

**VERY SHORT ANSWER TYPE QUESTIONS**

1. What is meant by 'mutual agency' in case of a partnership?
2. The business of a partnership firm may be carried on by all the partners or any of them acting for all. One of the important implications of this statement is that every partner is entitled to participate in the conduct of the affairs of its business. State the second important implication of this statement.
3. If a partnership firm does not have Partnership Deed or Agreement, what will be the basis to resolve disputes?
4. What is the maximum number of partners allowed in a firm? Which Act has prescribed it?
5. What is meant by "Unlimited Liability of a Partner"?
6. Is a partnership firm separate entity from accounting point of view? Why?
7. How are the following dealt in the absence of a Partnership Deed?
  - (i) Interest on Capital,
  - (ii) Interest on Drawings,
  - (iii) Interest on Partner's Loan to the firm,
  - (iv) Share in Profit and Loss.
8. Can a partner be exempted from sharing the losses in a firm? If yes, under what circumstances?
9. What is the accounting treatment of rent paid to a partner for use of his personal property for business?
10. Give the provisions of the Partnership Act, 1932 with respect to Interest on Capitals of Partners.
11. Suresh and Ramesh are partners in a firm with a capital of ₹ 3,00,000 and ₹ 4,00,000 respectively. They do not have a Partnership Deed. Ramesh wants to share profits in the ratio of capitals. State with reasons whether his claim is valid.
12. What is meant by Net Profit?
13. What is meant by Divisible Profit?
14. Mita and Mohan are partners sharing profits and losses in the ratio of 1 : 2 with capitals of ₹ 15,000 and ₹ 25,000 respectively. The Partnership Deed provides for interest on capital @ 6% per annum. Loss for the year ending 31st March, 2025 was ₹ 1,500.  
State, giving reason, the amount of interest of capital which will be allowed to the partners.
15. A partner has given loan of ₹ 20,000 to the firm on 1st July, 2024. The Partnership Deed is silent as to the Interest on Loan by Partner. State giving reason, how much amount of interest on Loan will be allowed if loss before interest for the year ended 31st March, 2025 was ₹ 5,000.
16. Raj and Shyam are partners in a firm having no Partnership Deed. Raj has advanced ₹ 10,000 as loan to the firm. He claims interest at the usual rate of interest of 12% p.a. as charged by the banks to which Shyam does not agree. State giving reason, which of the two is correct in this case.
17. How is interest on drawings of equal amounts drawn on the 1st day of every month calculated?
18. How is interest on drawings of equal amounts drawn on the last day of every month calculated?
19. How is interest on drawings on unequal amounts drawn at unequal intervals calculated?
20. Give **any two** differences between Profit & Loss Appropriation Account and Profit & Loss Account.
21. List **any two** items shown on the debit side of Profit & Loss Appropriation Account.
22. List **any two** items shown on the credit side of Profit & Loss Appropriation Account.
23. Mittal & Sons earned profit of ₹ 2,75,000 during the year ended 31st March, 2025. 10% of this profit was to be transferred to Investment Fluctuation Reserve. Pass the necessary Journal entry for the same.

24. State **any three** items shown on the debit side of the Capital Account of a partner when the capitals are fluctuating.
25. List **any two** items which may appear on the credit side of a Partner's Fixed Capital Account.
26. State **two** differences between interest on capital allowed to partners and interest on drawings charged from partners.
27. If capital accounts are maintained following Fixed Capital Accounts Method, Partners' Capital Accounts will not have debit balance. Why?
28. List **two** instances when a partner's fixed capital may change.
29. Give **two** differences between Fixed and Fluctuating Capital Accounts.
30. Interest allowed on capital is debited to Profit & Loss Appropriation Account and not to Profit & Loss Account. Why?
31. Is there any situation where interest allowed on capital is debited to Profit & Loss Account?
32. What is Interest on Capital? Give one reason why it is allowed to partners.
33. Give the adjusting entry for interest on capital allowed to a partner, when the firm followed the fixed capital method.
34. How will a firm deal with a situation when its partnership deed provides for interest on capital, but the profit earned by it is not enough to do so, at the rate mentioned in the deed?
35. State giving reasons to which account Interest on Loan by Partner is debited and credited if partners' capitals are fixed.
36. State giving reason to which account interest on loan taken by a partner from the firm is debited and credited if partners' capitals are fixed.
37. State **one** difference between Partner's Loan Account and Partner's Capital Account.
38. Give the adjusting entry and closing entry for interest on loan taken by a partner from the firm, when the firm follows the Fluctuating Capital Method.
39. The firm with X, Y and Z as partners earned profit of ₹ 3,00,000 during the year ended 31st March, 2025. 20% of this profit was to be transferred to General Reserve. Pass the necessary Journal entry for the same.
40. When and why is it that the Capital Account of a partner does not show a Debit Balance in spite of regular and consistent losses year after year?
41. Give **one** reason why partners are charged interest on drawings.
42. State the Provisions of the Indian Partnership Act, 1932, regarding charging of interest on drawings from a partner when:
  - (a) The firm has a Partnership Deed.
  - (b) The firm does not have a Partnership Deed.
43. Give the *adjusting* and *closing* entry for recording interest on drawings charged from the partners when the firm follows the fixed capital method.
44. Give the *adjusting* entry and the *closing* entry for recording commission allowed to a partner, when the firm follows the fixed capital method.
45. What accounting steps are taken by a partnership firm when a new partner is unable to bring the business guaranteed by him?
46. What is meant by 'Past Adjustments' in reference to Partnership Accounts?