**Revaluation of assets & liabilities** :-

**Revaluation account :-**

**Account which is prepared to record changes in the value of assets & liabilities at time of admission, retirement, death and change in profit ratio of existing partners.  Proforma of Revaluation Account is given below :-**

**Revaluation Account**

|  |  |  |  |
| --- | --- | --- | --- |
| **Particulars** | **Amount** | **Particulars** | **Amount** |
| **To Decrease in value of assets**  **To Increase in value of liabilities**  **To Unrecorded liabilities**  **To Profit on revaluation          transferred to partner’s capital accounts (in old ratio)** |  | **By Increase in value of assets**  **By Decrease in value of liabilities**  **By unrecorded assets**  **By loss on revaluation          transferred to partners’ capital accounts (in old ratio)** |  |

**Partners’ Capital Account**

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Particulars** | **A** | **B** | **C** | **Particulars** | **A** | **B** | **C** |
| **To drawings**  **To interest on drawings**  **To profit & loss (Share of loss)**  **To revaluation A/c (share of loss)**  **To balance c/d** |  |  |  | **By balance b/d**  **By cash/bank A/c**  **By interest on capital**  **By salary**  **By commission**  **By P&L appropriation A/c (share of profit)**  **By revaluation A/c (share of profit)** |  |  |  |

**i.)  For decrease in the value of assets & increase in the value of Assets / unrecorded Assets:-**

**1.         Revaluation A/c                  Dr.**

**To assets A/c                                          (decrease )**

**2.         Assets A/c                             Dr.**

**To revaluation A/c                                  (increase)**

**3.           Unrecorded assets A/c        Dr.**

**To revaluation A/c**

**ii.)  For increase / decrease of liabilities or unrecorded liabilities :-                                                               1.      Revaluation A/c.                        Dr.**

**To liabilities A/c                               (increase )**

**2.         Liabilities A/c                       Dr.**

**To Revaluation A/c                            (decrease)**

**3.         Revaluation A/c                   Dr**

**To unrecorded liabilities A/c**

**iii.) Revaluation A/c shows profit or loss :-**

**1.         Revaluation A/c.                  Dr.                   (in profit)**

**To Old partners’ capital A/c                    (in old ratio)**

**2.         Old partners’ capital A/c.   Dr.                   (in loss)**

**To revaluation A/c                                              (in old ratio)**

**\* Accounting  treatment of reserves and accumulated profits or losses :-**

**i.)      For distributing reserves and accumulated profits among old partners in old ratio -**

**General reserve A/c             Dr.**

**Reserve A/c                         Dr.**

**P&L A/c   {cr. Balance}     Dr.**

**To old partners’ capital a/c / current a/c.**

**ii.)    For distributing accumulated losses among old partners in old ratio-**

**Old partner’s capital A/c     Dr.**

**To P&L  A/c { Dr. balance}**

**iii.)  For distributing surplus of specific funds:-**

**Workmen’s compensation fund A/c       Dr.**

**Investment fluctuation fund A/c             Dr.**

**To Old Partner’s Capital a/c. / Current a/c.**