

Retirement of a Partner

TIME 1 HOUR + 15 min
TEST
MARKS 25

Q.1 A and B are partners sharing profits in the ratio of A 3/6, B 2/6 and transfer to reserve 1/6. Their Balance Sheet on 31st December 2007 was as follows:

Liabilities	Amount (in Rs.)	Assets	Amount (in Rs.)
Employee's Provident Fund	18000	Goodwill	15,000
Reserve Fund	12000	Plant	90,000
Sundry Creditors	10,000	Patents	4,400
Profit and Loss A/c	24,000	Stock	30,000
Capitals :	120,000	Investment	20,000
A 80,000		Debtors:	20,000
B 40,000		Cash	5,000
	184,000		184,000

B retires on 1st Jan 2008. The terms were:-

- (i)** Goodwill is to be valued at 50,000.
- (ii)** Value of patents is to be increased by Rs. 3,000 but plant was found over-valued by Rs 15,000.
- (iii)** Provision for doubtful debts should be 5% on Debtors and provision for discount should also be made on Debtors & creditor at 3%.
- (iv)** Out of insurance which was entirely debited to profit and loss Account Rs 870 be carried forward as unexpired insurance.
- (v)** Investments were revalued at Rs 16,000. Half of these investments were taken over by B.
- (vi)** There is a claim for workmen's compensation to the extent of Rs 5,000.

B was paid off in full. A borrowed the necessary money from the bank on the security of plant and stock to pay off B. Prepare Revaluation A/C .capital A/c of B/S of A.

Q.2

1. X, Y and Z are partners sharing profits in the ratio of 3:2:1. X retires. What is the ratio in which Y and Z will gain X's share of profits?
2. A, B and C are partners sharing profits in the ratio of 6:5:4. C retires and 1/2 of share is taken by A and remaining by B.

Q.3 A, B, C and D are partners sharing profit in the ratio of 3;4:3:2. On the retirement of C, the goodwill was valued at Rs 30,000. A, B and D decided to share future profits equally. Pass the necessary journal entry for the treatment of goodwill, without opening Goodwill Account.

Q.4 A, B and C are sharing profits in the ratio of 4:3:2. Goodwill appears in the books at a value of Rs 21,000. C retires and on the day of C's retirement goodwill is valued at Rs 30,000. Pass the necessary journal entries.

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