

Multiple Choice Questions (MCQs)

- In case of fixed capitals, interest on capital
 - is credited to Partner's Capital Account.
 - is credited to Partner's Current Account.
 - may be credited to Partner's Capital or Current Account.
 - is debited to Partner's Capital Account.
- X and Y are partners sharing profits equally. Z was manager who received the salary of ₹ 8,000 p.m. in addition to commission of 5% on net profit after charging such commission. Profit for the year is ₹ 13,56,000 before charging salary. Find the total remuneration of Z.
 - ₹ 1,56,000.
 - ₹ 1,76,000.
 - ₹ 1,52,000.
 - ₹ 1,74,000.
- Ram and Shyam are partners sharing profits and losses equally. Financial Statements are prepared for the year ended 31st March, 2023, which show a profit of ₹ 1,50,000 before allowing interest on a loan of ₹ 50,000 from Shyam @ 10% p.a. Each partner is entitled to salary as follows:

Ram	₹ 15,000 per annum
Shyam	₹ 10,000 per annum

What is Ram's total appropriation of profit for the year ended 31st March, 2023?

- ₹ 77,500.
 - ₹ 70,000.
 - ₹ 75,000.
 - ₹ 80,000.
- Preeti, Mona and Nisha shared profits in the ratio of 3 : 2 : 1. Profits of the last three years were ₹ 1,40,000, ₹ 84,000 and ₹ 1,06,000 respectively. These profits were by mistake, shared equally in all the three years. Which of the following entry is necessary to correct the error?

		₹	₹
(a) Nisha's Capital A/c	...Dr.	55,000	
To Preeti's Capital A/c			55,000
(b) Preeti's Capital A/c	...Dr.	55,000	
To Nisha's Capital A/c			55,000
(c) Mona's Capital A/c	...Dr.	55,000	
To Preeti's Capital A/c			55,000
(d) Preeti's Capital A/c	...Dr.	55,000	
To Mona's Capital A/c			55,000

- A, B, and C were partners in a firm sharing profits and losses in the ratio of 4 : 3 : 3. Their fixed capitals were ₹ 1,00,000, ₹ 2,00,000, and ₹ 3,00,000 respectively. For the year 2022–23, interest on capital was credited to them @ 10% p.a. instead of 9% p.a. Which of the following entry is necessary to rectify the error?

		₹	₹
(a) B's Capital A/c	...Dr.	1,400	
To A's Capital A/c			200
To C's Capital A/c			1,200
(b) A's Capital A/c	...Dr.	1,400	
To B's Capital A/c			200
To C's Capital A/c			1,200
(c) B's Capital A/c	...Dr.	1,200	
C's Capital A/c	...Dr.	200	
To A's Capital A/c			1,400
(d) B's Capital A/c	...Dr.	200	
C's Capital A/c	...Dr.	1,200	
To A's Capital A/c			1,400

6. The relationship between persons who have agreed to share profits 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 Individual.
7. When guarantee is given to partner by some of the partners, deficiency on such guarantee is borne by
- (a) All of the other partners. (b) Partnership firm.
(c) Partners who gave the guarantee. (d) None of the partners.
8. As per Indian Partnership Act, 1932 if Partnership Deed does not exist partners are entitled to
- (a) Salary. (b) Interest on Capital.
(c) Equal Profit Share. (d) Commission.
9. In the absence of Partnership Agreement, interest on drawings of a partner is charged
- (a) @ 8% per annum (b) @ 9% per annum
(c) @ 12% per annum (d) No interest is charged (CBSE, Foreign 2015)
10. In the absence of Partnership; interest on loan of a partner is allowed
- (a) @ 8% per annum (b) @ 6% per annum
(c) No interest is allowed (d) @ 12% per annum (CBSE, AI 2015)
11. X, Y and Z are partners in a firm sharing profits and losses in the ratio of 6 : 4 : 1. X guaranteed profit of ₹ 15,000 to Z. Net profit for the year ending 31st March, 2019 was ₹ 99,000. X's share in the profit of the firm will be
- (a) ₹ 30,000. (b) ₹ 15,000.
(c) ₹ 48,000. (d) ₹ 45,000.
12. Features of a partnership are
- (a) Two or more persons are necessary to carry business.
(b) Profits and losses are shared equally or in the agreed ratio.
(c) Business is carried by all or any of them acting for all.
(d) All of the above.
13. Maximum number of persons in a Partnership can be
- (a) 50. (b) 100.
(c) 40. (d) 60.
14. Which of the following is not an essential feature of partnership?
- (a) An agreement, oral or written, should exist among the partners.
(b) Agreement should be to carry on business.
(c) All the partners should contribute capital in the firm.
(d) There should be at least two partners.
15. Interest on Capital Accounts of partners under Fluctuating Capital Account Method is credited to
- (a) Interest Account. (b) Profit & Loss Account.
(c) Partners' Capital Accounts. (d) None of these.

- 16.** Net profit of the firm with A, B and C as partners sharing profits equally had been ₹ 5,00,000. Their capitals had balances of ₹ 2,00,000 each and Current Accounts had balances of ₹ 50,000 (Cr.), ₹ 40,000 (Cr.) and ₹ 30,000 (Dr.) respectively. The Partnership Deed allowed/charged interest on Capitals and Current Account Balances @ 10% p.a.
- (i) Interest on capitals will be
- (a) ₹ 20,000 each. (b) ₹ 30,000 each.
(c) ₹ 40,000 each. (d) NIL.
- (ii) Interest allowed/charged on Current Account balances will be
- (a) ₹ 5,000, ₹ 4,000, ₹ 3,000. (b) ₹ 5,000, ₹ 4,000, NIL.
(c) ₹ 5,000, ₹ 4,000, ₹ 3,000 (Charged). (d) ₹ 5,000, ₹ 4,000, ₹ 2,000 (Charged).
- 17.** On 1st April, 2023, Pixie, Nixie and Gypsy entered into a partnership with fixed capitals of ₹ 60,000, ₹ 50,000 and ₹ 30,000 respectively. On 1st October, 2023, Pixie gave a loan of ₹ 12,000 to the firm.
- The partnership deed had the following clauses:
- (a) Interest on drawings to be charged @ 4% per annum.
(b) Pixie to be entitled to a rent of ₹ 2,000 per annum for allowing the firm to carry on the business in his premises.
- Nixie withdrew ₹ 1,000 at the end of the month for the first six months.
- Net Profit of the firm for the year ending 31st March, 2024 (*before any interest but after rent on Pixie's premises*) was ₹ 1,21,000.
- On the basis of above information, answer the following questions.
- (a) Net Profit of the firm was
- (i) ₹ 1,21,000. (ii) ₹ 1,20,640.
(iii) ₹ 1,18,640. (iv) ₹ 96,640.
- (b) Interest on Drawings charged from Nixie will be
- (i) ₹ 340. (ii) ₹ 220.
(iii) ₹ 170. (iv) ₹ 18.33.
- 18.** If equal amount is withdrawn in the beginning of each month for personal use, period for which interest will be charged will be
- (a) 7 Months. (b) 6 Months.
(c) 5 Months. (d) 6.5 Months.
- 19.** Relationship between the partners is of
- (a) Close relatives. (b) Agent and Principal.
(c) Junior-Senior Relationship. (d) Senior-Subordinate Relationship.
- 20.** Having a Partnership Deed is
- (a) mandatory. (b) not mandatory.
(c) Both the above. (d) None of these.
- 21.** X and Y are partners sharing profits equally. Z was manager who received salary of ₹ 8,000 p.m. and in addition commission of 5% on net profit after charging such commission. Profit for the year is ₹ 13,56,000 before charging salary. Find the total remuneration of Z.
- (a) ₹ 1,56,000. (b) ₹ 1,76,000.
(c) ₹ 1,52,000. (d) ₹ 1,74,000.

- 22.** A partnership firm has three partners. How many additional partners can be admitted as per the provisions of the Companies Act, 2013?
- (a) 50 (b) 47
(c) 100 (d) 96
- 23.** If uniform amount is withdrawn in the middle of every month, interest for the year on drawings will be calculated for
- (a) 6.5 months. (b) 5.5 months.
(c) 6 months. (d) 7.5 months.
- **Read the following hypothetical situation, Answer Question No. 24,25 and 26.**
- Madan and Pawan are two partners sharing profits and losses in the ratio of 3 : 2. On 31st March, 2025, their Capital Accounts were ₹ 55,000 and ₹ 45,000 respectively after distribution of net profit of ₹ 15,000 and accounting drawings of the partners of ₹ 6,000 and ₹ 4,000 respectively. After closing the books, the following discrepancies were noticed:
- (i) An item in the inventory was valued at ₹ 12,800 but had a realisable value of ₹ 8,300.
(ii) ₹ 2,400 paid for insurance premium for the year ending on 30th June, 2025 had been debited to Profit & Loss Account.
(iii) Interest on Capital at 5% on partners' capital as at the beginning of the year and interest on drawings of partners at 8% p.a. were left out of consideration.
- 24.** Balance of opening capital on 1st April, 2024:
- | | Madan | Pawan | | Madan | Pawan |
|--------------|-------|-----------|--------------|-------|-----------|
| (a) ₹ 40,000 | | ₹ 35,000. | (b) ₹ 46,000 | | ₹ 39,000. |
| (c) ₹ 52,000 | | ₹ 43,000. | (d) ₹ 64,000 | | ₹ 51,000. |
- 25.** Correct profit is
- (a) ₹ 15,500. (b) ₹ 11,100.
(c) ₹ 10,500. (d) None of these.
- 26.** Divisible profit is
- (a) ₹ 6,350. (b) ₹ 6,750.
(c) ₹ 7,100. (d) ₹ 1,15,000.

[Ans.: 1. (b); 2. (a); 3. (c); 4. (a); 5. (d); 6. (a); 7. (c); 8. (c); 9. (d); 10. (b); 11. (c); 12. (d); 13. (a); 14. (c);
15. (c); 16. (i) (a), (ii) (c); 17. (a) (ii), (b) (iii); 18. (d); 19. (b); 20. (b); 21. (a);
22. (b); 23. (c); 24. (c); 25. (b); 26. (b).]

Assertion-Reason Based MCQs

- 1. Assertion (A):** Jiten, Karan and Lalit are partners with capitals of ₹ 2,00,000, 6,00,000 and ₹ 8,00,000 respectively sharing profits in the ratio 3 : 2 : 1. The partnership deed allowed salary of ₹ 60,000 p.a. to Jiten and Interest on Capitals @ 5% p.a. Net Profit for the year is ₹ 1,20,000. Profit will be distributed among partners in their profit-sharing ratio, i.e., 3 : 2 : 1.

Reason (R): Distributable profit for the year is not adequate to allow all appropriations. Therefore, divisible profit will be distributed in the ratio of appropriations, i.e., 7 : 3 : 4.

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

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

- 2. Assertion (A):** Mohan, Naman and Onkar are partners with fixed capitals of ₹ 8,00,000 each. The partnership deed allowed salary of ₹ 1,00,000 p.a. to Onkar and Interest on Capitals @ 5% p.a. Net Profit for the year is ₹ 5,00,000. Balance profit will be distributed among them equally.

Reason (R): Distributable profit for the year is adequate to allow all appropriations. Divisible profit will be distributed among the partners equally as is provided in the Partnership Act, 1932.

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

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

- 3. Assertion (A):** Param, Qasim and Ramesh are partners with fixed capitals of ₹ 8,00,000 each. The partnership deed allowed salary of ₹ 1,00,000 p.a. to Onkar and Interest on Capitals @ 5% p.a. Net Profit for the year is ₹ 5,00,000. Amounts of appropriations will be credited to their respective Capital Accounts.

Reason (R): When Capital Accounts are fixed, all appropriations are credited/debited in the Partners' Capital Accounts.

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

- (a) Assertion (A) and Reason (R) are correct but the Reason (R) is not the correct explanation of Assertion (A).
- (b) Both Assertion (A) and Reason (R) are correct and Reason (R) is the correct explanation of Assertion (A).
- (c) Assertion (A) is correct but the Reason (R) is not correct.
- (d) Both Assertion (A) and Reason (R) are incorrect.

- 4. Assertion (A):** A partnership deed can have clauses that are different from the provisions of the Partnership Act, 1932 and in such situations, clauses in Partnership Deed prevail over the provisions of the Partnership Act, 1932.

Reason (R): The provisions of the Partnership Act, 1932 apply when the partners have not agreed on a matter (say, profit-sharing ratio).

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

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

- 5. Assertion (A):** Amit, Bharat and Charu are partners in the firm. The partnership deed provided for salary to Amit of ₹ 60,000 p.a. Bharat and Charu also ask for salaries of ₹ 60,000 each. Salaries to Bharat and Charu is to be allowed.

Reason (R): In the absence of Partnership Deed, provisions of the Partnership Act, 1932 apply. Thus, salaries are not to be allowed to them.

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

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

- 6. Assertion (A):** Varun, Waryam and Yogesh are partners. The partnership deed provided to charge interest on drawings @ 6% p.a. Varun withdrew ₹ 5,000 per month in the beginning of the month, Waryam in the middle of the month while Yogesh withdrew at the end of the month. Interest will be charged on drawings of ₹ 60,000 from Varun for 6.5 months, Waryam for 6 months and Yogesh for 5.5 months.

Reason (R): Interest on Drawings is charged at the agreed rate of interest, i.e., @ 6% p.a. on ₹ 60,000 for the period amount is withdrawn by a partner. Varun has drawn in the beginning of the month and therefore, interest will be charged for 6.5 months from him and on the same basis from Waryam and Yogesh for 6 months and 5.5 months respectively.

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

- (a) Assertion (A) and Reason (R) are correct but the Reason (R) is not the correct explanation of Assertion (A).
- (b) Both Assertion (A) and Reason (R) are correct and Reason (R) is the correct explanation of Assertion (R).
- (c) Assertion (A) is correct but the Reason (R) is not correct.
- (d) Both Assertion (A) and Reason (R) are incorrect.

- 7. Assertion (A):** Parul, Prerna and Nimrat are partners sharing profits in the ratio of 3 : 2 : 1. Prerna is guaranteed minimum profit share of ₹ 75,000 p.a. after appropriations. Profit for the year after all appropriations, was ₹ 1,80,000. Profit share of Parul and Nimrat will be ₹ 90,000 and ₹ 30,000.

Reason (R): Profit share of Parul is ₹ 75,000 since her actual share is ₹ 60,000 ($₹ 1,80,000 \times 2/6$). Balance profit ₹ 1,05,000 will be distributed between Parul and Nimrat in the ratio of 3 : 1. Thus, Parul will get ₹ 78,750 and Nimrat will get ₹ 26,250.

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

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

- 8. Assertion (A):** Shyam, Tarun and Umesh are partners. The partnership deed provided to charge interest on drawings @ 6% p.a. Each partner withdrew ₹ 5,000 per month in the beginning of the month. The firm incurred a loss of ₹ 1,00,000. Therefore, interest will not be charged on drawings.

Reason (R): Interest on Drawings will be charged @ 6% p.a. on ₹ 60,000 for 6.5 months from each partner, it being a withdrawal against anticipated profit.

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

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

- 9. Assertion (A):** Pawan, Raman and Sharman are partners sharing profits in the ratio of 5 : 3 : 2. Raman is guaranteed minimum profit share of ₹ 1,00,000 p.a. after appropriations to be borne by Pawan. Net profit for the year ended was ₹ 5,00,000 and after appropriations, it was ₹ 3,00,000. Pawan's Capital Account will be debited ₹ 10,000 as shortfall in guaranteed profit to Raman.

Reason (R): Profit share of Raman will be ₹ 90,000 ($₹ 3,00,000 \times 3/10$). Therefore, Pawan's Capital Account will be debited by ₹ 10,000 to meet the shortfall.

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

- (a) Assertion (A) and Reason (R) are correct but the Reason (R) is not the correct explanation of Assertion (A).
- (b) Assertion (A) and Reason (R) are correct and Reason (R) is the correct explanation of Assertion (A).
- (c) Assertion (A) is correct but the Reason (R) is not correct.
- (d) Both Assertion (A) and Reason (R) are incorrect.

- 10. Assertion (A):** Partnership is the relation between persons who have agreed to share the profits of a business carried on by all or any of them acting for all.

Reason (R): It is defined in the Partnership Act, 1932.

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

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

- 11. Assertion (A):** A partnership firm should have minimum 2 partners and can have maximum 100 partners.

Reason (R): The limit of two partners flows from the definition in the Partnership Act, 1932. Maximum limit of partners is also prescribed in the Partnership Act, 1932.

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

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

- 12. Assertion (A):** Partners are principals but not the agents of other partners.

Reason (R): As per the definition of partnership, business can be carried on by all or any of them acting for all. Thus, they are the principals and also the agents.

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

- (a) Assertion (A) and Reason (R) are correct but the Reason (R) is not the correct explanation of Assertion (A).
- (b) Both Assertion (A) and Reason (R) are correct and Reason (R) is the correct explanation of Assertion (A).
- (c) Only Assertion (A) is correct.
- (d) Assertion (A) is not correct but the Reason (R) is correct.

13. Assertion (A): It is a necessary condition that all the partners should contribute capital in the firm.

Reason (R): The essential condition is that a written agreement exists to share profits of the business and the business may be carried on by all or any of them acting for all.

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

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

14. Assertion (A): It is a necessary condition that the partners should agree to carry on business and share profits and losses.

Reason (R): Partnership may be carried on the basis of written or oral agreement for sharing profits but not the losses.

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

- (a) Assertion (A) and Reason (R) are correct but the Reason (R) is not the correct explanation of Assertion (A).
- (b) Assertion (A) and Reason (R) are correct and Reason (R) is the correct explanation of Assertion (A).
- (c) Assertion (A) is correct but the Reason (R) is not correct.
- (d) Both Assertion (A) and Reason (R) are incorrect.

[Ans.: 1. (d); 2. (b); 3. (d); 4. (b); 5. (d); 6. (b); 7. (d); 8 (d); 9. (b); 10. (b); 11. (d); 12. (d); 13. (d); 14. (c).]