

21 Journal Entries

Revaluation A/c	Dr..	17500	(3.5L X 5/100)
	To Buildings A/c		17500
Machinery A/c	Dr..	12000	(2.4L X 5/100)
	To Revaluation A/c		12000
Revaluation A/c	Dr..	2500	(50K X 5/100)
	To Prov for Doubtful Debts A/c		2500
Motor Cycle A/c	Dr..	20000	
	To Revaluation A/c		20000
(Unrecorded Asset now recorded in books of accounts)			
Sundry Creditors A/c	Dr..	10000	
	To Revaluation A/c		10000
Revaluation A/c	Dr..	5000	
	To Naval Capital A/c		5000
(Expenses of Reconstitution)			
Revaluation A/c	Dr..	17000	
	To Karim Capital A/c		8500
	To Rehman Capital A/c		5100
	To Navel Capital A/c		3400
(Revaluation Profits transferred to partners Capital A/c)			

Rehman Capital A/c	Dr..	10000.00	
Naval Capital A/c	Dr..	40000.00	
	To Karum Capital A/c		50000.00

(Goodwill adjusted through partner Capital A/c)

General Reserve A/c	Dr..	60000.00	
	To Karim Capital A/c		30000.00
	To Rehman Capital A/c		18000.00
	To Navel Capital A/c		12000.00

(General Reserve transferred to partner capital A/c)

Investment Fluctuation Reserve A/c	Dr..	30000.00	
	To Investment A/c		10000.00
	To Karim Capital A/c		10000.00
	To Rehman Capital A/c		6000.00
	To Navel Capital A/c		4000.00

(Investment Fluctuation Reserve transferred to partner capital A/c)

Karim Capital A/c	Dr..	2500.00	
Rehman Capital A/c	Dr..	1500.00	
Navel Capital A/c	Dr..	1000.00	
	To Advertisement Suspense A/c		5000.00

Revaluation A/c

Revaluation A/c			
Particulars	Amount	Particulars	Amount

To Building A/c	17500	By Machinery A/c	12000
To Prov for Doubtful Debts	2500	By Motor Cycle A/c	20000
To Naval Capital A/c	5000	By Sundry Creditors	10000
To Profits Transferred :			
Karim Cap A/c	8500		
Rehman Cap A/c	5100		
Navel Cap A/c	3400	17000	17000
Total	<u>42000</u>		<u>42000</u>

Working Note :

Valuation of goodwill

2019	250000
2020	250000
2021	-50000
Total	450000
Average	150000
No of Years Purchase	2
Goodwill	300000

Calculation of Sacrificing/Gaining Ratio

Old Ratio	Karim	Rehman	Naval	Total
	5	3	2	10

New ratio	Karim	Rehman	Naval	Total
	1	1	1	3

Gain/Sacrifice	Karim	Rehman	Naval	Total
	1/6	- 1/30	- 2/15	0

Sacrifice Gain Gain

22	Asset/Liability	Book Value	Revised Value	Gain	Loss
	Machinery	250000	300000	50000	
	Computers	200000	175000		25000
	Sundry Creditors	90000	75000	15000	
	Outstanding Expenses	15000	25000		10000
			Total	65000	35000
			Net Gain		30000

Calculation of Sacrificing/Gaining Ratio

Old Ratio	A	B	C	Total
	2	2	1	5

New ratio	A	B	C	Total
	5	3	2	10

Gain/Sacrifice	A	B	C	Total
	- 1/10	1/10	0	0

Gain Sacrifice

Journal Entry

A's Capital A/c	Dr..	3000.00	
	To B's Capital A/c		3000.00

(Revaluation Gain adjusted through partners Capital A/c)

23 Calculation of Sacrificing/Gaining Ratio

Old Ratio	Hari	Kunal	Uma	Total
	5	3	2	10

New ratio	Hari	Kunal	Uma	Total
	2	5	3	10

Gain/Sacrifice	Hari	Kunal	Uma	Total
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3/10	-	1/5	-	1/10	0
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Sacrifice Gain Gain

Journal Entries

Kunal Capital A/c	Dr..	60000.00		(300000 X 1/5)
Uma Capital A/c	Dr..	30000.00		(300000 X 1/10)
	To Hari Capital A/c		90000.00	(300000 X 3/10)

(Goodwill adjusted on reconstitution through partner capital A/c)

Investment Fluctuation Fund A/c	Dr..	15000		
	To Investment A/c		15000	

(Fall in value of investment adjusted through investment fluctuation fund)

Profit and Loss A/c	Dr..	75000		
	To Hari Capital A/c		37500	
	To Kunal Capital A/c		22500	
	To Uma Capital A/c		15000	

(Balance in Profit and Loss A/c transferred to partner capital A/c)

Revaluation A/c	Dr..	5000		
	To Stock A/c		5000	

(Value of stock depreciated and transferred to revaluation A/c)

Hari Capital A/c	Dr..	2500		
Kunal Capital A/c	Dr..	1500		
Uma Capital A/c	Dr..	1000		
	To Revaluation A/c		5000	

(Loss on revaluation transferred to partner capital A/c)

24

Revaluation A/c			
Particulars	Amount	Particulars	Amount
To Building A/c	3000	By Land A/c	30000
		By Creditors A/c	6000
To Profits Transferred :			
A Cap A/c	16500		
B Cap A/c	11000		
C Cap A/c	5500	33000	33000
Total	<u>36000</u>		<u>36000</u>

Partners Capital A/c							
Particulars	A	B	C	Particulars	A	B	C
To A's Capital A/c - Goodwill			25000.00	By Balance B/d	100000	50000	25000
				By C's Capital A/c - Goodwill	25000.00		
				By Revaluation A/c	16500	11000	5500
				By General Reserve A/c	15000	10000	5000
To Balance C/d	156500	71000	10500				
Total	<u>156500</u>	<u>71000</u>	<u>35500</u>	Total	<u>156500</u>	<u>71000</u>	<u>35500</u>

Balance Sheet			
Liabilities	Amount	Assets	Amount

To A's Capital A/c

25000.00

25 **Valuation of Goodwill**

2019	7500
2020	4000
2021	6500
Total	18000
Average Profits	6000
No of Years Purchase	2
Goodwill	12000

Calculation of Sacrificing/Gaining Ratio

Old Ratio	X	Y	Total
	5	3	8

New ratio	X	Y	Total
	3	5	8

Gain/Sacrifice	X	Y	Total
	1/4	- 1/4	0

Sacrifice Gain

Journal Entry for Goodwill

Y's Capital A/c	Dr..	3000.00	
To X's Capital A/c			3000.00

Revaluation A/c

Revaluation A/c			
Particulars	Amount	Particulars	Amount
		By Machinery A/c	7000
		By Stock	1000
To Profits Transferred :			
X Cap A/c	5000		
Y Cap A/c	3000		
			8000
Total	<u>0</u>		<u>8000</u>

Journal Entry for Workmen Compensation Reserve

Workmen Compensation Reserve A/c	Dr..	10000	
To Workment Compensation Claim A/c			6000
To X's Capital A/c			2500
To Y's Capital A/c			1500

(Workmen Compensation Reserve transferred to claim A/c and balance to capital A/c)

Partners Capital A/c					
Particulars	X	Y	Particulars	X	Y
To X's Capital A/c-Goodwill		3000.00	By Balance B/d	52000	54000
To Goodwill	5000	3000	By Y's Capital A/c-Goodwill	3000.00	
To Advertisement Suspense A/c	500	300	By Revaluation A/c	5000	3000
			By Workmen Compensation Reserve A/c	2500	1500
			By General Reserve A/c	3000	1800
To Balance C/d	60000	54000			
Total	<u>65500</u>	<u>60300</u>	Total	<u>65500</u>	<u>60300</u>

Balance Sheet					
Liabilities	Amount	Assets	Amount		
Employees Provident Fund	1000	Machinery	45000		
Sundry Creditors	5000	Furniture	15000		
Workmen Compensation Claim	6000	Sundry Debtors	33000		
Capital A/c		Stock	8000		
X	60000	Bank	25000		
Y	54000				
Total	<u>126000</u>		<u>126000</u>		

26

Revaluation A/c			
Particulars	Amount	Particulars	Amount
To Workmen Compensation Claim	30000		

By Loss Transferred :

Ram Capital A/c	12000	
Mohan Capital A/c	9000	
Sohan Capital A/c	6000	
Hari Capital A/c	3000	30000

Total	0	30000
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Calculation of Sacrificing/Gaining Ratio

Old Ratio	Ram	Mohan	Sohan	Hari	Total
	4	3	2	1	10

New ratio	Ram	Mohan	Sohan	Hari	Total
	1	2	3	4	10

Gain/Sacrifice	Ram	Mohan	Sohan	Hari	Total
	3/10	1/10	- 1/10	- 3/10	0

Sacrifice Sacrifice Gain Gain

Value of Goodwill**180000****Journal Entry for Goodwill**

Sohan's Capital A/c	Dr..	18000.00
Hari's Capital A/c	Dr..	54000.00

Ram's Capital A/c	54000.00
Mohan's Capital A/c	18000.00

Partners Capital A/c

Partners Capital A/c									
Particulars &	Ram	Mohan	Sohan	Hari	Particulars	Ram	Mohan	Sohan	Hari
			18000.00	54000.00	By Balance B/d	400000	450000	250000	200000
(Goodwill)					By Sohan's & Hari's Capital	54000.00	18000.00		
To Revaluation A/c	12000	9000	6000	3000	(Goodwill)				
To Balance C/d	442000	459000	226000	143000					
Total	454000	468000	250000	200000	Total	454000	468000	250000	200000
To Ram Current A/c	315000				By Balance B/d	442000	459000	226000	143000
To Mohan Current A/c		205000			By Sohan Current A/c			155000	
					By Hari Current A/c				365000
To Balance C/d	127000	254000	381000	508000					
Total	442000	459000	381000	508000	Total	442000	459000	381000	508000

Total Capital of the new firm

	Ram	Mohan	Sohan	Hari	Total
Old Capital	442000	459000	226000	143000	1270000
New Profit Ratio	1	2	3	4	10

New Capital	127000	254000	381000	508000	1270000
Capital A/c	315000	205000	-155000	-365000	
	Dr	Dr	Cr	Cr	
Current A/c	Cr	Cr	Dr	Dr	

Balance Sheet					
Liabilities	Amount		Assets	Amount	
Capital A/c			Fixed Assets		900000
Ram	127000		Current Assets		520000
Mohan	254000		Current A/c		
Sohan	381000		Sohan		155000
Hari	508000	1270000	Hari		365000
Current A/c					
Ram	315000				
Mohan	205000	520000			
Workmen Compensation Claim		150000			
Total		<u>1940000</u>			<u>1940000</u>

27

Revaluation A/c			
Particulars	Amount	Particulars	Amount
To Workmen Compensation Claim	25000		
To Fixed Assets	60000		
		By Loss Transferred :	

Ganesh's Capital A/c

4500.00

Partners Capital A/c

Partners Capital A/c									
Particulars	Suresh	Ramesh	Mahesh	Ganesh	Particulars	Suresh	Ramesh	Mahesh	Ganesh
Mahesh'	4500.00	4500.00			By Balance B/d	100000	150000	200000	250000
(Goodwill)					By Suresh's & Ramesh's Capital			4500.00	4500.00
To Revaluation A/c	17000	17000	25500	25500	(Goodwill)				
To Balance C/d	78500	128500	179000	229000					
Total	100000	150000	204500	254500	Total	100000	150000	204500	254500
To Cash			25250	75250	By Balance B/d	78500	128500	179000	229000
					By Cash	75250	25250		
To Balance C/d	153750	153750	153750	153750					
Total	153750	153750	179000	229000	Total	153750	153750	179000	229000

Total Capital of the new firm

	Suresh	Ramesh	Mahesh	Ganesh	Total
Old Capital	78500	128500	179000	229000	615000
New Profit Ratio	1	1	1	1	4
New Capital	153750	153750	153750	153750	615000

Capital A/c	75250	25250	25250	75250
	Cr	Cr	Dr	Dr

Balance Sheet				
Liabilities		Amount	Assets	Amount
Capital A/c			Fixed Assets	540000
Suresh		153750	Current Assets	345000
Ramesh		153750		
Mahesh		153750		
Ganesh		153750		
		615000		
Sundry Creditors		170000		
Workmen Compensation Claim		100000		
Total		<u>885000</u>		<u>885000</u>

0

Working Note :

Balance in Current Assets

Balance B/d	345000
Add - Cash brought by Suresh	75250
Add - Cash brought by Ramesh	25250
Less - Cash Withdrawn by Mahesh	25250
Less - Cash Withdrawn by Ganesh	75250

Balance

345000

