



INDIAN SCHOOL DARSAIT DEPARTMENT OF COMMERCE



Subject : Accountancy	Topic : Death of a Partner	Date of Issue: __/__/2017 Worksheet No.9
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1. Ram , Manohar and Joshi were partners in a firm . Joshi died on 28th February, 2015. His 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 of profits before death. Profits for 2012, 2013 and 2014 were ₹ 7,000, ₹8,000 and ₹ 9,000 respectively. Calculate Joshi's share of profit till his death and pass the necessary Journal entry for the same.
2. Kala , Mohan and Rawat were partners in a firm . Kala died on 1st August, 2015. Her share of profit from the closure of the last accounting year till the date of death was to be calculated on the basis of last year's Profits which were ₹ 24,000. Calculate Kala's share of profit till her death and pass the necessary Journal entry for the same. Accounts are closed on 31st March every year.
3. A, B and C are sharing profits in the ratio of 3:2:1. C dies on 31st March , 2015. Accounts are closed on 31st December every year. Sales for the year 2014 amounted to ₹ 6,00,000. Sales from 1st January, 2015 to 31st March , 2015 amounted to ₹ 4,80,000. The profit for the year 2014 amounted to Rs 96,000. Calculate the deceased partner's share in the current year's profits and Pass Journal entry.
4. A, B and C are sharing profits in the ratio of 3:2:1. B dies on 31st July, 2015. Accounts are closed on 31st March every year. Sales for the year 2014-15 amounted to ₹ 12,00,000. Sales from 1st April, 2015 to 31st July , 2015 amounted to ₹ 6,40,000. The profit for the year 2014-15 amounted to ₹ 2,40,000. Calculate the deceased partner's share in the current year's profits and Pass Journal entry.
5. Chander , Tara and Ravi were partners in a firm sharing profits in the ratio of 2:1:2. On 15.2.2015 Chander died and the new profit sharing ratio between Tara and 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.
6. S,T and U were partners in a firm sharing profits in the ratio of 1:2:2. On 15.2.2015 S died and the new profit sharing ratio of T and U was 3:2. On S's death the goodwill of the firm was valued at ₹ 60,000. Calculate the gaining ratio and pass necessary journal entry on S's death for the treatment of goodwill without opening goodwill account.
7. A,B and C were partners sharing profits in the ratio of 3:2:1. Under the partnership deed, the executors of the deceased partner are entitled to :
 - ✓ His capital as per balance sheet.
 - ✓ Interest on Capital @ 10% p.a. up to the date of death.
 - ✓ His share of profit to the date of death, calculated on the basis of last year's profit.B's capital on 31st Dec., 2015 was ₹40,000 and in 2008 he has withdrawn ₹ 1,200 per month at the beginning of each month . Interest on drawing is to be charged @ 10%p.a. Last year's profit was ₹ 24,000.
Prepare B's A/c to be rendered to his executors
8. A,B and C were carrying on business with the following assets with effect from 1.1.2015. Furniture ₹ 18,000; Machine ₹ 72,000; Cash ₹ 10,000; Debtors ₹ 20,000. Their profit –sharing ratio was 5:3:2. Capital is also shared in the same ratio. B died on 30.6.2015. His son claimed his father's interest in the firm.
The following was the settlement:



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- (i) Allow his capital to his credit on the date of death.
- (ii) Give 5%p.a. interest on his capital.
- (iii) He had been drawing @ ₹ 600 per month which he withdrew at the beginning of each month. He is allowed to retain these drawings as a part of his share of profit.
- (iv) Interest @6% p.a. is charged on his drawings.
- (v) Goodwill was evaluated twice the average of profits which were ₹ 3,600. Prepare B's Personal Account.

9. Arti , Bharti and Seema 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 31,2013

Liabilities	Amount	Assets	Amount
	₹		₹
Bills Payable	12,000	Buildings	21,000
Creditors	14,000	Cash in Hand	12,000
General Reserve	12,000	Bank	13,700
Capitals :		Debtors	12,000
Arti 20,000		Bills Receivable	4,300
Bharti 12,000		Stock	1,750
Seema 8,000	40,000	Investment	13,250
	78,000		78,000

Bharti died on June 12, 2013 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 that period, which were calculated as ₹ 1,00,000. The rate of profit 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 the last three years less 20%. The profits of the previous years were:

2011	₹ 8,200
2012	₹ 9,000
2013	₹ 9,800

The investments were sold for ₹ 16,200 and her executors were paid out. Pass the necessary journal entries and write the account of the executors of Bharti.

10. Nithya , Sathya and Mithya were partners sharing profits and losses in the ratio of 5:3:2 respectively . Their Balance Sheet as on December 31,2011 was as follows:

Liabilities	Amount	Assets	Amount
	₹		₹
Creditors	14,000	Investments	10,000
Reserve Fund	6,000	Goodwill	5,000
Capital Accounts:		Premises	20,000
Nithya 30,000		Patents	6,000
Sathya 30,000		Machinery	30,000
Mithya 20,000	80,000	Stock	13,000
		Debtors	8,000
		Bank	8,000
	1,00,000		1,00,000

Mithya dies on 1.5.2012. The agreement between the executors of Mithya and the partners stated that:

- (a) Goodwill of the firm be valued at 2 1/2 times the average profits of last four years. The profits of four years were: 2008 ₹ 13,000; 2009 ₹12,000; 2010 ₹16,000 and 2011 ₹ 15,000.
- (b) The patents are to be valued at ₹ 8,000; Machinery at ₹ 25,000 and Premises ₹25,000.
- (c) The share of profit of Mithya should be calculated on the basis of the profit of 2011.



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(d) ₹ 4,200 should be paid immediately and the balance should be paid in 4 equal half – yearly instalments carrying interest @ 10%.

Record the necessary journal entries to give effect to the above and write the executor's account till the amount is fully paid. Also prepare the balance sheet of Nithya and Sathya as it would appear on 1.5.2012 after giving effect to the adjustments.

11. Following is the Balance Sheet of A,B and C as on 31st December 2014:

Liabilities	₹	Assets	₹
Sundry Creditors	3,000	Tools	1,000
Reserve Fund	3,200	Furniture	8,000
Capital Accounts:		Stock	6,000
A	10,000	Debtors	6,000
B	5,000	Cash at Bank	5,000
C	5,000	Cash in hand	200
	26,200		26,200

B died on 31st March 2015. Under the partnership agreement the executor of Ram was entitled to :

- Amount standing to the credit of his Capital Account.
- Interest on Capital which amounted to ₹ 62.50.
- His share of goodwill ₹ 3,500.
- His share of profit from the closing of the last financial year to the date of death which amounted to ₹ 437.50.

B 's executor was paid ₹ 1,800 on 1st April 2015 and the balance in four equal yearly installments starting from 31.3.2016 with interest @6% p.a.

Pass the necessary Journal entries and draw up Ram's Account to be rendered to his executor and Ram's Executor's Account till it is finally paid. Partners were sharing profits and losses in the Capital Ratio.

12. R,S and T were partners sharing profits and losses in the ratio of 5:3:2 respectively. On 31st Dec.2015, their B/S stood as under.

Liabilities	₹	Assets	₹
Creditors	27500	Goodwill	12500
Reserve Fund	15000	Buildings	50000
Capitals: R	75000	Patents	15000
S	62500	Machinery	75000
T	37500	Stock	25000
		Debtors	20000
		Cash at bank	20000
	217500		217500

T died on 1st May, 2016. It was agreed that:-

- Goodwill be valued at 2-1/2 years purchase of the average profits of the last four years, which were -2012 ₹32500; 2013 ₹30000; 2014 ₹40000 and 2015 ₹37500.
- Machinery be valued at ₹70000, Patents at ₹20000, Building at ₹62500.
- For the purpose of calculating T's share in the profits of 2016, previous year profits should be considered.
- A sum of ₹10, 500 is to be paid immediately to the executors of T and the balance to be paid in 4 equal half yearly installments together with interest 10%p.a.

Give the necessary journal entries to record the above transactions and T's executors account for the year 2016.

13. A,B and C were sharing profits in the ratio of 5:3:2. C died on 1st Aug.2011. However, their Balance sheet on 31-3-2011 stood as under.

Liabilities	₹	Assets	₹
Creditors	21,000	Goodwill	4000
Reserves	6,000	Buildings	44,000
Capital		Debtors	5,000
A	20,000	Less Provision	100
			4,900



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B	15,000	45,000	Stock	
C	10,000			8,600
			Plant and Machinery	5,500
			Furniture	5,000
		72,000		72,000

Adjustments:

- (i) Goodwill was valued at 2 1/2 years purchase of four years profits. 2008 ₹13,000, 2009 ₹12,000, 2010 ₹16,000 and 2011 ₹15,000 respectively.
- (ii) Buildings were worth ₹50,000, Stock ₹10,000.
- (iii) Patents unrecorded in the books to be recorded ₹8,000.
- (iv) A reserve of ₹ 1000 was to be made for doubtful debts.
- (v) Profits for the current year were taken on the same basis of last year.
- (vi) Amount payable to C to be transferred to his executor's loan a/c.

Show the necessary ledger account and the Balance sheet of the new firm after C's death.

14. A, B and C were partners sharing profits in the proportion of one-half, one-fourth and one-fourth respectively. Their Balance Sheet on 31st December, 2015 was as follows:

	₹		₹
Sundry Creditors	4,000	Cash	1,000
A's Capital	10,000	Sundry Debtors	4,500
B's Capital	6,000	Stock - in - Trade	5,500
C's Capital	4,000	Loan to A	3,000
		Freehold Premises	10,000
	24,000		24,000

A died on 1st January, 2016. The firm had effected an assurance of ₹ 10,000 on the joint lives of the three partners and the amount of the policy was realised on 1st Feb., 2016. According to the partnership agreement, the goodwill was to be calculated at two years' purchase of average profits of three completed years preceding the death or retirement of a partner. The deceased partners' share of capital and goodwill, etc., was paid out in cash on 1st March, 2016, the available cash balance being supplemented by a loan from firm's banker on the security of the freehold property. The net profits of the years 2013, 2014 and 2015 were ₹ 5,500, ₹ 4,800 and ₹ 6,500 respectively.

You are required to show the Journal entries, the ledger accounts of the partners and the Balance Sheet of B and C as it would stand after A's share is paid out.

15. A and B are partners sharing profits in the ratio of A 5/10, B 3/10 and transfer to reserve 2/10. Their balance sheet on 31st March, 2016 was as follows:

	₹		₹
Sundry Creditors	16,000	Cash at Bank	2,800
General Reserve	9,600	Sundry Debtors	20,000
A	80,000	B/R	8,000
B	40,200	Fixed Assets	1,00,000
		Goodwill	15,000
	1,45,800		1,45,800

B died on 1st April, 2016. Besides his Capital and Reserves, B's legal representatives are entitled to

- (i). His share of goodwill, based on two years of the total profits of last three years, which were ₹10,300; ₹15,100 and ₹13,600.

Assets were revalued as follows:

Fixed Assets ₹ 1,20,000; ₹ 2,000 out of debtors are bad and a provision of 5% is to be made for bad debts and 2% for discount on debtors Prepaid insurance is ₹ 490 and outstanding salaries ₹ 3,000. There is an old typewriter not recorded in the books valued at ₹4,000.

Prepare Revaluation a/c and B's a/c to be rendered to his legal representatives.

16. Dinesh, Rajesh and Ramesh shared profits as 5:3:2. Their Balance Sheet as on March 31, 2010 was as follows: -

BALANCE SHEET AS AT MARCH 31, 2010

Liabilities	Amount ₹	Assets	Amount ₹
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Creditors	50,000	Goodwill	5,000
Profit and Loss A/c	10,000	Cash	17,000
General Reserve	40,000	Fixed Assets	60,000
Capital Accounts:		Investments	20,000
Dinesh 30,000		Stock	45,500
Rajesh 30,000		Debtors	30,000
Ramesh 40,000	1,00,000	B/R	6,000
		Deferred Revenue	14,000
		Expenditure	
		Dinesh's loan account	2,500
	2,00,000		2,00,000

Dinesh died on July 1, 2010. Rajesh and Ramesh decided to share profits equally after Dinesh's death. The executors of Dinesh will get:-

- (i) His share of goodwill. The total goodwill of the firm valued at ₹50,000.
 - (ii) His share of profit up to his date of death on the basis of average profits of last three years
 March 31, 2010 ₹25,000
 March 31 2009 ₹18,000
 March 31, 2008 ₹17,000
 - (iii) Fixed Assets were undervalued by ₹3,000. a provision @ 5% on debtors is to be created for doubtful debts.
 - (iv) Investment were sold for ₹25,000. Half of the amount due to Dinesh was paid to his executors and for the balance they accepted a Bills Payable.
- Prepare necessary ledger accounts and the new Balance sheet.

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