

XII COM
 Accounts
 Dated 29.04.2020
 Good morning students

45. X and Y are partners in a firm sharing profits and losses in the ratio of 2 : 1. Following is their Balance Sheet as at 1st April, 2018:

Liabilities		₹	Assets		₹
Capital A/cs:			Goodwill		60,000
X	10,00,000		Furniture		40,000
Y	4,00,000	14,00,000	Machinery		4,20,000
Sundry Creditors		1,20,000	Building		4,80,000
Bills Payable		80,000	Debtors		3,60,000
			Debtors		2,40,000
			Cash at Bank		16,00,000
		16,00,000			

Admission of a Partner 3.97

On 1st April, 2018, they admitted Z as a new partner on the following terms:

- New profit-sharing ratio is agreed at 2 : 2 : 1.
- Z will bring in ₹ 10,00,000 as his share of capital and the necessary amount of premium for goodwill in cash.
- Firm's Goodwill on Z's admission be valued at ₹ 6,00,000.

Pass the necessary Journal entries, prepare the Partners' Capital Accounts and Balance Sheet of the firm immediately after Z's admission.

Revaluation of Assets and Reassessment of Liabilities

Goodwill appeared in the Assets side of old Balance Sheet.
 Old Partners Capital A/c Dr.
 To Goodwill A/C
 (In old PSR)

exceeds the total of debit side) or loss (if total of debit side exceeds the total of credit side). The gain (profit) or loss is transferred to the Capital Accounts of Old Partners in their old profit-sharing ratio, because it belongs to old partners and not to new partner. The entries are:

(i) For transferring Gain (Profit)	Revaluation A/c ...Dr. To Old Partners' Capital A/cs	[In their old profit-sharing ratio]
(ii) For transferring Loss	Old Partners' Capital A/cs ...Dr. To Revaluation A/c	[In their old profit-sharing ratio]

of Assets and Reassessment of Liabilities.

✓ The balance of Revaluation Account shows the net effect on account of revaluation which is transferred to the old Partners' Capital Accounts in their old profit-sharing ratio.

Accounting Entries

(i) For increase in the value of assets:	Assets A/c (Individually) ...Dr. To Revaluation A/c
(ii) For decrease in the value of assets:	Revaluation A/c ...Dr. To Assets A/c (Individually)
(iii) For increase in the amount of liabilities:	Revaluation A/c ...Dr. To Liabilities A/c (Individually)
(iv) For decrease in the amount of liabilities:	Liabilities A/c (Individually) ...Dr. To Revaluation A/c
(v) For recording unrecorded assets:	Unrecorded Assets A/c (Individually) ...Dr. To Revaluation A/c
(vi) For recording unrecorded liabilities:	Revaluation A/c ...Dr. To Unrecorded Liabilities A/c (Individually)

Revaluation of Assets and Reassessment of Liabilities

46. Pass entries in the firm's Journal for the following on admission of a partner:

- (i) Machinery be depreciated by ₹ 16,000 and Building be appreciated by ₹ 40,000.
- (ii) A provision be created for Doubtful Debts @ 5% of Debtors amounting to ₹ 80,000.
- (iii) Provision for warranty claims be increased by ₹ 12,000.

47. Pass entries in firm's Journal for the following on admission of a partner:

- (i) Unrecorded Investments worth ₹ 20,000.
- (ii) Unrecorded liability towards suppliers for ₹ 5,000.
- (iii) An item of ₹ 1,600 included in Sundry Creditors is not likely to be claimed and hence should be written back.