

Multiple Choice Questions	Option - A	Option - B	Option - C	Option - D	sol
The essential elements of a firm are :	Equal share of P & L	Agreement	Minimum two partners	Share capital	c
Under Fixed Capital Method interest on Capital is credited to	Capital A/c	Current A/c	Drawings A/c	Trading Account	b
Under Fluctuating Capital Method, partner's salary is credited to	Capital A/c	Current A/c	Drawings A/c	Trading Account	a
Under Fixed Capital Method profits & losses are shared by the partners in	Capital ratio	Equal ratio	Agreed ratio	Sacrifices Ratio	c
Under Fluctuating Capital Method, profits & losses are shared by the partners in	Capital ratio	Equal ratio	Agreed ratio	Sacrifices Ratio	c
In absence of any provision in Partnership Deed, profits & losses are shared by partners.	Equally	Capital Ratio	2:03:01	Sacrifices Ratio	a
In absence of any agreement partners are entitled to receive interest on loan at	15%	10%	6%	8%	c
A partner acts as an	Agent of the firm	Employee of the firm	Third party	Lender	a
In absence of any agreement partners are	Salary	Commission	Interest on loan	Profit sharing in capital ratio	c
Interest on capital is paid to partners vide	Past profit	Reserve	Current profit	Future profit	c
In case a partner is given, guarantee by other partners the loss on such guarantee is borne by	All the partners	Firm	Partner who gave guarantee	Lender	c
Interest on Drawings is	Debited to P & L A/c	Debited to P & L Appropriation A/c	Credited to P & L Appropriation A/c	Lender A/c debited	c
A partner's current A/c may show	Debit balance	Credit balance	Either debit or credit balance	Equal	c
A partner's Capital A/c shows	Credit balance	Debit balance	No balance	Equal	a
Balance on Drawings A/c is transferred to	Debit side of Capital A/c	Debit side of Current A/c	Debit side of Capital or Current A/c	Trading Account	c

Interest on Capital is an	Appropriation	Expense	Income	Assets	a
Fixed Capital A/c is credited with	Interest on Capital	Salary of partner	Share of profit	Assets	a
Current A/c is credited with	Interest on Capital	Salary of partner	Share of profit	All of the above	d
Accrued income is shown in Balance sheet	Asset side	Debit side	Liability side	Credit side	a
Unearned income is shown in the Balance sheet	Liability side	Credit side	Asset side	Debit side	a
Interest on capital is debited to	Trading A/c	P & L A/c	P & L Appropriation A/c	Capital A/c	c
Gross profit is transferred to	Trading A/c	P & L A/c	Capital A/c	Current A/c	b
Prepaid expenses are shown in Balance sheet	Asset side	Liability side	Debit side	Credit side	a
Outstanding salary is shown in Balance sheet	Liability side	Asset side	Debit side	Credit side	a
Goods lost by fire is credited to	Trading A/c	P & L A/c	Capital A/c	Partner's Drawings A/c	a
Goods withdrawn by a partner for personal use are debited to	Partner's Drawings A/c	Partner's Capital A/c	P & L A/c	Trading A/c	a
If drawing during the period were ` 12,000 what is interest on Drawing at rate of 10% p.a?	1200	` 600	` 550	` 475	b
Under fixed capital method, capital A/c is	Interest on Capital	Share of Profit	Salary of the Partner	None of the above	a
Under fluctuating capital method capital A/c is	Interest on Capital	Salary of Partner	Share of Profit	All of the above	d
In the absence of any provision in the deed profits and Losses are shared by partners.	in Capital ratio	in Loan ratio	equally	in sacrifices ratio	c
Under Fluctuating Capital method, Drawing A/c. of Partner is closed by transfer to	Capital A/c	Current A/c	Either a or b	Trading A/c	a
A partner acts as _____ for a firm	Agent	Employee	Third party	Creditors	a
The relationship between persons who have agreed to share Profit & Loss of business carried on by all or any of them activities for all is known as	Association of persons	Joint Venture	Body of individuals	Partnership	d
In the absence of an agreement, partners share	Commission	Salary	Profit share in Capital ratio	none	d

Partners are supposed to pay interest on drawings	Provided in the agreement	Permitted	Agreed between the partners	Both a & c	d
Interest on Capital is	an appropriation	an expenditure	an income	none	a
Interest on drawings is	debited to P & L App. A/c	credited to P & L App. A/c	credited to P & L A/c	Assets	a
Discount A/c may show	Debit balance	Credit balance	Either (a) or (b)	Assets	c
Payment of rent to a partner is	appropriation of profit	charge against income	either (a) or (b)	Assets	b
Transfer to Reserve is	debited to P & L A/c	debited to P & L App. A/c	credited to P & L App. A/c	Assets	b
Rent payable is shown in Balance Sheet	on asset side	on Liability side	either of (a) or (b)	none of the above	b
Goods distributed as free sample	credited to Trading A/c	credited to P & L A/c	credited to Trading A/c and debited to P & L A/c	Assets	c
Profit on sale of asset is	credited to P & L A/c	debited to P & L A/c	either (a) or (b)	Assets	a
Stock is valued at	Cost	MV	Cost or MV whichever is lower	None of the above	c
Loan from M ` 2,000 is discharged by investment of ` 3,000. The loss on investment is	` 2,000	` 1,000	` 5,000	` 45,000	b
XYZ & Co. took over assets i.e. Land & Building ` 4,00,000; Plant & Machinery ` 3,00,000; Furniture ` 2,00,000; Stock ` 60,000; Debtors ` 1,50,000 and Cash and Bank balance ` 90,000. The liabilities taken over include creditors ` 1,50,000, Bills Payable ` 40,000 and Expenses payable ` 10,000. Purchase consideration is	10,00,000	12,00,000	` 14,00,000	` 11,00,000	a
Vehicle recorded 20% below cost should be recorded at cost. The value of vehicle ` 8,000. The cost price is :	` 10,000	` 18,000	` 9,600	` 9,000	a

Amalgamation is	Merger of businesses	Dissolution of firms	None	Both (a) & (b)	a
Purchase consideration is the amount	Payable by new firm to old firm	Payable by old firms to partners	Payable by one firm to another firm	ignored	a
Assets are transferred to Realisation A/c	Book value	Market value	Cost	ignored value	a
Excess of credit over debit side of Realisation Account is	Profit on Realisation	Loss on Realisation	Surplus	Deficit	a
Liabilities assumed by partners are	Debited to Realisation Account	Debited to Revaluation Account	Debited to Partners' Capital Account	Recorded in trading A/c	a
Realisation expenses are	Debited to Bank Account	Debited to Realisation Account	Credited to Capital Account	Recorded in trading A/c	b
Take over of asset by a partner is debited	Realisation Account	Partners' Capital Account	Bank Account	Cash Account	b
Profit or loss on Realisation is distributed among the partners in	Profit Sharing ratio	capital Ratio	Claim Ratio	Benefit Ratio	a
Salary payable is shown in Balance Sheet	on asset side	on Liability side	either of	none of the	b
On amalgamation Realisation A/c is opened in the books of	Purchasing firm	Vendor firm	Both Purchasing & Vendor firm	Outsiders	b
On amalgamation of a firm, the A/c opened	Realisation A/c	P & L A/c	Deficiency A/c	Employee A/c	a
On amalgamation partner's loan A/c is transferred to	Capital A/c	Purchasing firm A/c	Realisation A/c	Employee A/c	c
On amalgamation liability not taken over by the new firm is transferred to	Capital A/c	New firm's A/c	P & L A/c	P & L Adjustment A/c	a
On amalgamation Goodwill of the firm is	Valued	Ignored	Considered by purchase consideration	kept same	c

On amalgamation dissolution expenses of the Vendor firm paid by the purchasing firm are debited to	Goodwill A/c	Vendor firm's A/c	All Capital A/c	Employee A/c	a
On amalgamation General reserve distributed among the	Old partners in old ratio	Old partners in new ratio	New partners in old ratio	New partners in new ratio	a
On amalgamation goodwill of both the firm	Ignored	Valued separately	Valued at cost	Employee A/c	b
On amalgamation of firms, P & L A/c debit balance	Debited to Realisation A/c	Debited to Partners Capital A/c	Credited to Partners Capital A/c	Credited to Realisation A/c	b
A partnership firm has –	Limited Capital	Limited Managerial Skill	Limited Liability	Both (a) and (b)	d
The form of organization suitable for large scale business is –	Sole Trader	Partnership Firm	Co-operative	Limited Company	d
On conversion of a firm into a Limited Company	A new company is formed	Old firm is dissolved	A new partner is admitted	Both (a) and (b)	d
On conversion of a firm into a Limited Company	Purchase consideration is decided	Assets & Liabilities are revalued	Purchase consideration is settled	All of the above	d
As per Net Asset Method purchase consideration is equal to –	Gross Assets at Book Value	Liabilities at Book Value	Assets taken over at agreed value less liabilities taken over at agreed value	Liabilities - Assets	c
Purchase consideration may be settled in -	Cash only	Shares of Ltd. Company only	Debentures of Ltd. Company only	Cash / Shares / Debentures of Ltd. Company	d

Asset taken over by a partner is –	Debited to partner's capital A/c	Credited to partner's capital A/c	Debited to Realisation A/c	None of the above	a
General reserve is distributed among the partners in the ratio of –	Profit Sharing	Capitals	Final Claims	Gain ratio	a
Profit or loss on disposal of asset not taken over by a Ltd. Company is transferred to –	Realisation A/c	P & L A/c	Capital Accounts	Current Accounts	a
Shares and Debentures received from the Ltd. Company are distributed among the partners in their –	Profit Sharing Ratio	Capital Ratio	Final Claim Ratio	Gain ratio	c
Worthless asset is debited to capital account	Profit Sharing Ratio	Capital Ratio	Final Claim Ratio	Gain ratio	a
Fictitious assets are debited to partners capital accounts in their –	Profit sharing ratio	Capital ratio	Final Claim ratio	Gain ratio	a
A partnership firm is _____ on conversion	Valued;	Dissolved ;	Conversion ;	Ignored	b
A _____ form of organization is suitable	Company ;	Sole Trader	Co-operative	Partnership Firm	a
A new company is formed on _____ of a	Conversion ;	Dissolved ;	admitted	Admission	a
Amount payable by a purchasing company to the vendor firm is called as _____.	Purchase consideration is settled	Purchase Consideration ;	Assets & Liabilities are revalued	Capital Ratio	b
Profit / Loss on realisation is distributed among the partners in their _____ ratio.	Profit Sharing Ratio ;	Final Claim Ratio	Capital Ratio	Gain ratio	a
Cash balance take over by a Ltd. Company	Realisation A/c ;	Capital Accounts	P & L A/c	Current Accounts	a
For finding unit value capital is divided by	Profit Sharing Ratio	Capital Ratio	Gain Ratio	Sacrifices ratio	a
After finding the unit value of three partners A, B and C we select the unit value	Which is lowest	Which is highest	Average	Ignored	a
Unit value we multiply with each one's	Profit Sharing Ratio	Capital Ratio	Average	Gain Ratio	a
Bank loan is ` 30,000 secured against stock and stock sold for ` 25,000, Balance ` 5,000 is	Secured	Unsecured	Partly secured	Gain Ratio	b
Realisation of assets on dissolution is	Sudden	Gradual	Unexpected	Expected	b
External liabilities are liabilities due to	Partners	Creditors	Outsiders	Employees	c

Employees dues are	Preferential liabilities	Contingent liabilities	External liabilities	Secured liabilities	a
Contingent liabilities are the liabilities which are	Contingent on happening of certain event in future	Fixed liabilities	Current liabilities	Liquid liabilities	a
Preferential liabilities are	Payable to creditors	Payable to government	Payable to partners	Payable to none	b
Partners loan is	Internal liability	External liability	Secured liability	Assets	a
Take over of liability by a partner is	Added to capital of a partner	Deducted from capital of a partner	Neglected	Recorded in trading A/c	a
General Reserve should be	Distributed in profit sharing ratio	Distributed in capital ratio	Not distributed among the partners	ignored	a
Profit & Loss Account debit balance should	Deducted from Capitals	Added to Capitals	Transferred to Realisation Account	ignored	a
Realisation A/c is prepared in case of	Admission	Retirement	Death	Dissolution	d
After payment of outside liabilities	Govt. dues should be paid	Partner's loan should be paid	Partner's capital should be paid	Expenses should be paid	b
After payment of partners loan payment should be made to	The partner having surplus capital	The partner having deficiency	Govt. Loan	Secured Loan	a
In case an asset of a firm purchased by any partner	Partners capital should be debited	Agreed value should be distributed among all the partners.	Book value should be distributed among all the partners	Recorded in trading A/c	a

The amount finally left unpaid on partner's capital account should be in	Capital ratio	Profit sharing ratio	Equally	Ratio of drawing s	b
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