

**Centre4Knowledge**

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**XII ACCOUNTANCY**

**Assignment 10**

**TOPIC: RETIREMENT /DEATH OF A PARTNER**

Q1 Calculate new profit sharing ratio and gaining ratio in the following cases:-

- a) X, Y and Z are partners sharing profits and losses in the ratio of 3:4:5.  
i) X retires ii) Y retires iii) Z retires
- b) Tanu, Manu and Rena are partners sharing profits and losses in the ratio of 4 : 3 : 2. Tanu retires and remaining partners decide to take Tanu's share in the ratio of 3 : 2.
- c) A B and C are partners in the firm sharing profits in the ratio of 3 : 2 : 1. B retired and his share was divided equally between A and C.
- D) Anuj, Babu and Rani share profit in the ratio of 5 : 4 : 2. Babu retires and his share is taken by Rani.
- E) Nisha, Anu and Ashu are partners sharing profit in the ratio of 4 : 3 : 2. Ashu retires. Find the new ratio of Nisha and Anu if terms for retirement provide the following :
- (i) ratio is not given.
  - (ii) equal distribution of Ashu's share.
  - (iii) Ashu's share is taken by Nisha and Anu in the ratio of 2 : 1.
  - (iv) Anu take over the share of Ashu.

Q2 Ashish, Barmon, and Chander are partners sharing profits and losses in the ratio of 2 : 1 : 2 respectively. Chander retires and Ashish and Barman decide to share the profits and losses equally in future. Calculate the gaining ratio.

Q3 Murli, Naveen and Omprakash are partners sharing profits in the ratio of

$3 \frac{1}{8} : 1 \frac{1}{2} : 1$

$\frac{1}{8}, \frac{1}{2}$  and 8. Murli retires and surrenders  $\frac{2}{3}$ rd 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.

Q4 Mitu, Udit and Sunny are partners sharing profit equally. Sunny retires and the goodwill of the firm is valued at Rs 54,000. No goodwill account appears in the books of the firm. Mitu and Udit share future profit in the ratio of 3 : 2. Make necessary journal entry for goodwill.

Q5 Tanu, Priya and Mayank are partners' sharing profit in the ratio of 3 : 2 : 1. Priya retires and on the date of Priya's retirement goodwill is valued at Rs.90,000. Goodwill already appears in the books at a value of Rs.48,000. New ratio of Tanu and Mayank is 3 : 2. Make the necessary journal entries.

Q6 B ,K and P are partners sharing profits in the ratio of 2:3:4 . P retires and for this purpose goodwill is valued at one and half year's purchase of average super profits of last three years , which are as under:

I year Rs50,000, II year Rs 55,000 , III year Rs 75,000

The normal profits for similar firms is Rs45,000.

Pass the necessary journal entry.

Q7 C , T and R were partners in a firm sharing profits and losses in the ratio of 2:1:2. On 15.2.2016 C died and the new profit sharing ratio between T and R was 4:11. On C's death the goodwill of the firm was valued at Rs90,000. Pass the necessary journal entry.

Q8 R,N and S were partners in a firm sharing profits and losses in the ratio of 5:3:2. N retired and the new profit ratio between R and S is 2:3 . On N's retirement the goodwill of the firm was valued at Rs1,20,000. Pass the necessary journal entry.

Q 9 A ,B ,C and D were partners in a firm sharing profits and losses in the ratio of 3:3:2:2. D retires and the new profit ratio between A ,B and C is 3:2:1. On D's retirement the goodwill of the firm was valued at Rs6,00,000. Goodwill already appears in the books at Rs 4,50,000. The profits for the first year after D's retirement amount to Rs12,00,000 Pass the necessary journal entries.

Q10 Mohan, Mohit and Sonit are partners sharing profit in the ratio 3 : 2 : 1. Mohan retires from the partnership. In order to settle his claim, the following revaluation of assets and liabilities was agreed upon:

- (i) The value of Machinery is increased by Rs.25,000.
- (ii) The value of Investment is increased by Rs 2,000.
- (iii) A provision for outstanding bill standing in the books at Rs. 1,000 is now not required.
- (iv) The value of Land and Building is decreased by Rs.12,000.

Give journal entries and prepare Revaluation account.

Q11 A, B and C are partners sharing profits and losses in the ratio of 2:2:1 . B retires from the firm on 31st March 2016 . On the date of B's retirement , the following balances appeared in the books of the firm:

Profit and loss A/c Rs50,000 , General reserve Rs 30,000 , Workmen's compensation reserve Rs40,000 and Deferred revenue expenditure Rs30,000.

Pass journal entries in the following cases:

- i) When they want to transfer the above mentioned items to their capital accounts.
- ii) When they do not want to transfer the above mentioned items to their capital accounts but prefer to record an adjustment entry for the same.

Q12 Misha, Indra and Gitu are partners sharing profits and losses in the ratio of 3 : 2 : 1 respectively. On March 31, 2016, their Balance Sheet was as under:

<i>Liabilities</i>	<i>Amount (Rs.)</i>	<i>Assets</i>	<i>Amount (Rs.)</i>
S. Creditors	55,000	Goodwill	25,000
Reserve Fund	30,000	Buildings	1,00,000
Capital		Patents	30,000
Accounts:		Machinery	1,50,000
Misha           1,50,000		Stock	50,000
Indra           1,25,000		Debtors	40,000
Gitu <u>75,000</u>	3,50,000	Cash	40,000
	4,35,000		4,35,000

Gitu retires on the above date. It was agreed that Machinery be valued at Rs.1,40,000; Patents at Rs. 40,000; and Buildings at Rs. 1,25,000. Record the necessary journal entries and prepare the Revaluation Account.

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XII ACCOUNTANCY

Assignment 11

TOPIC: RETIREMENT /DEATH OF A PARTNER

Q1 A , B and C were partners sharing profits in the ratio of 3:2:1. Their balance sheet as at 31.12 .2016 was as under:

Liabilities	Rs	Assets	Rs
Creditors	15,000	Cash	10,000
General reserve	45,000	Debtors	70,000
A's capital	30,000	Stock	20,000
B's capital	10,000	Patents	25,000
C's capital	50,000	Building	25,000
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	1,50,000		1,50,000

B retired from the business on the same date and following were agreed upon:

i) Provision for doubtful debts be made on debtors at 20%

ii) Patents were valueless.

iii) A and C agreed to pay Rs29,000 to B in full settlement of his claim of his claim. However , Rs4,000 were to be paid immediately and the balance to be transferred to his loan A/c which will be paid in two yearly installments of Rs10,000 each including interest @10% on the balance outstanding and the remaining balance including interest shall be paid at the end of third year.

Prepare revaluation A/c , Partner's capital A/c and Balance sheet as at 31.12.2016 and B's loan A/c till it is paid off. Books are closed on 31st December.

Q2 A, M and J are partners in a firm. M retires from the firm. On the date of retirement, Rs. 60,000 becomes due to him. A and J promise to pay him in installments every year at the end of the year. Prepare M's Loan Account in the following cases:

1. When payment is made four yearly installments plus interest @ 12% p.a. on the unpaid balance.

2. When they agree to pay three yearly installments of Rs. 20,000 including interest @ 12% p.a on the outstanding balance during the first three years and the balance including interest in the fourth year.

Q3 L, M and N were partners in a firm sharing profits and losses in the ratio of 2:2:3.

On 31st March, 2016, their balance sheet was as follows:

Liabilities	Rs	Assets	Rs
Trade creditors	1,60,000	Land & building	10,00,000
Bank overdraft	44,000	Machinery	5,00,000
Long term debts	4,00,000	Furniture	7,00,000
Employee's provident fund	76,000	Investment	2,00,000
Capitals:		Closing stock	8,00,000
L	12,50,000	Sundry debtors	4,00,000
M	8,00,000	Bank	80,000
N	10,50,000	Deferred advertisement expenditure	1,00,000
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	37,80,000		37,80,000

On 31st March, 2016, M retired from the firm and 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 Rs2,40,000 and machinery be depreciated by 10%.
- ii) 50% of investments were taken over by the retiring partner at book value.
- iii) An old customer Mohan whose account was written off as bad debt has promised to pay Rs7,000 in settlement of his full debt of Rs10,000.
- iv) Provision for doubtful debts was to be made at 5% on debtors.
- v) Closing stock will be valued at market price which is RsRs1,00,000 less than the book value.
- vi) Goodwill of the firm be valued at Rs5,60,000 and M's share of goodwill be adjusted in the accounts of Land N. L and N decided to share future profits and losses in the ratio of 3:2.
- vii) The total capital of the new firm will be Rs32,00,000 which will be in the proportion of the profit sharing ratio of Land N.
- viii) Amount due to M was settled by accepting a bill of exchange in his favour payable after 4 months. Prepare revaluation A/c, Partner's capital A/c and Balance sheet.

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**XII ACCOUNTANCY**  
**Assignment 12**  
**TOPIC: RETIREMENT /DEATH OF A PARTNER**

Q1 Roopam, Sunder and Shalini are partners sharing profit in the ratio of 5 : 3 : 2. Roopam retired, when their capitals were: Rs.46,000, Rs.42,000 and Rs.38,000 respectively after making all adjustments on retirement. Sunder and Shalini decided to have a total capital of the firm at Rs.84,000 in the proportion of 7 : 5. Calculate actual cash to be paid or brought in by each partner and make necessary journal entries.

Q2 Sumit, Amit and Namit are partners sharing profit in the ratio of 4 : 3 : 1. when Amit retired , their adjusted capitals were Rs.76,000: Rs.45,000 and Rs.34,000 respectively. Sumit and Namit decided to have their total capital of the firm in the ratio of 3 : 2. The necessary adjustments were to be made in cash only. Calculate actual cash to be paid off or brought in by each partner.

Q3 N ,D and R were partners sharing profit and losses in the ratio of 3:2:1. On D's retirement their capital showed the following balances:

N Rs1,00,000 , D Rs50,000 , R Rs50,000.

N and R decided to share future profits and losses equally. D was to be paid and it was decided that N and R would bring in sufficient cash so as to pay D and make their capitals proportionate to their new profit sharing ratio. Show the necessary adjustments.

Q4 The Balance Sheet of Rohit, Misha and Sunil who are partners in a firm sharing profits according to their capitals as on 31st March 2016 was as under:

Liabilities	Amount (Rs.)	As.sets	Amount (Rs.)
Creditors	25,000	Machinery	40,000
Bills Payable	13,000	Building	90,000
General Reserve	22,000	Debtors	30,000
Capital		Less Provision	1,000
Rohit	60,000		29,000
Misha	40,000	Stocks	23,000
Sunil	40,000	Cash at Bank	18,000
	2,00,000		2,00,000

On the date of Balance Sheet, Nisha retired from the firm, and following adjustments were made:

- (i) Building is appreciated by 20%.
- (ii) Provision for bad debts is increased to 5% on Debtors.
- (iii) Machinery is depreciated by 10%.
- (iv) Goodwill of the firm is valued at Rs.56,000 and the retiring partner's share is adjusted.
- (v) The capital of the new firm is fixed at Rs.1,20,000.

Prepare Revaluation Account, Capital Accounts of the partner and Balance sheet of the new firm after Misha's retirement.

Q4 Ram, Jai and Jagdish are partners sharing profit in the ratio of 3 : 2 : 1. Their balance sheet as on December 31st 2016 is as under :

**Balance sheet as on December 31st,  
2016**

Liabilities	Amount (Rs.)	Assets	Amount (Rs.)
Creditors	80,000	Building	1,80,000
Bills Payable	26,000	Plant	1,40,000
General reserve	24,000	Motor Car	40,000
Capital :		Stock	1,00,000
Ram	1,60,000	Debtors	63,000
Jai	1,20,000	Less :Provision	3,000
Jagdish	1,20,000	Cash at bank	10,000
	5,30,000		5,30,000

Jai retires, on the above date on the following terms:

- (a) The Goodwill of the firm is valued at Rs.60,000.
- (b) Stock and Building to be appreciated by 10%.
- (c) Plant is depreciated by 10%
- (d) Provision for Bad debts is increased upto Rs.5,000.
- (e) Jai's share of goodwill adjusted through remaining partners capital account.

The amount due to Jai is paid out of the fund brought in by Ram and Jagdish for that purpose in their new profit sharing ratio. Jai is paid full amount.

Prepare Revaluation Account and Partner's Capital account and balance sheet.

Q5

X, Y and Z are partners in a firm sharing profits in proportion of  $\frac{1}{2}$ ,  $\frac{1}{6}$ , and  $\frac{1}{3}$  respectively. The balance sheet as on 1 April, 2016 was as follows:

Liabilities	Rs	Assets	Rs
Employees provident fund	12,000	Freehold premises	40,000
Sundry creditors	18,000	Machinery	30,000
General reserve	12,000	Furniture	12,000
X	30,000	Stock	22,000
Y	30,000	Debtors 20,000	
Z	28,000	Less : provision <u>1,000</u>	19,000
	-----	Cash	7,000
	1,30,000		-----
			1,30,000

Z retires from the business and the partners agree that:

- Machinery is to be depreciated by 10%
- Provision for bad debts is to be increased to Rs1,500.
- Furniture was taken over by Z for Rs14,000.
- Goodwill is valued at Rs21,000 on Z's retirement.
- The continuing partners' have decided to adjust their capitals in their new profit sharing ratio after retirement of Z. Surplus or deficit if any, in their capital accounts will be adjusted through their current accounts.

Prepare Revaluation Account, Capital accounts and Balance sheet.



**AMITY INTERNATIONAL SCHOOL, Sec 46, Gurugram**  
**XII ACCOUNTANCY**  
**Assignment 13**  
**TOPIC: RETIREMENT /DEATH OF A PARTNER**

**NOTE:- Calculation related to new profit sharing ratio ,gaining ratio and treatment of goodwill at the time of death of a partner will be same as in the case of retirement of a partner.**

**Q1** Amit, Tarun and Neha are partners sharing profits in the ratio of 3 : 2 : 1 Neha dies on 31st May 2016. Sales for the year 2015-2016 amounted to Rs.4,00,000 and the profit on sales is Rs.60,000. Accounts are closed on 31 March every year. Sales from 1st April 2016 to 31st May 2016 is Rs.1,00,000.

Calculate the deceased partner's share in the profit upto the date of death and pass necessary journal entry for the same.

**Q2** R, M and J were partners in the firm. J died on 28th February 2016. His share of profit from the closure of the last accounting year till date of death was to be calculated on the basis of the average of three completed years of profits before death. Profits for 2013,2014 and 2015 were Rs7,000 , Rs8,000 and Rs9,000 respectively.

Calculated J's share of profits till his death and pass necessary journal entry for the same.

**Q3** Vikas ,Vishal and Vaibhav 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 31.12,2015 Vaibhav died . On that date his capital account showed a credit balance of Rs3,80,000 and goodwill of the firm was valued at Rs1,20,000. There was a debit balance of Rs50,000 in the profit and loss A/c. Vaibhav'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 Rs75,000.

Pass necessary journal entries.

**Q4** X,Y and Z were partners in a firm sharing profits and losses in the ratio of 5:3:2. Z died on 31.7.2015.

On the date of his death his capital account showed a credit balance of Rs60,000. A sum of Rs17,500 was paid immediately to the executors of Z and the balance was paid in four half yearly installments together with interest at 12%p.a starting from 31.1.2016. Books are closed on 31st December every year. Prepare Z's executors' A/c till the final payment.

**Q5** A,B and C were partners in a firm sharing profits equally . On 1.4.2016 B died On that date goodwill of the firm was valued at Rs90,000. There was a balance of Rs2,70,000 in general

reserve. As executors of B were not financially strong enough so A proposes that the executors of B shall be given 1/2 share of general reserve and remaining portion shall be distributed between A and C in the new ratio which is equal. C accepted it.

a) Identify two values which according to you motivated them to introduce such special clauses in the partnership deed.

b) Pass necessary journal entries on B's death.

Q6 A,B and C were partners sharing profits in the ratio 5:3:2 respectively. Their summarised balance sheet was as follows:

Liabilities	Rs	Assets	Rs
Current liabilities	1,84,000	Cash	24,000
Capital accounts:		Debtors	1,40,000
A	2,80,000	Stock	1,80,000
B	2,00,000	Machinery	3,60,000
C	1,20,000	Goodwill	80,000
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	7,84,000		7,84,000

C retired on 1.4.2016. It was agreed that:

a)Machinery be revalued at Rs4,80,000.

b)C's interest in the firm is valued at Rs1,88,000 after taking into consideration revaluation of assets ,reassessment of liabilities and accumulated profits/ losses etc.

c)The entire sum payable to C is to be brought in by A and B in such way so that their capital should be in their new profit sharing ratio 2:1.

d) A cash balance of Rs17,000 should be kept in the firm as minimum balance.

Prepare Revaluation Account , Capital accounts and Balance sheet.

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**XII ACCOUNTANCY**

**Assignment 14**

**TOPIC: RETIREMENT /DEATH OF A PARTNER**

**Q1** Charu Tarun and Gupt are partners in a firm sharing profit and losses in the ratio of 1/2, 1/6 and 1/3 respectively. The Balance Sheet on March 31, 2016 was as follows:

Liabilities	Amount (Rs.)	Assets	Amount (Rs.)
Sundry Creditors	36,000	Freehold Premises	80,000
Bills Payable	24,000	Machinery	60,000
General Reserve	24,000	Furniture	24,000
Capitals:		Debtors	40,000
Charu	60,000	Less Provision	2,000
Tarun	60,000		38,000
Gupt	56,000	Stock	44,000
	1,76,000	Cash	14,000
	2,60,000		2,60,000

Gupt retires from the business and the partners agree to the following revaluation:

- Freehold premises and stock are to be appreciated by 20% and 15% respectively.
- Machinery and furniture are to be depreciated by 10% and 7% respectively.
- Bad debts reserve is to be increased to Rs.3,000.
- On Gupt retirement, the goodwill is valued at Rs.42,000.
- The remaining partners have decided to adjust their capitals in their new profit sharing ratio after retirement of Gupt. Surplus/deficit, if any in their capital account will be adjusted through cash.

Prepare necessary ledger accounts and Balance Sheet of reconstituted firm.

**Q2** Namit, Sumit and Shiba are partners in a firm sharing profits in the ratio 5:3:2. On 31st December 2016 their Balance Sheet was as under:

Liabilities	Amount (Rs.)	Assets	Amount (Rs.)
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Creditors		52,000	Building	60,000
Reserve Fund		15,000	Plant	50,000
Capitals :			Stock	27,000
Namit	60,000		Debtors	25,000
Sumit	45,000		Cash	10,000
Shiba	30,000	1,35,000	Bank	30,000
		2,02,000		2,02,000

Namit died on 1 July 2017. It was agreed between his executor and the remaining partners that:

- (i) Goodwill to be valued at  $2\frac{1}{2}$  years purchase of the average profits of the last Four years, which were: 2013 Rs. 25,000; 2014 Rs.20,000; 2015 Rs.40,000 and 2016 Rs.35,000.
- (ii) Building is valued at Rs.70,000; Plant at Rs.46,000 and Stock at Rs.32,000.
- (iii) Profit for the year 2017 be taken as having accrued at the same rate as that of the previous year.
- (iv) Interest on capital is provided at 9% p.a.
- (v) On 1 July 2017 his drawings account showed a balance of Rs.20,000.
- (vi) Rs.25,950 are to be paid immediately to his executor and the balance is transferred to his Executors Loan Account.

Prepare Namit's Capital Account and Namit's Executor's Account as on 1st July 2017.

Q3 The balance sheet of X, Y and Z who were sharing profits in the ratio of 5:3:2 as at 31st March, 2018:

Liabilities	Rs	Assets	Rs
Creditors	50,000	Cash at bank	40,000
Employee's provident fund	10,000	Sundry debtors	1,00,000
Profit and loss A/c	85,000	Stock	80,000
Capital A/cs:	40,000	Fixed assets	60,000
X	62,000		
Y	33,000		
Z	-----		-----
	2,80,000		2,80,000

X retired on March 31,2018 and Y and Z decided to share profits in future in the ratio of 2:3 respectively.

The other terms on retirement were as follows:

- a) Goodwill of the firm is to be valued at Rs80,000.
- b) Fixed assets are to be depreciated to Rs 57,500.

c) Make a provision for doubtful debts at 5% on debtors.

d) A liability for claim, included in creditors for Rs10,000, is settled and paid at Rs8,000.

e)

case 1:- The amount to be paid to X by Y and Z in such a way that their capitals are proportionate to their profit sharing ratio and leave a balance of Rs15,000 in the bank account.

case 2:- The amount to be paid to X by Y and Z in such a way that their capitals are proportionate to their profit sharing ratio and maintain a balance of Rs45,000 in the bank account.

Q4 Sunny Honey and Rupesh are partners in a firm. Their Balance sheet as on December 31, 2015 is as under:

Liabilities		Amount (Rs.)	Assets	Amount (Rs.)
Creditors		20,000	Plant & Machinery	40,000
General Reserve		20,000	Furniture & Fittings	5,000
Capitals:			Debtors	30,000
Sunny	40,000		Stock	21,000
Honey	30,000		Investment	24,000
Rupesh	<u>10,000</u>	80,000		
		<u>1,20,000</u>		<u>1,20,000</u>

Honey died on 30.06.2016. The partnership deed provides that the representative of the deceased partner shall be entitled to:

- (i) Balance of the capital account of deceased partner.
- (ii) Interest on Capital at 8% p.a. upto date of death.
- (iii) His share of profit upto date of death on the average of last three years profit.
- (iv) His share of any undistributed profit and losses as per last balance sheet.
- (v) Profit for the last three years was Rs.30,000, Rs.40,000 and Rs.50,000.

Ascertain the amount payable to the legal representatives of Honey and prepare Honey's account.

Q5 The following is the balance sheet of Ram, Mohan and Sohan as on 31st December 2012

Liabilities	Rs	Assets	Rs
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Creditors	10,000	Tools	3,000
Reserve fund	7,500	Furniture	18,000
Capital accounts:-		Stock	16,000
Ram	20,000	Debtors	12,000
Mohan	10,000	Cash at bank	8,000
Sohan	10,000	Cash in hand	500
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	57,500		57,500

Ram, Mohan and Sohan shared profits and losses in the ratio of 2:2:1.

Sohan died on 31st March 2013. Under the partnership agreement the executor of Sohan was entitled to:

- Amount standing to the credit of his capital account.
- Interest on capital which amounted to Rs150.
- His share of profit from the closing of last financial year to the date of death which amounted to Rs750.

Sohan's executor was paid Rs1,775 on 1st April 2013 and the balance in four equal yearly installments from 31.3.2014 with interest @6%p.a.

Pass necessary journal entries and draw up Sohan's Account to be rendered to his executor and Sohan's executor's account till it is finally paid.

