Accountancy & Financial Management III

SEM – III MCQ's

Conversion/Sale of PF into a Limited Company

1) A partnership firm has –

a) Limited Capital

b) Limited Managerial Skill

c)Limited Liability

d) Both (a) and (b)

2) The form of organization suitable for large scale business is –

a) Sole Trader

b) Partnership Firm

c) Co-operative

d) Limited Company

3)On conversion of a firm into a Limited Company.

a) A new company is formed

b) Old firm is dissolved

c) A new partner is admitted

Both (a) and (b)

4) On conversion of a firm into a Limited Company.

a) Purchase consideration is decided

b) Assets & Liabilities are revalued

c)Purchase consideration is settled

d) All of the above

5) As per Net Asset Method purchase consideration is equal to –

a) Gross Assets at Book Value

b) Liabilities at Book Value

c) Assets taken over at agreed value less liabilities taken over at agreed valued

d) None of the above

6) Purchase consideration may be settled in –

a) Cash only

b) Shares of Ltd. Company only

c) Debentures of Ltd Company only

d) Cash / Shares / Debentures of Ltd. Company

7) If cash balance is taken over by a Ltd. Company it is transferred to –

a) Realisation A/c

b) Revaluation A/c

c) Company P & L A/c

d) None of the above

8) Asset taken over by a partner is –

a) Debited to partner’s capital A/c

b) Credited to partner’s capital A/c

c) Debited to Realisation A/c

d) None of the above

9) General reserve is distributed among the partners in the ratio of –

a) Profit Sharing

b) Capitals

c) Final Claims

d)None of the above

10) Profit or loss on disposal of asset not taken over by a Ltd. Company is transferred to –

a) Realisation A/c

b) P & L A/c

c) Capital Accounts

d) Current Accounts

11) On take-over of unrecorded liability by a partner the A/c debited is –

a) Realisation A/c

b) Capital A/c

c) P & L A/c

d) None of the above

12) Shares and Debentures received from the Ltd. Company are distributed among the partners in their –

a) Profit Sharing Ratio

b) Capital Ratio

c) Final Claim Ratio

d) None of the above

13) Worthless asset is debited to capital accounts in their –

a) Profit Sharing Ratio

b) Capital Ratio

14) Fictitious assets are debited to partners capital accounts in their –

a) Profit sharing ratio

b) Capital ratio

c) Final Claim Ratio

d) All of the above

15) A partnershim firm has _____ capital.

a) Limited

b) Limited Managerial Skill

c) Both (a) and (b)

d)Limited Liability

16) A partnership firm is _____ on conversion into a Ltd. Company.

a) Valued

b) Dissolved

c) Conversion

d) None of the above

17) A _____ form of organization is suitable for large scale business.

a) Company

b) Sole Trader

c) Co-operative

b) Partnership Firm

18) A new company is formed on _____ of a firm into a Ltd. Company.

a) Conversion

b) Dissolved

c) admitted

d) None of the above

19) Amount payable by a purchasing company to the vendor firm is called as _____ _____.

a) Purchase consideration is settled

b) Purchase Consideration

c) Assets & Liabilities are revalued

d) All of the above

20) Profit / Loss on realisation is distributed among the partners in their _____ _____ ratio.

a) Profit Sharing Ratio

b) Final Claim Ratio

c) Capital Ratio

d) None of the above

21) Cash balance take over by a Ltd. Company is debited to _____ A/c.

a) Realisation A/c

b) Capital Accounts

c) P & L A/c

d) Current Accounts

22) Shares received from a Ltd. Company are distributed among the partners in the ratio of _____ _____.

a) Final Claim

b) Capitals

c) Profit Sharing

d) None of the above

23) Fictitious assets are distributed among the partners in their _____ _____ ratio.

a) Profit Sharing

b) Capital Ratio

c) Final Claim Ratio

d) All of the above

24) On sale of firm to a company, the purchase consideration is calculated by__________

a) Lumpsum methods

b) Net payment method

c) Net asset method

d) Any of the above

25) Shares or debentures received from company on sale of firm are distributed among the partners____

a) In specific ratio agreed by partners

b) Equitablly

c) In ratio of capital

d) Any of the above

26) In equitable approach ___

a) Equity shares are divided in profit sharing ratio

b) Preference shares & debentures are divided in capital ratio

c) Both (a) & (b) above

d) None of the (a) & (b) above

27) If purchase consideration is more then the net assets taken over, the difference is ____

a) Debited to Goodwill A/c

b) Credited to Capital Reserves

c) Debited to security premium

d) None of the above

28) Dissolution expenses paid by the company to the firm on conversion are ___

a) Debited to deferred revenue expenditure a/c

b) Credited to capital Reserve a/c

c) Debited to Goodwill a/c

d) None of the above

29) If purchase consideration is less then the amount of Net assets taken over then the difference is called as ____

a) Goodwill

b) Loss

c) Capital Reserve

d) Expenses

1) Amalgamation is _____

a) Merger of business

b) Dissolution of firms

c) None

d) Bothe (a) & (b)

2) Purchase consideration is the amount___

a) Payable by New firm to Old firm

b) Payable by Old firms to partners

c) Payable by one firm to another firm

d) None

3) Assets are transferred to realisation account at ___

a) Book Value

b) Market value

c) Cost

d) None

4) Excess of credit over debit side of Realisation A/c is ____

a) Profit on realisation

b) Loss on realisation

c) Surplus

d) Deficit

5) Liabilities assumed by partners are ____

a) Debited to Realisation A/C

b) Debited to Revaluation A/c

c) Debited to partners's capital a/c

d) None

6) Realisation expenses are _____

a) Debited to Bank a/c

b) Debited to realisation a/c

c) Credited to capital a/c

d) None

7) Take over by asset by a partner is debited to ____

a) Realisation A/c

b) Partners's capital A/c

c) Bank A/c

d) Cash A/c

8) Excess of Net assets over purchase consideration is ______

a) Capital Reserve

b) Goodwill

c) Capital

d) Drawing a/c

9) Profit or loss on realisation is distributed among the partners in _____

a) Profit sharing ratio

b) Capital ratio

c) Claim ratio

d) benefit ratio

10) Purchase consideration in case of amalgamation is calculated by ____

a) Net Payment method

b) Net asset method

c) Either (a) or (b)

d) None

11) Amalgamation is dealt with by____

a) AS 14

b) AS16

c) AS 18

d) AS 3

12) Realisation account is opened when amalgamation is accounted by_____

a) Revaluation method

b) Realisation method

c) either (a) or (b)

d) None

13) On amalgamation Realisation a/c is opened in the books of_____

a) Purchasing firm

b) Vendor firm

c) Both purchasing & vendor firm

d) None

14) On amalgamation of firm the account opened is _____

a) Realisation a/c

b) P & L a/c

c) Deficiency a/c

d) None

15) On amalgamation the partners loan a/c is transferred to _____

a) Capital a/c

b) Purchasing firm a/c

c) Realisation a/c

d) None

16) On amalgamation liability not takenover by the new firm is transferred to _____

a) Capital a/c

b) New firm a/c

c) P & L a/c

d) P & L adjustment a/c

17) On amalgamation Goodwill of the firm is _____

a) Valued

b) Ignored

c) Considered by consideration

d) None of the above

18) On amalgamation dissolution expenses of the vendor firm paid by the purchasing firm are debited to ____

a) Goodwill a/c

b) Vendor firm's a/c

c) Capital a/c

d) None of the above

19) On amalgamation general reserve distributed among the ____

a) Old partner's in old ratio

b) Old partner's in New ratio

c) New partner's in old ratio

d) New partner's in new ratio

20) On amalgamation goodwill of both the firms is___

a) Ignore

b) Valued separately

c) valued at cost

d) None

21) On amalgamation of firms P & L a/c debit balance _____

a) Is debited to Realisation a/c

b) Debited to Partner's capital a/c

c) Credited to Partner's capital a/c

d) Credited to Realisation a/c

22) Profit on Realisation a/c is ____

a) Credited to partner's capital a/c

b) Debited to partner's capital a/c

c) Ignored

d) None of the above

23) Goodwill written off is debited to____

a) All partner's capital a/c

b) Goodwill a/c

c) Realisation a/c

d) Drawing a/c

24) XYZ Company took over assets that is Land & Building ₹4,00,000, Plant & M/c ₹3,00,000 , Furniture ₹2,00,000 , Stock ₹60,000 , Debtors ₹1,50,000 and Cash & Bank balance ₹90,000 and the liabilities takenover includes creditors ₹1,50,000, Bills Payable ₹50,000 , then purchase consideration is ____

a) ₹10,00,000

b) ₹12,00,000

c) ₹14,00,000

d) ₹11,00,000

25) Goodwill of two firms takenover ₹25,200. There are four partners in the New firm that is A,B,C & D who shafre Prafits in the ratio of 3:2:3:2. Goodwill is to be written off then capital a/c's of Partner's will be debited by___

a) 6300, 6300 ,6300 & 6300

b) 6000, 6000, 6000 & 7200

c) 7560, 5040, 7560 & 5040

d) None of the above

26) Vehicle recorded 20% below cost should be recorded at cost. The value of vehicle ₹8000, the cost price is____

a) ₹10,000

b) ₹18,000

c) ₹9,600

d) ₹9,000

27) Total capital of new firm is ₹40,000. There are four partner's A,B,C& D who share profits in the ratio of 30%, 30%, 20% & 20% respectively. The new capitals of the partners will be _____

a) ₹10,000, ₹10,000, ₹10,000 & ₹10,000

b) ₹12,000, ₹8,000, ₹12,000 & ₹8000

c) ₹12,000, ₹12,000, ₹8,000 & ₹8,000

d) None of the above

28) P & L debit balance ₹5,000 should be written of among the partners P & Q who are sharing profits in the ratio of 3:2 , the treatment will be____

a) Debited to P & Q's capital ₹3,000 & ₹ 2,000

b) Credited to P & Q's capital ₹3000 & ₹2,000

c) Debited to P & Q's capital by ₹2,500 & ₹2,500

d) None of the above

29) Ram tookover investment having bookvalue of ₹10,000 for 80% of its bookvalue , his a/c will be debited by_____

a) ₹10,000

b) ₹8,000

c) ₹18,000

d) None of the above

30) Old firms which are amalgamating are called as_____

a) Vendor firms

b) New firms

c) Purchasing firms

d) None

Piecemeal Distribution

1) Distribution of cash in small parts or pieces for payment of liabilities upon dissolution is called as ______

a) Settlement

b) Dissolution

c) Piecemeal Distribution

d) Amalgamation

2) Surplus capital method is also known as_____

a) Excess capital method

b) Realisation method

c) Dissolution method

d) Conversion method

3) Accumulated losses are to be _____ from capital.

a) Added

b) Multiplied

c) Deducted

d) Divided

4) Priority order is the order in which_____

a) Assets are realised

b) Liabilities are paid

c) Partners are credited

d) loan is taken

5) Which liability comes first in priority order___

a) Partners loan

b) Creditors

c) Realisation expenses

d) prepaid expenses

6) On dissolution a secure creditor could only partly recover his dues out of the amount realised from the concerned assets the remaining amount is treated ____

a) As preferential creditors

b) as secured creditors

c) as unsecured creditors

d) as non recoverable

7) Income tax payable by firm as on the date of dissolution is treated ____

a) as preferential creditor

b) as secured creditor

c) as unsecured Debtors

d) as non recoverable

8) Employee due payable by a firm as on the date of dissolution is treated as____

a) Preferential Creditors

b) as secured creditors

c) as unsecured debtors

d) as non recoverable

9) A bank loan of ₹ 1,00,000 taken by a firm is partly secured by stock valued at ₹50,000 on dissolution of the firm, the stock realised ₹60,000 ________

a) ₹40,000 treated as unsecured creditors

b) ₹50,000 treated as unsecured creditors

c) ₹40,000 treated as preferential creditors

d) None of the above

10) If cash is insufficient to pay off all partners loans , payment is made _______

a) in the ratio of outstanding loan balances

b) in the profit sharing ratio

c) in the ratio of capitals

d) none of the above

11) Excess capital is different from_____

a) Highest Relative capital method

b) Maximum loss method

c) Surplus capital method

d) None of the above

12) When there are four partners excess capital is to be computed ___

a) once

b) Twice

c) Thrice

d) Four times

13) After all excess capitals are paid the balance cash is paid to partners ____

a) In the ratio of unit capitals

b) In profit sharing ratio

c) Equally

d) None of the above

14) If the amount realised from assets on dissolution of firm are not sufficient to pay all outside debts ____

a) the earliest dues are paid first

b) the largest dues are paid first

c) dues are paid as per will

d) dues are paid proportionately

15) For finding unit value capital is divided by____

a) Profit sharing ratio

b) Capital ratio

c) Gain ratio

d) None of above

16) After finding the unit value of three partners A,B, & C we select the unit value___

a) Which is lowest

b) Which is highest

c) Average

d) None of the above

17) Unit value is multiplied with each ones ___

a) Profit sharing ratio

b) Capital ratio

c) Average

d) None of the above

18) Bank loan is ₹ 30,000 secured against stock . Stock was sold for ₹25,000, balance ₹5,000 is___

a) Secured

b) Unsecured

c) Partly secured

d) None of the above

19) Realisation of assets on dissolution is ____

a) Sudden

b) Gradual

c) unexpected

d) None of the above

20) External liabilities are liabilities due to ____

a) Partners

b) Any one

c) Outsiders

d) None of the above

21) Employee dues are ______

a) preferential liabilities

b) Contingent liabilities

c) External liabilities

d) Secured liabilities

22) Contingent liabilities are libilities which are___

a) Contingent on happening of certain event in future

b) Fixed liabilities

c) Current liabilities

d) Liquid liabilities

23) Preferential liabilities are ____

a) Payable to crs

b) Payable to government

c) Payable to partners

d) Payable to none

24) Partners loan is ___

a) Internal liability

b) External liability

c) Secured liability

d) None of the above

25) Takeover of a liability by a partner is ____

a) Added to capital of a partner

b) Deducted from capital of partner

c) Neglected

d) None of the above

26) General Reserve should be ___ among the partners

a) Distributed in profit sharing ratio

b) Distributed in equal ratio

c) Not distributed

d) None of the above

27) Profit & loss A/c debit balance should be ___

a) Deducted from capitals

b) Added to capitals

c) Transferred to Realisation A/c

d) None of the above

28) Realisation A/c is prepared in case of ____

a) Admission

b) Retirement

c) Death

d) Dissolution

29) Bills under discount is ____

a) Contingent liability

b) Non current liability

c) Current liability

d) Fixed liability

30) After payment of outside liabilities ___

a) Government dues should be paid

b) Partners loan should be paid

c) Partners capital should be paid

d) Expenses should be paid.

31) After payment of partners loan payment should be made to ____

a) The partner having surplus capital

b) The partners having deficiency

c) Government loan

d) Secured loan

32) The amount finally left unpaid on partners capital A/c should be in____

a) Capital ratio

b) Profit sharing ratio

c) Equally

d) Ratio of drawings.

33) Salary & Wages of employees are ______

a) Preferential liabilities

b) Secured liabilities

c) Unsecured liabilities

d) Ignored.

Partnership Final Accounts

1) The essential elements of a firm are ___

a) Equal share of P & L

b) Agreement

c) Minimum two partners

d) Not essential

2) Under Fixed Capital Method interest on

Capital is credited to____

a) Capital A/c

b) Current A/c

c) Drawing A/c

d) Any A/c

3) Under Fluctuating Capital Method, partner's salary is credited to ____

a) Capital A/c

b) Current A/c

c) Drawing A/c

d) Fake A/c

4) Under Fixed Capital Method profits & losses are shared by the partners in _____

a) Capital Ratio

b) Equal Ratio

c) Agreed Ratio

d) Any Ratio

5) Under Fluctuating Capital Method, profits & losses are shared by the partners in____

a) Capital Ratio

b) Equal Ratio

c) Agreed Ratio

d) Any Ratio

6) In absence of any provision in Partnership Deed, profits & losses are shared by partners __

a) Equally

b) Capital Ratio

c) 3 : 2: 1

d) 1 :2 : 3

7) In absence of any agreement partners are entitled to receive interest on loan at__

a) 15%

b) 10%

c) 6%

d) 8%

7) A partner acts as an____

a) Agent of firm

b) Employee of firm

c) Third party

d) Any individual

8) In absence of any agreement partners are entitled to get ___

a) Salary

b) Commission

c) Interest on loan

d) Profit share in capital ratio

9) Interest on capital is paid to partners vide agreement out of ___

a) Past profit

b) Reserves

c) Current profits

d) Future profits

10) In case a partner is given, guarantee by other partners the loss on such guarantee is borne by ____

a) All the partners

b) Partner who gave guarantee

c) Firm

d) None

11) Interest on Drawings is___

a) Debited to P & L A/c

b) Debited to P & L Appropriation A/c

c) Credited to P & L Appropriation A/c

d) Ignored

12) A partner's current A/c may show___

a) Debit balance

b) Credit balance

c) Either Debit or credit balance

d) No Balance

13) A partner's Capital A/c normally shows____

a) Credit balance

b) Debit balance

c) No balance

d) Anything

14) Balance on Drawings A/c is transferred is___

a) Debit side of Capital A/c

b) Dedit side of Current A/c

c) Debit side of Capital or Current A/c

d) No where

15) Interest on Capital is an___

a) Appropriation

b) Expense

c) Income

d) Asset

16) Fixed Capital A/c is credited with____

a) Interest on capital

b) Interest on drawings

c) Drawings

d) Goods lost

17) Current A/c is credited with___

a) Interest on capital

b) Salary of partner

c) Share of profit

d) All of the above

18) Accrued income is shown in Balance sheet on___

a) Asset side

b) Debit side

c) Liability side

d) Credit side

19) Unearned income is shown in the Balance sheet on__

a) Liability side

b) Credit side

c) Asset side

d) Debit side

20) Interest on capital is debited to ____

a) Trading A/c

b) P & L A/c

c) P & L appropriation A/c

d) Capital A/c

21) Gross profit is transferred to___

a) Trading A/c

b) P & L A/c

c) Capital A/c

d) Current A/c

22) Prepaid expenses are shown in Balance sheet on___

a) Liability side

b) Asset Side

c) Debit side

d) Credit side

23) Outstanding salary is shown in Balance sheet on___

a) Liability side

b) Asset side

c) Debit side

d) Credit side

24) Goods lost by fire is credited to___

a) Trading A/c

b) P & L A/c

c) Capital A/c

d) None

25) Goods withdrawn by a partner for personal use are debited to___

a) Partners drawing A/c

b) Partners Capital A/c

c) P & L A/c

d) None

26) Discount A/c may show___

a) Debit balance

b) Credit balance

c) Debit or credit balance

d) None of the above

27) Payment of rent to a partner is___

a) Appropriation of profit

b) Charge against income

c) Either a or b

d) None of the above

28) Transfer to Reserve is___

a) Debited to P& L A/c

b) Debited to P & L appropriation A/c

c) Credited to P & L appropriation A/c

d) None of the above

29) Rent payable is shown in Balance Sheet___

a) On asset side

b) On liability side

c) Either a or b

d) None of the above

30) Goods distributed as free sample___

a) Credited to Trading A/c

b) Credited to P & L A/c

c) Credited to Trading A/c & Debited to P & L A/c

d) None

31) Raveena & Kareena started business on 1st January, 2019 with capital of ` 4,00,000 and ` 3,00,000 respectively. There is no withdrawal or addition of capital during the year. Calculate Interest on capital @ 10% p.a. Accounts are closed on 31st December.

a) Raveena ` 40,000, Kareena` 30,000

b) Raveena ` 1,800, Kareena` 40,000

c) Raveena ` 35,000, Kareena` 35,000

d) Raveena ` 35,000, Kareena` 10,500

32) Raveena & Kareena started business on 1st July, 2019; with capital ` 4,00,000 and ` 3,00,000 respectively. There is no withdrawal or addition of capital during the year. Calculate Interest on Capital @ 9% p.a. If books of accounts are closed on 31st March every year.

a) Raveena ` 27,000, Kareena` 20,250

b) Raveena ` 36,000, Kareena` 27,000

c) Raveena ` 30,000, Kareena` 24,000

d) Raveena ` 25,000, Kareena` 26,000

33) Profit on sale of asset is___

a) Credited to P & L A/c

b) Debited to P & L a/c

c) Either a or b

d) All of the above

34) Stock is valued at___

a) Cost

b) M.V.

c) Cost or M.V. whichever is lower

d) None of the above

35) Net profit is transferred to _____ _____.

a) P & L A/c

b) P & L Appropriation A/c

c) Trading A/c

d) Ignored

36) Share of loss is _____ to partner's capital A/c.

a) Debited

b) Credited

c) Both a & b

d) None of above

37) Wages & salaries is debited to _____.

a) Trading A/c

b) P & L A/c

c) P & L Appropriation A/c

d) No where

37) Productive wages are debited to _____.

a) P & L A/c

b) P & L appropriation a/c

c) Trading A/c

d) Ignored

38) Unproductive wages are debited to _____.

a) P & L A/c

b) P & L appropriation a/c

c) Trading A/c

d) Ignored

39) Bad debts is a _____.

a) Profit

b) Loss

c) Gross profit

d) Gross loss

40) Trading Account shows either _____ or _____.

a) Gross profit or Gross loss

b) Net profit or Net loss

c) Both a & b

d) None

41) Gross profit is carried to _____ Account.

a) Trading A/c

b) P & L appropriation

c) P & L A/c

d) Any where

42) Net profit is divided between the partners in their _____ ratio.

a) Profit sharing ratio

b) Equally

c) Any ratio

d) None of the above

43) Carriage Inward is debited to _____ Account.

a) Trading A/c

b) P & L appropriation

c) P & L A/c

d) Any where

44) New ratio – Old ratio is _____

a) Sacrifice ratio

b) Gain ratio

c) Both

d) None

45) Old ratio – New ratio is ____

a) Sacrifice ratio

b) Gain ratio

c) Both

d) None

46) Sacrifice ratio is calculated in case of ____

a) Admission of a partner

b) Retirement of partner

c) Death of a partner

d) None of the above

47) Gain ratio is calculated in case of ____

a) Admission

b) Retirement

c) Death

d) Both b & c

48) On death of a partner the amount due to him is transferred to his____

a) Executors loan A/c

b) Suspense A/c

c) Other partners

d) Ignored

49) New ratio is calculated when there is___

a) Admission

b) Retirement

c) Death

d) All of the above

50) The Indian partnership Act is in force since___

a) 1957

b) 2008

c) 2013

d) 1932

State TRUE or FALSE

Amalgamation Of Partnership

1) Amalgamation is merger of businesses.

2) On amalgamation old firms are dissolved.

3) Objective of amalgamation is to increase profitability of firms.

4) AS 16 deals with amalgamation.

5) Realisation Account is opened to implement amalgamation.

6) Loss on Realisation Account is credited to Partner's Capital Account.

7) Realisation expenses are debited to Bank Account and credited to Realisation Account.

8) Goodwill requires special treatment on amalgamation.

9) Capital accounts of partners are adjusted through Cash Account only.

10) Purchase consideration is amount payable by new firm to old firms.

11) AS 14 recognises Realisation method only.

12) On amalgamation fictitious assets are transferred to Capital Accounts.

13) On amalgamation assets & liabilities not taken over by the new firm are transferred to partners Capial Accounts.

14) On amalgamation, Realisation A/c is prepared to close the books of the firm.

15) On amalgamation assets not taken over by the new firm are debited to capital accounts.

16) Goodwill of both the firms is not considered.

17) Profit or loss on Realisation is transferred to Capital Accounts in Capital ratio.

18) On amalgamation General Reserve is credited to partners Capital Accounts in their profit sharing ratio.

Partnership Final Accounts

19) Final accounts are prepared at the end of each accounting year.

20) Net Profit is deducted from Capital.

21) Drawings are added to Capital.

22) Excess of Income over expenditure is net profit.

23) Capital Account always shows a credit balance.

24) Balance Sheet is prepared to show financial position of the business concern.

25) Assets must be equal to liabilities.

26) Excess of assets over liabilities is capital.

27) Purchase of machinery is shown in Trading Account on debit side.

28) Final Accounts must be prepared after considering the adjustments.

29) Every adjustment must be recorded twice.

30) Outstanding wages is a Nominal Account.

31) Income earned but not received is a liability.

32) 3Income received, but not earned is an asset.

33) Closing stock is valued at Cost Price or Market Price whichever is more.

34) Each partner has a right to take part in the conduct of the business of a firm.

35) There is no maximum limit to the number of partners in a firm.

36) Interest allowed on partners' capitals is debited to Profit & Loss Account and credited to Partners' Capital Accounts.

37) Sleeping partner is one who takes active part in the conduct of the business.

38) Adjustment to partners' capital are passed through current accounts when the capitals are fluctuating.

39) Interest on capital of a partner is debited to Profit & Loss Account.

40) Interest on drawings is an income to the partnership firm.

41) According to Indian Partnership Act, the partners are entitled to earn interest @ 6% p.a. on their respective capitals.

42) Interest on partner’s loan is debited to P & L App. A/c.

43) General Reserve appears in the Balance Sheet on liability side.

44) Goodwill appears in the Balance Sheet on asset side.

45) Unproductive wages are debited to P & L A/c.

46) Carriage is debited to trading A/c.

47) Loss by fire is debited to P & L A/c.

48) Every adjustment is to be recorded twice.

49) Prepaid expense is an asset.

50) Outstanding income is a liability.

51) Partnership is a service organisation.

52) Current A/c always shows credit balance.

53) Capital A/c always shows debit balance.

54) Closing Stock is valued at market price only.

55) Each partner has a right to participate in business.

56) Partners are entitled to salary.

57) Partners share profit & loss in their capital ratio.

58) A partners can carry competitive business.

59) Income received in advance is a gain to the firm

60) Purchase of furniture is shown on debit side of Trading A/c.

61) Expenses relating to sale are debited to Trading A/c.

62) Liability of partners in limited.

63) Reserve for discount on creditos shows credit balance.

64) Drawings appear on debit side of Capitals A/c.

65) Partners are allowed interest at 15% on their capital.

66) Current Assets are Long term assets.

67) Fixed Assets are Short term assets.

68) Partner’s Capitals must be in the proportion of profit sharing ratio.

69) No interest is allowed on partner's loans.

70) Every partner is entitled to get salary.

71) Interest on drawings is a loss to the firm.

72) Balance Sheet shows result of activities.

73) P & L A/c shows current year's net profit.

74) P & L A/c shows revenue expenses and income for the year.

75) Sleeping partner does not sleep, he is very active in conducting business.

76) Provision for discount on debtors shows credit balance.

77) The partners must conduct lawful business.

78) It is compulsory for a partner to contribute capital.

Piecemeal Distribution

79) Realisation of assets is sudden.

80) Liabilities due to outsiders are internal liabilities.

81) Govt. due are paid on preference basis.

82) Excess capital method is known as maximum loss method.

83) General Reserve is distributed among the partners in their capital ratio.

84) Unpaid balance on capital accounts represents profit on realisation.

85) Take over of liability by a partner should be deducted from capital account balance.

86) Bill under discount is a contingent liability.

87) Loss on realisation should be distributed among the partners in their capital ratio.

88) Unpaid salaries of employees is a preferential liability.

89) General Reserve is debited to partner's capital accounts.

90) In practice assets are realized gradually.

91) Excess capital method is known as Highest Relative Capital method.

92) Asset taken over by a partner is debited to his Capital A/c.

Conversion /Sale of Partnership firm

93) A partnership firm has unlimited capital.

94) A partnership firm has limited managerial skill

95) A Ltd. Company is suitable for large scale business.

96) A new company is formed on conversion of a firm into a Ltd. Company.

97) An old firm continues its business on conversion into a limited company.

98) Purchase consideration is not necessary on conversion of a firm into a Ltd. Company.

99) Purchase consideration is settled in cash only.

100) Profit on realisation A/c is credited to partners capital account.

101) General Reserve is distributed among the partners in their profit sharing ratio.

102) Partner's capital accounts are closed on settlement of purchase consideration among the partners.

103) Asset taken over by a partner is credited to his capital A/c.

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