(f) A, B and C will share profits in the ratio of 3 : 2 : 1 were to share future profits in ratio 3 : 2.

Prepare Revaluation A/c, Partner's Capital A/c and Balance Sheet of new firm.

Multiple Choice Questions

1. When a new partner brings his share of goodwill in cash, the amount is debited to–

(a) Goodwill A/c

(b) Capital A/cs of new partner

(c) Capital A/cs of old partners

(d) Cash A/c

2. When a new partner doesn't bring his share of goodwill in cash, the amount is debited to–

(a) Cash A/c (b) Current A/c of new partner

(c) Capital A/cs of old partners

(d) Premium for Goodwill A/c

3. It, at the time of admission, some profit and loss account balance appears in the books, it will be transferred to–

(a) Profit and loss adjustment A/c

(b) Revaluation A/c

(c) Old partner's capital account

(d) All partner's capital accounts

4. If, at the time of admission, there is some unrecorded liability, it will be–

(a) Credited to revaluation account

(b) Debited to revaluation account

(c) Debited to partner's capital account

(d) Credited to partner's capital account

5. If at the time of admission, the revaluation A/c shows a loss, it should be–

(a) Credited to old partners capital A/c in old ratio.

(b) Credited to old partners capital A/c in sacrificing ratio.

(c) Debited to old partners capital A/c in old ratio.

(d) Debited to old partners capital A/c in sacrificing ratio.

6. Revaluation A/c is a–

(a) Real account (b) Asset account

(c) Personal account (d) Nominal account

7. When the balance sheet is prepared after the new partnership agreement, the assets and liabilities are recorded at–

(a) Current figures (b) Revalued figures

(c) Historical cost (d) Realisable value

8. L and M are partners sharing profits in ratio of 3 : 2 respectively. N was admitted for $1/5^{th}$ share of profit. Machinery would be appreciated by 10% (Book value ₹ 80,000) and Building would be depreciated by 20% (₹ 2,00,000). Unrecorded debtors of ₹ 1250 would be brought into books new and a creditor amounting to ₹ 2750 died and need not pay anything on this account. What will be profit/loss on revaluation?

(a) Loss ₹ 28,000 (b) Profit ₹ 28,000

(c) Loss ₹ 40,000 (d) Profit ₹ 40,000

9. A and B are partners sharing profits in the ratio of 5 : 4. They admitted C for $1/5^{th}$ profit, for which he paid ₹ 90,000 against capital and ₹ 45,000 against goodwill. Find the capital balance for each partner taking C's capital as base capital.

(a) ₹ 2,00,000; ₹ 90,000; ₹ 90,000

(b) ₹ 3,00,000; ₹ 2,40,000; ₹ 1,35,000

(c) ₹ 2,00,000; ₹ 1,60,000; ₹ 90,000

(d) ₹ 3,00,000; ₹ 1,35,000; ₹ 1,35,000

10. X and Y are partners sharing profits and losses in the ratio of 5 : 3. On admission, C brings ₹ 70,000 as cash and ₹ 40,000 against Goodwill. New profit ratio between X,Y and Z is 7 : 5 : 4. The Sacrificing ratio of X and Y is–

(a) 3 : 1 (b) 1 : 3

(c) 4 : 5 (d) 5 : 9

11. A and B are partners in a firm with capital of ₹ 1,80,000 and ₹ 2,00,000. C was admitted for $1/3^{rd}$ share in profit and brings ₹ 3,40,000 as capital, calculate the amount of goodwill–

(a) ₹ 2,40,000 (b) ₹ 1,00,000

(c) ₹ 1,50,000 (d) ₹ 3,00,000

12. A, B, C and D are partners. A and B share $2/3^{rd}$ of profits equally and C and D share remaining profits in the ratio of 3 : 2. Find the profit sharing ratio of A, B, C and D.

(a) 5 : 5 : 3 : 2 (b) 7 : 7 : 6 : 4

(c) 2.5 : 2.5 : 8 : 6 (d) 3 : 9 : 8 : 3

13. Sacrificing ratio is used to distribute .... in case of admission of a partner.

(a) Reserves (b) Goodwill
(c) Revaluation profit (d) Balance in profit and loss account

14. X, Y and Z are partners sharing profit in the ratio of 3 : 2 : 1. They agree to admit M into the firm. X, Y and Z agreed to give 1/3rd, 1/6th, 1/9th share of their profit. The share of profit of M will be–

(a) 11/54 (b) 12/54
(c) 13/54 (d) 14/54

15. A and B are partners sharing profits in the ratio of 2 : 3. Their balance sheet shows machinery at ₹ 4,00,000; stock at ₹ 1,60,000 and Debtors at ₹ 3,20,000. C is admitted and new profit sharing ratio is agreed at 6 : 9 : 5. Machinery is revalued at ₹ 3,40,000 and a provision is made for doubtful debts @ 2.5%. A's share in loss on revaluation amount to ₹ 20,000. Revalued value of stock will be–

(a) ₹ 98,000 (b) ₹ 1,00,000
(c) ₹ 60,000 (d) ₹ 62,000

Answers

1. (d)	**2.** (b)	**3.** (c)	**4.** (b)
5. (c)	**6.** (d)	**7.** (b)	**8.** (a)
9. (c)	**10.** (a)	**11.** (d)	**12.** (a)
13. (b)	**14.** (c)	**15.** (a)	

True or False

1. Contigent liability becoming a certain liability is debited to Revaluation Account at the time of admission of a partner.

2. On revaluation of assets and liabilities, capital accounts of old partners donot change.

3. Unless agreed otherwise, the new profit sharing ratio of old partners will be the same as their old profit sharing ratio.

4. It is necessary that partners should have capitals in their profit sharing ratios.

5. In the absence of any information, any surplus or deficiency in capital should be adjusted through current account.

6. Revaluation account is credited for bills accepted issued by creditors, not recorded in books earlier.

7. An old customer, whose account was written off as bad debts, has promised to pay but it will not be shown in revaluation account.

8. Employee's provident fund will be distributed among old partners in old ratio, at the time of admission of a partner.

9. General reserve, in balance sheet at the time of admission of partner be distributed among partners in their sacrificing ratio.
10. Existing Goodwill A/c in balance sheet is to be written off in old partners in odd ratio at the time of admission of partner.

Answers

1. True	**2.** False	**3.** True	**4.** False
5. False	**6.** False	**7.** True	**8.** False
9. False	**10.** True		

Fill in the Blanks with Appropriate Words–

1. Partner's current A/c balances in the balance sheet means that the capital A/cs are ....
2. For any decrease in the value of Asset, the Revaluation Account is ....
3. Investment fluctuation reserve is a reserve set aside out of profit to adjust the difference between .... and .... of investments.
4. C, the incoming partner, is to bring ₹ 6000 as goodwill for $1/5^{th}$ share in the firms profits. Total goodwill of the firm will be ....
5. Revaluation A/c is prepared to record the assets and liabilities at their .... values.

Answers

1. Fixed	**2.** Debited	**3.** Book value, Market value
4. ₹ 30,000	**5.** Revised	

EXERCISE

1. (a) 33 : 23 : 14
   (b) 13 : 10 : 7 : 5
2. (a) NPSR 64 : 40 : 25; SR 8 : 5
   (b) NPSR 8 : 3 : 3 : 10
3. (a) Cr. A's Capital A/c by ₹ 33750 and B's Capital A/c by ₹ 20250; NPSR = 5 : 3 : 2
   (b) Cr. A's Capital A/c by ₹ 27000 and B's Capital A/c by ₹ 27000; NPSR = 21 : 11 : 8
   (c) Cr. A's Capital A/c by ₹ 40500 and B's Capital A/c by ₹ 13500; NPSR = 19 : 13 : 8
   (d) Cr. A's Capital A/c by ₹ 45000 and B's Capital A/c by ₹ 9000; NPSR = 55 : 41 : 24

4. (a) Bajaj (Dr.) ₹ 20,000; Rahul (Cr.) ₹ 16,000; Anurag (Cr.) ₹ 4000

(b) (i) Bajaj (Dr.) ₹ 20,000; Rahul (Cr.) ₹ 16,000; Anurag (Cr.) ₹ 4000

(ii) Rahul (Dr.) ₹ 30,000; Anurag (Dr.) ₹ 20,000; Goodwill (Cr.) ₹ 50,000

(c) (i) Rahul (Dr.) ₹ 60,000; Anurag (Dr.) ₹ 40,000; Goodwill (Cr.) ₹ 1,00,000

(ii) Goodwill (Dr.) ₹ 60,000; Rahul (Dr.) ₹ 36,000; Anurag (Cr.) ₹ 24,000

(iii) Rahul (Dr.) ₹ 20,000; Anurag (Dr.) ₹ 20,000; Bajaj (Dr.) ₹ 20,000; Goodwill (Cr.) ₹ 60,000

5. (a) Rs current A/c Dr. by ₹ 80,000; P(Cr.) ₹ 56,000 and Q(Cr.) ₹ 24000

(b) (i) Bank A/c Dr. ₹ 40,000; Premium for Goodwill A/c (Cr.) ₹ 40,000

(ii) Premium for Goodwill Dr. ₹ 40,000; R's current A/c Dr. ₹ 40,000; P(Cr.) ₹ 56,000 and Q (Cr.) ₹ 24,000.

6. Premium for Goodwill Dr. 45000; Shri Dr. 37500; Hari Cr. 67500 and Ravi Cr. 15,000.

7. Hidden Goodwill = 2,40,000; Z's share of Goodwill = 80,000

(a) Z's current Dr. 80,000; X Cr. 60,000 and Y Cr. 20,000

(b) P and L Dr. 1,30,000; WCR Dr. 60,000; X Cr. 118750 and Y Cr. 71250

8. A,B and D will bring 10,000; 35,000; 60,000 respectively while C will withdraw 3000.

A's capital = ₹ 9000; B's capital = ₹ 65,000; C's capital = ₹ 25,000; D's capital = ₹ 60,000.

9. Profit on Revaluation = ₹ 3000

Krishna's Capital A/c = ₹ 37200

Suresh's Capital A/c = ₹ 24800

Mohan's Capital A/c = ₹ 10000

Balance Sheet Total = ₹ 87000

10. Loss on Revaluation = ₹ 4200

A's Capital A/c = ₹ 47200

B's Capital A/c = ₹ 60200

C's Capital A/c = ₹ 40000

Balance Sheet Total = ₹ 185600

11. Profit on Revaluation = ₹ 9520

A's Capital A/c = ₹ 44100

B's Capital A/c = ₹ 36750

C's Capital A/c = ₹ 22050

D's Capital A/c = ₹ 14700

Balance Sheet Total = ₹ 144120

13. (a) 130000 (b) 140000

(c) 27000 (d) 600

(e) 300 (f) 20000

(g) 10000 (h) Revaluation A/c

(i) 600 (j) 300

(k) 72975 (l) 144600

(m) 147300 (n) 72975

(o) 170600 (p) 16300

(q) 72975

Balance Sheet Total = ₹ 395475

14. Loss on Revaluation = ₹ 20000

A's Capital A/c = ₹ 780000

C's Capital A/c = ₹ 337000

Balance Sheet Total = ₹ 1740000