

# **M.K.G CA EDUCATION**

9811429230 / 9212011367

WEBSITE: WWW.MKGEDUCATION.COM

EMAIL: MKGCAEDUCATION@GMAIL.COM

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## **TEST-4**

### **CA FOUNDATION**

**(19-09-2021 11:30 a.m. to 2:30 p.m.)**

#### **Covering topic :**

**The Indian Partnership Act, 1932**

**Time allowed: 3 hours**

**Maximum Marks: 60**

#### **SECTION A 60 Marks**

##### **Question :1**

**All parts carry 5 marks each**

##### **(a)**

Mr. A (transferor) transfers his share in a partnership firm to Mr. B (transferee). Mr. B felt that the book of accounts was displaying only a small amount as profit inspite of a huge turnover. He wanted to inspect the book of accounts of the firm arguing that it is his entitlement as a transferee. However, the other partners were of the opinion that Mr. B cannot challenge the books of accounts. As an advisor, help them solve the issue applying the necessary provisions from the Indian Partnership Act, 1932.

##### **(b)**

Whether a minor may be admitted in the business of a partnership firm? Explain the rights of a minor in the partnership firm.

##### **Question :2**

**All parts carry 5 marks each**

##### **(a)**

MN partnership firm has two different lines of manufacturing business. One line of business is the manufacturing of Ajinomoto, a popular seasoning & taste enhancer for food. Another line of business is the manufacture of paper plates & cups. One fine day, a law is passed by the Government banning Ajinomoto' use in food and to stop its manufacturing making it an unlawful business because it is injurious to health.

Should the firm compulsorily dissolve under the Indian Partnership Act, 1932? How will its other line of business (paper plates & cups) be affected?

**(b)**

Define Implied Authority In the absence of any usage or custom of trade To the contrary, the implied authority of a partner does not empower him to do certain acts. State the acts which are beyond the implied authority of a partner under the provisions of The Indian Partnership Act, 1932?

**Question :3**

**All parts carry 5 marks each**

**(a)**

Mr. M is one of the four partners in M/s XY Enterprises. He owes a sum of Rs. 6 crore to his friend Mr. Z which he is unable to pay on due time. So he wants to sell his share in firm to Mr. Z for settling the amount.

In the light of the provisions of The Indian Partnership Act, 1932, discuss each of the following :

- (i) Can Mr. M validly transfer his interest in the firm by way of sale?
- (ii) What would be the rights of the transferee (Mr. Z) in case Mr. M wants to retire from the firm after a period of 6 months form the date of transfer?

**(b)**

Subject to agreement by partners, state the rule that should be observed by the partners in settling the accounts of the firm after dissolution under the Provisions of The Indian Partnership Act, 1932?

**Question :4**

**All parts carry 5 marks each**

**(a)**

Subject to agreement by partners, state the rule that should be observed by the partners in settling the accounts of the firm after dissolution under the Provisions of The Indian Partnership Act, 1932?

**(b)**

X and Y are partners of a banking firm. X receives certain securities from a customer for safe custody and puts in the safe custody of the firm. Y disposes off those securities and applies the money for his own use. Is the firm liable for Y's act?

**Question :5****All parts carry 5 marks each****(a)**

X, Y and Z are partners in a business sharing profits and losses equally. Z dies and the firm is dissolved. On the date of dissolution, the capital of X, Y and Z were ₹ 20,000, ₹ 15,000 and ₹ 10,000 respectively and the outside liabilities amounted to ₹ 65,000. The total assets of the firm realised ₹ 50,000. What is the amount of deficiency and how the partners shall share such deficiency if the partnership agreement is silent?

**(b)**

What is the procedure of registration of a partnership firm under the Indian Partnership Act, 1932? What are the consequences of non-registration?

**Question :6****All parts carry 5 marks each****(a)**

A, B and C are partners of a partnership firm carrying on the business of construction of apartments. B who himself was a wholesale dealer of iron bars was entrusted with the work of selection of iron bars after examining its quality. As a wholesaler, B is well aware of the market conditions. Current market price of iron bar for construction is ₹ 350 per Kilogram. B already had 1000 Kg of iron bars in stock which he had purchased before price hike in the market for ₹ 200 per Kg. He supplied iron bars to the firm without the firm realising the purchase cost. Is B liable to pay the firm the extra money he made, or he doesn't have to inform the firm as it is his own business and he has not taken any amount more than the current prevailing market price of ₹ 350? Assume there is no contract between the partners regarding the above.

**(b)**

It was in the course of the business of a firm of grain merchants to obtain by legitimate means information in regard to contracts made by competing firms and one of the partners obtained such information by bribing a clerk of a competitor in the business. Consequently, competitor lost some business and sued the firm for damages. Will the competitor succeed?