Date : 01/07/2025

Accounts

Ch. 10 → Partnership and LLP Accounts :

Unit. 02 → Revaluation Accounting (Sec. 01)

Admision of Partner

↓

Relatable → Accounting Treatment

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

Admission : working note

→ 1. Calculation of New Profit sharing ratio. Sacrifiing ratio.

2. Accounting Treatments of Goodwill
3. Treatment of ~~Revenue~~ Recvers & undistributed profit $\boxed{L}$.
4. Treatment of Investment fluctuation Revenue.
5. Adjestment of Capital. → 1. Capital Bought by new partner.
   2. New partners capital is Based on Adjusted Existty capital of old Partner.
6. Treatment of workmen Comfensation Recvers → (3 condition)
   1. $R > L$
   2. $R = L$
   3. $R < L$

4. Revaluation A/c

Nominal A/c → Expense → Dr. ; Income → Cr.

Particulars	Amt.	Particulars	Amt.
To Assets (-) Differential Amount	xxx	By Assets (+) Differential Amount	xxx
To Liability (+)	xxx	By Liability (-)	xxx
To unrecorded Liability ↳ Same Amount	xxx	By unrecorded Assets	xxx
(Profit on Revaluation)		upto → 100 (Differential)	
To Partners capital A/c (old ratio)		By → 2/4 (Same Amount)	
A capital xxx			
B capital xxx	xxx		
	xxx		xxx

Adjustment

1) Stock is underValued by 10% (Book value is 54,000)

Actual value of stock = Book value × $\frac{100}{100-R}$

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

$= 60,000$

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

1). Stock A/c Dr. 6,000
  To Revaluation A/c — 6,000

2). B/s → Assets → stock → 60,000

HEAD'S	Adjustment	Effect/wrong	Revalued / correction
Asset's	undervalue	Profit ↓	Profit ↑
Asset's	overvalue	Profit ↑	Profit ↓
liability	undervalue	Profit ↑	Profit ↓
liability	overvalue	Profit ↓	Profit ↑

• overvalued Assets

→ Actual value of Assets = Book value × $\frac{100}{100+R}$

Q1. A Computer Purchased on 1st oct. 2016 for 40,000 Dr. to office expence A/c is to be baught in to A/c on 31st March 2018. Charging Depreciation @ 10 % P.a on W.D.V method.

→ 1. Computer ⟶ Asset

office exp. ↑ ⟶ Profit ↓ (wrong) ⟶ Revalued Profit ↑ Rectify

Calculation of Amount (computer) ⟶ office Equipment A/c Dr. 34,200
To Revaluation 34,200

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

Less : Dep. @ 10 % for 6 month $\left(40{,}000 \times \frac{10}{100} \times \frac{6}{12}\right)$ − 2,000

1st oct 2016 - 31st Mar 17 38,000

Value of computer on 1st April 2017 38,000

Less : Dep @ 10 % for whole year − 3,800

$\left(38{,}000 \times \frac{10}{100}\right)$

34,200

3). A Liability ~~of~~ for claim included in Creditor's for 20,000 is settled at 16,000

Sol:- Creditors = 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 whoes Due of 40,000 was written as Bad debts Paid 30,000 in full settlement

1). 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

Reserve → Reserve is Created out of profit for unknown liability

profit → share → old Partner's

1. workmen Compensation Reserve (3 condition)

2. 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 — 15k

• Treatment of Goodwill

Goodwill Already appeared in the Books of A/c → Balance sheet ↓ Assets

• all Partners Capital A/c Dr.
To Goodwill A/c

Goodwill Valued on the Admission of New Partners

→ 3 Condition

1. Goodwill brought 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 withdraws 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.

{why}

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

2). New Partner Being his share of capital aquired his share form Existing partner.

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

Q1). 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 1/5th 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 → 3:2 , C → Capital → 35,000 for 1/5 share

80k : 60k

$A+B = \frac{1}{5} \times 2$ (Equally)

$A+B = \frac{1}{10}$ (C acquired share from A & B)

→ • old ratio = $\frac{3}{5} : \frac{2}{5}$

Sacrifing ratio = old ratio − New ratio

(formula) New Ratio = old Ratio − Sacrificing Ratio

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) Total capital of the firm = New Partner Capital × Reverse his share

Total capital = 35,000 × $\frac{5}{1}$

= 1,17,500

Adjustment of capital =

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

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

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

→ New adjustment capital

	A	B	C
Cr.	80,000	60,000	35,000
New capital Dr.	87,500	52,500	35000
	7,500	7,500	Nil