

Retirement/Death of a Partner

TIME 1 HOUR + 15 min
TEST
MARKS 25

Q.1 A, B and C are partners with capitals of Rs 1,00,000; Rs 75,000 and Rs 50,000 respectively. They share profits and losses in the ratio of their capital. C retires, his share is acquired by A and B in the ratio of 2:1. Calculate the new profit sharing ratio and gaining ratio. **2**

Q.2 A, R and S were partners sharing profits in the ratio of 3:2:1 respectively. The profit and sales for the year ended 31st March, 2007 were Rs 3,00,000 and Rs 10,00,000 respectively. A died on 30th November, 2007. Calculate the share of deceased partner in the profit for the period from 1st April, 2007 to 30th November, 2007, if the same is calculated:

A. On the basis of sales which were Rs 8,00,000 from 1st April, 2007 to 30th November, 2007.

B. On the basis of time.

Also pass the necessary journal entry the share. **3**

Q.3 Following is the balance sheet of A, B and C who are partners sharing profit in the ratio of 2:2:1 as at March 31, 2007.

Liabilities	Amount	Assets	Amount
Creditor	40,000	Goodwill	30,000
Reserve Fund	25,000	Fixed Assets	60,000
Capital		Stock	10,000
A	30,000	Sundry Debtor	20,000
B	25,000	Cash at Bank	15,000
C	15,000		
	1,35,000		1,35,000
	1,35,000		1,35,000

B died on June 15, 2007. According to the Deed, his legal representatives are entitled to:

A. Balance in capital account

B. Share of goodwill valued on the basis of thrice the average of the past 4 year's profit;

C. Share in profits up to the date of death on the basis of average profits for the past 4 years;

D. Interest on capital account @ 12% p.a.

E. Profit for the year ending on march 31 of the 2004, 2005, 2006, 2007 respectively were Rs 15,000, Rs 17,000, Rs 19,000 and Rs 13,000.

B's legal representatives were to be paid the amount due. A and C continued as partners by taking over B's share equally. Work out the amount payable to B's legal representatives.

Also prepare B's Capital Account. **6**

Q.4 L, M and N were partners sharing profits and losses in the ratio of 5:3:2. Their Balance Sheet as at 1.4.2004 was as under:

Liabilities	Amount	Assets	Amount
Sundry Creditor	20,000	Cash	8,000
Reserve	9,000	Debtors	22,000
Capitals:		Stock	20,000
L	50,000	Machinery	67,000
M	30,000	Investments	12,000
N	20,000		

	1,290,000		1,29,000
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N died on 5th November, 2004 and according to the partnership deed his executors were entitled to be paid as under:

- A.** The capital to his credit at the time of his death and interest thereon @ 8% per annum
- B.** His share of Reserve.
- C.** His share of profits for the intervening period will be based on the sales during that period, which were calculated as Rs 2,40,000. The rate of profit during past 4 years had been 15% on sales
- D.** Goodwill according to his share of profit to be calculated by taking thrice the amount of the average profit of the last four year less 25%. The profits of the previous year were: Rs 10,500; 12,000, 12,500, 13,000.
- E.** The investments were sold for Rs 10,000 and his executors were paid out. Pass the necessary journal entries and write the account of the executors of N. **8**

Q.5 P, R and S are partners sharing profits in the ratio of 4:3:1 respectively. It is provided in the partnership deed that on the death of any partner, his share of goodwill was to be valued at half of the profits credited to his account during the four previous years. R died on 1st January 2012. The firm's profits for the last four years were: 1,20,000, 80,000, 40,000 and 80,000. Determine the amount that should be credited to R in respect of his share of goodwill. On the date of R's death, one of the old Debtors whose account was closed last year by transferring his debt amounting R to Rs 8,000 to Bad Debts account, has now promised to pay the amount fully. **4**

Q.6 Give journal entry to distribute 'Workmen Compensation Reserve' of Rs 70,000 at the time of retirement of N when there is a claim of Rs 25,000 against it. The has three partners R, N and S. **2**

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