

Chapter 6- Retirement/Death of a Partner

Question 1

Explain Retirement of a partner.

Answer: Retirement of partner refers to retiring from the partnership, i.e., ceasing to be a partner of the enterprise. A partner may retire from the firm anytime in the following scenarios:

- If there exists an agreement to that effect
- If all the partners agree to his retirement

Question 2

During the retirement of a partner, if goodwill appears in the Balance Sheet, it must be written off and the capital a/c of all the partners are debited in,

• The old profit-sharing ratio	• The new profit-sharing ratio
• The capital ratio	• None of the above

Answer: The old profit-sharing ratio

Question 3

X, Y and Z are partners sharing profits in the ratio of 2:2:1. Z retired. The new profit sharing ratio between X and Y will be,

• 2:1	• 1:1	• 3:1
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Answer: 1:1

Question 4

The share of the goodwill of a retiring partner is debited to remaining partners in their,

• Capital Ratio	• New Ratio	• Gaining Ratio
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Answer: Gaining Ratio

Question 5

When a partner dies, the amount of general reserve is transferred to the partners' capital a/c in,

• New profit-sharing ratio	• Old profit-sharing ratio	• The capital ratio
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Answer: Old profit-sharing ratio

Question 6

What is Gaining Ratio?

Answer: Gaining Ratio is such type of ratio where the continuing partners take the outgoing (either deceased or retired) partner's share. This ratio is computed by deducting old share in profits from the new share in profits.

Question 7

Define the new profit-sharing ratio.

Answer: New profit-sharing ratio is the ratio on the retirement of a partner is the ratio in which the continuing partners will share future profits and losses.

Question 8

Explain the meaning of Sacrificing Ratio.

Answer: Sacrificing Ratio is the ratio in which the old partners have agreed to sacrifice their respective shares in profits in favour of new or an incoming partner.

Question 9

Define Intangible assets.

Answer: An intangible asset is an asset that is not physical in nature. Brand recognition, Goodwill and intellectual property, such as patents, copyrights and trademarks are classified under intangible assets.

Question 10

Pass the necessary journal entry when the Goodwill does not appear in the books.

Answer: The journal entry passed is,

Gaining a partner's capital a/c Dr.

To Retired/deceased partner's capital a/c

Question 11

How is the new profit-sharing ratio mathematically stated?

Answer: New share of a partner = Old Share + Acquired Share

Question 12

Pass the necessary journal entry when the Goodwill appears in the books.

Answer: The journal entry passed is,

All Partner's capital a/c Dr.

To Goodwill a/c