

1. Bishan and Sudha were partners in a firm sharing profits and losses in the ratio of 5:3. Alena was admitted as a new partner. It was decided that the new profit sharing ratio of Bishan, Sudha and Alena will be 10:6:5. The sacrificing ratio of Bishan and Sudha will be
(A) 5:3 (B) 25:78 (C) 6:5 (D) 2:1

Q.2. A, B and C are partners in a firm. If D is admitted as a new partner:
(A) Old firm is dissolved.
(B) Old firm and old partnership is dissolved.
(C) Old partnership is reconstituted.
(D) None of the above.

Q.3. The ratio which is computed to determine the sacrifice of the old partners made in favour of new partner which is admitted into partnership is
(A) Gaining Ratio (C) New Profit Sharing Ratio
(B) Old Profit Sharing Ratio (D) Sacrificing Ratio

Q.4. The account which is prepared to adjust the increase or decrease in the value of assets at the time of admission of partner is called:
(A) Realisation Account (B) Revaluation Account (C) P& L Account (d) none

Q.5. Ram and Shyam were equal partners in a partnership. They admitted Mohan for $\frac{1}{4}$ th share. He acquired his share equally from Ram and Shyam. Consider the statements below:
(i) Ram and Shyam both will sacrifice equally to Mohan.
(ii) Ram's sacrificing ratio is more than that of Shyam.
(iii) The new profit sharing ratio of Ram, Shyam and Mohan will be 11:6:5.

Choose the correction option:

(A) Only (i) is correct. (B) Only (ii) is correct. (C) Only (iii) is correct. (D) All of the above

Q. 6. A and B are partners sharing profit in the ratio of 3:2. They admit C as a partner by giving him $\frac{1}{3}$ rd share in future profits. The new ratio will be:
(A) 12:8:5 (B) 8:12:5 (C) 5:5:12 (D) None of these

Q.7. When a new partner enters into the partnership firm, old partnersSome part of their old share.
(A) Sacrifice (B) Gain (C) Retain (D) None of these

Q. 8. Arun and Barun share profits in the ratio of 2: 1 Charan is admitted with $\frac{1}{5}$ share in profits. Charan acquires $\frac{2}{3}$ of his share from Arun and $\frac{1}{3}$ of his share from Barun. The new ratio will be:
(A) 2:1:1 (B) 23: 13: 12 (C) 8:4:3 (D) 13: 23: 12

Q9. For which of the following situations, the old profit sharing ratio of partners is used at the time of admission of a new partner ?

(A) When new partner brings only a part of his share of goodwill.
(B) When new partner is not able to bring his share of goodwill.
(C) When at the time of admission, goodwill already appears in the balance sheet.
(D) When new partner brings his share of goodwill in cash

Q.10. Anita and Babita were partners sharing profits and losses in the ratio of 3: 1. Savita was admitted for 1/5th share in the profits. Savita was unable to bring her share of goodwill premium in cash. The journal entry recorded for goodwill premium is given below:

Savita's Current A/c Dr. 24,000
 To Anita's Capital A/c 8000
 To Babita's Capital A/c 16000

(Being adjustment goodwill premium on Savita's Admission)

The new profit sharing ratio of Anita, Babita and Savita, will be:

(A) 41:7: 12 (B) 13:12: 10 (C) 3:1:1 (D) 5:3:2

Q.11. When the incoming partner brings his share of premium for goodwill in cash, it is adjusted by crediting to:

(A) His Capital Account (C) Sacrificing Partners' Capital Accounts
(B) Premium for Goodwill Account (D) None of the above

Q.12. Z is admitted in a firm for 1/4th share in the profits for which he brings 10,000 towards premium for goodwill. It will be taken by the old partners in :

(A) Old Profit Sharing Ratio (C) Sacrificing Ratio
(B) New Profit Sharing Ratio (D) None of the above

Q.13. If the incoming partner is to bring Premium for Goodwill in cash and also a balance exists in Goodwill Account, then this Goodwill Account is written off among old partners in:

(A) New Profit Sharing Ratio (C) Sacrificing Ratio
(B) Old Profit Sharing Ratio (D) None of the above

Q.14. Mohit and Govind were partners in a firm in the ratio of 1:2. They admitted Ravi for 1/5 share in profits .He brought Rs 2,50,000 for capital but could not bring goodwill. The goodwill of the firm was valued at 3,00,000. What Journal Entry will be passed for the treatment of goodwill ?

(A) Asset A/c Dr. 60,000
 To Ravi's Capital A/c 60,000
(B) Cash A/c Dr. 60,000
 To Goodwill A/c 60,000
(C) Mohit's Capital A/c 20,000
 Govind's Capital A/c 40,000
 To Ravi's capital A/c 60,000
(d) Ravi's capital A/cdr 60,000
 To Mohit's capital A/c 20,000
 To Govind's capital A/c 40,000

Q15. Anita and Babita are partners sharing profits and losses as 3:2 chandani is admitted and profit sharing ratio become 4:3:2. Goodwill is valued at Rs 94,500. Chandani brings required goodwill in cash. Goodwill amount that will be credited by Chandani is

a. Anita Rs 14,000 and Babita Rs 7,000 C. Anita Rs 15,000
b. Anita Rs 12,000 and Babita Rs 9,000 D. Anita Rs 21,000

Q16. When the value of goodwill is not specified at the Time of admission of a partner is called

- a. Goodwill in kind
- b. Hidden Goodwill
- c. both a and b
- d. neither a nor b

Q17. General Reserve at the time of admission of a partner is transferred to:

- a. Revaluation A/c
- b. Old partners's capital A/c
- c. Neither of the two
- d. Both A and B

O.18. Balance in the Investment Fluctuation Reserve, after meeting the loss on revaluation of Investments, at the time of admission of a partner will be transferred to :

- (A) Old Partners' Capital Accounts
- (B) Revaluation Account
- (C) Sacrificing Ratio
- (D) None of the above

Q.19. On admission of a new partner, increase in the value of assets is debited to:

- (A) P& L Adjustment Account
- (B) Assets Account
- (C) Old Partners' Capital Accounts
- (D) None of the above

Q.20. Pick the odd one out:

- (A) Increase in assets
- (B) Increase in liabilities
- (C) Decrease in liabilities
- (D) Taking an unrecorded asset in books

Q21. Karan and Saran are partners in a partnership. They admitted Mohit as a new partner for 1/4th share in Profits

Liabilities	Amount	Assets	Amount
Creditors	25,000		

If 5% creditors are not likely to claim their dues, what amount of creditors will be shown in balance sheet on Mohit's admission?

- a. Rs 20,000
- b. Rs 23750
- c. Rs 25,000
- d. Rs 26250

Q22. The accumulated profit of the firm will be recorded in which of the following accounts at the time of admission of a new partner?

- (A) Revaluation Account
- (B) Old Partner's Capital Account
- (C) Profit and Loss Account
- (D) All Partner's Capital Account

Q.24. Which of the following is not readjusted at the time of admission of a new partner?

- (A) Capital Account
- (B) Profit Sharing Ratio
- (C) Profit and Loss Account
- (D) None of the above

the revaluation account.

Q25. IF goodwill is not brought in cash by the new partner, it should be debited to his

- (A) Current
- (B) Capital
- (C) Loan
- (D) Either (A) or (B)

Q26. A and Y are sharing profits and losses in the ratio of 3: 2. They admit Z as a partner an 2/10th share in the profits. The new profit-sharing ratio will

- (a) 12:8:5.
- (b) 3:2:2
- (C) 3:2:5.
- (d) 2:1:2.

Q27. Shiv and Mohan are sharing profits and losses in the ratio of 5:3. They admit AS à partner and give him 3/10th share of the profits. This share he will get 1/5th from Shiv and 1/10th from Mohan. The new profit-sharing ratio will be give

- (a) 5:6:3.
- (b) 2:4:6
- (c) 17:11:12.
- (d) 18:24:38.

Q28. Profit or Loss on revaluation of assets and reassessment of liabilities is transferred to Partners Capital Accounts in their

(a) Capital Ratio. (b) Equal Ratio. (c) Old Profit-sharing Ratio. (d) Gaining Ratio.

Q29. Aditya and Shiv were partners in a firm with capitals of 3,00,000 and 2,00,000 respectively. Naina admitted as a new partner $\frac{1}{4}$ th share in the profits of the firm. Naina brought 1,20,000 for her share of goodwill premium and 2,40,000 for her capital. The amount of goodwill premium credited to Aditya will be

a. 40,000 B. 30,000 c. 72,000. d. 60,000

Q30. unrecorded assets or liabilities are transferred to

a. Partners Capital Accounts. C. Profit and Loss Account
b. Revaluation A/c d. Partner's current A/c

Q31 X and Y are partners sharing profits in the ratio of 3:2, and capitals as Rs 1,00,000 and 50,000 respectively. Z's is admitted for $\frac{1}{5}$ th share in profits. The amount Z will contribute as capital will be

(a)50,000 (b) 35,000 (c) Rs 37,500 (d) 60,000

Q32. X and Y are partners sharing profits and losses in the ratio of 3: 2. Z was admitted for the $\frac{1}{5}$ th share and for this he brings 1,50,000 as capital. If capitals are to be proportionate to profit-sharing ratio, the respective capitals of the partners will be

(A) 3,00,000: 3,00,000: 1,50,000. C. 1,50,000: 1,50,000: 1,50,000.
(b) 3,60,000:2,40,000: 1,50,000 (d) 1,50,000: 2,00,000: 4,00,000

Q33 . Goodwill brought by the incoming partner is distributed among the old partners in their

a. Old profit-sharing ratio. C. Sacrificing ratio.
B. new profit-sharing ratio d. Gaining ratio

Q34. When goodwill existing in the books is written off at the time of admission of a partner, it is transferred to Partners Capital Accounts in their

a) Old profit-sharing ratio. C. Sacrificing Ratio
(b) New profit-sharing ratio. (d) Gaining ratio.

Q35. A and B are partners sharing profits in the ratio of 2:3, they admit Cas a partner for $\frac{1}{4}$ th share, the sacrificing ratio of A and B will be

(a) 2:3. (b) 1:1. (c) 3:2. (d) 2:1.

Q36. When a new partner is admitted, the balance of 'General Reserve' appearing in the Balance Sheet at the time of admission is credited to

(a) Profit and Loss Appropriation Account. C. Capital Accounts of Old Partners.
(b) Capital Accounts of all the partners. (d) Revaluation Account.

Q37. Anita and Babita were partners sharing profits and losses in the ratio of 3: 1. Savita was admitted for $\frac{1}{5}$ th share in the profits. Savita was unable to bring her share of goodwill premium in cash. The Journal entry recorded for goodwill premium is given below:

Savita's Current A/c 24,000
 To Anita's Capital A/c 8000
 To Babita's Capital A/c 16,000

Adjustment of goodwill premium on Savita's Admission)

The new profit-sharing ratio of Anita, Babita and Savita, will be

(a) 41:7:12 (b) 13:12: 10. (c) 3:1:1 (d) 5:3:2.

- 38.** Increase in the value of liabilities at the time of admission of a partner is
 (a) Debited to Revaluation Account. (B) Credited to Partner's Capital Account
 (b) Credited to Revaluation Account (d) Debited to Partner's Capital Account.
- 39.** For which of the following situations, old profit-sharing ratio of partners is used at the time of a new partner ?
 (a) When new partner brings only a part of his share of goodwill.
 (b) When new partner is not able to bring his share of goodwill,
 (c) When, at the time of admission, goodwill already exists in the Balance Sheet
 (d) When new partner brings his share of goodwill in cash.
- 40.** A and B are partners in a firm having a capital of 54,000 and 36,000 respectively. They admitted C for 1/3rd share in the profits. C brought proportionate amount of capital. The capital brought would be
 (a) 90,000. (b) 45,000. (c) 5,400. (d) 3,600.
- 41.** P and Q are partners in a firm having capitals of R 15,000 each. R is admitted for 1/3rd share for which he has to bring 20,000 for his share of capital. The amount of goodwill will be
 (a) 8,000. (b) 10,000. (c) 9,000. (d) 11,000.
- 42.** When the new partner brings cash for goodwill, the amount is credited to
 (a) Revaluation Account. (c) Premium for Goodwill Account.
 (b) Cash Account. (d) Realisation Account
- 43.** New partner can be admitted into partnership
 (a) with the consent of any one partner.
 (b) with the consent of majority of partners
 (c) with the consent of all the partners.
 (d) with the consent of 2/3rd of old partners
- 44.** X and Y are partners sharing profits in the ratio of 2: 1. They admit Z into the partnership for 1/4th share in profits for which he brings 20,000 as his share of capital. Hence, the adjusted capitals of X and Y will be
 (a) 40,000 and 20,000 respectively. (c) 60,000 and 30,000 respectively.
 (b) 32,000 and Rs 16,000 respectively. (d) 20,000 and 40,000 respectively
- 45.** At the time of admission, if the profit-sharing ratio among the old partners does not change then sacrificing ratio will be
 (a) equal. (c) their old profit-sharing ratio.
 (b) according to the contribution of capital (d) according to new partner.
- 46.** Which of the following statement is Correct?
 (a) Goodwill is a fictitious asset. (c) Goodwill is a wasting asset.
 (b) Goodwill is a current asset. (d) Goodwill is an intangible asset.
- 47.** Excess amount that a firm gets over and above the market value of assets at the time of sale of its business is
 (a) Profit. (b) Super Profit. (c) Reserve. (d) Goodwill.
- 48.** When Goodwill is not a purchased goodwill, Goodwill
 a) is not shown in the Balance Sheet. (c) may or may not be shown in the Balance Sheet.
 (b) is shown in the Balance Sheet. (d) is partly shown in the Balance Sheet.
- 49.** Capital employed by a partnership firm is 5,00,000. Its average profit is 60,000. The normal

rate of return is similar type of business is 10%. The amount of super profit is

- (a) 50,000. (b) 10,000 (c) 6,000 (d) 56,000

50. Weighted Average Profit Method of calculating goodwill is useful when

- (a) Profits are not similar over the years.
(b) Profits show a trend either rising or falling.
(c) Profits are higher in one year and lower in another.
(d) Profits are similar in all the years.

51. Following are the factors affecting goodwill except

- (a) Nature of Business. (c) Technical Know-how.
(b) Location of the customers (d) Efficiency of Management

52. Average profit of a business over the last five years was 60,000. The normal yield on capital invested in such a business is estimated at 10 % p.a. Capital invested in the business is 5,00,000. Amount of goodwill, if it is based on 3 years' purchase of last 5 years super profits will be

- (a) 1,00,000. (b) 1,80,000. (c) 30,000. (d) 1,50,000.

53. Under Capitalisation Method of valuation of Goodwill, the formula for calculating goodwill is

- a) Super profits multiplied by the rate of return.
(b) Average profits multiplied by the rate of return
(c) Super profits divided by the rate of return.
(d) Average profits divided by the rate of return.

54. Net assets of a firm including fictitious assets of 5,000 are 85,000. Net liabilities of the 30,000. Normal Rate of Return is 10% and the Average Profit of the firm is 8,000. Value of god Capitalisation of Super Profit Method will be

- (a) 20,000 (b) 30,000 (c) 25,000 (d) 15,000

55. Total Capital employed in the firm is 8,00,000, Normal Rate of Return is 15% and profit for the year is 1,20,000. Value of goodwill as per Capitalisation Method would be

- a. 8,20,000 (b) 1,20,000 (c) nil (d) 4,20,000

56. Average Capital Employed of a firm is 4,00,000 and the Normal Rate of Return is 15% and profit for the year is 80,000 per annum. If management cost is estimated at 10,000 per annum, then on the basis of two years purchase of Super Profit, value of Goodwill will be

- (a) 10,000 (b) 20,000 (c) 60,000 (d) 80,000

57. A firm earns profit of 1,10,000 The Normal Rate of Return is 10%. Assets of the firm are Rs 11,00,000 and liabilities 1,00,000 Value of goodwill by Capitalisation of Average Profit will be

- a) 2,00,000. (b) 10,000. (c) 5,000 (d) 1,00,000

58. Under Super Profit Method, goodwill is calculated by:

- (a) Number of years Purchase x Average Profit.
(b) Number of years' Purchase x Super Profit.
(c) Super Profit Normal Rate of Return
(d) Super Profit-Normal Profit.

59. Net Profits during the last three years of a firm are:

Year	1	2	3
Profit	18,000	20,000	22,000

The Capital investment of the firm is 60,000. Normal Rate of Return is 10%. Value of Goodwill on the basis of three years purchase of the Super Profit for the last three years will be

(a) 21,000 (b) 42,000 (c) 84,000. (d) 20,000

60. M/s. Supertech india has assets of RS 5,00,000, whereas Liabilities are: Partners' Capitals- 3,50,000, General Reserve- Rs 60,000 and Sundry Creditors 90,000. If Normal Rate of Return is 10% and Goodwill of the firm is valued at 90,000 at 2 years' purchase of Super Profit, the Average Profit of the firm will be

(a) 46,000. (b) 86,000 (c) 1,63,000 (d) 23,000

61. A firm earned 60,000 as profit, the normal rate of return being 10%. Assets of the firm are 7,20,000 (excluding goodwill) and Liabilities are 2,40,000. Find the value of Goodwill by Capitalisation of Average Profit Method

(a) 2,40,000 (b) 1,80,000 (c) 1,20,000 (d) 60,000

62. Jagat and Kamal are partners in a firm. Their Capitals are: Jagat 3,00,000 and Kamal 2,00,000. During year ended 31st March, 2021 the firm earned a profit of 1,50,000. The normal rate of return is 20%. Calculate the value of Goodwill of the Firm by Capitalisation Method

(a) 2,00,000 (b) 5,00,000 (c) 3,50,000 (d) 2,50,000

case-based MCQ

I. Read the following hypothetical text and answer the given questions:

Amit and Mahesh were partners in a fast-food corner sharing profits and losses in ratio 3:2. They sold fast food items across the counter and did home delivery too. Their initial fixed capital contribution was 1,20,000 and Rs 80,000 respectively. At the end of first year their profit was Rs 1,20,000 before allowing the remuneration of 3,000 per quarter to Amit and 2,000 per half year to Ranju. Such a promising performance for first year was encouraging, therefore, they decided to expand the area of operations.

For this purpose, they needed a delivery van, a few Scotties and an additional person to support. Six months into the accounting year they decided to admit Sundram as a new partner and offered him 20% as a share of profits along with monthly remuneration of 2,500. Sundram was asked to introduce Rs 1,30,000 for capital and 70,000 for premium for goodwill. Besides this Sundram was required to provide R1,00,000 as loan for two years. Sundram readily accepted the offer. The terms of the offer were duly executed and he was admitted as a partner.

Q63. Remuneration will be transferred to and Mahesh at the end of the accounting period.

(A) Capital account (B) Loan account (C) Current account (D) None of the above.

Q.64. Upon the admission of Sundram, the sacrifice for providing his share of profits would be done:

(A) by Amit only

(C) by Amit and Mahesh equally

(B) by Mahesh only

(D) by Amit and Mahesh in the ratio of 3:2.

Q65. Q.3. Sundram will be entitled to a remuneration of.....at the end of the year.

(A) 15,000

(B) 27,000

(C) 30,000

(D) 45,000

II. Based on the below information, you are required to answer the given questions:

Sterling Enterprises is a partnership business with Ryan, Williams and Sania as partners engaged in production and sales of electrical items and equipment. Their capital contributions were 50,00,000 , 50,00,000 and 80,00,000 respectively with the profit the sharing ratio of 5:5:8. As they are now looking forward to expanding their business, it was decided that they would bring in sufficient cash to double their respective capitals. This was duly followed by Ryan and Williams but due to unavoidable reasons Sania 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 Sania could not bring and that the new partner would get share of profits equal to half of Sania's share which would be sacrificed by Sania only. Consequent to this agreement Ejaz was admitted and he brought in the required capital and 30,00,000 as premium for goodwill.

Q66. What will be the new profit sharing ratio of Ryan, Williams, Sania and Ejaz ?

- a. 1:1:1:1 b. 5:5:8:8 c. 5:5:4:4 d. none of these

Q67. What is the amount of capital brought in by the new partner Ejaz?

- a. Rs 50,00,000 b. Rs 80,00,000 c. Rs 40,00,000 d. Rs 30,00,000

Q68. What is the value of the goodwill of the firm?

- a. Rs 1,35,00,000 b. Rs 30,00,000 c. Rs 1,50,00,000 d. Rs 1,50,00,000

Q69. What will be correct journal entry for distribution of premium for goodwill brought in by Ejaz?

- a. Ejaz capital A/c.....DR 30,00,000
 To Sania's capital A/c 30,00,000
- b. Premium for goodwill A/c... Dr 30,00,000
 To Sania's capital A/c 30,00,000
- c. Premium for goodwill A/c... Dr 30,00,000
 To Reyan's capital A/c 8,33,333
 To William's capital A/c 8,33,333
 To Ejaz's capital A/c 13,33,333
- d. Premium for goodwill A/c... Dr 30,00,000
 To Reyan's capital A/c 10,00,000
 To William's capital A/c 10,00,000
 To Ejaz's capital A/c 10,00,000

III. Based on the below information, answer the given questions:

Aditi and Parul are partners in a firm with capitals of 35,000 each. They shared profits and losses in the ratio of 3:1. On 1st April, 2017, they admit Chanda into their partnership with 1/5th share in the profits. Chanda brings in 40,000 as her capital and her share of goodwill in cash. Her share of goodwill is calculated on the basis of her capital contribution and her share of profits in the firm. At the time of Chanda's admission:

- (a) The firm had a Workmen Compensation Reserve of 60,000 against which there was a claim of Rs 20,000
- (b) Creditors of 8,000 were paid by Aditi privately for which she is not to be reimbursed.
- (c) there was no change in the value of other assets and liabilities.

Q70. What is the value of goodwill to be contributed by chanda ?

- a. Rs 8,400 b. Rs 4,000 c. Rs 8,000 d. Rs 4,200

Q71. What is the amount of goodwill to be transferred to Aditi's capital Account?

- a. Rs 2,100 b. Rs 6,300 c. Rs 8,400 d. Rs none of these

Q72. How much amount of workmen compensation Reserve will be transferred to Parul's capital account?

- a. Rs 30,000 b. Rs 10,000 c. Rs 15,000 d. Rs 20,000

Q73. In which account will the gain on creditors account be transferred?

- a. Realisation A/c c. Aditi's capital A/c
b. Revaluation A/c d. Parul's capital A/c

ASSERTION AND REASON BASED MCQ

Directions : In the following questions, a statement of Assertion (A) is followed by a statement of Reason (R). Mark the correct choice as:

(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

Q74. Assertion (A): A new partner can be admitted into a partnership firm with the consent of all the existing partners.

Reason (R): According to Section 31 of the Indian Partnership Act, [1932](#), a new partner shall not be introduced into a firm without the consent of all the existing partners, unless it is agreed otherwise by the partners in the partnership deed.

Q.75 Assertion (A): It is the right of new partner on the firm's assets and liabilities.

Reason (R): Old Partners of the firm sacrifice some profit according to the new profit sharing ratio in favour of incoming partner.