



Q33. THE FOLLOWING WAS THE BALANCE SHEET  
OF BABLU AND CHETAN SHARING PROFITS AND LOSSES IN THE  
RATIO OF  RESPECTIVELY.

Liabilities		Rs.	Assets	Rs.
Creditors		9,000	Land and Buildings	24,000
Bills Payable		3,000	Furniture	3,500
Capital Accounts			Stock	14,000
Arun	19,000		Debtors	12,600
Bablu	16,000		Cash	900
Chetan	8,000	43,000		
		55,000		55,000

They agreed to take Deepak into partnership and give him a share of  $\frac{1}{8}$  on the following terms:

- That Deepak should bring in **Rs.4,200** as goodwill and **Rs.7,000** as his Capital;
- That furniture be depreciated by 12%;
- That stock be depreciated by 10%
- That a Reserve of 5% be created for doubtful debts:
- That the value of land and buildings having appreciated **Rs.31,000**;be brought upto
- That after making the adjustments the capital accounts of the old partners (who continue to share in the same proportion as before) be adjusted on the basis of the proportion of Deepak's Capital to his share in the business, i.e., actual cash to be paid off to, or brought in by the old partners as the case may be.

Prepare Cash Account, Profit and Loss Adjustment Account (Revaluation Account) and the Opening Balance Sheet of the new firm.

Books of Arun, Bablu, Chetan and Deepak
Profit and Loss Adjustment Account
(Revaluation Account)

Dr.				Cr.
Particulars		<b>Rs.</b>	Particulars	<b>Rs.</b>
To Furniture		420	By Buildings	7,000
To Stock		1,400		
To Reserve for Doubtful Debts		630		
To Profit on revaluation				
To Profit transferred to:				
Arun's Capital	1,950			
Bablu's Capital	1,625			
Chetan's Capital	975	4,550		
		7,000		7,000

#### Cash Account

Dr.				Cr.
Particulars	<b>Rs.</b>	Particulars	<b>Rs.</b>	
To Balance b/d	900	By Arun's Capital A/c	1,750	
To Chetan's capital A/c	625	By Bablu's Capital A/c	1,625	
To Deepak's Capital A/c	7,000	By Balance c/d	9,350	
To Primum for Goodwill	4,200			
	12,725		12,725	

Balance Sheet				
Dr.				Cr.
Liabilities	<b>Rs.</b>	Assets	<b>Rs.</b>	

Creditors		9,000	Land and Buildings		31,000
Bills Payable		3,000	Furniture		3,080
Capital Accounts			Stock		12,600
Arun	21,000		Debtors	12,600	
Bablu	17,500		Less: Reserve for Doubtful Debt	630	11,970
Chetan	10,500		Cash		9,350
Deepak	7,000	56,000			
		68,000			68,000

Working Note:

1.

Partners' Capital Account									
Dr.									Cr.
Particulars	Arun	Bablu	Chetan	Deepak	Particulars	Arun	Bablu	Chetan	Deepak
To Bank A/c	1,750	1,625			By Balance b/d	19,000	16,000	8,000	
To Balance c/d	21,000	17,500	10,500	7,000	By Cash A/c				7,000
					By Premium for Goodwill A/c	1,800	1,500	900	
					By Revaluation A/c	1,950	1,625	975	
					By Bank A/c				625
	22,750	19,125	10,500	7,000		22,750	19,125	10,500	7,000

$$\text{Deepak's Shares} = \frac{1}{8}$$

$$\text{Remaining share} = 1 - \frac{1}{8} = \frac{7}{8}$$

$$\text{Arun's new share} = \frac{6}{14} \times \frac{7}{8} = \frac{42}{112}$$

$$\text{Bablu's new share} = \frac{5}{14} \times \frac{7}{8} = \frac{35}{112}$$

$$\text{Chetan's new share} = \frac{3}{14} \times \frac{7}{8} = \frac{21}{112}$$

**New profit sharing ratio of Arun, Bablu, Chetan and Deepak**

$$= \frac{42}{112} : \frac{35}{112} : \frac{21}{112} : \frac{1}{8}$$

$$= \frac{42}{112} : \frac{35}{112} : \frac{21}{112} : \frac{14}{112}$$

$$= 42 : 35 : 21 : 14$$

or

$$= 6 : 5 : 3 : 2$$

### **3. Calculation of Capital of Arun, Bablu and Chetan in the firm**

Deepak bring 7,000 for  $\frac{1}{8}$ th share of profit.

$$\text{Hence total capital of the new firm} = 7,000 \times \frac{8}{1} = 56,000$$

$$\text{Arun's Capital} = 56,000 \times \frac{6}{16} = 21,000$$

$$\text{Bablu's Capital} = 56,000 \times \frac{5}{16} = 17,500$$

$$\text{Chetan's Capital} = 56,000 \times \frac{3}{16} = 10,500$$

\*\*\*\*\* END \*\*\*\*\*