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|--|---|-------------------------------|
| 1. Subject | : | Accountancy |
| 2. Grade | : | XII |
| 3. Chapter number of NCERT Textbook | : | Reconstitution of partnership |
| 4. Title of chapter from NCERT Textbook: | : | Death of a partner |

List of contents attached

please tick the boxed where content is attached

- 5. Learning outcomes
- 6. Lesson Plans

The study of this chapter would enable you to understand:

- Concept of death of a partner
- Change in the profit sharing ratio: New profit sharing ratio and Gaining Ratio of the remaining or Continuing Partners after Death of a Partner
- Adjustment for Goodwill on Death of a Partner
- Revaluation of Assets and Reassessment of Liabilities
- Adjustment of Reserves, Accumulated (Undistributed) Profit and Losses
- Share of Profit or Loss of Deceased Partner in the Year of Death
- Computation Of Amount Due to Deceased Partner
- Payment of Amount Due to Legal heirs or Executors of the Deceased Partner
- Predation of Deceased Partner's Capital Account and Executor's Account

LESSON PLAN

XII COMMERCE - ACCOUNTANCY

TOPIC: RETIREMENT AND DEATH OF A PARTNER

SUB-TOPIC: DEATH OF A PARTNER

DURATION: 35 MINUTES

NAME OF TEACHER: MANOJ KHANNA

GENERAL AIM:

The students are able to know, understand, comprehend, recapitulate, recall and recollect the concept of partnership, its types, nature, conditions, presentation in balance sheet, various cases under which partners capital account prepared at the time of death of a partner, loan account for deceased partner executor etc.

INSTRUCTIONAL OBJECTIVES: GIST OF THE LESSON

- The students are able to identify the Capital account under partnership.
- The students are able to understand the concept of deceased partner capital account.
- The students are able to understand the treatment of partnership deed in case of death of a partner.
- The students are able to understand and carry out accounting treatment of various cases in case of death of a partner
- The students are able to understand and apply the concept of death of a partner while solving numerical
- The students are able to carry out treatment of provisions available to deceased partners under various cases.
- The students are able to learn the uses of accumulated reserves and profits.
- The students are able to draw up balance sheet if necessary at the time of death of a partner.

TESTING PREVIOUS KNOWLEDGE:

- Asking questions related to the previously taught topics on partnership.
- Asking questions on the above topics in order to make them recall the topic studied in normal class work, during the normal course of teaching.

INTRODUCTION OF THE TOPIC:

Discussing the various topics and the related terminologies of the above mentioned topics and how to go about passing journal entries and calculating the various amount for deceased partners as per the partnership deed and at the same time giving them insight of the types of questions asked in the board examinations

OVERVIEW:

Giving a brief overview of the topic and the steps in solving the numerical problems.

TEACHING METHOD:

- Discussion
- * Explanation

TEACHING AID:

- Lecture
- * Black-board

TEACHING POINTS	SPECIFIC OBJECTIVES
Provisions of partnership deed	The students are able to know, understand, comprehend, recapitulate, recall and recollect the concept of partnership deed and its importance along with the accounting treatment of the same.
Preparation of deceased partner capital account	The students are able to understand and remember the same.
Preparation of deceased partner executor account	The students are able to understand learn the same.

Cases for division of profit and loss at the time of death: • On the basis of last year profit • On the basis of average profit • On the basis of sales/turnover	○ The students are able to remember the same. ○ The students are able to understand and remember the need and significance of the same ○ The students are able to carry out the accounting treatment of the same.
Treatment of accumulated reserves and profit as per given in the balance sheet	The students are able to calculate and adjust and carry out the accounting treatment of the same.
Treatment of calculation of goodwill at the time of death of a partner	The students are able to calculate and adjust and carry out the accounting treatment of the same.
Treatment of revaluation of assets and liabilities at the time of death of a partner	The students are able to calculate and adjust and carry out the accounting treatment of the same.
Treatment of calculation of profit or loss share upto death at the time of death of a partner	The students are able to calculate and adjust and carry out the accounting treatment of the same.
TEACHER'S ACTIVITY	STUDENTS' ACTIVITY
Teacher explains the topic	Students relate it with the subject matter already taught
Teacher asks probing question	Students reply and convey their understanding of the lesson taken up
Teacher explains and illustrates the various entries under the death of a partner and gives detailed explanation of the various concepts and gives the illustration for better explanation and for better understanding for the students	Students comprehend, understand and look into the practical implications as directed and illustrated and instructed and able to apply the same in solving the numerical problems. Follow the illustration and solve with the teacher
Teacher gives question to students to solve from the book	Students solve them

RECAPITULATION:

Summarization of the topic covered in a nut shell.

HOME ASSIGNMENT:

- Revise and practice the questions
- Revise and learn the theory part under very short answer type questions

M.L.L.

- Partnership
- Cases for calculating profit and loss share for deceased partner at the time of death of a partner on the basis of different concepts
- Treatment of various items under the death of a partner
- Treatment of revaluation of assets and liabilities
- Preparation of deceased partner capital account.

H.O.T.S.

- The students are able to solve the numerical based on simultaneous equations.

7. GUIDELINES OF EXPLANATION OF CONTENT

Partnership comes to an end on the death of a partner but the firm may continue its business with the remaining partners who take share of the deceased partner in their old profit sharing ratio or in the ratio as decided by them

On the death of a partner the amount due is paid to the legal heirs of the deceased partner.

Adjustments required to be made at the time of death of a partner are

1. Change in profit sharing ratio
2. Adjustment for goodwill
3. Adjustment for Revaluation of Assets and Reassessment of Liabilities
4. Adjustment for existing balances of Reserves, Undistributed Profits and Losses
5. Determining the amount due to Deceased Partner;
6. Payment to the deceased partner's legal heirs
7. Adjustment of capitals of the continuing partners (if agreed)

Change in profit sharing ratio

As a result of death of partner profit sharing ratio among the remaining partner may change which can be calculated as under

New profit share= old profit share + profit share taken of Deceased Partner

Adjustment for goodwill

Deceased partner share of goodwill = Value of the firm's goodwill X profit share of Deceased Partner

Adjustment for Revaluation of Assets and Reassessment of Liabilities

Deceased partner is entitled to his share of gain that has arisen up to the date of death . he will also bear the loss that may have been incurred up the date of death and assets are revalued and liabilities were reassessed and gain or loss is determined and that will be credited or debited to his capital account

Adjustment for existing balances of Reserves, Undistributed Profits and Losses

Reserves, undistributed profits or losses and fictitious assets are credited or debited to the capital or current account of the deceased partner capital account I their profit sharing ratio

Determining the amount due to Deceased Partner;

Payment to the deceased partner's legal heirs

Adjustment of capitals of the continuing partners (if agreed)

8. Explanation Content

Deceased Partner's Capital Account

Particulars	Amount	Particulars	Amount
To Current ACCOUNT (Debit Balance) To Loan to Partner A/c To Revaluation A/c (Share in Loss) To Share in Accumulated Losses To Drawings A/c To interest on Drawings A/c To Profit and Loss Suspense A/c (Share of Loss for current year till death) To Goodwill A/c (share in existing goodwill written off) To Deceased Partners executor a/c Transfer (Balancing Figure)		By Balance b/d By Current Credit Balance By Loan by Partner A/c By Profit & Loss Suspense A/c (Share in Profit for Current year till death) By Revaluation /c (Share in Gain/Profit) By Share in Accumulated Profits: --- General Reserve A/c ---Profit and Loss A/c By Profit and Loss Suspense a/c (Interest on Capital) By Salary or Commission Alc By Remaining Partner Capital A/c (share of goodwill at the time of retirement)	

9. Innovative content to explain HOT SPOTS

1. A, B and C were partners in a firm sharing profits and losses in the ratio of 5:3:2. The profit of the firm for the year ending on 31st march 2019 was Rs. 90000. C dies on 31st july 2019. Determine the missing value in the following journal entry.

Date	Particulars	LF	Dr (Rs.)	Cr (Rs.)
31-7-2019	Profit and loss Suspense A/c ... Dr To C's Capital A/c (C's Share of profit based on last year's profit till the date of his death credited)		?	?

2. X, Y and Z were partners in a firm sharing profits and losses in the ratio of 4:3:1. Y dies on 30th April 2020. On Y's death goodwill of the firm is valued at Rs 1,80,000. Y's share is taken up by X and Z equally. Complete the following journal entry.

Date	Particulars	LF	Dr (Rs.)	Cr (Rs.)
30-4-2020	X's Capital A/c ... Dr Z's Capital A/c ... Dr To Y's Capital A/c (Y's Share of goodwill adjusted in the capital account of X and Z)		?	?

9. Measuring Attainment of LO's

MCQ ON THE DEATH OF A PARTNER

Q-1 An account operated to ascertain the loss or gain at the time of death of a Partner is called

- (a) Realisation Account
- (b) Executors Account
- (c) Revaluation Account
- (d) Deceased Partners capital account

Q-2 A, B and C are partners in a firm sharing profits and losses in the ratio of 2:2:1. On March, 31, 2018 C died. Accounts are closed on December 31st every year. The sales for the year 2017 was Rs. 6,00,000 and the profits were Rs. 60,000. The sales for the period for the period January 1, 2018 to March 31st 2018 were Rs.2,00,000. The share of deceased Partner in the current year's profit on the basis of sales is

- (a) Rs.20,000
- (b) Rs. 8,000
- (c) Rs. 3,000
- (d) Rs. 4,000

Q-3 A, B and C were partners sharing profits and losses in the ratio of 2:2:1. Books are closed on 31st March every year. C died on November 5, 2018. Under the Partnership deed the executors of the deceased partner are entitled to his share of profit to the date of death calculated on the basis of last year's profit. Profit for the year ended 31st March, 2018 was Rs. 2,14,000. C's share of profit will be

- (a) Rs.28,000
- (b) Rs.32,000
- (c) Rs.28,800
- (d) Rs.48,000

Q-4 On death of a Partner, the remaining partner(s) who have gained due to change in profit sharing ratio should compensate the

- (a) Deceased partner only
- (b) Remaining partners (who have sacrificed) as well as deceased partner
- (c) Remaining partners only (who have sacrificed)
- (d) None of the above

Q-5 Which account is opened to transfer deceased partner's share of profit to his capital account

- (a) P&L Adjustment account
- (b) P&L Appropriation account
- (c) P&L Suspense account
- (d) None of the above

Q-6 Kiran, Umesh and Aditya were in Partnership firm. Suddenly on October 31, 2018, Kiran died. Amount payable to her on that date amounted to Rs. 1,05,000. Rs. 5000 was paid immediately and balance was paid in 4 equal annual instalments along with interest @ 12% p.a. starting from 31st October 2019. Calculate the interest due as on 31st March, 2019. Financial year was followed as accounting year by the firm.

- (a) Rs. 2,500
- (b) Rs. 3,000
- (c) Rs. 4,500
- (d) Rs. 3,750

Q-7 Karan, Aman and Girish were Partners with capitals of Rs. 3,00,000; Rs. 2,50,000 and Rs. 2,00,000 respectively as on 31st March, 2018. Aman died, partners decided to pay the entire amount to Aman's Executor but they only had Rs. 50,000 cash and rest of the amount was to be brought in by Karan and Girish in such a way that their future capital will be equal. Calculate the amount to be brought in by Karan and Girish.

- (a) Rs. 50,000 by Karan and Rs. 1,50,000 by Girish
- (b) Rs. 50,000 by Girish and Rs. 1,50,000 by Karan
- (c) Rs. 25,000 by Karan and Rs. 1,25,000 by Girish
- (d) Rs. 25,000 by Girish and Rs. 1,25,000 by Karan

ANSWERS- (1) c, (2) d, (3) c, (4) b, (5) c (6) (c) (7) (a)

11. Question Bank

Q.1 X, Y and Z were partners in a firm sharing profit in the ratio of 3:2:1. The firm closes its books on 31st Marches year Y died on 30th June, 2020. On Y's death goodwill of the firm was valued at Rs. 60,000. Y's share in the profit of the firm till the date of his death was to be calculated on the basis of previous year's profit which was 150,000. Pass necessary Journal entries for goodwill and Y's share of profit at the time of his death

Q.2 Dinkar, Navita and Vani were partners sharing profits and losses in the ratio of 3:2:1. Navita died on 30th June, 2017. Her share of profit for the intervening period was based on the sales during that period, which were its books on 31st March every year. 6,00,000. The rate of profit during the past four years had been 10% on sales. The firm closes its book on 31st March every year. Calculate Navita's share of profit.

Q.3 Kumar, Verma and Naresh were partners in a firm sharing Profit and Loss in the ratio of 3: 2:2. On 23rd January, 2015 Verma died. Verma's share of profit till the date of his death was calculated at 2,350. Pass necessary Journal entry for the same in the books of the firm.

Q.4 A, B and C are partners sharing profits and losses in the ratio of 3:2:1.8 died on 30th June 2020. For the year ended 31st March, 2021, proportionate profit of 2020 is to be taken into consideration. During the year ended 31st March, 2021, bad debts of Rs. 2000 had to be adjusted. Profit for the year ended 31st March, 2020 was Rs. 14000 before adjustment of bad debts. Calculate B's share of profit till the date of death.

Q.5 Ram, Manu and Raj were partners in a firm. Hari died on 30th June, 2020, 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 of three completed financial years of profits before death. Profits for the years ended 31st March, 2018, 2019 and 2020 were 1.10,000; 1.20,000 and 1,30,000 respectively. Calculate Hari's share of profit till the date of his death and pass necessary Journal entry for the same.

Q.6 X, Y and Z were partners in a firm sharing profit and loss in the ratio of 5:4:3. Their Balance sheet on 31st March 2019 was as follows:

Liabilities	Amount	Assets	Amount
Creditors	2,00,000	Building	2,00,000
Employees Provident Fund	1,50,000	Machinery	3,00,000
General Reserve	36,000	Furniture	1,10,000
Investment Fluctuation Reserve	14,000	Investment (Market Value Rs 86,000)	1,00,000
Capital A/c's		Debtors	80,000
X: 3,00,000		Cash at bank	1,90,000
Y: 2,50,000		Advertisement Suspense	1,20,000
Z: <u>1,50,000</u>	7,00,000		
Total	11,00,000	Total	11,00,000

X died on 1-10-2019 and Y and Z decide to share future profits in the ratio 7:5. It was agreed between his executors and the remaining partners that:

- (i) Goodwill of the firm be valued at 2½ years' purchase of average of four completed years' profit which were

Year	2015-16	2016-17	2017-18	2018-19
Profit (Rs)	1,70,000	1,80,000	1,90,000	1,80,000

- (ii) X's share of profit from the closure of last accounting year till date of death be calculated on the basis of last years' profit
 - (iii) Building undervalued by 2,00,000; Machinery overvalued by Rs 1,50,000 and Furniture overvalued by Rs. 46,000
 - (iv) A provision of 5% be created on Debtors for Doubtful Debts.
 - (v) Interest on capital to be provided at 10% p.a.
 - (vi) Half of the net amount payable to X's executor was paid immediately and the balance was transferred to his loan account which was to be paid later.
- Prepare Revaluation Account, X's capital Account and X's Executor's Account as on 1st October 2019.

Q.7 Aman, Naman and Raman were partners in a firm sharing profit and loss in the ratio of 2:2:1. Their Balance sheet on 31st March 2020 was as follows:

Liabilities	Amount	Assets	Amount
Creditors	5,00,000	Fixed Assets	14,00,000
Employees Provident Fund	1,00,000	Stock	4,00,000
General Reserve	2,00,000	Debtors	3,00,000
Workmen Compensation Reserve	50,000	Cash at bank	7,00,000
Capital A/c's		Advertisement Suspense	50,000
Aman: 8,00,000			
Naman: 7,00,000			
Raman: <u>5,00,000</u>	20,00,000		
Total	28,50,000	Total	28,50,000

Naman died on 30th June 2020. According to the partnership deed, his legal heirs were entitled to:

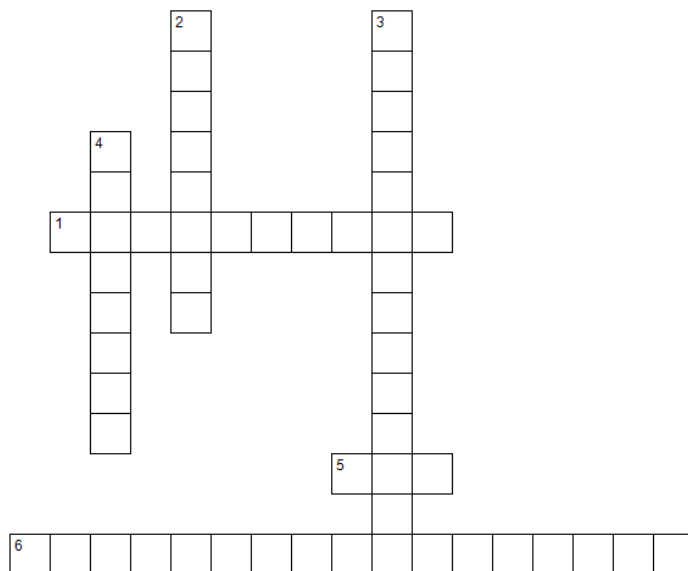
- (a) Balance in his Capital Account
- (b) His share of Goodwill will be calculated on the basis of thrice the average profit of the past 4 years' profits.
- (c) His share in profits up to the date of death on the basis of average profits of the last 2 years'.
- (d) Interest on capital to be provided at 12% p.a. upto the date of his death.

The firm's profit for the last four years ended 31st March were:

Year	2016-17	2017-18	2018-19	2019-20
Profit (Rs)	2,40,000	4,00,000	5,20,000	4,40,000

Naman's Executor was paid the sum due immediately. Prepare Naman's Capital Accounts to be presented to his legal heirs.

12. Curiosity Questions



Across:

1. LEAVING THE FIRM VOLUNTARILY
5. RATE OF INTEREST PAYABLE TO EXECUTORS
6. OLD RATIO-NEW RATIO

Down:

2. THE FORCE WHICH ATTRACT THE COSUMERS
3. NEW RATIO-OLD RATIO
4. LEGAL REPRESENTATIVE OF DESEASED PARTNER

13. Mind Map

DECEASED PARTNER'S CAPITAL A/c

To Goodwill (old)	xxx	By Balance b/d	xxx
To P/L A/c (Undist. Loss)	xxx	By General Reserve	xxx
To Adv. Suspense A/c	xxx	By Workmen's Comp Res.	xxx
To Drawings	xxx	By Investment Fluc. Fund	xxx
To Interest on Drawings	xxx	By Contingency Reserve	xxx
To Revaluation A/c (loss)	xxx	By P/L A/c (Undis. Pf)	xxx
		By Revaluation A/c (profit)	xxx
		By Interest on Capital	xxx
		By Salary	xxx
		By Gaining Partners' Cap. A/c	xxx
		(Goodwill)	
To Executor's A/c	xxx	By P/L Suspense A/c	xxx
(Balancing Figure)		By Joint Life Policy A/c	xxx
		By Gaining Partners' Cap A/c	xxx
		(I.L.P)	

XXXX	XXXX
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<u>Deceased Partner's Executor's A/c</u>			
To Cash A/c	xxx	By D.P.'s Capital A/c	xxx
To Balance c/d	<u>xxx</u>	By Interest (9 Mths)	<u>xxx</u>
	xxx		xxx
To Cash A/c	xxx	By Balance b/d	xxx
(Pri. + Interest)		By Interest (3 Mths)	xxx
To Balance c/d	<u>xxx</u>	By Interest (9 Mths)	<u>xxx</u>
	xxx		xxx
To Cash A/c	xxx	By Balance b/d	xxx
(Pri. + Interest)	xxx	By Interest (3 Mths)	xxx
	<u>xxx</u>		<u>xxx</u>

1) Drawings made during the period from the date of last Balance Sheet to Date of Death.

2) Interest on Drawings to be charged at a certain rate irrespective of period

$$= \text{Amount Drawn} \times \frac{\text{Rate}}{100}$$

3) Interest on Capital payable :

$$= \text{Opening Capital} \times \frac{\text{Rate}}{100} \times \text{Time (Date of last B/S to Date of Death)}$$

4) Salary payable to a partner
a) Annual Salary x Time (DOLBS to DOD)
OR
b) Monthly Salary x Time (DOLBS to DOD)

5) Goodwill :
Value of Goodwill x Deceased Partner's Share

Gaining Partners' Capital A/c ...Dr.
To Deceased Partner's Capital A/c

6) **Revaluation Profit**

Revaluation A/c Dr.
Dec. Partner's Cap A/c

Revaluation Loss

Dec. Partner's Cap A/c ...Dr.
Revaluation A/c

Sheet to Date of Death

a) **On Sales Basis**

$$\frac{\text{Profit of the base year}}{\text{Sales of the base year}} \times \text{Sales (DOLBS TO DOD)} \times \text{D.P.'s Share}$$

b) **On Time Basis :**

Average Profit/Profit of the base year x Time(DOLBS TO DOD) x D.P.'s Share

P/L Suspense A/c Dr.
To Deceased Partner's Capital A/c

14. Powerpoint presentation