

Admission of a Partner

Examples for understanding
Revaluation A/c

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ADMISSION OF PARTNER

ADMISSION OF PARTNER:- का मतलब है पुरानी FIRM में एक नए PARTNER का आना ।

Why New Partner is admitted: New partner के आने से firm में पैसा आ जाता है as new partner brings capital into the firm so that the firm can expand its business

Also due to an additional partner, the responsibilities will be shared.

So that's why a new partner is admitted.

Now क्या effect होगा firm की books में due to admission of a new partner?

Their Profit sharing ratio will change due to incoming of a new partner.

They will revalue their Assets and Liabilities: WHY?

This is done by the old partners to show the true picture of their Assets and Liabilities so that :- किसी तरह का झगड़ा न ना हो partners के बीच कि पुराने partners ने गलत value दिखाई थी जिसके के basis पर new partner came into the firm

So जो भी profit या loss होगा on revaluation -वो profit या loss पुराने partners will bear in their old ratio

Now How this profit or loss on revaluation is ascertained?

By preparing an account called as **REVALUATION A/C**

Effect of ADMISSION OF A NEW PARTNER?

- Profit Sharing Ratio will change- New Ratio Calculation
- Adjustments of Assets and liabilities- Through Revaluation A/c
- Capital A/c is prepared to find the closing capital of partners after the adjustments
- Balance sheet will be prepared with the revised figures of Assets, Liabilities and Capital.

Let say, at the time of admission of C,
A & B revalued their assets & liabilities as:

BALANCE SHEET OF A & B

LIABILITIES	RS.	ASSETS	RS.
Capital		Plant & Machinery	35,000
A	30,000	Furniture	10,000
B	20,000	Stock	5,000
Creditors	20,000	Debtors	10,000
Reserve	10,000	Goodwill	10,000
		Cash	10,000
	80,000		80,000

30,000
8,000
3,000
8,000

15,000

All these figures will appear in Revaluation A/c – meant for this.

The profit or loss on revaluation will be adjusted with the old partners capital.

REVALUATION A/C

DR.	RS.	CR.	RS.
DEC. IN ASSET		INC. IN ASSET	
INC. IN LIAB.		DEC. IN LIAB.	

CAPITAL



DEBIT

LOSS –DR.



CREDIT

PROFIT –CR.

REVALUATION A/C

DR.	RS.	CR.	RS.
P & M	5,000	Creditors	5,000
Furniture	2,000		
Stock	2,000	Revaluation loss- trfd.	
Debtors	2,000	A's capital A/c	3,000
		B's capital A/c	3,000
	11,000		11,000

BALANCE SHEET OF A ,B & C

LIABILITIES	RS.	ASSETS	RS.
Capital		Plant &Machinery	30,000
A	27,000	Furniture	8,000
B	17,000	Stock	3,000
C	40,000	Debtors	8,000
Creditors	15,000	Cash	50,000
	99,000		99,000

CAPITAL A/C

PARTICULARS	A	B	C	PARTICULARS	A	B	C
Goodwill	5,000	5,000		BAL B/D	30,000	20,000	
Revaluation A/c	3,000	3,000		General reserve	5,000	5,000	
Bal c/d	27,000	17,000	40,000	Cash A/c			40,000
	35,000	25,000	40,000		35,000	25,000	40,000

EXAMPLE : 1

BALANCE SHEET of A & B as on 31.3.2020			
LIABILITIES	Rs.	ASSETS	Rs.
Capital		Building	200,000
A	150,000	Stock	50,000
B	100,000	Debtors	25,000
Creditors	50,000	Cash	25,000
	300,000		300,000

Ratio 2:1

C is admitted as a partner on 1st April, 2020

On the date of admission of C, it was found that

Building is revalued at 180,000, stock at 40,000, Debtors at 20,000 and creditors at 45,000

C brings 100,000 as capital and **60,000 as premium for goodwill**

Net Profit on Revaluation:	Rs.
Building	-20,000
Stock	-10,000
Debtors	-5,000
Creditors	+5,000
	-30,000
A's share $30,000 \times \frac{2}{3}$	(20,000)
B's share $30,000 \times \frac{1}{3}$	(10,000)

REVALUATION A/C			
PARTICULARS		PARTICULARS	
Building	20,000	Creditors	5,000
Stock	10,000	Revaluation Loss	
Debtors	5,000	A's share	20,000
		B's share	10,000
	35,000		35,000

BALANCE SHEET of A & B as on 31.3.2020			
LIABILITIES	Rs.	ASSETS	Rs.
Capital		Building	180,000
A		Stock	40,000
B		Debtors	20,000
C		Cash	
Creditors	45,000		

C brings 100,000 as capital and 60,000 as premium for goodwill

CAPITAL A/C							
Particulars	A	B	C	Particulars	A	B	C
Revaluation A/c	20,000	10,000		Balance b/d	150,000	100,000	
Balance c/d	170,000	110,000	100,000	Cash A/c			100,000
				Premium for goodwill	40,000	20,000	
	190,000	120,000	100,000		190,000	120,000	100,000

BALANCE SHEET of A, B & C as on 31.3.2020			
LIABILITIES	Rs.	ASSETS	Rs.
Capital		Building	180,000
A	170,000	Stock	40,000
B	110,000	Debtors	20,000
C	100,000	Cash	185,000
Creditors	45,000		
	425,000		425,000

EXAMPLE -2

BALANCE SHEET of A & B as on 31.3.2020			
LIABILITIES	Rs.	ASSETS	Rs.
Capital		Building	200,000
A	150,000	Stock	50,000
B	100,000	Debtors	25,000
Creditors	50,000	Cash	70,000
General reserve	30,000		
Workmen comp. reserve	15,000		
	345,000		345,000

Ratio 2:1

C is admitted as a partner on 1st April, 2020

On the date of admission of C, it was found that

Building is revalued at 250,000, Stock at 30,000, Debtors at 20,000 and Creditors at 60,000

C brings 100,000 as capital and 45,000 as premium for goodwill **out of his share of 60,000**

Net Profit on Revaluation:	Rs.
Building	50,000
Stock	-20,000
Debtors	-5,000
Creditors	-10,000
	15,000
A's share $15,000 \times \frac{2}{3}$	10,000
B's share $15,000 \times \frac{1}{3}$	5,000

REVALUATION A/C			
PARTICULARS		PARTICULARS	
Stock	20,000	Building	50,000
Debtors	5,000		
Creditors	10,000		
Revaluation Profit			
A's share	10,000		
B's share	5,000		
	50,000		50,000

BALANCE SHEET of A & B as on 31.3.2020			
LIABILITIES	Rs.	ASSETS	Rs.
Capital		Building	250,000
A		Stock	30,000
B		Debtors	20,000
C		Cash	
Creditors	60,000		

C brings 100,000 as capital and 45,000 as premium for goodwill out of his share of 60,000

CAPITAL A/C							
Particulars	A	B	C	Particulars	A	B	C
A's capital A/c			10,000	Balance b/d	150,000	100,000	
B's capital A/c			5,000	Cash A/c			100,000
				Revaluation A/c	10,000	5,000	
Balance c/d	230,000	140,000	85,000	General reserve	20,000	10,000	
				Workmen comp. Reserve	10,000	5,000	
				Premium for goodwill	30,000	15,000	
				C's Capital A/c	10,000	5,000	
	230,000	140,000	100,000		230,000	140,000	100,000

BALANCE SHEET of A & B as on 31.3.2020			
LIABILITIES	Rs.	ASSETS	Rs.
Capital		Building	250,000
A	230,000	Stock	30,000
B	140,000	Debtors	20,000
C	85,000	Cash	215,000
Creditors	60,000		
	515,000		515,000

Notes:-

1. C brings 100,000 as capital and 45,000 as premium for goodwill **out of his share of 60,000**
 - 45,000 that C brought will be credited to the old (sacrificing) partner's capital account in the old ratio.
 - 15,000 that C didn't bring in will be debited from his capital account and credited to the old partner's.
2. Old reserves given in the balance sheet will be distributed among the old partner's in the old ratio.