INDIAN SCHOOL AL WADI AL KABIR

Class: XII	Department: Commerce.
Worksheet No: 2	**Retirement of a partner**

1.P, Q and R were partners sharing profits in 3:2:1 on 31 March,2023, Q retired. On that date Balance Sheet was as follows:

LIABILITIES	₹	ASSETS	₹.
General Reserve	12,000	Plant	60,000
Expenses Owing	4,000	Patents	6,000
Bills Payable	10,000	Debtors	19,000
Creditors	20,000	Stock	22,000
Capital A/c P:24,000 Q: 20,000 R: 18,000	62000	Cash	1,000
	1,08,000		**1,08,000**

The terms of retirement were:
(i)Goodwill of the firm be valued at ₹24,000 and Q's share of goodwill be adjusted in the accounts of P and R.
(ii)Expenses owing are to be brought down to ₹3,000
(iii) Plant is to be depreciated by 10% and Patents are valued at ₹8,000.
(iv)An amount of ₹1,000 to be written off as bad and provision for doubtful debt to be created @10%.
Prepare Revaluation Account and partners' Capital account and Balance Sheet.

2. X, Y and Z are partners in 2:2:1. Their Balance sheet as on 31.03.2023 is as follows:

LIABILITIES	₹	ASSETS	₹
Creditors	50,000	Cash at Bank	60,000
General Reserve	20,000	Debtors 1,15,000	
Capitals:		Less: Provision (5,000)	
X : 2,00,000			1,10,000
Y : 1,50,000		Furniture	40,000
Z : 1,00,000		Stock	80,000
	4,50,000	Other Fixed Assets	2,00,000
		Goodwill	30,000

	5,20,000		**5,20,000**

On the above date X retired from the firm on the following conditions:
i. Goodwill of the firm is valued at ₹3,00,000.
ii. Write off bad debts amounting to ₹15,000.
iii. Depreciate furniture by 25%.
iv. Other fixed assets revalued at 2,40,000.
v. The amount due to X on his retirement- paid 20,000 immediately and the balance was transferred to his loan A/c.
Prepare Revaluation account and Partners' capital account.

3. Ahmed, Neha and Nupur were partners sharing profits and losses in the ratio of 5 : 3 : 2. On 31-3-2023, their Balance Sheet was as under :

LIABILITIES	₹	ASSETS	₹.
Creditors	26,500	Bank	25,000
Employees Provident Fund	21,500	Debtors 30,000 Less.PBDD 2,000	28,000
Ahmed's Capital	1,00,000	Stock	55,000
Neha's capital	50,000	Fixed Assets	1,20,000
Nupur's capital	40,000	Advertisement Expenditure	10,000
	2,38,000		**2,38,000**

Ahmed retired on 1-4-2023. For this purpose, the following adjustments were agreed upon :
(a) Goodwill of the firm was to be valued at 2 years' purchase of the average profits of 3 completed years preceding the date of retirement. The profits for previous years were : 2020-21 - ₹55,000; 2021-22 - ₹65,000; 2022-23 - ₹ 60,000.
(b) Fixed assets were to be increased by ₹15,000.
(c) Bad debt amounted to ₹3,000.
(c) Provident Fund to be maintained at ₹24,000
(d) Ahmed took over stock costing ₹25,000 and the remaining stock was valued at ₹25,000
(f) The amount payable to Ahmed was transferred to loan A/c, carrying an interest @12% p.a.
Prepare Revaluation account and Partners Capital Account.

4. Balance sheet of X, Y and Z who were sharing profits and losses in the ratio of 3:2:1 respectively was as follows on 01-04-2023;

Liabilities	₹	Assets	₹
Bills Payable	6,400	Cash	25,650
Sundry Creditors	12,500	Bills Receivable	5,400
Capital		Debtors	17,800
X 40,000		Stock	22,300
Y 25,000	85,000	Furniture	5,500

Z 20,000		Plant and Machinery	7,750
Profit and Loss a/c	4,500	Building	24,000
	1,08,400		1,08,400

X retired the business on 01-04-2023 and following adjustments were agreed upon:
a. Stock ₹20,000, Furniture ₹3,000. Plant and Machinery ₹9,000, Building ₹20,000. ₹ 850 was to be provided for doubtful debts.
b.The goodwill of the firm was valued at ₹ 6000.
c.X was to be paid ₹11,050 in cash on retirement and the balance in three equal yearly installments with interest at 9% per annum.
Prepare Revaluation A/c, Capital A/cs, and X's loan account till it is finally paid.

5. X, Y & Z are partners sharing profits in 3:2:1. The Balance sheet on 31.3.22 was as follows:

LIABILITIES	₹	ASSETS	₹
Creditors	15,000	Cash	11,000
EPF	5,000	Stock	30,000
Workmen compensation reserve	12,000	Investment	15,000
Investment fluctuation reserve	7,000	Debtors 40,000 -PDD -2,000	38,000
Capitals: X Y Z	 68,000 32,000 21,000	Patent	10,000
		Plant	50,000
		Goodwill	6,000
	1,60,000		**1,60,000**

Z retired on 1.4.2022 on following terms:
(a)Goodwill of the firm is valued at ₹30,000.
(b) The loss on revaluation of assets and reassessment of liabilities on amounted to ₹7,200.
(c)Z took over half of investments at ₹6,500 and remaining were shown in the books at its book value.
(d)Liability of workmen compensation was ₹3,000.
e) The amount due to Z on retirement was transferred to his loan A/c, which was payable in 2 equal annual instalment staring from 1.4.2023 with an interest @10% p.a

Prepare Z's loan A/c till it is paid off. Show your workings clearly.

6. P, Q & R are partners sharing P & L in the ratio of 1/2, 1/3 &1/6 respectively. Q retires from the firm. P & R share future P & L equally. Their capitals after all necessary adjustment were P Rs 22400; Q Rs 20200 & R Rs 11400. The cash balance as on that date was Rs. 4000. Calculate the amount of cash to be brought in or to be withdrawn by the remaining partners if the entire capital of the firm as newly constituted is fixed at Rs. 40000.

7. L, M and N were partners in a firm sharing profit & losses in the ratio of 2:2:3 . On 31st March 2023, their Balance Sheet was as follows:

LIABILITIES	₹	ASSETS	₹.
Creditors	80,000	Land and Building	5,00,000
Bank overdraft	22,000	Machinery	2,50,000
Long term debts	2,00,000	Furniture	3,50,000
Capital A/C s: L-6,25,000 M -4,00,000 N -5,25,000	15,50,000	Investments	1,00,000
Employees provident fund	38,000	Stock	4,00,000
		Debtors	2,00,000
		Bank	20,000
		Deferred Advertisement Expenditure	20,000
	18,90,000		18,90,000

On 31st March 2023 , M retired from the firm and remaining partners decided to carry on business. It was decided to revalue assets and liabilities as under :

a) Land and Building be appreciated by₹ 2,40,000 and Machinery be depreciated 10%.

b) 50% of investments were taken by the retiring partner at book value.

c) Provision for doubtful debts was to be made at 5% on debtors.

d) Stock will be valued at market price which is ₹1,00,000 less than the book value.

e) Goodwill of the firm be valued at ₹5,60,000. L and N decided to share future profits and losses in the ratio of 2:3.

f) The total capital of the new firm will be ₹32,00,000 which will be in proportion of profit - sharing ratio of L and N.

g) Gain on revaluation account amounted to ₹1,05,000.

Prepare Partner's Capital accounts & Bank A/c.

8. Lalit, Pankaj and Rahul are partners sharing profits in the ratio of 4 : 3 : 3. After all adjustments, on Lalit's retirement with respect to general reserve, goodwill and revaluation etc., the balances in their capital accounts stood at ₹70,000, ₹60,000 and ₹50,000 respectively. It was decided that the amount payable to Lalit will be brought by Pankaj and Rahul in such a way as to make their capitals proportionate to their profit sharing ratio. Calculate the amount to be brought by Pankaj and Rahul and record necessary journal entries for the same.

9. On 31st March, 2023 the Balance Sheet of Alia, Tara and Shilpa who share profits and losses in the proportion of ½, $^1/_3$ and $^1/_6$ respectively, is as follows:

LIABILITIES	₹	ASSETS	₹.
Creditors	12,600	Bank	4,100
General Reserve	9,000	Stock	25,000
Employees Provident Fund	3,000	Debtors 30,000 *Less:*Provision 1,000	29,000
Alia's capital 40,000		Investment	10,000
Tara's capital 36,500		Patent	5,000
Shilpa's Capital 20,000	96,500 **1,21,100**	Machinery	48,000 **1,21,100**

Shilpa retired on above date on the following terms:
(i)Goodwill will be valued at ₹27,000.
(ii)Machinery will be depreciated to 90%.
(iii) Patents are reduced by 20%.
(iv) Liability on account of Provident Fund was estimated at ₹2,400.
(v)Shilpa took over investments for ₹15,800.
(vi) Amount due to Shilpa on her retirement was transferred to Loan A/c with an interest @ 6% p.a.
(vii) Alia and Tara decided to adjust their capitals in proportion of their profit-sharing ratio by opening current accounts.
Prepare Revaluation Account, Capital Accounts of the Partners and the Balance Sheet of the new firm.

10. X,Y and Z were in partnership sharing profits in the ratio of 3:2:1. The Balance Sheet of the firm as on 31st March 2023 stood as follows:

LIABILITIES		₹	ASSETS	₹
Provision for Doubtful Debts		1,300	Cash at Bank	10,000
Sundry Creditors		15,000	Debtors	16,000
Capitals :			Stock	20,300
X	78,750		Machinery	60,000
Y	70,000		Land and Building	1,20,000
Z	61,250	2,10,000		
		2,26,300		2,26,300

Z retires on 1st April 2023 and the new profit sharing ratio between X and Y will be 5:4. Following terms were agreed:
i.Land and Buildings be reduced by 10%.
ii.Out of the insurance premium paid during the year ₹5,000 be carried forward as unexpired.
iii.There is no need of any provision for doubtful debts as debtors were good.
iv.Goodwill of the firm be valued at ₹36,000
v.X and Y decided that their capitals will be adjusted in their new profit sharing ratio by bringing in or paying cash.
vi.Z was paid ₹9,300 on the date of retirement and the remaining amount in three equal yearly installments together with interest at the rate of 10% p.a. on the outstanding balance.
Prepare Revaluation A/c and the capital account of partners.

11. P, Q and R were partners in a firm sharing profits in the ratio of 3:2:1 respectively. On March 31st, 2023, the balance sheet of the firm stood as follows:

LIABILITIES	₹	ASSETS	₹
Creditors Bills Payable Capital Accounts: P 15,000 Q 10,000 R 10,000	13,000 590 35,000	Cash Debtors Stock Buildings Profit and Loss Account	4,700 8,000 11,690 23,000 1,200
	48,590		**48,590**

Q retired on the above-mentioned date on the following terms:

(i) Buildings to be appreciated by ₹7,000

(ii) A provision for doubtful debts to be made at 5 % on debtors.

(iii) Goodwill of the firm is valued at ₹ 18,000 and adjustment to be made by raising and writing off the goodwill.

(iv) ₹ 2,800 was to be paid to Q immediately and the balance in his capital account to be transferred to his loan account carrying interest as per the agreement.

(v) Remaining partner decided to maintain equal capital, by opening current account.

Prepare the revaluation account and partner's capital accounts.

12. X, Y & Z are partners sharing P & L in the ratio of 1/2, 1/3 &1/6 respectively. Their capitals as appeared in the balance sheet were Rs. 25,000; Rs 20,000 & Rs. 15,000. Y retired from the firm and X & Z continued sharing future profits equally. Their capitals after all necessary adjustments of reserves, revaluation profit and goodwill adjustment were X Rs 22400; Y Rs 20200 & Z Rs 11400. Calculate the amount of cash to be brought in or to be withdrawn by the remaining partners if the total of the firm will be same as before retirement.

13. Ajit, Vijeet, and Vinita are partners sharing profit and losses in the ratio of 2 : 3: 2. Ajit decides to get retired on 31st March 2023 and the other partners decide to carry on the business with a new ratio of 4 : 3. Their Balance Sheet on the same date stood as:

LIABILITIES	₹	ASSETS	₹.
General Reserve	70,000	Land & Building	4,00,000
Workmen Compensation Fund	30,000	Closing Stock	2,00,000
Creditors	1,00,000	Machinery	6,00,000
Capital A/c: Ajit: 4,00,000 Vijeet 6,00,000 Vinita 4,00,000	14,00,000	Sundry Debtors 2,20,000 Less Provision (20,000)	2,00,000
		Bank	2,00,000

	16,00,000		**16,00,000**

Additional Information:

1. Land and Building appreciated by 30%.
2. Machinery depreciated by 20%.
3. Bad Debts are to be raised by ₹ 14,000.
4. Workmen Compensation Fund to be maintained at ₹ 16,000.
5. The capital of the new firm will be the same as before retirement of the Ajit.
6. Goodwill is valued at ₹ 2,80,000. The share of goodwill of Ajit is to be adjusted against the capital account of the remaining partners.
7. Amount due to Ajit is to be settled by transferring it to the Loan's Account.

Prepare the Revaluation Account, Capital Account, and Balance Sheet of the New Firm.

14. Following is the Balance Sheet of A, B and C as on 31st March, 2023, who have agreed to share profits and losses in proportion of their capitals:

LIABILITIES		AMT.	ASSETS		AMT.
Capitals:			Land & Building		4,00,000
A	4,00,000		Machinery		6,00,000
B	6,00,000		Stock		2,00,000
C	4,00,000		Debtors	2,20,000	
		14,00,000	Less. Provision	(20,000)	
					2,00,000
Employees Provident Fund		70,000	Cash at Bank		2,00,000
WCR		30,000			
Creditors		1,00,000			
		16,00,000			**16,00,000**

On 31st March, 2023, A retired 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 that date, on the following basis:
(a) Land and Building be appreciated by 30%.
(b) Machinery be depreciated by 30%.
(c) There were Bad Debts of ₹ 35,000.
(d) The claim against Workmen Compensation Reserve was estimated at ₹ 15,000.
(e) Goodwill of the firm was valued at ₹ 2,80,000 and A's share of goodwill was adjusted against the Capital Accounts of the continuing partners B and C who have decided to share future profits in the ratio of 3 : 4 respectively.
(f) Capital of the new firm in total will be the same as before the retirement of A and will be

in the new profit-sharing ratio of the continuing partners.
(g) Amount due to A be settled by paying ₹ 1,00,000 in cash and balance by transferring to her Loan Account which will be paid later on.
Prepare Revaluation Account, Capital Accounts of Partners.

15. Nandan, John and Rosa are partners sharing profits in the ratio of 4 : 3: 2. On 1st April, 2012, John gave a notice to retire from the firm. Nandan and Rosa decided to share future profits in the ratio of 1 : 1. The capital accounts of Nandan and Rosa after all adjustments showed a balance of ₹43,000 and ₹80,500 respectively. The total amount to be paid to John was ₹95,500. This amount was to be paid by Nandan and Rosa in such a way that their capitals become proportionate to their new profit sharing ratio. Pass necessary journal entries in the books of the firm for the above transactions. Show your working clearly.

16. A,B and C were partners sharing profits &losses in the ratio of 5:3:2 respectively .The Balance Sheet on 31.3.2024 was as follows:

Liabilities	₹	Assets	₹
Creditors	40,000	Fixed Assets	1,25,000
Expenses Outstanding	5,000	Stock	55,000
Reserve	15,000	Debtors	60,000
Capitals :		Cash	10,000
A	1,00,000		
B	50,000		
C	40,000		
	2,50,000		2,50,000

a. B retires on 1.4.2024 and for this purpose Goodwill was valued at three year's purchase of average profits, which were ₹25,000.
b. Fixed Assets were valued at ₹1,50,000, Stock was considered worth ₹50,000.
c. B was to be paid in cash brought in by A and C in such a way so as to make their capitals proportionate to their new profit sharing ratio which is 3:2 respectively.
Prepare Revaluation A/c, Capital Accounts and the Balance Sheet of A and C.

17. Naren, Govind and Harish are partners sharing profits in the ratio of 5:3:2 respectively. Balance Sheet on March 31,2024 was as follows:

Balance of Naren ,Govind and Harish as at March 31,2024

Liabilities	₹	Assets	₹
Sundry Creditors	22,000	Fixed Assets	1,00,000
Bills Payable	8,000	Stock	45,000
Profit and Loss	15,000	Debtors	45,000
Capital Accounts:		Bank	10,000
Naren 65,000			

Govind 50,000			
Harish 40,000	1,55,000		
	2,00,000		2,00,000

Naren retires on March 31, 2024 and for this purpose-

1.Goodwill was valued at ₹25,000

ii. Fixed Assets were valued at ₹1,25,000

iii. Stock was considered worth ₹40,000

iv. Naren is to be paid in cash brought in by Govind and Harish in such a way so as to make their capitals proportionate to their new profit sharing ratio, which is 3:2 respectively. Partners decided to Maintain a Cash Balance of ₹7,000 at Bank.

Prepare Revaluation A/c, Partners’ Capital Accounts and the Balance Sheet of reconstituted firm.