

1. What is the purpose of determining the sacrificing ratio in partnership reconstitution?

- a) To allocate the future profits to the new partner
 - b) To determine the share of profits that the existing partners give up when the profit-sharing ratio changes
 - c) To calculate the goodwill of the firm
 - d) To calculate the interest on capital
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2. What does the gaining ratio indicate in the reconstitution of a partnership?

- a) The share of profits that the new partner receives
 - b) The share of profits that the existing partners gain when the profit-sharing ratio changes
 - c) The amount of goodwill the existing partners are willing to sacrifice
 - d) The profit allocated to each partner in the reconstituted partnership
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3. What is the treatment for reserves and accumulated profits when a partnership is reconstituted?

- a) They are transferred to the new partner's capital account
 - b) They are divided among the existing partners based on the new profit-sharing ratio
 - c) They are treated as a liability for the firm
 - d) They are written off and not distributed
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4. How is goodwill valued when a new partner is admitted to the partnership?

- a) It is valued using the capital method
 - b) It is valued based on the net worth of the firm
 - c) It is valued using the average profit method, super profit method, or multiplier method
 - d) It is not valued when a new partner is admitted
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5. How is the revaluation of assets and liabilities handled in the reconstitution of a partnership?

- a) It is done by adjusting the capital accounts of all partners
 - b) It is recorded in the balance sheet as per the market value
 - c) It is ignored and not accounted for
 - d) It is done through the revaluation account and affects the partners' capital accounts
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6. What happens to the existing partners' capital accounts when goodwill is admitted by the new partner?

- a) They are debited with the value of goodwill
 - b) They are credited with the value of goodwill
 - c) They remain unaffected by the admission of goodwill
 - d) They are adjusted based on the new partner's capital contribution
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7. What is the purpose of adjusting capital accounts during the admission of a new partner?

- a) To reflect the change in the firm's ownership structure
 - b) To calculate the firm's goodwill
 - c) To settle the debts of the firm
 - d) To divide the firm's profits equally among the partners
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8. What happens to the accumulated profits when a partner retires or passes away?

- a) They are written off as a loss
 - b) They are distributed to the remaining partners according to their new profit-sharing ratio
 - c) They are transferred to the new partner's capital account
 - d) They are divided equally among the partners
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9. How is goodwill treated when a partner retires or passes away?

- a) It is not accounted for
 - b) It is shared equally among the remaining partners
 - c) It is written off completely
 - d) It is shared between the retiring or deceased partner and the remaining partners according to their profit-sharing ratio
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10. What is the effect of a partner's retirement on the firm's capital structure?

- a) It reduces the total capital of the firm
- b) It increases the total capital of the firm
- c) It does not affect the total capital
- d) It redistributes the capital among the remaining partners

11. What is the treatment of revaluation of assets and liabilities during the retirement or death of a partner?

- a) The revaluation is ignored, and no adjustments are made
 - b) Revaluation is recorded in the revaluation account and credited to the retiring partner's capital account
 - c) Revaluation is transferred to the profit and loss account
 - d) Revaluation is recorded in the capital accounts of all partners equally
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12. How is the admission of a partner treated in terms of revaluation of assets?

- a) Only the new partner's capital is adjusted
 - b) The assets and liabilities of the firm are revalued to their current market values
 - c) The assets are not revalued, but liabilities are adjusted
 - d) No revaluation is necessary for the admission of a partner
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13. Which of the following is the correct method of calculating goodwill using the super profit method?

- a) $\text{Goodwill} = \text{Average profit} \times \text{Number of years' purchase}$
 - b) $\text{Goodwill} = \text{Super profit} \times \text{Number of years' purchase}$
 - c) $\text{Goodwill} = \text{Total capital invested} / \text{Average profit}$
 - d) $\text{Goodwill} = \text{Average capital employed} \times \text{Super profit ratio}$
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14. What is the primary purpose of the profit and loss appropriation account in a partnership?

- a) To calculate the net profit for the year

- b) To distribute the profits among partners as per the partnership deed
 - c) To determine the firm's taxable income
 - d) To prepare the final balance sheet
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15. How is the capital account adjusted when a new partner is admitted to a partnership?

- a) The capital accounts of all partners remain unchanged
 - b) The new partner's capital is credited to the capital accounts of existing partners in their profit-sharing ratio
 - c) The new partner's capital is added to the total capital of the firm
 - d) The new partner's capital is credited to the reserve account
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16. How is goodwill treated when a new partner is admitted, and the existing partners' profit-sharing ratio changes?

- a) Goodwill is paid only to the new partner
 - b) Goodwill is shared among the existing partners in their old profit-sharing ratio
 - c) Goodwill is adjusted only against the capital account of the new partner
 - d) Goodwill is not accounted for in this case
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17. What is the impact of the retirement of a partner on the capital structure of the firm?

- a) The capital of the retiring partner is withdrawn from the firm
- b) The total capital of the firm increases
- c) The total capital of the firm remains unchanged
- d) The capital of the remaining partners is adjusted to reflect the profit-sharing ratio

18. How is the goodwill of the firm treated during the retirement of a partner?

- a) Goodwill is not adjusted during retirement
- b) The retiring partner is paid their share of goodwill
- c) The goodwill is shared equally among all partners
- d) The goodwill is written off completely

19. What does the term "reconstitution of partnership" refer to?

- a) A complete dissolution of the partnership
- b) A change in the partnership's financial structure without dissolving it
- c) The creation of a new partnership firm
- d) The transfer of ownership of the partnership to another entity

20. How are the remaining partners' capital accounts adjusted after the retirement of a partner?

- a) Their capital accounts remain unchanged
- b) Their capital accounts are adjusted based on the new profit-sharing ratio
- c) They are given additional capital to compensate for the retirement
- d) They are credited with the total amount of the retiring partner's share

21. What is the significance of the "sacrificing ratio" in a partnership?

- a) It determines the capital contributions of partners
- b) It reflects the share of profit a partner is willing to give up to accommodate a new partner
- c) It determines the amount of goodwill to be paid to the retiring partner

- d) It sets the interest on capital for partners
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22. Which of the following statements is true regarding the admission of a partner?

- a) The new partner's share in profits is based on the agreed-upon profit-sharing ratio
 - b) The old partners' profit-sharing ratio remains unchanged after admission
 - c) The new partner does not contribute to the firm's capital
 - d) The new partner does not share in the goodwill of the firm
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23. What is the purpose of calculating the "gaining ratio" during the reconstitution of a partnership?

- a) To determine the share of goodwill a partner will receive
 - b) To measure the percentage of profits the remaining partners will gain after the retirement or death of a partner
 - c) To allocate the remaining capital of the partnership
 - d) To adjust the partners' salaries after reconstitution
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24. How is goodwill calculated using the average profit method?

- a) $\text{Goodwill} = \text{Average profit} \times \text{Capitalization factor}$
 - b) $\text{Goodwill} = \text{Total capital invested} \times \text{Super profit}$
 - c) $\text{Goodwill} = \text{Average profit} \times \text{Number of years' purchase}$
 - d) $\text{Goodwill} = \text{Market value of the firm's assets}$
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25. When a partner dies, how is their share of goodwill handled?

- a) Goodwill is not considered in the case of death of a partner
 - b) The deceased partner's share of goodwill is paid to their heirs
 - c) The goodwill is distributed equally among the remaining partners
 - d) The deceased partner's share of goodwill is transferred to the firm's reserve
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26. What is the treatment of reserves during the retirement of a partner?

- a) Reserves are not distributed during the retirement of a partner
 - b) Reserves are distributed among the remaining partners based on their new profit-sharing ratio
 - c) The retiring partner's share of reserves is transferred to their legal heirs
 - d) Reserves are transferred to the capital account of the retiring partner
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27. How is the capital of a partner adjusted during the admission of a new partner?

- a) The capital of the new partner is added to the total capital of the firm
 - b) The capital of the new partner is used to adjust the old partners' capital accounts based on their sacrificing ratio
 - c) The capital of the new partner is credited to the existing partners equally
 - d) The capital of the new partner is adjusted with the firm's goodwill
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28. What is the method of accounting for goodwill during the retirement of a partner?

- a) Goodwill is written off in the firm's general ledger
- b) The retiring partner is paid their share of goodwill by the remaining partners

- c) Goodwill is transferred to a separate bank account
 - d) The retiring partner's share of goodwill is not considered
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29. What is the "new profit-sharing ratio" used for during a partnership reconstitution?

- a) To determine the amount of capital to be contributed by the new partner
 - b) To adjust the capital accounts of the old partners based on their new contribution
 - c) To allocate the firm's profits and losses among the partners in the new partnership structure
 - d) To calculate the goodwill for the firm
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30. What is the impact of the admission of a new partner on the firm's assets?

- a) The firm's assets remain unchanged
- b) The firm's assets increase by the new partner's capital contribution
- c) The firm's assets decrease by the new partner's capital contribution
- d) The firm's assets are revalued to market value and adjusted accordingly

31. What is the role of "Revaluation of Assets and Liabilities" during the reconstitution of a partnership?

- a) To calculate the goodwill of the partnership
 - b) To adjust the capital accounts based on the new capital structure
 - c) To update the value of assets and liabilities to their current market value, ensuring fairness in the reconstitution process
 - d) To determine the future profit-sharing ratio among the partners
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32. What is the treatment of "accumulated profits" during the admission of a new partner?

- a) Accumulated profits are distributed equally among all partners
 - b) Accumulated profits are transferred to the reserves account
 - c) Accumulated profits are shared among the old partners according to their old profit-sharing ratio
 - d) Accumulated profits are shared between the new partner and the old partners
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33. What happens to the capital accounts of existing partners during the admission of a new partner?

- a) They remain unchanged
 - b) They are adjusted based on the new profit-sharing ratio and capital contribution of the new partner
 - c) They are adjusted based on the sacrificing ratio of the old partners
 - d) They are written off entirely
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34. How is goodwill treated when a partner retires or passes away?

- a) The goodwill is ignored
 - b) The goodwill is written off immediately
 - c) The retiring or deceased partner's share of goodwill is paid to them or their heirs
 - d) The goodwill is transferred to the capital accounts of the remaining partners
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35. What is meant by "adjustment of capital" during the reconstitution of a partnership?

- a) The partners adjust their capital according to their current profit-sharing ratio

- b) The partners distribute the capital equally among themselves
 - c) The capital of the firm is reduced to its minimum value
 - d) The firm's capital is divided equally between the partners
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36. Which method of calculating goodwill is based on the expected future profits of the firm?

- a) Average Profit Method
 - b) Super Profit Method
 - c) Capitalization Method
 - d) Multiplier Method
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37. How is goodwill treated when there is a change in the profit-sharing ratio among existing partners?

- a) Goodwill is written off
 - b) Goodwill is shared among the partners based on the sacrificing ratio
 - c) Goodwill is distributed equally among all partners
 - d) Goodwill is transferred to the new partner
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38. In the case of a partner's retirement, how is the goodwill treated?

- a) The retiring partner's share of goodwill is written off
- b) The goodwill is divided equally among all partners
- c) The goodwill is shared based on the remaining partners' new profit-sharing ratio
- d) The retiring partner's share of goodwill is paid to them by the continuing partners

39. What is the treatment of reserves during the retirement or death of a partner?

- a) Reserves are ignored and not shared
- b) Reserves are distributed among all partners according to their new profit-sharing ratio
- c) Reserves are distributed among the continuing partners according to their old profit-sharing ratio
- d) Reserves are transferred to the firm's capital account

40. What does the "change in the profit-sharing ratio" involve?

- a) A change in the division of firm's assets
- b) A change in the allocation of profits among the existing partners
- c) A change in the capital structure of the firm
- d) A change in the accounting methods of the firm

41. What is the Sacrificing Ratio in the context of a change in the profit-sharing ratio?

- a) It refers to the ratio in which the partners receive the firm's assets
- b) It refers to the ratio in which the partners share the goodwill of the firm
- c) It refers to the ratio in which the old partners give up their share of profits to the new partner(s)
- d) It refers to the ratio in which the partners share the liabilities of the firm

42. What does the term "Gaining Ratio" refer to in the reconstitution of a partnership?

- a) The ratio in which the new partner gains a share in the firm

- b) The ratio in which the partners gain control of the assets
 - c) The ratio in which the old partners gain a larger share of the profits
 - d) The ratio in which profits are divided among the new and old partners
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43. In the event of a partner's death, how is the deceased partner's capital treated?

- a) The deceased partner's capital is distributed equally among the remaining partners
 - b) The deceased partner's capital is paid to their heirs immediately
 - c) The capital is adjusted according to the profit-sharing ratio of the remaining partners
 - d) The capital is transferred to the reserves account
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44. What is the typical accounting treatment for goodwill when a partner is admitted?

- a) Goodwill is written off immediately
 - b) Goodwill is transferred to the new partner's capital account
 - c) Goodwill is shared among the existing partners according to their old profit-sharing ratio
 - d) Goodwill is calculated and recorded as a liability on the balance sheet
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45. How is the new partner's share of profits calculated when they are admitted to the partnership?

- a) Based on the new profit-sharing ratio agreed upon by the partners
- b) Based on the existing partners' profit-sharing ratio

- c) Based on the capital contributed by the new partner
- d) Based on the firm's total revenue

Answer:

46. What is the method used to calculate the capital of the new partner?

- a) Based on the goodwill of the firm
 - b) Based on the amount of capital contributed by the new partner
 - c) Based on the revaluation of assets
 - d) Based on the share of profits the new partner will receive
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47. How is the "Profit and Loss Appropriation Account" used in the reconstitution of a partnership?

- a) To distribute the firm's profits to all partners
 - b) To adjust the capital accounts of the partners
 - c) To determine the goodwill amount
 - d) To record the revaluation of assets and liabilities
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48. How is a partner's share of goodwill treated in the event of their retirement?

- a) It is written off entirely
- b) It is added to the capital accounts of the continuing partners
- c) It is paid to the retiring partner by the firm
- d) It is transferred to the new partner

49. What happens to the profit-sharing ratio if a partner withdraws from the partnership?

- a) The remaining partners must change the profit-sharing ratio to include the withdrawn partner
- b) The remaining partners divide the withdrawn partner's share of profits equally
- c) The withdrawn partner's share of profits is redistributed among the continuing partners based on their new profit-sharing ratio
- d) The withdrawn partner's share is transferred to the reserves account

50. What is the significance of the "Partnership Deed" in the reconstitution of a partnership?

- a) It helps determine the partners' share in the capital
- b) It outlines the terms for the treatment of goodwill, capital adjustments, and profit-sharing ratios
- c) It specifies the procedures for the valuation of assets
- d) It establishes the liabilities of the partners