

**Panchakshari's Professional Academy**  
**CA CPT: Law Test Paper**

**Chapter 2**

**The Indian Partnership Act,  
1932**

1. The Indian partnership Act, 1932 is divided into ..... Chapters.
  - a. 3
  - b. 10
  - c. 8
  - d. 5
2. The Indian Partnership Act, 1932 came into effects on
  - a. 1st day of April 1932
  - b. 1st day of October 1932
  - c. 1st day of January 1932
  - d. 31st day of December 1932
3. The Indian Partnership Act, 1932 extends to
  - a. Majority of states
  - b. Whole of India except state of Jammu and Kashmir
  - c. Only to the state of Jammu and Kashmir
  - d. All states of India
4. The provision regarding maximum number of members in a partnership are given in
  - a. The partnership Act
  - b. The companies Act
  - c. The contract Act
  - d. The societies Act
5. Prior to the Indian partnership Act, 1932, the provisions relating to partnerships were contained in
  - a. The Indian Contract Act, 1972
  - b. The partnership Act, 1912
  - c. The Indian Contract Act, 1872
  - d. The English partnership Act, 1845
6. According to the Partnership Act, "Business" includes
  - a. Trade
  - b. Occupation
  - c. Profession
  - d. All of the above
7. If an expression is not defined in the partnership Act, reference shall be taken from
  - a. Indian Contract Act
  - b. Negotiable Instrument Act
  - c. Sale of goods Act
  - d. Limitation Act
8. Which of the following constitutes Partnership?
  - a. Family business of HUF
  - b. Persons who have inherited a house property Jointly
  - c. Two parties carrying on business for sharing profits
  - d. A Burmese Buddhist husband and wife carrying on a business
9. The name under which the partnership business is carried on, is called
  - a. Business name
  - b. Partnership Firm
  - c. Firm name
  - d. Registered Name
10. Persons who have entered into partnership with one another are individually called
  - a. Partners
  - b. Firm
  - c. Firm name
  - d. Registered Name
11. Person who have entered into partnership with one another are individually called
  - a. Partners
  - b. Firm
  - c. Firm name Name
  - d. Registered Name
12. Section ..... of the Partnership Act, 1932 defines the term " partnership".
  - a. 2
  - b. 3
  - c. 4
  - d. 5
13. Which of these gives the correct definition of Partnership?
  - a. It is a written agreement between the persons for sharing the profits of the business
  - b. It is an oral arrangement between partners for sharing profit
  - c. It is a relation between the person who have agreed to share the profits of the business carried on by all or any of them acting for all
  - d. All of the above

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14. Which of these are not necessary for constituting a partnership?
- Sharing of profits
  - Mutual agency
  - Two and more persons
  - Written contract
15. A and B agree to share profits of a business in equal but any loss, will be borne by A alone. The partnership agreement is
- valid
  - unlawful
  - illegal
  - voidable
16. Which of these is not a valid Partnership?
- Minor admitted to benefits of the partnership
  - Company admitted as a partner
  - Partnership between Indian national and alien friend
  - Partnership between Indian national and enemies
17. To form a Partnership, the minimum capital contribution should be
- Rs 1 Lakhs
  - Rs 5 Lakhs
  - Rs 10 Lakh
  - None of the above
18. Which is a characteristic of partnership Firms?
- Perpetual succession
  - Limited liability
  - Mutual agency
  - Artificial personality
19. The minimum number of persons for a valid Partnership is
- 2
  - 3
  - 4
  - 5
20. The maximum number of persons for valid Partnership for doing banking business is
- 2
  - 10
  - 15
  - 20
21. The maximum number of persons permissible for a valid Partnership for doing any business other than banking business is
- 2
  - 10
  - 15
  - 20
22. Where the number of partners exceed the maximum number of persons permissible, the partnership becomes a/an
- Limited Company
  - Co-Operative Society
  - Illegal Association
  - Club
23. Where the maximum number of partners in a firm carrying on banking business exceeds 10 then the partnership becomes a
- Club
  - Illegal association
  - Corporation
  - Legal association
24. Partners of two firms each having 11 partners combine by an agreement into one firm. The new partnership is
- void
  - illegal association
  - voidable
  - either (a) or (b)
25. Partners are to banking firms each having 6 partners combine by an agreement into one firm. The new partnership is
- void
  - illegal association
  - voidable
  - either (a) or (b)
26. Partnership agreement may be
- Expressed
  - Implied
  - Neither (a) nor (b)
  - Either (a) or (b)
27. Partnership agreement may be
- in writing
  - orally
  - either (a) or (b)
  - Neither (a) nor (b)
28. 20 individuals form an association to which each person contributes Rs 1000. The

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purpose is to distribute foods free to poor children. The association is

- a. partnership
- b. co-ownership
- c. association not for profit
- d. both (b) and (c)

29. Which of these statements does not reflect the mutual agency principle in Partnership?

- a. A partner is both an Agent and Principle
- b. A partner can, by his act bind other partners and is in turn bound by acts of other partners
- c. All partners should actively participate in the business
- d. Business may be managed by one or more partners

30. Which of the following is correct?

- a. The purpose of partnership must be to earn and share profits
- b. A partnership is valid only if profits and losses are shared
- c. Relation of partners arises from a contract
- d. Both (a) and (c) above

31. A, is employed by Partnership Firm entitled to remuneration of Rs 5,000 p.m. plus 7 per cent on the Profits of the firm, if profits exceed Rs 1 Lakhs. Here

- a. A is not a partner in the firm
- b. A is a Partner in the firm
- c. Appointment of A is invalid
- d. A can claim only Rs 5,000 p.m. but not share of profits

32. Which of the following is correct?

- a. The partnership can result without agreement
- b. The partnership is the result of an agreement
- c. The partnership comes into existence by its registration
- d. All of the above

33. 'Third Party' used in relation to a firm or to a partner means

- a. Any person who is not a partner in the firm
- b. Sleeping partner

- c. Minor Partner
- d. None of the above

34. Identify the correct statement.

- a. All elements essential to a valid contract must be present in partnership agreement
- b. All elements essential to a valid contract may not be present in partnership agreement
- c. All elements essential to valid contract except agreement must be present in partnership agreement
- d. All of the above

35. The relation of partnership arises

- a. from contract and not from status
- b. from status and not from contract
- c. from the status only
- d. All of the above

36. The relation between the partners is

- .....
- a. Principle and agents
- b. Representatives in nature
- c. Employer and employee
- d. Any of the above

37. A and B jointly purchase a factory. They purchased the equipments and other things contributing equally. They lent out the factory and shared the rent equally.

- a. This is a partnership
- b. This is not a partnership
- c. This is an agency
- d. This is not an agency

38. Which of the following is incorrect?

- a. Partnership is created by a contract
- b. Partnership is created by status
- c. Partnership is created when person share profits only
- d. Both (b) and (c)

39. Which of the following is correct?

- a. Partnership arises from status
- b. HUF is created by an agreement between members
- c. Partnership may arise from the conduct of the parties concerned
- d. None of the above

40. Which of the following is correct?

- a. Partnership arises from status

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- b. Every partner need not necessarily be an agent of other partners
  - c. A money lender getting a share in the profits of the firm for the sum lent is partner in the firm
  - d. None of the above
41. Which of the following is correct?
- a. The partnership arises by operation of law
  - b. The partnership arises on registration of partnership deed
  - c. There must be at least two persons to form the partnership
  - d. None of the above
42. Which of the following is incorrect?
- a. The partnership may be formed with two partnership firms as partners
  - b. A company can become partner in a firm
  - c. A HUF can be created by an agreement of members
  - d. Both (a) and (c)
43. Statutory Audit of a partnership Firm's accounts is compulsory under the partnership Act, 1932.
- a. True
  - b. Partly true
  - c. False
  - d. None of the above
44. Tax Audit of a Partnership firm's accounts is compulsory under the partnership Act, 1932.
- a. True
  - b. Partly True
  - c. False
  - d. None of the above
45. Tax Audit of a Partnership Firm's accounts is compulsory under the Income tax Act, 1961.
- a. True –as per the provisions of Income Tax Act
  - b. Partly True
  - c. False
  - d. None of the above
46. The members of a club have ..... of the club.
- a. interest in the property
  - b. mutual agency
  - c. membership
  - d. both (a) and (b)
47. Co-ownership may arise either by .....
- a. contract or understanding
  - b. status or contract
  - c. mutual agency
  - d. all of the above
48. Partnership can be created only by partnership deed,
- a. True
  - b. False
  - c. Partly true
  - d. Partly false
49. In the HUF ..... is personality liable to third party.
- a. Karta and major members
  - b. Karta
  - c. All major members
  - d. All the members
50. A partnership deed usually contains the particulars relating
- a. Name of firm and partners
  - b. Nature of business and duration of firm
  - c. Capital contribution, profit/loss sharing ratio and other agreed terms
  - d. All of these
51. A and B agreed to act together in one movie and share the profits of film with producer of film. In this case, there is
- a. Partnership
  - b. Co-ownership
  - c. Joint-ownership
  - d. None of the above
52. A and B agreed to produce a film and share the profit of hiring it out. In this case, there is
- a. Partnership
  - b. Co-ownership
  - c. Joint-ownership
  - d. None of these
53. In partnership firm, each partner is considered as an
- a. Employee of the firm
  - b. Officer of the firm
  - c. Agent of the firm
  - d. Both (a) and (b)
54. The important case of Cox vs Hickman lays down the principle of

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- a. Registration of a firm
  - b. True Test partnership
  - c. Non-Registration of the firm
  - d. Implied authority of partners
55. A money-lender who, in addition to or in place of interest on money lent to a firm, also receives a portion of profit of business, is regarded as
- a. Partner in firm
  - b. Not a partner in firm
  - c. Co-owner of firm
  - d. None of these
56. A partnership firm
- a. Is a legal person
  - b. Is not a legal person
  - c. Is a separate legal personality
  - d. Has separate legal entity apart from its partners
57. When two or more persons hold a property jointly their relationship is called
- a. Partnership
  - b. Co-ownership
  - c. Particular Partnership
  - d. Joint venture
58. A persons may become a Partner with another persons for particular adventures. This agreement is called
- a. Partnership at will
  - b. Particular Partnership
  - c. Undisclosed Partnership
  - d. Joint venture
59. A person may become a partner with another person for particular adventures. This arrangement is called
- a. Partnership at Will
  - b. Particular Partnership
  - c. Undisclosed Partnership
  - d. Joint Venture
60. A and B enter into an agreement for preparing Ahmadabad to Bombay Express Highway. The partnership comes to and end after preparing of Highway. This arrangement is called
- a. Particular Partnership
  - b. Partnership at will
  - c. Undisclosed Partnership
  - d. Joint Venture
61. When the partners carry on the business even after the expiry of the agreed fixed period, it becomes
- a. Particular Partnership
  - b. Partnership at will
  - c. Undisclosed Partnership
  - d. Illegal Association
62. If after the completion of particular adventure or undertaking, the firm continues to carry on some other adventure, that it be comes a
- a. Void partnership
  - b. Voidable partnership
  - c. Illegal association
  - d. Partnership at will
63. A partnership formed for the purpose of carrying on business in general, is known as
- a. General partnership
  - b. Special partnership
  - c. Permanent partnership
  - d. None of the above
64. A partnership formed for the purposes of construction of particular bridge, is known as
- a. General partnership
  - b. Special partnership
  - c. Permanent partnership
  - d. None of the above
65. When a partner of a Firm agrees to share his own share of profits with an outsider, it called
- a. Co-partnership
  - b. Joint venture
  - c. Partnership by profit
  - d. Sub-partnership
66. Identify the incorrect sentence
- a. A Sub-Partner is not connected with the Firm
  - b. A Sub-Partner has no relationship with other Partners in the Firm
  - c. A Sub-partner has right in the firm's business
  - d. None of the above
67. A partner who is not partner but represents himself as a Partner in a firm is called
- a. Sleeping Partner
  - b. Partner by estoppels

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- c. Working Partner  
d. Sub- Partners
68. The partner by holding out is liable to the  
.....  
a. firm  
b. other partners  
c. third party  
d. all of the above
69. which of the following Partners are not  
liable for the act of the firm/  
a. Partners by holding out  
b. Working Partner  
c. Sub-partner  
d. Sleeping Partner
70. A person, who, is not partner makes other  
person to believe himself as a Partner in  
the firm is called  
a. Sleeping partner  
b. Working Partner  
c. Sub-Partner  
d. Partner by estoppel
71. A partner admitted in an existing firm is  
known as  
a. New partner  
b. Incoming partner  
c. Normal partner  
d. Sub partner
72. A partner who retires from an existing firm,  
is known as  
a. Retiring partner  
b. Outgoing partner  
c. Expelled partner  
d. Both (a) and (b)
73. Active partner is also known as  
a. Dormant Partner  
b. Working Partner  
c. Sub-Partner  
d. Ostensible Partner
74. A partner in profit is  
a. Entitled to share the profit  
b. Not liable to share the losses  
c. Not liable for the act of the firm  
d. Both (a) and (b)
75. A introduces B to C as a Partner in his  
business. B, in fact, was not a partner but  
he did not deny the statement. C advanced  
a lone to A .A could not repay the lone. C  
can hold B responsible for the repayment  
of lone because  
a. B is a Sleeping Partner  
b. B is a Sub-partners  
c. B is a Dormant Partner  
d. B is a Partner by Estoppels