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XII Accounts

Partnership

By: Rohin Gupta

(Q.1) Partnership act is defined under which act ?

- (a) 1956 (b) 1932 (c) 1947 (d) 1999

(Q.2) Which account has fixed balance ?

- (a) Fixed Capital Account (b) Fluctuating Capital Account
(c) Ram's capital Account (d) Rita's Capital Account

(Q.3) Interest on Drawings is debited to -

- (a) Balance sheet (b) Profit and Loss account
(c) Trial balance (d) Capital account(in case of Fluctuating Capital)

(Q.4) The partnership deed does not provide for :

- (a) Interest on drawing (b) Profit (c) Interest on Capital (d) None

(Q.5) All the omission and commission are adjusted under :

- (a) Past adjustments (b) Present adjustments (c) Future adjustments (d) None of them

(Q.6) Name the agreement which is made while doing Partnership Business.

- (a) Mutual agreement (b) Written agreement
(c) Partnership deed (d) Oath taking agreement

(Q.7) If the partner has made a withdrawal to the capital during the year, the interest on capital is calculated on :

- (a) Closing balance in the capital a/c (b) Opening balance in the capital a/c
(c) Zero balance in the capital a/c (d) Half-yearly balance in the capital a/c

(Q.8) How many types of capital accounts are there?

- (a) Twenty (b) Six (c) Four (d) Two

(Q.9) Minimum number of individuals in Partnership business-

- (a) Two (b) Six (c) Forty (d) One

(Q.10) Interest on Drawings is credited to -

- (a) Balance sheet (b) Profit and Loss account
(c) Profit and loss appropriation account (d) Capital accounts

(Q.11) If we talk about providing interest on Partner's Loan then which account will be credited-

- (a) Bank A/c (b) Cash A/c
(c) Partner's Loan A/c (d) Interest on Partner's Loan a/c

(Q.12) Interest on capital is calculated on which capital ?

- (a) Opening capital (b) Closing capital
(c) Closing or opening capital whichever is available (d) Closing capital minus drawings

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(Q.13) Amount payable to a partner towards interest on capital, salary, commission etc, is treated as –

- (a) Profit (b) Revenue (c) Appropriation (d) Loss

(Q.14) In the absence of any agreement, partners are entitled to get how much interest on loan?

- (a) 20% interest p.a. (b) 4% interest p.a. (c) 6% interest p.a. (d) Not allowed

(Q.15) Guarantee to the incoming partner is given by-

- (a) Old partners (b) new partner (c) Diseased partner (d) none of them

(Q.16) Guarantee is given by firm as well as

- (a) Companies (b) MNCs (c) Friends (d) Partners

(Q.17) If the interest on capital is transferred to P&L appropriation A/c, then which account will be credited?

- (a) Interest on Capital A/c (b) Interest on Drawings A/c
(c) Interest on Loan A/c (d) Interest on Current A/c

(Q.18) What will be the provision for interest on Capital if the case is 'When the partnership agreement is silent as to interest on capital?'

- (a) Interest on capital is allowed. (b) Interest on capital is not allowed.
(c) Both of them (d) None of them

(Q.19) Which section of Partnership defines partnership in Indian Partnership Act, 1932 ?

- (a) Section 6 (b) Section 27 (c) Section 105 (d) Section 4

(Q.20) Which one of the following is the duty of a partner?

- (a) To take part in the management of the business
(b) To devote time and attention to the business of the partnership.
(c) To be consulted about the affairs of the partnership business.
(d) To allow the admission of a new partner.

(Q.21) Which one of them is the right of a partner?

- (a) To hold and use the property of the firm only for the firm (b) To act within the authority
(c) To make good the loss that may have been caused by his willful neglect or breach of trust.
(d) To inspect the books of account and have a copy of the same.

(Q.22) What do you mean by Partnership Deed?

- (a) The document, containing the agreement in writing amongst partners.
(b) The document, containing the names in writing amongst partners.

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- (c) The document, containing the addresses in writing amongst partners.
- (d) The document, containing the wealth in writing amongst partners.
- (Q.23) How many accounts are maintained in Fixed Capital Account for each partner?
- (a) Two (b) Six (c) Four (d) Eight
- (Q.24) How many accounts are maintained in Fluctuating Capital for each partner?
- (a) Seven (b) Five (c) One (d) Three
- (Q.25) Which account shows credit or positive balance?
- (a) Fluctuating Capital (b) Fixed Capital
(c) Shyam's Capital (d) Abhishek's Capital
- (Q.26) Which of the following is not added to the Capital ?
- (a) Interest (b) Profit
(c) Capital introduced during the year (d) Drawings
- (Q.27) Guarantee by a firm to a partner is a classification of :
- (a) Guarantee (b) Warranty (c) Investments (d) Admission
- (Q.28) Why is it necessary to have partnership deed ?
- (a) Because it will make partnership business legal (b) It is necessary to avoid conflict
(c) Business can be carried on easily (d) Both (2) and (3)
- (Q.29) A partner makes a drawing of Rs. 1,000 per month. Under the partnership deed, interest is to be charged at 15% per annum. What is the interest that should be charged to the partner if a drawing is made:
- (i) In the beginning of the month
(ii) In the middle of the month
(iii) At the end of the month
- (Q.43) What are the rights of a Partner?
- (Q.31) From the following balance sheet of A and B, calculate interest on capital @ 5% p.a. payable to B for the year ending 31st December 2001.

Liabilities	Amount	Assets	Amount
A's capital	10,000	Sundry Assets	22,000
B's Capital	8,000		
P & L appropriation A/c	4,000		
	22,000		24,000

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During the year B's drawing were Rs. 3,000 and profits during 2001 were Rs. 6,000 .

(Q.32) A and B started business on 1 Jan, 2004 with capital of Rs.80,000 & Rs.20,000 respectively. During the year A introduced Rs. 20,000 as additional capital on 1-7-2004. They withdraw Rs.500 p.m. for household expenses in lieu of profits. Interest on capital is to be allowed at 10% p.a. Calculate the interest on capital payable to A and B for the year ending 31 December 2004.

(Q.44) Kaku and Polu started a partnership business on 1st Jan, 2001. They contributed Rs. 80,000 and Rs. 60,000 respectively as their capitals. The terms of the partnership agreements are as under: -

- (i) Interest on capital & drawings @ 12% per annum
- (ii) Kaku and Polu to get a monthly salary of Rs. 2,000 and Rs. 3,000 respectively.
- (iii) Sharing of profit or loss will be in the ratio of 4:3.

The profit for the year ended 31 December 2001 before making above appropriation was Rs. 1,00,300. The drawings of Kaku and Polu were Rs. 40,000 and Rs. 50,000 respectively.

Interest on drawings amounted to Rs. 2,000 for Kaku and Rs. 2,500 for Polu.

Pass necessary Journal Entries and prepare profit and loss appropriation account and partners' capital accounts, assuming that their capitals are fluctuating. (8 Marks)

(Q.35) What are the special aspects of partnership accounts?

(Q.36) What are the duties of a partner?

(Q.37) What do you mean by Partnership?

(Q.38) Write down the classification of guarantee.

(Q.39) (Past adjustment). A, B and were partners in a firm. On 1.1.2000, their capital stood at Rs. 50,000, Rs. 25,000 respectively as per the provisions of the partnership deed. They admit C into partnership and he bring Rs.25000 as his capital:-

- (i) C was entitled for a salary of Rs. 1,500 p.m.
- (ii) Partners were entitled to interest on capital @ 5% p.a.
- (iii) Profits were to be shared in the ratio of capitals the net profit for the year 2000 of Rs. 44,000 was divided equally without providing for the above terms.

Pass an adjusting entry to rectify the above error.

(Q.40) Show the difference between drawings against capital and drawings against profit.

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(Q.41) Write down the difference between Fixed and Fluctuating Capital.

(Q.42) What do you mean by Partnership Deed? What are the contents of partnership Deed?

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