

**CHAPTER-6/RETIREMENT CUM -ADMISSION OF PARTNER**

EXAMPLE: 1 A & B were partners in affirm sharing profit and losses equally .on 31/12/19, A retired and it is decided that his son S would be admitted as partner from Jan 1,2020 for 1/3<sup>rd</sup> share of profit. You have the following balance sheet as on 31/12/19:-

Capital –[A=81450, B=72000]	153450	Goodwill	22500
creditors	22050	Land & building	60075
		Motorcar	18000
		Furniture	13950
		s/debtors	36225
		cash	24750

It was further decided as follows:- i. Goodwill is to be raised to 30000 ii. Motor car is to be taken over by A iii. land building is raised by 12420 iv. A & C would introduce sufficient capital to pay off A and to leave thereafter a sum of 11025 as working capital in a manner that the capital of the new partner will be in proportion to their profit sharing ratio. V. capital payable by C was to be gifted to him by B .vi. they decided not to show goodwill in the books .Show necessary account and balance sheet as on 1.1.20.

**Sol**

Partners' Capital Account

To motor car [taken]	18000			By balance b/f	81450	72000	
To goodwill [written off in 2:1]	47215	20000	10000	By Revaluation [12420 equally]	6210	6210	
To C' capital	26195			By Goodwill (raised by 30000-22500)	3750	3750	
To cash [balance paid)		74430	37215	By cash (brought) BY A'capital		12470	47215
To Balance c/d	91410	94430	47215		91410	94430	47215

Workings ---Capital of Mr. C ----- Total capital balance of the partner=Total asset minus external liabilities OR [72495+13950+36225+11025] minus [22050]=111645.

Capital of A=2/3x111645=74430. C=1/3x 111645=37215

Balance sheet as on 1/1/20

Capital A+C)= [74430+37215)	111645	Land &building (60075+12420)	72495
Creditors	<u>22050</u>	Furniture	13950
	133695	Sundry debtors	36225
		cash	11025