

10. PARTNERSHIP ACCOUNTS & LLP

UNIT 3 : ADMISSION OF A PARTNER

CONCEPT 1 : INTRODUCTION

Why admission ?

=> New Partner is admitted for **increasing the capital** of the business or for **strengthening the management**.

Accounting Effects Needed

- 1) Suitable entries are passed to **update the balance sheet** of the firm
- 2) Any subsequent profits or losses will get **automatically shared** among the old partners

CONCEPT 2 : REVALUATION A/C

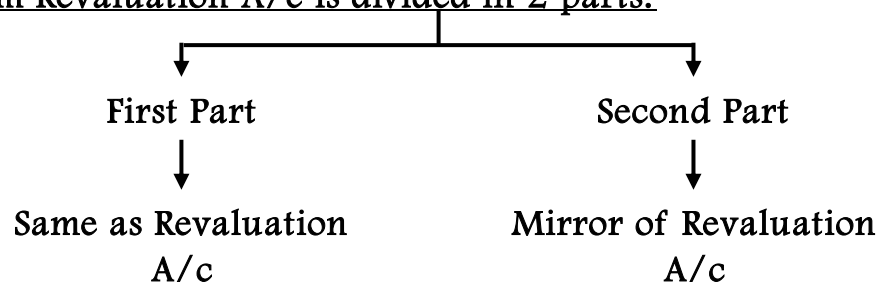
=> When a new partner is admitted to a firm, **assets and liabilities are re-valued**.

To Assets reduced	By Assets increased
To Liabilities increased	By Liabilities reduced

=> Balancing figure is transferred to Old Partners in Old PSR.

CONCEPT 3 : MEMORANDUM REVALUATION A/C

- If partners decide to **record assets and liabilities** in the balance sheet **at old figures** then memorandum revaluation account is opened.
- Memorandum Revaluation A/c is divided in 2 parts:



Memorandum Revaluation A/c

To Assets reduced To Liabilities increased To Old Partner's in Old PSR *	By Assets increased By Liabilities reduced
To Assets increased To Liabilities reduced	By Assets reduced By Liabilities increased By New Partners in New PSR *

Difference between :

Revaluation A/c

- Assets are recorded at revalued figures
- Net result is trf to old partners in old PSR



Memorandum A/c

- Assets are recorded at old figures
- Net result of 1st Part to Old Partners in Old PSR
- Net result of 2nd Part to New Partners in New PSR

CONCEPT 4 : RESERVES IN BALANCE SHEET

Liabilities	Assets
<u>Capital A/c :</u>	
~ Old Partner 1 xx	
~ Old Partner 2 xx	
General Reserve xx	

Journal Entry

Reserves A/c Dr.
 To Old Partners Capital A/c

=> When a new partner is admitted, **any reserves appearing** in the balance sheet are transferred to the **old partners in Old PSR**.

CONCEPT 5 : HIDDEN GOODWILL

=> Sir, how to calculate goodwill if it's not given specifically ?

Particulars	Rs.
New partner's capital x Reciprocal of his share	
(Less) : Total Capital of Old + New Partner	
Value of Goodwill	