

UG Entrance Question Paper Bifurcation

Chapter	30.10.2022; Shift 1 (No. of Questions)	30.10.2022; Shift 2 (No. of Questions)	28.05.2023; Shift 3 (No. of Questions)	19.07.2024 (No. of Questions)	15.05.2025; Shift 1 (No. of Questions)
NPO	9	3	3	2	
Accounting for Not-for-Profit Organisation	4	3	3	2	
Passage	5				
Partnership	13	16	19	21	23
Accounting for Partnership - Basic Concepts	4	3	2		1
Passage				5	5
Valuation of Goodwill	2	Nil	2	2	4
Change in Profit Sharing Ratio Among the Existing Partner	-		1	1	-
Admission of a Partner	1	2	-	5	3
Retirement / Death of a Partner	2	5	5	2	
Passage			5		4
Dissolution of Partnership Firm	4	1	4	6	6
Passage		5			
Company	8	12	11	9	14
Accounting for Share Capital	3	2	4	4	5
Passage	-	5		5	5
Issue of Debentures	-	5	2		4
Passage			5		
Redemption of Debentures	5	-			
Analysis of Financial Statements	7	8	5	4	6
Financial Statements of a Company	5	6	4	4	3
Analysis of Financial Statements	2	2	1		3
Ratio	2	1	3	4	3
Cash Flow	7	6	5	6	2
Computer	4	4	4	4	2
	50	50	50	50	50

Index

Chapter No.	Chapter	Previous Year's Questions	Practice Questions	Page No.
1	Accounting for Partnership - Basic Concepts	20	89	7 - 28
2	Valuation of Goodwill	10	33	29 - 35
3	Reconstitution of a Partnership Firm - Change in Profit Sharing Ratio Among the Existing Partner	2	27	36 - 40
4	Reconstitution of a Partnership Firm - Admission of a Partner	11	77	41 - 56
5	Reconstitution of a Partnership Firm - Retirement / Death of a Partner	23	33	57 - 68
6	Dissolution of Partnership Firm	26	33	69 - 79
7	Accounting for Share Capital	33	216	80 - 120
8	Issue of Debentures	21	33	121 - 136
9	Financial Statements of a Company	22	9	137 - 152
10	Analysis of Financial Statements	8	28	153 - 158
11	Accounting Ratios	13	168	159 - 178
12	Cash Flow Statement	26	100	179 - 195
13	Overview of Computerised Accounting System	5	31	196 - 204
14	Accounting Applications of Electronic Spreadsheet	13	43	205 - 214
		233	920	

Accounting for Partnership - Basic Concepts

Topics Covered:	Previous Year's Questions	Practice Questions
• Meaning and Definition of Partnership		14
• Partnership Deed	3	20
• Profit and Loss Appropriation Account	2	16
• Partners' Capital Account & Interest on Capitals	2	11
• Interest on Drawings	3	17
• Interest on Partners Loan	–	7
• Salary or Commission to a Partner	–	4
• Guarantee of profit to a partner	–	–
• Past Adjustments	–	–
• Passage	10	–
	20	89

Meaning and Definition of Partnership

Meaning of partnership: -

According to Sec. 4 of the Indian Partnership Act, 1932, "Partnership is the relation between persons who have agreed to share the profits of a business carried on by all or any one of them acting for all.

Features or Characteristics of Partnership: -

After analyzing the above definition the following are the essential Characteristics of Partnership:-

- (1) **Association of two or more persons:** The minimum number of partners in a firm can be two. Maximum number is guided by Companies Act. According to section 464 of the Indian Companies Act 2013, the number of partners in any association shall not exceed 100. However, the Rules given under the Companies (Miscellaneous) Rules, 2014 restrict the present limit to 50. If this limit is exceeded it becomes illegal association
- (2) **Agreement:** There must be an agreement between all partners who are involved in that business.
- (3) **Business:** The agreement should be for the purpose of carrying business between the partners. Business includes trade, profession and occupation. It generally does not include non-profit organisations, because profit motive is essential for business under partnership law.
- (4) **Profit sharing Ratio:** There must be sharing of profits and loss of business between partners. Sharing of profit is prima facie evidence of partnership
- (5) **Agency Relationship:** A partner is both (an agent and the principal) of his own business. A partner is an agent of his own business in the sense that he can bind new partners by his acts and a partner is a principal of his own business in the sense that he can be bound by the acts of other partners of business. Agency relationship is conclusive evidence of partnership
- (6) **Liability of Partners:** Each partner is liable jointly and individually third party for all the acts of

the firm done while he is a partner. It means his private assets can also be used for paying off the firm's debts. In a traditional partnership firm, partners have unlimited liability, which is one of the major disadvantages of partnership.

Nature of Partnership firm: -

Legal Point of View

Under the Indian Partnership Act, 1932, a partnership firm **does not have a separate legal entity** from its partners.

- The firm and partners are considered the same.
- Partners are personally liable for the debts of the firm.
- The firm cannot exist independently of its partners.

Therefore, legally, a partnership firm is **not separate** from the partners.

Accounting Point of View

From an accounting perspective, a partnership firm is treated as a **separate business entity**.

- Business transactions are recorded separately from partners' personal transactions.
- Capital accounts, drawings, profit distribution etc. are maintained separately.
- This follows the **Business Entity Concept**.

So, for accounting purposes, the firm is treated as separate from partners.

Income Tax Point of View

Under Section 2(31) (often confused with 2(3)) of the Income Tax Act, 1961, a partnership firm is treated as a **separate person** for taxation purposes.

- The firm files its own income tax return.
- The firm is taxed separately from its partners.

Therefore, for income tax purposes, a partnership firm is treated as a **separate taxable entity**.

Partners, Firm and Firm Name: –

The persons who have entered into a partnership are individually called as 'partner' of the firm and together they are refer as 'firm', the name under which the business of the firm is carried on is called the 'firm name'.

Property of the Firm:-

Property of the firm means all assets and goodwill belonging to the partnership business, whether introduced by partners or acquired later, and it is owned collectively by all partners.

Accounting Procedure of Partnership Firm:-

The Final Accounts of a Partnership Firm is prepared in same manner in which Final Accounts of sole proprietors is prepared. Because in case of Partnership two or more partners are involve so the Net Profit of the Firm is distributed by Partners in their agreed Ratio. The account which shows the distribution of Profits or loss among the Partners is called "Profit and Loss Appropriation A/c". It is an extension of Profit and Loss Account.

These are the additional points:-

1. Partnership Deed
2. Profit and Loss Appropriation Account
3. Partners' Capital Accounts
4. Interest on Partners Drawings
5. Interest on Partners Capital
6. Salary or Commission to Partners
7. Interest on Partners Loan
8. Adjustments after closing of partnership Accounts.

(d) The partnership comes into existence only an agreement.

- 13.** Limited Liability Partnerships came into existence in India after the enactment of:
- Indian Partnership Act, 1932
 - Limited Liability Partnership Act, 1932
 - Limited Liability partnership Act, 2008
 - Indian companies Act, 2013.
- 14.** Assertion (A): Maximum number of partners in a partnership firm is 50.
Reason(R): Maximum number of partners in a partnership firm is prescribed in Companies (Miscellaneous) Rules, 2014

- Both (A) and (R) are true and (R) is the correct explanation of (A)
- Both (A) and (R) are true and (R) is not the correct explanation of (A)
- (A) is true, but (R) is false
- (A) is false, but (R) is true.

Answer Key

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

Partnership Deed

Partnership Deed:

- Partnership deed is not compulsory documents, it is Voluntary documents
- A partnership deed is based on an agreement among the partners.
- It contains the terms and condition of partnership as agreed among the partners.
- The partnership agreement can be either oral or written but when it is in writing, it is called 'Partnership Deed'. The deed should be properly drafted and prepared as per the provisions of the 'Stamp Act' and preferably registered with the Registrar of Firms.

The Partnership Deed covers following details.

- Name of Firm and the partners.
- Commencement and duration of business
- Amount of Capital contributed by each partner.
- Amount to be allowed to each partner as drawings and the timing of such drawings
- Rate of Interest to be allowed to each partner on his capital and on his loan to the firm and to be charged on his drawings
- Ratio in which profit or Losses are to be shared.
- Whether a partner will be allowed to draw any salary.
- Any Variation in the mutual rights and duties of partners.
- Method of valuing goodwill on the occasion of changes in the constitution of the firm
- Procedure by which a partner may retire and the method of payment of his dues.
- Basis of the determination of the executors of a deceased partner and the method of payment
- Treatment of losses arising out of the insolvency of a Partner.
- Procedure to be followed for settlement of dispute among partners
- Preparation of accounts and their audit

If there is no partnership deed and if partnership deed is available but it is silent on any matter, then the relevant provisions of the Indian Partnership Act, 1932, would be applicable. Some of the provisions of the Act :-

- Sharing of Profits & Losses - Profits & Losses are to be shared equally according to section [Sec. 13 (b)]
- Interest on Capital - No Interest is to be allowed on Capital according to section [Sec. 13 (c)]
- Interest on Loan & Advances by a partner - Interest @ 6% p.a. is to be allowed on Advances & Loans, according to section [13 (d)].
- Interest on Drawings - No Interest is to be charged on Drawings.
- Salary to a partner - No remuneration for taking part in the conduct of business is to be allowed to any partner according to section [Sec. 13(a)]

Objective Questions

CUET UG Entrance Questions

- 1.** Match list I with List II in context of not having partnership deed

List I:		List II:	
A.	Interest on loan	I.	Equal
B.	Interest on drawings	II.	Will not be charged
C.	Salary	III.	@ 6% p.a.
D.	Profit sharing ratio	IV.	Will not allowed/provided

Choose the correct answer from the option given below:

- (a) (A)-(IV), (B)-(I), (C)-(III), (D)-(II)
- (b) (A)-(III), (B)-(IV), (C)-(II), (D)-(I)
- (c) (A)-(IV), (B)-(III), (C)-(II), (D)-(I)
- (d) (A)-(III), (B)-(II), (C)-(IV), (D)-(I)

CUET UG Entrance 30.10.2022; Shift 2

- 2.** Partnership deed should be drafted and prepared as per:

- (a) Provision of Partnership Act
- (b) Companies Act
- (c) Registrar of Firms
- (d) Provisions of the Stamp Act

CUET UG Entrance 28.05.2023; Shift 3

- 3.** Which of the following is correct?

The important provision affecting partnership accounting, in the absence of a partnership deed is:

- (a) **Profit Sharing Ratio:** If the partnership deed is silent about the profit sharing ratio, the profits and losses of the firm are to be shared by partners in their capital ratio.
- (b) **Interest on Capital:** Partner is entitled to claim higher interest on the amount of capital contributed by him in the firm as a matter of right.
- (c) **Interest on Drawings:** No interest is to be charged on the drawings made by the partners, if there is no mention in the Deed.
- (d) **Interest on Loan:** If any partner has advanced loan to the firm for the purpose of business, he/she shall be entitled to get an interest on the loan amount at the rate of 16 per cent per annum.

CUET UG Entrance 15.05.2025; Shift 1

Answer Key

1 (d)	2 (d)	3 (c)	
-------	-------	-------	--

Practice Questions

- 1.** In the absence any provision in the partnership deed, the Partnership Act provides for
 - (a) Interest on capital
 - (b) Interest on drawings
 - (c) Interest on advances
 - (d) None of the three

[BHU B.Com Entrance 2020]
- 2.** In partnership, partnership deed is:
 - (a) Essential
 - (b) Compulsory
 - (c) Voluntary
 - (d) According to situation
- 3.** In the absence of an agreement profit and losses are divided among the partners in the ratio of:
 - (a) Capital
 - (b) Partners' age
 - (c) Time devoted by partners
 - (d) Equality
- 4.** 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 when there is a profit
 - (d) Will be allowed even if there are no profits.
- 5.** 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 when there is a profit
 - (d) Will be allowed even if there are no profits.
- 6.** In the absence of any provision in the partnership deed, interest on drawings of a partner...
 - (a) Will not be charged
 - (b) Will be charge @ 6% p.a.
 - (c) Will be charge @ 6% p.m.
 - (d) Will be charged even if there are no profits.

- 7.** Which of the following is provided even if there is no provision in the partnership deed and there are no profits:
- Interest on partner's capital
 - Interest on partner's loan/advance
 - Interest on partner's drawings
 - Remuneration to a partner
- 8.** In the absence of an agreement, partners are entitled to:
- Salary
 - Commission
 - Interest on loan and advances
 - Profit share in capital ration
- 9.** Partners are supposed to pay interest on drawings only when.....by the
- Provided, agreement
 - Permitted, Investor
 - Agreed, Partners
 - (a) & (c) above
- 10.** What would be the profit sharing ration if the partnership act is complied with?
- As per agreement
 - Equally
 - In capital ratio
 - None of the above
- 11.** Partnership agreement should specify all of the following except:
- Payment of dividend
 - Distribution of profits
 - Procedure for admission of a new partner each other
 - Amount of capital invested by each partner
- 12.** Suppose these are two partners A and B. A brings Rs.2,00,000 while B brings in Rs.1,00,000 capital for the firm. A is actively involved in the business, while B is not at all contributing to it. The profit and Loss account reveals a profit of Rs.30,000 for the year. How will the profit be distributed among A and B respectively in the absence of a Partnership deed?
- Rs. 30,000 and Rs. 0
 - Rs. 10,000 and Rs. 20,000
 - Rs. 15,000 and Rs. 15,000
 - Rs. 20,000 and Rs. 10,000
- 13.** Partnership deed provides for a salary of Rs. 10,000 per month to partner 'X'. If 'X' withdraws only Rs. 5,000 in a month, the remaining Rs. 5,000 is :
- Credited to profit and loss (adjustment) account
 - Credited to current account of Partner 'X'.
 - Credited to 'salary payable account'
 - Debited to capital account of partner 'X'
- 14.** What shares of profit would a 'sleeping partner' who has contributed 75 percent of total capital get in the absence of the deed with his partner?
- Shares profit in the ratio of 2:3
 - Shares profit in the ratio of 3:2
 - Shares profit in the ratio 2:1
 - Shares profit in the ratio 1:1
- 15.** In the absence of partnership deed, a partner is entitled to an interest on the amount of additional capital advanced by him to the firm at a rate of:
- Entitled for 6% p.a. on their additional capital, only when there are profits.
 - Entitled for 10% p.a. on their additional capital
 - Entitled for 12% p.a. on their additional capital
 - Not entitled for any interest on their additional capitals.
- [CBSC Sample Paper 2022]
- 16.** Assertion (A): In the absence of Partnership deed profits and losses are divided equally among the partners.
Reason(R): This rule is based on provision of Indian partnership Act, 1932.
- Both (A) and (R) are true and (R) is the correct explanation of (A)
 - Both (A) and (R) are true and (R) is not the correct explanation of (A)
 - (A) is false, but (R) is true.
 - (A) is true, bur (R) is false
- 17.** Assertion (A): Personal properties of a partner may be used to pay off the firm's debts. Reason(R): The liabilities of partners are unlimited.
- Both (A) and (R) are true and (R) is the correct explanation of (A)
 - Both (A) and (R) are true and (R) is not the correct explanation of (A)
 - (A) is true, but (R) is false
 - (A) is false, but (R) is true.
- 18.** Assertion (A): Interest on Partner's capital shown in Profit and Loss Appropriation Account. Reason(R): Interest on Partner's capital is an appropriation unless otherwise mention in partnership deed.
- Both (A) and (R) are true and (R) is the correct explanation of (A)
 - Both (A) and (R) are true and (R) is not the correct explanation of (A)
 - (A) is true, but (R) is false
 - (A) is false, but (R) is true.