

MULTIPLE CHOICE QUESTIONS

Set 1

1. The law relating to partnership firms is contained in:
 - (a) The Partnership Act, 1930
 - (b) The Partnership Act, 1932
 - (c) The Indian Partnership Act, 1930
 - (d) The Indian Partnership Act, 1932
2. The Indian Partnership Act came into force on:
 - (a) 1.9.1872
 - (b) 1.7.1930
 - (c) 1.10.1930
 - (d) 1.10.1932
3. The Indian Partnership Act applies to:
 - (a) whole of India including the State of Jammu & Kashmir
 - (b) whole of India except the State of Jammu & Kashmit
 - (c) whole of India ascept Goa, Daman, Diu
 - (d) whole of India including Goa, Daman, Diu
4. Partnership is the relation between two or more persons:
 - (a) Who are sharing the profits & losses equally of a business carried on by all or any of them acting for all
 - (b) Who have agreed to share the profits of a business carried on by all.
 - (c) Who have agreed to share the profits of a business carried on by any of them acting for all
 - (d) None of these
5. The partnership can be formed:
 - (a) Two brothers Y (age 17 years), Z (age 16 years) decide to form partnership
 - (b) Two brothers X (age 18 years), Y (age 17 years) decide to form a partnership with a provision that Y will share the profits only

- (c) Three brother W (age 19 years), X (age 18 years), Y (age 17 years) decide to form partnership with a provision that Y will share the profits only
- (d) None of these
6. A partnership can be formed:
- (a) only with a written agreement (b) only with an oral agreement
- (c) only with an express agreement (d) only with an implied agreement
- (e) none of these
7. A partnership cannot be formed:
- (a) for carrying on a business (b) for carrying on a profession
- (c) for carrying on charitable activities (d) none of these
8. For a valid partnership, there must be:
- (a) Sharing of profits (b) Sharing of losses
- (c) Sharing of profits & losses (d) none of these
9. Agreement to share profits _____.
- (a) Implies an agreement to share losses
- (b) Does not necessarily mean an agreement to share losses
- (c) Must be coupled with an agreement to share losses
- (d) Is same as agreement to share losses
10. Business of the firm must be carried on by:
- (a) majority of the partner only (b) all the partners
- (c) one of the partners only (d) senior partners only
- (e) none of these
11. The essential elements of a partnership _____.
- (a) Must co-exist before a partnership can come into existence
- (b) May be brought in within a reasonable time of a partnership coming into existence
- (c) May be brought in any time either during the creation of partnership or even thereafter before a partnership can come into existence, but they must coexist within one year of a partnership coming into existence
12. Which of the following is not an essential feature of partnership?
- | | |
|--------------------------|--------------------------|
| 1. Agreement | 2. Registration |
| 3. Test of Mutual Agency | 4. Separate Legal Entity |
- (a) 1 & 2 (b) 2 & 3
- (c) 2 & 4 (d) 1 & 4
13. The essential elements of Partnership include:
- (a) There must be an association of three or more persons.
- (b) There must be an agreement to share profits and losses equally.
- (c) There must be mutual agency among partners.
- (d) The relationship must be registered.
14. A firm is the name of:
- (a) The partners (b) The minors in the firm.
- (c) The business under which the firm carries on business
- (d) The collective name under which it carries on business.
15. The maximum number of partners is mentioned in
- (a) The Partnership Act (b) The General Clauses Act
- (c) The Companies Act (d) The Societies Registration Act
16. The partnership firm does not become an illegal association, when
- (a) The number of partners in a banking business exceeds 10.
- (b) The number of partners in a non-banking business exceeds 10.
- (c) The number of partners in a banking business exceeds 20.
- (d) The number of partners in a non-banking business exceeds 20.

17. The maximum number of partners in a firm carrying on banking business cannot exceed:
 - (a) 5
 - (b) 10
 - (c) 15
 - (d) 20
18. The maximum number of partners allowed in a firm carrying on general business is:
 - (a) 10
 - (b) 20
 - (c) 50
 - (d) 100
19. The maximum limit on number of members of a Joint Hindu family carrying on family banking business is:
 - (a) 10
 - (b) 20
 - (c) 50
 - (d) no limit
20. The maximum limit on number of members of a Joint Hindu family carrying a non-banking business is:
 - (a) 10
 - (b) 20
 - (c) 50
 - (d) No limit
21. A firm:
 - (a) has a legal existence of its own
 - (b) does not have a legal existence, apart from its partners
 - (c) has no legal existence
 - (d) none of the above
22. Which of the following is correct?
 - (a) A partnership firm has a separate legal entity apart from partners
 - (b) Two firms can form a new partnership
 - (c) The partners of individual firm can form a partnership
 - (d) None of these
23. Which of the following is not correct:
 - (a) Partner of firm cannot enter into a contract with the partnership firm.
 - (b) A member of a company can enter into a contract with the company.
 - (c) Partner of a firm can enter into a contract with the partnership firm.
 - (d) All of the above.
24. The real test of partnership is:
 - (a) Business
 - (b) Sharing of Profits
 - (c) Agreement
 - (d) Business to be carried on by all or any of them acting for all.
25. The partnership relation exists when:
 - (a) Joint owner of some property share profit or loss arising from the property.
 - (b) A person receives a share of profit as a part of his remuneration.
 - (c) Two friends A(age 19 years), B(17 years) decide to form a partnership
 - (d) A and B agreed to sell clothes for their joint account and share the profits.
26. Mutual Agency is:
 - (a) Prima facie evidence of partnership
 - (b) Conclusive evidence of partnership
 - (c) none of these
27. Sharing of profits is:
 - (a) Prima facie evidence of partnership
 - (b) conclusive evidence of partnership
 - (c) None of these
28. The partnership deed must be signed by the:
 - (a) one of the partners
 - (b) majority of the partners
 - (c) all senior partners
 - (d) all partners
29. The terms laid down in the partnership deed may be varied by the consent of:
 - (a) all senior partners
 - (b) majority of partners
 - (c) all partners
 - (d) none of these
30. Registration of a firm is:
 - (a) Compulsory
 - (b) Optional
 - (c) None of these

31. Registration of firm can be effected
 (a) at the time of its formation (b) at anytime after its formation
 (c) on or after formation of firm (d) none of these
32. Which of the following statements, about the registration of firm, is not true.
 (a) It must be done at the time of its formation.
 (b) It may be done at the time of formation.
 (c) It may be done before filing a suit against third party.
 (d) It may be done at any time after its formation.
33. In case of non-registered partnership firm ...
 (a) A partner can file a suit against the firm.
 (b) A partner can file a suit against any partner of the firm.
 (c) The firm can file a suit against third parties.
 (d) Third party can file a suit against the firm.
34. An unregistered firm cannot claim
 (a) Set on (b) Set off in excess of Rs. 100
 (c) Set on and set off (d) None of the above
35. A partner of an unregistered firm can not:
 (a) claim set-off if its value does not exceed Rs. 100
 (b) file a suit for the dissolution of the firm
 (c) file a suit for the accounts of a dissolved firm
 (d) file a suit for claiming share of assets of a dissolved firm
 (e) file a suit for the recovery of share of profits
36. A partnership at will is one:
 (a) Which does not have any deed
 (b) Which does not have any partner
 (c) Which does not provide for how long the business will continue
 (d) Which cannot be dissolved.
37. A partnership at will is one
 1. Duration not fixed
 2. Duration fixed
 3. Dissolved at any time
 4. Can be dissolved only on the happening of an event
 (a) 1 & 2 (b) 2 & 3
 (c) 3 & 4 (d) 1 & 3
38. There is no provision in the partnership deed regarding the duration of partnership. This is
 (a) partnership at will (b) partnership for an indefinite period
 (c) partnership by estoppel (d) partnership not recognised by law
39. Suppose you have entered into a partnership agreement with me and the partnership-deed provides neither for the duration nor for the determination of our partnership. What is the technical expression for this kind of partnership?
 (a) Partnership for a fixed term. (b) Partnership at will
 (c) Particular Partnership. (d) Any of these.
40. A partnership at will may be dissolved by any partner by giving:
 (a) an oral notice to all other partners of his intention to dissolve the firm
 (b) a notice in writing to any of the partners of his intention to dissolve the firm
 (c) a notice in writing to majority of the partners of his intention to dissolve the firm
 (d) a notice in writing to all other partners of his intention to dissolve the firm
41. Types of partners includes
 (a) Active Partner. (b) Sleeping Partner.
 (c) Nominal Partner. (d) All of the above.

42. Active partner is one who:
- Takes part in the business of the firm
 - Actively participates in co-curricular activities
 - Actively shares the profits
 - Makes a show of authority
43. Who does not take active part in conduct of the business.
- Minor partner.
 - Sub partner
 - Ostensible partner.
 - Partner by estoppel.
44. Partner by holding out is also known as _____
- Active Partner
 - Dormant Partner
 - Partner by estoppel
 - Partner by stoppage
45. A minor can be admitted to the benefits of partnership with the consent of:
- majority of the partners
 - all the partners
 - all working partners
 - none of these
46. A change in the nature of business of the firm may be made only with the consent of:
- majority of partners
 - all partners
 - senior partners
 - working partners
47. Unless otherwise agreed:
- a working partner is entitled to receive remuneration for taking part in the conduct of the business
 - where a partner is entitled to interest on capital, such interest shall be payable as a charge against the profits
 - A partner is entitled to claim interest on firm advances made by him to the firm @ 6% p.m.
 - A partner is not entitled to interest on loan @ 6% p.a. after the date of dissolving of firm
48. Unless otherwise agreed, every partner has right:
- to prevent the introduction of a new partner without the consent of majority of the existing partners
 - to retire with the consent of majority of the partners
 - not to be expelled from the firm by decision of all other partners
 - to dissolve the partnership firm with the consent of majority of partners
 - none of these
49. Unless otherwise agreed, every partner must account for and pay all profits earned by firm:
- in any business
 - in competing business
 - in any business other than the business of the firm
 - none of these
50. Which of the following is not the right of a partner *i.e.*, which he cannot claim as a matter of right?
- Right of take part in business
 - Right to have access to account books
 - Right to share profits
 - Right to receive remuneration
51. The general rights of continuing partners include
- Right to get remuneration
 - Right to get interest on capital.
 - Right to prevent the introduction of a new partner.
 - Right to carry on competing business.
52. Every partner has the right to:
- Take part in the business of the firm
 - To share exclusive profits
 - To use the property of the firm for personal purposes
 - pay taxes
53. In the absence of any agreement, the partners are entitled to share profits
- equally
 - in the ratio of capital
 - in the ratio of time spent
 - none of these

54. In the absence of any agreement interest on advances by a partner is:
(a) allowed at 6 per cent p.m. (b) not allowed at all
(c) allowed at the market rate of interest
(d) allowed at 6 per cent p.a. (e) allowed at Bank Rate
55. Where a partner is entitled to interest on capital subscribed by him, such interest will be payable:
(a) only out of profit (b) only out of capital
(c) out of profits or out of capital (d) none of these
56. Interest on capital subscribed by a partner may be provided for in the partnership deed is _____
(a) @ 6% per annum, provided it is payable only out of profits
(b) @ 8% per annum, provided it is payable only out of profits
(c) @ 8.5% per annum, provided it is payable only out of profits
(d) At any rate, provided it is payable only out of profits
57. What constitutes firm's property:
(a) Property belonging to a partner who enters into an existing partnership
(b) Any property used for the purpose of the business of the firm
(c) Fixed assets brought in by partner to the common stock of firm
(d) the property acquired by partner out of money, withdrawn from the firm's bank account for personal use
58. Goodwill of the partnership business can be regarded as _____
(a) The property of the firm
(b) The property of the firm, subject to a contract between the partners to this effect
(c) The property of the firm, irrespective of a contract between the partners to this effect
(d) The property of the firm, subject to order of the High Court to this effect
59. Implied authority means the capacity of a partner to bind:
(a) third party by his acts (b) firm by his acts
(c) none of these
60. Each of the Partner is _____
(a) Principal as well agents (b) Only Agents of the firm
(c) Only Representatives of the firm (d) Only Co-partners of the firm
61. Every partner is:
(a) jointly liable to third parties (b) severally liable to third parties
(c) jointly and severally liable to third parties
(d) none of these
62. Which of the following is correct:
(a) The liability of partners of a firm is unlimited.
(b) Generally the liability of a member of a company is limited but it can be unlimited.
(c) All of the above.
(d) The liability of partner of firm is same as a member of any company.
63. Features of a partnership firm are:
(a) Two or more persons carrying common business under an agreement.
(b) Sharing profits and losses in the fixed ratio.
(c) Business carried by all or any of them acting for all.
(d) All of the above.
64. Following are the essential elements of a partnership firm except:
(a) Atleast two persons
(b) There is an agreement between all partners
(c) Equal share of profits and losses
(d) Partnership agreement is for some business.

65. The relationship between persons who have agreed to share the profit of a business carried on by all or any of them acting for all is known as
- (a) Partnership (b) Joint Venture
(c) Association of Persons (d) Body of Individuals
66. Following is the difference between partnership deed and partnership agreement.
- (a) Partnership deed is in writing and partnership agreement is oral.
(b) Partnership deed is signed by all the partners but partnership agreement is signed by majority of the partners.
(c) Partnership deed is registered in the court of law whereas partnership agreement is not registered.
(d) Partnership deed is not subject to changes unless all partners agrees to it. Partnership agreement can be amended with the consent of more than 50% partners.
67. A partner acts as for a firm.
- (a) Agent (b) Third Party
(c) Employee (d) None of above
68. Every partner is bound to attend diligently to his . . . in the conduct of the business.
- (a) Rights (b) Meetings
(c) Capital (d) Duties
69. In the absence of any provision in the partnership deed, interest on capital —
- (a) will not be allowed (b) will be allowed @ 6% p.a.
(c) will be allowed only out of profit
(d) will be allowed even if there are no profits.
(e) (b) & (d)
70. In the absence of any provision in the partnership deed, interest on partner's loan/advance —
- (a) will not be allowed (b) will be allowed @ 6% p.a.
(c) will be allowed only out of profit (d) will be allowed even if there are no profits.
(e) (b) & (d)
71. In the absence of any provision in the partnership deed, interest on drawings of a partner —
- (a) will not be charged (b) will be charged @ 6% p.a.
(c) will be charged @ 6% p.m.
(d) will be charged even if there are no profits
72. Which of the following is provided even if there is no provision in the partnership deed and there are no profits:
- (a) Interest on partner's capital (b) Interest on partner's loan/advance
(c) Interest on partner's drawings (d) Remuneration to a partner
73. If a fixed amount is withdrawn on the first day of every month of a calendar year, the interest on total amount of drawings will be calculated for:
- (a) 4.5 months (b) 5.5 months
(c) 6 months (d) 6.5 months
(e) 7.5 months
74. If a fixed amount is withdrawn on the last day of every month of a calendar year, the interest on total amount of drawings will be calculated for:
- (a) 4.5 months (b) 5.5 months
(c) 6 months (d) 6.5 months
(e) 7.5 months
75. If a fixed amount is withdrawn on the middle day of every month of a calendar year, the interest on total amount of drawings will be calculated for:
- (a) 4.5 months (b) 5.5 months
(c) 6 months (d) 6.5 months
(e) 7.5 months

76. If a fixed amount is withdrawn on the first day of every quarter of a calendar year, the interest on total amount of drawings will be calculated for:
- (a) 4.5 months (b) 5.5 months
(c) 6 months (d) 6.5 months
(e) 7.5 months
77. If a fixed amount is withdrawn on the last day of every quarter of a calendar year, the interest on total amount of drawings will be calculated for:
- (a) 4.5 months (b) 5.5 months
(c) 6 months (d) 6.5 months
(e) 7.5 months
78. If a fixed amount is withdrawn on the middle day of every quarter of a calendar year, the interest on total amount of drawings will be calculated for:
- (a) 4.5 months (b) 5.5 months
(c) 6 months (d) 6.5 months
(e) 7.5 months
79. Which of the following does not appear in the Profit & Loss Appropriation Account
- (a) Salary/Commission to a partner (b) Salary/Commission to a manager
(c) Interest on capital of a partner (d) Interest on loan of a partner
(e) (b) & (d)
80. Which of the following appear in the Profit & Loss Appropriation Account:
- (a) Salary/Commission to a partner (b) Salary/Commission to a manager
(c) Interest on capital of a partner (d) Interest on loan of a partner
(e) (a) & (c)
81. When the Interest on capital is allowed to partners, Interest on Capital Account is debited and Partners's Capital Account is credited. It is called:
- (a) an opening entry (b) a closing entry
(c) an adjusting entry (d) an transfer entry
82. When the interest on drawings is charged to partners, Interest on Drawings Account is credited and Partner's Capital Account is debited. It is called:
- (a) an opening entry (b) a closing entry
(c) an adjusting entry (d) an transfer entry
83. When the interest on loan/advance is allowed to partners
- (a) Capital Account is credited (b) Current Account is credited
(c) Loan Account is credited (d) Loan Account is debited
84. In the absence of an agreement, partners are entitled to:
- (a) Salary (b) Commission
(c) Interest on Loan and Advances (d) Profit share in capital ration
85. Interest on capital will be paid to the partners if provided for in the agreement but only from
- (a) Profits (b) Reserves
(c) Accumulated Profits (d) Goodwill
86. Partners are supposed to pay interest on drawings only when by the
- (a) Provided, Agreement (b) Permitted, Investors
(c) Agreed, Partners (d) 'a' & 'c' above
87. In the absence of any agreement, partners are liable to receive interest on their Loans @:
- (a) 12% Simple Interest. (b) 12% Compounded Annually
(c) 6% Simple Interest (d) 6% p.a. Simple Interest
88. What would be the profit sharing ration if the partnership act is complied with:
- (a) As per agreement (b) Equally
(c) In Capital Ratio (d) None of the above

88. Would interest on loan be allowed in the absence of any agreement or when partnership deed is silent?
- No interest allowed
 - Allowed only agreed by all the other partners
 - Will be paid only when there are sufficient profits
 - Allowed at 6% simple interest p.a.
89. What time would be taken into consideration if equal monthly amount is drawn as drawing at the beginning of each month:
- 7 months
 - 6 months
 - 5 months
 - 6.5 months
90. Where will you record interest on drawings:
- Debit side of Profit & Loss Appropriation Account
 - Credit side of Profit & Loss Appropriation Account
 - Credit side of Profit & Loss Account
 - Debit side of Capital/Current Account only
91. What balance does a Partner's Current Account has:
- Debit balance
 - Credit balance
 - Either 'a' or 'b'
 - None of the above
92. Is rent paid to a partner is appropriation of profits:
- Yes
 - No
 - If partner's contribution as capital is maximum
 - If partner is a working partner.
93. How would you close the Partner's Drawing Account:
- By transfer to Capital or Current Account debit side.
 - By transfer to Capital Account credit side.
 - By transfer to Current Account credit side.
 - Either 'b' or 'c'.
94. When Profit & Loss Appropriation Account is prepared:
- For Proprietorship
 - For Partnership firm
 - Both (a) and (b)
 - None of the above
95. Following are the differences between Capital Account and Current Account except:
- Capital Account is prepared under fixed capital method whereas current account is prepared under fluctuating capital method.
 - In capital account only capital introduced and withdrawn is recorded, all other transactions between the firm and partner is recorded in the current account.
 - Interest is sometimes paid on capital account balance but no such interest is payable on current account balances.
 - 'b' and 'c' above
96. Following are the differences between Account Current and Current Account except.
- Account Current is prepared by a creditor to his debtor. Current Account is prepared for the partners of a firm.
 - Account Current records all the transactions between the supplier and customer. Current Account records all the transactions between the firm and partners.
 - Account Current is a statement. Current Account is an account.
 - Account Current is not the part of the books of accounts. Current Account is part of the books of account.
97. When Guarantee is given to a partner by the other partners, loss on such guarantee will be borne by:
- Partnership firm
 - All of the other partners
 - Partners who gave the guarantee
 - Partners will highest profit sharing ratio

99. Guarantee given to a partner 'A' by the other partners 'B & C' means:
- In case of loss 'A' will not contribute towards that loss
 - In case of insufficient profits 'A' will receive only the minimum guaranteed amount.
 - In case of loss or insufficient profits 'A' will withdraw the minimum guaranteed amount.
 - All of the above
100. Following are the differences between Partnership and Joint Venture except:
- Joint venture is essentially planned for short term mainly for one transaction. However, partnerships are normally undertaken as going concerns and are expected to last for a very long period.
 - The persons involved in a joint venture are called co-venturers whereas persons involved in a partnership are called partners.
 - Any specific statute of the Government does not govern joint ventures but the Indian Partnership Act, 1932, governs partnerships.
 - Memorandum of Understanding is mandatory to be drafted to spell the relationship between the co-venturers whereas the basic relationship between the partner is defined by the partnership deed.
101. Following are the factors affecting goodwill except:
- Nature of business
 - Efficiency of management
 - Technical know how
 - Location of the customers
102. Under average profit basis goodwill is calculated by:
- No. of years purchased multiplied with average profits.
 - No. of years purchased multiplied with super profits.
 - Summation of the discounted value of expected future benefits.
 - Super profit divided with expected rate of return.
103. Under super profit method goodwill is calculated by:
- No. of years purchased multiplied with average profits.
 - No. of years purchased multiplied with super profits.
 - Summation of the discounted multiplied with super profits.
 - Super profit divided with expected rate of return.
104. Under annuity basis goodwill is calculated by:
- No. of years purchased multiplied with average profits.
 - No. of years purchased multiplied with super profits
 - Summation of the discounted multiplied with super profits.
 - Super profit divided with expected rate of return.
105. Under capitalisation basis goodwill calculated by:
- No. of years purchased multiplied with average profits.
 - No. of years purchased multiplied with super profits
 - Summation of the discounted multiplied with super profits.
 - Super profit divided with expected rate of return.
106. Firm has earned exceptionally high profits from a contract which will not be renewed. In such a case the profit from this contract will not be included in
- Profit share of the partners
 - Calculation of the goodwill
 - Both
 - None
107. Weighted average method of calculating goodwill should be followed when:
- Profits are uneven
 - Profits has increasing trend.
 - Profits has decreasing trend.
 - Either 'b' or 'c'

Y. J. J.

Set II

1. X and Y are partners sharing profits and losses in the ratio of 3 : 2 having the capital of Rs. 1,60,000 and Rs. 1,00,000 respectively. They are entitled to 9% p.a. interest on capital before distributing the profits. During the year firm earned Rs. 15,600 before allowing any interest on capital. Profits apportioned among X and Y is:
 - (a) Rs. 9,360 and Rs. 6,240
 - (b) Rs. 9,600 and Rs. 6,000
 - (c) Rs. 10,000 and Rs. 5,600
 - (d) None of these
2. X and Y are partners with the capital of Rs. 50,000 and Rs. 30,000 respectively. Interest payable on capital is 10% p.a. Find the interest on capital for both the partners when the profits earned by the firm is Rs. 4,800.
 - (a) Rs. 5,000 and Rs. 3,000
 - (b) Rs. 3,000 and Rs. 1,800
 - (c) No interest will be paid to the partners.
 - (d) None of the above
3. X and Y are partners sharing profits and losses in the ratio 4 : 1. Z was manager who received the salary of Rs. 8,000 p.m. in addition to a commission of 5% on net profits after charging such commission. Profits for the year is Rs. 13,56,000 before charging salary. Find the total remuneration of Z.
 - (a) Rs. 1,56,000
 - (b) Rs. 1,76,000
 - (c) Rs. 1,74,000
 - (d) Rs. 1,52,000
4. A, B and C were capitals of Rs. 50,000; Rs. 40,000 and Rs. 30,000 respectively carrying on business in partnership. The firm's reported profit for the year was Rs. 79,200. As per provisions of the Indian Partnership Act, 1932, find out the share of each partner in the above amount after taking into account that no interest has been provided on an advance by A of Rs. 20,000, in addition to his capital contribution.
 - (a) Rs. 26,000 for Partner B and C & Rs. 27,200 for partner A.
 - (b) Rs. 26,400 each partner
 - (c) Rs. 33,000 for A, Rs. 26,400 and Rs. 19,800 for C.
 - (d) None of these
5. 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. Profits before interest on partners's capital was Rs. 12,000. X wanted interest on capital @ 20% as his capital contributions was Rs. 2,00,000 as compared to that of Y and Z which was Rs. 1,50,000 and Rs. 1,00,000 respectively.
 - (a) Profits of Rs. 12,000 will be distributed equally.
 - (b) X will get the interest of Rs. 40,000 and loss of Rs. 28,000 will be shared equally.
 - (c) All the partners will get interest on capital and the loss of Rs. 78,000 will be shared equally.
 - (d) None of these
6. 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. Profits before interest on partner's loan was Rs. 12,000 and Y determined interest @ 24% p.a. on his loan of Rs. 1,60,000. There was no agreement on this point. Calculate the amount payable to X, Y and Z respectively.
 - (a) Rs. 4,000 to each partner.
 - (b) Loss of Rs. 8,800 for X and Z & Y will take home Rs. 25,600
 - (c) Rs. 800 for X, Rs. 10,400 for Y and Rs. 800 for Z.
 - (d) Rs. 4,800 to each partner.
7. 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. Profits before interest on partner's capital was Rs. 12,000 and Z demanded minimum profit of Rs. 10,000 as his financial position was not good. However, there was no written agreement on this profit.
 - (a) Other partners will pay Z the minimum profit and will suffer loss equally.

- (b) Other partners will pay Z the minimum profit and will suffer loss in capital ratio.
 (c) X & Y will take Rs. 1,000 each and Z will take Rs. 10,000
 (d) Rs. 4,000 to each of the partners.
8. The profits of last five years are Rs. 1,70,000; Rs. 1,80,000; Rs. 1,40,000; Rs. 2,00,000 and Rs. 1,60,000. Find the value of goodwill, if it is calculated on average profits of last five year on the basis of three year's purchase.
 (a) Rs. 1,70,000 (b) Rs. 5,10,000
 (c) Rs. 5,30,000 (d) Rs. 5,70,000
9. The following particulars are available in respect of the business carried on by a partnership firm:
- Trading Results:**
- | | | |
|------|--------|--------------|
| 2001 | Loss | Rs. 10,000 |
| 2002 | Loss | Rs. 12,000 |
| 2003 | Profit | Rs. 1,50,000 |
| 2004 | Profit | Rs. 1,20,000 |
- The value of goodwill on the basis of 5 years' purchase of average profit of the business is:
 (a) Rs. 2,50,000 (b) Rs. 3,10,000
 (c) Rs. 20,000 (d) Rs. 3,40,000
10. The profits and losses for the last 4 years are Losses Rs. 20,000; Losses Rs. 5,000; Profits Rs. 1,96,000 & Profits Rs. 1,52,000. The average capital employed in the business is Rs. 4,00,000. The rate of interest expected from capital invested is 12%. The remuneration of partners is estimated to be Rs. 2,000 per month. The value of goodwill on the basis of two years' purchase of super profits based on the average of four years is:
 (a) Rs. 18,000 (b) Rs. 17,500
 (c) Rs. 17,000 (d) Rs. 16,500
11. The profits for the last three years are Rs. 40,000; 2003-04 Profits Rs. 60,000 & 2004-05 Profits Rs. 66,500. The total liabilities of the firm are Rs. 10,00,000 of which outsiders liabilities is Rs. 5,42,500. The rate of interest expected from capital invested is 10%. The value of goodwill on capitalization basis is:
 (a) Rs. 97,000 (b) Rs. 97,250
 (c) Rs. 97,500 (d) Rs. 97,750
12. The profits and losses for the last years are: I year Losses Rs. 20,000; II year Losses Rs. 5,000; III year profits Rs. 1,96,000 & IV year Profits Rs. 1,52,000. The average capital employed in the business is Rs. 4,00,000. The rate of interest expected from capital invested is 12%. The remuneration of partners is estimated to be Rs. 2,000 per month. The value of goodwill on the basis of four years purchase of super profits based on annuity of the four years. (Take discounting rate as 10%.) is:
 (a) Rs. 27,000 (b) Rs. 27,136
 (c) Rs. 27,336 (d) Rs. 27,729
13. The profits for 2003-2004 are Rs. 4,000; for 2004-2005 is Rs. 52,200 and for 2005-2006 is Rs. 62,400. Closing stock for 2004-2005 and 2005-2006 includes the defective items of Rs. 4,400 and Rs. 12,400 respectively which were considered as having market value NIL. The value of goodwill on average profit method is:
 (a) Rs. 47,400 (b) Rs. 35,400
 (c) Rs. 27,400 (d) Rs. 34,600
14. Total Capital Employed in the firm Rs. 16,00,000
 Reasonable Rate of Return 15%
 Profits for the year Rs. 24,00,000
 The value of goodwill using capitalization method is:
 (a) Rs. 1,64,00,000 (b) Rs. 24,00,000
 (c) Rs. 1,44,00,000 (d) Rs. 84,00,000

ANSWERS

Set I

- | | | | | | | |
|----------|----------|----------|----------|----------|----------|----------|
| 1. (d) | 2. (d) | 3. (a) | 4. (d) | 5. (d) | 6. (e) | 7. (c) |
| 8. (a) | 9. (b) | 10. (e) | 11. (a) | 12. (c) | 13. (c) | 14. (d) |
| 15. (c) | 16. (b) | 17. (b) | 18. (b) | 19. (d) | 20. (d) | 21. (b) |
| 22. (c) | 23. (a) | 24. (d) | 25. (d) | 26. (b) | 27. (a) | 28. (d) |
| 29. (c) | 30. (b) | 31. (c) | 32. (a) | 33. (d) | 34. (b) | 35. (e) |
| 36. (c) | 37. (d) | 38. (a) | 39. (b) | 40. (d) | 41. (d) | 42. (a) |
| 43. (c) | 44. (c) | 45. (b) | 46. (b) | 47. (d) | 48. (e) | 49. (b) |
| 50. (d) | 51. (c) | 52. (a) | 53. (a) | 54. (d) | 55. (a) | 56. (d) |
| 57. (c) | 58. (b) | 59. (b) | 60. (a) | 61. (c) | 62. (c) | 63. (d) |
| 64. (c) | 65. (a) | 66. (c) | 67. (a) | 68. (d) | 69. (a) | 70. (e) |
| 71. (a) | 72. (b) | 73. (d) | 74. (b) | 75. (c) | 76. (e) | 77. (a) |
| 78. (c) | 79. (e) | 80. (e) | 81. (c) | 82. (c) | 83. (c) | 84. (c) |
| 85. (a) | 86. (d) | 87. (d) | 88. (b) | 89. (d) | 90. (d) | 91. (b) |
| 92. (c) | 93. (b) | 94. (a) | 95. (b) | 96. (a) | 97. (d) | 98. (c) |
| 99. (c) | 100. (d) | 101. (d) | 102. (a) | 103. (b) | 104. (c) | 105. (d) |
| 106. (b) | 107. (d) | | | | | |

Set II

- | | | | | | | |
|--------|--------|---------|---------|---------|---------|---------|
| 1. (b) | 2. (b) | 3. (a) | 4. (a) | 5. (a) | 6. (c) | 7. (d) |
| 8. (b) | 9. (b) | 10. (b) | 11. (c) | 12. (d) | 13. (b) | 14. (c) |