

ACCOUNTANCY · CHAPTER 3

Reconstitution of a Partnership Firm — Admission of a Partner

A 1-page guide for parents · 90-second read.

EXPECTED MARKS

**8-10 out of 12 on this
chapter's questions.
Below 6 is a flashing red
light.**

TIME TO MASTER

15-20 hrs

HELPLINE

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WHAT THIS CHAPTER IS, IN PLAIN ENGLISH

Your child is learning what happens to a partnership business's accounts when a NEW partner joins. Three things must be settled fairly: (1) how future profits will be split (the new ratio, and how much each existing partner 'sacrifices'), (2) goodwill — the value of the firm's reputation, which the new partner pays the existing partners for, and (3) re-valuing the firm's assets and liabilities to today's true worth before the newcomer joins. The big 6-8 mark numerical that ties all three together is one of the most reliable high-mark questions in the whole Accountancy paper.

5 QUESTIONS TO ASK YOUR CHILD

- What is the difference between the sacrificing ratio and the gaining ratio?
- Who receives the goodwill premium the new partner brings, and in what ratio?
- Why are revaluation profit and old reserves shared in the OLD ratio, not the new one?
- What does AS-26 say about recording the firm's own goodwill?
- What is hidden goodwill and how do you calculate it?

WEAK-SPOT INDICATORS

- Cannot compute new ratio + sacrificing ratio in 3 minutes.
- Shares revaluation profit or reserves in the new ratio.
- Credits goodwill premium in the old ratio instead of sacrificing ratio.
- Gets the direction wrong in the Revaluation Account.
- Cannot finish the full numerical with matching Balance Sheet totals.

WHEN TO WORRY — AND WHAT TO DO

If your child loses 4+ marks on the main admission numerical, they will struggle across the whole partnership unit (admission, retirement, dissolution all share this machinery). Daily practice of one full problem for 2 weeks is the proven fix.

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