

BORN TO WIN
BHARATHI VIDHYALAYA MATRIC HR SEC SCHOOL
ACCOUNTANCY-XII (ARTS)
UNIT-3 (PARTNERSHIP BASIC CONCEPTS)

MARKS: 80

TIME: 2 HOURS

PART-A (MULTIPLE CHOICE QUESTIONS)

(25X1=25)

1. In the absence of a partnership deed, profits of the firm will be shared by the partners in
(a) Equal ratio (b) Capital ratio (c) Both (a) and (b) (d) None of these
2. In the absence of an agreement among the partners, interest on capital is
(a) Not allowed (b) Allowed at bank rate (c) Allowed @ 5% per annum
(d) Allowed @ 6% per annum
3. As per the Indian Partnership Act, 1932, the rate of interest allowed on loans advanced by partners is (a) 8% per annum (b) 12% per annum (c) 5% per annum (d) 6% per annum
4. Which of the following is shown in Profit and loss appropriation account?
(a) Office expenses (b) Salary of staff (c) Partners' salary (d) Interest on bank loan
5. When fixed capital method is adopted by a partnership firm, which of the following items will appear in capital account?
(a) Additional capital introduced (b) Interest on capital (c) Interest on drawings
(d) Share of profit
6. When a partner withdraws regularly a fixed sum of money at the middle of every month, period for which interest is to be calculated on the drawings on an average is
(a) 5.5 months (b) 6 months (c) 12 months (d) 6.5 months
7. Which of the following is the incorrect pair?
(a) Interest on drawings – Debited to capital account
(b) Interest on capital – Credited to capital account (c) Interest on loan – Debited to capital account
(d) Share of profit – Credited to capital account
8. In the absence of an agreement, partners are entitled to
(a) Salary (b) Commission (c) Interest on loan (d) Interest on capital
9. Pick the odd one out
(a) Partners share profits and losses equally (b) Interest on partners' capital is allowed at 7% per annum (c) No salary or remuneration is allowed (d) Interest on loan from partners is allowed at 6% per annum.
10. Profit after interest on drawings, interest on capital and remuneration is 10,500. Geetha a partner, is entitled to receive commission @ 5% on profits after charging such commission. Find out commission. (a) 50 (b) 150 (c) 550 (d) 500
11. Incomplete records are generally maintained by
(a) A company (b) Government (c) Small sized sole trader business
(d) Multinational enterprises
12. Statement of affairs is a
(a) Statement of income and expenditure (b) Statement of assets and liabilities (c) Summary of cash transactions (d) Summary of credit transactions

13. Opening statement of affairs is usually prepared to find out the .
(a) Capital in the beginning of the year (b) Capital at the end of the year (c) Profit made during the year (d) Loss occurred during the year
14. The excess of assets over liabilities is (a) Loss (b) Cash (c) Capital (d) Profit
15. Which of the following items relating to bills payable is transferred to total creditors account?
(a) Opening balance of bills payable (b) Closing balance of bills payable (c) Bills payable accepted during the year (d) Cash paid for bills payable
16. The amount of credit sales can be computed from
(a) Total debtors account (b) Total creditors account (c) Bills receivable account (d) Bills payable account
17. Opening balance of debtors:30,000,cash received:1,00,000,credit sales: 90,000;closing balance of debtors is : (a) 30,000 b) 1,30,000 c) 40,000 d) 20,000
18. 1. Receipts and payments account is a
(a) Nominal A/c (b) Real A/c (c) Personal A/c (d) Representative personal account
19. Receipts and payments account records receipts and payments of
(a) Revenue nature only (b) Capital nature only (c) Both revenue and capital nature (d) None of the above
20. Balance of receipts and payments account indicates the
(a) Loss incurred during the period (b) Excess of income over expenditure of the period (c) Total cash payments during the period (d) Cash and bank balance as on the date
21. Income and expenditure account is a
(a) Nominal A/c (b) Real A/c (c) Personal A/c (d) Representative personal account
22. Income and Expenditure Account is prepared to find out
(a) Profit or loss (b) Cash and bank balance (c) Surplus or deficit (d) Financial position
23. Which of the following should not be recorded in the income and expenditure account?
(a) Sale of old news papers (b) Loss on sale of asset (c) Honorarium paid to the secretary (d) Sale proceeds of furniture
24. Subscription due but not received for the current year is
(a) An asset (b) A liability (c) An expense (d) An item to be ignored
25. Legacy is a
(a) Revenue expenditure (b) Capital expenditure (c) Revenue receipt (d) Capital receipt

PART-B (Very short answer questions)**(10X2=20)**

26. Define partnership.
27. What is a partnership deed?
28. What is meant by fixed capital method?
29. What is the journal entry to be passed for providing interest on capital to a partner?
30. Why is Profit and loss appropriation account prepared?
31. Give specimen entry for providing and closing Interest on loan from partners.
32. The capital account of Arivazhagan and Srinivasan on 1st January 2017 showed a balance of 15,000 and 10,000 respectively. On 1st July 2017, Arivazhagan introduced an additional

capital of 5,000 and on 1st September 2017 Srinivasan introduced an additional capital of 10,000. Calculate interest on capital at 6% p.a. for the year ending 31st December 2017.

33. Give the formula for Product method (Days & Month)

34. Vennila and Eswari are partners. Vennila draws 15,000 at the beginning of each half year. Interest on drawings is chargeable at 4% p.a. Calculate interest on drawings for the year ending 31st December 2018 using average period.

35. Mathew is a partner who withdrew 60,000 during the year 2018. Interest on drawings is charged at 10% per annum. Calculate interest on drawings on 31st December 2018.

PART-C (Short answer questions)

(5X3=15)

36. Jayaraman is a partner who withdrew 10,000 regularly in the middle of every month. Interest is charged on the drawings at 6% per annum. Calculate interest on drawings for the year ended 31st December, 2018.

37. Murali and Sethu are partners in a firm. Murali is to get a commission of 10% of net profit before charging any commission. Sethu is to get a commission of 10% on net profit after charging all commission. Net profit for the year ended 31st March 2019 before charging any commission was 1,10,000. Find the amount of commission due to Murali and Sethu.

38. Mannan and Ramesh share profits and losses in the ratio of 3:1. The capital on 1st April 2017 was 80,000 for Mannan and 60,000 for Ramesh and their current accounts show a credit balance of 10,000 and 5,000 respectively. Calculate interest on capital at 5% p.a. for the year ending 31st March 2018 and show the journal entries.

39. From the following balance sheets of Brindha and Praveena who share profits and losses in the ratio of 3:4, Calculate interest on capital at 6% p.a. for the year ending 31st December 2017.

Balance sheet as on 31st December 2017

Liabilities	Amount	Assets	Amount
Capital accounts:		Sundry assets	80,000
Brindha	30,000		
Praveena	40,000		
Profit and loss appropriation A/c	10,000		
	80,000		80,000

On 1st July 2017, Brindha introduced an additional capital of 6,000 and on 1st October 2017, Praveena introduced 10,000. Drawings of Brindha and Praveena during the year were 5,000 and 7,000 respectively. Profit earned during the year was 31,000.

40. Mathew is a partner who withdrew 20,000 quarterly. Interest on drawings is charged at 10% per annum. Calculate interest on drawings on 31st December 2018. (a) beginning of each quarter (b) Middle of each quarter (c) End of each quarter

PART-D (Long answer questions)

(4X5=20)

41. Anand and Narayanan are partners in a firm sharing profits and losses in the ratio of 5:3. On 1st January 2018, their capitals were ` 50,000 and ` 30,000 respectively. The partnership deed specifies the following:

- (a) Interest on capital is to be allowed at 6% per annum.
- (b) Interest on drawings charged to Anand and Narayanan are 1,000 and 800 respectively.
- (c) The net profit of the firm before considering interest on capital and interest on drawings amounted to 35,000.

Give necessary journal entries and prepare profit and loss appropriation account as on 31st December 2018. Assume that the capitals are fluctuating.

42. Durai and Velan entered into a partnership agreement on 1st April 2018, Durai contributing 25,000 and Velan 30,000 as capital. The agreement provided that:

- (a) Profits and losses to be shared in the ratio 2:3 as between Durai and Velan.
- (b) Partners to be entitled to interest on capital @ 5% p.a.
- (c) Interest on drawings to be charged Durai:300 Velan: 450
- (d) Durai to receive a salary of 5,000 for the year, and
- (e) Velan to receive a commission of 2,000

During the year, the firm made a profit of 20,000 before adjustment of interest, salary and commission. Prepare the Profit and loss appropriation account.

43. Arulappan and Nallasamy are partners in a firm sharing profits and losses in the ratio of 4:1. On 1st January 2018, their capitals were 20,000 and 10,000 respectively. The partnership deed specifies the following:

- (a) Interest on capital is to be allowed at 5% per annum.
- (b) Interest on drawings charged to Arulappan and Nallasamy are 200 and 300 respectively.
- (c) The net profit of the firm before considering interest on capital and interest on drawings amounted to 18,000.

prepare Profit and loss appropriation account for the year ending 31st December 2018. Assume that the capitals are fluctuating.

44. Anubha and Kajal are partners of a firm sharing profits and losses in the ratio of 2:1. Their capital, were Rs.90,000 and Rs.60,000. The profit during the year for Anubha 30,000 and kajal 15,000. According to partnership deed, both partners are allowed salary, Rs. 700 per month to Anubha and Rs. 500 per month to Kajal. Interest allowed on capital @ 5%p.a. The drawings at the end of the period were Rs. 8,500 for Anubha and Rs. 6,500 for Kajal. Interest on Drawings Anubha 425 and kajal 325. Prepare partners capital accounts, assuming that the capital account are fluctuating

*** ALL THE BEST ***

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