concept no.7

# Revaluation Account, Partners' Capital Accounts & B/s

| 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** |

# Concept no.7

**Questions**

**Q.17)**. Following is the Balance Sheet of A, B and C as at 31st March, 2023. They shared profits in the ratio of 2 : 2 : 1.

| Liabilities | | ₹ | Assets | | ₹ |
|---|---|---|---|---|---|
| Sundry Creditors | | 5,00,000 | Stock | | 3,40,000 |
| General Reserve | | 2,50,000 | Debtors | 6,00,00 | |
| Partner's Loan a/c: | | | Less: Provision for | | |
| B | 1,80,000 | | Doubtful debts | 25,000 | 5,75,000 |
| C | 1,20,000 | 3,00,000 | Cash at Bank | | 10,000 |
| Capitals: | | | Land & Buildings | | 10,00,000 |
| A | 5,00,000 | | Advertisement Suspense | | 60,000 |
| B | 3,00,000 | | Profit and Loss A/c | | 15,000 |
| C | 1,50,000 | 9,50,000 | | | |
| | | 20,00,000 | | | 20,00,000 |

B retires on 1st April, 2023 on the following terms :

(i) Stock is overvalued by ₹20,000 and land & buildings are undervalued by ₹ 1,00,000.

(ii) Provision for doubtful debts is to be increased to ₹3 0,000.

(iii) Old credit balances of Sundry Creditors ₹40,000 be written off.

(iv) A computer purchased on 1st October, 2022 for ₹ 50,000 debited to Office Expenses Account is to be brought into account charging depreciation @ 20% p.a.

(v) Goodwill of the firm is valued at ₹ 1,50,000 and the amount due to B be adjusted in the capital accounts of A and C.

Prepare the Revaluation Account.

**[Ans. Profit on revaluation = ₹1,60,000 ;Closing Balance of A & C Capital a/c are ₹5,94,000 & ₹1,97,000 respectively ;B's Loan a/c ₹6,74,000 and BS Total ₹20,45,000 .]**

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# Concept no.7

**Questions**

**Q.18)**. X. Y and Z are partners in a firm sharing profits and losses equally. The balance sheet of the firm as at 31st March, 2023 stood as follows :

| Liabilities | | ₹ | Assets | ₹ |
|---|---|---|---|---|
| Creditors | | 1,09,000 | Cash in Hand and Cash at Bank | 86,000 |
| General Reserve | | 60,000 | Debtors | 2,00,000 |
| Provident Fund | | 20,000 | Stock | 1,00,000 |
| Capitals : | | | Investments (at cost) | 50,000 |
| X | 3,00,000 | | Freehold Property | 4,00,000 |
| Y | 2,00,000 | | Trade Marks | 20,000 |
| Z | 2,00,000 | 7,00,000 | Goodwill | 33,000 |
| | | 8,89,000 | | 8,89,000 |

Z retires on 1st April, 2023 subject to the following adjustments :
(i) Freehold Property be valued at ₹5,80,000.
(ii) Investments be valued at ₹47,000; and stocks be valued at ₹94,000;
(iii) A provision of 5% be made for doubtful debts.
(iv) Trade Marks are valueless.
(v) An item of ₹ 12,000 included in creditors is not likely to be claimed.
(vi) Goodwill be valued at one year's purchase of the average profit of the past three years.
Profits ending 31st March were : 2021 ₹ 1,20,000; 2022 ₹ 1,00,000 and 2023 ₹95,000.
Give necessary accounts and the balance sheet of the remaining partners.
**[Ans. Profit on Revaluation ₹ 1,53,000; Z's Loan A/c ₹2,95,000; Capitals X ₹3,42,500; Y ₹2,42,500; B/S total ₹9,97,000]**

COMMERCE RAMA

# Concept no.7

**Questions**

**Q.19)**. P, Q and R were partners in a firm sharing profits in the ratio of 2 : 3 : 5. On 31-3-2024 their Balance Sheet was as follows :

| Liabilities | | ₹ | Assets | | ₹ |
|---|---|---|---|---|---|
| Creditors | | 70,000 | Bank | | 45,000 |
| Capital Accounts : | | | Debtors | 40,000 | |
| P | 80,000 | | Less: Provision for | | |
| Q | 70,000 | | Doubtful Debts | 5,000 | 35,000 |
| R | 60,000 | 2,10,000 | Stock | | 50,000 |
| | | | Building | | 1,40,000 |
| | | | Profit and Loss A/c | | 10,000 |
| | | 2,80,000 | | | 2,80,000 |

On the above date R retired from the firm due to his illness on the following terms:
(i) Building was to be depreciated by ₹40,000.
(ii) Provision for doubtful debts was to be maintained at 20% on debtors.
(iii) Salary outstanding ₹5,000 was to be recorded and creditors ₹4,000 will not be claimed.
(iv) Goodwill of the firm was valued at ₹72,000.
(v) R was to be paid ₹ 15,000 in cash, through bank and the balance was to be transferred to his loan account.Prepare Revaluation Account, Partner's Capital Accounts and the Balance Sheet of P and Q after R's retirement.
**[Ans. Loss on Revaluation ₹44,000; R's Loan A/c ₹54,000; Capital Accounts: P ₹ 54,800 and Q ₹32,200; B/S Total ₹2,12,000.]**

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# END OF CONCEPT.NO-7

Concept no.

# 8 Settlement of Loan Account of the Retiring Partner