1. Ram and Shyam are partners with the capital of rs.25000/- and Rs.15000/respectively. Interest payable on capital is $10 \%$ p.a. Find the interest on capital for both the partners when the profits earned by the firm is Rs.2400/-

| A] Rs.2500/- and | B] Rs.1500/- and | C] No interest will | D] None |
| :--- | :--- | :--- | :--- |
| Rs.1500/- | Rs.900/- | be paid |  |

As per section 13 of the Partnership Act 1932, interest will be allowed out of profit only to the extent of available profit.
2. $A, V$ and $C$ are equal partners. $D$ is admitted to the firm for one fourth share. D brings Rs.20000/- capital and Rs. 5000 being half of the premium for goodwill. The value of goodwill of the firm is

| A] Rs.10000/- | Rs.20000/- | C] Rs.40000/- | D] None |
| :--- | :--- | :--- | :--- |

$5000 / 1 \times 4=20000$ (half) full value $=20000 \times 2=40000$
3. $A$ and $B$ are partners sharing profits in the ratio $5: 3$. They admitted $C$ giving him $3 / 10^{\text {th }}$ share of profit. If $C$ acquires $1 / 5^{\text {th }}$ share from $A$ and $1 / 10^{\text {th }}$ from $B$. New profit sharing ratio will be

| A] 5: $6: 3$ | B] $2: ` 4: 6$ | C] $18: 24: 38$ | D] 17: $11: 12$ |
| :--- | :--- | :--- | :--- |

A's share $=5 / 8-1 / 5=17 / 40$ B's Share $3 / 8-1 / 10=22 / 80$ or $11 / 40$
4. The goodwill brought in by incoming partner in cash for joining in a partnership firm is taken away by the old partners in their $\qquad$ .ratio

| A] capital ratio | B] New ratio | C] old ratio | D] sacrificing ratio |
| :--- | :--- | :--- | :--- |

5. $A$ and $B$ are partners sharing profits and losses in the ratio 5:3. They admitted $C$ and agreed to give him $3 / 10^{\text {th }}$ of the profit. What is the new ratio after C's admission?

| A] 35: 42: 17 | B] 35: $21: 24$ | C] 49: 22: 29 | D] 34: 20: 12 |
| :--- | :--- | :--- | :--- |

C's share $3 / 10$ balance $1-3 / 10=7 / 10$ A's new share $7 / 10 \times 5 / 8=35 / 80$
B's new share $7 / 10 \times 3 / 8=21 / 80$ C's share $3 / 10 \times 8=24 / 80$
6. Fixed capital account is credited with

| A] interest on <br> capital | B] profit of the <br> year | C] salary of the <br> partner | D] none |
| :--- | :--- | :--- | :--- | :--- |

In case of fixed capital, all adjustment will be done in current account

7] Outgoing partner is compensated for parting with firm's future profits in favour of remaining partners. In what ratio do the remaining partners contribute to such compensation amount?

| A] gaining ratio | B] capital ratio | C] sacrificing ratio | D] profit sharing |
| :--- | :--- | :--- | :--- |

In case of admission = sacrificing ratio In case of retirement = gaining ratio
8] In the absence of an agreement, partners are entitled to

| A] salary | B] commission | C] interest on loan <br> And advance | D] profit share in <br> capital ratio |
| :--- | :--- | :--- | :--- |

9] Seetha and Geeta are partners sharing profits and losses in the ratio of $4: 1$. Meeta was the manager who received salary of Rs.4000/- per month in addition to a commission of $5 \%$ on net profits after charging such commission. Profits for the year is Rs.678000/- before charging salary. The total remuneration of meeta is

| A] 78000 | B] 88000 | C] 87000 | D] 76000 |
| :--- | :--- | :--- | :--- |

$$
4000 \times 12=48000+678000-48000 / 105 \times 5=30000
$$

10] In the absence of agreement, partners are liable to receive interest on their loans @

| A] $12 \%$ simple <br> interest | B] 9\% simple <br> interest | C] 10\% compound <br> interest annually | D] 6\% simple <br> interest p.a. |
| :--- | :--- | :--- | :--- |

11] X and Y are partners sharing profits in equal ratio. Z is admitted into the firm for $50 \%$ share in the profit which he acquires from X and Y equally. The profit sharing ratio will be
A] $1 / 3: 1 / 3: 1 / 3$
B] $1: 1: 2$
C] $2: 1: 1$
D] none

X new ratio $1-1 / 4=2 / 4$ y new ratio $1-1 / 4=2 / 4$ z new ratio $1 / 2$ new ratio 1:1:2 12] $A$ and $B$ are partners sharing profits and losses in the ratio of $5: 3$. On admission C brings Rs.70000/- cash and Rs.48000/- against goodwill. New profit sharing ratio between $A, B$ and $C$ is 7:5:4. Find the sacrificing ratio

| A] 3:1 | B] $4: 7$ | C] $5: 4$ | D] 2:1 |
| :--- | :--- | :--- | :--- |

Sacrificing ratio $=$ Old ratio - new ratio A 5/8-7/16 $=3$ B 3/8-5/16 $=1$
13] $A, B$ and $C$ are partners with profit sharing ratio $4: 3: 2$. $B$ retires and Goodwill Rs. 10800 was shown in the books of account. If $A$ and $C$ shares profits of $B$ in the ratio of 5:3, then find the value of goodwill shared between $A$ and $C$
A] 1850/- \& 1950/- $\quad$ B] 1650/- \& 1750/-
C] 1950/- \& 1650/-
D]2000/- \& 1600/-

Gaining ratio $=$ New ratio - old ratio
14. $A$ and $B$ are partners sharing profits and losses in the ratio of 3:2 (A's capital is Rs. 30000 and B's capital is Rs.15000). They admitted C and agreed to give $1 / 5^{\text {th }}$ share of profits to him. How much C should bring in towards his capital?
A] 9000
B] 12000
C] 14500
D] 11250

If C's share is $1 / 5$ then balance is $4 / 5$ if $4 / 5$ is $45000(30000+15000)$ then $1 / 5$ is $45000 / 4 \times 1=11250$

15] $X$ and $Y$ are partners sharing profits in the ratio of $3: 1$. They admit $Z$ as a partner who pays Rs.4000/- as goodwill. The new profit sharing ratio being 2:1:1 among X, Y, Z respectively. The amount of goodwill be credited to

| A] X 3000 Y 1000 | B] X only | C] Y only | D] none |
| :--- | :--- | :--- | :--- |

on admission goodwill to be shared in sacrificing ratio $S R=O R-N R$ $X=3 / 4-2 / 41 Y=1 / 4-1 / 4=0$
16. $A, B$ and $C$ are partners sharing profits and losses in the ratio $2: 1: 1$. Firm has a joint life policy of Rs.120000/- and in the balance sheet it is appearing at the surrender value Rs.20000/-. On the death of A, how this Joint life policy (JLP) will be shared among partners

| A] 50000: | B]60000: | C]40000: | D] whole of Rs.120000/- |
| :--- | :--- | :--- | :--- |
| 25000:25000 | $30000: 30000$ | $35000: 25000$ | will be paid to A |

120000-20000(surrender value) 100000 according to profit sharing ratio
17. $A, B$ and $C$ are partners in a firm. A took insurance on his life, for and on account of partnership and the premium in respect of insurance policy is paid out of the partnership fund. A designated $B$ as nominee of the insurance. Who will be beneficiary of insurance policy?

| A] A | B] B | C] And B jointly | D] Partnership firm of A, B \& C |
| :--- | :--- | :--- | :--- |

18. $A$ and $B$ are partners sharing profits in the ratio of $5: 3$. They admit $C$ and the new profit sharing Raito is agreed at 4:2:1. The sacrificing ratio will be
A] 5:3
B] $1: 1$
C] 2:1
D] $3: 5$
$S R=O R-N R A 5 / 8-4 / 7=3 B 3 / 8-2 / 7=5$
19. $A$ and $B$ are partners sharing profits in the ratio of $4: 1$. $C$ is admitted for $1 / 4$ th share in the profits which he acquires wholly from A. The new profit sharing ratio will be

| A] 4:11:5 | B] $10: 5: 5$ | C] 8:7:5 | D] 11:4:5 |
| :--- | :--- | :--- | :--- |

$C=1 / 4 \quad A=4 / 5-1 / 4=11 / 20 B] 1 / 5$ to convert to $204 / 20$
20. Interest payable on the capital of the partners is charged in

| A] P and L A/c. | B] P and L <br> (Adjustment) A/c. | C] P and L <br> (Appropriation) A/c. | D] Realisation <br> account |
| :--- | :--- | :--- | :--- |

21] $X$ and $Y$ partners sharing profits in the ratio of 3:1. They admit $Z$ as a partner who pays Rs. 8000 as goodwill the new profit sharing ratio being 2:1:1 among $X$, Y and Z respectively. The amount of goodwill be credited to

| A] X 6000 Y 2000 | B] X only | C] Y only | D] None |
| :--- | :--- | :--- | :--- |

Goodwill be shared on SR. SR=OR - NR for $X=3 / 4-2 / 4=1 \quad Y=1 / 4-1 / 4=0$
22. in the absence of an agreement to the contrary

A] An active partner is entitled for salary and a sleeping partner for interest on capital @ $6 \%$ per annum
B] An active partner is entitled for salary and each partner for interest on capital @ 6\% p.a
C] All partners are entitled for salary and interest on capital @ $6 \%$ p.a.
D] No partner is entitled for salary or interest on capital
23. An ordinary partnership firm can have

| A] not more than |
| :--- | :--- | :--- | :--- |
| 20 members |$\quad$| B] not more than |
| :--- |
| 50 members |$\quad$| C] not less than 3 |
| :--- |
| partners |$\quad$| D] any number of |
| :--- |
| partners |

24. $A, B$ and $C$ are partners sharing profits in the ratio of $3: 2: 1$. $D$ is admitted. The new profit sharing ratio among $A, B, C$ and $D$ will be 3:3:2:2. The gain or sacrifice will be

| A] A sacrificed 6/30 | B] A sacrificed 1/ <br> B sacrificed $1 / 30$ | C] C gained 1/30D <br> 30 B sacrificed 6/30 <br> gained $2 / 10$ | D] Both a and <br> C |
| :--- | :--- | :--- | :--- |

25. When interest is to be allowed on the capitals of the partners, it is calculated on the basis of the
A] Capital at the end of the year
B] Capital at the end of the year less drawing if any
C] Capital in the beginning of the year
D] Average capital
26. In case revaluation account is prepared, the assets and liabilities appears in the books of reconstituted firm at their

| A] old book value | B] market value | C] revalued figure | D] realizable value |
| :--- | :--- | :--- | :--- |

27. $A$ and $B$ are partners sharing profits in the ratio of $3: 2$. $C$ is admitted into the firm for $1 / 5^{\text {th }}$ shared in the profit which he acquires equally from $A$ and $B$. The new profit sharing ratio will be

| A] 3:5:2 | B] 4:4:2 | C] 5:3:2 | D] 6:2:2 |
| :--- | :--- | :--- | :--- |
| C |  |  |  |

C is share $1 / 5 A$ is new share $3 / 5-1 / 10=5 / 10 \quad B=2 / 5-1 / 10=3 / 10$
28. Which of the following is true?

A] An incoming partner acquires his share from all the old partners in their profit sharing ratio
B] An incoming partner acquires his share from all the old partners in some agreed ratio
C] An incoming partner acquires his share from one or more of the old partners in some agreed ratio.
D] None of the above.
29] $A$ and $B$ are partners sharing profits and losses in the ratio of $3: 2$ (A capital Rs. 54000 and B Rs. 36000 ). They admitted $C$ agreed to give $1 / 5^{\text {th }}$ share of profits to him. How much C should bring in towards his capital?

| A] 18000 | B] 24000 | C] 29000 | D] 22500 |
| :--- | :--- | :--- | :--- |
| $4 / 5=90000$ therefore $1 / 5=90000 / 4 \times 1=22500$ |  |  |  |

30] $A$ and $B$ are partners sharing profits and losses in the ratio of $3: 2$. They admit $C$ into partnership for one fourth share of the profits while $A$ and $B$ as between themselves sharing profits and losses equally. The new profit sharing (NR) ratio and sacrificing ratio (SR) will be

| A] NR3:3:2 SR1:9 | B] NR4:2:2 SR9:1 | C] NR3:3:2 SR9:1 | D]None |
| :--- | :--- | :--- | :--- |

New ratio $1-1 / 4=3 / 4 \quad$ A $1 / 2$ of $3 / 4=3 / 8 \quad B \quad 1 / 2$ of $3 / 4=3 / 8 \quad$ C convert $1 / 4=2 / 8$ 3:3:2
Sacrificing ratio $=O R-$ NR $A=3 / 5-3 / 8=9 \quad B=2 / 5-3 / 8=1$
31] Which of the following items are added to previous year profit for the purpose of goodwill valuation?

| A] loss due to fire | B] loss on sale of <br> fixed assets | C] loss due to sale <br> of invoice |
| :--- | :--- | :--- | D] all of the above $\quad$.

32] $X$ and $Y$ shared profits and losses in the ratio of 3:2. With effect from 01/04/2009 they agreed to share profit equally. The goodwill of the firm valued at Rs.30000/-. The necessary single adjusting entry will involve

| A] Debit Y and <br> credit X by Rs. 3000 | B] Debit X and <br> credit Y by Rs. 3000 | C Debit Y and credit <br> X by Rs. 300 | D] Debit X and <br> credit Y by Rs. 300 |
| :--- | :--- | :--- | :--- | :--- |

Old share of goodwill $=X 30000 \times 3 / 5=18000 Y=30000 \times 2 / 5=12000$
New share of goodwill $=X 30000 \times 1 / 2=15000 Y=30000 \times 1 / 2=3000$

| 1] b | 2] C | 3] d | 4] d | 5] b | 6] d | 7] a | 8] c | 9] a | 10] d |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| 11] b | 12] a | 13] | 14] d | 15] b | 16] a | 17] d | 18] d | 19] d | 20] c |  |
| 21] b | 22] d | 23] a | 24] d | 25] a | 26] c | 27] c | 28] c | 29] d | 30] c |  |
| 31] a | 32] b |  |  |  |  |  |  |  |  |  |

