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### JOURNAL

Date	Particulars	L.F.	Debit (Rs.)	Credit (Rs.)
2016 Mar 31	Cash A/c Dr To C's Capital A/c To Premium for Goodwill A/c (Being cash and premium for goodwill brought in by C)		40,000	30,000 10,000
	Premium for Goodwill A/c Dr To W's Capital A/c To R's Capital A/c (Being premium for goodwill shared by old partners in sacrificing ratio)		10,000	6,000 4,000
	W's Capital A/c Dr R's Capital A/c Dr To Cash A/c (Being half goodwill withdrawn by W and R in old ratio)		3,000 2,000	5,000
	General Reserve A/c Dr To W's Capital A/c To R's Capital A/c (Being general reserve distributed among old partners in old ratio)		5,000	3,000 2,000
	Outstanding Salary A/c Dr To Cash A/c (Being outstanding salary paid)		3,000	3,000

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Date	Particulars	L.F.	Debit (Rs.)	Credit (Rs.)
	Revaluation A/c Dr		8,125	
	To Provision for Doubtful Debts A/c			325
	To Stock A/c			2,000
	To Furniture A/c			500
	To Plant and Machinery A/c			3,200
	To Creditors A/c			2,100
	(Being the decrease in the value of assets and increase in value of liabilities and unrecorded liability recorded)			
	Investment A/c Dr		2,500	
	To Revaluation A/c			2,500
	(Being increase in the value of asset recorded)			
	W's Capital A/c (5,625 x 3/5) Dr		3,375	
	R's Capital A/c (5,625 x 2/5) Dr		2,250	
	To Revaluation A/c			5,625
	(Being loss on revaluation transferred to partners' capital accounts)			

### Working Notes

#### **1. Distribution of Goodwill in Sacrificing Ratio**

$$\text{W's share} = 10,000 \times \frac{3}{5} = \text{Rs. } 6,000$$

$$\text{R's share} = 10,000 \times \frac{2}{5} = \text{Rs. } 4,000$$

**NOTE** It has been assumed that W and R sacrifice in ratio 3:2 [equal to old profit sharing ratio].

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## 2. Provision for Bad and Doubtful Debts

	Amt (Rs.)
Debtors	18,000
Less:- Bad debts, to be adjusted against provision for bad debts	<u>(1,500)</u>
	<u>16,500</u>
Provision for doubtful debts @ 5% on 16,500	825
Less:- Existing provision after adjusting bad debts (2,000 — 1,500)	<u>(500)</u>
Amount to be debited to revaluation account	<u>325</u>

## 3. Loss on Revaluation

Loss on revaluation can be ascertained by preparing revaluation account in the following manner

### Revaluation Account

Debit		Credit	
Particulars	Amount (Rs.)	Particulars	Amount (Rs.)
To Provision for Doubtful Debts A/c	325	By Investment A/c	2,500
To Stock A/c	2,000	By Loss on Revaluation Transferred to W R	
To Furniture A/c	500		3,375
To Plant and Machinery A/c	3,200		<u>2,250</u>
To Creditors A/c	2,100		5,625
<b>Total</b>	<b>8,125</b>	<b>Total</b>	<b>8,125</b>