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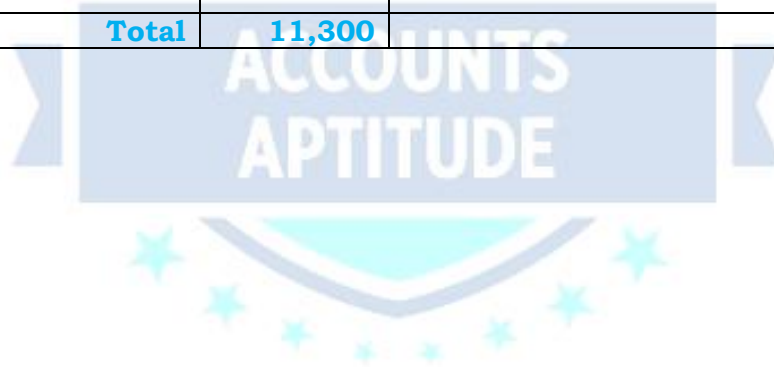
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Revaluation Account

Debit

Credit

Particulars	Amount (Rs.)	Particulars	Amount (Rs.)
To Machinery A/c	3,000	By Freehold Premises A/c	8,000
To Furniture A/c	840	By Stock A/c	3,300
To Provision for doubtful debts	1,500		
To Profit transferred to:			
N's Capital A/c	2,980		
S's Capital A/c	993		
B's Capital A/c	<u>1,987</u>		
	5,960		
Total	11,300	Total	11,300





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Partners' Capital Accounts

Debit

Credit

Particulars	N	S	B	Particulars	N	S	B
To B's Capital A/c (WN 2)	5,250	1,750	-	By Balance b/d	30,000	30,000	28,000
To B's Loan A/c	-	-	40,987	By General Reserve A/c	6,000	2,000	4,000
To S's Current A/c	-	15,000	-	By Revaluation A/c	2,980	993	1,987
To Balance c/d (WN 3)	48,730	16,243	-	By N's Capital A/c	-	-	5,250
				By S's Capital A/c	-	-	1,750
				By N's Current A/c	15,000	-	-
	53,980	32,993	40,987		53,980	32,993	40,987





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Balance Sheet

Debit

Credit

Liabilities	Amount (Rs.)	Assets	Amount (Rs.)
Capitals:		Freehold Premises (40,000 + 8,000)	48,000
N	48,730	Machinery (30,000 - 3,000)	27,000
S	<u>16,243</u>	Furniture (12,000 - 840)	11,160
B's Loan A/c	40,987	Stock (22,000 + 3,300)	25,300
Bills Payable	12,000	Sundry Debtors	20,000
Sundry Creditors	18,000	Less: Provision for Doubtful	<u>(2,500)</u>
S's Current A/c	15,000	Cash	7,000
		N's Current A/c	15,000
Total	1,50,960	Total	1,50,960

Working Notes

1. Calculation for Gaining Ratio:

Ratios	Existing Ratio	New Ratio	Gain/(Loss)	Gaining Ratio
N	$\frac{1}{2}$ or $\frac{3}{6}$	$\frac{3}{4}$	$\frac{3}{4} - \frac{3}{6} = \frac{(9-6)}{12} = \frac{3}{12}$	$\frac{3}{4}$
S	$\frac{1}{6}$ or $\frac{1}{6}$	$\frac{1}{4}$	$\frac{1}{4} - \frac{1}{6} = \frac{(3-2)}{12} = \frac{1}{12}$	$\frac{1}{4}$
B (Retired)	$\frac{1}{3}$ or $\frac{2}{6}$			

N's gain = $\frac{3}{12}$; S's gain = $\frac{1}{12}$. Hence, gaining ratio for N and S = 3:1 or gaining ratios for N = $\frac{3}{4}$ and for S = $\frac{1}{4}$

2. Calculation of N's Capital and S's Capital in new firm:

Adjusted Capital of N & S = 33,730 + 31,243 = Rs. 64,973

New Capital of N = $64,973 \times \frac{3}{4}$ = Rs. 48,730

New Capital of S = $64,973 \times \frac{1}{4}$ = Rs. 16,243

3. Adjustment of Goodwill:

Firm	B	N	S
21,000	$21,000 \times \frac{2}{6} = 7,000$	$7,000 \times \frac{3}{4} = 5,250$	$7,000 \times \frac{1}{4} = 1,750$