***Week one lesson***

***Subject: Book keeping***

***Class: SS2***

***Topic: Revaluation Account***

Introduction: Revaluation simply means the adjustment of the net book value of assets to reflect the current economic value of such assets. Revaluation of assets occurs in any of the following circumstances:

(a) Admission of a new partner

(b) When a partner retires (c)

Changes in the profit sharing ratio

Reasons for Admission:

1. The partnership may need more fund to be injected into the business.

2. To replace retiring partner (s).

3. To bring in Goodwill into the partnership business.

4. To eliminate competition. The assets of the business may be revalued to show the current value. It is pertinent to state that experts may be employed to revalued the assets to show the current replacement value. Revaluation of assets is necessary because some assets may have appreciated in value whilst others may have been over or under depreciated. A Revaluation account must be opened and difference in values are posted. When there is increase in assets value, the Revaluation account will be credited. Any decrease in value of asset will be debited to the Revaluation account. ENTRIES IN BOOKS OF ACCOUNT. A. Open a Revaluation Account: I. Debit: Assets account; Credit: Revaluation account-: with increase in value of assets. II. Credit: Assets account; Debit: Revaluation account-: with reduction in value of assets. III. Debit: Revaluation account; Credit: Liabilities account-: with increase in value of Liabilities. IV. Credit: Revaluation account; Debit: Liabilities account. B. Introduction of Goodwill: Debit: Goodwill account; Credit: Revaluation account. C. Transfer any profit on Revaluation to the old partners capital account: Debit: Revaluation account; Credit: Capital account-: in the old profit sharing ratio. In Revaluation of assets, the following accounts will be prepared: (a) Revaluation account (b) Capital accounts of partners (c) Balance sheet.

***Assignment:*** The balance sheet of Maryrose, Chidera and Doris as at 31st December 2015. Assets: Building #16000, premises #7100, fittings #2620, stock #4080, Debtors #9060, Bank #2780. Capital: Maryrose #19120, Chidera #12840, Doris #9680. The partners have always shared profits and losses in the ratio: 2:3:1. They agreed to alter the profit sharing ratio. The assets were revalued as follows: Building #35000, premises #5200, fittings #2180, stock #3789. You are required to show the following accounts: a. Revaluation account; b. Capital account; c. Balance sheet as at 1st January 2016.

Submit the assignment on Monday 18th May. Show workings.