Test Series No 4 - 60 Marks

1. In the absence of a partnership deed, the allowable rate of interest on partners loan account will be
   (a) 4%
   (b) 7%
   (c) 6%
   (d) 12%

2. In-------- method, depreciation is charged by allocating depreciable cost in proposition of the annual output to the probable life-time output.
   (a) Working hours method
   (b) Replacement method
   (c) Revaluation method
   (d) Production units method

3. Mr. X is a partner in a firm. He withdraws Rs.200 at the end of each month. If rate of interest on drawings is @ 5% p.a., the interest on drawings is
   (a) Rs.65
   (b) Rs. 55
   (c) Rs.60
   (d) Rs. 50

4. The profits of last three years are Rs. 58,000, Rs. 55,000 and Rs. 61,000. Capital employed is Rs. 500000 and normal rate of return is 10%. The amount of goodwill calculated on the basis of super profit method for three years of purchase will be
   (a) Rs. 8,000
   (b) Rs. 16,000
   (c) Rs. 24,000
   (d) Rs. 32,000

5. The plant and machinery account of a firm had a debit balance of Rs. 1,47,390 on Jan. 1, 2006. It has purchased on Jan 1, 2003. Firm has been following the practice of charging full years depreciation every year on diminishing balance system @ 15%. Cost of machinery on 1.1.2003 will be
   (a) Rs. 240,000
   (b) Rs. 250,000
   (c) Rs. 200,000
   (d) Rs. 260,000

6. A and B are partners in a firm with profit sharing ratio of 2:3. They admit C as a partner for $1/4^{th}$ share of profit. What would be the sacrificing ratio of A and B?
   (a) 1:1
   (b) 2:3
   (c) 3:2
   (d) 5:2

7. The additional amount brought by an incoming partner at the time of his admission is called........
   (a) Goodwill
   (b) Premium
   (c) Bonus
   (d) Donation

8. Interest on drawing of the partner is a
   (a) Loss to business
   (b) Profit to business
   (c) Profit to partners
   (d) Loss to bank

9. In the absence of specific provision in the partnership deed at what rate interest on drawing of the partners would be allowed
   (a) @8%
   (b) @10%
   (c) @6%
   (d) Nil

10. Death of partner has the effect of
    (a) Dissolving the firm
    (b) Result in continuance of the business of the firm
    (c) His heirs joining the firm
    (d) Computation of profits upto the date of death

11. A, B, C are partners sharing profits and losses in the ratio of 4/9:1/3:2/9. B retires and surrenders $1/9^{th}$ of his share in favour of A and remaining in favour of C. The new profit sharing ratio will be:
    (a) 13:14
    (b) 14:13
    (c) 1:8
    (d) 8:1

12. A, B and C were partners in a firm sharing profits and losses in the ratio of 2:2:1 respectively with the capital balance of Rs. 100,000 for A and B, for C Rs. 50,000. B declared to retire from the firm and balance in reserve on the date was Rs. 30,000.If

goodwill of the firm was valued as Rs. 60,000 and profit on revaluation was Rs. 14,100 then what amount will be transferred to the loan account of B.

(a) Rs. 1,41,640
(b) Rs. 1,01,640
(c) Rs. 51,640
(d) Rs. 1,17,640

13. A and B are partners sharing profits in the ratio of 3:2. C is admitted paying a premium with 1/4th share of profit of which he acquires 1/6th from A and 1/12th from B. The goodwill of the firm is valued at Rs. 20,160. One half of goodwill is withdrawn by the partners. A and B withdrew:

(a) Rs. 1,680, Rs. 840
(b) Rs. 840, Rs. 1,680
(c) Rs. 3,360 Rs. 1,680
(d) Rs. 2,520, Rs. 2,520

14. A and B are partners sharing profits and losses in the ratio 5:3. On admission, C brings Rs 70,000 cash and Rs 48,000 against goodwill. New profit sharing ratio between A, B and C are 7:5:4. The sacrificing ratio among A:B will be

(a) 3:1
(b) 4:7
(c) 5:4
(d) 2:1

15. Depreciation is to be calculated from the date of :-

(a) Asset is put to use
(b) Purchase order of asset
(c) Receipt of asset at business premise
(d) Invoice of Assets.

16. X and Y share profits and losses in the ratio of 2 : 1. They take Z as a partner and the new profit sharing ratio becomes 3:2:1. Z brings Rs.4,500 as premium for goodwill. The full value of goodwill will be

(a) Rs.4,500
(b) Rs. 18,000
(c) Rs.27,000
(d) Rs. 24,000

17. Ashok purchased a machine on 01.01.2005 for Rs 1,20,000. Installation expenses were Rs. 10,000. Residual value after 5 years Rs. 5,000.On 01.07.2005, expenses for repairs were incurred to the extent of Rs 2,000. Depreciation is provided under straight line method. Annual Depreciation is

(a) Rs. 13,000
(b) Rs. 17,000
(c) Rs. 21,000
(d) Rs. 25,000

18. R, J and D are the partners sharing profits in the ratio 7:5:4. D died on 30th June 2006 and profits for the accounting year 2005-06 were Rs 24,000. How much share in profits for the period 1st April 2006 to 30th June 2006 will be credited to D's Account?

(a) Rs. 6,000
(b) Rs. 1,500
(c) Nil
(d) Rs. 2,000

19. At the time of admission of a new partner, if the value of goodwill is overstated in the books, it is written back by

(a) Old partners in old profit/loss sharing ratio
(b) All the partners including the new partner in new profit/loss sharing ratio
(c) Old partners in sacrificing ratio
(d) New partner in gaining ratio

20. Sita and Gita are partners sharing profits and losses in the ratio of 3:2 having the capital of Rs. 80,000 and Rs. 50,000 respectively. They are entitled to 9% p.a. interest on capital before distributing the profits. During the year firm earned Rs. 7,800 after allowing interest on capital. Profits apportioned among Sita and Gita is:

(a) Rs. 4,680 and 3,120
(b) Rs. 4,800 and 3,000
(c) Rs. 5,000 and 2,800
(d) None of the above

21. What time would be taken into consideration if equal monthly amount is drawn as drawing at the beginning of each month:

(a) 7 months
(b) 6 months
(c) 5 months
(d) 6.5 months

22. X and Y are partners with the capital of Rs. 50,000 and Rs. 30,000 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. 4,800

(a) Rs. 5,000 and Rs. 3,000
(b) Rs. 3,000 and Rs. 1,800
(c) No interest will be paid to the partners
(d) None of the above

23. A person may be admitted as a partner with the consent of
(a) Majority of the partners
(b) Senior partners
(c) All the existing partners
(d) Working partners

24. A and B are partners sharing profits in the ratio of 3:2. They admit C who takes 2/7th from A and 1/7th from B. The new profit sharing ratio will be:
(a) 15:9:11
(b) 15:11:9
(c) 11:9:15
(d) 9:11:15

25. Decrease in asset at the time of retirement of a partner is
(a) Credited to revaluation A/c
(b) Debited to revaluation A/c
(c) Debited to profit and loss A/c
(d) Debited to goodwill A/c

26. A, B and C are partners sharing profits in the ratio of 4:3:2. B retires. A and C decide to share profits in the future in the ratio of 5:3. The gaining ratio will be:
(a) 11:13
(b) 4:2
(c) 3:5
(d) 13:11

27. Depreciation method that does not result in decreasing charges is-
(a) Sinking Fund method
(b) Double digit method
(c) Written down method
(d) Sum years digit method

28. Original cost = Rs. 1,26,000. Salvage value = Rs. 6,000. If unit produced in 2nd year was 5000 and total estimated production 50,000. Depreciation for 2nd year
(a) 10,800
(b) 11,340
(c) 12,600
(d) 12,000

29. X and Y are partners sharing profits and losses in the ratio 4:1. Z was manager who received the salary of Rs. 8,000 p.m. in addition to a commission of 5% on net profits after charging such commission. A profit for the year is Rs. 13,56,000 before charging salary. Find the total remuneration of Z.
(a) Rs. 1,56,000
(b) Rs. 1,76,000
(c) Rs. 1,74,000
(d) Rs. 1,52,000

30. Under average profit basis goodwill is calculated by:
(a) No. of years purchased multiplied with average profits.
(b) No. of years purchased multiplied with super profits.
(c) Summation of the discounted value of expected future benefits
(d) Super profit divided with expected rate of return

31. The profit of the M/s ABC, a partnership firm before charging managerial commission is Rs. 44,000. The managerial commission is charged @ 10% on profit after charging such commission. The amount of managerial commission will be
(a) Rs.4,400
(b) Rs.40,000
(c) Rs.4,000
(d) Rs.39,600.

32. X and Y partners sharing profits in the ratio of 3:1. They admit Z as a partner who pays Rs. 8,000 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 and Y as Rs. 6,000 and Rs. 2,000 respectively
(b) X only
(c) Y only
(d) None of above

33. If cost of an asset is Rs. 8,000, life is 3 years and estimated scrap value is Rs. 1000, the rate of depreciation under WDV method is

(a) 33.3%
(b) 66.6%
(c) 50%
(d) 75%

34. X, Y and Z are partners sharing profits & losses in the ratio of 4/9:1/3:2/9 respectively. Y retires and his share is taken up by X and Z in the ratio of 13:11. The new profit sharing ratio will be:
(a) 3:5
(b) 1:1
(c) 5:3
(d) None of these

35. At the time of retirement of a partner the existing partners decided to value of Stock from Rs. 10,000 to Rs. 12,500, Building from Rs. 50,000 to Rs. 52,500, Sundry creditors from Rs. 12,000 to Rs. 13,000 and also agreed to take on record unrecorded liability of Rs. 2000. What is the profit or loss on revaluation of Assets and liabilities ?
(a) Rs. 2000 Profit
(b) Rs. 3000 Profit
(c) Rs. 3500 loss
(d) Rs. 2000 loss

36. ABC Associates is a partnership firm, it intents to revalue its goodwill, average profit for the past five years are Rs. 15,000 p.a. goodwill is being valued 3 years purchase of average profit. The goodwill of the firm would be valued at
(a) Rs. 15,000
(b) Rs. 45,000
(c) Rs. 20,000
(d) Rs. 7500

37. H ltd purchased a machinery on April 01, 2000 for Rs. 3,00,000. It is estimated that the machinery will have a useful life of 5 years after which it will have no salvage value. If the company follows sum-of-the-years-digits method of depreciation, the amount of depreciation charged during the year 2004-05 was
(a) Rs. 1,00,000
(b) Rs. 80,000
(c) Rs. 60,000
(d) Rs. 20,000

38. A, B and C are partners in the firm sharing profits and losses in 5:3:2 ratio. The firm's balance sheet as on 31.03.2006 shows the reserve balance of Rs 25,000, profit of the last year Rs 50000. Joint life policy of Rs 10,00,000 and fixed assets of Rs 12,00,000. On 1st June, C died and on the same date assets were revalued. The executor of the deceased partner will get along with the capital of C
(a) Share in the reserve account of the firm
(b) Proportionate share of profit upto the date of death
(c) Share in joint life policy
(d) All of the above

39. A and B are partners, sharing profits in the ratio of 5:3. They admit C with 1/5 share in profits, which he acquires equally from both 1/10 from A and 1/10 from B. New profit sharing ratio will be
(a) 2:1:1
(b) 20:10:4
(c) 15:10:5
(d) None of the three

40. A, B and C are partners sharing profits and losses in the ratio 6:3:3, they agreed to take D into partnership for 1/8th share of profits. Find the new profit sharing ratio.
(a) 12:27:36:42
(b) 42:21:21:12
(c) 1:2:3:4
(d) 7:5:3:1

41. A, B and C were capitals of Rs. 50,000; Rs. 40,000 and Rs. 30,000 respectively carrying on business in partnership. The firm's reported profit for the year was Rs. 80,000. As per provisions of the Indian Partnership Act, 1932 find out the share or each partner in the above amount after taking into account that no interest has been provided on an advance by A of Rs. 20,000 in addition to his capital contribution.
(a) Rs. 26,267 for partner B and C & Rs. 27,466 for partner A.
(b) Rs. 26,667 each partner
(c) Rs. 33,333 for A, Rs. 26,667 and Rs. 20,000 for C
(d) Rs. 30,000 each partner

42. ABC and D are four partners in a firm sharing profit and loss in the ratio of 18:15:18:3, D retires from the firm and his share of profit is purchased by the remaining partners A, B and C as 1/54, 1/54 and 1/54. What is the new profit sharing ratio of the remaining partners?
    (a) 19:16:19
    (b) 16:19:19
    (c) 19:19:16
    (d) 16:16:19

43. X and Y are partners of a partnership firm sharing profits in the ratio of 5:3 respectively. Z was admitted on the following terms: Z would pay Rs. 100000 as capital and Rs. 32,000 as Goodwill, for 1/5th share of profit. Machinery would be appreciated by 10% (book value Rs. 160,000) and building would be depreciated by 20% (Rs. 4,00,000). Unrecorded debtors of Rs. 2,500 would be bought into books note and a creditors amounting to Rs. 5,500 died and need not to pay anything to its estate. Find the distribution of profit/loss on revaluation between X,Y & Z.
    (a) Loss- 35000:21000-0
    (b) Loss- 28000:16800:11200
    (c) Profits- 35000:21000:0
    (d) Profits- 28000:16800:11200

44. A, B and C takes a Joint Life Policy, their profit sharing ratio is 2:2:1. On death of B, A and C decides to share profits equally. They had taken a Joint Life Policy of Rs. 2,50,000 with the surrender value Rs. 50,000. What will be the treatment in the partner's capital account on receiving the JLP amount if Joint life policy is maintained at surrender along with the reserve?
    (a) Rs. 2,50,000 credited to all the partners in old ratio
    (b) Rs. 2,00,000 credited to all the partners in old ratio
    (c) Distribute JLP Reserve Account in old profit sharing ratio
    (d) b) & c)

45. X and Y are two partners sharing profit and loss in the ratio of 2:1. They decided to share profit and loss in future in the ratio of 3:2. If the goodwill of the firm is valued Rs. 60,000, how the adjustment in profit sharing ratio will be affected
    (a) Y pay X Rs. 4,000
    (b) X pay Y Rs. 4,000
    (c) X pay Y Rs. 6,000
    (d) Y pay X Rs. 6,000

46. XYZ are three partners in a partnership firm. As per the terms of partnership deed partners are charged 6% interest on the drawing made by them during the year. During the year ending 31st Dec 05 Z draws money from the firm as per the details given below
    30th April Rs. 3000
    30th June Rs. 2000
    31st August Rs. 2000
    30th December 1000.
    Calculate the interest on drawing to be charged from Z
    (a) Rs. 195
    (b) Rs. 235
    (c) Rs. 260
    (d) Rs. 220

47. The capital of B and D are Rs. 90,000 and Rs. 30,000 respectively with the profit sharing ratio 3:1. The new ratio, admissible after 01.04.2006 is 5:3. Goodwill valued on 02.04.2006 as Rs. 84,000 will be credited to B and D's capital by Rs. .... and Rs. ....
    (a) 63,000 and 21,000
    (b) 50,000 and 34,000
    (c) 52,500 and 31,500
    (d) 60,000 and 24,000

48. X, Y and Z are sharing profits and losses in the ratio of 5:3:2. They decide to share future profits and 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:

Particulars	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 Exps	Rs. 27,000	Rs. 36,000

The necessary single adjusting entry will involve:

(a) Debit Z and Credit X with Rs. 5400
(b) Debit X and Credit Z with Rs. 5,400
(c) Debit Y and Credit X with Rs. 5,400
(d) Debit X and Credit Y with Rs. 5,400

49. 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 6/30th, B sacrificed 1/30th
   (b) A sacrificed 1/30, B sacrificed 6/30
   (c) C gained 1/30th and D gained 2/10th
   (d) (a) & (c)

50. A and B are partners sharing profits and losses in the ratio of 3:2. (A's Capital is Rs. 60,000 and B's Capital is Rs. 30,000). They admitted C agreed to give 1/5th share of profits to him. How much C should bring in towards his capital?
   (a) Rs. 18,000
   (b) Rs. 24,000
   (c) Rs. 29,000
   (d) Rs. 22,500

51. Balances of A, B and C sharing profits and losses in proportionate to their capitals, stood as follows: Capital Accounts: A Rs. 4,00,000; B Rs. 6,00,000 and C Rs. 4,00,000;. A desired to retire from the firm, B and C share the future profits equally, Goodwill of the entire firm be valued at Rs. 2,80,000 and no Goodwill account being raised.
   (a) Credit Partner's Capital Account with old profit sharing ratio for Rs. 2,80,000
   (b) Credit Partner's Capital Account with new profit sharing ratio for Rs. 2,80,000
   (c) Credit A's Account with Rs. 80,000 and debit B's Capital Account with Rs. 20,000 and C's Capital Account with Rs. 60,000.
   (d) Credit Partner's Capital Account with gaining ratio for Rs. 2,80,000

52. A, B and C are partners sharing profits in the ratio of 1/2 , 2/5 and 1/10. B retires and his share is taken up by A and C in the ratio of 1:5. The new profit sharing ratio of A and C will be
   (a) 1/2 :1/10
   (b) 13:17
   (c) 17:13
   (d) None of these

53. A and B shares profit and losses equally. They admit C as an equal partner and assets were revalued as follow:
   Goodwill at Rs. 30,000 (book value nil)
   Stock Rs. 20,000 (book value Rs. 12,000)
   Machinery at Rs. 60,000 (book value Rs. 55,000)
   C is to bring in Rs. 20,000 as his capital and the necessary cash towards his share of Goodwill. Goodwill Account will not remain in the books. Find the profit/loss on revaluation to be shared among A, B and C.
   a) 21,500:21,500:0
   b) 6,500:6,500:0
   c) 14,333:14,333:14,333
   d) 4,333:4,333:4,333

54. P and Q are partners sharing Profits in the ratio of 2:1. R is admitted to the partnership with effect from 1st April on the term that he will bring Rs. 20,000 as his capital for 1/4th share and pays Rs. 9,000 for goodwill, half of which is to be withdrawn by p and Q. How much cash can P & Q withdraw from the firm (if any)
   a) 3000:1500
   b) 6000:3000
   c) Nil
   d) None of the above

55. P and Q are partners sharing Profits in the ratio of 2:1. R is admitted to the partnership with effect from 1st April on the term that he will bring Rs. 20,000 as his capital for 1/4th share and pays Rs. 9,000 for goodwill, half of which is to be withdrawn by P and Q. If profit on revaluation is Rs. 6,000 and opening capital of P is Rs. 40,000 and of Q is Rs. 30,000, find the closing balance of each capital
   a) 47,000:33,500:20,000
   b) 50,000:35,000:20,000
   c) 40,000:30,000:20,000
   d) 41,000:30,500:29,000

56. Adam, Brain and chris were equal partners of a firm with goodwill Rs. 1,20,000 shown in the balance sheet and they agreed to take Daniel as an equal partner on the term that he should bring Rs. 1,60,000 as his capital and goodwill, his share of goodwill was evaluated at Rs. 60,000 and the goodwill account is to be written off before admission. What will be the treatment for goodwill?
   a) Write off the goodwill of Rs. 1,20,000 in old ratio.
   b) Cash bought in by Daniel for goodwill will be distributed among old partners in sacrificing ratio.
   c) Both
   d) None

57. A, B and C takes a Joint Life Policy, after five years B retires from the firm. Old profit sharing ratio is 2:2:1. After retirement A and C decides to share profits equally. They had taken a Joint Life Policy of Rs. 2,50,000 with the surrender value Rs. 50,000. What will be the treatment in the partner's capital account on receiving the JLP amount if Joint Life Policy is maintained at the surrender value?
   a) Rs. 50,000 credited to all the partners in old ratio.
   b) Rs. 2,50,000 credited to all the partners in old ratio.
   c) Rs. 2,00,000 credited to all the partners in old ratio.
   d) No treatment is required

58. A, B and C are partners sharing profits and losses in the ratio of 3:2:1. C retires on a decided date and goodwill of the firm is to be valued at Rs. 60,000. Find the amount payable to retiring partner on account of goodwill.
   a) Rs. 30,000
   b) Rs. 20,000
   c) Rs. 10,000
   d) Rs. 60,000

59. Original cost = Rs. 1,26,000. Salvage value = 6000. Depreciation for 2nd year @ 10% p.a. under WDV method =
   a) 10,800
   b) 11,340
   c) 15,000
   d) 14,000

60. A machinery is depreciated by Rs 2,000 every year. Which method is being used to calculate depreciation?
   a) Written Down value method
   b) Straight line method
   c) Sum of Years Digit method
   None of these