ACCOUNTS

BOOKS - ARYA ACCOUNTS (HINGLISH)

CHANGE IN PROFIT SHARING RATIO AMONG THE EXISTING PARTNERS

Multiple Choice Questions

1. Sacrificing Ratio:

A. New Ratio- Old Ratio

B. Old Ratio- New Ratio

C. Old Ratio- Gaining Ratio

D. Gaining Ratio-Old Ratio

Answer: B

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2. Gaining Ratio:

A. New Ratio-Sacrificing Ratio

B. Old Ratio-Sacrificing Ratio

C. new Ratio-Old Ratio

D. Old Ratio-New Ratio

Answer: C

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3. A and B were pretners in a firm sharing profit or loss equally. With effect from 1st April, 2019 they agreed to share profits in the ratio of $4:3$. Due to change in profit sharing ratio,

A 's gain or sacriffice will be :

A. Gain $\frac{1}{14}$

B. Sarifice $\frac{1}{14}$

C. Gain $\frac{4}{7}$

D. Scarifice $\frac{3}{7}$

Answer: A

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4. A and B were partners in a firm sharing profit or less equally. With effect from 1at April, 2019 they agreed to share profits in the ratio of $4:3$ Due to change in profit sharing ratio, B's gain or sacrifice will be :

A. Gain $\frac{4}{7}$

B. Sacrifice $\frac{1}{14}$

C. Gain $\frac{4}{7}$

D. Scarifice $\frac{3}{7}$

Answer: B

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5. A and B were partners in a firm sharing profit or loss equally. With effect from 1st April , 2019 they agreed to share profits or losses eqully. Due to change in profit sharing ratio, A's gain or sacriffice will be :

A. Gain $\frac{3}{8}$

B. Gain $\frac{1}{8}$

C. Sacrifice $\frac{3}{8}$

D. Sacrifice $\frac{4}{9}$

Answer: B

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6. A and B were partners in a firm sharing profits and losses in the ratio of $2:1$. With effect from 1st january, 2019 they agreed to share profits and losses equally. Individual partner's gain or sacrifice due to change in the ratio will be:

A. Gain by $A\frac{1}{6}$, Sacrifice by $B\frac{1}{6}$

B. Gain by $A\frac{1}{10}$, Scarifice by $B\frac{1}{10}$

C. Gain by $A\frac{1}{10}$, Sacrifice by $B\frac{1}{10}$

D. Scarifice by $A\frac{1}{2}$, Gain by B(1)/(2)`

Answer: B

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7. A and B share profits and losses in the ratio of $3:2$ With effect from 1st january, 2019, they agreed to share profits equally. Sacrificing ratio and Gaining Ratio will be:

A. Scaricice by $A\frac{1}{10}$, Sacrifice by $B\frac{1}{10}$

B. Gain by $A\frac{1}{10}$, Gain by $B\frac{1}{10}$

C. Scarifice by $A\frac{1}{10}$, Gain by $B\frac{1}{10}$

D. Gain by $A\frac{1}{10}$, Sacrifice by $B\frac{1}{10}$

Answer: C

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8. A and B C were partners in a firm sharing prfit or loss in the ratio of $3:1$ With effect from Jan. 1,2019 they agreed to share profit or loss in the ratio of $2:1$. Due to change in profit-loss sharing ratio, B's gain or sacrifice will be :

A. Gain $\frac{1}{12}$

B. Sacrifice $\frac{2}{12}$

C. Gain $\frac{1}{3}$

D. Scrifice $\frac{1}{3}$

Answer: A

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9. 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 or loss in the ratio of $8:4:3$. Due to change in the profit-loss sharing ratio, B's gain or scirifice will be :

A. Gain $\frac{1}{60}$

B. Sacrifice $\frac{1}{60}$

C. Gain $\frac{2}{60}$

D. Sacrifice $\frac{3}{60}$

Answer: A

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10. X, Y and Z are partners in a firm sharing profits and losses in the ratio of $5:3:2$. The partners decide to share future profits and losses in the ratio of $3:2:1$. Each partner's gain or sacrifice due to change in the ratio will be :

A. X Sacrifice $\frac{1}{30}$, Y Gain $\frac{1}{30}$, Z Nil

B. X Gain $\frac{1}{30}$, Y Nil, Z Scarifice $\frac{1}{30}$

C. X Nil, Y Sacrifice $\frac{1}{30}$, Z Gain $\frac{1}{30}$

D. X Nil, Y Gain $\frac{1}{30}$, Z Sacrifice $\frac{1}{30}$

Answer: D

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11. A, B and C were partners in a firm sharing profits and losses in the ratio of $3:2:1$. The partners decide to share future profits and losses in ratio of $2:2:1$. Each partner's gain or sacrifice due to change in ratio will be :

A. Sacrifice $A\frac{3}{30}$, Gain $B\frac{2}{30}$, Gain C $\left(\frac{10}{30}\right.$

B. Gain $A\frac{2}{30}$, Gain $B\frac{1}{30}$, Sacrifice $C\frac{3}{30}$

C. Sacrifice $A\frac{2}{30}$, Gain $B\frac{1}{30}$, Gain $C\frac{2}{30}$

D. Gain $A\frac{1}{30}$, Gain $B\frac{1}{15}$, Sc arifice $C\frac{1}{10}$

Answer: A

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12. A, B and C were partners in a firm sharing profits and losses in the ratio of $4, 3:2$ the partners dec ide to share future profits and losses in the ratio of $2:2:1$. Each partner's gain or sacrifice due to change in the ratio will be :

A. Scarifice $A\frac{2}{45}$, Sacrifice $B\frac{1}{45}$, Gain $C\frac{3}{45}$

B. Gain $A\frac{2}{45}$, Sacrifice $B\frac{3}{45}$, Gain $C\frac{1}{45}$

C. Scarifice $A\frac{2}{45}$, Gain $B\frac{2}{45}$, Scarifice $C\frac{1}{45}$

D. Gain $A\frac{2}{45}$, Gain $B\frac{1}{45}$, Scarifice $C\frac{3}{45}$

Answer: C

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13. A, B and C were partners in a firm sharing profits in $4:3:2$ ratio. They decided to share future profits in $4:3:1$ ratio. Scarificing ratio and gaining ratio will be :

A. A Scarifice $\frac{4}{72}$, B Sacrifice $\frac{3}{72}$, ' C Gain $\frac{7}{72}$

B. A Gain $\frac{3}{72}$, B Scacrifice $\frac{4}{72}$, C Sacrifice $\frac{4}{72}$,

C. A Sacrifice $\frac{3}{72}$, B Sacrifice $\frac{4}{72}$, C Gain $\frac{7}{72}$

D. A Gain $\frac{4}{72}$, B Gain $\frac{3}{72}$, C Sacrifice $\frac{7}{72}$

Answer: D

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14. X, Y and Z were partners sharing prifits in the ratio $2:3:4$ with effect from 1st january, 2019 they agreed to share profits in the ratio $3:4:5.$ Each partner's gain or sacrifice due to change in the ratio will be :

A. X Gain $\frac{1}{36}$, Y Nil, Z Sacrifice $\frac{1}{36}$

B. X Sacrifice $\frac{1}{36}$, Y Nil, Z gain $\frac{1}{36}$

C. X Gain $\frac{1}{36}$, Y Sacrifice $\frac{1}{36}$, Z Nil

D. X Sacrifice $\frac{1}{36}$, Y Gain $\frac{1}{36}$, Z Nil

Answer: A

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15. X, Y and Z were in partnership sharing prifits in the ratio $4:3:1$. The partners agreed to share future profits in the ratio $5:4:3$. Each partner's gain or sacrifice due to change in ratio will be :

A. X Sacrifice $\frac{2}{24}$, Y Sacrifice $\frac{1}{24}$, Z Gain $\frac{3}{24}$

B. X Gain $\frac{1}{30}$, Y Nil, Z Scarifice $\frac{1}{30}$

C. X Sacrifice $\frac{2}{24}$, Y Sacrifice $\frac{2}{24}$, Z Gain $\frac{3}{24}$

D. X Sacrifice $\frac{2}{24}$, Y Gain $\frac{3}{24}$, Sacrifice $\frac{1}{24}$

Answer: A

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16. A, B and C are equal partners in the firm, It is now agreed that they will share the future profits in the ratio $5:3:2$. Sacrificing ratio and gaining ratio of different partners will be :

A. A Sacrifice $\frac{5}{30}$, B Gain $\frac{1}{30}$, C Gain $\frac{4}{30}$

B. A Gain $\frac{5}{30}$, B Sacrifice $\frac{4}{30}$, C Sacrifice $\frac{1}{30}$

C. A Gain $\frac{5}{30}$, B Sacridfice $\frac{1}{30}$, C Sacrific e $\frac{4}{30}$

D. A Sacrifice $\frac{5}{30}$, B Gain $\frac{4}{30}$, C Gain $\frac{1}{30}$

Answer: C

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Hots

1. The excess amount which the firm can get on selling its assets over and above the saleable value of its assets is called:

A. Surplus

B. Super profits

C. Reserve

D. Goodwill

Answer: D

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2. Which of the following is NOT true in relation to goodwill?

A. It is an intagible asset

B. It is fictitious asset

C. It has a realisable value

D. None of the above

Answer: B

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3. When Goodwill is not purchased goodwill account can :

A. Never be raised in the books

B. Be raised in the books

C. Be partially raised in the books

D. Be raised as per the agreement of the partners

Answer: A

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4. 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

Answer: D

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5. Capial employed by a partnership firm is Rs.5,00,000. Its average profit is Rs. 60,000. The normal rate of return in similar type of business is 10%. What is the amount of super rofits?

A. Rs 50,000

B. Rs 10,000

C. Rs 6,000

D. Rs56,000

Answer: B

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6. Weighted average method of calculating goodwill is used when:

A. Profits are not equal

B. Profits show a trend

C. profits are fluctuating

D. None of the above

Answer: B

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7. The profits earned by a business over the last 5 years are as follows: Rs12,000 , Rs13.000, Rs 14,000 , Rs 18,000 and Rs 2,000 (loss). Based on 2 years purchase of the last 5 years profits value of Goodwill will be:

A. Rs 23,600

B. Rs 22,000

C. Rs 1,10,000

D. Rs, 1,18,000

Answer: B

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8. The average profit of a business over the last five years amounted to Rs60,000 . The normal commerical yield on capital invested in such a business is deemed to be 10% p.a. The net capital invested in the business is Rs5,00,000. Amount of goodwikll, if it is based on 3 years purchase of last 5 years super profits will be:

A. Rs 1,00,000

B. Rs 1,80,000

C. Rs 30,000

D. Rs 1,50,000

Answer: B

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9. Under the capitalisation method the formula for calculating the goodwill is:

A. Super profits multiple by the rate of return

B. A average profits multiplies by the rate of return

C. Super profits divided by the rate of return

D. Average profits divided by the rate of return

Answer: B

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10. The net assets of a firm including fictitious assets of Rs 5,000 are Rs 85,000. The net liabilities of the firm are Rs30,000. The normal rate of return is 10% and the average profits of the firm are Rs8,000. Calculate the goodwill as per capitalisation of super profits.

A. Rs 20,000

B. Rs 30,000

C. Rs 25,000

D. None of these

Answer: C

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11. Total Capial employed in the firm is Rs8,00,000, reasonable rate of return is 15% and Profit for the year is Rs 12,00,000. The value of goodwill of the firm as per capitalization method would be:

A. Rs $82, 00, 000$

B. Rs $12, 00, 000$

C. Rs $72, 00, 000$

D. Rs $42, 00, 000$

Answer: C

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12. The average capital employed of a firm is Rs 4,00,000 and the normal rate of return is 15%. The average profit of the firm is Rs 80,000 per annum. If the remuneration of the partners is estimated to be Rs10,000 per annum, then on the basis of two years purchase of super-profit, the value of teh Goodwill will be:

A. Rs 10,000

B. Rs 20,000

C. Rs 60,000

D. Rs 80,000

Answer: B

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13. A firm earn Rs 1,10,000. The normal rate of return is 10%. The assets of the firm amounted to Rs 11,00,000 and liabilities to Rs1,00,000. Value of goodwill by capitalisation of Average Actual Profits will be,

A. Rs 2,00,000

B. Rs 10,000

C. Rs 5,000

D. Rs 1,00,000

Answer: C

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14. Capital invested in a firm is Rs 5,00,000. Normal rte of return is 10%. Average profits of the firm are Rs 64,000 (after an abnormal loss of Rs 4,000). Value of goodwill at four times the super profits will be :

A. Rs 72,000

B. Rs 40,000

C. Rs 2,40,000

D. Rs 1,80,000

Answer: B

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15. P and Q were partners sharing profits and losses in the ratio of $3:2$. They decided that with effect from 1st january, 2019 they would share profits and losses in the ratio of $5:3$.

Goodwill is valued at Rs 1,28,000. In adjustment entry:

A. Cr. P by Rs 3,200, Dr. Q by Rs 3,200

B. Cr. P by Rs 37,000, Dr. Q by Rs 37,000

C. Dr. P by Rs 37,000, Cr.QbyRs 37,000

D. Dr. P b y Rs 3,200 Cr. Q by Rs 3,200

Answer: D

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16. A, B and C 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 Rs 4,800, B's Capital A/c by Cr by Rs 3,600,C's Capital A/c Cr. By Rs 24,400.

B. A's Capital A/c Cr. By Rs3,600, B's Capital A/c Cr. By Rs 3,600, C's Capital A/c Cr. By Rs 3,600

C. A's Capital A/c Dr. by Rs 1,200, C's Capital A/c Cr. By Rs1,200,

D. A's Capital A/c Cr. By Rs 1,200, C's Capital A/c Dr. by Rs1,200

Answer: A

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17. A, B and C were partners sharing profits and losses in the ratio of $7:3:2$. From 1st January, 2019 they decided to share profits and losses in the ratio of $8:4:3$. Goodwill is Rs1,20,000. In Adjustment entry for goodwill:

A. Cr. A by Rs 6,000, Dr. B by Rs 2,000, Dr. C by Rs 4,000

B. Dr. A by Rs 6,000, Cr. B by Rs 2,000, Cr. C by Rs 4000

C. Cr. A by Rs6,000, Dr. B by Rs 4,000, Dr. C by Rs 2,000

D. Dr. A by Rs6,000, Cr. B by Rs 4,000, Cr. C by Rs 2,000

Answer: D

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18. P, Q and R were partners in a firm sharing profits in $5:3:2$ ratio. They decided to share the future profits in $2:3:5$. For this purpose the goodwill of the firm was valued at Rs 1,20,000. In adjustment entry for the treatment of goodwill due to change in the profit sharing ratio.

A. Cr. P by Rs 24,000, Dr. R by Rs 24,000

B. Cr. P by Rs60,000, Dr. R by Rs60,000

C. Cr. P by Rs36,000, Dr. R by Rs 36,000

D. Dr. P by Rs36,000, Cr. R by Rs 36,000

Answer: D

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19. A, B and C are partners in a firm sharing profits in the tatio of $3:4:1$. They decided to share profits equally w.e.f. 1st April, 2019. On that date the profit and Loss Accoutn showed the credint balance of Rs 96,000. Instead of closing the Profit and Loss Account, it was decided to record an adjustment entry reflecting the change in profit sharing ratio. In the journal entry :

A. Dr. A by Rs 4,000, Dr. B by Rs 16,000, Cr . C by Rs20,000

B. Cr. A by Rs 4,000, Cr. B by Rs 16,000, Dr. C by Rs 20,000

C. Cr. A by Rs 16,000, Cr. B by Rs 4,000, Dr. C by Rs 20,000

D. Dr. A by Rs 16,000, Dr. B by Rs 4,000, Cr. C by Rs 20,000

Answer: A

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20. A, B and C are partner sharing profits in the ratio of $1:2:3$. On 1-4-2019 they decided to share the profits equally. On the date there was a credit balance of Rs 1,20,000 in their Profit and Loss Account and a balance of Rs 1,80,000 in General Reserve Account. Instead of closing the General R eserve Account and Profit and Loss Account, it is decided to record an adjustment entry for the same. In the necessary adjestment entry to give effect to the above arrangement,

A. Dr. A by Rs 50,000, Cr. B by Rs50,000

B. Cr.A by Rs 50,000, Dr. B by Rs 50 ,000

C. Dr. A by Rs 50,000, Cr. C by Rs 50,000

D. Cr. A by Rs 50,000, Dr. C by Rs50,000

Answer: C

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21. X, Y and Z are partners in a firm sharing profits in the ratio $4:3:2$. Their Balance Sheet as at 31-3-2019 showed a debit balance of Profit & Loss A/c Rs1,80,000. From 1-4-2019 they will share profits equally. In the necessary journal entry to give effect to the above arrangement when X, Y and Z decided not to close the Profit & Loss Account:

A. Dr. X by Rs20,000, Cr. Z by Rs20,000

B. Cr. X by Rs20,000, Dr. Z by Rs 20,000

C. Dr. X by Rs20,000, Dr. Z by Rs 40,000

D. Dr. X by Rs 40,000, Dr. Z by Rs 40,000

Answer: B

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22. Arun and Varun are partners sharing profits in the ratio of $4:3$. Their Balance Sheet showed a balance of Rs 56,000 in the General Reserve Account and a debit balance of Rs14,000 in Profit and Loss Account. Then now decided to share the future profits equally. Instead of closing the General Reserve Account and Profit and Loss Account, it is decided to pass an adjustment entry for the same. In adjustment entry :

A. Dr. Arun by Rs 3,000, Cr. Varun by Rs3,000

B. Dr. Arun by Rs 5,000, Cr. Varun by Rs5,000

C. Cr. Arun by Rs 5,000, Dr. Varun by Rs5,000

D. Cr. Arun by Rs3,000, Dr. Varun by Rs 3,000

Answer: C

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23. X, Y and Z are partners in a firm sharing profits in the ratio of $3:2:1.$ They decided to share future profits equally. The profit and Loss Account showed a Credit balance of Rs 60,000 and a General Reserve of Rs 30,000. If these are not be shown in balance sheet, in the journal entry :

A. Cr. X by Rs15,00,000, Dr. Z by Rs 15,000

B. Dr. X by Rs 15,000, Cr, Z by Rs 15,000

C. Cr. X by Rs45,000, Cr . Y by Rs 30,000, Cr. Z by Rs 15,000

D. Cr, X by Rs30,000, Cr Y by Rs 30,000, Cr. Z by Rs 30,000

Answer: A

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24. 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 partners in old profit sharing ratio

B. Disributed to the partners in new profit sharing ratio

C. Distributed to the partners in capital ratio

D. Carried forward to new balcnce sheet without any adjustment

Answer: D

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25. Any change in the relationship of existin g partners which results in an end of the existing agreement and endorces making of a new agreement is called

A. Revaluation of partenership.

B. Reconstitution of partnership.

C. Realization of partnership.

D. None of the above.

Answer: C

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