

**CENTURY FOUNDATION MATRIC. HR. SEC. SCHOOL, TIRUPUR**  
**XII ACCOUNTANCY - UNIT - 03 IQA**

**CHOOSE THE CORRECT ANSWER**

01. The name under which the business of a firm is carried on is called the \_\_\_\_\_  
 (a) Company name (b) Firm name (c) Partnership firm (d) Partner's name
02. The profit or loss arising from the partnership business is shared by the partners in the \_\_\_\_\_  
 (a) old ratio (b) new ratio (c) agreed ratio (d) sacrifice ratio
03. In India, partnership firms are governed by the Indian partnership Act \_\_\_\_\_  
 (a) 1932 (b) 1930 (c) 1992 (d) 1986
04. The maximum number of partners in a partnership firm is \_\_\_\_\_  
 (a) 25 (b) 10 (c) 30 (d) 50
05. In sole proprietorship, the profit or loss in the profit and loss account is transferred directly to the sole proprietor's \_\_\_\_\_  
 (a) drawings account (b) capital account (c) loan account (d) salary account
06. The balance in the appropriation account is transferred to the partner's capital account in the \_\_\_\_\_  
 (a) agree ratio (b) sacrifice ratio (c) profit sharing ratio (d) old ratio
07. Capital account balance of the sole proprietor alone as shown in the balance sheet of \_\_\_\_\_  
 (a) Sole proprietorship (b) Partnership (c) Joint Hindu family (d) Company
08. Amount invested by partners in the partnership business is called \_\_\_\_\_  
 (a) Owner's capital (b) Partner's capital (c) Profit and loss appropriation (d) None of these
09. Which of the following method, the capital of the partners is not altered and it remains generally fixed?  
 (a) Fixed capital method (b) Fluctuating capital method (c) Both 'a' and 'b' (d) None of these
10. All the transactions between the partner and the firm are recorded in the \_\_\_\_\_  
 (a) capital account (b) drawings account (c) profit and loss account (d) revaluation account
11. The rate of interest on capital is generally agreed by the partners and is mentioned in the \_\_\_\_\_  
 (a) capital account (b) profit and loss account (c) partnership deed (d) none of these
12. Interest on capital is to be calculated on the capitals at the beginning for the \_\_\_\_\_  
 (a) particular period (b) relevant period (c) average period (d) all of these
13. Period of interest refers to the period from the date of drawings to the closing date of the \_\_\_\_\_  
 (a) opening year (b) closing year (c) previous year (d) accounting year
14. Product method can be used in all situations as an alternative to \_\_\_\_\_  
 (a) average period (b) direct method (c) both 'a' and 'b' (d) none of these
15. The persons who entered into partnership are collectively known as \_\_\_\_\_  
 (a) Partners (b) Owners (c) Firm (d) Organisation
16. In a partnership business, agreement is \_\_\_\_\_  
 (a) compulsory (b) optional (c) not necessary (d) none of these
17. Interest on capital is calculated on the \_\_\_\_\_  
 (a) Opening capital (b) Closing capital (c) Average capital (d) None of these
18. Current accounts for partners will be opened under, \_\_\_\_\_  
 (a) Fixed capital method (b) Fluctuating capital method  
 (c) Either fixed capital method or fluctuating capital method (d) None of these
19. X and Y are partners sharing the profits and losses in the ratio of 2:3 with capitals of Rs. 1,20,000 and Rs. 60,000 respectively. Profits for the year are Rs. 9,000. If the partnership deed is silent as to interest on capital. Show how profit is shared among X and Y \_\_\_\_\_  
 (a) Profit X - Rs. 6,000; Y - Rs. 3,000 (b) Profit X - Rs. 3,600; Y - Rs. 5,400  
 (c) Profit X - Rs. 3,000; Y - Rs. 6,000 (d) Profit X - Rs. 2,000; Y - Rs. 2,600
20. Under fixed capital method salary payable to a partner is recorded \_\_\_\_\_  
 (a) in current account (b) in capital account  
 (c) either in current account or capital account (d) none of these
21. If a firm is maintaining both 'capital accounts' and 'current accounts' of the partners A and B. Additional capital introduced by B will be recorded in \_\_\_\_\_  
 (a) B's Current Account (b) B's Capital Account (c) A's Capital Account (d) A's Current Account
22. Amount is drawn regularly at the middle of every month during the year. Interest calculated for \_\_\_\_\_

- (a) 13/24 (b) 11/24 (c) 12/24 (d) 10/24
23. In the absence of any specific agreement partner's loan to the firm will carry an interest of \_\_\_\_\_  
 (a) 6% (b) 10% (c) 12% (d) 10%
24. Amount is drawn regularly at the end of every month during the year, interest is calculated for \_\_\_\_\_  
 (a) 11/24 months (b) 12/24 months (c) 13/24 months (d) 6/24 months
25. When a fixed amount is withdrawn in the beginning of every month the period calculated for interest on drawings is \_\_\_\_\_  
 (a) 11/24 (b) 12/24 (c) 13/24 (d) 10/24
26. Match List I with List II and Select the Correct Answer using the Codes given below
- | List I |                      |     |                     | List II |  |  |  |
|--------|----------------------|-----|---------------------|---------|--|--|--|
| (i)    | Partnership Act      | 1.  | 2013                |         |  |  |  |
| (ii)   | Agreement            | 2.  | 50                  |         |  |  |  |
| (iii)  | Indian companies Act | 3.  | Oral or written     |         |  |  |  |
| (iv)   | Maximum Number       | 4.  | 1932                |         |  |  |  |
| (a)    | (i) (ii) (iii) (iv)  | (b) | (i) (ii) (iii) (iv) |         |  |  |  |
|        | 2 3 1 4              |     | 1 2 3 4             |         |  |  |  |
| (c)    | (i) (ii) (iii) (iv)  | (d) | (i) (ii) (iii) (iv) |         |  |  |  |
|        | 4 3 1 2              |     | 3 4 2 1             |         |  |  |  |
27. Match List I with List II and Select the Correct Answer using the Codes given below
- | List I |                          |     |                     | List II |  |  |  |
|--------|--------------------------|-----|---------------------|---------|--|--|--|
| (i)    | Remuneration to partners | 1.  | Section 13(c)       |         |  |  |  |
| (ii)   | Profit Sharing ratio     | 2.  | Section 13(d)       |         |  |  |  |
| (iii)  | Interest on capital      | 3.  | Section 13(b)       |         |  |  |  |
| (iv)   | Interest on loan         | 4.  | Section 13(a)       |         |  |  |  |
| (a)    | (i) (ii) (iii) (iv)      | (b) | (i) (ii) (iii) (iv) |         |  |  |  |
|        | 1 2 3 4                  |     | 4 3 2 1             |         |  |  |  |
| (c)    | (i) (ii) (iii) (iv)      | (d) | (i) (ii) (iii) (iv) |         |  |  |  |
|        | 3 4 2 1                  |     | 2 1 4 3             |         |  |  |  |
28. \_\_\_\_\_ is a form of organization where two or more persons carry on some business acting on the basis of agreement among them.  
 (a) Partnership firm (b) Sole proprietorship (c) Joint Hindu Family (d) Company
29. \_\_\_\_\_ is a document in writing that contains the terms of the agreement among the partners.  
 (a) Partnership deed (b) Partnership at will (c) Both 'a' and 'b' (d) None of these
30. Capital account will always show credit balance under \_\_\_\_\_ method.  
 (a) Partner's current account (b) Partner's capital account  
 (c) Both 'a' and 'b' (d) None of these
31. \_\_\_\_\_ method, only capital account is maintained for each partner  
 (a) Fixed capital (b) Fluctuating capital (c) Both 'a' and 'b' (d) None of these
32. \_\_\_\_\_ is the interest allowed on capital of the partners.  
 (a) Interest on drawings (b) Interest on capital (c) Both 'a' and 'b' (d) None of these
33. \_\_\_\_\_ can be computed by direct method or product method.  
 (a) Interest on drawings (b) Interest on capital (c) Partners salary (d) Partner's commission
34. \_\_\_\_\_ intervals refers to withdrawal made monthly, quarterly, half-yearly, once in 2 months and once in 4 months.  
 (a) Fixed time (b) Current time (c) Average time (d) None of these
35. Profit and loss appropriation account is \_\_\_\_\_ account in nature.  
 (a) real (b) nominal (c) personal (d) none of these
36. \_\_\_\_\_ is a type of partnership in which the liability of the partners is limited to the extent of their capital contribution.  
 (a) Limited liability partnership (b) Limited assets  
 (c) Partnership deed (d) None of these
37. Under fluctuating capital method, profit or loss in a year, will be transferred to the respective \_\_\_\_\_ accounts.

- (a) capital (b) profit and loss (c) drawings (d) none of these
38. Under \_\_\_\_\_ capital arrangement, current accounts will not be maintained.  
 (a) Fixed (b) Fluctuating (c) Both 'a' and 'b' (d) None of these
39. The debit balance of the current account, will be shown in the \_\_\_\_\_ side of the balance sheet.  
 (a) liabilities (b) assets (c) debit (d) credits
40. Interest on partner's capital is allowed, only when the \_\_\_\_\_ specifically provides for it  
 (a) partnership Act (b) partnership agreement (c) both 'a' and 'b' (d) none of these
41. \_\_\_\_\_ can be formed only for a legal business.  
 (a) Sole trader (b) Co-operative societies (c) Partnership (d) None of these
42. Indian partnership Act was enacted in the year \_\_\_\_\_  
 (a) 1932 (b) 1956 (c) 1991 (d) 1992
43. Under fixed capital system, the capitals of the partners \_\_\_\_\_ years after year.  
 (a) keep changing (b) remain fixed (c) both are possible (d) none of these
44. Under fluctuating capital systems, the capitals of the partners \_\_\_\_\_ year after years.  
 (a) keep changing (b) remain fixed (c) Both are possible (d) Both are impossible
45. Under fluctuating capital systems, the partners \_\_\_\_\_ accounts are opened.  
 (a) current (b) drawing (c) capital (d) loan
46. Under fixed capital system, the profit and loss of partners will be transferred to their \_\_\_\_\_ accounts.  
 (a) current (b) drawings (c) both (d) capital A/c
47. Interest on capital is calculated as the \_\_\_\_\_  
 (a) Opening capital (b) Closing capital (c) Both (d) Drawings
48. \_\_\_\_\_ is an extension of Profit and loss account.  
 (a) Balance sheet (b) Profit and loss appropriation accounts  
 (c) Both (d) Cash A/c
49. The persons who have entered into partnership are collectively known as \_\_\_\_\_  
 (a) Partnership (b) partners (c) firm (d) company
50. Name the method of calculating interest on drawings of the partner of different accounts, are withdrawn as different dates.  
 (a) Direct method (b) Product method (c) Average period method (d) Annuity method
51. Which of the following items does not appear in the profit and loss Appropriation Accounts?  
 (a) Salaries to partners (b) Interest on capital  
 (c) Interest on drawings (d) Drawings
52. Under fixed capital method, partner's salary, commission and interest on capital will be credited in \_\_\_\_\_  
 (a) Drawings Account (b) Capital Account (c) Current Account (d) Loan Account
53. (i) The sole proprietorship has its limitations such as limited capital, limited managerial ability and limited risk - bearing capacity.  
 (ii) The sole proprietorship has its limitations such as Unlimited capital, Unlimited managerial ability and Unlimited risk - bearing capacity  
 (iii) The Partnership has its limitations such as Unlimited capital, Unlimited managerial ability and Unlimited risk - bearing capacity  
 (a) (i) is correct (b) (i) and (ii) are correct  
 (c) (ii) and (iii) are correct (d) (i), (ii) and (iii) are correct
54. (i) An incoming partner pays his share of good will in cash, and profit sharing ration of old partner is changed, Good - will be distributed among old partners According to new ration.  
 (ii) Any partner who investments in the business but does not take active part in the businesses Secret partner.  
 (iii) The relation between persons who have agreed to share the profits of a business carried on by all or any of them acting for all.  
 (a) (i) and (ii) are correct (b) (iii) is correct  
 (c) (ii) and (iii) are correct (d) (i), (ii) and (iii) are correct
55. (i) Any partner who investments in the business but does not take active part in the business is Nominal partner.

(ii) The capital account will continue to show the same balance from year to year unless some amount of capital is introduced or withdrawn.

(iii) In the absence of an agreement, Interest on loan advanced by the partner to the firm is allowed at the rate of 7%.

(a) (ii) and (iii) are correct

(b) (i) and (ii) are correct

(c) (ii) is correct

(d) (i), (ii) and (iii) are correct

56. (i) On the retirement of a partner any reserve being should be transferred to the capital account of Neither the retiring partner, nor the remaining partner

(ii) Amount due to outgoing partner is shown

(iii) A partnership firm, the net profit as shown by the Profit and Loss Account need certain adjustments with regard to interest on capitals, interest on drawings, salary in the balance sheet as his Liability

(a) (ii) and (iii) are correct

(b) (i) and (ii) are correct

(c) (i), (ii) and (iii) are correct

(d) (iii) is correct

57. (i) Current accounts of the partners should be opened when the capitals are Either fixed or fluctuating.

(ii) Goodwill is the present value of a firm's anticipated excess earnings in future and the efforts had already made in the past.

(iii) Any partner who investments 'in the business but does not take active part in the business is Nominal partner

(a) (ii) and (iii) are correct

(b) (i) and (ii) are correct

(c) (ii) is correct

(d) (i), (ii) and (iii) are correct.

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**UNIT - 03 ANSWER**

1. (b) Firm name
2. (c) agreed ratio
3. (a) 1932
4. (d) 50
5. (b) capital account
6. (c) profit sharing ratio
7. (a) Sole proprietorship
8. (b) Partner's capital
9. (a) Fixed capital method
10. (a) capital account
11. (c) partnership deed
12. (b) relevant period
13. (d) accounting year
14. (b) direct method
15. (c) Firm
16. (b) optional
17. (a) Opening capital
18. (a) Fixed capital method
19. (b) Profit X - Rs. 3,600; Y - Rs. 5,400
20. (a) in current account
21. (b) B's Capital Account
22. (c) 12/24
23. (a) 6%
24. (a) 11/24 months
25. (c) 13/24
26. (c) i ii iii iv 4 3 1 2
27. (b) i ii iii iv 4 3 2 1
28. (a) Partnership firm
29. (a) Partnership deed
30. (b) Partner's capital account
31. (b) Fluctuating capital
32. (b) Interest on capital

33. (a) Interest on drawings
34. (a) Fixed time
35. (b) nominal
36. (a) Limited liability partnership
37. (a) capital
38. (b) Fluctuating
39. (b) assets
40. (b) partnership agreement
41. (c) Partnership
42. (b) 1956
43. (b) remain fixed
44. (a) keep changing
45. (c) capital
46. (a) current
47. (a) Opening capital
48. (b) Profit and loss appropriation accounts
49. (c) firm
50. (b) Product method
51. (d) Drawings
52. (c) Current Account
53. (a) (i) is correct
54. (b) (iii) is correct
55. (c) (ii) is correct
56. (d) (iii) is correct
57. (c) (ii) is correct

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