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**Retirement of Partner**

1. A, B and C were partners in a firm sharing profit in the ratio of 5:4:3. B retired and his share was equally divided between A and C. Calculate the new profit sharing ratio of A and C.  
**(C.B.S.E., 2009-AI)**
2. R, S and M are partners sharing profits in the ratio of 2/5, 2/5 and 1/5. M decides to retire from the business and his share is taken by R and S in the ratio 1:2. Calculate the new profit sharing ratio.  
**(C.B.S.E., 2011 -C)**
3. Naresh, David and Aslam are partners sharing profits in the ratio of 5: 3: 7. On April 1, 2012, Naresh give a notice to retire from the firm. David and Aslam decided to share future profits in the ratio of 2: 3. The adjusted capital accounts of David and Aslam show a balance of Rs.33,000 and Rs.70,500 respectively. The total amount to be paid to Naresh is Rs. 90, 500. This amount is to be paid by David and Aslam in such a way that their capitals become proportionate to their new profit sharing ratio. Pass necessary journal entries for the above transactions in the books of the firm show your working clearly.  
**(C.B.S.E., 2013)**
4. X, Y and Z are partners in firm sharing profits in the ratio of 3: 2: 1. On April 1, 2009 Y retires from the firm. X and Z agree that the capital of the new firm shall be fixed at Rs. 2, 10, 000 in their profit sharing ratio. The capital accounts of X and Z after all adjustments on the date of retirement showed balances of Rs.1,45,000 and Rs.63,000 respectively. State the amount of actual cash to be brought in or the be paid off to partners.  
**(C.B.S.E., 2010- AI)**
5. Arjun, Bhim and Nakul are partners sharing profits and losses in the ratio of 14:5:6 respectively. Bhim retires and surrenders his 5/25<sup>th</sup> share in favour of Arjun. The goodwill of the firm is valued at 2 years' purchase of super profits based on average profits of last 3 years. The profits for the last 3 years are Rs. 50, 000 Rs. 55, 000 and Rs. 60, 000 respectively. The normal profits for the similar firm are Rs. 30, 000. Goodwill already appears in the book of the firm at Rs. 75, 000. The profit for the first year after Bhim's retirement was Rs. 1, 00,000. Give the necessary journal entries to adjust goodwill and distribution of profits showing your workings.  
**(C.B.S.E. 2012)**
6. Ramesh wants to retire from the firm. The profit on revaluation on that date was Rs. 12, 000. Mohan and Rahul want to share this in their new profit sharing ratio 3:2. Ramesh wants that this should be shared equally. How is this profit be shared? Give reasons.  
**(C.B.S.E., 2001)**
7. A, B and C were partners sharing profits in the ratio of 5:3:2. Their Balance Sheet as on 1<sup>st</sup> April, 2011 was as follows:

**Balance Sheet of A, B and C**  
as on 1<sup>st</sup> April, 2012

Liabilities	Rs.	Assets	Rs.
Creditors	20, 000	Cash	16, 000
Employees Provident Fund	26, 000	Debtors	16, 000
Capital:		Stock	80, 000
A	1, 00,000	Furniture	34, 000
B	70, 000	Building	1, 20,000
C	50, 000		
	2, 20,000		
	2, 66,00		2, 66,000

C retires on the above date and it was agreed that

- (i) C's share of Goodwill was Rs. 8, 000.

(ii) 5 % provision for doubtful debts was to be made on debtors.  
 (iii) Sundry creditors were valued Rs. 4, 000 more than the book value.

Pass necessary journal entries for the above transactions on C's retirement.

8. A, B and C are partners in a firm. They share profits and losses in the ratio 4:3:2. Their Balance Sheet as on 31<sup>st</sup> March, 2009 is as under:

liabilities	Rs.	Assets	Rs.
Creditors	21, 000	Cash at Bank	10, 000
General Reserve	18, 000	Sundry Debtors	25, 000
Workmen's Compensation Fund	7, 000	<i>Less: Provisions</i> <u>1, 000</u>	24, 000
Capital A/cs:		Stock	28, 000
A	40,000	Machinery	30, 000
B	30, 000	Building	44, 000
C	<u>20, 000</u>		
	90, 000		
			1, 36,000

On that day, C retires from the business and it is agreed to adjust the value of the assets and liabilities as under:

(i) To provide a provision of 5 % on sundry debtors for doubtful debts.  
 (ii) To depreciate stock by 5 % and machinery by 10%.  
 (iii) Building is revalued at Rs. 50, 000.  
 (iv) Liability of a creditor for Rs. 1, 800 is not likely to be claimed.  
 (v) Actual liability for workmen Compensation Fund is Rs. 2, 500.

Give necessary journal entries to record these transactions.

9. Raman, Rattan and Rajan were partners sharing profits in the ratio of 4:2:1 respectively. Following was their Balance Sheet as at 31<sup>st</sup> March, 2013.

Liabilities	Rs.	Assets	Rs.
Creditors	30, 000	Cash	14, 000
Bills Payable	4, 000	Stock	30, 000
Capitals:		Debtors	22, 000
Raman	60, 000	Building	40, 000
Rattan	40, 000	Plant	53, 000
Rajan	<u>30, 000</u>	Motor Van	26, 000
	1, 30,000		
	21, 000		
	1, 85,500		

On the above date, Raman retired and followings were agreed:

(i) The assets and liabilities were valued as: Stock Rs. 24, 000; Debtors Rs. 21, 000; building Rs. 45, 200; Plant Rs. 50, 000 and Creditors Rs. 28, 000.  
 (ii) Amount due to Raman will be transferred to Raman's Loan Account. Prepare Revaluation A/c and Raman's Capital Account. (C.B.S.E., 2014 – C)

10. R S And T were partners in a firm sharing profits in 2: 2: 1 ratio. S retired from the firm on 1-4-2007 and his share was ascertained on the revaluation of assets as follows:

Stock Rs. 40,000; Furniture Rs, 6,000 ; Plant & Machinery Rs.18,000; Building Rs. 40,000  
 Rs, 1,700 were to be provided for doubtful debts. The goodwill of the firm was valued at Rs. 12,000  
 S was to be paid Rs. 18,080 in cash on retirement and the balance in three equal yearly installments.  
 On 1-4-2007, their Balance Sheet was as Follows:

Liabilities	(Rs.)	Assets	(Rs.)
Bank Loan	12,800	Cash	51,300
Sundry Creditors	25,000	Bills Receivable	10,800
Capitals:		Debtors	35,600
R	80,000	Stock	44,600
S	50,000	Furniture	7,000
T	40,000	Plant & Machinery	19,500
Profit & Loss A/c	9,000	Building	48,000
	2,16,800		2,26,800

Prepare Revaluation Account, Partners' Capital Accounts, S's Loan Account and Balance Sheet on 1-4-2007,

**(C.B.S.E., 2008 AI Set 1)**

11. The Balance Sheet of A. B and C who were sharing profits in proportion of their capitals, stood as follows on 31<sup>st</sup> March, 2004.

Liabilities	(Rs.)	Assets	(Rs.)
Sundry Creditors	6,000	Cash at Bank	5,500
Employee's Provident Fund	900	Sundry Debtors	5,000
A's Capital A/c	16,000	Less: provision	(100)
B's Capital A/c	12,000	Stock	4,900
C's Capital A/c	8,000	Plant & Machinery	8,000
Contingency Reserve	9,000	Factory Land & Building	8,500
	51,900		25,000
			51,900

B retires and the following readjustments of the assets and liabilities have been agreed upon before the ascertainment of the amount payable by the firm to B:

- That the stock be depreciated by 6%.
- That the provision for doubtful debts be brought upto 5% on Debtors.
- That the Factory Land & Building be appreciated by 20%.
- That a provision of Rs. 770 be made in respect of outstanding legal charges.
- That the goodwill of the entire firm be fixed as Rs. 10,800 and B's share of the same be adjusted into the accounts of A and C who are going to share in futures in the proportion of 5/8 : 3/8 (No goodwill accounts is to be raised)
- That the entire capital of the firm as newly constituted be fixed at Rs. 28, 000 between A & C in the proportion of 5/8: 3/8 after passing entries in their accounts for adjustments (i.e. actual cash to be paid off or to be brought in by the continuing partners as the case may be )

Pass the necessary journal entries to give effect to the above arrangement and prepare the Balance Sheet of A& C after transferring the amount to B to separate loan account in his name.

**(C.B.S.E., 2002)**

12. X, Y and Z were partners in a firm whose Balance Sheet as on 31<sup>st</sup> December, 2002 was as under:

Liabilities	(Rs.)	Assets	(Rs.)
Creditors	18, 240	Cash	16, 240
General Reserve	7,500	Debtors	22, 500
Capitals:		Stock	26, 500
X	20, 000	Furniture	5, 000
Y	14, 500		
Z	10, 000		
	44, 500		
	70, 240		70, 240

Y retired on that date. In this connection, it was decided to make the following adjustments:

- (a) To reduce stock and furniture by 5% and 10% respectively.
- (b) To provide for doubtful debts at 5% on debtors.
- (c) A long dispute with the creditors was settled and firm has to pay Rs. 9, 050. In anticipation Rs. 6, 000 have already been included in sundry creditors for this purpose.
- (d) Goodwill was valued at Rs. 12, 000
- (e) To share profits and losses in 5: 3 ratio
- (f) Y should paid off and the entire sum payable to Y shall be brought in by X and Z in such a way that their capitals should be in their new profit sharing ratio.

Prepare revaluation A/c, Partner's Capital A/cs and Balance Sheet after Y's retirements

**(C.B.S.E., 2003 AI)**

**13.** Following is the Balance Sheet of Aruna, Karuna And Varuna as on 31<sup>st</sup> March, 2014, who have agreed to share profits and losses in proportion of their capitals.

<i>Liabilities</i>	(Rs.)	<i>Assets</i>	(Rs.)
Capital A/cs:			
Aruna	2, 00, 000	Land & Building	2, 00, 000
Karnuna	3, 00, 000	Machinery	3, 00, 000
Varuna	<u>2, 00, 000</u>	Closing Stock	1, 00, 000
General Reserve	7, 00, 000	Sundry Debtors	1,10,000
Workmen Compensation	35, 000	<i>Less: Provision for D.D</i>	10,000
Fund	15, 000	Cash at Bank	1, 00, 000
Sundry Crditors	50, 000		
	<u>8, 00, 000</u>		<u>8, 00, 000</u>

On 31<sup>st</sup> March 2014, Aruna desired to retire from the firm and the remaining partners decided to carry on the business. It was agreed to revalue the assets and reassess the liabilities on the following basis:

- (i) Land & Building to be appreciated by 30%
- (ii) Machinery be depreciated by 20%
- (iii) There were bad debts of Rs. 17, 000
- (iv) The claim on account of workmen's Compensation was estimated at Rs. 8, 000.
- (v) Goodwill of the firm was valued at Rs. 1, 40, 000 and Aruna's share of Goodwill be adjusted against the Capital Accounts of the continuing partners Karuna and Vruna who have decide to share future profits in the ratio of 4: 3 respectively.
- (vi) Capital of the new firm in total will be the same as before the retirement of Aruna and will be in the new profit sharing ratio of the continuing partners
- (vii) Amount due to Aruna be settled by paying Rs. 50, 000 in cash and the balance by transferring to her Loan A/c which will be paid later on

Prepare Revaluation Account, Capital Accounts of partners and Balance Sheet of the firm Aruna's retirement.

**(C.B.S.E., 2012-C)**

**Q.No.14.** X retired on 31st March, 2007 and Y and Z decided to share profits in future in the ratio of 2:3 respectively. The other terms on retirement were as follows:

- (a) Goodwill of the firm is to be valued at Rs. 80, 000.
- (ii) Fixed Assets are to be depreciated to Rs. 57, 500.
- (iii) Make a provision for claim included in creditors for Rs. 10, 000 is settled at Rs. 8, 000.

The Balance Sheet of C, Y and Z who were sharing profits in ratio of 5:3:2 as at 31st March, 2007:



**(C.B.S.E., Sample Paper, 2008)**

Liabilities	(Rs.)	Assets	(Rs.)
Creditors	50,000	Cash at Bank	40,000
Employee's Provident Fund	10,000	Sundry Debtors	1,00,000
Profit & Loss A/c	85,000	stock	80,000
Capital A/cs:		Fixed Assets	60,000
X	40,000		
Y	62,000		
Z	33,000		
	1,35,000		
	<u>2,80,000</u>		
			<u>2,80,000</u>

The amount to be paid to X by Y and Z in such a way that their capitals are proportionate to their profits sharing ratio and leave a balance of Rs. 15,000 in the bank account.

Prepare Profit & Loss Adjustment Account, Partners' Capital Account and Balance Sheet.

15. A, B and C were partners sharing profits in the ratio 5:4:3 respectively. Their summarized Balance Sheet was as follow:

Liabilities	(Rs.)	Assets	(Rs.)
Capital A/cs:			
A	2,80,000	Goodwill	80,000
B	2,00,000	Machinery	3,60,000
C	1,20,000	Debtors	1,40,000
Current Liabilities	6,00,000	Stock	1,80,000
	1,84,000	Cash	24,500
	<u>7,84,000</u>		<u>7,84,000</u>

C retired on 1-4-2001. It was agreed that:

(C.B.S.E., 2002 AI)

- (a) Machinery be revalued at Rs.4,80,000.
- (b) C's interest in the firm is valued at Rs.1,88,000 after taking into consideration revaluation of assets, liabilities and accumulated profits/losses etc.
- (c) The entire sum payable to C is to be brought in by A and B in such a way that their capital should be in their new profit sharing ratio of 2:1.
- (d) A cash balance of Rs.17,000 should be kept in the firm as minimum balance.

Prepare Revaluation A/c, Partners' Capital A/cs, Cash A/c and Balance Sheet of new firm.

16. X, Y and Z are partners in a firm sharing profits in proportion of 1/2, 1/6 and 1/3 respectively. The Balance Sheet as on April 12, 2014 was as follows:

Liabilities	(Rs.)	Assets	(Rs.)
Employee Provident Fund	12,000	Freehold Premises	40,000
Sundry Creditors	18,000	Machinery	30,000
General Reserve	12,000	Furniture	12,000
Capital:		Stock	22,000
X	30,000	Debtors	20,000
Y	30,000	<i>Less: Provision for D.D. 1,000</i>	19,000
Z	28,000	Cash	7,000
	<u>1,30,000</u>		<u>1,30,000</u>

Z retires from the business and the partners agree that:

- (a) Machinery is to be depreciated by 10%.
- (b) Provision for bad debts is to be increased to Rs. 1,500.
- (c) Furniture is taken over by Z for Rs. 14,000.
- (d) The continuing partners' have decided to adjust their capitals in their new profit sharing ratio after retirement of Z. Surplus or Deficit if any, in their capital accounts will be adjusted through their current accounts. Prepare Revaluation A/c and Partners' Capital A/cs.

(C.B.S.E., Sample Paper 2014-15)

### Death of Partner

- A, B and C were partners sharing profits and losses in the ratio of 2:2:1. C died on 30<sup>th</sup> June, 2021. Profits and Sales for the year 2020-21 were ₹1,00,000 and ₹10,00,000 respectively. Sales during April to June 2021 were ₹1,50,000. You are required to calculate share of profit of C up to the date of death.* [Ans.: % of Profit to Sales— 10%, Profit for the period January to March 2016— Rs. 15,000; C's Share of Profit— Rs. 3,000]
- Amit, Binni and Chanda were partners sharing profits and losses in the ratio of 2 : 2 : 1. Chanda died on 30<sup>th</sup> June, 2022. Profits and Sales for year 2021-22 were ₹3,00,000 and ₹30,00,000 respectively. Sales during April to June 2022 were ₹4,50,000. percentage of profit earning is reduced by 2% in year 2022-23. You are required to calculate share of profit of C up to the date of death.* [Ans.: % of Profit to Sales— 8%, Profit for the period — ₹36,000; Chanda's Share of Profit— ₹7200]
- Mala, Disha and Sara were partners in a firm sharing profits and losses in the 3:4:3. Books were closed on 31<sup>st</sup> March every year. Sara died on 1<sup>st</sup> February, 2022. As per the partnership deed Sara's executors are entitled to her share of profit till the date of death on the basis of Sales turnover. Sales for the year ended 31st March 2021 was ₹ 15,00,000 and profit for the same year was ₹1,80,000. Sales show a positive trend of 20% and percentage of profit earning is reduced by 2%. Journalise the transaction along with the working notes.* [Ans.: % of Profit to Sales— 10%, Profit for the period — ₹1,50,000; Sara's Share of Profit— ₹45,000]
- Veer, Dharam and Karam were partners sharing profits and losses in the ratio of 3: 2: 1. Dharam died on 30th September, 2021. Accounts of the firm are closed on 31st March every year. Sales for the year ended 31st March, 2021 was ₹6,00,000 and sales for the six months ended 30th September, 2021 was ₹3,00,000. Loss for the year ended 31st March, 2021 was ₹60,000. Calculate deceased partner's share of profit/loss from the beginning of the accounting year up to 30th September, 2021.* [Dr Dharam's capital A/c by 10,000 and Cr P&L suspense by 10,000]
- Raman, Param and Karan were partners sharing profits and losses in the ratio of 3: 2: 1. Param died on 31st December, 2021. Accounts of the firm are closed on 31st March every year. Sales for the year ended 31st March, 2021 was ₹12,00,000 and sales for the nine months ended 31<sup>st</sup> December, 2021 was ₹6,00,000. Loss for the year ended 31st March, 2021 was ₹90,000. Calculate deceased partner's share of profit/loss from the beginning of the accounting year up to 31st December, 2021.* [Ans.: Param's Share of Loss- ₹15,000.]
- Akhil, Bikram and Charu were partners sharing profits and losses in the ratio of 3: 2: 1. Bikram died on 30th September, 2021. Loss from the beginning of the accounting year till the date of death was estimated at ₹3,60,000. Akhil and Charu decided to share future profits in the ratio of 3: 2 w.e.f. 1st October, 2021. Pass the necessary Journal entry to record Bikram's share of profit/loss up to the date of death.* [Ans.: (I) Dr. Bikram's Capital A/c and Cr. Profit & Loss Suspense A/c by ₹ 1,20,000 (ii) Dr. Profit & Loss Suspense A/c by ₹1,20,000; Cr. Akhil's Capital A/c by ₹36,000 and Charu's Capital A/c by ₹84,000.]
- A, B and C are partners sharing profits and losses in the ratio of 3 :2 :1. B died on 31st March, 2016. For the year 2016, proportionate profit of 2015 is to be taken into consideration. For 2015, a bad debts of Rs. 2,000 had to be adjusted. The profit for 2015 was Rs. 14,000 before adjustment of bad debts. Calculate B's share of profit till his death and Pass Journal entries.* [Ans.: B's Share of Profit— Rs. 1,000]
- A, B and C are partners in a firm whose books are closed on 31st March each year. B died on 30th June, 2009 and according to the agreement, the share of profit of a deceased partner up to the date of the death is to be calculated on the basis of the average profits for the last five years.*

The net profits for the last 5 years have been 2005 : Rs. 14,000; 2006 : Rs. 18,000; 2007 : Rs. 16,000; 2008 : Rs. 10,000 (loss) and 2009 : Rs. 16,000. Calculate B's share of profits upto the date of death and pass necessary journal entry.

[ Ans. ₹900 ]

9. A, B and C were partners in a firm sharing profits in 3:2:1 ratio. The firm closes its books on 31<sup>st</sup> March every year. B died on 12<sup>th</sup> June, 2007. On B's death the goodwill of the firm was valued at Rs. 60,000. On B's death his share in the profits of the firm till the time of his death was to be calculated on the basis of previous year's profit which was Rs. 1,50,000, Calculate B's share in the profit of the firm. Pass necessary journal entries for the treatment of goodwill and B's share of profit at the time of his death.

10. Hari, Mohan and Sohan were partners in a firm sharing profits in 2 : 2 : 1 ratio. The firm closes its books on 31st March every year. Mohan died on 24th August, 2007. On Mohan's death, the goodwill of the firm was valued at Rs. 75,000, The partnership deed provided that on the death of a partner his share in the profit of the firm in the year of his death will be calculated on the basis of last years profit. The profit of the firm for the year ended 31st March, 2007 was Rs. 2,00,000. Calculate Mohan's share of profit till the time of his death and pass the necessary journal entries for the treatment of goodwill and his share of profit.

11. 'F', 'G' and 'H' were partners sharing profits in the ratio 1:2:1. 'H' died on 30th June, 2016. In their partnership deed, it was written that in the event of the death of any partner his share in profits (if any) to the date of death will be computed on the basis of Average profits of past 4 year Credited to his account less 20%.

Profits of the last five years were as under:

2015-16 : 60,000;	2014-15 : 70,000;
2013-14 : (55,000);	2012-13 : 85,000;
2011-12 : 90,000.	

12. B, C, and D were partners sharing profits in the ratio 3:1:2. 'C' died on 1st June, 2016. As per agreement C's share in profit till the date of death is to be computed on the basis of profits/loss of the last year i.e. 2015-16, which is 60,000 (Loss).

13. C, D, and E were partners sharing profits in the ratio 5:3:2. 'E' died on 31st May, 2016. As per the agreement between Executors of 'E' and remaining partners, E's share in profit till the date of death is to be computed on the basis of profits of the year 2015-16, which is '3,00,000. While computing profits in previous an expense of '30,000 were omitted. New Profit Sharing Ratio Among Partners is 3:2. Pass Journal Entries

14. E, F, and G were partners sharing profits in the ratio 2:2:1. 'F' died on 12th June, 2016. For F's share in the profits of Current Year 2016-17, the profits should be taken to have accrued on the same scale as in the last year i.e. 2015-16 which was ₹1,00,000 and an addition of 10% over it will be made.

15. Vijay, Vivek and Vinay are partners in a business sharing profits as 3/4, 1/8 and 1/8 respectively and their Balance Sheet as at 31st March, 2021 was:

Liabilities	₹	Assets	₹
Capital A/cs:			
Vijay 5,00,000		Plant 5,00,000	
Vivek 3,00,000		Debtors 4,00,000	
Vinay 2,50,000	10,50,000	Stock 2,00,000	
General Reserve 50,000		Cash 50,000	
Loan by Vinay 2,50,000		Bank 2,50,000	
Creditors 50,000			
	14,00,000		14,00,000

Vinay died on 31st December, 2021 and the Partnership Deed provided the following:

- The deceased partner will be entitled to his share of profits up to the date of death, calculated on the basis of previous year's profits.
- He will be entitled to his share of goodwill of the firm, calculated on the basis of three years' purchase of the average profits of the last four years. The net profits for the last four years ended 31st March, were: 2018 - ₹8,00,000; 2019 - ₹6,00,000; 2020-₹4,00,000 and 2021- ₹2,00,000.
- His drawings up to the date of death was ₹18,000.

Determine the amount payable to the legal representatives of the deceased partner by preparing the necessary accounts.

**16.** A, B and C were partners sharing profits and losses in the ratio of 5: 3: 2. C died on 1<sup>st</sup> August, 2022. C had withdrawn ₹5,000 during the period from 1st April, 2022 to the date of death. It was agreed between his executors and the remaining partners that:

- Goodwill will be valued at 2.5 years' purchase of average of four completed years' profits. Profits for the years ended 31st March, were:

Year	2019	2020	2021
Profits (₹)	1,01,000	14,000	16,000

- C's share of profit from the beginning of the accounting year till the date of death be calculated on the basis of the average of three completed years' profit before death.

- Patents were undervalued by ₹ 17,000; Machinery was overvalued by ₹3,200.

- Market value of Investment on 1st August, 2022 was ₹ 4,200.

On 31st March, 2022, their Balance Sheet was as follows:

Liabilities		Assets	
Capital A/cs:			
A 67,000		Goodwill	5,000
B 47,500		Patents	26,000
C 37,000	1,52,000	Machinery	31,200
Investment Fluctuation Reserve	3,500	Investments	3,000
Workmen Compensation Reserve	3,500	Stock	10,000
Sundry Creditors	51,000	Sundry Debtors	12,000
		Loan to C	41,000
		Cash at Bank	5,800
		Advertisement Expenditure	1,000
		Profit & Loss A/c ( for 2021-22)	75,000
	2,10,000		2,10,000

Prepare C's Capital Account and C's Executors' Account. [ ans: deficiency C's Executors' A/c 63,200]

**17.** Naveen, Kavita and Vishesh were partners in a firm sharing profits and losses in the ratio of 5: 4: 1. Their Balance Sheet as at 31st March, 2019 was as follows:

Liabilities		Assets	
Capitals:			
Naveen 3,00,000		Plant and Machinery	5,50,000
Kavita 2,00,000		Stock	1,20,000,
Vishesh 1,00,000	6,00,000	Debtors	1,30,000
Profit for the year 2018-19	1,50,000	Cash	40,000
Sundry Creditors	1,10,000	Advertisement Expenditure	20,000
	8,60,000		8,60,000

Naveen died on 30th June, 2019. According to the partnership deed, in addition to the deceased partner's capital, the executors are entitled to:

- His share in profits on the basis of average profits of the last two years. The profit for the year 2017-18 was ₹50,000.
- His share in the goodwill of the firm. Goodwill was to be calculated on the basis of two years' purchase of the average profits of the last two years. Naveen withdrew ₹60,000 on 1st June, 2019.

Prepare Naveen's Capital Account which is to be rendered to his executor.

{ Answer: Transfer to Naveen's Executor's A/c 4,17,500}

18. A, B and C were partners in a firm sharing profits and losses in the ratio of 3: 2: 1. C died on 30th June, 2016. After all the necessary adjustments, his Capital Account showed a credit balance of ₹70,600. C's executor was paid ₹10,600 on 1st July, 2016 and the balance in three equal yearly installments starting from 30th June, 2017 with interest @ 10% p.a. on the unpaid amount. The firm closes its books on 31st March every year.

Prepare C's Executor's Account till the amount is finally paid.

19. Arjun, Bhim and Nakul are partners in a firm sharing profits in the ratio of 1: 1: 3. Their Capital Accounts showed the following balances on 1st April, 2018: Arjun- ₹2,00,000; Bhim- ₹1,50,000 and Nakul- ₹4,50,000. Firm closes its accounts every year on 31<sup>st</sup> March. Bhim died on 31<sup>st</sup> March, 2019. In the event of death of any partner, the Partnership Deed provides for the following:

- Interest on capital will be allowed to deceased partner only from the first of day of the accounting year till the date of his death @ 10% p.a.
- The deceased partner's share in the Goodwill of the firm will be calculated on the basis of 2 years' purchase of the average profit of the last three years. The profits of the firm for the last three years ended 31st March, were: 2017- ₹90,000; 2018- ₹2,00,000 and 2019-- ₹1,60,000.
- His share of Profits till the Date of Death: The profit of the firm for the year ended 31st March, 2019 was ₹1,60,000 before providing for interest on capital. Bhim's Executor was paid the sum due in two equal annual installments with interest @ 10% pa.

Prepare Bhim's Capital Account as on 31st March, 2019 to be presented to his executor and his Executor's Loan Account for the year ending 31st March, 2020 and 31 st March, 2021.

Ans.: Bhim's Share of Goodwill ₹ 60,000; Bhim's Share of Profit- { 29,000; Balance of Bhim's Capital Account transferred to Bhim's Executor's Account-₹ 2,54,000.}

Note : Practice Journal Entries For Question 16-17-18