

## RETIREMENT OF A PARTNER

The following adjustments required to be made when a partner take RETIREMENT from 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 RETIRING partner's share of goodwill (Total Goodwill × Share of RETIRING partner)

**Step 3:** Goodwill give to the RETIRING partner in Gaining ratio by GAINING partners.

Gaining Partner's Capital A/c                      Dr.

To Retiring Partner's Capital A/c

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

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

### 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.

### 4. PARTNERS CAPITAL ACCOUNT

Debit <span style="float: right; font-size: small;">जिससे Capital कम होगी</span>	Credit <span style="float: left; font-size: small;">जिससे Capital बढ़ेगी</span>
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)
Retiring Partner recd share of Goodwill from Gaining	Gained Partner paid Goodwill to Retiring (Gain Ratio)
Retiring Partner's Loan A/c	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)

**Note:** i) The balance in retiring Partner's Capital A/c is paid in Cash/Bank when mentioned in question otherwise always transferred to "Retiring Partner's Loan 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

LIABILITIES (After Revaluation effect)	ASSETS (After Revaluation effect)
Capital(Closing capital of all partners exclude Retired)	Cash (Opening Balance- Repayment if any to Retired)
No Reserves (because already distributed)	No Accumulated Loss (because already distributed)
Retiring Partner Loan A/c	