

Partnership and Goodwill Achievement Test (PGAT)

1. Partnership can be defined as:
 - A. The association of any two or more individuals.
 - B. The relationship between shareholders of a company.
 - C. The relation between persons who carry on a business together with a profit motive.
 - D. The relationship between two or more members of an organisation.
2. Which of the following is **not** essential to a partnership?
 - A. A business
 - B. A profit motive.
 - C. Registration
 - D. Incorporation.
3. Which of the following could be a valid reason for forming a partnership business?
 - A. To obtain increased capital
 - B. To relieve the burden of sole proprietorship
 - C. To broaden knowledge, experience and expertise.
 - D. All of the above.
4. Which of the following matters are usually covered by a partnership agreement?
 - A. Initial capital contribution of each partner.
 - B. Rate of interest on capital and/or drawings.
 - C. Ratio for sharing profits or losses
 - D. All of the above.
5. Which of the following is a strong feature of a partnership?
 - A. The life of the partnership is generally assumed to be indefinite.
 - B. The owners are liable personally for all debts of the business.
 - C. The transfer of ownership interest is frequent and easy to accomplish
 - D. The partnership is complex to form because of many legal and reporting requirements.
6. Which of the following is debited to partners' current account?
 - A. Capital
 - B. Interest on capital
 - C. Drawings
 - D. Share of profit.
7. Where a fixed capitals are maintained, partners drawing are transferred to the ____
 - A. Credit capital account
 - B. Debit capital account
 - C. Credit of partners current account
 - D. Debit of partners current account.
8. A partner whose liability goes beyond his capital is known as
 - A. Dormant partner.
 - B. Limited partner.
 - C. General partner.
 - D. Nominal partner.
9. Goodwill is recognized in partnership when ____
 - A. The business makes a huge profit.
 - B. The business has adequate bank balance.

- C. A partner is dormant.
 - D. A new partner is admitted.
10. In normal trading circumstances, which of the following would not be found in a partner's current account?
- A. Goodwill
 - B. Drawings
 - C. Salaries
 - D. Interest on drawings
11. The reduction in value of goodwill is
- A. Amortization
 - B. Appreciation
 - C. Depletion.
 - D. Depreciation.
12. Which of the following is **not** recorded in a Partnership Appropriation Account?
- A. Interest on capital.
 - B. Partners drawings.
 - C. Share of profit.
 - D. Interest on drawings.
13. Partners whose liabilities are restricted to their financial contribution to the partnership in the event of winding up are
- A. Ordinary partners.
 - B. Limited partners.
 - C. Dormant partner.
 - D. Sleeping partners.
14. Which of the following is not an item in the profit and loss account?
- A. Drawings.
 - B. Interest.
 - C. Salaries.
 - D. Bad debts.
15. The minimum number of persons required to form a partnership business is
- A. 2
 - B. 3
 - C. 5
 - D. 10
16. Agreement between partners is contained in the Partnership
- A. Act
 - B. Deed
 - C. Accord
 - D. Deal
17. Goodwill may be brought into the books when
- A. No partner retires
 - B. Assets are more than liabilities.
 - C. Profit for the period is high.
 - D. A new partner is admitted.

18. The double entry to record the goodwill in the books is debit
- A. Cash Account and credit Goodwill Account.
 - B. Goodwill Account and credit Purchase of Business Account.
 - C. Goodwill Account and credit Cash Account.
 - D. Purchase of business Account and credit Cash Account.
19. Which of the following is found on the credit side of a partnership's appropriation of profit account
- A. Interest on capital.
 - B. Interest on drawings.
 - C. Share of profit
 - D. Drawings.
20. Where fixed capitals are maintained in a partnership, share of profits are
- A. Credited to partners' capital accounts
 - B. Credited to partner's current accounts.
 - C. Debited to partner's capital accounts.
 - D. Debited to partner's current accounts.
21. The accounting entries for cash realised from the sale of assets on dissolution of partnership is debit
- A. Cash Account; credit Partners Capital Account.
 - B. Assets Account; credit Cash Account.
 - C. Cash Account; credit Realisation Account.
 - D. Realisation Account; credit Cash Account.
22. In the absence of a partnership agreement, additional capital contributions by partners attract interest of _____
- A. 5%
 - B. 10%
 - C. 12%
 - D. 15%
23. The main account for dealing with partnership dissolution would be:
- A. Realisation
 - B. Revaluation
 - C. Appropriation
 - D. Dissolution
24. In preparing partnership accounts, interest on drawing is debited to current accounts and credited to
- A. Capital account
 - B. Appropriation account
 - C. Drawings account.
 - D. Profit and loss account.
25. Which is not a feature of a partnership business?
- A. Ease of formation
 - B. Limited liability
 - C. Limited life

- D. Mutual agency
26. An event that will not require a change in the profit-sharing ratio of partners in a firm is when ____
- A. A partner dies.
 - B. A partner retires.
 - C. A new partner is admitted
 - D. Partner's assets value appreciates.
27. The objective of a departmental accounts is to ascertain the
- A. number of staff in the department
 - B. departmental performance
 - C. stock held by the department
 - D. departmental labour
28. In departmental accounting, when goods are sent from one department to another for sale the transaction is treated as
- A. interdepartmental transfer
 - B. inter-departmental sales
 - C. intra-departmental purchases
 - D. intra-department sales
29. In normal trading circumstances, which of the following would not be found in a partner's current account?
- A. Goodwill
 - B. Drawings
 - C. Salaries
 - D. Interest on drawings
30. The reduction in value of goodwill is
- A. Amortization
 - B. Appreciation
 - C. Depletion.
 - D. Depreciation.
31. A and B are partners sharing profits and losses in the ratio of 2:3. They decided to admit C into the partnership. C invests \$10,000 and acquires 1/5th share of future profits. What will be the new profit-sharing ratio among A, B, and C?
- A. 1:1:1
 - B. 2:3:1
 - C. 2:3:4
 - D. 3:2:1
32. X and Y are partners sharing profits and losses equally. They admit Z into the partnership, and the new profit-sharing ratio becomes 2:2:1. What is Z's share of future profits?
- A. 1/4
 - B. 1/3
 - C. 1/5
 - D. 1/6

33. A, B, and C are partners sharing profits in the ratio of 3:2:1. They decided to dissolve the partnership. A takes over the assets and liabilities of the firm and agrees to pay B and C N10,000 each as their respective shares. What will be the amount of A's capital after settling the payments?
- A. N10,000
 - B. N20,000
 - C. N30,000
 - D. N40,000
34. P, Q, and R are partners sharing profits and losses in the ratio of 3:2:1. R retires from the partnership, and P and Q agree to share future profits equally. What will be the new profit-sharing ratio between P and Q?
- A. 2:3
 - B. 1:1
 - C. 3:2
 - D. 3:1
35. A, B, and C are partners sharing profits and losses in the ratio of 4:3:2. They decide to distribute profits in the following manner: A receives a salary of N5,000, B receives a commission of 10% on net profit after salary, and the remaining profit is shared according to the original profit-sharing ratio. If the net profit is N50,000, what will be B's share?
- A. N11,000
 - B. N12,500
 - C. N14,000
 - D. N15,500
36. ABC Company purchased DEF Company for N500,000. The fair value of DEF Company's identifiable net assets was assessed at N400,000. What is the amount of goodwill recorded in ABC Company's books?
- A. N100,000
 - B. N400,000
 - C. N500,000
 - D. N900,000
37. XYZ Partnership has the following capital balances: A (N100,000), B (N150,000), and C (N200,000). The partnership's total agreed value is N400,000. What is the amount of goodwill in the partnership?
- A. N100,000
 - B. N150,000
 - C. N200,000
 - D. N250,000
38. PQR Corporation acquires STU Corporation for N1,000,000. The fair value of STU Corporation's identifiable net assets is N800,000. In addition, there are unrecognized intangible assets valued at N100,000. What is the amount of goodwill recorded in PQR Corporation's books?
- A. N100,000
 - B. N200,000
 - C. N900,000
 - D. N1,100,000

39. ABC Limited acquires XYZ Limited for \$2,500,000. The fair value of XYZ Limited's identifiable net assets is \$2,000,000. In the acquisition, ABC Limited also incurs legal fees of \$50,000. What is the amount of goodwill recorded in ABC Limited's books?
- A. N450,000
 - B. N500,000
 - C. N2,450,000
 - D. N2,500,000
40. LMN Corporation acquires OPQ Corporation for \$3,000,000. The fair value of OPQ Corporation's identifiable net assets is \$3,500,000. What is the amount of goodwill or gain on bargain purchase recorded in LMN Corporation's books?
- A. N0 (No goodwill or gain on bargain purchase)
 - B. N500,000 (Goodwill)
 - C. N1,500,000 (Goodwill)
 - D. N3,500,000 (Gain on bargain purchase)