

## DEATH OF A PARTNER

The following adjustments required to be made when a partner **DIED** in a partnership firm:

### 1. CHANGE {(SACRIFICE/(GAIN))} in PSR

Old ratio (always given in question) and the New ratio (sometime required to calculate)

Sacrificing Ratio/(Gaining Ratio)= **OLD - NEW** {If "OLD-NEW" answer comes in negative (-) it shows Gain}

### 2. GOODWILL TREATMENT

**Step 1:** Calculate total goodwill of the firm (sometimes given in question)

**Step 2:** Calculate DECEASED partner's share of goodwill (Total Goodwill × Share of DECEASED partner)

**Step 3:** Goodwill give to the DECEASED partner in Gaining ratio by GAIN partners.

Gaining Partner's Capital A/c	Dr.
To Deceased Partner's Capital A/c	

**Note:** i. If Goodwill is given in the balance sheet, it is written-off among Old partner's in Old PSR (Dr. Side).

ii. Hidden Goodwill=Total Lump sum amt paid to DECEASED Partner - Actual Adjusted Capital of DECEASED.

### 3. REVALUATION OF ASSETS AND REASSESSMENT OF LIABILITIES

Debit	Credit
↓ Asset	↑ Asset
↑ Liabilities	↓ Liabilities
Unrecorded Liabilities	Unrecorded Assets
GAIN t/f in Old partner's capital A/c (Bal. Fig.)	LOSS t/f in Old partner's capital A/c (Bal. Fig.)

**Note:** When "by" used then total amount and if "to" used in adjustments difference amount will be recorded.

If "to" word used in adjustments difference amount will be taken in revaluation account.

### 4. PARTNERS CAPITAL ACCOUNT

जिससे Capital कम होगी Debit	Credit जिससे Capital बढ़ेगी
Opening Balance (Assets Side वाला)	Opening Balance (Liability Side वाला)
Accumulated Loss (Old PSR)	Reserves and Surplus (Old PSR)
Revaluation Loss (Old PSR)	Revaluation Profit (Old PSR)
Drawing & IOD of Deceased Partner	Salary & Commission paid to Deceased Partner
Deceased Partner recd share of Goodwill from Gaining	Gained Partner paid Goodwill to Deceased (Gain Ratio)
P&L Susp. A/c (Share of Deceased in Loss till death)	P&L Susp. A/c (Share of Deceased in Profit till death)
Adjustment of Excess Cap.(Actual Cap. > Proportionate Cap)	Adjustment of Deficit Cap.(Actual Cap. < Proportionate Cap)
Deceased Partner Executor's A/c (Bal. Figure)	

**Note:** i) The balance in Deceased Partner's Capital A/c is paid in cash/bank when mentioned in question otherwise always transferred to "Deceased Partner's Executor's A/c".

ii) If NO change in PSR then Profit paid through P&L Suspense A/c, otherwise through Gain Partner Cap A/c.

## 5. BALANCE SHEET

<b>LIABILITIES</b> (After Revaluation effect)	<b>ASSETS</b> (After Revaluation effect)
Capital (Closing Cap. of all partners <span style="color: red;">exclude Deceased</span> )	Cash (Op. Balance - Repayment if any to Deceased)
No Reserves (because already distributed)	No Accumulated Loss (because already distributed)
Deceased Partner's Executor's Loan	P& L Susp. A/c (Share of Deceased Profit till death)

## 6. DECEASED PARTNER EXECUTOR'S LOAN A/C

<b>Debit</b>	<b>Credit</b>
To Bank A/c (Repayment)	By Deceased Partner's Capital A/c
To Balance c/d	By Interest paid on Loan