



Q1. What are the different ways in which the partner can retire from firm?

Sol: A partner can retire from the firm:

With the consent of all partners: A partner must take the consent of all the other partners of the firm before his/her retirement. The partner can retire from the firm only if all the partners have approved the decision of his/her retirement.

According to the terms of the express agreement: If there is an express agreement among the partners, the partner may retire according to the terms of the agreement.

At his own will: If the partner wants to retire at his/her own will, then a partner may retire by giving a written notice to all the other partners informing them about his/her intention to retire.

Q2. Write the various matters that need adjustments at the time of retirement of partner/partners.

Sol: Various matters which need to be adjusted at the time of retirement of partner/s:

Computation of new profit-sharing ratio of the remaining partners of the firm

Computation of new gaining ratio of all the remaining partners of the firm

Computation of goodwill and its treatment

Adjustment for the revaluation of assets and liabilities

Distribution of accumulated profits and losses and reserves between all the partners including retiring partner

Adjustment of joint life policy

Settlement of the dues of retiring partners

Adjustment of capital account of the continuing partner in their new profit-sharing ratio

Q3. Distinguish between sacrificing ratio and gaining ratio.

Basis of Difference	Sacrificing Ratio	Gaining Ratio
1. Meaning	Ratio in which old partners agree to surrender their share of profit in favour of new partner/s	Ratio in which the continuing partner acquires the share of profit from outgoing partner/s
2. Calculation	$\text{Sacrificing Ratio} = \text{Old Ratio} - \text{New Ratio}$	$\text{Gaining Ratio} = \text{New Ratio} - \text{Old Ratio}$
3. Time	Calculated at the time of admission of new partner/s	Calculated at the time of retirement/death of the partner/s

4. Objective	To find out the share of profit and loss given up by the existing partners in favour of new partner/s	To find out the share of profit and loss acquired by the remaining partners (of the new firm in case of retirement) from the retiring or deceased partner
5. Effect	Reduces the profit share of the existing partners	Increases the profit share of the remaining partners

***** END *****