

Illustration 32. Swadesh and Swaraj were partners sharing profits equally. Their Balance Sheet as at 31st March, 2018 was as follows:

Liabilities		₹	Assets		₹
Creditors			Cash in Hand/Cash at Bank		2,70,000
Bills Payable		5,00,000	Debtors	2,00,000	
Outstanding Expenses		1,50,000	Less: Provision for Doubtful Debts	5,000	1,95,000
Capital A/cs:		30,000	Stock		2,00,000
Swadesh	6,00,000		Furniture		1,00,000
Swaraj	4,00,000	10,00,000	Machinery		1,80,000
			Land and Building		7,35,000
					16,80,000
		16,80,000			16,80,000

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

- (i) Sambhav shall get 1/5th share in profits and he will bring ₹ 2,00,000 as his Capital and ₹ 50,000 as his share of Goodwill.
- (ii) Goodwill brought by Sambhav shall be withdrawn by Swadesh and Swaraj.
- (iii) Provision for Doubtful Debts is to be brought up to 5% on Debtors.
- (iv) Machinery be reduced (depreciated) by ₹ 20,000 and Furniture by 12.5%.
- (v) Stock be valued at ₹ 2,30,000.
- (vi) Value of Land and Building to be increased to ₹ 8,82,000.
- (vii) Investments of ₹ 20,000 which were not recorded in books are to be recorded.

Record necessary Journal entries and prepare Balance Sheet of the new firm.

Solution: