RETIREMENT AND DEATH OF A PARTNER

1. A, B and C are partners sharing profits in the ratio of 1/4:2/5:7/20. A retires and his share is taken up by B and C in the ratio of 1:2. Calculate the new ratio.

2. M, S and N are partners without any partnership deed. M retires. Calculate the future ratio of continuing partners if they agreed to acquire her share i) in the ratio of 5:3 ii) equally. Also mention their gaining ratio.

3. A,B,C and D are partners sharing profits in the ratio of 1:4:3:2. D retired and the goodwill is valued at Rs. 2,00,000. D's share of goodwill is to be adjusted into the capital accounts A,B and C who decide to share future profits in the ratio of 4:3:3.Pass necessary journal entry.

4. 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 March, 2012 was as follows:

Liabilities		**Amount**	**Assets**		**Amount**
Employee's Provident fund		18,000	Goodwill		15,000
Reserve fund		12,000	Plant		90,000
Sundry Creditors		10,000	Patents		4,400
Profit & Loss A/C		24,000	Stock		30,000
Capitals:			Investments		20,000
A	80,000		Debtors	20,000	
B	40,000	1,20,000	Less: Provision	400	19,600
			Cash		5,000
		1,84,000			1,84,000

B retires on 1st April, 2012. The terms were:

a) Goodwill is to be valued at Rs. 50,000
b) Value of patents is to be increased by Rs. 3,000 but Plant was found over valued by Rs. 15,000.
c) Provision for doubtful debts should be 5% on debtors and provision for discount should also be made on debtors and creditors at 3%.
d) Out of insurance which was entirely debited to profit & loss Account Rs.870 be carried forward as unexpired insurance.
e) Investments were revalued at Rs. 16,000.Half of these investments were taken over by B.
f) There is a claim for workmen's compensation to the extent of Rs. 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 Account, Capital Accounts and the Balance sheet of A.

5. Following is the Balance sheet of A, B and C as on 31st mrch, 2011. They sahred profits in the ratio of 2:2:1.

Liabilities	**Amount**	**Assets**	**Amount**
General Reserve	2,50,000	Cash at Bank	10,000
Sundry Creditors	5,00,000	Stock	3,40,000
Profit & Loss		Debtors 6,00,000	
Capitals A/cs:		Less: Provision 25,000	5,75,000
A 5,00,000		For doubtful debts	
B 3,00,000		Land & Building	10,00,000
C 1,50,000	9,50,000	Advertisement Suspense	
		A/C	60,000
Partners Loan A/Cs		Profit & Loss A/c	15,000
B 1,80,000			
C 1,20,000	3,00,000		
	20,00,000		20,00,000

B retires on 1st April, 2011 on the following terms:

a) Stock is overvalued by Rs. 20,000 and land & building are undervalued by Rs. 1,00,000.
b) Provision for doubtful debts is to be increased to Rs. 30,000.
c) Old credit balances of sundry creditors Rs.40,000 be written back.
d) A computer purchased on 1st october, 2010 for Rs.50,000 debited to office expenses account is to brought into account charging depreciation @20% p.a.
e) Goodwill of the firm is valued at Rs.1,50,000 and the amount due to B be adjusted in the capital accounts of A and C.

Prepare the revaluation Account, Capital Account and the new Balance sheet.

6. On 31st March, 2013, the balance sheet of P, Q and R, who were sharing profits in proportion to their capitals stood as follows:

Liabilities	**Amount**	**Assets**	**Amount**
Bills payable	8,000	Cash at Bank	30,000
General Reserve	6,000	Stock	14,000
Sundry Creditors	12,000	Debtors 10,000	
Capitals A/cs:		Less: Provision 200	9,800
P 30,000		For doubtful debts	
Q 30,000		Land & Building	50,000
R 15,000	75,000	Profit & Loss A/c	6,000
		Machinery	8,200
	17,000		
Employee's P.F			
	1,18,000		1,18,000

Q retires and the following readjustments of the assets and liabilities have been agreed upon before the ascertainment of the amount payable to Q.:

a) That out of the amount of insurance which was debited entirely to profit and loss account, Rs. 1,292 be carried forward as unexpired insurance.
b) That the land and building be appreciated by 10%.
c) That the provision for doubtful debts be brought upto 5% on debtors.
d) That machinery be depreciated by 6%
e) That a provision of Rs. 1,500 be made in respect of any outstanding bill for printing and stationery.
f) That the goodwill of the firm will be valued at Rs. 18,000.
g) That the entire capital of the firm as newly constituted be fixed at Rs.60,000 between P and Rinthe proportion of three-fourth and one one forth after passing entries in their accounts for adjustments, i.e. actual cash to be paid off or to be brought in by the continuing partners as the case may be.
h) That Q be paid Rs.5,000 in cash and the balance be transferred to his loan account payable in two equal annual instalments alongwith intersest @ 8% p.a.

Prepare necessary accounts and the balance sheet of the firm of P and R. Also prepare Q's loan till it is finally settled.

7. A, B and C were partners in a firm whose Balance sheet as on 31st march, 2012 was as below:

Liabilities		**Amount**	**Assets**	**Amount**
General Reserve		3,000	Cash at Bank	6,496
Sundry Creditors		7,096	Stock	10,600
Capitals A/cs:			Debtors	9,000
A	8,000		Furniture	2,000
B	6,000			
C	4,000	18,000		
		28,096		28,096

B retired on that date and in this connection it was decided to make the following adjustments:

a) To reduce stock and furniture by 5% and 10% resoectively; and
b) To provide for doubtful debts at 5% on debtors.

Rent outstanding (not provided for as yet) was valued at Rs. 260. Goodwill was valued at Rs.4,200. A and C decided:

i) To share profits and losses in 5:3 respectively.
ii) Not to show goodwill in the books.
iii) To readjust their capitals in their profit sharing ratio; and
iv) To bring in sufficient cash to pay off B immediately and to leave a balance of Rs.1,000 in the bank. B was paid off.
Give journal entries to record the above and draft the balance sheet of the new firm.

8. A, B and C are sharing profits in the ratio of 3:2:1. C dies on 30th june, 2011. Accounts are closed on 31st march, every year. Sales for the year ending 31st march, 2011 amounted to Rs.6,00,000. Sales from 1st April, 2011 to 30th june, 2011 amounted to Rs.2,40,000. The profit for the year ending 31st march, 2011 amounted to Rs.30,000.
Calculate the deceased partner's share in the current year's profits.

9. A, B and C were carrying on business with the following assets with effect from 1st april, 2011: Furniture Rs.18,000; Machine Rs.72,000; Cash Rs.10,000; Debtors Rs.20,000. Their profit sharing ratio was 5:3:2. Capital is also shared in the same ratio. B died on 30th september, 2011. His son claimed his father's interest in the firm.
The following was the statement:

1) Allow his capital to his credit on that date of death.
2) Give 5% p.a. interest on his capital
3) He had been drawing @ Rs.600 per month which he withdrew at the beginning of each month. He be allowed to retain these drawings as a part of his share of profit.
4) Interest @6% p.a. be charged on his drawings.
5) They had seperate life policies for which the premium had been paid out of profit & loss account of the firm: A Rs. 50,000; B Rs. 60,000; C Rs.40,000. The surrender value of A's policy was 50% whereas of C's policy it was 60%.
6) Goodwill was evaluated twice the average of profits which were Rs.21,000.

Prepare B's Personal Account.

10. A, B and S are partners sharing profits in the proportion of 3:2:1 and their balance sheet on march 31,2003 stood as follows:

BALANCE SHEET as at March 31, 2003

Liabilities	Amount	Assets	Amount
Bills payable	12,000	Bank	13,700
Sundry Creditors	14,000	Stock	1,750
Contingency Reserve	12,000	Debtors	12,000
Capitals A/cs:		Building	21,000
A 20,000		Cash in hand	12,000
B 12,000	40,000	Bill Receivable	4,300
S 8,000		Investment	13,250
78,000			78,000

B died on june 12, 2003 and according to the deed of the said partnership her executors are entitled to be paid as under:

i. The capital to her credit at the time of her death and interest thereon @10%per annum.
ii. Her proportionate share of reserve fund .
iii. Her share of profits for the intervening period will be based on the sales during past three years had been 10% on sales.
iv. Goodwill according to her share of profit to be calculated by taking twice the amount of the average profit of t he last three years less 20%. The profits of the previous years were:

2001	Rs. 8,200
2002	Rs. 9,000
2003	Rs.9,800

The investments were sold at par and her executors were paid out. Pass the necessary journal entries and write the account of the executors of B.