* Treatment of goodwill :

I] : when new partner bring his share of goodwill in cash and retained in the business

① when goodwill brought in cash.

Cash/Bank A/C	DR.	xx	
To goodwill A/C			xx
[Being new partner being his share of goodwill in cash]			

② when goodwill distributed to old partner in secrifice ratio.

Goodwill A/C	DR	xx	
To old partner's capital			xx
[Being goodwill distributed to old partners]			

- Sacrifice ratio = old ratio - new ratio.

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In the book of A Firm

Revaluation A/c

3:1
4

DR.

(P)		₹	(P)	₹
To. R.D.D		1600	By stock	2000
To Depreciation of furniture		1000	By Plant & Machinery	3000
To capital A/c				
Sheela	1800			
Mrudula	600	2400		
[Revaluation Profit]				
		5000	← Total →	5000

(-) Partner's capital A/c (+)

DR. CR

(P)	Sheela	Mrudula	Mangla	(P)	Sheela	Mrudula	Mangla
				By balance b/d	60,000	20,000	–
				By general reserve	6000	2000	–
				By Cash A/c	–	–	20,000
				By Goodwill A/c	7500	2500	–
To Balance c/d	75300	25100	20,000	By revaluation (Revaluation profit)	1800	600	–
	75,300	25,100	20,000		75,300	25,100	20,000

(4)

Cash account

DR. ①	₹	①	₹ CR
To. Balance b/d	40,000		
To. Mangala Capital	20,000	By Balance c/d.	70,000
To. Goodwill A/C	10,000	only one line	
	70,000		70,000

New balance sheet of
After admission of
As on 1-4-2020

Liabilities		₹	Asset		₹
~~Creditors~~					
Capital A/C :			Sundry debtors	32,000	
Sheela	75,300		(-) R.D.D @ 5%	-1600	30,400
Mrudula	25,100				
Mangala	20,000	120,400	Stock	20,000	
			(+) appr. @ 10%.	(+)2000	22000
Creditors		40,000			
Bills payable		10,000	Plant & Machinery	30,000	
Bank overdraft		10,000	(+) appriation @ 10%	(+)3000	33000
			Furniture	10,000	
			(-) Dep. @ 10%.	-1000	9000
			Cash A/C		70,000
			land and building		16000
		180,400			180,400

$\therefore 8000 \times \frac{3}{4} = 6000$

$\therefore 8000 \times \frac{1}{4} = 2000$

$\therefore$ sacrifice ratio = old ratio - new ratio

$\therefore 10,000 \times \frac{3}{4} = 7500$

$\therefore 10,000 \times \frac{1}{4} = 2500$