**\* Following Adjustments are needed at the time of the admission of a new partner :-**

**1.   Calculation of new profit sharing ratio.**

**2.   Accounting treatment of goodwill.**

**3.   Accounting treatment for revaluation of Assets and Liabilities.**

**4.   Accounting treatment of reserves and accumulated profits.**

**5.   Adjustment of capitals on the basis of new profit sharing ratio.**

**\* Calculation of New Profit Sharing Ratio:**

**1.      When only the ratio of new partner is given in the question, then in the absence of any instructions. It is presumed that the old partner will continue to share the remaining profits in the same ratio in which they were sharing before the admission of a new partner.**

**2.      The new partner “purchases” his share of profit from the old  partners equally. In such cases the new profit sharing ratios of the old partners will be as certained by deducting the sacrifice made by them from their existing share of profits.**

**New Profit Ratio = Old Ratio - Sacrifice**

**3.      The new partner “purchases” his share of profit from the old  partners in particular ratio. In such cases the new profit sharing ratio of the old partners will be calculated after deducting the sacrifice made by a partner from his existing share of profit.**

**New Profit Ratio = Old Ratio - Sacrifice**

**4.      When the old partners surrender a particular fraction of their share in favour of the new**

**Partner then.,**

**Surrendering Share = Surrendered Share X Old Ratio.**

**New Ratio              = Old Ratio - Surrendering Share.**

**Sacrifice Ratio = Old Ratio - New Ratio.**

**\*Accounting Treatment of Goodwill on the Admission of a Partner :**

**1.   When the amount of goodwill (premium) is paid privately.**

**:-      No Entry**

**When the new partner brings his share of goodwill (premium) in cash:**

**a.) When the amount of goodwill/ premium brought in by the new partner is retained in**

**the business:-**

**i.)       Cash/ Bank A/c                           Dr.**

**To goodwill A/c**

**ii.)      Goodwill A/c               Dr   ( in sacrifice ratio)**

**To Old  partners’ capital A/c**

**b.) When  goodwill/premium brought in by  the new partner is withdrawn by the old partners:-**

**i.)        Old Partners’ capital A/c                Dr.**

**To Cash / Bank A/c**

**\*   When goodwill already appears in the books and  new partners brings his share of goodwill/premium in cash:-**

**First of all the existing goodwill account will have to be written off.  For  this purpose old partners’ capital accounts are debited in old   ratio and goodwill account is credited.**

**Old partners’ capital A/c          Dr.**

**To goodwill A/c                  ( in old ratio)**

**Remaining entries remains same for bring goodwill in cash.**

**\* When the new partner does not bring his share of goodwill/premium in cash:-**

**New partner’s current A/c                 Dr.    (from his share of goodwill)**

**To old partners’ capital A/c        (in sacrifice ratio)**

**\*  When goodwill already appears in the books and  new partner does not bring his share of goodwill/premium in cash:-**

**i.)          Old partners’ capital A/c                     Dr.**

**To goodwill A/c   (in old ratio)**

**ii.)         New partner’s current A/c                   Dr.**

**To old partner’s capital A/c  (in sacrifice ratio )**

**\*   When new partner brings in only a part of his share of goodwill:-**

**i.)         Cash/bank  A/c                                Dr.**

**To  goodwill A/c**

**ii.)        Goodwill   A/c                                 Dr.**

**New partner’s  current A/c             Dr.**

**To Old partner’s capital A/c (in sacrifice ratio)**