

## Accounting for Partnership: Basic Concepts

I. State which of the following is correct:

Question 1.

Partnership deed may be \_\_\_\_\_

- (a) oral
- (b) written
- (c) duplicate
- (d) either written or oral

▼ [Answer](#)

Answer: (d) either written or oral

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Question 2.

If no agreement is made by partners then interest on loan will be given @ \_\_\_\_\_

- (a) 5% p.a.
- (b) 6% p.a.
- (c) no interest
- (d) 7% p.a

▼ [Answer](#)

Answer: (b) 6% p.a.

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Question 3.

Profit will be divided in \_\_\_\_\_ in the absence of partnership deed.

- (a) 1 : 1
- (b) 2 : 1
- (c) 1 : 2
- (d) equal ratio

▼ [Answer](#)

Answer: (d) equal ratio

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Question 4.

In a partnership, liability of all partners is \_\_\_\_\_

- (a) unlimited
- (b) limited
- (c) according to capital
- (d) decided by company act

▼ [Answer](#)

Answer: (a) unlimited

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Question 5.

Maximum number of partners in a partnership firm can be \_\_\_\_\_

- (a) 50
- (b) 20
- (c) 100
- (d) no limit

▼ [Answer](#)

Answer: (d) no limit

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Question 6.

When there is no partnership deed then provisions of partnership act \_\_\_\_\_ will be applicable.

- (a) 1956
- (b) 1912
- (c) 1932
- (d) 1949

▼ [Answer](#)

Answer: (c) 1932

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Question 7.

Liability of a partner in LLP is \_\_\_\_\_

- (a) limited
- (b) unlimited
- (c) not defined in the law
- (d) limited to the capital only

▼ [Answer](#)

Answer: (a) limited

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Question 8.

Provisions of Table \_\_\_\_\_ are applicable in the absence of partnership deed.

- (a) A
- (b) B
- (c) C
- (d) D

▼ [Answer](#)

Answer: (a) A

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Question 9.

In the absence of any provision interest on capital will be calculated for \_\_\_\_\_

- (a) 6 months
- (b) 1 year
- (c) 1 month
- (d) no interest

▼ [Answer](#)

Answer: (d) no interest

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Question 10.

Minimum number of partners in a partnership are \_\_\_\_\_

- (a) 5
- (b) 7
- (c) 2
- (d) 10

▼ [Answer](#)

Answer: (c) 2

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Question 11.

Maximum number of partners in a normal partnership are \_\_\_\_\_

- (a) 5
- (b) 7

- (c) 2
- (d) 20

▼ [Answer](#)

Answer: (d) 20

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Question 12.

Maximum number of partners in a banking partnership are \_\_\_\_\_

- (a) 5
- (b) 7
- (c) 2
- (d) 10

▼ [Answer](#)

Answer: (d) 10

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Question 13.

Current accounts are opened if capital is \_\_\_\_\_

- (a) fixed
- (b) fluctuating
- (c) not contributed
- (d) fixed or fluctuating

▼ [Answer](#)

Answer: (a) fixed

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Question 14.

Balance of capital (fix) accounts may be \_\_\_\_\_

- (a) Dr.
- (b) Cr.
- (c) Dr. or Cr.
- (d) Cr. and Dr.

▼ [Answer](#)

Answer: (b) Cr.

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Question 15.

Salary to partners will be shown in \_\_\_\_\_

- (a) Profit and loss account
- (b) Profit and loss adjustment account
- (c) Trading account
- (d) Manufacturing account

▼ [Answer](#)

Answer: (b) Profit and loss adjustment account

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Question 16.

Interest on capital will be shown in \_\_\_\_\_

- (a) Capital account
- (b) Profit and loss adjustment account
- (c) Trading account
- (d) Both of capital account and profit and loss adjustment account

▼ [Answer](#)

Answer: (d) Both of capital account and profit and loss adjustment account

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Question 17.

Drawings of partners will be shown in \_\_\_\_\_

- (a) Capital account
- (b) Profit and loss adjustment account
- (c) Profit and loss account
- (d) Trading account

▼ [Answer](#)

Answer: (a) Capital account

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Question 18.

In the absence of partnership deed partners are entitled to receive \_\_\_\_\_

- (a) Interest on Capital
- (b) Interest on Loan
- (c) Salary
- (d) Commission

▼ [Answer](#)

Answer: (b) Interest on Loan

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Question 19.

When question is silent about the date of withdrawal of drawing then Interest will be calculated for \_\_\_\_\_

- (a) 6 months
- (b) 1 month
- (c) 6½ months
- (d) 1 year

▼ [Answer](#)

Answer: (a) 6 months

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Question 20.

If partnership deed mention that interest will be given 6% p.a. interest will be given \_\_\_\_\_

- (a) out of profits only
- (b) definitely
- (c) out of losses
- (d) with the permission of all partners

▼ [Answer](#)

Answer: (a) out of profits only

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Question 21.

Partners Current Account have \_\_\_\_\_

- (a) debit balance
- (b) credit balance
- (c) debit or credit
- (d) debit and credit

▼ [Answer](#)

Answer: (c) debit or credit

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Question 22.

In the absence of partnership deed how much interest will be given on capital?

- (a) 5% p.a.
- (b) 6% p.a.
- (c) 7% p.a.
- (d) No interest

▼ [Answer](#)

Answer: (d) No interest

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## II. Fill in the blanks with correct word.

Question 23.

In the absence of deed, \_\_\_\_\_ salary will be given to partners.

▼ [Answer](#)

Answer: No

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Question 24.

In the absence of deed, profit will be shared in \_\_\_\_\_ ratio.

▼ [Answer](#)

Answer: equal

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Question 25.

\_\_\_\_\_ accounts are opened, while capital is fixed.

▼ [Answer](#)

Answer: current

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Question 26.

\_\_\_\_\_ accounts is opened, while capital is fluctuating.

▼ [Answer](#)

Answer: capital

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Question 27.

Liability of partners is \_\_\_\_\_ in a general partnership firm.

▼ [Answer](#)

Answer: Unlimited

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Question 28.

Liability of partners is \_\_\_\_\_ in LLP.

▼ [Answer](#)

Answer: limited

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Question 29.

The business of the firm can be conducted even by \_\_\_\_\_ partner.

▼ [Answer](#)

Answer: One

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Question 30.

There must be at least two \_\_\_\_\_ partners in LLP.

▼ [Answer](#)

Answer: designated

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Question 31.

A partnership can be formed only for a \_\_\_\_\_ business.

▼ [Answer](#)

Answer: legal

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Question 32.

Partners are mutual \_\_\_\_\_ of each other in a partnership firm/business.

▼ [Answer](#)

Answer: agents

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Question 33.

Money advanced to the firm in addition to the capital is called \_\_\_\_\_

▼ [Answer](#)

Answer: loan

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Question 34.

Partnership is the result of an between \_\_\_\_\_ two or more person.

▼ [Answer](#)

Answer: Agreement

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Question 35.

General Partnership is governed by Partnership Act \_\_\_\_\_ where LLP is govern by LLP Act \_\_\_\_\_

▼ [Answer](#)

Answer: 1932, 2008

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Question 36.

In order to form partnership there should be atleast \_\_\_\_\_ persons.

▼ [Answer](#)

Answer: two

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Question 37.

The business of \_\_\_\_\_ concern may be carried on by all the partners or any of them acting for all.

▼ [Answer](#)

Answer: partnership

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Question 38.

\_\_\_\_\_ interest is to be charged on the drawings made by the partners, if there is nothing mentioned in the deed.

▼ [Answer](#)



Answer: No

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Question 39.

Maximum number of partners in a partnership firm can be \_\_\_\_\_

▼ [Answer](#)

Answer: 50

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Question 40.

Interest on partners \_\_\_\_\_ to the firm shall be paid even if there are losses.

▼ [Answer](#)

Answer: loan

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III. State whether the following statements are True or False.

Question 41.

Minimum number of partners in a partnership firms are two.

▼ [Answer](#)

Answer: True

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Question 42.

In the absence of partnership deed, no interest will be charged on drawings.

▼ [Answer](#)

Answer: True

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Question 43.

In the absence of partnership deed, profit will be distributed equally between all partners.

▼ [Answer](#)

Answer: True

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Question 44.

If majority of partners decide to close the LLP business, they can do so by giving notice in writing.

▼ [Answer](#)

Answer: False

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Question 45.

In the absence of partnership deed, interest @ 6% p.a. will be allowed on partner's Loan.

▼ [Answer](#)

Answer: True

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Question 46.

In the absence of partnership deed, interest on capital will be given @ 6% p.a.

▼ [Answer](#)

Answer: False

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Question 47.

In case of LLP business in partnership, maximum number of partners are limited.

▼ [Answer](#)

Answer: False

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Question 48.

Partnership deed must be in written form.

▼ [Answer](#)

Answer: False

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Question 49.

A minor can never become a partner in a partnership firm.

▼ [Answer](#)

Answer: False

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Question 50.

Liability of partners in general partnership is unlimited.

▼ [Answer](#)

Answer: True

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Question 51.

If partnership deed is silent then remuneration can be given to partners.

▼ [Answer](#)

Answer: False

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Question 52.

If any partner remain absent from the business, share of profit will automatically reduce.

▼ [Answer](#)

Answer: False

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Question 53.

If time of drawings is not given then interest will be calculated for half of the time period.

▼ [Answer](#)

Answer: True

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Question 54.

In case of fixed capital accounts, balance of capital always fluctuate.

▼ [Answer](#)

Answer: False

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Question 55.

Partners Current Account always have credit balance.

▼ [Answer](#)

Answer: False

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Question 56.

Every partner is an agent of the firm.

▼ [Answer](#)

Answer: True

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Question 57.

Expenses as charge in nature are shown in profit and loss appropriation account whereas expenses as appropriation in nature are shown in profit and loss account.

▼ [Answer](#)

Answer: False

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Question 58.

A partnership Act 1932 does not differentiate kind of businesses whereas LLP Act 2008 permits only legal business to run.

▼ Answer

Answer: False

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Question 59.

Under fixed capital, any provision of salary, interest etc., are shown in current account.

▼ Answer

Answer: True

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Question 60.

LLP business is similar to company form of business.

▼ Answer

Answer: True

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#### IV. One word Questions

Question 61.

Chhavi and Neha were partners in a firm sharing profits and losses equally. Chhavi withdrew a fixed amount at the beginning of each quarter. Interest on drawings is charged @ 6% p.a. At the end of the year, interest on Chhavi's drawings amounted to ₹ 900. Pass necessary journal entry for charging interest on drawings.

▼ Answer

Answer:

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Chhavi Capital A/c Dr. To Interest on Drawing A/c (Being Interest on Drawings is charged)		900	900

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Question 62.

Dev withdrew ₹ 10,000 on 15th day of every month. Interest on drawings was to be charged @ 12% per annum. Calculate interest on Dev's drawings.

▼ Answer

Answer: Interest On Drawings =  $1,20,000 \times \frac{12}{100} \times 6 \times 12 = 7,200$

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Question 63.

Amit, a partner in a partnership firm withdrew ₹ 7,000 at the beginning of each quarter. For how many months would interest on drawings be charged?

▼ Answer

Answer: 7½ months

Question 64.

Raj and Seema started a partnership firm on 1st July 2018. They agreed that Seema was entitled to a commission of 10% of the net profit after charging Raj's salary of ₹ 2,500 per quarter and Seema's commission. The net profit before charging Raj's salary and Seema's commission for the year ended 31st March 2019 was ₹ 2,27,500. Calculate Seema's commission.

▼ Answer

Answer: Net profit before salary and commission = ₹ 2,27,500

Net Raj's salary ₹ 2,500 × 3 = ₹ 7,500

Net profit after Raj's salary but before Seema's commission = ₹ 2,20,000

Seema's commission = 10/110 of ₹ 2,20,000 = ₹ 20,000

Question 65.

A and B are partners in firm sharing profits and losses in the ratio of 7 : 3. Their fixed capitals were: A ₹ 9,00,000 and B ₹ 4,00,000. The partnership deed provided the following:

(i) Interest on capital @ 10% p.a.

(ii) A's salary ₹ 50,000 per year and B's salary ₹ 3,000 per month.

Profit for the year ended 31st March 2019 ₹ 2,78,000 was distributed without providing for interest on capital and partner's salary. Showing your work clearly, pass the necessary adjustment entry for the above omissions.

▼ Answer

Answer:

Journal:

Date	Particulars	Dr. (₹)	Cr. (₹)
2019 Mar 31	A's Current A/c Dr. To B's Capital A/c (Being omission of interest on Capital and salary, now rectified)	11,200	11,200

Table showing Past Adjustments:

Partners	Interest on Capital (Cr.) (₹)	Salary (Cr.) (₹)	Profit Dr. (₹)	Net effect	
				Dr. (₹)	Cr. (₹)
A	90,000	50,000	1,51,200	11,200	-
B	40,000	36,000	64,800	-	11,200
	1,30,000	86,600	2,16,000	11,200	11,200

Question 66.

Partners of ABC Corporation have agreed that D, a minor, should be admitted as a partner in the firm.

What will be the liability of D?

▼ [Answer](#)

Answer: Limited

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Question 67.

X, Y, and Z are partners in a firm. The firm had adopted the fixed capital method. Mention the account in which the interest on capital will be recorded:

▼ [Answer](#)

Answer: Capital Account

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Question 68.

A partnership deed provides for the payment of interest on capital but there was a loss instead of profits during the year 2010-11. Will the interest on capital be allowed?

▼ [Answer](#)

Answer: No

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Question 69.

Where is interest on a partner's loan debited to Profit and Loss Account or Profit and Loss Appropriation Account?

▼ [Answer](#)

Answer: Profit and loss Account

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Question 70.

Is interest on a partner's loan is payable even in case of loss to the firm?

▼ [Answer](#)

Answer: Yes

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Question 71.

Net profit of a firm is ₹ 30,000, partners' salary is ₹ 12,000, and interest on capital is ₹ 20,000. Mention the amount of partners' salary and interest on capital which should be debited to the Profit and Loss Appropriation Account if both items are treated as appropriation.

▼ [Answer](#)

Answer: Partners' salary ₹ 11,250, Interest on capital ₹ 18,750.

Note: In the ratio of salary and interest on capital i.e. 12,000 : 20,000 = 3 : 5.

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Question 72.

Ram and Shyam are partners sharing profits/losses equally. Ram withdrew ₹ 1,000 p.m. regularly on the first day of every month during the year 2013-14 for personal expenses. If interest on drawings is charged @ 5% p.a. Calculate interest on the drawings of Ram.

▼ Answer

$$\text{Answer: Interest on Drawings} = 12,000 \times \frac{5}{100} \times \frac{6.5}{12} = ₹ 325$$

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Question 73.

Verma and Kaul are partners in a firm. The partnership agreement provides that interest on drawings should be charged @ 6% p.a. Verma withdraws ₹ 2,000 per month starting from April 01, 2013 to March 31, 2014. Kaul withdraw ₹ 3,000 per quarter, starting from April 01, 2013. Calculate interest on partner's drawings.

▼ Answer

$$\text{Answer: Interest on Verma's Drawings} = 24,000 \times \frac{6}{100} \times \frac{6.5}{12} = ₹ 780$$

$$\text{Interest on Kaul's Drawings} = 12,000 \times \frac{6}{100} \times \frac{7.5}{12} = ₹ 450$$

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Question 74.

Himanshu withdraws ₹ 2,500 at the end of each month. The partnership deed provides for charging the interest on drawings @ 12% p.a. Calculate interest on Himanshu's drawings for the year ending 31st December 2013.

▼ Answer

$$\text{Answer: Interest on Drawings} = 30,000 \times \frac{12}{100} \times \frac{5.5}{12} = ₹ 1650$$

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Question 75.

Bharam is a partner in a firm. He withdraws ₹ 3,000 at the starting of each month for 12 months. The books of the firm close on March 31 every year. Calculate interest on drawings if the rate of interest is 10% p.a.

▼ Answer

Answer: Bharam withdraws ₹ 3,000 at the starting of each month.

Therefore, Drawings = ₹ 3,000 × 12 = 36,000

$$\text{Interest on Drawings} = 36,000 \times \frac{10}{100} \times \frac{6.5}{12} = ₹ 1,950$$

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Question 76.

Amit and Bhola are partners in a firm. They share profits in the ratio of 3 : 2. As per their partnership agreement, interest on drawings is to be charged @ 10% p.a. Their drawings during 2013 were ₹ 24,000 and ₹ 16,000, respectively. Calculate interest on drawings based on the assumption that the amounts were withdrawn evenly, throughout the year.

▼ Answer

Answer: Amit's Drawings = ₹ 24,000

Interest on Drawings @ 10% p.a =  $24,000 \times \frac{10}{100} \times \frac{6}{12} = ₹ 1,200$

Bhola's Drawings = ₹ 16,000

Interest on Bhola's Drawings =  $16,000 \times \frac{10}{100} \times \frac{6}{12} = ₹ 800$

Note: In the absence of the date of drawings, it is assumed drawings have been made in the middle of each month/period.

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Question 77.

A, B, and C were partners in a firm sharing profits in the ratio of 3 : 2 : 1. B was guaranteed a profit of ₹ 2,00,000. During the year the firm earned a profit of ₹ 84,000. Calculate the net amount of Profit/Loss transferred to the capital accounts of A and C.

▼ [Answer](#)

Answer: Net Amount of Loss transferred to:

A's Capital Account: ₹ 87,000

C's Capital Account: ₹ 29,000

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