

Admission of a Partner

TIME 1 HOUR
TEST
MARKS 20

Q.1 Give journal entries in the following cases in the books of A and B who share profits in the ratio of 3:2.

- 1.** At the time of preparing Revaluation Account on the admission of a new partner, 5% provision is to be made for doubtful debts. Total debtors on that date are Rs 42,000 including Rs 2,000 due from X who has been declared insolvent and will pay only 25 paise in the rupee. How much amount will you debit to the Revaluation Account for provision for bad debts?
- 2.** At the time of revaluation of assets and liabilities on the admission of a partner, investment worth Rs 1,400 (not mentioned in the Balance Sheet) were to be taken into account. **4**

Q.2 A and B are partners in a firm. They share profits and losses in the ratio as $\frac{4}{5}$ th and $\frac{1}{5}$ th respectively. Below is given the Balance Sheet of the firm as on 31st December, 1996.

Liabilities	Amount	Assets	Amount
Capital Account		Plant	75,000
A	1,15,000	Stock	80,000
B	35,000	Debtors	60,000
Sundry Creditors	65,000	Cash	25,000
Bills Payable	15,000	Goodwill	20,000
Reserve	30,000		
	2,60,000		2,60,000

C now wants to join the firm. He is willing to pay goodwill premium to partners amounting to Rs 20,000. In return he will be allowed to share $\frac{1}{5}$ th of the future profits of the firm which he acquired equally from A and B. The following revaluation of the assets is agreed upon.

- 1.** Plant is found overvalued by Rs 15,000.
- 2.** Stock is reduced by Rs 15,000.
- 3.** There are some customers who might not pay the amount due from them. Therefore provision of Rs 10,000 is required for that.
- 4.** The new partner is to introduce 50% of the combined (adjusted capital) of the existing partners.

You are required to ledger account and the Balance Sheet of the new firm. **8**

Q.3. X and Y are partners in a firm sharing profits and losses in the ratio of 2:1. Their Balance sheet as on 31st March, 2004 was under:

Liabilities	Amount	Assets	Amount
Sundry Creditors	25,000	Cash at Bank	5,000
Reserve Fund	18,000	Sundry debtors	15,000
Capital		Stock	10,000
X	75,000	Investments	8,000
Y	62,000	Typewriter	5,000
		Fixed Assets	1,37,000
	1,80,000		1,80,000

They admit Z into partnership on the following terms.

- 1.** Z brings in Rs 40,000 as his capital and he is given $\frac{1}{4}$ th share in profits. He also brings in Rs 15,000 for goodwill, half of which is withdrawn by old partners.
- 2.** Investments are valued at Rs 10,000. X takes over investment at this value.
- 3.** An old customer whose account was written off as bad has promised to pay Rs 1,000.
- 4.** By bringing or withdrawing cash, the capitals of X and Y are to be made proportionate to that of Z's on their profits sharing ratio.

Give necessary ledger and Balance of the new firm. **8**

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