

41 Revaluation A/c Dr.. 9000
 To Unrecorded Liability A/c 9000

Note :

**No entry to be made for settlement of unrecorded liability against unrecorded asset
 (Out of unrecorded liability of Rs 18000, Rs 9000 settled through unrecorded asset - No entry passed for the same)
 (Balance Rs 9000 unrecorded liability the above entry is passed)**

Manohar Capital A/c Dr.. 4050 **(9000/2)*0.9**
 To Revaluation A/c 4050
4950 Loss

Ram Capital A/c Dr.. 1650
 Manohar Capital A/c Dr.. 1650
 Joshi Capital A/c Dr.. 1650
 To Revaluation A/c 4950 **(Loss on Revaluation)** (9000-4050)

Manohar Capital A/c Dr.. 174300 (180000-4050-1650)
 To Bank A/c 174300

Revaluation A/c			
Particulars	Amount	Particulars	Amount
To Unrecorded Liability	9000	By Furniture A/c	4050

Calculation of new capital

X	$210000 \times \frac{3}{4}$	157500
Z	$210000 \times \frac{1}{4}$	52500

Thus X to bring in Rs 12500 and Z to withdraw Rs 10500

Note :

Old ratio is required only to find the new ratio

43

Goodwill

Total Goodwill of the firm 300000

Monika Retired

Monika's share in Goodwill 120000 $(300000 \times \frac{2}{5})$

Old Profit Sharing Ratio

Lisa	Monika	Nisha	Total
2	2	1	5

New Profit sharing ratio

Lisa	Nisha	Total
2	1	3

(Same as mutual old ratio)

Gaining ratio = New ratio - old ratio

**** Though no need to calculate, it will be same**

Lisa's gaining ratio

$\frac{3}{5} - \frac{3}{6}$	$\frac{4}{15}$
$\frac{2}{5} - \frac{2}{6}$	$\frac{2}{15}$

Nisha's Gaining Ratio

To Monika's Capital A/c-G/W	80000		40000	By Lisa's Capital A/c		80000	
To Stock A/c		500000		By Nisha's Capital A/c		40000	
				By Lisa Current A/c	440000		
				By Nisha Current A/c			560000
To Monika's Loan A/c		1060000					
To Balance c/d	1800000		900000				
Total	1880000	1560000	940000	Total	1880000	1560000	940000

Balance Sheet

Liabilities	Amount	Assets	Amount
Trade Creditors	160000	Land and Building	1240000 (1000000+240000)
Bills Payable	244000	Machinery	1080000 (1200000 - 120000)
Employees Provident Fund	76000	Stock	500000 (1000000-500000)
Monika's Loan A/c	1060000	Sundry Debtors	400000
Lisa's Capital A/c	1800000	Less - Prov	20000
Nisha's Capital A/c	900000	Bank	40000
		Lisa Current A/c	440000
		Nisha Current A/c	560000
	<u>4240000</u>		<u>4240000</u>

0

Working Note :
 2700000 X 2/3
 2700000 X 1/3

Total Capital of the new firm 2700000

	New	Adjusted	Difference
Lisa Share	1800000	1360000	440000 (Cr Capital A/c) (Dr Current A/c)
Nisha Share	900000	340000	560000 (Cr Capital A/c) (Dr Current A/c)
	2700000	1700000	

44

Goodwill

Total Goodwill of the firm 18000

B Retired

B's share in Goodwill 6000

Old Profit Sharing Ratio

A	B	C
3	2	1

New Profit sharing ratio

A	C
3	1

Gaining ratio = New ratio - old ratio

A's gaining ratio

$\frac{3}{4} - \frac{3}{6}$	$\frac{1}{4}$
-----------------------------	---------------

C's Gaining Ratio

$\frac{1}{4} - \frac{1}{6}$	$\frac{1}{12}$
-----------------------------	----------------

Final Gaining Ratio

A	C	Total
3	1	4

A Contribute

4500

C Contribute

1500

Revaluation A/c

Particulars	Amount	Particulars	Amount
To Prov for Doubtful Debts	300	By Prepaid Insurance	1000
To Machinery	1200	By Freehold Premises	5000
To Workmen Comp Liab	1500		
To Profit on Revaluation :			
To A's Capital A/c	1500		
To B's Capital A/c	1000		
To C's Capital A/c	500		
			-3000
	<u>6000</u>		<u>6000</u>

Partners Capital A/c

Particulars	A	B	C	Particulars	A	B	C
				By Balance B/d	45000	30000	15000
				By Revaluation A/c-Profit	1500	1000	500
To B's Capital A/c	4500		1500	By A's Capital A/c		4500	
				By C's Capital A/c		1500	
To Bank A/c		5000		By Bank A/c	3000		1000
To B's Loan A/c		32000					

To Balance c/d	45000		15000
Total	49500	37000	16500

Total

49500	37000	16500

Capital Adjustment

Total Capital of the firm : 60000

		New Adjusted	Difference	
A	45000	42000	3000	(Cash In)
C	15000	14000	1000	(Cash In)

Balance Sheet

Liabilities	Amount	Assets	Amount
Creditors	10800	Cash at Bank	12000
Claim for Workmen Compensation	1500	Debtors	10000
Bills Payable	5000	Less - Prov	500
B's Loan A/c	32000	Stock	9000
A's Capital A/c	45000	Machinery	22800
C's Capital A/c	15000	Freehold Premises	55000
		Prepaid Insurance	1000
	<u>109300</u>		<u>109300</u>

Bank A/c

Particulars	Amount	Particulars	Amount
To Balance B/d	13000	By B's Capital	5000
To A's Capital	3000	To Balance C/d	12000
To C's Capital	1000		
Total	17000	Total	17000

45

Goodwill

Total Goodwill of the firm 36000

Y Retired

Y's share in Goodwill 12000

Old Profit Sharing Ratio

X	Y	Z
90000	60000	30000
3	2	1

New Profit sharing ratio

X	Z	Total
3	1	4

Gaining ratio = New ratio - old ratio

X's gaining ratio

$\frac{3}{4} - \frac{3}{6}$	$\frac{1}{4}$
-----------------------------	---------------

Z's Gaining Ratio

$\frac{1}{4} - \frac{1}{6}$	$\frac{1}{12}$
-----------------------------	----------------

Final Gaining Ratio

X	Z	Total
3	1	4

To Bank A/c		9000	
To B's Loan A/c		68600	
To Balance c/d	90000		30000
Total	99000	77600	33000

By Bank A/c	600		200
Total	99000	77600	33000

Capital Adjustment

Total Capital of the firm : 120000

		New Adjusted	Difference	
X	90000	89400	600	(Cash In)
Z	30000	29800	200	(Cash In)

Balance Sheet

Liabilities	Amount	Assets	Amount
Sundry Creditors	14100	Cash at Bank	6800
		Debtors	21000
		Less - Prov	2100
Y's Loan A/c	68600	Stock	19000
X's Capital A/c	90000	Machinery	58000
Z's Capital A/c	30000	Building	100000
	<u>202700</u>		<u>202700</u>

0

Bank A/c			
Particulars	Amount	Particulars	Amount
To Balance B/d	15000		
To X's Capital	600	By Y's Capital	9000
To Z's Capital	200	To Balance C/d	6800
Total	15800	Total	15800

46

Goodwill

Total Goodwill of the firm 27000

Chander Retired

Chander's share in Goodwill 4500 **27000 X 1/6**

Old Profit Sharing Ratio

Amit	Balan	Chander	Total
1/2	1/3	1/6	1
3	2	1	6

New Profit sharing ratio

Amit	Balan	Total	(Same as old mutual ratio)
3	2	5	

Gaining ratio = New ratio - old ratio

**** Though no need to calculate, it will be same**

X's gaining ratio

3/5 - 3/6	1/10
2/5 - 2/6	1/15

Y's Gaining Ratio

Final Gaining Ratio

Amit	Balan	Total
3	2	5

Amit Contribute	2700	4500 X 3/5
Balan Contribute	1800	4500 X 2/5

Revaluation A/c

Particulars	Amount	Particulars	Amount
To Machinery A/c	4800	By Bank - Photocopier	600
To Patents	1000	By Chander Capital A/c	5800
To Profit on Revaluation :			
To Amit's Capital A/c	300		
To Balan's Capital A/c	200		
To Chander's Capital A/c	100		
			-600
	6400		6400

Partners Capital A/c

Particulars	Amit	Balan	Chander	Particulars	Amit	Balan	Chander
				By Balance B/d	40000	36500	20000
				By Revaluation A/c-Profit	300	200	100
To Chander's Capital A/c-GW	2700	1800		By Amit's Capital A/c-GW			2700
To Investments			15800	By Balan's Capital A/c-GW			1800

				By General Reserve	4500	3000	1500
To Balan Current A/c		5900		By Amit Current A/c	5900		
To Chander's Loan A/c			10300				
To Balance c/d	48000	32000					
Total	50700	39700	26100	Total	50700	39700	26100

Total Capital of the firm :

Partner Name	Existing	New	Difference		
Amit	42100	48000	-5900	(Cr Capital A/c)	(Dr Current A/c)
Balan	37900	32000	5900	(Dr Capital A/c)	(Cr Current A/c)
Total	80000	80000	0		

Balance Sheet

Liabilities	Amount	Assets	Amount
Sundry Creditors	12600	Bank	4700
Provident Fund	3000	Debtors	30000
Balan's Current A/c	5900	Less : Provision	1000
Chander's Loan A/c	10300	Stock	25000
Amit's Capital A/c	48000	Patents	4000
Balan's Capital A/c	32000	Machinery	43200 (48000-4800)
		Amit's Current A/c	5900

111800

111800

0

Bank A/c

Particulars	Amount	Particulars	Amount
To Bal B/d	4100	By Bal	4700
To Rev	600		
Total	4700	Total	4700

47

Goodwill

Total Goodwill of the firm 21000

Chander Retired

B's share in Goodwill 7000

Old Profit Sharing Ratio

N	S	B	Total
1/2	1/6	1/3	1
3	1	2	6

New Profit sharing ratio

N	S	Total	(Same as old mutual ratio)
3	1	4	

Gaining ratio = New ratio - old ratio

**** Though no need to calculate, it will be same**

Final Gaining Ratio

N	S	Total
3	1	4

N Contribute 5250
S Contribute 1750

Revaluation A/c

Particulars	Amount	Particulars	Amount
To Machinery	3000	By Freehold Premises	8000
To Furniture	840	By Stock	3300
To Prov for Bad Debts	1500		
To Profit on Revaluation :			
To N's Capital A/c	2980		
To S's Capital A/c	993		
To B's Capital A/c	1987		
			-5960
	<u>11300</u>		<u>11300</u>

Partners Capital A/c

Particulars	N	S	B	Particulars	N	S	B
				By Balance B/d	30000	30000	28000
				By Revaluation A/c-Profit	2980	993	1987
To B's Capital A/c-GW	5250	1750		By N's Capital A/c-GW			5250
				By S's Capital A/c-GW			1750
				By General Reserve	6000	2000	4000

To S's Current A/c		15000		By N's Current A/c	15000		
To B's Loan A/c			40987				
To Balance c/d	48730	16243					
Total	53980	32993	40987	Total	53980	32993	40987

Total Capital of the firm :

Partner Name	Existing	New	Difference		
N	33730	48730	-15000 (Cr Capital A/c)	(Dr Current A/c)	
S	31243	16243	15000 (Dr Capital A/c)	(Cr Current A/c)	
Total	64973	64973	0		

Balance Sheet

Liabilities	Amount	Assets	Amount
Sundry Creditors	18000	Freehold Premises	48000
Bills Payable	12000	Machinery	27000
S's Current A/c	15000	Furniture	11160
B's Loan A/c	40987	Stock	25300
N's Capital A/c	48730	Sundry Debtors	20000
S's Capital A/c	16243	Less - Prov	2500
		Cash	7000
		N's Current A/c	15000
	<u>150960</u>		<u>150960</u>

48

Goodwill

Total Goodwill of the firm 560000

Madan Retired

Madan's share in Goodwill 160000

Old Profit Sharing Ratio

Leena	Madan	Naresh	Total
2	2	3	7

New Profit sharing ratio

Leena	Naresh	Total	(Same as old mutual ratio)
3	2	5	

Gaining ratio = New ratio - old ratio

**** Though no need to calculate, it will be same****Final Gaining Ratio**

Leena	Naresh	Total
11/35	- 1/35	
gain	sacrifice	

Leena Gains 176000

Naresh Sacrifice 16000

Madan Sacrifice 160000

Journal Entry for Goodwill :

Leena Capital A/c	Dr..	176000	
To Naresh Capital A/c			16000
To Madan Capital A/c			160000

Revaluation A/c

Particulars	Amount	Particulars	Amount
To Machinery	50000	By Land and Building	240000
To Prov for Bad Debts	20350	By Debtors	7000
To Closing Stock	100000		
To Profit on Revaluation :			
To Leena's Capital A/c	21900		
To Madan's Capital A/c	21900		
To Naresh's Capital A/c	32850		-76650
	<u>247000</u>		<u>247000</u>

Partners Capital A/c

Particulars	Leena	Madan	Naresh	Particulars	Leena	Madan	Naresh
				By Balance B/d	1250000	800000	1050000
				By Revaluation A/c-Profit	21900	21900	32850
				By Leena Capital A/c		160000	16000
To Madan Capital A/c-GW	160000						
To Naresh Capital A/c-GW	16000						
To Investments		100000					
To Deferred Rev Exp	28571	28571	42857				
				By Bank A/c	852671.43		224007
To Bills Payable A/c		853329					

To Balance c/d	1920000		1280000
Total	2124571	981900	1322857

Total

2124571	981900	1322857

Total Capital of the firm :

Partner Name	Existing	New	Difference		
Leena	1067329	1920000	-852671 (Cr Capital A/c)	(Dr Cash A/c)	
Naresh	1055993	1280000	-224007 (Cr Capital A/c)	(Cr Cash A/c)	
Total	2123321	3200000	-1076679		

Balance Sheet

Liabilities	Amount	Assets	Amount
Trade Creditors	160000	Land and Building	1240000
Bank Overdraft	44000	Machinery	450000
Long term Debts	400000	Furniture	700000
Employees Provident Fund	76000	Investments	100000
Bills Payable	853329	Closing Stock	700000
Capital A/c		Sundry Debtors	407000
Leena	1920000	Less - Prov	20350
Naresh	1280000	Bank	1156679
	<u>4733329</u>		<u>4733329</u>

Bank A/c			
Particulars	Amount	Particulars	Amount
To Bal B/d	80000		
To Leena Capital A/c	852671		
To Naresh Capital A/c	224007	By Bal	1156679
Total	1156678.6	Total	1156679

49

Goodwill

Total Goodwill of the firm 280000

Kusum Retired

Kusum's share in Goodwill 80000

Old Profit Sharing Ratio

Kusum	Sneh	Usha
2	3	2

New Profit sharing ratio

Sneh	Usha
3	4

Gaining ratio = New ratio - old ratio

**** Though no need to calculate, it will be same**

Sneh's gaining ratio

$3/7 - 2/7$	0
$4/7 - 2/7$	$2/7$

Usha's Gaining Ratio

Final Gaining Ratio

Sneh	Usha
0	2

Sneh Contribut

0

Usha Contribut 80000

Revaluation A/c

Particulars	Amount	Particulars	Amount
To Machinery	180000	By Land & Buildings	120000
To Bad Debts	15000		
		By Loss on Revaluation :	
		By Kusum's Capital A/c	21429
		By Sneh's Capital A/c	32143
		By Usha's Capital A/c	21429
			75000
	<u>195000</u>		<u>195000</u>

Partners Capital A/c

Particulars	Kusum	Sneh	Usha	Particulars	Kusum	Sneh	Usha
To Revaluation A/c-Loss	21429	32143	21429	By Balance B/d	400000	600000	400000
To Kusum's Capital A/c	0		80000				
				By Usha's Capital A/c	80000		
				By Workmen Comp Res	4286	6429	4286
To Cash A/c	100000						
To Kusum Loan A/c	362857						
To Balance c/d		574286	302857				
Total	<u>484286</u>	<u>606429</u>	<u>404286</u>	Total	<u>484286</u>	<u>606429</u>	<u>404286</u>

Partner's Capital A/c (Part II)

Particulars	Sneh	Usha	Particulars	Sneh	Usha
To Cash A/c			By Balance B/d	574286	302857
To Balance C/d	600000	800000	By Cash A/c	25714	497143
Total	<u>600000</u>	<u>800000</u>		<u>600000</u>	<u>800000</u>

Balance Sheet

Liabilities	Amount	Assets	Amount
Employees Provident Fund	70000	Land & Buuilding	520000
Workmen Compensation Liabil	15000	Machinery	420000
Sundry Creditors	100000	Closing Stock	200000
Kusum Loan A/c	362857	Sundry Debtors	185000
Sneh's Capital A/c	600000	Cash at Bank	622857
Usha's Capital A/c	800000		
	<u>1947857</u>		<u>1947857</u>

0

Bank A/c

Particulars	Amount	Particulars	Amount
To Balance B/d	200000	By Kusum's Capital A/c	100000
To Usha's Capital A/c	497143		
TO Sneh's Capital A/c	25714	By Balance C/d	622857
Total	<u>722857.14</u>	Total	<u>722857.14</u>

** The Capital of the new firm to be as before Kusum Retirement means
 As per the Balance sheet given in the question.
 As this is the capital before Kusum Retirement
 All the adjustments that we have done are subsequent to Kusum's Retirement

Total Capital of the firm :	
Kusum Capital	400000
Sneh's Capital	600000
Usha's Capital	400000
Total	1400000

Cash Bought in/Out		
Particulars	Sneh	Usha
Old Capital	574286	302857
New Capital	600000	800000
Difference	-25714	-497143

Capital's in new profit sharing ratio	
Sneh's Share	600000
Usha's Share	800000

Cash In

Cash in

50	Adjusted capital of bal	49500	(As per question)
	Adjusted capital of Pal	105750	(As per question)
	Amount paid to Lal	135750	(As per question)
	Total	291000	

	New Capital	Old Capital	Difference	
Bal	116400	49500	66900	Cash In
				291000 X 2/5

Pal	174600	105750	68850 Cash In	291000 X 3/5
-----	--------	--------	---------------	--------------

Thus Bal to bring in Rs 66900 and Y to bring Rs 68850