



ACCOUNTANCY

Reconstitution of Partnership: Retirement and Death of a Partner

Name: _____

Date: _____

Class: XII

- 1 A B and C are partners sharing profits and losses in the ratio of 3:2:1. C retires and his share gained by A and B as $\frac{1}{24}$ and $\frac{1}{8}$, calculate the new profit sharing ratio of A and B
- 2 P Q and R are partners sharing profits in the ratio of 2:2:1. P retires and his share is entirely taken by R. Find out new profit sharing ratio of Q and R
- 3 X Y and Z are partners sharing profits in the ratio of $\frac{1}{2}$, $\frac{2}{5}$, $\frac{1}{10}$. Find the new ratio of remaining partners if Z retires.
- 4 A B and C have been sharing profits in the ratio of 8:5:3. A retires. B takes $\frac{3}{16}$ th share from A and C takes $\frac{5}{16}$ th share from A. Calculate gaining ratio.
- 5 A B C and D are partners sharing profits in the ratio of 3:2:1:4. A retires and his share acquired by B and C in the ratio of 3:2. Calculate new ratio and gaining ratio
- 6 P Q and R have been sharing profits in the ratio of 4:2:1. Q retires. P and R takes Q's share equally. Calculate new profit sharing ratio and gaining ratio.
7. A B and C are equal partners. C retires. He surrenders $\frac{3}{5}$ th of his share in favour of A and $\frac{2}{5}$ th in favour of B. Calculate new ratio and gaining ratio.
8. Anitha, Babita and Chanderkala are partners in a firm. Anita retires and the balance sheet of this firm on that date is as under

Liabilities	₹	Assets	₹
Creditors	4,000	Cash at Bank	6,000
Reserve	4,500	Debtors	16,000
Workmen's compensation fund	5,000	Furniture	15,000
Profit & Loss Account	2,500	Plant	20,000
Capitals:		Patents	4,000
Anita 20,000			
Babita 15,000			
Chanderkala 10,000	45,000		
	61,000		61,000

On retirement it was found that patents were valueless, furniture is to be brought down ₹12,000 and plant is reduced by ₹5,000 and there was a liability on account of workmen's compensation fund ₹3,000. Record necessary entries at the time of retirement.

9. A B and C were partners sharing profits in the ratio of 6:4:5. Their capitals were A ₹1,00,000, B ₹80,000 and C ₹ 60,000. On 1st April 2017, B retired from the firm and the new

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profit sharing ratio between A and C was decided as 11:4. On B's retirement, the goodwill of the firm was valued at ₹ 1,80,000. Showing your calculations clearly, pass necessary journal entry for the treatment goodwill on B's retirement.

- 10 Nandan, John and Rosa are partners sharing profits in the ratio of 4:3:2. On 1st April 2012, John retired. Nandan and Rosa decided to share future profits in the ratio of 1:1. The capital accounts of Nandan and Rosa after all adjustments showed a balance of ₹43,000 and 80,500 respectively. The total amount to be paid to John was ₹95,500. This amount was to be paid by Nandan and Rosa in such a way that their capitals become proportionate to their new profit sharing ratio. Pass necessary journal entries in the books of the firm

- 11 **Death of a Partner:** R, S and T were partners sharing profits and losses in the ratio of 5:3:2 respectively. On 31st December 2015 their Balance Sheet stood as under

Liabilities	Amt(₹)	Assets	Amt(₹)
Sundry creditors	50,000	Goodwill	25,000
Employees' Provident Fund	5,000	Leasehold	1,00,000
Contingency reserve	20,000	Patents	30,000
Employees' compensation reserve	10,000	Machinery	1,50,000
Capital A/c s		Stock	50,000
R	1,50,000	Debtors	40,000
S	1,25,000	Cash at Bank	40,000
T	75,000		
	4,35,000		4,35,000

T died on 1st May 2016. It was agreed that :

- Goodwill to be valued 2 ½ years' purchase of last 4 years' average profits which were : 2012 ₹65,000, 2013 ₹60,000, 2014-₹80,000 and 2015-₹75,000
- Machinery be valued at ₹1,40,000; patents be valued at ₹40,000; Leasehold be valued at ₹1,25,000 on 1st May 2016
- For the purpose of calculating T's share in the profits to 2016, the profits in 2016 should be taken to have accrued on the same scale as in 2015
- A sum of ₹21,000 to be paid immediately to the executor's of T and the balance to be paid in four equal half yearly installments together with interest at 10% per annum.

Prepare T's executor's Account for 2016

12. **Death of a partner:** X, Y and Z were partners in a firm sharing profits and losses in the ratio of 5:3:2. On 31.3.2016 their Balance sheet was as follows:

Liabilities	₹	Assets	₹
Capital Accounts		Building	50,000
X 75,000		Patents	15,000
Y 62,500		Machinery	75,000
Z 37,500	1,75,000	Stock	37,500
Creditors	42,500	Debtors	20,000
		Cash at Bank	20,000

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	2,17,500		2,17,500
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Z died on 31st July, 2016. It was agreed that :

- a) Goodwill be valued at 2 ½ year's purchase of the average profits of the last four years, which were as follows:

Years	Profits(₹)
2012-13	32,500
2013-14	30,000
2014-15	40,000
2015-16	37,500

- b) Machinery be valued at ₹70,000; Patents at ₹20,000 and building at ₹62,500
 c) For the purpose of calculating Z's share of profits in the year of his death the profits in 2016-2017 should be taken to have been accrued on the same scale as in 2015-2016.
 d) A sum of ₹17,500 was paid immediately to the executors of Z and the balance was paid in four half yearly instalments together with interest at 12% p.a starting from 31.1.2017

Give necessary journal entries to record the above transactions and Z's executors account till the payment of instalment due on 31.1.2017

- 13 **Death of a Partner:** Virad, Vishad and Roma were partners in a firm sharing profits in the ratio of 5:3:2 respectively. On March 31, 2013, their Balance Sheet was as under:

Balance sheet of Virad, Vishad and Roma As on March 31, 2013

Liabilities	Amt(₹)	Assets	Amt(₹)
Capital:		Building	2,00,000
Virad 3,00,000		Machinery	3,00,000
Vishad 2,50,000		Patents	1,10,000
Roma 1,50,000	7,00,000	Stock	1,00,000
Reserve Fund	60,000	Debtors	80,000
Creditors	1,10,000	Cash	80,000
	8,70,000		8,70,000

Virad died on October 1, 2013. It was agreed between his executors and the remaining partner's that:

- a) Goodwill of the firm be valued at 2 ½ years' purchase of average profits for the last three years. The average profits were ₹1,50,000.
 b) Interest on capital be provided at 10% p.a
 c) Profit for the year 2013-14 be taken as having accrued at the same rate as that of the previous year which was ₹1,50,000.

Prepare Virad's capital account to be presented to his executors as on October 1, 2013

14. **Retirement of a Partner:** Raman, Ratan and Rajan were partners sharing profits in the ratio of 4:2:1 respectively. Following was their Balance sheet as at 31st March, 2013

Liabilities	Amt(₹)	Assets	Amt(₹)
Capitals:		Cash	14,000
Raman	60,000	Stock	30,000
Ratan	40,000	Debtors	22,000

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Rajan	30,000	Building	40,000
Creditors	30,000	Plant	53,000
Bills Payable	4,000	Motor Van	26,000
General Reserve	21,000		
	1,85,000		1,85,000

On the above date Raman retired and following were agreed:

- a) The assets and liabilities were valued as stock:24,000,Debtors:21,000,Building 45,200,Plant:50,000 and creditors:28,000
- b) Amount due to Raman will be transferred to Raman's loan account .Prepare Revaluation A/c and Raman's capital Account.

15. **Retirement of a Partner:** A B and C are partners in a business, sharing profits and losses in the ratio of 3:2:1.Their balance sheet on 31st March 2017 was as follows.

Liabilities	₹	Assets	₹
Capitals		Factory building	14,000
A 10,000		Machinery	6,000
B 10,000		Stock in hand	7,000
C 10,000	30,000	Sundry debtors	9,000
Reserve fund	6,000	Cash at bank	1,000
Creditors	12,600	Cash in hand	11,600
	48,600		48600

On that date C retires from business and amount due to him is paid in cash .It is agreed to adjust the values of assets as follows:

- a) To provide a provision of 5 % on sundry debtors for doubtful debts
- b) To depreciate stock by 5 % and Machinery by 10 %
- c) Factory building to be revalued at ₹15,100

Show the revaluation A/c, and the Partners capital A/cs and prepare the balance sheet of the continuing partners as on 1st April 2017

16. On 31st March 2017, the Balance sheet of A B and C who are sharing profits and losses in proportion to their capitals stood as follows

Liabilities	₹	Assets	₹
Capitals		Land & building	5,00,000
A4,50,000		Machinery	2,40,000
B3,00,000		Stock	90,000
C1,50,000	9,00,000	Debtors	
Creditors	1,08,000	1,00,000	
		Less :Provision for doubtful debts	98,000
		2,000	80,000
		Cash in hand	
	10,08,000		10,08,000

On the date B wants to retire from firm and the remaining partners decided to carry on the



firm. The following readjustments of assets and liabilities have been agreed upon before the ascertainment of the amount payable to B that:

1. Out of the amount of insurance premium which was debited annually entirely to profit and loss A/c, ₹10,000 be carried forward for unexpired insurance on 31st March 2017.
2. The land & Building be appreciated by 10 %
3. The provision for doubtful debts be brought up to 5% on debtors
4. The machinery be depreciated by 5%
5. A provision for ₹15,000 be made in respect of an outstanding bill for repairs
6. Goodwill of the firm valued at ₹60,000

It was decided to pay ₹50,000 to **B** in cash immediately on his retirement and balance is to be transferred to his loan A/c.

Prepare Revaluation A/c ,Partners' Capital A/c s and Balance sheet of the new firm

16. **Retirement of a partner:** Kushboo, Leela and Meena were partners in a firm sharing profits in the ratio of 5:3:2. Their Balance sheet on 31st March ,2015 was as follows:

**Balance sheet of Kushboo, Leela and Meena
As at 31st March, 2015**

Liabilities	₹	Assets	₹
Creditors	70,000	Bank	44,000
Capitals		Debtors	24,000
Kushboo 90,000		Stock	60,000
Leela 56,000		Building	1,40,000
Meena 60,000	2,06,000	Profit & Loss A/c	8,000
	2,76,000		2,76,000

On 1st April 2015 Leela retired on the following terms;

1. Building was to be depreciated by ₹10,000
2. A provision of 5% was to be made on Debtors for doubtful debts
3. Salary outstanding was ₹4,800
4. Goodwill of the firm was valued at ₹1,40,000
5. Leela was to be paid ₹20,800 through cheque and the balance was to be paid in two equal quarterly instalments (starting from 30th June 2015) along with interest @10% p.a

Prepare Revaluation A/c ,Leela's capital A/c and her Loan A/c till it is finally paid.

17. A, B and C are partners in a firm. A retires on 1st January 2010. On the date of retirement ₹80,000 is due to him in all. It is agreed to pay him this amount in instalments every year at the end of the year. Prepare A's loan A/c when payment is made in three instalments of ₹25,000 including interest @10% p.a on the outstanding balance and the balance including interest in the fourth year.

