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Concept no.4 Calculation of Profit/loss Share of a Deceased Partner



Deceased partner is entitled to his share in profit from the beginning of the accounting year up to the date of his death. Similarly, he bears loss, if any incurred by the firm during this period. Deceased partner's profit share for the period is taken by the remaining partners either in their profit-sharing ratio or as is agreed by the partners. In the absence of information it is assumed that deceased partner's profit share is taken by the remaining partners in their profit-sharing ratio.

Calculation of Profits/Loss for the Intervening Period:

It is calculated by any one of the two methods given below:-

a) On Time Basis: - In this method proportionaly profit for the time period is calculated either on the basis of last year's profit or on the basis of average profits of last few years and then deceased partner's share is calculated based on his share of profits.

b) On Turnover or Sales Basis: - In this method the profits upto the date of death for the current year are calculated on the basis of current year's sales upto the date of death by using the formula.

Profits for the current year upto the date of death = *(Sales of the current year upto the date of death/total sales of last year) x Profit for the last year.*

Then from this profit the deceased partner's share of profit is calculated.

Journal Entry for the Profit of deceased partner will be :

Profit and Loss Suspense A/c Dr.

To Deceased Partner's Capital/current A/c

(Being amount of profit transferred in deceased partners capital/current account)

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Questions

Q.8) Dinkar, Navita and Vani were partners sharing profits and losses in the ratio of 3 : 2 : 1. Navita died on 30th June, 2024. Her share of profit for the intervening period was based on the sales during that period, which were ₹ 6,00,000. The rate of profit during the past four years had been 10% on sales. The firm closes its books on 31st March every year.

[Ans.: Navita's Share of Profit = ₹ 60,000 × 2/6 = ₹ 20,000.]

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Q.9) . Anil, Sunil and Hari were partners sharing profits equally. Sunil died on 31st December, 2024. In terms of the partnership deed, accounts were prepared for the period ended 31 st December, 2024 and net profit was determined at ₹ 6,00,000. Pass the Journal entry for the profit share of the partners.

[Ans.: Dr. Profit & Loss Appropriation A/c by ₹ 6,00,000; Cr. Anil's Capital A/c by ₹ 2,00,000; Sunil's Capital A/c by ₹ 2,00,000 and Hari's Capital A/c by ₹ 2,00,000.]

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Q.10) Ram, Manu and Hari were partners in a firm. Hari died on 30th June, 2024. 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, 2022, 2023 and 2024 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

[Ans.: Hari's Share of Profit for 3 months—₹ 10,000.]

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END OF CONCEPT.NO-4

Concept no.

5 Deceased Partner's Share of Goodwill and Profit in Capital