

Q 35 (2019)

In the book of A firm
Revaluation A/c.

$\frac{3.2}{5}$

DR

CR

	₹		₹
To Stock	1250	By land & Building	2000
To Furniture	1000	By capital A/c	
To R.D.D	1750	Ram	1200
		Krishna	800
		(Revaluation loss)	2000
	<u>4000</u>		<u>4000</u>

partner's capital A/c.

DR

CR

	Ram	Krishna	Hari		Ram	Krishna	Hari
To Bank A/c (Goodwill withdrawn)	6000	4000	-	By Balance b/d	50,000	40,000	-
To Revaluation (Revaluation loss)	1200	800	-	By Reserve fund	9000	8000	-
To Bank A/c (Excess cap. returned)	12800	15200	-	By Bank A/c	-	-	25000
To Balance c/d	45000	30000	25000	By Goodwill A/c	6000	4000	-
	<u>65000</u>	<u>50,000</u>	<u>25000</u>		<u>66000</u>	<u>50,000</u>	<u>25000</u>

Bank A/c

DR	(P)	₹	(P)	CR
	To Balance b/d	5000	By Ram	6000
	To Hari Cap	25000	By Krishna	4000
	To Goodwill	10,000	By Ram	12800
			By Krishna	15200
			By Balance c/d	7000
		45000		45000

New Balance sheet of Ram & Krishna
After admission of Hari
AS on 1-4-2020

Liabilities	₹	Assets	₹
Capital A/c		land & Building	40,000
Ram	45,000	(+) Appreciated	(+) 2000 42,000
Krishna	30,000		
Hari	25,000	Stocks	25,000
	100,000	(-) Reduction @ 5%	(-) 1250
			23,750
Creditors	30,000		
Bill payable	5,000	Furniture	10,000
		(-) Depreciation @ 10%	(-) 1000
			9,000
		Debtors	35,000
		(-) R.D.D @ 5%	(-) 1750
			33,250
		Investment	20,000
	<u>135,000</u>		<u>135,000</u>

Journal entries

Date	①	L F	DR	CR
	1) Reserve A/c To Ram To Krishna (Being reserve distributed)	DR	15000	9000 6000
	2) Bank A/c To Hari Cap To Goodwill (Being new partner bring his share of Capital and goodwill in Cash)	DR	35000	28000 10000
	3) Goodwill A/c To Ram To Krishna (Being goodwill distributed)	DR	10000	6000 4000
	4) Ram A/c Krishna A/c To Bank A/c (Being goodwill distributed)	DR DR	6000 4000	10000
	5) Revaluation A/c To Stock To Furniture To R.D.D (Being asset revalued)	DR	4000	1250 1000 1750
	6) Ram Krishna To Bank		12800 15200	28000

7)	Land & Building A/c	DR	2000	
	To Revaluation A/c			2000
	(Being asset revalued)			
8)	Ram Cap. A/c	DR	1200	
	Krishna Cap. A/c	DR	800	
	To revaluation A/c			2000
	(Being revaluation loss distributed)			

Working note

Capital adjustment

$$\begin{aligned}
 1) \text{ Total capital of the firm} &= \text{New partner's Capital} \times \text{Reciprocal of his share} \\
 &= 25000 \times \frac{4}{1} \\
 &= 100,000
 \end{aligned}$$

2) Calculation of new ratio?

$$\begin{aligned}
 \text{Combined ratio} &= 1 - \text{New partner's share} \\
 &= 1 - \frac{1}{4} \\
 &= \frac{3}{4}
 \end{aligned}$$

\therefore New ratio = old ratio \times combined ratio.

$$\therefore \text{Ram} = \frac{3}{5} \times \frac{3}{4} = \frac{9}{20}$$

$$\text{Krishna} = \frac{2}{5} \times \frac{3}{4} = \frac{6}{20}$$

$$\text{Hari} = \frac{1}{4} \times \frac{5}{5} = \frac{5}{20}$$

$$\boxed{\text{New ratio} = 9 : 6 : 5}$$

$$\therefore \text{Ram} = 100,000 \times \frac{9}{20} = 45,000$$

$$\therefore \text{Krishna} = 100,000 \times \frac{6}{20} = 30,000$$

$$\therefore \text{Hari} = 100,000 \times \frac{5}{20} = 25,000$$