ELITE COMMERCE MINDS
COMMERCE RAMA

Concept no.5

Deceased Partner's Share of Goodwill and Profit

Proforma of Deceased partners capital A/c

Particulars	Amount	Assets	Amount
To Accumulated losses	xxxx	By Balance b/d	xxxx
To Goodwill A/c	xxxx	By Revaluation A/c	xxxx
To Interest on Drawings	xxxx	By Interest on Capital	xxxx
To Drawings	xxxx	By Accumulated profits/Reserves	xxxx
To Asset taken over	xxxx	By P/L Suspense A/c (Profit)	xxxx
To Revaluation loss (if any)	xxxx	By Commission/ Salary	xxxx
To P/L Suspense A/c (Loss)	xxxx	By Liability taken over	xxxx
To Executor A/c (Bal.figure)	xxxx		

COMMERCE RAMA

Concept no.5

Questions

Q.11) X, Y and Z were partners in a firm sharing profits in the ratio of 4 : 3 : 1. The firm closes its books on 31st March every year. On 1st February, 2023, Y died and it was decided that the new profit-sharing ratio between X and Z will be equal. Partnership Deed provided for the following on the death of a partner:

(a) His share of goodwill be calculated on the basis of half of the profits credited to his account during the previous four completed years. The firm's profits for the last four years were:

Year	2018-19	2019-20	2020-21	2021-22
Profits (₹)	1,50,000	1,00,000	50,000	1,00,000

(b) His share of profit in the year of his death was to be computed on the basis of average profit of past two years.

Pass necessary Journal entries relating to goodwill and profit to be transferred to Y's Capital Account.

[Ans.: For Goodwill: Dr. Z's Capital A/c and Cr. Y's Capital A/c by ₹ 75,000. For Profit: Dr. Z's Capital A/c and Cr. Y's Capital A/c by ₹ 23,438.]

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Q.12) M, N and O were partners in a firm sharing profits and losses equally. Their Balance Sheet as at 31 st March, 2024 was as follows :

Liabilities		₹	Assets	₹
Capitals:			Plant and Machinery	60,000
M	70,000		Stock	30,000
N	70,000		Sundry Debtors	95,000
O	70,000	2,10,000	Cash at Bank	40,000
General Reserve		30,000	Cash in Hand	35,000
Creditors		20,000		
		2,60,000		2,60,000

N died on 12th June, 2024. According to the Partnership Deed, executors of the deceased partner are entitled to
(i) Balance of partner's capital account.(ii) Interest on Capital @5% p.a.
(iii) Share of goodwill calculated on the basis of twice the average of past three year's profits and
(iv) Share of profits from the closure of the last accounting year till the date of death on the basis of twice the average of three completed year's profits before death.Profits for the years ended 31st March 2022, 2023 and 2024 were ₹ 80,000, ₹90,000 and ₹ 1,00,000 respectively. Show the working for deceased partner's share of goodwill and profits till the date of his death. Pass the necessary' journal entries and prepare A's Capital Account to be rendered to his executors.
[Ans. Amount due to N's Executors ₹ 1,52,700.]

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END OF CONCEPT.NO-5

Concept no.

6 Determination of Amount Payable to Executors