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Revaluation Account

Debit		Credit	
Particulars	Amount (Rs.)	Particulars	Amount (Rs.)
To Workmen's Compensation claim A/c	10,000	By Loss on Revaluation transferred to:	
		S's Capital A/c	4,000
		T's Capital A/c	3,000
		U's Capital A/c	2,000
		V's Capital A/c	1,000
Total	10,000	Total	10,000



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Partners' Capital Account

Debit

Credit

Particulars	S (Rs.)	T (Rs.)	U (Rs.)	V (Rs.)	Particulars	S (Rs.)	T (Rs.)	U (Rs.)	V (Rs.)
To Revaluation (Loss) A/c	4,000	3,000	2,000	1,000	By Balance b/d	2,00,000	1,50,000	1,00,000	50,000
To S's Current A/c	-	-	-	9,000	By V's Capital A/c (WN1)	9,000	18,000	-	-
To T's Capital A/c	58,000	-	-	-	By V's Current A/c (Balancing Figure)	-	-	-	1,74,000
To S's Capital A/c (Bal. Fig)	-	1,16,000	-	-					
To T's Current A/c (Bal. Fig)	1,47,000	49,000	98,000	1,96,000					
To Balance c/d (WN 2)									
	2,09,000	1,68,000	1,00,000	2,24,000		2,09,000	1,68,000	1,00,000	2,24,000



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Balance Sheet of the reconstituted firm

as on 1st April, 2016

Debit

Credit

Liabilities	Amount (Rs.)	Assets	Amount (Rs.)
Sundry Creditors	80,000	Fixed Assets	4,40,000
S's Current A/c	58,000	Current Assets	2,00,000
T's Current A/c	1,16,000	V's Current A/c	1,74,000
Provision for Workmen Compensation Claim	70,000		
Capital A/cs:			
S	1,47,000		
T	49,000		
U	98,000		
V	1,96,000		
Total	8,14,000	Total	8,14,000

Working Notes

- Adjustment of Goodwill:
Value of Firm's Goodwill = Rs.90,000

Calculation of Sacrificed/(Gained) Profit Share of each Partner:

Particulars	S	T	U	V
I. Old Profit Share	$\frac{4}{10}$	$\frac{3}{10}$	$\frac{2}{10}$	$\frac{1}{10}$
II. New Profit Share	$\frac{3}{10}$	$\frac{1}{10}$	$\frac{2}{10}$	$\frac{4}{10}$
III. Sacrificed/(Gained) Profit Share (I-II)	$\frac{4}{10} - \frac{3}{10} = \frac{1}{10}$ (Sacrifice)	$\frac{3}{10} - \frac{1}{10} = \frac{2}{10}$ (Sacrifice)	$\frac{2}{10} - \frac{2}{10} = 0$ (No Gain / Sacrifice)	$\frac{1}{10} - \frac{4}{10} = -\frac{3}{10}$ (Gain)

Journal Entry for Adjustment of Goodwill:

Date	Particulars	L.F.	Debit (Rs.)	Credit (Rs.)	
	V's Capital A/c ($90,000 \times \frac{3}{10}$)	Dr	27,000		
	To S's Capital A/c ($90,000 \times \frac{1}{10}$)				9,000
	To T's Capital A/c ($90,000 \times \frac{2}{10}$)				18,000
	(Being Goodwill adjusted on change in profit sharing ratio)				



2.	Total Capital of the New Firm after Adjustment:	Rs.
S	(Rs. 2,00,000 + Rs. 9,000 - Rs. 4,000)	2,06,000
T	(Rs. 1,50,000 + Rs. 18,000 - Rs. 3,000)	1,65,000
U	(Rs. 1,00,000 - Rs. 2,000)	98,000
V	(Rs. 50,000 - Rs. 1,000 - Rs. 9,000 - Rs. 18,000)	22,000
Total Capital of the New Firm		<u>4,90,000</u>

Capital of the partners in the new firm as per New Profit-sharing Ratio:

$$S \quad \text{Rs. } 4,90,000 \times \frac{3}{10} = \text{Rs. } 1,47,000$$

$$T \quad \text{Rs. } 4,90,000 \times \frac{1}{10} = \text{Rs. } 49,000$$

$$U \quad \text{Rs. } 4,90,000 \times \frac{2}{10} = \text{Rs. } 98,000$$

$$V \quad \text{Rs. } 4,90,000 \times \frac{4}{10} = \text{Rs. } 1,96,000$$