UNIT – I

(Accounting for Partnership firms)

Carrying 1 Marks

1. In banking business maximum number of Partners can be- 1
   (a) 10 (b) 20 (c) 50 (d) 30
2. Partnership business is governed by - 1
   (a) The Indian Partnership Act. 1932
   (b) The Indian Partnership Act. 1923
   (c) The Indian Partnership Act. 1942
   (d) The Indian Partnership Act. 1922
3. Interest on Partners Capital is calculated on - 1
   (a) Capital at beginning
   (b) Capital at the end
   (c) Average Capital
   (d) None of these
4. If the date of withdrawals are not mentioned, interest on drawing should be charged for ---- months. 1
   (a) 5 ½ (b) 6 (c) 12 (d) 6 ½
5. Preparation of Partnership deed is :- 1
   (a) Compulsory (b) Voluntary (c) Partly Compulsory (d) None of these
6. In the absence of Partnership deed interest on Partners loan is allowed at the rate of - 1
   (a) 10 % (b) 5 % (c) 6 % (d) 7 %
7. Partners current Account are opened when their Capital is - 1
   (i) Fixed (ii) Fluctuating (iii) Both a & b (iv) none of these
8. In an ordinary Partnership maximum number of partners can be. 1
   (a) 10 (b) 70 (c) 20 (d) 50
9. Which account is prepare to determined the division of profit to the partners out of the income earned or loss borne - 1
   (a) P/L A/C (b) P/L Appropriation A/C (c) Capital A/C (d) None of these
10. Profit & Loss Appropriation A/C is - 1
    (a) Personal A/C (b) Real A/C (c) Nominal A/C (d) None of these.

True and False

1. Current Accounts of partners are maintained under the fluctuating Capital method. 1
   True/False
2. The burliness of the firm can be conducted even by one partner. 1
   True/False
3. The Liability of a partner in a partnership firm is limited 1
   True/False
4. Interest on partners loan, credited to partners capital 1
   True/False
5. The Partnership business can be formed with service motive. 1
   True/False
6. In the absence of partnership deed, profit sharing ratio between partner is equal. 1
   True/False
7. Even in case of loss in partnership firm, the interest on partners loan is paid. 1
   True/False
8. Under fixed capital method, any addition to capital will be shown in partners capital A/C. 1
   True/False

9.	Partners are mutual agents of each other so far as the business of the firm goes. True/False	1
10.	By debiting partner's Capital A/C, We increase his Capital. True/False	1

4x10= 40 Marks

1. If the partner's Capital A/C are fixed where will you record the following items – 4
   (a) Salary paid to a partner.
   (b) Fresh Capital Introduced by a Partner
   (c) Interest on Capital
   (d) Interest on drawing.
2. A and B are partners, Sharing profit in the ratio of 3:2. Their Capital balance on 1st April 2013 were Rs. 70,000 and Rs. 50,000. On 2st July 2013 A introduced Rs. 30,000 and B introduced Rs. 10,000. Interest on Capital is allowed at 10 % p.a. 4
   Calculate interest on Capital, if accounts are close on 31st march every year.
3. Compute interest on drawing @ 12% p.a for the year 2008, if Ram with draw following amounts – 4

January	1	Rs. 4,000
March	31	Rs. 8,000
June	1	Rs. 5,000
October	1	Rs. 10,000
Nov.	30	Rs. 8,000

4. Calculate interest on drawing @ 12% is the following cased – 4
   a) Rs. 1,000 are drawn on the last day of every month throughout the year.
   b) Rs. 1,000 are drawn on the 1st day of every month
   c) Rs. 1,000 are drawn in the middle of every month throughout the year.
   d) Rs. 5,000 are drawn (Date not specified)
5. Write Distinguish between 'fixed Capital A/C' and 'fluctuating capital A/C'. (any four differences.) 4
6. In the absence of partnership deed, what are the rules relating to – 4
   a) Salaries of partners. b) Interest on partners 'Capital'
   c) Interest on Partner's drawings. d) Interest on Partner's loan.
7. A and B are partners of a firm sharing profit and loss in the ratio of 3:2. Their capitals were Rs. 60,000 and 40,000 as on 1st Jan. 2014. During the year they earned a profit of Rs. 2,50,000 According to the partnership deed – 4
   a) Both the partners are entitled to Rs. 800 per month as salary.
   b) Both the partners get are entitled to 5% interest on their Capital.
   c) They are to be Charged interest @ 5% on their drawings. Which is Rs. 12,000 for A Rs. And Rs. 8,000 for B, irrespective of period. Prepare P/L Appropriation A/C.
8. P and Q are equal partners. Their Capitals are Rs. 20,000 and Rs. 40,000 respectively. After the accounts for the year are prepared, it is discovered that interest at 10% p.a. as provided in the partnership agreement has not been credited to the capital accounts before distribution of profit. It is decided to make an adjusting entry at the beginning of the next year. Give necessary journal entry. 4
9. State any four characteristic of Partnership firm. 4
10. A, B and C are partners is a firm. Their profit sharing ratio is 3:2:1. However C is guaranteed a minimum amount of Rs. 10,000 as share of profit every year. Any deficiency arising on that account shall be met by A. The profit for the year ending 31st Dec. 2013 was Rs. 10,000. Prepare P/L Appropriation A/C for the year ending 31st Dec. 2013. 4