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CBSE Class 12 · Accountancy

Accounting for Partnership: Basic Concepts

10 most probable questions for Boards 2027

Q1. 1 mark · Multiple choice

Which statement best defines a partnership?
(A) Persons agree to share profits of a business carried on by all or any of them acting for all.
(B) Persons jointly own property without carrying on a business.
(C) One person carries on a business independently.
(D) Persons agree to undertake charitable work together.

Answer

(A) Persons agree to share profits of a business carried on by all or any of them acting for all — partnership is the relation between persons who agree to share business profits.

Q2. 2 marks · Short answer

A partner advances a loan to the firm for business purposes, and the partnership deed is silent about interest. State the applicable rate of interest and identify the basis for allowing it. (2 marks)

Answer

The partner is entitled to interest at 6 per cent per annum on the loan amount. The Indian Partnership Act provides this rate for a partner's loan advanced to the firm for business purposes, even when the deed is silent.

Q3. 3 marks · Medium answer

The partnership deed of R and S is silent about the profit-sharing ratio and interest on capital. R and S contributed different amounts of capital. State how they will share profits and whether either partner is entitled to interest on capital. (3 marks)

Answer

1. If the partnership deed is silent about profit-sharing ratio, R and S share profits and losses equally, regardless of their different capital contributions.
2. No partner is entitled to interest on capital as a matter of right. Interest is payable only if expressly agreed by the partners; the silent deed gives no entitlement.

Q4. 5 marks · Long answer

State the journal-entry treatment in the Profit and Loss Appropriation Account for (i) interest charged on drawings, (ii) partner salary and commission, and (iii) the partners' shares of profit or loss after appropriations. (5 marks)

Answer

The Profit and Loss Appropriation Account records partner-related adjustments and distributes the

profit or loss among partners.

1. To charge interest on drawings, debit the partners' Capital or Current Accounts individually and credit Interest on Drawings Account. To transfer the interest, debit Interest on Drawings Account and credit Profit and Loss Appropriation Account.

2. For partner salary, debit Salary to Partner Account and credit the partner's Capital or Current Account. Transfer the salary by debiting Profit and Loss Appropriation Account and crediting Salary to Partner Account. For commission, debit Commission to Partner Account and credit the partner's Capital or Current Account. Transfer the commission by debiting Profit and Loss Appropriation Account and crediting Commission to Partners' Capital or Current Accounts.

3. For profit after appropriations, debit Profit and Loss Appropriation Account and credit the partners' Capital or Current Accounts individually. For a loss, debit the partners' Capital or Current Accounts individually and credit Profit and Loss Appropriation Account.

These entries record the adjustments and allocate the firm's profit or loss among partners.

Q5. 1 mark · Multiple choice

Which feature makes mutual agency essential to a partnership?
(A) Each partner can bind the other partners through acts concerning the firm's business.
(B) Each partner contributes an equal amount of capital.
(C) Each partner must have a written agreement.
(D) Each partner has limited liability.

Answer

(A) Each partner can bind the other partners through acts concerning the firm's business — each partner is the principal as well as the agent for all the other partners.

Q6. 2 marks · Short answer

State the journal entries for allowing interest on partners' capital and for transferring Interest on Capital Account to the Profit and Loss Appropriation Account. (2 marks)

Full answer on SmartKalike: https://smartkalike.com/cbse/class-12/accountancy/accounting-for-partnership-basic-concepts

Q7. 3 marks · Medium answer

Subject to any agreement between the partners, state how a partner must account to the firm for (i) profit made from a transaction involving the firm's property or business connection, and (ii) profit made from a business competing with the firm. (3 marks)

Full answer on SmartKalike: https://smartkalike.com/cbse/class-12/accountancy/accounting-for-partnership-basic-concepts

Q8. 5 marks · Long answer

Explain how adjustments for past wrong appropriation of profits, reconstitution of a partnership firm and dissolution of a partnership firm form part of partnership accounting. (5 marks)

Full answer on SmartKalike: https://smartkalike.com/cbse/class-12/accountancy/accounting-for-

partnership-basic-concepts

Q9. 1 mark · Multiple choice

What are the minimum and prescribed maximum numbers of partners in a firm, respectively?

(A) 2 and 50

(B) 2 and 100

(C) 3 and 50

(D) 3 and 100

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Q10. 2 marks · Short answer

When may interest on partners' capital be allowed, and how is it calculated when capital remains in the business for only part of the accounting year? (2 marks)

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