

Accountancy

Reconstitution of a Partnership Firm – Admission of a Partner

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Chapter Name: Reconstitution of a Partnership Firm – Admission of a Partner

Concept: Introduction of Admission of a Partner

Level:

Skill:

Time:

Easy (1-9)

Remembering

30

1. If the new partner brings his share of goodwill in cash, it will be shared by old partners in _____.

- (A) Old profit sharing ratio.
- (B) New profit sharing ratio.
- (C) In capital ratio.
- (D) Ratio of sacrifice.

Answer (D)

2. Any change in partnership is called _____.

- (A) Dissolution of a partnership firm.
- (B) Reconstitution of partners.
- (C) Reconstitution of a partnership firm.
- (D) None of the options are correct.

Answer (C)

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

- (A) All partners' Capital Accounts.
- (B) Revaluation Account.
- (C) Old partners' Capital Accounts.
- (D) Profit and Loss Adjustment Account.

Answer (C) Old partners' Capital Accounts.

4. At the time of admission of a new partner, which adjustments are required ?

- (A) Accounting treatment of goodwill.
- (B) Accounting treatment of accumulated profits.
- (C) Calculation of new profit sharing ratio and sacrificing ratio.
- (D) All of the options are correct.

Answer (C) Calculation of new profit sharing ratio and sacrificing ratio.

5. In the absence of an express agreement as to who will contribute to new partners' share of profit, it is implied that the old partners will contribute _____.

- (A) In the ratio of their capitals.
- (B) In their old profit sharing ratio.
- (C) In the gaining ratio.
- (D) Equally.

Answer (B) In their old profit sharing ratio.

6. Which clause should be mentioned in the partnership deed?

- (A) Description of the firm.
- (B) Nature of the business.
- (C) Description of the partners.
- (D) All of the options are correct.

Answer (D) All of the options are correct.

7. If the incoming partner brings the amount of goodwill in cash and also a balance exists in the goodwill account, this goodwill account is written off among the old partners in _____.

- (A) The old profit sharing ratio.
- (B) The sacrificing ratio.
- (C) The gaining ratio.
- (D) The new profit sharing ratio.

Answer (A) The old profit sharing ratio.

8. Under which circumstances a partnership firm may be reconstituted?

(A) Admission of a partner.

(B) Death or retirement of a partner.

(C) Change in profit sharing ratio.

(D) All of the options are correct.

Answer (D) All of the options are correct.

9. In case of admission of a partner, the entry for unrecorded investments will be _____.

(A) Debit Revaluation A/c and Credit Investment A/c.

(B) Debit Investment A/c and Credit Revaluation A/c.

(C) Debit Partners Capital A/cs and Credit Investments A/c.

(D) None of the above options are correct.

Answer (B) Debit Investment A/c and Credit Revaluation A/c.

Chapter Name: Reconstitution of a Partnership Firm – Admission of a Partner

Concept: Introduction of Goodwill

Level:

Skill:

Time:

Easy (1-3)

Remembering

30

1. Goodwill is defined as which asset?

- A. Fictitious Asset
- B. Current Asset
- C. Liquid Asset
- D. Intangible Asset

Answer: D) Intangible Asset

2. What is an Intangible Asset?

- A. An asset that is not physical in nature
- B. Assets that have no tangible existence
- C. Assets of a company that are expected to be sold or used
- D. An asset that can easily be converted into cash

Answer: A) An asset that is not physical in nature

3. What is a fictitious asset?

- A. An asset that is not physical in nature
- B. Assets that have no tangible existence
- C. Assets of a company that are expected to be sold or used
- D. An asset that can easily be converted into cash

Answer: B) Assets that have no tangible existence