

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

Q1. Define firm.

Ans 1: The partner in a partnership collectively known as firm and the name ,under which they carry on the business is called "Firm's name".

Q2. Under capitalization method,how the value of goodwill is calculated?

Ans 1: In this method the whole value of business is calculated by capitalization 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.

Q3. What is fixed capital?

Ans 1: In fixed capital ,capitals of partners are credit 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 and passed through current accounts of partners.

Q4. Define the term Partnership.

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

Q5. 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 onwards by two person.Tahir and Asghar.

Q6. Define junior partner.

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

Q7. What rules are followers in absence of partnership deep?

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.

Q8. Define the term partnership agreement?

Ans 1: The agreement among the partners which sets out the term on which they have agreed to form a partnership is called "Partnership agreement". It is also called as partnership Deed.

Q9. 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.

Q10. 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 all the partners.
