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SUBJECT – ACCOUNTANCY

CLASS –XII

Unit- Accounting for Partnership Firms (Retirement and Death of a Partner)

1	Nita, Suman and Harish were partners in a firm sharing profits in the ratio of 3: 2:1. Suman retired from the firm. On the date of Suman's retirement, ₹ 30,000 was due to her. The remaining partners decided to pay her in three yearly instalments starting from the end of the first year. ₹30,000 will be transferred to which of the following account: **(A) Suman's Loan Account** (B) Suman's Bank Account (C) Suman's Executor's Accounts (D) Suman's Current Account
ANS 1	**(A) Suman's Loan Account** **Explanation** **Amount due to retiring partner is transferred to her/his Loan A/c carrying an interest @ 6% p.a. until it is completely paid off.**
2	**Assertion (A):** In the event of death of a partner, in case there is no change in the profit sharing ratio of continuing partners, the deceased partner's share of profit till the date of his death is debited to Profit & Loss Suspense Account. **Reason (R):** Profit and Loss Suspense Account is closed by transferring its balance to Profit & Loss Account. In the context of the above two statements, which of the following statement is correct? (A) (A) and (R) both are correct and (R) correctly explains (A). **(B) Both (A) and (R) are correct but (R) does not correctly explain (A).** (C) Both (A) and (R) are incorrect. (D) (A) is incorrect but (R) is correct.
ANS 2	**(B) Both (A) and (R) are correct but (R) does not correctly explain (A).** **EXPLANATION:** **(B) Both (A) and (R) are correct but (R) does not correctly explain (A).**
3	Khushi, Namita and Manvi were partners in a firm sharing profits and losses in the ratio of 5:2:3. On 30th June, 2022, Khushi died. The partnership deed provided that on the death of a partner, her share of profit till the date of death was to be calculated on the basis of average profit of last three years less ₹10,000. Profits for the last three years were: Year ended 31st March, 2020 - 1,20,000 31st March, 2021 - (50,000) 31st March, 2022 - 1,70,000 Khushi's share of profit till the date of her death was: (A)35,000 (B) 9,583

	(C) 28,750 **(D) 8,750**
ANS 3	**(D) 8,750** **Explanation** **Average profit of last three years= {1,20,000+(50,000)+1,70,000/3}-10,000= 70,000** **Khushi's share of profit = 70,000*5/10*3/12= 8,750**
4	**Assertion:** Retiring partner is entitled to his share of goodwill at the time of retirement. **Reason:** Goodwill earned by the firm is result of efforts of all existing partners in the past **(A) Both Assertion and reason are true and reason is correct explanation of assertion.** (B) Assertion and reason both are true but reason is not the correct explanation of assertion. (C) Assertion is true, reason is false. (D) Assertion is false, reason is true.
ANS 4	**(A) Both Assertion and reason are true and reason is correct explanation of assertion.** **Explanation:** **(A) Both Assertion and reason are true and reason is correct explanation of assertion.**
5	A, B and C are partners in a firm sharing profit/loss in the ratio of 2:2:1. On March 31, 2019, C died. Accounts are closed on Dec., 31 every year. The sales for the year 2018 was ₹6,00,000 and the profits were ₹60,000. The sales for the period from Jan. 1, 2019 to March 31, 2019 were ₹2,00,000. The share of deceased partner in the current year's profits on the basis of sales is: (A) ₹20,000 (B) ₹8,000 (C) ₹3,000 **(D) ₹4,000**
ANS 5	**(D) ₹4,000** **Expalanation** **Deceased partner's share of profit = (Previous Year's profit* Current Year's sales/Previous year's sales)* Deceased partner's share.** **Therefore C's share of profit= (60,000*2,00,000/6,00,000)*1/5= 4,000.**
6	P, Q and R were partners sharing profits in the ratio 5:3:2 respectively. P retires from the firm and Q and R decide to share future profits equally. Goodwill is valued at ₹50,000. Adjustment entry for goodwill will be: (A) Q's Capital A/c Dr. 15,000 R's Capital A/c Dr. 10,000 To P's Capital A/c 25,000 (B) Q's Capital A/c Dr. 20,000 R's Capital A/c To Dr. 30,000 T's Capital A/c 50,000 (C) Q's Capital A/c Dr. 12,500 R's Capital A/c Dr. 12,500 To P's Capital A/c 25,000 **(D) Q's Capital A/c Dr. 10,000 R's Capital A/c Dr. 15,000 To P's Capital A/c**

	25,000.
ANS 6	**(D) Q's Capital A/c Dr. 10,000 R's Capital A/c Dr. 15,000 To P's Capital A/c 25,000**. **Explanation:** **Gaining ratio of Q and R** **Q= 1/2-3/10=2/10 ; R=1/2-2/10=3/10 ; gaining ratio = 2:3** **P's share in goodwill = 50,000*5/10= 25,000** **Amount to be paid by Q to P = 25,000*2/5= 10,000** **Amount to be paid by R to P = 25,000*3/5= 15,000**
	On the basis of the following information, answer Question 7 to 9: P and Q and R are partners in a firm sharing Profit in the Ratio of 2:2:1. Their capitals were 1,50,000; 100,000 and 50,000 respectively. On that day, their books showed the following balances: Plant 140,000; Stock 90,000; Patents 18000; Cash 31000; Debtors 80,000 And provision for doubtful debt 4000; Creditors 55000. R retires on this date and P and Q decided to share future profit and losses in the ratio of 3:2.
7	Stock to be reduced to Rs 82000, the amount will be shown in **(A) Debit side of revaluation A/C 8000** (B) Credit side of revaluation A/C 90000 (C) Credit side of partners' capital A/C 8000 (D) None of the above
ANS 7	**(A) Debit side of revaluation A/C 8000** **Explanation:** **Decrease in value of stock = 90,000-82,000 = 8,000. It will be shown on Debit side of revaluation account.**
8	If Patents are valueless then what will be the new amount of patents (A) Rs 18,000 **(B) zero** (C) Both amounts to be considered (D) None of the above
ANS 8	**(B) zero** **Explanation:** **Since patents are valueless, so the value of patents after revaluation will be zero.**
9	What will the Profit or loss on Revaluation A/c: (A) Rs 26,000 Profit **(B) Rs 26,000 loss** (C) Rs 100,000 Profit (D) Rs 100,000 loss
ANS 9	**(B) Rs 26,000 loss** Explanation: Total Loss on revaluation= 8,000(stock) + 18,000 (Patents) = 26,000.
10	A, B and C were partners in a firm. C died on 28th Feb 2024. His share of profit

	from the closure of the last accounting year till the date of death was to be calculated on the basis of the average profit of three complete years before death, profit for 2021 2022 and 2023 were Rs. 14000 and Rs. 16000 and Rs. 18000 respectively. Calculate C's share of profit till his death. **(A) 8,000** (B) 9,000 (C) 1,62,000 (D) 54,000
ANS 10	**(A) 8,000** **Explanation** **Average profit = 14,000 +16,000 +18,000** **=1,62,00,000/3 = 54000** **Estimate profit till the date of death = 54,000 X $\frac{2}{12}$ = 9000** **C's share of estimated profit = 9,000 x $\frac{1}{3}$ = 3,000**.