Partnership – Admission

Chapter # 6

WHAT THE EXAMINER USUALLY ASK?

- Computation of Admission of new partner by:
  - Purchase Method.
  - Bonus Method – Bonus to old partners.
  - Bonus Method – Bonus to new partner.
  - Goodwill Method – Goodwill to old partners.
  - Goodwill Method – Goodwill to new partner.
  - Sufficient Cash Method.
  - Total Capital Method.
  - Revaluation of assets.

- General Journal entries for admission.
- Balance Sheet after admission.
- Multiple Choice Questions (MCQs).
Chapter # 6

PARTNERSHIP – ADMISSION

ADMISSION OF A PARTNER
Admission of a partner means that a new person wants to join the partnership. A new partner can admit in the partnership by the following ways:
- By purchasing interest of old partners.
- By making investment.

ADMISSION BY PURCHASE METHOD
In this case the new partner purchases the interest of old partner or partners by paying cash to them from his private sources which is not recorded in the partnership.

Entry to Record Admission of New Partner by Purchase Method:
Old partners’ capital  DR. (with the share purchases by new partner)
New partner’s capital  CR. (with the shares purchased of old partners)
(To record the admission of new partner)
ILLUSTRATION # 1: (Admission by Purchasing Interest of Old Partners)  
1992 Regular & Private (Case – a) – BIEK

Akhtar and Hafeez are partners in a firm sharing profit and losses in the ratio of 3:2. The balance sheet of the firm on December 31, 1991 was as under:

<table>
<thead>
<tr>
<th>Total assets</th>
<th>255,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>A/c payable</td>
<td>55,000</td>
</tr>
<tr>
<td>Akhtar Capital</td>
<td>120,000</td>
</tr>
<tr>
<td>Hafeez Capital</td>
<td>80,000</td>
</tr>
</tbody>
</table>

255,000

On January 1, 1992 Kashif is admitted as a partner.

REQUIRED

Case (i): Kashif is to purchase 1/4 interest from Akhtar and 1/4 from Hafeez and pay to them privately Rs.60,000 and Rs.30,000 respectively.

**SOLUTION # 1:**

**Computation:**

<table>
<thead>
<tr>
<th></th>
<th>Akhtar</th>
<th>Hafeez</th>
</tr>
</thead>
<tbody>
<tr>
<td>Akhtar</td>
<td>120,000</td>
<td>80,000</td>
</tr>
<tr>
<td></td>
<td>30,000</td>
<td>20,000</td>
</tr>
<tr>
<td>Kasif Capital =</td>
<td>50,000</td>
<td></td>
</tr>
</tbody>
</table>

**PARTNERSHIP GENERAL JOURNAL**

<table>
<thead>
<tr>
<th>Date</th>
<th>Particulars</th>
<th>P/R</th>
<th>Debit</th>
<th>Credit</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Akhtar Capital</td>
<td></td>
<td>30,000</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Hafeez Capital</td>
<td></td>
<td>20,000</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Kasif Capital (To record the admission of Kashif)</td>
<td></td>
<td>50,000</td>
<td></td>
</tr>
</tbody>
</table>

**ADMISSION BY INVESTMENT**

In this case new partner makes investment in the partnership. When the new partner makes investment, bonus or goodwill arises in the partnership.

**BONUS METHOD**

Old partners’ capital
Add: New partner’s investment
Total capital of firm
For xx interest new partner’s capital (total capital x new partner’s ratio)
Less: New partner’s investment
Bonus to old/new partner

**Note:** Negative value shows the bonus goes to old partners and positive value shows the bonus goes to new partner.
**Partnership – Admission**

**Chapter # 6**

**Entry to Record Admission of New Partner by Bonus Method:**

- **When bonus goes to new partner:**
  
  | Cash/other assets | DR. (with investment amount) |
  | Old partners' capital | DR. (with the amount of bonus goes to new partner) |
  | New partner's capital | CR. (with the capital amount) |

(To record the admission of new partner)

- **When bonus goes to old partners:**
  
  | Cash/other assets | DR. (with investment amount) |
  | Old partners' capital | CR. (with amount of bonus goes to old partners) |
  | New partner's capital | CR. (with the capital amount) |

(To record the admission of new partner)

**ILLUSTRATION # 2:** (Admission by Bonus Method – Bonus to Old Partners)

1993 Regular & Private (Case – b) – BIEK

A and B, partners, with capital balances of Rs.60,000 and Rs.40,000, respectively, sharing profits and losses in the ratio of 2:1, agree to admit C as a partner.

**REQUIRED**

Give General Journal entries to record the admission of C. (Show also necessary computations.)

**Case (ii):** C invests Rs.68,000 cash for 1/3 interest. (The total capital of the firm is to be increased only by the amount of C's investment).

**SOLUTION # 2:**

**Computation (Bonus Method):**

| Old partners' capital (60,000 + 40,000) | 100,000 |
| Add: C's investment | 68,000 |
| Total capital of firm | 168,000 |

For 1/3 C's capital (168,000 x 1/3)

56,000

Less: Cr's investment (68,000)

**Bonus to old partners**

12,000

**PARTNERSHIP GENERAL JOURNAL**

<table>
<thead>
<tr>
<th>Date</th>
<th>Particulars</th>
<th>P/R</th>
<th>Debit</th>
<th>Credit</th>
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</thead>
<tbody>
<tr>
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<td>Cash</td>
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<td>68,000</td>
<td>8,000</td>
</tr>
<tr>
<td></td>
<td>A Capital (12,000 x 2/3)</td>
<td></td>
<td>4,000</td>
<td></td>
</tr>
<tr>
<td></td>
<td>B Capital (12,000 x 1/3)</td>
<td></td>
<td>56,000</td>
<td></td>
</tr>
<tr>
<td></td>
<td>C Capital</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>(To record the investment of C)</td>
<td></td>
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</tr>
</tbody>
</table>

**ILLUSTRATION # 3:** (Admission by Bonus Method – Bonus to New Partner)

2002 Private (Case – b) – BIEK

Nazia and Shazia are partners with capitals Rs.120,000/- and Rs.80,000/- respectively. They share profits and losses in their capital ratio. They admit Razia as a new partner.

**REQUIRED**

Pass entries in general journal to record admission of Razia and show necessary computations.

(i) Razia invests Rs.50,000/- cash for a 1/4 interest in the capital and total capital of the new firm is to be increased only by the amount of Razia's investment.
Partnership – Admission

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SOLUTION # 3:
Computation: (Bonus Method):
Old partners’ capital (120,000 + 80,000) 200,000
Add: Razia’s investment 50,000
Total capital of firm 250,000
For 1/4 interest Razia’s capital (250,000 x 1/4) 62,500
Less: Razia’s investment (50,000)
Bonus to Razia 12,500

PARTNERSHIP
GENERAL JOURNAL

<table>
<thead>
<tr>
<th>Date</th>
<th>Particulars</th>
<th>P/R</th>
<th>Debit</th>
<th>Credit</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Cash</td>
<td></td>
<td>50,000</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Nazia Capital (12,500 x 3/5)</td>
<td></td>
<td>7,500</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Shazia Capital (12,500 x 2/5)</td>
<td></td>
<td>5,000</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Razia Capital</td>
<td></td>
<td></td>
<td>62,500</td>
</tr>
<tr>
<td></td>
<td>(To record the admission of Razia)</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

GOODWILL METHOD
CHECK:
New partner’s investment XXX
Multiply by opposite interest of new partner X/X
Total capital of firm XXX
Less: Old partners’ capital XXX
Less: New partner’s investment (XXX)

Note: Negative amount shows the goodwill goes to new partner and positive amount shows the goodwill goes to old partners. If goodwill goes to new partner, computation will be started with old partners’ capital. And if goodwill goes to old partners, computation will be started with new partner’s investment.

GOODWILL TO OLD PARTNERS
For xx interest, new partner’s investment XXX
Total capital of firm (new partner’s investment x opposite interest of new partner) XXX
For xx interest old partners’ capital (total capital x old partners’ interest) XXX
Less: Old partners’ capital before admission (XXX)
Goodwill to old partners XXX

Entry to Record Admission of New Partner by Goodwill Method:
- Goodwill goes to old partners:
  Cash /other assets DR. (with investment amount)
  New partner’s capital CR. (with investment amount)
  (To record the admission of new partner)

  Goodwill DR. (with the amount of total goodwill)
  Old partners’ capital CR. (with their ratio)
  (To record the distribution of goodwill)
ILLUSTRATION # 4:  (Admission by Goodwill Method – Goodwill to Old Partners)  
2002 Private (Case – d) – BIEK

Nazia and Shazia are partners with capitals Rs.120,000/- and Rs.80,000/- respectively. They share profits and losses in their capital ratio. They admit Razia as a new partner.  

REQUIRED

Pass entries in general journal to record admission of Razia and show necessary computations.  
(i) Razia invests cash Rs.50,000/- for a 1/6 interest in the firm. Her capital account is to be credited with the entire amount of her investment.  

SOLUTION # 4:  
Computation: (Goodwill to Old Partners):  
(Sentence “Her capital account is to be credited with the entire amount of her investment” shows goodwill old partners).

For 1/6 interest, Razia’s investment
50,000
Therefore total capital of firm (50,000 x 6/1)
300,000
For 5/6 interest, old partners’ capital (300,000 x 5/6)
250,000
Less: Old partners’ capital before admission (120,000 + 80,000)
200,000
Goodwill to old partners
50,000

<table>
<thead>
<tr>
<th>Date</th>
<th>Particulars</th>
<th>P/R</th>
<th>Debit</th>
<th>Credit</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Cash</td>
<td></td>
<td>50,000</td>
<td>50,000</td>
</tr>
<tr>
<td></td>
<td>Razia Capital</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>(To record the admission of Razia)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>Goodwill</td>
<td></td>
<td>50,000</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Nazia Capital (50,000 x 3/5)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Shazia Capital (50,000 x 2/5)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>(To record the distribution of goodwill)</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

GOODWILL TO NEW PARTNER

For xx interest, old partners’ capital XXX
Total capital of firm (old partners’ capital x opposite interest of old partners) XXX
For xx interest new partner’s capital (total capital x new partner’s interest) XXX
Less: New partner’s investment (XXX)
Goodwill to new partner XXX

Entry to Record Admission of New Partner by Goodwill Method:
- Goodwill goes to new partner:
  - Cash /other assets DR. (with investment amount)
  - Goodwill DR. (with total goodwill amount)
  - New partner’s capital CR. (with capital amount)

(To record the admission of new partner)
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ILLUSTRATION # 5: (Admission by Goodwill Method – Goodwill to New Partner)
1999 Regular & Private (Case – c) – BIEK

Adeel and Raees are partners with capital balance of Rs,60,000 and Rs.40,000 respectively. They share profit and loss in the ratio of 3:2. They agree to admit Azim as a partner.

REQUIRED
Give the necessary journal entries in proper form and prepare balance sheet.

Case III: Azim invests Rs.20,000 cash for 1/5 interest. Old partners are not ready to reduce their capitals.

SOLUTION # 5:

Computation: (Goodwill Method):
(Sentence “Old partners are not ready to reduce their capitals” represents goodwill goes to new Azim).
For 4/5 interest, old partners’ capital (60,000 + 40,000) 100,000
Therefore total capital of firm (100,000 x 5/4) 125,000
For 1/5 interest Azim’s capital (125,000 x 1/5) 25,000
Less: Azim’s investment (20,000) 5,000
Goodwill to Azim

<table>
<thead>
<tr>
<th>Date</th>
<th>Particulars</th>
<th>P/R</th>
<th>Debit</th>
<th>Credit</th>
</tr>
</thead>
<tbody>
<tr>
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<td>Cash</td>
<td></td>
<td>20,000</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Goodwill</td>
<td></td>
<td>5,000</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Azim Capital</td>
<td></td>
<td></td>
<td>25,000</td>
</tr>
<tr>
<td></td>
<td>(To record the admission of Azim)</td>
<td></td>
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<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>ASSETS</th>
<th>Owner’s Equity:</th>
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</thead>
<tbody>
<tr>
<td>Cash</td>
<td>Adeel Capital</td>
</tr>
<tr>
<td>Other assets</td>
<td>60,000</td>
</tr>
<tr>
<td>Goodwill</td>
<td>Raees Capital</td>
</tr>
<tr>
<td></td>
<td>40,000</td>
</tr>
<tr>
<td>Goodwill</td>
<td>Azim Capital</td>
</tr>
<tr>
<td></td>
<td>25,000</td>
</tr>
<tr>
<td>Total assets</td>
<td>Total owner's equity</td>
</tr>
<tr>
<td>125,000</td>
<td>125,000</td>
</tr>
</tbody>
</table>

SUFFICIENT CASH
In this case new partner’s investment is equal to his/her capital.

For xx interest, old partners’ capital
Total capital of firm (old partners’ capital x opposite interest of old partners)
For xx interest new partner’s capital (total capital x new partner’s interest)

Entry to Record Admission of New Partner by Sufficient Cash:
Cash/other assets DR. (with investment amount)
New partner’s capital CR. (with capital amount)
(To record the admission of new partner)
ILLUSTRATION # 6: (Admission by Sufficient Cash)  
1993 Regular & Private (Case – a) – BIEK

A and B, partners, with capital balances of Rs.60,000 and Rs.40,000, respectively, sharing profits and losses in the ratio of 2:1, agree to admit C as a partner.

REQUIRED
Give General Journal entries to record the admission of C. (Show also necessary computations.)
Case (i): C invests sufficient cash to acquire 1/3 interest in the total capital and profits of the firm

SOLUTION # 6:
Computation:
For 2/3 interest, old partners’ capital (60,000 + 40,000) 100,000
Therefore total capital of firm (100,000 x 3/2) 150,000
For 1/3 interest C’s capital (150,000 x 1/3) 50,000

<table>
<thead>
<tr>
<th>Date</th>
<th>Particulars</th>
<th>P/R</th>
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<th>Credit</th>
</tr>
</thead>
<tbody>
<tr>
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<td>Cash</td>
<td>50,000</td>
<td>50,000</td>
<td></td>
</tr>
<tr>
<td></td>
<td>C Capital</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>(To record the investment of C)</td>
<td></td>
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</tr>
</tbody>
</table>

ILLUSTRATION # 7: (Admission when Total Capital is Given)  
2009 Regular & Private – BIEK

Iqbal and Fayyaz were partners, sharing profit and loss in the ratio of their capitals. The following is the balance sheet of the firm on December 31, 2008:

<table>
<thead>
<tr>
<th>Assets</th>
<th>Equities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash</td>
<td>125,000</td>
</tr>
<tr>
<td>Merchandise inventory</td>
<td>75,000</td>
</tr>
<tr>
<td>Accounts receivable</td>
<td>50,000</td>
</tr>
<tr>
<td>Machinery</td>
<td>250,000</td>
</tr>
<tr>
<td></td>
<td>500,000</td>
</tr>
</tbody>
</table>

On January 1, 2009 they decided to admit Rahat as a new partner. Rahat invests merchandise of Rs.15,000 and machinery of Rs.100,000 for his 1/5th interest in the total capital of the firm Rs.500,000.

REQUIRED
(i) Prepare journal entries to record admission of Rahat. (Computation is compulsory).
(ii) Prepare balance sheet of the firm after admission of the new partner.

SOLUTION # 7:
Computation:
For 1/5 interest, Rahat capital (500,000 x 1/5) 100,000
Less: Rahat’s investment (15,000 + 100,000) (115,000)
Bonus to Old Partners 15,000
For 4/5 interest, old partners’ capital (500,000 x 4/5) 400,000
Less: Old partners’ capital before admission of Rahat (150,000 + 225,000) (375,000)
Goodwill to Old Partners (25,000) 10,000
**Partnership – Admission**

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<table>
<thead>
<tr>
<th>Date</th>
<th>Particulars</th>
<th>P/R</th>
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<tbody>
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<td>1</td>
<td>Machinery</td>
<td></td>
<td>100,000</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Merchandise</td>
<td></td>
<td>15,000</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Iqbal Capital (15,000 x 2/5)</td>
<td></td>
<td></td>
<td>6,000</td>
</tr>
<tr>
<td></td>
<td>Fayyaz Capital (15,000 x 3/5)</td>
<td></td>
<td></td>
<td>9,000</td>
</tr>
<tr>
<td></td>
<td>Rahat Capital</td>
<td></td>
<td></td>
<td>100,000</td>
</tr>
<tr>
<td></td>
<td>(To record the admission of Rahat)</td>
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</tr>
<tr>
<td>2</td>
<td>Goodwill</td>
<td></td>
<td>10,000</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Iqbal Capital (10,000 x 2/5)</td>
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<td></td>
<td>4,000</td>
</tr>
<tr>
<td></td>
<td>Fayyaz Capital (10,000 x 3/5)</td>
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<td>6,000</td>
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<tr>
<td></td>
<td>(To record the distribution of goodwill)</td>
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</tbody>
</table>

**REVALUATION**

New partner can admit into the partnership after the revaluation of assets of the business. It means that before the admission of new partner, all the assets will be revalued to get the fair value of business. In that case a revaluation account is created to settle the increase or decrease in the value of assets and then it is transferred to the old partners’ capital.
PRACTICE QUESTIONS

Question # 1: 2003 Private – BIEK
Asma and Sultana are partners with capitals of Rs.200,000 and Rs.300,000 respectively, sharing profit/loss equally. They decide to admit Khalida as a new partner for 1/5 interest in capital of the firm.
REQUIRED
General journal entries in each of the following cases:
(i) Khalida purchases share from Sultana for Rs.110,000 paying cash.
(ii) Khalida invests in the firm sufficient cash.
(iii) Khalida invests in the firm Rs.100,000 cash in total capital of Rs.600,000.
(iv) Khalida invests in the firm Rs.150,000 cash her capital account is to be credited with the same amount.

Question # 2: 2006 Regular & Private – BIEK
Aiman and Humna are partners with capitals of Rs.120,000 and Rs.80,000 respectively. They share profit and loss in the ratio of their capitals. They decided to admit Saad as a partner.
REQUIRED
Record the admission of Saad under each of the following assumptions separately:
(i) Saad purchased 1/3 interest of Aiman for cash Rs.5,000.
(ii) Saad invests Rs.120,000 cash and gets 1/3 interest in the firm and credited with full amount of his investment.
(iii) Saad invests sufficient cash and gets 1/5 interest in the firm.

Question # 3: 2000 Regular & Private – BIEK
Ahmed and Nasim are partners sharing profits and losses equally having capital balances of Rs.70,000 and Rs.35,000 respectively. Considering the each case independently, prepare journal entries to record the admission of Saquib to the firm.
Case (a): Saquib purchases a 1/2 interest (50% of the entire ownership equity) in partnership from Ahmed for Rs.60,000.
Case (b): Saquib invests Rs.30,000 for 1/4 interest of the firm. Ahmed and Nasim do not reduce their capitals.

Question # 4: 2008 Regular & Private – BIEK
Khalid and Saima are partners in a firm sharing profits and losses in the ratio of their capitals. The firm’s financial position of 31st March, 2008 was as under:
Cash Rs.14,800; Other assets Rs.485,200; Khalid's Capital 270,000; Saima's Capital Rs.135,000; A/c. payable Rs.95,000.
On 1st April, 2008, they agreed to admit Raveen as a partner for 1/5 interest in the capital and profit.
REQUIRED
(a) Pass General Journal entries to record the admission of Raveen under each of the following cases separately:
   (i) If Raveen invests Rs.135,000 and is credited with the entire amount of her investment.
   (ii) If Raveen invests Rs.67,500 (Total capital of the firm is increased by her investment).
   (iii) If Raveen purchase 1/3 interest of Khalid for cash Rs.75,000.
(b) Prepare initial balance sheet as on 1st April under case (ii).

Question # 5: 2013 Regular – BIEK
Mr. Museb, Ukasha and Khuzaima are partners having capital balances of Rs.450,000/-, Rs.375,000/- and Rs.275,000/- respectively. They share profit and loss in the ratio of 3:2:1. On Jan. 01, 2012 they decided to admit Mr. Khubaib as a partner.
**Partnership – Admission**

**Chapter # 6**

**REQUIRED**
Record the admission of Khubaib under the following conditions separately:

Case A: Mr. Khubaib invested cash Rs.250,000/- for 1/6\(^{th}\) interest in the business (use goodwill method).

Case B: Mr. Khubaib purchased 1/3\(^{rd}\) capital of Museb by paying him cash Rs.250,000/-.

**Question # 6:**

1993 Regular & Private – BIEK

A and B, partners, with capital balances of Rs.60,000 and Rs.40,000, respectively, sharing profits and losses in the ratio of 2:1, agree to admit C as a partner.

**REQUIRED**
Give General Journal entries to record the admission of C in each of the following cases separately:- (Show also necessary computations.)

Case (i): C invests sufficient cash to acquire 1/3 interest in the total capital and profits of the firm

Case (ii): C invests Rs.68,000 cash for 1/3 interest. (The total capital of the firm is to be increased only by the amount of C’s investment).

Case (iii): C invests Rs.40,000 cash for 1/3 interest. (The old partners do not agree to reduce their capitals).

**Question # 7:**

1995 Regular & Private – BIEK

(a) Ahmed and Bashir are equal partners with capitals of Rs.60,000 and Rs.40,000 respectively. They decide to admit Danish as a new partner.

**REQUIRED**
Show the necessary computations and give entries in the General Journal of the firm to record admission of Danish under each of the following assumptions separately:-

(i) Danish invests cash Rs.50,000 and is to receive credit for the amount of his investment for a one-fourth interest.

(ii) Danish invests cash Rs.50,000 and is to receive a one-half interest; Ahmed and Bashir decide to retain their present capital balances.

(iii) Danish invests cash Rs.50,000 and is to receive a one-fourth interests; total capital of the firm is to be increased only by the amount of the new partner’s investment.

(b) Name the specific method used for recording admission of a new partner under each of the assumptions as in (a) above.

**Question # 8:**

1997 Regular & Private – BIEK

Khurram and Younus were partners sharing profits and losses in the ratio of their capitals. The balance sheet of the firm on January 15, 1997 was as under:-

<table>
<thead>
<tr>
<th>Assets</th>
<th>Equities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash</td>
<td>Accounts Payable</td>
</tr>
<tr>
<td>Other assets</td>
<td>Khurram Capital</td>
</tr>
<tr>
<td></td>
<td>Younus Capital</td>
</tr>
<tr>
<td></td>
<td><strong>400,000</strong></td>
</tr>
</tbody>
</table>

They admit Atif as a partner and give him one-fourths interest in the capital and profit.

**REQUIRED**
Give entries in the General Journal of the firm to record admission of Atif under the following assumptions. Also prepare balance sheet of the firm after each assumption:-

(i) Atif invests Rs.180,000 and is credited with the entire amount of his investment.

(ii) Atif invests Rs.150,000. Total capital of the firm increases by Atif’s investment.
Question # 9: 1999 Regular & Private – BIEK
Adeel and Raees are partners with capital balance of Rs.60,000 and Rs.40,000 respectively. They share profit and loss in the ratio of 3:2. They agree to admit Azim as a partner.

REQUIRED
Give the necessary journal entries in proper form and prepare balance sheet in each of the following cases separately:

Case I: Azim invests Rs.50,000 cash receiving 1/3 interest.
Case II: Azim invests Rs.40,000 cash, receiving 1/4 interest; his capital is to be credited with the entire amount of his investment.
Case III: Azim invests Rs.20,000 cash for 1/5 interest. Old partners are not ready to reduce their capitals.

Question # 10: 2012 Private – BIEK
Rafiq and Karim are partners with capitals of Rs.200,000 and Rs.800,000 respectively. They share profit and loss in the ratio of their capitals. They decide to admit Jalil as a partner.

REQUIRED
Record the admission of Jalil under each of the following assumptions separately:

i) Jalil purchased 1/4 interest of Karim for cash Rs.80,000 and land Rs.300,000.
ii) Jalil invests sufficient cash and gets 1/5 interest in the firm.

Question # 11: 2013 Private – BIEK
Bilal and Haris are partners having capitals of Rs.120,000 and Rs.80,000 respectively. Their profit and loss sharing ratio is 2:1. They agree to admit Saad as a partner for 1/3 interest in the firm.

REQUIRED
Give entries in the General Journal to record the admission of Saad under each of the following separate cases. (Show necessary computations).

Case (i): Saad invests sufficient cash to take 1/3 interest in the firm.
Case (ii): Saad invests Rs.136,000 cash for 1/3 interest. (The total capital of the firm is to be increased by the amount of Saad's investment only).

Question # 12: 2001 Regular & Private – BIEK
Basit and Sajid are partners with capital balances Rs.80,000 and Rs.160,000 respectively, sharing profits and losses in the ratio of 2:3. They agreed to admit Nabeel as a partner.

REQUIRED
Give entries in General Journal to record admission of Nabeel in each of the following cases separately. (Show necessary computations).

Case (i): Nabeel invests sufficient cash to acquire 1/4 interest in the capital and profit of the firm.
Case (ii): Nabeel invests Rs.100,000 cash for 1/4 interest in capital and profit. (The total capital of the firm to be increased by Nabeel’s investment).
Case (iii): Nabeel invests Rs.60,000 cash for 1/4 interest on capital and profits of the firm. (The old partners’ capital will remain unchanged).

Question # 13: 2002 Regular – BIEK
Danish and Ahmad are partners with capital balances of Rs.60,000 and Rs.40,000 respectively, sharing profits and losses in the ratio of 2:1. They agree to admit Yawar as a partner.

REQUIRED
Give general journal entries to record the admission of Yawar under each of the following cases separately:

Case (i): Yawar invests sufficient cash to acquire 1/3 interest in the total capital of the firm.
Case (ii): Yawar invests Rs.68,000 cash for 1/3 interest.
Partnership – Admission

Chapter # 6

Case (iii): Yawar invests Rs.40,000 cash for 1/3 interest but the old partners do not agree to reduce their capitals.

Question # 14: 2003 Regular – BIEK

Nida and Humna are partners having capitals of Rs.80,000 and Rs.40,000 respectively and sharing profit and loss in the ratio of 3:2. They agree to admit Erma as a partner.

REQUIRED

Give General Journal entries to record the admission of Erma in each of the following cases separately: - (Show necessary computations).

(i) Erma invest Rs.60,000 cash for 1/3 interest.
(ii) Erma invest Rs.50,000 cash for 1/3 interest. (The old partners do not reduce their capitals).
(iii) Erma invest Rs.50,000 cash for 1/4 interest and is credited the entire amount of her investment.

Question # 15: 2004 Regular & Private – BIEK

Nida and Humna are partners having capitals of Rs.80,000 and Rs.40,000 respectively and sharing profit and loss in the ratio of 3:2. They agree to admit Erma as a partner.

REQUIRED

Give General Journal entries to record the admission of Erma in each of the following cases separately: - (Show necessary computations).

(i) Erma invest Rs.60,000 cash for 1/3 interest.
(ii) Erma invest Rs.50,000 cash for 1/3 interest. (The old partners do not reduce their capitals).
(iii) Erma invest Rs.50,000 cash for 1/4 interest and is credited the entire amount of her investment.

Question # 16: 2007 Regular & Private – BIEK

Anees and Jalees are partners with capital balances of Rs.120,000 and Rs.80,000 respectively. They share profit and loss in the ratio 3:2. They agreed to admit Idrees as a partner.

REQUIRED

Give the necessary journal entries and prepare balance sheet in each of the following cases separately:

(i) Idrees invests Rs.80,000 cash receiving 1/4th interest. His capital is to be credited with the entire amount of his investment.
(ii) Idrees invest Rs.40,000 cash for 1/5th interest. Old partners are not ready to reduce their capitals.

Question # 17: 2012 Regular – BIEK

Irfan and Akram are partners with capitals of Rs.250,000 and Rs.150,000 respectively. Naeem is admitted for 2/5 interest in the partnership. Old partners share profit/loss equally.

REQUIRED

Make entries in General Journal in each of the following cases:

a) Naeem purchases interest from Irfan paying sum Rs.150,000.

b) Naeem invests cash Rs.300,000 in a total capital of Rs.700,000.
Partnership – Admission
Chapter # 6

Question # 18: 1990 Regular & Private – BIEK
Aftab and Khursheed are partners sharing profits and losses in the ratio of 2:3 with capitals of Rs.40,000 and Rs.80,000 respectively. They decided to admit Anjum as a new partner.
REQUIRED
Give entries in the General Journal of the firm to record Anjum’s admission under each of the following cases separately. (Show your computations separately):
- Case (a) Anjum invests Rs.80,000 in cash for a one-fourth interest in the firm.
- Case (b) Anjum invest Rs.80,000 in cash for a one-third interest in the firm, the total capital of the firm after his admission will be Rs.240,000.

Question # 19: 1992 Regular & Private – BIEK
Akhtar and Hafeez are partners in a firm sharing profits and losses in the ratio of 3:2. The balance sheet of the firm on December 31, 1991 was as under:

<table>
<thead>
<tr>
<th>Assets</th>
<th>Equities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total assets: 255,000</td>
<td>A/c payable: 55,000</td>
</tr>
<tr>
<td>Accounts payable: 25,000</td>
<td>Akhtar Capital: 120,000</td>
</tr>
<tr>
<td>Accounts receivable: 40,000</td>
<td>Hafeez Capital: 80,000</td>
</tr>
<tr>
<td>Merchandise inventory: 100,000</td>
<td></td>
</tr>
<tr>
<td>Machinery: 30,000</td>
<td></td>
</tr>
<tr>
<td>255,000</td>
<td>255,000</td>
</tr>
</tbody>
</table>

On January 1, 1992 Kashif is admitted as a partner.
REQUIRED
Give entries in the General Journal for admission of Kashif under each case separately. Show computation along with each entry:
- Case (i): Kashif is to purchase 1/4 interest from Akhtar and 1/4 from Hafeez and pay to them privately Rs.60,000 and Rs.30,000 respectively.
- Case (ii): Kashif invests Rs.80,000 and gets 1/4 interest in the capital and profit.
- Case (iii): Kashif invests Rs.80,000 and gets 1/4 interest in the capital and profit. The new capital is agreed at Rs.280,000.

Question # 20: 1996 Regular & Private – BIEK
The following is the balance sheet of M/s. Amir, Mushtaq and Hanif who share profits and losses in the ratio of 5:3:2 respectively.

<table>
<thead>
<tr>
<th>Assets</th>
<th>Equities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash: 80,000</td>
<td>Accounts payable: 25,000</td>
</tr>
<tr>
<td>Accounts receivable: 40,000</td>
<td>Amir, Capital: 100,000</td>
</tr>
<tr>
<td>Merchandise inventory: 100,000</td>
<td>Mushtaq, Capital: 75,000</td>
</tr>
<tr>
<td>Machinery: 30,000</td>
<td>Hanif, Capital: 50,000</td>
</tr>
<tr>
<td>250,000</td>
<td>250,000</td>
</tr>
</tbody>
</table>

They agreed to admit Ismail as partner on 1.1.1996.
REQUIRED
Give necessary entries in the General Journal of the firm under each of the following cases separately:
- Case (a): If Ismail invests Rs.75,000 for one-fifth (1/5) interest in the business. (Record bonus).
- Case (b): If Ismail invests Rs.85,000 for one-fourth (1/4) interest in the business. (Record goodwill)
- Case (c): If Ismail invests Rs.65,000 for one-fifth (1/5) interest in a total capital of the firm, Rs.300,000.

Question # 21: 2002 Private – BIEK
Nazia and Shazia are partners with capitals Rs.120,000/- and Rs.80,000/- respectively. They share profits and losses in their capital ratio. They admit Razia as a new partner.
Partnership – Admission

Chapter # 6

REQUIRED
Pass entries in general journal to record admission of Razia under each of the following assumptions and show necessary computations.

(i) Razia invests cash Rs.100,000/- for 1/3 interest in the capital of new firm.
(ii) Razia invests Rs.50,000/- cash for a 1/4 interest in the capital and total capital of the new firm is to be increased only by the amount of Razia’s investment.
(iii) Razia invests merchandise costing Rs.75,000/- for a 1/5 interest in the total capital of Rs.275,000/- of the firm.
(iv) Razia invests cash Rs.50,000/- for a 1/6 interest in the firm. Her capital account is to be credited with the entire amount of her investment.

Question # 22: 2010 Regular & Private – BIEK
Mr. Naeem, Mansoor and Absar are partners having capitals of Rs.300,000; Rs.250,000 and Rs.275,000 respectively. They share profit and loss in the ratio of 3:1:2. On March 1, 2010, they decided to admit Mr. Azfar as a new partner.

REQUIRED
Record the admission of Mr. Azfar under the following conditions separately.
Case 1: Mr. Azfar invested cash Rs.240,000 with 1/4 interest in the business. (Use Goodwill Method).
Case 2: Mr. Azfar invested cash Rs.180,000 and furniture worth Rs.195,000 with 1/5 interest in business. The total capital of the firm was Rs.1,200,000 after his admission.

Question # 23: 2005 Regular & Private – BIEK
X and Y are partners who share profit and loss equally. They admit Z as a new partner. Z contributes Rs.240,000 for one third interest in the new partnership.

REQUIRED
(i) Record entry to admit Z sharing as Rs.40,000 bonus each to X and Y.
(ii) What is the total capital of the new partnership?

Question # 24: 2011 Private – BIEK
Mushir and Naseer are partners sharing profit and losses in the ratio of 3:2. Their ledger balance on May 1st, 2011 just before the admission of Qasim is as follows:

<table>
<thead>
<tr>
<th>ASSETS</th>
<th>EQUITIES</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash</td>
<td>Rs. 50,000/-</td>
</tr>
<tr>
<td>Other assets</td>
<td>Rs. 250,000/-</td>
</tr>
<tr>
<td>Rs. 300,000/-</td>
<td>Accounts payable</td>
</tr>
<tr>
<td></td>
<td>Rs. 40,000/-</td>
</tr>
<tr>
<td></td>
<td>Mushir’s Capital</td>
</tr>
<tr>
<td></td>
<td>Rs. 160,000/-</td>
</tr>
<tr>
<td></td>
<td>Naseer’s Capital</td>
</tr>
<tr>
<td></td>
<td>Rs. 100,000/-</td>
</tr>
<tr>
<td></td>
<td>Rs. 300,000/-</td>
</tr>
</tbody>
</table>

REQUIRED
Prepare necessary entries in the General Journal and prepare balance sheet, if Qasim invests sufficient cash to acquire 1/3 interest in the partnership. After revaluation to other assets, assume that the other assets are to be realized at a value of Rs.220,000/-.

Question # 25: 2011 Regular – BIEK
On Jan. 1, 2010 the capital balances of Amjad were Rs.26,000/- and Shehzad Rs.24,000. The net income was Rs.30,000/- for 2010. The salary was Rs.12,000/- for Amjad and Rs.10,000/- for Shehzad. The remaining balance was distributed equally. On January 5, 2011, Rahim is admitted with 35% capital interest by cash investment of Rs.40,000/-.

REQUIRED
(i) Prepare Income Distribution Summary.
(ii) Record admission of Rahim (use Bonus method).
MULTIPLE CHOICE QUESTIONS (MCQs)

1) At the time of the admission of a new partner the firm is:
   a) Dissolved   b) Continued   c) Not affected   d) Re-organized

2) A new partner may be admitted to a partnership:
   a) With the consent of all partners   b) With the consent of 2/3 of old partners
   c) With the consent of any one of the partner   d) Without consent of old partners

3) At the time of admission of new partner, when old partners agree to reduce their capital, it means:
   a) Goodwill to old partners   b) Goodwill to new partner
   c) Bonus to old partners   d) Bonus to new partner

4) At the time of admission of new partner, when the old partners do not agree to reduce their capital, it means:
   a) Goodwill to old partners   b) Goodwill to new partner
   c) Bonus to old partners   d) Bonus to new partner

5) Goodwill is:
   a) Quick asset   b) Current asset   c) Tangible asset   d) None of these

6) This is/These are intangible asset(s):
   a) Automobile   b) Tools   c) Goodwill   d) Fixtures

7) The entire amount of new partner’s investment is to be credited by:
   a) Bonus method   b) Goodwill method
   c) Purchase method   d) Revaluation method

8) In admission of a partner:
   a) The partnership agreement is amended
   b) The partnership agreement remains the same
   c) Nature of business is changed
   d) None of these

9) If new partner purchases capital interest of old partner(s) then:
   a) Assets decrease and partners’ equity increase
   b) Assets increase and partners’ equity increase
   c) Assets decrease and partners’ equity decrease
   d) Partnership equity remains constant

10) Introduction of a new partner due to:
    a) Need to more capital
    b) Obtaining of a skilled and reputable person
    c) Fresh ideas and more contacts
    d) All of the above

11) Goodwill means:
    a) Less than book value   b) More than book value
    c) Equal to the book value   d) Something other than the above
12) Mr. C purchased 1/3 capital interest of Mr. A and 2/6 capital interest of Mr. B. Which of the following method would be used:
   a) Bonus method
   b) Purchase of interest method
   c) Goodwill method
   d) Revaluation method

13) Mr. A and Mr. B are equal partners having capitals of Rs.20,000 and Rs.30,000 respectively. They admit Mr. C who purchases 1/2 equity of Mr. B and pays Rs.20,000. The admission would be recorded at:
   a) Rs.20,000
   b) Rs.15,000
   c) Rs.25,000
   d) Rs.10,000