



Q27.

GIVEN BELOW IS THE BALANCE SHEET OF A AND B, WHO ARE CARRYING ON PARTNERSHIP BUSINESS ON 31.12.2006. A AND B SHARE PROFITS AND LOSSES IN THE RATIO OF 2:1.

Balance Sheet as on December 31, 2006				
Liabilities		Rs.	Assets	Rs.
Bills Payable		10,000	Cash in Hand	10,000
Creditors		58,000	Cash at Bank	40,000
Outstanding Expenses		2,000	Sundry Debtors	60,000
Capital:			Stock	40,000
A	1,80,000		Plant	1,00,000
B	1,50,000	3,30,000	Buildings	1,50,000
		4,00,000		4,00,000

C is admitted as a partner on the date of the balance sheet on the following terms:

- 1.C will bring in Rs.1,00,000 as his capital and Rs.60,000 as his share of goodwill for 1/4 share in the profits.
- 2.Plant is to be appreciated to Rs.1,20,000 and the value of buildings is to be appreciated by 10%.
- 3.Stock is found over valued by Rs.4,000.
- 4.A provision for bad and doubtful debts is to be created at 5% of debtors.
- 5.Creditors were unrecorded to the extent of Rs.1,000.

Pass the necessary journal entries, prepare the revaluation account and partners' capital accounts, and show the Balance Sheet after the admission of C.

Solution:

Journal Entries

Date	Particulars	L.F.	Dr. ₹	Cr. ₹
2006 Dec 31	Bank A/c To C's Capital A/c To Premium for Goodwill A/c (Being capital and premium for goodwill brought by C for his 1/4 th Share)	Dr.	1,60,000	1,00,000 60,000
	Premium for Goodwill A/c To A's Capital A/c To B's Capital A/c (Being premium for goodwill brought by C transferred to old partner's in sacrificing ratio i.e., 2:1)	Dr.	60,000	40,000 20,000
	Plant A/c Building A/c To Revaluation A/c (Being increase in value of assets)	Dr. Dr.	20,000 15,000	35,000
	Revaluation A/c To Stock A/c To Provision for Doubtful Debts A/c To Creditors A/c (Unrecorded) (Being revaluation of assets and liabilities)	Dr.	8,000	4,000 3,000 1,000
	Revaluation A/c To A's Capital A/c To B's Capital A/c (Being profit on revaluation transferred to old partners capital account)	Dr.	27,000	18,000 9,000

Revaluation Account

Dr.	Particulars	Amount ₹	Cr.	Particulars	Amount ₹
	To Stock A/c	4,000		By Plant A/c	20,000
	To Provision for Doubtful Debts A/c	3,000		By Building A/c	15,000
	To Creditors (Unrecorded) A/c	1,000			
	To Profit transferred to:				
	A's Capital A/c	18,000			
	B's Capital A/c	9,000			
		27,000			
		35,000			35,000

Partners' Capital Account

Dr.	Particulars	A	B	C	Particulars	A	B	C	Cr.
	To Balance c/d	2,38,000	1,79,000	1,00,000	By Balance b/d	1,80,000	1,50,000		
					By Bank A/c			1,00,000	
					By Premium for Goodwill A/c	40,000	20,000		
					By Revaluation A/c	18,000	9,000		
		2,38,000	1,79,000	1,00,000		2,38,000	1,79,000	1,00,000	

Balance Sheet

as on December 31, 2006

Dr.	Liabilities	Rs.	Assets	Rs.	Cr.
	Bills Payable	10,000	Cash in Hand	10,000	
	Creditors	59,000	Cash at Bank	2,00,000	
	Outstanding Expenses	2,000	Sundry Debtors	60,000	
	Capital Account:		Less: Provision for Doubtful Debt	3,000	57,000
A	2,38,000		Stock		36,000
B	1,79,000		Plant		1,20,000
C	1,00,000	5,17,000	Buildings		1,65,000
		5,88,000			5,88,000

1. Sacrificing Ratio = Old Ratio - New Ratio Working Notes:

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1. Sacrificing Ratio = Old Ratio - New Ratio

$$A's \text{ sacrificing Share} = \frac{2}{3} - \frac{2}{4} = \frac{8-6}{12} = \frac{2}{12}$$

$$B's \text{ sacrificing Share} = \frac{1}{3} - \frac{1}{4} = \frac{4-3}{12} = \frac{1}{12}$$

Sacrificing Ratio between A and B = 2:1.

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Q28. Leela and Meeta were partners in a firm sharing profits and

losses in the ratio of 5:3. On 1st Jan. 2015 they admitted Om as a new partner. On the date of Om's admission the balance sheet of Leela and Meeta showed a balance of Rs.16,000 in general reserve and Rs.24,000 (Cr) in Profit and Loss Account. Record necessary journal entries for the treatment of these items on Om's admission. The new profit sharing ratio between Leela, Meeta and Om was 5:3:2. Solution:

Books of Leela, Meeta and Om					
Journal Entries					
Date	Particulars		L.F.	Dr. Rs.	Cr. Rs.
2007					
Jan 01	General Reserve A/c	Dr.		16,000	
	Profit and Loss A/c	Dr.		24,000	
	To Leela's Capital A/c				25,000
	To Meeta's Capital A/c				15,000
	(Being general reserve and balance in profit and loss account credited to old partners' capital account in old ratio i.e., 5:3)				

***** END *****