

RETIREMENT AND DEATH OF A PARTNER

1. Gaining ratio 5:2

2. A's share of goodwill 16,000

B's Capital a/c	Dr.	8,000
D's Capital a/c	Dr.	8,000
A's Capital a/c		16,000

Gaining ratio between B&D = 1:1

3. Explanation for accumulated profit and loss

If Profit	P & L a/c Dr
	All partner's capital
If loss	All partners capital a/c Dr.
	P&L a/c

4. The ratio in which the continuing partners acquire the out going partners share is called a gaining ratio

5. Santha Capital a/c	Dr.	6500
Nisha Capital a/c	Dr.	5500
Gayathri Capital a/c		12000

Gaining ratio 13:11

6.a) Sometimes, a firm may agree to settle the retiring partner by making a lump sum payment. The amount paid may be more than what is due to him based on his capital account after making all adjustments. The excess paid shall be treated as his share of goodwill (known as hidden goodwill).

b) Remaining partners Capital a/c Dr

Retiring partner's capital

7. Revaluation a/c Dr.
Unrecorded liability

8. Goodwill a/c	Dr	63,000
Priya's capital a/c		28,000
Priji's capital a/c		21,000
Viji's capital a/c		14,000
Priya's capital a/c	Dr	39,375
Viji's capital a/c	Dr	23,625
Goodwill a/c		63,000

OR

For calculating gaining ratio = 13:11

Priya's capital a/c	Dr	11,375
Viji's capital a/c	Dr	9,625
Priji's capital		21,000

9. Sumesh's Loan a/c

Bank	15,000	Sumesh's capital	45,000
Balance c/d	35,400	Interest	5,400
	50,400		50,400
Bank	15,000	Balance b/d	35,400
Balance c/d	24,648	Interest	4,248
	39,648		39,648
Bank	15,000	Balance b/d	24,648
Balance c/d	12,606	Interest	2,958
	27,606		27,606
Bank	14,119	Balance b/d	12,606
		Interest	1,512
	14,119		14,119

9. OR

Sumeh's Loan a/c

Bank	20,400	Sumesh's capital	45,000
Balance c/d	30,000	Interest	5,400
	50,400		50,400
Bank	18,600	Balance b/d	30,000
Balance c/d	15,000	Interest	3,600
	33,600		33,600
Bank	16,800	Balance b/d	15,000
	16,800	Interest	1,800
			16,800

10.a) credit balance of her capital A/c and Current A/c

b) Her share of goodwill

c) Her share of accumulated profits

d) Her share in the gain of revaluation of assets and liabilities

e) share of profits up to the date of retirement

f) Interest on his capital, Salary, Commission etc (Any three item)

11. Thomas Loan a/c

Year	Particulars	Amount	Year	Particulars	Amount
1	Cash	29600	1	Thomas Capital A/c	80000
	Balance C/d	60000		Interest	9600
		89600			89600
2	Cash	27200	2	Balance b/d	60000
	Balance c/d	40000		Interest	7200
		67200			67200
3	Cash	24800		Balance b/d	40000
	Balance c/d	20000		Interest	4800
		44800			44800
4	Cash	22400	4	Balance b/d	20000
		22400		Interest	2400
					22400

12.(c) reconstitution

13.

	Old ratio	New ratio
Binu	4/9	2/3
Jinu	3/9	1/3

Gainig ratio

Binu = $2/3 - 4/9 = 2/9$

Jinu = $1/3 - 3/9 = 0$

So Binu only gain

14.

Executors Loan a/c

Cash	25,000	Balance c/d	100,000
Balance c/d	85,000	Interest	10,000
	1,10,000		1,10,000
Cash	25,000	Balance b/d	85,000
Balance c/d	68,500	Interest	8,500
	93,500		93,500
Cash	25,000	Balance b/d	68,500
Balance c/d	50,350	Interest	6,850
	75,350		75,350
Cash	25,000	Balance b/d	50,350
Balance c/d	30,385	Interest	5035
	55,385		55,385
Cash	33,424	Balance c/d	30,385
	33,424	Interest	3039
			33,424

15.(b) Old profit sharing ratio

16.825

17.a)

Q's Loan a/c					
I Yr	To Cash [15000+ 7200]	22200	I Yr	By Q's Capital a/c	60000
	To Balance c/d	45000		By Interest	7200
		67200			67200
II Yr	To Cash (15000+ 5400)	20400	II Yr	By Bal b/d	45000
	To Balance c/d	30000		Interest	5400
		50400			50400
III Yr	To Cash [15000 + 3600]	18600	III Yr	By Bal b/d	30000
	To Balance c/d	15000		Interest	3600
		33600			33600
IV Yr	To Cash [15000 + 1800]	16800	IV Yr	By Bal b/d	15000
		16800		Interest	1800
					16800

b)

Q's Loan a/c					
IV Yr	To Cash	20000	I Yr	By Q's Capital a/c	60000
	To Balance c/d	47200		By Interest	7200
		67200			67200
II Yr	To Cash	20000	II Yr	By Bal b/d	47200
	To Balance c/d	32864		Interest	5664
		52864			52864
III Yr	To Cash	20000	III Yr	By Bal b/d	32864
	To Balance c/d	16808		Interest	3944
		36808			36808
IV Yr	To Cash	18825	IV Yr	By Bal b/d	16808
		18825		Interest	2017
					18825

18. Goodwill = 15,000

19. Arun's Capital a/c Or 5,000

Hari's Capital a/c Dr 5,000

To Jaya's Capital a/c 10,000

(Retiring partner's share of goodwill paid off in the gaining ratio 1:1]

20.

X's Capital Account			
		Bal b/d	60000
		Y's Capital (GW)	20000
		Z's Capital (GW)	10000
		Revaluation a/c	6000
		P/L Suspense a/c	9000
		Int. On Capital	3600
		Profit & Loss a/c	12000
X's Executors a/c	120600		
	120600		120600

a. Goodwill: Average Capital 30,000 x 2 = 60,000

60,000 x 3/6 = 30,000

b. Revaluation profit = 12,000. X's Share = 12,000 x 3/6 = 6,000

c. P/L Suspense a/c = 36,000 x 6/12 x 3/6 = 9,000

d. Interest on Capital = 60,000 x 12/100 x 6/12 = 3,600

e. P/L Credit bal = 24,000 x 3/6 = 12,000

21. Gaining ratio

22. Calculation of average profit = 120000/4 = 30,000

Profit up to the date of retirement = 30,000 * 6/12 = 15,000

Omar's share of profit = 15,000 * 1/6 = 2500

23. 3:2

24. Tiji's share taken by Jiji = 3/6 X 3/5 = 9/30

Tiji's share taken by Mini = 3/6 X 2/5 = 6/30

New ratio of Jiji = 2/6 + 9/30 = 10/30 + 9/30 = 19/30

New ratio of Mini = 1/6 + 6/30 = 5/30 + 6/30 = 11/30

New ratio = 19:11