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Revaluation Account



Debit		Credit	
Particulars	Amount (Rs.)	Particulars	Amount (Rs.)
To Plant & Machinery A/c	6,000	By Bank A/c (Computer)	4,000
To Provision for doubtful debts		By Loss transferred to:	
Bad Debts	1,000	Mohan's Capital A/c	3,000
Provision for doubtful debts	<u>3,000</u>	Vinay's Capital A/c	2,000
	4,000	Nitya's Capital A/c	<u>1,000</u>
			6,000
Total	10,000	Total	10,000

Partners' Capital Accounts

Debit				Credit			
Particulars	Mohan	Vinay	Nitya	Particulars	Mohan	Vinay	Nitya
To Mohan's Capital A/c	-	48,000	42,000	By Balance c/d	1,20,000	1,00,000	90,000
To Revaluation A/c (Loss)	3,000	2,000	1,000	By Contingency Reserve A/c	15,000	10,000	5,000
To Mohan's Loan A/c	2,22,000	-	-	By Vinay's Capital A/c	48,000	-	-
To Bank A/c (Bal. fig.)	-	6,000	16,000	By Nitya's Capital A/c	42,000	-	-
To Balance c/d (WN 3)	-	54,000	36,000				
	2,25,000	1,10,000	95,000		2,25,000	1,10,000	95,000

**Balance Sheet of the Reconstituted firm
as at 31st March, 2018**

Debit		Credit	
Liabilities	Amount (Rs.)	Assets	Amount (Rs.)
Creditors	48,000	Cash at Bank (31,000+4,000 -6,000-16,000)	13,000
Employees' Provident Fund	1,70,000	Bills Receivable	54,000
Mohan's Loan A/c	2,22,000	Book Debts	63,000
Vinay's Capital A/c	54,000	Less: Bad Debts	(3,000)
Nitya's Capital A/c	36,000	Less: Provision for Doubtful Debts	<u>(3,000)</u>
		Plant and Machinery	1,14,000
		Land and Building	2,92,000
Total	5,30,000	Total	5,30,000

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Working Notes

1. Calculation of Gaining Ratio (Gain of a Partner = New Profit Share – Old Profit Share):

$$\text{Vinay's gain} = \frac{3}{5} - \frac{1}{3} = \frac{9-5}{15} = \frac{4}{15}$$

$$\text{Nitya's gain} = \frac{2}{5} - \frac{1}{6} = \frac{12-5}{30} = \frac{7}{30}$$

$$\text{Gaining ratio of Vinay and Nitya} = \frac{4}{15} : \frac{7}{30} = 8 : 7$$

2. Mohan's share of Goodwill = Rs. 1,80,000 x $\frac{1}{2}$ = Rs. 90,000 to be contributed by Vinay and Nitya on their gaining ratio i.e. 8:7. Thus,

$$\text{Vinay's Contribution} = \text{Rs. } 90,000 \times \frac{8}{15} = \text{Rs. } 48,000$$

$$\text{Nitya's Contribution} = \text{Rs. } 90,000 \times \frac{7}{15} = \text{Rs. } 42,000$$

3. Calculation of Vinay's Capital and Nitya's Capital in new firm:

Total Capital of new firm = Rs. 90,000 which is contributed by Vinay and Nitya in their new profit – sharing ratio i.e. 3:2. Thus,

$$\text{Vinay's Capital in new firm} = \text{Rs } 90,000 \times \frac{3}{5} = \text{Rs. } 54,000$$

$$\text{Nitya's Capital in new firm} = \text{Rs } 90,000 \times \frac{2}{5} = \text{Rs. } 36,000$$