

Admission of a Partner: Journal Entries Cheat Sheet

CBSE Class 12 Accountancy · Accounting for Partnership Firms · work through the five adjustments in this order

1. Sacrificing ratio

Situation	Sacrificing ratio
Nothing said about how the share is taken	Old ratio
New partner takes his share equally	Equal
Specific fraction from each partner	Ratio of those fractions
New ratio of all partners given	Old share – new share (each partner)

2. Goodwill (premium method)

Case	Entry	Ratio
Goodwill brought in cash	Cash/Bank A/c Dr. To Premium for Goodwill A/c	—
...then distributed	Premium for Goodwill A/c Dr. To Sacrificing Partners' Capital A/cs	Sacrificing
Goodwill not brought in cash	New Partner's Current A/c Dr. To Sacrificing Partners' Capital A/cs	Sacrificing
Goodwill brought in kind	Asset A/c Dr. To Premium for Goodwill A/c	—
Premium withdrawn by old partners	Old Partners' Capital A/cs Dr. To Cash/Bank A/c	As withdrawn
Existing goodwill in books	Old Partners' Capital A/cs Dr. To Goodwill A/c	Old

Hidden goodwill = (new partner's capital × reciprocal of his share) – (combined capitals of all partners after adjustments, including the new partner's).

3. Revaluation Account

Debit side (losses)	Credit side (gains)
Decrease in value of assets	Increase in value of assets
Increase in liabilities	Decrease in liabilities
Unrecorded liabilities; new provisions	Unrecorded assets
Profit → old partners' capital (old ratio)	Loss → old partners' capital (old ratio)

Change	Entry
Asset increases	Asset A/c Dr. To Revaluation A/c
Asset decreases / provision created	Revaluation A/c Dr. To Asset (or Provision) A/c
Liability increases / unrecorded liability	Revaluation A/c Dr. To Liability A/c
Liability decreases	Liability A/c Dr. To Revaluation A/c
Revaluation profit	Revaluation A/c Dr. To Old Partners' Capital A/cs
Revaluation loss	Old Partners' Capital A/cs Dr. To Revaluation A/c

4. Reserves and accumulated profits / losses

Item	Entry (old ratio)
General Reserve / P&L credit balance	Reserve (or P&L) A/c Dr. To Old Partners' Capital A/cs
P&L debit balance (accumulated loss)	Old Partners' Capital A/cs Dr. To Profit and Loss A/c
Workmen Compensation Reserve	Distribute only the excess over the actual liability
Investment Fluctuation Reserve	Distribute only the excess over the fall in investment value

5. Final checklist

- ☐ New ratio and sacrificing ratio worked out and shown
- ☐ Goodwill to sacrificing partners in the sacrificing ratio — never to the new partner
- ☐ Revaluation profit/loss and reserves to old partners only, in the old ratio
- ☐ Every journal entry has a narration
- ☐ Revaluation A/c and Capital A/cs in full ledger format
- ☐ New Balance Sheet totals match