

CHAPTER 3:- CHANGE IN PROFIT SHARING RATIO AMONG EXISTING PARTNERS

MULTIPLE CHOICE QUESTIONS:-

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| **Q.NO.** | **QUESTIONS** |
| 1 | The ratio in which a partner receives a rise in his share of profits is known as:  A. New Ratio  B. Sacrificing Ratio  C. Capital Ratio  D. Gaining Ratio |
| 2 | Sacrificing ratio is the difference between :  A. New ratio and old ratio  B. Old ratio and new ratio  C. New ratio and gaining ratio  D. Old ratio and gaining ratio |
| 3 | In case of change in profit-sharing ratio, the accumulated profits are distributed to the partners in  A. new ratio  B. old ratio  C. sacrificing ratio  D. equal ratio |
| 4 | Ajay,Bijay and Sujay are partners sharing profits and losses in the ratio of 5:3:2.They decide to share the future profits in the ratio of 3:2:1. Workmen compensation reserve appearing in the balance sheet on the date if no information is available for the same will be:  A. Distributed among the partners in old profit sharing ratio B Distributed among the partners in new profit sharing ratio  C. Distributed among the partners in capital ratio  D.Carried forward to new balance sheet without any adjustment |
| 5 | Alok and Bhupesh are partners in a firm sharing profits in the ratio of 3 : 2. They decided to share future profits equally. Calculate Alok’s gain or sacrifice  A. 2/10 (sacrifice)  B. 5/10 (gain)  C.1/10 (Gain)  D.1/10 (sacrifice) |
| 6 | A, B and Care partner sharing profits in the ratio of 2 : 4 : 6. On 1-4-2022 theydecided to share the profits equally. On the date there was a credit balance of Rs.1,20,000 in their Profit and Loss Account and a balance of Rs.1,80,000 in GeneralReserve Account. Instead of closing the General Reserve Account and Profit andLoss Account, it is decided to record an adjustment entry for the same. In  thenecessary adjustment entry to give effect to the above arrangement: |

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|  | 1. Dr. A by Rs. 50,000; Cr. B by Rs. 50,000 2. Cr. A by Rs. 50,000; Dr. B by Rs. 50,000 3. Dr. A by Rs. 50,000; Cr. C by Rs. 50,000 4. Cr. A by Rs. 50,000; Dr. C by Rs. 50,000 |
| 7 | Which section of Indian Partnership Act, 1932 defines partnership as "Partnership is the relation between persons who have agreed to share the profits of a business carried by all or any of them acting for all."   1. Section 4 2. Section 2 3. Section 40 4. Section 42 |
| 8 | Feature of a partnership firm:   1. Two or more persons are carrying common business under an agreement. 2. They are sharing profits and losses in the fixed ratio. 3. Business is carried by all or any of them acting for all as an agent. 4. All of these |
| 9 | Which one from the below is not a right of a partner?   1. Right to inspect the books of accounts 2. Right to take part in the management of the firm 3. Right to share the profit/losses with other partners in agreed ratio 4. Right to receive salary at the end of every year |
| 10 | P, Q, and R are partners in 6 : 4 : 2. R is guaranteed that his share of profit will not be less than rs.70,000. Any deficiency will be borne by P and Q in the ratio of 4 : 2. Firm’s profit was rs.2,40,000. Share of P will be :   1. Rs.1,00,000 2. Rs.1,10,000 3. Rs.1,20,000 4. Rs.1,02,000 |

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| 11 | Any change in the relationship of existing partners, resulting in the end of existing agreement and formation of new agreement is termed as  (A) Revaluation of partnership (B)Realisation of partnership  (C) Reconstitution of partnership firm  (D) Reconstitution of partnership |
| 12 | Which of the following is not transferred to partners’ capital accoumt? |

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|  | (A) Retained earnings  (B) General Reserve  (C) Employees Provident Fund  (D) Contingency Reserve |
| 13 | State the ratio in which the partners share all the accumulated profits, reserves, losses at the time of change in profit sharing ratio.  (A) Old profit sharing ratio  (B) New profit sharing ratio (C)Sacricing ratio  (D) Gaining ratio |
| 14 | Which of the following statement is correct for Revaluation account?  (A) Increase in the value of an asset is credited to Revaluation account  (B) Increase in the amount of a liability is debited to Revaluation account  (C) Decrease in the value of an asset is credited to Revaluation account  (D) Decrease in the amount of a liability is credited to Revaluation account |
| 15 | Sacrificing ratio is calculated as  (A) New ratio – Old ratio  (B) Old ratio – Gaining ratio  (C) Gaining ratio – Old ratio  (D) Old ratio – New ratio |
| 16 | Ankita and Neha are sharing profits in the ratio of 2:1. Now they have decided that new profit sharing ratio will be equal. What will be the Gain/Sacrifice ratio?  (A) Ankita gain 1/6 and Neha sacrifice 1/6  (B) Ankita sacrifice 1/6and Neha gain 1/6  (C) Ankita gain 4/5 and Neha sacrifice 4/5  (D)Ankita sacrifice 2/3 and Neha gain 1/6 |
| 17 | Sanjeev and Shalu were partners sharing profits in the ratio of 3:2. From 1stApril 2020, they decided to change it to 3:1. For this purpose the goodwill was valued at  ₹ 1,20,000. Journal entry for the above transaction will be |

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|  | 1. Sanjeev capital A/c debit ₹20,000 and Shalu capital A/c credit ₹20,000 2. Shalu capital A/c debit ₹20,000 and Sanjeev capital A/c credit ₹20,000 3. Sanjeev capital A/c debit ₹18,000 and Shalu capital A/c credit ₹18,000 4. Shalu capital A/c debit ₹18,000 and Sanjeev capital A/c credit ₹18,000 |
| 18 | Sun, Moon and Star are partners sharing profits in the ratio of 5:3:2. With effect from 1st July 2020, they agreed to share future profits 2:3:5. They decided to record the following with affecting the values.  Profit & Loss A/c (Cr.) - ₹24,000 Advertisement Suspense A/c - ₹12,000  What is the impact of the above adjustments on Moon?   1. No effect on Moon 2. Moon debit by ₹ 3,600 3. Moon credit by ₹ 3,600 4. Moon debit by ₹ 12,000 |
| 19 | Amar, Akbar and Anthony are partners in the ratio of 2:2:1. On 31stMarch, 2021 they decided to share equally in future.  Market value of Investments is ₹93,000. What amount will be debited/credited to partner’s capital account?   1. Investment Fluctuation Reserve credited as ₹2,000: ₹2,000:₹1,000 2. Investment Fluctuation Reserve debited as ₹2,000: ₹2,000:₹1,000 3. It will not be debited to capitals 4. It will not be credited to capitals |
| 20 | P, Q and R were partners in the ratio of 3:2:1. As on 1st July 2020, they decided to  alter their ratio. For this purpose P decided to give ¼ of his share to Q, and Q |

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| Balance Sheet (Extract)  As on 31st March, 2021 | | | |
| Liabilities | ₹ | Assets | ₹ |
| Investment Fluctuation  Reserve | 12,000 | Investments | 1,00,000 |

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|  | decided to give ½ of his share to P and R equally. What will be the Sacrifice/Gain of P?   1. 3/24 Sacrifice 2. 1/24 Sacrifice 3. 2/24 Gain 4. 1/24 Gain |
| 21 | Which of the following does not result into reconstitution of a firm?   1. Dissolution of partnership firm 2. Dissolution of partnership 3. Change in profit sharing ratio of existing partners 4. Death of a partner |
| 22 | Any change in the relationship of existing partners which results in an end of the existing agreement and enforces making of new· agreement is called: (A)Revaluation of partnership   1. Reconstitution of partnership 2. Realisation of partnership (D)Dissolution of firm |
| 23 | A and B are partners in a firm sharing profits in the ratio of 3 : 2. They decided to share future profits equally. Calculate A’s gain or sacrifice   1. 2/10 (sacrifice) 2. 5/10 (gain) 3. 1/10 (Gain) 4. 1/10 (sacrifice) |
| 24 | Increase and decrease in the value of assets and liabilities are recorded through:   1. Partners' Capital Accounts 2. Revaluation Account 3. Profit and Loss Appropriation Ne 4. Profit and loss account |
| 25 | Pawan and Gouravwere partners in a firm sharing profits in the ratio of 2 : 1. With effect from 1st January, 2021, they decided to share profits and losses equally.  Individual partner’s gain or sacrifice due to change in the ratio will be:   1. Gain by Pawan 1/6, sacrifice by Gaurav 1/6 2. Sacrifice by Pawan 1/6, gain by Gaurav 1/6 3. Gain by Pawan 1/2, sacrifice by Gaurav 1/2 4. Sacrifice by Pawan 1/2, gain by Gaurav 1/2 |
| 26 | In case of change in profit-sharing ratio, the gaining partner must compensate the sacrificing partners by paying the proportional amount of  (a)capital (b)cash (c)goodwill  (d) profits |

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| 27 | R, S and T sharing profits and losses in the ratio of 1:2:3, decided to share future profit and losses equally. They also decided to adjust the following accumulated profits, losses and reserves without affecting their book figures, by passing a single adjustment entry:  General Reserve 40000 Profit and Loss A/c 30000  Deferred revenue expenditure http://www.techvorm.com/wp-content/uploads/2010/07/Indian-Currency-Symbol.png 10000 The necessary .adjustment entry will be:   1. Dr. R and Cr. T by http://www.techvorm.com/wp-content/uploads/2010/07/Indian-Currency-Symbol.png 10,000 2. Dr. T and Cr. R by http://www.techvorm.com/wp-content/uploads/2010/07/Indian-Currency-Symbol.png10,000 3. Dr. S and Cr. R by http://www.techvorm.com/wp-content/uploads/2010/07/Indian-Currency-Symbol.png10,000 4. Dr.R and Cr. S by http://www.techvorm.com/wp-content/uploads/2010/07/Indian-Currency-Symbol.png 10,000 |
| 28 | P , Q and R are partners in a firm sharing profits in the ratio of 5:4:1. They decided to share future profits equally. The goodwill was valued at Rs. 60,000. The adjusting journal entry will be:   1. R's Capital A/c Dr. 14,000   To P's Capital A/c 10,000  To Q's Capital A/e 4,000   1. R's Capital A/c Dr. 20,000   To P's Capital A/c 10,000 To Q's Capital A/C 10,000   1. P's Capital A/e Dr. 10,000 Q's Capital A/c D r. 4,000   To R's Capital A/c 14,000   1. Goodwill A/C Dr. 60,000   To P's Capital A/c 20,000  To Q's Capital A/c 20,000 To R's Capital A/c 20.000 |
| 29 | X,Y and Z are partners sharing profits and losses in the ratio of 5:3:2.They decide to share the future profits in the ratio of 3:2:1. Workmen compensation reserve appearing in the balance sheet on the date if no information is available for the same will be:   1. Distributed among the partners in capital ratio 2. Distributed among the partners in new profit sharing ratio 3. Distributed among the partners in old profit sharing ratio 4. Carried forward to new balance sheet without any adjustment |
| 30 | A,B and C were partners in a firm sharing profits in the ratio of 3:4:1 .They decided to share profits equally w.e.f from 1 .4.2019. On that date the profit and loss account showed the credit balance of 96,000.instead of closing the profit and loss  account ,it was decided to record an adjustment entry reflecting the change in |

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|  | profit sharing ratio .In the journal entry:   1. Dr. A by 4,000; Dr. B by 16,000; Cr C by 20,000 2. Cr. A by 4,000; Cr. B by 16,000; Dr C by 20,000 3. Cr. A by 16,000; Cr. B by 4,000; Dr C by 20,000 4. Dr. A by 16,000; Dr. B by 4,000; Cr C by 20,000 |
| 31 | X, Y and Z are in a partnership firm sharing profits in the ratio 4 : 3 : 1. The partners agreed to share future profits in the ratio 5 : 4 : 3. Each partners’s gain or sacrifice due to change in ratio will be:   1. X’s Sacrifice 2/24; Y’s Sacrifice 1/24; Z’s Gain 3/24 2. X’s Gain 2/24; Y’s Gain 1/24; Z’s Sacrifice 3/24 3. X’s Sacrifice 1/24; Y’s Sacrifice 2/24; Z’s Gain 3/24 4. X’s Sacrifice 2/24; Y’s Gain 3/24; Z’s Sacrifice 1/24 |
| 32 | Komal and Sunita are partners with capitals of Rs.3,00,000 and Rs.2,00,000 respectively. Normal rate of return is 15% and goodwill calculated at 2 years purchase of Super profits is valued at Rs.1,00,000. What were the average profits of the firm?   1. Rs.80,000 2. Rs.1,25,000 3. Rs.2,75,000 4. Rs.95,000 |

**ANSWER KEY**

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| **Q.NO.** | **ANSWERS** |
| 1 | D |
| 2 | B |
| 3 | D |
| 4 | A |
| 5 | D |
| 6 | C |
| 7 | A |
| 8 | B |

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| 9 | D |
| 10 | A |
| 11 | (D) Reconstitution of partnership |
| 12 | (C) Employees Provident Fund |
| 13 | (A) Old profit sharing ratio |
| 14 | (C) Decrease in the value of an asset is credited to Revaluation account |
| 15 | (D) Old ratio – New ratio |
| 16 | (B) Ankita sacrifice 1/6and Neha gain 1/6 |
| 17 | (D) Shalu capital A/c debit ₹18,000 and Sanjeev capital A/c credit ₹18,000 |
| 18 | (A) No effect on Moon |
| 19 | (A) Investment Fluctuation Reserve credited as ₹2,000: ₹2,000:₹1,000 |
| 20 | (B) 1/24 Sacrifice |
| 21 | A |
| 22 | B |
| 23 | D |
| 24 | B |
| 25 | B |
| 26 | C |
| 27 | A |
| 28 | A |
| 29 | C |
| 30 | B |
| 31 | A |
| 32 | B |

PREPARED BY THE PGTs ( COMMERCE ) OF BHUBANESWAR, GUWAHATI, KOLKATA, RANCHI, SILCHAR AND TINSUKIA REGIONS.