concept no.

2 Calculation of New Profit-Sharing and Sacrificing Ratio

concept no.2

Calculation of New Profit-Sharing and Sacrificing Ratio



Sacrificing Ratio:

Whenever there is Admission of a partner, one or more of the existing partners have to surrender some of their old share in favor of one or more of other partners. The ratio of surrender of profit sharing ratio is called sacrificing ratio. It is calculated as follows :

Sacrificing Ratio = Old Ratio - New Ratio

New Ratio:

When a new partner is admitted, he acquires his share of profit from the old partners. This reduces the old partner's shares of profits, hence the calculation of new profit sharing ratio becomes necessary.

COMMERCE RAMA

concept no.2

Type 1 :

Following types of problems may arise for the calculation of new profit sharing ratios, at the time of admission of a new partner :

(1) When only the ratio of the new partner is given in the question, then in the absence of any other agreement, it is presumed that the old partners will continue to share the remaining profits in the same ratio in which they were sharing before the admission of the new partner.

Questions:

Q.1) A, B and C are partners in proportion of 3/6, 2/6 and 1/6 , and respectively. D was admitted in the firm as a new partner with 1/6th share. Calculate the new profit sharing ratios of the partners.

[Ans: The new profit sharing ratio of A, B, C and D will be = 15: 10: 5: 6]

COMMERCE RAMA

Q.2). A, B and C are partners sharing profits in the ratio of 5 : 4 : 3. D was admitted for 10% profits. Calculate the new profit sharing ratio.

[Ans: The new profit sharing ratio of A, B, C and D will be = 15: 12: 9: 4]

COMMERCE RAMA

concept no.2

Calculation of New Profit-Sharing and Sacrificing Ratio

Type 2 :

Sometimes 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 ascertained by deducting the sacrifice made by them from their existing share of profit.

Q.3) Ram and Shyam are partners sharing profits and losses in the ratio of 7 :5. They admit Gopi as a new partner for 1/6 th share, which he acquires equally from Ram and Shyam. Calculate the new profit sharing ratios of the partners.

[Ans: The new profit sharing ratio of Ram, Shyam and Gopi will be = 3: 2: 1]

COMMERCE RAMA

ELITE COMMERCE MINDS
COMMERCE RAMA

Q.4) A, B and C were partners in a firm sharing profits in the ratio of 3 : 2 : 1. They admitted D as a new partner for 1/8th share in the profits, which he acquired 1/16th from B and 1/16th from C.
Calculate the new profit sharing ratio of A, B, C and D.

[Ans: The new profit sharing ratio of A, B, C, and D will be = 24: 13: 5: 6]

COMMERCE RAMA

concept no.2

Calculation of New Profit-Sharing and Sacrificing Ratio

Type 3 :

Sometimes the new partner ‘purchases’ his share from the old partners in a 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.

Q.5) A and B are partners sharing profits in the ratio of 7 : 3. C was admitted with 3/7th share in the profits which he took 2/7th from A and 1/7th from B. Calculate new ratio of partners.

[Ans: The new profit sharing ratio of A, B and C will be 29 : 11 : 30.]

COMMERCE RAMA

Q.6) Ram and Shyam are partners in a firm sharing profits in the ratio of 7 : 5. Mohan is admitted on 1/6th share which he takes 1/24th from Ram and 1/8th from Shyam. Calculate new ratio of partners.

[Ans: The new profit sharing ratio of Ram, Shyam and Mohan will be 13 : 7 : 4.]

COMMERCE RAMA

concept no.2

Calculation of New Profit-Sharing and Sacrificing Ratio

Type 4 :

Sometimes the new partner ask for his share of profit from the old partner. 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.

Q.7) Mohan and Mahesh are partners in a firm sharing profits and losses in the ratio of 3 :2. Nusrat is admitted as partner with 1/4 share in profit. Nusrat takes his share from Mohan and Mahesh in the ratio of 2 : 1. Calculate new profit-sharing ratio.

[Ans.: New Profit-sharing Ratio—26 : 19: 15.]

COMMERCE RAMA

concept no.2

Calculation of New Profit-Sharing and Sacrificing Ratio

Q.8) P and Q were partners in a firm sharing profits in the ratio of 5 : 3. R was admitted for 1 /4th share in the profits, of which he took 75% from P and the remaining from Q. Calculate the sacrificing ratio of P and Q.
[Ans.: Sacrificing Ratio of P and Q—3 :1.]

COMMERCE RAMA

concept no.2

Calculation of New Profit-Sharing and Sacrificing Ratio

Type 5 :

When old partner surrender some part of their profit sharing ratio in respect to upcoming partner.

Q.9) Kabir and Farid are partners in a firm sharing profits and losses in the ratio of 7 : 3. Kabir surrenders 2/10th from his share and Farid surrenders 1/10th from his share in favour of Jyoti; the new partner. Calculate new profit-sharing ratio and sacrificing ratio.

[Ans.: New Profit-sharing Ratio—5:2: 3; Sacrificing Ratio—2: 1.]

COMMERCE RAMA

concept no.2

Calculation of New Profit-Sharing and Sacrificing Ratio

Q.10) Gautam and Yashica are partners sharing profits and losses in the ratio of 3 : 2. They admit Asma into partnership. Gautam gives 1/3rd of his share while Yashica gives 1/10th from his share to Asma. Calculate new profit-sharing ratio and sacrificing ratio.

[Ans.: New Profit-sharing Ratio—4 :3 :3; Sacrificing Ratio—2:1.]

COMMERCE RAMA

ELITE COMMERCE MINDS
COMMERCE RAMA

Calculation of New Profit-Sharing and Sacrificing Ratio

concept no.2

Type : Miscellaneous

Q.11) Mahi and Rajat were in partnership sharing profits and losses in the ratio of 4 : 3. They admitted Kripa as a new partner. Kripa brought ₹ 60,000 as her share of goodwill premium which was entirely credited to Mahi's Capital Account. On the date of admission, goodwill of the firm was valued at ₹ 4,20,000. Calculate the new profit-sharing ratio of Mahi, Rajat and Kripa.

[Ans.: New Ratio of Mahi, Rajat and Kripa =3:3:1.]

COMMERCE RAMA

ELITE COMMERCE MINDS
COMMERCE RAMA

Calculation of New Profit-Sharing and Sacrificing Ratio

concept no.2

Q.12) A, B, C and D are in partnership sharing profits and losses in the ratio of 36 : 24 : 20 : 20 respectively. E joins the partnership for 20% share and A, B, C and D in future would share profits among themselves as 3/10 : 4/10 : 2/10 : 1/10. Calculate new profit-sharing ratio after E's admission

[Ans.: New Profit-sharing Ratio of A, 6, C, D and E—6 :8 : 4 : 2 :5.]

COMMERCE RAMA

END OF CONCEPT NO-2

COMMERCE RAMA