

It was decided that B would retire from the partnership on 1.4.2008 and D would be admitted as a partner on the same date. Following adjustments are agreed amongst the partners for the retirement/admission :

- (i) Goodwill is to be valued at Rs. 5,00,000, but the same will not appear as an Asset in the books of the firm.
- (ii) Building and Machinery are to be revalued at Rs. 10,00,000 and Rs. 5,20,000 respectively.
- (iii) Investments are to be taken over by B at the market value.
- (iv) Provision for doubtful debts to be maintained at 20% on sundry debtors.
- (v) The Capital of the reconstituted firm will be Rs. 10,00,000 to be contributed by the partners A, C and D in their new Profit Sharing ratio of 2 : 2 : 1.
- (vi) Surplus funds if any will be used to pay the bank overdraft.
- (vii) Amount due to retiring partner B will be transferred to his loan account.

Prepare :

- (i) Revaluation Account;
- (ii) Capital Accounts of the partners; and
- (iii) Balance Sheet of the firm after reconstitution.

Following are the summarised Balance Sheets of A Ltd. and B Ltd. as at 31.3.2008 :

Particulars	A Ltd.	B Ltd.
Share Capital : Equity shares 10 each (fully paid up)	10,00,000	6,00,000
Share premium	2,00,000	—
General reserve	3,00,000	2,50,000
Profit and Loss account	1,80,000	1,60,000
10% debentures	5,00,000	—
Secured loan	2,60,000	3,00,000
Sundry creditors	24,40,000	14,80,000
Land and Building	9,00,000	4,50,000
Plant and Machinery	5,00,000	3,80,000
Investment (5,000 shares of B Ltd.)	80,000	—
Stock	5,20,000	3,50,000
Debtors	4,10,000	2,60,000
Cash at bank	30,000	40,000
	24,40,000	14,80,000