

Principles of Accounting - ICOM Part 2 Principles of Accounting Chapter 8 Short Questions Preparation

Q1. Define the term Sacrifice Ratio.

Ans 1: Sacrifice ratio is calculated on the admission of new member in partnership for distribution of goodwill among the old partner, if goodwill brought in is claimed by new partner.

It is calculated with help of following equation

Sacrifice ratio = old share - new share.

Q2. Write different methods of calculating goodwill.

Ans 1: 1. Average profit method

2. Super Profit method

3. Capitalization method.

Q3. What is meant by retirement of partner?

Ans 1: A partner of business who wants to give up from the business, gave notice to other partners to be retired, such a step of partner is called retirement of partner.

Retirement of any partner dissolves the partnership.

Q4. What is meant by minor partner?

Ans 1: Minor partner is that partner who has not attained the age of 18 years and therefore he can not contact or bind anymore. Minor partner is just entitled for the only profit of business but not in loss on business.

Q5. What is profit and loss appropriate?

Ans 1: Profit and loss appropriation account is merely an extension of profit and loss account and it is prepared to know how the net profit has been distributed among the partners.

Q6. What is Sleeping Partners?

Ans 1: A person who has capital in the business but does not take part in the management of the partnership is called sleeping partner. It is also known as "Dormant".

It is not known by the general public as a partner.

Q7. Define Senior partner.

Ans 1: A senior partner contributes large amount of capital, He is entitled to large amount of profits, He is associated with business

for so many years.

A partner who has rich experience about the business and who have larger capital in partnership is called senior partner.

Q8. What is holding out partner?

Ans 1: A person who represent himself or may knowingly permit himself to be represented as a partner of the firm is called Holding out partner.

Q9. Define the term limited partnership.

Ans 1: In a special or limited partnership.the liability of one or more partner is limited .However these must be at least one partner with limited liability The partner with limited partnership are called special partners.

Q10. What is Insolvant Partner?

Ans 1: Insolvant Partner is a partner ,whose debts are more than his income,Such partner cannot pay his debts fully and become out of the partnership, His personal property also sold for his debts.
