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Concept no.2

Death of a Partner (New Ratio and Gaining Ratio)



When a partner dies in a partnership firm, the remaining partners continue the business, and adjustments need to be made for the deceased partner's share. The concepts of new ratio and gaining ratio are crucial in this context. Let's break down both concepts:

Gaining Ratio:

The gaining ratio is the proportion in which the remaining partners gain the deceased partner's share of profits. This ratio is essential for determining how much compensation the remaining partners need to pay to the deceased partner's estate. Formula:

Gaining Ratio = *New Ratio - Old Ratio*

New Ratio:

After the death of a partner, the remaining partners will continue the business with a new profit-sharing ratio. The new ratio is calculated based on the agreed-upon terms or, in some cases, the original profit-sharing ratio of the surviving partners.

New Ratio = *Old Ratio of surviving partners*

Key Points:

- New Ratio is the adjusted ratio between the surviving partners.
- Gaining Ratio helps calculate the share of the deceased partner that each surviving partner takes over.

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Questions:

Q.1) P, Q, and R are partners sharing profits and losses in the ratio of 5:3:2. R dies, and the new ratio between P and Q is agreed to be 7:5. Calculate:

Gaining Ratio

[ANS: Gaining Ratio (P and Q) = 1:1]

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Q.2) Shiv, Mohan and Hari were partners in a firm sharing profits in the ratio of 5 :5 :4. Mohan died and his share was taken equally by Shiv and Hari.Calculate the new profit-sharing ratio

[Ans. New Profit-sharing Ratio– 15:13]

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Q.3) A, B and C are partners sharing profits and losses in the ratio of 4 : 3 : 2. C died. A takes 4/9 of C's share and balance is taken by 8. Calculate the new profit-sharing ratio and gaining ratio.

[Ans.: Gaining Ratio of A and B—4:5; New Profit-sharing Ratio—44:37.]

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Q.4) M, N, and O are partners sharing profits in the ratio of 6:4:2. O dies, and M and N decide to share profits in the ratio of 7:5. gaining ratio of M and N.

[ANS: Gaining Ratio (M and N)= 43:29]

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END OF CONCEPT.NO-2

Concept no.

3 Deceased Partner's Share of Goodwill