INDIAN SCHOOL DARSAIT
DEPARTMENT OF COMMERCE

Subject : Accountancy	Topic : Retirement of a Partner	Date of Issue:__/__/ 2016 Worksheet No.8
Resource Person: Alexander Gee Varghese		Date of Submission:__/__/ 2016
Name of the Student :_________________	Class & Division : XII___	Roll Number : __

1. X, Y and Z are partners sharing profits and losses in the ratio of 5:4:3. Calculate the new ratios when:
   (i) X retires
   (ii) Y retires
   (iii) Z retires.

2. A, B and C are partners in a firm sharing profits in the ratio of 5:4:3. B retired and his share was divided equally between A and C. Calculate the new profit sharing ratio of A and C.

3 A,B and C were partners sharing profits in the ratio of 5:4:3.C retired and his share was taken up by A and B in the ratio of 3:2. Find out the new ratio.

4. P,Q and R are partners sharing profits in the ratio of 5:3:2. R retires and his share is entirely taken by P. Calculate new profit sharing ratio of P and Q.

5. A,B and C are partners sharing profits and losses in the ratio of 4:3:2. B retires. A and C decided to share the profits and losses in future in the ratio of 5:4. Calculate gaining ratio.

6. A,B,C and D are partners sharing profits and losses in the ratio of 1/3,1/6,1/3 and 1/6 respectively C retires and A ,B and D decide to share the profits and losses equally in future. Calculate the gaining ratio.

7. A,B ,C and D were partners sharing profits in the ratio of 2:1:3:4. B retires and his share is acquired by A and C in the ratio of 4:1. Calculate the new ratio and the gaining ratio.

8. 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 for recording the payment to B in the books of the firm.

9. P,Q and R are partners sharing profits in the ratio of 7:5:4. R retires and the goodwill of the firm is valued at ₹16,000. No goodwill account appears as yet in the books of the firm. P and Q will share future profits equally. Pass necessary journal entry for goodwill.

10. Bharti , Kirti and Priti are partners sharing profits in the ratio of 2:3:4. Priti retires and for this purpose goodwill is valued at one and half year's purchase of average super profits of last three years , which are as under:

First year	₹50,000
Second year	₹ 55,000
Third year	₹75,000

The normal profits for similar firms is ₹45,000.
Record the necessary journal entry.

11. A,B and C are sharing profits in the ratio of 3:2:1.Goodwill is appearing in the books at a value of ₹ 24,000. B retires and on the day of B's retirement Goodwill is valued at ₹ 60,000. A and C decided to share future profits in the ratio of 3:2. Pass the necessary Journal entries.

12. X,Y and Z are partners sharing profits in the ratio of 2:3:5. Goodwill is appearing in their books at a value of ₹ 60,000. X retires and on the day of X's retirement Goodwill is valued

at ₹ 45,000. Y and Z decided to share future profits equally . Pass the necessary Journal entries.

13. Aman , Ashish and Namish were partners sharing profits in the ratio of 5:3:2 respectively. Goodwill does not appear in the books but it was agreed to be worth ₹ 1,00,000 . Aman retires from the firm and Ashish and Namish decide to share future profits equally. You are required to make adjustment entry for goodwill . Show your working clearly.

14. 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.

15. Ramesh , Naresh and Suresh were partners in a firm sharing profits in the ratio of 5:3:2. Naresh retired and the new profit sharing ratio between Ramesh and Suresh was 2:3. On Naresh's retirement the goodwill of the firm was valued at ₹ 1,20,000. Pass necessary journal entry for the treatment of goodwill on Naresh's retirement without opening goodwill account.

16. 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 ₹ 2,00,000. D's share of goodwill is to be adjusted into the capital accounts of A, B and C who decide to share future profits in the ratio of 4:3:3. Pass necessary journal entry.

17. A,B and C are partners sharing profits and losses in the ratio of 4:3:1 respectively . B retires , selling his share of profit to A and C for ₹ 8,100 ; ₹3,600 being paid by A and ₹ 4,500 by C. The profit for the year after B's retirement was ₹ 10,500. You are required
    (i) to give necessary journal entries to record the above said sale of B's share to A and C,
    (ii) to calculate the new profit sharing ratio , and
    (iii) distribute the profit between A and C .

18. Kanu , Manu and Akansha are partners sharing profits as 20%,30% and 50%. Kanu decided to retire with the consent of other partners and sold her share to Manu. Goodwill was valued at two and a half years purchase of the average profits of 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 her retirement . You are required to record necessary journal entries to record above adjustments on Kanu's retirement . Also prepare her capital account to find out the amount due to her when her capital balance in the balance sheet was ₹ 1,00,000 before any above adjustment.

19. A,B and C are partners in a firm sharing profits in the ratio of 2:3:4 . On April 1,2015, A retires and on that date there was a debit balance of ₹ 72,000 in the profit and loss account. 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.

20. A,B and C were partners sharing profits and losses in the ratio of 5:3:2. Their Balance Sheet as on 1st January, 2015 was as follows:

Liabilities	₹	Assets	₹
Sundry Creditors	10,000	Cash	2,000
Employee's Provident Fund	5,000	Sundry Debtors	8,000
Reserve Fund	6,000	Stock	40,000
Workmen's Compensation Fund	2,000	Furniture	13,000
Capitals:		Patents	4,000
A 50,000		Buildings	60,000
B 35,000		Goodwill	6,000
C 25,000	1,10,000		
	1,33,000		1,33,000

C retires on above date and the partners agreed that :
(i) Goodwill is to be valued at two year’s purchase of the average profits of last four years Profits were: 2011- ₹ 14,400, 2012-₹ 20,000, 2013- ₹ 10,000 (Loss), 2014- ₹ 15,600.
(ii) 5% provision for doubtful debts to be made on debtors.
(iii) Stock be appreciated by 10%.
(iv) Patents are valueless.
(v) Buildings be appreciated by 20%.
(vi) Sundry Creditors to be paid ₹ 2,000 more than the book value.
Pass Journal entries and prepare Revaluation Account, Capital Accounts and the Balance Sheet of the new firm.

21. A,B and C were in partnership sharing profits and losses in the proportions of 3:2:1. On 1st January, 2015, B retires from the firm. On that date, their Balance Sheet was as follows :

	₹		₹
Trade Creditors	3,000	Cash in hand	9,000
Bills Payable	2,700	Debtors 16,000	
Expenses owing	4,500	Less:Provision1,000	15,000
Reserve Fund	10,500	Stock	12,000
Workmen’s Compensation Fund	4,800	Factory Premises	22,500
Capitals:		Investments	8,000
A 20,000		Loose Tools	4,000
B 15,000			
C 10,000	45,000		
	70,500		70,500

The terms were:
(a) Goodwill of the firm to be valued at 2 times of Average Super Profits of last three years . Taking into consideration the risk of the business , normal profits of the firm are estimated at ₹ 50,000 every year. But actual profits of last three years were as 2012-₹ 60,000, 2013-₹ 55,000 , 2014- ₹57,500.
(b) Expenses owing to be brought down to ₹ 3,750.
(c) Investments are revalued at ₹7,200 . A took over investments at this value.
(d) Factory premises is to be revalued at ₹24,300; and Loose tools at ₹ 3,600.
(e) Provision for Doubtful Debts to be increased by ₹ 1,950.
(f) Claim on account of Workmen’s Compensation is ₹ 1,800.
(g) B be paid ₹ 5,000 in cash and balance due to him treated as a loan carrying interest @6% per annum.

Show Journal entry for goodwill adjustment; prepare necessary ledger accounts and opening balance sheet of the continuing partners.

22. 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, 2015 was as follows:

	₹		₹
Employees ‘ 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 January, 2016. The terms were:
(i) Goodwill is to be valued at 2 1/2 years purchase of the average profits of last three yea₹ Profits were: 2013 ₹20,000; 2014 ₹ 16,000.
(ii) Value of Patents is to be increased by ₹ 3,000 but Plant was found over-valued by ₹ 15,000.

(iii) Provision for doubtful debts should be 5% on Debtors and provision for discount should also be made on Debtors and Creditors at 3%.

(iv) Out of insurance which was entirely debited to Profit &Loss Account ₹ 870 be carried forward as unexpired insurance.

(v) Investments were revalued at ₹ 16,000. Half of these investments were taken over by B.

(vi) There is a claim for Workmen's Compensation to the extent of ₹ 5,000.

B was paid off in full. A borrowed sufficient cash 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.

23. Balance sheet of X, Y and Z who were sharing profits and losses in the ratio of 3:2:1 respectively was as follows on 01-04-2012;

Liabilities	₹	Assets	₹
Bills Payable	6,400	Cash	25,650
Sundry Creditors	12,500	Bills Receivable	5,400
Capital X 40,000 Y 25,000 Z 20,000	85,000	Debtors Stock Furniture Plant and Machinery	17,800 22,300 5,500 7,750
Profit and Loss a/c	4,500	Building	24,000
	1,08,400		1,08,400

X retired the business on 01-04-2012 and his share in the firm was to be ascertained on the revaluation of the assets as follows : Stock ₹ 20,000, Furniture ₹ 3,000. Plant and Machinery ₹9,000, Building ₹ 20,000. ₹ 850 was to be provided for doubtful debts. The goodwill of the firm was valued at ₹ 6000. X was to be paid ₹ 11,050 in cash on retirement and the balance in three equal yearly installments with interest at 9% per annum. Prepare Revaluation A/c, Capital A/cs, Balance sheet and X's loan account till it is finally paid.

24. L, M and N were partners sharing profits as 50%, 30% and 20% respectively. On March 31, 2015, their Balance Sheet stood as follows:

Balance of L, M and N as at March 31, 2015

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: provision 3,000	37,000
M 40,000		Cash	16,000
N 20,000	1,10,000		
Total	1,81,000	Total	1,81,000

M retires on 1st April 2015 and L and N agreed to continue on the following terms:

(i) Firm's goodwill was valued at ₹ 51,000 and it was decided to adjust M's goodwill into capital accounts of continuing partners

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

(iii) Provision for bad debts is to be reduced by ₹ 1,000.

(iv) 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.

(v) The Capital of the new firm is fixed at ₹1,00,000 and L's and N's capital will be adjusted in their new profit sharing ratio i.e.3:2 through cash account. Prepare Revaluation a/c, Capital Account and the revised Balance Sheet. Also prepare M's Loan Account.

25. On 31st December, 2008 the Balance Sheet of A. B and C, who were sharing profits and losses in proportion to their capitals, stood as follows.

Liabilities	₹	Assets	₹
Creditors	20,800	Bank	8,000
Capitals A 45,000 B 30,000 C 15,000	90,000	Debtors 10,000 Less Provision 200	9,800
		Investments	20,000
Investment Fluctuation Fund	10,000	Stock	9,000
		Machinery	24,000
		Land and Building	50,000
	1,20,800		1,20,800

B retires and the following readjustments of assets and liabilities have been agreed upon before the ascertainment of the amount payable to B :
i) That Land and Buildings be appreciated by 12%.
ii) That provision for Doubtful Debts be brought up to 5% of debtors
(iii) Investment is valued at ₹16,000.
iii) That a provision of ₹ 3,900 be made in respect of an outstanding bill for repairs,
iv) That Goodwill of the entire firm be fixed at ₹ 18,000 and B's share of the same be adjusted into the accounts of A & C, who are going to share future profits in the proportion of 3/4th and 1/4th respectively
v) Capital of the new firm fixed at ₹56,000 and adjustment should be made in cash.
vi) That B be paid ₹ 5,000 immediately and the balance to be transferred to his Loan Account. Prepare Revaluation Account, Capital Accounts of Partners and the Balance sheet.

26. The Balance Sheet of A,B and C who were sharing profits in proportion to their capitals stood as follows on 31st December,2015:

	₹		₹
Sundry Creditors	6,900	Cash at Bank	5,500
Investments Fluctuation Fund	7,500	Sundry Debtors 5,000	
Capital Accounts :		Less : Provision 100	4,900
A 18,000		Stock	8,000
B 13,500		Investments	11,500
C 9,000	40,500	Land and Building	25,000
	54,900		54,900

B retired on the above date and the following was agreed up on :
(i) That stock be depreciated by 6%.
(ii) That the Provision for Doubtful Debts be brought up to 5% on Debtors.
(iii) That Land and Buildings be appreciated by 20%.
(iv) That a provision of ₹ 770 be made in respect of outstanding legal charges.
(v) Investments are brought down to ₹ 8,500.
(vi) That the Goodwill of the entire firm be fixed at ₹ 10,800 and B's share of goodwill be adjusted into the accounts of A and C who are going to share future profits in the ratio of 5:3 (No Goodwill Account is to be raised.)
(vii)That the entire capital of the firm as newly constituted be fixed at ₹ 28,000 between A and C in the proportion of 5:3 (actual cash to be brought in or paid off, as the case may be). Pass Journal entries and show the Balance Sheet after transferring B's share to a separate Account in his name.

27. On March 31, 2015, the balance sheet of Pawan , Qatir and Raisa , who were sharing profits in proportion to their capitals stood as follows:

BALANCE SHEET as at March 31,2015

Liabilities	Amount	Assets	Amount
	₹		₹
Bills Payable	8,000	Land and Buildings	50,000
Creditors	12,000	Cash at Bank	30,000
General Reserve	6,000	Debtors 10,000	

Capitals : Pawan 30,000		Less: Provision 200	9,800
Qatir 30,000		Stock	14,000
Raisa 15,000	75,000	Machinery	8,200
Employee's Provident.Fund.	17,000	Profit and Loss a/c	6,000
	1,18,000		1,18,000

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

(i) That out of the amount of insurance which was debited entirely to profit and loss account, ₹1,292 be carried forward as unexpired insurance.
(ii) That the land and building be appreciated by 10%.
(iii) That the provision for doubtful debts be brought up to 5% on debtors .
(iv) That machinery be depreciated by 6%.
(v) That a provision of ₹ 1,500 be made in respect of outstanding bill for printing and stationery.
(vi) That the goodwill of the firm will be valued at ₹ 18,000.
(vii) That the entire capital of the firm as newly constituted be fixed at ₹ 60,000 between Pawan and Raisa in the proportion of three –fourth and one –fourth after passing entries in their accounts for adjustment ,i.e actual cash to be paid off or to be brought in by the continuing partners as the case may be .
(viii) That Qatir be paid ₹ 6,800 in cash and the balance be transferred to his loan account payable in four equal annual installments along with interest @8% p.a.

Prepare necessary accounts and the balance sheet of the firm of Pawan and Raisa. Also prepare Qatir's loan till it is finally settled.

28. X,Y and Z were in partnership sharing profits in the ratio of 3:2:1. The Balance Sheet of the firm as on 31st March 2015 stood as follows:

	₹		₹
Provision for Doubtful Debts	1,300	Cash at Bank	10,000
Sundry Creditors	15,000	Debtors	16,000
Capitals :		Stock	20,300
X 78,750		Machinery	60,000
Y 70,000		Land and Building	1,20,000
Z 61,250	2,10,000		
	2,26,300		2,26,300

Z retires on 1st April 2015 and the new profit sharing ratio between X and Y will be 5:4. Following terms were agreed:
(i) Land and Buildings be reduced by 10%.
(ii) Out of the insurance premium paid during the year ₹ 5,000 be carried forward as unexpired.
(iii) There is no need of any provision for doubtful debts.
(iv) Goodwill of the firm be valued at ₹ 36,000 and adjustment in this respect be made without raising a goodwill a/c .(v) X and Y decided that their capitals will be adjusted in their new profit sharing ratio , by bringing in or paying cash to the partners Z's a/c will be transferred to his loan a/c.
Z is paid ₹ 9,300 on the date of retirement and the remaining amount in three equal yearly installments together with interest at the rate of 10% p.a. on the outstanding balance. (a) Pass necessary journal entries; prepare the capital accounts and the Loan account.

29. A,B and C were partners sharing profits &losses in the ratio of 5:3:2 respectively .The Balance Sheet on this date was as follows:

Liabilities	₹	Assets	₹
S Creditors	40,000	Fixed Assets	1,25,000
Expenses Outstanding	5,000	Stock	55,000
Reserve	15,000	Debtors	60,000
Capitals :		Cash	10,000
A	1,00,000		
B	50,000		

C	40,000		
	2,50,000		2,50,000

B retires on 31-12-2008 and for this purpose Goodwill was valued at three year's purchase of average profits, which were ₹ 25,000. Fixed Assets were valued at ₹ 1,50,000, Stock was considered worth ₹ 50,000.
B was to be paid in cash brought in by A and C in such a way so as to make their capitals proportionate to their new profit sharing ratio which is 3:2 respectively. Prepare Capital Accounts and the Balance Sheet of A and C.

30. Fish, Goat and Hen are partners sharing profits in the ratio of 5:3:2 respectively. Balance Sheet on March 31,2015 was as follows:

Balance of Fish ,Goat and Hen as at March 31,2015

Liabilities	Amount (₹)	Assets	Amount (₹)
Sundry Creditors	22,000	Fixed Assets	1,00,000
Bills Payable	8,000	Stock	45,000
Profit and Loss	15,000	Debtors	45,000
Capital Accounts:		Bank	10,000
Fish 65,000			
Goat 50,000			
Hen 40,000	1,55,000		
Total	2,00,000	Total	2,00,000

Fish retires on March 31,2015 and for this purpose-

Goodwill was valued at	₹ 25,000
Fixed Assets were valued at	₹1,25000
Stock was considered worth	₹ 40,000

Fish is to be paid in cash brought in by Goat and Hen in such a way so as to make their capitals proportionate to their new profit sharing ratio, which is 3:2 respectively. Partners decided to Maintain a Cash Balance of ₹ 7,000 at Bank. Prepare Capital Accounts and the Balance Sheet of Goat and Hen.

31. A,B and C are in partnership sharing profits in the ratio of 5:3:2. The Balance Sheet of the firm as on April 1,2015 was as follows :

Balance Sheet of A, B and C as at April 1,2015

Liabilities	Amount (₹)	Assets	Amount (₹)
Capital Accounts:		Bills Receivable	15,000
A 40,000		Machinery	82,000
B 61,000		Furniture	4,000
C 24,000	1,25,000	Sundry Debtors 70,000	
Reserve	30,000	Less: Provision for 3,000	67,000
Sundry Creditors	50,000	Doubtful debts	
Profit and Loss a/c	28,000	Stock	40,000
Bills Payable	5,000	Cash at Bank	30,000
	2,38,000		2,38,000

On April 1,2015 ,B retires due to his foreign assignment and A and C continued in partnership , sharing profits and losses in the ratio of 3:2. It was agreed that following adjustments were to be made on the retirement of B:

(a) The machinery was to be revalued at ₹ 85,000
(b) The stock was to be reduced by ₹ 1,000.
(c) The furniture was to be reduced to ₹ 1,600.
(d) The provision for doubtful debts would be 6%.
(e) A provision of ₹ 800 was to be made of outstanding expenses.
(f) liability on account of damages of ₹ 7,000 included in creditors is settled at ₹ 12,000.
(g) The partnership agreement provides that in case of retirement of a partner goodwill was to be valued at three year's purchase of average profits, which are 10,000.

B was paid off in full. A and C were to deposit such an amount in bank so as to make their capital in proportionate to the new profit sharing ratio, subject to the condition that a bank balance of ₹ 40,000 was to be maintained as working capital.

Record the necessary journal entries to give effect to the above arrangements and prepare the partner's capital accounts as on April1,2015 and also the Balance Sheet after retirement.

32. X, Y and Z are partners sharing profits and losses in the ratio of 4:3:1. Their Balance Sheet as on 31st December 2008 was as under:

Liabilities	Amount (₹)	Assets	Amount(₹)
Sundry Creditors	7,000	Cash	9,000
Bills Payable	4,000	Stock	7,500
General Reserve	8,000	Debtors 13,000	
Capitals X	20,000	Less Provision 500	12,500
Y	30,000	Furniture	15,000
Z	20,000	Investment	10,000
		Plant & Machinery	12,000
		Building	23,000
	89,000		89,000

On the above date Y retires from the firm selling his shares of profits to X for ₹ 3,600 and to Z for ₹ 4,500 in the ratio of 4:5.

Stock is to be appreciated by 20% and Building by 10%. Furniture sold for ₹7,000. Provision for doubtful debts is increased to 10%. Investments are sold for ₹ 23,000.

The Capital of the newly constituted firm is fixed at ₹ 60,000 to be divided among X and Z in the profit sharing ratio. Adjustments to be made in cash. Y is paid the amount due.

Calculate the new profit sharing ratio and prepare Revaluation A/c, Cash A/c, Partners Capital A/c and the Balance Sheet of the new firm.

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