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Revaluation Account

Debit		Credit	
Particulars	Amount (Rs.)	Particulars	Amount (Rs.)
To Plant & Machinery A/c	20,000	By Provision for Doubtful Debts A/c	750
To Profit transferred to:		By Land & Building A/c	90,000
A's Capital A/c	35,375		
B's Capital A/c	21,225		
C's Capital A/c	<u>14,150</u>		
	70,750		
Total	90,750	Total	90,750

Partners' Current Accounts

Debit				Credit			
Particulars	A	B	C	Particulars	A	B	C
To C's Current A/c	38,250	22,950	-	By Revaluation A/c	35,375	21,225	14,150
To Profit & Loss A/c	1,20,500	72,300	48,200	By A's Current A/c	-	-	38,250
To C's Capital A/c	-	-	42,150	By B's Current A/c	-	-	22,950
				By General Reserve	37,500	22,500	15,000
				By Balance c/d	85,875	51,525	-
	1,58,750	95,250	90,350		1,58,750	95,250	90,350

Partners' Capital Accounts

Debit				Credit			
Particulars	A	B	C	Particulars	A	B	C
To Bank A/c	-	-	35,500	By Balance b/d	5,00,000	3,00,000	2,00,000
To C's Loan A/c	-	-	2,06,650	By C's Current A/c	-	-	42,150
By Balance c/d	5,00,000	3,00,000	-				
	5,00,000	3,00,000	2,42,150		5,00,000	3,00,000	2,42,150

Balance Sheet as at March 31, 2017

Debit		Credit	
Liabilities	Amount (Rs.)	Assets	Amount (Rs.)
Capitals:		Bank	21,000
A	5,00,000	Stock	9,000
B	3,00,000	Debtors	15,000
C's Loan A/c	2,06,650	Less: Provision for D. Debts	(750)
Creditors	23,000	Plant & Machinery	1,80,000
Outstanding Salary	7,000	Land & Building	6,90,000
B's Loan A/c	15,000	A's Current A/c	85,875
		B's Current A/c	51,525
Total	10,51,650	Total	10,51,650



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Working Notes

Profit Sharing Ratio (Before C's retirement): $A : B : C = 1 : 1 : 1$

Profit Sharing Ratio (Post C's retirement): $A : B = 1 : 1$

Goodwill of the Firm = $(4,00,000 + 3,00,000 - 2,41,000) \times \frac{2}{3} = 3,06,000$

C's Share of Goodwill = $3,06,000 \times \frac{1}{3} = 1,02,000$

A's Contribution = $1,02,000 \times \frac{1}{2} = 51,000$

B's Contribution = $1,02,000 \times \frac{1}{2} = 51,000$

