

ACCOUNTANCY · CHAPTER 4

Reconstitution of Partnership: Retirement and Death of a Partner

A 1-page guide for parents · 90-second read.

EXPECTED MARKS

8-10 out of 12. Below 6 is a red light.

TIME TO MASTER

15-20 hrs

HELPLINE

70330 05444

WHAT THIS CHAPTER IS, IN PLAIN ENGLISH

Your child is learning what happens to a partnership's books when an existing partner LEAVES — by retirement or death. Four settlements: (1) new ratio + how much each remaining partner GAINS; (2) goodwill — leaving partner's share that the others 'pay him' for; (3) revaluing assets/liabilities so pre-departure changes belong to all old partners incl. the leaver; (4) final amount payable to the retiring partner or, on death, to his executor — possibly in instalments with interest. The 6-8 mark numerical tying these is one of the paper's most reliable high-mark questions.

5 QUESTIONS TO ASK YOUR CHILD

- Difference between gaining and sacrificing ratio?
- Who is Dr and who is Cr when goodwill is adjusted on retirement?
- Why is revaluation profit shared by ALL partners incl. retiring?
- What does Section 37 say about interest on unpaid amount?
- How is deceased partner's share of profit up to date of death computed?

WEAK-SPOT INDICATORS

- Reverses goodwill direction on retirement.
- Shares revaluation/reserves only among continuing partners.
- Forgets Sec 37 @ 6% p.a. on unpaid balance.
- Cannot compute share of profit up to date of death on time basis.
- Cannot prepare a clean Executor's Account.

WHEN TO WORRY — AND WHAT TO DO

Losing 4+ marks on the retirement/death numerical puts the whole partnership unit at risk. Two weeks of daily practice on one full problem fixes it.

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