

### Multiple Choice Questions (MCQs)

1. Assets are revalued and liabilities are reassessed at the time of change in profit-sharing ratio so that
  - (a) assets and liabilities are shown at their present values.
  - (b) no partner is put to an advantage or disadvantage.
  - (c) sacrificing partner is partly compensated.
  - (d) assets and liabilities are shown at their market values.
2. Rakesh and Vinod are partners sharing profits and losses in the ratio of 3 : 2. They changed their profit-sharing ratio to 2 : 3 w.e.f. 1st April, 2022. The assets were revalued, and liabilities were reassessed on that date which resulted in a gain of ₹ 80,000. It will be transferred to their Capital Accounts by
  - (a) Debiting Rakesh's Capital Account and Vinod's Capital Account by ₹ 40,000 each.
  - (b) Debiting Rakesh's Capital Account and Vinod's Capital Account by ₹ 80,000 each.
  - (c) Crediting Rakesh's Capital Account by ₹ 48,000 and Vinod's Capital Account by ₹ 32,000.
  - (d) Crediting Rakesh's Capital Account and Vinod's Capital Account by ₹ 80,000 each.
3. Mamta, Daljit and Sonam are partners sharing profits equally which they changed to 2 : 2 : 1 w.e.f. 1st April, 2022. Their capitals on that date were ₹ 5,00,000 each. On that date, balances existed in the books as General Reserve ₹ 1,50,000 and Workmen Compensation Reserve ₹ 2,00,000, against which Workmen Claim of ₹ 50,000 existed. They decided to carry forward the balance of General Reserve and distribute Workmen Compensation Reserve.

General Reserve that will be credited/debited to their Capital Accounts:

  - (a) ₹ 50,000 (Cr.); ₹ 50,000 (Cr.); and ₹ 50,000 (Cr.) respectively.
  - (b) ₹ 10,000 (Dr.); ₹ 10,000 (Dr.); and ₹ 20,000 (Cr.) respectively.
  - (c) ₹ 30,000 (Cr.); ₹ 30,000 (Cr.); and ₹ 60,000 (Dr.) respectively.
  - (d) ₹ 60,000 (Cr.); ₹ 60,000 (Cr.); and ₹ 30,000 (Cr.) respectively.
4. In which of the following situation, Partner's Capital Account is credited?
  - (a) Transfer of Accumulated Profit or Reserves.
  - (b) Transfer of Revaluation Loss.
  - (c) Writing off the Existing Book Value of Goodwill (if any) appearing in the books of the firm.
  - (d) All of the above.
5. Pawan and Gaurav were partners in a firm sharing profits and losses in the ratio of 2 : 1. With effect from 1st January, 2022, they decided to share profits and losses equally. Individual partner's gain or sacrifice due to change in the ratio will be
  - (a) Gain by Pawan  $\frac{1}{6}$ , Sacrifice by Gaurav  $\frac{1}{6}$ .
  - (b) Sacrifice by Pawan  $\frac{1}{6}$ , Gain by Gaurav  $\frac{1}{6}$ .
  - (c) Gain by Pawan  $\frac{1}{2}$ , Sacrifice by Gaurav  $\frac{1}{2}$ .
  - (d) Sacrifice by Pawan  $\frac{1}{2}$ , Gain by Gaurav  $\frac{1}{2}$ .
6. Bimal and Lalit are partners sharing profits and losses in the ratio of 3 : 2. They changed their profit-sharing ratio to 2 : 3 w.e.f. 1st April, 2022. The assets were revalued, and liabilities were reassessed on that date which resulted in a gain (profit) of ₹ 80,000. It was decided that the changed values will not be shown in the books of accounts. It will be adjusted in their Capital Accounts by
  - (a) Debiting Bimal's Capital Account and Crediting Lalit's Capital Account by ₹ 16,000.
  - (b) Crediting Bimal's Capital Account and Debiting Lalit's Capital Account by ₹ 16,000.
  - (c) Debiting Bimal's Capital Account and Crediting Lalit's Capital Account by ₹ 80,000.
  - (d) Crediting Bimal's Capital Account and Debiting Lalit's Capital Account by ₹ 80,000.

7. Meera, Myra and Neera were partners sharing profits in the ratio of 2 : 2 : 1. They decided to share future profits in the ratio of 7 : 5 : 3 with effect from 1st April, 2022. Their Balance Sheet as on that date showed a balance of ₹ 45,000 in Advertisement Suspense Account. They decided to carry forward the amount of Advertisement Suspense. Amount that will be debited/credited respectively to the capital accounts of Meera, Myra and Neera for Advertisement Suspense Account will be
- ₹ 18,000 (Dr.), ₹ 18,000 (Dr.) and ₹ 9,000 (Dr) respectively.
  - ₹ 15,000 (Dr.), ₹ 15,000 (Dr.) and ₹ 15,000 (Dr.) respectively.
  - Dr. Myra's Capital A/c and Cr. Meera's Capital A/c by ₹ 3,000.
  - Dr. Meera's Capital A/c and Cr. Myra's Capital A/c by ₹ 3,000.
8. Maira, Rubayat and Akriti were partners sharing profits in the ratio of 2 : 2 : 1. They decided to share future profits equally with effect from 1st April, 2023. Their Balance Sheet as on that date showed a balance of ₹ 50,000 in Investment Fluctuation Reserve Account while book value of investments was ₹ 1,00,000 and Market Value of these investments was ₹ 90,000. The amount that will be adjusted in the capital accounts of Maira, Rubayat and Akriti will be
- ₹ 1,00,000.
  - ₹ 10,000.
  - ₹ 90,000.
  - None of these.
9. L, M and N are partners sharing profits in the ratio of 5 : 3 : 2. They decided to share profits equally with effect from 1st April, 2022. On that date, there was a balance of ₹ 4,00,000 in General Reserve and a credit balance of ₹ 8,00,000 in the Profit and Loss Account. The Journal entry for the above on account of change in profit-sharing ratio will be:
- |                        |        |            |            |
|------------------------|--------|------------|------------|
| General Reserve A/c    | ...Dr. | ₹ 4,00,000 |            |
| To Profit and Loss A/c |        |            | ₹ 4,00,000 |
  - |                    |        |            |            |
|--------------------|--------|------------|------------|
| M's Capital A/c    | ...Dr. | ₹ 1,60,000 |            |
| N's Capital A/c    | ...Dr. | ₹ 40,000   |            |
| To L's Capital A/c |        |            | ₹ 2,00,000 |
  - |                     |        |            |            |
|---------------------|--------|------------|------------|
| General Reserve A/c | ...Dr. | ₹ 4,00,000 |            |
| Profit and Loss A/c | ...Dr. | ₹ 8,00,000 |            |
| To L's Capital A/c  |        |            | ₹ 4,00,000 |
| To M's Capital A/c  |        |            | ₹ 4,00,000 |
| To N's Capital A/c  |        |            | ₹ 4,00,000 |
  - |                     |        |            |            |
|---------------------|--------|------------|------------|
| General Reserve A/c | ...Dr. | ₹ 4,00,000 |            |
| Profit and Loss A/c | ...Dr. | ₹ 8,00,000 |            |
| To L's Capital A/c  |        |            | ₹ 6,00,000 |
| To M's Capital A/c  |        |            | ₹ 3,60,000 |
| To N's Capital A/c  |        |            | ₹ 2,40,000 |
10. X and Y shared profits and losses in the ratio of 3 : 2. With effect from 1st April, 2025, they decided to share profits equally. Goodwill of the firm was valued at ₹ 60,000. The adjustment entry will be:
- Dr. Y's Capital A/c and Cr. X's Capital A/c by ₹ 6,000.
  - Dr. X's Capital A/c and Cr. Y's Capital A/c by ₹ 6,000.
  - Dr. X's Capital A/c and Cr. Y's Capital A/c by ₹ 600.
  - Dr. Y's Capital A/c and Cr. X's Capital A/c by ₹ 600.

11. At the time of reconstitution of the firm (by way of change in profit-sharing ratio/admission/retirement or death of a partner), gaining partner compensates the sacrificing partner by paying proportionate amount of
- (a) Goodwill. (b) Capital.  
(c) Both (a) and (b). (d) Either (a) or (b).
12. Hari, Sunil and Anil are partners sharing profits equally which they changed to 2 : 2 : 1 w.e.f. 1st April, 2025. Their capitals on that date were ₹ 5,00,000 each and balance in Current Accounts ₹ 40,000 (Cr.); ₹ 30,000 (Cr.) and ₹ 20,000 (Dr.) respectively. On that date, balances also existed in the books as follows: General Reserve ₹ 1,00,000; Workmen Compensation Reserve ₹ 1,00,000 (Workmen Claim ₹ 50,000).
- General Reserve and Workmen Compensation Reserve credited equally to their Capital Accounts will be
- (a) ₹ 1,50,000. (b) ₹ 2,00,000.  
(c) ₹ 2,50,000. (d) None of these.

[Ans.: 1. (b); 2. (c); 3. (b); 4. (a); 5. (b); 6. (b); 7. (c); 8. (d); 9. (d); 10. (a); 11. (a); 12. (d).]

### Assertion-Reason Based MCQs

1. **Assertion (A):** Unrecorded income when recorded is shown in the credit of Revaluation Account at the time of Change in Profit-sharing Ratio.

**Reason (R):** It is shown in the credit of Revaluation Account because it is a liability.

*In the context of above two statements, which of the following is correct?*

- (a) Assertion (A) and Reason (R) are correct but the Reason (R) is not the correct explanation of Assertion (A).  
(b) Both Assertion (A) and Reason (R) are correct and Reason (R) is the correct explanation of Assertion (A).  
(c) Only Assertion (A) is correct.  
(d) Both Assertion (A) and Reason (R) are incorrect.

[Ans.: (c).]