QUESTIONS BANK (All Chapter wise)
CLASS- S.Y.B.Com (Semester-III)
Second Half Examination December 2020
SUBJECT NAME- Accountancy and Financial Management-III

- **Multiple Choice Questions.**

Chapter – 1 : Partnership Final Accounts

1. The essential elements of a firm are :
   a. Equal share of P & L
   b. Agreement
   c. Minimum two partners
   d. None of the above

2. Under Fixed Capital Method interest on Capital is credited to
   a. Capital A/c
   b. Current A/c
   c. Drawings A/c
   d. None of the above

3. Under Fluctuating Capital Method, partner's salary is credited to
   a. Capital A/c
   b. Current A/c
   c. Drawings A/c
   d. None of the above

4. Under Fixed Capital Method profits & losses are shared by the partners in
   a. Capital ratio
   b. Equal ratio
   c. Agreed ratio
   d. All of the above

5. Under Fluctuating Capital Method, profits & losses are shared by the partners in
   a. Capital ratio
   b. Equal ratio
   c. Agreed ratio
   d. All of the above

6. In absence of any provision in Partnership Deed, profits & losses are shared by partners.
   a. Equally
   b. Capital Ratio

c. 0.0854282407407407
d. None of the above

7. In absence of any agreement partners are entitled to receive interest on loan at
a. 0.15
b. 0.1
c. 0.06
d. 0.08

8. A partner acts as an
a. Agent of the firm
b. Employee of the firm
c. Third party
d. None of the above

9. In absence of any agreement partners are entitled to get
a. Salary
b. Commission
c. Interest on loan
d. Profit sharing in capital ratio

10. Interest on capital is paid to partners vide agreement out of
a. Past profit
b. Reserve
c. Current profit
d. Future profit

11. In case a partner is given, guarantee by other partners the loss on such guarantee is borne by
a. All the partners
b. Firm
c. Partner who gave guarantee
d. None

12. Interest on Drawings is
a. Debited to P & L A/c
b. Debited to P & L Appropriation A/c
c. Credited to P & L Appropriation A/c
d. None of the above

13. A partner's current A/c may show
a. Debit balance

b. Credit balance
c. Either debit or credit balance
d. None

14. A partner’s Capital A/c shows
a. Credit balance
b. Debit balance
c. No balance
d. None

15. Balance on Drawings A/c is transferred is
a. Debit side of Capital A/c
b. Debit side of Current A/c
c. Debit side of Capital or Current A/c
d. None of the above

16. Interest on Capital is an
a. Appropriation
b. Expense
c. Income
d. None of the above

17. Fixed Capital A/c is credited with
a. Interest on Capital
b. Salary of partner
c. Share of profit
d. None of the above

18. Current A/c is credited with
a. Interest on Capital
b. Salary of partner
c. Share of profit
d. All of the above

19. Accrued income is shown in Balance sheet on
a. Asset side
b. Debit side
c. Liability side
d. Credit side

20. Unearned income is shown in the Balance sheet on

a. Liability side
b. Credit side
c. Asset side
d. Debit side

21. Interest on capital is debited to
a. Trading A/c
b. P & L A/c
c. P & L Appropriation A/c
d. Capital A/c

22. Gross profit is transferred to
a. Trading A/c
b. P & L A/c
c. Capital A/c
d. Current A/c

23. Prepaid expenses are shown in Balance sheet on
a. Asset side
b. Liability side
c. Debit side
d. Credit side

24. Outstanding salary is shown in Balance sheet on
a. Liability side
b. Asset side
c. Debit side
d. Credit side

25. Goods lost by fire is credited to
a. Trading A/c
b. P & L A/c
c. Capital A/c
d. None

26. If his drawing during the period were ` 12,000
a. ` 450
b. ` 600
c. ` 550
d. ` 475

27. If he withdrew ` 1,500 p.m. in the beginning of every month

a. ` 900
b. ` 975
c. ` 825
d. ` 850

28. If he withdrew ` 1,500 at the end of every month.

a. ` 900
b. ` 975
c. ` 825
d. ` 750

29. If he withdrew ` 9,000 at the end of every quarter

a. ` 1,500
b. `1,350
c. ` 1,200
d. ` 1,000

30. Calculate the Interest on drawing of Piran @ 10% p.a. for the year ended 31st December, 2007 if he withdrew ` 6,000 during the middle of each quarter

a. ` 1,100
b. ` 1,200
c. ` 1,300
d. ` 1,250

31. Amar spends twice time that Bimal devotes to business. Amar claims that he should get 3,000 per month for his extra time spent.

a. Amar is entitled to salary of ` 3,000 p.m.
b. Amar is entitled to half of salary of clerk.
c. Amar is not entitled to any salary
d. None of the above

32. Menon and Thomas are partners in a firm. They share profits and losses equally. The monthly drawings are ` 2,000 each interest on drawings is charged @10% p.a. If drawings are made at the beginning of every month interest on drawings will be

a. ` 1,300
b. ` 2,600
c. ` 5,200
d. ` 650

33. In Fluctuating capital method ------

a) Drawing is debited to capital A/c
b Interest on capital is debited to capital A/c
c Both Drawing and Interest on capital are debited to capital A/c
d. A separate A/c current account is maintained

34 .In case of amalgamation profit and loss on sale of business is ascertained by preparing---

a) Realisation A/c
b Profit and loss A/c
c Cash/Bank A/c
d. Partner's capital debit side

35. M and N are partners in a firm. M has given a Loan of ` 8,000 to the firm on 1st April, 2017. The deed is silent on interest. Interest on Loan will be (if accounts are closed on 31st December, 2017)

a. ` 560
b. ` 260
c. ` 360
d. ` 750

36. Under fixed capital method capital of partner remains

a. fixed
b. fluctuating
c. (a) & (b)
d. none

37. Under fixed capital method, capital A/c is credited with

a. Interest on Capital
b. Share of Profit
c. Salary of the Partner
d. None of the above

38. Under fluctuating capital method capital A/c. is credited with

a. Interest on Capital
b. Salary of Partner
c. Share of Profit
d. All of the above

39. In the absence of any provision in the deed profits and Losses are shared by partners.

a. in Capital ratio
b. in Loan ratio

c. equally
d. none of the above

40. Drawing A/c. of Partner is closed by transfer to
a. Capial A/c
b. Current A/c
c. Either a or b
d. None of the above

41. A partner acts as ——— for a firm
a. Agent
b. Employee
c. Third party
d. None

42. The relationship between persons who have agreed to share Profit & Loss of business carried on by all or any of them activties for all is known as
a. Association of persons
b. Joint Venture
c. Body of individuals
d. Partnership

43. In the absence of an agreement, partners are entitled to
a. Commission
b. Salary
c. Profit share in Capital ratio
d. None

44. Partners are supposed to pay interest on drawings only when
a. Provided in the agreement
b. Permitted
c. Agreed between the pertners
d. Both a & c

45. Interest on Capital is
a. an appropriation
b. an expenditure
c. an income
d. none

46. Interest on drawings is

a. debited to P & L App. A/c
b. credited to P & L App. A/c
c. credited to P & L A/c
d. None of the above

47. Discount A/c may show
a. Debit balance
b. Credit balance
c. Either (a) or (b)
d. None of the above

48. Payment of rent to a partner is
a. appropriation of profit
b. charge against income
c. either (a) or (b)
d. none of the above

49. Transfer to Reserve is
a. debited to P & L A/c
b. debited to P & L App. A/c
c. credited to P & L App. A/c
d. none of the above

50. Rent payable is shown in Balance Sheet
a. on asset side
b. on Liability side
c. either of (a) or (b)
d. none of the above

51. Goods distributed as free sample
a. credited to Trading A/c
b. credited to P & L A/c
c. credited to Trading A/c and debited to P & L A/c
d. none of the above

52. Profit on sale of asset is
a. credited to P & L A/c
b. debited to P & L A/c
c. either (a) or (b)
d. all of the above

53. Stock is valued at

a. Cost
b. MV
c. Cost or MV whichever is lower
d. None of the above

54. . In case of amalgamation profit and loss on sale of business is ascertained by preparing preparing----------

a) Realisation A/c
b Profit and Loss appropriation A/c
c Capital A/c
d. Cash/Bank A/c

55. In case of amalgamation -----

a) Goodwill of both the firms is ingnored
b Goodwill of both the firms is valued seperately
c Goodwill of both the firms must be taken at book value
d. Goodwill of both the firms is valued on the basis of old profit sharing ratio

56. Partnership: -----------

(a) Increases individual risk,
(b) Decreases individual risk,
(C) Does not Involves any Individual risk,
d) None of the above

57 . In the absence of any agreement partners share profits and losses:

(a) In the ratio of Capital;
(b) Equally;
(c) Time devoted to the business;
d) None of the above

58. In the absence of any agreement, interest on partner's loan: -------------

(a) Shall be allowed @ 5%.
(b) shall be allowed @6%.
(C) Should not be allowed at all.
d) None of the above

59. In the absence of any agreement, partners, --------

(a) Shall be allowed salaries
(b) Shall not be allowed salaries
(c) Shall be allowed salaries to those who work for the business.

d) None of the above

60. Unless otherwise agreed upon, the partner's capitals should be:
    (a) Fixed
    (b) Fluctuating
    (c) Any of the above two methods.
    d) None of the above

61. Rate of interest allowed on partner's capital is
    a) 6%
    b) 5%
    C) 6% p.a.
    d) None of the above.

62. In the absence of partnership deed, partners are not entitled to receive:
    a) Salaries.
    b) Commission.
    c) Interest on Capital.
    d) All of the above.

63. The balance of partner capital account will be reduced with
    a) Salaries.
    b) Interest on Drawings.
    c) Interest on Capital.
    d) All of the above.

64. In case of fixed capital, interest on partner's capital is credited to:
    a) Partners Current Account.
    b) Partners Capital Account.
    c) Profit and Loss Appropriation A/c
    d) None of the above.

65. If an equal amount is drawn at the end of each month for 6 months, then interest on drawing is calculated on total drawings for an average period of
    a) 3 months.
    b) 2.5 months.
    c) 5.5 months.
    d) 7.5 months.

66. If an equal amount is drawn in the beginning of each month for 6 months, then interest on drawing is calculated on total drawings for an average period of
    a) 3 months.
    b) 2.5 months.
    c) 3.5 months.
    d) 7.5 months

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67. Interest on capital is credited to:
    (a) Partner's Capital Accounts;
    (b) Profit & Loss Account
    (C) Interest Account.
    d) None of the above

68. Current Account of the partners should be opened when -
    (a) Capitals are fluctuating
    (b) Capitals are fixed;
    (c) Capital is either fixed or fluctuating.
    d) None of the above

69. Interest on partners capital Is paid:
    (a) Out of profits;
    (b) Out of capital;
    (c) None of the above two.
    d) None of the above

70. Interest on capital is generally calculated on:
    (a) Opening capital;
    (b) Closing capital;
    (c) A and b
    (d) None of the above

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71. Current Account of a partner may show:
    (a) Credit balance
    (b) Debit balance
    (C) Either of the two.
    (d) None of the above two

72. In a partnership firm on partner can be admitted without the consent of
    (a) Majority of existing partners.
    (b)Senior most partners.
    (C) All the existing partners.
    (d) None of the above

73. A and B are partners. C is admitted Into the firm for 113d share of profit with a guaranteed profit of Rs. 10,000 p.a. The firm's net profit during a year is Rs. 24,000. If A is the guarantor, how much profit would be given to A.?
    a) Rs. 24,000

b) Rs. 8,000
C) Rs. 6,000
d) Rs.2,000.

74. Manager Is entitled to a commission of 10% of net profits after charging such commission. The firm's net profit during a year is Rs. 11,000. The amount of Manager's commission will be:

a) Rs. 1000
b) Rs.1100
c) Rs. 11,000
d) None of the above.

75. A and B are partners. c is admitted into the firm for 113rd share of profit with a guaranteed profit of Rs. 10,000 p.a. The firm's net profit during a year is Rs. 24,000. What amount would be given to C as his share of profit?

a) Rs. 24,000
b) Rs. 8,000
C) Rs. 10,000
d) None of the above

AChapter – 2 : Piecemeal Distribution of Cash

76 . If there are four liabilities e.g. creditors ` 10,000 Bills Payable ` 5,000, outstanding expenses ` 10,000, other loan ` 5,000 and cash available is ` 15,000.

a. First pay ` 10,000 to creditors and ` 5,000 to Bills Payable.
b. First pay ` 10,000 to outstanding expenses and ` 5,000 to other loan.
c. Pay ` 5,000, ` 2,500, ` 5,000, ` 2,500 in Due Ratio 2 : 1 : 2 : 1.
d. None of the above

77. For finding unit value capital is divided by

a. Profit Sharing Ratio
b. Capital Ratio
c. Gain Ratio
d. None of the above

78 . After finding the unit value of three partners A, B and C we select the unit value

a. Which is lowest

b. Which is highest
c. Average
d. None of the above

79. Unit value we multiply with each one's
a. Profit Sharing Ratio
b. Capital Ratio
c. Average
d. None of the above

80 . Bank loan is ` 30,000 secured against stock and stock sold for ` 25,000, Balance ` 5,000 is
a. Secured
b. Unsecured
c. Party secured
d. None of above

81. If X loan ` 12,000 and Y loan is ` 8,000. Both are partners. Profit Sharing Ratio is 5 : 4. Cash available ` 9,000. How would you pay?
a. ` 5,400 to X loan, ` 3,600 to Y loan.
b. ` 5,000 to X loan, ` 4,000 to Y loan.
c. ` 9,000 to X loan.
d. None of above

82. East, West and South are partners sharing in the ratio of 3 : 3 : 2. Their capitals are ` 24,000, ` 15,000 & ` 9,000 respectively. Which partner has ultimate surplus.
a. East
b. West
c. South
d. None of the above

83 . Contingency Reserve is ` 20,000 and contingent liability is ` 18,000. How would you deal with the remaining contingency Reserve.
a. ` 2,000 should be distributed among the partners in their profit sharing ratio.
b. ` 20,000 should be distributed among the partners in capital ratio.
c. ` 18,000 should be distributed among the partners equally.
d. None of the above

84 . Realisation of assets on dissolution is
a. Sudden
b. Gradual
c. Unexpected

d. None of the above

85 . External liabilities are liabilities due to

a. Partners
b. Creditors
c. Outsiders
d. None of the above

86 . Employees dues are

a. Preferential liabilities
b. Contingent liabilities
c. External liabilities
d. Secured liabilities

87. Contingent liabilities are the liabilities which are

a. Contingent on happening of certain event in future
b. Fixed liabilities
c. Current liabilities
d. Liquid liabilities

88. Preferential liabilities are

a. Payable to creditors
b. Payable to government
c. Payable to partners
d. Payable to none

89. Partners loan is

a. Internal liability
b. External liability
c. Secured liability
d. None of the above

90. Take over of liability by a partner is

a. Added to capital of a partner
b. Deducted from capital of a partner
c. Neglected
d. None of the above

91. General Reserve should be

a. Distributed in profit sharing ratio
b. Distributed in capital ratio

c. Not distributed among the partners
d. None of the above

92. Profit & Loss Account debit balance should be
a. Deducted from Capitals
b. Added to Capitals
c. Transferred to Realisation Account
d. None of the above

93. Realisation A/c is prepared in case of
a. Admission
b. Retirement
c. Death
d. Dissolution

94 . Bills under discount is a
a. Contingent liability
b. Non-current liability
c. Current liability
d. Fixed liability

95 . After payment of outside liabilities
a. Govt. dues should be paid
b. Partner's loan should be paid
c. Partner's capital should be paid
d. Expenses should be paid

96 . After payment of partners loan payment should be made to
a. The partner having surplus capital
b. The partner having deficiency
c. Govt. Loan
d. Secured Loan

97 . In case an asset of a firm purchased by any partner
a. Partners capital should be debited
b. Agreed value should be distributed among all the partners.
c. Book value should be distributed among all the partners
d. None of the above

98 . The amount finally left unpaid on partner's capital account should be in
a. Capital ratio

b. Profit sharing ratio
c. Equally
d. Ratio of drawings

99. A, B and C are partners sharing P & L in the ratio of 3 : 2 : 1. Their capitals are ` 60,000, ` 40,000, ` 25,000 respectively. Creditor's are ` 90,000 and Bank overdraft ` 30,000 Cash realised is ` 75,000. The payment to creditors will be `
a. 56250
b. 18750
c. 20000
d. 18000

100 . A, B and C are partners sharing P & L in the ratio of 2 : 2 : 1. Their capitals are ` 15,000, ` 12,000 and ` 4,000 respectively, Cash is ` 2,000 first realisation is ` 10,000, ` 10,000 will be paid to
a. Creditors
b. A
c. B
d. C

101 . X and Y are partners sharing Profits & Losses in the ratio of 2 : 1. Their Capital is ` 6,000 and ` 8,000 respectively. The capital ratio will be :
a. 0.127777777777778
b. 0.16875
c. 0.0840277777777778
d. 0.0423611111111111

102 . Red, White and Blue are partners sharing Profits & Losses in the ratio of 5 : 3 : 2. Their capitals are ` 45,000, ` 12,000 and ` 43,000 respectively. Reserves are ` 10,000. The absolute surplus of Blue is
a. ` 10,000
b. ` 25,000
c. `15,000
d. ` 20,000

103 . A, B and C are partners sharing in the ratio of 2 : 2 : 1. Their Capitals are ` 50,000, ` 15,000 and ` 45,000 respectively. Reserve is ` 10,000. The ultimate surplus of C will be :
a. ` 15,000
b. ` 20,000
c. ` 25,000
d. ` 12,000

104 . A, B and C are partners sharing P & L in the ratio of 3 : 2 : 1. Their Capitals are ` 30,000, ` 30,000 and ` 20,000 respectively. The first realisation is ` 10,000, payment to C will be

a. ` 5,000
b. ` 7,500
c. ` 10,000
d. ` 12,500

105. X, Y and Z are partners sharing P & L in the ratio of 5 : 3 : 2. Their capitals are ` 94,000, ` 66,000 and ` 60,000 respectively, Creditors are ` 1,00,000 Cash realised after payment of creditors is ` 96,000 amount paid to X will be

a. ` 32,000
b. ` 40,000
c. ` 25,000
d. ` 30,000

106. . A, B and C are partners sharing P & L equally. Their Capitals are ` 40,000, ` 60,000 and ` 50,000 respectively. Sundry Creditors are ` 40,000 and Bank overdraft ` 10,000, Cash is ` 10,000. The first realisation is ` 30,000. Creditors and Bank overdraft will be paid

a. ` 30,000, ` 20,000
b. ` 24,000, ` 6,000
c. ` 15,000, ` 10,000
d. ` 60,000, ` 40,000

107 . A, B and C were partners sharing P & L in the ratio of 3 : 2 : 1. Their Capitals are ` 15,000, ` 18,000 and ` 6,000 respectively. Whose Capitals is considered as a basis for Calculation of Surplus Capital ?

a. A
b. B
c. C
d. None

108 . A, B and C were in partnership sharing in the ratio of 3 : 2 : 1 respectively. Capitals were ` 20,000, ` 10,000 and ` 2,000 respectively. Creditors ` 30,000, Cash ` 4,000. First realisation Debtors ` 8,000 Stock ` 4,000, expenses ` 1,000. Which Statement is true :

a. A should be paid ` 2,200
b. Creditors should be paid ` 11,000
c. C should be paid ` 3,500
d. B should be paid ` 4,000

109 . On dissolution of secured creditors could only partly recover his dues out of the amount realized from the concerned assets, the remaining amount is treated -------

a. as preferential creditors
b. as secured creditors

c. as unsecured creditors
d. as non-recoverable

110.Income Tax payable by a firm as on the date of dissolution is treated --------
a. as preferential creditors
b. as secured creditors
c. as unsecured creditors
d. as non-recoverable

111. .Salaries and wages payable by a firm as on the date of dissolution is treat
a. as preferential creditors
b. as secured creditors
c. as unsecured creditors
d. as non-recoverable

112 . If cash is sufficient to pay of all partners loan payment is made---------
a. in the ratio of outstanding loan balances
b. Profit sharing ratio
c. Capitals Ratio
d. none of the above

113 . Excess capital method is different from ----
a. Surplus Capital Method
b. Higest Relative Capital Method
c. Maximum Loss Method
d. None of the above

114. When there are four partners, excess capital is to be computed-------
a. Once
b. twice
c. thrice
d. four times

115. . After all excess capitals are paid, the balance cash is paid to the partners----
a. Unit capital ratio
b. profit sharing ratio
c. equally
d. None of the above

116. . In a piecemeal distribution, when a partnership is dissolved, the assets are sold and the cash realized is applied first to the--------
a. claims of creditors
b. Partner with the largest capital
c. Partner with the highest profit sharing ratio
d. None of the above

117. . In a piecemeal distribution, the liabilities of the partnership are paid before---
a. a revaluation of the assets
b. distribution of cash to partners
c. sales of assets
d. distribution of losses and gains on realisationj

118..If the amount realized from assets on distribution of firm are not sufficient to pay all outside debts------

a. the earliest dues are paid first
b. the largest dues are paid first
c. the dues are paid in alphabetical order of the names of the parties
d. the dues are paid proportionately

119. . When the amount realized from assets is not sufficient to pay fully the firm's liabilities, such deficiency is born------

a. by the creditors in the ratio of their outstanding amount
b by the partners in the ratio of their capitals
c. by the partners in their profit sharing ratio
d. by the partners equally

120..Unsecured creditors are paid in the --- order

a. Due to Employees. Government, other creditors
b Due to Government , Employees, other Creditors
c. All Creditors pro-rata (Proportionately)
d. None of the above

Chapter –3 :Amalgamation of Partnership Firms

121 . Amalgamation is

a. Merger of businesses
b. Dissolution of firms
c. Nones
d. Both (a) & (b)

122. Purchase consideration is the amount

a. Payable by new firm to old firm
b. Payable by old firms to partners
c. Payable by one firm to another firm
d. None of the above

123.. Assets are transferred to Realisation A/c at

a. Book value
b. Market value
c. Cost
d. None of the above

124 . Excess of credit over debit side of Realisation Account is

a. Profit on Realisation
b. Loss on Realisation
c. Surplus
d. Deficit

125. Liabilities assumed by partners are
a. Debited to Realisation Account
b. Debited to Revaluation Account
c. Debited to Partners' Capital Account
d. None of the above

126.. Realisation expenses are
a. Debited to Bank Account
b. Debited to Realisation Account
c. Credited to Capital Account
d. None of the above

127. Take over of asset by a partner is debited to
a. Realisation Account
b. Partners' Capital Account
c. Bank Account
d. Cash Account

128. Excess of Net Assets over Purchase Consideration is
a. Capital Reserve
b. Goodwill
c. Capital
d. Drawing A/c

129 . Goodwill written off is debited to
a. All partners Capital Account
b. Goodwill Account
c. Realisation Account
d. Drawing A/c

130 . Profit or loss on Realisation is distributed among the partners in
a. Profit Sharing ratio
b. capital Ratio
c. Claim Ratio
d. Benefit Ratio

131. Purchase consideration is calculated by
   a. Net payment method
   b. Net Asset method
   c. Either (a) or (b)
   d. None of the above

132. Amalgamation is dealt with by
   a. AS 14
   b. AS 16
   c. AS 18
   d. AS 3

133. Realisation A/c is opened when amalgamation is accounted by
   a. Revaluation method
   b. Realisation mehtod
   c. Either (a) or (b)
   d. None of the above

134. On amalgamation Realisation A/c is opened in the books of
   a. Purchasing firm
   b. Vendor firm
   c. Both Purchasing & Vendor firm
   d. None of the above

135. On amalgamation of a firm, the A/c opened is
   a. Realisation A/c
   b. P & L A/c
   c. Deficiency A/c
   d. None of the above

136. On amalgamation partner's loan A/c is transferred to
   a. Capital A/c
   b. Purchasing firm A/c
   c. Realisation A/c
   d. None of the above

137. On amalgamation liability not taken over by the new firm is transferred to
   a. Capital A/c
   b. New firm's A/c
   c. P & L A/c
   d. P & L Adjustment A/c

138. On amalgamation Goodwill of the firm is

a. Valued
b. Ignored
c. Considered by purchase consideration
d. None of the above

139. On amalgamation dissolution expenses of the Vendor firm paid by the purchasing firm are debited to

a. Goodwill A/c
b. Vendor firm's A/c
c. All Capital A/c
d. None of the above

140. On amalgamation General reserve distributed among the

a. Old partners in old ratio
b. Old partners in new ratio
c. New partners in old ratio
d. New partners in new ratio

141. On amalgamation goodwill of both the firm's is

a. Ignored
b. Valued separately
c. Valued at cost
d. None of the above

142. On amalgamation of firms, P & L A/c debit balance

a. Debited to Realisation A/c
b. Debited to Partners Capital A/c
c. Credited to Partners Capital A/c
d. Credited to Realisation A/c

143. Profit on Realisation A/c is

a. Credited to Partners Capital A/c
b. Debited to Partners Capital A/c
c. Ignored
d. None of the above

144. XYZ & Co. took over assets i.e. Land & Building ` 4,00,000; Plant & Machinery ` 3,00,000; Furniture ` 2,00,000; Stock ` 60,000; Debtors ` 1,50,000 and Cash and Bank balance ` 90,000. The liabilities taken over include creditors ` 1,50,000, Bills Payable ` 40,000 and

Expenses payable ` 10,000. Purchase consideration is

a. ` 10,00,000
b. ` 12,00,000
c. ` 14,00,000
d. ` 11,00,000

145. Goodwill of two firms taken over ` 25,200. There are four partners of the new firm i.e. A, B, C & D who share in the ratio of 3 : 2 : 3 : 2. Goodwill is to be written off. Capital accounts of the partners will be debited by

a. 6,300; 6,300; 6,300; 6,300
b. 6,000; 6,000; 6,000; 7,200
c. 7,560; 5,040; 7,560; 5,040
d. None of the above

146. Vehicle recorded 20% below cost should be recorded at cost. The value of vehicle ` 8,000. The cost price is :

a. ` 10,000
b. ` 18,000
c. ` 9,600
d. ` 9,000

147. Loan from M ` 2,000 is discharged by investment of ` 3,000. The loss on investment is

a. ` 2,000
b. ` 1,000
c. ` 5,000
d. `45,000

148. Stock of B & Co. includes ` 12,000 worth of goods purchased from W & Co. whose practice is to sell goods at cost plus 20%. The unrealised profit is

a. ` 2,000
b. ` 2,400
c. ` 3,000
d. ` 2,500

149. Total capital of the new firm is ` 40,000. There are four partners A, B, C & D whose share in the ratio of 30%, 30%, 20% and 20% respectively. The new capitals of the partners will be :

a. 10,000; 10,000; 10,000; 10,000
b. 12,000; 8,000; 12,000; 8,000
c. 12,000; 12,000; 8,000; 8,000
d. None of the above

150. Advertisement Suspense Account ` 5,000 should be written off among the partners K & L

who share in the ratio of 3 : 2. The treatment will be :

a. Debited to K & L's Capital by ` 3,000 and ` 2,000.
b. Credited to K & L's Capital by ` 3,000 and ` 2,000.
c. Debited to K & L’s Capital by ` 2,500 and ` 2,500.
d. None of the above

151. X took over investment having book value of ` 10,000 for 80% of its book value. X Account is debited by

a. ` 10,000
b. ` 8,000
c. ` 18,000
d. None of the above

152.On amalgamation Realisation Account is opened---------

a. In the books of the purchasing firm
b. in the books of the vendor firm
c. in the books of the Both the firm
d. None of the above

153. On amalgamation of firm, --------account is opened

a. Deficiency
b. Realisation
c. Profit and Loss Adjustment A/c
d. Profit and suspense A/c

154. On amalgamation, fictitious assets of the vendor firm are transferred to----------

a. Deficiency
b. Realisation
c. Profit and Loss Adjustment A/c
d. Profit and suspense A/c

155. Liabilities not taken over by the new firm will be transferred to-------

a. New firm Account
b. Profit and adjustment Account
c. Profit and Loss A/c
d. Profit and suspense A/c

156. Any balance in the profit and loss A/c of the purchasing firm will be transferred to-------

a. partners Capital A/c
b. Profit and Loss Adjustment A/c
c. New firm A/c
d. Profit and suspense A/c

157. Goodwill is nothing more than probability that the old customer will resort to the old place. This definition of goodwill was given by:

(a) Spicer and Pegler

(b) ICAI
(c) Lord Elton
(d) AICPA

158 When there is no Goodwill Account in the books and goodwill is raised,…………….account will be debited :
(a) Partner's Capital
(b) Goodwill
(c) Cash
(d) Reserve

159 The amount of goodwill is paid by new partner :
(a) for the payment of capital
(b) for sharing the profit
(c) for purchase of assets
(d) None of these

160. At the time of admission of a new partners general reserve appearning in the old Balance Sheet is transferred to:
(a) All Partner's Capital Accounts
(b) New Partner's Capital Account
(c) Old Partners'. Capital Accounts
(d) None of these

161. Share of goodwill brought by new partner in case is shared by old partners in :
(a) Sacrificing Ratio
(b) Old Ratio
(c) New Ratio
(d) Equal Ratio

162. A, Band Care three partners sharing profits and losses in the ratio of 4:3:2. D is admitted for 1/10 share, the new ratio will be :
(a) 10 : 7 : 7 :4
(b) 5 : 3 : 2 : 1
(c) 4 : 3 : 2 : 1
(d) None of these

163. A and B are partners in a firm sharing profits in the ratio of 3:2. They admit C as a new partner for 1/3 rd share in the profits of the firm. The new profit sharing ratio of A, B and C would be :
(a) 3 : 2 : 1
(b) 3 : 2 : 2
(c) 3 : 2 : 3

(d) 6 : 4 : 5

164 X and Y are partners sharing profits in the ratio of 1:1. They admit Z for 1/5 th share who contributed 25,000 for his share of goodwill. The total value of goodwill of the firm will be :
(a) 2,50,000
(b) 50,000
(c) 1,00,000
(d) 1,25,000

165. Excess of the credit side over the debit side of Revaluation account is:
a) Profit

(b) Loss
(c) Gain
(d) Expenses

166.Balance sheet prepared after new partnership agreement, assets and liabilities are recorded at:
(a) Original Value
(b) Revalued Figure
(c) At Realisable Value
(d) Either of (a) or (b)

167. Assets and Liabilities are shown at their revalued values in :
(a) New Balance Sheet
(b) Revaluation A/c
(c) All Partner’s Capital A/c’s
(d) Realisation A/c

168 The opening balance of Partner’s Capital Account is credited with:
(a) Interest on Capital
(b) Interest on Drawings
(c) Drawings
(d) Share in loss

169 Share of goodwill brought in cash by the new partner is called:
(a) Assets
(b) Profit
(c) Premium
(d) None of these

170. The accumulated profits and reserves are transferred to:
(a) Realisation A/c

(b) Partner’s Capital A/cs
(c) Bank A/c
(d) Savings A/c

171. The balance of Revaluation Account or Profit & Loss Adjustment Account is transferred to Old Partners’ Capital Accounts in their :
(a) Old profit-sharing ratio
(b) New profit-sharing ratio
(c) Equal ratio
(d) Capital ratio

172. Change in profit-sharing ratio of existing partners results in:
(a) Revaluation of Firm
(b) Reconstitutions of Firm
(c) Dissolution of Firm
(d) None of these

173. On reconstitution of a partnership firm, recording of an unrecorded liability wil result in:
(a) Gain to the existing partners
(b) Loss to the existing partners
(c) Neither gain nor loss to the existing partners
(d) None of these

174 Increase In the value of assets on reconstitution of the partnership firm results into :
(a) Gain to the existing partners
(b) Loss to the existing partners
(c) Neither gain nor loss to the existing partners
(d) None of these

175. The balance of Revaluation Account is transferred to old Partner’s Capital Accounts in their:
(a) Old Profit-sharing Ratio
(b) New Profit-sharing Ratio
(c) Equal Ratio
(d) None of these

176 Recording of an unrecorded asset on the reconstltutlam of a partnership firm will be:
(a) A gain to the existing partners
(b) A loss to the existing partners
(c) Neither a gain nor a loss to the existing partners

(d) None of these

177 Which of the following is not a method of valuation of Goodwill:
(a) Revaluation Method
(b) Average Profit Method
(c) Super Profit Method
(d) Capitalisation Method

178. On amalgamation assets and liabilities of vendor firm are transferred to ----------account.

(a) Realisation A/c
(b) Partners capital A/c
(c) Profit and loss A/c
(d) Balance sheet

179. On amalgamation fictitious assets of vendor firm are transferred to ---------account.

(a) Realisation A/c
(b) Partners capital A/c
(c) Profit and loss A/c
(d) Balance sheet

180.On amalgamation expenses on dissolution of vendor firm paid by purchasing firm are debited to ---------account in the books of purchasing company.

a) Realisation A/c
(b) Partners capital A/c
(c) Profit and loss A/c
(d) Goodwill

181. --------is the amount payable by the purchasing firmto the vendot firm to taking over its business.

a) Purchase consideration
(b) Partners capital
(c) Profit and loss
(d) Goodwill

182.Purchase considerable is the amount payable by the -------firm for taking over its business.

a) Purchasing
(b) Purchased

(c) Profit and loss
(d) Balance sheet

183.At the time of amalgamation any profit or loss on realization is transferred to -----account.

(a) Realisation A/c
(b) Partners capital A/c
(c) Profit and loss A/c
(d) Balance sheet

184. Assets and liabilities not taken over by the new firm on amalgamation are transferred to capital accounts of the partners in the ------- ratio.

(a) Profit-sharing Ratio
(b) Final Ratio
(c) Equal Ratio
(d) None of these

185. The purchase considerable payable by the new firm is ---------to the new firms accountin the books of the old firm, on amalgamation.

(a) Debited
(b) Credited
(c) Equal Ratio
(d) None of these

186. If the business of M/s ABC & co. is taken over by an existing firm M/s PQR & co. M/S-----------& co. is known as the purchasing firm.

(a) ABC
(b) PQR
(c) RQP
(d) None of these

187.On amalgamation if any unrecorded assets of vendor firm is taken over by its partners his capital account is ----------account is credited for the agreed value of such assets.

(a) Debited
(b) Credited
(c) Equal Ratio
(d) None of these

188.On amalgamation , profit and loss A/c (DR.) of the amalgamating firm.

(a) is closed by debit to Realisation A/c
(b) is closed by debit to partners capital A/c

(c) is closed by credit to partners capital A/c
(d) is closed by Credit to Realisation A/c

189. If there is provision (RDD) against the debtors such debtors are transferred to the realization A/c on amalgamation at--------

(a) Net amo0unt (Debtors less RDD)
(b) Current market value
(c) Gross amount of debtors
(d) None of the above

190 .In case of amalgamation-------------------------

(a) Goodwill of both the firms is ignored
(b) Goodwill of both the firms is valued separately
(c) Goodwill of both firms is valued at cost
(d) None of the above

Chapter –4 :Conversion of Partnership into a Ltd. Company

191. A partnership firm has –
a. Limited Capital
b. Limited Managerial Skill
c. Limited Liability
d. Both (a) and (b)

192. The form of organization suitable for large scale business is –
a. Sole Trader
b. Partnership Firm
c. Co-operative
d. Limited Company

193. On conversion of a firm into a Limited Company.
a. A new company is formed
b. Old firm is dissolved
c. A new partner is admitted
d. Both (a) and (b)

194. On conversion of a firm into a Limited Company.
a. Purchase consideration is decided
b. Assets & Liabilities are revalued

c. Purchase consideration is settled
d. All of the above

195. As per Net Asset Method purchase consideration is equal to –
a. Gross Assets at Book Value
b. Liabilities at Book Value
c. Assets taken over at agreed value less liabilities taken over at agreed valued
d. Assets Liabilities at Book Value

196. Purchase consideration may be settled in –
a. Cash only
b. Shares of Ltd. Company only
c. Debentures of Ltd. Company only
d. Cash / Shares / Debentures of Ltd. Company

197. If cash balance is taken over by a Ltd. Company it is transferred to –
a. Realisation A/c
b. Revaluation A/c
c. P & L A/c
d. None of the above

198. Asset taken over by a partner is –
a. Debited to partner's capital A/c
b. Credited to partner's capital A/c
c. Debited to Realisation A/c
d. None of the above

199. General reserve is distributed among the partners in the ratio of –
a. Profit Sharing
b. Capitals
c. Final Claims
d. None of the above

200. Profit or loss on disposal of asset not taken over by a Ltd. Company is transferred to –
a. Realisation A/c
b. P & L A/c
c. Capital Accounts
d. Current Accounts

201. On take over of unrecorded liability by a partner the A/c debited is –
a. Realisation A/c

b. Capital A/c
c. P & L A/c
d. None of the above

202. Shares and Debentures received from the Ltd. Company are distributed among the partners in their –
a. Profit Sharing Ratio
b. Capital Ratio
c. Final Claim Ratio
d. None of the above

203. Worthless asset is debited to capital accounts in their –
a. Profit Sharing Ratio
b. Capital Ratio
c. Final Claim Ratio
d. All of the above

204. Fictitious assets are debited to partners capital accounts in their –
a. Profit sharing ratio
b. Capital ratio
c. Final Claim ratio
d. None of the above

205. On sale of firm to a company, the purchase consideration is calculated by -------

a. Lumsum method
b. payment method
c. Net Asset method
d. Any of the above

206. Shares or debentures received from company on sale of firm are distributed among the partners-------

a. In specific ratio agreed by all partners
b. equility
c. in ratio of capitals
d. any of the above

207. In equitable approach-------

a. In Equity shares are divided in profit sharing ratio
b. preference shares and debentures are divided in the ratio of capital
c. Both a and b above
d. None of the above

208. If purchase consideration is more than the net assets taken over in the books of the company taking over the firm, the difference is----

a. debited to goodwill account
b. credited to capital Researve
c. debited to capital Reserve
d. None of the above

209. Dissolution expenses paid by the company to the firm on conversion are---------

a. debited to deferred revenue expenditure A/c
b. credited to Capital reserve A/c
c debited to goodwill A/c
d. None of the above

210. The partnership firm has------------capital

a. Unlimited
b. Limiteed
c extracts
d. None of the above

211. The partnership firm is ----------------on conversion into a limited company.

a. acquisition
b. take over
c dissolved
d. None of the above

212. A ---------------form of organization is suitable for large scale business.

a. Sole traders
b. Co-operative society
c Company
d. Partnership firm

213. A new company is formed on ---------of the firm into a limited company.

a. convenient
b complex
c effective
d. None of the above

214. Amount payable by a purchasing company to the vendor firm is called as----------

a. Purchase consideration
b Realisation
c Profit and Loss
d. None of the above

215 Profit /Loss on realization is distributed among the partners in their ------------ratio

a. Profit sharing ratio
b equity ratio
c Final claim ratio
d. None of the above

216. Cash balance take over by a limited company is debited to ---------Account.

a. Purchase consideration
b Realisation A/c
c Profit and Loss A/c
d. None of the above

217. Shares received from a limited company are distributed among the partners in the ratio of—

a. Profit sharing ratio
b equity ratio
c Final claim
d. None of the above

218.Fictitious assets are distributed among the partners in their -------------ratio..

a. Profit sharing ratio
b equity ratio
c Final claim
d. None of the above

219. Purchase consideration =Assets less --------liabilities both at market value

a. External
b Internal
c Basic
d. None of the above

220. In the absence of information, purchase consideration is received on conversion should be distributed in the ---------ratio.

a. Equally
b equity ratio
c Final claim
d. profit sharing

221 .On amalgamation of firm -------------- account is opened

a. Realization Account
b Profit and Loss Account
c   revaluation A/c
d. none of the above

222.on amalgamation of the firm, fictitious assets of old firm are ---------------to capital A/C of the old partners.

a. Credited
b partners capital
c   Debited
d. none of the above

223.   In excess capital method the minimum capital is equal to----------------------

a. Average
b higest
c   Lowest
d. none of the above

224. Income tax payable by the firm as on the date of dissolution is treated as------creditors.

a. Secured
b Unsecured
c   Preferencial
d. none of the above

225. Indian partnership act is in force since.---------------

a. 1956
b 1932
c   1947
d. 1980

226. Excess of income over expenditure is-----------

a. Net Loss
b Net Profit
c Gross Profit
d. Gross Loss

227.There cannot be more than -------------------partners in partnership firm.

a. 10
b 20
c   25
d. 50

228.The executive is entitled to all the rights of a ----------------

a. Retired partners

b Deceased partners
c dead partner
d. None of the above

229.The balance in the capital account of a deceased partners is transfer to his -------- account.

a. Family
b Executive
c Both a and b
d. None of the above

230.The credit balance of revaluation account shows-------------

. a. Profit
b Loss
c Income
d. expenditurs

231 After all the liabilities are paid the balance cash is paid to all partners.---

a In the ratio of their capital

b As per excess capital contributions
c   In their profit sharing ratio

d. As per their seniority

232.   Excess capital method is also known as----------------

a) Highest relative capital method
b Maximum loss method
c Capital equalization method
d. Capital induction method

233. When an unrecorded liability is paid------

a) Partners capital is debited
b Realisation account is debited
c Realisation account is credited
d. Partners capital is Credited

234. Gain ratio is calculated----------

a) When a new partners is admitted
b When a partner retires
c When one partner is declared insolvent
d. When the partnership firm is dissolved

235. An admission of a new partner the existing partners-------

a) Share profit and losses in their old profit sharing ratio
b Cannot change their profit sharing ratio
c Must change their old profit sharing ratio
d. May matually change their profit sharing ratio

236. When a new partners are admitted------

a) He should bring cash for his capital onlyand not for goodwill
b He may bring in cash for his capital and goodwill
c He must pay other parties for goodwill
d. He must pay oher partners their excess capital

237..In fluctuating capital method -----

a) Drawing is debited to capital A/c
b Interest on capital is debited to capital A/c
c Both Interest and drawings are debited to capital A/c
d. A separate A/c called as current A/c is maintained

238. After all external liabilities are paid the balance cash is paid to the partners.

a) In the ratio of capital
b Equally
c profit sharing ratio
d. As per excess capital method

239. Excess capital method is also known as-------

a) Highest relative capital method
b Maximum loss method
c Capital equalization method
d. Capital induction method

240. When an asset is taken over by a partner then-------

a) Partner’s capital is debited
b Realization Account is debited
c Cash account is credited
d. partner’s capital account is credited

241. On dissolution of firm, payment of an unrecorded liability is debited to----------

a) Cash/ Bank A/c
b Partners Capital A/c
c Realisation A/c
d. partner’s current A/c

242. In Fluctuating capital method ------

a) Drawing is debited to capital A/c
b Interest on capital is debited to capital A/c
c Both Drawing and Interest on capital are debited to capital A/c
d. A separate A/c current account is maintained

243.In case of amalgamation profit and loss on sale of business is ascertained by preparing---

a) Realisation A/c
b Profit and loss A/c
c Cash/Bank A/c
d. Partner's capital debit side

244.After all excess capital are paid to the partners the balance cash is paid to them in-----

a) Ratio of Capital
b Equal Ratio
c Profit sharing ratio
d. As per seniority

245. Excess Capital method is also known as---------

a) Highest Relative Capital method
b Maximum Loss method
c Capital Equalization method
d. Capital induction method

246. When an unrecorded assets is taken over by a partner then----

a) Partner's capital is debited
b Realisation A/c is debited
c Cash A/c is credited
d. Partners capital A/c is Credited

247. In Fixed capital method-----

a) Drawing is debited to Capital A/c
b Interest on capital is debited to capital A/c
c. Current A/c is maintained
d. Both interest and drawing is debited to Capital A/c

248. . In case of amalgamation profit and loss on sale of business is ascertained by preparing preparing----------

a) Realisation A/c
b Profit and Loss appropriation A/c
c Capital A/c

d. Cash/Bank A/c

249. In case of amalgamation -----

a) Goodwill of both the firms is ignored
b Goodwill of both the firms is valued separately
c Goodwill of both the firms must be taken at book value
d. Goodwill of both the firms is valued on the basis of old profit sharing ratio

250. After all external liabilities are paid the balance cash is paid to the partners as per ---- method.

a) Excess capital method
b Profit sharing method
c Equity capital method
d. None of the above

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