

VIDYA BHAWAN BALIKA VIDYA PITH

शक्तिउत्थानआश्रमलखीसरायबिहार

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You have learnt that retirement or death of a partner also leads to reconstitution of a partnership firm. On the retirement or death of a partner, the existing partnership deed comes to an end, and in its place, a new partnership deed needs to be framed whereby, the remaining partners continue to do their business on changed terms and conditions. There is not much difference in the accounting treatment at the time of retirement or in the event of death. In both the cases, we are required to determine the sum due to the retiring partner (in case of retirement) and to the legal representatives (in case of deceased partner) after making necessary adjustments in respect of goodwill, revaluation of a assets and liabilities and transfer of accumulated profits and losses. In addition, we may also have to compute the new profit sharing's ratio among the remaining partners and so also their gaining ratio, This covers all these aspects in detail. आपने सीखा है कि एक साथी की सेवानिवृत्ति या मृत्यु भी एक साझेदारी फर्म के पुनर्गठन का कारण बनती है। एक साथी की सेवानिवृत्ति या मृत्यु पर, मौजूदा साझेदारी विलेख समाप्त हो जाता है, और इसके स्थान पर, एक नई साझेदारी विलेख को तैयार करने की आवश्यकता होती है, जिससे शेष भागीदार बदले हुए नियमों और शर्तों पर अपना व्यवसाय करते रहें। सेवानिवृत्ति के समय या मृत्यु की स्थिति में लेखांकन उपचार में बहुत अंतर नहीं है। दोनों मामलों में, हमें सेवानिवृत्त साथी (सेवानिवृत्ति के मामले में) और कानूनी प्रतिनिधियों (मृतक साथी के मामले में) के कारण राशि का निर्धारण करना आवश्यक है, सद्भावना के संबंध में आवश्यक समायोजन करने के बाद, एक संपत्ति और देनदारियों का पुनर्मूल्यांकन। और संचित लाभ और हानि का हस्तांतरण। इसके अलावा, हमें बचे हुए भागीदारों के बीच नए लाभ के बंटवारे के अनुपात की गणना करनी पड़ सकती है और इसलिए उनका लाभ अनुपात भी होता है, यह इन सभी पहलुओं को विस्तार से शामिल करता है।

Ascertaining the Amount Due to Retiring/ Deceased Partner The sum due to the retiring partner (in case of retirement) and to the legal representatives/ executors (in case of death) includes:

- (i) credit balance of his capital account;
- (ii) credit balance of his current account(if any);
- (iii) his share of goodwill ;

(iv) his share of accumulated profits (reserves);
(v) his share in the gain of revaluation of assets and liabilities;
(vi) his share of profits up to the date of retirement/death;
(vii) interest on his capital, if involved, up to the date of retirement/death; and
(viii) salary/commission, if any, due to him up to the date of retirement/death. The following deductions, if any, may have to be made from his share:

(i) debit balance of his current account(if any);
(ii) his share of goodwill to be written off; if necessary;
(iii) his share of accumulated losses;
(iv) his share of loss on revaluation of assets and liabilities;
(v) his share of loss up to the date of retirement/death;
(vi) his drawings up to the date of retirement/death;

(vii) interest on drawings, if involved, up to the date of retirement/death. Thus, as in the case of admission, the various accounting aspects involved on retirement or death of a partner are as follows:

1. Ascertainment of new profit sharing ratio and gaining ratio;
2. Treatment of goodwill;
3. Revaluation of assets and liabilities;
4. Adjustment in respect of unrecorded assets and liabilities;
5. Distribution of accumulated profits and losses;
6. Ascertainment of share of profit or loss up to the date of retirement/death;
7. Adjustment of capital, if required;
8. Settlement of the amounts due to retired/deceased partner;

New Profit Sharing Ratio

New profit sharing ratio is the ratio in which the remaining partners will share future profits after the retirement or death of any partner. The new share of each of the remaining partner will consist of his own share in the firm plus the share acquired from the retiring /deceased partner.

Consider the following situations :

(a) normally, the continuing partners acquire the share of retiring or deceased partners in the old profit sharing ratio, and there is no need to compute the new profit sharing ratio among them, as it will be same as the old profit sharing ratio among them. In fact, in the absence of any information regarding profit sharing ratio in which the remaining partners acquire the share of retiring/deceased partner, it is assumed that they will acquire it in the old profit sharing ratio and so share the future profits in their old ratio. For example, Asha, Deepti and Nisha are partners in a firm sharing profits and losses in the ratio of 3:2:1. If Deepti retires, the new profit sharing ratio between Asha and Nisha will be 3:1, unless they decide otherwise.

(b) The continuing partners may acquire the share in the profits of the retiring/deceased partner in a proportion other than their old ratio, In that case, there is need to compute the new profit sharing ratio among them, and it will be equal to sum total of their respective old share and the share acquired from the retiring/deceased partner. For example: Naveen, Suresh and Tarun are partners sharing profits and losses in the ratio of 5:3:2. Suresh retires from the firm and his share was required by Naveen and Tarun in the ratio 2:1. In such a case, the new share of profit will be calculated as follows:

New share of Continuing Partner = Old Share + Acquired share from the Outgoing Partner

Gaining Ratio 2 : 1

$$\begin{aligned} \text{Share acquired by Naveen} &= \frac{2}{3} \text{ of } \frac{3}{10} \\ &= \frac{2}{3} \times \frac{3}{10} = \frac{2}{10} \end{aligned}$$

$$\begin{aligned} \text{Share acquired by Tarun} &= \frac{1}{3} \text{ of } \frac{3}{10} \\ &= \frac{1}{3} \times \frac{3}{10} = \frac{1}{10} \end{aligned}$$

Thus, the new profit sharing ratio of Naveen and Tarun will be = 7 : 3.

(c) The contributing partners may agree on a specified new profit sharing ratio: In that case the ratio so specified will be the new profit sharing ratio.

Gaining Ratio

The ratio in which the continuing partners have acquired the share from the retiring/deceased partner is called the gaining ratio. Normally, the continuing partners acquire the share of retiring/deceased partner in their old profit sharing ratio, In that case, the gaining ratio of the remaining partners will be the same as their old profit sharing ratio among them and there is no need to compute the gaining ratio, Alternatively, proportion in which they acquire the share of the retiring/deceased partner may be duly specified. In that case, again, there is no need to calculate the gaining ratio as it will be the ratio in which they have acquired the share of profit from the retiring deceased partner. The problem of calculating gaining ratio arises primarily

when the new profit sharing ratio of the continuing partners is specified. In such a situation, the gaining ratio should be calculated by, deducting the old share of each continuing partners from his new share. For example, Amit, Dinesh and Gagan are partners sharing profits in the ratio of 5:3:2.

Dinesh retires. Amit and Gagan decide to share the profits of the new firm in the ratio of 3:2. The gaining ratio will be calculated as follows :

$$\text{Amit's Gaining Share} = \frac{3}{5} - \frac{5}{10} = \frac{6-5}{10} = \frac{1}{10}$$

$$\text{Gagan's Gaining Share} = \frac{2}{5} - \frac{2}{10} = \frac{4-2}{10} = \frac{2}{10}$$

Thus, Gaining Ratio of Amit and Gagan = 1:2

This implies Amit gains $\frac{1}{3}$ and Gagan gains $\frac{2}{3}$ of Dinesh's share of profit.

Gaining share of Continuing Partner = New share – Old share

Distinction between Gaining ratio and Sacrificing Ratio.

1. Meaning
2. Partner
3. Mode of calculation
4. When to calculate

Illustration 1

Madhu, Neha and Tina are partners sharing profits in the ratio of 5:3:2. Calculate new profit sharing ratio and gaining ratio if

1. Madhu retires
2. Neha retires
3. Tina retires.

Solution

Given old ratio among Madhu : Neha : Tina as 5 : 3 : 2

1. If Madhu retires, new profit sharing Ratio between Neha and Tina will be
Neha : Tina = 3:2 and Gaining Ratio of Neha and Tina =3:2
2. If Neha retires New profit sharing Ratio between Madhu and Tina will be
Madhu : Tina = 5:2
Gaining Ratio of Madhu and Tina = 5:2
3. If Tina retires, new profit sharing ratio between Madhu and Neha will be:
Madhu : Neha = 5:3
Gaining ratio of Madhu and Neha = 5:3