

Principles of Accounting - ICOM Part 2 Principles of Accounting Chapter 6 Short Questions Preparation

Q1. What is Co-Ownership?

Ans 1: Co-Ownership is a relation which subsists between two or more persons who own property jointly or in common, it is not partnership but a joint business.

Example: A building is owned by two persons, Tahir and Asghar.

Q2. What rules are followed in absence of partnership deed?

Ans 1: In the absence of agreement in partnership, the following rules are applicable.

1. The partner shall share the profits and losses equally.
2. No partner is entitled to interest on capital.
3. No interest on drawing is to be charged by the firm.

Q3. What is fixed capital?

Ans 1: In fixed capital, capitals of partners are credited with the actual contribution of the partner towards their capitals and balanced at the same year from year to year. In such a case all the adjustments are passed through current accounts of partners.

Q4. Define the term Partnership.

Ans 1: According to Partnership Act 1932, the relation between persons who have agreed to share the profit of the business carried on by all or any of them acting for all, a relation in which 2 or more persons are agreed to form a joint business, is called partnership.

Q5. Define junior partner.

Ans 1: A partner of partnership who has less experience in the business and has small capital is known as a junior partner.

Q6. Under the capitalization method, how is the value of goodwill calculated?

Ans 1: In this method the whole value of business is calculated by capitalizing the average or actual profits by the following formula.

Actual profit * 100

The net assets of the firm are deducted from the value of business.

Q7. What is endowment fund?

Ans 1: The Principle of this fund is not expendable and the income on investment made for a specified period can be used for general or specific purpose.

Q8. Write some contents of partnership deed.

Ans 1: Some contents of partnership deed are given below:

1. Name of business
 2. Nature of business
 3. Capital of firm collectable by each other
 4. Ration of profit and loss sharing
 5. Rate of interest on capital
 6. Salaries of partners
 7. Commencement of partners.
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Q9. Define Partnership at will.

Ans 1: A partnership at will may be dissolved at any time by partner serving notice to the other partner, Partnership at will means the partnership is formed at the will of other all the partners.

Q10. What are partners?

Ans 1: All the persons who are agreed to share profit and loss equally by forming a joint company are called partners, They form a company with the consent of all partners,
