partners will :

(a) Revaluation Account Dr. 5,000
 To Unrecorded Investment A/c 5,000

(b) Unrecorded Investment A/c Dr. 5,000
 To Revaluation A/c 5,000

(c) Partner's Capital A/c Dr. 5,000
 To Unrecorded Investment A/c 5,000

(d) None of these

23. A and B are partners sharing profits and losses in the ratio 5:3. They admitted C and agreed to give him 3/10th of the profit. What is the new ratio after C's admission?

(a) 35:42:17 (b) 35:21:24 (c) 49:22:29 (d) 34:20:12

24. C was admitted in a firm with 1/4th share of the profits of the firm. C contributes ₹15,000 as his capital, A and B are other partners with the profit sharing ratio as 3:2. Find the required capital of A and B, if capital should be in profit sharing ratio taking C's as base capital:

(a) ₹27,000 and ₹16,000 for A and B respectively.

(b) ₹27,000 and ₹18,000 for A and B respectively.

(c) ₹32,000 and ₹21,000 for A and B respectively.

(d) ₹31,000 and ₹26,000 for A and B respectively.

25. X and Y are partners sharing profits in the ratio 5:3. They admitted Z for 1/5th share of profits, for which he paid ₹1,20,000 against capital and ₹60,000 against goodwill. Find the capital balances for each partner taking Z's capital as base capital.

(a) 3,00,000; 1,20,000 and 1,20,000 (b) 3,00,000; 1,20,000 and 1,80,000

(c) 3,00,000; 1,80,000 and 1,20,000 (d) 3,00,000; 1,80,000 and 1,80,000

26. A and B are partners sharing the profit in the ratio of 3:2. They take C as the new partner, who brings in ₹25,000 against capital and ₹10,000 against goodwill. New profit sharing ratio is 1:1:1. In what ratio will the goodwill will be shared among the old partners A & B.

(a) 8,000 : 2,000

(b) 5,000 : 5,000

(c) Old partners will not get any share in the goodwill bought in by C

(d) 6,000 : 4,000

27. A and B are partners sharing the profit in the ratio of 3 : 2. They take C as the new partner, who is supposed to bring ₹25,000 against capital and ₹10,000 against goodwill. New profit sharing ratio is 1:1:1. C is not able to bring his share of goodwill. How this will be treated in the books of the firm.

(a) A and B will share goodwill bought by C as 4,000:1,000

(b) Goodwill will be raised to ₹30,000 in old profit sharing ratio

(c) Both

(d) None

28. A and B, who share profits and losses in the ratio of 3:2 has the following balances: Capital of A ₹50,000; Capital of B ₹30,000; Reserve Fund ₹15,000. They admit C as a partner, who contributes to the firm ₹25,000 for 1/6th share in the partnership. If C is to purchase 1/6th share in the partnership from the existing partners A and B in the ratio of 3:2 for ₹25,000, find closing capital of C.

(a) ₹25,000 (b) ₹19,000 (c) ₹20,000 (d) ₹18,000

29. A and B shares profit and losses equally. They admit C as an equal partner and goodwill was valued as ₹30,000 (book value NIL). C is to bring in ₹20,000 as his capital and the necessary cash towards his share of goodwill. Goodwill account will not remain in the books. If profit on revaluation is ₹13,000, find the closing balance of the capital account.

(a) 31,500:31,500:20,000 (b) 31,500:31,500:30,000
(c) 26,500:26,500:30,000 (d) 20,000:20,000:20,000

30. A and B are partner sharing the profit in the ratio of 3:2. they take C as the new partner, who is supposed to bring ₹25,000 against capital and ₹10,000 against goodwill. New profit sharing ratio is 1:1:1. C is able to bring ₹30,000 only. How this will be treated in the books of the firm.

(a) A and B will share goodwill bought by C as 4,000:1,000
(b) Goodwill will be raised to ₹15,000 in old profit sharing ratio
(c) Both a & b
(d) None.

31. A and B are partners sharing the profit in the ratio of 3:2. They take C as the new partner, who is supposed to bring ₹25,000 against capital and ₹10,000 against goodwill. New profit sharing ratio is 1:1:1. C bought cash for his share of Capital and agreed to compensate to A and B outside the firm. How this will be treated in the books of the firm.

(a) Cash bought in by C will only be credited to his capital account
(b) Goodwill will be raised to full value in old ratio.
(c) Goodwill will be raised to full value in new ratio
(d) Cash bought by C will be credited to his account and debited with his share of goodwill, which will be debited to A and B's account in sacrificing ratio

32. A and B are sharing profits and losses in the ratio of 2 : 1. C is admitted with 1/3rd share of profits. The sacrificing ratio between A & B will be.......

(a) 1:2 (b) 2:1 (c) 8 : 3 (d) None

33. P and Q are partners sharing Profits in the ratio of 2:1 R is admitted to the partnership with effect from 1st April on the terms that he will bring ₹20,000 as his capital for 1/4th share and pays ₹9,000 for goodwill, half of which is to be withdrawn by P and Q. If profit on revaluation is ₹6,000 and opening capital of P is ₹40,000 and of Q is ₹30,000, find the closing balance of each partner.

(a) 47,000:33.500:20,000 (b) 50,000:35,000:20,000
(c) 40,000:30,000:20,000 (d) 41,000:30,500:29,000

34. A and B are partners sharing profits in the ratio of 7:3. C was admitted on 3/7 share in the profits, the new profit sharing ratio of the partners will be :

(a) A : B : C : : 14 : 6 : 5 (b) A : B : C : : 7 : 6 : 7
(c) A : B : C : : 7 : 3 : 3 (d) A : B : C : : 5 : 3 : 3

35. Adam, Brian and Chris were equal partners of a firm with goodwill ₹1,20,000 shown in the balance sheet and they agreed to take Daniel as an equal partner on the term that he should bring ₹1,60,000 as his capital and goodwill, his share of goodwill was evaluated at ₹60,000 and the goodwill account is to be written off before admission. What will be the treatment for goodwill?

(a) Write off the goodwill of ₹1,20,000 in old ratio
(b) Cash bought in by Daniel for goodwill will be distributed among old partners in sacrificing ratio
(c) Both a & b
(d) None

36. X and Y are sharing profits in the ratio of 4 : 3, Z joins and new ratio among X, Y and Z is 7 : 4 :3. The sacrificing ratio between X an Y will be :

(a) Equal (b) 4 : 3 (c) 2 : 2 (d) 1 : 2

37. Tom and Rose are partners who share net Profit in the ratio of 4 : 3 respectively and have Capital balances of ₹10,000 and 8,000 respectively. Jumbo is admitted for 1/8 share and brings ₹6,000 for Capital and ₹4,200 for goodwill. The new Capital balances of Tom, Rose and Jumbo respectively are ₹

(a) 10,000, 8,000 and 10,200 (b) 12,100, 10,100 and 6,000
(c) 10,000, 8,000 and 6,000 (d) 12,400, 9,800 and 6,000

38. The profit sharing ratio of A, B and C who are partners in a firm is 4:3:2. After D is admitted, the sacrificing ratio will be

(a) Equal (b) 4 : 3 : 2 (c) 3 : 2 : 1 (d) 5 : 3 : 2

39. A and B are partners sharing profits and losses in the ratio of 2 : 5. They admit C on the condition that he will bring goodwill in cash which is distributed between A and B. C's share in future profits or losses is to be one-fourth. The new profit sharing ratio of A, B and C will be

(a) 6 : 15 : 7 (b) 15 : 6 : 7 (c) 7 : 6 : 15 (d) 6 : 7 : 15

40. A, and B are equal partners in a firm. They admitted C as 1/6 partner who brought in ₹60,000 as goodwill. The new profit sharing ratio is 3 : 2 : 1. If goodwill of ₹60,000 is to be paid to the old partners as per sacrificing ratio, B will receive

(a) ₹30,000 (b) Rs. Nil (c) ₹45,000 (d) ₹60,000

41. A and B partners in a business sharing profits in the ratio of 5 : 3. They admit C as a partner with ¼ share in the profits which he acquires ¾ from A and ¼ from B. He pays ₹4,000 as his share of goodwill. A and B will be credited by

(a) ₹2,500 and ₹1,500 respectively (b) ₹2,000 each
(c) ₹1,000 and ₹3,000 respectively (d) ₹3,000 and ₹1,000 respectively

42. X and Y share profits and losses in the ratio of 4 : 3. They admit Z in the firm with 3/7 share which he gets 2/7 from X and 1/7 from Y. The new profit sharing ratio will be –

(a) 7 : 3 : 3 (b) 2 : 2 : 3 (c) 5 : 2 : 3 (d) 3 : 8 : 7

43. A and B share in the ratio of 3:2. C obtains 1/5 share from A. Then the new profit sharing ratio will be ________.

(a) 2 : 2 : 1 (b) 1 : 2 : 2 (c) 2 : 2 : 3 (d) None

44. Ram and Krishna are partners sharing profits and losses in the ratio of 2 : 3. They admit Salim into the firm giving him one-fourth share. If salim brings in ₹15,000 as his share of capital, the adjusted capital of Krishna should be

(a) ₹22,500 (b) ₹27,000 (c) ₹18,000 (d) ₹24,000

45. P and Q are in partnership, sharing profits and losses in the ratio of 4 : 1. They admit R into the firm and in the new firm profits are shared equally. R pays a premium of ₹60,000.

(a) P and Q share the premium equally
(b) P receives ₹48,000 and Q receives ₹12,000
(c) P receives the entire ₹60,000
(d) P receives ₹84,000 and Q also pays ₹24,000

46. The capital balances of A and B are ₹25,000 and ₹20,000 respectively after making all the adjustments. If C, the incoming partner, is to bring 1/3 of the total capital of the firm, then his share of capital will be ....

(a) ₹22,500 (b) ₹15,000 (c) 20,000 (c) None

47. X and Y are sharing profits and losses in the ratio of 5:4. Z is admitted into the firm with 1/10 share in profits for which he brings ₹10,000 as his capital. Hence Y's share of adjusted capital will be ....

(a) ₹40,000 (b) ₹50,000 (c) None (d) No opinion

48. A and B are partners sharing profits in the ratio of 5 : 3. C is admitted and is given 1/5 profit. He is unable to pay anything for goodwill which is valued at ₹40,000. The journal entry for goodwill be :

a.	Goodwill a/c	Dr.	8,000	
	To A/s Capital a/c			5,000
	To B's Capital a/c			3,000
b.	Goodwill a/c	Dr.	40,000	
	To A's Capital a/c			25,000
	To B's Capital a/c			15,000
c.	Goodwill a/c	Dr.	8,000	
	To C's Capital a/c			8,000
d.	C's Capital a/c	Dr.	8,000	
	To Goodwill a/c			8,000

49. A and B are partners sharing profits in the ratio of 3 : 2. They admit C who takes $2/7^{th}$ from A and $1/7^{th}$ from B. The new profit sharing ratio will be:

(a) 15 : 9 : 11 (b) 15 : 12 : 8 (c) 11 : 9 : 15 (d) 9 : 11 : 15

50. A and B are partners who share the profits in the ratio of 2 : 1. They admit C, and decide to share the future profits in the ratio of 2 : 2 : 1. The gain or sacrifice will be:

(a) A sacrificed 4/15-1/15th to C and 1/5 to B

(b) A sacrificed 4/15-1/15 to B and 1/5 to C

(c) None of these

(d)

51. A, B and C are partners sharing profits in the ratio of 3 : 2 : 1. D is admitted. The new profit sharing ratio among A, B, C and D will be 3 : 3 : 2 : 2. The gain or sacrifice will be:

(a) A sacrificed 6/30th, B sacrificed 1/30th (b) A sacrificed 1/30, B sacrificed 6/30

(c) C gained 1/30th and D gained 2/10th (d) (a) & (c)

52. A and B are partners sharing profits in the ratio of 7 : 3. A surrenders 1/7th of his share and B surrenders 1/3rd of his share in favour of C, a new partner. The new profit sharing ratio and sacrificing ratio will be:

(a) NR 1 : 3 : 1, SR 1 : 1 (b) NR 2 : 2 : 1, SR 1 : 1

(c) NR 3 : 1 : 1, SR 7 : 3 (d) NR 3 : 1 : 1, SR 1 : 1

53. A and B are sharing profits in the ratio of 3 : 1. According to their partnership deed, on reconstitution of a firm, "goodwill is to be valued at two and half year's purchase of the average profits of the last three completed years". The profits were 2001-2002 ₹20,000, 2002-2003 ₹30,000, 2003-2004 ₹40,000, 2004-2005 ₹50,000, 2005-2006 ₹60,000. 'C' is admitted for 1/5th share in profits on 31st March, 2006 the amount which 'C' will be required to bring by way of his share of goodwill will be:

(a) ₹20,000 (b) ₹25,000 (c) ₹30,000 (d) None of these

54. A and B are in partnership sharing profits and losses as 3 : 1. They admit C into the firm. C paying a premium for one third share of the profits. As between themselves A and B agree to share future profits and losses equally. The goodwill of the firm is valued at ₹27,000. In this case _______

(a) A will be credited by ₹9,000 and B will be debited with ₹9,000

(b) A will be credited by ₹11,250 and B will be debited with ₹2,250

(c) A will be credited by ₹11,250 and C will be debited with ₹11,250

(d) None of these

55. X & Y were partners in a firm sharing profits and losses in the ratio of 4 : 3. Z was admitted for 1/3rd share in the profits. On the date of Z's admission, the balance sheet of X and Y showed a balance of ₹4,200 in Profit and Loss Account shown on the asset side of balance sheet and a General Reserve of ₹42,000. The final effect on X's Capital A/c will be:

(a) Increase of ₹21,600 (b) Increase of ₹16,200

(c) Increase of ₹26,400 (d) Increase of ₹19,800

56. Goodwill brought in by incoming partner in cash for joining in a partnership firm is taken away by the old partners in their .... ratio.

(a) Capital (b) New Profit Sharing (c) Sacrificing (d) Old Profit Sharing

57. X, Y and Z are partners sharing profits and losses in the ratio 5 : 3 : 2 decide to share the future profits in the ratio 2 : 3 : 5. What will be the treatment for workmen compensation fund appearing in the balance sheet on that date if no information is available for the same?

(a) Distributed to the partners in old profit sharing ratio

(b) Distributed to the partners in new profit sharing ratio

(c) Distributed to the partners in capital ratio

(d) Carried forward to new balance sheet without any adjustment

58. The capital of B and D are ₹90,000 and ₹30,000 respectively with the profit sharing ratio 3 : 1. The new ratio, admissible after 1.4.2006 is 5 : 3. Goodwill valued on 2.4.2006 as ₹84,000 will be credited to B and D's capital by ₹............. and ₹............

(a) 63,000 and 21,000 (b) 50,000 and 34,000

(c) 52,500 and 31,500 (d) 60,000 and 24,000

59. A, B and C are equal partners. D is admitted to the firm for one-fourth share. D brings ₹20,000 capital and ₹5,000 being half of the premium for goodwill. The value of goodwill of the firm is

(a) ₹10,000 (b) ₹40,000 (c) ₹20,000 (d) None of the above

60. A and B are partners with the capital ₹50,000 and ₹40,000 respectively. They share profits and losses equally. C is admitted on bringing ₹50,000 as capital only and nothing was bought against goodwill. Goodwill in Balance Sheet of ₹20,000 is revalued as ₹35,000. What will be value of goodwill in the books after the admission of C?

(a) ₹55,000 (b) ₹35,000 (c) ₹20,000 (d) ₹15,000