

### Multiple Choice Questions (MCQs)

- Decrease in the value of assets at the time of retirement of a partner is
  - credited to Revaluation Account.
  - debited to Revaluation Account.
  - debited to Profit & Loss Account.
  - debited to Profit & Loss Appropriation Account.
- Pawan, Harman and Karman were partners sharing profits in the ratio of 3 : 2 : 1. Pawan retired from the firm on 1st April, 2022 and Harman and Karman decided to share future profits equally. Assets were revalued and liabilities were reassessed, and the net result was loss of ₹ 60,000. The Journal entry for the above will be
 

(a) Pawan's Capital A/c	...Dr.	₹ 30,000	
Harman's Capital A/c	...Dr.	₹ 20,000	
Karman's Capital A/c	...Dr.	₹ 10,000	
To Revaluation A/c			₹ 60,000

(b) Revaluation A/c	...Dr.	₹ 60,000	
To Pawan's Capital A/c			₹ 30,000
To Harman's Capital A/c			₹ 20,000
To Karman's Capital A/c			₹ 10,000

(c) Pawan's Capital A/c	...Dr.	₹ 20,000	
Harman's Capital A/c	...Dr.	₹ 20,000	
Karman's Capital A/c	...Dr.	₹ 20,000	
To Revaluation A/c			₹ 60,000

(d) Revaluation A/c	...Dr.	₹ 60,000	
To Pawan's Capital A/c			₹ 20,000
To Harman's Capital A/c			₹ 20,000
To Karman's Capital A/c			₹ 20,000
- Bharat, Bhushan and Jai were partners sharing profits in the ratio of 3 : 2 : 1. Jai retired from partnership on 1st October, 2022 and new profit-sharing ratio between Bharat and Bhushan was decided to be equal. The Balance Sheet showed a credit balance in General Reserve of ₹ 3,60,000. It will be credited to the accounts of partners as follows:
  - Bharat—₹ 1,20,000, Bhushan—₹ 1,20,000, ₹ Jai—₹ 1,20,000.
  - Bharat—₹ 1,80,000, Bhushan—₹ 1,50,000, Jai—₹ 30,000.
  - Bharat—₹ 1,80,000, Bhushan—₹ 90,000, Jai—₹ 90,000.
  - Bharat—₹ 1,80,000, Bhushan—₹ 1,20,000, Jai—₹ 60,000.
- Akhil, Bimal and Charu are partners sharing profit and losses in the ratio of 2 : 2 : 1. Bimal retired from the firm. At the time of retirement, gain (profit) on revaluation was ₹ 1,00,000. It will be distributed as
  - Akhil—₹ 40,000, Bimal—₹ 40,000 and Charu—₹ 20,000
  - Akhil—₹ 40,000, Bimal—₹ 20,000 and Charu—₹ 40,000
  - Akhil—₹ 20,000, Bimal—₹ 40,000 and Charu—₹ 40,000
  - Akhil—₹ 50,000, Bimal—₹ 50,000 and Charu—₹ Nil

**5. Accumulated profits on the retirement of a partner are**

- (a) credited to all Partners' Capital Accounts in old profit-sharing ratio.
- (b) debited to all Partners' Capital Accounts in old profit-sharing ratio.
- (c) credited to remaining Partners' Capital Accounts in new profit-sharing ratio.
- (d) credited to remaining Partners' Capital Accounts in gaining ratio.

**6. A, B and C were partners sharing profits and losses in the ratio of 2 : 2 : 1. A retired and on that date goodwill was valued at ₹ 1,20,000. The Journal entry for goodwill will be:**

(a) A's Capital A/c	...Dr.	₹ 48,000	
B's Capital A/c	...Dr.	₹ 48,000	
C's Capital A/c	...Dr.	₹ 24,000	
To Goodwill A/c			₹ 1,20,000
(b) B's Capital A/c	...Dr.	₹ 60,000	
C's Capital A/c	...Dr.	₹ 60,000	
To Goodwill A/c			₹ 1,20,000
(c) B's Capital A/c	...Dr.	₹ 32,000	
C's Capital A/c	...Dr.	₹ 16,000	
To A's Capital A/c			₹ 48,000
(d) Goodwill A/c	...Dr.	₹ 48,000	
To A's Capital A/c			₹ 48,000

**7. X, Y and Z were partners sharing profits in the ratio of 3 : 2 : 1. X retired and on that date goodwill existed in the books at ₹ 90,000. The Journal entry for writing off goodwill will be:**

(a) X's Capital A/c	...Dr.	₹ 45,000	
Y's Capital A/c	...Dr.	₹ 30,000	
Z's Capital A/c	...Dr.	₹ 15,000	
To Goodwill A/c			₹ 90,000
(b) X's Capital A/c	...Dr.	₹ 30,000	
Y's Capital A/c	...Dr.	₹ 30,000	
Z's Capital A/c	...Dr.	₹ 30,000	
To Goodwill A/c			₹ 90,000
(c) Goodwill A/c	...Dr.	₹ 90,000	
To X's Capital A/c			₹ 45,000
To Y's Capital A/c			₹ 30,000
To Z's Capital A/c			₹ 15,000
(d) Goodwill A/c	...Dr.	₹ 45,000	
To X's Capital A/c			₹ 45,000

8. At the time of retirement of a partner, Gain (Profit) or loss due to revaluation of assets and reassessment of liabilities is transferred to the Capital/Current Accounts of
  - (a) the continuing partners in their new profit-sharing ratio.
  - (b) the continuing partners in their old profit-sharing ratio.
  - (c) the gaining partners in their gaining ratio.
  - (d) all the partners in their old profit-sharing ratio.
9. Increase in liability at the time of retirement of a partner is
  - (a) credited to Revaluation Account.
  - (b) debited to Revaluation Account.
  - (c) debited to Profit & Loss Account.
  - (d) debited to Profit & Loss Appropriation Account.
10. Increase in the value of assets at the time of retirement of a partner is
  - (a) credited to Revaluation Account.
  - (b) debited to Revaluation Account.
  - (c) debited to Profit & Loss Account.
  - (d) debited to Profit & Loss Appropriation Account.
11. A, B and C are partners sharing profit and losses in the ratio of 2 : 2 : 1. B retired from the firm. At that time goodwill of the firm was valued at ₹ 30,000. What contribution has to be made by A and C to pay B?
 

(a) ₹ 20,000 and ₹ 10,000	(b) ₹ 15,000 and ₹ 15,000
(c) ₹ 8,000 and ₹ 4,000	(d) ₹ 6,000 and ₹ 6,000
12. Retiring partner is compensated by the continuing partners in their
 

(a) Gaining Ratio.	(b) Capital Ratio.
(c) Sacrificing Ratio.	(d) Profit-sharing Ratio.
13. Amount credited to a retiring partner in his Capital Account is ₹ 2,01,000. He took investments at ₹ 58,000. He also took 20% of the debtors. The amount transferred to his loan account is ₹ 1,23,000. What is the total value of the debtors?
 

(a) ₹ 1,00,000	(b) ₹ 90,000
(c) ₹ 80,000	(d) ₹ 1,10,000
14. On retirement of a partner, loss on revaluation will be debited to the Capital Accounts of
  - (a) retiring partner.
  - (b) all partners in their old profit-sharing ratio.
  - (c) the remaining partners in their old profit-sharing ratio.
  - (d) the remaining partners in their new profit-sharing ratio.
15. At the time of retirement of Mohan, stock given in the Balance Sheet of the firm is ₹ 60,000. If it is undervalued by ₹ 10,000, the Journal entry passed to account it will be:
 

(a) Revaluation A/c	...Dr.	₹ 10,000	
To Stock A/c			₹ 10,000
(b) Stock A/c	...Dr.	₹ 10,000	
To Revaluation A/c			₹ 10,000
(c) Stock A/c	...Dr.	₹ 50,000	
To Revaluation A/c			₹ 50,000
(d) Revaluation A/c	...Dr.	₹ 50,000	
To Stock A/c			₹ 50,000

[Ans.: 1. (b); 2. (a); 3. (d); 4. (a); 5. (a); 6. (c); 7. (a); 8. (d); 9. (b); 10. (a); 11. (c); 12. (a); 13. (a); 14. (b); 15. (b).]

### Assertion-Reason Based MCQs

1. **Assertion (A):** A partner can retire as a partner from the firm only if all the partners agree to his retirement.

**Reason (R):** If the partnership is at will, a partner can retire by giving notice of retirement as is prescribed in the Partnership Deed or Agreement.

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

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

2. **Assertion (A):** At the time of retirement of a partner, gain (profit) or loss of Revaluation Account is transferred to all the partners, including retiring partner in their old profit-sharing ratio.

**Reason (R):** Gain (profit) or loss up to the date of retirement of a partner belongs to all the partners, including the retiring partner.

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

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

3. **Assertion (A):** At the time of retirement, the retiring partner will get amount equal to his share in profits out of General Reserve and credit balance in Profit & Loss Account.

**Reason (R):** Retiring partner will not get amount out of General Reserve and credit balance of Profit & Loss Account at the time of his retirement since he gets his share in goodwill.

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

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

4. **Assertion (A):** Sacrificing Ratio is not calculated at the time of retirement of a partner.

**Reason (R):** At the time of retirement of a partner only Gaining Ratio is calculated.

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

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

[Ans.: 1. (d); 2. (a); 3 (c); 4. (d).]