INDIAN SCHOOL NIZWA
ACCOUNTANCY WORKSHEET-3
CH-3 Reconstitution of a partnership: Admission of a partner

DATE: _____ NAME: _____ CLASS :XII

Meaning of Admission of a Partner: Admission of a partner is one of the modes of reconstitution of a partnership firm under which existing agreement comes to an end and a new one comes into existence by admitting a new partner.

Rights acquired by a new Partner

- Right to share in assets
- Right to share in profits

Accounting Adjustments required at the time of admission of a new partner: When a new partner is admitted into partnership firm, following adjustments have to be made in the books of the firm

1. New profit sharing ratio of all the partners
2. Sacrificing ratio of the old partners
3. Goodwill and its treatment
4. Treatment of undistributed or Accumulated Profits, Reserves and losses
5. Revaluation of Assets and Reassessment of Liabilities.
6. Adjustment of Partner's Capitals

1.New Profit Sharing Ratio: The Ratio in which all partners including new partner, share the future profits or losses of the business is called new profit sharing ratio.

Calculation of New profit sharing ratio:

Case 1: Only new partner's share being given :If the share of new partner is given in the question, then in the absence of any other agreement ,it is presumed that the old partners will continue to share the remaining profit in the old profit sharing ratio .In this situation after deducting the share of the new partner , the balance of the share is divided among old partners in their old ratio. This gives us new share of old partners.

Case II. Fixed proportionate contribution by old partners for new partners: When new partner obtains his share from the old partners in a certain ratio, the new profit sharing ratio of the old partners will be calculated after deducting the sacrifice made by the old partners from their existing share of profits

Case III: Equal proportionate contribution by old partners for new partner :In this case the new profit sharing ratio of the old partners will be ascertained by deducting the sacrifice made by the old partners from their existing share of profit.

Case lV: New partners share being determined by old partners sacrifice: In this situation, the sacrifice of old partners in favor is given. Thus, the old partners' new share is determined by deducting the sacrificed share from their old share. The new partner's share is the total of sacrificed made by the old partners

Questions

Q1. A B and C are partners sharing profits in the ratio of ½:1/3:1/6. D is admitted in the firm for $1/6^{th}$ share. C's share will remain unchanged, calculate new ratio.

Q2.X and Y are partners are partners sharing profits in the proportion of 7:5. They agree to admit Z into partnership who is to get $1/6^{th}$ share in profits He acquires this share as $1/24^{th}$ from X and $1/8^{th}$ from Calculate new profit sharing ratio.

Q3.Rajesh and Vikram are partners sharing profits and losses in the ratio 3:2.They admit varun as a new partner who gets $1/5^{th}$ of his share of profits ,entirely from Rajesh. Calculate new profit sharing ratio

Q4.A and B are partners sharing profits in the ratio of 5:4.They admit C for a $1/3^{rd}$ share , which he acquires in equal proportion from both. Find the new profit sharing ratio