INDIAN SCHOOL MUSCAT

Senior Section

Department of Commerce and Humanities

Class : XII **Practice Worksheet-No 4 :**

RETIREMENT AND DEATH OF A PARTNER

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1. Gaining Ratio means the ratio by which the share in profit stands increased. It is computed by deducting old ratio from the ------------------------

2. Give the Journal entry to distribute the 'Workmen Compensation Reserve' of ₹60,000 at the time of retirement of Vinod, when there is no claim against it. There are three partners.

3. Define the term sacrificing partner and gaining partner.

4. Calculation of sharing of profit upto date of death will be calculated on the basis of-

   A Yearly basis

   B Time basis

   C Turnover basis

   D Both Time basis and Turnover basis

5. Dinkar, Navita and Vani were partners sharing profits and losses in the ratio of 3:2:1 Navita died on 30thJune,2017.Her share of profit for the intervening period was based on the sales during that period ,which were ₹6,00,000. The rate of profit during the past four years had been 10% on sales. The firm closes its books on 31st March every year.

6. If the retiring partner is not paid the full amounts due to him immediately on retirement,how should his Capital Account be shown in subsequent Balance Sheet.

7. A,B and C are partners with profit sharing ratio of 4:3:2.B retired and goodwill was valued Rs1,08,000.If A&C share profits in 5:3,find out the goodwill shared by A and C in favour of B.

(a) ₹ 22,500 and ₹13,500

(b) ₹16,500 and ₹19,500

(c) 67,500 and ₹ 40,500

(d) ₹19,500 and ₹16,500

8. A, B and C are equal partners in a firm whose books are closed on 31st December every year. A died on 31.03.2020 and according to agreement his share of profit upto date of death is to be calculated on the basis of average profits of last 3 years.

Net profits for the last 3 years were ₹ 8,000, ₹ 1000 and ₹ 17,000. Calculate A's share of profit and pass necessary journal entry

9. Ram, Mohan and Sohan are partneres in a firm sharing profits in the ratio of 2:2:1. Sohan retires and the Balance sheet of the firm on that date showed the following balances:

   General Reserve ₹ 60,000

   Profit and Loss A/c ₹ 15,000

10. A, B, C are partners sharing profits in the ratio of 3:2:1. C dies on 30 June 2020. Accounts are closed on 31st March every year. Sales for th year ending 31st March 2011 was ₹ 6,00,000. Sales form 1st April 2020 to 30th June 2020 was ₹ 2,40,000. The profit for the year ended 31st March 2020 was ₹ 30,000.

11. A, B and C are partners sharing profits in the ratio of 5:2:1. If the new ratio on the retirement of A is 3:2, what will be the gaining ratio?

a. 11:14

b. 3:2

c. 2:3

d. 14:11

12. Retiring partner is compensated for parting with the firm's future in favour of remaining partners. The remaining partners contribute to such compensation amount in :

a. Gaining Ratio

b. Capital Ratio

c. Sacrificing Ratio

d. Profit sharing Ratio

13. Alia, Karan and Shilpa were partners in a firm sharing profits in the ratio of 5 : 3 : 2. Goodwill appeared in their books at a value of ₹ 60,000 and general reserve at ₹ 20,000. Karan decided to retire from the firm. On the date of his retirement goodwill of the firm was valued at ₹ 2,40,000. The new profit sharing ratio decided among Alia and Shilpa was 2 : 3. Record necessary Journal Entries on Karan's Retirement

14. Varun, Arun and Karan were partners in a firm sharing profits in the ratio of 2:2:1. The firm closes its books on 31st March every year. On 31-12-2020 Karan died. On that date his Capital account showed a credit balance of ₹3,80,000 and Goodwill of the firm was valued at ₹1,20,000. There was a debit balance of ₹ 50,000 in the profit and loss account. Karan's share of profit in the year of his death was to be calculated on the basis of the average profit of last five years. The average profit of last five years was ₹ 75,000. Pass necessary journal entries in the books of the firm on Karan's death.

15. Radhey, Krishna & Gopal are partners sharing profits and losses in the ratio of 3:2:1. On 1st April, 2018 their capital balances were Radhey - ₹ 1,50,000; Krishna - ₹1,50,000; and Gopal - ₹1,00,000. Gopal retires on the same date and Goodwill is valued at ₹ 1,80,000. Radhey and Krishna decided to share profits or losses in the ratio of 3:1. Goodwill already appears in the books at ₹ 48,000 along with credit balance of ₹ 18,000 in General Reserve Account. Gopal requested the firm to pay off his dues immediately as he needs money for his daughter's marriage. The firm accepted his request. Calculate amount payable to Gopal on his retirement.

16. Dev, Swati and Sanskar were partners in a firm sharing profits in the ratio of 2:2:1. On 31st March, 2020 their balance sheet was as follows Balance Sheet as at 31st March 2020

Liabilties		Amt(₹)	Assets	Amt(₹)
TradePayables		17,000	Building	1,00,000
BankLoan		13,000	Inventory	20,000
CapitalA/cs			TradeReceivables	23,000
Dev	77,000		Cash	40,000
Swati	87,000		Profit and LossA/c	57,000
Sanskar	46,000	2,10,000		
		2,40,000		2,40,000

On 30th June, 2020 Dev died. According to partnership agreement, Dev was entitled to Interest on capital @ 12% per annum. His share of profit till the date of his death was to be calculated on the basis of the average profits of last four years. The profits of the last three years were:

Years	Profit(₹)
2016-2017	2,04,000
2017-2018	1,80,000
2018-2019	90,000

On 1st April, 2020, Dev withdrew ₹ 15,000 to pay for his medical bills. Calculate the amount to be presented to his executors

17. Ashok, Babu and Chetanwerepartnersinafirmsharingprofitsintheratioof4:3:3 The firm closes its books on 31st March every year. On 31st December, 2020, Ashok died. The partnership deed provided that on the death of a partner, his executors will be entitled to the following

i. Balance in his capital account. On1st April, 2020, there was a balance of ₹ 90,000 in Ashok's capital account.
ii. Interestoncapital@12%perannum.
iii. His share in the profits of the firm in the year of his death will be calculated on the basis of rate of net profit on sales of the previous year,which was 25%.The sales of the firm till 30th December, 2020 were ₹4,00,000.
iv. His share in the goodwill of the firm. The goodwill of the firm on Ashok's death was valued at ₹ 4,50,000. The partnership deed also provided for the following deductions from the amount payable to the executor of the deceased partner.
v. His drawings in the year of his death. Ashok's drawings till 31st December,2020 were ₹15,000.
vi. Interest on drawing @12%per annum which was calculated as Rs 1,500.

The accountant of the firm prepared Ashok'scapital account to be presented to the executor of Ashok but in a hurry he left it incomplete. Ashok'scapital account as prepared by the firm'saccountant is given below

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Date	Particulars	Amt. (₹)	Date	Particulars	Amt. (₹)
2020			2020		
Dec31	....	15,000	Apr1	....	90,000
Dec31	....	....	Dec31	....	8,100
Dec31	....	....	Dec31	....	40,000
			Dec31	....	90,000
			Dec31	....	90,000
		3,18,100			3,18,100

You are required to complete Ashok's capital account.

18. Lalit,Madhur and Neena were partners sharing profits as 3:2:5 On March 31st ,2020 their Balance Sheet was as follows

Liabilities	Amount	Assets	Amount
Capitals:		Goodwill	300000
Lalit	300000	Land and building	500000
Madhur	200000	Machinery	170000
Neena	500000	stock	30000
Creditors	750000	Debtors	120000
GeneraL Reserve	100000	Cash	45000

Loan from Seth	50000	Profit and Loss A/c	600000
	1225000		1225000

On 30 June 2020 Madhur died .

The partnership deed provided that on the death of a partner the executor of the deceased partner is entitled to

a) Balance in capital A/c
b) Share in profit up to death on the basis of last years profit
c) His share in profit /loss on revaluation of assets and liabilities as follows Land and building was to be appreciated by ₹ 120,000
d) Machinery was to be depreciated to ₹ 135,000 and stock to ₹25,000.
e) A provision of 2.5% for bad and doubtful debts was to be created on debtors.
f) The net amount payable to Madhurs executors was transferred to his Loan A/c.

Prepare Revaluation A/C, and calculate the amount transferred to Madhur's Executors A/c

19 Chinku, Shobha and Nikita were partners in a firm sharing profits and losses in the ratio of 2:2:1. The firm closes its books on 31st March every year. On 30th September 2020, Nikita died. According to the provisions of the partnership deed, the legal representatives of Nikita were entitled to the following in the event of death:

i) Capital as per last balance sheet date
ii) Interest on capital @ 6% p.a.
iii) Her share of profits to the date of death calculated on the basis of the average profits of the last four years.
iv) Her share of goodwill to be determined on the basis of three years' purchase of the average profits of last four years. The profits of last four years were:

YEAR	PROFITS
2016-17	30,000
2017-18	50,000
2018-19	40,000
2019-20	60,000

The balance in Nikita's capital account on 31-3-2020 was ₹ 60,000 and she had withdrawn ₹ 10000 till the date of her death. Interest on her drawings was to be charged @12% p.a.

Calculate the amount to be rendered to her executors

20 .The Balance Sheet of X, Y and Z who are sharing profits in the ratio of 2:3:1, as at 31st March, 2020 is given below

Liabilities	₹	Assets	₹
X's Capital A/c	2,00,000	Goodwill	24,000
Y's Capital A/c	4,00,000	Land and Building	5,00,000
Z's Capital A/c	6,00,000	Investments (M.V.92,000)	1,00,000
Workmen's compensation Fund	40,000	Stock	1,60,000
Investment fluctuation Fund	20,000	Debtors	6,00,000
Provision for doubtful debts	20,000	Bank	5,92,000
Creditors	7,20,000	Advertising Suspense A/c	24,000
	20,00,000		20,00,000

Z died on 1st April, 2020 and X & Y decided to share future profits and losses in the ratio of 3:2 and 50% of the amount payable to Z is to be paid immediately and the balance in two equal installments together with interest @ 10% p.a.

Other information:

(i) Goodwill is to be valued at two years' purchase of average profits of last three completed years. The profits were ; 2017-18 ₹90,000; 2018-19 ₹1,80,000 and 2019-20 ₹2,70,000.
(ii) Land and Building was found undervalued by ₹50,000 and stock was found overvalued ₹16,000.

(iii) Provision for doubtful debts is to be made equal to 5% of the debtors.

(iv) Claim on account of Workmen’s compensation is ₹16,000.

Prepare revaluation account Partners capital account.

21. X, Y and Z were partners in a firm whose Balance sheet as on 31-03-2012 was as under:

LIABILITIES	₹	ASSETS	₹
Creditors	18240	Cash	16240
General reserve	7500	Debtors	22500
Capitals		Stock	26500
X	20000	Furniture	5000
Y	14500		
Z	10000		
	70240		70240

Y retired on that date. In this connection, it was decided to make the following adjustments:

a) To reduce stock and furniture by 5% and 10% respectively

b) To provide for doubtful debts @5% on debtors.

c) A long dispute with creditors was settled and the firm had to pay ₹ 9050. In anticipation ₹ 6000 have already been included in the sundry creditors by the firm.

d) Goodwill was valued at ₹ 12000

e) To share future profits in the ratio of 5:3.

Pass Necessary Journal entries

22. Q and R were partners sharing profits in 3:2:1 on 1 April,2017, Q retired .On that date Balance Sheet was as follows

Liabilities		₹	Assets	₹
General Reserve		12,000	Plant	60,000
Expenses Owing		4,000	Patents	6,000
Bills Payable		10,000	Debtors	19,000
Creditors		20,000	Stock	22,000
Capital A/cs:			Cash	1,000
P	24,000			
Q	20,000			
R	18,000	62,000		
		1,08,000		**1,08,000**

The terms were:

Goodwill of the firm be valued at ₹24,000 and Q’s share of goodwill be adjusted in the accounts of P and R share the profits and losses in the ratio of 3:2

Expenses owing are to be brought down to ₹ 3000; Plant is to be valued at 10 percent less and Patents at ₹ 8,000.

Prepare Revaluation Account and partners’ Capital accounts to record the above

23.Akshata, Preeti and Akansha are partners in a firm sharing profits and losses in the ratio of 2:2:3. On31-3-2020, their Balance Sheet was as follows:

Balance Sheet as at 31-03-2020

Liabilities	Amount	Assets	Amount
Trade Creditors	160000	Land and Building	1000000
Bank overdraft	44000	Machinery	500000
Long term debts	400000	Furniture	700000
Employees Provident Fund	76000	Investment	200000

Capitals		Closing Stock	800000
Akshata	1250000	Sundry Debtors	400000
Preeti	800000	Bank	80000
Akansha	1050000	Deferred Revenue	100000
		Expenditure	
	3780000		3780000

On 31-3-2020, Preeti retired from the firmand the remaining partners decided to carry on the business.

It was decided to revalue assets and liabilities as under:

i) Land and building be appreciated by ₹ 240000 and Machinery be depreciated by 10%

ii) 50% investments were taken over by the retiring partner at book value

iii) An old customer, Mansi whose account was written off as bad had promised to pay ₹ 7000 in full settlememt of a debt of ₹ 10000

iv) Provision for doubtful debts was to be made @5%

v) Market price of closing stock was found ₹ 100000 less than its book value

vi) Goodwill of the firm is valued at ₹ 560,000and Preeti's share of goodwill be adjusted through capital accounts of continuing partners who agree to share in 3:2 in future

(vii) Amount due to Preeti was settled by accepting a bill of exchangein her favour payable after 4 months.

Prepare necessary accounts.

24.Bhavin, Ankit and Kartik were equal partners. Their Balance Sheet as at 31st March 2020 was :

BALANCE SHEET as at 31st March, 2020

Liabilities			₹	Assets	₹
Creditors			60,000	Cash	18,000
Reserve			30,000	Stock	20,000
Profit and Loss A/c			6,000	Furniture	28,000
Capital A/c :				Debtors 45,000	
Bhavin	:	60,000		Less : Provision for	
Ankit	:	40,000		Bad debts 5,000	40,000
Kartik	:	30,000	1,30,000	Land & Building	1,20,000
			2,26,000		2,26,000

Ankit retired on 1st April, 2020. Bhavin and Kartik decided to continue the business as equal partners on the following terms:

a) Goodwill of the firm was valued at ₹ 30,000.

b) The Provision for Bad Doubtful debts to be maintained @ 10 % on Debtors.

c) Land and Buildings to be increased to ₹ 1,42,000.

d) Furniture to be reduced by ₹ 6,000.

e) Rent outstanding (not provided for as yet) was ₹ 1,500.

Prepare the Revaluation Account, Partners' Capital Accounts.

25 X, Y and Z are partners in a firm sharing profits in proportion of 1/2, 1/6 and 1/3 respectively. The Balance Sheet as on April 1, 2020 was as follows:

Liabilities	Amount(₹)	Assets	Amount(₹)
Employees Provident Fund	12,000	Freehold Premises	40,000
Sundry Creditors	18,000	Machinery	30,000
General Reserve	12,000	Furniture	12,000
Capitals Accounts		Stock	22,000
X	30,000	Debtors 20,000	
Y	30,000	Less provision for	
Z	28,000	doubtful debts 1,000	19,000
		Cash	7,000
	1,30,000		1,30,000

Z retires from the business and the partners agree that:

(a) Machinery is to be depreciated by 10%.

(b) Provision for bad debts is to be increased to ₹ 1,500.

(c) Furniture was taken over by Z for ₹ 14,000.

(d) Goodwill is valued at ₹ 21,000 on Z's retirement.

Prepare Revaluation A/c and Partners' Capital A/c's.

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