INTERNATIONAL INDIAN SCHOOL RIYADH

ACCOUNTANCY WORK SHEET 3 – CLASS 12

CHAPTER: RETIREMENT OF A PARTNER

Q.1 State any two items of deduction that may have to be made from the amount payable to a retiring partner. **(March 2008. Marks 1)**

Q.2 A, B and C are partners sharing profits in the ratio of 3:2:1. B retires and the new profit sharing ratio between A and C is 3:1. State the gaining ratio. **(July 2008. Marks 1)**

Q.3 How can a partner retire from a firm? **(March 2009. Mark 1)**

Q.4 A, B and C were partners in a firm sharing profits in the ratio of 6:5:4. C retires and his share is taken up equally by A and B. Find the new profit sharing ratio. **(March 2009. Mark 2)**

Q.5 Why are 'Reserves and Surplus' distributed at the time of reconstitution of the firm. **(March 2010. Marks 1)**

Q.6 R,S and N are partners sharing profits 2/5,2/5, and 1/5. M decides to retire from the business, and his share is taken by R and S 2:1. Calculate the new profit sharing ratio. **(July 2011. Marks 2)**

Q.7 X, Y and Z are partners in a firm sharing profits and losses in the ratio of 3:2:1. On 01.04.2009, Z retires from the firm. X and Y agree that the capital of the new firm shall be fixed at Rs. 210,000 in the profit sharing ratio. The capital accounts of X and Y after all adjustments on the date of retirement showed balance of Rs. 145,000 and Rs. 63,000 respectively. State the amount of actual cash to be brought in or to be paid off to the partners. **(March 2010. Marks 3)**

Q.8 A, B and C were partners in a firm sharing profits in the ratio of 6:5:4. Their capitals were A, Rs.100,000 B, Rs.80,000 and C, Rs. 60,000 respectively. On 1st April 2009 A retired from the firm and the new profit sharing ratio between B and C was decided as 1:4. On A's retirement the goodwill of the firm was valued at Rs. 180,000. Showing your calculations clearly, pass necessary journal entry for the treatment of goodwill on A's retirement.

(March 2010. Marks 4)

Q.9 The Balance Sheet of A, B and C on 31. 3. 2007 was as follows:

Liabilities	**Amount. Rs.**	**Assets.**	**Amount. Rs.**
Creditors	50,000	P& L Account	30,000
A's Capital	80,000	Land and Buildings	80,000
B's Capital	80,000	Plant & Machinery	56,000
C's Capital	60,000	Motor car	54,000
		Debtors	48,000
		Cash	2,000
	270,000		270,000

The following terms were agreed upon for A's retirement:

(a) Goodwill to be valued at Rs. 42,000 and not to be shown in the books after A's retirement.
(b) Land and Buildings to be appreciated by Rs. 20,000.
(c) Plant and Machinery to be reduced to Rs. 46,000.
(d) Provision for doubtful debts to be created at 5% on Debtors.
(e) Create a provision of Rs. 1,400 for discount on creditors.
(f) The sum payable to A to be brought in by B and C in such a manner that their capitals are in proportion to the profit sharing ratio.

Prepare Revaluation Account, Partners' Capital Accounts and the Balance Sheet to give effect to the above. **(July 2008. Marks 8)**

Q.10 A, B and C were in partnership sharing profits in proportion to their capitals. Their balance sheet on 31.3.2008. was as follows.

Liabilities	**Rs.**	**Assets.**		**Rs.**
Creditors	15,600	Buildings		100,000
Reserve	6,000	Machinery		48,000
A's Capital	90,000	Stock		18,000
B's Capital	60,000	Debtors	20,000	
C's Capital	30,000	Less provision		
		For doubtful debts	400	19,600
		Cash		16,000
	201,600			201,600

On the above date B retired owing to ill health and the following adjustments were agreed upon:

(a) Buildings be appreciated by 10%
(b) Provision for doubtful debts be increased to 5% of debtors.
(c) Machinery be depreciated by 15%.
(d) Goodwill of the firm be valued at Rs. 36,000 and be adjusted into the Capital Accounts of A and C who will share profits in future in the ratio of 3:1.
(e) A provision be made for outstanding repairs bill of Rs.3,000.
(f) Included in the value of creditors is Rs. 1,800 for an outstanding legal claim which is not likely to arise.
(g) Out of the insurance premium paid Rs. 2,000 is for the next year. The amount was debited to P and L A/c.
(h) The partners decide to fix the capital of the new firm as Rs.120,000 in the profit sharing ratio.
(i) B to be paid Rs. 9,000 in cash and the balance to be transferred to his Loan account.

Prepare the Revaluation Account, Partners' Capital Accounts and the Balance Sheet of the new firm after B's retirement.**(March 2009. Marks 8)**