

Online Assignment-3

Retirement and Death of a partner

1. Raj, Mohan and Sohan are partners in a firm with profit sharing ratio of 3:2:1. Calculate the new profit ratio of Raj and Sohan if Mohan retire.
2. X,Y & Z are partners in a firm with profit sharing ratio of $\frac{3}{8}$, $\frac{1}{2}$ and $\frac{1}{8}$. X retire and surrender $\frac{2}{3}$ of his share in favour of Y and remaining in favour of Z. Calculate new ratio and gaining ratio.
3. J,G & B are partners sharing profits in the ratio of 4:2:1. J retires and his share taken by G & B in the ratio of 3:2. Calculate new ratio and gaining ratio.
4. A,B,C and D are partners sharing profits in the ratio of 3:2:3:2. On retirement of C ,goodwill of the firm was valued Rs.2,40,000. New profits ratio between A,B and D was 3:1:6. Give the necessary journal entries if goodwill already appear in the book with Rs.1,00,000.
5. Ravi, Som and Mangal are partners in a firm with profit sharing ratio of 3:2:1. Som retires. After making all adjustments relating to revaluation, goodwill and accumulated profits, etc.the capital account of Ravi showed a credit balance of Rs.1,60,000 and that of Mangal Rs.80,000. It was decided to adjust the capital of Ravi and Mangal in their profit sharing ratio. You are required to calculate the new capital of the partners and record necessary entries for surplus/deficit.
6. A, B and C are partners in a firm with profit sharing ratio of 40%, 30% and 30%. A retires. After making all adjustments relating to revaluation, goodwill and accumulated profits, etc. the capital account of the partners showed Rs.70,000, Rs.60,000 and Rs.50,000. It was decided that amount payable to A will be brought in by B and C in such a way so as to make their capital in proportionate to their profit sharing ratio. Calculate the amount to be brought in by B and C and record necessary entries for the same.
7. A ,B and C are partners in a firm and balance sheet as on 31-12-04 was as follows:-

Liabilities	Rs.	Assets	Rs.
Creditors	30,000	Bank	1,600
Provident fund	8,000	Stock	10,400
Reserve fund	12,000	Debtors	14,000
Profit and loss a/c	3,000	Less:prov.	600
Capital		Investments	12,000
A	50,000	Plant	50,000
B	40,000	Land and Building	1,00,000
C	44,600		
	1,34,600		
	1,87,600		1,87,600

B retire on that date, subject to the following condition :

- (a) Goodwill of the firm is to be valued at Rs. 21,000.
- (b) Reserve for doubtful debts to be raised to 10%.
- (c) Plant to be depreciated by 5% and land to be appreciated by 10%.
- (d) Interest accrued on investment Rs.500.
- (e) Liabilities for workmen's compensation to the extent of Rs.900 is to be raised.

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- (f) Creditors to the extent of 2% are not likely to be claimed.
 (g) C took over the investment at a value of Rs.15,000.
 (h) New profit sharing ratio between A and C was 3:2.
 (i) Rs.1,300 to be paid to B immediately and the balance in his capital account to be paid in three equal installment together with interest @ 10% p.a.

Prepare Revaluation A/c, Capital A/cs of partners and the balance sheet and loan a/c of B.

8. The Balance Sheet of X, Y and Z who shared profits in the ratio of 4:3:2 as on 31st March, 1993 was as follows:

Liabilities	Rs.	Assets	Rs.
Sundry Creditors	7,700	Cash at Bank	6,300
General Reserve	1,800	Debtors 6,000	
Capitals :		Less: provision 300	5,700
X 19,000		Stock	7,000
Y 14,000		Plant & Machinery	10,500
Z 12,000	45,000	Building	25,000
	54,500		54,500

Y retire on the above date:

- I. Stock to be depreciated by 5%.
- II. Building to be appreciated by 5%.
- III. A provision of Rs.320 be made for legal charges.
- IV. Goodwill of the firm is valued at Rs.14,400.
- V. X and Z to share the future profits in the ratio 5:3.
- VI. Y to paid Rs.5,000 in cash and the balance to be transferred to his loan account.
- VII. X and Z to maintain their capitals in the new profit sharing ratio and to bring in or withdraw cash for the purpose. Capital of the new firm be fixed at Rs.28,000.

Prepare Revaluation Account, Capital Accounts of all partners, Bank Account and the Balance Sheet of X and Z after the retirement of Y.

9. A, B and C share profits and losses in the ratio of 3:2:1. Their Balance Sheet as on 31st December, 1996 was as under :

Liabilities	Rs.	Assets	Rs.
Creditors	60,000	Cash	36,000
Bills Payable	32,000	Debtors 50,000	
General Reserve	24,000	Less:provision 6,000	44,000
Capital Accounts :		Stock	36,000
A 80,000		Furniture	60,000
B 80,000		Machinery	1,40,000
C 60,000	2,20,000	Goodwill	20,000
	3,36,000		3,36,000

B retire on 1st January, 1997 on following terms :

- (a) Provision for doubtful debts as raised by Rs.2,000.
- (b) Outstanding claim for damages of Rs.2,200 is to be provided.
- (c) Creditors be reduced by Rs.12,000.
- (d) Goodwill of the firm is valued at Rs.44,000.

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(e) B is paid cash brought in by A and C in such a manner that their capitals are in proportion of their profit sharing ratio 3:2 and to leave Rs.20,000 as cash in hand.

Prepare Revaluation Account , Capital Accounts and Balance Sheet of A and C.

10. Ram , Shyam and Mohan were partners sharing profits and losses in the ratio of 4:3:2. On 31st December, 1992, their balance sheet stood as follows:

Liabilities	Rs.	Assets	Rs.
Creditors	4,000	Cash at Bank	11,400
General Reserve	9,000	Goodwill	3,600
Capitals :		Plant & Machinery	14,000
Ram 10,000		Stock	4,000
Shyam 9,000		Sundry Debtors	6,000
Mohan 7,000	26,000		
	39,000		39,000

Shyam died on 14.3.1993. According to the Partnership Deed, executor of a deceased partner was entitled to :

- (1) Balance of the Partner's Capital A/c and his share of the accumulated reserves.
- (2) Interest on capital @ 5% p.a.
- (3) Share of goodwill calculated on the basis of twice the average profits of the past three completed years.
- (4) Share of profit from the closure of the last accounting year till the date of death on the basis of the average profits of the 3 completed years before death.

Rs.5,000 was to be paid to Shyam's executor and the balance due to him was to be kept in his loan account. Profits for the three years 1990, 1991 and 1992 were Rs.9,600 , Rs.12,800 and Rs.10,000 respectively. Pass the necessary journal entries and prepare Shyam's Capital Account and Shyam's Executor Account after the above adjustment on the death of Shyam.

11. Arti , Bharti and Seema are partners sharing profits in the proportion of 3:2:1 and their B/S on March 31,2003

Liabilities	Rs.	Assets	Rs.
Bills Payable	12,000	Buildings	21,000
Creditors	14,000	Cash in Hand	12,000
General Reserve	12,000	Bank	13,700
Capitals :		Debtors	12,000
Arti 20,000		Bills receivable	4,300
Bharti 12,000		Stock	3,000
Seema 8,000	40,000	Advertisement suspense	12,000
	78,000		78,000

Bharti died on June 30, 2003 and according to the deed her executors are entitled

- (i) The capital to her credit at the time of her death .
- (ii) Provide interest on capital @ 12% p.a.
- (iii) Her drawing to the date of death Rs.2500 and charge interest 5%.
- (iv) New ratio between Arti and Seema are 1:1.
- (v) Her proportionate share of reserve fund.

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(vi) Her share of profits for the period will be based on the average profit of the last three years.

Goodwill according to her share of profit to be calculated by taking twice the amount of the average profit of the last three years. The profits of the previous years were : 2001 – Rs.8,200 : 2002 – Rs.9,000 : 2003 – Rs.9,800. Rs.15000 was paid to Bharti's Executor immediately and balance in two equal annual installment together with interest @ 10% p.a. Pass the necessary journal entries and write the account of the executors of Bharti till it is finally closed.

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