INDIAN SCHOOL AL WADI AL KABIR

Class: XII	Department: Commerce
Worksheet No: 8	Topic: RETIREMENT & DEATH OF A PARTNER

1. Alka, Harpreet and Shreya are partners sharing profits in the ratio of 3:2:1. Alka retires and her share is taken up by Harpreet and Shreya in the ratio of 3:2. Calculate the new profit sharing ratio.

   ANS: NR 19:11

2. Murli, Naveen and Omprakash are partners sharing profits in the ratio of 3 1 , 8 2 and 1 8 . Murli retires and surrenders 2/3rd of his share in favour of Naveen and the remaining share in favour of Omprakash. Calculate new profit sharing and the gaining ratio of the remaining partners.

   ANS: NR 3:1 AND GR 2:1

3. Kumar, Lakshya, Manoj and Naresh are partners sharing profits in the ratio of 3 : 2 : 1 : 4. Kumar retires and his share is acquired by Lakshya and Manoj in the ratio of 3:2. Calculate new profit sharing ratio and gaining ratio of the remaining partners.

   ANS: NR 19:11:20 AND GR 3:2:0

4. Ranjana, Sadhna and Kamana are partners sharing profits in the ratio 4:3:2. Ranjana retires; Sadhna and Kamana decided to share profits in future in the ratio of 5:3. Calculate the Gaining Ratio.
   ANS: GR 21:11

5. Keshav, Nirmal and Pankaj are partners sharing profits and losses in the ratio of 4 : 3 : 2. Nirmal retires and the goodwill is valued at Rs. 72,000. Keshav and Pankaj decided to share future profits and losses in the ratio of 5 : 3. Record necessary journal entries.
   ANS: Keshav's Capital A/c Dr. 13,000 Pankaj's Capital A/c Dr. 11,000 To Nirmal's Capital A/c 24,000

6. Jaya, Kirti, Ekta and Shewata are partners in a firm sharing profits and losses in the ratio of 2 : 1 : 2 : 1. On Jaya's retirement, the goodwill of the firm is valued at Rs. 36,000. Kirti, Ekta and Shewata decided to share future profits equally. Record the necessary journal entry for the treatment of goodwill.

ANS: Kirti's Capital A/c Dr. 6,000 Shewata's Capital A/c Dr. 6,000 To Jaya's Capital A/c 12,000

7. Deepa, Neeru and Shilpa were partners in a firm sharing profits in the ratio of 5 : 3 : 2. Neeru retired and the new profit sharing ratio between Deepa and Shilpa was 2 : 3. On Neeru's retirement, the goodwill of the firm was valued at Rs. 1,20,000. Record necessary journal entry for the treatment of goodwill on Neeru's retirement
ANS: Shilpa's Capital A/c Dr. 48,000 To Neeru's Capital A/c 36,000 To Deepa's Capital A/c 12,000

8. Hanny, Pammy and Sunny are partners sharing profits in the ratio of 3 : 2 : 1. Goodwill is appearing in the books at a value of Rs. 60,000. Pammy retires and at the time of Pammy's retirement, goodwill is valued at Rs. 84,000. Hanny and Sunny decided to share future profits in the ratio of 2:1. Record the necessary journal entries.
ANS: Hanny's Capital A/c Dr. 30,000 Pammy's Capital A/c Dr. 20,000 Sunny's Capital A/c Dr. 10,000 To Goodwill A/c 60,000

Hanny's Capital Dr. 14,000 Sunny's Capital Dr. 14,000 To Pammy's Capital A/c 28,000

9. P, Q and R are partners in a firm sharing profits in the ratio of 3:2:1. R retires, and the balance in his capital account after making necessary adjustments on account of reserves, revaluation of assets and liabilities workout to be Rs. 60,000, P and Q agreed to pay him Rs. 75,000 in full settlement of his claim. Pass entry for goodwill.
ANS: P's Capital A/c Dr. 9,000 Q's Capital A/c Dr. 6,000 To R's Capital A/c 15,000

10.

X, Y and Z were in partnership sharing profits and losses and losses in the proportions of 3:2:1. On 1st April, 2016 Y retires from the firm. On that date, their Balance Sheet was:

Liabilities		₹	Assets	₹
Trade Creditors		3,000	Cash in Hand	1,500
Bills Payable		4,500	Cash at Bank	7,500
Expenses Owing		4,500	Debtors	15,000
Reserve Fund		13,500	Stock	12,000
Capital A/c			Factory Premises	22,500
X	15,000		Machinery	8,000
Y	15,000		Loose tools	4,000
Z	15,000	45,000		
		70,500		70,500

The terms were:

a. Goodwill of the firm was valued at ₹13,500 and adjustment in this respect was to be made in the continuing Partners' Capital Accounts without raising Goodwill Account.
b. Expenses Owing to be brought down to ₹3,750.
c. Machinery and Loose Tools are to be valued @ 10% less than their book value.
d. Factory Premises are to be revalued at ₹24,300.

Show Revaluation Account, Partners' Capital Accounts and prepare the Balance Sheet of the firm after the retirement of Y.

ANS: REVALUATION PROFIT : 1350 Y"s LOAN: 24,450, X's CAPITAL 19050 , Z's CAPITAL 24050
BALANCE SHEET: 71,100

11

A, B and C are partners in a firm, sharing profits and losses as A 1/3, Li 1/2, and C 1/6 respectively. The Balance Sheet of the firm as at 31st March, 2016 was:

Liabilities		Rs.	Assets		Rs.
Capital A/c s:			Factory Building		50,000
A	30,000		Plant and Machinery		40,000
B	40,000		Furniture		10,000
C	25,000	95,000	Stock		25,000
General Reserve		16,000	Debtors	18,000	
Sundry Creditors		25,000	Less: Provision for Doubtful Debts	500	17,500
Loan Payable		15,000	Cash in Hand		8,500
		1,51,000			**1,51,000**

C retires on 1st April, 2016 subject to the following adjustments:

a. **Goodwill of the firm be valued at Rs.24,000. C's share of goodwill be adjusted into the accounts of A and B who are going to share in future in the ratio of 3:2.**
b. **Plant and Machinery to be depreciated by 10% and Furniture by 5%.**
c. **Stock to be appreciated by 15% and Factory Building by 10%.**
d. **Provision for Doubtful Debts to be raised to Rs.2,000.**

You are required to pass Journal entries to record the above transactions in the books of the firm and show the Profit and Loss Adjustment Account, Capital Account of C and the Balance Sheet of the firm after C's retirement.

Journal

Particulars		L.F.	Debit ₹	Credit ₹
Profit and Loss Adjustment A/c	Dr.		6,000	
To Plant and machinery				4,000
To Provision for Doubtful Debts A/c				1,500
To Furniture A/c				500
(Being decrease in value of Assets and provision for doubtful debts transferred to profit and Loss adjustment Account)				
Stock A/c	Dr.		3,750	
Factory Building A/c	Dr.		5,000	
To Profit and Loss Adjustment A/c				8,750
(Being increases in value of Assets transferred to Profit and Loss Adjustment Account)				
Profit and Loss Adjustment A/c	Dr.		2,750	
To A's Capital A/c				917
To B's Capital A/c				1,375
To C's Capital A/c				458
(Being profit distributed among A, B and C in their old ratio)				
A's Capital A/c	Dr.		6,400	
To B's Capital A/c				2,400
To C's Capital A/c				4,000
(Being C's Share of goodwill and B's gain in goodwill adjustment)				
C's Capital A/c	Dr.		32,125	
To C's Loan A/c				32,125
(Being loan from bank)				
Reserve Fund A/c	Dr.		16,000	
To A's Capital A/c				5,333
To B's Capital A/c				8,000
To C's Capital A/c				2,667
(Being Reserve Fund distributed among partners in their old ratio)				

12.

R, S and M were carrying on business in partnership sharing profits in the ratio 3:2:1 respectively. On 31st March, 2016, Balance Sheet of the firm stood as:

Liabilities		₹	Assets	₹
Sundry Creditors		16,000	Bank	6,000
Capital A/cs:			Debtors	7,000
R	20,000		Stock	12,000
S	7,500		Patents	8,000
M	12,500	40,000	Building	23,000
		56,000		56,000

S retired on 1st April, 2016 on the following terms:

a. Building to be appreciated by ₹8,800.
b. Provision for Doubtful Debts be made @ 5% on Debtors.
c. Goodwill of the firm be valued at ₹9,000 and adjustment in this respect was to be made in the continuing Partners' Capital Accounts without raising the Goodwill Account.
d. ₹5,000 be paid to S immediately and the balance due to him treated as a loan carrying interest @ 6% p.a.

Record necessary Journal entries and prepare the Balance Sheet of the Reconstituted Firm.

Journal

Date	Particulars		L.F.	Debit ₹	Credit ₹
	Revaluation A/c	Dr.		350	
	To Provision for Doubtful Debts A/c				350
	(Being Provision for Doubtful Debts created)				
	Building A/c	Dr.		8,800	
	To Revaluation A/c				8,800
	(Being Increase in value of Building transferred to Revaluation Account)				
	Revaluation A/c	Dr.		8,450	
	To R's Capital A/c				4,225
	To S's Capital A/c				2,817
	To M's Capital A/c				1,408
	(Being Revaluation Profit distributed between partners in their old Ratio)				
	R's Capital A/c	Dr.		2,250	
	M's Capital A/c	Dr.		750	
	To S's Capital A/c				3,000
	(Being S's Share of Goodwill Adjusted)				
	S's Capital A/c	Dr.		13,317	
	To 6% Loan A/c				8,317
	To Bank A/c				5,000
	(Being ₹5,000 paid to S and Balance of S's Capital transferred to his Loan Account)				

13. A, B and C were partners sharing profits and losses in the ratio of 2:2:1. C died on 31st March 2016. Profits and Sales for the calendar year 2015 were Rs.1,00,000 and Rs.10,00,000 respectively. Sales during January to March 2016 were Rs.1,50,000 . You are required to calculate share of profit of C up to the death.

ANS: 3000

14. A, B and C are partners sharing profits and losses in the ratio of 3:2:1. B died on 31st March, 2016. For the year 2016, proportionate profit of 2015 is to be taken into consideration. For 2015, a bad debts of Rs.2,000 had to be adjusted. The profit for 2015 was Rs.14,000 before adjustment of bad debts. Calculate B's share of profit till his death.

ANS: 1,000

15. DK, PK and GK were partners in a firm sharing profits and losses in the ratio of 5:3:2. PK died on 31st May, 2016. His share of profit from the closure of the last accounting year till the date of death, was to be calculated on the basis of the average of three completed years of profits before death. Profits for the years ended 31st December, 2013, 2014 and 2015 were Rs.17,000; Rs.15,000 and Rs.13,000 respectively. Calculate Pies share of profit till his death and pass the necessary Journal entry for the same.

ANS: 1,875

16. From the following information, estimate share of the deceased partner in profits from the accounting date till the date of death:
Sales for the year 2014 – Rs.4,00,000; Profit for the year 2014 – Rs.80,000; Date of death 1.4.2015; Sales from 1.1.2015 to 31.3.2015- Rs.70,000; Share of deceased partner-2/5.

ANS: 5,600

17. P, R and S are in partnership sharing profits 4/8, 3/8 and 1/8 respectively. It is provided in the Partnership Deed that on the death of any partner his share of goodwill is to be valued at one-half of the net profit credited to his account during the last four completed years.
R died on 1st January, 2012. The firm's profits for the last four years were as:
2008 – Rs.1,20,000; 2009 – Rs.80,000; 2010 – Rs.40,000; 2011 – Rs.80,000.
a. Determine the amount that should be credited to R in respect of his share of Goodwill.
b. Pass Journal entry without raising Goodwill Account for its adjustment.

ANS: 60.000

18. Ram, Manohar and Joshi were partners in a firm. Joshi died on 31st May, 2016. His share of profit from the closure of the last accounting year till the date of death was to be calculated on the basis of the average of three completed years of profits before death. Profits for the years ended 31st March, 2014, 2015 and 2016 were Rs.7,000; Rs.8,000 and Rs.9,000 respectively. Calculate Joshi's share of profit till his death and pass necessary Journal entry for the sam.

ANS: 444