Introduction & New profit Sharing Ratio & Sacrificing Ratio

1 Mark Questions

1. State the right acquired by a newly admitted partner. (All India 2014,2009; Delhi 2008)

Ans. The right acquired by a newly admitted partner is (Any one):
(i) Share in the future profits of the firm.
(ii) Share in the assets of the firm.

2. What is meant by sacrificing ratio? (Compartment 2014)
or State the meaning of sacrificing ratio.   (All India 2011)

Ans. It is the ratio in which the old partners have agreed to sacrifice their share of profits in favour of new or incoming partner.
Sacrificing Ratio = Old Ratio – New Ratio

3. List any two items that need adjustments in the books of accounts of a firm at the time of admission of a partner.   (Compartment 2014)

Ans. Two items that need adjustment at the time of admission are:
(i) Goodwill of the firm.
(ii) Reserves and accumulated profits/losses.

4. X and Y are partners. Y wants to admit his son K into business. Can K become the partner of the firm? Give reason.   (Compartment 2014)

Ans. K can be admitted as a partner with the consent of X, and that to if he is a major.

5. State any one purpose for admitting a new partner in a firm. (All India 2012)

Ans. A new partner may be admitted for the following purpose (Any one)
(i) For procuring additional capital.
(ii) For acquiring additional managerial skills.

6. How is a new partner admitted to a firm?
Ans. A new partner is admitted to a firm with the consent of all the existing partners.

7. State the other rights which a newly admitted partner acquires besides the right to share the profits of the firm. (All India 2009)

Ans. The rights that a newly admitted partner acquires besides the right to share the profits of the firm are: (Any two)
(i) Right to share in the assets of the firm.
(ii) Right to take part in the business.
(iii) Right to inspect the books of account.

8. A and B are partners sharing profits in the ratio of 5 : 4. They admit C for I/9 th share, which he acquires from A. Find the new profit sharing ratio. (Delhi 2008C)

Old ratio = 5 : 4

C's share = $\frac{1}{9}$th to be sacrificed by A

$\therefore$ A's new share = $\frac{5}{9} - \frac{1}{9} = \frac{4}{9}$

B's new share = $\frac{4}{9} = \frac{4}{9}$

C's new share = $\frac{1}{9} = \frac{1}{9}$

New ratio = 4 : 4 : 1

2 Marks Questions

9. A and B are partners sharing profits in the ratio of 5 : 4. They admit C for 1/1 Oth share of profit which he acquires in equal proportion from both. Find the new profit sharing ratio. (Delhi 2011c, 2009)

Old ratio = 5 : 4

C's share = $\frac{1}{10}$th

Which he acquires in equal proportion from both,

$\therefore$ A's sacrifice = $\frac{1}{10} \times \frac{1}{2} = \frac{1}{20}$; B's sacrifice = $\frac{1}{10} \times \frac{1}{2} = \frac{1}{20}$

A's new share = $\frac{5}{9} - \frac{1}{20} = \frac{100-9}{180} = \frac{91}{180}$

B's new share = $\frac{4}{9} - \frac{1}{20} = \frac{80-9}{180} = \frac{71}{180}$

C's new share = $\frac{1}{10} = \frac{1}{10} \times \frac{18}{18} = \frac{18}{180}$

$\therefore$ New ratio among A, B and C = 91 : 71 : 18

10. A and B are partners sharing profits in the ratio of 5 : 4. They admit C for l/3rd share, which he acquires in equal proportion from both. Find the new profit sharing ratio. (All India 2011)

Old ratio = 5 : 4 ;

C's share = $\frac{1}{3}$ rd

Which he acquires in equal proportion from A and B,

$\therefore$ A's sacrifice = $\frac{1}{3} \times \frac{1}{2} = \frac{1}{6}$

     B's sacrifice = $\frac{1}{3} \times \frac{1}{2} = \frac{1}{6}$

Hence,   A's new share = $\frac{5}{9} - \frac{1}{6} = \frac{10-3}{18} = \frac{7}{18}$

     B's new share = $\frac{4}{9} - \frac{1}{6} = \frac{8-3}{18} = \frac{5}{18}$

     C's new share = $\frac{1}{3} \times \frac{6}{6} = \frac{6}{18}$

$\therefore$ New ratio among A, B and C = 7 : 5 : 6

11. A and B are partners sharing profits in the ratio of 7 : 3. They admit C for l/5th share, which he acquires in equal proportion from both. Find the new profit sharing ratio. (All India 2009)

Old ratio = 7 : 3 ;

C's share = $\frac{1}{5}$ th

Which he acquires in equal proportion from both A and B

$\therefore$ A's sacrifice = $\frac{1}{5} \times \frac{1}{2} = \frac{1}{10}$,

     B's sacrifice = $\frac{1}{5} \times \frac{1}{2} = \frac{1}{10}$

Hence,   A's new share = $\frac{7}{10} - \frac{1}{10} = \frac{6}{10}$

     B's new share = $\frac{3}{10} - \frac{1}{10} = \frac{2}{10}$

     C's new share = $\frac{1}{5} \times \frac{2}{2} = \frac{2}{10}$

$\therefore$ New ratio among A, B and C = 6 : 2 : 2, i.e. 3 : 1 : 1.

4 Marks Questions

12. (i) Rajeev and Sanjeev are partners in a firm sharing profits in the ratio of 3 : 2 respectively. They admit Vijay as a new partner. Rajeev surrenders 1/4 of his share and Sanjeev 1/3 of his share in favour of Vijay. Calculate new profit sharing

ratio of Rajeev, Sanjeev and Vijay.

(ii)Anita and Sunita are partners in a firm sharing profits in the ratio of 3 : 2 respectively. They admitted Vinita as a new partner for1/4 share. The new profit sharing ratio between Anita and Sunita will be 2 : 1. Calculate their sacrificing ratio. (Compartment 2014)

(i) Old ratio between Rajeev and Sanjeev = 3 : 2

$$\text{Share given by Rajeev to Vijay} = \frac{3}{5} \times \frac{1}{4} = \frac{3}{20}$$

$$\text{Share given by Sanjeev to Vijay} = \frac{2}{5} \times \frac{1}{3} = \frac{2}{15}$$

$$\therefore \quad \text{New share of Rajeev} = \frac{3}{5} - \frac{3}{20} = \frac{12-3}{20} = \frac{9}{20}$$

$$\text{New share of Sanjeev} = \frac{2}{5} - \frac{2}{15} = \frac{6-2}{15} = \frac{4}{15}$$

$$\text{Share of Vijay} = \frac{3}{20} + \frac{2}{15} = \frac{9+8}{60} = \frac{17}{60}$$

$$\text{New ratio} = \frac{9}{20} : \frac{4}{15} : \frac{17}{60} = 27 : 16 : 17$$

(ii) Old ratio between Anita and Sunita = 3 : 2

Vinita is admitted for $\frac{1}{4}$th share.

$$\text{Remaining share} = 1 - \frac{1}{4} = \frac{3}{4} \text{ which will be shared among Anita and Sunita in the ratio of 2 : 1.}$$

Accordingly,

$$\text{Anita's new share} = \frac{3}{4} \times \frac{2}{3} = \frac{2}{4}$$

$$\text{Sunita's new share} = \frac{3}{4} \times \frac{1}{3} = \frac{1}{4}$$

$$\therefore \quad \text{New profit sharing ratio} = 2 : 1 : 1$$

Sacrificing Ratio of Anita = Old Share – New Share

$$= \frac{3}{5} - \frac{2}{4} = \frac{12-10}{20} = \frac{2}{20}$$

Sacrificing Ratio of Sunita = Old Share – New Share

$$= \frac{2}{5} - \frac{1}{4} = \frac{8-5}{20} = \frac{3}{20}$$

$$\therefore \quad \text{Sacrificing ratio} = 2 : 3$$

13. i) Rohan and Mohan are partners in a firm sharing profits in the ratio of 5 : 3 respectively. They admit Bhim as a partner for 1/7 share in the profit. The new profit sharing ratio will be 4 : 2 : 1. Calculate the sacrificing ratio of Rohan and Mohan.
(ii) Amla and Kamla are partners in a firm sharing profits in the ratio of 4 : 1 respectively. They admitted Bimla as a new partner for1/4 share in the profits, which she acquired wholly from Amla. Determine the new profit sharing ratio of

(i) Old ratio between Rohan and Mohan = 5 : 3

New ratio after Bhim's admission = 4 : 2 : 1

Sacrificing Ratio of Rohan = Old Share – New Share

$$= \frac{5}{8} - \frac{4}{7} = \frac{35 - 32}{56} = \frac{3}{56}$$

Sacrificing ratio of Mohan $= \frac{3}{8} - \frac{2}{7} = \frac{21 - 16}{56} = \frac{5}{56}$

∴   Sacrificing ratio = 3 : 5

(ii) Old ratio between Amla and Kamla = 4 : 1.

Bimla is admitted for $\frac{1}{4}$th share, which she gets wholly from Amla. Accordingly,

New share of Amla $= \frac{4}{5} - \frac{1}{4} = \frac{16 - 5}{20} = \frac{11}{20}$

Share of Kamla $= \frac{1}{5}$

Share of Bimla $= \frac{1}{4}$

∴   New ratio $= \frac{11}{20} : \frac{1}{5} : \frac{1}{4} = 11 : 4 : 5$

14. A and B are partners sharing profits and losses in the ratio of 2 : 1. They admit C for l/3 rd share which he acquires in equal proportion from both. Find the new profit sharing ratio. (Foreign 2009)

Old ratio between A and B = 2 : 1 ;   C's share $= \frac{1}{3}$ rd

Which he acquires in equal proportion from both A and B,

∴   A's sacrifice $= \frac{1}{3} \times \frac{1}{2} = \frac{1}{6}$;   B's sacrifice $= \frac{1}{3} \times \frac{1}{2} = \frac{1}{6}$

Hence,   A's new share $= \frac{2}{3} - \frac{1}{6} = \frac{4 - 1}{6} = \frac{3}{6}$

B's new share $= \frac{1}{3} - \frac{1}{6} = \frac{2 - 1}{6} = \frac{1}{6}$

C's new share $= \frac{1}{3} \times \frac{2}{2} = \frac{2}{6}$

New profit sharing ratio = 3 : 1 : 2