

Death of A Partner

a) When a partner dies his legal heir should be given -

1. His balance in Capital A/c and Current A/c
2. Share in past profits/losses
3. Share in Revaluation profit/ loss
4. Share in Goodwill
5. Interest on Capital upto the date of Death.
6. Salary upto date of death.
7. His share in profits upto the date of his death.
8. Share in Joint Life Policy.
9. Share in Individual Insurance Policy.

On death joint life policy will always mature.
If individual life insurance policies have been taken on the life of the partners then on the death of a partner his individual policy will mature and the individual policies of the other partners will be surrendered. All the partners get a share in the matured / surrendered individual policies.

b) Deceased partner's share in profit to the date of his death is to be calculated on the basis of past profits.

$$\text{Share in Profit} = \text{Avg. Profit} \times \frac{\text{Number of months}}{12} \times \text{Profit Share}$$

This profit is debited to P & L Suspense A/c & credited to Deceased Partner's Capital A/c. Profit & Loss Suspense A/c is to be shown in the Balance Sheet on the Asset side.

c) Balance in Deceased Partner's Capital A/c is transferred to his Executor's Loan / Legal Heir's Loan A/c.

d) In case any salary/interest on capital/interest on drawings is there, it should be given to the deceased partner from the Balance sheet date to the date of death.

JOURNAL ENTRIES

1	Share in Profit P & L Suspense A/c Dr. To Deceased Partners Cap. A/c	2	Transfer to Executor's Loan. Deceased Partner's Cap. A/c Dr. To Executor's Loan A/c
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MULTIPLE CHOICE QUESTIONS

1. The balance in the deceased partners capital account is transferred to the
(a) Solvent Partners (b) Insolvent Partners
(c) Remaining Partners (d) Legal heirs / executors loan A/c
2. In the absences of proper agreement, representative of the deceased partner is entitled to the Dead partner's share in the following items.
(a) Profits till date, goodwill, joint life policy, interest on capital, share in revalued assets and liabilities
(b) Capital, goodwill, joint life policy, interest on capital, share in revalued assets and liabilities
(c) Capital, profits till date, goodwill, interest on capital, share in revalues assets and liabilities
(d) Capital, profits till date, goodwill, joint life policy, share in revalued assets and liabilities
3. As per Section 37 of the Indian Partnership Act, 1932, the executors would be entitled at their choice to the interest calculated from the date of death till the date of payment on the final amount due to the dead partner at percentage per annum.
(a) 7 (b) 4 (c) 6 (d) 12
4. To provide funds to pay to the retiring partner or to the representatives of a deceased partner, generally partners:
(a) Create a Sinking Fund (b) Create Joint Life Policy
(c) Create Reserve Fund (d) Create a square Bank Account
5. At the time of death of a partner, firm gets..... from the insurance company against the Joint Life Policy taken jointly for all the partners.
(a) Policy Amount
(b) Surrender Value
(c) Policy Value for the dead partner & Surrender Value for the rest
(d) Surrender Value for all the partners
6. At the time of death of a partner, firm gets.... From the insurance company against the joint Life Policy taken severely for each of the partner.
(a) Policy Amount
(b) Surrender Value
(c) Policy Value for the dead partner & Surrender Value for the rest
(d) Surrender Value for all the partners

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7. When premium paid on JLP taken up severally for each partner, the amount received on death of a partner would be firm's profit. It is also necessary to credit Partner's Capital Account with of the policy on the lives of the remaining partners.
- (a) Policy Value (b) Lump-sum Value
(c) Surrender Value (d) Actual Value
8. All of the following except one is the method of recording joint life policy
- (a) Premium paid charged to revenue
(b) JLP Account maintained at the surrender value
(c) JLP Account maintained at the surrender value along with the reserve
(d) Surrender value distributed among the partners in the profit sharing ratio
9. A, B and C takes a Joint Life Policy their profit sharing ratio is 2:2:1. on death of B, A and C decided to share profits equally. They had taken a Joint Life Policy of ₹2,50,000 with the surrender value ₹50,000. What will be the treatment in the partner's capital account on receiving the JLP amount if joint life policy is maintained at the surrender value?
- (a) ₹50,000 credited to all the partners in old ratio
(b) ₹2,50,000 credited to all the partners in old ratio
(c) ₹2,00,000 credited to all the partners in old ratio
(d) No treatment is required
10. A, B and C takes a Joint Life Policy, their profit sharing ratio is 2:2:1. On death of B, A and C decides to share profits equally. They had taken a Joint Life Policy of ₹2,50,000 with the surrender value ₹50,000. What will be the treatment in the partner's capital account on receiving the JLP amount if joint life policy is maintained at surrender value along with the reserve?
- (a) ₹2,50,000 credited to all the partners in old ratio
(b) ₹2,00,000 credited to all the partners in old ratio
(c) Distribute JLP Reserve Account in old profit sharing ratio
(d) 'b' and 'c'
11. On death of a partner, his executor is paid the share of profits of the dying partner for the relevant period. This payment is recorded in Profit & Loss.....Account.
- (a) Adjustment (b) Appropriation (c) Suspense (d) Reserve
12. The amount received from insurance company on the maturity of joint life policy is distributed amongst the partners
- (a) equally (b) in the profit sharing ratio
(c) in the ratio of capitals of partners (d) none
13. Premium paid on the joint life policy of partners is
- (a) credited to the respective partner's capital accounts
(b) debited to the respective partners capital accounts
(c) credited to profit & loss account
(d) debited to profit & loss account

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22. The heir of the deceased partner
(a) Has a right to become a partner in the firm of the deceased partner
(b) Does not have a right to become a partner in the firm of the deceased partner
(c) Can become a partner in the firm of the deceased partner only if the surviving partners give their consent in this regard.
(d) Both (b) & (c)
23. In case Revaluation Account is prepared, the assets & liabilities appear in the books of reconstituted firm at their:
(a) Old Book Values (b) Market Value
(c) Revalued Figures (d) Realizable Values
24. Revaluation Account is debited:
(a) On increase in Provision for Doubtful Debts (b) On increase in value of Land & Building
(c) On decrease in amount of Creditors (d) To transfer loss on revaluation
25. Partner's Capital A/c is debited:
(a) To record the profit on revaluation (b) To record the General Reserve
(c) To record the P & L A/c (Dr.) (d) To record the capital brought in
26. The balance of joint life policy account as shown in the balance sheet represents :
(a) Surrender value of a policy (b) Annual premium of JLP
(c) Total premium paid by the firm (d) Amount receivable on the maturity of the policy
27. The amount due to the deceased partner is paid to his :
(a) Father (b) Friends (c) Wife (d) Executors
28. JLP of the partners is a / an _____ account :
(a) Nominal (b) Personal (c) Representative Personal (d) Asset
29. After the death of a partner, amount payable is received by :
(a) Government (b) Firm (c) Executors of deceased partner (d) None
30. How is the premium paid on the JLP of partners treated ? It is _____ to the _____ accounts :
(a) Credited; Partner's Current (b) Credited; Profit & Loss
(c) Debited; Partner's Capital (d) Debited; Profit & Loss
31. A, B, C are partners sharing profits and loss in 5 : 3 : 2. The firm's balance sheet as on 31.3.2007 shows Reserve Balance of ₹25,000. Profit of the last year ₹50,000. Joint Life policy of ₹10,00,000, Fixed, assets of ₹12,00,000. On 1st June C died and on same date assets were revalued. The executors of C will get along with capital :
(a) Share in Joint Life Policy
(b) Share in Reserves
(c) Proportionate share of profit upto the date of death
(d) All of the above

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32. R, J and D are the partners sharing profits in the ratio 7:5:4. D died on 30th June 2006. It was decided to value the goodwill on the basis of three year's purchase of last five years average profits. If the profits are ₹29,600, ₹28,700, ₹28,900, ₹24,000 and ₹26,800. What will be D's share of goodwill?
(a) ₹20,700 (b) ₹27,600 (c) ₹6,900 (d) ₹27,000
33. R, J and D are the partners sharing profits in the ratio 7:5:4. D died on 30th June 2006 and profits for the accounting year 2005-2006 were ₹24,000. How much share in profits for the period 1st April 2006 to 30th June 2006 will be credited to D's Account.
(a) ₹6,000 (b) ₹1,500 (c) Nil (d) ₹2,000
34. A, B and C are the partners sharing profits and losses in the ratio of 5:3:2, they took a joint life policy of ₹30,000. On the death of B what amount will be payable to each partner.
(a) A - ₹22,000 and B - ₹8,000
(b) A - ₹14,000 and B - ₹16,000
(c) A - ₹15,000, B - ₹9,000 and C - ₹6,000
(d) A - ₹10,000, B - ₹8,000 and C - ₹10,000
35. A, B and C are the partners sharing profits and losses in the ratio 2:1:1. Firm has a joint life policy of ₹1,20,000 and in the balance sheet it is appearing at the surrender value i.e. ₹20,000. On the death of A, how this JLP will be shared among the partners.
(a) 50,000:25,000:25,000 (b) 60,000:30,000:30,000
(c) 40,000:35,000:25,000 (d) Whole of ₹1,20,000 will be paid to A
36. A, B and C are partners sharing profits and losses in the ratio 9:4:3. They took joint life policy of ₹25,000 for A, ₹20,000 for B and ₹51,000 for C. What is the share of C in the JLP amount?
(a) ₹18,000 (b) ₹25,000 (c) ₹51,000 (d) ₹20,000
37. A, B and C are partners sharing profits and losses in the ratio 9 : 4 : 3. They took joint life policy of ₹5,44,000. C died. What is the share of C in the JLP amount?
(a) ₹36,000 (b) ₹50,000 (c) ₹1,02,000 (d) ₹40,000
38. A, B and C are the partners sharing profits and losses in the ratio of 2 : 1 : 1. Firm has a joint life policy of ₹2,40,000 and in the balance sheet it is appearing at the surrender value i.e. ₹40,000. On the death of A, how this JLP will be shared among the partners.
(a) 1,00,000 : 50,000 : 50,000 (b) 1,20,000 : 60,000 : 60,000
(c) 80,000 : 70,000 : 50,000 (d) Whole of ₹2,40,000 will be paid to A
39. A, B and C takes a Joint Life Policy their profit sharing ratio is 2 : 2 : 1. On death of B, A and C decides to share profits equally. They had taken a Joint Life Policy of ₹5,00,000 with the surrender value ₹1,00,000. What will be the treatment in the partner's capital account on receiving the JLP amount if joint life policy is maintained at the surrender value?
(a) ₹1,00,000 credited to all the partners in old ratio
(b) ₹5,00,000 credited to all the partners in old ratio
(c) ₹4,00,000 credited to all the partners in old ratio
(d) No treatment is required

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40. A, B and C are the partners sharing profits and losses in the ratio of 5 : 3 : 2, took a joint life policy of ₹60,000. On the death of B what amount will be payable to each partner.
(a) A - ₹44,000 and B - ₹16,000
(b) A - ₹28,000 and B - ₹32,000
(c) A - ₹30,000, B - ₹18,000 and C - ₹12,000
(d) A - ₹20,000, B - ₹16,000 and C - ₹20,000
41. A, B and C are the partners sharing profits in the ratio of 7 : 5 : 4. C died on 30th June, 2006 and profits for the accounting year 2005-2006 were ₹48,000. How much share in profits for the period 1st April, 2006 to 30th June, 2006 will be credited to C Account.
(a) ₹12,000 (b) ₹3,000 (c) ₹4,000 (d) Nil
42. If three partners A, B & C are sharing profits as 5 : 3 : 2, then on the behalf of a partner A, how much B & C will pay to A's executor on account of goodwill. Goodwill is to be calculated on the basis of 2 years' purchase of last 3 years average profits. Profits for last three years are: ₹6,58,000; ₹6,92,000 and ₹8,10,000.
(a) ₹4,32,000 & ₹2,84,000 (b) ₹4,88,000 & ₹4,32,000
(c) ₹7,20,000 & ₹7,20,000 (d) ₹4,32,000 & ₹2,88,000
43. B, C, D are partners sharing profits in the ratio 7 : 5 : 4. D died on 30th June 2006 and profits for the year 2005-2006 were ₹12,000. How much share in profits for the period 1st April 2006 to 30th June 2006 will be credited to D's Account ?:
(a) ₹3,000 (b) ₹750 (c) ₹1,000 (d) Nil
44. A, B and C are partners sharing profits and losses in the ratio 2 : 2 : 1. C dies on 31st March, 2007. The profits of the financial year ending 31st March, 2007 is ₹64,000. The share of the deceased partner in the profits will be :
(a) ₹9,200 (b) ₹12,800 (c) ₹3,100 (d) ₹6,100
45. A, B, C are partners sharing profits in the ratio 1 : 1 : 2. C died on 30th June, 2006 and profits for the accounting year ended on 31st December 2005 were ₹24,000. How much share in profits will be credited to C's account.
(a) ₹12,000 (b) ₹6,000 (c) ₹24,000 (d) ₹3,000