Class XII ACCOUNTANCY

## CHANGE IN PROFIT SHARING RATIO AMONG THE EXISTING PARTNERS

**(C) Matching Questions :**

Q1. Match the following in case of Change in Profit Sharing Ratio :

| | | | |
|---|---|---|---|
| (i) | Ratio in which Partners share profit & losses before reconstitution of firm | (a) | New profit sharing ratio |
| (ii) | Ratio in which Partners surrender their share of profit in favour of other partner's | (b) | Gaining Ratio |
| (iii) | Ratio in which all the Partners share the future profit and losses | (c) | Sacrificing Ratio |
| (iv) | Ratio in which Partners acquire the share from other | (d) | Old Ratio |

Q2. Identify the factors affecting the value of goodwill :

| | | | |
|---|---|---|---|
| (i) | Stable demand | (a) | Favourable location |
| (ii) | Increased number of customers over a period of time | (b) | Longevity of business |
| | | (c) | Goods of Daily use |
| | | (d) | Risk involved |

Q3. Identify weight for the past years while calculating goodwill by weighted average profit :

| | | | |
|---|---|---|---|
| (i) | 2017 | (a) | 1 |
| (ii) | 2019 | (b) | 2 |
| (iii) | 2020 | (c) | 3 |
| (iv) | 2018 | (d) | 4 |
| | | (e) | 5 |

Q4. Match the following items :

| | | | |
|---|---|---|---|
| (i) | Old Ratio – New Ratio | (a) | Gaining Ratio |
| (ii) | Goodwill | (b) | Fixed Asset |
| (iii) | General Reserve | (c) | Credit Balance |
| (iv) | New Ratio – Old Ratio | (d) | Sacrificing Ratio |

Q5. Match the following items :

| | | | |
|---|---|---|---|
| (i) | Goodwill which is acquired by making a payment | (a) | Inherent goodwill |
| (ii) | Goodwill which arises from favourable location | (b) | Purchased goodwill |
| (iii) | Goodwill which arises due to efficiency of management | | |

Q6. Match the following items :

| | | | |
|---|---|---|---|
| (i) | If goodwill is valued at ₹1,20,000 at 4 years purchase of super profit; normal return is 10% and average profits are ₹50,000, capital employed will be | (a) | ₹8,00,000 |
| | | (b) | ₹2,00,000 |
| | | (c) | ₹5,00,000 |

Q 7. In case of change in profit sharing ratio among existing partners :

| | | | |
|---|---|---|---|
| (*i*) | General Reserve will be distributed in | (*a*) | Sacrificing/Gaining Ratio |
| (*ii*) | Advertisement Suspense will be debited to Partners' Capital A/cs in | (*b*) | Old Ratio |
| (*iii*) | Goodwill valued will be adjusted in | (*c*) | New Ratio |

Q 8. Match the following items :

| | | | |
|---|---|---|---|
| (*i*) | Revaluation A/c is opened | (*a*) | At the time of retirement |
| (*ii*) | Sacrificing Ratio | (*b*) | At the time of death |
| (*iii*) | Valuation of Goodwill | (*c*) | At the time of admission |
| | | (*d*) | At the time of reconstitution of partnership firm |

(D) Multiple Choice Questions :

Q9 Choose the Best Alternate :

1. Sacrificing Ratio :

(A) New Ratio – Old Ratio
(B) Old Ratio – New Ratio
(C) Old Ratio – Gaining Ratio
(D) Gaining Ratio – Old Ratio

Q10 2. Gaining Ratio :

(A) New Ratio – Sacrificing Ratio
(B) Old Ratio – Sacrificing Ratio
(C) New Ratio – Old Ratio
(D) Old Ratio – New Ratio

Q11 3. *A* and *B* were partners in a firm sharing profit or loss euqally. With effect from 1st April, 2019 they agreed to share profits in the ratio of 4 : 3. Due to change in profit sharing ratio, *A*'s gain or sacrifice will be :

(A) Gain $\frac{1}{14}$
(B) Sacrifice $\frac{1}{14}$
(C) Gain $\frac{4}{7}$
(D) Sacrifice $\frac{3}{7}$

Q12 Under the capitalisation method, the formula for calculating the goodwill is :

(A) Super profits multiplied by the rate of return
(B) Average profits multiplied by the rate of return
(C) Super profits divided by the rate of return
(D) Average profits divided by the rate of return

Q13 Total assets of a firm including fictitious assets of ₹5,000 are ₹85,000. The net liabilities of the firm are ₹30,000. The normal rate of return is 10% and the average profits of the firm are ₹8,000. Calculate the goodwill as per capitalisation of super profits.

(A) ₹20,000
(B) ₹30,000
(C) ₹25,000
(D) None of these

Q 14 Total Capital employed in the firm is ₹8,00,000, reasonable rate of return is 15% and Profit for the year is ₹12,00,000. The value of goodwill of the firm as per capitalization method would be :

(A) ₹82,00,000
(B) ₹12,00,000
(C) ₹72,00,000
(D) ₹42,00,000

Q 15. The average capital employed of a firm is ₹4,00,000 and the normal rate of return is 15%. The average profit of the firm is ₹80,000 per annum. If the remuneration of the partners is estimated to be ₹10,000 per annum, then on the basis of two years purchase of super-profit, the value of the Goodwill will be :

(A) ₹10,000
(B) ₹20,000
(C) ₹60,000
(D) ₹80,000

Q 16 A firm earns ₹1,10,000. The normal rate of return is 10%. The assets of the firm amounted to ₹11,00,000 and liabilities to ₹1,00,000. Value of goodwill by capitalisation of Average Actual Profits will be :

(A) ₹2,00,000
(B) ₹ 10,000
(C) ₹ 5,000
(D) ₹1,00,000

Q17 Arun and Varun are partners sharing profits in the ratio of 4 : 3. Their Balance Sheet showed a balance of ₹56,000 in the General Reserve Account and a debit balance of ₹14,000 in Profit and Loss Account. They now decided to share the future profits equally. Instead of closing the General Reserve Account and Profit and Loss Account, it is decided to pass an adjustment entry for the same. In adjustment entry :

(A) Dr. Arun by ₹3,000; Cr. Varun by ₹3,000
(B) Dr. Arun by ₹5,000; Cr. Varun by ₹5,000
(C) Cr. Arun by ₹5,000; Dr. Varun by ₹5,000
(D) Cr. Arun by ₹3,000; Dr. Varun by ₹3,000

HOTS

Q18. *X*, *Y* and *Z* are partners in a firm sharing profits in the ratio of 3 : 2 : 1. They decided to share future profits equally. The Profit and Loss Account showed a Credit balance of ₹60,000 and a General Reserve of ₹30,000. If these are not to be shown in balance sheet, in the journal entry :

(A) Cr. *X* by ₹15,000; Dr. *Z* by ₹15,000
(B) Dr. *X* by ₹15,000; Cr. *Z* by ₹15,000
(C) Cr. *X* by ₹45,000; Cr. *Y* by ₹30,000; Cr. *Z* by ₹15,000
(D) Cr. *X* by ₹30,000; Cr. *Y* by ₹30,000; Cr. *Z* by ₹30,000

Q19 *X*, *Y* and *Z* are partners sharing profits and losses in the ratio 5 : 3 : 2. They decide to share the future profits in the ratio 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 to the partners in old profit sharing ratio
(B) Distributed to the partners in new profit sharing ratio
(C) Distributed to the partners in capital ratio
(D) Carried forward to new balance sheet without any adjustment

Q 20 Any change in the relationship of existing partners which results in an end of the existing agreement and enforces making of a new agreement is called

(A) Revaluation of partnership. (B) Reconstitution of partnership.
(C) Realization of partnership. (D) None of the above.

*(C.B.S.E. Sample Paper, 2015)*

Q 21. 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, 2019. Their Balance Sheet as on that date showed a balance of ₹45,000 in Advertisement Suspense Account. The amount to be debited respectively to the capital accounts of Meera, Myra and Neera for writing off the amount in Advertisement Suspense Account will be :

(A) ₹18,000, ₹18,000 and ₹9,000 (B) ₹15,000, ₹15,000 and ₹15,000
(C) ₹21,000, ₹15,000 and ₹9,000 (D) ₹22,500, ₹22,500 and Nil