concept no.5

Reserves, Accumulated Profits and Losses

(i) For Transfer of Reserves and Accumulated Profits :

Reserve A/c	Dr.	
Profit & Loss A/c	Dr.	
Workmen's Compensation Reserve A/c	Dr.	(Excess of Reserve over Actual Liability)
Investment Fluctuation Reserve A/c	Dr.	(Excess of Reserve over difference between Book value and Market value)
To Old Partner's Capital or Current A/cs (in Old Ratio)		

(ii) For Transfer of Reserves and Accumulated Profits :

Old Partner's Capital or Current A/cs	Dr.	(in Old Ratio)
To Profit & Loss A/c		
To Deferred Revenue Expenditure A/c		(for example Advertisement Suspense A/c)

concept no.5

Questions

Q.1). X, Y and Z are partners sharing profits in the ratio of 4 : 3 : 2. From April 1, 2023, they decided to share the profits equally. On that date their books showed the following items :

	₹
Profit & Loss Account (Cr.)	1,20,000
General Reserve	45,000
Workmen Compensation Reserve	60,000
Advertisement Suspense Account (Dr.)	90,000

Record the necessary Journal entries.

[Ans. (i) Dr. Profit & Loss A/c by ₹1,20,000, General Reserve A/c by ₹45,00 and Workmen Compensation Reserve A/c ₹60,000 and Credit X, Y and Z in 4 : 3 : 2, (ii) Dr. X, Y and Z in 4 : 3 : 2 and Credit Advertisement Suspense A/c by ₹90,000.]

COMMERCE RAMA

concept no.5

Questions

Q.2). Babita, Kavita and Dinesh were partners in a firm. From 1st April, 2024 they decided to share the profits in the ratio of 2 : 3 : 5. On this date the Balance Sheet of the firm showed a balance of ₹60,000 in Contingency Reserve and debit balance of ₹ 1,20,000 in Profit and Loss Account. The Goodwill of the firm was valued at ₹3,60,000.Pass necessary journal entries for the above transactions in the books of the firm. Also show your workings clearly.

Ans. Babita has sacrificed $\frac{4}{30}$, Kavita has sacrificed $\frac{1}{30}$ and Dinesh has gained $\frac{5}{30}$ (i) Dr. Contingency Reserve A/c by ₹60,000 and Credit Babita, Kavita and Dinesh

equally, (ii) Dr. Babita, Kavita and Dinesh equally and Credit Profit and Loss A/c by ₹1,20,000. (iii) Dr. Dinesh's Capital A/c by ₹60,000 and Babita's Capital A/c by ₹48,000 and Kavita's Capital A/c ₹ 12,000]

COMMERCE RAMA

END OF CONCEPT NO-5

COMMERCE RAMA

concept no.

6 Revaluation of Assets and Reassessment of Liabilities