

### Death of a Partner

1	State the circumstances in which Gaining Ratio may be applied.	1
2	A, B & C are partners in a firm sharing profits in the ratio of 3:2:1. B died. C the son of B is of opinion that he is the rightful owner of his father's share of profit, and the profits if the firm be shared between A and C equally. A does not agree. Settle the dispute between A and C according to the Indian Partnership Act.	1
3	State two basis for determination of profits from the date of last balance sheet to the date of death.	1
4	Can an retiring partner or legal representative of a deceased partner share in the subsequent profits? X, Y & Z are partners sharing profits as 2:2:1 respectively. The firm's books are closed on 31st December every year. On 28th Feb 2014, Z died. It is not possible to prepare final accounts for calculations of profits to the date of death. Suggest the ways to Y & Z for ascertaining profits.	1
5	Distinguish between Sacrificing ratio and Gaining ratio.	1
6	Why is it necessary to distribute Accumulated Reserves, Profits and Losses at the time of retirement of a partner?	1
7	Give journal entry for discharging deceased partner's claim.	1
8	X, Y & Z were partners sharing profits in the ratio of 3:2:1. X died on 31-03-14. The deed provided that the share of profit till date of death be estimated at the sum calculated on the average of the last 3 completed years profits, The profits for the past three years were as under. 2013- Rs 90000; 2012- Rs 76000 and 2011- Rs 80000. Calculate X's share of profit during the accounting year 2014 and pass journal. OR X, Y & Z were partners sharing profits in the ratio of 3:2:1. X died on 31-03-14. The deed provided that the share of profit till date of death be estimated at the sum calculated on the sales till the date of death by applying the ratio of net profit to sales for the last accounting year. Sales from 1-01-2014 to 31-03-2014 amounted to Rs 30000. sales for the year 2013 amounted to Rs 360000 and net profit for the year 2013 amounted to Rs 54000. Calculate X share of profit during the accounting year 2014 and pass journal. OR X, Y & Z are partners in a firm whose books are closed on 31st march 2009. X died on 30-6-2009 and as per the deed the share of profit of deceased partner up to the date of death is to be calculated on the basis of average profits for the last five accounting years. The net profits for the last 5 years has been for 2009 Rs 16000; 2008 Rs 10000(loss); 2007 Rs 16000; 2006 Rs 18000 and 2005 Rs 14000. pass journal.	4
9	P, R & S are in partnership sharing profits in the ratio of 4:3:1. It is provided that in the partnership deed that, on the death of any partner, his share of goodwill is to be calculated at the half of the profits credited to his accounts during the previous four completed years. R dies on 1 <sup>st</sup> Jan 2005. The firms' profits for the last four years 2001-120000; 2002-80000; 2003-40000 and 2004- 80000. Determine the amount that should be credited to R in respect to his share of goodwill. OR X, Y & Z were partners in firm sharing profits in the ratio of 5:3:2. On 15 <sup>th</sup> feb.2002 X dies and the new profit sharing ratio of Y & Z was equal. On X death the goodwill of the firm was valued at Rs 50000. Calculate the gaining ratio and pass necessary journal entry on X death for the treatment of goodwill without opening goodwill account. OR X, Y & Z were partners in a firm sharing profits in the ratio of 4:3:1. Y died on 30-06-2014. The firms profit for the various years were: 2009- Rs 648888; 2010 - Rs 160000; 2011- Rs 20000; 2012- Rs 20000( loss) and 2013- Rs 80000. X & Z decided to share future profits in the ratio of 3:2. Goodwill is to be valued on the basis of 2 years purchase of average profits of 4 completed years immediately preceding the year of death of a partner. Calculate the goodwill of the firm and pass journal. OR X, Y & Z were partners in a firm sharing profits in the ratio of 4:3:1. Y died on 30-06-2014. The firms profit for the various years were: 2009- Rs 648888; 2010 - Rs 160000; 2011- Rs 20000; 2012- Rs 20000( loss) and 2013- Rs 80000. X & Z decided to share future profits in the ratio of 3:2. Deceased partner share of goodwill is to be calculated	4
10		4

at one half of the net profit credited to his account during the last four completed years immediately preceding the year of death. Pass journal and calculate Y's share of goodwill.

11	<p>Ram, Sham and Mohan partners in a firm sharing profits in the ratio of 4:3:2. On 31-03-2014 following balances appeared in their books: Total capital Rs 108000 contributed equally by them, General reserve Rs 36000; Loan from Ram Rs 30000 and goodwill Rs 40000.</p> <p>Ram died on 31-08-2014. Their deed provides the following for the settlement of claims on the death of a partner in addition to his capital as under:</p> <ul style="list-style-type: none"> <li>➤ Share of profits of deceased partner to be calculated on the basis of average profit if past three years. Average profit is calculated at Rs 45000.</li> <li>➤ His share in goodwill of firm. Goodwill of the firm is valued on the basis of twice the average profit.</li> <li>➤ Interest on capital @ 10%p.a.</li> <li>➤ On the date land and building is appreciated by Rs 34000; machinery is reduced by Rs 2000 and stock is depreciated by Rs 3000. Provision for doubtful debts is to be increased by Rs 2000.</li> </ul> <p>Prepare Rams capital account as it would be rendered to his executors.</p> <p>OR</p> <p>R , S &amp; D were partners in a firm sharing profits in the ratio of 3:3:4. their capitals were Rs 500000; Rs 400000 &amp; Rs 500000 respectively. the firm closes its books on 31 march every year. on 31-03-2006 R died. The executors of a deceased partner according to the deed, was entitled for the following:</p> <p>Interest on capital @ 9% p.a. till the date of death from the first day of the accounting year.</p> <p>His share of goodwill- The goodwill of the firm is valued at Rs 180000 on the date of death.</p> <p>His share of profits- The profits of the firm for the year ended 31-3-2006 was Rs 120000.</p> <p>R executors was paid the sum due in two equal instalments with interest @10% p.a.</p> <p>Prepare R's capital account as on 31-03-2006 to be rendered to his executors and his executors loan account for the year ending 31-3-2007 and 31-3-2008.</p> <p>OR</p> <p>A,B and C are partners in a firm. The firm has a fixed total capital of Rs 90000 contributed equally by all the partners. Under the deed the partners were entitled to:</p> <ul style="list-style-type: none"> <li>➤ A &amp; B to a salary of Rs 1800 and Rs 1600 p.m.</li> <li>➤ In the event of the death of a partner, Goodwill was to be valued at 2 yrs purchase of the average profit of the last 3 years.</li> <li>➤ Profit upto the date of the death based n the profits of the previous year.</li> <li>➤ Partners were to be charged as interest on drawings at 5% p.a. and allowed interest on capitals at 6% p.a.</li> </ul> <p>B died on 30th April 2014. His drawings to the date of death were Rs 2000 and the interest thereon was Rs 60. The profits for the three years ended on 31 December 2013,2012 and 2011 were Rs 21200; Rs 3200( Dr) and Rs 9000 respectively.</p> <p>Prepare B's account to calculate the amount payable to his executors.</p> <p>OR</p> <p>M,N &amp; O were partners sharing profits and losses equally. their balance sheet on 31-12-2009 was as follows:</p> <table border="1" data-bbox="180 1551 935 1818"> <thead> <tr> <th>Liabilities</th> <th>Amount</th> <th>Assets</th> <th>Amount</th> </tr> </thead> <tbody> <tr> <td>M's capital</td> <td>70000</td> <td>Plant and machinery</td> <td>60000</td> </tr> <tr> <td>N's capital</td> <td>70000</td> <td>Stock</td> <td>30000</td> </tr> <tr> <td>O's capital</td> <td>70000</td> <td>Debtors</td> <td>95000</td> </tr> <tr> <td>General Reserve</td> <td>30000</td> <td>Cash in bank</td> <td>40000</td> </tr> <tr> <td>Creditors</td> <td>20000</td> <td>Cash in hand</td> <td>35000</td> </tr> <tr> <td></td> <td>260000</td> <td></td> <td>260000</td> </tr> </tbody> </table> <p>N died on 15 march 2010. according to the deed executors of the deceased partners are entitled to:</p> <p>Balance of partners capital account.</p> <p>Interest of capital @ 5%p.a.</p> <p>Share of goodwill calculated on the basis of twice the average profits and</p> <p>Share of profits from the closure of the last accounting year till the date of on the basis of twice the</p>	Liabilities	Amount	Assets	Amount	M's capital	70000	Plant and machinery	60000	N's capital	70000	Stock	30000	O's capital	70000	Debtors	95000	General Reserve	30000	Cash in bank	40000	Creditors	20000	Cash in hand	35000		260000		260000	6
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average Of three completed year's profits before death.  
Profits for 2007, 2008 and 2009 were Rs 80000; Rs 90000 and Rs 100000 respectively. show the working for deceased partner's share of goodwill and profits till the date of his death. Pass journal entries and prepare N's capital account to be rendered to his executors.

OR

Ram , Mohan and Sohan are partners sharing profits in the ratio of 5:3:2. the balance sheet on 31-03-2008 as under:

Liabilities	Amount	Assets	Amount
Ram's capital	150000	Building	125000
Mohan's capital	125000	Patent	30000
Sohan's capital	75000	Machinery	150000
Creditors	155000	Stock	190000
Workmen compensation fund	30000	Cash	40000
	535000		535000

Sohan died on 1-08-2008. it was agreed that :

Interest on capital is allowed @ 10%P.a.

Goodwill of firm is valued at Rs 175000.

Machinery is valued at Rs 140000; patent Rs 40000; building Rs 150000 .

Sohan's share of profit till date of death should be taken to have accrued on the same scale as in 2007-2008 which was Rs 75000.

Prepare journal and sohan's capital account.

12 X, Y & Z are partners sharing profits in the ratio of 2:2:1. Their Balance sheet on 31-03-2014 is as follows: 8

Liabilities	Amount	Assets	Amount
Creditors	30000	Goodwill	30000
Employees provident fund	10000	Fixed Assets	60000
Reserves	30000	Stock	10000
X's Capital	30000	Debtors	20000
Y's Capital	25000	Cash at Bank	15000
Z's Capital	15000	Advertisement Expenditure	5000
	140000		140000

Y died on 15-06-2014. According to the deed, his legal representative were entitled to:

Balance in capital account.

Share in goodwill valued on thrice the average of the past four years profits.

Share in profits up to date of death on the basis of average profits for the past 4 years. Profits for the past four years ending on 31st March were: Rs 15000; Rs 17000; Rs 19000 and Rs 13000.

Interest on capital @ 12% p.a.

Y 's executors were paid Rs 4158 by cheque and balance in four annual equal instalments along with interest @ 10% p.a.

You are required to Prepare-

Y,s capital account Y's executors account.

OR

X, Y & Z are partners sharing profits in the ratio of 2:2:1. Their Balance sheet on 31-03-2014 is as follows:

Liabilities	Amount	Assets	Amount
Creditors	30000	Goodwill	30000
Employees provident fund	10000	Fixed Assets	60000
Reserves	30000	Stock	10000
X's Capital	30000	Debtors	20000
Y's Capital	25000	Cash at Bank	15000
Z's Capital	15000	Deffered revenue Expenditures	5000
	140000		140000

Y died on 15-06-2014. According to the deed, his legal representative were entitled to:

Balance in capital account.

Share in goodwill valued on thrice the average of the past four years profits.  
 Share in profits up to date of death on the basis of average profits for the past 4 years. Profits for the past four years ending on 31st March were: Rs 15000; Rs 17000; Rs 19000 and Rs 13000.  
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 Y 's executors were paid Rs 4158 by cheque and balance in four annual equal instalments along with interest @ 10% p.a.

Pass journal.

OR

X, Y & Z are partners sharing profits in the ratio of 2:2:1. Their Balance sheet on 31-03-2014 is as follows:

Liabilities	Amount	Assets	Amount
Creditors	30000	Goodwill	35000
Employees provident fund	10000	Fixed Assets	60000
Reserves	30000	Stock	10000
X's Capital	30000	Debtors	20000
Y's Capital	25000	Cash at Bank	15000
Z's Capital	15000		
	140000		140000

Y died on 15-06-2014. According to the deed, his legal representative were entitled to:

Balance in capital account.

Share in goodwill valued on thrice the average of the past four years profits.

Share in profits up to date of death on the basis of average profits for the past 4 years. Profits for the past four years ending on 31st March were: Rs 15000; Rs 17000; Rs 19000 and Rs 13000.

Interest on capital @ 12% p.a.

Y 's executors were paid Rs 4158 by cheque and balance in four annual equal instalments along with interest @ 10% p.a.

You are required to Prepare-

Executors loan account till it is finally paid off.