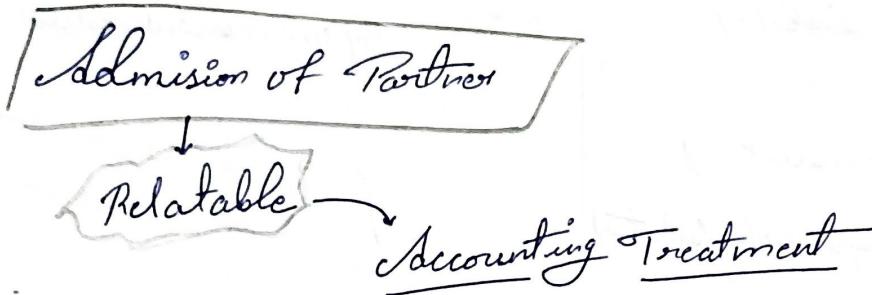


Date : 01/07/2025

Accounts

Ch-10 → Partnership and LLP Accounts :-

Unit-02 → Revaluation Accounting (Acc-02)



- 1). Revaluation A/c
- 2). Partner's Capital A/c (Admission
Retirement)
- 3). Bank A/c
- 4). Balance Sheet
 - ↳ (After Revalued figure)

Admission + working note

- 1). Calculation of New Profit sharing ratio Sacrificing ratio.
- 2). Accounting treatments of Goodwill
- 3). Treatment of Revenue Reverses & undistributed profit (L)
- 4). Treatment of Investment fluctuation Revenue.
- 5). Adjustment of Capital.
 - ↳ i. Capital Bought by new partner.
 - ↳ ii. New partner's capital is Based on Adjusted Existing Capital of old Partner.
- 6). Treatment of Workers Compensation Reverses → (3 condition)
 - ↳ 1. $R > L$
 - 2. $R = L$
 - 3. $R < L$

4. Revaluation A/c

Nominal A/c $\begin{cases} \text{Expense} \rightarrow D_n \\ \text{Income} \rightarrow C_n \end{cases}$

Particulars	Dr.	Particulars	Credit
To Assets (-) Differential Amount	xxx	By Assets (+) Differential amount	xxx
To Liability (+) Amount	xxx	By Liability (-)	xxx
To unrecorded Liability ↳ Same Amount	xxx	By unrecorded Assets	xxx
(Profit on Revaluation)		Sub To → ^{xx} _{xx} (Differential) (Same Amount)	
To Partners capital A/c (Allocation)			
A capital	xxx		
B capital	xxx		
	xxx		
	xxx		

Adjustment

∴ stock is undervalued by 10%. (Book value is 54,000)

$$\text{Actual value of Stock} = \text{Book value} \times \frac{100}{100 - R}$$

$$= 54,000 \times \frac{100}{90}$$

$$= 60,000$$

Differential value = 6,000 (Assets ↑) Profit ↑

Jy. Stack A/c Dr. 6,000

To Revaluation A/c — 6,000

27. B/s → Assets → stock → 60,000

HEAD'S	Adjustment	Effect/meaning	Revalued/correction
asset's	undervalue	Profit ↓	Profit ↑
asset's	overvalue	Profit ↑	Profit ↓
liability	undervalue	Profit ↑	Profit ↑
liability	overvalue	Profit ↓	Profit ↑

• overvalued Assets

$$\rightarrow \text{Actual value of Assets} = \text{Book value} \times \frac{100}{100+R}$$

d). A Computer Purchased on 1st Oct. 2016 for 40,000

Dr. to office expence A/c cis to be brought in
to c/a on 31st March 2018.

Charging Depreciation @ 10% P.a on W.D.V method.

→ i. Computer → Asset

office exp. ↑ → Profit + ^(Wrong) → Revalued Profit ↑
Rectify

Calculation of Amount ^(Computer) → office Equipment A/c Dr. 34,200
← Revaluation 34,200

Value of Computer 1st Oct. 2016 = 40,000

$$\text{Less} - \text{Dep. @ 10% for 6 month } (40,000 \times \frac{10}{100} \times \frac{6}{12}) - 2,000 \\ \underline{\hspace{10cm}} \\ \text{1st Oct 2016 - 31st Mar 17} \quad \underline{\hspace{10cm}} \quad 38,000$$

Value of Computer on 1st April 2017 38,000
~~Less~~ - Dep. @ 10% for whole year ~~- 3,800~~

$$(38,000 \times \frac{10}{100}) \quad \underline{\hspace{10cm}} \quad 34,200$$

3). A liability for claims included in creditor's fair 20,000 is settled at 16,000

as at Creditor = 20,000
Pay → Bank → 16,000 (full settle)
Income → (20,000 - 16,000) → 4000 (Profit ↑)
→ Revaluation Cr.

Creditor A/c Dr. 20,000
Bank A/c ← To Bank A/c 16,000
To Revaluation A/c 4,000
↓
Revaluation A/c

4). A Debtor whose due of 40,000 was written as Bad debts Paid 30,000 as full settlement

I). Bank A/c Dr. 30,000
To Bad debts Recored 30,000

2). Bad debt Recored A/c Dr. 30,000
To Revaluation A/c 30,000

Unit-02 → Revaluation Accounting (Sec-01)

Treatment of Advance Adjustment

Treatment of Reserve

The reserve → Reserve is created out of profit
 for unknown liability

↓
share

old Partner's

⇒ Workmen Compensation Reserve
 (3 condition)

⇒ Investment Fluctuation Reserve

Reserve

General Reserve

• Reserve, P&L A/c → Dr.

• Reserve A/c Dr.

To old Partner Capital A/c

(old Ratio + Amount Distribute)

specific Reserve

Workmen Compensation Reserve

Investment Fluctuation Reserve

No information
 is given in
 question

• Reserve A/c Dr.

To old Partner Capital A/c

If question is
 specific about
 liability against

Reserve > Liability
 10,000 8,000

• Reserve A/c Dr. → 10k

To Liability — 8k

To Old Partner Capital A/c → 2k

Reserve = Liability
 10,000 = 10,000

• Reserve A/c Dr. → 10k

To Liability — 10k

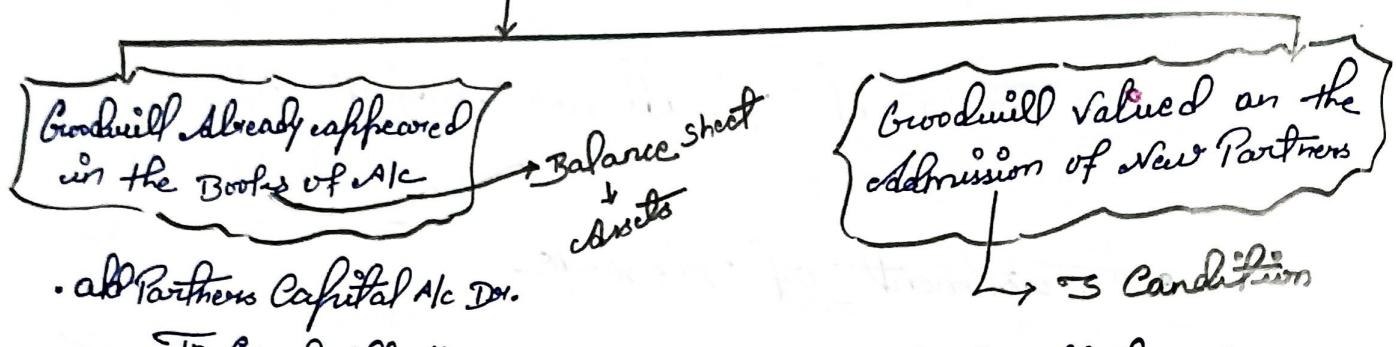
Reserve < Liability
 10,000 15,000

• Reserve A/c Dr. → 10k

Revaluation A/c Dr. 5k

To Liability A/c → k

Treatment of Goodwill



1. Goodwill bought by New Partners.

Cash A/c Dr.
To New Partners Capital A/c
To Reserve for Goodwill A/c

2. Goodwill Adjustment

Premium for Goodwill A/c Dr.
To Sacrificing Partner Capital A/c

3. Sacrificing Partners with their Premium for Goodwill

Sacrificing Partners Capital A/c Dr.
To Cash / Bank A/c

Adjustment of Capital

on the admission of New Partners sometimes, Existing Partner wants to Adjust their Capital → Before or After charging adjustment.

Subj

1. New Partners Does not bring his share of capital.
→ Calculate his share of capital
[Proportionate capital of Existing Partners.]

2). New Partner Being his share of capital acquired his share from existing partner.

→ New partner's capital Adjusted → on the Basis of Combined Capital of Existing Partners.

Ex. A & B = 3:2 . Capital of A & B after adjustments are Rs. 80,000 & Rs. 60,000 respectively C is admitted who brings Rs. 35,000 as Capital for $\frac{1}{5}$ th share of profit to be acquired equally from A & B . Capital of A & B are to be adjusted on the basis of C's Capital ?

→ Sol + Adjustment of Capital

$$A : B \rightarrow 3:2, C \rightarrow \text{Capital} \rightarrow 35,000 \text{ for } \frac{1}{5} \text{ share}$$

$$80k : 60k \qquad \qquad A+B = \frac{1}{5} \times 2 \text{ (equally)}$$

$$A+B = \frac{1}{10} \text{ 1 c acquired share from A & B}$$

$$\rightarrow \bullet \text{ old ratio} = \frac{3}{5} : \frac{2}{5}$$

$$\text{Sacrificing ratio} = \frac{\text{old ratio}}{\text{New ratio}}$$

$$\text{(formula) New Ratio} = \text{old Ratio} - \text{Sacrificing Ratio}$$

$$\text{for A} = \frac{3}{5} - \frac{1}{10} = \frac{6-1}{10} = \frac{5}{10}$$

$$B = \frac{2}{5} - \frac{1}{10} = \frac{4-1}{10} = \frac{3}{10}$$

$$C = \frac{1}{10} + \frac{1}{10} = \frac{2}{10}$$

Sol:

Adjustment of Capital

(formula) $\text{Total Capital of the firm} : \text{New Partner's Capital} \times \frac{\text{Reverse his share}}$

$$\begin{aligned}\text{Total Capital} &= 35,000 \times \frac{5}{7} \\ &= 1,17,500\end{aligned}$$

Adjustment of Capital =

$$\text{for A} = 1,75,000 \times \frac{5}{10} = 87,500$$

$$B = 1,75,000 \times \frac{3}{10} = 52,500$$

$$C = 1,75,000 \times \frac{2}{10} = 35,000$$

} New adjustment capital

for A : B : C

or. 80,000 : 60,000 : 35,000

New Capital Dr. 87,500 : 52,500 : 35,000

7,500 : 7,500 : nil