

## ADMISSION OF A PARTNER

The following adjustments required to be made when a NEW partner take admission in a partnership firm:

### 1. CHANGE {(SACRIFICE/(GAIN))} in PSR

Old ratio (always given in question) and the New ratio (sometime required to calculate)

Sacrificing Ratio/(Gaining Ratio)= **OLD - NEW** {If "OLD-NEW" answer comes in negative (-) it shows Gain}

### 2. GOODWILL TREATMENT

**Step 1:** Calculate total goodwill of the firm (sometimes given in question)

**Step 2:** Calculate NEW partner's share of goodwill (Total Goodwill × Share of NEW partner)

**Step 3:** Goodwill brought in cash by the NEW partner distribute among only SACRIFICING partners.

Premium for Goodwill A/c                      Dr.

To Sacrificing Partner's Capital A/c

**Note:** i) When Goodwill is paid privately, no journal entry is passed.

ii) Hidden Goodwill = Total capital as per NEW Partner share - Actual Total Capital of the firm.

iii) If Goodwill is given in the Balance Sheet, it is written-off among Old partner's in Old PSR (Dr. Side)

### 3. REVALUATION OF ASSETS AND REASSESSMENT OF LIABILITIES

Debit	Credit
↓ Asset	↑ Asset
↑ Liabilities	↓ Liabilities
Unrecorded Liabilities	Unrecorded Assets
GAIN t/f in Old partner's capital A/c (Bal. Fig.)	LOSS t/f in Old partner's capital A/c (Bal. Fig.)

**Note:** When "by" word used in adjustment it means total amount will be taken in revaluation account and

If "to" word used in adjustments difference amount will be taken in revaluation account.

### 4. PARTNERS CAPITAL ACCOUNT

जिससे Capital कम होगी Debit	Credit जिससे Capital बढ़ेगी
Opening Balance (Assets Side वाला)	Opening Balance (Liability Side वाला)
Accumulated Loss (Old PSR)	Reserves and Surplus (Old PSR)
Revaluation Loss (Old PSR)	Revaluation Profit (Old PSR)
Goodwill shown in Asset (Old PSR)	Premium for Goodwill (Sacrifice Ratio)
Adjustment of Excess Cap. (Actual Cap. > Proportionate Cap.)	Adjustment of Deficit Cap. (Actual Cap. < Proportionate Cap.)

**Note:** Any Excess/Shortage capital is adjusted through Cash/Bank or is transferred to their Current A/c.

### 5. BALANCE SHEET

LIABILITIES (After Revaluation effect)	ASSETS (After Revaluation effect)
Capital (Closing capital of all partners including NEW)	Cash (Opening Balance + NEW Partner Cap & Goodwill)
No Reserves (because already distributed)	No Accumulated Loss (because already distributed)