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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