Revaluation Account

Dr. **Cr.**

Particulars		Amount (₹)	Particulars	Amount (₹)
To Profit transferred to:			By Machinery A/c	7,000
X's Capital	5,000		By Stock A/c	1,000
Y's Capital	3,000	8,000		
	Total	**8,000**	**Total**	**8,000**

Partners' Capital Accounts

Dr. **Cr.**

Particulars	X	Y	Particulars	X	Y
To Goodwill	5,000	3,000	By Balance b/d	52,000	54,000
To Advertisement Expenses	500	300	By General Reserve	3,000	1,800
To X's Capital (Goodwill)	-	3,000	By Workmen Compensation Reserve	2,500	1,500
To Balance c/d	60,000	54,000	BY Y's Capital (Goodwill)	3,000	-
			By Revaluation A/c	5,000	3,000
Total	**65,500**	**60,300**	**Total**	**65,500**	**60,300**

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Balance Sheet

Liabilities		Amount (₹)	Assets	Amount (₹)
Capital Accounts			Machinery (38,000+7,000)	45,000
X	60,000		Furniture	15,000
Y	54,000	1,14,000	Sundry Debtors	33,000
Sundry Creditors		5,000	Stock (7,000+1,000)	8,000
Employees Provident Fund		1,000	Bank	25,000
Workmen Compensation Liability		6,000		
	Total	**1,26,000**	**Total**	**1,26,000**

	Old Ratio	New Ratio	Sacrificing/Gaining Ratio			
X	5/8	3/8	5-3/8	= 2/8	= 1/4	Sacrifice
Y	3/8	5/8	3-5/8	= -2/8	= -1/4	Gain

Goodwill = Average Profits X No. of years purchase

$$\text{Goodwill} = \frac{(7,500+4,000+6,500)}{3} \times 2 = 12,000$$

$$\text{X and Y Share of Goodwill} = 12,000 \times \frac{1}{4} = 3,000$$