

2019 -2020

**+2 ACCOUNTANCY - UNIT – III**  
**ACCOUNTS OF PARTNERSHIP FIRMS - FUNDAMENTALS**

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**CHOOSE THE CORRECT ANSWER**

- 1) In the absence of partnership deed, profits of the firm will be shared by the partners in  
 a) Equal ratio      b) Capital ratio      c) Both (a) & (b)      d) None of these
- 2) In the absence of 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 Rs.10,500. Geetha, a partner, is entitled to receive commission @5% on profits after charging such commission. Find out commission  
 a) Rs.50      b) Rs.150      c) Rs.550      d) Rs.500

**ADDITIONAL QUESTIONS**

- 11) Partners' Current Accounts are opened when their capital accounts are  
 a) Fixed      b) Fixed and Fluctuating      c) Fluctuating      d) None of them
- 12) The interest on capital accounts of partners under the fluctuating capital account method is credited to  
 a) Interest Account      b) Profit and Loss Account      c) Partners' Capital Account      d) None of these
- 13) The current account of a partner  
 a) Will always have a credit balance  
 b) Will always have a debit balance  
 c) May have a debit or credit balance  
 d) Can never have a debit balance
- 14) Interest payable on the capitals of the partners is charged to  
 a) Profit and Loss Account  
 b) Profit and Loss Adjustment Account  
 c) Realization Account  
 d) Profit and Loss Appropriation Account
- 15) Interest on partner's drawing under a fluctuating capital account is debited to  
 a) Partner's Capital A/c      b) Profit & Loss A/c      c) Drawing A/c      d) None of the above
- 16) Mathew is a partner who withdraw Rs.20,000 during the year 2018. Interest on drawings is charged at 10% p.a. Interest on drawings is Rs.....  
 a) Rs.1,000      b) Rs.500      c) Rs.1,500      d) Rs.750

- 17) Kevin and Francis are partners. Kevin draws Rs.5,000 at the end of each quarter. Interest on drawings is chargeable at 6% p.a. Find interest on drawings for the year ending 31<sup>st</sup> March 2019 using average period.  
a) Rs.400                      b) Rs.450                      c) Rs.500                      d) Rs.550
- 18) Ram and Shyam were partners. Ram withdraw Rs.18,000 at the beginning of each half year. Interest on drawings is chargeable @ 10% p.a. Calculate interest on the drawings for the year ending 31<sup>st</sup> December 2018 using average period  
a) Rs.1,700                      b) Rs.1,800                      c) Rs.2,700                      d) Rs.2,800
- 19) The object of partnership is to:  
a) Earn profit                      b) Non-profit                      c) Members                      d) None of these
- 20) Liability of partners in a partnership business is:  
a) Limited                      b) Unlimited                      c) Both (a) & (b)                      d) None of these
- 21) The members of partnership firm are individually called as :  
a) Director                      b) Investor                      c) Partner                      d) Manager
- 22) Partnership business in Pakistan is governed by Partnership Act of :.  
a) 1913                      b) 1932                      c) 1984                      d) 1928
- 23) Under fixed capital methods, profit will be credited to:  
a) Capital A/c                      b) Drawing A/c                      c) Current A/c                      d) Profit & Loss A/c
- 24) The written agreement of partnership is called:  
a) Partnership Deed                      b) Articles of Association                      c) Memorandum of association                      d) Certificate of incorporation
- 25) Any partner who invests in the business but does not take active part in the business is :  
a) Secret Partner                      b) Sleeping Partner                      c) Active Partner                      d) Nominal Partner
- 26) Partnership is formed by the partners by:  
a) Written agreement                      b) Oral agreement                      c) Written or Oral                      d) None of these
- 27) Investment in partnership is made by introducing:  
a) Cash                      b) Non-cash assets                      c) Both (a) & (b)                      d) None of these
- 28) Investment by a partner in form of non-cash is recorded in the books:.  
a) At the market value                      b) At value purchased by the investing partner                      c) At an agreed value between partners                      d) At the depreciated value
- 29) Additional capital introduced by a partner:  
a) Decreases his drawing                      b) Increase his investment                      c) Increases his drawings                      d) Decreases capital A/c
- 30) In Partnership, revaluation of assets is done due to:  
a) Admission                      b) Retirement                      c) Death                      d) All of these
- 31) A new partner can be entered into the partnership with the consent of :  
a) Single partner                      b) Two partners                      c) Majority of partners                      d) All the existing partners
- 32) In a partnership business, agreement is .....  
a) Compulsory                      b) Optional                      c) Not necessary                      d) None of these
- 33) Interest on capital is calculated on the .....  
a) Opening Capital                      b) Closing Capital                      c) Average Capital                      d) All of these
- 34) Current Account for partners will be opened under .....  
a) Fixed Capital Method                      b) Fluctuating Capital Method                      c) Both (a) & (b)                      d) None of these
- 35) Where a partner is entitled to interest on capital such interest will be payable,  
a) Only out of profit                      b) Only out of capital                      c) Both (a) & (b)                      d) None of these
- 36) 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-3,000                      b) Profit: X-Rs.3,600; Y-5,400                      c) Profit: X-Rs.3,000; Y-Rs.6,000                      d) None of these
- 37) 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 A/c                      b) B's Capital A/c                      c) Both (a) & (b)                      d) None of these
- 38) Under ..... capital arrangement, current accounts will not be maintained  
a) Fixed                      b) Fluctuating                      c) Both (a) & (b)                      d) None of these
- 39) The debit balance of the current account, will be shown in the ..... side of the balance sheet.  
a) Assets                      b) Liabilities                      c) Both (a) & (b)                      d) None of these
- 40) Interest on partners' capital is allowed, only when the ..... specifically provides for it.  
a) Partners                      b) Firm                      c) Partnership Agreement                      d) All of these

- 41) Money lent to the business by a partner is credited to his ..... account and not his capital account.  
a) Profit & Loss A/c      b) Capital A/c      c) Loan      d) Drawing
- 42) Interest of partners' loan should be paid, even if there is no ..... in a year.  
a) Loss      b) Income      c) Profit      d) Expenses
- 43) In the absence of partnership deed, no interest is to be charged on .....  
a) Drawings      b) Loan      c) Both (a) & (b)      d) None of these
- 44) A Partnership can be formed only for a ..... business  
a) Smuggling      b) Illegal      c) Legal      d) None of these
- 45) The person who entered into partnership are collectively known as ....  
a) Partners      b) Firm      c) Business      d) None of these
- 46) The relation that exists between partner is .....  
a) Mutual      b) Contractual      c) Agreement      d) None of these
- 47) The basis of partnership is ....  
a) Utmost good faith      b) Desire to work together      c) Money available for Investment      d) Minor partner
- 48) In partnership there exists a relationship of:  
a) Principal and Agent      b) Owner and Servant      c) Employer and Employee      d) None of these
- 49) When the authority to a partner is expressly conferred by an agreement, it is called .....  
a) Implied Authority      b) Express Authority      c) Both (a) & (b)      d) None of the above
- 50) The partnership organization was started with the enactment of English Partnership Act in 1907 in .....  
a) India      b) Germany      c) England      d) Italy

\*\*\*\*\* All the Best \*\*\*\*\*

**ANSWERS**

1	A	Equal ratio	26	C	Written or Oral
2	A	Not allowed	27	C	Both (a) & (b)
3	D	6% per annum	28	C	At an agreed value between partners
4	C	Partners' salary	29	B	Increase his investment
5	A	Additional capital introduced	30	D	All of these
6	B	6 months	31	D	All the existing partners
7	C	Interest on loan – Debited to capital account	32	B	Optional
8	C	Interest on loan	33	A	Opening Capital
9	B	Interest on partners' capital is allowed at 7% per annum	34	A	Fixed Capital Method
10	D	Rs.500	35	A	Only out of profits
11	A	Fixed	36	B	Profit: X-Rs.3,600; Y-5,400
12	C	Partners' Capital Account	37	B	B's Capital A/c
13	C	May have a debit or credit balance	38	B	Fluctuating
14	D	Profit and Loss Appropriation Account	39	A	Asset
15	A	Partner's Capital A/c	40	C	Partnership Agreement
16	A	Rs.1,000	41	C	Loan
17	B	Rs.450	42	C	Profit
18	C	Rs.2,700	43	B	Drawings
19	A	Earn profit	44	C	Legal
20	B	Unlimited	45	B	Firm
21	C	Partner	46	B	Contractual
22	B	1932	47	A	Utmost good faith
23	C	Current A/c	48	A	Principal and Agent
24	A	Partnership Deed	49	B	Express Authority
25	B	Sleeping partner	50	C	England