concept no.

5 Preparation of Revaluation Account, Partners' Capital Accounts and Balance Sheet

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Preparation of Revaluation Account, Partners' Capital Accounts and Balance Sheet

Dr.	Revaluation A/C		Cr.
Particulars	**Amt**	**Particulars**	**Amt**
Decrease in value of Assets	-	Increase in value of Assets	-
Increase in value of Liabilities	-	Decrease in value of Liabilities	-
Unrecorded liabilities	-	Unrecorded Assets	-
Profit on revaluation (transferred to the partners' capital account in their profit sharing ratio)	-	Loss on revaluation (transferred to the partners' capital account in their profit sharing ratio)	-
Total	-	**Total**	-

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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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Questions

Q.1). A and B were in partnership sharing profits and losses in the ratio of 3 : 1. On 1st April, 2023 they admit C as a partner on the following terms :

(a) That C brings ₹ 1,00,000 as his capital and ₹50,000 for goodwill, half of which to be withdrawn by A and B.

(b) That the value of land and buildings to be appreciated by 15 per cent and that of stocks and machinery & fixtures to be reduced by 7 and 5 per cent respectively.

(c) That provision for doubtful debts be made at 5 per cent.(d) That ₹ 15,000 be provided for an unforeseen liability.

(e) That C to be given 1/5th share and the profit sharing ratio between A and B to remain the same.

(f) That ₹11,000 is to be received as commission, hence to be accounted for.

The Balance Sheet of the old partnership as at 31 st March, 2023 stood as :

Liabilities		₹	Assets	₹
Sundry Creditors		3,50,000	Cash in hand	40,000
Capital Accounts :			Book Debts	2,00,000
A	4,00,000		Stock	1,80,000
B	2,00,000	6,00,000	Machinery & Fixtures	2,00,000
			Land & Building	3,30,000
		9,50,000		9,50,000

Give necessary ledger accounts.

[Ans. Profit on revaluation ₹ 12,900; Capital accounts A ₹4,28,425,B ₹2,09,475, C ₹ 1,00,000, Cash Balance ₹ 1,65,000.]

concept no.5

Questions

Q.2). X and Yare partners in a firm sharing profits and losses in the ratio of 5 : 3. On 31 st March, 2023, their Balance Sheet was as under :

Liabilities		₹	Assets	₹
Creditors		50,000	Bank	29,000
Provident Fund		15,000	Debtors	1,80,000
Workmen's Compensation			Stock	1,25,000
Reserve		40,000	Premises	1,50,000
Capitals A/cs :			Advertisement Expenses	16,000
X	2,60,000			
Y	1,35,000	3,95,000		
		5,00,000		5,00,000

On 1st April, 2023, Z is admitted as a partner. A surrenders 1/4th of his share and Y 1/3rd of his share in favor of Z. Goodwill is valued at ₹ 1,60,000. Z brings his share of goodwill in cash and ₹ 1,50,000 as his capital. Following terms are agreed upon :

(i) Premises is to be increased to ₹2,00,000 and stock by ₹5,000.

(ii) Creditors proved at ₹60,000, one bill for goods purchased having been omitted from the books.

(iii) Outstanding rent amounted to ₹ 12,000 and prepaid salaries ₹2,000.

(iv) Liability on account of provident fund was only ₹ 10,000.(v) Liability for Workmen's Compensation Claim was ₹ 16,000.

Prepare Revaluation A/c, Capital A/cs and the opening Balance Sheet. Also calculate the new profit sharing ratios.

[ANS. Profit on Revaluation ₹40,000; Capital A/cs X ₹3,15,000; Y ₹ 1,73,000 and Z ₹ 1,50,000; B/S Total ₹7,36,000; Sacrificing Ratio 5 : 4 New Ratios 15 : 8 : 9.]

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Questions

Q.3). On 31st March 2023, the Balance Sheet of A and B, who were sharing profits in the ratio of 3 : 2 was as follows :

Liabilities		₹	Assets		₹
Sundry Creditors		2,50,000	Stock		4,50,000
Investment Fluctuation Reserve		50,000	Debtors	7,50,000	
			Less: Provision	30,000	7,20,000
Capitals:			Fixed Assets		6,00,000
A	10,00,000		Investments		2,00,000
B	8,00,000	18,00,000	Cash at Bank		1,30,000
		21,00,000			21,00,000

They decide to admit C as a partner. A sacrifices 2/15th from his share while B sacrifices 1/6th of his share in favour of C.
The following adjustments were agreed upon :
(i) C shall bring ₹ 1,50,000 as his share of goodwill premium and capital.₹4,93,000
(ii) Stock was undervalued by 10% and Plant and Machinery was overvalued by 20%.
(iii) Market value of investments is ₹2,20,000.
(iv) Debtors to the extent of ₹ 10,000 were unrecorded.
(v) 5% provision for doubtful debts is required on sundry debtors.
Prepare Revaluation Account, Partner's Capital Accounts and the Balance Sheet of the reconstituted firm.
[Ans. Loss on Revaluation ₹28,000; Capital Accounts A ₹ 11,13,200; B ₹8,58,800 and C ₹4,93,000; Balance Sheet Total ₹27,15,000.]

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