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Partnership accounting questions and answers pdf

Partnership Accounts Questions and Answers We have covered various topics of Partnership such as Formation, Withdrawal of funds, Distribution of Profit & Loss, Revaluation of assets, retirement of partners and dissolution of partnership firm. Now, it is the right time to practice some more questions for these topic. So, here we will exercises of Partnership Accounts Questions and Answers. Problem - Partnership Accounting for Formation Ady and Beti are running their business as a sole traders in the chemical manufacturing sector. On July 1, 2011 their balance sheet showed the following balances of the accounts: Head Ady Beti Cash 64,000 80,000 Debtors 128,000 160,000 Inventory 160,000 80,000 Office supplies 8,000 6,400 Furniture & fixture 320,000 320,000 Allowance for bad debt - furniture & fixture 176,000 144,000 Allowance for bad debts 11,200 6,400 Creditors 128,000 152,000 On 1st July, 2011, Ady and Beti agreed to form a partnership by merging their business. They decided to take the assets and liabilities at the book value given above. By mutual decision, they decided to invest 400,000 and 360,000 in the business respectively and in case, any deficiency arises, they will contribute from their private funds. Required Record the journal entries of the newly established partnership firm as on July 01, 2011. Construct a balance sheet of partnership firm as on 01 July, 2011. Take effect of the arrangement agreed by both partners regarding their capital investment. Solution General Journal Entries Date Particulars Debit Credit Cash Accounts receivable Inventory Office supplies Furniture & fixture Allowance for depreciation - furniture Allowance for bad debt Accounts payable Ady Capital (balancing figure) (Recording of the investment of Ady in the partnership.) 64,000 128,000 160,000 8,000 320,000 176,000 11,200 128,000 364,800 Cash Adi capital (400,000 - 364,800) (Additional investment by Ady from his private fund.) 35,200 35,200 Cash Accounts receivable Inventory Office supplies Office furniture Allowance for depreciation - furniture Allowance for bad debts Accounts payable Beti Capital (balancing figure) (Recording of the investment of Beti in the partnership.) 80,000 160,000 80,000 6,400 320,000 144,000 6,400 152,000 344,000 Cash Beti Capital (360,000 - 344,000) (Additional investment by Beti from his private fund.) 16,000 16,000 Balance Sheet As at July 01, 2011 Assets Capital & Liabilities Cash Accounts receivable 288,000 Allowance for bad debts (17,600) Inventory Office supplies Furniture & fixture 640,000 Allowance for depreciation (320,000) 195,200 270,400 240,000 14,400 320,000 Accounts payable Capital Ady Beti 280,000 400,000 360,000 1,040,000 1,040,000 We have covered numerous topics of Partnership Accounting, now it is the time to do some MCQs and to prepare well for the exams. 1. Persons who have entered into partnership with one another are individually called: a - partners b - directors c - sole proprietor d - none of the above 2. A partnership is a separate entity from the partners: a - Yes b. No. 3. In Partnership accounting, capital accounts are prepared under following method: a - Fluctuating b - Fixed c - Both 4. In Partnership, revaluation of assets is done due to: a - admission b - retirement c - death d - all of the above 5. 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. 6. Bonus and Goodwill methods are the methods of: a - formation b - retirement c - admission d - dissolution Download this MCQs Pdf file here. Free, past year papers, video lectures, ppt, important questions, pdf, practice quizzes, mock tests for examination, Unit 1: Introduction to Partnership Accounts (Question with Answer) CA Foundation Notes | EduRev, shortcuts and tricks, Exam, Previous Year Questions with Solutions, Sample Paper, Unit 1: Introduction to Partnership Accounts (Question with Answer) CA Foundation Notes | EduRev, Objective type Questions, Viva Questions, Semester Notes, Extra Questions, MCQs, study material, Summary, Unit 1: Introduction to Partnership Accounts (Question with Answer) CA Foundation Notes | EduRev; Loading PreviewSorry, preview is currently unavailable. You can download the paper by clicking the button above. A. State whether each of the following statements is True or False? 1. A partnership is an association of two or more persons. True 2. Partnership means the relationship between persons who have agreed to share the profit of a business carried on by all or by any one acting for all. True 3. Maximum number of partners in a partnership business is 100. True 4. The business of the partnership firm can be conducted even by one partner acting for all. True 5. Partnership arises from contract not from status. True 6. It is necessary to have a partnership agreement in writing. False 7. Liability of partner in a partnership firm is limited. False 8. The right to share a profit is full proof of one being a partner. False 9. Where interest on capital is allowed and profits are insufficient for interest, such insufficient profit is distributed equally. False, Profit is distributed in capital ratio 10. A partnership can be formed only for a legal business. True 11. Usually interest on Partner's Capital is paid, only out of profits. True 12. When a partner is given guarantee by another partner, loss on such guarantee will be born by all the other partners. True, in their agreed ratio 13. A partner can carry a competing business. False 14. Interest on partner's capital is debited to Partners Capital Account. False, Credit 15. Interest on partner's capital is debited to Profit and Loss Appropriation Account. True 16. It is necessary to have a Partnership Deed in written form. True 17. In the absence of any agreement regarding profit sharing ratio, profit or loss must be shared equally. True 18. Interest on capital is a charge against profits. False 19. Interest on capital, partner's salaries and partner's commission is an appropriation of profit. True 20. Interest on partner's loan is a charge against profit. True 21. Interest on partner's capital is allowed @ 6% p.a. False 22. Under fixed capital method an addition to capital will be shown in partner's capital account. False 23. In case of fixed capital, a partner's Capital Account always shows a credit balance. True 24. Partner's current account may show both debit and credit balance. True 25. Rent on the partner's property is a charge against profit. True 26. Interest on a partner's loan shall be paid even if there are losses in the firm. True 27. Usually interest on capital is paid only out of profits. True 28. In the absence of any agreement regarding profit sharing ratio, profit or loss must be shared equally. True 29. In the absence of partnership deed, no interest is charged on drawings. True B. Fill in the blank with appropriate word or words: 1. The member of a partnership is collectively known as Firm. 2. Members of a partnership business are individually known as partners. 3. Partnership firm is governed by the Indian Partnership Act, 1932. 4. Sec. 4 (3/4/5) of the Indian Partnership Act 1932 defines a partnership. 5. A partnership is an Association of two or more partners. 6. Liability of a partner is Unlimited. 7. Registration of a partnership firm is Voluntary. 8. A new partner can be admitted into the firm only when all partners are Agree. 9. The document which contains the terms and conditions of partnership is called Partnership is called Partnership Deed. 10. In the absence of a specific agreement, interest on capital is paid only out of profit. 11. A partner acts as an agent for a firm. 12. Partners are mutual Agents for each other. 13. In absence of Partnership agreement interest on partner's loan/Advance will be calculated at 6% p.a. (5% / 6% / 8%) 14. The partner who does not participate actively in partnership business is known as nominal (nominal / inactive) partner. 15. Interest on Partner's loan is to be credited to his loan account. 16. Partner's loan is paid before payment of partner's capital. 17. Interest on Partner's capital is credited to his capital account. 18. Interest on Partner's drawings is debited to his capital account. 19. Minimum number of partners is Two and the maximum is 100 for a firm. 20. In case of fixed capital, interest on partner's capital is credited to Partner's Current Account. 21. If drawings are made with equal amount in the beginning of the every month for whole year, interest on drawings is to be calculated for an average period of 6.5 months. 22. If drawing made with equal amount at the end of every month for whole year, interest on drawings is to be calculated for an average period of 5.5 months. 23. If drawings are made with equal amount in the middle of the every month for whole year, interest on drawings is to be calculated for an average period of 6 months. 24. In case of fixed capital, partner's capital account always shows a credit balance. 25. When partner's capital account is fixed then partner's current account is prepared. C. Choose the correct alternative: (a) Increases individual risk, (b) Decreases individual risk, (c) Does not involves any individual risk. 2. In the absence of any agreement partners share profits and losses: (a) In the ratio of Capital; (c) Time devoted to the business; 3. In the absence of any agreement, interest on partner's loan: (a) Shall be allowed @ 5%. (b) shall be allowed @6%. (c) Should not be allowed at all. 4. In the absence of any agreement, partners, (a) Shall be allowed salaries (b) Shall not be allowed salaries (c) Shall be allowed salaries to those who work for the business. 5. Unless otherwise agreed upon, the partner's capitals should be: (c) Any of the above two methods. 6. Rate of interest allowed on partner's capital is 7. In the absence of partnership deed, partners are not entitled to receive: 8. The balance of partner capital account will be reduced with 9. In case of fixed capital, interest on partner's capital is credited to: a) Partners Current Account. b) Partners Capital Account. c) Profit and Loss Appropriation A/c 10. If an equal amount is drawn at the end of each month for 6 months, then interest on drawing is calculated on total drawings for an average period of 11. If an equal amount is drawn in the beginning of each month for 6 months, then interest on drawing is calculated on total drawings for an average period of 12. If an equal amount is drawn in the middle of each month for 6 months, then interest on drawing is calculated on total drawings for an average period of 13. Interest on capital is credited to: (a) Partner's Capital Accounts; (b) Profit & Loss Account; 14. Current Account of the partners should be opened when - (a) Capitals are fluctuating; (c) Capital is either fixed or fluctuating. 15. Interest on Capital is an: (a) Charge against profits; (b) Appropriation of profits. 16. Interest on partner's capital is paid: (c) None of the above two. 17. In the absence of any agreement interest on partner's capital is calculated 18. Interest on capital is generally calculated on: 19. Current Account of a partner may show: 20. In a partnership firm on partner can be admitted without the consent of (a) Majority of existing partners. (c) All the existing partners. 21. A and B are partners. C is admitted into the firm for 1/3rd share of profit with a guaranteed profit of Rs. 10,000 p.a. The firm's net profit during a year is Rs. 24,000. If A is the guarantor, how much profit would be given to A? 22. A and B are partners. Their profit sharing ratio is 3: 2. Salary payable to A and B is Rs. 2,000 and Rs. 3,000 respectively. The firm's net profit during a year is Rs. 4,000. The amount of net profit shared by A and B is: a) Rs. 2,000 and Rs. 2,000 b) Rs. 2,400 and Rs. 1,600 c) Rs. 1,600 and Rs. 2,400 23. Manager is entitled to a commission of 10% of net profits after charging such commission. The firm's net profit during a year is Rs. 11,000. The amount of Manager's commission will be: 24. A and B are partners. C is admitted into the firm for 1/3rd share of profit with a guaranteed profit of Rs. 10,000 p.a. The firm's net profit during a year is Rs. 24,000. What amount would be given to C as his share of profit? 25. Fluctuating Capital Account is credited with: c) Remuneration to the partners. 26. Interest on Partners capital is:

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