Q35. Ashish and Dutta were partners in a firm sharing profits in 3:2 ratio. On Jan. 01, 2015 they admitted Vimal for 1/5 share in the profits. The Balance Sheet of Ashish and Dutta as on Jan. 01. 2015 was as follows:

Balance Sheet of A and B as on 31 . 1. 2015				
Dr.				**Cr.**
Liabilities	**Rs.**	**Assets**		**Rs.**
Creditors	15,000	Land and Buildings		35,000
Bills Payable	10,000	Plant		45,000
Ashish Capital	80,000	Debtors	22,000	
Dutta's Capital	35,000	Less: Provision	2,000	20,000
		Stock		35,000
		Cash		5,000
	1,40,000			**1,40,000**

Books of Ashish, Dutta and Vimal Journal Entries					
Date	Particulars		L.F.	Dr. Rs.	Cr. Rs.
2007					
Jan1	Land and Buildings A/c	Dr.		15,000	
	Plant A/c	Dr.		10,000	
	To Revaluation A/c				25,000
	(Being increase in value of assets)				
	Revaluation A/c	Dr.		25,000	
	To Ashish's Capital A/c				15,000
	To Dutta's Capital A/c				10,000
	(Being revaluation transferred to partners capital Account)				
	Cash A/c	Dr.		36,000	
	To Vimal's Capital A/c				36,000
	(Being capital brought by Vimal)				
	Vimal's Current A/c	Dr.		4,000	
	To Ashish's Capital A/c				2,400
	To Dutta's Capital A/c				1,600
	(Being vimal's share goodwill adjusted through his current account)				

It was agreed that:
i.The value of Land and Building be increased by Rs.15,000.
ii.The value of plant be increased by 10,000.
iii.Goodwill of the firm be valued at Rs.20.000.
iv.Vimal to bring in capital to the extent of 1/5TH of the total capital of the new firm.
Record necessary journal entries and prepare the Balance Sheet of the firm after Vimal's admission.
Solution.

Balance Sheet as on January 01, 2007				
Dr.				Cr.
Liabilities	**Rs.**	**Assets**		**Rs.**
Creditors	15,000	Land and Buildings		50,000
Bills Payable	10,000	Plant		55,000
Ashish's Capital A/c	97,400	Debtors	22,000	
Dutta's Capital A/c	46,600	Less: Provision	2,000	20,000
Vimal's Capital A/c	36,000	Stock		35,000
		Cash		41,000
		Vimal's Current A/c		4,000
	2,05,000			**2,05,000**

1.Working Note:

Partners' Capital Account							
Dr.							Cr.
Particulars	**Ashish**	**Dutta**	**Vimal**	**Particulars**	**Ashish**	**Dutta**	**Vimal**
To Balance c/d	97,400	46,600	36,000	By Balance b/d	80,000	35,000	
				By Revaluation A/c	15,000	10,000	
				By Cash A/c			36,000
				By Vimal Current A/c	2,400	1,600	
	97,400	**46,600**	**36,000**		**97,400**	**46,600**	**36,000**

2.

Vimal Current Account			
Dr.			Cr.
Particulars	**Rs.**	**Particulars**	**Rs.**
To Ashish's Capital A/c	2,400		
To Dutta's capital A/c	1,600	By Balance c/d	4,000
	4,000		**4,000**

3.Calculation of New Profit sharing Ratio

$$\text{Vimal's Shares} = \frac{1}{5}$$

$$\text{Remaining share of firm} = 1 - \frac{1}{5} = \frac{4}{5}$$

$$\text{Ashish's share in the new firm} = \frac{3}{5} \times \frac{4}{5} = \frac{12}{25}$$

$$\text{Dutta's share in the new firm} = \frac{2}{5} \times \frac{4}{5} = \frac{8}{25}$$

New Profit sharing ratio of Ashsh, Dutta and Vimal

$$= \frac{12}{25} : \frac{8}{25} : \frac{1}{5}$$

$$= \frac{12}{25} : \frac{8}{25} : \frac{5}{25}$$

i.e., 12:8:5

4. Sacrificing Ratio =Old Ratio - New Ratio

$$\text{Ashish's Sacrificing share} = \frac{3}{5} - \frac{12}{25} = \frac{15-12}{25} = \frac{3}{25}$$

$$\text{Dutta's Sacrificing share} = \frac{2}{5} - \frac{8}{25} = \frac{10-8}{25} = \frac{2}{25}$$

Sacrificing Ratio between Ashish and Dutta is 3:2

Here, Goodwill has been adjusted through current account because Vimal has not brought his share of goodwill and he is to bring capital in proportion to total capital of the new firm after adjustment.

5.Capital Of new firm on the basis of old partners adjusted capital:

Total a adjusted capital of old partners

Ashis's Capital =	97,400
Dutta's Capital =	46,600
	=1,44,000

Remaining Share of Ashish and Dutta (old partners) in the new firm $= \frac{4}{5}$

$$\text{Capital of the new firm} = 1,44,000 \times \frac{5}{4} = 1,80,000$$

$$\text{Vimal's share in the capital of the new firm} = 1,80,000 \times \frac{1}{5} = 36,000$$

*********** END **********