VAISHALI EDUCATION POINT

(QUALITY EDUCATION PROVIDER)

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RETIREMENT & DEATH OF A PARTNER

Class :- XII

General Instructions

QNo.	Questions
1	A, B,C and D are partners sharing profits in the ratio of 5:4:3:2. A retires and B, C and D decide to share the profits and losses equally in future. Calculate the gaining ratio.
2	P, Q,R and S are partners sharing profits in the ratio of 2:3:5:2.S retires and his share is acquired by Q and R in ratio of 3:2. Calculate new ratio and gaining ratio.
3	L,M and N are three partners sharing profits in the ratio of 4:3:2 respectively. M retires and the goodwill is valued at Rs10,800. No goodwill account appears as yet in books of the firm. L and N will share profits in future in the ratio of 5:3 respectively. Pass journal entry for goodwill.
4	A, B, C and D are partners sharing profits in the ratio of 2 : 4 : 3 : 1. C retires and for this purpose goodwill is valued at two year's purchase of average super profits of last four years, which are as under: I year — Rs. 40,000 II year — Rs. 10,000 (Loss) III year — Rs. 1,00,000 IV year — Rs, 1,50,000 The normal profits for similar firms is Rs. 56,000. Record necessary entry for goodwill on retirement of C.
5	P, Q and R are equal partners. Goodwill is appearing in their books at Rs40,000. R retires and on the day of R's retirement goodwill is valued at Rs25,000.pass the necessary journal entries.
6	A, B and C were partners sharing profits and losses in the ratio of 5:4:3 respectively. C decided to retire and the partners decided to share the future profits equally. Goodwill of the entire firm was fixed at Rs24,000 and it was decided that C's share of goodwill be adjusted in the accounts of A and B. pass journal entry.
7	. A, B and C were partners sharing profits in the ratio of 2:3:4. On 15th march 2003 B died and the new profit sharing ratio of A and C was 5 : 4. On B's death the goodwill of firm is valued at Rs 75,000.pass the necessary journal entries for the treatment of goodwill without opening goodwill account.
8	(a) A, B and C are partners in a firm sharing profits in the ratio of 3:2:1. A retires and his share is taken up by B and C equally. Find the new profit sharing ratio and the gaining ratio. (b) The good of the firm is valued at Rs. 18,000. No goodwill account appears in the

books. Pass necessary journal entry for recording the goodwill in the above mentioned case.

9 A, B,C and D are partners sharing profits in the ratio of 5:3:3:1. On the retirement of C, goodwill was valued at Rs3,60,000. C’s share of goodwill will be adjusted into the capital accounts of A,B and D. pass necessary entry for the treatment of goodwill when new profit sharing ratio is decided at 9: 2 : 1.

10 X, Y and Z are partners sharing profits in the ratio of 4:5:6. X retires. Y and Z decided to share future profits equally. On that date, there was a balance of Rs75,000 in general reserve and a balance of Rs30,000 in the profit and loss account of the firm. Record necessary journal entry.

11 A, B,C and D are partners sharing profits in the ratio of 1: 2 : 3 : 4. D retires and his share is taken by A and B equally. Goodwill was valued at 3 year’s purchase of average profits which were Rs20,000. General reserve showed a balance of Rs65,000 at the time of D’s retirement.
You are required to record necessary journal entries to record the above adjustments on D’s retirement. You are also required to prepare his capital account to find out the amount due to him when his capital balance in the balance sheet was Rs1,50,000 before any adjustment. Also calculate the new profit sharing ratios.

12 X, Y and Z are partners in a firm sharing profits and losses equally. The balance sheet of the firm as on 31st March, 2011 stood as follows:

Liabilities		*Rs.*	*Assets*	*Rs.*
Creditors		1,09,000	Cash in hand and cash at Bank	86,000
General Reserve		60,000	Debtors	2,00,000
Provident Fund		20,000	Stock	1,00,000
Capitals :			Investments (at cost)	50,000
X	3,00,000		Freehold Property	4,00,000
Y	2,00,000		Trade Marks	20,000
Z	2,00,000	7,00,000	Goodwill	33,000
		8,89,000		8,89,000

Z retires on this date subject to the following adjustments:
(i) Freehold Property be valued at Rs. 5,80,000.
(ii) Investments be valued at Rs. 47,000; and stocks be valued at Rs. 94,000;
(iii) A provision of 5% be made for doubtful debts.
(iv) Trade Marks are valueless.
(v) An item of Rs. 12,000 included in creditors is not likely to be claimed.
(vi) Goodwill be valued at one year’s purchase of the average profit of the three years. Profit ending 31st March were: 2009 Rs. 1,20,000; 2010 Rs. 1,00,000 and 2011 Rs. 95,000.
Pass journal entries, give capital accounts and the balance sheet of the remaining partners.

13 Manoj, Naveen and Deepak were partners sharing profits and losses in the ratio of 4 : 3 : 2. On 1st April 2012, their Balance Sheet was as follows:

Liabilities	Rs.	Assets	Rs.
Trade Creditors	7,000	Cash in hand	5,900
Capitals:		Debtors 19000	
Manoj 50,000		Less: Provision 1,400	17,600
Naveen 39,000		Stock	13,500
Deepak 30,000	1,19,000	Plant and Machinery	18,000
		Motor Car	20,000
		Buildings	48,000
		Goodwill	3,000
	1,26,000		1,26,000

Deepak retired on the above date as per the following terms:

1. Goodwill of the firm was valued at 21,000 but it was not to remain in the books of the new firm.
2. Stock to be appreciated by 10%.
3. Provision for boubtful debts should be 5% on debtors.
4. Machinery is to be valued at 5% more than its book value.
5. Motor Car is revalued at Rs. 15,500. Retiring partner took over Motor Car at this value.
6. Deepak be paid Rs. 2,000 in cash and balance be transferred to his loan account.

Show necessary journal entries. Prepare Revaluation Account, Capital Accounts and Opening Balance Sheet of continuing partners.

14 Following is the Balance Sheet of X, Y and Z as on 31st March, 2008. They shared profits in the ratio of 3 : 3 : 2.

Liabilities	Rs.	Assets	Rs.
Sundry Creditors	2,50,000	Cash at Bank	50,000
General Reserve	80,000	Bills Receivable	60,000
Partners Loan A/cs:		Debtors 80,000	
X	50,000	Less: Provision for	
Y	40,000	Bad debts 4,000	76,000
Capital A/cs:		Stock	1,24,000
X 1,00,000		Fixed Assets	3,00,000
Y 60,000		Advertisement Suspense A/c	16,000
Z 50,000	2,10,000	Profit and Loss A/c	4,000
	6,30,000		6,30,000

On 1st April, 2008 Y decided to retire from the firm on the following terms:

(a) Stock to be depreciated by Rs. 12,000.

(b) Advertisement Suspense Account to be written off.

(c) Provision for Bad and Doubtful Debts to be increased to Rs. 6,000.

	(d) Fixed Assets be appreciated by 10%. (e) Goodwill of the firm be valued at Rs. 80,000 and the amount due to the retiring partner be adjusted in X's and Z's Capital Accounts. Prepare the Revaluation Account, Partner's Capital Accounts and the Balance Sheet to give effect to the above.
15	A, B and C are partners sharing profits in the ratio of their Capitals. Their Balance Sheet as on March 31, 2007 is as under:

Liabilities		Rs.	Assets	Rs.
Capitals:			Bank	44,800
A	2,00,000		Sundry Debtors	1,72,000
B	2,00,000		Stock	3,00,000
C	1,00,000	5,00,000	Furniture and fittings	46,000
Reserve Fund		40,000		
Sundry Creditors		20,000		
Outstanding Expenses		2,800		
		5,62,800		5,62,800

A retired on this date.
Additional Information:
(i) Furniture and fittings were undervalued by Rs. 4,000.
(ii) An amount of Rs. 12,000 due from Mr. Arun, a debtor, was doubtful an a provision for the same is required.
(iii) Stock be valued at 90%.
(iv) Goodwill of the firm be valued at Rs. 60,000.
(v) Rs. 1,00,000 be transferred to A's loan account and balance be paid through bank. Bank overdraft be arranged, if required.
(vi) B and C will share future profits in 5 : 3.
Prepare necessary ledger accounts and balance sheet of the firm after A's retirement.

16	A, B and C were in partnership sharing profits and losses in the ratio of 3 : 2 : 1. Their Balance Sheet as at 31st December, 1995 was as follows:

Liabilities		Rs.	Assets		Rs.
Capital Accounts:			Plant & Machinery		30,000
A	18,000		Furniture		15,000
B	16,000		Trade Debtors	35,000	
C	10,000	44,000	*Less:* Provision	2,000	33,000
Trade Creditors		33,000	Cash in hand	1,000	
Workmen's Accident Compensation Fund		5,000	Profit & Loss A/c		3,000
		82,000			82,000

C retired on this date. It was agreed that:
(i) Plant and Machinery is to be revalued at Rs. 40,000; the existing provision for bad debts is to be increased by 50% and liability for workmen's compensation was

decided at Rs. 2,000.
(ii) Creditors are to be paid Rs. 3,000 more.
(iii) C's share of goodwill was valued at Rs. 8,000.
(iv) The total amount payable to C was brought in by A and B in their new profit sharing ratio which is 5 : 3.
You are required to prepare (i) revaluation account, (ii) partners' capital accounts, and (iii) revised balance sheet after all adjustments are carried out.

17 The Balance Sheet of X, Y and Z who were sharing profit in proportion of capitals is as follows:

Liabilities	Rs.	Assets		Rs.
Sundry Creditors	7,000	Cash at Bank		15,600
Capital A/cs:		S. Debtors	5,000	
X	25,000	Less : Provision	100	4,900
Y	20,000	Stock		10,000
Z	15,000	Plant and Machinery		11,500
		Land and Building		25,000
	67,000			67,000

Y retires and the following adjustments of the assets and liabilities have been made before the ascertainment of the amount payable by the firm to Y:
(i) That the stock be depreciated by 5%.
(ii) That the provision for doubtful debts be increased to 5% on debtors.
(iii) That the land and building be appreciated by 20%.
(vi)That a provision of Rs. 750 be made in respect of outstanding legal charges.
(v) That the Goodwill of the entire firm be fixed at Rs. 16,200 and Y's share of the same be adjusted into the Accounts of X and Z (No Goodwill account is to be raised).
(vi) That X and Z decide to share future profits of the firm in equal proportion.
(vii) That the entire capital of the new firm is fixed at Rs. 48,000 between X and Z in equal proportions. For the purpose, actual cash is to be brought in or paid off.
You are required to prepare the Revaluation Account, Partner's Capital Accounts, Bank accounts and revised balance sheet after y's retirement. Also indicate the gaining ratio.

18 Ajay ,Vijay and Sanjay are partners in a firm sharing profits and losses in the ratio of 5:4:3. Vijay retires. After making all adjustments relating to revaluation, goodwill and accumulated profits, etc. the capital account of Ajay showed a credit balance of Rs2,00,000 and that of Sanjay Rs1,00,000. It was decided to adjust the capitals of Ajay and Sanjay in their profit sharing ratio. You are required to calculate the new capital of the partner's and record necessary entries for surplus/deficit.

19 Following is the Balance Sheet of G, K & W as on 31st March, 1993 who share

	profits in the ratio of 3 : 2 :1.

Liabilities		Rs.	Assets	Rs.
Capital Accounts:			Goodwill	7,500
G	22,000		Stock	12,500
K	13,000		Sundry Debtors	12,000
W	9,000	44,000	Land and Building	15,000
Sundry Creditors		10,000	Plant and Machinery	18,000
Bills Payable		4,000	Motor Vehicle	5,000
General Reserve		12,000		
		70,000		70,000

On the above date, G retired and the following arrangements were agreed upon:
(1) Goodwill of the firm is to be valued at Rs. 15,000.
(2) The assets and liabilities are to be valued as under : Stock Rs. 10,000; Sundry Debtors Rs. 11,500; Land and Building Rs. 18,000; Plant and Machinery Rs. 16,500; and Sundry Creditors Rs. 9,200.
(3) Liability for Workmen's Compensation amounting to Rs. 500 is to be brought into the books.
(4) The entire capital of the firm as newly constituted be fixed at Rs. 35,000 between K an W in the proportion of 4 : 3 and the actual cash to be paid off or to be brought in by continuing partners as the case may be.
(5) Rs. 13,150 were paid to G. The balance due to him was to be paid in three equal instalments annually together with interest @ 12% per annum.
Give necessary ledger accounts, the Balance Sheet of the firm after G's retirement and G's Loan Account till it is finally paid off.

20	P,Q and R are partners in a firm. R retires from the firm. On the date of retirement Rs3,00,000 is due to him. It is agreed to pay him in instalments every year at the end of the year. Prepare R's loan account in the following cases: (1) Five yearly instalments plus interest @15%p.a. (2) Instalments of Rs1,00,000 including interest @15%p.a. on the outstanding balance for the first four years and the balance including interest in the fifth year.
21	A, B and C are partners sharing profits in the ratio of 50%,30%,and 20%. B retires and after all adjustments related to accumulated profits, goodwill and revaluation etc. Their capitals stood at Rs1,90,000;Rs1,50,000 and 80,000 respectively. It was decided that entire sum payable to B is brought in by A and C in such a way so as to make their capitals proportionate to their profit sharing ratio. Calculate the amount to be brought in by A and C and pass their entries for the same. Also pass entry relating to payment to B.
22	A B and C were equal partners. Their Balance Sheet as on 31st March, 2008 was as under:

BALANCE SHEET
As on 31-03-2008

Liabilities		Rs.	Asset		Rs.
B/P		20,000	Bank		20,000
Creditors		40,000	Stock		20,000
General Reserve		30,000	Furniture		28,000
P/L		6,000	Debtors	45,000	
Capitals :			Less : RBDD	5,000	40,000
A	60,000		Land & Building		1,20,000
B	40,000				
C	32,000	1,32,000			
		2,28,000			2,28,000

B retired on 1st April, 2008. A and C decided to continue the business sharing profits in the ratio of 3: 2. Following terms were agreed:

(a) Goodwill of the firm was valued at Rs. 57,600.

(b) Reserve for bad and doubtful debts to be maintained at 10% on debtors.

(c) Land and building to be increased to Rs. 1,32,000.

(d) Furniture to be reduced by Rs. 8,000.

(e) Rent outstanding (not provided for as yet) was Rs. 1,500.

Remaining partners decided to bring sufficient cash in the business to pay off B and to maintain a bank balance of Rs. 24,800. They also decided to readjust their capitals as per their new profit sharing ratio.

Prepare necessary Ledger Accounts and Balance Sheet.

23 X, Y and Z are partners sharing profits in the ratio of 4 : 2 : 3. Y retires. On this date his capital after making adjustments for reserves and revaluation exists at Rs 2,00,000. X and Z agreed to pay him Rs 2,40,000 in full settlement of his account. Record necessary journal entry for the treatment of goodwill if X and Z decided to share profits equally.

24 A, B and C are sharing profits in the ratio of 4 : 3 : 2. A dies on 31st December, 2011. Accounts are closed on 31st march every year. Sales for the year ending 31st march, 2011 amounted to Rs 4,00,000. Sales of Rs 3,30,000 amounted between the period from 1st April, 2011 to 31st December 2011. The profit for the year ending 31st march, 2011 amounted to Rs 60,000.

Calculate the decreased partner’s share in the current year’s profits of the firm.

25 A, B and C were partners sharing profits in the ratio of 3 : 2 : 1. Their capitals on 31st march, 2011 were Rs 36,000; Rs 12,500 and Rs 7,500 respectively.

A died on 30th June, 2011 and you are required to prepare an account for presentation to his legal representatives, taking the following facts into account:

(1) The firm had insured the partners’ lives separately: A for Rs 22,500, B for Rs 12,000 and C for Rs 6,000. The premiums were charged to P & L A/c as business expenses. the surrender value of policies on 30th June, 2011 amounted in each case to one-fourth of the sum assured.

(2) Capital accounts are credited at 5% p.a. for interest.

(3) A had withdrawn Rs 6,000 from 1st April 2011 to the date of his death.
(4) A's share of profits for the portion of the current financial year for which he lived was to be based on the average of the last three completed years.
(5) Goodwill was to be valued at 2 years purchase of the average profits of the last three completed years.
The annual profits of the last three completed three years were Rs 23,000, Rs 18,500 and Rs 21,500 respectively.

26 X and Y shared profits in the ratio of 2 : 1. Following is their Balance Sheet as on 31st March, 1993:

BALANCE SHEET

Liabilities	*Rs.*	*Assets*		*Rs.*
Creditors	6,200	Bank		10,800
Workmen Compensation Reserve	18,000	Debtors	10,000	
Capitals: *X*	50,000	*Less:* Provision	600	9,400
Y	27,000	B/R		2,000
		Goodwill		9,000
		Fixed Assets		70,000
	1,01,200			1,01,200

Y died on 30th June, 1993. Besides his capital and reserves, his legal representatives are entitled to:
I. His share of goodwill based on 2 year purchase of the last 3 year average profits less 10%. Last three year profits were Rs. 9,000; Rs. 20,000 and Rs. 16,000.
II. Fixed Assets are revalued at Rs. 76,000. There is no need of provision for doubtful debts, as the debtors are all good.
III. He is to be allowed interest at 12% p.a. upto the date of death.
Prepare Y's A/c to be rendered to his legal representatives.

27 Akhil, Nikhil and Sunl were partners sharing profits and losses equally. Following was their Balance Sheet as on 31st March, 2011.

Liabilities		*Rs.*	*Assets*	*Rs.*
Trade Creditors		40,000	Buildings	2,00,000
General Reserve		45,000	Plant & Machinery	80,000
Capitals :			Stock	35,000
Akhil	1,95,000		Debtors	80,000
Nikhil	1,20,000		Cash at Bank	85,000
Sunil	80,000	3,95,000		
		4,80,000		4,80,000

Sunil died on 1st August, 2011. The partnership deed provided that the executor of a

deceased partner was entitled to:
(i) Balance of partner's capital account and his share of the accumulated reserves.
(ii) Share of goodwill calculated on the basis of three times the average profits of the last four years. Goodwill account is not be raised in the books.
(iii) Share of profit from the closure of the last accounting year till the date of death on the basis of the profit of the preceding completed year before death.
(iv) Interest on deceased's capital @ 6% per annum.
Rs. 50,000 to be paid to deceased's executor immediately and the balance to be kept in his loan account.
Profit and losses for the preceding years ending 31st March were:
2008 – Rs. 80,000 profit
2009 – Rs. 1,00,000 loss
2010 – Rs. 1,20,000 profit
2011 – Rs. 1,80,000 profit
Pass the necessary journal entries and prepare Sunil's Capital Account and Sunil's Executor's Accounts.

28 The following is the Balance Sheet of Ram, Mohan and Sohan as on 31st December 1994.

Liabilities	Rs.	Assest	Rs.
Sundry Creditors	10,000	Tools	3,000
Reserve Fund	7,500	Furniture	18,000
Capitals:		Stock	16,000
Ram	20,000	Debtors	12,000
Mohan	10,000	Cash at Bank	8,000
Sohan	10,000	Cash in hand	500
	57,500		57,500

Ram, Mohan and Sohan shared profits and losses in the ratio of 2 : 2 : 1. Sohan died on 31st March 1995. Under the partnership agreement the executor of Sohan was entitled to:
(a) Amount standing to the credit of his Capital Account.
(b) Interest on Capital which amounted to Rs. 150.
(c) His share of goodwill Rs. 5,000.
(d) His share of profit from the closing of the last financial year to the date of death which amounted to Rs. 750.
Sohan's executor was paid Rs. 1,775 on 1st April 1995 and the balance in four equal yearly instalments starting from 31.3.1996 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.

29 The Balance Sheet of X, Y, Z as on 31.12.2002 was as follows:

Liabilities		Rs.	Assets	Rs.
Bills Payable		2,000	Cash at Bank5,800	
Creditors		5,000	Bills Receivable	800
General Reserve		6,000	Stock	9,000
Loans		7,100	S. Debtors	16,000
Capital Accounts:			Furniture	2,000
X	22,750		Plant and Machinery	6,500
Y	15,250		Building	30,000
Z	12,000	50,000		
		70,100		70,100

The profit sharing ratio was 3 : 2 : 1. Z died on April 30, 2003, the partnership deed provides that:

(i) Goodwill is to be calculated on the basis of 3 years purchase of the four years average profits. The profits were:

2002	Rs. 14,000
2001	Rs. 16,000
2000	Rs. 20,000
1999	Rs. 10,000

(ii) The deceased partner to be given share of profit up to the date of death on the basis of profits for previous year.

(iii) The assets have been re-valued as under: Stock Rs. 10,000; Debtors Rs. 15,000; Furniture Rs. 1,500; Plant and Machinery Rs. 5,000; Building Rs. 35,000. A bill for Rs. 600 was found worthless.

(iv) A sum of Rs. 12,900 was paid immediately to Z's executors and the balance to be paid in two equal annual instalments together with interest at 10% on the amount outstanding.

Give journal entries and show Z's executor's account.

30 M and N were partners in a firm. Their profit sharing ratio was 3 : 2. On 31st March, 2011, their Balance Sheet stood as under:

Liabilities		Rs.	Assets	Rs.
Capital A/cs			Land and Building	6,00,000
M	5,00,000		Plant and Machinery	2,00,000
N	4,00,000	9,00,000	Furniture and Fixtures	90,000
General Reserve		60,000	Vehicles	75,000
Bank Overdraft		25,000	Goodwill	15,000
Sundry Creditors		75,000	Stock	30,000
			Debtors	50,000
		10,60,000		10,60,000

N died on 15th May, 2011. It was agreed that

(a) Land and Building to be appreciated to 120%.

(b) Value of Plant & Machinery, Furniture and Fixtures and Vehicles to be lowered

	by 10%. (c) Goodwill to be valued at 3 years' purchase of last six years' average profits which were:

2005-06 Rs. 20,000;	2006-07 Rs. 18,000;	2007-08 Rs. 10,000;
2008-09 Rs. 7,000;	2009-10 Rs. 15,000;	2010-11 Rs. 20,000.

	(d) Rs. 3,000 of Debtors proved bad and hence have to be written off and provision for Rs. 2,000 to be created on the Debtors. (e) The profit for the year 2011-12 accrued on the same scale as in 2010-11. (f) A sum of Rs. 68,400 to be paid immediately to the executor's of N and balance to be paid in 2 equal half-year instalments together with interest @ 7% per annum. Pass the necessary journal entries to record the above transactions and prepare N's Executor's account for the year 2011-12.
31	Shiv, Mohan and Hari were partners in a firm sharing profits in the ratio of 5:5:4. Mohan retired and his share was divided equally between shiv and Hari. Calculate the new profit sharing ratio of shiv and Hari.
32	A, B and C are partners sharing profits in the ratio of 4 : 3 : 2. B retires from the firm. Calculate the new ratio, if (1) B's share was taken up by A and C in ratio of 2 : 1. (2) B's share was taken up by A and C equally. (3) B's share was taken up by A only.
33	A, B and C are partners with capitals of Rs 1,00,000; Rs 75,000 and Rs 50,000 respectively. On C's retirement, his share is acquired by A and B in the ratio of 6:4. Ascertain new profit sharing ratio and gaining ratio.
34	A, B,C and D are partners sharing profits in the ratio of 4 : 3 : 2 : 1. On the retirement of B, goodwill was valued at Rs 30,000. A , C and D decide to continue the firm sharing profits equally and not to continue with goodwill account. Pass the necessary journal entry.
35	A, B and C partners sharing profits in the ratio of 5:3:2. C retires and A and B agree to share future profits in the ratio of 6 : 4. Goodwill is to be taken at two years' purchase of the average profits of the last five years, which were Rs 10,000; Rs 25,000; Rs 15,000 (loss); Rs 36,000 and Rs 44,000 respectively. Pass necessary journal entry.
36	K, L and M were partners in a firm sharing profits in the ratio of 5 : 3 : 2. On 31.3.2003 the Balance Sheet of the firm was as follows:

Liabilities	Rs.	Assets		Rs.
Creditors	30,000	Bank		20,000
K's Capital	40,000	Debtor	16,000	
L's Capital	36,000	*Less*: Provision for		
M's Capital	32,000	Bad Debt	2,000	14,000
		Building		1,004,400
		Profit and Loss Account		3,600
	1,38,000			1,38,000

L retired from the firm on the following terms:
(i) The new profit sharing ratio between K and M will be 2 : 1.
(ii) Goodwill of the firm is valued at Rs. 72,000, which is not to be shown in the books.
(iii) Provision for bad debts is to be made at the rate of 10% on debtors.
(iv) Creditors of Rs. 4,000 will not be claimed.
Prepare Revaluation Account, Partners' Capital Accounts and Balance Sheet of K and M after L's retirement.

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X Y and Z were partners in a firm sharing profit in the ratio of $\frac{1}{2}:\frac{1}{3}:\frac{1}{6}$ respectively. The Balance Sheet of the firm on 31st December, 2004 stood as follows:

Liabilities		Rs.	Assets		Rs.
Creditors		9,500	Cash at Bank		1,250
Bills Payable		2,500	Debtors	8,000	
Reserve Fund		6,000	*Less*: Provision for		
Capitals:			Doubtful Debts	250	7,750
X	20,000		Stock		12,500
Y	15,000		Motor Vans		4,000
Z	12,500	47,500	Machinery		17,500
			Buildings		22,500
		65,500			65,500

Y retired from the firm on the above date subject to the following conditions:
(a) Goodwill of the firm be valued at Rs. 9,000 and is not to be shown in the books of the firm.
(b) Machinery would be depreciated by 10% and motor vans by 15%.
(c) Stock would be appreciated by 20% and Buildings by 10%.
(d) The provision for doubtful debts would be increased by Rs. 975.
(e) Liability for workmen's compensation to the extent of Rs. 825 would be created.
It was agreed that X and Z would share profits in future in the ratio of 3 : 2 respectively.

	You are required to prepare the Revaluation Account, Capital Accounts of the partners and the Balance Sheet of the firm after the retirement of Y.
40	P, Q and R were partners in a firm sharing profits in the ratio of 2 : 3 : 5. On 31-3-2004 their Balance Sheet was as follows:

Liabilities		Rs.	Assets		Rs.
Creditors		70,000	Bank		45,000
Capital Accounts:			Debtors	40,000	
P	80,000		*Less: Provision for*		
Q	70,000		Doubtful debts	5,00	35,000
R	60,000	2,10,000	Stock		50,000
			Building		1,40,000
			Profit and Loss A/c		10,000
		2,80,000			2,80,000

On the above date R retired from the firm due to his illness on the following terms:
(i) Building was to be depreciated by Rs. 40,000.
(ii) Provision for doubtful debts was to be maintained at 20% on debtors.
(iii) Salary outstanding Rs. 5,000 was to be recorded and creditors Rs. 4,000 will not be claimed.
(iv) Goodwill of the firm was valued at Rs. 72,000 and the same was to be treated without opening goodwill account.
(v) R was to be paid Rs. 15,000 in cash, through bank and the balance was to be transferred to his loan account.
Prepare Revaluation Account, Partners' Capital Accounts and the Balance Sheet of P and Q after R's retirement.

41 On 31st December, 1995 the Balance Sheet of M/s A, B and C sharing profits and losses in proportion to their capitals stood as follows:

Liabilities		Rs.	Assets		Rs.
Creditors		1,08,000	Cash at Bank		80,000
Capital A/cs:			Debtors	1,00,000	
A	4,50,000		*Less:* Reserve	2,000	98,000
B	3,00,000		Stock		90,000
C	1,50,000	9,00,000	Machinery		2,40,000
			Land and Buildings		5,00,000
		10,08,000			10,08,000

On that date, B wants to retire from the firm and the remaining partners decide to carry on. The following re-adjustments of assets and liabilities have been agreed upon before the ascertainment of the amount payable to B:
(i) That, out of the Fire Insurance Premium paid during 1995, Rs. 10,000 be carried forward as unexpired.

(ii) That the land and buildings be appreciated by 10%.
(iii) That the reserve for doubtful debts be brought upto 5% on debtors.
(iv) That the machinery be depreciated by 5%.
(v) That a provision for Rs. 15,000 be made in respect of an outstanding bill for repairs.
(vi) That the goodwill of the entire firm be at Rs. 1,80,000 and B's share of the same adjusted in the A/cs of A and C who share future profits in the proportion of 3/4th and 1/4th respectively (no goodwill account being raised); and
(vii) That B be paid Rs. 50,000 in cash and the balance be transferred to his Loan A/c.
Prepare Revaluation A/c, and Capital A/cs of the partners and the Balance Sheet of the firm of A and C.

42 A, B C were in partnership sharing profits in proportion to their capitals.
Their Balance Sheet on 31-3-2008 was as follows:

Liabilities	*Rs.*	*Assets*		*Rs.*
Creditors	15,600	Cash		16,000
Reserve	6,000	Debtors	20,000	
A's Capital	90,000	Less: Provision for		
B's Capital	60,000	Doubtful Debts	400	z19,600
C's Capital	30,000	Stock		18,000
		Machinery		48,000
		Buildings		1,00,000
	2,01,600			2,01,600

On the above date B retired owing to ill health and the following adjustments were agreed upon:
(a) Buildings be appreciated by 10%.
(b) Provision for bad and doubtful debts be increased to 5% on debtors.
(c) Machinery be depreciated by 15%.
(d) Goodwill of the firm be valued at Rs. 36,000 and be adjusted into the Capital Accounts of A and C who will share profits in future in the ratio of 3 : 1.
(e) A provision be made for outstanding repairs bill of Rs. 3,000.
(f) Included in the value of creditors is Rs. 1,800 for an outstanding legal claim, which is not likely to arise.
(g) Out of the insurance premium paid Rs. 2,000 is for the next year. The amount was debited to P & L A/c.
(h) The partners decide to fix the capital of the new firm as Rs. 1,20,000 in the profit sharing ratio.
(i) B to be paid Rs. 9,000 in cash and the balance to be transferred to his Loan Account.
Prepare the Revaluation Account, Partner's Capital Accounts and the Balance Sheet of the new firm after B's retirement.

43 A, B and C are partners sharing profits and losses in the ratio of 3/6 : 2/6 : 1/6. Following is their Balance Sheet as on 31st Dec., 1996:

Liabilities		*Rs.*	*Assets*	*Rs.*
Creditors		52,000	Plant	2,50,000
Outstanding Expenses		10,000	Stock	1,50,000
Capitals:			Debtors	80,000
A	2,00,000		Bank	70,000
B	1,60,000		Profit & Loss A/c	12,000
C	1,40,000	5,00,000		
		5,62,000		5,62,000

B retires on this date and the following terms were agreed:

(i) The Goodwill of the firm has been valued at Rs. 1,50,000 but no goodwill account to be raised in the books.

(ii) Plant and Machinery has been revalued at Rs. 3,00,000 and stock revalued at Rs. 1,20,000.

(iii) A sum of Rs. 30,000 out of debtors was agreed to be bad and was to be written off.

(iv)Liability for workmen's compensation to the extent of Rs. 8,000 is to be brought into the books.

(v)A and C will continue to carry on the business and shall share profits and losses equally in future.

(vi) Amount payable to B shall remain in the business as loan carrying interest at 18% p.a.

You are required to :

(a) give journal entries to give effect to the above, and

(b) prepare the opening balance sheet of A and B at 1st January, 1997.

44 A, B and C were in partnership sharing profits and losses equally. On 1st January, 1995, A retired, when the firm's Balance Sheet was as under:

Liabilities		*Rs.*	*Assets*	*Rs.*
Sundry Creditors		7,400	Land & Buildings	52,200
Capital A/cs:			Plant & Machinery	26,980
A	28,000		Sundry debtors	9,387
B	26,800		Investments	8,000
C	35,800	90,600	Cash	1,433
		98,000		98,000

According to partnership deed, assets were to be revalued on A's retirement as under:

Land & Building Rs. 59,800; Plant and Machinery Rs. 20,564; Investments Rs. 8,400.

Besides, Goodwill was then valued at Rs. 9,600.

A accepted the Investments at their revalued figures in part payment of his dues. B

	paid in Rs. 24,000 as further capital and A was paid off the Balance of his account. Prepare the Revaluation Account, Partners' Capital Account and the revised Balance sheet of B and C. (No Goodwill Account is to be raised).
45	A, B and C are partners sharing profits and losses in the ratio of 5 : 3 : 2. Their Balance Sheet as at 31st December, 1996 was as follows:

Liabilities		Rs.	Assets	Rs.
Sundry Creditors		29,000	Goodwill	24,000
Provision for Doubtful Debts		5,000	Debtors	80,000
Capitals:			Investments	30,000
A	1,40,000		Land & Building	1,42,000
B	90,000		Machinery	50,000
C	76,000	3,06,000	Patents	4,000
			Cash at Bank	10,000
		3,40,000		3,40,000

C retired on the above date as per the following conditions:

(1) Goodwill of the firm is to be valued at three years purchase of the average profits of the last five years which were Rs. 20,000; Rs. 12,000; Rs. 30,000; Rs. 6,000 (loss) and Rs. 34,000 respectively.

(2) Machinery is to be reduced to Rs. 40,000 and patents are valueless.

(3) There is no need of any provision for doubtful debts.

(4) An unclaimed liability of Rs. 2,000 is to be written off.

(5) Out of the total insurance premium paid, Rs. 1,000 be treated as pre-paid.

(6) Investments are revalued at Rs. 16,000 and these are taken by C at this value.

Entire sum payable to C is to be brought in by A and B in such a way so as to make their capitals proportionate to their new profit sharing ratio which is 2 : 1.

Prepare Revaluation Account, Capital Accounts and the opening Balance Sheet of A and B.

46	Ram, Mohan and Sohan were partners sharing profits and losses in the ratio of 5 : 3 : 2. On 31st March, 2006 their Balance Sheet was as under:

Liabilities		Rs.	Assets	Rs.
Capitals:			Leasehold	1,25,000
Ram	1,50,000		Patents	30,000
Mohan	1,25,000		Machinery	1,50,000
Sohan	75,000	3,50,000	Stock	1,90,000
Creditors		1,55,000	Cash at Bank	40,000
Workmen's Compensation				
Reserve		5,35,000		5,35,000

Sohan died on 1st August, 2006. It was agreed that:

	(1) Goodwill of the firm is to be valued at 1,75,000. (2) Machinery be valued at Rs. 1,40,000; Patents at Rs. 40,000; Leasehold at Rs. 1,50,000 on this date. (3) For the purpose of calculating Sohan's share in the profits of 2006-07, the profits should be taken to have accrued on the same scale as in 2005-06, which were Rs. 75,000. Prepare Sohan's Capital Account and Revaluation Account.
47	In the partnership agreement between X,Y and Z who were sharing profits in the ratio of 5:3:2, the goodwill was to be valued on the death of any partner on the basis of such partners share of 2 years profits calculated on the average of 5 years profits immediately preceding the year of death less 10%. The firm's profits were 2007 Rs 10,000; 2008 Rs 30,000; 2009Rs 43,000 and in 2010 and 2011 losses of Rs 6,000 and Rs 4,000 respectively. The decreased partners share of profits for the period of his life-time in the year of death was to be based on the average of the profits of the previous 3 years plus 10% X died on 31st august, 2011. His capital A/c showed a credit of Rs50,000 on 1st April, 2011 and he had drawn Rs 4,000 since that date. Calculate the amount due to his legal representatives
48	X and Y, who balance their books on 31st march each year are in partner-ship sharing profits and losses in the proportion of 3/5 and 2/5 respectively. Y dies on the last day of September, 2011. The partnership deed provides that his representatives are to receive his Capital as according to Balance Sheet, plus interest at 12% per annum to the date of death and his share of the profits to date of the death, estimated on the basis of the profits of the preceding year. They are also to receive his share of the goodwill estimated at 2 years purchase of the average net profit of the last three years. The net profits for the last three years were Rs 16,000; Rs 24,000 and Rs 20,000 respectively. Y 's capital as per last Balance Sheet was Rs 50,000 and his drawings to date of his death amounted to Rs 5,000. Make necessary adjustments and draw up an account showing the amount payable to his legal representatives.
49	X, Y and Z were partners sharing profits in the ratio 3 : 2 : 1. On 31st March, 2008, their Balance Sheet stood as under:

Liabilities		Rs.	Assets	Rs.
Capitals:			Cash at Bank	70,000
X	75,000		Investments	50,000
Y	70,000		Patents	15,000
Z	50,000	1,95,000	Stock	25,000
Creditors		72,000	Debtors	20,000
General Reserve		24,000	Buildings	75,000
			Machinery	36,000
		2,91,000		2,91,000

Z died on May 31st 2008. It was agreed that:
(a) Goodwill was valued at 3 years' purchase of the average profit of the last five years, which were 2003: Rs. 40,000; 2004: Rs. 40,000; 2005 : Rs. 30,000; 2006: Rs. 40,000 and 2007 : Rs. 50,000.
(b) Machinery was valued at Rs. 70,000, Patents at Rs. 20,000 and Building at Rs. 66,000.
(c) For the purpose of calculating Z's share of profits till the date of death, it was agreed that the same be calculated based on the average profits for the last 2 year.
(d) The executor of the deceased partner is to be paid the entire amount due by means of a cheque.
Prepare Z's Capital Accounts to be rendered to the executor and also a Journal entry for the settlement of the amount due to Z's executors.

50 M N and O were partners in a firm sharing profits and losses equally. Their Balance Sheet on 31.12.209 was as follows:

Liabilities		Rs.	Assets	Rs.
Capital:			Plant and Machinery	60,000
M	70,000		Stock	30,000
N	70,000		Sundry Debtors	95,000
O	70,000	2,10,000	Cash at Bank	40,000
General Reserve		30,000	Cash in Hand	35,000
Creditors		20,000		
		2,60,000		2,60,000

N died on 14th March, 2010. According to the partnership Deed, executors of the deceased partner are entitled to:
(1) Balance of partner's capital account.
(2) Interest on Capital @ 5% p.a.
(3) Share of goodwill calculated on the basis of twice the average of past three year's profits and

	(4) Share of profits from the closure of the last accounting year till the date of death on the basis of twice the average of three completed year's profits before death. Profits for 2007, 2008 and 2009 were Rs. 80,000, Rs. 90,000 and Rs. 1,00,000 respectively. Show the working for deceased partner's share of goodwill and profits till the date of his death. Pass the necessary journal entries and prepare N's Capital Account to be rendered to his executors.	