

UNIT – VIII

DEATH OF A PARTNER

Objective Questions :-

1. When a partner dies, his dues amount is payable to 1
(a) All partners
(b) Deceased partner's representative
(c) only continuing partners
(d) None of these
2. In the case of death of partner, the General Reserve is shared between : 1
(a) Continuing Partner (b) only deceased partner
(c) All partners including deceased partner.
3. In the case of death of a partner if goodwill is already appeared in the books then, 1
(a) goodwill is written off in old Ratio (b) goodwill is written off only in new Ratio
(c) goodwill is written off only in gaining ration (d) goodwill is written off only in sacrificing Ratio
4. The Deceased partner gets his share of Profit : 1
(a) till date of death (b) till the New year start
(c) till the last year (d) all of them
5. The Deceased Partner/Representative gets interest on capital on the balance of : 1
(a) capital (b) Drawings (c) Reserve (d) Non of these
6. Deceased partner's representative is entitled one of the followings : 1
(a) All Assets of the firm (b) All liabilities of firm
(c) Amount dues related to firm (d) all of these
7. Deceased Partner's representative is entitled for the following : 1
(a) Share in goodwill (b) Share of profit till Death
(c) Share of General Reserve (d) All of these
8. When a partner dies, we can calculate the amount of P&L suspense on the basis of (a) time basis (b) Turnover basis (c) both (d) None of these 1
9. P&L suspense is a 1
(a) Real Profit (b) Imaginary Profit (c) Nominal Profit (d) None of these
10. Sita, Rita and Geeta are partners in a firm sharing profit & loss of the business in the ratio of 5:3:2, if Rita dies, New Ratio is 1
(a) 5:3 (b) 3:2 (c) 5:2 (d) 3:1
11. Amir, Kabir and Zamir are partners in a firm sharing profit & losses in the ratio of 5:4:3, If Amir dies, gaining ratio is 1
(a) 5:4 (b) 4:3 (c) 5:3 (d) 4:5
12. Who is entitled to get the dues of deceased partner (a) Legal representative 1
(b) his wife (c) his father (d) his brother

13. Out of three partner one of the partner dies their firm will 1
 (a) Permanently ends (b) Never started
 (c) can be continued by remaining partners (d) None of them
14. If in a firm there are two partner named Raju and Kuju. If Raju died then firm 1
 will be (a) legal (b) Illegal (c) both (d) None of them
15. In the case of death of a partner who purchases the goodwill : 1
 (a) Deceased partner from continue partners
 (b) continue partner from deceased partner
 (c) old partners from new partner
 (d) None of them
16. When deceased partner's dues is not paid immediately, then it transferred to 1
 (a) Partner's capital A/C (b) Drawings A/C
 (c) Current A/C (d) Deceased Partner's Loan A/C
17. Deceased Partner's representative is entitled to get salary. 1
 (a) till date of last year (b) till the date of death of partner
 (c) till the date of current year (d) None of these
18. Amount of Drawing of Deceased partner is debited with 1
 (a) Deceased partner's capital (b) old partner's capital
 (c) Both (d) None of these
19. All suspense A/C is credited in 1
 (a) Deceased partner's capital A/C (b) Continuing partner's capital A/C
 (c) Both (d) None of them
20. Amount dues to deceased partner generally paid 1
 (a) partially in cash & balance transferred to loan A/C
 (b) sometimes fully paid
 (c) both
 (d) None of them
21. When a partner dies, we find out 1
 (a) Sacrificing Ratio (b) gaining ratio
 (c) Both (d) None of them

Short questions :

1. Prepare the Performa of a deceased partner's capital A/C with imaginary 3
 figures.
2. Calculate the gaining ratio in the following circumstances :- 4
 A, B and C are partners. They share profit & losses in the ratio of 3:2:1
 (i) if A dies (ii) B dies
3. What do you mean by P/L suspense A/C ? 3
4. How the Profit is calculated of deceased partner on basis of time. Write with 3
 example.
5. Raju, Kaju and Murli were partners in a firm. Murli died on 28th Feb. 2014. His 4
 share of profit from the closure of the last accounting year till date of death to be
 calculated on the basis of Average of three completed years of profit before

death. Profit for 2011, 2012 and 2013 were Rs. 27000, 23000 and 40000 respectively. Calculate Shyam's share of profit.

6. A and B are partners who share profit & losses in the ratio of 3:2. On 1st July 2014 B, died, According to the partnership deed in the event of death of a partner his legal heirs were entitled to his share of goodwill based on one year purchase of the Average Profit of last three complete years. The profit of last three years were Rs. 16000, 19000 and 25000 respectively. 4

Determine the share of B' in the amount of goodwill.

7. What Problems a firm has to face when a partner does ? 3

8. List the things the executors of the deceased partner can claim from the firm ? 3

9. Ascertainment of share of profit from the date of last Balance sheet to the date of death on the Basis of Turnover taking imaginary figure ? 3

10. What are the similarity in accounting procedure on the death of a Partner and Retirement ? 3

11. Write down the claims from the firm which are common in case of deceased partner and Retiring Partner ? 3

12. X, Y and Z were partners in a firm sharing profits in the ratio of 5:3:2 on 15-02-2012 X died and the new profit sharing ratio of Y and Z was equal. On X's death the goodwill of the firm was valued at Rs 60,000. 4

Calculate the gaining ratio and pass necessary journal entry on X's death for the treatment of goodwill without opening Goodwill Account.

13. A, B and C are equal partners in a firm whose books are closed on 31st December every year. A died on 31st March 2013 and according to the agreement his share of profit up to the date of death is to be calculated on the basis of the average profits of the last three years. Net profits of the last three years were Rs. 10000, Rs. 13750, Rs. 21250. Calculate A's share of profits and pass necessary journal entry. 4

14. P, R and S are in partnership sharing profits in the ratio of 4:3:1 respectively. It is provided in the Partnership Deed that on the death of any partner, his share of goodwill is to be valued at half of the profits credited to his account during the previous four completed years. R dies on 1st January 2012. The firm's profit for the last four year 2008- Rs. 1,44,000/-, 2009- Rs. 96,000/-, 2010- Rs. 48,000/-, 2011- Rs. 96,000/-. 4

Determine the amount that should be credited to R in respect of his share of goodwill.

15. X, Y and Z were partners sharing profit in the ratio of 2:2:1. 'Y' dies on 31st March 2014. Accounts were closed every year on 31st December. Total sales for the year 2013 amounted to Rs. 3,00,000 and Net profit was Rs. 30,000. Total sales from 1st January 2014 to 31st March 2014 were Rs. 1,00,000. 4

Calculate deceased partner's share of profit.

16. When a Partner dies, how do we pass Journal entries of the followings ? 4
(i) Reserve Fund (ii) Undistributed Profit.

Long Questions :

17. Ajay and Bijay are partners sharing Profit and Losses in the ratio of 5:3. Ajay died on 31st Dec. 2014. The following was the Balance sheet on that date :

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Liabilities	Amt. (Rs.)	Assets	Amt. (Rs.)
Creditors	20,000	Cash at Bank	20,000
General Reserve	10,000	Stock	35,000
Ajay's capital	2,00,000	Debtors	25,000
		Furniture	1,00,000
Bijay capital	1,50,000	Building	2,00,000
	3,80,000		3,80,000

At the time of death the firm's goodwill value Rs. 80,000, the amount of Drawing Rs. 10,000. Asset and liabilities are revalued as follow : The value of Building increased by 10%, Furniture decreased by 10% and creditor of Rs. 1000 not likely to claim.

Prepare (i) Ajay 's executor A/C (ii) Revaluation A/C

18. A, B and C are partner sharing profits and losses in the proportion of 3:2:1 their Balance Sheet on 31st December 2013.

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Liabilities	Amt. (Rs.)	Assets	Amt. (Rs.)
Creditors	22,839	Cash at Bank	1,449
General Reserve	3,450	Bills Receivable	3,795
Capital		Debtors	8,590
A 11500		Stock	14,260
B 6900		Investment	11,995
C 4600	23,000	Building	9,200
	49,289		49,289

B died on 28th February, 2014 and according to partnership agreement his legal representative entitled to be paid out as follows : (a) The capital to his credit at the time of his death and interest upto the time of his death at 6% per annum. (b) His appropriate share of general reserve. (c) Goodwill according to his share of profits to be calculated by taking twice the amount of the average profit of the last three year. The profit of the three years were 2011 Rs. 8970, 2012 Rs. 11730, 2013 Rs. 10350. The investments and bill receivable were realised and B's legal representative was paid off Pass the necessary journal entries and write the account of B.

19. B and N were Partners. The Partnership deed provides inter alia

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(i) That the accounts be balanced on 31st December each year

(ii) That the profit be divided as follows

B - $\frac{1}{2}$ N - $\frac{1}{3}$ and carried to Reserve Account - $\frac{1}{6}$.

(iii) That in the event of death of a Partner, his executor will be entitled to the following.

(a) The capital to her credit at the date of death.

- (b) Her proportion of profit to date of death based on the average profits of the last three completed years.
- (c) Her share of goodwill based on three years. Purchase of the average profits for the three preceding completed years.
- Trial Balance on 31st Dec. 2013

Particulars	Dr. Rs.	Cr. Rs.
B Capital		1,08,000
N Capital		72,000
Reserve		36,000
Bill Receivable	60,000	
Investments	48,000	
Cash	1,32,000	
Creditor		24,000
	2,40,000	2,40,000

The profits for the three years were 2011 Rs. 50400, 2012 Rs. 46800 and 2013 Rs. 54000. 'N' died on 1st may 2014. show the calculation of N's (i) Share of profits (ii) Share of goodwill and (iii) Draw up N's Executors Account as would appear in the firm's ledger transferring the amount to her loan Account.

20. B and S are partners. The partnership deed provides inter alia (i) That the accounts be balanced on 31st December in each year (ii) That the profit be divided as follows B $\frac{1}{2}$, S $\frac{1}{3}$ and $\frac{1}{6}$ carried to Reserve Fund (iii) That in the event of the death of a partner his executors be entitled to be paid out (a) the capital to his credit on the date of death (b) his proportion of Reserve at the date of last Balance sheet (c) his proportion of profits to date of the death based on the average profits of the last three completed years and (d) by way of goodwill his proportion of the profits for the proceeding years. On 31st Dec, 2013 the ledger Balance were :

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Liabilities	Amt. (Rs.)	Assets	Amt. (Rs.)
		B/R	2,300
B Capital	10,350		
S Capital	6,900	Investment	5,750
Reserves	3,450	Cash	16,100
Creditors	3,450		
	24,150		24,150

The profits for three years were 2011 Rs. 4830, 2012 Rs. 4485 and 2013 Rs. 5175. 'S' died on 1st may 2014. Show S's executors A/C on 1st may 2014.

21. X, Y and Z were partners sharing in the proportion of one-half, one-fourth and one-fourth respectively. Their Balance sheet on 31st March 2013 was as follows.

Liabilities	Amt. (Rs.)	Assets	Amt. (Rs.)
Sundry Creditors	40,000	Cash	10,000
X's Capital	1,00,000	Sundry Debtors	45,000
Y's Capital	60,000	Stock	55,000
Z's Capital	40,000	Loan to X	30,000
		Freehold property	1,00,000
	2,40,000		2,40,000

X died 1st April 2013. According to the partnership deed, the goodwill was to be calculated at two years purchase of average profits of three completed years preceding the death of a partner. The deceased partner's share of goodwill etc, was paid out in cash on 1st July, the available cash balance being supplemented by a loan from firm's banker on the security of the freehold property. The net profit of the years.

2010-11, 2011-12 and 2012-13 were Rs. 55000, Rs. 48000 and Rs. 65000 respectively.

You are required to show the journal entries and the Capital Accounts of the Partner 'X'.

22. The following is the Balance Sheet of B.F. & Co as at 31st Dec. 2013.
Balance Sheet at 31st Dec. 2013.

Liabilities	Amt. (Rs.)	Assets	Amt. (Rs.)
Capital		Machinery	6,000
M	4,920	Furniture	3,360
S	4,920		
C	5,400	Fortune	2,520
General Reserve	1,800	Cash	1,800
		Stock	1,140
Creditors	2,820	Debtors 5,400	5,040
		Less – provisional 360	
		Bad debts -	
	19,860		19,860

C died on 3rd January, 2014 and the following agreement was to be put into effect :-

- Asset were to be revalued : Machinery to Rs. 7020, Furniture to Rs. 2760, Stock to Rs. 900.
- Goodwill was valued at Rs. 3,600 and C was to be credited with his share without using a Goodwill Account.
- Rs. 1200 was to be paid away to executors of the dead partner on 5th January, 2014.

You are required to show

- (i) The Journal Entry for Goodwill adjustment.
- (ii) The Revaluation A/C and Capital A/C of the partner.
- (iii) Which account would be debited and which account credited of the provision for Bad Debt's in the Balance Sheet was to be found unnecessary to maintain at the death of C.