QUESTION BANK

(Session 2021-22)

CLASS-XII

SUBJECT-ACCOUNTANCY

SET -1 (TERM I)

ACCOUNTING FOR PARTNERSHIP FIRMS-FUNDAMENTAL

Q.1 Features of a partnership firm are :
(A) Two or more persons are carrying common business under an agreement.
(B) They are sharing profits and losses in a fixed ratio.
(C) Business is carried by all or any of them acting for all as an agent.
(D) All of the above.

Q.2. Ostensible partners are those who
(A) do not contribute any capital but get some share of profit for lending their name to the business
(B) contribute very less capital but get equal profit
(C) do not contribute any capital and without having any interest in the business, lend their name to the business
(D) contribute maximum capital of the business

Q.3. What will be the correct sequence of events?

(i)Admission of a partner (ii) Preparation of Partnership deed.(iii)Valuation of Goodwill (iv)Treatment of goodwill

A.(i),(ii),(iii),(iv)

B.(ii),(iii),(iv),(i)

C.(ii),(i),(iii),(iv)

D.(iv),(iii),(i),(ii)

Q.4. Rose, Tulip and Marigold are partners sharing profits and losses equally. Their capital balances on March, 31, 2012 are ₹10,0,000, ₹80,000 and ₹60,000 respectively. Their personal assets are worth as follows : Rose — ₹20,000, Tulip— ₹15,000 and Marigold — ₹10,000. The extent of their liability in the firm would be :
(A) X — ₹80,000 : Y — ₹60,000 : and Z — ₹40,000
(B) X — ₹20,000 : Y — ₹15,000 : and Z — ₹10,000

(C) X — ₹1,00,000 : Y — ₹75,000 : and Z — ₹50,000
(D) Equal

Q.5 Which of the following is true regarding salary paid to a partner, when the firm maintains Fluctuating Capital Accounts?

A. Debit Partner's Loan A/c and Credit P&L Appropriation A/c.

B. . Debit P&L A/c and Credit Partner's Capital A/c.

C. Debit P&L Appropriation A/c and Credit Partner's Current A/c.

D. Debit P&L Appropriation A/c and Credit Partner's Capital A/c.

Q.6. Ganga and Brahmaputra are partners in a partnership firm without any agreement. Ganga has withdrawn Rs.50,000 out of her Capital as drawings. Interest on drawings may be charged from Ganga by the firm :
(A) @ 5% Per Annum
(B) @ 6% Per Annum
(C) @ 6% Per Month
(D) No interest can be charged

Q.7. Which one of the following items cannot be recorded in the Profit and Loss Appropriation Account?
(A) Interest on capital
(B) Interest on drawings
(C) Rent paid to partners
(D) Partner's salary

Q.8. Amy, Benny and Charles were Partners with capitals of ₹50,000; ₹40,000 and Rs. 30,000 respectively carrying on a business in partnership. The firm's reported profit for the year was ₹80,000. As per provision of the Indian Partnership Act, 1932, find out the share of each partner in the above amount after taking into account that no interest has been provided on an advance by Amy of ₹20,000 in addition to his capital contribution.
(A) ₹26,267 for Partner Benny and Charles and ₹27,466 for Partner Amy.
(B) ₹26,667 each partner.
(C) ₹33,333 for Amy ₹26,667 for Benny and ₹20,000 for Charles.
(D) ₹30,000 each partner.

Q.9. X, Y, and Z are partners in a firm. At the time of division of profit for the year, there was dispute between the partners. .Profit before interest on partner's capital was ₹6,000 and Y determined interest @24% p.a. on his loan of ₹80,000. There was no agreement on this point. Calculate the amount payable to X, Y, and Z respectively.
(A) ₹2,000 to each partner.
(B) Loss of ₹4,400 for X and Z; Twill take ₹14,800.
(C) ₹400 for A, ₹5,200 for Land ₹400 for Z.
(D) None of the above.

Q.10.Given below are the two statements, one labelled as Assertion (A) and the other as Reason (R)

Assertion (A):It is considered desirable to make the partnership agreement in writing

Reason(R): Partnership agreement serves as an evidence in the court of law.

In the context of the above two statements, which of the following is correct?

A. Both Assertion(A) and Reason(R) are true and Reason(R) is the correct explanation of Assertion (A).

B. Both Assertion(A) and Reason(R) are true but Reason(R) is not the correct explanation of Assertion (A).

C. Assertion (A) is true but Reason (R) is False.

D. Assertion (A) is false but Reason (R) is true.

Q.11. Given below are the two statements, one labeled as Assertion (A) and the other as Reason (R)

Assertion(A): If the partnership deed is silent, profits and losses are shared equally by partners

Reason(R):If the partnership deed is silent,interest@6% p.a. will be charged on drawings made by partners.

In the context of the above two statements, which of the following is correct?

A. Both Assertion(A) and Reason(R) are true and Reason(R) is the correct explanation of Assertion (A).

B. Both Assertion(A) and Reason(R) are true but Reason(R) is not the correct explanation of Assertion (A).

C. Assertion (A) is true but Reason (R) is False.

D. Assertion (A) is false but Reason (R) is true.

Q.12. According to Profit and Loss Account, the net profit for the year is ₹4,20,000. Salary of a partner is ₹5,000 per month and the commission of another partner is ₹10,000. The interest on drawings of partners is ₹4,000. The net profit as per Profit and Loss Appropriation Account will be :
(A) ₹3,54,000
(B) ₹3,46,000

(C) ₹4,09,000
(D) ₹4,01,000

Q.13. Net profit of a firm is ₹79,800. Manager is entitled to a commission of 5% of profits after charging his commission. Manager's Commission will be :
(A) ₹4,200
(B) ₹380
(C) ₹3,990
(D) ₹3,800

Q.14. A, B and C are partners in the ratio of 5 : 3 : 2. Before B's salary of ₹17,000 firm's profit is ₹97,000. How much in total B will receive from the firm?
(A) ₹17,000
(B) ₹40,000
(C) ₹24,000
(D) ₹41,000

Q.15. Seeta and Geeta are partners sharing profits and losses in the ratio 4 : 1. Meeta was manager who received the salary of ₹4,000 p.m. in addition to a commission of 5% on net profits after charging such commission. Profit for the year is ₹6,78,000 before charging salary. Find the total remuneration of Meeta.
(A) ₹78,000
(B) ₹88,000
(C) ₹87,000
(D) ₹76,000

Q.16. Which of the following statement/statements is/are False;

(i)There is no minimum limit of partners in a partnership firm.

(ii)Forming a partnership deed is mandatory.

(iii)Even if the deed is silent partners are entitled to get interest on the loan provided by them to the firm.

A. Only (i)

B.(i) and (ii) both

C. Only (iii)

D. All of them

Q.17. X and Y are partners in the ratio of 3 : 2. Their capitals are ₹2,00,000 and ₹1,00,000 respectively. Interest on capitals is allowed @ 8% p.a. Firm earned a profit of ₹15,000 for the year ended 31st March 2019. Interest on Capital will be :
(A) X ₹16,000; Y ₹8,000
(B) X ₹9,000; Y ₹6,000
(C) X ₹10,000; Y ₹5,000
(D) No Interest will be allowed

Q.18. X and Y are partners in the ratio of 3 : 2. Their capitals are Rs.2,00,000 and ₹1,00,000 respectively. Interest on capitals is allowed @ 8% p.a. Firm incurred a loss of ₹60,000 for the year ended 31st March 2019. Interest on Capital will be :
(A) X ₹16,000; Y ₹8,000
(B) A ₹8,000; Y ₹4,000
(C) X ₹14,400; Y ₹9,600
(D) No Interest will be allowed

Q.19. Auro and Viro are equal partners with fixed capitals of ₹5,00,000 and ₹2,00,000 respectively. After closing the accounts for the year ending 31st March 2019 it was discovered that interest on capitals was provided @ 6% instead of 5% p.a. In the adjusting entry :
(A) Auro will be debited by ₹1,500 and Viro will be credited by ₹1,500;
(B) Auro will be credited by ₹1,500 and Viro will be debited by ₹1,500;
(C) Auro will be debited by ₹5,000 and Viro will be debited by ₹2,000;
(D) Auro will be credited by ₹5,000 and Viro will be credited by ₹2,000;

Q.20. A, Y and Z are partners in 5 : 4 : 1. Z is guaranteed that his share of profit will not be less than ₹80,000. Any deficiency will be borne by A and Y in 3 : 2. Firm's profit was ₹5,60,000. How much deficiency will be borne by Y :
(A) ₹2,14,400
(B) ₹14,400
(C) ₹2,09,600
(D) ₹9,600

Q.21.Match the items given in Column I with the items appearing in Column II

Column I	Column II
(i)Partnership	(a)is calculated either on sales or on profits.
(ii) Rent to a partner	(b)can be paid by both or any one of the partners
(iii) Guarantee to a partner	(c) is mutual Agency
(iv)Commission to a partner	(d) is a charge against profit

Choose the correct option:

A.(i)-(d);(ii)-(a);(iii)-(b);(iv)-(c)

B.(i)-(c);(ii)-(d);(iii)-(b);(iv)-(a)

C.(i)-(a);(ii)-(d);(iii)-(b);(iv)-(c)

D. .(i)-(b);(ii)-(d);(iii)-(c);(iv)-(a)

Read the following hypothetical passage carefully and answer the given question-(22-25)

Soap and detergent are partners in firm engaged in the production and sale of woolen clothing. Their capital contribution was Rs.10,00,000 each. Shampoo joined as a partner without capital for $1/3^{rd}$ share in the profits of the firm. She is blind by birth but having good management qualities.

They decided to sell products at a discount of 15% on maximum retail price to the people living below poverty line. They also decided to open new retail shops in the naxal affected area of the country.

New jobs of sales persons will be reserved for the girls belonging to scheduled castes and scheduled tribes .

The new partnership agreement provides for the following;

(i)10% of the trading profit will be donated to Prime Ministers Relief Fund.

(ii)Soap withdrew Rs.5,000 per month at the beginning of every month and Detergent withdrew Rs. 5,000 per month at the end of every month. Interest is charged on their drawings @10% p.a.

(iii)10% of distributable profit will be transferred to Reserve Fund

Q.22.Profit will be shared………………….among Soap, Detergent and Shampoo.

A. proportionally

B. equally

C. partially

D. None of these.

Q.23.Interest charged on Soap's and Detergent's drawings will be:

A.Rs.2,750,Rs 3250

B. Rs.2,050,Rs 3050

C. Rs.3,250,Rs 2,750

D.Rs.3,200,Rs 2,700

Q.24.Amount transferred to Reserve Fund will be:

A.Rs.1,00,000

B.Rs.89,400

C.Rs.90,600

D.Rs.85,600

Q.25.Amount donated to Prime Minister Relief fund is:

A.Rs. 1,00,000

B. Rs. 1,00,600

C. Rs. 91,540

D. Rs. 10,00,000

ACCOUNTING RATIOS

Q.26.Liquid Assets do not include :
(A) Bills Receivable
(B) Debtors
(C) Inventory
(D) Bank Balance

Q.27. Given below are the two statements, one labeled as Assertion (A) and the other as Reason (R)

Assertion(A):Liquid Ratio reveals strength of liquidity of a business unit.

Reason(R):Liquid Ratio analyses liquid assets and liquid liabilities of a business unit in order to assess the extent of liquidity.

In the context of the above two statements, which of the following is correct?

A. Both Assertion(A) and Reason(R) are true and Reason(R) is the correct explanation of Assertion (A).

B. Both Assertion(A) and Reason(R) are true but Reason(R) is not the correct explanation of Assertion (A).

C. Assertion (A) is true but Reason (R) is False.

D. Assertion (A) is false but Reason (R) is true.

Q.28. The ………………… of a business firm is measured by its ability to satisfy its short term obligations as they become due.
(A) Activity
(B) Liquidity
(C) Debt
(D) Profitability

Q.29. Patents and Copyrights fall under the category of:
(A) Current Assets
(B) Liquid Assets
(C) Intangible Assets
(D) None of Above

Q.30. Cash Balance ₹15,000; Trade Receivables ₹35,000; Inventory ₹40,000; Trade Payables ₹24,000 and Bank Overdraft is ₹6,000. Current Ratio will be :
(A) 3.75 : 1
(B) 3 : 1
(C) 1 : 3
(D) 1 : 3.75

Q.31. Cash Balance ₹5,000; Trade Payables ₹40,000; Inventory ₹50,000; Trade Receivables ₹65,000 and Prepaid Expenses are ₹10,000. Liquid Ratio will be
(A) 1.75 : 1
(B) 2 : 1
(C) 3.25 : 1
(D) 3 : 1

Q.32. Which of the following transactions will improve the Current Ratio :
(A) Cash Collected from Trade Receivables
(B) Purchase of goods for cash
(C) Payment to Trade Payables
(D) Credit purchase of Goods

Q.33. Which of the following transactions will improve the quick ratio?
(A) Sale of goods for cash
(B) Sale of goods on credit
(C) Issue of new shares for cash
(D) All of the Above

Q.34. A firm’s current ratio is 3.5 : 2. Its current liabilities are Rs.80,000. Its working capital will be :
(A) ₹1,20,000
(B) ₹1,60,000
(C) ₹60,000
(D) ₹2,80,000

Q.35. A Company’s Current Ratio is 3 : 1 and Liquid Ratio is 1.2 : 1. If its Current Liabilities are ₹2,00,000, what will be the value of Inventory?
(A) ₹2,40,000
(B) ₹3,60,000
(C) ₹4,00,000
(D) ₹40,000

Q.36. Fixed Assets ₹5,00,000; Current Assets ₹3,00,000; Equity Share Capital ₹4,00,000; Reserve ₹2,00,000; Long-term Debts ₹40,000. Proprietary Ratio will be :
(A) 75%
(B) 80%
(C) 125%
(D) 133%

Q.37. Equity Share Capital ₹20,00,000; Reserve 5,00,000; Debentures ₹10,00,000; Current Liabilities ₹8,00,000. Debt-equity ratio will be :
(A) 0.4 :1
(B) 0.32 : 1
(C) 0.72 : 1
(D) 0.5 : 1

Q.38. Debt equity ratio of a company is 1 : 2. Which of the following transactions will increase it:
(A) Issue of new shares for cash
(B) Redemption of Debentures
(C) Issue of Debentures for cash
(D) Goods purchased on credit

Q.39. On the basis of following data, a Company’s Total Assets-Debt Ratio will be: Working Capital ₹2,70,000; Current Liabilities ₹30,000; Fixed Assets ₹4,00,000; Debentures ₹2,00,000; Long Term Bank Loan ₹80,000.
(A) 37%

(B) 40%
(C) 45%
(D) 70%

Q.40. Opening Inventory ₹1,00,000; Closing Inventory ₹1,50,000; Purchases ₹6,00,000; Carriage ₹25,000; Wages ₹2,00,000. Inventory Turnover Ratio will be :
(A) 6.6 Times
(B) 7.4 Times
(C) 7 Times
(D) 6.2 Times

Q.41. Given below are the two statements, one labeled as Assertion (A) and the other as Reason (R)

Assertion(A):Gross profit is the sum of Revenue from Operations and Cost of Revenue from Operations.

Reason(R):Gross Profit helps in fixing selling prices and assessing the efficiency of trading activities.

In the context of the above two statements, which of the following is correct?

A. Both Assertion(A) and Reason(R) are true and Reason(R) is the correct explanation of Assertion (A).

B. Both Assertion(A) and Reason(R) are true but Reason(R) is not the correct explanation of Assertion (A).

C. Assertion (A) is true but Reason (R) is False.

D. Assertion (A) is false but Reason (R) is true.

Q.42. Revenue from Operations ₹2,00,000; Inventory Turnover Ratio 5; Gross Profit 25%. Find out the value of Closing Inventory, if Closing Inventory is ₹8,000 more than the Opening Inventory.
(A) ₹38,000
(B) ₹22,000
(C) ₹34,000
(D) ₹26,000

Q.43. Average Inventory ₹60,000; Inventory Turnover Ratio 8; Gross Profit 20% on revenue from operations; what will be Gross Profit?
(A) ₹1,20,000
(B) ₹96,000

(C) ₹80,000
(D) ₹15,000

Q.44. Opening Inventory ₹75,000; Closing Inventory ₹1,05,000; Inventory Turnover Ratio 6; Gross Profit 20% on cost; what will be Gross Profit?
(A) ₹1,35,000
(B) ₹1,08,000
(C) ₹90,000
(D) ₹18,000

Q.45. Total revenue from operations ₹27,00,000; Credit revenue from operations ₹18,00,000; Opening Debtors ₹3,20,000; Closing Debtors ₹4,00,000; Provision for Doubtful Debts ₹60,000. Trade Receivables Turnover Ratio will be :
(A) 7.5 times
(B) 9 times
(C) 6 times
(D) 5 times

Q.46. A firm makes credit revenue from operations of ₹2,40,000 during the year. If the trade receivables turnover ratio is 8 times, calculate closing debtors, if the closing debtors are more by ₹6,000 than the opening debtors :
(A) ₹33,000
(B) ₹36,000
(C) ₹24,000
(D) ₹27,000

Q.47. Credit revenue from operations ₹5,60,000; Debtors ₹70,000; B/R ₹10,000. Average Collection Period will be :
(A) 52 Days
(B) 53 Days
(C) 45 Days
(D) 46 Days

Q.48. Total Purchases ₹4,50,000; Cash Purchases ₹1,50,000; Creditors ₹50,000; Bills Payable ₹10,000. Trade Payables Turnover Ratio will be :
(A) 7.5 times
(B) 6 times
(C) 9 times
(D) 5 times

Read the following hypothetical passage carefully and answer the given questions-(49&50)

The motto of 'Welfare Ltd.' a company engaged in the manufacturing of generic medicines is 'Healthy India'. It's management and employees are hardworking, honest and motivated. The y have Current Assets ₹5,00,000; Current Liabilities ₹1,00,000; Revenue from Operations ₹28,00,000. Purchases ₹7,20,000; Office Expenses ₹30,000; Selling Expenses

₹90,000; Opening Inventory ₹1,40,000; Closing Inventory ₹80,000; Revenue from Operations ₹12,00,000.

Q.49.Working Capital turnover Ratio of Welfare Ltd. will be:
(A) 7 times
(B) 5.6 times
(C) 8 times
(D) 10 times

Q.50. It's operating ratio will be:

(A) 60%
(B) 75%
(C) 70%
(D) 65%

QUESTION BANK

Session 2021-22

CLASS-XII

SUBJECT-ACCOUNTANCY

SET -2 (TERM I)

ACCOUNTING FOR PARTNERSHIP FIRMS-CHANGE IN PROFIT SHARING RATIO

1. A, B and C were partners sharing profit or loss in the ratio of 7 : 3 : 2. From Jan. 1, 2019 they decided to share profit or loss in the ratio of 8 : 4 : 3. Due to change in the profit-loss sharing ratio, B's gain or sacrifice will be :
(A) Gain 1/60
(B) Sacrifice 1/60
(C) Gain 2/60

(D) Sacrifice 3/60

2. The Goodwill of the firm is NOT affected by :
(A) Location of the firm
(B) Reputation of firm
(C) Better customer service
(D) None of the above

3. A firm earns ₹1,10,000. The normal rate of return is 10%. The assets of the firm amounted to ₹11,00,000 and liabilities to ₹1,00,000. Value of goodwill by capitalization of Average Actual Profits will be :
(A) ₹2,00,000
(B) ₹10,000
(C) ₹5,000
(D) ₹1,00,000

4. A, B and C are partners sharing profits in the ratio of 4 : 3 : 2 decided to share profits equally. Goodwill of the firm is valued at Rs. 10,800. In adjusting entry for goodwill :
(A) A's Capital A/c Cr. by ₹4,800; B's Capital A/c Cr. by ₹3,600; C's Capital A/c Cr. by ₹2,400.
(B) A's Capital A/c Cr. by ₹3,600; B's Capital A/c Cr. by ₹3,600; C's Capital A/c Cr. by ₹3,600.
(C) A's Capital A/c Dr. by ₹1,200; C's Capital A/c Cr. by ₹1,200;
(D) A's Capital A/c Cr. by ₹1,200; C's Capital A/c Dr. by ₹1,200

5. X Y and Z are partners sharing profits and losses in the ratio 5 : 3 : 2. They decide to share the future profits in the ratio 3 : 2 : 1. Workmen compensation reserve appearing in the balance sheet on the date if no information is available for the same will be :
(A) Distributed to the old partners in their old profit sharing ratio
(B) Distributed to the partners in new profit sharing ratio

(C) Distributed to the partners in capital ratio
(D) Carried forward to new balance sheet without any adjustment

6.X and Y are partners sharing profits in the ratio of 1:1. They admit Z for 1/5 th share who contributed ₹25,000 for his share of goodwill. The total value of goodwill of the firm will be :
(A) ₹ 2,50,000
(B) ₹ 50,000
(C) ₹ 1,00,000
(D) ₹ 1,25,000

7.A, B and C are partners in a firm. If D is admitted as a new partner, then:
(A) Old firm will be dissolved
(B) Old firm and old partnership will be dissolved
(C) Old Partnership will be reconstituted
(D) None of these

8.State the 'true' statement/statements:
(i) Revaluation A/c is prepared for revaluation of assets and liabilities on the event of change in profit sharing ratio.
(ii) The new partner is liable for the past losses of the firm.
(iii) When a new partner brings goodwill in cash, it is credited to Sacrificing Partner's Capital A/cs.
(iv) When a partner is admitted, there is dissolution of firm.

A. only (i)

B.(ii) and (iii)

C.(i) and (iii)

D.(i),(ii) and (iii)

9.Share of goodwill brought in cash by the new partner is called:
(A) Assets
(B) Profit
(C) Premium
(D) None of these

10.A and B share profits and losses in the ratio of 3 : 1.C is admitted into partnership for 1/4 share. The sacrificing ratio of A and B is :
(A) Equal
(B) 3 : 1
(C) 2 : 1
(D) 3 : 2

11. Given below are the two statements, one labeled as Assertion (A) and the other as Reason (R)

Assertion(A):Partners whose profit share has increased as a result of change in profit sharing ratio is known as gaining partner.

Reason(R):Old profit share of a partner if deducted from his new profit share is gained profit share.

In the context of the above two statements, which of the following is correct?

A. Both Assertion(A) and Reason(R) are true and Reason(R) is the correct explanation of Assertion (A).

B. Both Assertion(A) and Reason(R) are true but Reason(R) is not the correct explanation of Assertion (A).

C. Assertion (A) is true but Reason (R) is False.

D. Assertion (A) is false but Reason (R) is true.

12.X and Y share profits in the ratio of 3 : 2. Z was admitted as a partner who gets 1/5 share. Z acquires 3/20 from X and 1/20 from Y. The new profit sharing ratio will be :
(A) 9 : 7 : 4
(B) 8 : 8 : 4
(C) 6 : 10 : 4
(D) 10 : 6 :4

13.Given below are the two statements, one labeled as Assertion (A) and the other as Reason (R)

Assertion(A): Change in profit sharing ratio among partners increases the combined shares of partners.

Reason(R):Partners whose profit shares have decreased as a result of change in profit sharing ratio are known as sacrificing partners.

In the context of the above two statements, which of the following is correct?

A. Both Assertion(A) and Reason(R) are true and Reason(R) is the correct explanation of Assertion (A).

B. Both Assertion(A) and Reason(R) are true but Reason(R) is not the correct explanation of Assertion (A).

C. Assertion (A) is true but Reason (R) is False.

D. Assertion (A) is false but Reason (R) is true.

Read the following hypothetical text carefully:

Tree and Plant were partners in a firm, they decided to deal in woolen clothes. The ratio was finalized as per their involvement in the business. Later as one of the partner refused to participate in the firms

day to day activities as per the expectation, the other partner proposed to change the profit sharing ratio, which was accepted by the later .They decided the new ratio as to be 1:2 with immediate effect. On that date revaluation of assets and reassessment of liabilities was carried out which resulted into a gain of Rs. 18,000. Their initial fixed capital contribution was ₹ 3,00,000 and ₹ 2,00,000 respectively. Goodwill of the firm on date was Rs.1,20,000.

Based on the above information you are required to answer the following questions : (14& 15)

14.At the time of change in profit sharing, gaining partner's capital account is……(i)………….. and sacrificing partner's capital account ………(ii)…………for adjustment of goodwill.

A.(i)credited,(ii)debited

B.(i)debited,(ii)credited

C.(i)increased,(ii) decreased

D.(i)decreased,(ii) increased

15. Following Journal entry will be passed for transferring the benefit arising out of Revaluation:

A. Revaluation A/c…………………..Dr.	**18,000**	
To Tree's Capital A/c		**9,000**
To Plant's Capital A/c		**9,000**
B. Tree's Capital A/c	**9,000**	
Plant's Capital A/c	**9,000**	
To Revaluation A/c		**18,000**
C. . Revaluation A/c…………………..Dr.	**18,000**	
To Tree's Current A/c		**9,000**
To Plant's Current A/c		**9,000**

D. None of these

ACCOUNTING FOR PARTNERSHIP FIRMS- ADMISSION OF A PARTNER

16.''Goodwill is nothing more than probability that the old customer will resort to the old place''. This definition of goodwill was given by:
(A) Spicer and Pegler
(B) ICAI
(C) Lord Elton
(D) AICPA

17.A, B and Care three partners sharing profits and losses in the ratio of 4:3:2. D is admitted for 1/10 share, the new ratio will be :
(A) 10 : 7 : 7 :4
(B) 5 : 3 : 2 : 1
(C) 4 : 3 : 2 : 1
(D) None of these

18.Which of the following assets is compulsorily revalued at the time of admission of a new partner :
(A) stock
(B) Fixed Assets
(C) Investment
(D) Goodwill

19.A, B and C are equal partners. D is admitted to the firm for one-fourth share. D brings ₹ 20,000 as capital and ₹ 5,000 being half of the premium for goodwill. The value of goodwill of the firm is :
(A) ₹ 10,000
(B) ₹ 40,000
(C) ₹ 30,000
(D) None of these

20. Given below are the two statements, one labeled as Assertion (A) and the other as Reason (R)

Assertion-(A) Increase in the value of asset is debited to revaluation account.

Reason-(R) Revaluation account is credited on increase in the value of plant and machinery.

A. Both Assertion (A) and Reason(R) are true and Reason(R) is the correct explanation of Assertion (A).

B. Both Assertion(A) and Reason(R) are true but Reason(R) is not the correct explanation of Assertion (A).

C. Assertion (A) is true but Reason (R) is False.

D. Assertion (A) is false but Reason (R) is true.

21. Given below are the two statements, one labeled as Assertion (A) and the other as Reason (R)

Assertion-(A) The ratio in which all the partners(including the newly admitted partner) share the future profits and losses is known as New Profit Sharing Ratio.

Reason-(R) The ratio in which old partners agree to sacrifice their share of profit in favour of the new partner is called Sacrificing Ratio.

A. Both Assertion (A) and Reason(R) are true and Reason(R) is the correct explanation of Assertion (A).

B. Both Assertion (A) and Reason(R) are true but Reason(R) is not the correct explanation of Assertion (A).

C. Assertion (A) is true but Reason (R) is False.

D. Assertion (A) is false but Reason (R) is true.

22. In the case of admission of a partner, the entry for unrecorded investments will be

A) Debit Partner Capital A/cs and Credit Investment A/c

B) Debit Revaluation A/cs and Credit Investment A/c

C) Debit Investment A/cs and Credit Revaluation A/c

D) None of the above

23. Goodwill of a firm of A and B is valued at ₹30,000. It is appearing in the books at ₹12,000. C is admitted for 1/4share. What amount he is supposed to bring for goodwill?

A) ₹ 30,000

B) ₹ 4,500

C) ₹ 7,500

D) ₹ 10,500

24.Which statement is true with respect to AS-26?
(A)Purchased goodwill can be shown in the Balance Sheet
(B)Revalued goodwill can be shown in the Balance Sheet
(C)Both purchased goodwill and revalued can be shown in the Balance Sheet
(D)None of the above

25. A, B, C, and D are partners. A and B share 2/3rd of profits equally and C and D share remaining profits in the ratio of 3: 2. Find the profit sharing ratio of A, B. C, and D

A) 5: 5: 3: 2

B) 7: 7: 6: 4

C) 2.5: 2.5: 8: 6

D) 3: 9: 8: 3

26. Sacrificing ratio is used to distribute ……………..in case of admission of a partner

A) Reserves

B) Goodwill

C) Revaluation Profit

D) Balance in Profit and Loss Account

27. A, B, and C are partner sharing profits in ratio 3: 2: 1. They agree to admit D into the firm. A, B, and C agreed to give 1/3rd, 1/6th, 1/9th share of their profit. The share of profit of D will be

A) 1/10

B)11/54

C) 12/54

D) 13/54

28.Yasmin and Mona are partners sharing profits in the ratio of2:1. They admit Kush into partnership for 25% share of profit. Kush acquired the share from old partners in the ratio of 3:2. The new profit sharing ratio will be:
(A)14 :31:15
(B)3:2:1
(C) 31:14:15
(D) 2:3:1

29.Which of the following is not true with respect to Admission of a partner?
(A)A new partner can be admitted if it is agreed in the partnership deed.
(B)If all the partners agree, a new partner can be admitted.
(C)A new partner has to bring relatively higher capital as compared to the existing partners
(D)A new partner gets right in the assets of the firm

30.A, and B are partners sharing profits in the ratio of 2:3. Their balance sheet shows machinery at ₹2,00,000; stock ₹80,000, and debtors at ₹1,60,000. C is admitted and the new profit sharing ratio is 6:9:5. Machinery is revalued at ₹1,40,000 and a provision is made for doubtful debts @5%. A's share in loss on revaluation amount to ₹20,000. Revalued value of stock will be:

(A)₹56,000
(B)₹1,00,000
(C)₹40,000
(D)₹None of these

31.At the time of admission of a partner, Employees Provident Fund is:
(A)Distributed to partners in the old profit sharing ratio
(B)Distributed to partners in the new profit sharing ratio
(C)Adjusted through gaining ratio among/between the partners.
(D)None of the above

32.The firm of P, Q and R with profit sharing ratio of 6:3:1, had the balance in General Reserve Account amounting Rs. 1,80,000. S joined as a new partner and the new profit sharing ratio was decided to be 3:3:3:1. Partners decide to keep the General Reserve unchanged in the books of accounts. The effect will be:
(A)P will be credited by Rs. 54,000
(B)P will be debited by Rs. 54,000
(C)P will be credited by Rs. 36.000
(D)P will be credited by Rs. 36,000

33. Match the following:

i.	Sacrificing Ratio	A	Nominal Account
ii.	Gaining Ratio	B	Reconstitution of Partnership
iii.	Revaluation Account	C	New Ratio – Old Ratio
iv.	Admission of a Partner	D	Old Ratio – New Ratio

(A) i- B, ii-C, iii-A, iv-D
(B) i- D, ii-B, iii-A, iv-C
(C) i- D, ii-C, iii-A, iv-B
(D) i- D, ii-C, iii-B, iv-A

34.Heena and Sudha share Profit & Loss equally. Their capitals were Rs.1,20,000 and Rs. 80,000 respectively. There was also a balance of Rs. 60,000 in General reserve and revaluation gain amounted to Rs. 15,000. They admitted their friend Teena into partnership with 1/5 share. Teena brings Rs.90,000 as capital. Calculate the amount of goodwill of the firm.
(A)85,000
(B)1,00,000
(C)20,000
(D)None of the above

35 Sacrificing ratio is calculated because:
(A)Profit shown by Revaluation Account can be credited to sacrificing partners
(B)Goodwill brought in by the incoming partner can be credited to the new partner
(C)Goodwill brought in by the incoming partner can be credited to the sacrificing partners
(D)Both A and C

36.Which of the following items are added to previous year's profits for finding normal profits for valuation of goodwill.?
(A)Loss on sale of fixed assets
(B) Loss due to fire, earthquake etc
(C) Undervaluation of closing stock
(D) All of the above

37.U V and W are partners sharing profits in the ration of 2:3:5.They decided to share future profits in 5:3:2 ratio. They also decide to record the effect of the following revaluations and reassessments without affecting the book values of assets and liabilities by passing a single adjustment entry:

	Book Value (Rs)	Revised Value (Rs)
Land and Building	3,00,000	3,50,000
Furniture	1,50,000	1,00,000
Sundry Creditors	60,000	20,000
Outstanding Salaries	10,000	15,000

The single adjustment entry will
(a) Dr. W and Cr. U by 10,500
(b) Dr. U and Cr. W by Rs. 10,500
(c) Dr. V and Cr. U by Rs. 10,500
(d) Dr. W and Cr. V by Rs. 10,500

Read the following hypothetical text carefully:

Combo Enterprises is a partnership business with Zen ben and Ken as partners engaged in production and sales of electrical items and equipment.
Their capital contributions were Rs. 25 lakh,Rs. 25 lakh and Rs. 40 lakh respectively with the profit sharing ratio of 5:5:8. As they are now looking forward to expand their business it was decided that they would bring in sufficient cash to double their respective capitals .This was duly followed by Zen and Ben but due to unavoidable reasons Ken could not do so and ultimately it was agreed that to bridge the shortfall in the required capital a new partner should be admitted who would bring in the amount that Ken could not bring and that the new partner would get share of profits equal to half of Ken's share which would be sacrificed by Ken only. Consequent to this agreement Ren was admitted and he brought in the required capital and Rs. 15,00,000 as Premium for goodwill.

Based on the above information you are required to answer the following questions:(38-40)

38. What will be the new profit sharing ratio of Zen, Ben and Ken?
A. 1:1:1:1
B. 5:5:8:8
C. 5:5:4:4
D. none of these

39. What is the amount of capital brought in by the new partner Ren?
A. Rs. 25 lakh
B. Rs. 40 lakh
C. Rs. 20 lakh
D. Rs. 15 lakh

40. What is the value of goodwill of the firm?
A. Rs. 67,50,000
B. Rs. 15,00,000
C. Rs. 75,00,000
D. Cannot be determined from the given data

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