Retirement of a Partner

TIME 1½ HOUR **TEST** **MARKS 30**

Q.1 Ramesh, Naresh and Suresh were partners in a firm sharing profits in the ratio of 5:3:2. Naresh retires and the new profits sharing ratio between Ramesh and Suresh was 2:3. On Naresh's retirement the goodwill is valued at Rs 1,20,000. Pass necessary journal entry for the treatment of goodwill on Naresh's retirement. However goodwill appears in the books was Rs 1,00,000. **3**

Q.2 Calculate the new profits sharing and gaining ratio in the following cases.

1. A, B and C are partners sharing in the ratio of 3:2:1. B retires and his share is entirely taken over by C.
2. Shiv, Shakti and Sadhna were partners in a firm sharing profits in the ratio of 8:7:5. Shakti retired and his share was taken over by Shiv and Sadhna in the ratio of 1:2. **3**

Q.3 X,Y and Z are equal partners running a sole-selling agency. Y decides to retire. On the date of his retirement the Balance Sheet of the firm showed the following:
General Reserve Rs 24,000; Workmen's Compensation fund Rs 30,000 and Profits and Loss (Dr) Rs 24,000.
Record the adjustment regarding these accounts in the books of the firm **2**

Q.4 The Balance Sheet of A, B and C who were sharing profits in proportion to their Capitals stood as follows on 1st January, 1994:

Liabilities	Amount	Assets		Amount
Sundry Creditors	20,000	Bank Balance		16,000
Outstanding Expenses	2,000	Sundry Debtors	15,000	
Profits and Loss A/c	15,000	-Provision	1,000	14,000
Capital :		Stock		35,000
A	45,000	Investment		12,000
B	30,000	Fixed Assets		40,000
C	15,000	Goodwill		10,000
	1,27,000			1,27,000

C retires on the above date on the following conditions

1. Fixed assets were found overvalued by Rs 5,000.
2. Investment is reduced to 40% of its book value.
3. Debtors were all good therefore no provision is required.
4. Interest accrued on Investment Rs 1,800.
5. Goodwill of the firm is valued at Rs 9,000.

Prepare Revaluation A/c, Capital accounts and the revised Balance Sheet. **8**

Q.5 Following is the Balance Sheet of G, K and W as on 31st march, 2001 who share profits in the ratio of 3:2:1.

Liabilities	Amount	Assets	Amount
Capital Accounts		Goodwill	7,500
G	25,000	Stock	12,500
K	15,000	Sundry Debtors	10,000
W	10,000	Land and Buildings	15,000
Sundry Creditors	10,000	Plant and Machinery	18,000
Bills Payable	2,000	Motor Vehicle	5,000
General Reserve	6,000		
	68,000		68,000

On the above date, G retired and the following arrangements were agreed upon:

1. Goodwill of the firm is to be valued at Rs 15,000.
2. The assets and liabilities are to be valued as under

Stock Rs 10,000; Sundry Debtors Rs 9,500; Land Building Rs 18,000; Plant and Machinery Rs 16,500; and Sundry Creditors Rs 9,700.

3. K and W were to introduce Rs 12,000 and Rs 6,000 respectively into the business and Rs 13,150 were paid to G. The balance due to him was to be paid in three equal installments annually together with interest @ 10% per annum.

Give necessary ledger accounts, the Balance Sheet of the firm after G, retirement and G's loan Account till it is finally paid out.

8+3

Q.6

a. Distinguish between sacrificing ratio and gaining ratio.

b. Ramesh wants to retire from the firm. The profit on revaluation on that date was Rs 12,000. Mohan and Rahul want to share this in their new profits sharing ratio 3:2. Ramesh wants this to be shared equally. How is this profit to be shared? Give reasons.

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