Q1. At the time of change in profit sharing ratio, existing goodwill is written off among the partners in:
(a) Sacrificing Ratio
(b) Equal Ratio
(c) Old Ratio
(d) Gaining Ratio

Q2. Firm's capital in a business is ₹2,00,000. The normal rate of return on firm capital is 15%. During the year the firm earned a profit of ₹48,000. Calculate goodwill on the basis of 3 years purchase of super profit
(a) ₹54,000
(b) ₹1,44,000
(c) ₹90,000
(d) ₹18,000

Q3. Match List I with List II

LIST – I		LIST – II	
A.	Finance cost	I.	Decrease in value of fixed assets
B.	Depreciation	II.	Expenses on salary, wages, leave encashment
C.	Employee benefit expenses	III.	Purchase of goods for trading
D.	Purchase of Stock in Trade	IV.	Expenses towards interest charges on borrowing

Choose the correct answer from the options given below:
(a) A-III, B-IV, C-I, D-II
(b) A-I, B-III, C-IV, D-II
(c) A-IV, B-I, C-III, D-II
(d) A-IV, B-I, C-II, D-III

Q4. Which of the following statement is not true for fixed capital account?

(a) The capital account balance remains unchanged unless there is addition to or withdrawal of capital

(b) The capital account accounts always show a credit balance

(c) Each partner has only one account i.e. capital account, under this method.

(d) All adjustments for drawings, salary, interest on capital etc. are made in current accounts.

Q5. Gross Profit Ratio of a company is 25%. Cost of revenue from operations are 3/4th of revenue from operations. If revenue from operations is ₹60,00,000, the Gross Profit of the company will be:

(a) ₹25,00,000

(b) ₹45,00,000

(c) ₹15,00,000

(d) ₹11,25,000

Q6. Calculate Trade Receivables Turnover Ratio from the following data:

Total Revenue from Operations for the year	₹4,00,000
Closing Trade Receivables	₹1,00,000
Excess of Closing Trade Receivables over Opening Trade Receivables	₹40,000

Cash revenue from operations: being 25% of Credit revenue from operations

(a) 3 times

(b) 6 times

(c) 4 times

(d) 5 times

Q7. A partner withdraws ₹8,000 each on 1st April and 1st October. Interest on his drawings @6%p.a. on 31st March will be:

(a) ₹480

(b) ₹720

(c) ₹240

(d) ₹960

Q8. ________ goodwill is the excess of desired total capital of the firm over the actual combined capital of all partners.

(a) Existing

(b) Premium

(c) Valued

(d) Hidden

Q9. The minimum amount of capital which must be subscribed by the public before allotment is called:

(a) allotment money

(b) minimum subscription

(c) subscribed capital

(d) None of these

Q10. Select the correct sequence of accounting events for share capital;
A. Receive application money
B. Calls in advance
C. Issue of prospectus
D. Final call of share
E. Allotment of share
Choose the correct answer from the options given below:
(a) C, A, E, B, D
(b) A, C, E, B, D
(c) B, C, A, D, E
(d) C, B, A, E, D

Solutions

S1. Ans. (c)
Sol.
When there is a change in the profit-sharing ratio among partners, and the existing goodwill is written off, it is written off among the partners in the Old Ratio.

S2. Ans. (a)
Sol.
Normal Profit=Capital Employed $\times \frac{\text{Normal Rate of return}}{100}$
Normal Profit=₹2,00,000 $\times \frac{15}{100} =$ ₹30,000
Super Profit = Actual profit – Normal Profit = ₹48,000-₹30,000=₹18,000
Goodwill=Super profit × No. of Years purchase
Goodwill=18,000 × 3 =₹54,000
S3. Ans. (d)
Sol.

LIST – I		LIST - II	
A.	Finance cost	IV.	Expenses towards interest charges on borrowing
B.	Depreciation	I.	Decrease in value of fixed assets
C.	Employee benefit expenses	II.	Expenses on salary, wages, leave encashment
D.	Purchase of Stock in Trade	III.	Purchase of goods for trading

S4. Ans. (c)

Sol.

Each partner has only one account i.e. capital account, under this method is not true for fixed capital account.

S5. Ans. (c)

Sol.

Cost of revenue from operations =3/4 of 60,00,000 = ₹45,00,000

Gross profit = 60,00,000 – 45,00,000 = ₹15,00,000

S6. Ans. (c)

Sol.

Credit revenue from operations = $\frac{100}{125} \times 4,00,000$ = ₹3,20,000

Opening Trade Receivables = 1,00,000 – 40,000 = ₹60,000

Average Trade Receivables = $\frac{60,000+1,00,000}{2}$ = ₹80,000

Trade Receivables Turnover Ratio = $\frac{3,20,000}{80,000}$ = 4 times

S7. Ans. (b)

Sol.

Interest on drawings = 16,000 × $\frac{6}{100} \times \frac{9}{12}$ = ₹720

S8. Ans. (d)

Sol.

Hidden goodwill is the excess of desired total capital of the firm over the actual combined capital of all partners.

S9. Ans. (b)

Sol.

The minimum amount of capital which must be subscribed by the public before allotment is called minimum subscription.

S10. Ans. (a)
Sol.
Sequence of Accounting events in share capital:
C. Issue of prospectus
A. Receive application money
E. Allotment of share
B. Calls in advance
D. Final call of share