

31. Mahesh and Suresh were partners in a firm sharing profits and losses in the ratio of 2: 1. They decided to admit Nita into partnership with 1/4th share in the profits. Nita brought 2,00,000 for her capital and the requisite amount of goodwill premium in cash. The goodwill of the firm is valued at 12,00,000. The new profit-sharing ratio of the partners is 2: 1: 1. Mahesh and Suresh withdraw their share of goodwill,(CBSE 2023)

Ans-

i.	Bank a/c Dr. To nita capital a/c To premium of goodwill a/c $1200,000 \times \frac{1}{4} = 300,000$	500,000	200,000 300,000
ii.	Premium of goodwill a/c Dr. To Mahesh capital a/c To suresh capital a/c	300,000	200,000 100,000
iii.	Mahesh capital a/c Dr. Suresh capital a/c Dr.	200,000 100,000	

	To bank a/c		300,000
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WHEN ONLY PART OF PREMIUM FOR GOODWILL IS BROUGHT BY NEW PARTNER IN CASH:-

Q32. A & B are partners sharing profits in the ratio of 2:1. They admit C for $\frac{1}{4}$ th share in profits, C brings in 30,000 for his capital and 8,000 out of his share of 10,000 for goodwill. Before admission, goodwill existed in the books at 18,000. Pass Journal entries to give effect to the above arrangement.

Solution – Journal Entry

Date	Particulars	L.F.	DR	CR
	A's Capital A/cDr		12,000	
	B's Capital A/cDr		6,000	
	To Goodwill A/c			18,000
	(Being Goodwill written-off)			
	Cash A/cDr		38,000	
	To C's Capital A/c			30,000

	To Premium for Goodwill A/c (Being C brought Capital and goodwill)			8,000
	Premium for Goodwill A/cDr		8,000	
	C's Capital A/cDr		2,000	
	To A's Capital A/c			6,667
	To B's Capital A/c			3,333
	(Being C's share of goodwill distributed between A & B in Sacrificing Ratio)			

Working Note:-

Written-off of Goodwill:-

A's = $18,000 \times \frac{2}{3} = 12,000$ (Debited)

B's = $18,000 \times \frac{1}{3} = 6,000$ (Debited)

Distribution of C's share of Goodwill:-

A = $10,000 \times \frac{2}{3} = 6,667$

B = $10,000 \times \frac{1}{3} = 3,333$

WHEN NEW OR INCOMING PARTNER IS NOT ABLE TO BRING HIS SHARE OF PREMIUM FOR GOODWILL:-

Q33. On the admission of Rao, goodwill of Murty and Shah is valued at 30,000. Rao is to get $\frac{1}{4}$ th share of profits. Previously Murty and Shah shared profits in the ratio of 3:2. Rao is unable to bring amount of goodwill. Give Journal entries in the books of Murty and Shah when: (a) Goodwill does not exist in the books; and (b) Goodwill exists in the books at 10,000.

Solution – Goodwill does not exist in the books:-

Journal Entry

Date	Particulars	L.F.	DR	CR
	Rao's Current A/cDr		7500	

	To Murty's Capital A/c			4500
	To Shah's Capital A/c			3000
	(Being Rao's share of goodwill charged from his capital account and distributed between Murty & Shah in sacrificing ratio 3:2)			

(b) Goodwill Exists in the books at 10,000

Journal Entry

Date	Particulars	L.F.	DR	CR
	Murty's Capital A/cDr Shah's Capital A/cDr To Goodwill A/c (Being Goodwill written-off at the time of Rao's admission in old ratio)		6,000 4,000	10,000
	Rao's Capital A/cDr To Murty's Capital A/c To Shah's Capital A/c (Being Rao's share of goodwill charged from his Capital Account and distributed between Murty and Shah in sacrificing ratio 3:2)		7,500	4,500 3,000

Working Note:-**Calculation of Rao's share of Goodwill:-**

Rao's share of goodwill = $30,000 \times \frac{1}{4} = 7,500$

Adjustment of Rao's share of Goodwill:-

Murty = $7,500 \times \frac{3}{5} = 4,500$, Shah = $7,500 \times \frac{2}{5} = 3,000$

Q34. A, B and C are in partnership sharing profits in the ratio of 5:4:1. Two new partners D and E are admitted and the new profit-sharing ratio is 3:4:2:2:1. D is to pay 90,000 for his share of Goodwill but E is unable to bring his share of Goodwill. Both the new partners introduced 1, 20,000 each as their capital. You are required to pass necessary Journal entries.

Solution –

Journal Entry

Date	Particulars	L.F.	DR	CR
	Bank A/c ...Dr To D's Capital A/c To E's Capital A/c To Premium for Goodwill A/c (Being Capital and Goodwill brought in cash)		3,30,000	1,20,000 1,20,000 90,000
	C's Capital A/cDr		36,000	

E's Capital A/cDr	45,000	
Premium for Goodwill A/cDr	90,000	
To A's Capital A/c			1,35,000
To B's Capital A/c			36,000
(Being Goodwill adjusted)			

Working Note:-

Calculation of Sacrificing Ratio:-

Old Ratio - A: B: C – 5:4:1

New Ratio – A: B: C: D: E – 3:4:2:2:1

Sacrificing (or Gaining) Ratio = Old Ratio – New Share

A's = $5/10 - 3/12 = 30 - 15/60 = 15/60$ (Share of Sacrifice)

B's = $4/10 - 4/12 = 24 - 20/60 = 4/60$ (share of sacrifice)

C's = $1/10 - 2/12 = 6 - 10/60 = -4/60$ (share of gain)

Adjustment of Goodwill:-

D's share in goodwill for $2/12^{\text{th}}$ share = 90,000

Total goodwill of the firm = $90,000 \times 12/2 = 5,40,000$

E's Share in goodwill = $5,40,000 \times 1/12 = 45,000$

C's share in goodwill = $5,40,000 \times 4/60 = 36,000$

HIDDEN GOODWILL:-

Q35. A & B are partners in a firm with capital of 60,000 and 1,20,000 respectively. They decide to admit C into the partnership for $1/4^{\text{th}}$ share in the future profits. C is to bring in a sum of 70,000 as his capital. Calculate amount of goodwill.

Solution – Actual Capital of the firm after admission of C

= A's Capital + B's Capital + C's Capital

= $60,000 + 1,20,000 + 70,000 = 2,50,000$

Capitalized value of the firm on the basis C's share = $70,000 \times 4/1 = 2,80,000$

Goodwill = Capitalised value of the firm – actual capital of the firm
 = 2, 80,000 – 2, 50,000 = 30,000

Q36. Anil and Sunil are partners in a firm with fixed capitals of 3, 20,000 and 2, 40,000 respectively. They admitted Charu as a new partner for 1/4th share in the profits of the firm on 1st April 2012. Charu brought 3, 20,000 as her share of capital. Calculate value of goodwill and record necessary Journal entries.

Solution – Journal Entry

Date	Particulars	L.F.	DR	CR
	Bank A/cDr To Charu's Capital A/c (Being Capital brought in by Charu)		3,20,000	3,20,000
	Charu's Current A/cDr To Anil's Current A/c To Sunil's Current A/c (Being Charu's share of goodwill adjusted through current accounts)		1,00,000	50,000 50,000

Working Note:-**Calculation of Hidden Goodwill:-**

Total capital of the firm on the basis of Charu' Capital

$$= 3, 20,000 \times 4/1 = 12, 80,000$$

Less – Adjusted capital of partners + new partners' capital = (8, 80,000)
4, 00,000

Charu's share of goodwill = 4, 00,000 \times 1/4 = 1, 00,000

Q 37 Vanshika and shikha were partner in a firm with capital of 100,000 and 80,000 respectively. They admitted Nisha on 1st April 2022 as anew partner for $\frac{1}{4}$ share in a future profit of the firm.nisha brought 90,000 as her capital . nisha acquire her share equally from Vanshika and shikha . calculate the value of goodwill of the firm and pass necessary journal entry on Nisha's admission .assuming that Nisha did not bring her share of goodwill premium in cash. show the working clearly.

Date	Particulars	L.F.	DR	CR
	Bank A/cDr To nisha's Capital A/c (Being Capital brought in by Charu)		90,000	90,000
	nisha's Current A/cDr To vanshika's Current A/c To shikha's Current A/c (Being Charu's share of goodwill adjusted through current accounts)		22500	11250 11250

Working Note:-

Calculation of Hidden Goodwill:-

Total capital of the firm on the basis of Charu' Capital

$$= 90,000 \times 4/1 = 3,60,000$$

Less – Adjusted capital of partners + new partners' capital = (2,70,000)

(180,000+90,000)

90,000

Charu's share of goodwill = $90,000 \times 1/4 = 22,500$

Q38. X and Y are partners with capitals of 50,000 each. They admit Z as a partner for $1/4^{\text{th}}$ share in the profits of the firm. Z brings in 80,000 as his share of capital. Profit & Loss Account showed a credit balance of 40,000 as on date of admission of Z. give necessary Journal entries to record the goodwill.

Solution –

Total Capital of the firm after Z's admission

= X's capital + Y's Capital + Undistributed Profit + Z's Capital

$$= 50,000 + 50,000 + 40,000 + 80,000 = 2,20,000$$

Capitalised value of the firm on the basis Z's share = $80,000 \times 4/1 = 3,20,000$

Goodwill = Capitalised value of the firm – Total capital after Z's admission

$$= 3,20,000 - 2,20,000 = 1,00,000$$

Q39. Asin and Shreyas are partners in a firm. They admit Ajay as a new partner with $\frac{1}{5}$ th share in the profits of the firm. Ajay brings 5, 00,000 as his share of capital. The value of total assets of the firm was 15, 00,000 and outside liabilities were valued at 5, 00,000 on that date. Give necessary Journal entry to record goodwill at the time of Ajay's admission. Also show your workings.

Solution –

Journal Entry

Date	Particulars	L.F.	DR	CR
	Ajay's Capital A/cDr		2,00,000	
	To Asin's Capital A/c			1,00,000
	To Shreya's Capital A/c			1,00,000
	(Being Ajay's share of goodwill distributed among the old partners in their sacrificing ratio 1:1)			

Working Note:-

Calculation of Goodwill brought in by Ajay:-

Value of firm's goodwill = Capitalised value of the firm – Net worth

Capitalised value of firm = Share of Ajay's capital x Reciprocal of Ajay's share

$$= 5, 00,000 \times \frac{5}{1} = 25, 00,000$$

Net worth of the new firm = Total assets – Outside liabilities + Ajay's capital
= 15, 00,000 – 5, 00,000 + 5, 00,000 = 15, 00 000

Value of firm goodwill = Capitalised value of firm – net worth of the new firm
= 25, 00,000 – 15, 00,000 = 10, 00,000

Ajay's share of goodwill = 10, 00,000 x $\frac{1}{5}$ = 2, 00,000

REVALUATION OF ASSETS AND REASSESSMENT OF LIABILITIES:-

Q40. Arun and Vijay are partners in a firm sharing profit & Loss in the ratio of 3:2

Balance Sheet (Extract)

Liabilities	Amount	Assets	Amount
		Machinery	2,00,000

If the value of machinery in the Balance Sheet is excess by $33\frac{1}{3}\%$, find the value of machinery to be shown in the New Balance Sheet.

=Meaning of $33\frac{1}{3}\%$ = $\frac{1}{4}$

= 2, 00,000 x $\frac{1}{4}$ = 50,000

So, Overvalued of machinery is 50,000

New Value of machinery shows in new Balance Sheet

2, 00,000 – 50,000 = 1, 50,000