MULTIPLE CHOICE QUESTIONS

SET I

1. X and Y shared profit and losses in the ratio of 3: 2. With effect from 1st January 20X1 they agreed to share profits equally. The goodwill of the firm was valued at Rs 30,000. The necessary single adjusting entry will involve.
   (a) Debit Y and Credit X by Rs 3,000
   (b) Debit X and Credit Y with Rs. 3,000
   (c) Debit X and Credit Y wit Rs. 300
   (d) Debit Y and Credit X with Rs. 300
2. X, Y and Z are partners sharing profits & losses in the ratio of 5 : 3 : 2. From 1st January 20X6, they decide to share profits and losses in the ratio of 2 : 5 : 3. The Partnership deed provides that in the event of any change in profit sharing ratio, the goodwill should be valued at two years' purchase of the average profits of the preceding 5 years. The profits and losses of the preceding years are 20X1 profit Rs 39,000, 20X2 Profit Rs 57,000, 20X3 Profit Rs

24,000, 20X4 Profit Rs 27,000, 20X5 Loss Rs 12,000. The necessary single adjusting entry will involve:

(a) Debit Y by Rs 10,800 and Z by Rs 5,400 and Credit X by Rs 16,200
(b) Debit Z by Rs. 10,800 by Y by Rs. 5,400 and Credit X by Rs. 16,200
(c) Debit X by Rs. 10,800 and Z by Rs. 5,400 and Credit Y by Rs. 16,200
(d) Debit Z by Rs. 10,800 and X by Rs. 5,400 and Credit Y by Rs. 16,200

3. X, Y and Z are sharing profits & losses in the ratio of 5:3:2. They decide to share future profits & losses in the ratio of 2:3:5 with effect from 1st April 20X2. They also decide to record the effect of following revaluations without affecting the book values of the assets & liabilities, by passing a single adjusting entry:

	Book Figure	*Revalued Figure*
Land & Building	Rs 60,000	Rs 90,000
Plant & Machinery	Rs 90,000	Rs 84,000
Trade Creditors	Rs 30,000	Rs 27,000
Outstanding Expenses	Rs 27,000	Rs 36,000

The necessary single adjusting entry will involve:

(a) Debit Z and Credit X with Rs 5,400 (b) Debit X and Credit Z with Rs 5,400
(c) Debit Y and Credit X wit Rs. 5,400 (d) Debit X and Credit Y wit Rs. 5,400

4. X, Y and Z are sharing profits & losses in the ratio of 5:3:2. They decide to share future profits & losses in the ratio of 2:3:5 with effect from 1st April, 20X2. They also decide to record the effect of the following accumulated profits, losses & reserves without affecting their book figures, by passing a single adjusting entry.

	Book Figure
General Reserve	Rs 24,000
Profit & Loss A/c	Rs 6,000
Advertisement Suspense A/c (Dr.)	Rs 12,000

The necessary single adjusting entry will involve:

(a) Debit Z and Credit X with Rs 5,400 (b) Debit X and Credit Z with Rs 5,400
(c) Debit Y and Credit X wit Rs. 5,400 (d) Debit X and Credit Y wit Rs. 5,400

5. A, B and C are partners sharing profits and losses in the ratio 3:2:1. They decide to change their profit sharing ratio to 2:2:1. To give effect to this new profit sharing ratio they decided to value the goodwill at Rs. 60,000. Pass the necessary journal entry if Goodwill not appearing in the old balance sheet and should not appear in the new balance sheet.

(a) B's Capital Account	Dr.	4,000	
C's Capital Account	Dr.	2,000	
To A's Capital Account			6,000
(b) Goodwill Account	Dr.	60,000	
To A's Capital Account			30,000
To B's Capital Accouint			20,000
To C's Capital Account			10,000
(c) A's Capital Account	Dr.	24,000	
B's Capital Account	Dr.	24,000	
C's Capital Accoiunt	Dr.	12,000	
To Goodwill Account			60,000
(d) A's Capital Accont	Dr.	6,000	
To B's Capital Account			4,000
To C's Capital Account			2,000

6. 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.

ANSWERS

Set I

1. (a) **2.** (a) **3.** (a) **4.** (a) **5.** (a) **6.** (a)