

BAL BHARATI PUBLIC SCHOOL, PITAMPURA

CLASS-12 (SESSION 2020-21)

ACCOUNTANCY

CHAPTER- ADMISSION OF A PARTNER

We all sincerely hope that like always you all are working sincerely to the best of your interests during this time .The formal assessment will soon begin and we wish you all the best for the same!

**ADMISION OF A PARTNER**

The reconstitution of the firm takes place with admission of a partner. A partner can be admitted into the firm as per the terms of the partnership deed.

If the deed is silent about the admission of a partner then all the partners must give their consent for the admission of a new partner.

**THE RIGHTS OF A NEW PARTNER:**

- 1) Right to share future profits of the firm.
- 2) Right to share the assets of the firm

**THE EFFECTS OF THE ADMISSION OF A NEW PARTNER TO THE FIRM :**

- Old partnership comes to an end and a new partnership begins
- Goodwill of the firm is valued and proportionate amount paid to the sacrificing partners
- The combined share of profits/losses of the old partners is reduced to allow the new partner to share profits /losses of the firm n future
- The new partner contributes an agreed amount of capital in the firm
- The reserves/accumulated profits/losses are to be distributed/adjusted at the time of admission of a new partner
- Assets are to be revalued and liabilities reassessed. The profits/losses to be shared by the old partners on their old ratio

Considering all these points individually, we begin with:

**COMPUTING THE NEW PROFIT-SHARING RATIO**

The various cases adjusting the share of new partner to be solved. This would also include computing the sacrificing and the gaining ratio of the partners.

After a proper discussion of the same the following questions need to be solved in

your registers from the back of the chapter:

**Q3, 4, 5, 6, 9, 11, 13, 14**

**THE ACCOUNTING TREATMENT OF GOODWILL:**

The various cases of treatment of goodwill at the time of admission of a partner be discussed wherein :

- Goodwill is paid privately
- Goodwill amount brought in cash/kind by the new partner and retained/withdrawn
- Goodwill amount not brought in cash by the new partner.

The various cases of adjusting the goodwill to the partners capital account be discussed with proper journal entries. You are all requested to note that all the entries are to be recorded in proper format with narrations. After the various cases of goodwill are individually discussed please ensure that the following questions are there in your registers:

**Q 19, 21, 22, 25, 26, 28, 30, 32, 35, 37, 38**