CLASS XII

CHAPTER 5: RETIREMENT OF A PARTNER

1. A, B and C are partners sharing profits and losses in the ratio 5:3:2. B retires. Calculate the new ratio.

2. X, Y and Z are partners sharing profits and losses in the ratio of 1/5, 1/3 and 7/15 respectively. Z retires and his share is taken up by X and Y in the ratio of 3:2. Calculate the new Ratio & gaining ratio.

3. X, Y and Z are partners sharing profits and losses in the ratio of 4/8, 1/8,and 3/8 respectively. Z retires and surrenders4/9TH of his share in favour of X and remaining in favour of Y. Calculate. the New Ratio.

4.A,B and C are partners sharing profits and losses in the ratio 4:3:2. B retires and the goodwill is valued at `10,800. No goodwill appears as yet in the books of the firm. Assuming that A and C will share future profits in the ratio5:3, make entries for goodwill.

5. P,Q and R are partners sharing profits and losses in the ratio 4:3:1. Q retires from the firm selling his share of profit to P for `3,600 and R for `4,500. The profit for the year after Q's retirement was `10, 500.Calculate the new profit sharing ratio and pass journal entries.

6. A, B and C are equal partners in a firm. B retires and his claim including his Capital and his share of goodwill is `40,000. He is paid in kind a vehicle valued at `20,000 unrecorded in the books of the firm till the date of retirement and the balance in cash. Give the journal entries.

7. A ,B and C are partners sharing profits as 20%,30% and 50%. A decided to retire with the consent of other partners and sold his share to B. Goodwill was valued at two and a half years purchase of the average profits of last three yea` Profits of these three years were `

50,000, `70,000 and ` 60,000. Reserve fund stood in the balance sheet at ` 30,000 at the time of his retirement. You are required to record necessary journal entries to record above adjustments on A's retirement.

8. A,B and C are partners in a firm sharing profits in the ratio of 2:3:4 . On April 1, 2013, A retires and on that date there was a debit balance of ` 72,000 in the profit and loss account and a General Reserve of `90,000 in the book. B and C decided to share future profits in the ratio of 2:1.Show the necessary journal entry for the treatment of profit and loss account balance on A's retirement.

9. Journalise the following :-

(a) Chander, Tara and Ravi were partners in a firm sharing profits in the ratio of 2:1:2 on 15.02.2007 Chander died and the new profit sharing ratio between Tara & Ravi was 4:11. On Chander's death the goodwill of the firm was valued at ` 90,000. Calculate gaining ratio and pass necessary journal entry for the treatment of goodwill on Chander's death without opening goodwill account.

(b) A, B, C and D are partners sharing profits in the ratio of 3:4:3:2. On the retirement of C, the goodwill was valued at ` 60,000. A, B and D decided to share future profits equally. Pass the necessary journal entry for the treatment of goodwill, without opening Goodwill Account.

10. X,Y and Z are partners sharing profits and losses in the ratio of their capitals. Y retired on 31-12-2014 the date on which the B/S stood as under.

Liabilities	`	Assets	`
Creditors	10,800	Bank	8,000
Capitals		Debtors 10000	
		Less Provision 200	9,800
X	45,000	Stock	9,000
Y	30,000	Machinery	24,0
Z	15,000	Buildings	50,

	1,00,800		1,00,800

The other terms agreed upon are as under:-

a) Prepaid Insurance `1,000

b) Buildings appreciated by 10%

c) Provision for doubtful debts to be 5%

d) Machinery be depreciated by 5%

e) Provision of `1,500 be made for outstanding expenses.

f) Goodwill of the firm is valued at `18,000 and Y's share is adjusted in the account of X and Z. Y is paid `5,000 immediately and the balance paid into 4 equal yearly installments together with 10% interest. Pass Journal entries, Prepare Revaluation a/c, Capital a/c, Balance sheet and Y's loan a/c when it is paid into four equal yearly installments.

11. X,Y and Z are partners sharing profits and losses in the ratio of their capitals. Y retired on 31-12- 2009 and the date on which the B/S stood as under.

Liabilities	`	Assets	`
Capital X	60,000	Debtors 12,000 Less :Provision 800	11,200
Y	48,000	Cash	10,800
Z	36,000	Stock	20,000
Creditors	8,000	Machinery	56,000
Bills Payable	5,000	Land & Building	60,000
Outstanding salary	1,000		
	1,58,000		1,58,000

The following adjustments were made:-

a)Building appreciated by 20%, Stock depreciated by 10%, Provision for doubtful debts was to be 5% and a reserve for legal charges payable was to be made at `1,800.

b) Goodwill of the firm be valued at `48,000.

c) Rs40,000 from Y's capital account be transferred to his loan account and balance be paid In cash.

d)The capital of the new firm be fixed at `1,00,000 and the new profit sharing ratio is 3:2.

Give necessary ledger account and prepare the new Balance sheet.

12. L, M and N were partners sharing profits as 50%,30% and 20% respectively. On March 31,2014 ,their Balance Sheet stood as follows:

Balance of L, M and N as at March 31,2014

Liabilities		Amount (`)	Assets		Amount (`)
Creditors		21,000	Premises		62,000
Profit and Loss A/c		15,000	Motor Vans		20,000
Workmen Compensation Fund		10,000	Investment		19,000
			Plant		12,000
General Reserve		25,000	Stock		15,000
Capitals:			Debtors	40,000	
L	50,000		Less: PDDD	3,000	37,000
M	40,000		Cash		16,000
N	20,000	1,10,000			
		1,81,000			1,81,000

On this date M retires and L and N agreed to continue on the following terms:

a) Firm's goodwill was valued at ` 51,000 and it was decided to adjust M's goodwill into capital accounts of continuing partners.

b) There is a claim for workmen's compensation to the extent of ` 4,000. Investments are brought down to ` 15,000.

c) Provision for bad debts is to be reduced by ` 1,000.

d) M will be paid ` 8,200 in cash and balance will be transferred to his Loan Account which will be paid in 3 equal installments together with interest @ 10% p.a.

e) L's and N's capital will be adjusted in their new profit sharing ratio i.e.3:2 through cash accounts prepare necessary ledger accounts and Balance Sheet.

13. A, B and C were partners sharing profits in the proportion 5:3:2 respectively. The Balance

sheet of the firm on 31st Dec 2014 was as follows:-

Liabilities	`	Assets	`
Creditors	10,600	Fixed Assets	50,000
Expenses Outstanding	1,400	Stock	22,000
Reserve Fund	6,000	Book debts	8,000
Capital A	40,000	Cash	14,000
B	20,000		
C	16,000		
	94,000		94,000

They had taken a joint life policy of the face value of `40,000. On 31st Dec.2014, its surrender value was `8,000. On this date B decided to retire and for this purpose:

a) Goodwill was valued at `30,000.

b) Fixed assets were valued at `60,000.

c) Stock was considered as worth `20,000.

B was to be paid through cash brought in by A and C in such a way as to make their Capitals proportionate to their new profit sharing ratio which was to be A 3/5 and C 2/5. The Joint life policy is not to appear in the Balance Sheet. Prepare Revaluation a/c, Capital Account and the Balance Sheet.

14. Vijay, Vivek and Vinay were partners in a firm sharing profits in 2:2:1 ratio. On 31.03.2006 Vivek retire from the firm. On the date of Vivek's retirement the balance sheet of the firm was as follows :

Balance Sheet of Vijay, Vivek and Vinay As at 31.03.2015

Liabilities	`	Assets	`
Creditors	54,000	Bank	55,200
Bills Payable	24,000	Debtors 12,000	
Outstanding Rent	4,400	Less : PBDD 800	11,200
Provision for Legal	12,000	Stock	18,000
Claims		Furniture	8,000

Capitals : Vijay 92,000 Vivek 60,000 Vinay 40,000	1,92,000	Premises	1,94,000
	2,86,400		2,86,400

On Vivek's retirement it was agreed that:

a) Premises will be appreciated by 5% and furniture will be appreciated by ` 2,000. Stock will be depreciated by 10%.

b) Provision for bad debts was to be made at 5% on debtors and provision for legal damages to be made for ` 14, 400.

c) Goodwill of the firm is valued at ` 48,000.

d) ` 50,000 from Vivek's Capital A/C will be transferred to his loan A/c and the balance will be paid by cheque.

Prepare revaluation a/c, partners' Capital A/c's And Balance Sheet of Vijay and Vinay after Vivek's retirement.

15. A and B are partners sharing profits in the ratio of A 3/6, B 2/6 and transfer to reserve 1/6. Their Balance Sheet on 31st December 2014 was as follows:

Liabilities	`	Assets	`
Employee's Provident Fund	18000	Goodwill	15,000
Reserve Fund	12000	Plant	90,000
Sundry Creditors	10,000	Patents	4,400
Profit and Loss A/c	24,000	Stock	30,000
Capitals : A 80,000		Investment	20,000
B 40,000		Debtors : 20,000	19,600
	120,000	Less:- Provision 400	5,000
		Cash	
	1,84,000		1,84,000

B retires on 1st Jan 2015.The terms were:-

a)Goodwill is to be valued at ` 50,000.

b) Value of patents is to be increased by ` 3,000 but plant was found over-valued by ` 15,000.

c) Provision for doubtful debts should be 5% on Debtors and prevision for discount should also be made on Debtors & creation at 3%.

d) Out of insurance which was entirely debited to profit and loss Account ` 870 be carried forward as unexpired insurance.

e) Investments were revalued at ` 16,000. Half of these investments were taken over by B.

f) There is a claim for workmen's compensation to the extent of `5,000.

B was paid off in full. A borrowed the necessary money from the bank on the security of plant and stock to pay off B. Prepare Revaluation a/c ,capital a/c of Balance Sheet of A.

16. X, Y, and Z were in partnership sharing profits in the ratio of 3: 2: 1 they had taken a Joint life policy of ` 50,000 , whose surrender value on 1st Jan 2015 was `18,000 . On this date B/S is as follows:-

Liabilities	`	Assets	`
Provision for		Cash at bank	10,000
Doubtful Debts	1,300	Debtors	16,000
Sundry creditors	15000	Stock	20,300
Capitals:		Machinery	60,000
X 78,750		Land and Building	1,20,000
Y 70,000			
Z 61,250	2,10,000		
	2,26,300		2,26,300

Z retires on the above date and the new profit sharing ratio between X and Y will be 5:4 following terms were agreed:

a)Land and buildings be reduced by 10%.

b) Out of the Insurance premium paid during the year `5,000 be carried forward as unexpired.

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

d) Goodwill of the firm be valued at `36,000 and adjustment in this respect be made without raising a goodwill a/c . The joint life policy was also not to appear in the Balance sheet.

e) X and Y decided that their Capital will be adjusted in their new profit sharing ratio by bringing in or paying cash to the partners is a/c will be transferred to his loan a/c.
Pass necessary journal entries & prepare the capital accounts and the new balance sheet.

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