QB365 Question Bank Software Study Materials

Retirement and Death of a Partner Important 2 Marks Questions With Answers (Book Back and Creative)

12th Standard

Accountancy

Total Marks : 40

2 Marks

20 x 2 = 40

1) Vivin, Hari and Joy are partners sharing profits and losses in the ratio of 3:2:1. On 31.3.2017, Hari retired. On the date of retirement, the books of the firm showed a general reserve of Rs. 60,000. Pass the journal entry to transfer the general reserve.

Answer :

DATE	PARTICULARS		L.F	DEBIT RS.	CREDIT RS.
2017 March 31	General reserve A/c	Dr.		60,000	
	To Vivin's capital A/c (60,000 × 3/6)				30,000
	To Hari's capital A/c (60,000 × 2/6)				20,000
	To Joy's capital A/c (60,000 × 1/6)				10,000
	(General reserve transferred to all partners' capital account in the old profit sharing ratio)				

Journal entry

2) Mary, Meena and Mariam are partners of a firm sharing profits and losses equally. Mary retired from the partnership on 1.1.2019. On that date, their balance sheet showed accumulated loss of Rs. 75,000 on the asset side of the balance sheet. Give the journal entry to distribute the accumulated loss.

Answer :

DATE	PARTICULARS		L.F	DEBIT RS.	CREDIT RS.
2019 January 1	Mary's capital A/c	Dr.		25,000	
	Meena's capital A/c	Dr.		25,000	
	Mariam's capital A/c	Dr.		25,000	
	To Profit and loss a/c				75,000
	(Accumulated loss transferred to all partners' capital account in the old profit sharing ratio)				

Journal entry

3) Arya, Benin and Charles are partners sharing profits and losses in the ratio of 3:3:2. Charles retires and his share is taken up by Arya. Calculate the new profit sharing ratio and gaining ratio of Arya and Benin.

Answer : Share gained by Arya = $\frac{2}{8}$

Gaining ratio = $\frac{2}{8}$: 0 that is, $\frac{1}{4}$:0 or 1 : 0

New share of continuing partner = Old share + Share gained

Arya $=\frac{3}{8}+\frac{2}{8}=\frac{5}{8}$

Benin $=\frac{3}{8}+0=\frac{3}{8}$

Therefore, new profit sharing ratio of Arya and Benin is $\frac{5}{8}$: $\frac{3}{8}$ that is 5:3

4) Kumar, Kesavan and Manohar are partners sharing profits and losses in the ratio of 1/2, 1/3 and 1/6 respectively. Manohar retires and his share is taken up by Kumar and Kesavan equally. Find out the new profit sharing ratio and gaining ratio.

Answer : Gaining ratio is 1:1 as Manohar's share is taken up by Kumar and Kesavan equally.

Manohar's share = $\frac{1}{6}$

Share gained = Retiring partner’s share × Proportion of share gained

Kumar $= \frac{1}{6} \times \frac{1}{2} = \frac{1}{12}$

Kesavan $= \frac{1}{6} \times \frac{1}{2} = \frac{1}{12}$

Therefore, gaining ratio of Kumar and Kesavan $\frac{1}{12} : \frac{1}{12}$ that is 1:1

New share of continuing partners = Old share + Share gained

Kumar $= \frac{1}{2} + \frac{1}{12} = \frac{6+1}{12} = \frac{7}{12}$

Kesavan $= \frac{1}{3} + \frac{1}{12} = \frac{4+1}{12} = \frac{5}{12}$

Therefore, new profit sharing ratio of Kumar and Kesavan is $\frac{1}{12} : \frac{1}{12}$ that is 7 : 5.

5) What is meant by retirement of a partner?

Answer : When a partner leaves from a partnership firm it is known as retirement. The reasons for the retirement of a partner may be illness, old age better opportunity elsewhere, disagreement with other partners, etc.

6) What is gaining ratio?

Answer : Gaining Ratio is the proportion of the profit which is gained by the continuing partner.

Gaining ratio = Ratio of share gained by the Conitinuing partners.

Share gained = New share - Old share

7) What is the purpose of calculating gaining ratio?

Answer : The purpose of finding the gaining ratil: > is to bear the goodwill to be paid to the retiring partner.

The share gained is calculated as follows:

Share gained = New share - Old share

Gaining ratio = Ratio of share gained bythe continuing partners.

8) What is the journal entry to be passed to transfer the amount due to the deceased partner to the executor of the deceased partner?

Answer : To transfer the amount due to the deceased partner to the executor or legal representative of the deceased partner

DATE	PARTICULARS	L.F	DEBIT RS	CREDIT RS
	Deceased partner's capital AI c Dr.		xxx	
	To Deceased partner's executor's A/c (Amount transferred to executor's account			xxx

9) Sunil, Sumathi and Sundari are partners sharing profits in the ratio of 3 : 3 : 4. Sundari retires and her share is taken up entirely by Sunil. Calculate the new profit sharing ratio and gaining ratio

Answer : Sunil = $\frac{3}{10} + \frac{4}{10} = \frac{7}{10}$

(Sundar share is added with old ratio)

Sumathi = $\frac{3}{10} + 0 = \frac{3}{10}$

New ratio = 7 : 3

Sacrificing ratio = 4 : 0

10) Mani, Gani and Soni are partners sharing the profits and losses in the ratio of 4:5:6. Mani retires from the firm. Calculate the new profit sharing ratio and gaining ratio.

Answer : Since, New profit sharing ratio, share gained and the proportion of share gained is not given, the new share is calculated by assuming that the share gained in the proportion of old ratio. Therefore the new profit sharing ratio and the gaining ratio between the continuing partners, Gani and Soni is their old profit sharing ratio, that is 5 : 6.

11) What is New profit sharing ratio?

Answer : New profit sharing ratio is the agreed proportion in which future profit will be distributed to the continuing partners

12) If the retiring partner is not paid the full amount due to him immediately on retirement, how should his capital account be shown in subsequent balance sheet?

Answer : If the retiring partner is not paid fully immediately on retirement, then the remaining balance of his capital account will be transferred to his loan account and will be shown as his loan on the liabilities side . of the balance sheet of the firm

13) Raji, Mohana, Sonu were partners in a firm sharing profits in the ration of 4;3;2 Mohana retired. Her share was taken over equally by Raji and Sonu. In which ratio will be profit or loss on revaluation of assets and liabilities on the retirement of Mohana be transferred to the capital accounts of the partners.

Answer : The profit or loss on revaluation of assets and liabilities on the retirement of Mohana will be transferred to the capital accounts of the partners in their old ratio i.e. 4:3:2.

14) A, B and C are partners sharing profit and losses ratio of 3:2: 1. C retires and his share gained by A and B as 1/24 and 1/8. Calculate the new profit sharing of A,B.

Answer : New ratio = old ratio + gaining ratio
A's New Share = $\frac{3}{6}+\frac{1}{24}=\frac{12+1}{24}=\frac{13}{24}$
B's New share = $\frac{2}{6}+\frac{1}{8}=\frac{8+3}{24}=\frac{11}{24}$
This new ratio of A and B is 13: 11 respectively.

15) P, Q and R are partners sharing profit in the ratio of 2:2:1, P retires and his share is entirely taken by R. Find out New profiit sharing ratio of Q, R.

Answer : New Ratio = old ratio + Gaining ratio
Q's New share = $\frac{2}{5}+0=\frac{2}{5}$
R's New Share = $\frac{1}{5}+\frac{2}{5}=\frac{3}{5}$
This new ratio of Q and R will be 2:3

16) P, Q and Rare partners sharing profits and losses ratio 5:3:2 respectively. Q retries Q's share of profit is taken up by P and R in their profit sharing ratio. Calculate the new ratio.

Answer : Q's share of Profit = $\frac{3}{10}$
P will take . out of his share = $\frac{3}{10}\times\frac{5}{7}=\frac{15}{70}$
R will take out of his share = $\frac{3}{10}\times\frac{2}{7}=\frac{6}{70}$
Adding these to their previous share
$\mathrm{P}=\frac{5}{10}+\frac{15}{70}=\frac{35+15}{70}=\frac{50}{70}$
$R=\frac{2}{10}+\frac{6}{70}=\frac{14+6}{70}-\frac{20}{70}$
$\therefore$ The new ratio is = 50 : 20 = 5 : 2.

17) A, Band Care partners sharing profit in the ratio of 1/2, 1/3, 1/6 respectively. C' retires,and his share was taken up by A and B in the ratio of 2 : 1. Find out the new ratio.

Answer : Old Ratio of A, B & C is 3:2:1
C's share $\frac{1}{6}$. His share will be divided between A and B ratio of 2 : 1.
i.e $A=\frac{1}{6}\times\frac{2}{3}=\frac{2}{18}$; $B=\frac{1}{6}\times\frac{1}{3}=\frac{1}{18}$
A's New share $\frac{3}{6}+\frac{2}{18}=\frac{9+2}{18}=\frac{11}{18}$
B's New share = $\frac{2}{6}+\frac{1}{18}=\frac{6+1}{18}=\frac{7}{18}$
New ratio A and B is = 11 : 7.

18) A, B and C were partners ratio of 3:2:5. 'C' retires on that date firm's goodwill is valued at Rs. 80,000. Necessary Journal entry to adjust goodwill at the time of retirement.

Answer : Journal Entry

DATE	PARTICULARS		LF	DEBIT	CREDIT
	A's Capital A/c	Dr		24,000	
	B's Capital A/c	Dr		16,000	
	To C's capital A/c				40,000
	(Being adjustment of C's share				
	of goodwill on his retirement				

19) Short note on Instalment Payment method?

Answer : When a firm is not in possession of sufficient amount for making payment to the executor of the deceased partner, it can pay the amount instalments. The total claim is first to be transferred to executoes loan account, allpayment by installment are recorded in this account.

20) Short note on Annuity method?

Answer : Payment may also be made by annuity. If it is so, accounting record will be the same as in the case of payment by annuity in retirement.