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CBSE Class 12 · Accountancy

Reconstitution of a Partnership Firm – Admission

10 most probable questions for Boards 2027

Q1. 0.5 marks · Very short answer

In what form may an incoming partner contribute the agreed amount of capital?

Answer

An incoming partner may contribute the agreed amount of capital in cash or in kind to acquire a share in the firm's assets and profits.

Q2. 1 mark · Multiple choice

A partner dies, and the remaining partners decide to continue the business. Which statement best describes the effect on the firm?
(a) The firm is reconstituted.
(b) The firm must be dissolved in every case.
(c) The firm's profit-sharing ratio cannot change.
(d) The remaining partners cannot continue the business.

Answer

(a) The firm is reconstituted — partnership may stand reconstituted on a partner's death if the remaining partners continue the business.

Q3. 2 marks · Short answer

State when a firm may admit a new partner and the consent required for admission, unless the partnership deed provides otherwise.

Answer

A new partner may be admitted when the firm needs additional capital or managerial help. Unless otherwise provided in the partnership deed, admission requires unanimous agreement of the existing partners.

Q4. 3 marks · Medium answer

Explain how a change in the profit-sharing ratio among existing partners reconstitutes a firm. Also state what is meant by retirement of a partner and when a partner may retire from a partnership at will.

Answer

1. Partners may change their existing profit-sharing ratio because of a change in their roles; the changed agreement reconstitutes the firm. Sohan's additional capital, for example, led the partners to share profits equally.
2. Retirement is withdrawal by a partner from the firm's business, and a partner may retire any time if the partnership is at will.

Q5. 5 marks · Long answer

Explain the accounting treatment of goodwill on admission when goodwill already appears in the books. Then state how goodwill not brought by the incoming partner is recorded when the firm has no goodwill in its books. (5 marks)

Answer

When goodwill already appears in the books, the existing balance is written off and the new goodwill is adjusted on admission.

1. The old partners' Capital Accounts are debited in their old profit-sharing ratio, and Goodwill A/c is credited to write off the goodwill appearing in the books.
2. The new value of goodwill is then given effect by crediting the sacrificing partners' Capital Accounts in their ratio of sacrifice.
3. The incoming partner's Current Account is debited for the goodwill share not brought by the incoming partner, with the sacrificing partners' Capital Accounts credited by their respective shares.
4. When no goodwill appears in the books, the sacrificing partners' Capital Accounts are credited for their shares of goodwill, while the incoming partner's Current Account is debited for the amount not brought.

Thus, goodwill adjustments compensate the sacrificing partners while properly recording the amount borne by the incoming partner.

Q6. 6 marks · Very long answer

P and Q share profits in the ratio of 5:3. They admit R for a 1/4 share, acquired as 1/8 from P and 1/8 from Q. Calculate the new profit-sharing ratio of P, Q and R, showing how each partner's new share is determined.

Full answer on SmartKalike: https://smartkalike.com/cbse/class-12/accountancy/reconstitution-of-a-partnership-firm-admission

Q7. 0.5 marks · Very short answer

Existing partners withdraw the goodwill premium credited to their capital accounts. State the journal entry required.

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Q8. 1 mark · Multiple choice

A firm needs additional managerial help and proposes to admit a new partner. Unless the partners have agreed otherwise, whose consent is required?

(a) All existing partners
(b) A majority of existing partners
(c) The incoming partner only
(d) Any one existing partner

Full answer on SmartKalike: https://smartkalike.com/cbse/class-12/accountancy/reconstitution-of-a-partnership-firm-admission

Q9. 2 marks · Short answer

State the two main rights acquired by a newly admitted partner in a partnership firm.

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Q10. 3 marks · Medium answer

A and B share profits in the ratio of 3:2. They admit C for a 1/5 share, which C acquires from A and B in their old ratio. Calculate the new profit-sharing ratio of A, B and C.

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