

## Admission of Partner.

Mr. A & Mr. B

AB partnership firm

2011	-	Loss ₹ 5000
2012	-	Nil
2013	-	50,000 Profit
2014	-	1,00,000 Profit
2015	-	1,50,000 Profit
2016	-	1,80,000 Profit
2017	-	2,50,000 Profit
2018	-	3,00,000 Profit
2019	-	4,00,000 Profit
2020	-	4,00,000 Profit

## Meaning of Partnership.

Partnership is one of important form of business organization or partnership can be defined as "A voluntary union or Association of two or more person, who entered into an agreement, contribute certain capital, undertake and manage certain lawful business to all profit."

## Meaning of Admission of partner.

When a person is admitted as a partner in existing partnership firm such process is called as Admission of partner."

Admission of New partner means reconstitution of firm because of with the admission of partner the existing agreements comes to an end and New Agreements comes into Agreements.

The new partner on joining becomes liable for the liability of the firm and share the assets and profits of the firm.

According to Section 3(1) of Indian partnership act 1932 "A New Partner can be admitted as a partner in a firm with the consent of existing partner or in accordance with provisions made in partnership deed.

To manage and control large scale business additional capital or additional skilled and labour are required. This all business need are fulfill and solve by admitting partner as a new partner.

On admission of partner some important changes or adjustment are required to be made in the business book of the firm. this change or adjustment generally related to the atoms.

Capital Contribution by New partner

Changes in profit sharing ratio of old partner

Treatment of goodwill.

Revaluation of Assets and liabilities.

Transfer of general reserve and accumulated

Profit or loss to capital account of old partner

Readjustment of capitals of partner if

they.

Accounting.

Following ledger Accounts are prepare in case of admission of partner.

Profit and loss Adjustment A/c Or Revaluation

Partners capital Or Current A/c

Cash Or Bank balance A/c.

New balance sheet.

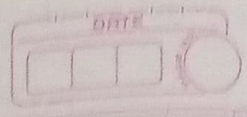
account which  
Nominal A/c.  
 Debit all expenses or losses  
 Credit all income or gains.

Profit & loss Adjustment Or Revaluation A/c.  
 This Account is prepared to record changes in the value of Assets and liabilities at the time of admission of partner, whenever assets decrease liabilities increase or any expenses or losses incurred are recorded this account debit side whenever assets increase, liabilities decrease or any income or gains happen is recorded this account credit side. This difference in this A/c is known as Revaluation Profit & loss which is distributed to old partner in their old partnership ratio. It is a Nominal Account.

Following is the specimen of Revaluation A/c in the book of A Firm

Particular		₹	Particular
Assets ↓		xx	By, Assets ↑
Liabilities ↑		xx	By, liabilities ↓
Expenses & losses		xx	By, Income or gains
Capital Or Current		xx	By, Capital & Current
x	xx		x
y	xx	xxx	y
Revaluation Profit)			(Revaluation loss)

Rule of Personnel Account  
 debit the gives  
 credit the receives



Partners capital Or current A/c.  
 This account is prepared to find out individual position of partner or in a business. Whenever partners capital or current Account balance decreases it is recorded this account debit side follows. It is a personal A/c.  
 Following is the specimen of Partners capital or Current A/c.

In the book of A Firm  
 Partners Capital or Current A/c

Particular	x	y	z	↑ Cr.
By. Balance b/d	xx	xx	xx	
By. General Reserve	xx	xx	xx	
By. Reserve Fund	xx	xx	xx	
By. Profit & loss (Profit)	xx	xx	xx	
By. Bank A/c	xx	xx	xx	
(Additional Capital)	xx	xx	xx	
By. Liabilities taken	xx	xx	xx	
By. Revaluation A/c				
← Total →				

Cash or bank Balance A/c

Cash or bank balance Account Real Account at the business time of admitting partner any cash comes into the business it is recorded this account debit side Or any cash goes out from business it is recorded following Credit side following is the specimen of Cash or bank balance A/c.

In the book A firm  
 Cash or bank balance A/c

Particular	₹	₹
By balance b/d	XX	
		₹
		XX
By balance c/d		XX

New balancesheet  
 Balancesheet is an statement which shows the financial position of the business. At the ~~time~~ end of accounting year in form assets and liabilities. Balancesheet divided into two parts the left hand side of the balancesheet is known as liability as well as outstanding expenses, arrears received incomes are recorded the right side of balancesheet is known as asset side which all property of business, receivable and prepaid expenses, Accrued income are recorded. It must be tally.

Following is the Specimen of of Balancesheet

New balancesheet of XYZ  
 After Admission of Z  
 As on 1-4-2021

Liabilities	#	Assets	#
Capital A/c		Land & Building	
/		Mach & Machinery	
/		Furniture & Fixtures	
/		Investment A/c	
Current A/c		Trade	
/		Debtors	
/		Bills Payable	
Creditors		Cash at bank	
Bills Payable		Pre-Paid expense	
Bank Overdraft		Accrued income	
Bank loan			
Outstanding expenses			
Unreceived income			

treatment of goodwill

When new partner bring his share of goodwill cash and retained in the business.

When goodwill brought in Cash

Cash/Bank Dr.

To Goodwill A/c

When New partner bring his share of goodwill in cash)

When goodwill distributed to Old partner in Sacrifice ratio

Good will A/c Dr.

To Old partner capital A/c

When Goodwill distributed to Old partner's)