

O. P. JINDAL SCHOOL, RAIGARH (CG) 496 001, INDIA

Phone: 07762-227042, 227293, (Extn. 227001 - 49801, 02, 04, 06, 09); Fax: 07762-262613; website: www.opjsrgh.in; e-mail: opjsraigarh@jspl.com

CLASS: XII- ACCOUNTANCY

RETIREMENT AND DEATH OF A PARTNER

Q.1 Why is retiring partner entitled for goodwill? Explain.

Q.2 Mention any one use of gaining ratio.

Q.3 Enumerate the accounting problems at the time of retirement of a Partner.

Q.4 Discuss the various methods of computing the share of profits on the event of death of a partner.

Q.5 State whether each of the following statements are true or false:

- (i) Gain or loss on revaluation of assets at the time of retirement is a capital profit.
- (ii) A family member of a retiring partner will automatically become the new partner in the firm.
- (iii) Entire share of retiring partner may sometimes be acquired by one partner alone.
- (iv) Unexpired insurance is an asset.

Q.6 P,Q and R are partners sharing profits in the ratio of 2:2:1 Respectively. The firm's books are closed on 31st December every year. On 28th February, 2015, P died, it is not possible to prepare final accounts for calculation of profit on the date of death. Suggest the ways to Q and R for ascertaining profits.

Q.7 Can a retiring partner or a legal representative of a deceased partner share in the subsequent profits.

Q.8 At the time of retirement of a partner, state the condition when there is no need to compute the gaining ratio.

Q.9 X,Y and Z are partners in a firm sharing profits in the ratio of 3:2:1. On 1st April, 2015, X retires from the firm, Y and Z agree that the capital of the new firm shall be fixed Rs 2,10,000 in the profit sharing ratio. The capital accounts of Y and Z

after all adjustments on the date of retirement showed balances of Rs1, 45,000 and 63,000 respectively. State the amount of actual cash to be brought in or to be paid to the partners.

Q.10 State any two effects of retirement, of a partner.

Q.11 Is a retiring partner liable for firm's acts after his retirement?

Q.12A, B and C are partners in a firm sharing profits in the ratio of 3:2:1. B died. C the son of B, is of the opinion that he is the rightful owner of his father's share of profit and the profits of the firm be shared between A and C equally. A does not agree. Settle the dispute between A and C according to Indian Partnership Act.

Q.13 X, Y and Z partners sharing profits and losses in the ratio of 2:2:1. Z died on 31st March, 2015. Profits and sales for the calendar year 2014 were Rs2,00,000 and Rs20,000 respectively. Sales during January to March 2014 were 1,50,000. You are required to calculate share of profit of Z upto the date of death.

Q.14 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 the retirement is Rs 1,62,000. Distribute the above profit between A and C, showing how have you arrive at the same.

Q.15 X, Y and Z were partners sharing profits and losses in the ratio of: 1/5, 2/10, 6/10. Y retired on 1st October, 2011 on which date the capital of X, Y and Z after all necessary adjustments stood at Rs80,250, Rs62,500 and Rs57,250 respectively. X and Z continued to carry on the business for six months without settling the accounts of Y. During the period of six months from 1.10.2011 a profit of Rs12,500 is earned by the use of the firm's property. State which of the two options available under Section 37 of the India Partnership Act, 1932 should be exercised by Y.

Q.16 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 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.

Q.17 Why do partners take a Joint Life Policy? Explain the treatment of Joint Life Policy in the books of accounts on the retirement of a Partner.

Q.18 Explain the treatment of Contingency Reserve?

Q.19 On P's retirement on 31st March, 2014 the amount due to him was ascertained as Rs 1,20,000 and was to be payable in three equal half yearly instalments plus interest @12%. Calculate interest of the third instalment and also point out the amount to be paid in 3rd and final instalment.

Q.20 Mention the legal rights of dead partner's executor's or legal heirs.

NOTES

RECOMMENDATIONS OF ACCOUNTING STANDARD-26

ISSUED BY THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA

Para 16 of AS-26 states that goodwill can be recorded in the books only when some consideration in money or money's worth has been paid for it.

PROVISIONS OF SECTION 37- The retired partner can avail either of the following two options:

option 1-Get share in the subsequent profit attributable to the use of his property(capital).

Option 2-Get interest @6% for the use of his property.

XXXXXXXXXXXXXXXXXX