

ARMY PUBLIC SCHOOL AKHNOOR

Subject: Accountancy Assignment

Class: 12th Commerce

Topic :- Retirement & Death of a partner.

Instructions :-

- **Attempt all the Questions.**
- **Show the working notes clearly.**
- **Assignment to be done on separate register.**

Q.1 Pranav, Karan and Rahim were partners in a firm sharing profits and losses in the ratio of 2:2:1. On 31st March, 2017 their Balance Sheet was as follows:

BALANCE SHEET OF PRANAV, KARAN AND RAHIM as on 31st March, 2017

| Liabilities | ₹ | Assets | ₹ |
|-----------------|-----------------|--------------|-----------------|
| Creditors | 3,00,000 | Fixed Assets | 4,50,000 |
| General Reserve | 1,50,000 | Stock | 1,50,000 |
| Capitals: | | Debtors | 2,00,000 |
| Pranav | 2,00,000 | Bank | 1,50,000 |
| Karan | 2,00,000 | | |
| Rahim | 1,00,000 | | |
| | <u>5,00,000</u> | | |
| | | | <u>9,50,000</u> |

Karan died on 12th June, 2017 According to the Partnership Deed, the legal representatives of the deceased partner were entitled to the following:

- (i) Balance in his Capital Account.
- (ii) Interest on Capital @ 12 % p.a.
- (iii) Share of goodwill. Goodwill of the firm on Karan's death was valued at ₹60,000.
- (iv) Share in the profit of the firm till the date of his death, calculated on the basis of last year's profit. The profit of the firm for the year ended 31st March, 2017 was ₹5,00,000

Prepare Karan's Capital Account to be presented to his representatives.

[Ans. Karan Executors ₹3,28,800]

Q.2 Banwari, Girdhar and Murari are partners in a firm sharing profits and losses in the ratio of 4:5:6. On 31st March, 2014, Girdhar retired. On that date of capitals of Banwari, Girdhai and Murari before the necessary adjustments stood at ₹2,00,000, ₹ 1,00,000 and ₹ 50,000 respectively. Revaluation of assets and reassessment of liabilities resulted in a profit of ₹6,000. General reserve stood in the books of the firm at ₹30,000.

The amount payable to Girdhar was transferred to his loan account. Banwari and Murari agreed to pay Girdhar two yearly installments of ₹ 75,000 each including interest @ 10% p.a. on the outstanding balance during the first two years and the balance including interest in the third year. The firm closes its books on 31st March every year.

Prepare Girdhar's Loan Account till it is finally paid showing the working notes clearly.

[Ans. Girdhar's Loan A/C ₹1,50,000]

Q.3 Balance Sheet of A, B and C, who were sharing profits in the ratio of 3:3:4, as on 31st March, 2018 was as follows:

| Liabilities | | ₹ | Assets | | ₹ |
|-----------------|--------|-----------------|-------------------|--|-----------------|
| Bill Payable | | 5,000 | Cash | | 16,000 |
| Loan | | 12,000 | Bank | | 50,000 |
| General Reserve | | 10,000 | Stock | | 44,000 |
| Capitals A/cs | | | Furniture | | 47,000 |
| A | 60,000 | | Land and Building | | 60,000 |
| B | 60,000 | | A/s Loan | | 10,000 |
| C | 80,000 | 2,00,000 | | | |
| | | <u>2,27,000</u> | | | <u>2,27,000</u> |

A died on 30th June, 2018. The Partnership deed provided for the following on the death of a partner.

- Goodwill of the firm be valued at two years' purchase of average profit for the last three years.
- Share of profit or loss till the date of death was to be calculated on the basis of sales. Sales for the year ended 31st March, 2018 amounted to ₹ 4,00,000 and that from 1st April to 30th June, 2018 to ₹ 1,50,000. The profit for the year ended 31st March, 2018 was ₹ 1,00,000.
- Interest of Capital was to be provided @ 6% p.a.
- Average profit of the last three years was ₹ 42,000. Prepare A's Capital Account to be rendered to his executors.

[Ans. A's executors Loan A/C ₹ 90,350]

Q.4 A, B and C are partner in a firm sharing profits and losses in the ratio of 3: 2:1. Their Balance Sheet as at 31st March, 2018 is as under:

| Liabilities | | ₹ | Assets | | ₹ |
|-----------------|--------|-----------------|------------------------------------|--------------|----------------|
| Creditors | | 30,000 | Cash in Hand | | 18,000 |
| Bills Payable | | 16,000 | Debtors | 25,000 | |
| General Reserve | | 12,000 | Less: Provision for Doubtful Debts | <u>3,000</u> | 22,000 |
| Capitals A/cs | | | Stock | | 18,000 |
| A | 40,000 | | Furniture | | 30,000 |
| B | 40,000 | | Machinery | | 68,000 |
| C | 30,000 | 1,10,000 | Goodwill | | 12,000 |
| | | <u>1,68,000</u> | | | <u>168,000</u> |

B retired on 1st April, 2018 on the following terms:

- Provision for Doubtful Debts will be raised by ₹1,000.
- Stock will be reduced by 10% and Furniture by 5%.
- There is an outstanding claim for damages of ₹ 1,100 and it is to be provided in the books.
- Creditors will be written back by ₹6,000.

- (v) Machinery be reduced by 5%.
- (vi) Out of the fire insurance premium paid during the year, ₹ 3,400 be carried forward as unexpired.
- (vii) Goodwill of the firm is valued at ₹24,000.
- (viii) B is paid his dues with the amount brought in by A and C in a manner that their capitals are in proportion to their new profit-sharing ratio of 3:2.

Prepare Revaluation Account, Partners' Capital Accounts and the Balance Sheet of the new Firm. An adjustment for goodwill is made at the time of retirement of B. Identify the value being highlighted in this case. **[Ans. B/S ₹1,51,700]**

Q.5 On 31st March, 2018 the Balance Sheet of Pooja, Qureshi and Ross, who were partners in a firm was as under:

| Liabilities | | ₹ | Assets | ₹ |
|----------------------|----------|-----------------|----------------|-----------------|
| Sundry Creditors | | 2,50,000 | Building | 2,60,000 |
| Reserve Fund | | 2,00,000 | Investment | 1,10,000 |
| Capitals A/cs: Pooja | 1,50,000 | | Qureshi's Loan | 1,00,000 |
| Qureshi | 1,00,000 | | Debtors | 1,50,000 |
| Ross | 1,00,000 | 3,50,000 | Stock | 1,20,000 |
| | | | Cash | 60,000 |
| | | <u>8,00,000</u> | | <u>8,00,000</u> |

Qureshi died on 1st July, 2018. The profit-sharing ratio of the partners was 2:1:1 On the death of a partner, the partnership Deed provided for the following:

- (i) His share in the profits of the firm till the date of his death will be calculated on the basis of average profits of last three completed years.
- (ii) Goodwill of the firm will be calculated on the basis of total profit of last two years.
- (iii) Interest on loan given by the firm to a partner will be charged at the rate of 6% p.a. or ₹4,000, whichever is more.
- (iv) Profit for the last three years were ₹15,000; ₹18,000 and ₹3,000

[Ans. Qureshi Executors A/C ₹ 68,875]

Q.6 Ramesh, Suresh and Naresh were partners in a firm sharing profits in the ratio of 2:2:1. On 31st March, 2018, their Balance Sheet was as follows:

| Liabilities | | ₹ | Assets | ₹ |
|-----------------|----------|-----------------|-------------------|-----------------|
| Creditors | | 60,000 | Bank | 90,000 |
| Bills Payable | | 40,000 | Stock | 70,000 |
| General Reserve | | 30,000 | Debtors | 40,000 |
| Capital A/cs: | | | Land and Building | 5,00,000 |
| Ramesh | 2,36,000 | | | |
| Suresh | 2,36,000 | | | |
| Naresh | 98,000 | 5,70,000 | | |
| | | <u>7,00,000</u> | | <u>7,00,000</u> |

Suresh died on 30th June, 2018. The partnership Deed provided for following on the death of a partner:

- (i) Goodwill of the firm was to be valued at 2 years' purchase of the average profit of last 5 years. The profits for the year ended 31st March, 2014, 31st March, 2015, 31st March, 2016, 31st March, 2017, were ₹ 50,000, ₹ 80,000; ₹ 1,10,000 and ₹ 2,20,000 respectively. Loss for the year ended 31st March, 2018 was ₹ 1,60,000.
- (ii) Suresh's share in the profit or loss till the date of his death was to be calculated on the basis of the profit or loss for the year ended 31st March, 2018.

You are required to calculate the following:

- (a) Goodwill of the firm and Suresh's share of goodwill at the time of his death.
- (b) Suresh's share in the profit or loss of the firm till the date of his death.
- (c) Prepare Suresh's Capital Account at the time of his death to be presented to his executor.

[Ans. Suresh Executors A/C ₹ 2,80,000]

Q.7 P, Q and R were partners in a firm sharing profits in the ratio of 7:2:1. ON 1st April, 2018 their Balance Sheet was as follows:

| Liabilities | | ₹ | Assets | | ₹ |
|--------------------------------|-----------------|------------------|-----------------------------------|--|------------------|
| Capital A/cs: | | | Land | | 12,00,000 |
| P | 9,00,000 | | Building | | 9,00,000 |
| Q | 8,40,000 | | Furniture | | 3,60,000 |
| R | <u>9,00,000</u> | 26,40,000 | Stock | | 6,60,000 |
| General Reserve | | 3,60,000 | Debtors 6,00,000 | | |
| Workman's compensation reserve | | 5,40,000 | Less: Provision for <u>30,000</u> | | 5,70,000 |
| Creditors | | 3,60,000 | Doubtful Debts | | |
| | | <u>39,00,000</u> | Cash at Bank | | 2,10,000 |
| | | | | | <u>39,00,000</u> |

On the above date Q retired.

Following was agreed:

- (i) Goodwill of the firm was valued at ₹ 12,00,000.
- (ii) Land was to be appreciated by 30% and Building was to be depreciated by ₹ 3,00,000.
- (iii) Value of furniture was to be reduced by ₹ 60,000.
- (iv) Liability for workmen's compensation was determined at ₹ 1,40,000.
- (v) Amount payable to Q was transferred to his loan account. His loan should be paid after two years with interest due @ 12% p.a. Q decided to donate interest to an NGO engaged in Women Empowerment.
- (vi) Capitals of P and R were to be adjusted in their new profit. Sharing ratio and for this purpose Current Accounts of the partners will be opened.

Prepare Revaluation Account, partners' Capital Accounts and the Balance Sheet of the new firm. Identify the values highlighted in this case. **[Ans. B/S ₹ 45,75,000]**

Q.8 X, Y and Z were partners in a firm sharing profits in the ratio of 1/2: 1/3: 1/6 respectively. The Balance Sheet of the firm on 31st March, 2018, stood as:

| Liabilities | | ₹ | Assets | | ₹ |
|-----------------|---------------|---------------|--------------------|------------|---------------|
| Creditors | | 9,500 | Cash at Bank | | 1,250 |
| Bills Payable | | 2,500 | Debtors | 8,000 | |
| General Reserve | | 6,000 | Less: Provision | <u>250</u> | 7,750 |
| | | | for Doubtful Debts | | |
| Capital A/cs | | | Stock | | 12,500 |
| X | 20,000 | | Machinery | | 21,500 |
| Y | 15,000 | | Building | | 22,500 |
| Z | <u>12,500</u> | 47,500 | | | |
| | | <u>65,500</u> | | | <u>65,500</u> |

Y retired from the firm on the above date subject to the following conditions:

- Goodwill of the firm be valued at ₹ 9,000 Y's share is to be adjusted in the accounts of X and Z.
- Although the value of machinery was ₹ 15,000 yet they agreed that Machinery would be reduced to ₹ 19,150.
- Stock would be appreciated by 20% and Building by 10%.
- Provision for Doubtful Debts would be increased by ₹ 975.
- Liability for Workmen's Compensation Claim to the extent of ₹ 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 revaluation Account, Partners' Capital Accounts and the Balance Sheet of the firm after the retirement of Y. Identify the value.

[Ans. B/S ₹ 66,925]

Q.9 Kavya, Manya and Navita were partners sharing profits as 50%, 30% and 20% respectively. On 31st March, 2016, their Balance Sheet stood as follows:

| Liabilities | | ₹ | Assets | | ₹ |
|-----------------|-----------------|------------------|-----------------|---------------|------------------|
| Creditor | | 1,40,000 | Fixed Assets | | 8,90,000 |
| General Reserve | | 1,00,000 | Investments | | 2,00,000 |
| Capitals | | | Stock | | 1,30,000 |
| Kavya | 6,00,000 | | Debtors | 4,00,000 | |
| Manya | 5,00,000 | | Less: provision | <u>30,000</u> | 3,70,000 |
| | | | Bad Debts | | |
| Navita | <u>4,00,000</u> | 15,00,000 | Bank | | 1,50,000 |
| | | <u>17,40,000</u> | | | <u>17,40,000</u> |

On the above date, Kavya retired and Manya and Navita agreed to continue the business on the following terms:

- (a) Firm's goodwill was valued at ₹ 60,000 and it was decided to adjust Kavya's share of goodwill in the Capital Accounts of continuing partners.
- (b) There was a claim for Workmen's Compensation to the extent of ₹ 4,000.
- (c) Investments were revalued at ₹ 2,13,000.
- (d) Fixed Assets were to be depreciated by 10%.
- (e) Kavya was to be paid ₹ 20,000 through a bank draft and the balance was transferred to her loan account which will be paid in two equal annual installments together with interest @ 10% p.a.

Prepare revaluation Account, partners' Capital accounts and Kavya's Loan Account till it is finally paid. [Ans. Bal. C/d Maya 4,88,000; Navita 3,92,000 Kavya Loan A/c 6,20,000]

- Q.10 Simrat, Lalit and Madhu were partners in a firm sharing profits and losses in the ratio of 2: 2: 1. Their Balance Sheet as at 31st March, 2017 was as follows:

Balance sheet as at 31st March, 2017

| Liabilities | ₹ | Assets | ₹ |
|------------------------|-----------------|--------------------------|-----------------|
| Capital A/cs: | | Building | 40,000 |
| Simrat | 60,000 | Machinery | 60,000 |
| Lalit | 50,000 | Patents | 22,000 |
| Madhu | 30,000 | Stock | 10,000 |
| Workman's compensation | 12,000 | Debtors | 16,000 |
| Reserve | | | |
| Sundry Creditors | 22,000 | Cash in hand and at Bank | 16,000 |
| | | Advertisement Suspense | 10,000 |
| | <u>1,74,000</u> | | <u>1,74,000</u> |

Madhu died on 1st October, 2017. According to the terms of the Partnership Deed, deceased partner's executors will be entitled to the following:

- (a) Capital standing to his credit as on the date of death.
- (b) His share of profit from the beginning of the financial year till the date of death calculated on the basis of profit of last year. Profit of the firms for previous year was ₹1,00,000.
- (c) Share of Goodwill calculated on 3 years' purchase of average profit of last two year. Profit of the firm for the year ended 31st March, 2016 was ₹ 90,000.

Following information in respect of Madhu is also given as under:

- (a) He had introduced further capital of ₹ 50,000 on 1st May, 2017; and
- (b) His drawings during the year till the date of the death were ₹ 20,000. Prepare Madhu's Capital Account to be presented to the Executors.

[Ans. Madhu's Executors A/c 1,27,400]