Class-XII (Goodwill & Admission of a new Partner) Objective Question

B.S.E.B (SET-A)

1. **Goodwill bought in by incoming partner in cash for joining in a partnership firm is taken away by the old partners in:**
   (a) Old Profit Sharing Ratio. (b) New Profit Sharing Ratio. (c) Sacrificing Ratio. (d) Capital Ratio

2. **Weighted average method of calculating goodwill should be followed when:**
   (a) Profits are uneven. (b) Profits has increasing trend.
   (c) Profits have decreasing trend. (d) Either 'b' or 'c'.

3. **When the new partner comes and give cash for goodwill then the amount debited to the account is:**
   (a) In goodwill A/c (b) Cash A/c (c) New partner capital a/c (d) None of these

4. **P/L Appropriation A/c is prepared**
   (a) For reserve fund (b) For net Profit (c) For divisible profit (d) None of these

5. **Share of goodwill brought in cash by the new partner is called**
   (a) Assets. (b) Profit (c) Premium (d) None of these

6. **In the absence of any provision in the partnership agreement, profits are shared -**
   (a) In the ratio of capitals. (b) Equal
   (c) In the ratio of loans given by them to the partnership firm. (d) None

7. **A, B and C are partners in a firm. If D is admitted as a partner,**
   (a) Old firm is reconstituted (b) Old firm and partnership is dissolved
   (c) Old firm is dissolve (d) none of these

8. **Recording of an unrecorded liability on the reconstitution of a partnership firm will be**
   (a) A gain to the existing partners (b) A loss of existing partners
   (c) A loss to the existing partners (d) none of these

9. **Recording of an unrecorded assets on the reconstitution of a partnership firm will be**
   (a) A gain to the existing partners (b) A loss to the existing partner
   (c) Neither a gain nor a loss to the existing partner (d) none of these

10. **Profit and loss Adjustment Account is a**
    (a) Nominal Account (b) Real Account (c) Personal Account (d) Real and Nominal Account Both.

11. **Revaluation Account is a**
    (a) Nominal Account (b) Real Account (c) Personal Account (d) Real and Nominal Account Both.

12. **The profits and losses for the last years are 2001-02 Losses Rs.10,000 ; 2002-03 Losses Rs. 2,500; 2003-04 Profits Rs. 98,000 & 2004-05 Profits Rs. 76,000. The average capital employed in the business is Rs. 2,00,000. The rate of**

interest expected from capital invested is 12%. The remuneration of partners is estimated to be Rs. 1,000 per month. Calculate the value of goodwill on the basis of four years purchase of super profits based on the annuity of the four years. Take discounting rate as 10%.
(a) Rs. 13,868. (b) Rs. 13,568. (c) Rs. 13,668. (d) Rs. 13,500.

13. **Interest on capital is calculated on the**
(a) Opening capital (b) Average Capital (c) Closing Capital (d) Closing less drawing

14. **The current account of a partner will always have-**
(a) Credit balance (b) Debit balance (c) No balance (d) May have debit or credit balance

15. **When a partner is entitled to interest on capital, it is payable-**
(a) Out of Profit (b) Out of Capital (c) May be out of profits or capital (d) none of these

16. **At the time of admission of new partner general reserve appearing in the old Balance Sheet is transferred to**
(a) New partners capital Account (b) All partners capital account
(c) Old partners capital account (d) none of these

17. **On the admission of a new partner increase in the value of assets is debited**
(a) Old partner's capital A/c (b) Revaluation account (c) Assets account (d) none of these

18. **X,Y and Z are partners sharing profits and losses in the ratio 5:3:2 decide to share the future profits in the ratio 2:3:5. What will be treatment for workmen compensation fund appearing in the balance sheet on the date if no information is available for the same?**
(a) Distributed to the partners in 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.

19. **At the time of admission of a partner, undistributed profits appearing in the Balance Sheet of the old firm is transferred to the capital of**
(a) All the partner in the new profit-sharing ratio (b) Old partner in old profit-sharing ratio
(c) Old partner in the new profit-sharing ratio (d) none of these

20. **General reserve at the time of admission of a new partner is transferred to**
(a) Revaluation Account (b) Old Partners capital Account
(c) Profit and loss Adjustment Account (d) Realisation Account

21. **Which of the following assets is compulsorily revalued at the time of admission of a new partner-**
(a) Fixed Assets (b) Goodwill (c) Stock (d) a and b both-

22. **A and B are partners sharing profits in the ratio of 3:2. A's capital is Rs 48,000 and B's capital is Rs 32,000. C is admitted for 1/5th the share in profits. What is the amount of capital which should C bring?**
(a) Rs64,000 (b) Rs20,000 (c) Rs1,00,000 (d) Rs 16,000

23. **Weighted average method of calculating goodwill is used when-**
(a) Profit is unequal (b) Profit has increase trend (c) Profit has decrease trend (d) Either B or C

24. **Excess of the credit side over debit side in revaluation A/c is**
(a) Profit (b) Loss (c)Gain (d) Expense

25. **A and B are partners, C is admitted with 1/5 share. C brings Rs 1,20,000 as his share towards capital. The total net worth of the firm is-**

(a) Rs1,00,000 (b) Rs6,00,000 (c) Rs1,20,000 (d) Rs4,00,000

26. Formula of Sacrificing ratio is-
(a) New ratio – Old ratio (b) Old ratio – New ratio (c) Gain ratio – Sacrificing ratio (d) none of these

27. When there is no Goodwill Account in the books and goodwill is raised the which account will be debited-
(a) Partners capital A/c (b) Goodwill (c) Cash (d) Reserve

28. The excess of average profit over the normal profit is called
(a) Fixed Profit (b) Super Profit (c) Abnormal Profit (d) Net Profit

29. The monetary value of reputation of the business is called-
(a) Super Profit (b) Goodwill (c) Surplus (d) Abnormal Profit

30. Capital employed in a business is Rs1,50,000: profit are Rs 50,000 and the normal rate of profit is 20%. The amount of goodwill as per capitalization method will be-
(a) Rs2,00,000 (b) Rs1,00,000 (c) Rs3,00,000 (d) Rs1,50,000

31. A firm earns profit of Rs 1,10,000. The normal rate of return in a similar type of business is 10%. The value of total assets (excluding goodwill) and total outside liabilities are Rs 11,00,000 and Rs 1,00,000 respectively. The value of goodwill is
(a) Rs1,00,000 (b) Rs10,00,000 (c) Zero (d) none of these

32. State the true statement
(a) Profit and loss Adjustment A/c is prepared for revaluation of assets and liabilities on the admission of a partner
(b) The new partner is liable for the past losses of the firm
(c) In case the new partner is unable to bring in cash for goodwill, a Goodwill Account may be raised in the firms books as per As-10
(d) When a partner is admitted, there is dissolution of firm

33. Goodwill is –
(a) An Intangible Assets (b)A Tangible Assets (c) A Current Assets (d) none of these

34. The opening balance of Partner's Capital Account is credited with
(a) Interest on capital (b) Interest on Drawing (c) Drawing (d) Share in loss

35. Generally the interest on capital is considered as
(a) An appropriation of profit (b) An assets (c) An expenses (d) none of these