

## MCQs: FUNDAMENTALS OF PARTNERSHIP

Q1. In a partnership firm, partner A is entitled a monthly salary of ₹ 7,500. At the end of the year, firm earned a profit of ₹ 75,000 after charging A's salary. If the manager is entitled a commission of 10% on the net profit after charging his commission, Manager's commission will be:

(A) ₹ 7,500 (B) ₹ 16,500 (C) ₹ 8,250 (D) ₹ 15,000

Q2. A, B and C are partners sharing profits and losses equally. Their capital balances on March, 31, 2021 are ₹ 80,000, ₹ 60,000 and ₹ 40,000 respectively. Their personal assets are worth as follows : A— ₹ 20,000, B— ₹ 15,000 and C — ₹ 10,000. The extent of their liability in the firm would be :

(A) A — ₹ 80,000 : B — ₹ 60,000 : and C — ₹ 40,000

(B) A — ₹ 20,000 : B — ₹ 15,000 : and C — ₹ 10,000

(C) A — ₹ 1,00,000 : B — ₹ 75,000 : and C — ₹ 50,000

(D) Equal

Q3. Features of a partnership firm are

(A) Two or more persons are carrying common business under an agreement.

(B) They are sharing profits and losses in the fixed ratio.

(C) Business is carried by all or any of them acting for all as an agent.

(D) All of the above

Q4. The relation of partner with the firm is that of:

(A) An Owner (B) An Agent (C) An Owner and an Agent (D) Manager

Q5. Number of partners in a partnership firm may be:

(A) Maximum Two (B) Maximum Ten (C) Maximum One Hundred (D) Maximum Fifty

Q6. In the absence of a partnership deed, the allowable rate of interest on partner's loan account will be :

(A) 6% Simple Interest (B) 6% p.a. Simple Interest (C) 12% Simple Interest (D) 12% Compounded Annually

Q7. Interest on capital will be paid to the partners if provided for in the partnership deed but only out of: (A) Profits (B) Reserves (C) Accumulated Profits (D) Goodwill

Q8. X, Y, and Z are partners in a firm. At the time of division of profit for the year, there was dispute between the partners. Profit before interest on partner's capital was ₹ 6,00,000 and Z demanded minimum profit of ₹ 5,00,000 as his financial position was not good. However, there was no written agreement on this point.

- (A) Other partners will pay Z the minimum profit and will share the loss equally.
- (B) Other partners will pay Z the minimum profit and will share the loss in capital ratio.
- (C) X and Y will take ` 50,000 each and Z will take ` 5,00,000.
- (D) ` 2,00,000 to each of the partners.

Q9. According to Profit and Loss Account, the net profit for the year is ` 1,50,000. The total interest on partner's capital is ₹18,000 and interest on partner's drawings is ` 2,000. The profit as per Profit and Loss Appropriation Account will be:

- (A) ` 1,66,000 (B) ` 1,70,000 (C) ` 1,30,000 (D) ` 1,34,000

Q 10. Which of the following is true regarding Salary to a partner when the firm maintains fluctuating capital accounts?

- (A) Debit Partner's Loan A/c and Credit P & L Appropriation A/c. (B) Debit P & L A/c and Credit Partner's Capital A/c. (C) Debit P & L Appropriation A/c and Credit Partner's Current A/c. (D) Debit P & L Appropriation A/c and Credit Partner's Capital A/c.

Q 11. E, F and G are partners sharing profits in the ratio of 3:3:2. According to the partnership agreement, G is to get a minimum amount of ₹80,000 as his share of profits every year and any deficiency on this account is to be personally borne by E. The net profit for the year ended 31st March 2021 amounted to ₹3,12,000. Calculate the amount of deficiency to be borne by E?

- (A) ₹1,000 (B) ₹4,000 (C) ₹8,000 (D) ₹2,000

Q 12. Given below are two statements, one labelled as Assertion (A) and the other labelled as Reason (R)

Assertion (A): Transfer to reserves is shown in P & L Appropriation A/c.

Reason (R): Reserves are charge against the profits.

In the context of the above statements, which one of the following is correct?

- (A) (A) is correct, but (R) is wrong.
- (B) Both (A) and (R) are correct.
- (C) (A) is wrong, but (R) is correct.
- (D) Both (A) and (R) are wrong.

Q 13. A, B and C are partners, their partnership deed provides for interest on drawings at 8% per annum. B withdrew a fixed amount in the middle of every month and his interest on drawings amounted to ₹4,800 at the end of the year. What was the amount of his monthly drawings?

- (A) ₹10,000. (B) ₹5,000. (C) ₹1,20,000. (D) ₹48,000.

Q 14. Mickey, Tom and Jerry were partners in the ratio of 5:3:2. On 31st March 2021, their books reflected a net profit of ₹2,10,000. As per the terms of the partnership deed they were entitled for interest on capital which amounted to ₹80,000, ₹60,000 and ₹40,000 respectively.

Besides this a salary of ₹60,000 each was payable to Mickey and Tom. Calculate the ratio in which the profits would be appropriated.

(A) 1:1:1 (B) 5:3:2 (C) 7:6:2 (D) 4:3:2

Q 15. Ajay and Vinod are partners in the ratio of 3:2. Their fixed Capital were ₹3,00,000 and ₹4,00,000 respectively. After the close of accounts for the year it was observed that the Interest on Capital which was agreed to be provided at 5% pa was erroneously provided at 10%p.a. By what amount will Ajay's account be affected if partners decide to pass an adjustment entry for the same?

- (A) Ajay's Current A/c will be Debited by ₹15,000.  
(B) Ajay's Current A/c will be Credited by ₹6,000.  
(C) Ajay's Current A/c will be Credited by ₹35,000.  
(D) Ajay's Current A/c will be Debited by ₹20,000.

**CASE BASED QUESTION:**

**Question no.'s 16, 17 & 18 are based on the hypothetical situation given below.**

On 1st September 2020, twenty students of Modern College started their Partnership Firm in the name of "Be Safe" for selling sanitisers on digital mode. Since they were good friends of each other, they were not having any explicit agreement in place. All of them have agreed to invest ₹15,000/- each as capital. The books were closed on 31st March 2021, on which date the following information was provided by the firm:

PARTICULARS	AMOUNT (₹)
Sale of Sanitisers	1,20,000
Cost of goods sold	50,000
Total Remuneration to partners	2,000 per month
Rent to a partner	1,000 per month
Manager's Commission	5,000
Closing Stock as on March 31,2021	9,000
6% Fixed Deposit (made on 31.3.2021)	20,000

16. Calculate the amount of profits to be transferred to Profit and Loss Appropriation Account. –

(A) Profit ₹58,000 (B) Profit ₹44,000 (C) Profit ₹59,200 (D) Profit ₹58,700

17. On 31st March 2021, Remuneration to Partners will be provided to the partners of "Be Safe" but only out of:

(A) Profits for the accounting year (B) Reserves (C) Accumulated Profits (D) Goodwill

18. On 01st December 2020 one of the partners of the firm introduced additional capital of ₹30,000 and also advanced a loan of ₹40,000 to the firm. Calculate the amount of interest that Partner will receive for the current accounting period-

(A) ₹4,200 (B) ₹1,400 (C) ₹ 1575 (D) ₹ 800

19. Which of the following is not incorporated in the Partnership Act?

- (A) profit and loss are to be shared equally
- (B) no interest is to be charged on capital
- (C) all loans are to be charged interest @6% p.a.
- (D) all drawings are to be charged interest

20. A and B are partners in a partnership firm without any agreement. A has withdrawn Rs. 50,000 out of his Capital as drawings. Interest on drawings may be charged from A by the firm:

- (A) @ 5% Per Annum
- (B) @ 6% Per Annum
- (C) @ 6% Per Month
- (D) No interest can be charged

21. According to Profit and Loss Account, the net profit for the year is ₹1,40,000. The total interest on partner's capital is Rs. 8,000 and a partner is to be allowed commission of ₹5,000. The total interest on partner's drawings is ₹1,200. The net profit as per Profit and Loss Appropriation Account will be:

- (A) ₹1,28,200
- (B) ₹1,44,200
- (C) ₹1,25,800
- (D) ₹1,41,800

22. Net profit of a firm is ₹79,800. Manager is entitled to a commission of 5% of profits after charging his commission. Manager's Commission will be:

- (A) ₹4,200
- (B) ₹380
- (C) ₹3,990
- (D) ₹3,800

23. Seeta and Geeta are partners sharing profits and losses in the ratio 4:1. Meeta was manager who received the salary of ₹4,000 p.m. in addition to a commission of 5% on net profits after charging such commission. Profit for the year is ₹6,78,000 before charging salary. Find the total remuneration of Meeta.

- (A) ₹78,000
- (B) ₹88,000
- (C) ₹87,000
- (D) ₹76,000

24. In a partnership firm, a partner withdrew ₹5,000 per month on the first day of every month during the year for personal expenses. If interest on drawings is charged @ 6% p.a. the interest charged will be:

- (A) ₹3,600
- (B) ₹1,950

- (C) ₹1,800
- (D) ₹1,650

25. Anu and Tanu are equal partners with fixed capitals of ₹2,00,000 and ₹1,00,000 respectively. After closing the accounts for the year ending 31st – March, 2019 it was discovered that interest on capitals @ 8% p.a. was omitted to be provided. In the adjusting entry:

- (A) Anu will be credited by ₹16,000 and Tanu will be credited by ₹8,000
- (B) Anu will be debited by ₹16,000 and Tanu will be debited by ₹8,000
- (C) Anu will be credited by ₹4,000 and Tanu will be debited by ₹4,000
- (D) Anu will be debited by ₹4,000 and Tanu will be credited by ₹4,000

26. A, B and C sharing profits in the ratio of 2:2:1 have fixed capitals of ₹3,00,000, ₹2,00,000 and ₹1,00,000 respectively. After closing the accounts for the year ending 31st March 2019 it was discovered that interest on capitals was provided @ 12% instead of 10% p.a. In the adjusting entry:

- (A) Cr. A ₹1,200; Dr. B ₹800 and Dr. C ₹400
- (B) Dr. A ₹1,200; Cr. B ₹800 and Cr. C ₹400
- (C) Cr. A ₹800; Cr. B ₹400 and Dr. C ₹1,200
- (D) Dr. A ₹800; Dr. B ₹400 and Cr. C ₹1,200

27. Guarantee given to partner 'A' by the other partners 'B & C' means:

- (A) In case of loss, 'A' will not contribute towards that loss.
- (B) In case of insufficient profits, 'A' will receive only the minimum guarantee amount.
- (C) In case of loss or insufficient profits, 'A' will withdraw the minimum guarantee amount.
- (D) All of the above.

28. P and Q are partners sharing profits in the ratio of 1:2. R was manager who received the salary of ₹10,000 p.m. in addition to commission of 10% on net profits after charging such commission. Total remuneration to R amounted to ₹1,80,000. Profit for the year before charging salary and commission was:

- (A) ₹7,20,000
- (B) ₹6,00,000
- (C) ₹7,80,000
- (D) ₹6,60,000

29. A and B are partners with a profit-sharing ratio of 2:1 and capitals of ₹3,00,000 and ₹2,00,000 respectively. They are allowed 6% p.a. interest on their capitals and are charged 10% p.a. interest on their drawings. Their drawings during the year were A ₹60,000 and B ₹40,000. B's share of net profit as per profit and loss appropriation account amounted to ₹40,000. Net Profit of the firm before any appropriations was:

- (A) ₹1,22,000
- (B) ₹1,13,000
- (C) ₹1,17,000
- (D) ₹1,45,000

30. Assertion (A): A partnership deed covers all matters relating to mutual relationship among the partners.

Reason (R): But, in the absence of agreement, the following provisions of the Indian

Partnership Act, 1936 shall apply for accounting purposes.

- (a) Both (A) and (R) are true and (R) is the correct explanation of (A).
- (b) Both (A) and (R) are true and (R) is not the correct explanation of (A).
- (c) (A) is true, but (R) is false
- (d) (A) is false, but (R) is true

31. Assertion (A): Drawings is the amount withdrawn in cash or in kind, for personal purposes.

Reason (R): A Drawings Account is opened in the name of each partner and the drawings are debited to this account.

- (a) Both (A) and (R) are true and (R) is the correct explanation of (A).
- (b) Both (A) and (R) are true and (R) is not the correct explanation of (A).
- (c) (A) is true, but (R) is false
- (d) (A) is false, but (R) is true

32. 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

33. In the absence of Partnership Deed, the interest is allowed on partner's capital:

- (A) @ 5% p.a.
- (B) @ 6% p.a.
- (C) @ 12% p.a.
- (D) No interest is allowed

34. On 1<sup>st</sup> April 2020 a partner has a capital of ₹1,00,000, On 1st July 2020 he introduced in the firm additional capital ₹ 50,000. As partnership deed interest on capital @10% p.a. On 31st March 2021, he will receive interest of:

- (A) ₹15,000
- (B) ₹13,750
- (C) ₹10,000
- (D) ₹12,500

35. According to Profit and Loss Account, the net profit for the year is ₹4,20,000. Salary of a partner is ₹5,000 per month and the commission of another partner is ₹10,000. The divisible profit amongst the partners ₹3,56,000. The partners omitted the interest on drawings while preparing appropriation A/c. What is the amount of IOD?

- (A) ₹12,000
- (B) ₹10,000
- (C) ₹6,000
- (D) ₹49,000

36. X and Y are partners in the ratio of 3 : 2. Their capitals are ₹2,00,000 and ₹1,00,000 respectively. Interest on capitals is allowed @ 8% p.a. Firm earned a profit of ₹18,000 for the year ended 31st March 2021. Interest on Capital will be :

- (A) X ₹16,000; Y ₹8,000

- (B) X ₹8,000; Y ₹4,000
- (C) X ₹14,400; Y ₹9,600
- (D) X ₹12,000; Y ₹6,000

37. If equal amount is withdrawn by a partner in the beginning of each month during a period of 6 months, interest on the total amount will be charged for ..... months

- (A) 2.5
- (B) 3
- (C) 3.5
- (D) 6.5

38. Ajay is a partner in a firm. He withdrew ₹2,000 per month on the last day of every month during the year ended 31st March, 2021. If interest on drawings is charged @ 9% p.a. the interest charged will be :

- (A) ₹990
- (B) ₹1,080
- (C) ₹1,170
- (D) ₹2,160

39. Bipasha is a partner in a firm. She withdrew ₹6,000 at the end of each quarter, Sushil the other partner withdrew ₹4,000 per month in the middle of every month during the year ended 31st March, 2021. If interest on drawings is charged @ 10% p.a. the interest charged will be :

- (A) Bipasha- ₹900, Sushil- ₹1,800
- (B) Bipasha- ₹1,500, Sushil- ₹2,400
- (C) Bipasha- ₹900, Sushil- ₹2,400
- (D) Bipasha- ₹1800, Sushil- ₹4,800

40. P, Q and R are partners in a firm in 3 : 2 : 1. R is guaranteed that he will get minimum of ₹20,000 as his share of profit every year. Firm's profit was ₹90,000. Partners will get:

- (A) P ₹40,000; Q ₹30,000; R ₹20,000
- (B) P ₹42,500; Q ₹27,500; R ₹20,000
- (C) P ₹45,000; Q ₹30,000; R ₹15,000
- (D) P ₹42,000; Q ₹28,000; R ₹20,000

41. X and Y are partners. X draws a fixed amount at the beginning of every month. Interest on drawings is charged @8% p.a. At the end of the year interest on X's drawings amounts to ₹3,120. Drawings of X per month was :

- (A) ₹8,000 p.m.
- (B) ₹7,000 p.m.
- (C) ₹6,000 p.m.
- (D) ₹5,000 p.m.

42. A Y and Z are partners in 5 : 4 : 1. Z is guaranteed that his share of profit will not be less than ₹80,000. Any deficiency will be borne by A and Y in 3 : 2. Firm's profit was ₹5,60,000. How much deficiency will be borne by Y :

- (A) ₹12,000
- (B) ₹14,400
- (C) ₹24,000
- (D) ₹9,600

43. A, B and C are partners sharing profit and loss in the ratio 12:8:5. C is guaranteed a minimum profit of ₹ 2,00,000 for the year. Any deficiency in C's share is to be borne by A and B in the ratio of 4:1. Losses for the year is ₹10,00,000.

What will be the entry for deficiency?

(A)A's capital A/c.....Dr	3,20,000	
B's Capital A/c.....Dr	80,000	
To C's capital A/c		4,00,000
 (B)A's capital A/c.....Dr	1,60,000	
B's Capital A/c.....Dr	40,000	
To C's capital A/c		2,00,000
 (A)C's capital A/c.....Dr	4,00,000	
To A's Capital A/c		3,20,000
To B's capital A/c		80,000
 (D) A's capital A/c.....Dr	2,40,000	
B's Capital A/c.....Dr	1,60,000	
To C's capital A/c		4,00,000

44. R and S are partners. T is admitted into the firm for  $\frac{1}{3}$ <sup>rd</sup> share of profit with a guaranteed profit of Rs.10,000. The net profit during the year is Rs.24,000. If R is the guarantor, how much profit would R get?

- (A)Rs.10,000
- (B)Rs.8,000
- (C)Rs.6,000
- (D)Rs.2,000