Chapter 5- Admission of a Partner

Question 1

Define admission of partners.

Answer: Admission of a partner is a mode of reconstituting the firm because, with the admission of a partner, the existing agreement ends and new agreement among all the partners comes into force.

Question 2

According to section 31 of the Indian Partnership Act, 1932, when can a person be admitted as a new partner?

Answer: According to section 31 of the Indian Partnership Act, 1932, a person can be admitted as a new partner when.

- He/she agree to the partnership Deed
- If the above-mentioned agreement is absent, all the partners must agree for the admission

Question 3

After admission what two rights does the partner gets?

Answer: The two rights that the partner gets after admission are

- Right to share future profits of a company
- Right to share in the assets of the firm

Question 4

What is a new profit-sharing ratio?

Answer: A new profit-sharing ratio is a ratio which all partners along with fresh or incoming partner, will distribute future profit and loss of the business.

Question 5

General reserve at the time of admission of a partner is transferred to

1) Revaluation Account

2) Old Partners' Capital Account

3) Capital Account of all partners, including new partner

4) None of the above

Answer: Old Partners' Capital Account

Question 6

When the incoming partner brings in his share of the premium for goodwill in cash, it is adjusted by crediting to

1) Incoming Partner's Capital Account

2) A premium for Goodwill Account

3) Sacrificing Partners' Capital Account

4) None of the above

Answer: Sacrificing Partners' Capital Account

Question 7

Z is admitted to a company for a 1/4th share in the profits for which he brings in ₹10,000 towards premium for goodwill. It will be taken by the old partners in.

1) The old profit-sharing ratio

2) The new profit-sharing ratio

3) The sacrificing ratio

4) None of the above

Answer: The sacrificing ratio

Question 8

Revaluation Account or Profit and Loss Adjustment Account is a.

1) Real Account

2) Nominal Account

3) Personal Account

4) None of the above

Answer: Nominal Account

Question 9

The balance in the investment fluctuation fund, after meeting the loss on revaluation of investments, at the time of admission of a partner will be transferred to

1) The old partners' capital account

2) The revaluation Account

3) The General Reserve

4) None of the above

Answer: The old partners' capital account

Question 10

If the incoming partner is to bring in premium for goodwill in cash also a balance exists in the goodwill account, then this goodwill account is written off among the old partners in.

1) The new profit-sharing ratio

2) The old profit-sharing ratio

3) The Sacrifice Ratio

4) None of the above

Answer: The old profit-sharing ratio

Question 11

X and Y are partners sharing profits in the ratio of 2:1. They admit Z into the partnership for 1/4 the share in profits for which he brings in ₹20,000 as his share of capital. Hence, the adjusted capital of the X and Y will be

1) ₹40,000 and ₹20,000 respectively

2) ₹32,000 and ₹16,000 respectively

3) ₹60,000 and ₹30,000 respectively

4) None of the above

Answer: ₹40,000 and ₹20,000 respectively

Question 12

When A and B contribute to profit and loss ration at 3:3. Admit C is a partner giving him a 1/5th share of profits. This will be given by A and B

1) Equally

2) In the ratio of their profit

3) In the ratio of their capital

4) None of the above

Answer: In the ratio of their profit

Question 13

When a partner brings cash for goodwill, the amount is credited to

1) The premium for goodwill account

2) Capital account of the new partner

3) Cash account

4) None of the above

Answer: The premium for goodwill account

Question 14

A and B share profit and loss in the ration 2/3 and 1/3. Admit C as a partner giving him 1/4 share. The new profit-sharing ratio will be

1) 1/2, 1/4, 1/4

2) 1/3, 1/3, 1/4

3) 3/8, 3/8, 2/8

4) None of the above

Answer: 1/2, 1/4, 1/4