Guess Paper – 2014
Class – XII
Subject – Accountancy

FINAL ASSIGNMENT: RETIREMENT OF A PARTNER

Q.1 Mahesh, Naresh and Onkar are partners sharing profits in the ratio of 3/8, 1/2 and 1/8. Mahesh retires and surrenders 2/3rd of his share in favour of Naresh and remaining in favour of Onkar.

(Ans: New ratio 3:1 and Gaining ratio 2:1)

Q.2 Calculate new and gaining ratio in the above cases.

a. A, B and C have been sharing profits and loss in the ratio of 5:3:2. B retires. His share is taken by A and C in the ratio of 2:1.
b. A, B and C are equal partners. C retires and surrenders 3/5 of his share in favour of A and 2/5th of the share to B.

(Ans: Part (a) New ratio 7:3; GR 2:1; Part (b) New ratio 8:7; GR 3:2)

Q.3 X, Y and Z are partners sharing profits in the ratio of 4/9: 1/3: 2/9. Y retires and surrenders 1/9th from his share in favour of X and remaining in favour of Z. Calculate the new profit sharing ratio and the gaining ratio.

(Ans: New ratio 13:14; Gaining Ratio 1:8)

Q.4 A,B ,C and D are partners sharing profits and losses in the ratio of 3:3:2:2. D retires and A,B and C decide to share the future profits in the ratio of 3:2:1. Goodwill of the firm is valued at Rs.3,00,000. Goodwill already appears in the books at Rs.1,00,000. The profits for the first year after D's retirement amount to Rs.6,00,000. Give the necessary journal entries.

Q.5 A, B and C are partners sharing profits and losses in the ratio of 4:3:2 respectively. B retires, selling his share of profit to A and C for Rs.36,000, Rs.9,000 being paid by A and Rs.27,000 being paid by C. The profit of the firm after B's retirement is Rs.1,62,000. Distribute the above profit between A and C, showing how you arrive at the same.

(Ans: Profit will be distributed in 19:17; A's share Rs.85,500; C's share Rs.76,500)

Q.6 A, B and C are equal partners in a firm. B retires and his claim including his capital and his share of goodwill is Rs.40,000. He is paid in kind a vehicle valued at Rs.20,000 unrecorded in the books of the firm till the date of retirement and the balance in cash. Give journal entries for recording the payment to B in the books of the firm.

(Ans: Vehicle A/C will be debited with Rs.20,000 and A,B and C capital accounts will be credited with Rs.6,667 each; B's capital will be debited with Rs.46,667 and Vehicle will be credited with Rs.20,000 and Bank will be credited with Rs.26,667)

Q.7 Shashi, Madhu, and Usha and Renu are partners sharing profits in ratio of 3:2:3:2. On the retirement of Usha, goodwill was valued at Rs.1,20,000. Usha's share of goodwill will be given to her by adjusting it into the capital accounts of Shashi, Madhu and Renu. Record necessary journal entry for the treatment of goodwill when new profit sharing ratio decided is 3:1:6.

(Ans: Dr. Renu capital by Rs. 48,000; Cr. Madhu's capital by Rs.12,000 and Usha's capital Rs.36,000)

Q.8 P, Q and R are partners sharing profits in ratio of 40%, 30% and 30% respectively. After all adjustments on P's retirement with respect to general reserve, goodwill and revaluation, the balance in their capital accounts stood at Rs.70,000, Rs.60,000 and Rs.50,000. It was decided that amount payable to P will be brought in by Q and R in such a way, so as to make their capitals in proportionate to their profit sharing ratio. Calculate the amount to be brought in by Q and R and record necessary journal entries for the same. Also record necessary entry for payment to P.

(Ans: Dr. Cash by Rs.70,000; Cr. Q's capital by Rs.30,000 and R's capital by Rs.40,000; Dr. P's capital by Rs.70,000 and Cr. Cash by Rs.70,000)

Q.9 Ram, Mohan and Sohan are partners sharing in the ratio of 3:2;1. Mohan retires. Ram and Sohan have agreed that the capital of the new firm be fixed at Rs.20,000 in the profit sharing ratio. The capital accounts of Ram and Sohan show a balance of Rs.16,750 and Rs.4,500 respectively on the date of retirement. Show the adjustment of capital account if:

a. Partners are to be paid any surplus over the adjusted capital and are to bring deficiency over fixed capital.
b. Adjustment of capital is to be made by opening current accounts.

Q.10 X, Y and Z are partners in a firm sharing profits and losses in the ratio of 5:3:2. Z retires from the firm on 31st March, 2012. On the date of Z's retirement, the following balances appeared in the books of the firm:

a. General reserve Rs.10,000; Profit and loss account (Dr) Rs.5,000.
b. Workmen's compensation reserve Rs.20,000 out of which a liability of Rs.8,000 is to be provided.
c. Employees provident fund Rs.60,000.

Q.11 Mohit, Akshay and Johny are partners sharing profits and losses in the ratio 3:2:1. On the date of Balance Sheet, the capital of Mohit, Akshay and Johny are Rs 2,00,000, Rs 1,00,000 and Rs 3,00,000, General Reserve Rs 3,00,000. On the same date, Johny retires and his capital balance after all adjustments is to be paid in cash. The whole amount of Johny's capital is to be brought in by Mohit and Akshay in such a manner that their capitals are in proportion to their profit sharing ratio. Prepare Partners' Capital Account.

Q.12 On31st March,2012 the Balance Sheet of A, B and C sharing profits and losses in the ratio of 2:3:2, stood as follows:

Liabilities	Rs	Assets	Rs
Capital Accounts:		Goodwill	4,20,000
A	6,00,000	Land and Buildings	6,00,000
B	9,00,000	Machinery	10,20,000

C	6,00,000	Closing stock	3,00,000
Workmen Compensation Reserve	6,30,000	Sundry Debtors	3,60,000
Sundry Creditors	3,00,000	Cash and Bank Balances	3,30,000
	30,30,000		30,30,000

On the same date B desired to retire from the firm and the remaining partners decided to carry on. It was agreed to revalue the Assets and Liabilities on that date on the following basis:

a. Land and Buildings be appreciated by 30%.
b. Machinery be depreciated by 20%.
c. Closing stock to be valued at Rs.2,70,000.
d. Provision for doubtful debts be made at 5%.
e. Old credit balances of Sundry Creditors Rs.30,000 be written back.
f. Goodwill of the entire firm be valued at Rs.3,78,000 and B's share of the goodwill be adjusted in the accounts of A and C who share the future profits and losses in the ratio of 3:2. No Goodwill account being raised.
g. The total capital of the firm is to be the same as before retirement. Individual capitals be in their profit sharing ratio.
h. Amount due to B is to be settled on the following basis: 50% on retirement and the balance 50% within one year.

Prepare Revaluation account, Capital accounts of partners, Cash account and Balance sheet of the new firm.

(Ans: Loss on Revaluation Rs.42,000, Capital balances: A- Rs.12,60,000; C- Rs.8,40,000, B's loan Rs.5,67,000, B/S Total Rs.29,37,000,Gaining Ratio 11:4)

13. XYZ and Co is a partnership firm with partners A,B and C sharing profits and losses in proportion to their capital. Their Balance Sheet as at 31st dec., 2011 as follows:

Liabilities	Rs	Assets		Rs
Expenses owing	900	Goodwill		9000
Trade creditors	5000	Cash at bank		15500
Employees provident fund	1000	Sundry debtors	5000	
Reserve fund	5400	Less : Provision	100	4900
Workmen comp. Reserve	1200			
Investment fluctuation fund	1900	Stock		9000
A's capital	21600	Investments (M.V. Rs.8700)		9700
B'capital	16200	Land and building		15000
C'capital	10800	Advertisement expenditure		900
	64000			64000

B retires on 31.12.2011, and the following re adjustments of the assets and liabilities have been agreed upon before the ascertainment of amount payable to B.

a) That the stock be written down to Rs.8520.

b) That the provision for doubtful debts be brought upto 5% on debtors.

c) That the land and building be written up by Rs.5000.

d) That the provision of Rs.4420 be made in respect of outstanding legal charges.

e) That out of the amount of insurance which ws debited entirely to P & L A/C, Rs.2000 be carried forward as an expired insurance.

f) That expenses owing to be brought down to Rs.625.

g) That trade creditors agree to allow a discount of 2.5%.

h) That 'X' an old customer whose account was written off as bad had promised to pay Rs.350 in settlement of his full debt of Rs.500.

i) That claim on account of workmen's compensation is estimated at Rs.300.

j) That A and C are going to share in future in the proportion of five eighths and three eighths respectively.

k) That the goodwill is to be valued at 2 years' purchase of the average profits of 3 completed years preceeding the date of retirement. The profits of 2007 Rs.3000, for 2008 Rs.3520, for 2009 Rs.6600, for 2010 Rs.7700, 2011 Rs.8000. No goodwill account is to be raised.

l) That the investments are taken over by B at market value.

m) B is to be paid through cash brought in by A and C in such a way as to make their capitals proportionate to their new profit sharing ratio subject to the condition that a bank balance of Rs.10000 is to be maintained.

Prepare necessary ledger accounts.

(Ans: Profit on revaluation Rs.2700: Capitals of A,B and C will be Rs.19455, Rs.11460, 8985 (before adjustments): B will be paid RS.11460: Capital adjustment of A and C will be 21500 and Rs.12900. Balance Sheet total Rs.45620. A will bring Rs.2045 and C will bring Rs.3915)

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