concept no.7

Partner's capital a/c

Dr. **Partner's Capital Account** **Cr.**

Particulars	X (₹)	Y (₹)	Z (₹)	Particulars	X (₹)	Y (₹)	Z (₹)
To Drawings A/c	XXX	XXX	-	By Balance b/d	XXX	XXX	-
To Revaluation A/c (if loss)	XXX	XXX	-	By Cash/Bank	-	-	XXX
To Accumulated Loss & Deferred Expenditure	XXX	XXX	-	(Capital brought in by new partner)			
To Cash/Bank	XXX	XXX	-	By Premium for Goodwill	XXX	XXX	-
(Adjustment of Capital)				By Revaluation A/c (if profit)	XXX	XXX	-
				By Accumulated Reserves and Profits	XXX	XXX	-
				By Cash/ Bank			
To Balance c/d*	XXX	XXX	XXX	(Adjustment of Capital)	XXX	XXX	-
Total	**XXX**	**XXX**	**XXX**	**Total**	**XXX**	**XXX**	**XXX**

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Partner's capital a/c

Q.1). X and Y are partners sharing profits and losses in the ratio of 4 : 3. Their Balance Sheet as at 31 st March, 2024 stood as follows :

Liabilities		₹	Assets	₹
Sundry Creditors		28,000	Fixed Assets	1,50,000
General Reserve		42,000	Stock	1,40,000
Capitals:			Debtors	1,20,000
X	2,40,000		Bank	20,000
Y	1,20,000	3,60,000		
		4,30,000		4,30,000

They decided that with effect from 1st April, 2024, they will share profits and losses in the ratio of 2 : 1. For this purpose they decided that:

(i) Fixed assets are to be depreciated by 10%.

(ii) A provision of 6% be made on debtors for doubtful debts.

(iii) Stock be valued at ₹ 1,90,000.

(iv) An amount of ₹3,700 included in creditors is not likely to be claimed.

Partners decided to record the revised values in the books. However, they do not want to disturb the reserves. You are required to prepare journal entries and capital accounts of the partners.

[Ans. Profit on Revaluation ₹31,500; Adjustment for Reserve : Dr. X by ₹4,000 and Cr. Y by ₹4,000; Capitals X ₹2,54,000 and Y ₹ 1,37,500]

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When revised values are not to be recorded in the books :

Q.2) Brijesh, Charu and Dilip are partners sharing profits and losses in the ratio of 3:2: 1. Their balance sheet as at 31st March, 2024 was as follows :

Liabilities		₹	Assets		₹
Creditors		87,000	Cash		30,000
Reserves		42,000	Debtors	62,000	
Profit & Loss A/c (Profits)		21,000	Less: Provision for		
Capital Accounts :			doubtful debts	2,000	60,000
Brijesh	3,00,000		Stock		1,80,000
Charu	3,00,000		Furniture		30,000
Dilip	50,000	6,50,000	Plant		2,00,000
			Building		3,00,000
		8,00,000			8,00,000

The partners agreed that from 1st April, 2024 they will share profits and losses in the ratio of 4 : 4 : 1. They agreed that:

(i) Stock is to be valued at 20% less.(ii) Provision for doubtful debts to be increased by ₹ 1,500.

(iii) Furniture is to be depreciated by 20% and plant by 15%.(iv) ₹3,500 are outstanding for salaries.

(v) Building is to be valued at ₹3,50,000.(vi) Goodwill is valued at ₹45,000.

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Partners do not want to record the altered values of assets and liabilities in the books and want to leave the reserves and profits undisturbed. You are required to pass a single journal entry to give effect to the above.

[Ans. Credit Brijesh and Dilip by ₹4,500 each and Debit Charu by ₹9,000]

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END OF CONCEPT NO-7

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CHAPTER-3 CHANGE IN PROFIT-SHARING RATIO AMONG THE EXISTING PARTNERS

concept no.

8 Preparation of Balance Sheet