

CLASS XII

CHAPTER 6: DEATH OF A PARTNER

1. A, B and C were partners in a firm sharing profits in 3 : 2 : 1 ratio. The firm closes its books on 31<sup>st</sup> March every year. B died on 12-06-2009. On B's death the Goodwill of the firm was valued at ₹60,000. On B's death his share in the profits of the firm till the time of his death was to be calculated on the basis of previous year's profit which was ₹1,50,000. Calculate B's share in the profit of the firm. Pass necessary journal entries for the treatment of goodwill and B's share of the profit at the time of his death.
2. A, B and C are partners sharing profits equally. On 30<sup>th</sup> Sep.2014 B died. B's share of profit from the closure of the last accounting year till the date of death was to be calculated on the basis of the average of three completed years' profits before death. Profits for the years ended 31<sup>st</sup> March 2012, 2013 and 2014 were ₹50,000, ₹60,000 and ₹70,000 respectively. Calculate B's Share of profit till the date of death and pass journal entries for the same.
3. A, B and C are partners sharing profits and losses in the ratio 3:2:1. A died on 30<sup>th</sup> June 2014 Profits and turnover for the year ended 31<sup>st</sup> Dec 2013 were ₹1,20,000 and ₹10,00,000 respectively. The Turnover till 30<sup>th</sup> June 2014 were ₹3,60,000. Calculate A's share of profit and pass journal entries under Turnover or Sales basis.
4. Enumerate the items for which the representatives of deceased partners are entitled to receive.
5. Ramesh wants to retire from the firm. The profits on Revaluation on that date were ₹12,000. Mohan and Rahul want to share this in their new profit sharing ratio 3:2. Ramesh wants this to be shared equally. How are the Profits to be shared? Give reasons.

6. From the following particulars. Calculate the new profit –sharing ratio of the partners:-

(a) A , B and C are partners in a firm sharing profits and losses in the ratio of 5:3:2 B died and his share was taken up by A and C in the ratio of 2:1.

(b) P , Q and R were partners sharing profits in the ratio of 5:4:1. P Died.

7. What are the methods of ascertaining the amount of profit to be given to the executors of deceased partner , if the death of a partner occurs on any day during the year .Explain.

8. A, B and C are partners sharing profits and losses in the ratio 2:2:1 as on 31<sup>st</sup> December 2011. Their Balance sheet is given as follows:

Liabilities		Assets	
Creditors	40,000	Goodwill	30,000
Reserve Fund	25,000	Fixed Assets	60,000
Capitals:- A 30,000 B 25,000 C 15,000	70,000	Other Assets	45,000
	135,000		1,35,000

C died on 15<sup>th</sup> March 2012. According to the deed, his legal representatives were entitled to:

(a) Balance in Capital A/c

(b) Share of goodwill valued on the basis of thrice the average profits of the past four years.

(c) Share in profits up to the date of death on the basis of average profits for the past four years.

(d) Interest on Capital @12%p.a.

(e) Average Profits for the last four years were `16,000. C's representatives were paid the amount due. Pass Journal entries and prepare C,s Capital Account.

9. Following is the Balance sheet of X,Y and Z who were sharing profits in the ratio 2:2:1 as on 31<sup>st</sup> Dec.2009:

Liabilities		Assets	
Creditors	6,000	Fixed Assets	18,000
Reserve Fund	6,400	Current Assets	34,400
Capitals:- X 20,000 Y 10,000 Z 10,000	40,000		
	52,400		52,400

Y died on 31<sup>st</sup> March, 2010. Under the partnership agreement, the executors of Ram was entitled to :

(a) Balance in Capital A/C (b) His Share of goodwill `7,000 (c) Share in profits up to the date of death `875. (d) Interest on Capital `125. Y's Executors were Paid `4,560 on 1<sup>st</sup> April 2010 and balance in four equal yearly installments with 6% interest p.a. Pass necessary Journal entries and draw up Y's account to be rendered to his executors and Y's Executors account till it is finally paid.

10. X,Y and Z were partners sharing profits and losses in the ratio of 5:3:2 respectively.

On 31<sup>st</sup> Dec.2010, their B/S stood as under.

Liabilities		Assets	
Creditors	27,500	Goodwill	12,500
Reserve Fund	15,000	Buildings	50,000
Capitals: X	75,000	Patents	15,000
Y	62,500	Machinery	75,000
Z	37,500	Stock	25,000
		Debtors	20,000
		Cash at bank	20,000
	2,17,500		2,17,500

Z died on 1<sup>st</sup> May 2011. It was agreed that:-

- a) Goodwill be valued at 2-1/2 years purchase of the average profits of the last four years, which were 2007 `32,500; 2008 `30,000; 2009 `40,000 and 2010 `37,500.
- b) Machinery be valued at `70,000, Patents at `20,000, Building at `62,500.
- c) For the purpose of calculating Z's share in the profits of 2011, previous year profits should be considered.
- d) A sum of `10,500 is to paid immediately to the executors of Z and the balance to be paid in 4 equal half yearly instalments together with interest 10%p.a.
- Give the necessary journal entries to record the above transactions and Z's executors account for the year 2011.

11. Black and Brown are partners. The partnership deed provided inter alia as follows:

- a) That the accounts be balanced 31<sup>st</sup> March each year.
- b) That the profit be divided as follows:
- c) Black one- half; Brown one-third and one sixth carried to a Reserve account.
- d) That in the event of death of partner, his Executor will be entitled to be paid out:
- e) The capital to his credit at the date of death. Interest on capital is provided at 12% p.a.
- f) His proportion of profit to date of death based on the average profits of the last three completed years plus 10%.
- g) His share of goodwill based on three years' purchased of the average profits for the three preceding completed years less 5%.
- h) His proportion of Reserve at the date of the last balance sheet.

On 31st March, 2010 the ledger balances were:

Particulars	Dr. Balances	Cr. Balances
Black Capital		93,000
Brown Capital		62,000
Reserve		30,000
Bills receivables	20,000	
Investment	50,000	
Cash	1,40,000	
Creditors		30,000

Profit & Loss account	5,000	
	2,15,000	2,15,000

The profits for the last three years were: `45,000; `42,000; `48,000 respectively. Black died on 1st August, 2010. Prepare Black's capital account and Black Executor's account as on 1st August 2010.

12. Following is the Balance Sheet of Pawan, Raman and Saman who share profits in the ratio of 2:2:1 on 31<sup>st</sup> December, 2012.

Liabilities		Assets	
Bank Overdraft	7,000	Cash	11,000
Creditors	27,000	Investment	22,000
Bills Payable	14,000	Bills Receivable	4,000
Capital		Debtors	21,000
Pawan 12,000		Stock	13,000
Raman 16,000		Furniture	10,000
Saman 18,000	46,000	Machinery	15,000
Reserve Fund	2,000		
	96,000		96,000

On 1-7-2013, Raman died and his dependents are entitled to get the following:

- His share of Capital and Reserve Fund
- His share of profit up to the date of death calculated on the basis of average profits of last two years.
- His share of goodwill to be valued at three times the average profits of the last four years. Profits for the last four years 2009 `3,600, 2010 `2,400, 2011 `2,800 and 2012 `3,200.
- His share in the profits or losses arising out of revaluation of assets and liabilities are as

under.

e) Stock `14,800, Investments `13,900, Machinery `12,700, Reserve for bad and doubtful debts `700.

f) Prepare Revaluation account, Partners Capital account and the Balance sheet of the surviving partners.

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