

ACCOUNTING FOR GOODWILL

When incoming partner brings cash for his share of Goodwill.

Cash Bank A/c Dr.
 To old Partner's Capital A/c

[In Sacrifice Ratio]

If incoming Partner fails to bring cash for Goodwill

Gaining Partner's capital A/c Dr.
 To Sacrificing Partner's capital A/c

Note: -

- (1) The above journal entry will be combined entry of Goodwill raised and Goodwill written off.
- (2) The above journal entry is also applicable in case of retirement and death.
- (3) If Goodwill appears in the old Balance Sheet, it should be written off to old Partner's capital A/c in old ratio

Old Partner's Capital A/c Dr.
 To Goodwill A/c

[In Old Ratio]

ADMISSION OF PARTNER**(1) When incoming partner brings cash for Goodwill.**

X & Y are partners sharing profits & loses equally.

They admit z with equal share. Z brings ₹ 10,000.

Cash for his share of Goodwill.

Cash A/c	Dr.	10,000
To X's capital A/c		5,000
To Y's capital A/c		5,000

(2) If incoming Partners fails to Brings Cash for Goodwill.

Z's Capital A/c	Dr.	10,000
To X's capital A/c		5,000
To Y's capital A/c		5,000

[Combined entry for Goodwill raised & Goodwill w/off]

(3) If Old B/s show's Goodwill of ₹ 7,000.

X's Capital A/c	Dr.	3,500
Y's capital A/c		3,500
To Goodwill A/c		7,000

Retirement / Death of Partner

(1) X,Y & Z are partners sharing equally. Z retires & Goodwill of firm is fixed at ₹ 30,000.

X's Capital A/c	Dr.	5,000
Y's Capital A/c	Dr.	5,000
To Z's capital A/c		10,000

[combined entry for Goodwill raised & w/off]