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Reconstitution of a Partnership Firm

Retirement/Death of a Partner

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;