Unit –II

RETIRMENT OF PARTNER

1. At the time of retirement of partner accumulated profits are distribution to partners in their :- 1

   (a) New Ratio (b) Gaining Ratio (c) Old Ratio (d) Sacrificing Ratio

2. At the time of retirement of partner goodwill already appeared in the Balance Sheet will be written of in 1

   (a) Old Ratio (b) Gaining Ratio (c) New Ratio (d) None of these

3. X, Y & Z are partner sharing profits in the ratio of 6:5:8. What will be the New Ratio of X&Z if Y retires 1

   (a) 6:5 (b) 5:4 (c) 6:8 (d) 4:5

4. P, Q & R are partner sharing profits in the ratio of 3:2:1. 'Y' retires. What will be the Gaining Ratio of P&Q 1

   (a) 3:2 (b) 3:1 (c) 2:1 (d) 1:1

5. Gaining Ration = New Ratio – Old Ratio (True/ Falls) 1

6. New Ratio of continuing partners at the time of retirement of partner = Old Ratio + Gaining Ratio (True/ Falls) 1

7. At the rime of retirement of a partner, the retiring partner's claim is settled by :- 1

   (a) transferring to his loan A/c (b) by paying him Cash/ Cheque (c) transferring to his executor's A/c (d) both (a) & (b)

8. On retirement of partner, old partnership comes to an end (True/ Falls) 1

9. Partnership business is regulated as per the provisions of The Indian Partnership Act :- 1

   (a) 1956 (b) 1932 (c) 1942 (d) 1912

10. In case of retirement of a partner, Revaluation Profit is distribution to :- 1

    (a) All partner (b) Retiring partner only (c) Continuing partners (d) None of these

11. At the time of retirement of a partner, his share of goodwill 1

    (a) credited to retiring partner's capital A/c (b) credited to continuing partner's capital A/c

    (c) debited to continuing partner's capital A/c (d) both (a) & (c)

12. The balance of retiring partner's Loan A/c is shown on the Liability side of new balance sheet till the last installment is paid (True/ Falls) 1

13. At the time of retirement of partner. Revaluation loss is credited to his capital A/c (True/ Falls) 1

14. Revaluation A/c is Nominal A/c (True/ Falls) 1

15. Which of the following is deducted from the amount payable to a retiring partner 1

    (a) Revaluation profit (b) Reserve (c) Drawing (d) Interest on Capital

16. P&L Appropriation A/c is another name of Revaluation A/c (True/ Falls) 1

17. At the time of retirement of a partner. Accounting treatment of goodwill made in gaining ratio (True/ Falls) 1

18. If profit sharing ratio is not given. Partner are treated as equal partner (True/ Falls) 1

19. In case of retirement of partner the amount of unrecorded Asset is shown in 1

(a) Revaluation A/c (b) Partner's Capital A/c (c) Balance Sheet (d) Both (a) & (b)

20. At the time of retirement of a partner. If the value of Asset increased, than revaluation A/c is debited (True/ Falls) 1

21. A, B and C were partner in a firm sharing profit in the ratio 5:4:3. B retired his share were divided equally between A and C. Calculation the new profit sharing ration of A and B. 3

22. On 1.1.1994 Ashish, Namish and Aman were partners sharing profit and loss in the ration of 2/5, 2/5 and 1/5 respectively. On this date Namish retires. The new profit sharing ratio of Ashish and aman will be 3/4 and 1/4 respectively. Calculate gaining ratio. 3

23. A, B and C are sharing profit in the ration 3:2:1. Goodwill is appearing in the books at a value of ₹ 24,000/-. B retires and on the day of B's retirement Goodwill is valued at ₹ 6,000/-. A and C decided to share future profits in the ratio 3:2. Pass the necessary Journal entries. 3

24. R, S & T are partners in a firm. Sharing Profit & Loss in the ration 4:3:2. 'R' retired on 31st March 2013 on that date Reserve. Shown in the balance sheet was ₹ 18,000/-. Pass the necessary Journal entry to treat Reserve. 3

25. X, Y & Z are partners in a firm. Sharing Profit & Loss in the ration 5:4:3. 'Z' retires on the date of Z's retirement. Debit balance of Profit & Loss A/c Shown in the balance sheet is ₹ 24,000/-. Pass the necessary Journal entry to treat Profit & Loss A/c. 3

26. X, Y & Z are partners in a firm. Sharing Profit & Loss in the equal ratio. Pass the Journal entry for the revaluation of Assets and Liabilities. 4

(a) Machinery increased by ₹ 10,000/-

(b) Stock decreased by ₹ 50,000/-

(c) Provision made for doughtful debits ₹ 2,000/-

(d) value of Building increased from ₹ 1,00,000/- to 1,20,000/-

27. Sonu, Monu and Tinu were partners. Sharing profits in the ratio 3:2:1. On 31st December 2013 Sonu decided to retire from firm. On the date of retirement following balances were found :- 4

Capital of Sonu -	₹ 90,000/-
Profit on Revaluation -	₹ 18,000/-
General Reserve -	₹ 12,000/-
Goodwill of the firm -	₹ 42,000/-

Sonu was paid ₹ 26,000/- on the date of retirement and balance amount transferred to his Loan A/c. You are required to prepare Sonu's Capital A/c.

28. Give the difference between Sacrificing and Gaining Ration. Any four. 4

29. A, B and C were partners sharing profit in the ratio 5:3:2. Their Balance sheet as on 1st January 2013 was as follows :- 8

Liability	Amount	Assets	Amount
Creditors	10,000	Cash	2,000
Providend Fund	5,000	Sundry Debtors	8,000
Reserve Fund	6,000	Stock	40,000
Profit & Loss A/c	2,000	Furniture	13,000
Capital A/c		Patents	4,000
A 50,000		Building	60,000
B 35,000		Goodwill	6,000
C 25,000	1,10,000		
	1,33,000		**1,33,000**

C retires and the partners agreed that :-

(i) 5% provision for doughtful debts to be made on Debtors.
(ii) Stock be increased by 10%
(iii) Patents are value less
(iv) Building be appreciate by 20%
(v) Creditors to be paid ₹ 2,000/- more
Prepare revaluation A/c only.

30. Ram, Mohan and Sohan are partners in a firm. Sharing Profit in the ratio 2:1:1. Mohan retires and Ram and Sohan decided that the capital of the new firm will be fixed at ₹ 1,20,000/-. The capital account of Ram and Sohan show a credit Balance of ₹ 82,000/- and ₹ 2,41,000/- after merging all adjustment. 4

Calculate the actual cash to be paid off or to be brought in by the continuing partners and pass the necessary Journal Entries.

31. P, Q and R were partners sharing profit in the ratio 5:3:2. on 31st March 2010 their Balance sheet was as follows :- 8

Liability	₹	Assets		₹
Creditors	40,000	Cash in hand		4,000
Bills Payable	20,000	Debtors	20,000	
Reserve Fund	6,000	Less:	1,000	19,000
Capital A/c		Stock		20,000
A 50,000		Machinery		40,000
B 30,000		Furniture		7,000
C 20,000	1,00,000	Building		80,000
Profit & Loss A/c	10,000			
	1,70,000			**1,70,000**

R retired on that date and following adjustment agreed upon :-

(i) Increase the value of stock by ₹ 4,000/-
(ii) Depreciate machinery by ₹ 5,000/- but building is valued at ₹ 90,000/-
(iii) Reserve on Debtors is not required
(iv) Goodvill is valued at ₹ 20,000/-

Prepare Revaluation A/c and Capital A/c of Partners.

32. Mahesh, Suresh and Rakesh were partners sharing profit in the ratio of 3:2:1 respectively. Their Balance sheet was on 31st March 2014 was follows :- 8

Liability	Amount	Assets	Amount
Creditors	13,590	Cash	4,700
Capital A/c :-		Stock	8,000
Mahesh 15,000		Debtors	11,690
Suresh 10,000		Building Machinery	23,000
Rakesh 10,000	35,000	Profit & Loss A/c	1,200
	48,590		**48,590**

Suresh retires on the above date on the following terms :- 8

(i) Building to be appreciate by ₹ 7,000/-
(ii) A provision of 5% to be made on debtors for doughtful debts.
(iii) Goodwill of the firm is valued at ₹ 18,000/-
(iv) ₹ 3,000/- to be paid to Suresh and balance amount transferred to his Loan A/c
Prepare Revaluation A/c, Capital A/c and Partners Balance Sheet.

33. Sita, Gita and Rita were partners sharing profit in the ratio 2:2:1. Their Balance sheet as on 31st March 2014 as under :- 8

Liability	Amount	Assets	Amount
Creditors	49,000	Cash	8,000
Reserve Fund	14,500	Debtors	19,000
Capital A/c		Stock	41,000
Sita 80,000		Machinery	85,000
Gita 62,500		Building	1,22,000
Rita 75,000	2,17,500	Patents	9,000
Providend Fund	4,000		
	2,85,000		**2,85,000**

Gita retires on the above date on the following terms :- 8
(i) Sita and Rita share the future profit in the ratio 5:3.
(ii) Goodwill was valued at ₹ 70,000/-
(iii) Machinery valued at ₹ 78,000/-
(iv) Building valued at ₹ 1,52,000/-
(v) Stock decreased to ₹ 30,000/-
(vi) Provision for bad and doughtfuls on Debtors ₹ 1,550/-

Prepare Revaluation A/c and Partners Capital A/c.

34. X, Y and Z were partners in a firm sharing Profit & Loss in the ratio 2:2:1. Their Balance sheet as on 31-03-2013 was as under :-

Liability	Amount	Assets	Amount
Bills Payable	98,000	Cash	30,000
Sundry Creditors	1,02,000	Bills Receivable	9,000
Profit & Loss A/c	75,000	Debtors	21,000
Capital A/c		Stock	40,000
X 80,000		Furniture	80,000
Y 80,000		Plant & Machinery	1,20,000
Z 65,000	2,25,000	Building	2,00,000
	5,00,000		**5,00,000**

On 01-04-2013 X retired. On X's retirement the Assets and Liabilities were valued as follow:-

(i) Stock was depreciated by 10%
(ii) Furniture was decreased by 20%
(iii) Plant and Machinery decreased by 5%
(iv) Building increased by 20%
(v) Goodwill of the firm was valued at ₹ 60,000/-

X was to be paid ₹ 19,600/- in cash and Balance amount transferred to his Loan A/c.

Prepare Revaluation A/c and Partners Capital A/c.

35. R, S and T were partners in a firm sharing Profit in the ratio 2:2:1. On 1.4.2013 their Balance sheet was as under :- 8

Liability	Amount	Assets	Amount
Bank Loan	12,800	Cash	51,300
Sundry Creditors	25,000	Bills Receivable	10,800
Capital A/c		Debtors	35,600
R 80,000		Stock	44,600
S 50,000		Furniture	7,000
T 40,000	1,70,000	Plant & Machinery	19,500
Profit & Loss A/c	9,000	Building	48,000
	2,16,800		**2,16,800**

S retired and Assets and Liabilities are valued as follows:-

(i) Stock ₹ 40,000, Furniture ₹ 6,000, Building ₹ 40,000 and Plant and Machinery ₹ 18,000
(ii) Provision for doughtful debts was ₹ 1,700/-
(iii) Goodwill of the firm was valued at ₹ 12,000/-
(iv) Full Payment made to S immediately on his retirement.

Prepare Revaluation A/c and Partners Capital A/c.