



Q8. At what figures the value of assets and liabilities appear in the books of the firm after revaluation has been done. Show with the help of an imaginary balance sheet.

Solution: After revaluation of assets and liabilities has been done for the newly constituted partnership firm, all the assets and liabilities appear at their current market values including any unrecorded asset or liability in the Balance Sheet. This is evident from the example given below:

X, Y and Z were partners in a firm sharing profits in the ratio of 3:2:1, respectively. The Balance Sheet of the firm on 31st March 2015 stood as follows:

Liabilities	Rs.	Assets		Rs.
Sundry Creditors	9,500	Bank Balance		1,250
Bills Payable	2,500	Debtors	8,000	
General Reserve	6,000	Less: Provision	250	7,750
X's Capital A/c	20,000	Stock		12,500
Y's Capital A/c	15,000	Motor Van		4,000
Z's Capital A/c	12,500	Machinery		17,500
		Buildings		22,500
	65,500			65,500

Goodwill of the firm be valued at Rs 9,000. Machinery would be depreciated by 10% and Motor Van by 15%. Stock would be appreciated by 20% and Building by 10%. The provision for doubtful debts would be increased by Rs 975. Liability for workmen compensation to the extent of Rs 825 would be created. Y retired from the firm on the above date subject to the following conditions:

It was agreed that X and Z would share profits in the future in the ratio of 3:2, respectively.

Revaluation Account			
Particulars	Rs.	Particulars	Rs.
To Machinery	1,750	By Stock	2,500
To Provision for doubtful debt	975	By Building	2,250
To Motor Van	600		
To Workmen Claim	825		
To Profit Transferred:			
X	300		
Y	200		
Z	100		
	4,750		4,750

Capital Account

Particulars	X	Y	Z	Particulars	X	Y	Z
To Y's Cap.	900		2,100	By Bal. b/d	20,000	15,000	12,500
To Y's Loan		20,200		By Rev. A/c	300	200	100
To Bal. c/d	22,400		11,500	By Gen. Res.	3,000	2,000	1,000
				By X's Cap.		900	
				By Z's Cap.		2,100	
	23,300	20,200	13,600		23,300	20,200	13,600

Balance Sheet

Liabilities	₹	Assets	₹
Sundry Creditors	9,500	Bank Balance	1,250
Bills Payable	2,500	Debtors	8,000
Workmen Claim	825	Less: Provision	1,225
X's Capital A/c	22,400	Stock	15,000
Z's Capital A/c	11,500	Motor Vans	3,400
Y's Loan	20,200	Machinery	15,750
		Buildings	24,750
	66,925		66,925

Note: Gain Ratio = 3:7

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