PANCHAKSHARI'S PROFESSIONAL ACADEMY PVT LTD
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PPA

Partnership: Retirement of a partner

Select the best choice to answer the following Questions:

1. Which of the following is true?
   a) The retirement of a partner result in a new partnership.
   b) Gaining ratio is the ratio in which the old partners are surrendering their share of profit in favour of the new partner.
   c) When a partner retires, goodwill is to be distributed in the capital ratio.
   d) When a partner retires, profit or loss on revaluation is to be shared in the gaining ratio.

2. Which of the following is true?
   a) When the retiring partner's share of goodwill is credited to his capital account, then the same is to be debited to the capital accounts of the remaining partners in the sacrificing ratio.
   b) The amount due to the retiring partners if not paid in cash is transferred to his loan account.
   c) The account of retiring partner's capital is transferred to a loan account, which carries interest @ 10% p.a. until it is paid.
   d) If a partner retires on a date other than the date of preparing final accounts, then he is not entitled to any share in the profit from the date of preceding final accounts to the date of retirement.

3. Which of the following is true?
   a) The profit or loss disclosed by the revaluation account at the time of retirement of a partner is transferred to the capital account of the partners in the capital ratio.
   b) When a partner retires, all accumulated losses are transferred to the capital accounts in new profit sharing ratio.
   c) When a partner retires, a revaluation account is prepared in the interest of the retiring partner.
   d) Unrecorded asset taken over by a retiring partner should appear in the revaluation account.

4. Which of the following is true?
   a) When a partner retires, a goodwill account may be raised which will find a place in the balance sheet
   b) When a partner retires, a goodwill account may be raised but it should be written off immediately.
   c) When a partner retires, the remaining partners are bring in money to pay off the retiring partner.
   d) Profits and losses on revaluation of assets and liabilities directly affect the partners' current accounts.

5. State which of the following is not true?
   a) A partner can retire from the business with the consent of all the other partners.
   b) The profit or loss on revaluation of assets and liabilities is transferred to continuing partners in the new ratio.
   c) Upon retirement, adjustment for goodwill is made through the partners' capital A/c
   d) A retiring partner is entitled to his share in the goodwill of the firm as per the agreement between the partners.

6. On retirement of a partner, the combined shares of the continuing partners
   a) Will remain same b) will reduce
   c) Will increase
   d) will decrease or increase

7. on retirement of a partner, the assets and liabilities of the firm are
   a) to be revalued upward only
   b) to be revalued downward only
   c) to be revalued both upward and downward where necessary
   d) not to be revalued

8. at the time of retirement of a partner, if there is undistributed profit in the balance sheet of the firm, it
   a) will not be distributed amongst the partners
   b) will be distributed in the capital ratio

c) will be distributed in the old profit sharing ratio amongst all the partners
d) will be distributed amongst continuing partners

9. Upon retirement, joint life policy surrender value will be distributed
a) Amongst all partners in the old ratio
b) Amongst continuing partners in the new ratio
c) To retiring partners only
d) Amongst continuing partners in the old ratio

10. Gaining ratio is generally calculated at the time of ____ of a partner.
a) Retirement only b) death only
c) Admission only d) retirement/death

11. Gaining ratio is calculated only when the retiring partner's share of ____ is to be adjusted.
a) Goodwill only b) reserve only
c) Goodwill and/or reserve
d) Goodwill or reserve

12. Gaining ratio is the difference between ____ ratio and_____.
a) New profit sharing, old profit sharing
b) New profit sharing, sacrificing
c) New capital, old capital
d) Old profit sharing, new profit sharing

13. After retirement of a partner, the combined share of the remaining partners will be______.
a) Unchanged b) Increased
c) Decreased
d) Increased or Decreased

14. A partner can retire with the _____ _____ of all the other partners.
a) Consent b) expressed consent
c) Implied consent
d) Expressed or implied consent

15. A, B and C are partners sharing profits and losses in the ratio of 3:2:1. C retires and the new profit sharing ratio between A and B is 3:2. What is the gaining ratio?
a) Nil b) 3:7
c) 2:1 d) 4:3

16. From the following information, calculate the amount due to A- retiring partner:

Capital Account Balance	Rs. 1,50,000
Loan account balance	Rs. 1,25,500
Accrued interest on loan	4,000
Value of goodwill	1,25,000
Revaluation profit	25,000
Share of profit	50%

a) Rs. 3,45,000 b) Rs. 3,54,500
c) Rs. 3,44,000 d) Rs. 3,54,000

17. A, B and C are partners, C retires. Amount payable to him is Rs 72,300. Required cash in hand is Rs. 20,000. Cash already in hand is Rs. 7,000. A and B bring in the required amount in the ratio of 3:2. A brings in Rs. 51,180. How much B will bring in?
a) Rs. 34,210 b) Rs 34,120
c) Rs. 33,120 d) Rs. 34,100

18. A, B and C are partners sharing profits and losses in the ratio of 2:2:1. C retires on 31.3.2006. the accounting year of the firm ends on 31st December each year. C's share of profit up to the date of retirement be calculated on the basis of average profit of the preceding three years.
The profits of the preceding 5 years were as follows:
2001: Rs. 20,000; 2002: Rs. 23,500; 2003: Rs. 30,000; 2004: Rs. 27,500; 2005: Rs. 32,500.
Calculate C's share of profit up to the date of retirement.
a) Rs. 6,500 b) Rs. 7,500
c) Rs 1,500 d) Rs. 1,600

19. Amount credited to a retiring partner in his capital account is Rs. 2,01,000. He took over investments at Rs. 58,000. He also took over 20% of the debtors. the amount transferred to his loan account is Rs. 1,23,000. What is the total value of the debtors?
a) Rs. 1,00,000 b) Rs. 90,000
c) Rs. 80,000 d) Rs. 1,10,000

20. A, B and C are partners sharing profits and losses in the ratio of 5:4:3. C retires and is credited for Rs. 9,000 as goodwill. How much will be debited to A in respect of goodwill adjustment?
    a) Rs. 20,000 b) Rs. 16,000
    c) Rs. 5,000 d) Rs. 4,000

21. A, B and C are partners sharing profits and losses in the ratio of 4:3:3:. C retires and the firm's goodwill is valued at Rs. 30,000. A and B agree to share profits and losses in the ratio of 7:3. What is the retired journal entry?
    a) A Capital A/c Dr. 12,000
       To C Capital A/c 12,000
    b) A Capital A/c Dr. 9,000
       To B Capital A/c 9,000
    c) C Capital A/c Dr. 9,000
       To A Capital A/c 9,000
    d) A capital A/c Dr. 9,000
       To C Capital A/c 9,000

22. X, Y and Z are partners sharing profits and losses in the ratio of 3:2:1. Z retires and the following journal entry is passed in respect of goodwill.
    Y Capital A/c Dr. 10,000
    To X Capital A/c 5,000
    To Z Capital A/c 5,000
    The value of the goodwill is Rs. 30,000. What is the new profit sharing ratio between X and Y?
    a) 2:1 b) 1:2
    c) 3:1 d) 1:3

23. X, a retiring partner is credited with the following in his capital account:
    Balance b/d Rs. 30,000
    Revaluation profit Rs. 1,000
    Share of goodwill Rs. 6,000
    An amount of Rs. 32,000 is transferred to his loan account. What is the amount of cash paid to him?
    a) Rs. 4,000 b) Rs. 6,000
    c) Rs. 5,000 d) Rs. 3,000

24. X, Y and Z are partners sharing profits and losses in the ratio of 4:3:1. Y retires and surrender his share of profit to X and Z in the ratio of 4:5.
    What is the new profit sharing ratio between X and Z?
    a) 5:4 b) 4:5
    c) 3:1 d) 2:1

25. P, Q and R were partners, sharing profits and losses equally. P retired and Q and R continued in partnership sharing profits and losses equally goodwill was valued at Rs. 60,000 but was not shown in the books. Which entries will record the adjustments for P's retirement in the books?

	Capital Accounts		
	P Rs.	Q Rs.	R Rs.
a)	-	Cr. 10,000	Cr. 10,000
b)	Cr. 20,000	Dr. 10,000	Dr. 10,000
c)	Dr. 20,000	Cr. 10,000	Cr. 10,000
d)	-	Cr. 30,000	Cr. 30,000

Partnership: Death of a Partner

Select the best choice to answer the following questions:

1. The death of a partner:
   a) Will not terminate the partnership
   b) Will terminate the partnership
   c) Will compulsorily dissolve the partnership firm
   d) Will not affect anything of the partnership

2. On death of a partner, the combined shares of the surviving partners
   a) Will remain same b) will decrease
   c) Will increase
   d) Will decrease or increase

3. On death of a partner, the assets and liabilities of the firm are
   a) To be revalued upward only
   b) To be revalued downward only

c) To be revalued both upward and downward where necessary
d) Not to be revalued.

4. Joint life policy premium will be treated as
   a) A personal expenses of the partners
   b) An operating loss of the firm
   c) An expense of the firm
   d) An appropriation of profit

5. At the time of death of a partner if there is undistributed profit in the balance sheet of the firm, it
   a) Will not be distributed amongst the partners
   b) Will be distributed in the capital ratio
   c) Will be distributed amongst the surviving partners only
   d) Will be distributed in the old profit sharing ratio amongst all the partners

6. Upon death, the amount of joint life policy should be distributed
   a) Amongst all partners in the old ratio
   b) Amongst continuing partners in the old ratio
   c) To the executors of the deceased
   d) Amongst continuing partners in the new ratio

7. The executors of deceased partners are entitled to the share of goodwill as per the
   a) Agreement between the partners
   b) Profit sharing ratio
   c) Capital ratio
   d) Equally

8. Which of the following is true?
   a) Due to death of a partner, the profit sharing ratio between the old partners does not change
   b) The death of a partner dissolves the old partnership firm
   c) A joint life policy matures on the happening of the first death
   d) The premium paid on a joint life policy is charged against capital of the partners

9. Which of the following is true?
   a) The question of surrender value arises only in case of joint life policies
   b) In case of a 'with profit' policy, the holder will get only the amount specified in the policy
   c) Surrender values are very low during the early years of a policy
   d) At any time, the surrender value of a policy represents a liability

10. Which of the following is true?
    a) Joint life policy is created by debiting profit and loss account
    b) Joint life policy reserve is created by debiting profit and loss account
    c) Joint life policy is always shown as an asset
    d) Joint life policy is always shown as a liability

11. Which of the following is true?
    a) A joint life policy is opened in the books only when a partner dies
    b) The final balance of the joint life policy reserve account is shared by the partners in the capital ratio.
    c) At any point of time, the surrender value of a policy is equal to the total amount of premium paid
    d) Any premium is debited to joint life policy account as and when paid

12. Which of the following is true?
    a) When a partner dies, the assets of the firm are not revalued but realized
    b) When a partner dies, the firm receives the surrender value of the policy.
    c) A deceased partner's share may be taken over by the continuing partners in the agreed ratio
    d) In the case of death of a partner, the surviving partners cannot continue the business in the usual manner

13. Which of the following is not true?
    a) When premium payable on the policy taken on the life of partners is treated as an asset, the amount of premium is debited to the joint life policy account and credited to bank account
    b) When the premium paid on the policy taken on the life of partners is treated as an asset and reserve is to be maintained,

then at the end of the accounting year, an amount equal to the premium is debited to profit and loss appropriation account
c) When the premium paid on the policy taken on the life of partners is treated as an asset and a joint life policy reserve is to be maintained, then the reserve account appears on the asset side of the balance sheet
d) Joint life policy reserve account is in the nature of an accumulated profit

14. Which of the following is true?
a) A joint life policy is always shown as an asset
b) A joint life policy is never shown as an expense
c) A joint life policy reserve is an external transaction
d) The creation of a joint life policy reserve reduces the divisible profit

15. Which of the following is true?
a) Revaluation account is unaffected when an unrecorded asset is taken over by the executors of a deceased partner
b) Revaluation account is debited at the decrease in the value of creditors at the death of a partner
c) Revaluation account is credited when an unrecorded asset is sold on the death of a partner
d) Revaluation account is unaffected when revaluation expenses are paid by a partner

16. Which of the following is true?
a) In case of death of a partner, reserve and surplus should be distributed amongst continuing partners in the new ratio.
b) The executors of a deceased partner are entitled to a share of goodwill of the firm as per agreement
c) The profit/loss on revaluation of assets and liabilities is transferred to all partners capital accounts equally.
d) Upon death, the combined shares of the continuing partners decrease

17. Which of the following is true?
a) Upon death, when a memorandum revaluation account is prepared, assets and liabilities appear in the Balance sheet at old figures
b) Upon death, the amount of joint life policy should be distributed amongst continuing partners
c) Upon death, if goodwill is not appearing in the Balance sheet, no adjustment is required
d) In the event of the death of a partner, the firm is not entitled to the full value of the individual policy

18. When a partner dies, the joint life policy is______.
a) Revalued b) realized
c) Surrendered d) distributed

19. The premium paid on a joint life policy is shown in the profit and loss account as a (an)_____.
a) Expense b) loss
c) Income d) Provision

20. When no joint life policy is shown in the books, the surrender value of the policy represents_____ reserve.
a) Capital b) revenue
c) Policy d) Secret

21. When the premium paid is shown in the Profit and loss A/c, the ______ profit is reduced
a) Gross b) divisible
c) Net d) capital

22. Surrender value is the amount receivable on a life insurance policy that is cancelled ______ the end of its term
a) After b) at
c) Before d) at or before

23. Joint life policy reserve account should be transferred to the capital account of______ partner(s)
a) All the b) solvent
c) Insolvent d) continuing

24. If the goodwill raised after the death of a partner is to be written off, then the capital accounts of the remaining partners are debited in ______ ratio.
    a) Capital b) gaining
    c) New profit sharing d) old profit sharing

25. The amount received from the insurance company on the joint life policy of the partners in excess of the surrender value is credited to the capital account of the partner in the ______ ratio.
    a) Old b) new
    c) Old profit sharing d) new profit sharing

26. When premium payable in the life policy taken on the life of partners is treated as an asset, then at the end of the year, the balance in joint life policy account in excess of its surrender value is treated as a (an) _____.
    a) Profit b) Expense
    c) Loss d) Asset

27. When premium payable on the life policy taken on the life of partners is treated as an asset, then the amount received on the maturity of the policy in excess of its surrender value is a (an)______.
    a) Profit b) Expense
    c) Loss d) Asset

28. A, B and C are partners sharing profits and losses in the ratio of 3:2:1. C dies and his share is taken over by A and B in the ratio 1:2.
    What is new profit sharing ratio?
    a) 5:4 b) 4:5
    c) 3:1 d) 2:1

29. A and B were partners. They shared profits as under:
    A-1/2; B-1/3; and carried to reserve 1/6.
    B died. The balance of reserve on the date of death was Rs. 30,000.
    What would be his share of reserve?
    a) Rs. 10,000 b) Rs. 15,000
    c) Rs. 12,000 d) Rs. 5,000

30. A, B and C are partners sharing profits and losses in the ratio of 2:2:1. B died. On the date of the death, the policy amount and surrender value were:

	A Rs.	B Rs.	C Rs.
Policy Amount	70,000	70,000	60,000
Surrender value	30,000	30,000	25,000

    What is B's share of joint life policy?
    a) Rs. 40,000 b) Rs. 50,000
    c) Rs. 30,000 d) Rs. 1,00,000

31. The amount paid on a joint life policy is charged to profit and loss account every year as expense. The surrender value of the policy is on 31st December, were as under: 2003-Rs. 10,000; 2004-Rs. 15,000; 2005-Rs. 20,000; 2006-Rs. 30,000.
    What is the balance in the joint life policy account on 31st December, 2005?
    a) Rs. 30,000 b) Nil
    c) Rs. 10,000 d) Rs. 25,000

32. X, Y and Z are partners. On 30.6.2006, X died. The net profit for the year ended on 31.12.2006 was Rs. 60,000. The total turnover for the year 2006 was Rs. 6,00,000. Turnover up to 30.6.2006 was Rs. 4,50,000.
    What is X's share of profit?
    a) Rs. 45,000 b) Rs. 50,000
    c) Rs. 22,500 d) Rs. 15,000

33. From the following, calculate the amount due to the executors of a deceased partner:

	Rs.
Capital account balance	12,000
Share of reserve	6,000
Share of joint life policy	30,000
Share of goodwill	7,500
Revaluation loss	2,750
Amount paid to the executors	30,000

a) Rs. 55,500 b) Rs. 22,750
c) Rs. 52,750 d) Rs. 20,250

34. A, B and C were partners, sharing profits and losses in the ratio of 3:2:1. C died and on that date, the balance of the join life policy account was Rs. 24,000. The policy value being Rs. 60,000. There was no joint life policy reserve account.
By what amount C's account will be credited for joint life policy?
a) Rs. 6,000 b) Rs. 12,000
c) Rs. 18,000 d) Rs. 21,000

35. A, B and C were partners sharing profits and losses in the ratio of 2:2:1. C died and on that date, the balances of joint life policy account and joint life policy reserve account were Rs. 10,000 each. The policy amount received was Rs. 50,000.
By what amount C's account will be credit for joint life policy?
a) Rs. 12,500 b) Rs. 8,000
c) Rs 10,000 d) Rs. 15,000

36. A, B and C were partners sharing profits and losses in the ratio of 2:2:1. C died. The amount due to C was calculated as Rs. 50,000 up to the date of death, without considering the following:
Unrecorded assets Rs. 12,000 and Unrecorded liabilities Rs. 2,000. What is the amount due to C's executor?
a) Rs. 55,000 b) Rs. 60,000
c) Rs. 48,000 d) Rs. 52,000

37. A, B and C were partners sharing profits and losses equally. A died. The amount due to A was calculated as Rs. 30,000 without considering the following:
Unrecorded assets taken over by A earlier Rs. 10,000
Unrecorded liabilities assumed by the executors of A Rs. 1,000
What is the amount due to A's executors?
a) Rs. 24,000 b) Rs. 22,000
b) Rs. 39,000 d) Rs. 36,000

The following information is relevant for Question Nos. 38 to 42.

A, B and C are in partnership, sharing profits in the proportion of two-third, one-sixth and one-sixth respectively, the in order to provide cash for the immediate payment of a portion of the amount due to any one of them in the event of death, in respect of both capital and goodwill, an assurance was effected on their lives jointly for Rs 9,000 without profits, at an annual premium of Rs. 350.

A died on the 30th June, 2006 three months after the annual accounts had been prepared, and in accordance with the partnership agreement, his share of the profits to the date of death was estimated on the exact basis of the profits for the preceding year. in addition to this, the agreement provided for interest on capital at 5% per annum on the balance standing to the credit of the Capital Account at the date of the last Balance sheet, and also for goodwill, which was to be brought into account at two years' purchase of the average profits for the last three years, prior to charging the above-mentioned insurance premiums, but after charging interest on capital. A's capital on 31st March, 2006 stood at Rs. 12,000 and his drawings from then to the date of death amounted to Rs. 900.

The net profits of the business for the three preceding years amounted to Rs. 3,350,Rs. 4,150 and Rs. 4,050, respectively, after charging interest on capital. A's capital on 31st March, 2006 stood at Rs. 12,000 and his drawings from then to the date of death amounted to Rs. 900.

The net profits of the business for the three preceding years amounted to Rs. 3,350, Rs. 4,150 and Rs. 4,050, respectively, after, charging interest on capital but before charging insurance premiums. The premium paid on policy are written off to Profit and loss Account.

38. Interest on capital available to A
a) Rs. 600 b) Rs. 450
c) Rs. 150 d) Rs. 300

39. A's share of goodwill
a) Rs. 7,700 b) Rs 5,133
c) Rs. 5,000 d) Rs. 2,567

40. A's share of profit life policy
    a) Rs. 9,000 b) Rs. 3,000
    c) Rs. 6,000 d) Rs. 4,000

41. A's share of profit
    a) Rs. 3,750 b) Rs. 925
    c) Rs. 617 d) Rs. 675

42. Amount payable to A
    a) Rs. 23,900 b) Rs. 17,900
    c) Rs. 17,000 d) Rs. 23,000