COURSE : II B.COM (CA)
SEMESTER : III
SUBJECT : Partnership Accounting
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SYLLABUS : Retirement and Death of partners – Joint Life Policy

RETIREMENT OF PARTNER

Treatment of goodwill:

SUM NO 1: A,B and C are partners in ratio of 3:2:1. A retires and rest continue the firm sharing in their previous ratio. The goodwill of the firm valued at 24000. pass entries for goodwill when,

(a) The unrecorded goodwill is brought in to the books.
(b) The goodwill is raised and written off
(c) A's share of goodwill is given to him without raising goodwill account.

SUM NO 2 : A,B and C are partners in ratio of 3:2:1 with capital of 20000,16000,12000. B retires. The goodwill of the firm valued at 36000. pass entries for goodwill when,

1. Total goodwill is raised and maintained in the books.
2. Total goodwill is raised and written off later on
3. Only B's share of goodwill is raised and maintained in the books.
4. Only B's share of goodwill is raised and written off later on
5. B's share of goodwill is given to him without raising goodwill account.

Revaluation of Assets and liabilities:

SUM NO 3: A,B and C are partners in ratio of 1/3:1/2:1/6.The firm's balance sheet as on 31.3.14 :

Liabilities	Rs.	Assets		Rs.
Creditors	25,000	Cash		8,500
Loan payable	15,000	Debtors	18,000	
Reserve Fund	16,000	Less: Provision	500	
Capital Accounts: A	30,000		--------	17,500
B	40,000	Stock		25,000
C	25,000	Furniture		10,000
		Plant and Machinery		40,000
		Factory Buildings		50,000
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	1,51,000			1,51,000
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C retires on that date subject to the following adjustments:

i) The goodwill is created in the books at Rs. 24,000
ii) Plant and mach. to be depreciated by 10% and furniture by 5%.
iii) Stock to be appreciated by 15% and buildings by 10%
iv) Provision for doubtful debts to be increased by Rs.2000.

Open necessary ledger accounts and show the balance sheet after C's retirement.

SUM NO 4: Sunil, Devan and Ravi are equal partners in a firm and their balance sheet as on 31.12.2013:

Liabilities			Rs	Assets	Rs.
Creditors			40,500	Furniture	1500
Reserve			4500		
Capitals	Sunil	15,000		Debtors	30000
	Devan	12,000		Stock	15,000
	Ravi	18,000		Machinery	43500
		---------	45,000		
			--------		---------
			90,000		90,000
			---------		---------

Ravi retired on 31.12.2013 and assets revalued as machinery 51000, furniture 1200, debtors 28500, stock 14700. goodwill is valued @ 9000 and Ravi's share of goodwill is to be adjusted to continuing partners capital without raising goodwill account. Give journal, Open necessary ledger accounts and show the balance sheet.

SUM NO 5: A, B and C were partners, sharing profits in the proportion of their capital respectively. The firm's balance sheet as on 31st March 1981 stood as under:

Liabilities	Rs.	Assets		Rs.
Creditors	6900	Cash		5,500
Capital Accounts: A	20,000	Debtors	5,000	
B	15,000	Less: Provision	100	
C	10,000		--------	4,900
		Stock		8,000
		Plant and Machinery		8,500
		Factory Buildings		25,000
	51,900			51,900

B retires and the following re-adjustments of the assets and liabilities have been agreed upon before the ascertainment of the amount payable by the firm to B.

The stock be depreciated by 6%, PDBB 5%, factory building appreciated by 20%, provision of 770 made in respect of outstanding legal charges.

The goodwill of the entire firm be fixed @ 10800 and B's share of the same be adjusted in to the accounts of A and C who are going to share in future in the proportion of five- eights and three- eights resp .(no goodwill account raised.).

The entire capital of the firm, as newly constituted, be fixed @ 28000 between A and C in the proportion of five- eights and three- eights, after passing entries in their accounts for goodwill (ie actual cash to be paid off to or to brought in by the continuing partners as the case may be).

Give journal, Open necessary ledger accounts and show the balance sheet transferring B's share of capital and goodwill to separate loan a/c in his name.

SUM NO 6: The balance sheet of P,Q and R who are sharing profits and losses in 2:2:1 were as follows:

Liabilities	Rs.	Assets	Rs.
Creditors	6,250	Cash at bank	12825
Bills payable	3200	Debtors	8900
Profit & Loss a/c	2250	Bills receivable	2700
Capital : P	20000	Stock	11150
Q	12500	Furniture	1750
R	10000	Plant and machinery	4875
		Buildings	12000
	54200		54200

P retires from business and his share of firm is to be ascertained on a reevaluation of assets as follows: Stock 10000 , Buildings 10000, Furniture 1500, Plant and machinery 4500, PBDD 425. the goodwill is to be valued @ 3000. P is to be paid 5525 in cash on retirement and balance in 3 equal yearly installment with interest of 5 % pa. Give journal, Open necessary ledger accounts and show the balance sheet of Q and R and P's loan account for 3 years.

SUM NO 7: The balance sheet of P,Q and R who are sharing profits and losses equally were as on 31.12.2013 :

Liabilities	Rs.	Assets		Rs.
Creditors	22000	Cash at bank		22000
Investment fluctuation fund	2000	Debtors	20000	
		Less : provision	1000	19000
Contingency reserve	6000	Cash in hand		2000
Capital : P	50000	Stock		12000
Q	30000	Investment (cost)		10000
R	30000	Goodwill		25000
		Buildings		50000
	140000			140000

On the date of retirement, it was found that Buildings valued @ 60000, Investment fluctuation fund be brought to 1100, Debtors all good and no reserve required, Stock be taken @11000, Goodwill will be valued @ 2 yrs purchase of average profit of past 5 yrs were 2009 - 12000, 2010 - 13500, 2011 - 8000, 2012 - 10000,2013 - 9000. R's share of profit to the date of retirement be calculated on the basis of average profit of preceding 3 yrs. Give journal, Open necessary ledger accounts and show the balance sheet.

SUM NO 8: K, L, M are partners sharing in ratio of 5:3:2. they had taken a joint life policy of face value of 25000. on 31.12.13, it's surrender value was 5000. on this date, the balance sheet were:

Liabilities		Rs	Assets	Rs.
Creditors		6,000	Bank	3,000
Expenses outstanding		1,000		
Reserve		5,000		
Capitals K	25,000		Book Debts	12,000
L	20,000		Stock	15,000
M	23,000		Fixed assets	50,000
	---------	68,000		
		--------		---------
		80,000		80,000
		---------		---------

On this date, L decided to retire and for the purpose: goodwill was valued @ 25000, fixed assets were valued @ 60000, and Stock was considered as worth 12000. L was to be paid through cash brought in by K and M in such a way as to make their capital proportionate to their new profit sharing ratio which was to be K - 3/5, M - 2/5. goodwill was to be passed through the books without raising a goodwill a/c. joint life policy also not to appear in the balance sheet. Give journal, Open necessary ledger accounts and show the balance sheet.

SUM NO 9: The following was the Balance Sheet of A, B and C 0n 31-12-13

Liabilities		Rs	Assets	Rs.
Creditors		10,000	Bank	2,000
Capitals A	10,000		Debtors	8,000
B	10,000		Stock	10,000
C	10,000		Plant	20,000
	---------	30,000		
		--------		---------
		40,000		40,000
		---------		---------

C retired, Debtors and stock were depreciated by 10% each and plant appreciated by Rs. 3,500. Prepare Memorandum Revaluation Account.

SUM NO 10: X, Y abd Z were partners, sharing profits in the proportion of 1/2, 1/3 and 1/6th respectively. The firm's balance sheet as on 31st March 2012 stood as under:

Liabilities	Rs.	Assets		Rs.
Creditors	19,000	Cash		2,500
Bills payable	5,000	Debtors	16,000	
Reserve Fund	12,000	Less: Provision	500	
Capital Accounts: X	40,000		--------	15,500
Y	30,000	Stock		25,000
Z	25,000	Motor Vans		8,000
		Plant and Machinery		35,000
		Factory Buildings		45,000
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	1,31,000			1,31,000
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Y retires on that date subject to the following adjustments:
i) The goodwill of the firm to be valued at Rs. 18,000
ii) Plant to be depreciated by 10% and motor vans by 15%.
iii) Stock to be appreciated by 20% and buildings by 10%
iv) Provision for doubtful debts to be increased by Rs.1,950
v) Liability for workmen's compensation to the extent of Rs. 450 is to be brought into account. It was agreed that X and Z will share in future in the ratio of 3/5 and 2/5 respectively.

SUM NO 11: The balance sheet of A,B and C sharing profits in the ratio of 5:3:2 was as follows on 31.12.13.

Liabilities	Rs.	Assets	Rs.
Creditors	1,250	Cash at bank	2,565
Bills payable	640	Debtors	1,780
Profit & Loss a/c	450	Bills receivable	540
Capital : A	4,000	Stock	2,230
B	2,500	Furniture	350
C	2,000	Plant and machinery	975
		Buildings	2,400
	10,840		10,840

A retires. For his retirement, the following revaluation of assets has been agreed.

Stock Rs.2000; Furniture Rs. 300; Plant and Machinery Rs.900; Building Rs. 2,000; Provision for doubtful debts required is Rs.85. The goodwill was fixed at Rs.600 A is to be paid Rs.1,000 in cash on retirement and the balance due to him be treated as his loan at 12%p.a.

Open necessary ledger accounts and show the balance sheet after A's retirement.

DEATH OF A PARTNER

SUM NO 12: P,Q and R share profits in the ratio of 3:2:2 on 31.3.13, R died. Their Balance sheet as on 31.12.12 was.

	Rs		Rs.
Creditors	12,900	Cash at bank	5,000
G. Reserve	5,200	Debtors	10,000
Reserve for Doubtful debts	800	Stock	10,000
Capital : P	30,000	Investments	5,000
Q	20,000	Property	40,000
R	20,000	Goodwill	18,900
	88,900		88,900

On the date of death of R it was found that:

i) Property be valued at Rs. 58,000; Investments at Rs. 4.700; Stock Rs. 9,400

ii) Goodwill be valued at one year's purchase of the average profits of the past five years.

iii) R's profit to the date of death be calculated on the basis of the average profits of the preceeding three years.

The profits of the last five years were.

2008 Rs. 11,500; 2009 Rs. 14,000; 2010 Rs. 9,000; 2011 Rs.8,000; 2012 Rs.10,000.

Prepare Revaluation account, partner's capital accounts and show the new balance sheet.

SUM NO 13: A, B and C sharing profits and losses in the ratio of 5:3:2 took out a joint life policy for Rs. 30,000 paying an annual premium of Rs. 1,500 starting from 15th May, 2009. The surrender value of the policy was as follows:

2009-Nil; 2010 – Rs.2,000; 2011 – Rs.500; 2012 – Rs.900 and 2013 – Rs.1,450.

B died on November 15, 2013 and the L.I.C. paid on 15th December 2013 the sum assured. Prepare Ledger Accounts.

RETIREMENT CUM ADMISSION

SUM NO 14: The following was the Balance Sheet of A, B and C 0n 31-12-13

Liabilities		Rs	Assets	Rs.
Creditors		30,000	Bank	110,000
Capitals A	140,000		Machinery	120,000
B	100,000		Goodwill	100,000
C	60,000			
		330,000		330,000

C retired and his interest in the firm was valued @ 80000. It was purchased by A and B from their private resources in their profit sharing proportion. D was admitted and become entitled to 1\6 th share of profits on the condition that A and B should be credited proportionately for goodwill amounting to 60000 and he should bring in capital equal to 1\4 of the combined capital of A and B after adjustment. Prepare partners capital and show the opening balance sheet of reconstituted firm.

DEATH OF A PARTNER

SUM NO 15 The balance sheet of X,Y and Z on 31.12.2013 were as follows:

Liabilities	Rs.	Assets	Rs.
Creditors	4000	Cash at bank	10000
Reserve	6400	Debtors	12000
Capital : X	20000	Stock	8000
Y	10000	Cash in hand	400
Z	10000	Plant and machinery	12000
		Goodwill	8000
	50400		50400

Z died on 14.3.2014. Under the terms of partnership deed the executors of a deceased partner were entitled to:

1. Amount standing to the credit of partner's capital a/c.
2. Interest on capital balance to 5% per annum.
3. Share of goodwill on the basis of twice the average of past three year's profits.
4. Share of profit from closing of the last financial year to the date of death of the partner on the basis of the average of the three completed years' profits before the death.
5. Profits for 2011, 2012 and 2013 were respectively Rs.12000, Rs.14000; Rs.16000 Profits were shared in the ratio of capitals. Pass journal and draw up Z's a/c to be rendered to his executors.

SUM NO 16 A and B were partners. The partnership deed provided that

1. The accounts to be made up to march 31, every year.
2. The profit were divided as A ½, B 1/3, and reserve 1/6.
3. In the event of death of partner, his representative be entitled to
   (a) The capital to his credit at the date of death.
   (b) His proportion of profits to date of death based on the average profits of the last three completed years.
   (c) By way of goodwill his proportion of the total profits for the three preceding years.

On 31.3.2004, the ledger balances were.

particulars	Amount debit	Amount credit
A's capital	-	90000
B's capital	-	60000
Reserve	-	30000
Creditors	-	30000
Bills receivable	20000	-
Investments	50000	-
Cash	140000	-
Total	210000	210000

Profits for 2001-2002 , 2020-2003 and 2003-2004 were respectively Rs.42000, Rs.39000; Rs.45000. Mr. died on 1.8.2004. Show the account of B's executors.

SUM NO 17 The balance sheet of X,Y and Z who are sharing profits and losses equally were as on 31.12.2000 :

Liabilities	Rs.	Assets		Rs.
Creditors	46800	Cash at bank		12000
Investment fluctuation fund	6300	Debtors	54000	
Reserve fund	18000	Less : provision	5400	48600
Capital : P	90000	Stock		84000
Q	75000	Investment (cost)		24000
R	63000	Goodwill		40500
		Buildings		90000
	299100			299100

On the date of death it was found that,

1. Debtors were all good.
2. Investments were valued at 22500 and were taken by X at that value.
3. Stocks were valued at 75000 and buildings at 171000.
4. Liability for workmen's compensation for Rs. 9000 is to be brought into account.

5. Goodwill be valued at one year's purchase of the average profits of the past five years
6. Z's profit to the date of death be calculated on the basis of the last years' profit.
   The profits of the last five years were.
   1996 Rs. 34,500; 1997 Rs. 37,500; 1998 Rs. 24,000; 1999 Rs.30,000; 2000 Rs.36,000.
   Prepare Revaluation account, partner's capital accounts and show the new balance sheet.

SUM NO 18 A, B and C were partners sharing profits in the ratio of 2:1:1 resp. their balance sheet on 31.12.2010 were as follows.

Liabilities		Rs	Assets	Rs.
Creditors		120,000	Bank	30,000
Capitals A	300,000		Debtors	135,000
B	180,000		Stock	165,000
C	120,000		buildings	300,000
	---------	600,000	Loan to A	90000
		--------		---------
		720,000		720,000
		---------		---------

A died on 1.1.2010. the firm had effected insurance for 300000 on the joint lives of the three partners and the amount of policy was realized on 1.2.2010. according to the deed, the Goodwill be valued at two year's purchase of the average profits of the 3 completed years preceding the death .the deceased partner's share of capital and goodwill etc was paid in cash on 1.3.2010. the available cash balance being supplemented by loan from firm's bankers on the security of building. The net profits were: 2008-210000, 2009- 200000, 2010-130000. pass journal ,capitals a/c and b/s of B and C asit would stand after A's share is paid out.(interest may be ignored and charges in assets and liabilities need not be considered for b/s, except bank loan and goodwill).

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