ELITE COMMERCE MINDS
COMMERCE RAMA

Concept no.4

Raising and Writting off Goodwill

Sometimes, partners decide that on retirement of a partner Goodwill Account will be raised from the full value of Firm's Goodwill. In such a case, Goodwill Account will be first debited and all partner's Capital Accounts will be Credited in their old profit sharing ratio and then Goodwill Account will be written off immediately by debiting continuing partner's Capital Accounts in their new profit sharing ratio and by Crediting Goodwill Account.

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Concept no.4

Questions

Q.9) A, B and C are partners sharing profits in the ratio of 4 : 3 : 2 .A retired on 1st April 2023 on which date goodwill of the firm was valued at ₹ 1,80,000. B and C decided to share future profits in the ratio of 2 :1. Pass necessary journal entries by raising Goodwill Account.

[Ans. Goodwill is credited to old Partner's Capital a/c in old ratio of 4 : 3 : 2
Goodwill is Debited in Continuing Partner's Capital a/c in new ratio of 2 : 1 .]

COMMERCE RAMA

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Concept no.4

Questions

Q.10) A, B, C and D are partners sharing profits in the ratio of 3 : 4 : 3 : 2. On the retirement of C, the goodwill was valued at ₹ 6,00,000. A, B and D decided to share future profits equally. Pass the necessary journal entry for the treatment of goodwill by raising Goodwill Account.

[Ans. Goodwill is credited to old Partner's Capital a/c in old ratio of 3 : 4 : 3 : 2
Goodwill is Debited in Continuing Partner's Capital a/c in new ratio of 1 : 1 : 1 .]

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END OF CONCEPT.NO-4

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Concept no.

5 Revaluation of Assets and Reassessment of Liabilities